IPPR NORTH

NORTHERN ECONOMIC FUTURES COMMISSION

JOSEPH ROWNTREE FOUNDATION

NetworkRail

PORT of TYNE

IPPR North

- IPPR’s dedicated think-tank in the North of England
- Based in Newcastle but pan-Northern presence
- Core themes:
  - Northern economic futures
  - Fair localism
  - Creative & capable communities
- To make the North of England the place-to-be for progressive policy-making in Europe
- Leading not pleading!

UK Policy Context

- Regime change, Coalition politics and Year Zero
- Rebalancing, austerity and growth
- The death of regions and place-based policy-making
- Localism vs Re-centralisation (RGF, UKTI, Innovation, W2W)
- Local Enterprise Partnerships, City Deals and fragmentation
- Collaboration, intelligence and the end of the Northern Way

Northern Economic Futures Commission

- To develop a 10-year strategy for economic growth across the North of England.
  - To articulate a **strong vision** for the kind of economy we are seeking to develop in the North of England, understanding its role within a national and global context;
  - To propose a **coherent policy agenda and spatial framework** within which national government and other players can take decisions about strategic investment;
  - To provide a clear **evidence base for strategic planning** and local decision-making within and between local enterprise partnerships;
  - To develop a clear **implementation plan** to translate ideas into action.

Rationale 1

- Focus on recovery and rebalancing
- Meta-local collaboration in the post-RDA / LEP era
- A Northern ‘voice’ in the context of greater powers for London and Scotland
- Business led / Commissioner ‘balance’
- Moving beyond the narrative of North-South divide
- Maintaining a strong evidence base

Rationale 2

BUT …

- Not anti-South/London
- Not anti-LEP nor pro-RDA
- Not ‘democratic’/ ‘representative’
- Not prescriptive
- Time-limited
- Leading not pleading

Audiences

- 3 primary audiences:
  - Northern business community
    - Direction / continuity /sense of place crucial to investment
  - Local Enterprise Partnerships
    - Filling the RDA vacuum
    - Platform for LEP coherence and collaboration
  - Central government
    - A coherent Northern ‘voice’ in the rebalancing debate
    - Looking beyond gimmicks – EZs, RGF
    - Countering centralisation and skewed investment & powers

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Call for Evidence: Key Questions 1

1. What can be **learned from the past** about the Northern economy and the ability of policymaking to shape it?
2. What should a **successful** Northern economy look like?
3. Where will economic **growth** come from?
4. How will a new phase of economic growth be **financed**?

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Call for Evidence: Key Questions 2

5. How do we mobilise assets and capabilities for **innovation and enterprise** in the North of England?
6. What are the priorities for **employment and skills** in Northern labour markets?
7. What are the key priorities for **transport, housing and other infrastructure** challenges?
8. Does the North of England have the **structures and powers** it needs to drive growth?

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Commissioners

Geoff Muirhead CBE, Former Chief Executive Officer, Manchester Airports Group (Chair)

Ed Cox, Director, IPPR North (Deputy Chair)

Bill Adams, Regional Secretary, Yorkshire & Humber TUC

John Anderson, Regional Director, BT Yorkshire & Humber

Rhiannon Bearne, Social Enterprise Executive, Business & Enterprise Group

Paul Callaghan, Chairman, Leighton Group

Adeeba Malik, Deputy Chief Executive, QED-UK

Professor Philip McCann, Chair of Economic Geography, University of Groningen

David McKeith, Chairman, Greater Manchester Chamber of Commerce

Rodger McMillan, Therapy Area Head, AstraZeneca

John Mothersole, Chief Executive, Sheffield City Council

Peter Nears, Strategic Planning Director, Peel Holdings

Ann Pittard, Large Business Development Lead, Leeds City Region

Professor Philip Shapira, Professor of Innovation Management and Policy, Manchester Business School

Bill Tompson, Head of Rural and Regional Development, OECD

Julia Unwin, Chief Executive, Joseph Rowntree Foundation

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NEFC Progress:

- Call for Evidence & Regional Roundtables
- 8 Briefing Papers / Evidence Sessions
- Interim Report: *Northern Prosperity is National Prosperity* (Easter)
- Deep dive research: jobs-rich growth; export potential; new financial instruments; TfN; sub-national governance; growth cluster case studies
- Northern Rail Priorities Statement (16 March)
- EU Funding Statement (June)
- Final Report (November)

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The Northern Economy in Context

