PUPOSE OF REPORT

This paper updates members on progress with the development of the Greater Manchester Local Industrial Strategy and the key next steps to ensure that a full strategy is produced by March 2019.

RECOMMENDATIONS

Members are asked to:

- Note that the Independent Prosperity Review has released its final report (see Annex 1) and that officers will develop a paper setting out the proposed response to each of the recommendations the Panel has made, which will be brought back to the June GMCA meeting.

- Note the results and key messages from the stakeholder consultation, and that these are now being fed into the draft local industrial strategy.

- Agree the overall framework for the GM local industrial strategy that has been developed in response to the evidence-base and consultation.

- Delegate authority to the Chief Executive of the GMCA and the GM portfolio lead officer for Economy/Business – working with the Deputy Mayor for Business/Economy, the GM Mayor, and the Chair of the GM LEP – to agree the full local industrial strategy with Government.

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1. **Background**

1.1. The 2017 Autumn Budget announced that Greater Manchester would be one of three national ‘trailblazers’ working with Government to develop a local industrial strategy.

1.2. Greater Manchester has established a process made up of three interlinked strands to develop a robust local industrial strategy (‘the GM LIS’) by March 2019:

   - **Developing the evidence-base.** An independent review panel – the Greater Manchester Independent Prosperity Review – has been established to provide a robust and independently verified evidence base.
   - **Consultation.** A broad consultation exercise is being undertaken to ensure that there is a high level of input from local and national stakeholders, including businesses, CVSE representatives, and civic leaders.
   - **Joint policy development work with Government.** Joint work with Government departments is underway to explore policy options, linked to the national industrial strategy, to respond to GM’s unique assets, opportunities, and challenges.

1.3. This paper updates members on progress and key next steps in each of these strands.

2. **Developing the evidence-base**

2.1. The success of devolution to Greater Manchester was built on a strong evidence base – particularly through the Greater Manchester Independent Economic Review. The Local Industrial Strategy is taking a similarly evidence-based approach. Building on the 2016 Science and Innovation Audit, the Greater Manchester Independent Prosperity Review was established to develop GM’s evidence base and to make recommendations to GM and Government regarding what this means for the development and implementation of the GM LIS. It was led by a Review Panel chaired by Professor Diane Coyle (Bennett Professor of Public Policy, University of Cambridge). The Panel’s membership also included:

   - Professor Ed Glaeser (Professor of Economics at Harvard University)
   - Stephanie Flanders (Head of Bloomberg Economics)
   - Professor Henry Overman (Professor of Economic Geography at the London School of Economics)
   - Professor Mariana Mazzucato (Professor in the Economics of Innovation at University College London)
   - Darra Singh (Government & Public Sector Lead at Ernst & Young)

2.2. The Panel has reviewed Greater Manchester’s existing evidence and overseeing the commissioning of new research into priority areas including productivity and pay, education and skills, innovation, supply chains and trade, and infrastructure. This research provides a forensic understanding of the foundations of productivity, and the drivers of increased prosperity, across the city-region.
2.3. As part of the Review process an open call for evidence was issued to ensure that researchers and partner organisations have the opportunity to contribute their research into the process. This resulted in around 20 detailed responses which have fed into the analysis. A number of ‘challenge’ sessions were also held with businesses and other stakeholders to test the emerging research findings.

2.4. The Panel released its final report on the 8th February at an event due to be attended by 300 local and national stakeholders from across public, private, university, and CVSE sectors.

Key messages from the Review

2.5. The evidence drawn together through the Review provides new insights into how Greater Manchester can fulfil its productivity potential, identifying opportunities where more progress can be made. There are opportunities and issues to address at the high-skill, innovative frontier and in the ‘long tail’ of low productivity businesses. Differences in productivity between firms in the same sector are in many cases more pronounced than those between firms in different sectors, so there is significant potential for productivity growth across all sectors of the economy.

2.6. The Review found that Greater Manchester has some world-class strengths, particularly in Advanced Materials and Health Innovation as identified in the 2016 Cheshire East and Greater Manchester Science and Innovation Audit. These are supported by other high productivity sectors, which, if not nationally unique, remain important strengths and include: manufacturing, digital and creative industries and professional services. The Reviews recommend that these sectors should be a focus for Greater Manchester’s industrial strategy.

