



Bennett Institute
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Cambridge

POLICY SERIES

AN INDUSTRIAL STRATEGY FOR TOMORROW

TRAILBLAZING A LOCAL INDUSTRIAL STRATEGY IN GREATER MANCHESTER

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Introduction

For the newly elected government in the UK, like many of its counterparts elsewhere, industrial strategy has become the most important institutional vehicle through which it seeks to achieve some of its core goals. These include promoting economic growth, tackling falling productivity growth, designing research and innovation policies that will enhance the strengths of the UK economy, and ensuring that its leading sectors are globally competitive.

Its declared commitment to 'levelling up' the performance and opportunities of poorer regions with wealthier and more productive ones is also connected to its industrial strategy. This shift in UK government thinking mirrors developments elsewhere, as a range of international organisations and various western governments have recently proclaimed their commitment to 'place-based' economic development strategies.

Some experts in this area argue that there exists a template or model that the UK could import from other leading economies. At the Bennett Institute, however, we take a different tack. We have been working with some of the leading researchers at Cambridge, and engaging key decision-makers in government, to interrogate more deeply some of the dilemmas and challenges facing those tasked with designing and evaluating the industrial strategy, and the

local strategies which government has encouraged some of its metro-mayoral authorities and Local Enterprise Partnerships in England to develop. Our belief is that these will only succeed if they understand and address today's social and economic needs from place to place, and align with the key dynamics shaping the economy emerging in the coming decades.

Each of the papers in this series offers an in-depth examination of some of the fundamental issues – concerning data, measurement, definition, research policy and strategic ambition – which will determine how well governments across the UK fare in this area. Some of these draw upon evidence from other countries, and some offer arguments and proposals that are germane internationally, as well as applying to the UK.

Our aim in publishing these is to enrich and stimulate thinking and debate about some of the core precepts and goals of the industrial strategy which we need for tomorrow, not just today.

Michael Kenny and Diane Coyle

Co-Directors of the Bennett Institute for Public Policy





TRAILBLAZING A LOCAL INDUSTRIAL STRATEGY IN GREATER MANCHESTER

KEY ADVICE

- Develop an independently assessed evidence base to understand local trends and to ensure the strategy is based on the facts about local strengths, opportunities and challenges rather than preconceptions about the area.
- Ensure there is clear and involved leadership and governance arrangements locally, and co-produce with government from an early stage, to ensure the strategy meets both local and national ambitions.
- Early and frequent consultation with a wide range of local and national partners, across the public, private, and third sectors, is essential to secure buy-in and commitment to implementation.
- Identify and utilise the policy levers that are already in local control so that the strategy reflects local capacity and delivery capability. New powers and resources can deliver better outcomes and should be identified, but securing them should not be made into a barrier to hold back implementation.
- Once the strategy has been agreed move straight on to implementation. Use the tools and funds within local control to start delivering the agreed strategy immediately and maintain momentum.

Overview

In a significant shift from previous approaches to industrial strategy in the UK, the November 2017 national ‘modern’ industrial strategy identified ‘place’ as a key driver of productivity and announced that Government would work with cities and regions across the UK to develop Local Industrial Strategies. This paper provides insights into Greater Manchester’s (GM’s) experience, as one of three national ‘trailblazers’, of developing one of the UK’s first Local Industrial Strategies. Conclusions are provided for other localities developing their future strategies.

Background

Since 2014, GM has been involved in a ‘deal based’ devolution process with central Government, which has started to give the city region control of more of the levers needed to address the economic and social opportunities and challenges the city region faces¹. This is grounded in a model, which has been developed over a period of more than 30 years, that is characterised by

extensive public-private collaboration, strong civic leadership and robust governance with strong independent external review functions, an evidence-based approach to policy development, and a pioneering approach to devolution².

The development of the GM Local Industrial Strategy was led locally by the GM Combined Authority³ (GMCA) and GM Local Enterprise Partnership⁴ (GM LEP). A senior leadership group was established to oversee the development of the plan itself, made up of Andy Burnham (the directly elected Mayor of GM), Sir Richard Leese (Leader of Manchester City Council and Deputy Mayor of GM), Mike Blackburn (Chair of the GM LEP), Professor Dame Nancy Rothwell (President and Vice-Chancellor of the University of Manchester and GM LEP member), and Juergen Maier (Chief Executive of Siemens UK and GM LEP member).⁵ The seniority of the leadership group demonstrates the serious intent of local leaders and the high priority that GM gave the Local Industrial Strategy.