IT’S GRIM UP NORTH

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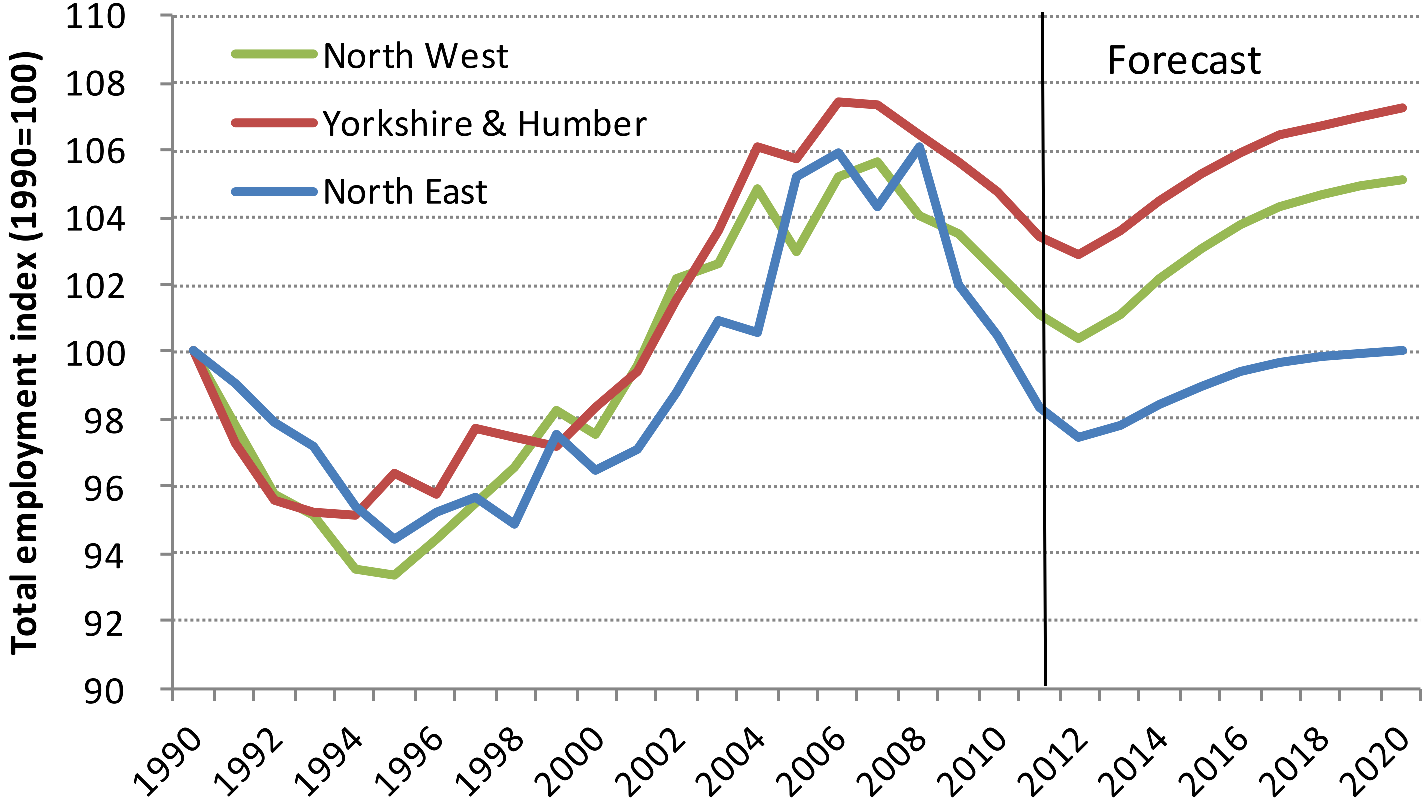
Total Employment Index Forecast



Source: Oxford Economics

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Employment Change by sector 2008-2011

	North West		Yorkshire & Humber		North East		North	
	(000s)	(%)	(000s)	(%)	(000s)	(%)	(000s)	(%)
Agriculture	4.3	10.9	6.0	15.8	0.6	4.8	10.8	12.2
Extraction	-0.5	-21.7	0.0	-0.9	0.2	6.1	-0.4	-3.9
Manufacturing	-19.4	-5.3	-6.7	-2.2	-9.8	-7.7	-35.9	-4.5
Utilities	8.3	96.8	6.1	64.7	3.8	50.8	18.3	71.3
Construction	-47.3	-19.8	-28.7	-15.9	-5.0	-6.7	-80.9	-16.4
Distribution & retail	-20.4	-3.6	-22.7	-5.3	-19.1	-10.3	-62.2	-5.3
Hotels & catering	-13.5	-6.3	-6.9	-4.3	-8.6	-10.9	-29.0	-6.4
Transport & comms	-12.9	-6.3	-8.8	-5.8	1.8	2.6	-20.0	-4.7
Financial services	-5.6	-5.0	-1.0	-1.1	-4.7	-15.2	-11.3	-4.8
Business services	-5.0	-0.9	-32.4	-8.9	-18.0	-10.8	-55.5	-5.1
Public admin & defence	1.4	0.8	-8.8	-7.1	-8.1	-9.2	-15.6	-4.0
Education	6.3	2.3	-11.4	-4.8	-7.1	-7.2	-12.2	-2.0
Health	-1.9	-0.4	36.5	11.7	0.0	0.0	34.6	3.7
Other personal services	12.9	6.4	7.2	5.3	-11.3	-16.6	8.8	2.2
Total	**-96.4**	**-2.8**	**-73.4**	**-2.9**	**-86.8**	**-7.3**	**-256.6**	**-3.6**

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Labour "Potential" ('000s) 2011

	Claimant Count (Sept 2011)	Labour "potential" from inactivity	Total available labour
Tees Valley and Durham	42	59	101
Northumberland and Tyne and Wear	47	70	117
North East	**88**	**129**	**218**
Cumbria	9	20	29
Cheshire	22	39	61
Greater Manchester	82	135	218
Lancashire	34	64	98
Merseyside	51	72	123
North West	**199**	**331**	**529**
East Riding and North Lincolnshire	32	37	70
North Yorkshire	13	30	42
South Yorkshire	43	67	110
West Yorkshire	70	108	178
Yorkshire and The Humber	**158**	**242**	**400**
North	**445**	**702**	**1147**

- Source: Oxford Economics
- Note: labour potential is based upon 20% of students, 25% of looking after the home, 50% of sick, 20% of retired and 20% of other inactivity becoming available to work

