

Greater Manchester Local Economic Assessment: Summary & Conclusions

A report for

Association of Greater Manchester Authorities

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FOREWORD

It is now nearly two years since the groundbreaking Manchester Independent Economic Review (MIER) was published, the largest and most ambitious review of a conurbation's economy ever undertaken in the UK. This Local Economic Assessment updates our intelligence on and understanding of the Greater Manchester economy gathered during the MIER and subsequently turned into the Greater Manchester Strategy.

The Local Economic Assessment is not in itself a strategic document, but its findings reinforce the dual emphasis within the Greater Manchester Strategy upon boosting productivity so that the growth rate increases, whilst ensuring that all parts of the conurbation and all its people enjoy improved opportunities as a result of a stronger economy.

The Local Economic Assessment, produced by New Economy in partnership with the ten local authorities of Greater Manchester – Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, and Wigan – continues Greater Manchester's long tradition of partnership working through the Association of Greater Manchester Authorities (AGMA).

This partnership working is now moving to another level with the establishment of the Greater Manchester Combined Authority and Local Enterprise Partnership. These new tools will help Greater Manchester's partners continue the strong growth of the largest functional economic area outside London and in rebalancing the economy towards private sector-led growth in those areas where the public sector has been an important employer. This is an exciting time for Greater Manchester and the Local Economic Assessment provides an up-to-date evidence base to inform these evolving initiatives.

Mike Emmerich

Chief Executive, New Economy

1 INTRODUCTION

- 1.1 The ten local authorities of Greater Manchester – Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, and Wigan – working in partnership through the Association of Greater Manchester Authorities (AGMA), represent the largest functional economic area outside London, with a population of 2.6 million and gross value added (GVA) of £46 billion. Working together with New Economy, the ten authorities have produced a single economic assessment of Greater Manchester to understand the priorities and challenges for the conurbation's economy, and to provide a sound foundation for the new Greater Manchester Combined Authority and Local Enterprise Partnership (LEP).
- 1.2 This is not new territory for Greater Manchester: in 2009, the Manchester Independent Economic Review (MIER) was published, the largest and most ambitious review of a conurbation's economy ever undertaken in the UK. This found that Greater Manchester was the best-placed conurbation outside London to increase its long-term growth rate, and therefore critical to raising overall economic growth in the North and the UK as a whole. However, the MIER also concluded that Greater Manchester does not perform as strongly as it should, with productivity and skills below the levels that would be expected for a conurbation of its size. Following-on from the findings and recommendations of the MIER, we produced the Greater Manchester Strategy (GMS), which was a forward-looking vision that set strategic priorities that Greater Manchester needed to invest in much more heavily to realise its potential and create a more prosperous conurbation.
- 1.3 This economic assessment revisits the findings of the MIER and GMS by considering the further impacts of the recession since they were published; the implications of new Government policy; and in particular developing in more detail the specific role played by each of Greater Manchester's local authorities and the challenges they face in rebalancing the economy towards private sector-led growth.

2 THE CONTINUING IMPACTS OF THE RECESSION – AN UNCERTAIN RECOVERY

- 2.1 The financial crisis that first erupted in the US sub-prime mortgage market in 2007 triggered the worst global recession since the 1930s. A sharp contraction in global growth in 2009 was accompanied by steep rises in unemployment. The UK economy was particularly hard hit during the recession, with output falling 4.9 % during 2009, compared to a fall of 3.3 % in the OECD as a whole. Whilst early assumptions were that this would be a ‘white collar’ recession amongst financial and professional services in the South, in reality it has followed the pattern of previous recessions and disproportionately affected the North of England and manufacturing.
- 2.2 Whilst there has been clear economic recovery during 2010, uncertainty exists over the extent to which the global recovery will be fully sustained. The Euro area (Greater Manchester’s biggest export market) has weakened as concerns grow over a number of EU countries’ performances, and the Federal Reserve has also warned of an uncertain recovery in the USA.
- 2.3 Oxford Economics, authors of the Greater Manchester Forecasting Model (GMFM), predict that nervousness over the global economy, fears over the pace of public expenditure cuts, and the VAT increase will curtail growth to a modest 1.7 % this year and 2.2 % in 2011, below the Office for Budget Responsibilities’ expectation of 2.3 %.
- 2.4 The labour market looks extremely challenging, with peak levels of employment achieved in 2008 not forecast to return until 2015, and job levels only expected to begin to rise in 2012 as the private sector recovery gathers pace.
- 2.5 Key to economic recovery are the fortunes of the private sector, with public sector cuts likely to have a severe impact. Though the relatively weak exchange rate supporting UK exports should provide some boost to the private sector.
- 2.6 However, continued uncertainty over global growth prospects, feeding into underlying worries about how the domestic economy will weather tighter fiscal policy, suggest that the risks to economic growth stalling in the UK remain high.

3 GREATER MANCHESTER

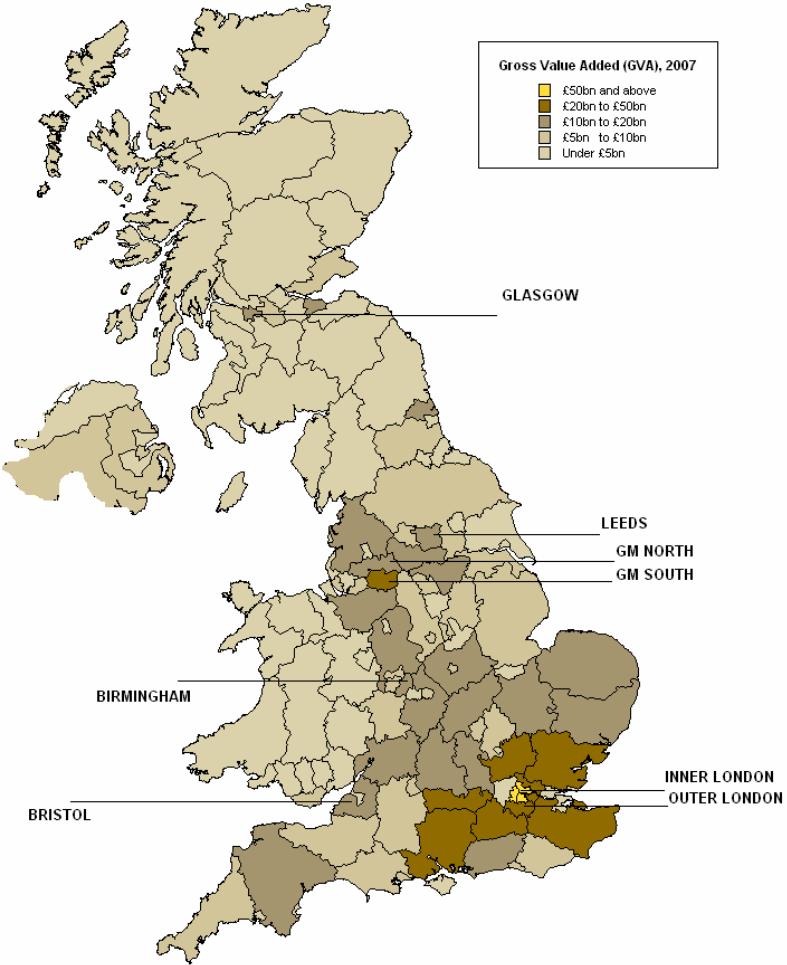
- 3.1 Greater Manchester is the UK's largest city in both population and economic terms after the capital, London. Following strong growth over the past decade, the conurbation generated around £46 billion per annum of total GVA, almost a fifth of the total economic output of the North of England, and created over 90,000 additional jobs (1998–2008).¹ Within the conurbation, GM South has been the only part of the UK to deliver growth rates matching those in London and the Greater Southeast over the past decade, as shown in Figure 1.
- 3.2 Greater Manchester has also performed strongly in a European context, being within the top 20 % largest economies (by GVA) in the European Union, with GVA growth over the last decade behind only Dublin, Helsinki (both capital cities) and Barcelona of selected benchmark cities.²
- 3.3 The MIER highlighted how Greater Manchester benefits from agglomeration economies that have created a critical mass of skilled, knowledge-based jobs. The conurbation has an extensive transport infrastructure that puts 5.2 million people within an hour's commute of the conurbation core.³ As the MIER showed, Greater Manchester has the largest travel-to-work area (TTWA) of any conurbation in the UK outside London, drawing in commuters from across the historic counties of Cheshire and Lancashire plus the Peak District and parts of Yorkshire, particularly at higher skills levels.
- 3.4 As a result of this growth in economic opportunity, Greater Manchester has reversed a long-term trend of population decline. During the 1980s, Greater Manchester had the fastest population decline in the UK, reflecting the socioeconomic deprivation, a lack of economic opportunities in the conurbation and large-scale industrial closures. By the early 1990s, the northern districts of the conurbation were experiencing steady population growth, and the overall population of Greater Manchester has been growing since 2002, driven in particular by the sharp growth of the City of Manchester's population and the boom in city living in the conurbation core.

¹ Office for National Statistics (ONS) (2009) *Regional sub-regional and local gross value added*, <http://www.statistics.gov.uk/pdfdir/gva1209.pdf>

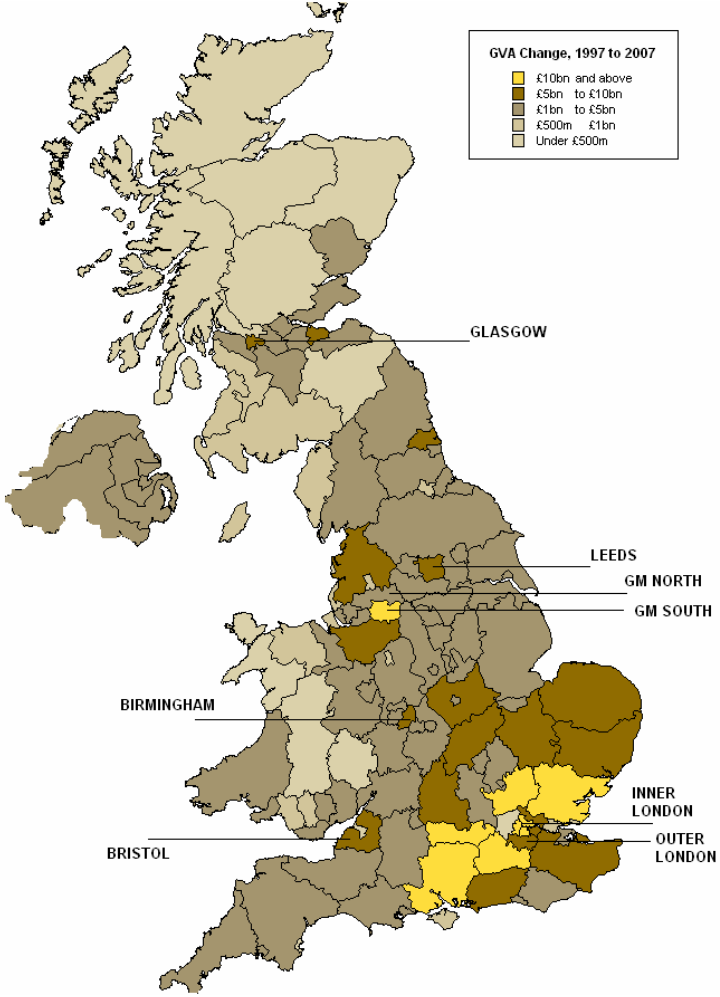
² Eurostat 2010 data presented in Chapter 1

³ MIDAS data from www.investinmanchester.com

Figure 1. UK Gross Value Added by NUTS3 Areas, 2007 (current prices)



Change, 1997–2007 (current prices)



