

Manchester City Council Report for Resolution

Report to: Executive – 15 November 2023

Subject: Investing in Success: An Economic Strategy for Manchester

Report of: Strategic Director (Growth and Development)

Summary

This report presents a new Economic Strategy for Manchester, including a description of the economic context and the development process.

Recommendations

The Executive is recommended to adopt the new Economic Strategy for Manchester

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 carbon neutral 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

The main 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 in economic opportunity as an outcome.

A full equalities impact assessment has been completed and identified two actions that will need to be taken forward over the life of the strategy to consider the support mechanisms and specific interventions which can be implemented to minimise disadvantages, promote inclusion, and meet the needs of individuals or groups because of their characteristics, in particular older people, disability, race, and people living in poverty.

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"> • Growing and diversifying the economy • Create new, highly skilled job opportunities • Working harder to connect our residents to the city’s economy success • Supporting the transition to a zero carbon economy • Supporting investment in the infrastructure we need to thrive and grow including transport, housing and other social infrastructure
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 revenue budget consequences arising from this report. The delivery of the strategy will be met through existing resources.

Financial Consequences – Capital

None proposed.

Contact Officers:

Name: Rebecca Heron
Position: Strategic Director of Development
Telephone: 0161 234 5515
E-mail: rebecca.heron@manchester.gov.uk

Name: Angela Harrington
Position: Director of Inclusive Economy

Telephone: 07788 978 809
E-mail: angela.harrington@manchester.gov.uk

Name: David Houlston
Position: Head of City Policy
Telephone: 07534 288788
E-mail: david.houlston@manchester.gov.uk

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.

- Adoption of an Economic Strategy for Manchester, Economy and Regeneration Scrutiny Committee, 10 November 2023
- Economic Strategy Update, Economy Scrutiny Committee, 5 September 2023
- 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. 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. A new Economic Strategy for Manchester has been developed that sets out how Manchester will continue to achieve economic growth while ensuring that the benefits of growth are felt more evenly across the city.
- 1.2. This paper details the strategy development process, the evidence base created as a result of this process and sets out the main themes identified in the new strategy, which is attached as appendix 1.

2. Background

- 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.

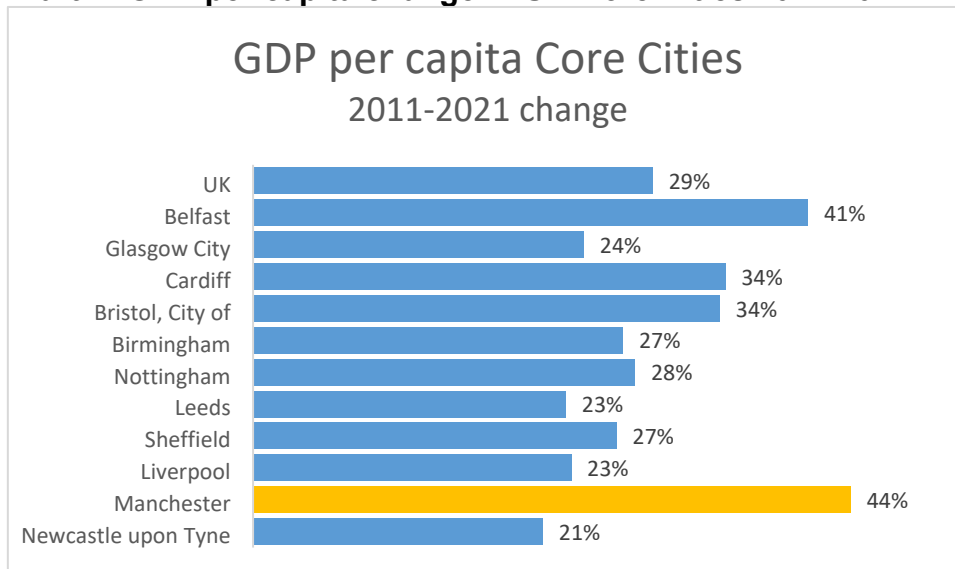
3. Manchester's Economy

- 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.