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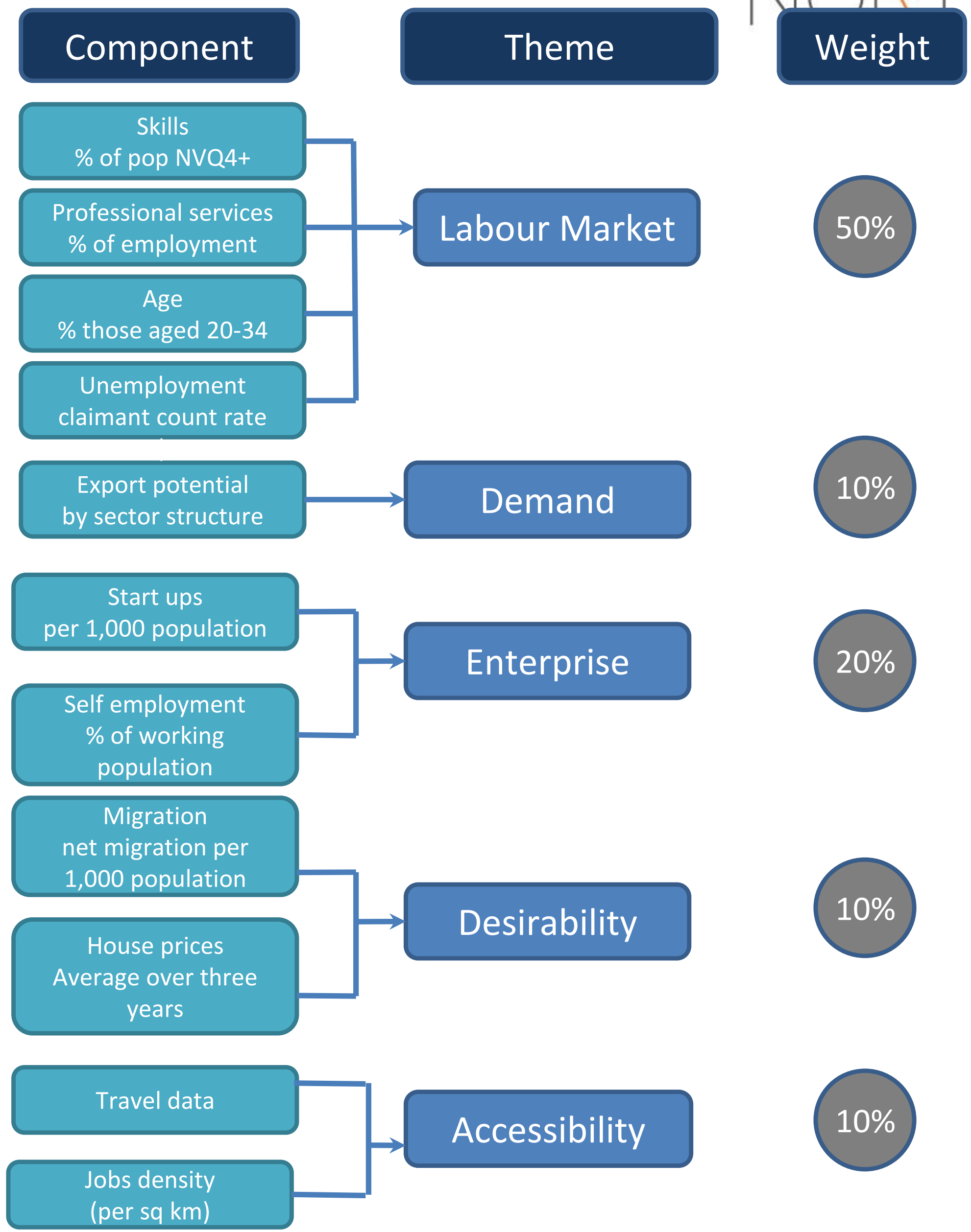
Economic Recovery Index



Source: Oxford Economics

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Recovery ranking

North East	Rank
Newcastle upon Tyne	159
North Tyneside	259
Stockton-on-Tees	260
Darlington	262
Northumberland	314
Gateshead	317
County Durham	328
Sunderland	334
South Tyneside	345
Middlesbrough	391
Redcar and Cleveland	394
Hartlepool	399

North West	Rank
Cheshire East	57
Trafford	70
Manchester	82
Fylde	94
Stockport	95
Cheshire West & Chester	117
Warrington	122
South Lakeland	130
Ribble Valley	146
Salford	162
Chorley	168
Preston	211
South Ribble	224
Bolton	229
Eden	233
West Lancashire	234
Lancaster	238
Blackburn with Darwen	253
Liverpool	255
Halton	278
Rossendale	282
Bury	290
Pendle	291
Barrow-in-Furness	298
Wirral	299
Rochdale	301
Carlisle	316
Allerdale	322
Burnley	323
Sefton	334
Copeland	349
Wigan	350
Knowsley	353
Wyre	355
Tameside	370
Oldham	372
Blackpool	374
Hyndburn	378
St. Helens	379

Yorkshire	Rank
Harrogate	61
Craven	71
Leeds	102
York	118
Calderdale	138
Sheffield	147
Kirklees	171
Selby	185
Richmondshire	193
Hambleton	207
Ryedale	223
East Riding of Yorkshire	230
Bradford	242
Rotherham	311
Wakefield	329
North East Lincolnshire	331
Scarborough	333
Kingston upon Hull, City of	342
North Lincolnshire	362
Barnsley	375
Doncaster	395

- Pink shading denotes Bottom 50.
- No Northern LAs in Top 50.

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Key drivers of growth: skilled workers

Figure 1.4
Highly skilled workers by region, 2004–2010 (% NVQ4+ qualified)

Source: NOMIS

Northern Economic Strengths?