2.7. However, the Review also notes that the balance of employment has however shifted towards lower productivity sectors and activities in recent years, as has been the case for the UK as a whole. The share of low productivity sectors in GM – those with lower than £30,000 GVA per worker, at 2013 prices – increased from 37.7% in 2005 to 41.8% in 2015. The social and spatial disparities within Greater Manchester contribute to the productivity challenge, and make it imperative to increase productivity and wages for lower skill activities.

2.8. The Reviewers’ recommendations are based on this dual challenge. Some of analysis reinforces the importance of factors which have long been recognised as crucial for raising productivity: innovation and infrastructure. The Reviewers’ note that just because they are familiar does not mean that their importance should be underestimated. Around innovation the Review highlights the importance of developing an ecosystem where all firms are enabled to innovate. Around infrastructure, the Review highlights the challenges of both integration and funding.

2.9. The Review highlights that levels of skills are a key driver of productivity. Recent analysis shows both that the benefits of agglomeration are larger for higher skill activities and that agglomeration effects are stronger in city regions which have higher skill levels. Analysis the Review finds a link between the proportion of the population with at least level 4 qualifications and productivity;
meanwhile, halving the proportion of residents with no qualifications could lift productivity by as much as 2%. The Review recommends that the emphasis on improving the supply of skills should therefore remain. But less often considered is the importance for enhancing productivity of the demand for skills and how human capital is deployed in the workplace, and that this needs to be a stronger focus for policy.

2.10. Another factor in productivity performance which the Review finds which is less often highlighted is health and care. The Panel’s view is that poor health in some Greater Manchester communities, which create a barrier to work and to progression in work, is an important explanation for why overall growth has been slow in the last decade and why some communities have been unable to contribute or benefit more. Analysis undertaken for the Review found a correlation between limiting long-term health conditions and productivity, as well as conditions such as depression and adults reporting physical problems.

2.11. The Review also considered in detail two specific sectors where there is high employment but low pay and productivity: retail and social care. The Review finds that Greater Manchester should be looking to take advantage of opportunities to transform these sectors. For example, the city region already has emerging strengths in e-commerce and the use of technology in retail. Similarly, there are opportunities in health and care for in-work progression through the integration of NHS and social care services and new technology-led innovations for care at home. As new digital technologies become ever more pervasive, it is to be expected that more ‘foundational’ sectors and traditional parts of the economy will find themselves at the frontier of technology and innovation, which presents opportunities for Greater Manchester.

2.12. A series of recommendations are put forward by the Panel to raise productivity while also addressing social and spatial disparities. Some are areas where incremental improvements can be made, based on existing powers, resources, activities and relationships; others are more transformational approaches that will largely depend on significant leaps forward in the capacities current held by a wide variety of national and local partners, be they in public, private or voluntary and community sectors. Some their recommendations can be taken forward in the Local Industrial Strategy currently being developed. Others point the way to a long-term, strategic approach that provides a route map for future development.

2.13. Some parts of the policy agenda the Panel set out are directly relevant to the local industrial strategy currently being developed by the Government and Greater Manchester and can be taken forward through that route. Others will need to be taken forward through other routes – including the emerging proposals for a new model of public services in Greater Manchester, future iterations of the Greater Manchester Spatial Framework and Infrastructure Strategy, and the city-region’s plans for the environment and clean air. Some will be more difficult to implement and will require deeper discussions locally, and between local and national Government, to identify the right strategic response.

2.14. The Panel note that, although investment in assets is required, and Greater Manchester and the Government will need to debate how to finance this, most
of their recommendations turn on improved governance and co-ordination, making the economy function more effectively as a system, and more effective use of existing resources through joining up and achieving a more productive balance between national and local decision-making about expenditure. The Panel also note that, although there have been significant and welcome developments over the past decade on the devolution and delegation of powers and some resources to Greater Manchester, and the development of new institutional governance such as an elected Mayor for the city region, there is still some way to go before the balance of responsibilities, powers and resources between central and local fully supports productivity growth.

