Recession, Recovery and Medium-Sized Cities

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Contents

- The 49 English medium-sized cities are critical nodes within the national economy. As such, understanding the impact of the recession and the leadership role that they can play in supporting the UK to thrive in the recovery is vitally important.

- There are inherent advantages associated with different size cities. Large cities offer an increased scale of interaction with suppliers and customers, access to a pool of highly skilled workers and opportunities for individuals and businesses to exchange ideas and information. But they are subject to higher land and wage costs and higher levels of congestion and pollution that can lead firms to relocate elsewhere. Medium-sized cities often have compelling quality of life offerings, affording opportunities for firms and individuals to take advantage of some of the benefits of co-location without the high costs.

- In general, economic growth over the past decade has been concentrated in the UK's largest cities. With the exception of Nottingham, the Core Cities – Manchester, Leeds, Sheffield, Bristol, Newcastle, Liverpool, Birmingham – accounted for an increasing share of regional GVA over the last decade.

- For medium-sized cities, the picture is rather more uneven. Over the last decade, regional employment in private sector knowledge-intensive services became increasingly concentrated in the majority of medium-sized cities, with particularly significant growth in business and high tech services. Yet, many medium-sized cities accounted for a smaller share of regional GVA in 2006 than in 1995, probably because of the lower skills levels of some medium-sized cities and the resulting lower level of some of the knowledge intensive industry jobs in these medium-sized cities.

- Just as the changing economy has had differential impacts over the last decade, the recession has had different impacts on different medium-sized cities. The nature and scale of impacts have been determined to a significant degree by workforce skills profiles and industrial profile.

- Medium–sized cities are taking strong and decisive action to combat the effects of the recession, devising creative and innovative ways to support struggling businesses, the newly unemployed and young people experiencing difficulties in obtaining work. They have also been undertaking longer-term actions designed to ensure sustainability and success. This report focuses in particular on the efforts of three medium-sized cities: Exeter, Ipswich and Norwich.

- Our analysis also highlights that four factors will be particularly important for medium-sized cities to thrive in recovery:

  1. **Having strong civic leadership across sectoral boundaries**, with public, private and third sector organisations working towards a clear long-term vision of sustainable economic success. This vision of success should be built upon a realistic assessment of a medium-sized city's distinctive assets – its universities, industrial composition and quality of place – and of that city's place in the wider geography.

  2. **Working across administrative boundaries to invest in economic development and regeneration**. This is vital for medium-sized cities to link to the expansion of the economic centres that have been driving growth in recent years. In areas such as the east of England or south west, where there are fewer larger cities, medium-sized cities need to consider how they can work together and with their surrounding sub region in order to maximise competitiveness.

  3. **Investing in workforce skills**. Skills were a key determinant of city success before and during the recession, and in all probability will be even more important after the recession. This means that there is a universal need for medium-sized cities to invest in their skills bases. Investment should aim to both increase supply of workforce skills and stimulate demand for higher level skills amongst local employers.

  4. **Creating an economic development strategy that responds to the changes in the economy**: It will be vital for medium-sized cities to consider how they can attract and grow private sector knowledge-intensive services firms, jobs and individuals, as well as how they can ensure that they develop sectors such as retail, leisure and tourism in a way that provides high quality employment for those with lower skills or who may have become unemployed during the recession.

Introduction

Following the longest uninterrupted period of economic growth in post-war history, the UK officially entered recession in the fourth quarter of 2008. Despite initial predictions that the impact of turmoil in the financial markets would be confined to London and the south east, it is now clear that the recession has had far reaching consequences for every part of the country. Hundreds of thousands of people have lost their jobs, a series of businesses with household names have collapsed and the fall in economic output has so far been of a greater magnitude than in the 1980s and 1990s recessions.

Amidst promising signs of 'green shoots' in terms of economic output, towns and cities across the UK are facing up to the new realities of public spending constraints and higher rates of unemployment. Over the next few years, medium-sized cities – the backbone of the national economy – have a key role to play in driving economic recovery.

Home to 25 per cent of the national population, the English medium-sized cities[1] provided a quarter of national employment and collectively contributed £227 billion in economic output in 2007. As critical nodes within the national economy, understanding the impact of the recession on these medium-sized cities and the role that they could play in supporting the UK to thrive in the recovery will be critical for the people living in those cities, for the leaders of those cities and for the future prosperity of the UK as a whole.

This report

Medium-sized cities such as Exeter, Ipswich and Norwich have led important initiatives locally to attract business, boost skills and promote regeneration and have commissioned this study to look at what factors help medium-sized cities succeed and to contribute to policymakers' understanding about the role that medium-sized cities can play in responding to the recession and driving regional and national recovery.

