



Centre for Local
Economic Strategies

local work

Manchester Independent Economic Review: Lessons for informing better policy decision making

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BACKGROUND

The Manchester Independent Economic Review (MIER) was the first independent economic review of a city region to be undertaken in Europe. The Review comprised seven reports and provided a fresh economic narrative to both inform and raise the level of debate regarding the economic future of the Manchester City Region.

The idea emerged from the management team at Manchester Enterprises (now Manchester's Commission for the New Economy)¹. They had been conducting a review of the existing strategy and evidence base and noted that whilst the previous and current work was thorough and provided policy makers with sound evidence for their decision making process, there was a need for a greater understanding of the Manchester City Region economy to properly understand its inherent and structural strengths and weaknesses. The idea of an independent economic review was then founded, and given momentum by the strong sub-regional partnership from the ten local authorities representing the Association of Greater Manchester Authorities. This support was crucial in taking the concept of the study forward to regional and national partners.

The MIER provided a detailed and rigorous assessment of the current state and future potential of Manchester's economy. It contained a rich seam of evidence to inform the actions of public and private sector decision makers so that Manchester can achieve long term sustainable economic growth and boost the performance of the national economy.

The Manchester City Region has enjoyed sustained economic growth over the last ten years and the MIER provided a blueprint of how to continue this growth and maximise its potential. The Review highlighted whether Manchester has the right combination of strategic assets to gain an increased share of the UK's economy and provide guidance on an economic strategy to drive long-term sustainable economic growth and better establish Manchester as a global player.

¹ See <http://www.manchester-enterprises.com/>

All partners across the North West, and in particular the ten Greater Manchester districts, bought in to building a successful Manchester City Region based on long-term sustainable economic growth. The deep involvement of the business community (who were a key driving force in the process) as well as the Manchester Multi-Area Agreement, and the moves towards establishing the city as a pioneer statutory sub-region, highlighted its unitary vision, leadership and confidence to maximise economic gain.

DELIVERING THE REVIEW

The Review was managed by Manchester's Commission for the New Economy. It was the responsibility of an independent panel, led by **Sir Tom McKillop**, former chairman of the Royal Bank of Scotland Group, and also included **Jim O'Neill**, Head of Global Economic Research, Goldman Sachs; **Professor Edward Glaeser**, Professor of Economics, Harvard University; **Diane Coyle**, Managing Director, Enlightenment Economics; and **Jonathan Kestenbaum**, Chief Executive, National Endowment for Science, Technology and the Arts (NESTA).

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AREAS OF RESEARCH

There were seven reports published over February to April 2009, each addressing distinct yet inter-related thematic areas:²

- ***The Case for Agglomeration Economies***
An overview of agglomeration economies which aimed to establish the overarching framework and assessment of the performance, landscape, threats and opportunities currently displayed in the Manchester City Region.
- ***Innovation, Trade and Connectivity***
Exploring the scope of the links between firms in the city region to understand how well, or otherwise, innovations are spreading.
- ***Sustainable Communities***
Aimed to identify the drivers of social and economic polarisation. It detailed the unevenness of economic development within Manchester City Region over the last decade of strong growth.
- ***Growing Inward and Indigenous Investment***
Provided a better understanding of the importance of inward investment for the city region economy, as well as a better understanding of the links between sectors, in terms of the direct and indirect benefits of domestic and foreign investment in the city region.
- ***Understanding Labour Markets, Skills and Talent***
Assessed the extent to which the city region encourages and attracts a sufficient density of highly skilled workers, and the challenges the city region faces if it is to generate high value output, improving the real incomes of people in the region, and to reach critical mass needed to start to close the skills and prosperity gap with London and the Southeast.
- ***Review of Daresbury Science and Innovation Campus***
The MIER was asked by the Government to undertake, alongside the Review's existing programme of work, an assessment of the current and potential contribution of the Daresbury

²Manchester Independent Economic Review (2009) <http://www.manchester-review.org.uk/>

campus to science and innovation in the UK economy as a whole, the North West science base and the Manchester City Region.