Source: ONS (2009) *Regional, Sub-regional and Local Gross Value Added*

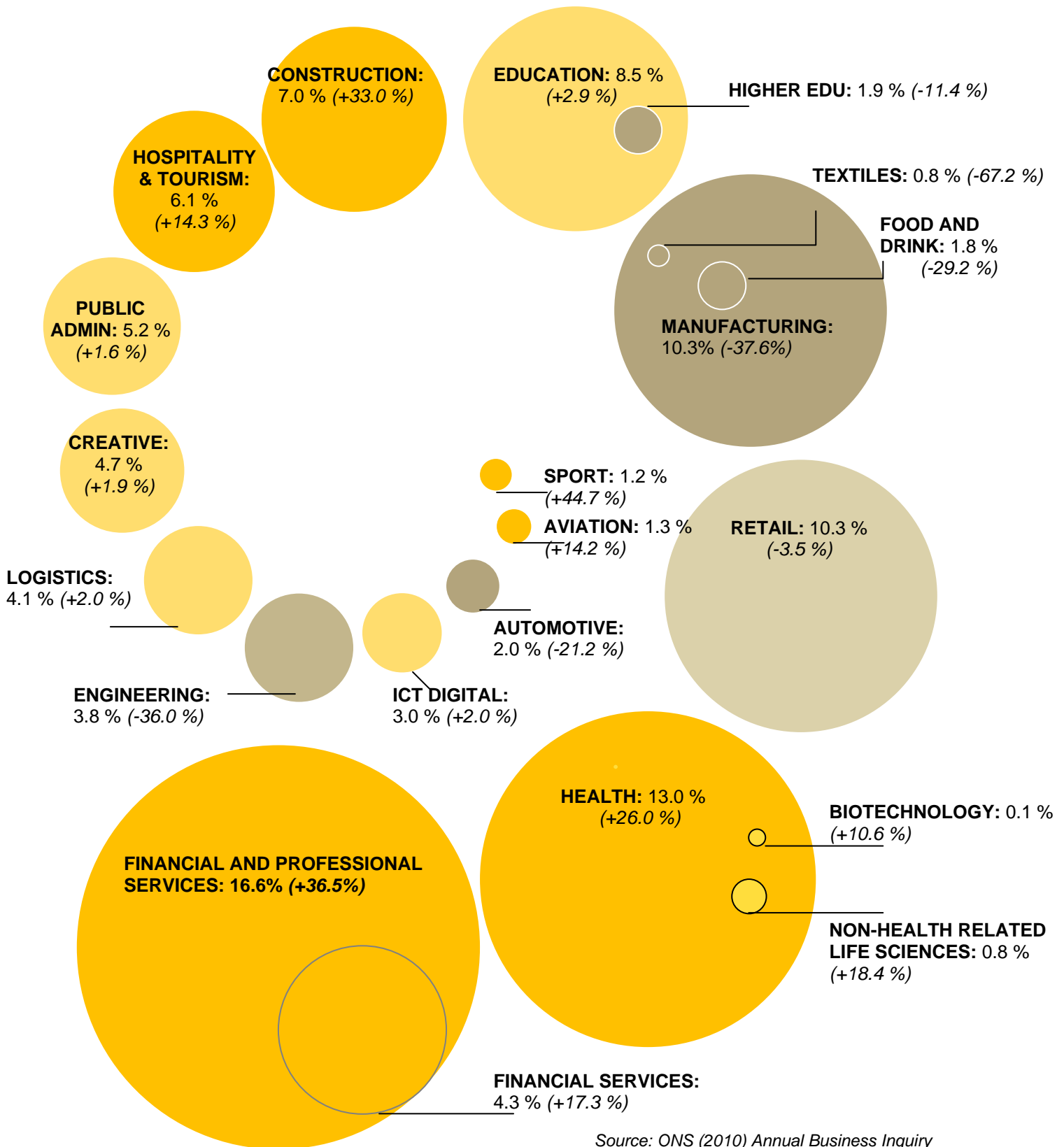
- 3.5 The experience of the last decade has shown that Greater Manchester has an economic influence that extends far beyond its administrative boundaries, such that the conurbation has not only been the main driver for economic growth in the North of England, but is also a significant contributor to overall UK prosperity.
- 3.6 Since the MIER, Greater Manchester has developed the Greater Manchester Strategy (GMS) to tackle the fact that, despite strong growth, the conurbation suffers from a 'productivity gap' against other dynamic modern conurbations. The MIER estimated that a quarter of this underperformance is caused by low levels of economic activity in the conurbation, and three quarters is caused by low productivity, the result of a weak skills base, together with relatively low levels of enterprise and internationalisation in comparison with its peer cities.⁴

⁴ Sebnem Oguz and Jonathan Knight (2010). 'Regional economic indicators'. *Economic & Labour Market Review*, Vol. 4, No 2, February 2010

4 SERVICE-LED GROWTH

- 4.1 Greater Manchester's economic growth has been driven by the large-scale and rapid expansion of the service sector, particularly financial & professional services. This sector accounts for a sixth of employment, a fifth of GVA and businesses, and contributed 45 % of all GVA growth across Greater Manchester over the decade prior to the recession, rising even higher in the conurbation core, making the conurbation a centre for financial & professional services of national, not just regional significance, as shown in Figures 2 & 3.
- 4.2 Although smaller in size and specialisation, Greater Manchester has also developed its creative & digital industries to the stage where they represent the UK's biggest centre for the industries outside the Greater Southeast. This specialisation is forecast to increase over the coming decade as MediaCity and other assets develop and agglomeration economies increase.
- 4.3 The size, strength and importance of Greater Manchester's universities mean that Higher Education is another key service specialism for the conurbation, though the changing funding environment facing the sector presents significant challenges, but also some opportunities, over the coming decade.
- 4.4 Greater Manchester's history means the conurbation still retains strengths in manufacturing and logistics. Manufacturing as a whole has seen employment decline by more than a third over the last decade, as manufacturers have become more capital intensive and concentrated upon related activities, such as design and after-sales services. This issue is explored further in a specific study on Advanced Manufacturing in Greater Manchester conducted as part of this Local Economic Assessment. Nevertheless, Greater Manchester retains above average employment in its historically strong manufacturing sectors of textiles and food & drink. Although much smaller employers in absolute terms, Greater Manchester's specialisation in logistics, and especially aviation, due to the scale and importance of Manchester Airport, endures.
- 4.5 Construction is another large sector and employment specialism for Greater Manchester, which has grown by a third over the last decade. Whilst the sector has been hard hit by the recession, it is forecast to return to growth by 2012 and, if so, will make a strong contribution to employment growth over the remainder of the coming decade.
- 4.6 Health and retail are the second and third largest employment sectors in Greater Manchester, which is in line with national trends. Although the majority of health employment and growth is within the public sector, the specialist and high-value biotechnology and life sciences sub-sectors have also seen strong growth. Whilst these are currently small in employment terms, they are highly productive, with the highest GVA per employee of any sector in Greater Manchester. The conurbation has particular niche strengths and a concentration of assets along The Corridor Manchester around Manchester's Universities and main Hospitals, and these are forecast to deliver additional high-value employment for the conurbation over the coming decade.

Figure 2. Greater Manchester Sectors by Size & Employment Growth, 1998–2008



Source: ONS (2010) Annual Business Inquiry

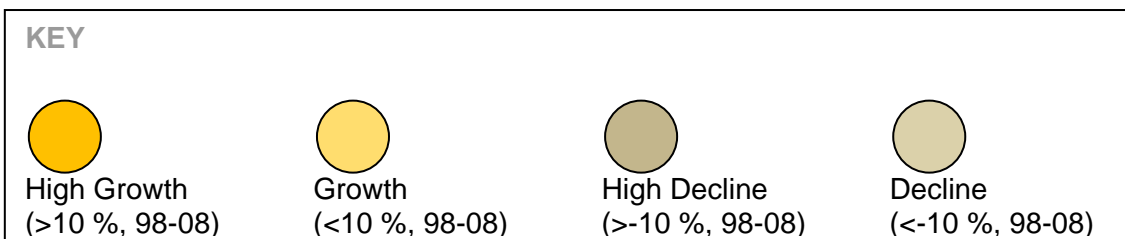
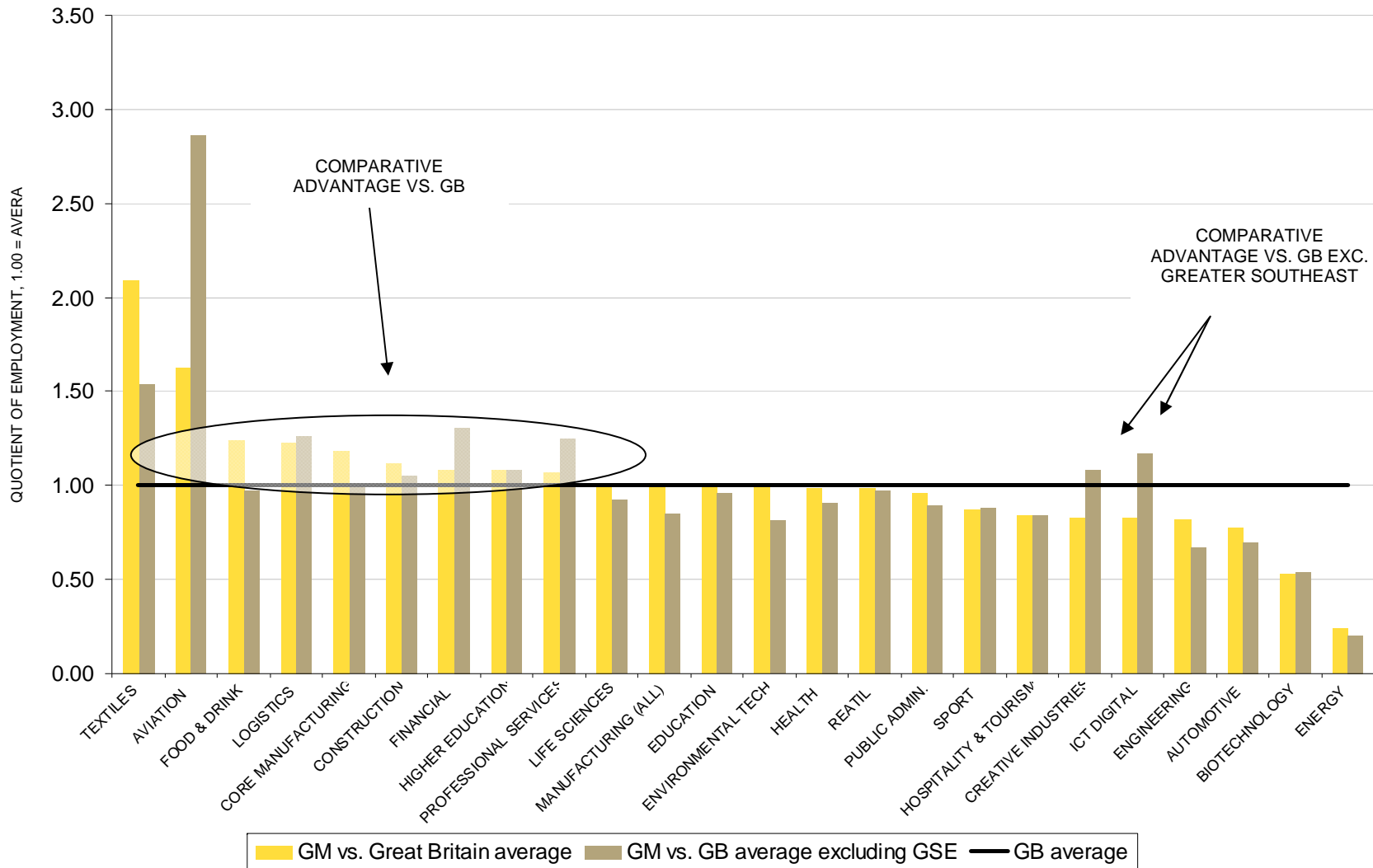