Defining medium-sized cities can be challenging.[2] This paper makes use of Paul Hildreth's definition[3] of the so-called 'Big Nine' – Birmingham, Bristol, Leeds, London, Liverpool, Manchester, Newcastle, Nottingham and Sheffield – cities as large cities, and the remaining 47 cities (or primary urban areas) identified by Parkinson as medium-sized cities.[4] We have also included the local authority areas of Exeter and Slough based on their population size, urban composition and roles as major importers of labour, making a total of 49 medium-sized cities.

[1] 'Medium-sized' cities includes the primary urban areas outside the nine largest English cities as well as Exeter and Slough
[2] See Box A in the Annex for more details
[3] Hildreth, P (2006), *Roles & Economic Potential of English Medium-Sized Cities,* p.4
[4] In *State of the English Cities (2006),* Parkinson et al used primary urban areas (PUAs) as the main unit of analysis. These boundaries do not tend to align with administrative boundaries, are normally bigger than local authorities and are closest to the definition of the 'metropolitan city'. PUAs with a population of 125,000 or more were included in the report

The report, which has a particular focus on the economies of Exeter, Ipswich and Norwich, is structured as follows:

- Section 1 analyses the importance of the English cities in driving regional and national economic growth during the boom period to 2007 and explores the differences between the performance of large and medium-sized cities;

- Section 2 sets out how different medium-sized cities have been affected by the recession;

- Section 3 reviews how selected medium-sized cities are responding to the recession;

- Section 4 sets out our conclusions about the potential for medium-sized cities to play a role in the recovery.

Large and medium-sized cities are critical to the recovery because they drove economic growth and prosperity in the UK in the boom years to 2007.[5] Cities and towns added large numbers of new businesses and new jobs and grew in confidence as they experienced large-scale physical regeneration. In England, it was urban areas that delivered the greatest increases in productivity and GVA between 1995 and 2004[6], reflecting changes in the structural nature of the global economy (see Box A) and the increasing benefits associated with locating in urban areas.

The changing global economy

Changes in the structural nature of the global economy are associated with the rise of the 'knowledge economy', as set out in Box A.

Box A: The growth of the knowledge economy[7]

Over the past 30 years advanced economies across the world have shifted away from high levels of employment in manufacturing towards much higher levels of employment in services. At the same time 'knowledge' has become much more important across all sectors.

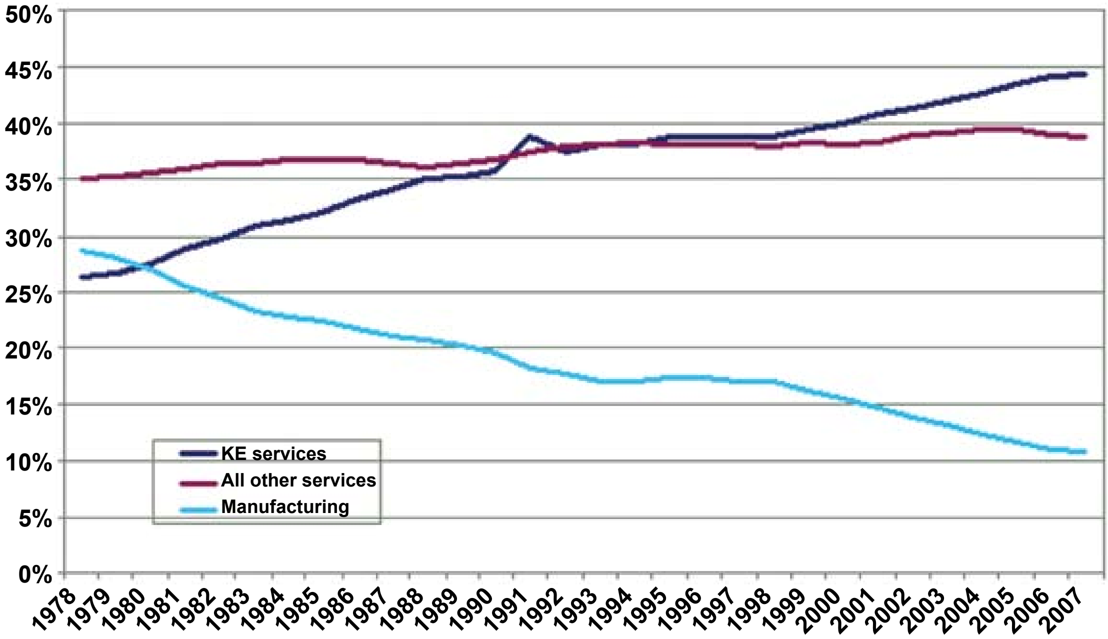
That the ability to produce, use, share and analyse knowledge has become increasingly important as a source of economic growth and wealth creation is clear from changing patterns of business investment.

In 1970 firms invested just £4 on 'intangible' investments – research and development, software, marketing, training and design – for every £10 on traditional investment in 'tangible' machines, tools, computers and buildings. By 2004, for every £10 that firms invested in traditional tangibles, they invested £13 on the intangible investments like R&D and workforce skills to foster innovation and help create comparative advantage.