RECOMMENDATIONS FROM THE MIER

A key conclusion of the MIER was that Manchester is probably the UK city, outside of London, most likely to increase its long term growth rate, to access international markets and enjoy strong connections to the rest of the world. However, it is currently punching below its weight given its size and scale – this is viewed as an opportunity for the city to continue to reinvent itself and realise its potential for growth³.

As a result of the analysis and findings from the MIER research reports, the review panel made a number of recommendations for Manchester policy practitioners to take forward. These were designed to address areas of structural weakness and enhance future opportunities. Several of the recommendations have forced policy makers to question and perhaps change existing, long standing practices, providing them with tough choices, some of which could indeed be applied to other city regions. These were⁴:

- **The need for sustained efforts to improve the very early years experience of all young people** in the city region, including at school, socially isolated neighbourhoods, and a review of school admissions policy to test the extent to which existing policies reinforce inequalities;
- **A review of housing strategy is required with the emphasis more on demand** rather than supply and the easing of planning restrictions which restrict availability and increase housing costs for skilled workers;
- **There is a need to review transport planning within Manchester** from the perspective of improving productivity and the connection of those areas of the city where employment is concentrated and others;
- **Planning policy should be reviewed** to acknowledge the reality of economic demand and permit more expansion of suitable business premises in those parts of the city region where demand is strongest – this demand is broadly more apparent in the south of the conurbation;
- **Manchester needs to quickly create a unified regime for planning, regeneration and neighbourhood renewal**, with the balance of local and city regional roles being further reviewed;
- **Sub-regional, regional and national bodies need to undertake further research into whether there are potential government investments in science and elsewhere in the non-traded sector**, including universities and other publicly funded research, in the city region, which could enhance the UK economy as a whole;
- **Governance is key in driving economic growth** – although Manchester has strong leadership, the review identified that the city region still needs to assess how major decisions are undertaken to ensure that difficult decisions, such as those outlined here, are considered more effectively (this is following the failure to deliver the Transport Innovation Fund, which required a congestion charge to help fund transport improvements across the city region);
- **Evaluation activity has been limited, and the review recommended the development of a more effective system of programme and project evaluation.** This included regular city region wide evaluations of housing, economic development, planning, skills, regeneration and transport policy initiatives and interventions;

³Manchester Independent Economic Review (2009) 'Reviewer's Report': <http://www.manchester-review.org.uk/projects/view/?id=720>

⁴Manchester Independent Economic Review (2009) Ibid

- Some of the policy levers for the recommendations are not available at city regional levels. The review recommended that **Manchester and central government explore the evidence of the costs and benefits of, and the potential for, devolution of some powers, including funding;**
- The review found that relatively few Manchester firms had international trading links and were un-ambitious in this respect – **in respect of trading links and skills in particular, the review recommended that the response should be led by the private sector.**

There were also some aspects of policy activity that were not recommended, most notably around the issue of sector based clustering policies. These policies are very popular with practitioners and beneficiaries within the specific sectors, however there is no direct evidence of any benefits. The reviewers highlighted that sector composition should not be a particular concern for Manchester – rather it needs to consider the wider conditions conducive to growth of which sector policy is secondary (e.g. increasing the benefits for firms locating in the city region, creating a good pool of skills from which they can draw upon, quality housing for workers etc).

REFLECTIONS ON THE MIER

The above narrative highlights the role the MIER can play in informing policy in Manchester and leading to focused policy choices that add value to existing practices. However, there are a number of possible areas for further consideration, which could potentially be used as lessons for future research of similar scale:

