

## Manchester City Council Report for Information

**Report to:** Economy and Regeneration Scrutiny Committee – 5 September 2023

**Subject:** Economic Strategy Update

**Report of:** Strategic Director (Growth and Development)

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### Summary

This report provides an update on the development of a new Economic Strategy which sets out how the next phase of Manchester's growth can ensure that the city's economy is both high performing and drives a reduction in inequalities.

### Recommendations

The Committee is recommended to:

- Consider and comment on the information in the report to inform the final stages of the development of the Strategy.
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### Wards Affected: All

**Environmental Impact Assessment** - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The report proposes that achieving a zero carbon and climate resilient economy should be one of five outcomes of this work, and that the transition to a zero-carbon economy will in itself create new opportunities through investment in the wider low carbon sector. However, members should also be aware that increased wealth is also usually associated with increased consumption. By making Manchester's economy fairer and more inclusive, there is a risk that per capita emissions would rise, hence the importance of delivering the Climate Change Framework and ensuring a rapid transition away from fossil fuels. It is also relevant to note that denser, better-connected cities are usually more carbon efficient than less dense cities due to the increased viability of public transport and active travel.

**Equality, Diversity and Inclusion** - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

A key focus of this work is to make Manchester's economy fairer, to ensure that more people benefit from economic growth and that this benefit is equitable. The strategy suggests including more people are included in economic opportunity as an outcome.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	<p>This report proposes a route to directly deliver on the Our Manchester priority <i>“We will work to ensure Manchester has a strong, inclusive and innovative economy with diverse growth sectors, where our residents are recognised for their contribution via fair contracts and are paid at least the Real Living Wage.”</i></p> <p>By working to encourage inclusive growth, this strategy will contribute to all Our Manchester themes by:</p> <ul style="list-style-type: none"> <li>• Growing and diversifying the economy</li> <li>• Create new, highly skilled job opportunities</li> <li>• Working harder to connect our residents to the city’s economy success</li> <li>• Supporting the transition to a zero carbon economy</li> <li>• Supporting investment in the infrastructure we need to thrive and grow</li> </ul>
A highly skilled city: world class and home grown talent sustaining the city’s economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### Financial Consequences – Revenue

There are no direct financial consequences

### Financial Consequences – Capital

Not applicable

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Economic Strategy Update, Economy Scrutiny Committee, 10 November 2022
- Developing a More Inclusive Economy; Our Manchester Industrial Strategy, Executive, 11 September 2019
- Powering Recovering: Manchester's Recovery and Investment Plan

## **1.0 Introduction**

- 1.1 Manchester has an ambition to grow in a fairer and more sustainable way whilst ensuring the city's economy remains competitive, diverse and dynamic. In November 2022, the Committee commented on early proposals to develop a new economic strategy for Manchester which will set out Manchester's approach to growth including focussing on developing a strong, competitive, inclusive and resilient economy which will maximise benefits of the city's residents and businesses.
- 1.2 This paper provides an update on progress and presents the emerging themes and priorities that it is proposed are included in the final strategy. It also discusses some of the tensions and trade-offs between boosting growth in Manchester and reducing income inequality.

## **2.0 Manchester's economic ambition**

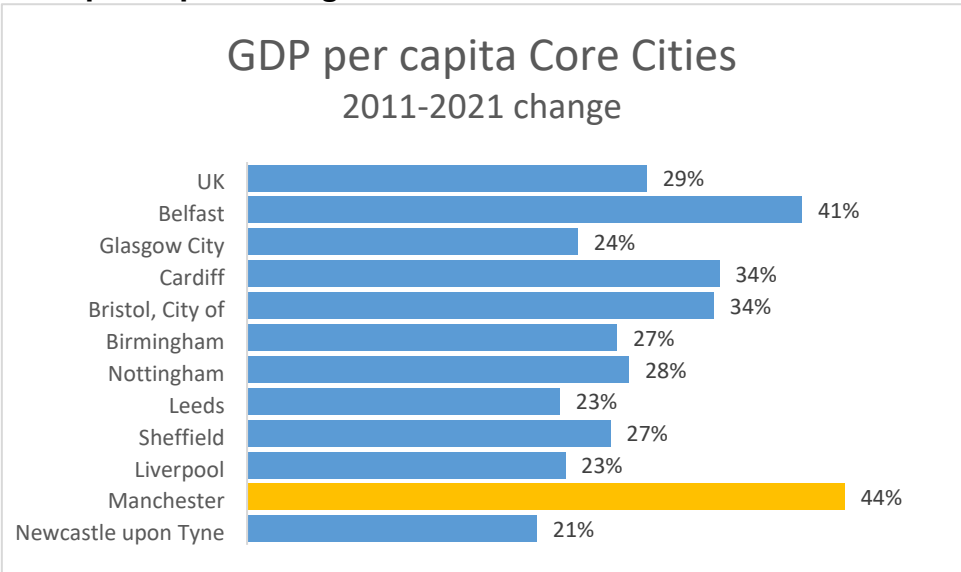
- 2.1 Manchester has worked hard to achieve significant growth over the last twenty years which has resulted in a growing population, a more highly skilled and highly educated workforce, more jobs, a more diverse economy, greater investment and the wholesale regeneration of large areas of the city. This marks a huge transformation when compared to the city in the 1980's and early 1990's.
- 2.2 While recognising the challenges that growth brings, we are clear that growth has largely been positive for the Manchester. Growth has enabled us to secure the foundations from which to work on tackling some of the wider and more entrenched problems that have persisted throughout Manchester's recent history. These problems include poverty and inequality, poor health, housing quality, underinvestment in infrastructure and under-resourced public services.
- 2.3 At the same time, the national economy has endured a period of stagnation, with low GDP growth, low wage growth and a continued imbalance between London and the southeast and the rest of England's regions. Greater Manchester's economy is the second largest of the UK's urban economies after London and is larger than the economies of both Wales and Northern Ireland. Continuing to develop a successful and thriving economy in Manchester is essential to solving the UK's growth and productivity problem, and our ambition is for Manchester to complement rather than compete with existing successful regional economies in the UK.
- 2.4 Because we have reached a stage where we can build on strong economic foundations, the time is right to consider what we want future growth in Manchester to look like. Our economic strategy will set out how we continue to grow in a way that is fair, inclusive and in-line with our zero-carbon commitments.

