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**How to deliver great jobs:  
towards a regional industrial strategy for Liverpool City Region**

Authored by Alan Southern, Matt Thompson, Jackie Davies, Vicky Nowak and  
Peter Furmedge

Heseltine Institute for Public Policy and Practice  
University of Liverpool  
September 2017

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towards a regional industrial strategy for Liverpool City Region**

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## Foreword

“Liverpool City Region faces a unique opportunity to deliver greater prosperity for residents for a generation to come”

The opening line of the Liverpool City Region Growth Strategy sets out the scale of the opportunity for Liverpool. This report sets out how we think that opportunity could be realised. For too long, the Liverpool City Region was characterised by high unemployment and persistent deprivation. But in recent years, this has begun to be turned around, with a period of significant European investment and regeneration.

The potential withdrawal of that money – around £100m a year – due to Britain’s decision to leave the European Union is one of three major contextual factors for the development of an industrial strategy for the City Region, alongside newly devolved powers (and a significantly smaller budget injection of around £30m per annum up to 2030), and the national industrial strategy that the government is seeking to develop.

This independent report, based on research undertaken by the Heseltine Institute for Public Policy and Practice at the University of Liverpool, sets out how the City Region can respond to those challenges, and close the gaps that still exist between areas of growth and areas of deprivation within the city. It sets out a vision for how an industrial strategy can not only grow the City Region economy, but bend the economy as it grows, to improve the life chances of its citizens, and address inequality and unfairness.

The City Region has considerable strengths as well as challenges. Manufacturing and the visitor economy are sectors of strategic importance, where there is potential for growth. But if these opportunities are to truly deliver good jobs across the Region, policymakers will need to shape the way these sectors develop, using both newly devolved powers, the powers they have from procurement, and their wider influencing role.

The report highlights how other cities around the world have used this power to deliver better jobs – from Cleveland Ohio’s use of co-operatives to build a new network of organisations set up to meet the needs of anchor institutions, to on our own doorstep, Knowsley’s use of procurement to develop small enterprises within the city.

The report welcomes the action taken so far by the Metro Mayor to consider the social impact of economic decisions making in the City Region, including the establishment of the Fairness and Social Justice Advisory Board. And it goes further to suggest ways in which this can and should continue to underpin industrial and economic decision making in the future.

Frequently the findings of the report run parallel and overlap with policy and campaigns that the TUC has prioritised nationally: great jobs for everyone,

industrial democracy and a voice at work, an investment-first economy where the ability to deliver great jobs is the test of economic success, and for world class public services using their purchasing power to afford change. These emerge as themes from the research.

Overall the report sets out three strands of action; those that can be taken by and within the City Region itself – including a focus on ensuring that those in the visitor economy receive high quality training; those that require the devolution of more powers to the City Region – including the powers over skills budgets; and those that must be taken by central government if Liverpool City Region is to get a fair shot at economic growth – including the establishment of an investment bank for the North.

Liverpool's past is too frequently characterised by unemployment and poverty. This report sets out a path to a future where Liverpool can become a beacon for great jobs for all.

Lynn Collins  
Regional Secretary  
North West TUC

## Part 1 Summary

### ***1. At a glance summary of this research***

1.1 This report is based on work conducted by a research team at the Heseltine Institute of Public Policy and Practice at the University of Liverpool. We seek to provide insight into how an industrial strategy can be developed and delivered to provide great jobs for the citizens of the Liverpool City Region. Led by the new Metro Mayor, Steve Rotheram, the Liverpool City Region Combined Authority (LCR CA) can overcome social and economic problems facing local people and plan the whole economy to make it more social, to enable good jobs and shape the type of growth we pursue. It is our view that such an industrial strategy can be achieved and in this report, we outline evidence that suggests not only should the local economy be considered in this way, but that it would be negligent not to do so.

1.2 This is an independent piece of research, funded by the TUC, with impartial evidence and views offered through a series of interviews with local stakeholders. We argue that great jobs are an integral part of a vibrant local economy. By good jobs we are referring to employment that provides dignity at work, with good terms and conditions, the living wage and the capability for free collective bargaining.<sup>1</sup> Good jobs are an important part in making the City Region economy more social, not least because they support economic growth as part of a whole economy approach to social *and* economic development.

1.3 The Government Green Paper 'Building our Industrial Strategy' is an important starting point for this work. We see that the current strategic focus for the Liverpool City Region – embodied in the Local Enterprise Partnership (LEP)'s Growth Strategy, commissioned by the Combined Authority – is consistent with the Green Paper. Both the Green Paper and Growth Strategy

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<sup>1</sup> The TUC 'Great Jobs Agenda' has specific actions: providing employee voice, fair and decent pay, regular working hours, fair treatment and respect, healthy workplaces and lifelong learning and progression. More detail can be found at <http://www.tuc.org.uk/sites/default/files/great-jobs-agenda.pdf>.

fail to address the pressing problem of connecting those currently excluded from labour markets with those new jobs that growth sectors will allegedly create.

1.4 The vote to leave the EU and the 2017 General Election has let loose political uncertainty across the UK. In this context we believe there is an opportunity to develop the local economy on bedrock sectors such as manufacturing and the visitor economy (VE), to establish good job principles across public, private and third sectors and demonstrate how the power of government can be used to enable and shape inclusive growth across Liverpool City Region.

1.5 In our research we have found the following:

- In the UK wages have fallen while the number of people in employment has risen. In the Liverpool City Region structural problems persist including relatively high unemployment, a lower tax base and higher public expenditure per worker, lower productivity and pockets of entrenched deprivation. Austerity measures, particularly local authority expenditure cuts, have become normalised across the City Region.
- While the endurance of such indicators does not bode well for the people of the City Region, we do have a period of successful economic growth fuelled in part by European Union Structural Funds.
- The Liverpool City Region has a relatively diverse industrial structure. While it has a lower manufacturing location quotient than the rest of the North West, its manufacturing base is relatively productive.
- The visitor economy (VE) has been designated a sector of strategic importance by the LCR CA. The VE supports over 49,000 jobs and contributes circa £3.8bn to the local economy. This part of the economy



is characterised as transient with low skill levels and relatively poorer terms and conditions of work.

- The public sector accounts for around 25% share of Liverpool City Region GVA. There is a consensus emerging in the City Region that spending by public authorities can be undertaken in more strategic ways, to support social value, not least in the face of severe expenditure cuts.
- Our evidence indicates that stakeholders are concerned with the skills levels in the City Region. However, the two aspects to this each require a different type of response. First, there is the general low level of skills and educational attainment in the City Region that need attention. Second, there is the changing nature of the labour market that will threaten existing skilled jobs.
- There is consensus on digital development across the City Region. Again, there are different aspects to this that require more considered thought. Current infrastructure is believed to be under developed, although there are key points across the City Region where this appears ripe for expansion. This topic is considered a means by which productivity can be enhanced and a way to include hard to reach communities through processes of digital inclusion.

1.6 We conclude this work by making a series of recommendations, summarised below. Firstly, those that can be sought under current devolution arrangements and should be confirmed in the next 12 months.

### **Actions in the City Region now**

- The Liverpool City Region Fairness and Social Justice Advisory Board (FASJAB) should incorporate into its terms of reference a focus on the City Region economy. FASJAB should promote a City Region social

contract between employers and employees, and the principles of inclusive growth.

- Task the newly established Liverpool City Region Skills Commission to lead on education and training pertinent to employers, and suitable for employees and potential employees. Importantly, the Commission can help eradicate low value-added, exploitative training schemes where they exist, on a sector by sector basis. As a priority, the Commission should focus on the Visitor Economy.
- Social value processes that support procurement and commissioning by public authorities can be established. We call for a lead person for inclusive growth and social value to be designated with immediate effect and for feasible social impact objectives during commissioning to be set, including the development of appropriate tools of measurement.

1.7 We also consider what is achievable with further devolved powers, and how new powers should be pursued.

### **More powers for the City Region**

- Given the current limitations of the Metro Mayor's remit, it would seem imperative that Liverpool City Region make a case for additional powers through a second devolution deal.
- An important prerequisite to any further devolution decisions, however, is the establishment of an inclusive process to ensure key stakeholders have a voice. This could be through the expansion of the advisory members on the Combined Authority, in particular to include a worker voice, or it could be via the establishment of an 'assembly'.

- Once this is established, further devolution of skills funding and transport powers should be strongly considered. Additional policy areas for consideration would include planning, transport, housing, health, skills and employment, and crime.
- Formal partnership arrangements with other Northern city-region combined authorities should be sought, including powers to raise additional finance for infrastructure development.
- New fiscal powers should be pursued with caution and adhere to the principle of benefit to local communities. If confirmed, they should clearly improve health and wellbeing outcomes and support environmental protection as well as being designed to support growth of a wider City Region tax base.

1.8 Finally, we consider what central government can do to support industrial strategy in the region.

### **Central government action to support Liverpool City Region**

- The uncertainty from Brexit needs to be overcome with a stronger commitment to a trade arrangement with Europe.
- Clarity on what is to replace European Structural Funds is needed.
- An end to austerity would help local authorities plan to develop combined initiatives.
- Increased levels of central government borrowing and financing at sustainable, if currently low, interest rates would support city-region industrial strategy initiatives.

- An investment bank for the North would help Liverpool City Region small and medium size enterprises and address the current asymmetry in the supply and demand for finance.
  - Action to tackle insecure work on employee representation, fair wages, dignity at work, regular employment and learning is urgently needed.
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## **Part 2 The Drive for a Liverpool City Region Industrial Strategy**

Imagine a world in which the city region's devolved government – not the private sector per se – is the economy's indispensable entrepreneur, innovating and able and willing to take risks and to persevere through uncertainty.<sup>2</sup>

### **2. Introduction to this research**

2.1 This report has been commissioned by the TUC in response to the Government's Green Paper on industrial strategy. The scope of this work has not included green and low carbon energy initiatives. We have paid little attention to high technology sectors other than within a general understanding of manufacturing, nor have we considered transport infrastructure and spatial planning. In this work, we outline what an industrial strategy for the Liverpool City Region might look like as part of a more robust, forward-thinking, holistic, inclusive, place-based and people-focused economic development strategy for the UK as whole.

2.2 The need and rationale for an industrial strategy for the Liverpool City Region stems from three contextual conditions – Brexit, particularly the impending withdrawal of EU Structural Funding, from which the City Region has greatly benefited over the past few decades; devolution, and the opportunities presented by new strategic powers at the city-regional scale across key policy areas as well as new funding sources; and the Green Paper itself, representing a recent shift in Government thinking towards a potentially more interventionist and strategic approach in local economic development.

2.3 A new narrative on industrial strategy has arisen in many countries since the financial crisis of 2008, with differences based on the political views of national governments. In the UK, the Green Paper titled 'Building our Industrial Strategy' should be placed in this context not least because successive

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<sup>2</sup> Adapted from Mazzacato, M. (2011) *The Entrepreneurial State*, Demos: London.

governments have missed an opportunity to shape policy and so address stubborn social and economic problems that face many parts of the UK, the growing regional imbalances and the polarizing UK economy.

2.4 We believe this report and the work it draws upon will be useful to the funders, the TUC, when placed alongside other ideas for industrial strategy on a national scale. It will also be important for Liverpool City Region policymakers and practitioners who wish to take a view of the local economy and specificities of the City Region. This includes the North West TUC, the Liverpool City Region Metro Mayor, LCR CA, LCR LEP, the private sector and the wide range of social organisations in the City Region.

2.5 We begin with the three drivers of Brexit, devolution and the Green Paper and then we consider global and national economic trends before looking at Liverpool City Region economic indicators. We provide a critique of current thinking around economic development and the LCR LEP Growth Strategy. Part 4 considers in more detail our ideas to shape a Liverpool City Region industrial strategy. At this point we explore how support for two ‘bedrock sectors’ of the City Region – manufacturing and the visitor economy – might better contribute towards the creation of great jobs. We then turn to how ‘soft powers’ of government can work to stimulate the local economy through local procurement, and complete this section with a perspective on inclusive growth. Finally, in Part 5 we set out recommendations for policy that are feasible and useful for shaping a Liverpool City Region industrial strategy.

### ***3. The purpose of this report***

3.1 The three factors of Brexit, devolution and a renewed interest in national industrial strategy provide important contextual drivers for considering an industrial strategy for the Liverpool City Region. Our scope for the work is on how a city region focus can lead to an industrial strategy that increases the supply of good quality jobs. We define great jobs by pointing to the TUC’s own ‘Great Jobs’ agenda: providing an employee voice by free collective bargaining

and representation at company Board level; paying to at least the living wage level with adequate pension provision; employment security to overcome the precariousness of zero hour contracts and lack of rights at work; dignity and equality at work to overcome discrimination and harassment; good health and safety at work, and support for education and training.

3.2 Great jobs and productivity growth can be simultaneously pursued. As one of our interviewees suggested when asked what would a City Region industrial strategy look like the reply was as follows:

“Okay so the couple of things that spring to mind... the first one for me is about driving innovation and productivity. We are not going to be able to thrive and survive, import and export, without having a real competitive edge. The second thing is about responsible jobs, trying to make sure that what we’re not creating are short-term jobs or terms that mean we’re going to basically struggle to get people and keep people into sustainable employment.”<sup>3</sup>

This is not always clear however and the tension between the two are constantly referred to in this report. Great jobs stand in contrast to recent trends that point to more precarious levels of employment that include: an increase in zero-hour jobs, a rise in low income self-employment, increased levels of under employment and a fall in free collective bargaining.<sup>4</sup>

3.3 We also wish to illustrate the policy levers that can support the city region industrial strategy. The context of devolution and impending exit from the EU

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<sup>3</sup> All interviews referred to in this report were carried out during the period May to August 2017.

<sup>4</sup> See on this: Evans, J. and Gibb, E. (2009) Moving from precarious employment to decent work, *The Global Union Research Network Discussion Paper No.13*, Geneva: International Labour Office; Gill, R. and Pratt, A. (2008) In the social factory? Immaterial labour, precariousness and cultural work, *Theory, Culture & Society*, Vol 25 (7-8) pp.1-30; Standing, G. (2016) The Precariat, class and progressive politics: a response, *Global Labour Journal*, Vol 7 (2) pp.189-200; and Joseph Rowntree Foundation (2017) *JRF response to the Industrial Strategy Green Paper*, Available: <https://www.jrf.org.uk/file/50128/download?token=gYFFGleg&filetype=briefing>. Last accessed April 29th 2017.

shines a light on why, and how the power of government can be shaped as an integral part of a city region industrial strategy. While accepting many of the traditional routes to developing a more balanced economy, we believe the Liverpool City Region can develop an industrial strategy that is more social and focused on people and place.