Knowledge-intensive services acted as the primary source of economic growth in the boom period of the last decade, generating significantly more new jobs and productivity than other sectors (see Figure 1.1). Between 1995 and 2005, 12 new jobs were created in knowledge intensive industries[8] for every one new job created in other industries and nearly half of all UK employment was in knowledge intensive industries by 2007.

[5] HM Treasury (2006) Devolving decision making: 3 - Meeting the regional economic challenge: The importance of cities to regional growth, London: HMSO
[6] Review of Sub-national economic development and regeneration, HMT, BERR, CLG, 2007
[7] Brinkley, I (2008) *The Knowledge Economy: How Knowledge is Reshaping the Economic Life of Nations*, The Work Foundation: London
[8] Based on the Eurostat definition and including financial services, professional services, high tech manufacturing, education and healthcare

Figure 1.1: More jobs in knowledge-based services 1978 – 2007



Source: Work Foundation estimates from Office for National Statistics figures based on OECD definitions

This is not to suggest that knowledge intensive industries are the only industries that matter to the UK economy. Retail, social and personal services, transport, hospitality are all sectors that have grown in employment and will continue to matter across the UK. Manufacturing also remains an important source of GVA. Yet these sectors have all been affected by the shift to a more knowledge intensive economy. For example high tech manufacturing businesses have developed strong service portfolios in addition to their traditional product offerings and customised 'experiences' have become a key source of value for many service industries.

The story of the knowledge economy is the story of the UK's cities, both medium-sized and large, which have both driven and benefitted from the growth of the knowledge economy. A substantial body of evidence[9] suggests that highly productive knowledge intensive firms tend to prefer urban locations because urban areas offer access to consumers and specialist labour markets as well as opportunities to exchange ideas and knowledge.[10] Their importance is recognised in an HM Treasury analysis of the drivers of growth over the past ten

[9] See for example Paul Bishop (2007) 'Spatial Spillovers and the Growth of Knowledge Intensive Services', Tijdschrift ESG, 99 (3), 281-292
[10] Duranton, G. and Puga, D. (2003) 'Microfoundations of agglomeration economies', available from http://diegopuga.org/papers/urbanagg.pdf

years, which identified cities as 'engines of the UK economy'.[11] The Work Foundation's research on cities and knowledge intensive industries has shown that cities with higher levels of employment in knowledge intensive industries are more productive.[12]

Box B: Cities and agglomeration economies

Cities offer knowledge intensive businesses a number of important advantages known as agglomeration benefits. Work by Duranton and Puga[13] summarises some of the benefits of agglomeration economies as:

- **Sharing**: Where infrastructure can be shared between different users, making it cheaper for each user. It is also beneficial to share the benefits of a pool of diverse firms.
- **Matching**: The scale of a city means that it is possible to find a supplier, customer, employee or employer who is a better fit to your business model. This, with sharing, allows increasingly specialised functions to be undertaken, and allows people and firms to develop specialised skills with the confidence that they will be able to find a market.
- **Learning**: Close proximity to other firms allows the sharing of information through processes of learning. This applies both to firms and people who are similar to you, but there is also good evidence that cities with diverse economic activity (and populations) are likely to be more productive.

These agglomeration benefits are particularly valuable to knowledge intensive industries, where competitive advantage tends to be derived from the exchange of ideas between highly qualified individuals with specialist skills.

Medium-sized cities in the changing global economy

Whilst economic growth during the boom period was concentrated in urban areas, the knowledge economy has played out differently across the UK's cities. For some cities the last decade has been a tale of transformation and success. Cities such as Manchester, Cambridge and Exeter saw dramatic improvements in their economic productivity, their built environment and the skills of their workforce. For other cities the narrative is one of gradually striving to achieve economic success. In cities like Hull, Hastings and Stoke-on-Trent, economic change has been slower. The growth of knowledge intensive industries has not reached these cities but the decline of manufacturing and traditional industries has.

[11] HM Treasury (2008) *The UK Economy: analysis of long-term performance and strategic challenges*. London: HM Treasury
[12] Jones et al (2006) *Ideopolis: Knowledge City Regions*: The Work Foundation
[13] Gilles Duranton and Diego Puga (2003) 'Microfoundations of agglomeration economies', available from http://diegopuga.org/papers/urbanagg.pdf

In general, economic growth over the past decade has been concentrated in the UK's largest cities. The core cities – Manchester, Leeds, Sheffield, Bristol, Newcastle, Liverpool, Birmingham – with the exception of Nottingham, accounted for an increasing share of regional GVA over the last decade. There is a considerable body of evidence suggesting that larger cities tend to have higher productivity, higher wages and higher economic growth rates[14], with increasing returns to scale for businesses based in large cities.[15] This is also likely to be because large cities tend to have certain characteristics, set out in Box C.