### 3.0 Manchester's Economy

#### Size

- 3.1 In 2021 the size of Greater Manchester's economy was £87bn in GDP terms, significantly smaller than London (£526bn) and slightly larger than Birmingham (£79bn). Internationally, Greater Manchester's economy is of a similar size in GDP terms to cities such as Lyon, Rotterdam and Vancouver. The number of people employed in Greater Manchester has increased from 1.22m in 2015 to 1.39m in 2021, an increase of 170k of which almost 40% are in Manchester itself. While operating at a regional level, the majority of economic activity in Greater Manchester takes place in the City of Manchester, where most of the city region's economic assets are located.
- 3.2 While we can use GDP as a measure of the total size of the economy (the total value of goods and services produced, accounting for taxes and subsidies, in a given time period), GDP per capita is useful in telling us about how much economic output each person contributes on average, giving us insight into average incomes. Manchester's GDP per capita has risen from £35,739 in 2011 to £51,330 in 2021, an increase of 44% and the largest percentage increase of any GM district or UK core city over the same period, including London.

**Chart 1: GDP per capita change in UK Core Cities 2011-2021**

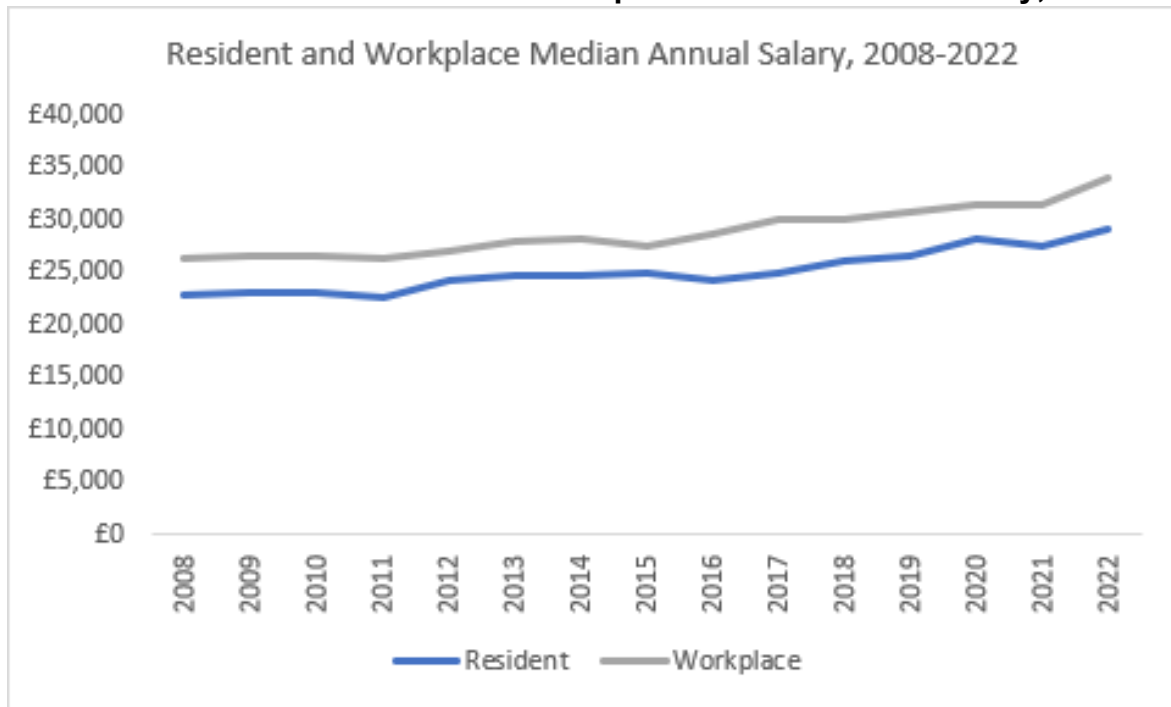


#### Labour market

- 3.3 Manchester's labour market has expanded rapidly with the number of employees in Manchester growing from 350,000 in 2015 to 416,000 in 2021, an increase of about 19%. Wage growth has remained consistent, but there is still a gap between the average wages of people who work in Manchester (but do not necessarily live here) and people who live in Manchester. The pay of a Manchester worker has increased by about 29% from £26,261 in 2011 to £34,057 in 2022, while the pay of a Manchester

resident has increased from about £22,554 to £29,080, also a rate of about 29%. This shows that the wage gap has remained about the same in the last decade. In 2022, about 16% of Manchester working residents were paid less than the real living wage, higher than both the GM (13.2%) and England (12.4%) averages, showing that low pay continues to be a problem for a significant minority of Manchester residents. More positively this rate has almost halved from a peak of 30.5% in 2015.

**Chart 2: Manchester Resident and Workplace Median Annual Salary, 2008-2022**



3.4 Looking at employment by sector and occupation we can identify Manchester’s strengths. We can also see the changing mix of industries, with those industries more likely to employ more highly skilled and more highly paid workers growing as a proportion of all industries.