#### **4. Brexit, Devolution and the Green Paper**

4.1 The decision to exit the EU will leave the Liverpool City Region without access to European Structural Funds, a redistributive policy mechanism supporting economic development across all EU nations. This is likely to be significant because of the impact experienced from EU funding on the City Region. In the period 1989 to 1993 Merseyside received Objective 2 EU Structural Funds worth around £260m; then from 1994 to 1999 Merseyside – designated as an Objective 1 area for the first time – received EU Structural Funds worth some £600m.<sup>5</sup> During the period from 2000 to 2006 Merseyside – still an Objective 1 designated area<sup>6</sup> – received around €1.3bn from EU Structural Funds as part of a wider total public contribution of some €3.4bn.<sup>7</sup>

4.2 From 2007 Merseyside no longer qualified for Objective 1 funds, as GDP per capita rose above the threshold of 75% of the EU-15 average, and a phasing-in system was granted up until 2013. During the phasing-in period, Merseyside received over €300m from the ERDF Competitiveness Programme, the largest of three EU Structural Fund initiatives.<sup>8</sup> For the period 2014 to 2020 the Liverpool City Region – now designated as a ‘Transition Region’ – has been allocated €221m in EU Structural Funds with the Liverpool City Region Local

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<sup>5</sup> Then measured in term ‘ECU’ (European Currency Unit). See European Commission (n.d) Press Release. Available: [http://europa.eu/rapid/press-release\\_IP-94-636\\_en.htm](http://europa.eu/rapid/press-release_IP-94-636_en.htm). Last accessed July 2<sup>nd</sup> 2017.

<sup>6</sup> Merseyside was the administrative area for EU Structural Funds that included all current Liverpool City Region boroughs except for Halton.

<sup>7</sup> European Commission (n.d) *Merseyside Objective 1 Programme*. Available: [http://ec.europa.eu/regional\\_policy/en/atlas/programmes/2000-2006/united-kingdom/merseyside-objective-1-programme#](http://ec.europa.eu/regional_policy/en/atlas/programmes/2000-2006/united-kingdom/merseyside-objective-1-programme#). Last accessed July 2<sup>nd</sup> 2017.

<sup>8</sup> North West Growth Delivery Team (2014) *North West England ERDF Competitiveness Programme 2007-13 Annual Implementation Report*. Available: <http://www.gov.uk/guidance/erdf-programmes-progress-and-achievements>. Last accessed July 2<sup>nd</sup> 2017.



Enterprise Partnership (LCR LEP) given responsibility to set priorities and manage programme delivery.<sup>9</sup> For almost two decades, the City Region has drawn on EU funding and its end will prove to be a major challenge to many institutions, businesses and communities.

4.3 In contrast, the devolution arrangement provides modest financial support over a long period for the City Region. With only a modest allocation of £30m each year over 30 years for economic development investment, it is the strategic decision-making capacity of the Liverpool City Region Combined Authority (LCR CA) and elected Metro Mayor that provides the focus of attention. These changes in governance structure should be seen alongside the demise of Regional Development Agencies in 2010, the establishment of LCR LEP in the same year (albeit with a reduced overall budget for the City Region), as well as significant local authority expenditure cuts around the same time. The Metro Mayor elected in May 2017 is autonomous and Chairs the LCR CA. He is also assigned a position as a member of the LCR LEP, while each leader of the six local authorities is designated with a specific portfolio responsibility.<sup>10</sup>

4.4 In addition to the 30-year investment fund the devolution arrangement provides specific responsibility for the following policy areas.

- Education and skills: with a focus on apprenticeships, skills for 16-18 years and for 19 years above, and the provision of employment support.
- For housing and planning: setting out a Single Statutory City Region Framework with compulsory purchasing powers, and establishing

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<sup>9</sup> Liverpool City Region Local Enterprise Partnership (2016) *EU Structural and Investment Funds Strategy 2014-2020*. Available: <http://www.liverpoollep.org/wp-content/uploads/2015/06/Final-ESIF-Strategy-4-February-2016-to-DCLG.pdf>. Last accessed July 2<sup>nd</sup> 2017.

<sup>10</sup> See appendices for a current list of portfolio responsibility in the Liverpool City Region Combined Authority. In our interviews, some level of frustration was articulated in respect of the gender imbalance of the all-male LCR CA cabinet.

Mayoral Development Corporations, and a Land Commission that support public asset disposals.

- For transport: to develop a consolidated transport budget, a bus strategy including the award of franchises, a longer term Special Rail Grant Settlement for the Merseyrail network, and strategic proposals for a wider rail infrastructure assets in the City Region.
- Fiscal responsibilities include the Single Investment Fund (SIF) that pulls together existing funding streams to be prioritized on economic impact.

The LCR CA also has some limited health and social care planning responsibilities, although less than that accorded to the Manchester City Region.<sup>11</sup>

4.5 The 2017 Green Paper, 'Building our Industrial Strategy' may appear to be a marked change for UK government policy. There does appear to be a broader international movement towards industrial policy in the EU and some of their member countries, in Brazil, Japan, China and of course the USA. While these are directed towards different political objectives – it is claimed that China is seeking to become more global and the USA more protectionist – this is part of a trend that stems from the 2008 financial crisis and various fiscal stimuli that followed.

4.6 The main parts of the UK Green Paper perhaps tend towards an all-too-familiar attempt to coordinate supply-side policies. We welcome greater attention paid to upgrading skills, although with respect to Liverpool City Region, this alone is an inadequate way to address the so-called 'regional imbalances' of the UK economy. Coordinated with new ideas about demand stimulus, they would make more impact. Equally, while new ideas about investment in economic infrastructure and research and development (R&D) is

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<sup>11</sup> HM Treasury and Liverpool City Region (n.d) *Liverpool City Region Devolution Agreement*. Available: [http://www.liverpoollep.org/wp-content/uploads/2015/11/Liverpool\\_devolution\\_deal.pdf](http://www.liverpoollep.org/wp-content/uploads/2015/11/Liverpool_devolution_deal.pdf). Last accessed July 2<sup>nd</sup> 2017.

opportune and should be pursued rigorously, the way this is set out in the Green Paper may reinforce regional inequalities across the UK.

4.7 The pledge of some £5bn towards R&D is the largest increase designated since 1979. As it is implied in the Green Paper – and because of the current distribution of R&D laboratories in large companies and R&D establishments, plus the geography of university research funding – this new funding is equally likely to reinforce uneven development, biased towards the R&D arc to the north, west and south of London.<sup>12</sup> If an alternative approach could be developed, using a mission-oriented focus to stimulating innovation,<sup>13</sup> one that incorporates a fairer policy of regional distribution of R&D, then economic development would be achieved across the regions in a more measured way.

4.8 Our view is that while the Green Paper lifts the discussion about national strategy, particularly important during this period of global economic and political uncertainty, it falls short as a means by which places like Liverpool City Region will truly benefit. There are contradictions contained in the Green Paper not least the focus on uneven development. One of the ten pillars proposed encourages growth across the whole country and while this is admirable, the focus is uniformly on unequal rural-urban economic performance as much as on regional and city region inequalities. Population density and size of city and hinterland are not considered in any detail, meaning that the disparity in economic performance is never explained as an outcome of local economic systems and the consequence of national policies.<sup>14</sup> The Green Paper provides a confused picture of the nature of the ‘imbalance’ problem and how it might be addressed.

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<sup>12</sup> Fothergill, S., Gore, T. and Wells, P. (2017) *Industrial Strategy and the Regions The Shortcomings of a Narrow Sectoral Focus*, July. Centre for Regional Economic and Social Research, Sheffield Hallam University.

<sup>13</sup> Mazzacato, (2011) *op.cit.*

<sup>14</sup> Overman, Henry G. (2017) It's not that London is too big, but that other large UK cities are too small, *LSE Business Review* June 9th. Available: <http://eprints.lse.ac.uk/81356/>; See also Helmers, C. and Overman, H.G. (2017) My precious! The location and diffusion of scientific research: evidence from the Synchrotron Diamond Light Source, *The Economic Journal*, DOI: 10.1111/eoj.12387.

4.9 The Green Paper does recognise that to address regional economic and social inequalities more local powers, such as devolution, may be needed. Overall, there is a weak recognition of how places can drive industrial strategy, economic performance and social justice. The UK economy is now dislocating and decoupling into a diverging range of fast and slow speed regional economies, with London at one end and the geographically peripheral and northern city regions at the other.<sup>15</sup> In our view it is important to remember that regional inequalities are a consequence of failed national policies and not simply due to natural assets or physical location, or a more insidious suggestion, because of a deficit of the local population.

4.10 Critique of the Green Paper was swift. Shortly after its publication, a number of organisations indicated that many see regional bias as a major source of poor national economic performance and social inequality. As the Regional Studies Association noted:

“any new industrial strategy for the UK needs to link places, sectors and technologies and have a commitment of resources requisite to meet the scale of the challenge that the UK faces”<sup>16</sup>

Equally as critical has been the Industrial Strategy Commission, who argue that the UK needs more than London to generate social and economic benefit and that “the UK is an unusually centralised nation among its comparators”.<sup>17</sup> While the Joseph Rowntree foundation was clear in associating the persistence of

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<sup>15</sup> McCann, P. (2016) *The UK Regional-National Economic Problem: Geography, Globalisation and Governance*, Routledge: London.

<sup>16</sup> Regional Studies Association (2017) *Regional Studies Association Response to the Industrial Strategy Green Paper Consultation*. Available: <http://www.regionalstudies.org/news/article/industrial-strategy-green-paper-regional-studies-association-response>. Last Accessed April 1<sup>st</sup> 2017.

<sup>17</sup> The Industrial Strategy Commission (2017) *Laying the Foundations*, July, p.31. Available: <http://industrialstrategycommission.org.uk/wp-content/uploads/2017/07/Laying-the-Foundations-the-Industrial-Strategy-Commission.pdf>.

poverty in older industrial places with poor levels of productivity.<sup>18</sup> This point is echoed by the Industrial Communities Alliance who call for a reinvigorated form of regional aid, with specified support for small and medium size enterprises “in the context of older industrial Britain” to address the fundamental imbalance that the UK faces.<sup>19</sup> The Green Paper fails to meet such requirements.

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<sup>18</sup> Joseph Rowntree Foundation (2017) *JRF response to the Industrial Strategy Green Paper*, April. Available: <http://www.jrf.org.uk/file/50128/download?token=gYFFGleq&filetype=briefing>. Last accessed April 29th 2017.

<sup>19</sup> The Industrial Communities Alliance (2017) *Industrial Strategy for a more prosperous, fairer Britain*, July, p.11. Available: <http://industrialstrategycommission.org.uk/2017/07/10/laying-the-foundations-the-first-major-report-by-the-industrial-strategy-commission/>. Last accessed July 12<sup>th</sup> 2017.

## Part 3 Liverpool City Region and the Wider Context

### 5. Global and national economic trends

5.1 The National Institute Economic Review (NIER) provide an updated summary of global and national economic trends on a regular basis. Their most recent summary of the World economy indicated an improvement in global output, the fastest in six years at up to 3.6%, and a faster rate of world trade.<sup>20</sup> They noted that inflation remains low and that the link between high levels of employment and inflationary pressures appears to be unreliable. The EU countries have recorded an improved economic performance although this is fragile and the underlying problem of difference between the northern economies, particularly Germany with a better level of competitiveness, and the rest remains.<sup>21</sup> The global economy in general is experiencing low levels of business investment, downward pressures on incomes and low levels of inflation, all of which could lead to problems of deflation.<sup>22</sup>

5.2 In contrast, UK GDP is forecast to grow by 1.7% in 2017 and 1.9% in 2018.<sup>23</sup> The most recent Bank of England Monetary Policy Summary reinforces this view, showing that growth will remain sluggish due to pressures on real income.<sup>24</sup> NIER identify inflationary trends in the UK with the Consumer Price Index expected to rise to 3% by October fuelled by uncertainty centred on Brexit. NIER suggest that the fall in unemployment (to 4.5%) and in average weekly earnings (by 0.7%) is a puzzle that is not likely to be addressed without recourse to meaningful productivity growth. Political uncertainty following the June General Election is adding to economic underperformance and the

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<sup>20</sup> Anon (2017) The World Economy Forecast Summary, *National Institute Economic Review*, 241 (1), p.F3.

<sup>21</sup> See Streek, W. (2016) *How Will Capitalism End?* Verso: London, who argues this is a design flaw of the Euro.

<sup>22</sup> Pettifor, A. (2017) *The Production of Money*, Verso: London.

<sup>23</sup> Anon (2017) The World Economy Forecast Summary, *National Institute Economic Review*, 241 (1), p.F2.

<sup>24</sup> Bank of England (2017) Monetary Policy Summary, August 3rd. Available: <http://www.bankofengland.co.uk/> Last accessed August 3rd 2017.

likelihood of a further General Election. More political uncertainty will only dampen the economic outlook.

## **6. The Liverpool City Region: economic indicators**

6.1 The social and economic environment for the Liverpool City Region is vulnerable to such global and national economic trends. The City Region has just under a million people of working age, just under 700,000 residents are in employment; the local economy accounts for just less than 600,000 jobs and has a GVA (gross value added) of £28bn.<sup>25</sup> In this section we report on those indicators that show the engrained character of economic performance in the Liverpool City Region, looking briefly at population, employment, earnings, productivity and tax and public expenditure.

6.2 The population of the Liverpool City Region is recorded at 1,517,500 in 2014. Overall the City Region population is on an upwards curve after a period of stagnation and decline although this hides disparities across the six boroughs and when compared with many other places in the UK. Since 2001 Liverpool City Region has recorded a population growth of over 2% although over the same period London's population has risen by 15% rise and Manchester's by 9%. In fact, population growth in the City Region is the lowest in comparison to the rest of the second-tier city regions. Between 2001 and 2014 we see a growth of 7% in Liverpool, just under 7% in Halton and around 2% in Wirral. In St Helens, population growth has remained flat; in both Knowsley and Sefton population has fallen by 3%.<sup>26</sup>

6.3 There are two important points to take from the population trends of Liverpool City Region. First, we see only a modest rebound following decline since the Second World War, this the most rapid regression at the end of the

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<sup>25</sup> Liverpool City Region Local Enterprise Partnership (2016) *Building Our Future Liverpool City Region Growth Strategy*. Available: <https://www.liverpoollep.org/wp-content/uploads/2016/06/SGS-SUMMARY-final-low-res.pdf>.

<sup>26</sup> Parkinson, M., Evans, R., Meegan, R., and Karecha, J. (2016) *The State of Liverpool City Region Report: Making the Most of Devolution*, Liverpool. This work provides the basis for many of the statistics presented in this section.

twentieth century. Secondly, that roughly speaking, the geographic area that makes up the City Region has maintained its population from the peak year of around 1931. The towns and boroughs of Liverpool's hinterland accounted for about 1.6m people in 1931, although Liverpool city included 860,000 residents at that time,<sup>27</sup> compared to under 500,000 now. Boundary changes account for some of this difference, although it is a broader dispersal of people from the city to the outer boroughs that has occurred, including to new towns such as Kirkby in Knowsley, Runcorn in Halton, and to Skelmersdale in West Lancashire, which is outside the City Region boundary. Some estimates suggest that up to 160,000 people were relocated out of inner-city Liverpool into lower density new towns on the metropolitan periphery in the post-war period.<sup>28</sup> This dispersal is important because population and population density help stimulate enterprise and economic activity.