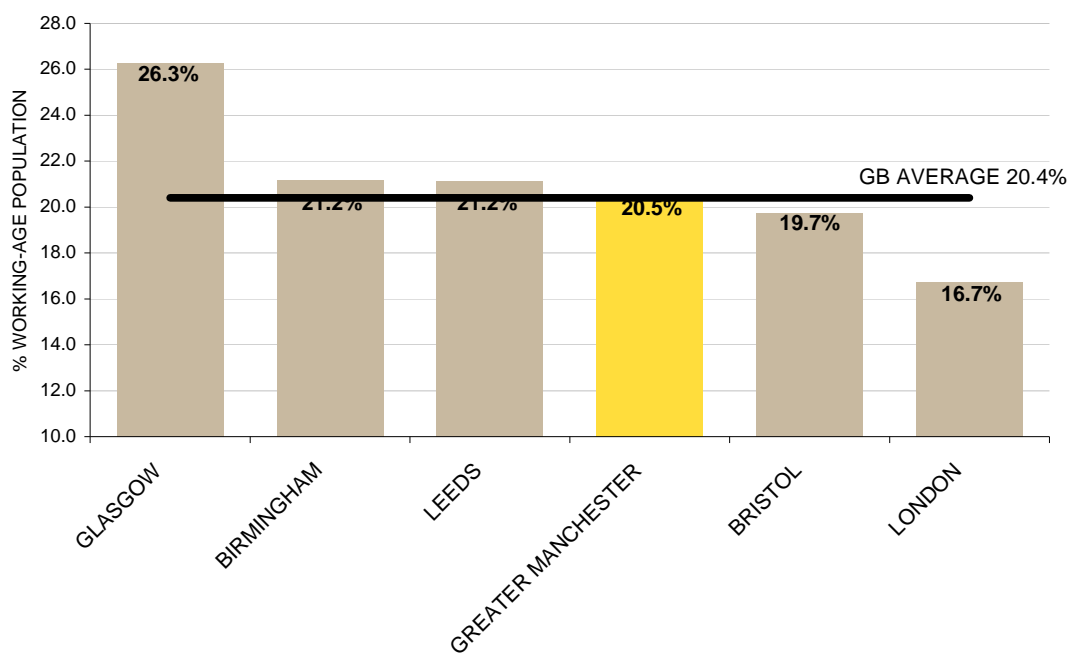
Figure 3. Greater Manchester Employment Specialisation by Key Sub-Sectors against Great Britain, 2008



Source: ONS (2010) Annual Business Inquiry

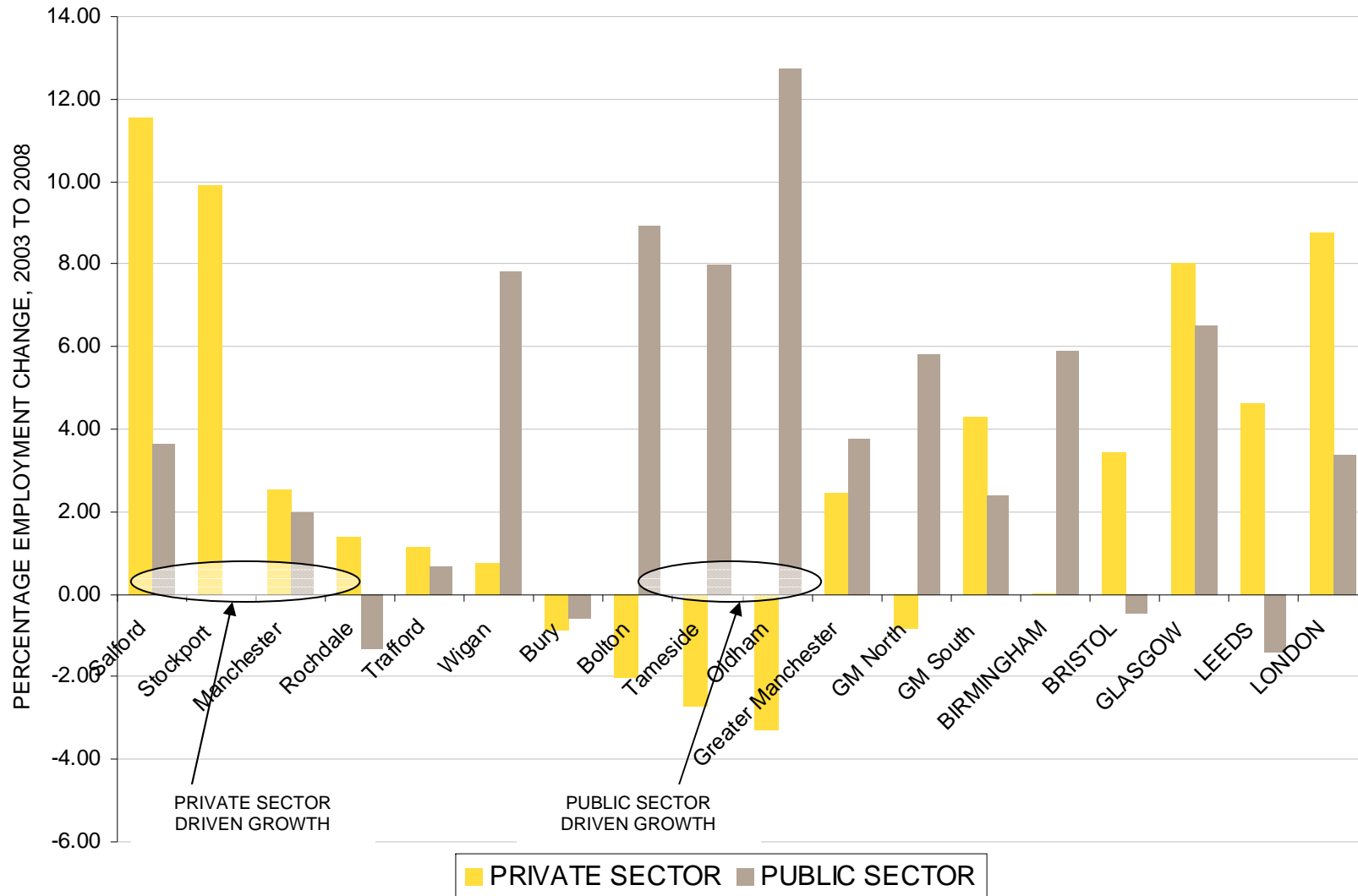
- 4.7 Whilst Greater Manchester, like the UK as a whole, has seen significant growth in public sector employment over the last five years, this contributed less than 30 % of the conurbation's employment growth over the period. This is in marked contrast to some other UK cities that have been heavily dependent upon public sector employment growth. However, within the conurbation there is a mixed picture, with four of the districts in GM North and Tameside (in GM South) actually seeing private sector employment contracting, in contrast to strong private sector growth elsewhere in the conurbation, particularly GM South excluding Tameside, as shown in Figure 5.
- 4.8 The reasons for the differences between the districts are mixed – Bury and Rochdale have suffered from weak overall employment growth, whereas Wigan has seen reasonable growth but driven by the public sector. Oldham and Tameside have seen declines in private sector employment and have relied upon the public sector for new jobs.
- 4.9 However, public sector employment across Greater Manchester as a whole is in line with the national average, and the conurbation is the least dependent major UK city on public sector employment outside of London and Bristol, as shown in Figure 4.

Figure 4. Public Sector Employment Rate in UK Conurbations, 2008



Source: ONS (2010) *Sub-Regional, Public and Private Sector Estimates*

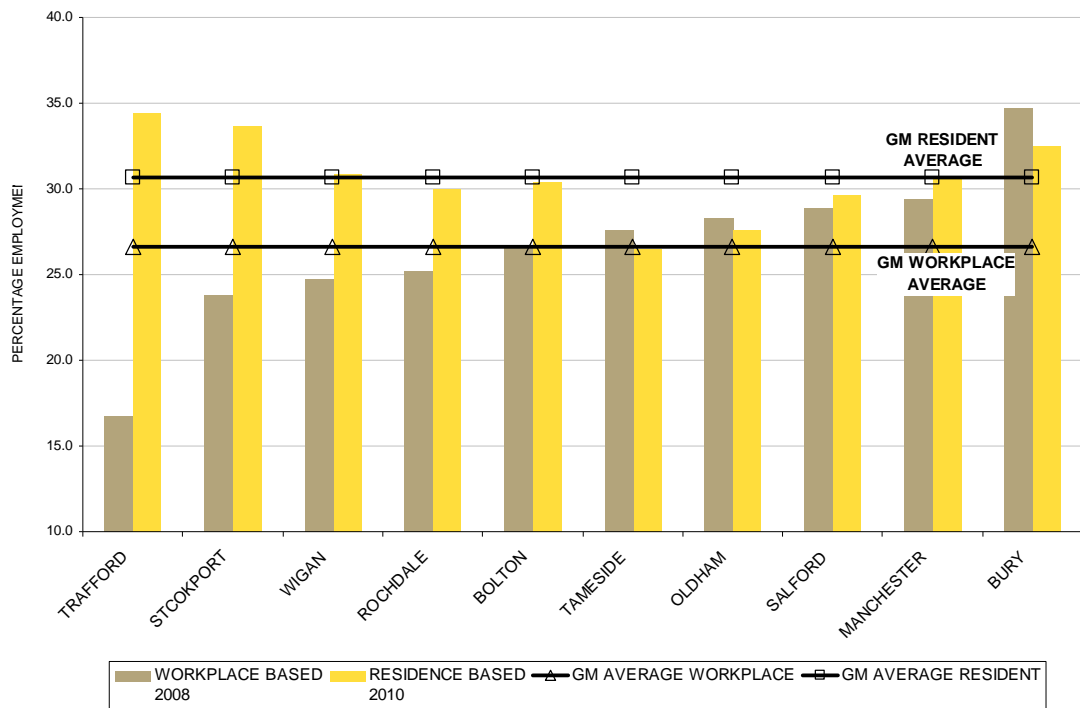
Figure 5. Private & Public Sector Job Creation, 2003 to 2008



Source: ONS (2010) Sub-Regional, Public and Private Sector Estimates

4.10 There is also a significant divergence in Greater Manchester between the location of public sector jobs and where public sector workers actually live, as shown in Figure 6. For example, Trafford has a very low proportion of workplace jobs within the public sector but the highest proportion of public sector workers amongst its own residents, suggesting high levels of commuting to public sector jobs outside the district. Similar, though less extreme, scenarios appear to exist in Stockport and Wigan.

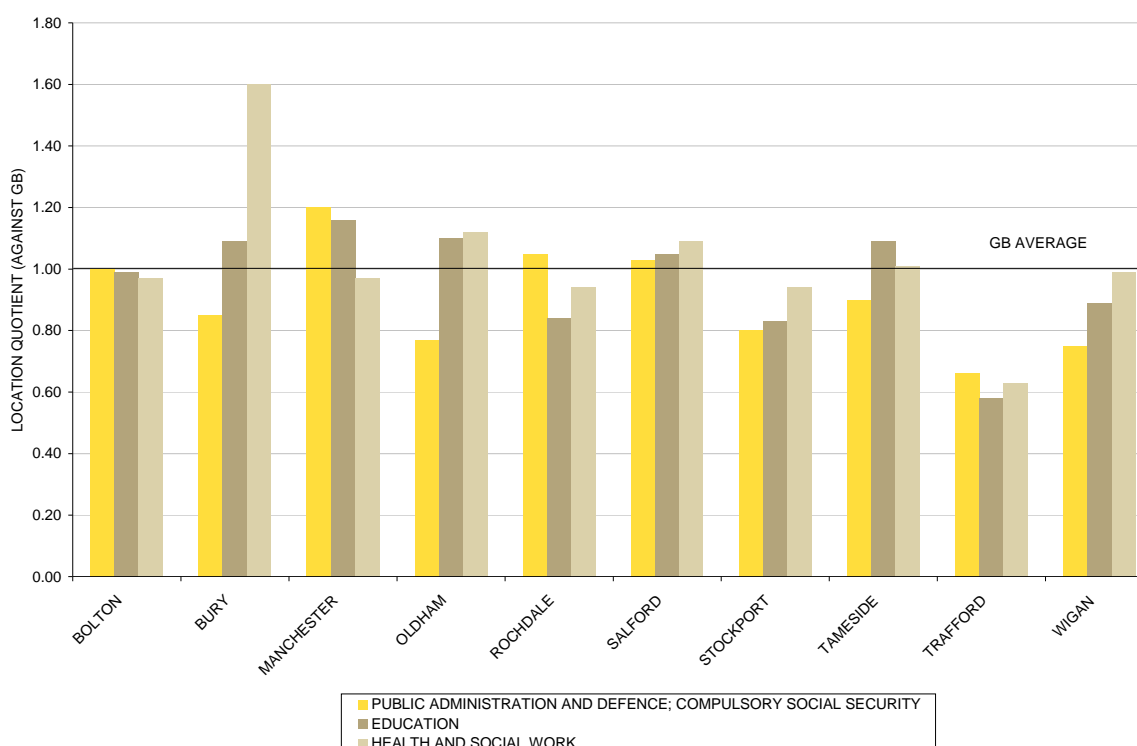
Figure 6. GM Public Sector Workplace and Residence-based Employment



Source: ONS (2010) Sub-Regional, Public and Private Sector Estimates

4.11 There are also marked differences in terms of the types of public sector employment across Greater Manchester, as illustrated in Figure 7. Bury has a particularly high relative proportion of employment in health and social care. Manchester has the largest relative proportions of employment in public administration – reflecting its position as a centre for regional and national as well as local public administrative functions – and education, almost half of which is due to higher education.