**Table 1: Top five industries by number of employees (ONS, 2021)**

Industry	Employees 2015	Employees 2021	Rate of change
Professional, Scientific and Technical	39,000	57,000	46%
Health	45,000	51,000	13%
Business administration and support	38,000	47,000	24%
Education	36,000	40,000	11%
Accommodation and food services	30,000	35,000	17%

**Table 2: Top five industries by proportion of employees (ONS, 2021)**

Industry	Proportion of employees 2015	Proportion of Employees 2021	Change
Professional, Scientific and Technical	20.7%	24.7%	+4%
Health	23.9%	22.1%	-1.8%
Business administration and support	20.2%	20.4%	+0.2%
Education	19.1%	17.3%	-1.8%
Accommodation and food services	15.9%	15.2%	-0.7%

**Table 3: Top five industries by rate of change (ONS, 2021, excluding very small industries)**

Industry	Employees 2015	Employees 2021	Rate of change
Construction	6,000	11,000	83%
Property	8,000	12,000	50%
Public administration and defence	16,000	24,000	50%
Professional, Scientific and Technical	39,000	57,000	46%
Business administration and support	38,000	47,000	24%

3.5 These three tables show us that Manchester is successfully achieving growth in some sectors which are more highly skilled and more highly paid, and which operate in the city at scale.

3.6 Looking at growth in more specific occupations in our priority growth sectors of digital/technology, financial and professional service, life sciences and advanced manufacturing we know that Manchester has seen particularly strong growth in the following occupations, though are aware that some of these are still very small.

**Table 4: Top five occupations by rate of change, priority sectors only, (ONS, 2021)**

Occupation	Employees 2015	Employees 2021	Rate of change
Research and experimental development on natural sciences and engineering	600	1,250	108%
Architectural and engineering activities	6,000	11,000	83%
Accounting, bookkeeping and auditing activities	6,000	11,000	83%
Activities auxiliary to insurance and pension funding	5,000	8,000	60%

Computer programming, consultancy and related activities	9,000	11,000	22%
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3.7 We can see from this data that Manchester has particular strengths within industries.:

- Within Financial and Professional Services, the number of occupations under the “activities of insurance agents and brokers” code has risen from 1,500 in 2015 to over 4,000 in 2021, an increase of over 160%.
- Computer programming activities and computer consultancy activities together account for 7,890 jobs in Manchester in 2021. Both groups saw a decline between 2020 and 2021, however despite the decline the number of jobs stayed above where they were in the figures for 2019, showing some resilience in the aftermath of the COVID-19 pandemic.