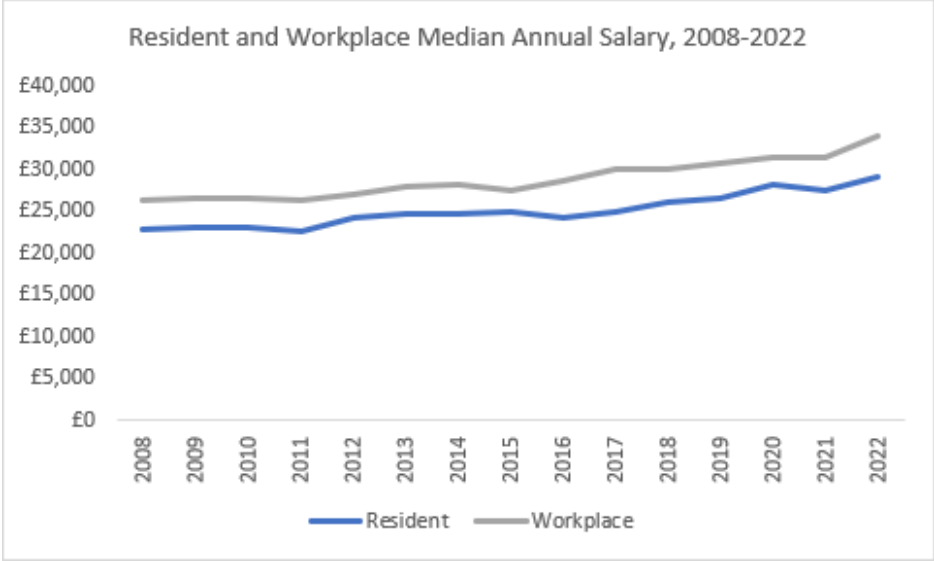
- 3.2. While we can use GDP as a measure of the total size of the economy (the total value of goods and services produced, accounting for taxes and subsidies, in a given time period), GDP per capita is useful in telling us about how much economic output each person contributes on average, giving us insight 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



- 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)

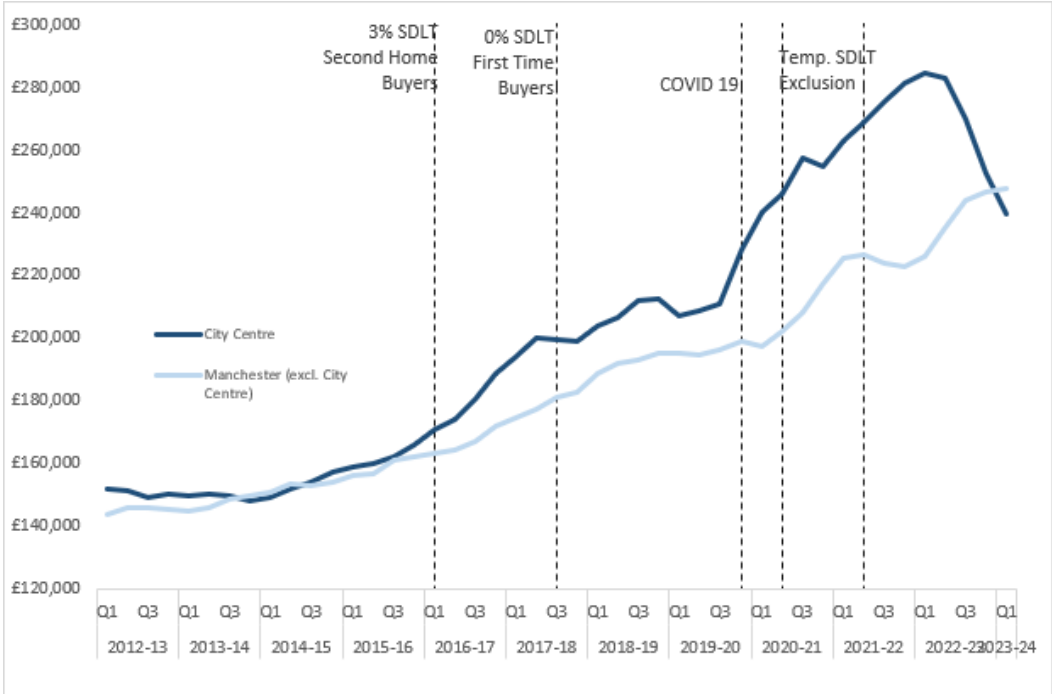
Occupation	Employees 2015	Employees 2021	Rate of change
Research and experimental development on natural sciences and engineering	600	1,250	108%
Architectural and engineering activities	6,000	11,000	83%
Accounting, bookkeeping and auditing activities	6,000	11,000	83%
Activities auxiliary to insurance and pension funding	5,000	8,000	60%
Computer programming, consultancy and related activities	9,000	11,000	22%

- 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.