In early 2017, when discussions first began about a GM Local Industrial Strategy, it was clear locally that to effectively capitalise on the newly devolved powers there was a need to more closely align their implementation with other national programmes and

¹ An analysis of the impact of devolution to Greater Manchester so far can be found here:

https://www.greatermanchester-ca.gov.uk/media/2098/gmis_bp_devolution.pdf

² For a description of the development of the Manchester leadership model, see here:

www.oecd.org/cfe/leed/OECD-LEED-Local-Economic-Leadership.pdf

³ The GMCA is made up of the ten Greater Manchester councils (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan) and Mayor, who work with

other local services, businesses, communities and other partners to improve the city-region.

⁴ The GM LEP is a private-sector led, voluntary partnership whose core function is to provide strategic leadership (alongside the GMCA) to deliver the city region’s growth ambitions.

⁵ For a fuller description of the process undertaken, see here:

https://www.gmcmeetings.co.uk/download/meetings/id/4253/11_greater_manchester_local_industrial_strategy_update

investments. The appetite of national government for further substantial devolution to city regions had waned, as Brexit dominated the domestic agenda, and a Local Industrial Strategy was identified as a route to achieve this alignment and move the debate with national government away from being about at which geographical level decision-making should take place, and towards how all relevant policy levers could be pulled in a coordinated way, so local and national policy work in tandem to effectively unlock opportunities and address challenges. It was also a route to take forward the GM Science and Innovation Audit, which had been undertaken jointly with government in 2016 to provide an evidence-based assessment of GM's strengths and assets and identify the mechanisms to realise their potential. The prospect of a long-term jointly owned strategy with government, which could act as a coordinating framework for local and national policy and investment, was therefore felt to be a logical and essential next step in the city-region's economic strategy and devolution journey.

The Greater Manchester Independent Prosperity Review

The success of devolution to GM was built on a strong evidence base – particularly through the Manchester Independent Economic Review⁶ – and the Local Industrial Strategy took a similarly evidence-based approach. Building on the 2016 Science and Innovation Audit⁷, the GM Independent Prosperity Review⁸, chaired by Professor Diane Coyle, was established to develop a robust and independently verified evidence base and to make recommendations regarding what this evidence means for the development of policy in the city region.

The Panel was given a broad remit – to explore what the city region needs to do to improve productivity and prosperity – and asked to identify its own priority areas for research based on an assessment of GM's existing evidence base. This open approach led to areas being explored in depth which had not previously been looked at in detail, such as the linkages between health and productivity, supply chains in the digital sector, and productivity at the firm level. It also led to the deployment of new methodologies to explore well researched but poorly understood areas, for example GM was the first place to deploy new concepts of 'economic complexity' developed by academics at the University of Cambridge⁹ at

⁶ See here: <http://manchester-review.co.uk/>

⁷ See here: <http://documents.manchester.ac.uk/display.aspx?DocID=30337>

⁸ See here: <https://www.greatermanchester-ca.gov.uk/what-we-do/economy/greater-manchester-independent-prosperity-review/>

⁹ The full complexity analysis can be found here: https://www.greatermanchester-ca.gov.uk/media/1913/gmipr_tr_economiccomplexityanalysis.pdf

the city region scale. This approach led to a breadth, depth and robustness of evidence, targeted at the key issues the city region faces, which went well beyond that which would have been provided by a more traditional economic assessment. The importance of the independence cannot be overestimated: it forced GM to develop a policy response to the evidence base, rather than build an evidence base around a pre-conceived view of what the issues and opportunities were.

In what is a very substantial and comprehensive piece of work, there are four findings that stand out.

First, opportunities and issues to address were identified at both the high-skill, innovative frontier of businesses as well as in the 'long tail' of low productivity businesses. It found that GM has some world-class strengths (including in advanced materials and manufacturing, health innovation, digital and creative industries, and professional services), which should be a focus for GM's Local Industrial Strategy, but that the balance of employment in the city-region has shifted towards lower productivity sectors and activities in recent years. Social and spatial disparities within GM were found to contribute to the productivity challenge, and make it imperative to increase productivity and wages for lower skill activities.