Box C: Characteristics of large cities

As well as providing increasing returns to scale, large cities have the potential to have:

i. *A strong international presence*: Sassen's (2001) work on global cities[16] identified a small number of large cities as having a direct and tangible impact on global affairs through socioeconomic, cultural and/or political means. Work since then has often identified London, New York City, Paris and Tokyo as the 'big four', with other large cities being assigned different places in the rankings below them. Cities such as Manchester are moving up the rankings – but there are currently no medium-sized cities doing so.

ii. *Distinctive benefits for firms*: Large cities offer benefits such as knowledge spillovers, access to large and diverse markets and access to highly skilled workers that derive from proximity to other firms and people. Large cities tend to contain a range of different, high value industries that benefit from the ability to exchange ideas, and to be particular attractive for businesses seeking to innovate and develop new products; businesses needing to be close to the centre of government power; and service businesses wanting to be close to a larger number of clients.

iii. *Distinctive benefits to individuals*: Cities tend to be very attractive to highly skilled workers; particularly as these cities offer consumption benefits (leisure and cultural activities) on a scale that cannot hope to be matched within smaller cities. As highly skilled workers are more mobile this can increase the travel to work area over which large cities operate, further increasing that city's influence.

For medium-sized cities, the picture is rather more uneven. In the majority of England's medium-sized cities, the proportion of people employed in private sector knowledge-intensive

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[14] See for instance Polese (2005) Cities and National Economic Growth: A Reappraisal. Urban Studies 42(8):1429-1451
[15] Academics have identified a trend whereby capital and large cities across Europe have attracted increasing proportions of high value-added services and highly skilled people working in them
[16] Sassen, S (2001) The Global City: New York, London, Tokyo

services increased at a faster rate than regional and national averages in the ten years to 2007. Regional employment in private sector knowledge-intensive services also became increasingly concentrated in the majority – but not all – medium-sized cities.

Growth in medium-sized cities has been particularly significant within business and high tech service sectors. Employment in these sectors grew faster than the national average in the majority of medium-sized cities between 1998 and 2007, for instance by more than 55 per cent in Norwich and Ipswich and over 80 per cent in Exeter, compared to the national average of 33 per cent.

However, there are significant differences between the economic performance of medium-sized cities. There are some cities, such as Cambridge, which rival larger cities in its productivity, the skills of its workforce and its international reputation for innovation and enterprise.

While most medium-sized cities do not have this kind of international presence, there are other medium-sized cities where GVA per capita tend to be higher than the regional and national averages, such as in the east of England (including Ipswich and Norwich), south east and south west (including Exeter). This makes these cities significant regional economic drivers. Derby and Northampton in the East Midlands, York in Yorkshire and Humber and Warrington in the north west are also notable in this regard. However the economies of Chatham, Birkenhead, Wigan and Barnsley are much less productive and GVA per capita in these cities falls well below regional and national averages.

Yet it is important to note that rises in private sector knowledge-intensive employment have not tended to lead to increased productivity in the medium-sized cities. Many medium-sized cities – including Norwich, Exeter and Ipswich – accounted for a smaller share of regional GVA in 2006 than in 1995. This may be due to less productive functions within the private knowledge-intensive sectors locating within the medium-sized cities, for example back office functions within the professional services sector. The skills profile of many medium-sized cities, with relatively high levels of low or no skills, also suggests the people working in the knowledge-intensive industries are working in lower level occupations. This suggests that there is more that can be done in these cities to capitalise upon private sector growth they have experienced.

What factors affect the performance of medium-sized cities?

For policymakers, it is important to understand, 'why, within a relatively stable urban hierarchy, medium-sized cities perform different roles and why some medium-sized cities are relatively more economically successful than others'.[17] Our analysis of medium-sized cities draws on Clayton's typology, which identifies different types of city based on analysis of economic performance and public and private sector knowledge intensity in the 56 primary urban areas.[18] This typology is set out in Figure 1.2 on next page 15 and clearly highlights the substantial differences in economic performance between medium-sized cities before the onset of recession.[19]

We know that there are some commonalities between medium-sized cities related to their size. The costs of locating in a larger city – including higher rents, congestion and pollution – can outweigh the benefits for some individuals and firms. Medium-sized cities often have compelling quality of life offerings and also afford opportunities for firms and individuals to take advantage of some of the benefits of agglomeration – co-location – without the high costs. As a result, medium-sized cities tend to specialise in a smaller number of industries and to produce more standardised products for smaller and less diverse markets. They also tend to have access to a smaller pool of highly skilled labour than their larger counterparts.