- **City regional focus** – whilst we appreciate that the scope of the study was city regional, apart from the report on Sustainable Communities, which includes depth analysis of each of the ten Greater Manchester districts and Super Output Areas, the limited local focus means that policy makers across the authorities have little evidence to help inform interventions they themselves can make in their localities.
- **Focus around sustainable development** – the review identifies the challenge of climate change which will become ever more pressing, and that action on this front is necessary to create a sustainable future. However, further consideration could be given by policymakers around creating sustainable economic growth, or addressing the tensions between sustainable *growth* versus *development*. These are in fact two separate elements, as sustainable economic growth will still result in increased consumption and resources – therefore to acquire sustainable development would require significant shifts in the mindsets of policy makers and economists. It should be noted that it was *explicitly* stated at the launch of the study that the available resources limited it specifically to an economic focus.
- **The tensions between the drive towards both productivity and social equity** – the MIER does address the issue of deprivation and social equity in some detail (particularly within the Sustainable Communities report), however addressing productivity whilst simultaneously dealing with social justice is difficult to achieve. The key ethos in the MIER appears to be around increasing productivity in the city region so it (and the wider region) can act as a second growth pole to London and the South East, however it is unclear what the implications for social equality would be in the long run, a key challenge for policymakers;
- **The importance of neighbouring city regions and the wider region** – the reviewers rightly state that Manchester cannot just be an island of strong economic growth within the wider north of England. This facet could be given further deliberation – to achieve continued growth, Manchester will need to draw upon wider sources of economic strength. The two major city-regions to its immediate east and west, Liverpool and Leeds/Bradford, are important to this effort, and the principle would be similar for other major urban areas across the country.
- **Risks in weakening the 'plan led' system** – the recommendations around planning may assume that the more unconstrained market will supply the right kinds of property, in the right

places, for future economic growth. But a period of sliding property prices is unlikely to encourage the right sort of development – or even development of any sort.⁵ Only robust, long-term planning can help supply the kind of guarantees to developers that their investments will pay off over the longer-term, by being integrated into a clear and credible plan for a locality – there are limits to a demand led planning system and the right balance needs to be found and applied.

- **Difficulties of transport planning adapting to a derestricted planning and housing market** – transport planning is more effective when part of a wider spatial and economic planning framework for a locality, as it would be difficult for transport infrastructure to adapt and follow the changing needs of a fully market led system.

THE IMPLICATIONS OF THE MIER AND LARGE SCALE URBAN-SYSTEMS RESEARCH

Added value, added knowledge

It is difficult to categorise both the general and specific benefits of undertaking a large-scale urban-systems study, particularly one of MIER's breadth and depth. Our review therefore focuses on some of the immediate and 'high-level' benefits of undertaking such an ambitious programme of research, which broadly includes: expanding current understanding of spatial economics; enabling serious challenges to conventional policy thinking; and acting as a pivotal/collaborative process that has brought together independent economists, leading business figures, professorial-academic rigour, pragmatic economic development consultants, and key stakeholders in order to understand the working of - and make recommendations for - the future of a city-region's economy. That is not to say that the city region's economic development community (members, officers, partnerships and wider stakeholders) are in concert and agreed on all the findings, but MIER has provided a single, 'model' narrative that has improved understanding and galvanised much planning, thinking, debate and challenge about the future of the city region.

Innovation

'Innovative research' and 'innovative methods' are often overused terms. However MIER was a programme of activity which attempted to test new research methodologies to help understand difficult theoretical concepts including amongst others: the drivers of agglomeration economies; the long-term spill-over effects of foreign and indigenous investment; inter-firm network modelling to understand the dynamics of the city's 'innovation ecosystem'; detailed change modelling to understand the drivers of polarisation; defining new neighbourhood typologies to shape thinking about sustainable development; and using Census datasets to understand the long-term attraction, retention, and 'fountain-effects'/movements of highly skilled employees within the UK and the city-region's labour market. The use of such methodologies was crucial in adding value to the research and ensuring that policy recommendations could be founded on fully robust findings that went beyond relying on 'traditional' research techniques.

Agglomeration and city-region development

Before MIER was commissioned, little was indeed known about agglomeration within the UK's metropolitan areas - in MIER's case the Manchester City Region and its constituent local authority districts – and the range of positive and negative 'externalities' which have a bearing on an area's economic growth prospects. Arguably therefore, one of the greatest benefits of MIER is its contribution to extending both the current local understanding of the blockers and drivers of growth, at the same time being at the vanguard of national spatial economic research.

The programme of research was the first of its kind in the UK to employ detailed empirical firm-level evidence in order to provide a better understanding of agglomeration economies and the variables which contribute to Total Factor Productivity - an economists' preferred productivity measure and most theoretically consistent measure of productivity - that captures the efficiency with which *all* inputs combined produce outputs within Manchester, and across other comparator locations.