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 of affordability. The latest figures show that the average rental price of a 2 bedroom property in Manchester City Centre is £1,333, and outside of the city centre it is £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



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. 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.
- 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 GMCA.
 - 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.

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 priority sectors, 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 a central area south of 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.

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) and to drive up the quality and energy efficiency of existing properties.
- 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

4.7. Upon adoption of this Economic Strategy, it is proposed that two previous policy documents are removed from the Council's Portfolio:

- Local Industrial Strategy – This strategy was made obsolete due to changes in government policy and the COVID-19 pandemic. Many of the themes are still relevant and are captured in the new strategy.
- Power Recovery – This set out how Manchester would recover from the COVID-19 pandemic. It's focus on the pipeline of development and investment required in Manchester is continued and built upon in the new strategy.

4.8. A more detailed summary of relevant Manchester strategies is included in appendix 2. The Economic Strategy will replace the Manchester Local Industrial Strategy and Powering Recovery.

5. 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 and Economic Policy Team within City Policy 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.

Resident and worker engagement

- 5.3. The first round of engagement with people who live and work in Manchester took place during July and August 2023 and provided an early opportunity for those living and working in Manchester to input into the development of the strategy. During the engagement we asked individuals to reflect on the challenges and opportunities created by growth in Manchester.
- 5.4. Engagement activities included in-person conversations with residents and workers, meetings with representative bodies, and a phase 1 city-wide online survey. To ensure a spread of responses from across the city, in-person conversations took place at 9 locations and community events across Manchester's neighbourhoods, including in Wythenshawe, Blackley, Longsight and Gorton markets, Cheetham, and Withington. Targeted engagement took place with 8 representative bodies and networks to ensure representation of Manchester's residents, this included conversations with the Community Health Equity Manchester (CHEM) sounding boards and Age Friendly Manchester Older People's Board Meeting.
- 5.5. The phase 1 city-wide online survey was promoted through corporate communication channels and officer networks. It was completed by 238 individuals who lived or worked in Manchester. Key findings from the survey included:
 - 68% of respondents agreed to some extent with the statement "The recent growth of the city has created opportunities for me". Respondents were given the opportunity to comment on the reason for their answer. Analysis of the comments took place and most respondents talked about the employment opportunities created through the recent growth of the city.
 - 64% of respondents agreed to some extent with the statement "The recent growth of the city has created challenges for me". When asked to comment on the reason for their answer respondents talked about challenges with transport, rising housing costs, and the benefits from growth not always being distributed evenly across Manchester's neighbourhoods.

- Respondents were asked what their hopes were for Manchester's economic future, to which most responses were positive. Most respondents spoke about wanting more employment opportunities, affordable housing, and their support for the continuing growth of Manchester.
- Finally, respondents were asked what they thought the Council's main priority should be to ensure that all residents are able to benefit from economic growth. Most respondents spoke about affordable housing, investment in transport, and investment in community and support services.

5.6. The phase 1 online survey was completed by a mix of people who live and/or work in Manchester. Most respondents to the survey provided demographic information in addition to the survey questions:

- Most respondents lived in Manchester (70%), followed by the Greater Manchester region (26%), the Northwest (2%), and outside the Northwest (2%).
- Most respondents identified with a White ethnic origin (75%), followed by Black ethnic origin (6%), Asian ethnic origin (6%), Mixed or multiple ethnic groups (2%), and any other ethnic group (1%). The remaining respondents did not state their ethnicity.
- 14% of respondents advised that their day-to-day activities had been limited because of a health problem, long-term condition, or disability.
- 13% of respondents reported that they were a carer.
- Most respondents reported that their highest level of qualifications was a level 4 qualification or above (69%), followed by other qualifications (11%), level 3 qualifications (7%), level 2 qualifications (2%), apprenticeship (2%), level 1 and entry qualifications (1%), and no qualifications (1%). The remaining respondents did not state their level of qualification.
- Most respondents described their employment status as in full-time employment (75%), followed by part-time employment (12%), self-employed (4%), unemployed (3%), retired (3%), student (2%), volunteer or freelancer (1%).