Second, the analysis reinforces the importance of factors which have long been recognised as crucial for raising productivity: innovation, infrastructure, and skills. The Reviewers' note that just because they are familiar does not mean that their importance should be underestimated. And within these familiar themes new insights were given; for example, challenges in the supply of skills

are well-known in the city region, but the review recommended a stronger focus on the demand for skills and how human capital is deployed in the workplace.

Third, the review identified a less often highlighted factor in productivity, but one which is absolutely critical: health and care. Poor health in some GM communities creates barriers to, and progression in, work, and is an important explanation for why overall growth has been slow in the last decade and why some communities have been unable to contribute or benefit more. For instance, analysis undertaken for the Review found a gap of 13 percentage points between the employment rate of GM adults with long-term health issues and the adult population as a whole. Based on average gross value added per employee of £44,100, this gap equates to a potential loss to GM's economy of £4.1bn per annum.

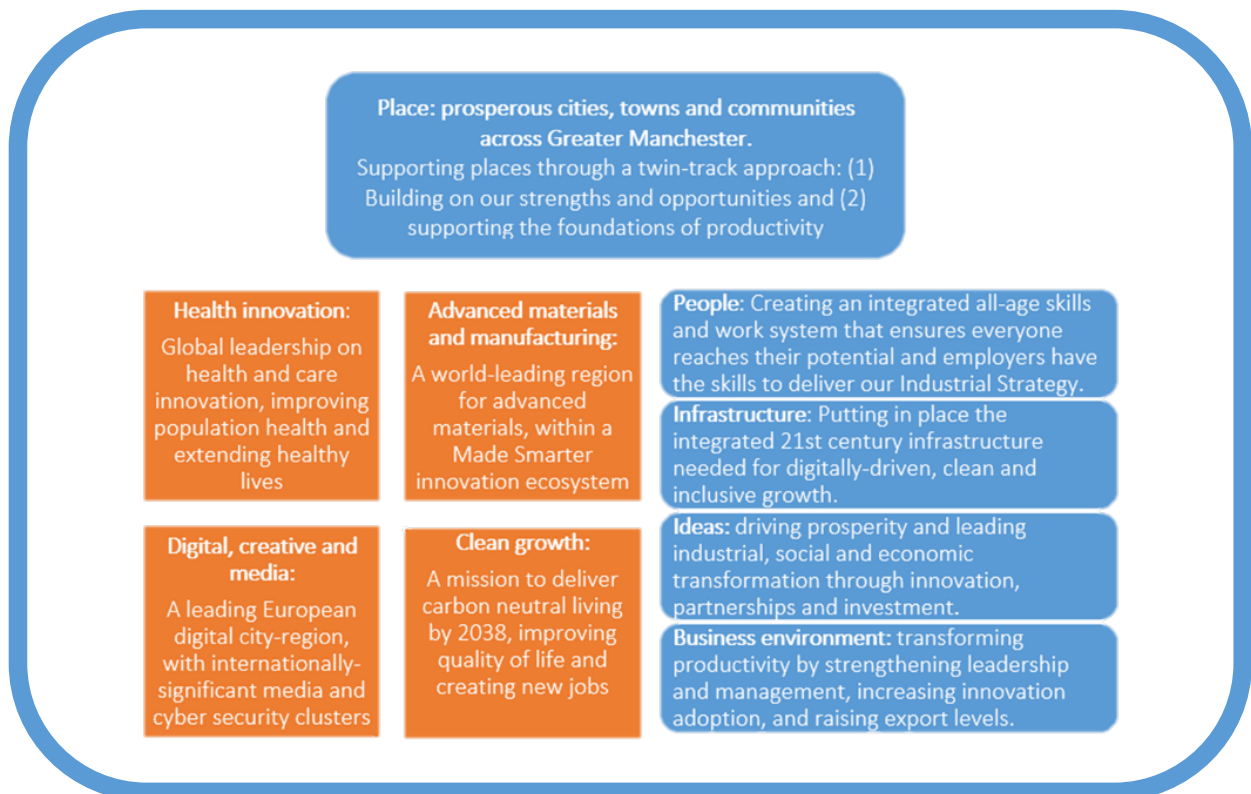
Finally, although the Review found that investment in assets is required to address these challenges and capitalise on the city-region's opportunities, most of the Panel's recommendations turned on improved governance and co-ordination; making the economy function more effectively as a system; and more effective use of existing resources through joining up and achieving a more productive balance between national and local decision-making about expenditure.