Figure 7. Public Sector Employment in Greater Manchester's Local Authorities, by Sub Sector, 2008



Source: ONS, *Sub-Regional Public and Private Sector Estimates, 2010*

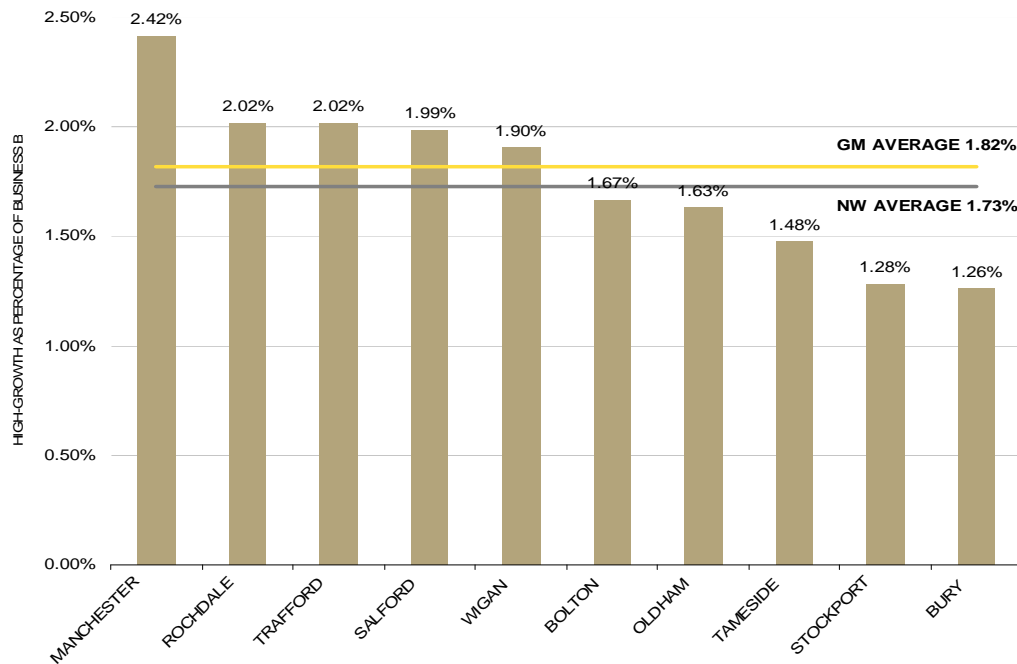
- 4.12** Whilst the overall size and structure of an economy's business base has clear implications for growth, recent research by NESTA found that just 6 % of companies accounted for over half of new jobs created within the UK economy between 2002 and 2008.⁵
- 4.13** Separate research undertaken by Business Link NW, provides an analysis of high-growth firms across the conurbation. These high-growth firms – or 'gazelles' – are defined by high employment or profitability growth over a number of years (a stricter definition than the one employed by NESTA). The analysis finds that there are over 2,500 such high-growth firms across Greater Manchester – representing over 40 % of the Northwest's high-growth firms, by far the largest proportion within the region. Furthermore, these firms represent 1.82 % of Greater Manchester's business base, a higher proportion of the total business base than in regional comparators.⁶ Whilst most of these firms (88 %) are small businesses, employing between 10 and 49 people, they employ 94,500 people across Greater Manchester – approximately 8.5 % of the total workforce.
- 4.14** And whilst these high-growth firms inevitably reflect current economic strengths, with absolute concentrations in the southern districts of Manchester, Trafford, Stockport and Salford, and within the financial & professional services sector, other patterns are also apparent. As a proportion of the

⁵ NESTA (October 2009), *The Vital 6 per cent: How high-growth innovative businesses generate prosperity and jobs*, <http://www.nesta.org.uk/library/documents/Vital-six-per-cent-Nov2010-v3.pdf>

⁶ Data produced by Business Link NW from Experian databases

business base, both Rochdale and Wigan have an above average presence of ‘gazelles’, as illustrated in Figure 8, boding well for future growth. The sectoral breakdown of these high-growth firms is also extremely diverse, with a sixth in manufacturing, and construction (13 %), hospitality & tourism (9 %), logistics (6 %) and health (5 %) also having significant numbers of high-growth firms.

Figure 8. Percentage of High-growth Businesses within GM districts, 2009



Source: *Business Link NW (2010)*

- 4.15** Despite strong numbers of high-growth firms, however, the remainder of the Greater Manchester economy suffers from relatively low levels of new start-ups, weak business density, and poor business survival rates. It is for these reasons that closing the ‘enterprise gap’ that exists in Greater Manchester in comparison with the UK’s most dynamic cities, such as Bristol, has been taken forward as a key priority of the Greater Manchester Strategy.⁷
- 4.16** The MIER found that Greater Manchester has had a successful experience of international and indigenous inward investment in recent decades – with investment creating employment (especially skilled employment) without crowding out the investment of domestic firms, as has likely been the case in some parts of the UK.⁸
- 4.17** This strong performance has been maintained in the conurbation even during the recession, with the latest available data from Greater Manchester’s inward investment agency MIDAS showing an increase in successful inward investment projects over the last three years, particularly in advanced engineering/manufacturing, highlighting the continued potential of this sector for the conurbation.

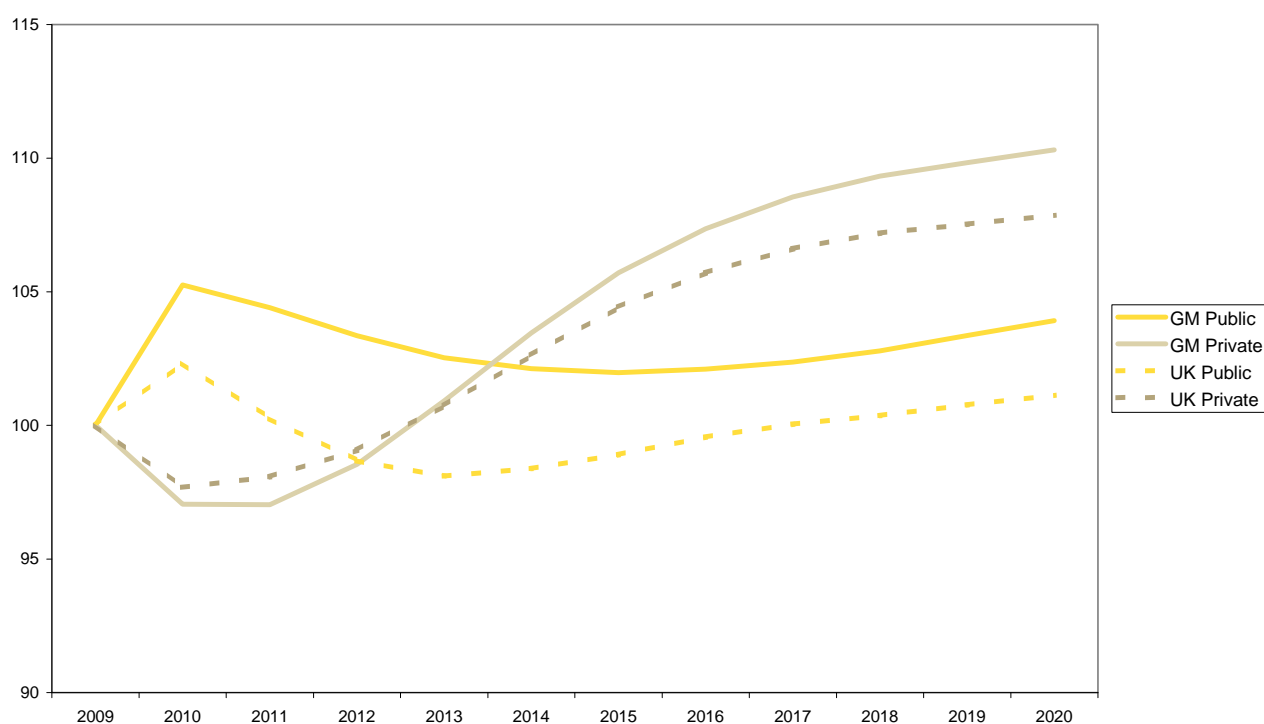
⁷ Prosperity for all: *The Greater Manchester Strategy (GMS)* – August 2009, http://neweconomymanchester.com/stories/842-greater_manchester_strategy

⁸ MIER *Inward and Indigenous Investment*, p50, <http://www.manchester-review.org.uk/projects/view/?id=721>

5 THE IMPACT OF THE RECESSION & FORECAST FUTURE GROWTH

- 5.1** After a decade of growth, Greater Manchester was hit hard by the recession, with GMFM estimating the conurbation will have lost 34,100 jobs and £1.5bn. of GVA between 2008 and 2010. However, these declines are slightly less than for the UK as a whole, and GMFM forecasts that Greater Manchester will match UK growth rates in the medium term. This means that Greater Manchester will maintain its relative advantage, although GMFM forecasts that the productivity gap is unlikely to change significantly over the forecast period up to 2020, even with faster employment growth.
- 5.2** The positive forecast for Greater Manchester is a result of the sectoral pattern of the recession, which is showing a particularly severe impact on the industrial and construction sectors, whereas the sectors with key concentrations in the conurbation, particularly professional services, have a stronger outlook in GMFM's medium-term forecasts. This is based upon the assumption that professional services' exports continue to expand rapidly as they have done in the recent past, and that some of the activities of the public sector will move into the private sector as the spending cuts are implemented.
- 5.3** The resilience of the private service sector is an important factor in this forecast as the public sector cuts filter through. Those areas more reliant upon the public sector will be more severely impacted by the squeeze. According to GMFM, 11,800 jobs will be lost in the public sector between 2010 and 2015, as shown in Figure 9. While the private sector is forecast to lose jobs between 2010 and 2012, by 2015 GMFM forecasts the conurbation will benefit from faster employment growth than the national average, leading to a quicker recovery from public sector job losses.

Figure 9. Forecast Public & Private Sector Growth, GM and UK, 2009–20



Source: Oxford Economics (2010) GMFM

5.4 However, these sectoral patterns have also seen the recession hitting parts of Greater Manchester harder than others, as shown in Figure 10. Manchester, Salford, Stockport and Bury have seen lower falls in output⁹ and employment than the rest of the conurbation, whilst the impact has been harder upon the remaining GM North districts and Tameside, but also Trafford.