6.4 During the 1970s and early 1980s Liverpool City Region experienced a decline in its traditional industrial base. However, while jobs were being lost in manufacturing, the biggest impact on the City Region was the decline in services employment mainly due to an over-reliance on maritime and port industries that had suffered from initial membership of the European Community. This was occurring at a time when other places had tentatively begun to experience growth in the service sector.<sup>29</sup> Thus, between 1984 and 1996 employment in the City Region continued to fall, by as much as 12%. Then, from this point and up to the Great Recession of 2008, employment began to increase by up to 15%.<sup>30</sup> What is noticeable here is that this period of employment growth coincides with the funding received from EU Structural Funds (see para 2.2).

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<sup>27</sup> Figures from the *Census of England and Wales, 1931*, Population tables.

<sup>28</sup> Sykes, O. et al (2013) A city profile of Liverpool, *Cities*, 35, pp.299-318.

<sup>29</sup> Southern, A. (2014) Enterprise, Wealth Creation and Place: A Case Study of the Liverpool City-Region, in Pugalís, L. and Liddle, J. (eds.) *Enterprising Places: Leadership and Governance Networks (Contemporary Issues in Entrepreneurship Research, Volume 3)* Emerald Group Publishing Limited: London, pp.227-257.

<sup>30</sup> Parkinson et al, *op.cit.*



6.5 The City Region has the second highest level of unemployment among London and second-tier city regions, at 1.4 times the national rate.<sup>31</sup> Not only is this an outcome of long-standing structural problems that face the City Region, it reflects a local economy that has failed to generate enough jobs and new business start-ups. Youth unemployment in the City Region is 7% higher than the national rate and again, is the highest among London and second-tier city regions. Within the City Region it is Liverpool and St Helens that have the highest rates of unemployment, while Sefton is the only borough below the national average. Economic activity rates in the City Region reflect the national trend with a growth in female economic activity – from 56% in 1971 to 74% in 2017 – alongside decreasing levels of male economic activity rates, from 95% in 1971 to 84% in 2017.

6.6 Around 86% of employees travel across the City Region to get to their workplace. As would be expected, most of this movement is from other areas into Liverpool, although Halton and St Helens record a higher rate of residents who travel out of the City Region to their place of employment. The relationship between the core City of Liverpool and other boroughs shows the symbiotic nature of residents seeking employment and enterprises seeking employees. The movement of people within the City Region provides an indication of the difference between resident and workplace earnings.

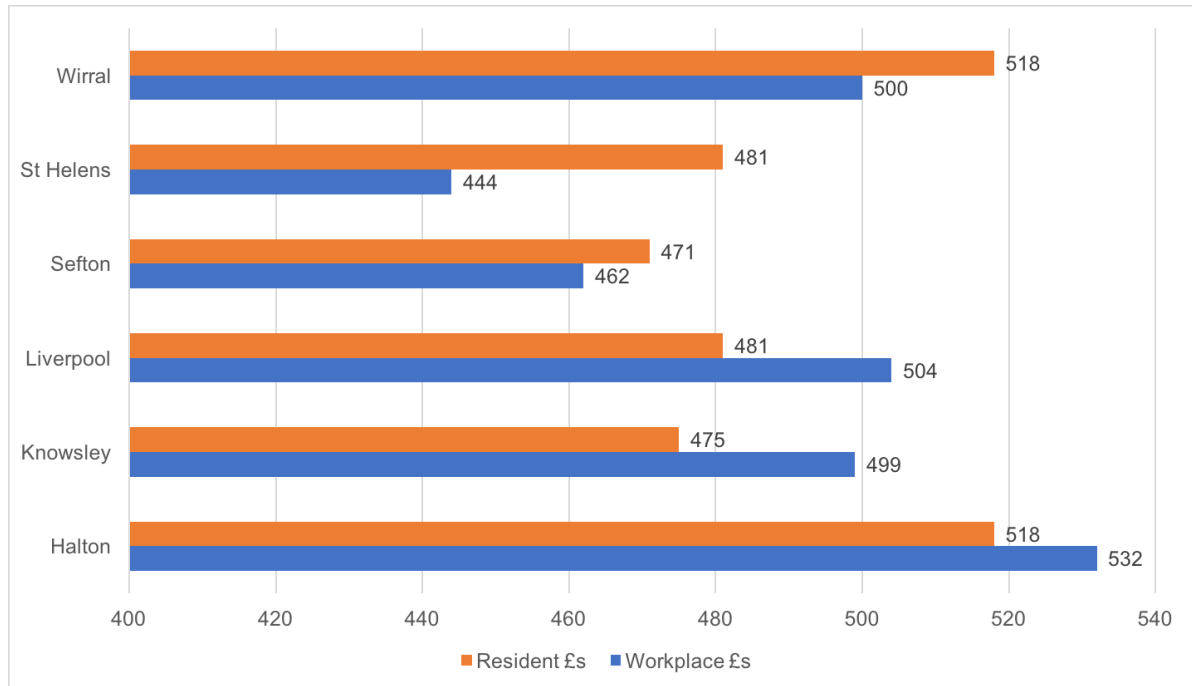
6.7 We can see in Figure 1 that Liverpool City Region residents have median gross weekly earnings below that of the UK level of £528. Residents of St Helens, Sefton and Wirral are accessing higher earnings by taking employment in other parts, or outside the boundaries of the City Region. In contrast, residents living in Halton, Knowsley and Liverpool tend to have lower average earnings than the levels of pay for the businesses located in these areas. From the 2015 figures, only employment in Halton provides higher earnings than the

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<sup>31</sup> Parkinson et al, op.cit.

national average, at £532 per week while jobs in St Helens pay the lowest, at £444 per week.<sup>32</sup>

Figure 1 Median weekly earnings in Liverpool City Region, April 2015 (£s)



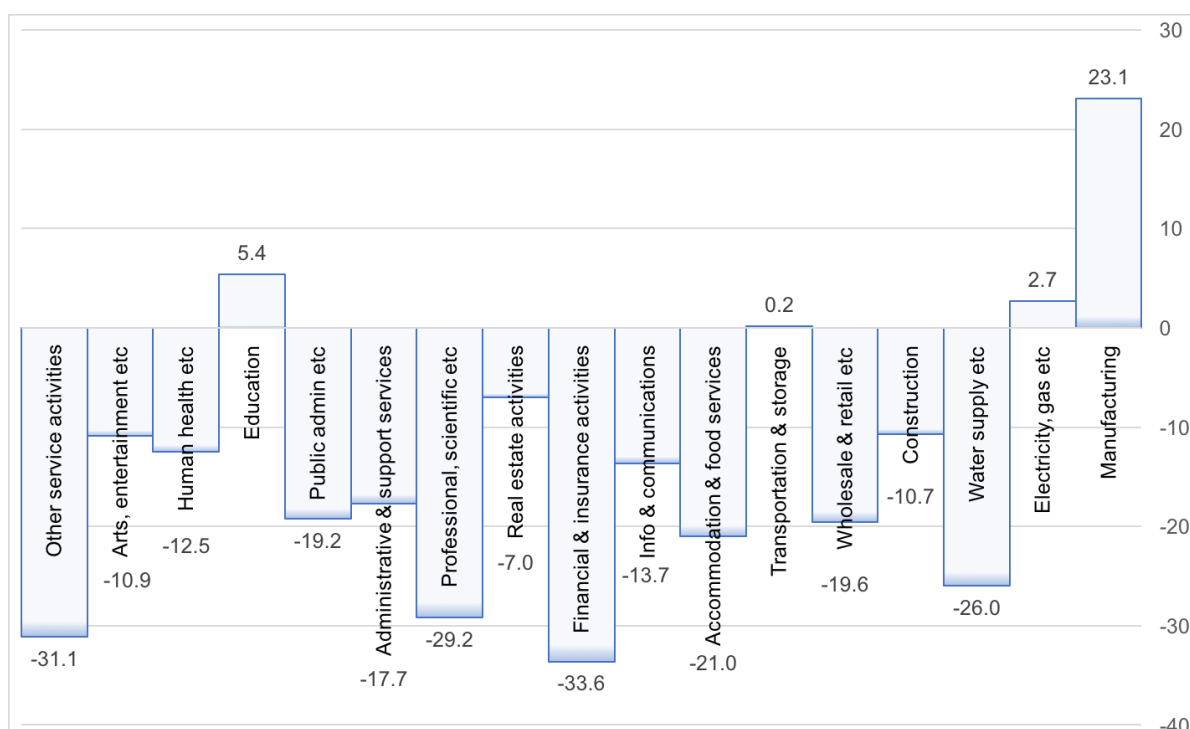
6.8 In terms of output the productivity level of the Liverpool City Region remains lower than the English average, at some 83% in 2010.<sup>33</sup> At this time City Region manufacturing was performing much better than average labour productivity in England, although this is offset by much poorer productivity levels in sectors such as finance, professional and scientific services (see Figure 2). By 2015 manufacturing accounted for 14% of City Region output, distribution, transport, accommodation and food for 20%, information and communications, finance, insurance and business services for 20% and public administration, education and health for 25% (see Figure 3).<sup>34</sup>

<sup>32</sup> Parkinson et al, *op.cit.* See also Office for National Statistics (2017) *Combined Authority Economic Indicators*, 14<sup>th</sup> March. Available: <http://www.ons.gov.uk/releases/combinedauthorityeconomicindicators>. Last accessed March 14<sup>th</sup> 2017.

<sup>33</sup> Liverpool City Region Local Enterprise Partnership (2013) *Liverpool City Region Evidence Report*, 26<sup>th</sup> August. Available: <http://www.liverpoollep.org/wp-content/uploads/2015/06/wpid-liverpool-city-region-evidence-report-09-2013.pdf>.

<sup>34</sup> Office for National Statistics (2017) *op.cit.*

Figure 2 LCR labour productivity gap relative to England average, 2010<sup>35</sup>



6.9 In contrast to the claim by LCR LEP that the City Region has in recent years recorded the strongest growth of any northern core city region, the figures show that in 2015 its GVA per capita (£19,319) is much less than Cheshire (£30,099), Greater Manchester (£21,626), West Yorkshire (£21,457) and even Northumberland and Tyne & Wear (£20,173).<sup>36</sup>

Figure 3 Share of GVA by selected industry in Liverpool City Region, 2015 (%)<sup>37</sup>

Manufacturing	Distribution, transport, accommodation and food	Information and communication, Financial and insurance activities, Business service activities	Public administration, education, health
14.1	19.8	19.6	25.0

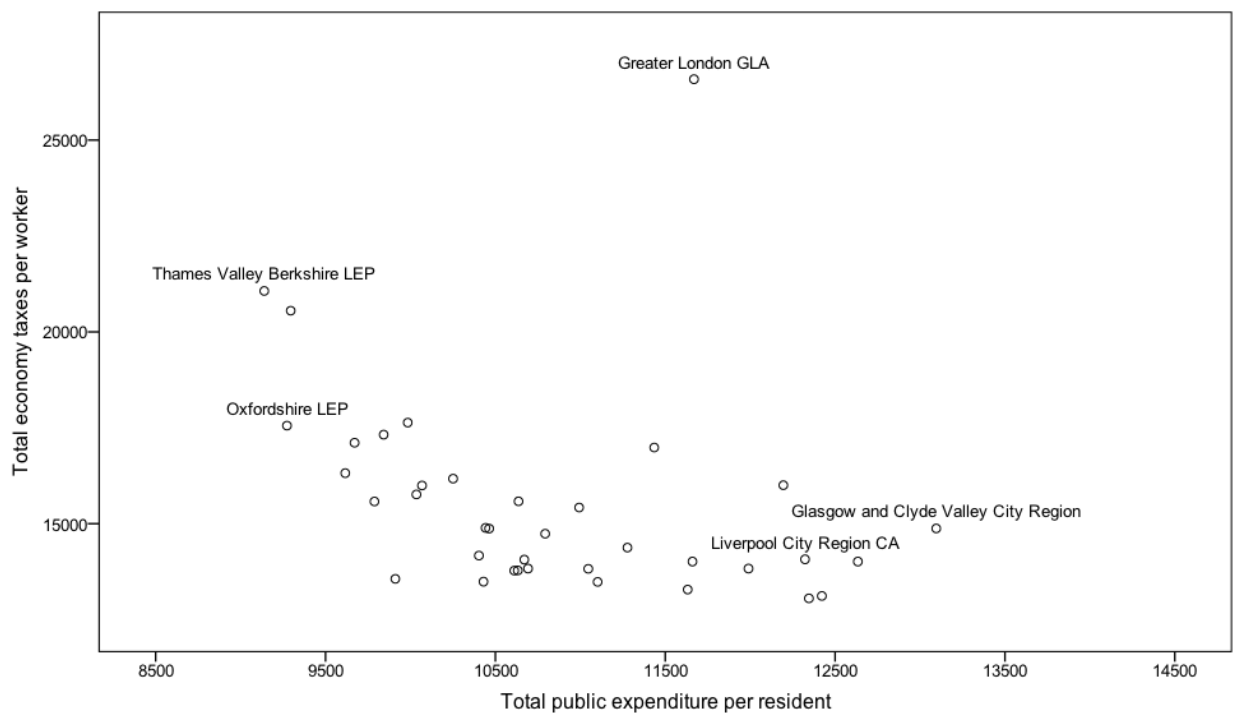
<sup>35</sup> Liverpool City Region Local Enterprise Partnership (2013) Liverpool City Region Evidence Report *op.cit.*

<sup>36</sup> Liverpool City Region Local Enterprise Partnership (n.d) *Core Liverpool City Region Economy – GVA Briefing*. Available: <http://www.liverpoollep.org/wp-content/uploads/2015/06/GVA-Briefing-December-2016.pdf>.

<sup>37</sup> Office for National Statistics (2017) *op.cit.*

6.10 As the Centre for Cities suggest, core city local authorities such as Liverpool City Council, raise most tax revenue. In their work on taxation and public expenditure, they look at tax generated by employees and public expenditure per resident. As we can see in Figure 4 Liverpool City Region tends towards a higher public expenditure and a lower tax revenue per worker. The more prosperous areas such as Thames Valley and Oxfordshire record a higher tax revenue per worker; the poorer areas such as Glasgow and Clyde Valley City Region have a greater reliance on public expenditure. This reflects both the quantity and quality of employment and dependence on state provision for benefits such as pensions and housing.<sup>38</sup>

Figure 4 Taxes and Public Expenditure per City Region (£s)<sup>39</sup>



<sup>38</sup> McGough, L. and Swinney, P. (2015) *Mapping Britain's Public Finances Where is Tax Raised, and Where is it Spent?* Centre for Cities: London.

<sup>39</sup> Ibid.