But we also know that size is not the only factor that affects the economic performance of medium-sized cities. Other factors are:

- **Economic relationships with other cities**: Firms and people in the south east appear to benefit from being more strongly networked and connected than in the north of England. Work by the Centre for Cities and SURF for the Northern Way highlights that northern cities are not making the most of economic growth in Leeds and Manchester.[20] City relationships are affected by a wide range of factors, including skills and labour markets, physical proximity, ease of travel between cities and industrial composition.[21] Work Foundation research suggests that city performance is also affected by the performance of neighbouring cities and whether a medium-sized city is one of two types:

[17] Hildreth (2006), *ibid* p.11
[18] Analysis is based on employment in public and private knowledge intensive sectors: public knowledge intensive sectors - education and health; private knowledge intensive sectors - financial and professional services, high tech manufacturing and communications
[19] See Annex for more detail about Clayton's typology of medium-sized cities
[20] They found that over ten per cent of Reading's population commute 60 kilometres to London, whereas less than three per cent of Burnley's residents travel half that distance to work in Manchester. See Hildreth, P & Lucci, P (2008) City Links. Centre for Cities: London
[21] These issues are being explored in more detail in a forthcoming report, *City Relationships,* for The Northern Way and CLG, being written in partnership by The Work Foundation, SURF and Centre for Cities

a. *Medium-sized city within a city region*: Cities within the travel to work area of a large and thriving city (eg Wigan, Blackburn), which benefit most from working with the larger city.

b. *Medium-sized city outside a city region*: Without the critical mass of a large city, medium-sized cities may struggle unless they can develop as a services hub attracting labour from the wider city region, as a supplier of labour over some distance to a larger city, or can work with other neighbouring medium-sized cities (eg Regional Cities East involving Norwich and Ipswich and other medium-sized cities in the east of England).

- **Location in the south and east**: The *State of the Cities* report[22] found that medium-sized cities in the south and east have tended to grow fastest. Similarly whilst Hall et al (2001) found that towns and cities in southern England rose steadily through the urban hierarchy, whilst cities in the midlands and north that were largely dependent on a single industrial sector fell.[23]

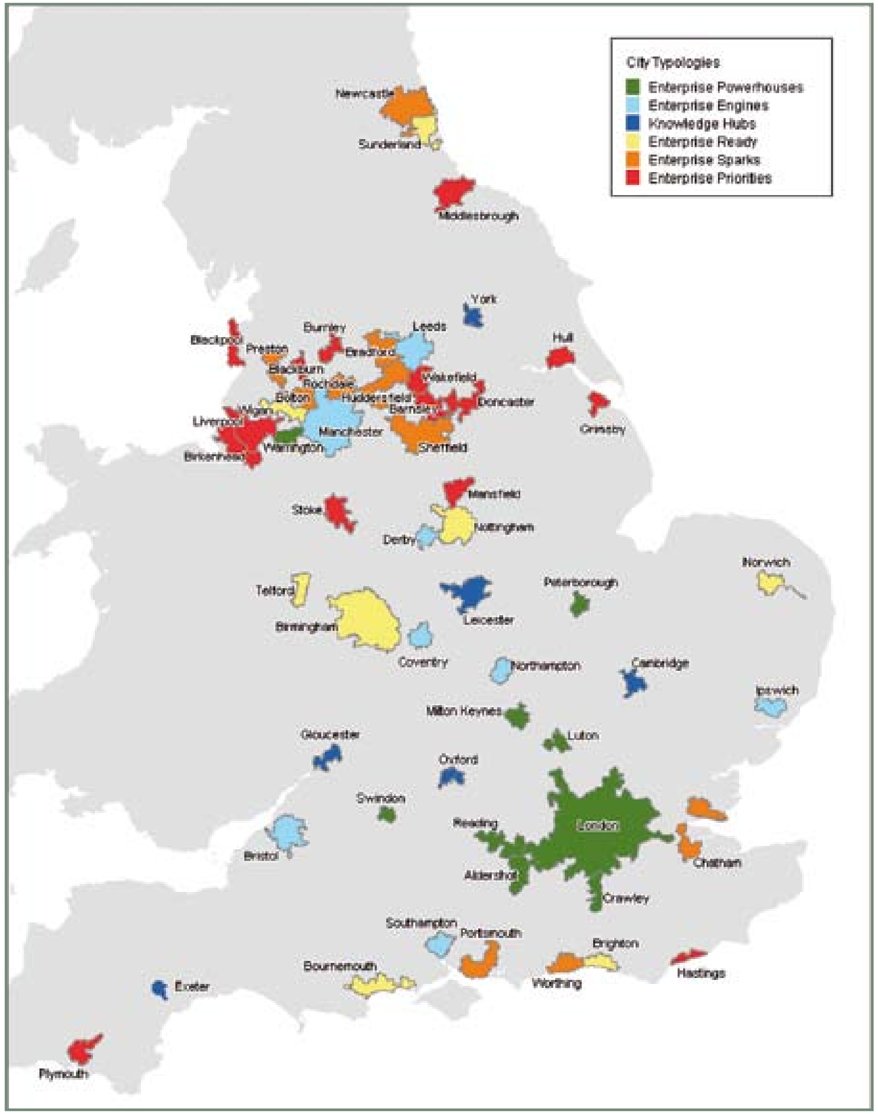
- **Specialisation in knowledge sectors**: Cities are increasingly specialising by function rather than sector[24], with changing demand for some functions leaving some medium-sized cities vulnerable. Medium-sized cities that specialise in knowledge-based services and higher level functions are more likely to thrive and benefit from 'agglomeration effects' than those specialising in industrial functions or sectors (HM Treasury, 2006).