5.7. From the qualitative conversations across Manchester's neighbourhoods and at community events there was a clear message from residents that they wanted to see more investment and opportunities in their local areas. Most of the opportunities and challenges identified through these conversations echoed the findings from the online survey.

Business engagement

5.8. Businesses were engaged through a mix of in-person meetings with key networks and stakeholders, and an online survey that ran alongside the resident engagement survey during July-August 2023.

5.9. The online questionnaire surveyed their future expectations, what would enable them to succeed, and how they could help more Manchester residents benefit. It also asked them to identify their priority needs.

- 5.10. There were 43 responses to the online survey from businesses and the responses were highly engaged.
- 72% were based in Manchester, with 22% in Greater Manchester
 - 51% were microenterprises, with 40% SMEs, and 9% larger businesses
 - A broad spread of business sectors responded, including nearly a quarter from Health and Social Care
 - Suitable premises and access to finance were identified as the most important factors going forward
 - Nearly all respondents had hopes for growth in the next five years, and were keen to deliver that in Manchester.
 - Alongside requiring more investment to make this growth possible, the role of the Council as both an enabler, and support for business was mentioned most frequently, reflecting the number of social businesses responding.
- 5.11. This was supported by one-to-one discussions with business networks and other stakeholders including BW3, Business Sounding Board, Our Manchester Business Forum, Marketing Manchester and Manchester Airport, CityCo and the Bangladeshi and Pakistani Sounding Boards.

Phase 2 Online survey

- 5.12. A second survey was undertaken in October 2023 on the draft priorities for the Economic Strategy. The purpose of this survey was to test out that officers' interpretation of the information provided during the initial engagement with residents, workers and businesses was accurate, and to provide a final opportunity for stakeholders to identify any remaining gaps within the strategy.
- 5.13. The survey was open from 9 October to 22 October 2023 and was promoted through corporate communication channels and officer networks. Paid for social media adverts were also used to target Manchester's neighbourhoods which were underrepresented in the initial online survey.
- 5.14. 475 responses were been received from individuals who live or work in Manchester and 36 responses received from businesses.
- 5.15. The survey asked respondents if they agree or disagree with a simplified version of the strategy's objectives. The overall agreement rate for this strategy is extremely positive, and most of the objectives have an agreement rate of over 90%. However, several priorities have an agreement rate below 90%:
- Priority 1: Creating more residential and commercial spaces in suitable locations across and near to the City Centre (79% agree)
 - Priority 1: Building on Manchester's positive track record of attracting investment, particularly in property, and increase investment in other areas e.g. research & development, and innovation (75% agree)

- Priority 4: Developing a Manchester standard for net zero construction via the Local Plan which incorporates both the construction and operation phases. (83% agree)
- Priority 4: Developing a Manchester Adaptation and Resilience Plan to respond to current and future climate change impacts. (86% agree)
- Priority 4: Increasing the share of community and democratically owned businesses in Manchester. (87% agree)
- Priority 5: Working with developers and investors to Manchester to generate more employment opportunities for residents from large scale development projects. (89% agree)

5.16. The survey provided the opportunity for respondents to give free text commentary to feedback if they had disagreed with a priority and a final opportunity to outline any gaps they felt were missing from the strategy. Comments have been used to inform final amendments to the strategy. The priorities and objectives of the strategy are summarised in section 7 of this report and included in full in appendix 1. The main changes made on the basis of resident feedback include:

- Strengthening wording throughout the strategy to reinforce the importance of our net-zero commitments.
- Making clear that investment in Manchester's property market is required as part of the solution to meeting our housing need.
- Including an additional objective on the economic potential of neighbourhoods *without* large scale investment or development projects.

Research findings/literature review

5.17. There is a huge amount of literature on regional inequality in the UK which dates back decades. Frustratingly, 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.