6.11 Liverpool City Region has been considerably impacted by cuts to local authority budgets. In a submission to the Liverpool Fairness Commission it was noted that:

Forced reductions in Local Authority spending for communities and support for the most vulnerable people are likely to lead to an increased frequency of crisis situations for Liverpool residents who are already vulnerable.<sup>40</sup>

As the National Audit Office noted not only is it becoming more difficult to provide statutory services, the impact from funding cuts is difficult to determine. Costs are displaced across services and only become evident in the medium to longer term when harmful consequences have taken place.<sup>41</sup>

6.12 The LCR CA have expressed concern over budget cuts consistently. Local authority officers are desperately seeking alternative sources of revenue, including the sale of public assets to private developers.<sup>42</sup> It appears that the risk of providing essential services has been shifted away from central government to local authorities as reported by City Region local authorities prior to the devolution agreement being signed. In 2013 it was claimed:

Currently, there is a rising level of risk that local authorities are expected to resolve, without the resources available to the Government i.e. taxation powers or borrowing.<sup>43</sup>

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<sup>40</sup> O'Brien, M. (2012) *'Fairness and the City' Public-sector cuts, welfare reform and risks to the population of Liverpool and its wider region*, An independent submission to the Liverpool Fairness Commission, March. University of Liverpool.

<sup>41</sup> National Audit Office (2014) *The impact of funding reductions on local authorities*, Report by the Comptroller and Auditor General, November.

<sup>42</sup> Heap, H., Southern, A. and Thompson, M. (forthcoming) *The scale, scope and value of the Liverpool City Region social economy*, Heseltine Institute for Public Policy and Practice: University of Liverpool.

<sup>43</sup> Liverpool City Region Submission to the 2013 Spending Review, Report by the Operational Director – Finance to the Liverpool City Region Executive Board, 23rd May 2013. Available: [http://councillors.halton.gov.uk/documents/s29899/exec board 230513 - lcr spending review submission.pdf](http://councillors.halton.gov.uk/documents/s29899/exec%20board%20230513%20-%20lcr%20spending%20review%20submission.pdf).

We found this shift in risk to be one reason why people we have spoken to are sceptical about the devolution arrangements. Time and space prevent a thorough examination of this important matter not least the representation of cuts in terms of “a cliff edge” with many local stakeholders seeing 2020 as the key moment facing the City Region. Budget cuts and the associated impact on the quality and quantity of support services have become normalised within the City Region.

## **7. Economic development and plans for growth**

7.1 In 2016 the LCR CA commissioned the LCR LEP to produce a Growth Strategy for the City Region. The strategy aims to develop productivity through a greater number of businesses, and by promoting innovation and entrepreneurship; to improve skills and employability; to enhance infrastructure, particularly transport, energy and digital.<sup>44</sup> Seven growth sectors have been identified:

- Advanced Manufacturing
- Digital and Creative
- Financial and Professional Services
- Health and Life Sciences
- Low Carbon Energy
- Maritime and Logistics and,
- the Visitor Economy.

7.2 The focus on high tech and innovation is necessary although as with the Green Paper, such an approach risks reinforcing prevailing patterns of advantage and disadvantage. Plans to develop green energy, marine and maritime innovation, digital technologies and life sciences, building on the facilities at Sci-Tech Daresbury, are grounded in growing markets and R&D. However, absent from the analysis is any consideration of how these initiatives

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<sup>44</sup> Liverpool City Region Local Enterprise Partnership (2016) *op.cit.* *Building Our Future*.

translate into employment opportunities that would also include lower level skilled employment and those currently excluded from labour markets. As noted with respect to the Green Paper, the focus on advanced manufacturing and innovation covers less than 2% of national employment and is likely to reinforce geographic inequality.<sup>45</sup> The focus on sectors in the City Region that can create new high skilled employment opportunities and productivity growth is to be welcomed, but it is not enough alone to determine a whole economy approach for good well-paid jobs and employment opportunity.

7.3 The LCR LEP and LCR CA Growth Strategy is less convincing in its readiness to provide a plan for economic development based on the needs of the citizens of the City Region. This is reflected in the tension – between a democratically accountable Metro Mayor and those institutions that have been created to drive economic performance – that lies at the centre of the City Region devolution agreement. It is those sectors that provide more substantive and everyday economic activities such as utilities, retailing, food production, caregiving, health and education, that will increasingly offer new opportunities for employment and new forms of enterprise.<sup>46</sup> We can refer to Figure 2 to see the productivity performance of such sectors. However, more emphasis on these – with a renewed focus on local strategic decision-making, a realignment of the market-state nexus to support redistributive policies and greater levels of devolved power – could open-up new models of enterprise and more sustainable growth.

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<sup>45</sup> Fothergill et al (2017) op.cit.

<sup>46</sup> See for instance, Bentham, J., Bowman, A., Cuesta, M. De, Engelen, E., Ertürk, I., Folkman, P., Froud, J., Johal, S., Law, J., Leaver, A., Moran, M., and Williams, K. (2013) *Manifesto for the Foundational Economy*, CRESC Working Paper 131: Centre for Research on Socio-Cultural Change; Southern, A. (Ed.) (2011) *Enterprise, Deprivation and Social Exclusion: The Role of Small Business in Addressing Social and Economic Inequalities*. Routledge: London.

## **Part 4 A City Region Industrial Strategy**

### **8. *Liverpool City Region Industrial Sectors***

8.1 In 2015 around 600,000 people were employed in about 40,000 enterprises across the Liverpool City Region. The highest proportion of employees are in retail (11%), a further 4% in wholesale and 5% in transport and storage (Figure 5). While retail employment has a fairly even distribution in relation to other sectors within each borough, across the City Region it is Liverpool that accounts for 37% of all retail employment, and Sefton for a further 19%. Manufacturing accounts for 8% of all City Region employees; accommodation and food services 7%.

8.2 Within the boroughs manufacturing accounts for 19% of employment in Knowsley, and makes up 9% of all Knowsley enterprises. Halton has 15% of employment in manufacturing with 8% of total businesses in the sector. Only 4% of Liverpool's employment is in manufacturing. Across the City Region Knowsley has the greatest proportion of manufacturing employment (25%), followed by Liverpool (19%) and Halton and Wirral (both 17%). In Sefton manufacturing makes up only 5% of its total employment, which in turn accounts for the lowest concentration of manufacturing across the City Region, at 9%. Over a third of City Region employment is in the three sectors of health, education and public administration and defence.

8.3 Liverpool accounts for around one in three of all enterprises in the City Region, Wirral 22% and Sefton 19%. While 11% of all employment in the City Region is in Knowsley, just less than 8% of businesses are located there. The broad sector with the largest number of enterprises in the City Region is professional, scientific and technical, with almost one in five of all businesses in this sector. This is the dominant sector for number of businesses within each borough too. Construction has 12% of all City Region enterprises and retail and business support each account for 9%.



8.4 These broad industrial sectors provide an indication of the diversity of the Liverpool City Region economy. In fact, the Krugman Similarity Index shows the City Region to be relatively diverse, a structure that can be read in different ways.<sup>47</sup> While an agglomeration of industry and contribution of labour and capital is significant, an over reliance on one or only a few industrial sectors is regarded as a weakness of a local economy. The Liverpool City Region is specialised in pharmaceuticals, chemicals and automotives in medium-high technology manufacturing and “in a resurgent low-medium technology manufacturing sector, shipbuilding.”<sup>48</sup>

8.5 The diversity of the City Region economy helps to explain the wide range of sectors highlighted in the Growth Strategy. However, measurements of growth, particularly productivity, are under question, not least because of the rise in income inequality in households in developed countries and the cumulative inequality in overall wealth.<sup>49</sup> For an industrial strategy the question is how the industrial structure of the Liverpool City Region can provide an opportunity for growth while simultaneously creating jobs that provide dignity at work for employees, wages at a level of at least the living wage, investment into the potential of the workforce through enhanced skills and education, and collective representation. We use two bedrock sectors of the City Region to examine this in more detail, manufacturing and the visitor economy.

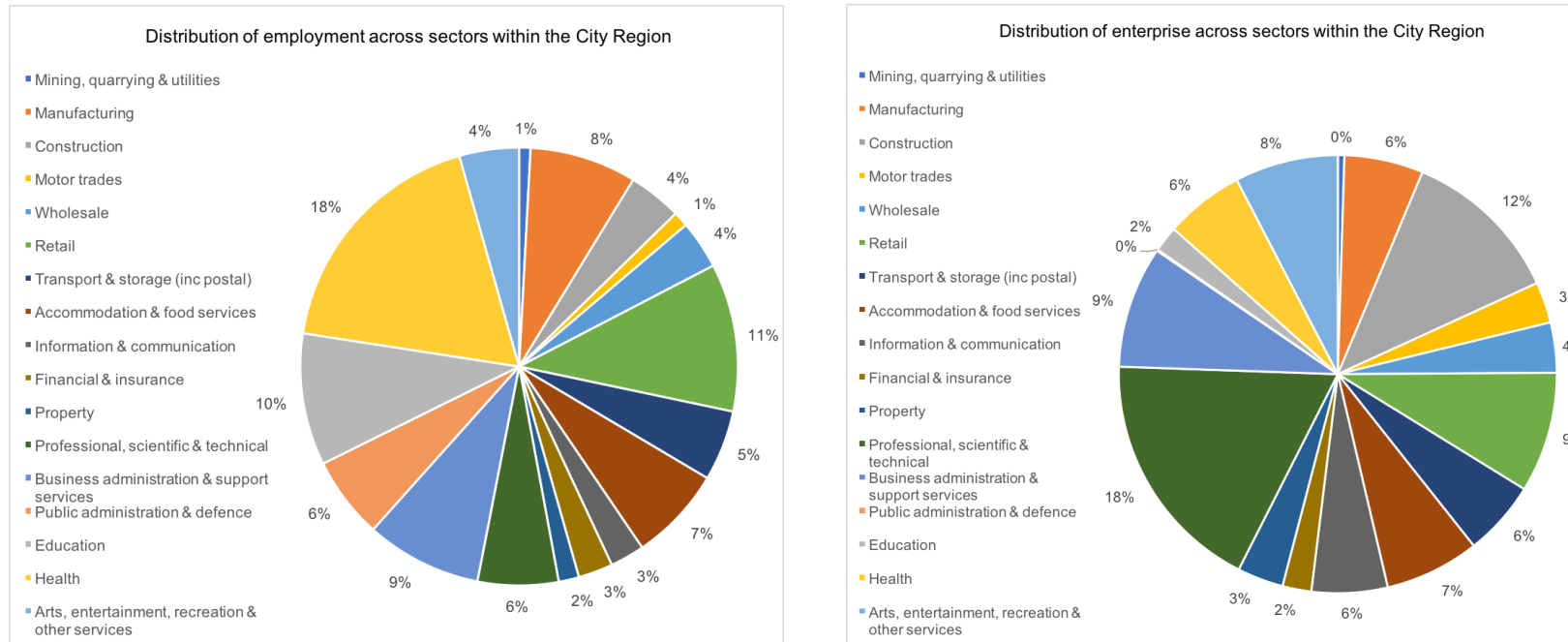
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<sup>47</sup> Parkinson et al (2016); see also *Industrial Specialisation in major towns and cities – Krugman Index data and tool*. Available: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/006229industrialspecialisationinmajortownsandcitieskrugmanindexdataandtool>.

<sup>48</sup> Parkinson et al (2016) *op.cit.* p26.

<sup>49</sup> See Furman, J. (2015) *A brief history of middle-class economics: productivity, participation, and inequality in the United States*, VOX, CEPR's Policy Portal, February 20<sup>th</sup>. Available: <http://voxeu.org>. Last accessed March 18<sup>th</sup> 2017; Nolan, B., Roser, M. and Thewissen, S. (2016) *Stagnating median incomes despite economic growth: Explaining the divergence in 27 OECD countries*, VOX CEPR's Policy Portal, 27<sup>th</sup> August. Available: <http://voxeu.org/>. Last accessed January 7<sup>th</sup> 2017; and Turner, A. (2017) *Is Productivity Growth Becoming Irrelevant?* Institute for New Economic Thinking. Available: <https://www.ineteconomics.org/perspectives/blog/is-productivity-growth-becoming-irrelevant>. Last accessed July 24<sup>th</sup> 2017.

Figure 5 Sectoral employment and enterprise distribution across Liverpool City Region (%)<sup>50</sup>



<sup>50</sup> Figures from Nomis (excl. agriculture because of low employment numbers).

## **9. A Liverpool City Region ‘Bedrock Sector’: Manufacturing**

9.1 Manufacturing is important to the City Region because it is a sector that symbolises ‘great jobs’ and potential for increased productivity. The LCR LEP claim manufacturing in the City Region is:

“one of the most productive in the UK, outstripping the national average. In the LCR, the manufacturing sector contributed 13.2% to the City Region’s economic output. In the UK the figure stood at 11.6% (2010). This level of productivity is hugely attractive to global firms. Manufacturing, therefore, is critically important to the Liverpool City Region and its ability to grow and expand its economy.”<sup>51</sup>

9.2 Manufacturing is a sector that demonstrates the influence of industrial relations and consensus between employers and trade unions in economic development. One representative from business explained that the success of the automotive industry in the last 20 years was likely improved because of trade union involvement.

“An example of that is obviously Jaguar Land Rover; it wasn’t done just because Jaguar Land Rover bought them, it was done from the shop floor down I would say and that was their philosophy... I think we’ve got some great examples of where the trade union has really been a catalyst for change and most of the organisations as I say that I’ve been working with that are unionised, I see them [the employers] actually taking the union with them and consulting with the union at every step if they need to make commercial change, in making commercial decisions.”

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<sup>51</sup> Liverpool City Region Local Enterprise Partnership (n.d) *Advanced Manufacturing in Liverpool City Region: Opportunities for Growth 2014*. Available <https://www.liverpoollep.org/wp-content/uploads/2015/06/wpil-making-it-2020final2.pdf>. Last accessed July 30th 2017.

9.3 LCR LEP suggest manufacturing generates some £3.2 billion for the City Region<sup>52</sup> and has a productivity of £47,000, well above the per capita rate for the City Region.<sup>53</sup> However, there are threats to manufacturing in the City Region that illustrate the challenges facing the LCR CA and Metro Mayor. These include instability due to global trends, Brexit, the narrow focus of the industrial strategy Green Paper and the overall declining weight of the sector in terms of volume of employment. For example, in recent months there has been uncertainty over the outcome from the takeover of General Motor's Opel business by PSA particularly affecting Ellesmere Port, threatening the workforce of a local car plant despite its successful production record.

9.4 The threat of Brexit is evidenced in a recent report that calculates the effect of leaving the EU. This suggests a negative impact in each City Region borough, as shown in Figure 6. If extrapolated, albeit crudely, these figures imply a potential loss from Brexit of between £28m and £66m GVA per annum in manufacturing across the City Region from Brexit.

Figure 6 % change in GVA from the impact of 'soft' and 'hard' Brexit<sup>54</sup>

	'Soft' Brexit	'Hard' Brexit
Halton	-1.5	-2.8
Knowsley	-1.2	-2.3
Liverpool	-1.2	-2.4
Sefton	-1.2	-2.3
St Helens	-1.1	-2.1
Wirral	-1.2	-2.2

<sup>52</sup> Liverpool City Region Local Enterprise Partnership (n.d) *making it Advanced Manufacturing in Liverpool City Region to 2020*. Available: <https://www.liverpoollep.org/wp-content/uploads/2015/06/wpil-making-it-2020final2.pdf>. Last accessed July 30th 2017.