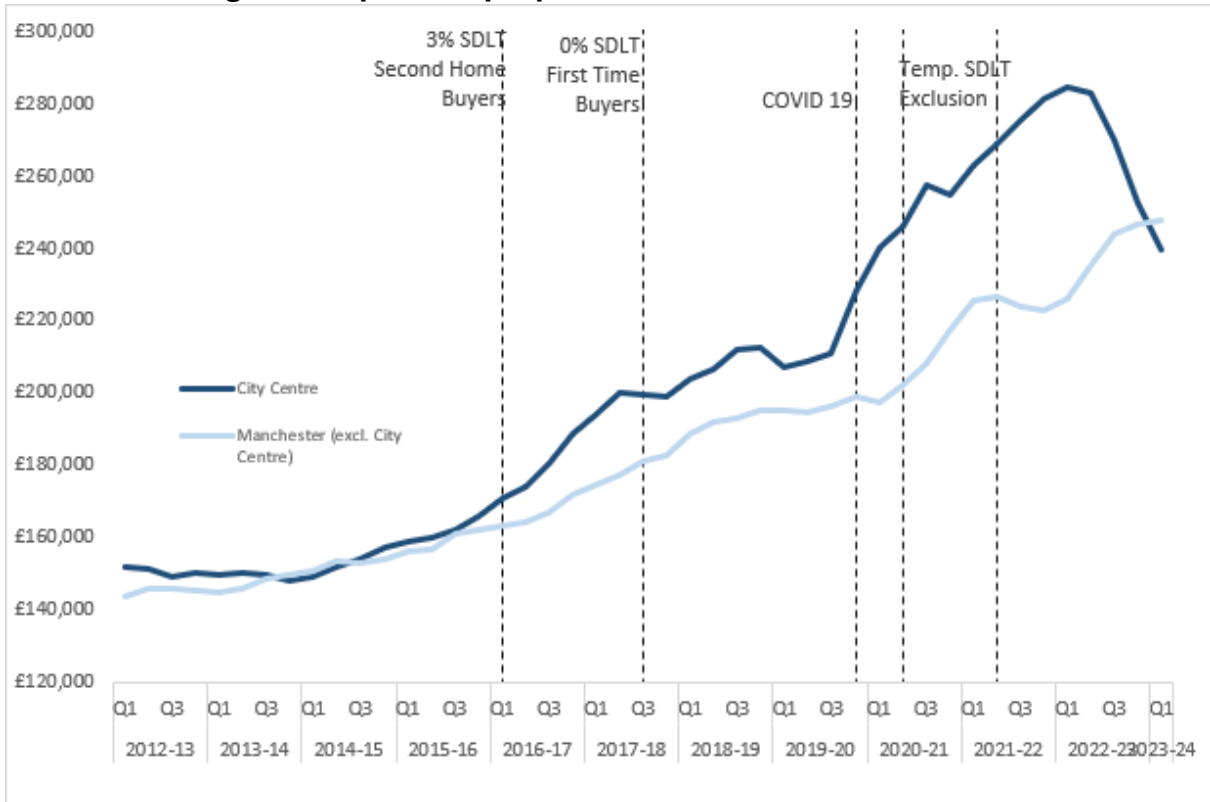
### Housing

3.8 Importantly, the cost of housing has increased significantly faster than any rise in wages. In 2002 the median house price in Manchester was £67,000, rising to £125,000 in 2012 and £230,000 in 2022. The ratio of house prices to earnings over the same period increased from 3.75 to 5.15 to 7.91. This represents a 110% increase in the ratio between 2002 and 2022, is the highest ratio increase of English Core Cities, and is also higher than approximately two thirds of all London boroughs. However, within Greater Manchester, three boroughs have seen higher percentage increases in the ratio than Manchester; Salford (141%), Oldham (122%) and Tameside (116.79%). At the same time all three have lower overall ratios than Manchester. Manchester’s overall ratio of 7.91 is higher than all English Core Cities except Bristol (9.64), and lower than all London boroughs which range from 10.07 (Bexley) to 34.26 (Kensington and Chelsea).

3.9 The latest data (July 2023) shows that the average sales price for a property in Manchester City Centre is now £239,538 and outside the city centre its £247,608. Over the previous 12-month period the average sales price in the city centre has declined 15.8% whereas outside of the city centre it has risen by 9.7%. Average sales prices inside the City Centre have fallen below the average sales prices outside of the city centre for the first time since 2014-15 Q2. This has been caused by the secondary sales market making up a larger proportion of activity than in previous years, prices for both secondary sales and new builds are continuing to rise.



**Chart 3: Average sales price of properties in Manchester**



3.10 Renters face a similar challenge to affordability. The latest figures show that the average rental price of a 2 bedroom in Manchester City Centre is £1,333, and outside of the city centre its £1,023. Over the last 12 months there has been a 17.5% increase in the average rental cost for a 2 bed in the city centre, and a 15.9% rise outside of the city centre. It is also worth noting that during that period there has been no increase to the Local Housing Allowance (LHA), which remains at £648. The following chart shows that cost as a proportion of the average Manchester resident and Manchester worker wage

**Chart 4: Average rental cost as a proportion of wages, August 2023**



## Investment

- 3.11 Measuring flows of investment into Manchester is difficult, but we can use data from Manchester’s inward investment agency, MIDAS, to help gain an understanding of trends. MIDAS don’t support every investment into Manchester and don’t support retail, wholesale or leisure/hospitality sectors so that data we do have only represents a portion of overall investment activity. It is an estimate of the GVA impact of “won” investment.

**Table 5: GVA impact of investment (MIDAS, 2023)**

Year	GVA from foreign Investment projects	GVA from UK projects
2018/19	£ 146,409,684.00	£ 35,966,815.00
2019/20	£ 76,198,105.00	£ 30,247,140.00
2020/21	£ 32,811,454.00	£ 29,117,623.00
2021/22	£ 133,101,429.00	£ 78,817,696.00
2022/23	£ 159,819,116.00	£ 77,425,697.00

- 3.12 This shows that the GVA impact of investment has risen above the pre-COVID peak, and that a greater share is coming from UK businesses.
- 3.13 The total number of jobs created from the inward investment to Manchester for the years 2021/22 and 2022/23 were 3,720 and 3,926 respectively. And an additional 402 jobs were safeguarded in 2022/23 (MIDAS, 2023).
- 3.14 In addition, we know from the regular EY Attractiveness Survey that Manchester has for some time attracted the second highest number of investment projects (45) in the UK after London, with the latest 2023 report stating that “the success of most cities [is being] driven either by an existing diverse sectoral base or a success in embracing digital investment. Manchester [is] especially strong in securing digital projects”.

## 4.0 Policy Context

- 4.1 Manchester’s Economic Strategy needs to operate within a regional and national economic policy context in a way that is distinctive and adds value. This section is intended to provide a short summary of this context and identify the main features that are relevant to Manchester.

### UK Government

- 4.2 There has been a renewed focus on regional economic policy since Chancellor George Osborne’s “Northern Powerhouse” speech at Manchester’s Science and Industry Museum in 2014, which identified the underperformance of the UK’s regions as a significant barrier to wider growth. Following that speech there have been various government policy interventions which have been implemented to drive forward this agenda, though in practice success has been variable and changes in government

have resulted in inconsistency. The main features of UK government policy have included:

- Devolution – With the creation of Mayoral Combined Authorities (MCA), Greater Manchester has been at the forefront of the devolution agenda. Today, Greater Manchester has significant control over transport, housing, planning and regeneration, health and more. Manchester remains committed to the devolution agenda and supports further devolution of powers and funding to the MCA.
- Levelling Up - Published by the Johnson Government, the Levelling Up Whitepaper recognises the challenges posed by regional economic imbalances and sets out a series of missions to close the wealth and productivity gap in the UK. Levelling Up has also allocated financial resources to the regions through the Levelling Up Fund, and is making progress on moving civil servants out of London.
- Industrial Strategy - Since 1979 UK industrial policy has generally focused on liberalising markets, reducing intervention, increasing competition and attracting foreign investment. Broadly speaking, this approach has generally tended to favour London and the south-east of England over the regions, with research showing that since the 2008 economic crisis investors have favoured London as being lower risk (or benefitting from almost guaranteed UK Government support) than the regions. Since the referendum on the UK's membership of the European Union, UK Government has renewed focus on industrial strategy, however policy has tended to be short lived. The Government of Theresa May introduced a UK wide Industrial Strategy which was supported by Local Industrial Strategies at MCA level. While nationally the Industrial Strategy terminology was dropped, Local Industrial Strategy has persisted in Greater Manchester.