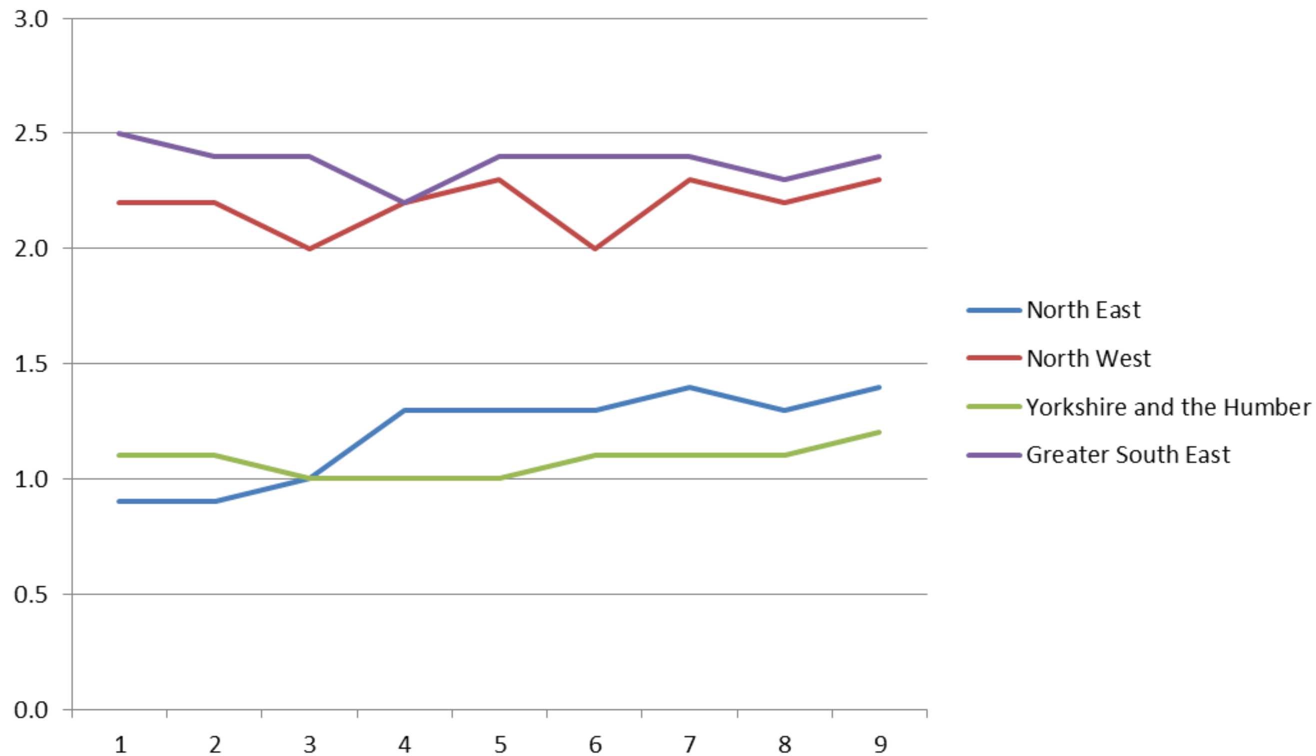
WHERE WILL GROWTH COME FROM?

Following the zeitgeist?

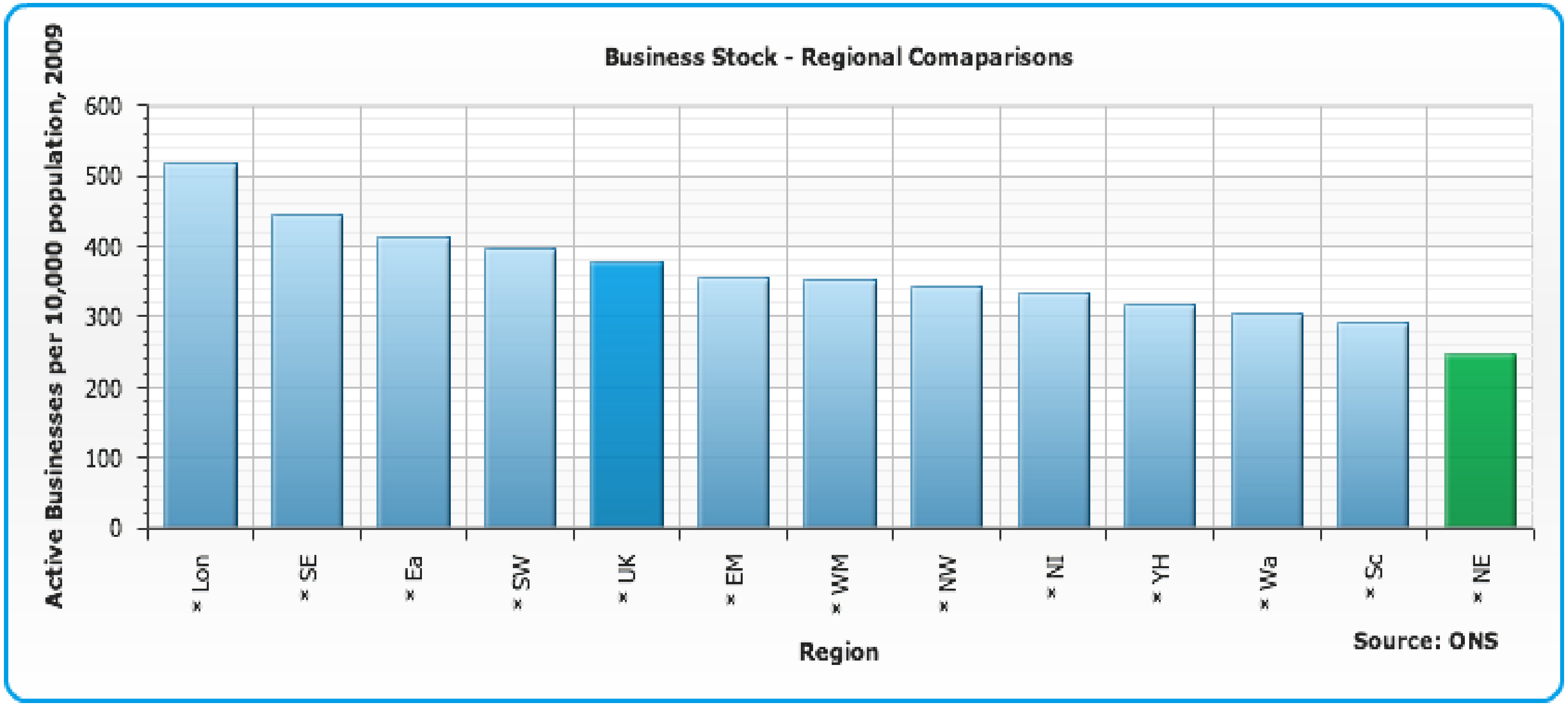
- Innovation
- Enterprise
- Exports
- Manufacturing

- Smart specialisation / new industrial policy (picking winners – shhh!)