<sup>53</sup> Figures provided in a presentation by Simon Reid (n.d) Sector Manager, Liverpool City Region LEP, *Advanced Manufacturing Sensor City and the Industrial Internet of Things*. Available: <http://www.liverpoollep.org/wp-content/uploads/2015/11/Simon-Reid-Advanced-Manufacturing-Sensor-City-and-the-Industrial-Internet-of-Things.pdf>. Last accessed July 30th 2017. We assume this is a reference to productivity per capita of £47,305, and the overall figure of £.32bn in the context of a city-region economy worth around £28.3bn in 2014.

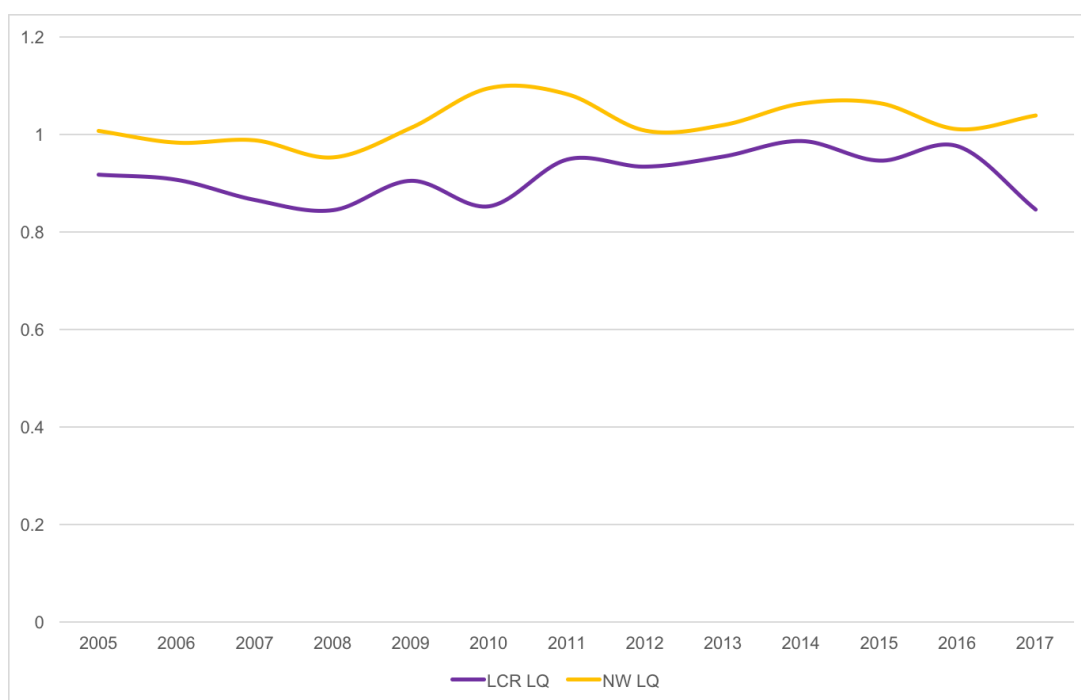
<sup>54</sup> Dhingra, S., Machin, S. and Overman, H.G. (2017) *The Local Economic Effects of Brexit*, Centre for Economic Performance, London School of Economics and Political Science: London.

9.5 We see a similar warning from our interviews when informed about a reduction in investment in technology and a reduction in inward investment from new firms. One representative from a local Chamber told us:

“We have already seen a slow-down in investment because there are so many firms who are foreign owned. And firms who are making things here are exporting them to Europe. They won’t be investing over the next two years... Firms will not be investing in their production facilities here over the next two years because they are not sure whether they will be able to export what they make here into Europe in a tariff free environment. They will be investing in other similar plants in France, Germany, Belgium, Netherlands etc.”

9.6 The effect on manufacturing from Brexit is a concern for a City Region where the overall significance of employment in the sector is decreasing. Employment in manufacturing in the City Region has remained roughly steady since 2010 in the City Region, at around 50,000 jobs. This hides the fact that since 2005 manufacturing employment has fallen at a greater rate in the City Region (32%) than compared to the North West (22%) and since the Great Recession of 2008 has declined at a rate of 22% compared to the North West’s 14%. What this means is that the location quotient for manufacturing in the City Region has remained less than that for the North West (see Figure 7). In fact, manufacturing jobs have always been less important to Liverpool City Region when compared to other northern cities and their hinterland. The volume of manufacturing employment in the City Region, important in terms of great jobs, is therefore increasingly vulnerable.

Figure 7 LCR and NW manufacturing employment location quotient<sup>55</sup>



9.7 Manufacturing also captures the dilemma of trying to maintain good jobs against declining employment, while seeking to drive up productivity growth across the City Region. The Liverpool City Region has a manufacturing sector that performs well and this is rightly recognised in the Growth Strategy. This is a sector that has increased its rate of productivity while experiencing declining levels of employment and the importance of that employment to the City Region.<sup>56</sup>

9.8 The outcome from the review of responses to the Green Paper must offer relief to those sectors that improve technological development and enhance export performance. It will be advantageous to see greater levels of R&D in those sectors identified: healthcare and medicine, robotics and artificial intelligence, batteries, self-driving vehicles, materials for the future and satellites and space technology. However, as it is currently set out, the Green Paper

<sup>55</sup> The formula for calculating the LCR location quotient is as follows: (LCR Sector employment/Total LCR Employment) / (National Sector Employment/Total National Employment). Figures from Nomis.

<sup>56</sup> One would assume the deployment of technology is important here although we have not verified as such in this work.

advocates resources be allocated to support a too narrow range of sectors to provide the basis to address regional disparity.

9.9. With some minor alteration for example, the ideas contained in the Green Paper could benefit the 10,800 Liverpool City Region jobs targeted by the Industrial Strategy Challenge Fund. This represents about 20% of all manufacturing employment in the City Region, much higher than Tees Valley (5%) and Greater Manchester (4%), but overall represent less than 2% of all City Region employment.<sup>57</sup>

9.10 What have been described as short-term advanced manufacturing opportunities identified by LCR LEP are outlined in Figure 8. The focus on advanced manufacturing, however, could equally produce a scenario of lower levels of good jobs in manufacturing without any concomitant increase in productivity because of the effect from Brexit. Likewise, there can be no guarantee of high skilled jobs coming into the City Region. Even if great jobs are created by the sector, the problem remains as to how to upskill the existing population, many of whom remain under- or un-employed, to take advantage of these opportunities.

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<sup>57</sup> Fothergill et al (2017) *op.cit.* We are not advocating this approach but illustrating how too narrow a focus on a small number of sectors can assist some places and not others. The Green Paper could therefore reinforce zero-sum gains across local economies with winners and losers.

Figure 8 Possible short-term opportunities from advanced manufacturing<sup>58</sup>

Opportunity	Potential impact on manufacturing
Light-weight manufacturing	The search for greater efficiency and high performance in sectors such as automotive, marine, nuclear and aerospace industries.
Smart monitoring	Sensors developed from the convergence between nanotechnology, bio-technology, information technology and electrical engineering with a wide range of uses in sectors such as health care and construction.
Sustainable energy	Off-shore wind and waste-to-energy plants; a Mersey Tidal scheme; a general demand for lower energy costs and to develop a more sustainable response to scarcity, including local energy generation.
Shale gas	Exploration in the Irish Sea based on the idea that it could provide one of the richest sources of shale gas in Europe; contentious although with the potential to provide platform manufacturing jobs in the City Region.
Marine Ballast Water Treatment	Related to the developments of 'Liverpool 2' the new SuperPort, a deep sea contained in the Port of Liverpool. Both Birkenhead and Liverpool would provide the location for facilities and development would build on current maritime professional services and research.

9.11 This problem was summarised in an interview with a local policy maker:

“For every job that you lose on a manual process, you will need someone to programme the replacement for that process who are generally a higher technical, more qualified person on a higher salary. The unwritten thing though is what do you do with all the people who used to do manual processes? In the restaurant game,

<sup>58</sup> Liverpool City Region Local Enterprise Partnership (n.d) *op.cit making it*.



there's certain McDonalds now where the only way you can order is by the touch screen, they don't have anyone at the counter, the only person you see is the person who hands you the burger, but that will be automated eventually too."

The governance agencies of the City Region are correct in developing a future focus on those areas of manufacturing that will lead to advances. If this fails to consider how good jobs will accompany economic development it will be a strategy that falls short for the citizens of the City Region.

9.12 Important structural trends are providing a threat to good jobs in manufacturing because of reconfigured production processes. Therefore, the LCR LEP are right to consider other variables that include education, skills training and business support in the City Region. However, we must also consider what government, and in this case the agencies at the level of city region governance, should seek to influence. Rather than focus on trying to fix markets, to put "patches on existing trajectories provided by markets" and hitherto address market failure, the government should instead support local initiatives such as advanced manufacturing. The most important point to this is the development of local institutional infrastructure because in this way, we develop city region governance that can focus on actively shaping local spaces to enable innovation.<sup>59</sup>

9.13 The question then is whether devolved city region governance is powerful enough. Manufacturing could provide an opportunity for Liverpool City Region agencies to act, innovate and take risks to shape the local economy in ways to serve its citizens. On this issue an interviewee told us:

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<sup>59</sup> Cited in Mazzucato, M. (2015) Building the entrepreneurial state: a new framework for envisioning and evaluating a mission-oriented public sector, *Levy Economics Institute Working Paper No. 824*, Levy Economics Institute of Bard College: New York. See also Mazzucato, (2011) *op.cit.*

“We need to understand that, but there are clear benefits between sustainable jobs and well-being and productivity and long-term profitability. I think part of the problem is sometimes, that firms and areas are taking a short-term view of trying to drive a short-term profit outcome rather than realising actually, if you get a good quality workforce, well-skilled, not worried about the job every two minutes, not worrying where the money’s coming from for next week. You’re actually going to find when they come to work, they’re more focused on work and less focused on what they’re going to do when they get home.”

Manufacturing is a space where good jobs and productivity can be strategically oriented.

9.14 Here, local politicians, policymakers and anchor institutions can lead: through levels of state investment and the establishment a regional development bank; to use public investments to address societal challenges rather than a blind focus on any means possible to achieve productivity; and to reap financial reward from the value and intellectual property it has helped to create, for further investment.<sup>60</sup> Development of advanced manufacturing can be accountable to local people and an industrial strategy with a focus on productivity should have good jobs as a central component.

### ***10. A Liverpool City Region ‘Bedrock Sector’: the Visitor Economy***

10.1 In contrast to manufacturing is the visitor economy (VE), a sector that includes accommodation, food and drink, recreation, transport and retail. According to LCR LEP the VE hosts 32m visitors per annum and the city region is ranked sixth in the UK for international visits. This is a sector with a contribution of £3.8bn to the local economy with GVA estimated at £1.52bn, supporting over 49,000 jobs (see Figure 9). The VE is designated as a sector of strategic importance identified in the Growth Strategy with visitor attraction in

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<sup>60</sup> Mazzatto (2015) *op.cit.*

each of the City Region six boroughs. There have been concerns that reductions in public expenditure and in time, the withdrawal of EU funding will have an adverse impact on the sector and its focus on destination marketing, conference and events development and for tourist board operations.<sup>61</sup>

Figure 9 LCR visitor economy distribution of employment and economic impact

	Employment	Economic impact (£bn)
Halton and Knowsley	3383	0.266
Liverpool	31883	2.528
Sefton	6153	0.468
St Helens	2784	0.21
Wirral	4803	0.354
Total	49006	3.826

10.2 In recent years the VE has been on an upward trajectory, fuelled by the designation of Liverpool as the European Capital of Culture in 2008.<sup>62</sup> One representative of the VE sector informed us that in 2008 there were an estimated 3,000 accommodation ‘bedrooms’ and by 2017 this figure had reached beyond 7,000, although while weekend occupancy rate is high at around 75%, it falls significantly during the week. Figures from the LCR LEP show visits have risen by 12% between 2009 and 2014 and that economic impact had risen by over a third, and with an estimated growth in employment forecast to 57,000 by 2023.<sup>63</sup> The growth experienced in the sector is due to the enhanced quality of VE infrastructure with better hotels and restaurants available as the City Region has become known as an international destination.

10.3 This characteristic of current provision does not necessarily translate into good employment opportunity and the VE is a sector that suffers with a

<sup>61</sup> Liverpool City Region Visitor Economy Board (2016) *Visitor Economy Investment Plan for Growth 2016 – 2025*, July.

<sup>62</sup> See Phythian-Adams, S, L., Sapsford, D. and Southern, A. (2008) *Doing Business in the European Capital of Culture (Part II): a profile and initial assessment of impact on the Merseyside and North West business base*, March. University of Liverpool Management School; and Phythian-Adams, S, L., Sapsford, D. and Southern, A. (2008) *Considering the Economic Impacts of the 2008 European Capital of Culture A Review on the Literature Concerning “Economic Multiplier” Effects*, October. University of Liverpool Management School.

<sup>63</sup> Liverpool City Region Visitor Economy Board (2016) *op.cit.*

reputation for poor quality jobs. One such view was expressed in our interviews with those involved in the VE; and in work undertaken for the LCR LEP less competitive working conditions and pay were noted as a barrier to recruitment.<sup>64</sup> One sector representative talked about how difficult the career path is for those who enter the VE and another about how hard it is to overcome perceptions of it being a transient part of the economy:

“And the career paths – even if you start colloquially on the shop floor. Can you start waiting on tables and end up the manager of the hotel? You could but it is a large and arduous task and there is only one manager in the hotel.”

While another noted how 18% of employment in one leading city centre hotel were in roles filled by migrant workers.<sup>65</sup> More than one interviewee spoke about the VE as a sector where trade union representation was “very low” with jobs characterised by low pay and high levels of casual, insecure employment.

10.4 The VE is a sector with unsociable hours. It is not a highly unionized sector and often the unreasonable hours that employees commit to are based on when customers and clients spend their leisure time. This can mean extended shifts placed on VE workers and we were informed that if there was any likely abuse of working conditions then it is probably due to a gap in regulation or legislation, or in the inspection regimes that fail to protect employees. Where these are identified, it was suggested to us, they can be campaigned against and change lobbied for on a national level.

10.5 Rather than encourage collective representation, the sector adopts a paternalistic approach to industrial relations. One interviewee told us of ideas within the sector to move toward a four-day week and that there was a

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<sup>64</sup> Liverpool City Region Local Enterprise Partnership (n.d) *Visitor Economy A Skills for Growth Agreement*. Produced by Liverpool City Region Labour Market Information Service.

<sup>65</sup> Formal statistics on the proportion of migrant workers in the VE was not available within the sector, although our prompts made them consider this to be an important matter for future action.

distinction between those businesses that commit to investing in staff and those who focus solely on revenue. It was suggested that more could be made of cases where staff are treated well when there is information available on things such as tourism awards. Another talked to us about how migrant workers bring a strong work ethic to the sector that complements the local pride and enthusiasm of the indigenous workers. The view was that any loss of migrant workers would be “a catastrophe” and that the Brexit vote had led to some level of intolerance that will prove to be negative to a sector that relies on non-UK nationals as both customers and workers.