⁵ NESTA (2009) 'Response to the findings of the MIER'

Typically many previous studies into regional economic performance use national surveys and top down econometric models that apply national assumptions about productivity levels to some form of 'share analysis' of employment levels and trends - in order to determine a localities economic characteristics such as economic/sector output, employment and future prospects. These usually result in a series of forecasts that generally express a continuation of existing trends, with little exploration and analysis of the various factors which drive economic growth, in particular the relationships between the key 'variables' and 'key actors/agencies' within a city.

This is not a critique of forecasts, future 'scenarios', and economic assessments to date - which have had a useful role to play in engaging stakeholders in economic development thinking and providing general data about the economic/sectoral performance - simply a recognition of their limitations in identifying 'tipping points' and 'shocks' such as the current economic climate, and that they have fallen short in helping policy makers to make sense of the sources of agglomeration economies and the dynamic relationships that determine a city's performance and 'comparative advantage.'

External Analysis and Review

This leads to another key benefit of delivering a large-scale programme of city region research – a new series of challenges to existing strategic choices and policy implementation as well as a critical, objective external opinion on the key factors and priorities which the city region's leadership will need to address if an area such as Manchester is to reach its full potential.

The findings have provided policy makers with fresh evidence on the scale and nature of priorities for growth within the city region, as well as a robust evidence base that has both validated and challenged existing strategy and policy choices, in equal measure. Indeed as the Reviewer's final report recognises, some parts of the policy agenda set out in MIER were obvious but difficult to implement, especially given the limited levers available at the regional or sub-regional level. Others overturn some long-standing pieces of conventional wisdom, or run against particular interests. The interesting challenge will now be to see how each of the MIER's recommendations are addressed and implemented within the forthcoming Greater Manchester Strategy – a blueprint for economic development within the city region – published later this year.

Towards evidence based policymaking

In recent years, evidence based policy and interventions have become increasingly important, as the Government has prioritised the improvements in the quality of policy development. A robust evidence base can result in more effective policy decisions being made, and, in the case of making the business case to government for further resources, establishing policy priorities based upon a level of evidence such as that in the MIER can considerably strengthen the argument. Strong empirical analysis of the economy – proper, unbiased examination which provides key messages to inform policy, is likely to be of increasing importance in the future.

Local collaboration

Because the Manchester economy is a cohesive whole, each District will experience more economic growth if the right policies are developed and implemented in close co-ordination. There are economic advantages from collaboration through establishing a shared model of future development across the city region and a shared consensus on the future investment priorities. Local authorities coming together to appreciate the threads that link their economies together is important, and AGMA's strong working partnership model was key in implementing the study. Recognition of and applying this ethos is crucial before even considering employing large scale urban systems research such as the MIER.

Process and partnership

As well as adding to the existing understanding of the city region's economy, MIER was designed to be a wider process of synthesising existing research through the following inputs:

- a broad stakeholder consultation and call for evidence;
- stakeholder/funder engagement through a Policy Advisory group who gave steer to the overall direction and outputs of the research;

- a series of shared learning events for planning and development officers - exploring the new concepts and latest economic development thinking emerging from the MIER's studies;
- a final 'tour of local districts' presenting the results and discussing the implications of the research findings across the city region, with Chambers of Commerce, VCS organisations, local authority Chief Officers, departmental managers and local council members – from across different service areas - including housing, health, education and children's services, regeneration, planning and economic development.

Therefore the, hopefully, lasting strength of MIER was its aim to be an engaging process that set out a series of recommendations central to bringing together stakeholders across a city region, to raise the level of debate about the priorities for the city region's economy. MIER is also a reflection of the civic confidence of these stakeholders in putting a large-scale strategic and empirical study into the hands of an independent panel – that would confirm existing wisdom about the successes of the city region, but in equal measure articulate some of the hard and ingrained challenges that were known but overlooked or poorly understood. Indeed the recognition of this strength of partnership was recognised in the 2009 budget, with MIER highlighted as a sound and mature approach to strategic planning and a good foundation for the asks that were being made of Government about Statutory City Region Status.

NEXT STEPS

Following the MIER (and indeed for any large urban systems study), there are a number of key issues to consider and for policy practitioners to take forward. One of these is around the role of places. Localities will need to consider their role within the wider economic geography in which they sit (e.g. city-region or polycentric region), and how they can support that wider geography through growing its labour supply, trade linkages and developing its key assets in a coordinated and strategic way.