Greater Manchester’s Local Industrial Strategy

Alongside the development of a robust evidence base, a high priority was placed on in-depth collaboration with a small group of local businesses and stakeholders, and consulting more widely with the business community and other interested stakeholders across GM, as well as working collaboratively with government officials to jointly identify the appropriate policy responses to the findings from the evidence base and consultation exercises.

The cities and local growth unit – a joint unit of the department for business, energy and industrial strategy (BEIS) and the ministry of housing, communities and local government (MHCLG) – acted as a coordinating unit for government, providing a link to other

government departments, offering critical challenge to both GM and Whitehall, and negotiating the document’s sign off through the national system. A senior (Director General level) BEIS civil servant was identified as the “champion” for the strategy in government. Throughout the process there were several touch points with senior government officials and politicians to ensure that all parties were comfortable with the direction of travel. This all enabled government and GM to work together to develop the policy framework, rather than working to firm (and restrictive) national guidance. Difficult questions around co-authorship, spending commitments, and the strength of policy commitments were then worked through jointly rather than imposed by one side on the other. The result is a framework (see figure) which reflects local opportunities and challenges, while aligning to the national industrial strategy.



The strategy identifies four areas where the city-region has particular strengths and opportunities. In each area, actions were agreed for how local and national government would work together, and with the private sector and other stakeholders, to make progress.

These include:

1. Setting GM up to be a global leader in health and care innovation, including the establishment of an Innovation Partnership on Healthy Ageing, with a board comprising of representatives from GM, the private sector and government agencies and departments.

2. Positioning GM as a world-leading city-region for innovative firms to experiment with, develop and adopt advanced materials in manufacturing, including the creation of a new Alliance to develop the city-region's advanced materials and manufacturing strategy jointly with the private sector and national government.

3. Building on GM's position as a leading European digital and creative city-region, including capitalising on the internationally significant clusters in broadcasting, content creation and media, and growing assets in cyber security.

4. Achieving carbon neutral living in GM by 2038, by launching the UK's first city-region Clean Growth mission.

The Local Industrial Strategy also sets out actions to strengthen the city-region's foundations of productivity and ensure that growth benefits all people and places.

Through the Local Industrial Strategy, it was announced that:

- **People**

GM, the Department for Education (DfE), and the Department for Work and Pensions (DWP) will work in partnership to explore areas to connect national and local policies for the post-16 skills and work system in the city-region.

- **Infrastructure**

To build the integrated 21st century infrastructure that GM needs, a comprehensive infrastructure plan for the city-region will be developed with government joining the GM Strategic Infrastructure Board to oversee this.

- **Business environment**

GM programmes that support businesses to improve productivity will be strengthened, with a particular focus on leadership and management, innovation adoption, and international trade. Existing programmes will be complemented by the forthcoming Good Employment Charter and a new plan for the 'foundational economy'.

- **Ideas**

GM partners will work with UK Research and Innovation (UKRI) to maximise investments in innovation assets in the conurbation, increasing the take-up and impact of funding to drive applied R&D to meet the strategic needs of the economy.

- **Places**

Each of GM's local authorities will develop a borough-level response to the Local Industrial Strategy, to identify key opportunities and barriers in each locality and ensure coordinated implementation.

Conclusions

While GM's process responds to the particular circumstances of the city-region's governance and history of collaboration, there are some key messages that can be taken from the city region's experience for other places looking to develop their own Local Industrial Strategies.