10.6 A sector representative suggested that the VE provides employment for a particular part of the City Region’s labour market. This was evidenced in a recent report where it was suggested how the number of entry level jobs and part-time employment provided “opportunities particularly suitable for some members of our disadvantaged communities.”<sup>66</sup> Working conditions need to be ethical and employment needs to be fair to remove any chance of what one person referred to as “a sweatshop type of operation.” Should the VE brand be boosted through the Growth Strategy then “we can enhance and advertise its social aspect” thereby highlighting the environmental effect of the sector and its employment conditions in positive ways. Here is a possibility to imagine the VE as an ethical sector with sound principles helping to construct the identity of the City Region. An ethical and responsible VE, it was suggested, would attract the right kind of investment and would be a key driver for establishing the distinctiveness of the City Region.

10.7 A recognition of the problems, both perceived and actual, of a sector that lacks social value is one of the reasons why skills and training are considered essential to the development of the VE. The VE report noted:

Pre-employment skills taster sessions, work trials and positive work experience opportunities to learners are needed for potential

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<sup>66</sup> Liverpool City Region Local Enterprise Partnership (n.d) *op.cited. Visitor Economy*, p.18.

recruits to better understand the demands of the sector, and the opportunities for career progression that are available.<sup>67</sup>

Employers too should commit to good practices to ensure that the VE is a viable career option. This ought to be considered when FE colleges and schools work with the sector to provide work experience opportunities.

10.8 In general, businesses in the VE report that there remains a mismatch between the skills they require and those provided by educators and trainers. However, our interviews suggest that the lack of career path – too many jobs operating zero hours and minimum wage contracts amongst what is effectively a pool of casual labour called upon when the business is operating at various levels of capacity, and less more skilled opportunities – is rarely articulated, even among the better employers.<sup>68</sup>

10.9 We were told that the Skills for Growth Agreement identified what the City Region needs to do better in the VE. Partnership with the FE sector was crucial to support development; to map gaps and engage hotels, restaurants, transport, and the airport and help develop front line and higher level skills such as languages, in short supply. The VE report suggests businesses could offer graduate scholarships or higher apprenticeships to academically minded students with language skills and ensure a higher calibre of entrant into the sector.

10.10 In summary, manufacturing and the VE offer contrasting sectors from which we can consider the maintenance and development of good employment prospects and good jobs in the City Region. These are bedrock sectors because of the numbers of people they employ and their economic impact. They are also important because of their social value, such as their

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<sup>67</sup> Ibid.

<sup>68</sup> Noticeably, some interviewees within the public sector argued for zero hour contracts to be outlawed and expressed concern that Brexit could lead to a downward pressure on employment conditions.

environmental impact and responsibility to local communities. Businesses in both sectors are concerned that the skills available are not adequate to meet the needs of future development albeit in entirely different contexts. One sector appears to understand the need for dialogue with trade unions to help respond to future demands, although there is little evidence to suggest this is being conducted in a strategic way, coordinating with city region governance to take account of new areas of advanced manufacturing for instance. The VE has a limited response to involving its employees to consider needs and responsibilities. This appears to be a strategic weakness of the sector and the City Region.

### ***11. Using the power of the City Region Combined Authority***

11.1 We turn now to how government can exert influence in shaping a local economy. Policy attention is increasingly turning to this, alongside the devolution arrangement, as one of our interviewees noted:

“Through the Metro Mayor and Combined Authority there is a lot of soft pressure we can put on business to adopt these good practices around working conditions and pay etc. and I know Steve [Rotherham] is keen to have a good relationship with businesses. He wants a forum where we can talk about this on a longer-term basis.”

11.2 Just as with the attention paid to sectors by LCR LEP, the local authorities in the City Region point to innovations in their management of ever increasing scarce resources. We see the efforts already underway in the City Region to use local authority procurement practices in new ways. These illustrate how public expenditure through democratically accountable authorities can be used to generate social as well as economic value.

11.3 The Public Services (Social Value) Act 2012 requires local public service providers to consider economic, social and environmental value in their procurement decisions. Public procurement policies can be crucial in ensuring

wealth is recycled locally for maximum impact. The Social Value Act and EU regulations on procurement provide local authorities with the opportunity to consider social criteria and harness the power of procurement to support inclusive local growth. In the Liverpool City Region, where the share of GVA in 2015 created by public administration, education and health reached 25% (see Figure 3) and accounted for around a third of employment (Figure 5), we should not dismiss the economic impact and social value capability of the public sector.<sup>69</sup>

11.4 During our research a national policy expert explained how procurement could become a more powerful tool for the realisation of local economic development.

“Forty-one percent of our entire GDP in this country is spent through the public purse... such is the collective power in public procurement, and ultimately I think it’s very exciting... With the ‘whole social value’ agenda what you do is rather than simply regulate for minimum standards you encourage, incentivise and create a competition for the best standards. It’s a market driven solution which doesn’t just expect everyone to comply with the minimum. It proactively rewards the best in class for social and environmental innovation and actually that makes it a competition which the market likes rather than a regulation which the market doesn’t like.”

As we see below, there are local instances of good procurement practice helping to shape places for the better but without the ideology espoused here.

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<sup>69</sup> Although we recognise the principles apply widely, on health and education commissioning too for example, our focus in this section is on public procurement by local government. Our interviews also found private sector organisations, such as one main hotel, who recognised social value and were committed to some degree of local supply chain development.



11.5 International examples of how government can shape local economies are plentiful. Cleveland in the US is a good example of how public authorities have taken a strategic decision to address the devastating effect of deindustrialisation. Their logic was simple: rather than relying on big multinational corporations or other private companies as they had in the past – whose profit-seeking governance structures had encouraged them to leave when the economic climate got too tough – Cleveland policymakers focused instead on existing place-based assets and the power of anchor institutions to cultivate those assets through their supply chains. We outline the different approach undertaken by Cleveland in the case study below.

11.6 Another alternative is the use of ‘shelter organizations’ that can support social initiatives such as cooperatives. The purpose of the shelter organization is to promote and to fund co-operatives, areas that appear to be lacking in the development of the sector. For example, the Mondragon model, from the Basque region of Spain, provides a means to support cooperatives through specific financing via the Caja Laboral Popular in contrast to the UK cooperative movement. Often there can be a tension between the needs of democratic ownership and providing a financial return on investment in social organizations although there are signs of social innovation here in Liverpool City Region to overcome such problems.<sup>70</sup>

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<sup>70</sup> Barrott, C. et al (2017) *Alternative Models Of Ownership*, Report To The Shadow Chancellor Of The Exchequer And Shadow Secretary Of State For Business, Energy And Industrial Strategy. Available: [http://www.labour.org.uk/page/-/PDFs/9472\\_Alternative%20Models%20of%20Ownership%20all\\_v4.pdf](http://www.labour.org.uk/page/-/PDFs/9472_Alternative%20Models%20of%20Ownership%20all_v4.pdf); and Heap et al, *The scale, scope and value of the Liverpool City Region social economy*.

## **Cleveland – a different approach**

In Cleveland, Ohio – a Rustbelt city suffering from severe deindustrialisation – city leaders and activists had been experimenting with new approaches to local economic development centred around anchor institutions and their large local spending capacity. The rationale for this development was to remove the reliance on large multinational corporations as they had in the past, vulnerable therefore to the profit-seeking structures and footloose movement of capital. Cleveland policymakers focused instead on existing place-based assets and the power of anchor institutions to cultivate those assets through their supply chains.

As a shrinking city, Cleveland shares many similarities with Liverpool: it lost over 50% of its population since its demographic peak in 1950, at around 900,000 inhabitants; Liverpool likewise saw a halving in population from a post-war high of over 800,000 to around 400,000 by the turn of the millennium. To contend with its downward economic trajectory, Cleveland has innovated a ‘three-legged stool strategy’:

- Leveraging the purchasing needs of anchor institutions for the local economy;
- Cultivating a network of community-based and worker-owned cooperatives geared towards meeting those procurement needs; and
- Exploiting strategic opportunities emerging in the green economy to link up educational and medical institutions with future sustainable growth.

The model is inspired by the Mondragón Cooperative Corporation in Basque Spain, the world’s most successful large-scale cooperative initiative employing around 80,000 workers in more than 250 cooperatively-owned businesses.

With the financial support of the region’s largest philanthropic institution, the Cleveland Foundation, the Evergreen Cooperative Initiative was established – a connected group of co-ops dedicated to local, worker-owned job creation; democratic workplaces; and ecologically-sustainable and green community economic development. There are three prominent co-ops in the network:

- Evergreen Cooperative Laundry – the flagship Evergreen co-op providing laundry services for local anchor institutions, with the smallest carbon footprint of any industrial-scale laundry service in Ohio;
- Ohio Solar Cooperative – installs and maintains photovoltaic solar energy panels for anchor institutions and other commercial buildings;
- Green City Growers Cooperative – a large hydroponic greenhouse for local food production for retailers, wholesalers and export, growing three million fresh lettuces and nearly half a million pounds of herbs a year.

Employees have democratic input into decision-making. They can build an equity stake in the co-op with potential to provide much-needed economic security for families in declining neighbourhoods. Further co-op development is encouraged through the Evergreen Cooperative Development Fund, initially capitalized by \$5 million in grants, largely from the Cleveland Foundation, but increasingly replenished from co-op surpluses.

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<sup>71</sup> There is much to read on Cleveland but for an introduction see: Coppola, A. (2014) A Cleveland model? Experiments in alternative urbanism in the Rustbelt, *Métropoles*, 15 (1), Politiques urbaines

Each of the Evergreen co-ops must pay 10% of pre-tax profits back into the fund to help seed the development of new jobs through additional co-ops.

This initiative has made huge progress towards economic revitalisation, by employing hundreds of local people; creating spin-off economic activity through local multiplier effects; strengthening links between anchor institution and local people; moving away from futile inward investment strategies towards a focus on existing assets, self-sufficiency and everyday economic activities; re-localising production and consumption processes, such as food, and strengthening self-sufficiency, cutting reliance on economically and environmentally costly global imports; towards an ecologically sustainable economy; creating the conditions for economic democracy in marginalised communities; improving workplace conditions; and providing a new vision for future prosperity.<sup>71</sup>

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alternatives, pp.2-16; and for a similar experiment in Preston, UK see O'Neill, M. (2016), The Road to Socialism Is the A59: The Preston Model, *Renewal*, 2, pp.69-78.

11.7 In the context of devolution, and the Combined Authority that brings together the six local authorities, there appears to be an opportunity to maximize what has come to be referred to as the 'double dividend' of economic and social success.<sup>72</sup> Devolution, if so coordinated, can help shape public authority policies to enable additional jobs and value in those smaller businesses and in the social economy, whose services and products the whole economy need. This can be achieved through procurement and supply chain practices that encourage local contracts.

11.8 Efforts to achieve social and economic value were a feature of interviews we held with local authority representatives. An example from one City Region authority in public health and social care illustrated how this was sought. Working against a backdrop of a failed austerity model, the local authority in question became concerned with the perception of a decline in care standards and in real terms cuts to wages and conditions that began to impact on staff recruitment and retention. They sought to address this through their commissioning process to ensure access to training for care staff, skills development with a career path identified, payment for travel and a specification that aimed to eradicate zero hour contracts.

11.9 In this instance the local authority established provision through a social organization that operated under market conditions. As it was explained:

"We will absolutely not intentionally contract for zero hours. We have made that clear. We do not want anybody to be operating on a zero hours basis... We also have a wholly owned local authority social care company which operates in the private sector, competes in the private sector, but all its return is invested back. So we think that is potentially part of the solution. Because we will absolutely aim to pay a living wage to those people and ensure that they have

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<sup>72</sup> McInroy, N. and Jackson, M. (2015) *The Local Double Dividend: Securing Economic and Social Success*, The Smith Institute. Available: <http://www.smith-institute.org.uk/wp-content/uploads/2015/09/Double-dividend-Final.pdf>.

the right training. And it is no coincidence that the services that we provide in that social care company all meet CQC [Quality Care Commission] ‘good’ or above.”

This is an example of how a social organization can work closely with the public sector to provide in this case care services.<sup>73</sup>

11.10 Anchor institutions such as universities, housing associations and public sector commissioning bodies spend a considerable amount in contracting out various services. Their ‘influenceable’ spend could be intelligently redirected towards local businesses, social enterprises, and companies that demonstrate significant social value creation in the City Region. Further support to employ and upskill more local people, especially those currently disconnected from labour markets, would help strengthen the local economy to resolve socioeconomic problems. There are clear examples of this to point to in the City Region.

11.11 One council representative told us that we can use procurement to “invest [locally]... to pay back and that’s out of our reserves.” If public expenditure supported the sustainability of local enterprise, then there would be a social and economic payback:

“That’s a bit of a risk, but it’s also putting your money where your mouth is; it’s trying to bring more work into the borough and also to grow businesses... The money’s good for coming back and then we can reinvest it again into somebody else... and I think it’s called invest to grow having talked about it for a long time. But invest to

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<sup>73</sup> While the social economy can play a role here we should not be entirely uncritical and recognise the concerns of poor practice wherever it is accounted. See Unison (n.d) *Mutual Benefit Should mutuals, co-operatives and social enterprises deliver public services?* Unison: London; and for a focus on the social economy in the Liverpool City Region, Heap, H., Southern, A. and Thompson, M. (forthcoming) *The scale, scope and value of the Liverpool City Region social economy*, Heseltine Institute for Public Policy and Practice: University of Liverpool.

grow... it sounded like a risky strategy at the beginning when you first listened to it, but then you go ‘no it makes perfect sense.’ That’s what we want to happen in our borough – we have to put some money behind that and get behind it. Not just money, skills and support and the support can be the most important thing to some businesses.”

There is more than an echo here of the Mazzacato approach noted above, showing a willingness to take risk to support in this instance, social innovation in ways that can shape the whole City Region economy.

11.12 Other than procurement, one of the main policy levers for the City Region is the Single Investment Fund (SIF). SIF pulls together various funding sources into a single use for commissioned projects and through a call for proposals. The LCR CA expect additional sources of funding to be generated and there is some capability to secure additional funding “to support exceptional growth opportunities should they arise” to complement the £257m received by 2020 (see Figure 10).<sup>74</sup> SIF is targeted at business/sector development, R&D, skills, regeneration and culture, housing, transport and other infrastructure. The Metro Mayor and LCR CA can use this finance to support strategic priorities, such as those described in the Cleveland case.

Figure 10 LCR SIF funding 2016/17 to 2020/21 (£m)

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Total SIF	64	39	45	54	55	257

11.13 We also see an emergent development from Knowsley Borough Council aligned with the social sector to address long-standing social and economic problems facing the Borough. Knowsley is a case in how procurement can be used to shape wider economic development with a social purpose. If adopted

<sup>74</sup> Liverpool City Region Combined Authority (2016) *Single Investment Fund Prospectus 2016-2019*, September. Available: <http://www.liverpoollep.org/wp-content/uploads/2016/12/LCR-CA-Single-Investment-Fund-Prospectus-2016-2019.pdf>.

more broadly this could include a range of initiatives across the City Region and ensure wider stakeholder involvement in the policy making process. Knowsley has provided an example of how this can be done. Public spending through procurement is aligned with reinvestment into the local private and social sectors by using part of the procurement expenditure – around 1% of total ‘influenceable’ spend of £100m – in a reinvestment fund of £1m. With some strategic thought and direction, there are lessons for the wider City Region to be taken from this initiative, providing an experience that can be used in response to current political instability and damaging austerity.