With regards to both local authorities and the wider city region, policy at both scales needs to carefully consider the importance of other neighbouring urban concentrations, in Manchester's case, the Liverpool and Leeds/Bradford City Regions for example. Effectively linking up to these other geographies is important for long term growth, in particular where the benefits of investment accrue to both the individual city region and wider economic area, e.g. the Manchester Rail Hub.

Effectively understanding the region's economic ecology is another important next step. That is, understanding the form and roles of the public, private and social actors within an area, not just at the city regional level, but also at the local district and neighbourhood levels. At face value this appears relatively straight-forward. However, potentially more difficult, but of crucial importance, is grasping the complexity of the relationships between these facets and how they mutually support and re-inforce each other in order to make more sustainable, inclusive and resilient economies.

The role of localism following a study such as the MIER is also vital. The MIER provided a research programme to inform top level city regional strategy, but did not detail the lower spatial scales. An understanding of the local issues and solutions is required, using a combination of 'bottom up' evidence and action that is also designed to contribute to shared - strategic outcomes for the wider economy. Local authorities using this knowledge in a collaborative way is important in delivering strategy and policy at both the local and city regional scales.

The Local Economic Assessment Duty is a fundamental enabler for local authorities to add the local intelligence into the city regional policy framework, ensuring that the city regional agenda is being informed by local needs, which a strategic study like MIER was not designed to do. The economic assessments should not be a 'tick list' of data and description, but rather be used as a tool to empower local areas to consult, assess and set their own local agenda in order to identify what needs to be done in order to help achieve prosperity for all.

Finally it should be noted that MIER was not intended to be a policy document, and perhaps there were some elements of miscommunication regarding this. It is purely a research study based on strong empirical evidence and analysis, designed to *inform* the policy decision making process, not

dictate it, and it is the responsibility of all policy practitioners (both local and city regional) to use their skills and knowledge to apply (and to challenge) findings of large scale studies such as this in the most effective way.

POSTSCRIPT

In August 2009, the Association of Greater Manchester Authorities published the Greater Manchester Strategy⁶ which sets out AGMA's high-level response to the fundamental policy challenge set out in the MIER. It is relevant here to outline the key policy ideas set out in the Strategy before offering CLES' interpretation. Amongst the strategic priorities are to:

- radically improve the early years experience for hard to reach groups, particularly in the most deprived areas;
- improve life chances in the most deprived areas by investing in lifelong skills development and providing other forms of support, including accessible employment opportunities;
- increase the proportion of highly skilled people in the city region;
- attract, retain and nurture the best talent;
- significantly improve transport connectivity into and within the city region;
- expand and diversify the city region's economic base through digital infrastructure;
- increase the international connectivity of the Manchester city region's firms, especially to newly-emerging economies;
- achieve a rapid transformation to a low carbon economy;
- create quality places to meet the needs of a competitive city region;
- review city region governance to ensure effective and efficient delivery mechanisms;
- build the city region's Sense of Place.

CLES' perspective

It is interesting to see how the findings of the MIER have been translated into tangible policy objectives. CLES is encouraged to see that tackling entrenched disadvantage is a strategic priority for the City Region; for example, the ideas around improving early years experience and investment in accessible employment opportunities. The attention given to developing a low carbon economy is also welcome. However, it is disappointing to see a distinct lack of consideration to equality and diversity issues in the Manchester City Region. It remains the case that many of the most deprived districts in the City Region are characterised by significant ethnic minority populations. Moreover, the challenges that women, disabled people, and people with mental health issues can face in terms of entering and achieving parity in the workplace, and thus fulfilling their potential to contribute to the economy, is also overlooked. More broadly, it is disappointing that the Strategy takes a narrow view of the economy. For instance, there is little recognition of the value of the social economy in the City Region, or indeed how the social economy will be supported. There is also a lack of appreciation of spatial issues, such as planning, and little on the relationship between the Greater Manchester City Region and elsewhere in the UK.

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⁶ AGMA (2009) 'Prosperity for all: The Greater Manchester Strategy', accessed at: <http://www.agma.gov.uk/ccm/navigation/key-strategies/>