Recommendations

2.15. The Panel’s main recommendations include:

- **Health** needs to feature far more prominently in discussions of human capital, labour market participation, and productivity. A focus on health and social care is also important for spreading prosperity and tackling disadvantage in some Greater Manchester communities. The city-region’s health innovation assets are an economic opportunity that can be used to drive improvements in the health of people in the city-region. The city region and Government should work together to put the Work & Health Programme on a long-term footing and there should be further local control of employment programmes and services and benefits currently delivered by the Department for Work & Pensions and Job Centre Plus so that they can be better integrated;

- The city region should ensure that in delivering **carbon neutral living within Greater Manchester by 2038**, the benefits to the residents and to health and the quality of life in the city region are maximised;

- There should be a **Greater Manchester Partnership for education, skills and training**, based on a common vision, priorities and evidence base, with a similar ambition to the Greater Manchester Health & Social Care Partnership, to ensure funding and other interventions are focused on the city region’s priorities, including underperforming schools and increasing the number of technical apprenticeships;

- **Business advice services should be oriented to focus on productivity**, with more piloting and testing of innovative approaches particularly around support for better health. National and local programmes should be aligned and made simple for employers to navigate. They should have a particular focus on leadership & management, skills utilisation, innovation adoption and diffusion, resource efficiency, and exporting and internationalisation;

- Following the recommendations of the MIER, the city region now has an **integrated strategy for infrastructure** and – as the National Infrastructure Commission recommends – this should be backed up by stable, substantial, devolved funding;

- Greater Manchester’s strengths in **advanced materials, health innovation, manufacturing, digital and creative industries and professional services** should be a focus for Greater Manchester’s industrial strategy;

- The city region is now in a position to **learn the lessons from work so far to commercialise graphene, capitalise on the investment in facilities which**
has been made, and develop an appropriate partnership between national government, the Greater Manchester Combined Authority, universities and the private sector. This should be informed by independent research.

2.16. The full underpinning evidence base will be published in March 2019. London launch event is planned at the Resolution Foundation on the 5th March to engage with national stakeholders who were unable to attend the Manchester event.

2.17. A paper setting out the proposed response to each of the recommendations the Panel has made will be brought back to the June GMCA meeting.

3. Consultation

3.1. Officers have been speaking to a range of stakeholders (including businesses, business representative organisations, CVSE sector representatives, Housing Providers, GM districts, colleges, and universities) over the past year to input to the development of the GM LIS. A series of meetings have been held with a wide range of public and private stakeholders since the announcement that GM would be a local industrial strategy ‘trailblazer’, including with:

- Business representative organisations, GM’s universities, community and voluntary sector representatives, & think tanks and other research organisations.
- Individual meetings with officers representing each GM district.

3.2. On the 15th October, at an event attended by over 120 stakeholders, predominantly from the private sector, a 6-week online consultation was launched, which sought views on:

- What the main focus of our local industrial strategy should be
- What our globally competitive industries and main growth assets are
- What support is needed to grow the economy
- How we ensure all residents can access opportunities
- How we capitalise on the opportunities created by global changes such as decarbonisation and digitalisation

3.3. Over the six week consultation period, more than 20 events were with stakeholders, with around 500 businesses. CVSE organisations, academics and other stakeholders engaged resulting in over 120 written responses to the consultation document.

3.4. A wide range of views were gathered. Overall the majority of respondents (70%) felt that, overall, the LIS was correctly focused and 90% agreed that our description of our globally competitive strengths were correctly described.

3.5. Some of the common themes coming out of the consultation include:
The strategy must be **simple to understand** and for business to get behind, avoiding jargon, and we need to “shout about” our strengths and assets.

A stronger emphasis on actions relating to **climate change, decarbonisation, natural assets** and so on is needed to ensure GM’s economy is resilient and productive, regardless of what we do to promote economic growth.

The LIS should **focus on people**. The strategy should support GM residents to have successful careers (not just obtaining qualifications), improve economic inclusion and reduce inequalities and poverty. Some favoured re-framing the strategy towards personal well-being and happiness.

Many respondents argued GM’s **“globally competitive strengths”** go beyond health innovation and advanced materials, with sport (football and cycling), more traditional manufacturing, financial/professional services, creative industries, tourism and digital all being raised.