Innovation: R&D Intensity (R&D / GVA) 2000-2010



Enterprise?


Business Stock - Regional Comaparisons
Active Businesses per 10,000 population, 2009
600
500
400
300
200
100
0
Lon
SE
Ea
SW
UK
EM
WM
NW
NI
YH
Wa
Sc
NE
Region
Source: ONS

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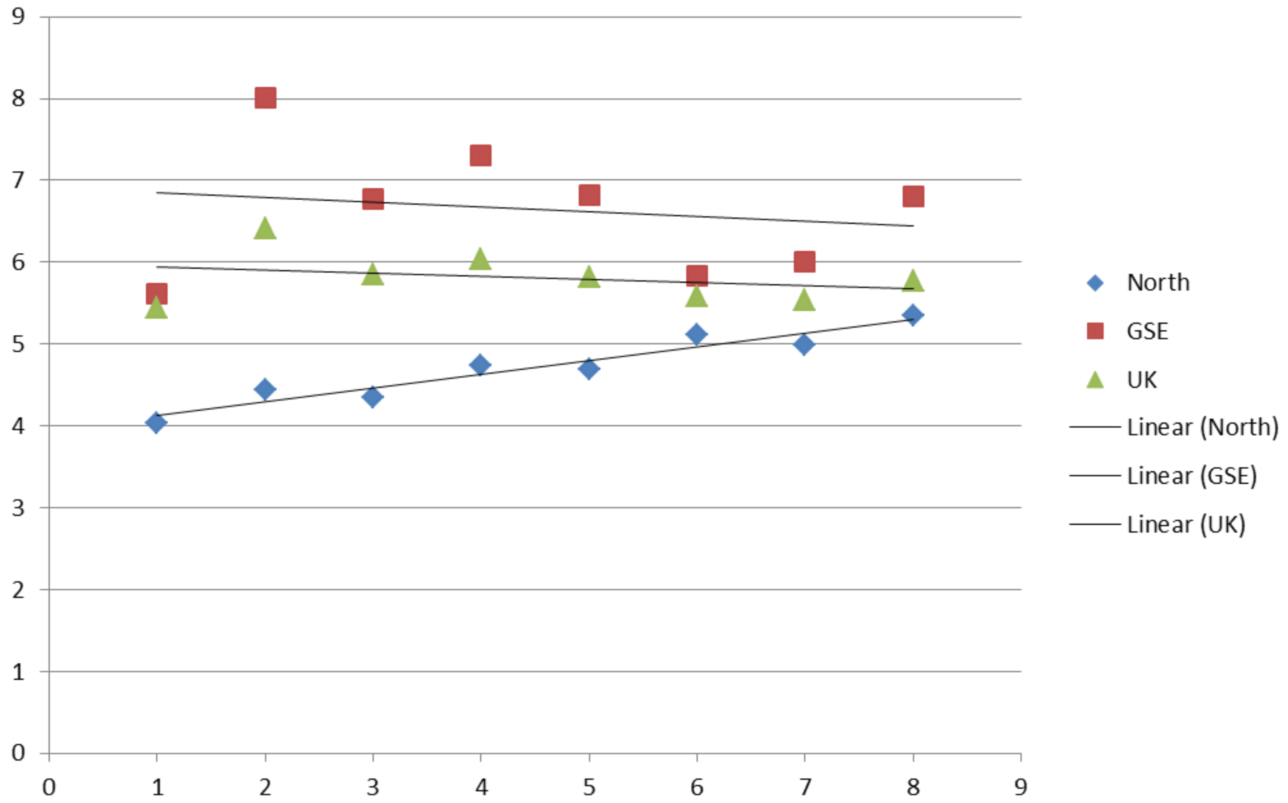
Enterprise: % adult population in enterprise 2000-2010



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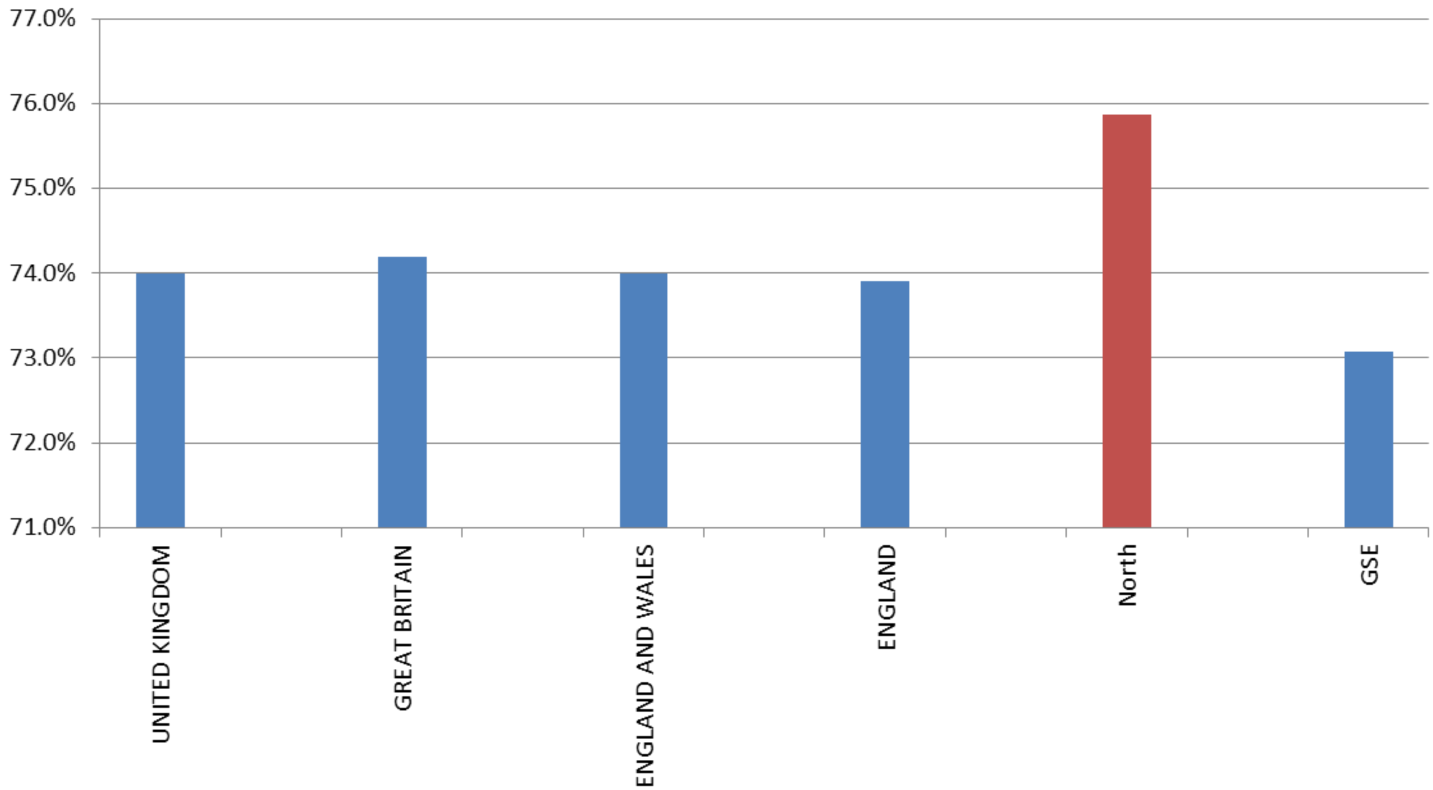
Business Survival Rates at 2 years (2010)