Table 10. GVA and Employment Impact of Recession, 2008–09

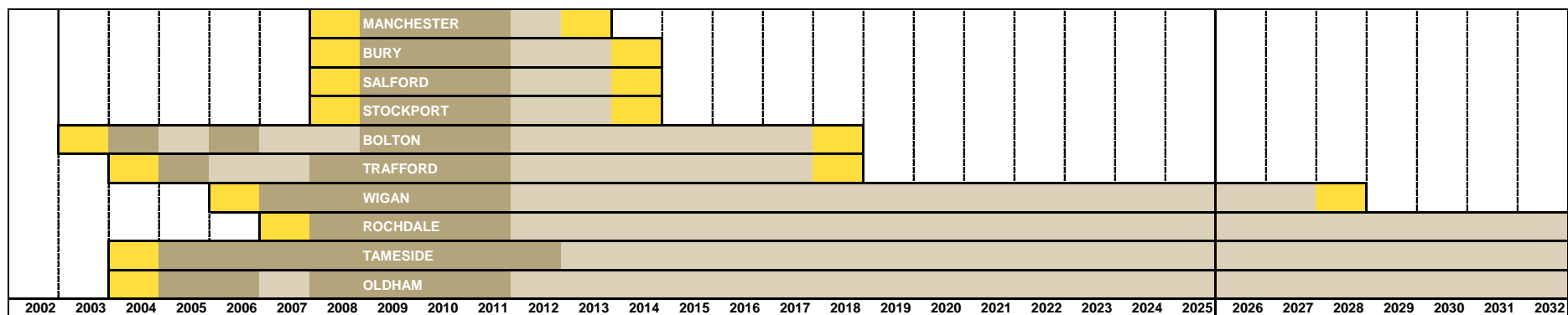
	GVA ⁹		EMPLOYMENT	
	RECESSION 2008 TO 2009 THOUSANDS	PERCENTAGE 2008 to 2009	RECESSION 2008 TO 2009 THOUSANDS	PERCENTAGE 2008 to 2009
BOLTON	-157.6	-4.3 %	-2.2	-1.8 %
BURY	-98.5	-4.2 %	-0.9	-1.2 %
MANCHESTER	-510.4	-3.8 %	-4.3	-1.3 %
OLDHAM	-124.3	-4.8 %	-2.2	-2.5 %
ROCHDALE	-179.4	-6.4 %	-2.8	-3.3 %
SALFORD	-170.5	-3.9 %	-1.6	-1.3 %
STOCKPORT	-161.0	-3.1 %	-0.8	-0.5 %
TAMESIDE	-123.3	-4.7 %	-2.2	-2.7 %
TRAFFORD	-294.0	-5.6 %	-4.2	-3.1 %
WIGAN	-171.5	-4.6 %	-2.7	-2.4 %
GREATER MANCHESTER	-1990.6	-4.3 %	-23.9	-1.8 %

Source: Oxford Economics (2010) GMFM

⁹ It should be noted that official GVA statistics are not available at local authority level, with GMFM providing estimates derived from GM North and GM South GVA data. Employment data by contrast is derived from official ABI statistics at local authority level and therefore is more reliable.

- 5.5** This differential impact is also forecast to leave a very different legacy across Greater Manchester, as shown in Figure 11. The districts hit least by the recession – Manchester, Stockport, Salford and Bury – are expected to experience relatively short contractions, with returns to pre-recession GVA and employment within the next two years and peak employment within the next 2–4 years. For Manchester and Salford, this is due to their economic strength as a result of the size and scale of the conurbation core. For Stockport and particularly Bury, because many of their residents work in the conurbation core, the comparatively low impact of the recession is partly because local spending has not declined as sharply as elsewhere, though also reflects their relatively smaller economies. Trafford's forecast is partly distorted by an earlier spike in employment, which will take longer to regain, and discounting this employment spike suggests that Trafford's prospects for recovery are similar to those in Manchester, Bury, Salford and Stockport.
- 5.6** Bolton saw employment peak in 2003, but as a result is forecast to return to this level by 2014. By contrast, the other GM North districts and Tameside are not forecast by GMFM to return to their previous peak employment for 18 years or more.

Figure 11. Forecast Peak-to-Peak Employment (workplace-based), GM 2000–32

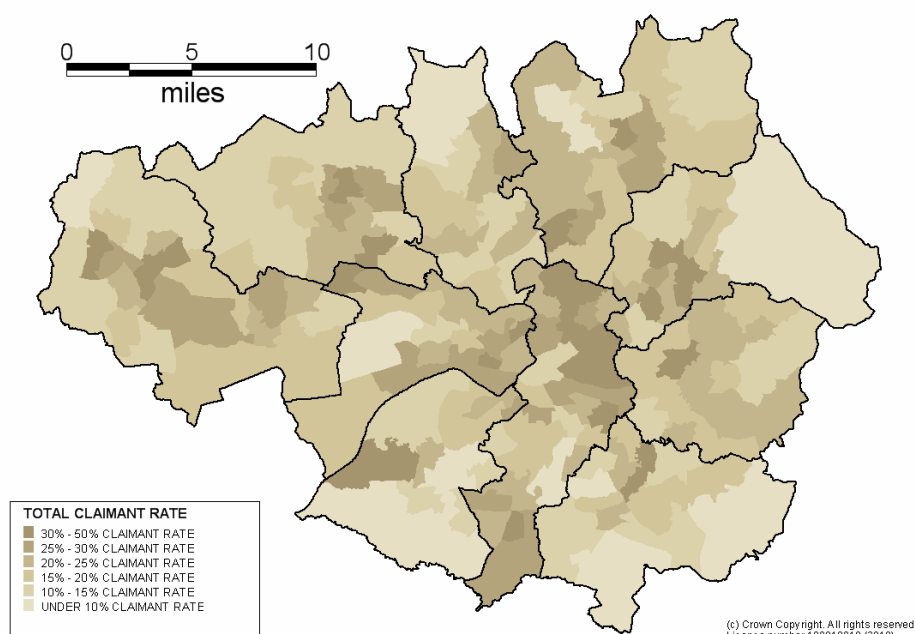


Source: Oxford Economics (2010) GMFM

6 PEOPLE

- 6.1 The recent growth in Greater Manchester's population has seen it overtake Birmingham as the UK's second city behind London, with a population of nearly 2.6 million, 4.2 % of the UK population. Of these, 62.9 % are of working age, giving Greater Manchester the largest resident labour market outside London, of 1.6 million people.
- 6.2 GMFM forecasts population to continue growing over the next decade, particularly within Manchester, Salford, and Trafford, where double-digit growth is forecast. Natural increase (i.e. births greater than deaths) continues to be the primary factor driving this population growth. However, uncertainty remains regarding how migration will react to the recession and sluggish labour market recovery. There has thus far been less out-migration as a result of the recession than originally anticipated, and as a result the population forecast has been revised upwards, but if economic growth is worse than forecast and/or migration returns to past trends, then this may prove to be too optimistic.
- 6.3 Greater Manchester has seen strong growth in employment since 1998. This dropped significantly in 2008 as a result of the recession, although the impact upon Greater Manchester has been slightly less than the UK as a whole, and by matching UK growth rates in the medium term it is forecast by GMFM to maintain its relative advantage.
- 6.4 Nevertheless, the recovery of Greater Manchester's labour market is forecast to be slower than that for economic output, with employment levels only expected to begin to rise in 2012 as the private sector recovery gathers pace. The forecasts suggest that employment will not recover its recession job losses until 2014 at the earliest, and the longer-term rate of employment growth is slower than that of the recent boom.
- 6.5 As a result, unemployment in Greater Manchester is forecast to be 20,000 higher in the decade ahead than it was in 2008, remaining above 65,000 over the medium term, at a level similar to the late 1990s. This reflects the longer-term legacy of the recession and the sectoral nature of the recovery – driven by business & professional services – with the unemployed, particularly those with lower skills, struggling to return to work as recovery is expected to be driven by higher skilled activities.
- 6.6 The impact of unemployment is not felt equally across the conurbation, with Manchester, Salford and Rochdale suffering particularly high levels. More locally, benefit claimants are largely clustered in and around the central urban core and the main towns of Greater Manchester, with the lowest rates found in the affluent suburban areas and rural hinterland of the conurbation, as shown in Figure 12.

Figure 12. Total Benefit Claimant Rate, Greater Manchester May 2010



Source: DWP (2010) Longitudinal Survey

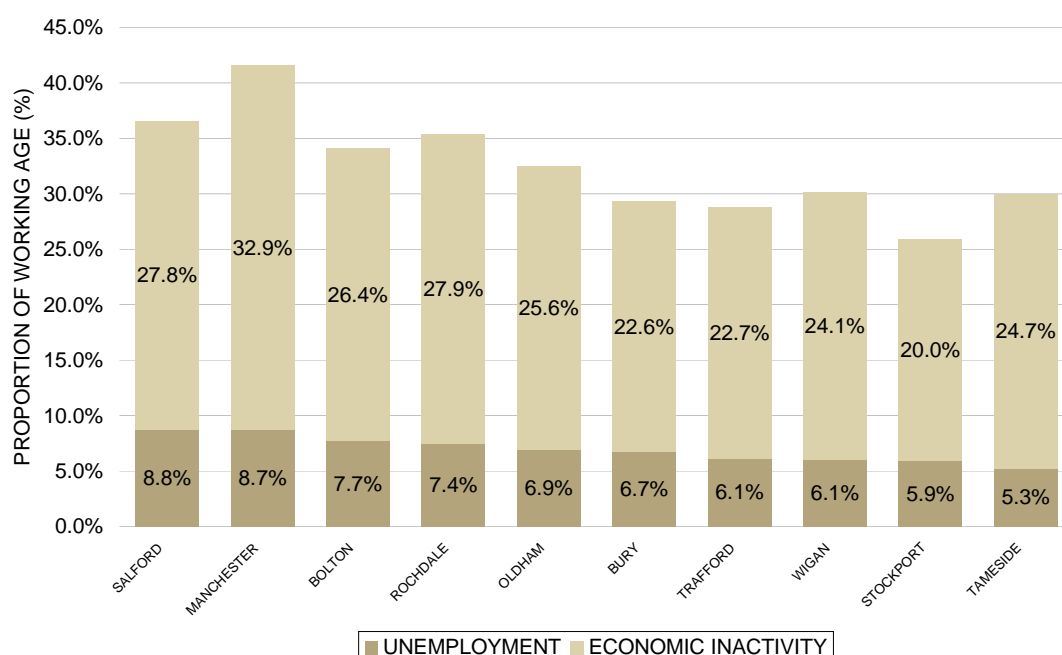
NOTE: Total benefit claimants references all benefits supplied by DWP, including JSA, IB/ESA, income support, carer's allowance etc. It does not include claimants of tax credits, which are administered by HMRC.

6.7 This legacy of unemployment from the recession will exacerbate existing weaknesses in the labour market around worklessness¹⁰ and skills. The employment rate in Greater Manchester is only 68.9 % of the working-age population, giving the conurbation the highest worklessness rate amongst its comparator cities, apart from Birmingham, and significantly higher than the national average. Despite the economic strength of the conurbation core, worklessness is particularly acute in Manchester, as shown in Figure 13, reaching two-fifths of the working-age population, with only Stockport, Wigan and Trafford having rates below the national average.

6.8 Although worklessness has risen over the past four years because of the near doubling of unemployment, the biggest contributor to worklessness remains economic inactivity, affecting nearly a quarter of the working-age population. Whilst there are positive reasons for some residents to be economically inactive – such as studying (with students comprising 4.8 % of Greater Manchester's inactive population) and early retirees – for many others inactivity is due to a lack of employment opportunities and/or ill health. For example, long-term sickness results in inactivity for 8.5 % of Greater Manchester residents wanting to work, one percentage point higher than the national average.

¹⁰ Worklessness is defined by the Office of National Statistics as the total population that is either unemployed or economically inactive. The unemployed "are people who are without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks or are out of work, have found a job and are waiting to start it in the next two weeks". The economically inactive are "those without a job who have not actively sought work in the last four weeks, and/or are not available to start work in the next two weeks" (ONS (December 2009) *A Profile of Worklessness*).

Figure 13. Workless residents in Greater Manchester, June 2010



Source: Calculations by New Economy from ONS (2009) Annual Population Survey

- 6.9** Given the high levels of worklessness in Greater Manchester, the Government’s plans to merge all out-of-work benefits into a single Work Programme will have a big impact upon the conurbation. In particular, nearly half (48 %) of benefits in Greater Manchester go on Employment Support Allowance (ESA – the replacement for Incapacity Benefit), which was subject to significant cuts in the recent Spending Review.
- 6.10** Worklessness is especially acute amongst Greater Manchester’s black & minority ethnic (BME) community, with unemployment (16.8 %) and economic inactivity rates (37.7 %) nearly double that of white residents and much higher than the national average. Levels of worklessness are higher for females than males, particularly due to economic inactivity, but these gaps increase further within the BME community, particularly the Pakistani/Bangladeshi group, where females make up 86 % of the difference between white and BME inactivity rates.
- 6.11** The key determinant of worklessness however is low or inappropriate skills. Across the UK, residents with no or lower-level qualifications are more likely to be workless than those with Level 3 or 4+ qualifications,¹¹ as shown in Figure 14. This pattern is even stronger in Greater Manchester than nationally, with nearly 20 % more workless residents having no qualifications than the national average, and above levels in Bristol, Leeds and London. Moreover, just 12.0 % of economically inactive residents have level 4+ skills (compared to 29.3 % of economically active residents). A lack of skills is particularly associated with residents not participating in the labour market, with nearly a

¹¹ Level 3 qualifications are equivalent to A-Levels, whilst Level 4+ are equivalent to degrees and higher postgraduate qualifications.

third of economically inactive residents having no qualifications, compared to just over a fifth of unemployed residents.