The **foundations of productivity**, as well as industries currently performing well, are considered as important as globally competitive strengths. The need to raise productivity and job quality in high employment, low productivity sectors was also raised.

Improving **transport infrastructure** (particularly public transport) was strongly emphasised by business to address congestion and allow firms to access skills and talent. **Digital infrastructure** was also emphasised as key to our objectives.

Some respondents were concerned that new jobs and investment have extracted wealth from GM (e.g. via low wages paid to workers living in deprived wards, or high wages paid and equity given to workers/shareholders living outside GM) and the need to ensure that future growth benefits GM’s residents.

Some respondents highlighted that **social enterprises** have an important role to play in delivering the strategy (although there is some evidence that productivity and job quality in social enterprises is on average below that of the private sector generally), as does the strategic use of local procurement by Anchor Institutions.

Respondents emphasised ensuring the strategy delivers for **all places in GM**, as well as the core growth areas in the regional-centre. Linked to this was the need to ensure sufficient attractive residential and employment locations across the city-region.

GM’s culture of **collaboration and public-private leadership** was also raised as a strength that we should build on.

The detailed responses are now being fed into the drafting process for the full local industrial strategy.

**4. Joint policy development work with Government**

**4.1.** As part of the co-production process with central Government, GMCA officers are working with officials to develop a full draft of the local industrial strategy,
based on the findings of the GM Independent Prosperity Review and the results of the consultation.

4.2. There are a number of areas where Greater Manchester has strengths and opportunities, across the whole city-region, and where we can play a leading role in supporting UK growth, deliver against the national Grand Challenges, and ensure that we have future-facing industries in the city region. These are:

- **Advanced materials**, where we have a large and internationally competitive manufacturing base, and globally recognised research strengths, which gives the ability to develop existing, and create new, industries which deliver against all four of the national Grand Challenge missions.

- **Health Innovation**, where health and social care devolution, our research strengths in academia and the NHS, and our life sciences sector offer the potential to drive health and economic benefits and deliver against the Healthy Ageing Grand Challenge.

- **Digital and creative**, where we have nationally and some internationally significant place-based strengths and assets. Investing in, and exploiting these, will be important not only because they are growth opportunities in their own right, but also to support all firms to be digital.

- We also have the potential to pioneer new **green industries** as we drive forward with our carbon neutral ambitions, delivering against the Clean Growth Grand Challenge.

4.3. It will be equally important that we build the foundations that underpin greater productivity and prosperity across the city-region to benefit all sectors and residents. For Greater Manchester this means:

- **Taking a coordinated approach to education, skills, work and health.** The Prosperity Review concluded that GM’s education and skills system is fragmented and delivers less than the sum of its parts. There is an opportunity to create a single City Region Skills System which aligns all education and skills activity, and connect it with work and health programmes and employers.

- **Upgrading our physical and social infrastructure.** Building on the GM Infrastructure Framework, we have an opportunity to align longer-term strategic plans and funding to integrate the different parts of our city-region and its different places and spaces more effectively.

- Working with businesses and social enterprises to embed **strong leadership, innovation and entrepreneurship**. We have an opportunity to create a business ecosystem that enables firms across all sectors to flourish and improve the quality of jobs and opportunities for good pay and progression, including in the ‘foundational’ economy where the bulk of residents’ work.

- **Strengthening places across the city-region.** The draft Greater Manchester Spatial Framework sets out a clear spatial strategy for the city region and the actions undertaken to deliver this industrial strategy will be aligned with these priorities.

4.4. It is proposed that officials work with Government to develop a strategy based around these key elements. Given the short timescales, and need for complex negotiations, it is proposed that authority is devolved to the Chief Executive of
the GMCA and the GM portfolio lead officer for Economy/Business – working with the Deputy Mayor for Business/Economy, the GM Mayor, and the Chair of the GM LEP – to agree the full local industrial strategy with Government.

4.5. It is also proposed that, once agreed, each Greater Manchester local authority will prepare response to the GM LIS to identify key opportunities, sites, and spatial impacts and ensure that district and Greater Manchester level implementation is coordinated.

5. **Recommendations**

5.1. Recommendations appear at the front of this report.