Exports?

Top exporting sectors in the UK

	Total exports of goods and services (£m)	Number of "exporting jobs" (UK)	Region with highest % of "exporting jobs"
Banking and finance	33,100	275,400	London
Other business services	27,400	559,700	London
Motor vehicles	26,100	118,300	West Midlands
Auxiliary financial services	21,800	179,000	London
Oit and gas extraction	18,900	30,300	Scotland
Coke overns, refined petroleum & nuclear fuel	18,700	24,200	North West
Pharmaceuticals	18,100	33,500	South East
Aircraft and spacecraft	14,300	100,400	North West
Medical and precision instruments	10,000	84,700	South East
Water transport	9,600	15,100	South East
Hotels, catering, pubs etc	9,100	255,500	London
Non-ferrous metals	8,900	12,400	West Midlands
Iron and steel	8,800	35,000	Yorkshire & Humber
Organic chemicals	8,100	10,300	North East
Office machinery & computers	7,900	15,100	South East
Mechinal power equipment	7,700	55,400	East Midlands
Computer services	7,500	327,800	South East
Recreational services	7,400	183,700	London
Special purpie machinery	6,700	41,900	West Midlands
Insurance and pension funds	6,500	115,700	South East
Total (top 20 sectors)	**276,600**	**2,473,400**	**London**

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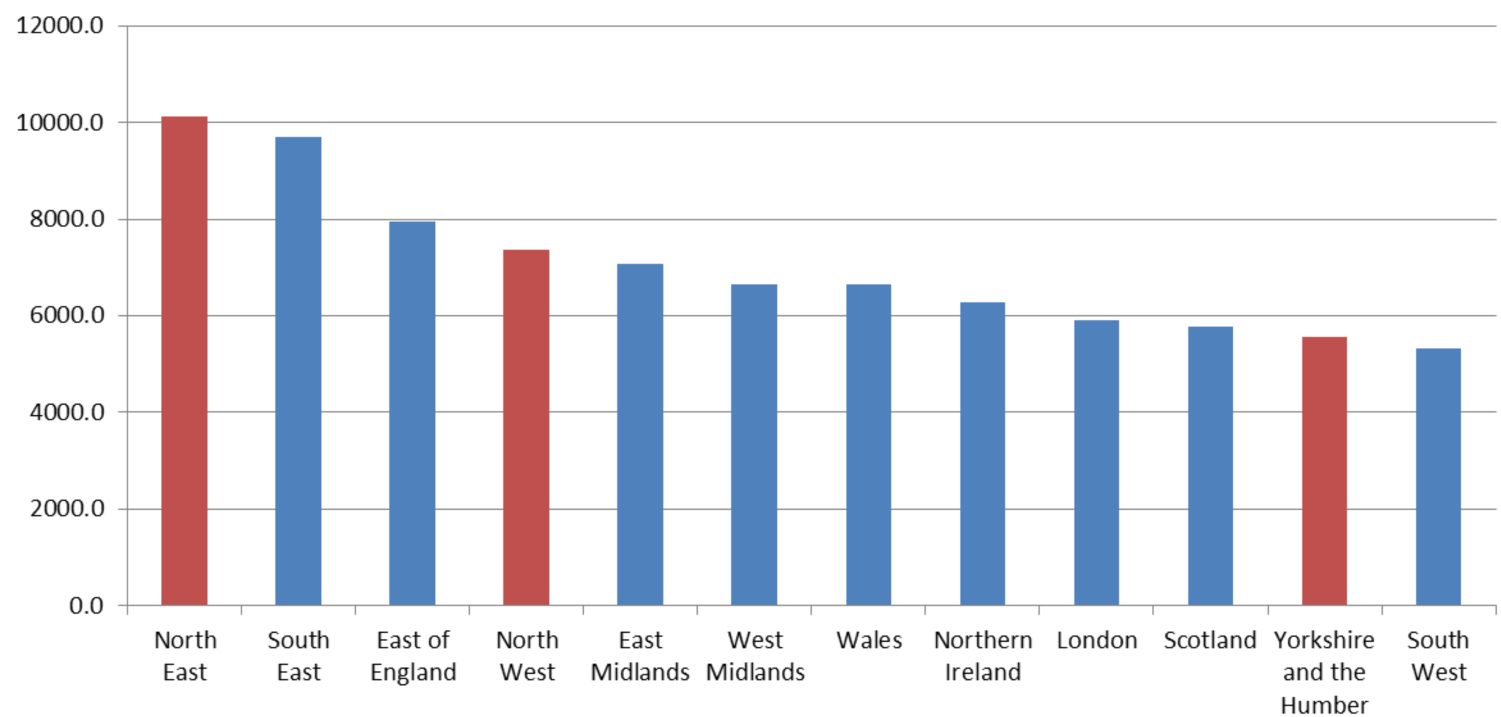
£ value of export goods per workforce job (2010)



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A Nation of Makers?