- **University or regional services function**: Cities of all sizes that can offer a strong knowledge and innovation base and enable 'tacit' knowledge sharing will benefit from advances in knowledge and innovation and will do better than cities built around industrial specialisms (Hildreth, 2006; Polese & Shearmur, 2004).

- **Connections to national and international markets**: Knowledge-based service industries tend to demand good connections to national and international markets but manufacturing industries do not. Cities with good access to international markets (eg medium-sized cities in well-connected city-regions) are likely to be better able to attract knowledge-intensive industries (Hildreth, 2006) – and, as *Ideopolis* found (Jones et al, 2006), they are likely to have a higher GVA as a consequence.

[22] Parkinson, M et al (2006) State of the English Cities. ODPM
[23] Hall, P., Marshall, S., Lowe, M. (2001) The Changing Urban Hierarchy in England and Wales, 1913-1998. Regional Studies, 35, 775-807.
[24] Duranton. G and Puga, D (2003) 'Microfoundations of agglomeration economies', Centre for Economic Policy Research

Figure 1.2: The Work Foundation's city typologies



City typologies and medium-sized cities

Enterprise Powerhouses – strong private sector and highly productive: *Aldershot, Crawley, Luton, Milton Keynes, Peterborough, Reading, Slough*, Swindon, and Warrington*.

Enterprise Engines – growing private sectors and increasing economic performance: *Coventry, Derby, Ipswich, Northampton, and Southampton*.

Knowledge Hubs – dominant public sector and highly productive knowledge economy: *Oxford, Cambridge, Exeter*, Gloucester, Leicester, York*.

Enterprise Ready – large private sectors but without the economic performance that you would expect: *Bournemouth, Brighton, Norwich, Sunderland, Telford, and Wigan*.

Enterprise Sparks – making the transition from public to private sector with their productivity playing catch-up: B*olton, Bradford, Chatham, Huddersfield, Portsmouth, Preston, Rochdale, Southend, and Worthing*.

Enterprise Priorities – public sector dominant, struggling economies: *Barnsley, Birkenhead, Blackburn, Blackpool, Burnley, Doncaster, Grimsby, Hastings, Hull, Mansfield, Middlesbrough, Plymouth, Stoke, Wakefield*.

*PUA definitions have been extended for this report using travel-to-work patterns and employment density to include Exeter and Slough

Just as medium-sized cities with different histories and different economic structures have faced contrasting challenges over the last decade, so are they facing different challenges in the recession.

The impact of the recession in the UK

Amidst some signs of economic recovery, it is important to state that it is still unclear exactly when the recession will end. What is known is that the number of unemployed people rose by over 280,000 over the last quarter to May 2009, with the unemployment rate now standing at 7.6 per cent or a total of just 2.4 million people. It is predicted that GDP will fall by up to 4 per cent in 2009, with little or no recovery in 2010.[25] Unemployment using the ILO definition is likely to peak at over three million and, based on evidence from previous recessions, take eight to ten years to return to its pre-recession level.[26]

Manufacturing and services have both been hit by the recession. The past year has seen sharp spikes in the number of redundancies in all sectors but the public sector and agriculture. Changes between March 2008 and March 2009 included:

- Manufacturing: declined by 6.7 per cent;
- Financial and Business Services[27]: declined by 2.8 per cent;
- Distribution, hotels and restaurants: also declined by 2.8 per cent;
- Transport and Communications: declined by 1.2 per cent;
- ‘Other Services’: declined by 0.5 per cent;
- Construction: declined by 0.2 per cent;
- Mining, Energy and Water Supply: declined by 0.3 per cent;
- Agriculture, forestry and fishing: grew by 1.6 per cent;
- Education, health and public administration: grew by 2.1 per cent.[28]

The public sector has not been hit hard to date – in fact the number of jobs in the public sector has risen by nearly 300,000 while private sector employment has fallen by just over 680,000 – but spending cuts are already affecting employment in local government. Future cuts in public spending are likely to lead to substantial job losses across the public sector in the years to come.