4.3 More generally, it should be noted that the UK is one of the most politically and fiscally centralised countries in the developed world, and that many of the levers that our international peers use to implement change and raise funding are not available to us here in Manchester. The UK's policy and funding landscape has changed quite significantly in recent decades, but for Manchester and other local authorities, the main issues remain:

- Disconnect between different UK Government Departments
- Lack of ability to raise finance locally
- Churn in policy priorities and delivery mechanisms
- Fragmented funding that is difficult to align to local requirements
- Onerous application processes for funding streams where success is not guaranteed
- Insufficient volume of funding to support priorities

4.4 In order to meet our economic ambition, Manchester needs the support of UK Government in a way that is consistent, long term and sustained. Much of this support could come through further devolution to GMCA, and the latest "trailblazer" devolution deal does go some way to securing important

commitments such as a single funding settlement. Additional support should include:

- Further commitment to invest more in research and development in Manchester.
- Further devolution of powers over transport, particularly rail.
- Devolution of the funding to enable us to meet the infrastructure requirements of new development.
- Powers to help us make the best use of land and drive up housing standards.
- Support to help us make the transition to a zero carbon city, particularly to enable us to decarbonise housing.

### **Greater Manchester**

4.5 Greater Manchester has a number of strategies and initiatives which are important for Manchester's future economic growth including:

- [Greater Manchester Strategy](#) – the overarching strategy for making Greater Manchester a place where everyone can live a good life, grow up, get on and grow old in a greener, fairer and more prosperous city region.
- [Local Industrial Strategy](#) (LIS) – The original GM LIS set out Greater Manchester's vision for its economic future. The LIS will be refreshed and updated by the end of 2023.
- [Local Skills Improvement Plan](#) - Aims to change the way skills provision is delivered by ensuring employers' voices are heard and their skills needs are recognised.
- Investment Zones – The current iteration of investment zones policy is focused on connecting industrial clusters to higher education and supported subsidies and tax breaks. In Greater Manchester, the focus of our investment zone is likely to centre on the city centre, along with the proposed "Atom Valley" innovation cluster.
- [Greater Manchester Transport Strategy 2040](#) – The Strategy sets out a strong commitment to provide a transport system which: supports sustainable economic growth and the efficient and effective movement of people and goods; improves the quality of life for all by being integrated, affordable and reliable; protects our environment and supports our target to be net zero carbon by 2038 as well as improving air quality; and capitalises on new technology and innovation.
- [Places for Everyone](#) – A joint development plan between nine GM districts which will determine the kind of development that takes place in each borough, maximising the use of brownfield land and urban spaces while protecting Green Belt land from the risk of unplanned development. It will ensure new development is connected to transport and supported by infrastructure.

## **Manchester**

4.6 In Manchester we have several strategies that align with the economic strategy's aim of promoting growth that is fairer and more inclusive. These will form key components of the final economic strategy.

- Work and Skills Strategy – Our strategy to move residents towards and into more highly skilled, more highly paid and more secure employment.
- Housing Strategy – Our strategy to build 36,000 new homes by 2032, including 10,000 affordable homes.
- City Centre Transport Strategy – Our strategy to create a well-connected, zero-carbon transport system in the city centre.
- Digital Strategy – Our strategy to roll out digital infrastructure, support digital business to grow, and to upskill resident's digital skills.
- Making Manchester Fairer – Our strategy to tackle health inequalities in the city

A more detailed summary of relevant Manchester strategies is included in Appendix 1. The Economic Strategy will replace the Manchester Local Industrial Strategy and Powering Recovery.

## **5.0 The strategy development process**

5.1 Officers have used a mixed methods approach in developing the new strategy. This combines detailed research and analysis with listening and engagement activity to take on board and understand the views of Manchester residents and businesses. Officers in the Strategy & Economic Policy Team have led this process, working closely with officers in other departments across the Council.

5.2 The process has included the following components:

- Literature review of recent research publications with analysis to identify common themes, trends and recommendations.
- Academic engagement with University of Manchester (via Policy@Manchester) colleagues to gain academic input into the development process.
- Development of a data baseline of relevant indicators and measures which describes Manchester's economic context and economic performance.
- Direct engagement with business networks, partnership boards and resident's groups in Manchester, in particular targeting residents from diverse communities and those residents that we know are harder to reach.
- Online engagement through social media, online surveys and events to reach a wider cohort of Manchester residents and businesses.

- 5.3 Feedback from our initial engagement work has been constructive, with participants recognising both the opportunities and challenges that growth brings.
- 5.4 Outputs from these components have been used to develop the themes and priorities outlined later in this report. Further engagement with members will take place prior to a final strategy going to Executive in November 2023.

## **6.0 Early feedback from residents and businesses**

- 6.1 Residents and business in Manchester have been asked to reflect on the challenges and opportunities created by growth in the city. While the engagement process is ongoing, we have seen greater than expected engagement online and have had positive interactions with residents through in person engagement. It is clear that people in Manchester feel strongly about the subject matter, and regardless of whether our residents use our language to describe their views on the economy of the city, many of them have a lot to contribute. Feedback so far includes:
- Residents generally feel that growth in Manchester has created both opportunities and challenges.
  - Businesses are encouraged to hear that Manchester is talking about how we take the city's economy journey to the next stage
  - Most respondents feel that the time is right to have this kind of conversation about the future of Manchester's economy and growth journey.
  - Most respondents recognise that there are tensions and trade-offs between promoting growth in reducing inequalities.
- 6.2 While the subject matter can elicit strong feelings and opinions, engagement work to date has been constructive and productive.