## **The Knowsley case: bending the power of government**

After a period of EU Objective 1 funding and central government regeneration programmes such as the Single Regeneration Budget and New Deal for Communities, Knowsley remains one of the most deprived local authorities in the country. The 2015 IMD rankings show Knowsley as the second most deprived English district, with 45% of its neighbourhoods classified in the 10% most deprived nationally. Councillors and council officers recognise that European programmes have done much to improve the environment and infrastructure, such as housing and roads, but failed to combat deep-seated socioeconomic problems.

The Council spend around £136m a year on procurement. £25m of that is tied up in public sector bodies, such as waste disposal. But around £100m a year is spent contractually on the private and social sectors. Council leaders remain concerned about leakage of local spending out of the borough:

*“If we were buying in big construction schemes there were white vans coming down the motorway from Manchester.*

*Even if using local supply chains they’re still taking 10% off the top for their profit margins.”*

Knowsley Borough Council created new public sector mutuals to spin out key public services into the social economy, such as leisure services, in which staff and users gained some form of ownership and control over governance. Knowsley produced a social value framework that goes beyond the 2012 Social Value Act and embed social value accounting for all services. The Council have worked closely with the social sector and groups such as Knowsley Council for Voluntary Services (KCVS) so their procurement rules make sense to local social organisations.

A revised Procurement Strategy was agreed by Cabinet in April 2016. A new Contract Register and Database has been created to allow social organisations and small enterprises to enquire about potential contracts and to report on social value contracts. A website makes procurement more transparent with links made available to the Chest system – the electronic tendering portal for large public sector contracts procured by the 43 local authorities in the North West. The social value agenda has the full backing



of the Council Leader and councillors, and outcomes are reported back to and assessed by the Scrutiny Committee.

A senior council officer explains how the creation of social value can often be just as beneficial for the provider as it would be for the locality:

*“We’ve got a housing site we were talking to [a big developer] about a site for 15 years, they’re gonna be building thousands of houses on this site, it’s huge, so who is the security firm on that site? Well we tell them if you get a local security firm, you’ll have a lot less hassle with local lads, because the security guys will all know them and know how to handle them; who’s going to be providing the butty van on that site for the next 15 years? Where are the executives going to stay when they come down to the site? Stipulate it, be specific. All of these things are in their interest. Building apprenticeship schemes into construction projects, you know, if a kid who leaves school when this was started, he’ll be 31 when it finishes, so he could be a master technician by then.”*

Where the council is the direct procurer of services, the whole economy can be made more social in the form of skills development, employment conditions and from associated multiplier effects. The latest proposals from Knowsley is to build a formal partnership with the social sector and to use government spending to centre on five delivery priorities for 2017-2020. To:

- Maximize the Council’s contribution to education in Knowsley;
- Maximize the Council’s contribution to the health and wellbeing of Knowsley residents;
- Provide high quality and sustainable Adult Social Care;
- Accelerate business growth, new jobs and new housing; and create a sustainable Borough.

An agreement is being struck up to outline how the Council and the Social Sector will work together for the benefit of the Borough. To support the implementation of the agreement the Council has established a £1m Social Sector Fund to promote the contribution of social organisations in the commissioning process and develop their capacity to bid for contracts.

## **12. Inclusive growth**

12.1 In this section we consider how economic development can support inclusive growth. The RSA launched its Inclusive Growth Commission in April 2016 and reported early in 2017 on its work.<sup>75</sup> The two aspects from the report produced are highly relevant to the work here. First is the idea that a place-based response will help address the economic disparity across communities. Second is the notion of social benefit to be drawn from tackling barriers to good employment. In the context of this report we can add that devolution provides an opportunity to consider growth in more inclusive ways, that the City Region has good experience (for example from EU projects) of providing a place-based response to social and economic exclusion and that including the correct contributors to this debate will support the drive for good jobs.

12.2 We look initially at skills and good jobs, and then on to an area identified by the Metro Mayor, digital inclusion. While these do not cover all the possible components of exclusion, they are areas in which the LCR CA and Metro Mayor can address. Our points on skills suggest greater levels of collaboration are needed to understand the so-called skills gap, while in terms of digital inclusion the path is worn somewhat, with tales of optimism and woe.

## **13. Skills and good jobs**

13.1 The City Region faces a critical challenge in respect of inclusive growth. As we noted earlier, ideas about productivity growth may not necessarily translate, at least in the short-term, into good quality jobs on the scale required. The City Region is characterised with pockets of low income both in terms of specific communities (identified in consecutive Indices of Multiple Deprivation) and particular industries. As it was noted:

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<sup>75</sup> Inclusive growth is meant to refer to a systemic response to in work poverty, 'deprivation' and low productivity. As the RSA note "Investment in social infrastructure – including public health, early years support, skills and employment services – should go hand in hand with investment in physical infrastructure, and in business development. This will have a first order impact on productivity and living standards." See Inclusive Growth Commission (2017) *Making our Economy Work for Everyone*, RSA: London, p.8.

“Some of that is because if you look on the face of the [local] economy some of our key areas around care and the visitor economy are low wage, low productivity sectors. They don’t always have to be but they are characterised by that. And we want to find a way of lifting that up... Take the Port. The Port was historically low wage, low productivity, but now the Port wants skilled people who can operate high spec, high tech, state of the art logistics; equipment. Our skills development programme needs to respond to this.”

13.2 Both the Port and the wider maritime sector were seen to be examples of how good jobs can be developed. The former, as we have seen, held up as an example of a sector that has transformed from low wages and low productivity to highly automated, high technology high GVA sector. For example, there are apprenticeships being developed by Cammell Laird in partnership with Wirral Metropolitan College and between Hugh Baird College, Bootle and Peel Holdings. Yet the quality of these need to be assessed in more rigorous ways. Inclusive growth, as the RSA report noted, means a rejection of the training schemes that do little to provide people with a means of overcoming low skilled, low paid employment.<sup>76</sup>

13.3 Skills are problematic in the context of a wide gap between what is needed and what is available in the labour market. Both the Growth Strategy and *The State of the City Region Report* talk of an historic skills gap in the City Region juxtaposed with high worklessness and concentrated pockets of poverty.<sup>77</sup> From one of the larger local anchor institutions it was noted:

“if you look at the skills base in Merseyside, at the State of the City Region Report, and you look at the skills gap, it is so immense, that to be honest, simply having more people getting to higher level skills

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<sup>76</sup> Inclusive Growth Commission (2017) *op.cit.*

<sup>77</sup> Liverpool City Region Local Enterprise Partnership (2016) *op.cit. Building our Future*, p.5.

is [not] enough in itself to make a difference. There are so many skills missing across such a broad area... [adding] creating the jobs is the real challenge.”

Concerns are raised that skills are needed to respond to an impending tidal wave of market change, driven by new technologies, waves of automation and what is referred to as the ‘Fourth Industrial Revolution’. Meanwhile, in low income communities, skills development is more of a means for bootstrapping than preparing residents for such profound change.

13.4 In the 2012 Skills for Growth report the LCR LEP reported that employers see the most common reason for job vacancies was “not enough people interested.”<sup>78</sup> Less pronounced, although important, was poor terms and conditions. If employers believe that the problems of low skills and labour market inclusion rest with the individual, then it is less likely that they will be concerned with designing training initiatives to overcome perceived deficiencies. A ten-week placement scheme provided by one of the wealthiest employers in the City Region to support Port employment or programmes that lack evidence of attainment are surely lacking in such a context. One leading authority on the LCR CA proposed targeting soft skills development for some of the hardest to reach communities in the City Region. However, the suggestion that this is burdensome on employers needs further reflection, particularly if we are seeking to encourage City Region businesses to think in more social ways.

13.5 Equally as difficult for the City Region is coming to terms with ideas that suggest skills can be enhanced through competition in labour markets. Evidence suggests that such an approach has a downward pressure on wages.<sup>79</sup> Concerns were expressed about the need to raise skills (referring to one particular industry) and how the provision of training would raise aspiration;

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<sup>78</sup> Liverpool City Region Local Enterprise Partnership (2012) *Skills for Growth*, p. 3.

<sup>79</sup> See for example Atkinson, A.B. (2015) Can we reduce income inequality in OECD countries? *Empirica*, 42, (2), pp.211-223; and Peters, J. (2008) Labour market deregulation and the decline of labour power in North America and Western Europe, *Policy and Society*, 27 (1) pp.83-98.

a competitive labour market it was suggested, would “empower people to take hold of their career personally” while private employers would be responsible for creating good quality jobs, by ensuring compliance with legislation concerned with employment rights, health and safety, tax and pensions. It was suggested that good employers already have these in place.

13.6 There are examples of successful skills development, such as in the case of EU Structural Funds. For example, a trade union representative explained how the provision “delivered guaranteed interviews for successful learners and a high rate of success with employers... I believe through Unionlearn we demonstrated a number of models of workforce involvement in skills issues and were beginning to get some discussion on unions and productivity.”

13.7 By positioning skills development alongside ideas of increased productivity the trade unions showed a concept of inclusive growth consistent with that articulated by RSA. The same person suggested that a specific task force could be established to target different type of skills needed, involving “representatives of employers in those target sectors, relevant business support bodies, linked community bodies and unions to advise policymakers on trends in the sector and the things that may work.” Our research overwhelmingly indicated a wish to work in such a collective manner for the City Region.

## **14. Digital inclusion**

14.1 In an interview with the researchers the Metro Mayor stated that the City Region needs to strengthen its connectivity: development is “all about connectivity; politically, physically, digitally – rail, economic, geographic...” Digital inclusion is another area that can bring together disparate stakeholders within the City Region. Below we present the case of Chattanooga, an older industrial US city regarded as an exemplar of digital inclusion, building a digital infrastructure for social and economic development.

14.2 While digital development is seen to be important, to enable economic growth, there are perceptions of the City Region being digitally disadvantaged. One respondent talked to us about poor broadband infrastructure as a major barrier to business growth; another spoke about how the City Region can exploit connections with the science and technical facilities at Sci-Tech Daresbury Laboratory and their advanced computing technology – allegedly the largest supercomputer for industrial R&D in the UK. It was unanimous that digital development and inclusion would provide the City Region with a competitive edge.

14.3 We were told that the higher education institutions, Daresbury, LCR CA, the private sector and the Metro Mayor were likely to coordinate efforts around digital development by working collaboratively, and by

“sharing a platform and making this one of our key strengths our assets to play to. I don’t think anybody is going to disagree so it is also one of those things that unites rather than divides. But there is no one single place. You know I couldn’t go to a library of documents and say, ‘OK so what is the city regions position on digital.’ We need an overarching strategy developed in collaboration with the public and private sector.”

The problems of connectivity, both digital and physical in terms of general northern transport, led some to cite this as a main priority. Anecdotal evidence was that companies had moved away from the City Region to access better forms of digital infrastructure; other stories were recounted of businesses having to supplement the existing BT infrastructure.

## Digital inclusion: the Chattanooga transformation

Chattanooga provides a case of how an old industrial city sought to transform its local economy through digital inclusion.

Chattanooga, once called the “dirtiest city in America” by American broadcast journalist Walter Cronkite, is now known as the first US city to provide ten-gigabit-per-second fibre internet service to residents and businesses. The network is managed by EPB Fiber Optics, a subsidiary of the publicly owned utility Electric Power Board (EPB), a non-profit organisation owned by the city of Chattanooga.

EPB was formed in 1935 and distributes power from the Tennessee Valley Authority and is one of the largest public power utilities in the USA. Chattanooga’s manufacturing economy declined rapidly during the 1980s, resulting in huge population loss from the city. Since 2000 Chattanooga’s renaissance has now become (allegedly) Tennessee’s fastest growing community in the 21st century. The waterfront was

redeveloped to the tune of \$120 million and the newly built Tennessee Aquarium has helped revitalize its downtown area.

The plan to build the fibre-to-the-home (FTTH) network began in 1996 and received wide support from citizens and elected officials. During the dot com boom the EPB hoped that private investment would expand its network and provide the means to build a full fibre system. However, this did not materialise. The EPB CEO, Harold DePriest argued that he wanted to see how the company could contribute more to the community, to add social as well as economic value. He stated: “*the people of Chattanooga needed some organization to master that technology for their benefit.*”<sup>80</sup> The network provides broadband available to over 170,000 homes, schools, and businesses across 600 square miles.

In 2007 EPB developed a ten-year plan to build a fibre optic network across its service area in the Chattanooga region. The main benefits were to modernise the electricity provision into a

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<sup>80</sup> Mitchell, C. (2012) *Broadband at the Speed of Light, How Three Communities Built Next Generation Networks*, Institute for Local Self Reliance / Benton Foundation, p.32.

‘smart grid’ and prevent power outages, stimulate economic development and to provide superior online gaming services.

The city authorities had to develop a complicated financial package related to US municipal regulation involving loans, federal funding, local revenue bonds and intra-company loans (from EPB Electric to EPB fiber) to support the network. The total cost has been estimated at \$390m and has led to challenges from the private sector involving the Federal Communications Commission. In 2014 EPB raised revenue for the local authority of around \$84.7m. By 2015 they estimated 65,000 residential customers and a further 5,500 commercial customers used the network. However, less than 10% of all potential customers take up the super-fast gigabit service costing around \$79 per month.

The finance for the network emerged just after the Great Recession when availability of low interest loans and federal funding was critical. The debt is currently manageable, although

the citizens of Chattanooga could be responsible from any liabilities the company holds. This may lead to future trade-offs in public spending, while the change in Chattanooga’s economic fortunes could be attributable to longer term economic developments including functional public-private partnerships and broader physical regeneration initiatives.

While the network is attractive to technology-based start-up enterprises, the evidence appears to suggest tax incentives are needed to attract major companies such as Amazon and Volkswagen. While unemployment in Chattanooga has fallen, and information-based jobs across the US have risen, the growth in such jobs in Chattanooga has been flat, with around circa 3,000 employees in this sector. Even in this exemplar case, it seems that additional resources, such as supply-side initiatives to train local people to develop technological skills, are needed to overcome stubborn patterns of digital exclusion.<sup>81</sup>

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<sup>81</sup> See Davidson, C.M. and Santorelli, M.J. (2015) *Understanding the debate over government-owned broadband networks. Context, lessons learned, and a way forward for policymakers*, Advanced Communications Law Policy Institute: New York Law School; Motoyama, Y., Fetsch, E., Jackson, C. and Wiens, J. (2016) *Little Town, Layered Ecosystem: A Case Study of Chattanooga*, Kauffman

Foundation Research Series on City, Metro, and Regional Entrepreneurship, the Ewing Marion Kauffman Foundation; Yoo, C.S. and Pfenninger, T. (2017) *Municipal Fiber in the United States: An Empirical Assessment of Financial Performance*, Center for Technology, Innovation and Competition: University of Pennsylvania Law School.