[25] Coats, D et al (2009) A Boost for Britain: The Case for Activist Fiscal Policy. The Work Foundation: London
[26] International Labour Organisation (ILO) definition: looked for work in the past four weeks and able to start a job in two weeks time. The narrower claimant count measure only includes those claiming unemployment related benefits
[27] Note that this is a broad sector (SIC J & K) and so includes more than simply Financial Services
[28] ONS Labour Market Statistics, June 2009

Manual and unskilled occupations have been most affected. Of the jobs lost between the second quarter of 2008 and the second quarter of 2009, 84 per cent were in manual, administrative and unskilled trades. Knowledge workers – professional and managerial occupations – saw a rise in employment over the same period. Most of these jobs are unlikely to return.[29]

Men and young people have been particularly vulnerable. Since the start of 2008 the claimant count and unemployment rate have increased much more for males than for females (although the rate of increase has slowed for both). The conventional explanation for this is that unemployment has increased by a greater extent for men because they were more likely to be employed in the industries which have experienced job losses[30], such as manufacturing. Women are more likely to be employed in counter-cyclical industries such as the public sector, education and healthcare, although these tend to offer lower wages.

Whilst broad impact trends can be identified at national level (see Annex), the recession has affected different UK cities differently. As knowledge-intensive employment and skills have been important in explaining productivity differences amongst medium-sized cities over the past decade, so too are they in explaining the differential impact of the recession on employment in these cities.

The impact of the recession on medium-sized cities

Specialisation in particular industries is part of what makes medium-sized cities attractive locations but this propensity to specialise in a smaller number of industries makes medium-sized cities more vulnerable to changes in the wider economy. As the Treasury describes it: 'Highly specialised urban economies can face a greater risk of becoming stuck in particular structural and technological trajectories that make them very vulnerable to shifts in competition, trade and technology.'[31] Our analysis to date suggests that it is a combination of industrial composition and skills that have determined to what extent different cities have been affected by the recession.

Many of the cities that have struggled to transform their economies over the last decade – the 'Enterprise Priorities' – are suffering in this recession. As shown in Table 2.1, it is cities such as Barnsley, Stoke, Doncaster, Hastings and Hull that are yet to recover from previous recessions that have seen the most significant increases in unemployment. However

[29] Brinkley, I, *Knowledge Economy 2020,* presentation to knowledge economy sponsors
[30] Heather Boshey (2009) 'Gender and the Recession', *Centre for American Progress Infographic*, 8.5.2009
[31] HM Treasury ibid, p.10

there is more to the story than history: high increases in unemployment are closely correlated with poor city skills profiles.

Table 2.1: Most Affected primary urban areas

		June 2007		June 2009		
	PUA	**Claimant count**	**Claimant rate**	**Claimant count**	**Claimant rate**	**Change in rate**
1	Swindon	2,166	1.8	6,575	5.5	3.7
2	Hull	8,461	5.1	13,528	8.1	3.0
3	Barnsley	3,496	2.5	7,489	5.4	2.9
4	Doncaster	5,183	2.9	10,210	5.8	2.8
5	Rochdale	3,717	2.9	7,316	5.8	2.8
6	Sunderland	5,806	3.3	10,752	6.1	2.8
7	Milton Keynes	3,053	2.0	7,159	4.8	2.7
8	Wigan	4,567	2.4	9,708	5.1	2.7
9	Northampton	3,260	2.5	6,773	5.2	2.7
10	Stoke	5,842	2.6	11,797	5.2	2.6
11	Gloucester	1,496	2.1	3,352	4.7	2.6
12	Peterborough	3,130	3.1	5,716	5.6	2.5
13	Worthing	734	1.3	2,176	3.8	2.5
14	Telford	2,358	2.3	4,843	4.8	2.5
15	Hastings	1,707	3.3	2,969	5.7	2.4
16	Huddersfield	5,996	2.4	12,016	4.8	2.4
17	Warrington	2,077	1.7	4,994	4.1	2.4
18	Middlesbrough	10,595	3.7	17,512	6.1	2.4

Source: Claimant Count, 2009

Some specific case studies of the impact of recession on the three medium-sized cities supporting this study – Norwich, Ipswich and Exeter – are set out below:

Box D: Case studies: The impact of recession

Norwich

Norwich has fared comparatively well in the recession. Whilst unemployment in some wards – Catton Grove, Crome, Thorpe Hamlet and Wensum, for instance – has risen at a faster than average rate, unemployment has increased at a slower rate than the national average across the city as a whole and at the sixth lowest rate amongst the 49 medium-sized cities. Despite its large financial services sector and initial predictions of substantial repercussions for Norwich, the job losses that have occurred have been relatively contained and concentrated in the construction and printing industries as well as the financial sectors. This relative stability is reflected in the lower than average shop vacancy rate in Norwich (4.6 per cent compared to 12.0 per cent) and in the relative stability of house prices.

Ipswich

Ipswich has outperformed many medium-sized cities in the recession, a function of its relatively diverse economy and the lack of major redundancies amongst large employers in the city. Nonetheless unemployment in Ipswich has increased at a faster rate than the national average. Communities within the Alexandra, Holywell, Priory Heath and Bridge wards have been particularly affected and in June 2009 a total of 3,816 people or 5.1 per cent of the working age population were claiming Job Seekers Allowance.