- 6.12** Greater Manchester's weak skills base is not confined to the workless population, however, with fewer Greater Manchester residents than the national average qualified to Level 4+ and more residents holding no qualifications, even when just looking at residents in employment. Across Greater Manchester, only Trafford and Stockport have more residents than the national average with Level 4+ qualifications.

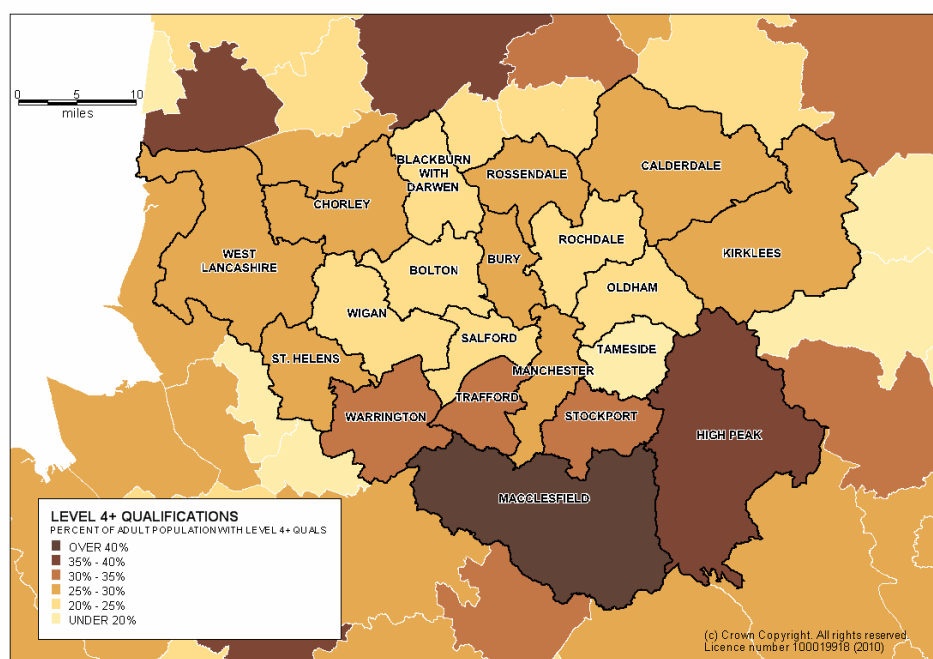
Figure 14. Skills Breakdown by Employment, 2009

INDICATOR		GM		UK	
		NUMBER	PERCENT	NUMBER	PERCENT
ALL RESIDENTS	LEVEL 4+	450,200	26.7 %	11,835,600	29.8 %
	LEVEL 3	317,350	18.8 %	7,298,610	18.4 %
	LEVEL 2	361,825	21.4 %	8,394,410	21.1 %
	LEVEL 1	316,125	18.7 %	7,232,880	18.2 %
	NO QUALS	243,000	14.4 %	5,012,400	12.6 %
ECONOMICALLY ACTIVE RESIDENTS	LEVEL 4+	395,400	31.4 %	10,329,900	33.9 %
	LEVEL 3	249,830	19.9 %	5,813,600	19.1 %
	LEVEL 2	278,805	22.2 %	6,438,475	21.1 %
	LEVEL 1	221,165	17.6 %	5,377,625	17.7 %
	NO QUALS	112,000	8.9 %	2,493,900	8.2 %
EMPLOYED RESIDENT	LEVEL 4+	374,900	33.1 %	9,891,600	35.2 %
	LEVEL 3	228,400	20.2 %	5,410,410	19.3 %
	LEVEL 2	245,750	21.7 %	5,870,935	20.9 %
	LEVEL 1	189,050	16.7 %	4,795,155	17.1 %
	NO QUALS	93,400	8.3 %	2,117,800	7.5 %
UNEMPLOYED RESIDENTS	LEVEL 4+	20,500	16.3 %	438,300	18.5 %
	LEVEL 3	21,430	17.0 %	403,190	17.0 %
	LEVEL 2	33,055	26.3 %	567,540	24.0 %
	LEVEL 1	32,115	25.5 %	582,470	24.6 %
	NO QUALS	18,600	14.8 %	376,100	15.9 %
ECONOMICALLY INACTIVE RESIDENTS	LEVEL 4+	54,800	12.7 %	1,505,700	16.2 %
	LEVEL 3	67,520	15.7 %	1,485,010	15.9 %
	LEVEL 2	83,020	19.3 %	1,955,935	21.0 %
	LEVEL 1	94,960	22.0 %	1,855,255	19.9 %
	NO QUALS	131,000	30.4 %	2,518,500	27.0 %

Source: Calculations by New Economy from ONS (2009) Annual Population Survey

- 6.13** Whilst the MIER found that the smaller proportion of higher-level skills has not prevented businesses within the conurbation accessing the higher-level skills they need, this has largely been achieved by importing skills from Greater Manchester's neighbouring authorities. As Figure 15 shows, many of the conurbation's neighbouring authorities are able to offer significantly higher proportions of graduates than the majority of Greater Manchester.

Figure 15. Level 4+ Qualifications in Greater Manchester and Environs, June 2010



Source: Annual Population Survey, 2010

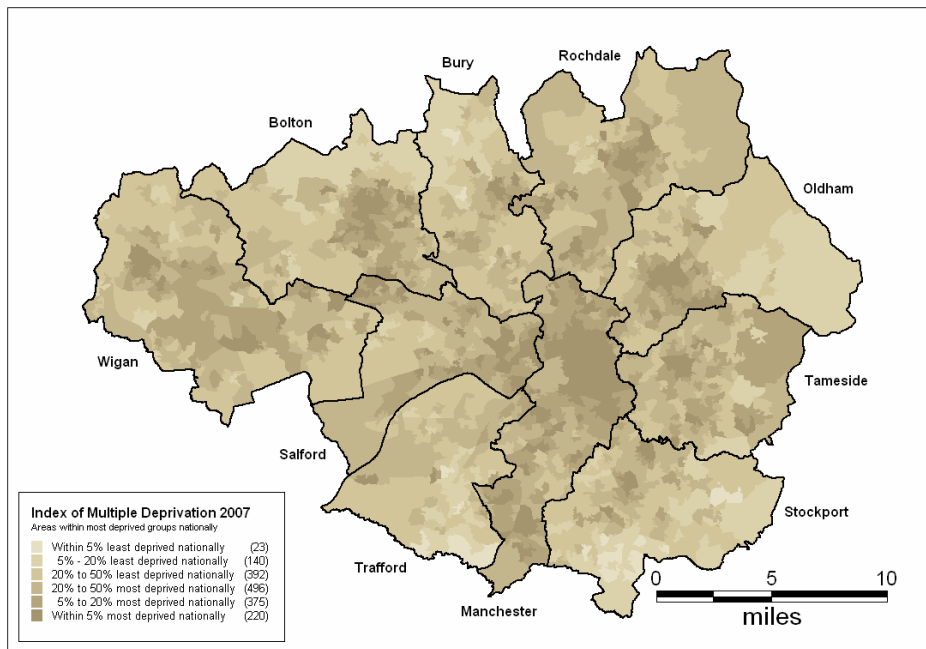
- 6.14** Whilst this has facilitated strong economic growth for Greater Manchester, it has not reduced worklessness amongst residents. Reducing this skills gap will not only give residents better access to the labour market, but will also create the basis upon which other new areas of growth can develop elsewhere in the conurbation.
- 6.15** As the MIER argued, improving the skills of the conurbation is a long-term process that must lay foundations from the early years if it is to be successful. Nonetheless, there are clear signs of improvement, with substantial improvements in GCSE attainment in the conurbation, far outstretching national increases, such that Greater Manchester now has a higher GCSE attainment rate (five GCSEs at grades A*–C) than the national average, though still remains slightly behind when Mathematics and English are included.
- 6.16** However, progression rates onto higher-level qualifications remain lower in Greater Manchester than national averages – 73.9 % of 19 year olds have obtained a level 2 qualification in Greater Manchester, compared to 75.9 % nationally, whilst 45.7 % have achieved a level 3 qualification, compared to 49.4 % nationally. This advancement must also be improved if the resident labour market is to deliver the higher-level skills that are needed to support economic recovery and the long-term competitiveness of the conurbation.
- 6.17** Greater Manchester’s weak skills base is at the heart of the productivity gap identified by the MIER. Weak skills are the key cause of Greater Manchester’s low productivity rate.¹² Weak skills are also a key component of economic

¹² Sebem Oguz and Jonathan Knight (2010). ‘Regional economic indicators’. *Economic & Labour Market Review*, Vol. 4, No 2

inactivity – which the MIER identified as the other major contributor to the productivity gap – since low activity rates reduce the available workforce, constrain output levels, and reinforce concentrations of deprivation. As such, breaking out of this low skills trap – and providing the residential offer necessary to retained skilled workers within Greater Manchester – is essential if the productivity gap is to be closed and all residents are to realise the benefits of economic growth.

6.18 Despite the overall economic success of Greater Manchester, significant proportions of its residents still suffer from socioeconomic deprivation levels that are amongst the worst in the UK. Although the latest Index of Multiple Deprivation (IMD2007) shows noticeable improvement since 2004, over 30 % of Lower Super Output Areas (LSOAs) in Greater Manchester are within the worst 10 % nationally. As Figure 16 shows, whilst every district has some areas of deprivation, it tends to cluster in inner city areas around the conurbation core and the main town centres. Deprivation is particularly acute in the Manchester, Salford, Rochdale and Oldham, with 19 LSOAs within the worst 100 nationally – an LSOA in Harpurhey, Manchester is ranked second most deprived in the country. The absolute extent of deprivation is strongly focused around the conurbation core, with nearly two-thirds of Manchester’s LSOAs and over two-fifths of Salford’s in the 10 % most deprived nationally. The overall extent of deprivation is significantly lower in Trafford, Stockport and Bury than the rest of the conurbation, with less than half the number of deprived LSOAs than the next most deprived districts.