## **7.0 RSA Urban Future Commission**

- 7.1 Manchester has been working with the RSA through Core Cities UK to examine how to unlock the potential of UK Cities. This work, known as the [UK Urban Futures Commission](#), poses three questions:
1. What are cities and what role do they play in our social, economic and environmental systems?
  2. In light of those challenges, what is our vision for cities in the future?
  3. How do we reach our vision for cities?
- 7.2 At the time of writing, the Commission is still in the process of producing its report. However early findings are that successful cities:
- Have a strong driving mission, rooted in their unique assets and co-produced and co-owned by key place actors.

- Exhibit a broad and inclusive definition of leadership, with key behaviours that drive change.
- Rely on deep partnerships between government, business, anchor institutions and citizens themselves.
- Draw on the energies, agency and knowledge of their citizens, contributing to better decision-making, smoother delivery and greater legitimacy.
- Monitor progress against key objectives and build in feedback loops, iterating strategy and delivery according to new insight.
- Draw on a range of funding sources and attract private investment for key regeneration initiatives.

7.3 Manchester has a strong track record in promoting growth and many of these findings are already embedded in our work, however, the new Economic Strategy will allow us to codify them, providing clarity and certainty around our overall mission and purpose.

## **8.0 Resolution Foundation Economy 2030 Enquiry**

8.1 The Resolution Foundation have been undertaking a separate piece of work known as the Economy 2030 Enquiry. This Enquiry is taking place over two years and has resulted in dozens of published essays. Part of the Enquiry is examining how UK cities can plausibly increase productivity, with case studies being prepared on the Manchester and Birmingham city regions. While the Council has not commissioned this work and is not leading it, officers have worked closely with the Resolution Foundation Team to inform it. The Resolution Foundation will launch the Manchester case study at an event here on 12 September 2023.

8.2 Key findings from the research indicate that:

- The everyday economy (also known as the foundational economy, the ordinary economic transactions and services in a place) is not a plausible route to boosting relative productivity, because there is less scope for productivity growth from an everyday economy business (e.g. a coffee shop) compared to a higher value business (e.g. a tech start up).
- Re-industrialising and focusing on high-skilled manufacturing also won't deliver significant productivity improvements as the sector is too small overall.
- Manchester does not have enough high-skilled, exporting businesses for a city of its size.
- The conditions for growth are similar across all sectors, and it is preferable to focus on improving these generic conditions instead of predicting future sectors ("picking winners").
- While agglomeration is working in the city centre and high value-added occupations are clustering, the city centre is too small overall for a city of Manchester's size.
- Rather than predicting future sectors, think about creating conditions for any high value-added activities/tasks.

8.3 The findings also present challenges for Manchester:

- We have too few high-value/high-skill jobs and workers
- The number of jobs in the city centre is too small
- The supply of land to accommodate growth is constrained
- Closing the income inequality gap for our poorest residents (whose income does not come from work) is dependent on UK Government uprating benefits.
- We have a limited carbon budget in which to accommodate growth.

## 9.0 **Research findings/literature review**

9.1 There is a huge amount of literature on regional inequality in the UK which dates back decades. Discouragingly, many of the problems and solutions identified in academic papers, think tank papers and government policy proposals have been consistent over time. At the same time, this consensus does provide the evidence base that underpins our strategy and contributes to the policy interventions that we are proposing to take forward. A review of recent available literature supports the view that:

- Manchester has low productivity for a city of its size when compared to European and North American comparator cities.
- The level of political, economic and institutional centralisation in the UK is a major barrier to cities increasing productivity and growth.
- At a national level, there has been a lack of consistent and effective policy intervention to make any meaningful impact on the problem.
- Regional private sector investment is low when compared to other cities internationally, and in the UK is heavily weighted towards London.
- Regional research and development investment is also low when compared to other cities internationally and is again weighted towards London.
- The impact of austerity has reduced the capacity of public services to enact policies to support growth.

9.2 The review also supports our view that economic strategy should focus on:

- Attracting different forms of and diversifying investment
- Building on our existing sector strengths
- Increasing the number of highly skilled people living and working in Manchester
- Improving transport and connectivity
- Creating an economy that is resilient in the face of challenge and change

## 10.0 **Summary of main challenges identified from evidence base and research work**

10.1 In summary the main findings from our work to date include:



## Transport

- UK regional investment in transport infrastructure is very low compared to other countries, with the bulk of spend going towards London and the south-east.
- European cities tend to have better developed public transport networks while North American cities tend to have better developed road networks. UK cities outside of London tend to have neither.
- Manchester does not have the physical space available to tackle congestion though expansion of the road network to the extent required to accommodate a growing population.
- The limited capacity of transport within Manchester is a brake on growth and prevents agglomeration.
- The limited capacity of transport between cities is a barrier to investment and Manchester has lost out because of slow and unreliable intercity connections, particularly in the north of England.
- Manchester does have levers through the City Centre Transport Strategy and Greater Manchester Transport Strategy to shape future transport scheme in the city.

## Investment

- Public (government and higher education) R&D spending in the regions lags behind London and the south east relative to business R&D spending.
- Financial institutions concentrate in London tend to be less interested in investing in UK regions, meaning Manchester is more reliant on Foreign Direct Investment.
- In Manchester, a large share of investment is into the property market rather than into things which help businesses to become more productive or to grow such as research and development.

## Skills

- Graduates in Manchester are as capable as graduates from elsewhere when looking at degree class.
- There are far more people qualified to degree level in Manchester today than twenty years ago.
- The wage premium for graduates in Manchester has fallen since 2010 while in London it has remained the same.
- Many graduates in Manchester are working in “non-graduate” jobs.
- Upskilling and connecting Manchester residents to the labour market remains important, and Manchester’s Work and Skills Strategy enables us to do this.