Pulling together the different strands and themes set out in this paper, these are:

- **Develop an independently assessed evidence base**

The significant emphasis placed by GM on developing a robust evidence base was significant for two reasons. First, a robust evidence base was essential for understanding trends over the past decade, evaluating progress since the Manchester Independent Economic Review, and ultimately identifying the right issues for the Local Industrial Strategy to focus on based on fact not preconceived ideas. Second, it gave local stakeholders and government confidence that the strategy was a credible piece of work around which to base their long-term collaboration. The commitment to evidence is followed through in the full strategy with GM committing to evaluate both the specific actions that are undertaken and the overall process of implementation.¹⁰

- **Consult early and consult often**

Significant resources were put into consultation with a wide range of partners locally and nationally. This started with 'the

usual suspects' but an open approach meant that this quickly identified and brought in businesses and other stakeholders who had not previously been involved in strategy development in the city region. Good publicity and communications were central to this, making stakeholders aware the strategy was being developed and of its importance. The wide ownership and enthusiasm for the strategy means that there is now a broad and deep coalition of stakeholders who actively want to play their part in delivering it. GM's experience found that it was easier to get feedback face-to-face from firms at events, rather than through the formal online consultation. Social media was used to gather feedback, but this came relatively late in the process and in hindsight it would have been used more and earlier.

- **Governance**

The strategy was overseen by very clear governance arrangements within GM. The identification of clear leads from both the GMCA and GM LEP meant that members of these bodies were involved in the 'day-to-day' development of the strategy, not just rubber stamping work that had already been done, helping ensure local buy in to the priorities and actions.

- **Co-produce**

A willingness and confidence to share early drafts of research findings and policy proposals with government – and positively discuss the implications, opportunities and issues arising – ultimately led to a strategy that met both local and national ambitions in a way that would not have been possible

¹⁰ Evaluation is widely recognised as an area of weakness in local economic growth policy and programmes, see <https://whatworksgrowth.org/>

with a more traditional ‘local submission followed by government response’ approach. While departmental ‘red lines’ did put some limitations on the strength of wording in the document in some cases – for example, the agreements around the reform of the skills system and infrastructure funding were not as strong as the evidence base from the Independent Prosperity Review suggested they should be – the fact that it was not a one-off, all or nothing, deal, meant that it was possible to work around these red lines by developing clear shared ambitions and priorities which would be delivered through a firm commitment to joint implementation of actions to deliver these shared goals. In short, it shifted the GM-government discussion away from policy asks and towards the agreement of shared outcomes.

- **Identify policy levers**

Identifying which policy levers are in local control is critical to ensuring that the strategy is embedded in the capacities of a place. In GM, the development of a city-region wide planning framework, the devolved health and social care system, and local ambitions for carbon neutrality by 2038, have been aligned with the Local Industrial Strategy framework to capitalise on existing competencies and activity. Similarly, the 10 local authorities have each committed to producing an action plan detailing how they will take the local industrial strategy forward in their districts, amplifying the impact of the plan.

- **Policy co-ordination is important, but investment matters too**

The Local Industrial Strategy establishes some important new partnerships to drive forward policy priorities. However, ultimately, the long-term durability of the

local industrial strategy framework will be dependent on local and national resources being allocated in line with it. Further devolution will need to be part of this. Initial signs are positive that there is genuine intent from government to do so.

- **Implementation**

GM is now progressing with the implementation of the strategy and turning the high level commitments and ambitions into detailed actions. This work will establish what structures and resources are required to deliver the actions in the strategy, which of these are short and long-term, and which are in local control or require collaboration with other areas or different tiers of government. This brings a different set of challenges and a key message for other areas is that thinking about implementation should begin as early as possible. Key is capturing the momentum from the development and launch of the strategy, capitalising on the coalitions and enthusiasm which has been created.

- **Power to deliver**

There isn’t a reason for local partners to wait for national government to move on the implementation of a jointly agreed local industrial strategy. GM has already re-written its investment strategy to align with local industrial strategy priorities, which covers around £70m of flexible investment funds under the GMCA’s direct control. GM’s Local Growth Fund has been re-profiled to support the Local Industrial Strategy and the business rate retention pilot – agreed through a devolution deal – will also be aligned to the Local Industrial Strategy.

At the time of writing, it is not clear how long the current national Industrial Strategy framework will last, nor the government sponsored Local Industrial Strategies within that. Investing time and resources in a Local Industrial Strategy simply to meet government's needs is arguably not a good use of time at the moment.

What the GM experience shows, however, is that spending time developing a robust evidence base on how productivity and

living standards can be raised locally, and undertaking a locally-led process to bring stakeholders together to respond to the identified opportunities and challenge, is unlikely ever to be wasted investment.

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