Figure 16. Most Deprived Neighbourhoods, Greater Manchester 2007



Source: CLG (2007) Index of Multiple Deprivation

7 PLACE

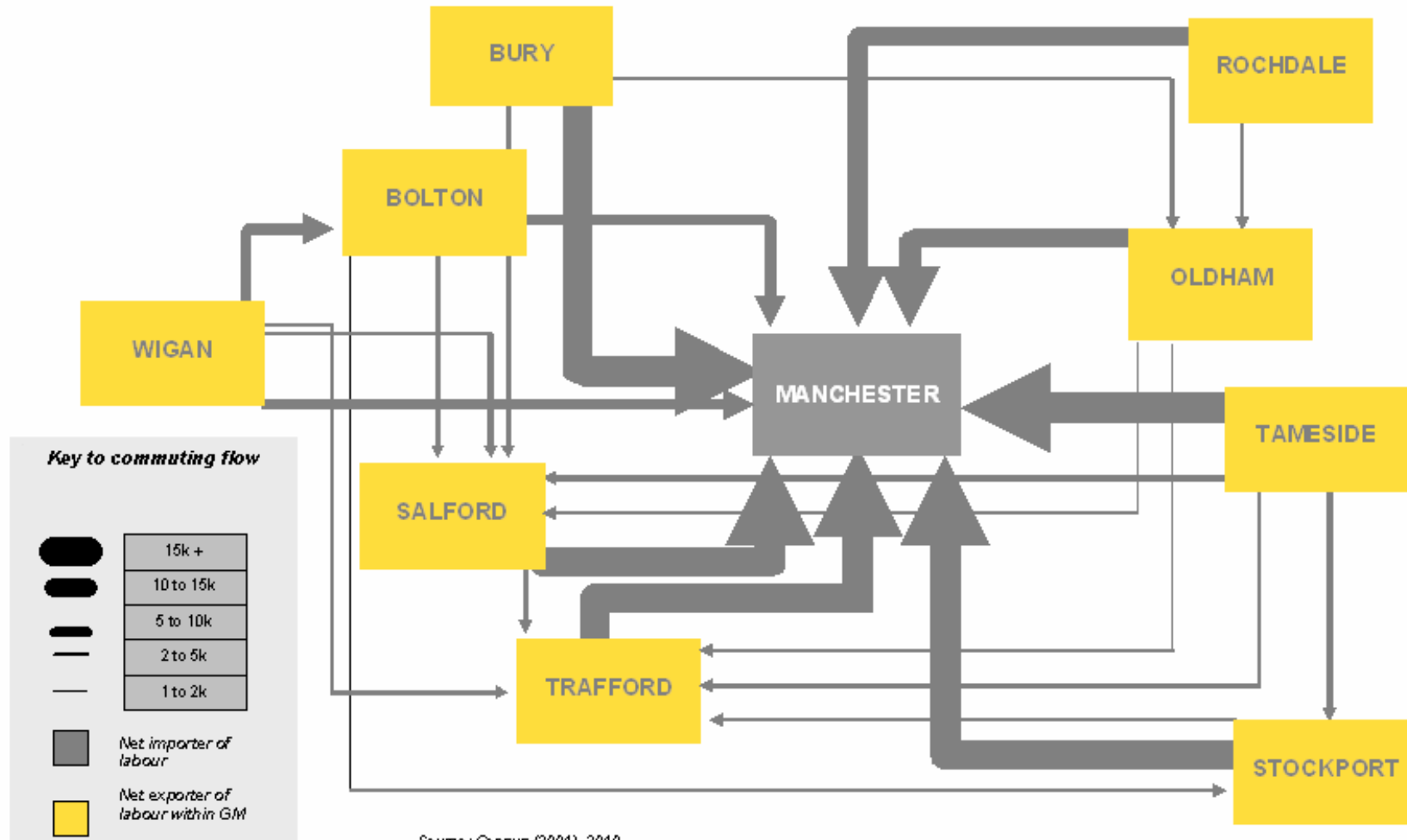
- 7.1 As with any large metropolitan area, different parts of the conurbation contribute to the functional geography in different ways. The conurbation core is the focus of economic restructuring and growth, offering the largest office market outside London and an environment that is attractive to financial & professional services, with the connectivity and infrastructure to attract the skilled labour needed by these sectors from across Greater Manchester and beyond. The conurbation core extends from city centre of Manchester into Salford Central, and onto the adjacent development of Salford Quays/Trafford Wharfside – which has a mixed office, industrial and logistics offer, and includes MediacityUK, with a specific focus upon the creative & digital industries. The conurbation core also extends out along Oxford Road, where the Corridor Manchester comprises Europe’s largest concentration of knowledge assets, including Universities, hospitals, and Manchester Science Park. The conurbation core also includes two of the UK’s top ranked retail offers in Manchester City Centre and, at the edge of Trafford Park, the Trafford Centre.
- 7.2 The conurbation core has dominated take-up within Greater Manchester’s office market and competes successfully on a national scale with Birmingham, Bristol, Glasgow and Leeds. Office development elsewhere in the conurbation has focused on out-of-town business parks, particularly to the south of the conurbation, though Middlebrook (in Bolton) and Central Park (in New East Manchester) have also enjoyed notable success. However, these out-of-town developments have in some circumstances resulted in a loss of activity in Greater Manchester’s town centres, which has exacerbated the overall poor performance of these centres over the last decade in employment and retail terms, despite high levels of economic growth.
- 7.3 The presence of Trafford Park between the conurbation core and the motorway network even means that the broad core area of Greater Manchester dominates the industrial market, with Trafford Park remaining the most attractive location for industrial and logistics activities within the conurbation. With distribution and warehousing requirements now dominating the industrial sector, and with Greater Manchester’s market characterised by average to poor quality stock and a shortage of large, modern, units (100,000+ sq ft), Heywood Distribution Park and Kingsway in Rochdale to the north, along with Ashton Moss in Tameside to the east, have also been successful attracting logistics occupiers.

Figure 17. Net Commuting Flows within Greater Manchester, 2008

Please note: this is a graphical representation of selected larger net travel-to-work flows and not all travel-to-work flows are depicted here.

Figure 1: Net commuting flows between Greater Manchester districts 2007

Please note: this is a graphical representation of selected larger net travel-to-work flows and not all travel-to-work flows are depicted here.



Source: ONS (2010) Annual Population Survey

- 7.4 Analysis of official travel-to-work area (TTWA) data (of all flows of 1 % or more, from ONS' 2008 Annual Population Survey) supports the idea that the 10 Greater Manchester districts represent a natural economic geography, with every district having higher commuting flows to other Greater Manchester districts than flows out of the conurbation. And whilst there are strong linkages with the neighbouring authorities, these are rightly considered as separate economic geographies, with greater degrees of internal retention and movements to areas outside Greater Manchester than into the conurbation.
- 7.5 Within Greater Manchester itself:
- The City of Manchester is the main importer of labour and the primary destination for all other districts in the conurbation – though this connection is weaker with Bolton and Wigan, the only two Greater Manchester districts that do not border Manchester
 - All Greater Manchester districts have more flows to the rest of the conurbation than to districts outside Greater Manchester
 - Manchester, Salford and Trafford are the most connected districts, with labour flows with all other Greater Manchester districts
 - Across Greater Manchester there is a general pattern in the TTWA of each district of strong interconnectivity with its 2–3 neighbouring districts plus Manchester
- 7.6 Taken together, Manchester and Salford form the economic core and driver of the conurbation, around which the rest of Greater Manchester coalesces. Around this core, all of Greater Manchester's districts provide flows of labour, but these are particularly strong from Trafford, Stockport and Bury, where skills levels are highest, and which also offer an attractive housing stock and high-quality transport connections. Trafford and Stockport have an interdependent relationship with the conurbation core, since they also have their own strong economies. Trafford Park in particular, extending from the Trafford Centre through to Trafford Wharfside, is the largest and most important employment area in Greater Manchester outside the city centre. Stockport's town centre is also a large mixed-use employment centre that has begun to regenerate following an early period of decline. Bury has recently seen large investment in its town centre, which has reinvigorated the district's economy, but overall Bury has a smaller local economy, with lower employment growth over the last decade, all of which has come from the public sector, leaving the district with a more dependent relationship upon the conurbation core.¹³
- 7.7 Bolton and Wigan, in the northwest of Greater Manchester, are relatively more independent from the conurbation core, with relatively lower commuting flows into the Cities of Manchester and Salford (though still higher than to areas

¹³ Northern Way (2009) *City Relationships: Economic Linkages in Northern city regions – Manchester City Region*

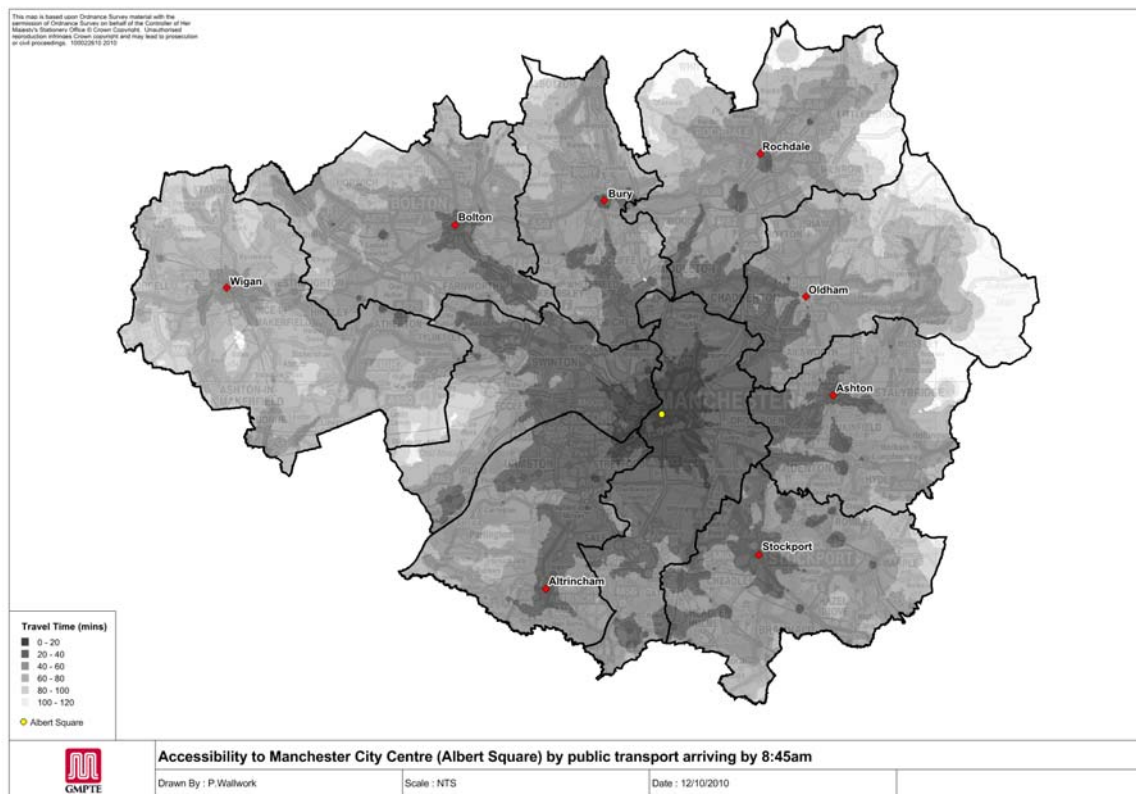
outside Greater Manchester). Bolton's town centre benefits from a scale and diversity of functions that provide critical mass, which is complemented by continued strength in manufacturing and logistics activities. However, over the last decade, Bolton has seen minimal employment growth, and exclusively from the public sector, suggesting that economic restructuring is still underway, and that Bolton currently remains reliant upon the conurbation core for new employment opportunities. Wigan, partly because its coalmining heritage meant that it was forced as pits were closed to undergo a sudden, rather than more gradual economic restructuring, meaning it could not continue to rely on traditional sources of employment and had to look to new economic activities. As a result, the borough has some of the strongest business indicators in GM North, with private sector employment growth, and a strong presence of high-growth firms. However, overall the Wigan economy lacks scale and critical mass, and suffers from poor connectivity into the conurbation core. Wigan also has the strongest links to districts outside Greater Manchester, particularly St Helens, though it remains more reliant upon the conurbation core than areas outside Greater Manchester for new employment opportunities.

7.8 Rochdale, Oldham and Tameside to the northeast of Greater Manchester have a dependent relationship with the conurbation core. These areas have a legacy of traditional manufacturing that is continuing to restructure, leaving a relatively weak economic base that has been badly hit by the recession. However, these areas also lack the resident skills to take full advantage of opportunities within the conurbation core. Moreover, the living preferences of those in the highest level occupations (see Figure 18 below) shows that large areas of these districts have housing stock, connectivity, and amenity that is not currently able to attract and retain significant numbers of skilled residents. However, these areas all benefit from some significant assets, particularly in terms of their location on the edge of the Peak District, good rail connections, and the forthcoming expansion of Metrolink, that will significantly improve the connectivity and offer that these areas have as a location of choice for skilled residents.

7.9 A comprehensive multimodal transport network interconnects the conurbation and provides national and international linkages, supporting both the movement of skills and the flow of goods. The conurbation has an orbital motorway, sits on the West Coast Main Line, trans-Pennine motorway and railway linkages underpinning the North European Trade Axis running from the Mersey to the Humber ports, the largest heavy rail network outside of London, and the UK's largest light rail system in Metrolink. These light and heavy rail links have been instrumental in facilitating the flow of skills into the conurbation core to drive economic growth, and the current and planned expansion of this network will further improve the connectivity of Greater Manchester residents to economic opportunities.

7.10 Nevertheless, transport connectivity across Greater Manchester is uneven, with Figure 18 clearly showing the variability in transport times using public transport from different parts of the conurbation, influencing the levels of commuting into the conurbation core.