5.18. 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

6. Summary of main challenges identified from evidence base and research work

6.1. In summary the main findings from our work 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, Greater Manchester Transport Strategy and City Region Sustainable Transport Settlement 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 concentrated 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 sets out our approach to 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.

7. Our response to these challenges

- 7.1. Responding to the evidence base that we have developed, we know that 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.
- 7.2. 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.
- 7.3. It is also important to note that we already do a lot of good work under these objectives. This work is 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.

- 7.4. The vision for the strategy is:
- 7.5. We want Manchester's economy to function as a net-contributor to UK GDP and provide the best possible opportunities for our residents. This strategy aims to create an economy that:
- Is thriving and performing as well as the best international comparators.
 - Creates great opportunities for people who live here.
 - Attracts the best of global business and talent.
 - Helps us increase social mobility for our residents.
 - Is resilient to future shocks and a changing climate and capitalises on the opportunities created by the transition to net-zero
- 7.6. The full strategy and its objectives can be found in appendix 1. The objectives are structured under five themes, which also summarise the work that the City is already doing under that theme. The following section of this report summarises the contents of each theme.
- 7.7. **Priority 1 - Use investment and development to drive inclusive growth:**
- 7.8. This priority recognises 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, and it is 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.
- 7.9. 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.
- 7.10. Objectives under this priority include commitments to:
- Expand the city centre and protect its function as the core of the regional economy.
 - Ensure that large scale regeneration projects outside the city centre include the economic assets that places need to thrive.
 - Maintain Manchester's position as the leading UK destination for foreign direct investment outside of London
 - Create a framework for new development to ensure all major projects become inclusive exemplars economically, socially and environmentally.
 - Create and maintain a development prospectus for new and existing investors in Manchester.

7.11. Priority 2: Nurture thriving, productive and innovative sectors:

7.12. This priority 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 while 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.

7.13. Objectives under this theme include commitments to:

- Utilise levers and incentives such as Investment and Growth Zones to attract businesses and ensure they fully engage with existing support structures such as via enhanced training/recruitment, infrastructure or networking.
- Grow and promoting current and future knowledge intensive sectors such as AI, Cyber, FinTech and genomics.
- Build and expand potential clusters of businesses at places such as North Manchester General Hospital and Wythenshawe Hospital
- Fully map and promote Manchester's innovation ecosystem to new businesses and investors.
- Grow the green economy by capitalising on investments in zero carbon to attract and retain innovative businesses.

7.14. Priority 3: Develop world class infrastructure, places and talent:

7.15. This objective is about the essential 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 centre. 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 enabling them to thrive and expand. The city's energy infrastructure must also keep pace with its expansion with a particular focus on the development of locally generated electricity and improved local connections to the National Grid. Investment in social infrastructure such as health provision, education, community facilities, parks and emergency facilities must also be increased to ensure residents are able to maintain a good quality of life.

7.16. 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.

7.17. Objectives under this theme include commitments to:

- Develop and maintain an understanding of Manchester's physical and social infrastructure needs and the volume of infrastructure investment required over the next decade.
- Ensuring that new development includes the right social, transport, energy and digital infrastructure.
- Increasing housing density in well-connected places.
- Working with TfGM to implement the Bee Network to connect more people to employment and training opportunities via sustainable and active travel.
- Creating well managed neighbourhoods that are attractive and affordable to highly skilled workers.
- Continuing to improve the city's vibrancy and liveability via investment in culture, sport and green spaces.

7.18. **Priority 4: Transition to a zero carbon and resilient economy:**

7.19. Manchester has committed to becoming a zero-carbon city by 2038, 12 years ahead of the UK Government's target of 2050. "Green growth" will provide opportunities for the city's economy as it transitions to zero carbon in areas such as technology, housing retrofit, energy, transport and within our numerous research specialisms. But whilst growth in these areas will be important, they are unlikely to translate into the scale of 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.

7.20. 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 businesses or our poorest residents.

7.21. Objectives under this theme include commitments to:

- Develop a Manchester standard for net zero construction via the Local Plan which incorporates both the construction and operation phases.
- Develop a climate change risk and vulnerability assessment and Manchester Adaptation Plan to ensure that the city and its infrastructure is resilient to current and future climate change impacts.

- Increase the amount of community and democratically owned businesses in Manchester.