Tees Valley

	LQ
Manufacture of basic chemicals, fertilisers and nitrogen compounds, plastics and synthetic rubber in primary forms	7.4
Manufacture of basic iron and steel and of ferro-alloys	4.6
Renting and leasing of personal and household goods	4.4
Forging, pressing, stamping and roll-forming of metal; powder metallurgy	3.8
Water collection, treatment and supply	3.0

Northumberland and Tyne and Wear

	LQ
Manufacture of military fighting vehicles	36.8
Manufacture of paints, varnishes and similar coatings, printing ink and mastics	4.2
Manufacture of motor vehicles	3.8
Compulsory social security activities	3.6
Manufacture of parts and accessories for motor vehicles	3.2

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Northern Employment Projections to 2022

	1998-2008	2008-2012	2012-2022
Agriculture	-5	9	-17
Extraction	-5	-1	-3
Manufacturing	-396	-44	-131
Utilities	-6	17	-5
Construction	99	-78	43
Distribution & retail	27	-66	86
Hotels & catering	38	-31	28
Transport & comms	55	-18	40
Financial services	35	-12	0
Business services	329	-48	240
Public admin & defence	73	-25	-32
Education	112	-20	-31
Health	197	26	15
Other personal services	63	-2	57
Total	**586**	**-300**	**290**

Smart specialisation

- LEP Business Plans / TSB Catapult Centres / Targeted investment
  - Renewable Energy
  - Advanced Manufacture
  - Automotive sector
  - Creative Industries
  - Health & medical innovation
  - Graphene!
- Jobs-rich growth? - Leeds
- New industrial strategy / picking winners – surely not!

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5 Propositions about the Northern Propserity

REASONS TO BE CHEERFUL

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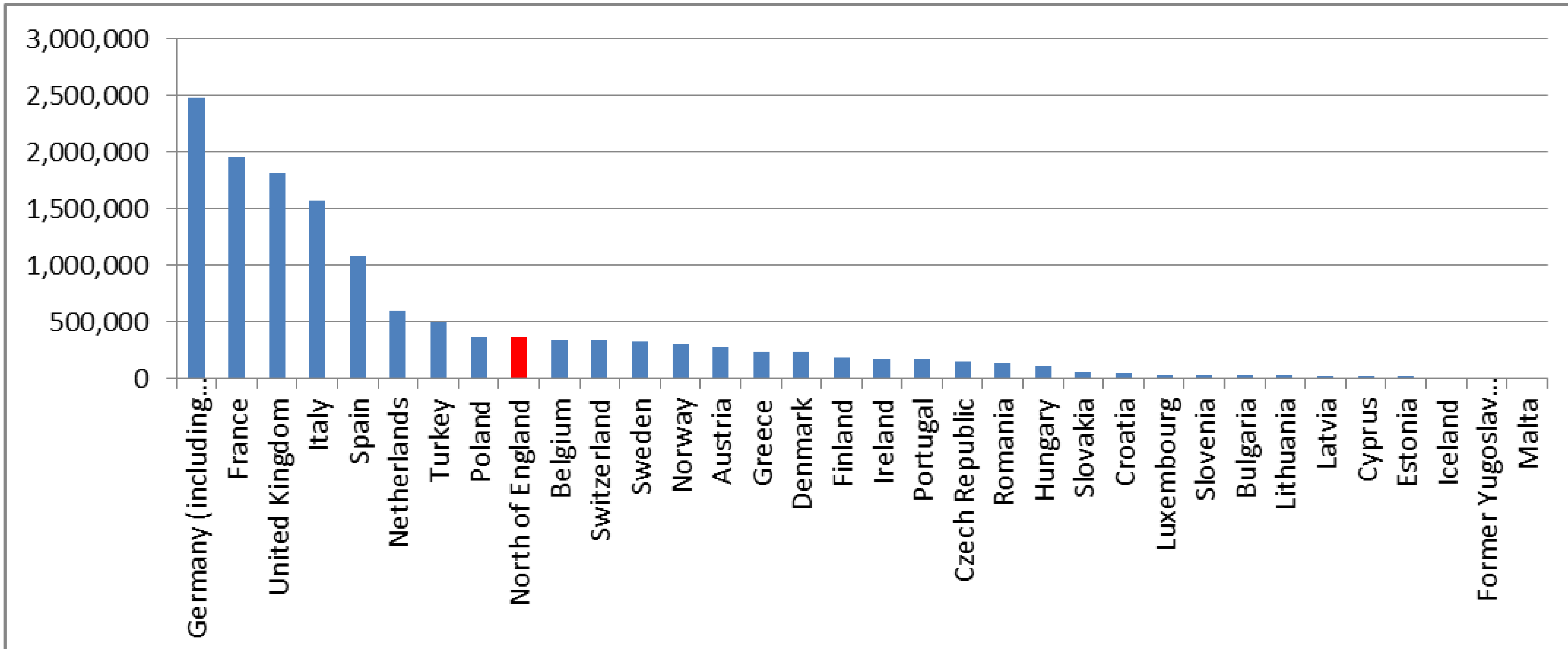
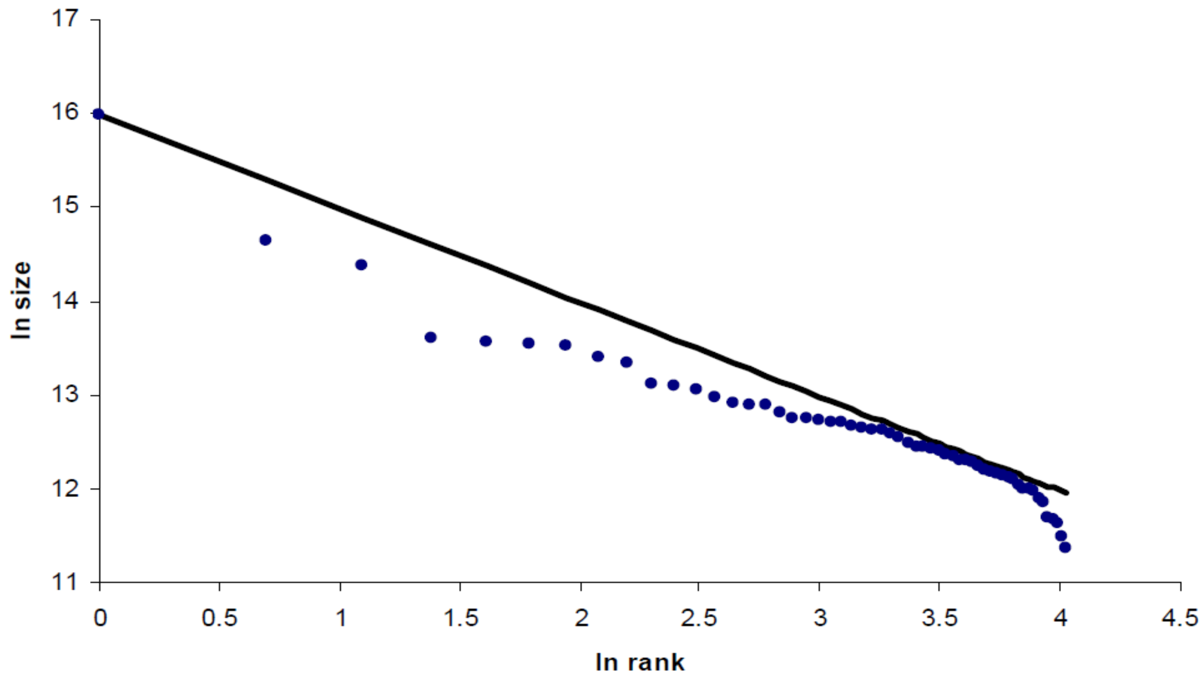
1. Northern Prosperity is National Prosperity