## Housing

- Lack of affordable housing is a constraint on growth as housing expenditure eats up a greater proportion of incomes, and spending on housing doesn’t directly support spending in the wider economy, though

Manchester's housing strategy aims to increase housing supply and in particular deliver an additional 10,000 affordable homes.

- Housing quality is an issue in Manchester where we have a large amount of older housing stock that requires considerable investment to bring up to modern requirements. Manchester is already investing in retrofit of social housing stock.
- Issues with the cost and quality of housing is starting to prevent both new, highly skilled entrants to the labour market choosing to live in Manchester, but also established highly skilled workers from living or remaining in Manchester, showing that Manchester needs to continue our track record of building more homes, particularly in and around the city centre.

## 11.0 Vision and purpose

11.1 The following vision has been developed to summarise Manchester's ambitions for a more inclusive economy:

“Manchester will have a strong, competitive and growing economy, one that is increasingly productive, innovative and zero carbon. We will build on our successful sectors, our connectivity and continue to create economic growth that benefits the surrounding regions and the national economy.

Our economy will be fairer and more inclusive, so that all the residents in our diverse city can benefit from the jobs and opportunities created by economic growth and are fairly recognised for the contributions they make.”

11.2 Although the 'Our Manchester Industrial Strategy' was developed in 2019 and 'Powering Recovery' was published in late 2020, the economic context for Manchester and the UK has changed considerably. The city needs a new forward looking economic strategy to guide the next phase of growth, reassure private sector investors and developers and crucially to support wider objectives such as improving pay and career opportunities, and reducing inequalities. Trickle down approaches to economic growth have failed and there is an ongoing need for the Council to influence the market to ensure that growth improves people's lives and is spread across the city not just focussed on the city centre.

11.3 The purpose of the new strategy will be to:

- **Reassert the fundamental importance of economic growth** in relation to the city's broader strategic ambitions including its contribution to public finances.
- Send **an ambitious, positive and reassuring message** to current and prospective businesses, investors and developers about the existing and future opportunities presented by Manchester's growth plans, infrastructure, residential development, quality liveable neighbourhoods, environment, zero carbon ambitions, talent pool and international connections.
- Set out **clear expectations** for existing and prospective businesses, investors, developers and other public sector stakeholders in relation to

their role in developing a more inclusive, zero carbon and resilient economy.

- Focus on investing in the **enablers of economic growth** to ensure that the city remains economically competitive.
- Ensure that current and future economic opportunities are **accessible for residents** and that they support good living standards.

11.4 The final strategy will be underpinned by evidence but will be a concise, easy to read, outward facing economic growth prospectus which can be launched and promoted in late 2023. The main audience for the Strategy will be businesses, investors, developers, partners and residents.

## 12.0 Strategy objectives

12.1 The next stage of Manchester's economic growth needs to build on the strong foundations of the last 20 years and must utilise the city's assets for the benefit of Manchester residents. Future success is dependent on ensuring that Manchester remains a competitive, dynamic, diverse and attractive place for investment. This requires improvements to the city's infrastructure and environment, the creation and management of high quality liveable neighbourhoods, major public and private sector investment to transform some key areas of the city and ensuring that employers have access to a diverse pool of talent.

12.2 Importantly, the Strategy must not try and become another version of the Our Manchester Strategy but must focus on the issues that are central to the city's future economic growth. An economic strategy will be positioned as the route to delivering the Our Manchester priority "*We will work to ensure Manchester has a strong, inclusive and innovative economy with diverse growth sectors, where our residents are recognised for their contribution via fair contracts and are paid at least the Real Living Wage*". This would ensure logical flow from Manchester's existing strategic framework.

12.3 It is also important to note that we already do a lot of good work under these objectives. This work will be captured in the new strategy, for example how we are using the Digital Strategy to provide good digital infrastructure, the Work and Skills Strategy to upskill residents, or the housing strategy to increase the number of homes and affordable homes.

12.4 The Strategy will be structured under five objectives which sit around a core outcome which is ensuring that Manchester's economy is one of the most high-performing, whilst reducing inequality. These themes and the issues they are intended to address are set out below

12.5 **Core outcome - Manchester's economy is one of the most high-performing, whilst reducing inequality:** Build on Manchester's assets to create a thriving economy which drives investment and good quality jobs. Maximise local benefit from economic growth using all available levers to help tackle low pay and inequality.

- 12.6 **Objective 1 - Strategic approach to development and investment:**
- Develop a strong pipeline of new developments which can stimulate inclusive economic growth to provide the commercial, residential and mixed-use schemes to meet future demand.
  - Attract new sources of national and international investment into the city.
- 12.7 This theme will recognise that the city centre is and will remain the main driver of growth in Manchester and the wider city region. It is where we will see the greatest concentration of employment activity and the greatest potential for agglomeration benefits, and therefore growing the size of the city centre is fundamental to increasing Manchester's overall prosperity. The good connectivity of the city centre means it is also the place that our residents are most able to gain work. It will be important to make sure that the city centre is well connected to other current and future employment sites in Greater Manchester, including the Oxford Road Corridor, MediaCityUK and Atom Valley.
- 12.8 At the same time, we know that we need to spread the benefits of growth more evenly. This means creating more good quality liveable neighbourhoods elsewhere in the city, that have sound economic foundations to make sure that they can also be successful and thrive. It also means making sure that investment in our neighbourhoods positively impacts those places and the people that live in them, by more directly connecting benefits to communities.
- 12.9 **Objective 2 – Thriving, productive and innovative sectors:**
- Continue to create a globally competitive environment for investment in innovation with increased investment in Research and Development.
  - Ensure that innovation runs through everything we do including helping to drive productivity in lower paid sectors in the foundational economy.
  - Promote clustering of sectors around key assets including the city centre, Oxford Road Corridor, Manchester Airport and local economic hubs.
- 12.10 This theme recognises that attracting investment into our highest growth and most productive sectors is essential for the wider success of our economy and to create the maximum opportunities for our residents. While we recognise that many of the ingredients of success are common across different industries and occupations, we also recognise that Manchester has its own particular strengths which we aim to nurture and grow. We also recognise that not all sectors provide the same opportunities for high-value growth, we must also provide support across all other sectors, particularly the foundational economy, to ensure that people working in Manchester get a fair deal in terms of their pay, hours and working conditions.
- 12.11 **Objective 3 - World class infrastructure, places and talent:**
- Improve the city's infrastructure to enable the city to grow sustainably including the Airport and its surroundings, public transport, active travel,