7.22. **Priority 5: Include more people in economic opportunity:**

7.23. 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 including our young people. We want to attract the most globally dynamic and productive companies to Manchester, and at the same time we want them to play a positive role in the wider life of the city by acting as advocates for the things we need to become a fairer and more prosperous place, and by offering opportunities that are fair, secure and high quality to our residents.

7.24. Connecting more residents into good quality employment will reduce the number of economically inactive people in the city which will grow prosperity and help to tackle poverty. However, we also recognise that some of Manchester's poorest residents will continue to gain most of their income from the benefits system and will be unlikely to gain from any increase in productivity or wages. We will continue to advocate to national government for adequate support from the state to ensure that they are able to live well and progress into employment where appropriate.

7.25. Objectives under this priority include commitments to:

- Connecting investors and new businesses in the city with the ecosystem of support for our residents to help make sure that employment and training opportunities created are accessible.
- Creating Community Economic Development Plans in neighbourhoods affected by large scale regeneration and development.
- Working to understand the economic potential of other neighbourhoods and district centres and how we can better connect communities to the cumulative benefits of growth in Manchester.
- Maximising the social value of large-scale development projects on local communities and the wider city including commitments to good quality employment and paying the Real Living Wage.
- Capitalise on our UNICEF Child Friendly City status to connect develop the next generation of talent with a focus on 16/17 year olds and connecting businesses to schools.

8. **Delivery and measuring success**

8.1. Doing what we can to support Manchester's economy to continue to grow whilst at the same time doing what we can to make sure the benefits of growth are felt more evenly requires input and coordination from across Council services and departments as well as from our partners and stakeholders across the city.

- 8.2. This Economic Strategy will ultimately be accountable to the Our Manchester Forum, the group which oversees delivery of the Our Manchester Strategy, and which is made up of leaders from across the city. It will also report periodically to the Council's Economy and Regeneration Scrutiny Committee and Business Sounding Board.
- 8.3. In practice, delivery of the objectives contained in this strategy will be the responsibility of the Council's Strategy and Economic Policy Team, who will manage, coordinate and in many cases deliver the individual workstreams. Other objectives of the strategy will be led and supported by the Council's Growth and Development Directorate. More broadly, closer working between City Policy and Growth and Development will help shape the future approaches to economic development and regeneration in Manchester.
- 8.4. We will continue to find opportunities to bring in new perspectives, insight and challenge to this work, building on the work already undertaken by the Resolution Foundation as part of their Economy 2030 Enquiry.
- 8.5. To measure success and track progress we have identified indicators that help illustrate Manchester's economic performance against national trends. These indicators also help us judge the extent to which Manchester residents are evenly benefitting from growth. For most of these measures we can draw on existing data products, however, in some cases we will need to develop new data products over the life of the strategy. See appendix 3 for a data table showing current performance against currently available measures. The measures we are proposing to use are split under two headings:

Resident prosperity

- Increase median full-time pay in Manchester faster than the national average rate.
- Increase the proportion of Manchester residents being paid a Real Living Wage.
- Reduce unemployment to within 2% of the national average.
- Keep the ratio of house prices to earnings in Manchester below the national average.

Economic performance

- Increase the total size of Manchester's economy in GVA terms faster than the national average.
- Reduce the overall carbon intensity of economic output.
- Increase the total GVA per worker faster than the national average.
- Increase the total number of jobs in Manchester faster than the national average, especially higher skilled jobs.
- Increase the share of graduates working in higher skilled employment.
- Increase the amount and density of residential and commercial sites within the city centre and adjacent sites.
- Increase the total number of workers within a defined travel to work area.

9. Conclusion

- 9.1. The strategy is built on a robust evidence base that takes into account a range of information and perspectives. It shows that economic growth has been beneficial for Manchester, and that in many ways we have economically outperformed our UK and international comparators. At the same time it recognises that growth also creates new challenges for the city, but that only by becoming a wealthier and more prosperous place can we resolve some of the most difficult challenges that we face.
- 9.2. The full strategy will be designed and published by the end of November 2023 with a launch event taking place towards the end of that month.

10. Recommendations

- 10.1 The Executive is recommended to adopt the new Economic Strategy for Manchester