Figure 18. Accessibility to Manchester City Centre by Public Transport



Source: Mapping by GMPTE (2010)

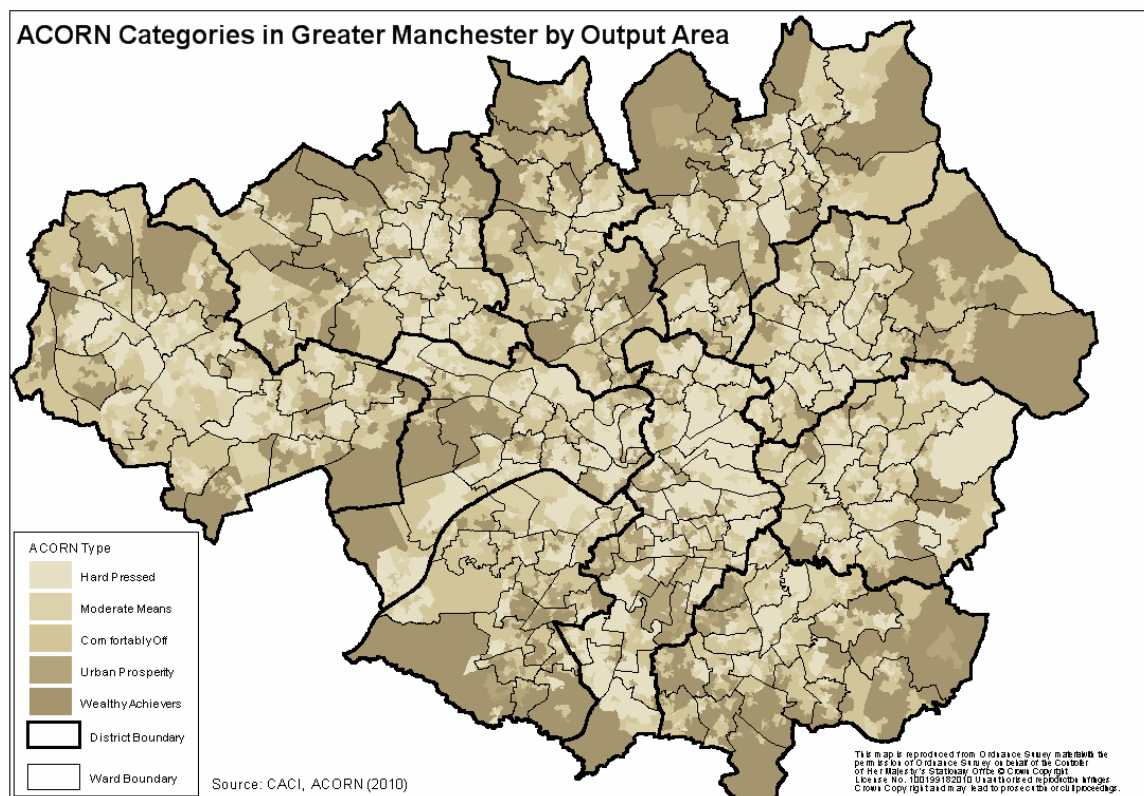
7.11 Manchester Airport is the major international gateway for the whole of the North of England. The airport is by far the largest UK airport outside the London airports carrying around nearly 19million passengers per annum to 190 destinations, including a substantial network of long-haul scheduled services, and the only UK airport other than Heathrow to have two full-length runways. The airport is also an important freight hub, with the World Freight Terminal being the largest in the UK outside London. As such, Manchester Airport is a strategic asset of national as well as North of England importance, that helps to attract and retain international businesses and talent into the conurbation.

7.12 Greater Manchester hosts a wealth of nationally and internationally significant cultural, sporting and visitor infrastructure assets, including a number of new iconic developments. The 2002 Commonwealth Games left a legacy of new world-class sporting facilities, with SportCity the focus for new investment around Manchester City, alongside existing assets such as Old Trafford cricket and football grounds. Across the whole of Greater Manchester are a wide range of sporting assets, museums, galleries, theatres, concert halls, conference facilities and outdoor attractions, including the MEN Arena and

keynote developments such as Urbis, The Lowry, and Imperial War Museum North. Collectively these assets and the rapidly improving image of the “Manchester” brand have seen the conurbation become England’s most popular destination for overseas visitors after London.

- 7.13 The provision of a suitable housing supply is key to attracting and retaining people in Greater Manchester to support economic growth. The Greater Manchester Strategic Housing Market Assessment (SHMA) 2008 identified key long-term issues including meeting the need for additional housing and a better housing mix, which would support the growth of the area and bridging the affordability gap.
- 7.14 The imbalances in Greater Manchester’s current housing market are well illustrated by the living choices of those in the highest-level (managerial & professional) occupations. As Figure 19 shows, these groups are concentrated around the edge of the conurbation – which tends to offer a more attractive living environment – and along major transport corridors, particularly Metrolink, the West Coast Main Line, and the motorway network, reflecting the important combination of good connectivity with an appealing residential offer.

Figure 19. ACORN Categories in Greater Manchester by Output Area, 2010



Source: CACI, ACORN 2010

8 CONCLUSIONS AND IMPLICATIONS FOR FUTURE GROWTH

- 8.1 The Local Economic Assessment is not in itself a strategic document, but rather an updating of our intelligence on and understanding of the Greater Manchester economy. However, its findings reinforce the dual emphasis, derived from the MIER, within the Greater Manchester Strategy (GMS) upon boosting productivity so that the growth rate increases, whilst ensuring that all parts of the conurbation and all its people enjoy improved opportunities as a result of a stronger economy.¹⁴
- 8.2 Greater Manchester has seen strong economic and employment growth over the last decade, but this has largely been driven by GM South, which accounted for three-quarters of GVA and 87 % of employment growth. As such, whilst growth rates in the south of the conurbation were above national averages, growth in the north was lower, holding back growth in Greater Manchester overall, and preventing the conurbation closing the gap with the Greater Southeast.
- 8.3 The key reason for this uneven growth is the changing sectoral composition of Greater Manchester's economy, driven by services, particularly financial & professional, with manufacturing continuing to decline in both GVA and employment terms. Whilst these trends have occurred across the whole of Greater Manchester over the last decade, because restructuring was already more advanced in GM South (apart from Tameside), it had a larger and stronger service sector, particularly in financial & professional services (already the largest sector by employment and GVA) from which to grow. By contrast, financial & professional services only overtook manufacturing in output terms in GM North in 2003, and manufacturing remains the largest employer across GM North and Tameside apart from in Bury.
- 8.4 The location of the conurbation core in GM South is a key driver of this growth dynamic. Manchester, Salford, Trafford and Stockport together account for three-quarters of Greater Manchester's financial & professional sector employment, over half of which is in Manchester. This sector is forecast by the Greater Manchester Forecasting Model to continue to drive employment growth over the coming decade. Whilst this is expected to drive growth across the whole conurbation, the existing concentration of activity and businesses means that the majority of this growth is forecast to occur in the south of Greater Manchester, particularly the City of Manchester.

¹⁴ AGMA (2009) *Prosperity for all: The Greater Manchester Strategy*, p.10.

- 8.5** Conversely, manufacturing has experienced falls in employment of over a third, and whilst output has fallen much more slowly – as manufacturers have been forced to increase productivity and technological intensity to maintain competitiveness with lower-cost locations overseas – the long-term forecast is for continued, albeit smaller, employment declines. As such, whilst a rejuvenated advanced manufacturing sector can offer important diversity for Greater Manchester’s economy, it is unlikely to generate net new employment even in areas where manufacturing remains the largest sector.
- 8.6** The implications of this uneven distribution of economic activity are mitigated by strong connectivity into the conurbation core, allowing residents from across Greater Manchester to access economic opportunities. However, this connectivity is itself uneven, influencing the levels of commuting into the conurbation core.
- 8.7** Metrolink, with its frequent and fast services running through residential areas, has been particularly successful in improving connectivity. The current expansion of the network will extend these benefits more widely across the conurbation. Finance options are currently being explored for investment in the Northern Hub that would markedly improve heavy rail capacity within Greater Manchester whilst also improving connectivity across the North of England.
- 8.8** However, it is clear the physical connectivity is not the only issue, and as highlighted in the MIER, a key barrier to residents across Greater Manchester accessing opportunities being created in the conurbation core is a lack of skills. This is well illustrated by the high levels of worklessness found in the Cities of Manchester and Salford, within which the bulk of the conurbation core sits, but where resident skills levels prevent participation in the labour market.
- 8.9** Physical connectivity also acts to bring skills into the conurbation core from outside Greater Manchester, with the conurbation’s neighbouring authorities able to offer significantly higher proportions of graduates than in many parts of Greater Manchester.
- 8.10** Since those with the highest levels of skills are able and willing to commute further and for longer, and the conurbation core benefits from being the central hub for long-distance heavy rail links, this reinforces the broad labour market reach of Greater Manchester’s main growth sectors.
- 8.11** This pattern is reflected within Greater Manchester itself, as illustrated by the living choices of those in the higher income levels, which are concentrated around the edge of the conurbation, and along major transport corridors, particularly Metrolink, the West Coast Main Line, and the motorway network, reflecting a combination of connectivity and an attractive living offer.
- 8.12** Whilst people in higher income levels live in areas across the whole of Greater Manchester, they are particularly concentrated in the south of the conurbation, from the city centre down through Salford, Manchester, Trafford and Stockport. This combined with the relatively stronger economies within these

areas has concentrated economic growth in the south of the conurbation. Over the medium-term, improvements in housing together with connectivity can help to attract and retain skills more widely across Greater Manchester.

- 8.13** Forecasts that growth will continue to be driven by financial & professional services will further cement the role and importance of the conurbation core to Greater Manchester's economic growth, and reinforce current patterns of commuting from both within and outside Greater Manchester. Moreover, new growth sectors, such as the creative & digital industries and life sciences, are also concentrated in the conurbation core, particularly with the developments of MediacityUK and the Corridor Manchester. Activities that are less agglomeration sensitive, and therefore tend to disperse more widely around the conurbation, such as manufacturing, logistics, retail and construction, are all forecast to experience weaker growth over the next decade, particularly in employment terms, as productivity and technology improvements reduce labour requirements. Though there remain opportunities for more dispersed growth in sectors such as low carbon and tourism & leisure that could deliver employment right across Greater Manchester.
- 8.14** Recent Europe-wide research into city economies¹⁵ shows that overall agglomeration economies are becoming more rather than less important – despite improvements in information & communications technologies – as economic activity becomes increasingly knowledge-intensive and therefore relies more and more upon skilled people and their interactions with one another. This implies – and is supported by the GMFM forecasts – that the importance of the conurbation core will be increasingly important to Greater Manchester as a whole as well as a growing number of neighbouring authorities.
- 8.15** As the MIER concluded, the main response to this reality needs to be an improvement in skills levels across the conurbation so that residents right across Greater Manchester are able to pursue opportunities in existing growth sectors. This is as much an issue for the south of the conurbation as the north, since problems with low skills levels and worklessness are acute in large parts of the conurbation. Early years interventions to break intergenerational cycles of worklessness and benefit dependency are a vital tool to uplift resident skills and levels of aspiration in order to improve employment and economic activity rates over the long term.
- 8.16** Improving accessibility is also crucial to assist in linking the available workforce with the jobs where they are created, opening up economic opportunities for all parts of Greater Manchester. The expansion of Metrolink will play an important role in this process, but also the development of strategic sites and the regeneration of Greater Manchester's town centres. As the conurbation core continues to develop, this will increase the disbenefits of agglomeration, particularly congestion and the cost and availability of

¹⁵ See for example, Harding, Rees & Sensier (2010) "Agglomeration and Governance: Greater Manchester in a European Perspective", *New Economy Working Papers*, NEWP 05

appropriate commercial space. Whilst these issues need to be tackled directly through appropriate investment, this also opens up opportunities for Greater Manchester's strategic sites and town centres to play an important complementary role for the conurbation core, by providing locations that offer a 'Manchester' address and access to the Greater Manchester labour market for those companies that do not want or need to be in the centre.

- 8.17** The immediate priority in the aftermath of the recession and in a climate of declining public sector employment is the creation of new private sector jobs. Greater Manchester is the conurbation best placed to deliver this in the North of England over the next decade, but will also be a major contributor to overall UK prosperity in terms of GVA growth and the Government's objective of rebalancing the UK economy.¹⁶ However improving skills, accessibility and employment opportunities across the conurbation will significantly reinforce this economic role and help to ensure that Greater Manchester is able to deliver against the Government's related objective of ensuring that prosperity is shared.

¹⁶ Business, Innovation & Skills (2010) *Local growth: realising every place's potential* (Cm 7961)