… too big to fail?

2. Headroom for growth

Figure 1: Zipf Plot for English Cities Showing England's "Second Tier" Cities are Undersized



Notes: The figure plots mid year 2005 population of English cities against their rank in the urban hierarchy. The fact that the second tier of cities appear to be too small can be seen from observing that they lie below the zipf line (which roughly summarises the relationship between the size and rank of cities that holds across many different countries). In contrast, note that medium-sized cities sit roughly on the zipf line. Data is from the State of the Cities.

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OECD study:

Contribution to growth

Drivers for growth

Assets for growth: energy, water, land

	lagging	leading
Australia	29%	71%
Austria	53%	47%
Canada	26%	74%
Czech Republic	62%	38%
Finland	35%	65%
France	68%	32%
Germany	27%	73%
Greece	-16%	116%
Hungary	34%	66%
Italy	26%	74%
Japan	27%	73%
Korea	23%	77%
Mexico	44%	56%
Netherlands	49%	51%
Norway	61%	39%
Poland	44%	56%
Portugal	54%	46%
Slovak Republic	67%	33%
Spain	48%	52%
Sweden	58%	42%
Turkey	47%	53%
United Kingdom	57%	43%
United States	51%	49%
average unweighted	43%	57%
average weighted	44%	56%

3. Constrained not incapable

Table 5
Spend on planned transport projects by region, all projects

Region	Total anticipated capital expenditure on transport (£m)	Percentage of spend on regional projects
London	27,324	67.2
South East	7,696	18.9
West Midlands	1,534	3.8
East Midlands	1,394	3.4
Yorkshire and the Humber	1,065	2.6
North West	942	2.3
East of England	378	0.9
South West	294	0.7
North East	13	0.03
Total	**40,640**	**100.0**
In summary		
North	2,020	5.0
London & South East	35,020	86.0

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4. A multi-polar economic system, not a series of competing functional economic areas

5. Lacking leadership & autonomy?

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Where do we go from here?

UNLOCKING ECONOMIC POTENTIAL

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The Goal of Northern Prosperity

The overall goal of economic development in the north of England should be to nurture open, sustainable and resilient economies in the north which make an enhanced contribution to the wider global and national economy, which accelerate economic transition, and which foster prosperity, opportunity and quality of life for its diverse people.

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The Objectives behind Northern Prosperity

- Advancing prosperity through northern enterprise and employment
- Promoting higher skills and adaptable workers
- Fostering successful cities in an interconnected north
- Going for green growth
- Celebrating a distinctive quality of life

- … short & medium-term, internationally comparable basket of indicators

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Northern Economic Futures: Five Pillars of Economic Development				
Human Capital	**Innovation**	**Infrastructure**	**Investment**	**Institutions**
Priorities: **Deepening the workforce** Local skills systems Silver growth?	*Priorities*: **Overseas demand & export potential** Northern Innovation Agenda Growth Cluster Case Studies	*Priorities*: **Northern Connectivity Strategy (TfN)** Maximising natural assets (Northern Rail Priorities Statement)	*Priorities*: **Foreign Direct Investment** New financial instruments & institutions (inc. fiscal devolution) Investment appraisal methodologies (2014-2020 EU Funding)	*Priorities*: **Models of sub-regional governance** Pan-Northern collaboration and voice
Firm foundations for growth: Vision, objectives and indicators Principles for new regional policy Green growth & the low carbon economy				

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