14.4 Opportunities seem to abound in this field. We were told about initiatives to provide a foundational digital infrastructure, to build a local full fibre network programme. Attention to this area is essential for any industrial strategy and if it can be tied to inclusion then it is an easy win for governance agencies, although there is much still to be done:

“Now I don’t think we have a single digital strategy delivery plan. It will be mentioned across all of those and many more places but imagine one really strongly focussed strategy and delivery plan owned by all of the organisations in one place.”

14.5 The problems with such an approach however, are long standing. In some respect, they are like those related to advanced manufacturing. The supply of technology moves rapidly without the coexistence of social and economic use, whether because of market supply or access.<sup>82</sup> Couple digital development with the broader technological trends, such as those threatening technological unemployment, and the City Region potentially faces an apocalyptic future. We were informed that a “tsunami is coming”, one that will transform the way we design, make and distribute products and which will bring mass disruption to present levels of employment in key sectors, such as retail. The flip side of digital inclusion are the warnings of technological unemployment as a threat to the future wellbeing of thousands of people across the City Region.

14.6 Inclusive growth for the City Region needs to take account of the creation of good jobs, the development of a variety of skills and the attention paid to technological and to digital development. We have drawn on the RSA use of the term inclusive growth and focused on the aspects of inclusion raised by our interviewees and which represent some of the most accessible policy levers available to devolved city region governance. Other aspects of a strategy may

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<sup>82</sup> Such problems have been covered previously, see for instance Southern, A. and Townsend, A. (2005) Information and communication technologies and their role in urban regeneration, *Local Economy*, 20 (3); and Southern, A. (2002) Can information and communication technologies support regeneration? *Regional Studies*, 36 (6).

prove equally as important, such as inward investment, the development of indigenous business, and community based enterprise. What our reflections on these components show is their perceived and actual significance for the City Region; that they are areas where local stakeholders feel strategic direction can be secured. To achieve this, collaboration and partnership will be essential.

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## **Part 5 Recommendations**

### ***15. Making the whole economy more social***

15.1 Our research has critiqued components of economic development where the potential for conflict around ensuring good jobs and growth coexist. The devolution agreement is, first and foremost, an economic development mechanism. There is tension here too, between an elected role of Metro Mayor accountable to the citizens of Liverpool City Region and the governance agencies under the umbrella of a Combined Authority seeking, as a priority, economic growth. Our research reaffirmed these tensions as they were articulated through competing views on industrial strategy.

15.2 The dynamic trends of global economic stagnation and low growth, downward pressure on incomes and wide disparities in wealth have shifted the political and economic environment. Just as business leaders point to a 'tsunami' of technological trends and raise concerns over Brexit, there are strong political and economic global headwinds that surely means the economic development habits of the last three decades are approaching their end. New ideas must be sought and new actors brought into the fold. Lessons from other places must be learned and new forms of collaboration, cooperation and partnership made.

15.3 We categorise our recommendations into three areas: what can be achieved within the existing devolution City Region framework, with reference to what already is in place; what could be achieved with additional powers for the City Region; and how central government could exercise greater authority to support city-region industrial strategies. We believe that together these recommendations make an argument to support a local industrial strategy.

### **Actions in the City Region now**

15.4 First, by using the existing devolution framework and institutions, action can be taken on fairness and social justice in economic development, skills, and

procurement. We suggest that initiatives in these three areas are confirmed within the next 12 months.

15.4.1 The Liverpool City Region Fairness and Social Justice Advisory Board (FASJAB) should incorporate into its terms of reference a focus on the City Region economy. FASJAB should promote a City Region social contract between employers and employees and specifically:

- Be appropriately supported so it has sufficient gravitas to critically challenge LCR CA decisions and maintain a focus on inclusive growth and tackling inequality.
- Support the principles of the City Region Fair Employment Charter and monitor its effectiveness in promoting better employment standards.
- Provide positive support to businesses to achieve the standards set in the Charter, in particular to promote the business benefits to SMEs, working with organisations including unions and the Federation of Small Business.

15.4.2 Task the newly established Liverpool City Region Skills Commission to establish skills targets on a sector by sector basis. By working with a range of stakeholders, including trade unions, the Skills Commission would be responsible for:

- (i) identifying the types of skills needed by employers,
- (ii) identifying the types of education and training suitable for employees and potential employees,
- (iii) seeking to eradicate low value-added, exploitative training schemes,
- (iv) helping to identify sources of support such as finance, for education and training, and by
- (v) stimulating more employer investment in training and encouraging more access to training for employees.

As a first priority, the Skills Commission should focus on:

- Raising skills and employment standards in the Visitor Economy.

Then it should:

- Produce an inventory and database of all cooperative small 'makerspace' enterprises and new digital platforms across the City Region.
- Use this to encourage social capital development involving technology companies, schools, FE Colleges and universities to develop partnerships for education, skills training and apprenticeships.

15.4.3 Establish social value as a City Region principle for industrial strategy.

The Liverpool City Region social value process will contain two specific principles: to embed good procurement practices and to enhance multiplier effects. This will be achieved by:

- Appointing a 'Lead for Inclusive Growth and Social Value' within the Combined Authority, responsible for implementing the recommendations.
- Applying social impact objectives to all public sector procurements within the control of the LCR CA, and;
- Measuring social value impacts and reporting outcomes as a key performance indicator of the City Region industrial strategy.
- Developing clear set of social objectives to accompany digital development including those that can apply to new digital platform services and to aspects of digital inequality.

15.4.4 Related to this LCR CA should take responsibility to create:

- A 'Procurement Practitioners Group' comprised of political leaders, business and social economy stakeholders and practitioners, involving

those key contract managers and commissioners for local authorities, CCGs, universities and other anchor institutions.

- A Contract Register and Database in each local authority, anchor institution and public sector commissioning body that is tailored for use by SMEs, family businesses, social organisations and other firms that create social value locally, and develop their capacity to bid for contracts.

15.4.5 Then seek to facilitate further development by investigating:

- How the Single Investment Fund can be used to prime procurement practices, develop skills in commissioning and create the conditions for collective responses to contracts.
- Accompany this with expert advice for small businesses and social organisations, and;
- Retain 1% of SIF funding, as well as local authority procurement budgets into a Public Service Innovation Seed Fund for the City Region, following the example of Knowsley.

15.4.6 Social value principles should also be consistent with the type of private sector we wish to see in the City Region. Larger employers, for instance in the manufacturing sector, could lead by cascading principles of good practice that relate to ethical standards and social responsibility.

15.4.7 The Metro Mayor's office and the LCR CA should work with anchor institutions such as universities to ensure greater levels of market and policy intelligence that will support a successful City Region Industrial Strategy.

### **More powers for the City Region**

15.5 The second area we make recommendations concern new, additional city-region powers that we would expect to be under discussion within two years. Given the current limitations of the Metro Mayor's remit, it would seem

imperative that Liverpool City Region make a case for additional powers through a second devolution deal.

15.5.1 An important prerequisite to any further devolution decisions, however, is the establishment of an inclusive process to ensure key stakeholders have a voice. This could be by the expansion of the advisory members on the Combined Authority, to include a worker voice, should address diversity imbalance, or could be via the establishment of an assembly.

15.5.2 Once this is established, further devolution of skills funding and transport powers should be strongly considered. Additional policy areas for consideration would include planning, housing, health, and crime.

- That formal partnership arrangements be made conditional to enable Northern city-region combined authorities to consider how they can collaborate in new, devolved ways.
- This should include new arrangements to raise finance for infrastructure projects such as a cross rail for the North.

15.5.3 In terms of new fiscal powers, Liverpool City Region:

- Needs to be central to the debate on new fiscal responsibility as part of any further devolved powers. The Metro Mayor should commission expert advice, such as a fiscal commission, on this as soon as possible.
- Pursue new fiscal powers with caution and adhere to the principle of benefit to local communities. They should clearly improve health and wellbeing outcomes and support environmental protection as well as being designed to support growth of a wider City Region tax base.

## **Central government action to support city-region industrial strategy**

15.6 The third area in which we suggest recommendations concern how greater levels of central government backing can support devolved industrial strategies.

15.6.1 The end of European Structural Funds is a major change for the City Region and will affect the supply of finance for purposes of investment. In response to this there should be an affirmative response along the following lines:

- Increased levels of central government borrowing and financing at sustainable, if currently low, interest rates would support city-region industrial strategy initiatives.
- An investment bank for the North to help Liverpool City Region small and medium size enterprises and address the current asymmetry in the supply and demand for finance.

15.6.2 Central government have it in their power to take immediate action to tackle insecure work by:

- Greater levels of trade union representation for employees and allowing employee representation at company board level.
- A commitment to the Living Wage and to decent pension provision.
- An end to zero hour contracts with confirmed terms and conditions of employment for all employees.
- Ensure rights at work and strengthen protection from harassment.
- Support for employer investment into employee lifelong learning and retraining.

15.6.3 Easy to achieve initiatives that would support city-region industrial strategy and specifically address problems of economic imbalance between the regions would for example include:



- An early end to late payment by large organisations, something that is a considerable problem for small businesses and social enterprises, and;
- Policy to relocate anchor government institutions and those private organisations that can be influenced by government, such as the transferral of more government departments and other organisations to the region.

15.6.4 City-regions should be future proofed against crises that remain embedded within the global financial system. To do this, not only are macro financial instruments required by central government, but a recognition of support for the social contract developed. In the case of Liverpool City Region, the argument is to bend the whole economy to become more social.

15.6.5 We suggest action is taken by central government to:

- Address the uncertainty of Brexit. Negotiations with the EU are underway but appear to be fraught with difficulty. A trade arrangement with Europe is essential, one that has by default, the economy at its centre.
- End the period of austerity, and seek to stimulate demand through increased public investment.
- Commit to a specific fund that will ensure infrastructure investment over the next ten-years. This can provide a response to everyday concerns over energy and food security and provide the basis for increased education and training qualifications, more innovation and R&D, thereby building on the ideas in the Green Paper.

## **16. Conclusion**

16.1 We began this report by suggesting that we imagine a world where the devolved government of the City Region becomes the indispensable entrepreneur. What we meant by this is that devolution offers the City Region a

chance to innovate, to take some degree of risk and to make decisions that can shape the whole economy. It is the imagination of our policy makers and politicians that will enable or limit this.

16.2 The contextual conditions that underpin devolution include the newly found interest in national industrial strategies, Brexit and global trends of a political, economic and technological nature. The impending withdrawal of EU Structural Funds will prove to be a challenge for organisations in the City Region, while if the Green Paper on industrial strategy does not signal a new form of intervention just yet, this is by choice. The City Region is not fully in control of its own destiny.

16.3 We have been exclusive in our approach to industrial strategy. We have presented research that shows why and how a City Region industrial strategy can facilitate social action through policy, where possible by regulation and by 'bending' the practices of the public and private sectors to become more social. We believe an industrial strategy should enable skills development and overcome exploitative labour markets, while creating good employment opportunities particularly in those communities often excluded from mainstream economic activities. This has been a deliberate aim of our work.

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## Appendices

### ***The Metro Mayor and Combined Authority***

Figure 11 Liverpool City Region Combined Authority Portfolio Leads

Lead	Responsibility
Asif Hamid (LCR LEP)	Business and Brexit
Cllr Phil Davies (Wirral Borough Council)	Economic Development and Culture
Cllr Rob Polhill (Halton Borough Council)	Energy and Renewables
Joe Anderson (Mayor Liverpool City Council)	Housing and Public Service Reform
Cllr Andy Moorhead (Knowsley Borough Council)	Health, Adult and Children's Services
Cllr Ian Maher (Sefton Borough Council)	Skills and Apprenticeships
Cllr Barrie Grunewald (St Helens Borough Council)	Spatial Planning, Environment and Air Quality
Steve Rotheram (Metro Mayor and Chair of CA)	Policy, Finance and Resources, Digital and Innovation
Cllr Liam Robinson (Liverpool City Council)	Transport
Jane Kennedy (Merseyside Police and Crime Commissioner)	Criminal Justice
Janet Beer (University of Liverpool)	Mayoral Advisor Higher Education
Rev Canon Dr Ellen Loudon (Liverpool Anglican Cathedral)	Mayoral Advisor Voluntary and Community Sector
Gideon Ben-Tovim	Mayoral Advisor Natural Environment
Barbara Spicer (Chief Executive of Plus Dane Housing)	Mayoral Advisor Social Housing Growth
Luciana Berger (MP Liverpool Wavertree)	Mayoral Advisor Mental Health
Sara Wilde-McKeown	Mayoral Advisor Visitor Economy

To support the work of the Metro Mayor and the Liverpool City Region Combined Authority, Mayoral Advisors have also been appointed. They will work closely with the Portfolio leads to provide advice and expertise in their specialist areas. The Mayoral Advisors are:

- Higher Education – Janet Beer
- Voluntary and Community Sector – Rev Canon Dr Ellen Loudon
- Natural Environment – Gideon Ben-Tovim OBE
- Social Housing Growth – Barbara Spicer
- Homelessness – Kate Farrell
- Mental Health – Luciana Berger MP
- Visitor Economy – Sara Wilde-McKeown

### ***The methods used in this work***

The research team involved in this work used secondary and primary research. Many of the statistics used in the report are drawn from official statistics via the ONS or Nomis. Other reports used such as *The State of Liverpool City Region Report: Making the Most of Devolution* report and those produced by the LCR LEP or their working groups, also draw on official sources. We have used these figures in the context of this report about how a City Region industrial strategy can provide great jobs.

For purposes of anonymity we have not produced a list of the people who we spoke with, or their organisations. In total for this work we interviewed 35 people. In the main, though depending on circumstances, these interviews were recorded and notes written. The data was analysed by the research team through a process of content analysis. A further input into the research was a roundtable event held in July 2017 involving the Metro Mayor, Steve Rotheram, representatives from the trade union movement, Labour MPs, the CBI, the Forum for Private Business, the Cities and Local Growth Unit, local authorities, Chambers of Commerce and the Heseltine Institute.

### ***Acknowledgements***

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### ***About the authors***

The lead author of this report is Alan Southern. Southern is part of the University of Liverpool Heseltine Institute for Public Policy and Practice and Senior Lecturer in the Management School. In the Heseltine Institute he leads the research theme on the social economy and his research interests are specifically focused on a critical understanding of enterprise in low income communities, and how communities can use their asset base in innovative ways.

Matt Thompson is a Postdoctoral Research Associate at the Heseltine Institute. He completed his PhD on Liverpool's history of collective housing alternatives at the University of Manchester in 2015, and is currently finishing writing a book based on his thesis. He has worked in the Liverpool City Region Local Enterprise Partnership (LEP), and his work with the Heseltine Institute at present is to develop policy and practice knowledge on social innovation and the social economy in the city region.

Vicky Nowak is a researcher at the University of Liverpool looking at forms of enterprise and entrepreneurship in low income communities. Her focus is specifically on North Liverpool where she has completed an internship at a local support organisation. She is currently writing up her thesis.

Jackie Davies is a researcher at the University of Liverpool Management School. Her research is specifically focused on social value in procurement and supply chains and she is working with a regional housing association for this purpose.

Peter Furmedge is a researcher consultant who works in the social economy.