energy, digital, utilities, green spaces, cultural offer, housing and commercial space.

- Deliver transformational change in strategic areas of the city to improve district centres, deliver new housing and stimulate private investment.
- Attract, grow and retain talent.

12.12 This theme is about the enablers of growth and the inputs that we require for Manchester to continue to grow. Infrastructure is a fundamental part of this, and we know that at present Manchester does not have sufficient transport infrastructure to connect enough workers into the city. We also know that connections to other places across the North of England and further afield are important for increasing economic activity and productivity. As well as transport infrastructure, digital infrastructure will continue to play an important role in attracting businesses to the city and helping them be successful when they are here.

12.13 As well as connecting more highly skilled workers into the city, we also need to grow our talent pool within the city to meet the needs of current and future employers. We will also need to attract more highly skilled workers to live in Manchester by creating great places to live in a way that does not exclude or displace existing residents. This will mean regenerating and creating neighbourhoods that are attractive, well connected and safe and which are supported by good community infrastructure and sufficient utilities.

12.14 **Objective 4 – Zero carbon and climate resilient economy:**

- Transition the city's economy to zero carbon by reducing dependence on fossil fuels, stimulating local energy generation and reducing consumption-based emissions.
- Create new opportunities in the zero-carbon economy across all interlinked sectors.
- Develop a more resilient economy to minimise the impact of future economic shocks and to adapt to climate change.

12.15 Manchester has committed to becoming a zero-carbon city by 2038, 12 years ahead of the UK Government's target of 2050. Climate change is one of, if not the most significant economic threat facing city, not only because of the changes that we will experience in our climate but because of their knock-on effects on population and migration, extreme weather, food production and more. However, we also know that in order to become a fairer, more equal and more prosperous city that Manchester will need to continue to grow, so we must make sure that growth that does take place is more sustainable and doesn't detract from our wider zero-carbon ambitions. The transition to a zero-carbon economy also needs to happen in a way that is fair, and which doesn't exclude or disadvantage our poorest residents

12.16 "Green growth" will provide opportunities for the city as we make the transition to a zero-carbon economy, but while important, it is unlikely that this growth will translate into the productivity improvements that we need to

achieve. Therefore, it is important that growth across all our most productive and highest growth industries is as sustainable as possible.

12.17 **Objective 5 - Including more people in economic opportunity:**

- Ensure that more people can benefit from economic opportunities by equipping them with the skills to succeed, connecting them via employment programmes and transport, and creating great and affordable places for them to live.

12.18 Growing our economy, attracting high quality employment opportunities and creating high quality jobs is part of the productivity puzzle and an important enabler of growth, but we also need to make sure that these opportunities are connected to our existing residents. This theme will show what we are already doing through Manchester's Work and Skills Strategy and Greater Manchester's Local Skills Improvement Plan to make sure that businesses in Manchester are able to attract the talent that they need, as well as looking at what we can do to support residents towards and into better paid, higher quality and more secure employment.

12.19 We also need to be mindful that Manchester's poorest do not gain most of their income from work and are instead supported by the benefits system. These people are therefore unlikely to gain from any increase in productivity or wages, and instead need adequate support from the state to be able to live well and progress into employment where appropriate. Decisions about the UK welfare and benefits systems are made by national government and externally to MCC and also GMCA, so aside from our continued lobbying, this is not something that can be directly addressed via a Manchester economic strategy.

**13.0 Measuring progress**

13.1 The change that we are aiming to make happen will take place over many years and will not create instant results. Therefore, measures will need to be broad, helping us to monitor and understand the direction of travel. As one of our aims is to close the gap between Manchester and our other cities, some of our measures will need to place Manchester's progress and success in the context of our comparators. We also need to look at gaps within Manchester to make sure that we can tell if gains are being spread in a way that is equitable.

13.2 Some aspects of this strategy are already measured elsewhere, and the aim is not to replicate or duplicate existing reporting arrangements. For example, measuring the progress and impact of employment and skills related activity is already adequately captured through the city's Work and Skills Strategy.

13.3 Proposed measures include:

- The gap between Manchester resident and Manchester worker wages
- The proportion of Manchester residents being paid a real living wage

- The ratio of house price to earnings in Manchester, or the ratio of housing expenditure to income
- The Gini coefficient, a measure of wealth or income inequality in a given population
- The volume and type of investment flowing into Manchester.
- Total GVA and GVA per capita
- Total size of the labour market
- Growth in key sectors by GVA and number of jobs
- The amount and density of residential and commercial sites within the city centre and adjacent sites
- Graduate retention and the number of graduates working in “graduate” jobs
- The number of workers within a defined travel to work area

13.4 Additionally, some individual actions and priorities that are taken forward will need their own measures to judge the impact of those specific interventions.

## **14.0 Recommendations**

14.1 The Committee is recommended to:

- Consider and comment on the information in the report to inform the next stage of the development of the Strategy.