Exeter

Along with Oxford and Cambridge, Exeter is one of the three best performing medium-sized cities in the recession. Unemployment has risen at a much slower rate than the national average with just 2,279 people or 2.8 per cent of the working age population claiming Job Seekers Allowance in June 2009. Shop vacancies and mortgage repossession rates also remain well below the national average.

The city's resilience derives in part from its highly skilled workforce and diverse industry base and from the high proportion of the workforce employed within public sector institutions such as the University of Exeter, the Met Office and the Environment Agency as well as local and regional governance bodies. Exeter's hospitality sector has felt the impact of reduced corporate travel and entertainment budgets, but the city's compelling domestic and international tourist offer and growing food culture reputation has helped maintain tourist numbers.

The relatively strong skills base of each city is one of the key reasons why Norwich, Ipswich and Exeter are weathering the effects of recession rather better than the majority of medium-sized cities (see Table 2.2 below).

Table 2.2: Least affected primary urban areas

		June 2007		June 2009		
	PUA	**Claimant count**	**Claimant rate**	**Claimant count**	**Claimant rate**	**Change in rate**
1	Cambridge	1,270	1.5	1,965	2.2	0.8
2	Oxford	1,558	1.4	2,872	2.6	1.2
3	**Exeter**	**1,172**	**1.4**	**2,279**	**2.7**	**1.3**
4	York	1,846	1.5	3,654	2.9	1.4
5	Blackpool	3,838	2.0	6,678	3.5	1.5
6	**Norwich**	**3,327**	**2.1**	**5,761**	**3.6**	**1.5**
7	Brighton	5,012	2.4	8,421	4.1	1.7
8	Preston	3,855	1.8	7,464	3.5	1.7
9	Plymouth	3,871	2.4	6,558	4.1	1.7
10	Aldershot	1,142	1.0	2,975	2.7	1.7
11	Portsmouth	5,473	1.7	10,766	3.4	1.7
12	Reading	3,251	1.2	8,023	3.0	1.8
13	Luton	3,724	3.1	5,877	4.9	1.8
14	Southampton	4,295	1.8	8,531	3.7	1.8
15	Coventry	7,606	3.9	11,152	5.7	1.8
16	Leicester	9,641	3.4	15,037	5.3	1.9
17	Slough	1,904	2.4	3,443	4.4	2.0
18	**Ipswich**	**2,334**	**3.1**	**3,816**	**5.1**	**2.0**

Source: Claimant Count, 2009

Some general trends can also be identified about the impact of recession on medium-sized cities.

Skills are the key determinant of how well medium-sized cities have performed in the recession: the lower the skills profile of a city, the worse it has been affected by the recession. Cities such as Cambridge, Oxford and Brighton with a large proportion of the population who are highly skilled (those with a degree) have seen lower increases in unemployment. By contrast, cities with high proportions of low skilled people (those with no formal qualifications) – including Stoke and Rochdale – have witnessed higher increases in unemployment. This is true for both cities and local authorities; although Swindon's high increase in unemployment despite a reasonably strong skills profile is the only exception to this trend. (See Figures A1 and A2 in the Annex).

Workforce skills have proved to be important for a number of reasons in this recession. First, low-skilled workers are more likely to be employed in industries which have declined most rapidly, such as certain aspects of the retail and hospitality sector or manufacturing. Secondly, employers in this recession have proved to be remarkably reluctant to lose valuable skilled workers[32], who may be more expensive to recruit and retrain for specialist jobs in the long term. Thirdly, long-term evidence from the US shows that cities with higher concentrations of the skilled (normally, as here, qualifications are used as a proxy) are more robust to economic change[33] – highly skilled people find it easier to use new technology and to switch from declining sectors into new ones.

Cities with high levels of employment in manufacturing have also lost jobs. There is a relationship between increases in the claimant count and manufacturing employment, which is consistent with the general decline in the sector (see Figure A3). The top five cities with the largest increases in claimant rates (see Table 3.1) – Swindon, Hull, Barnsley, Doncaster and Rochdale – have all traditionally had large manufacturing sectors. In fact the majority of medium-sized cities have higher proportions of employment in manufacturing compared to England as a whole and many have seen unemployment grow faster than the national average. This is consistent with evidence from the US which shows similar results for US cities, as those which tend to be reliant on manufacturing are performing worse in this recession.[34]

Some cities dependent on financial services have lost jobs – but only outside London and the south east. Areas with employment in financial services had no greater or lesser relationship with unemployment. But the picture is slightly more complicated – there is evidence that local authorities with high levels of employment in SIC 65 (Financial Intermediation, except insurance and pension funding) and SIC 67 (Activities Auxiliary to Financial Intermediation) have had higher rises in the claimant count. This might be because employment losses were in retail banking and activities additional to the main activities of the financial organisation. High profile employment in the headquarters of the firms is likely to have been retained, at least to some degree, while staff laid off in London may have been more successful in finding re-employment.

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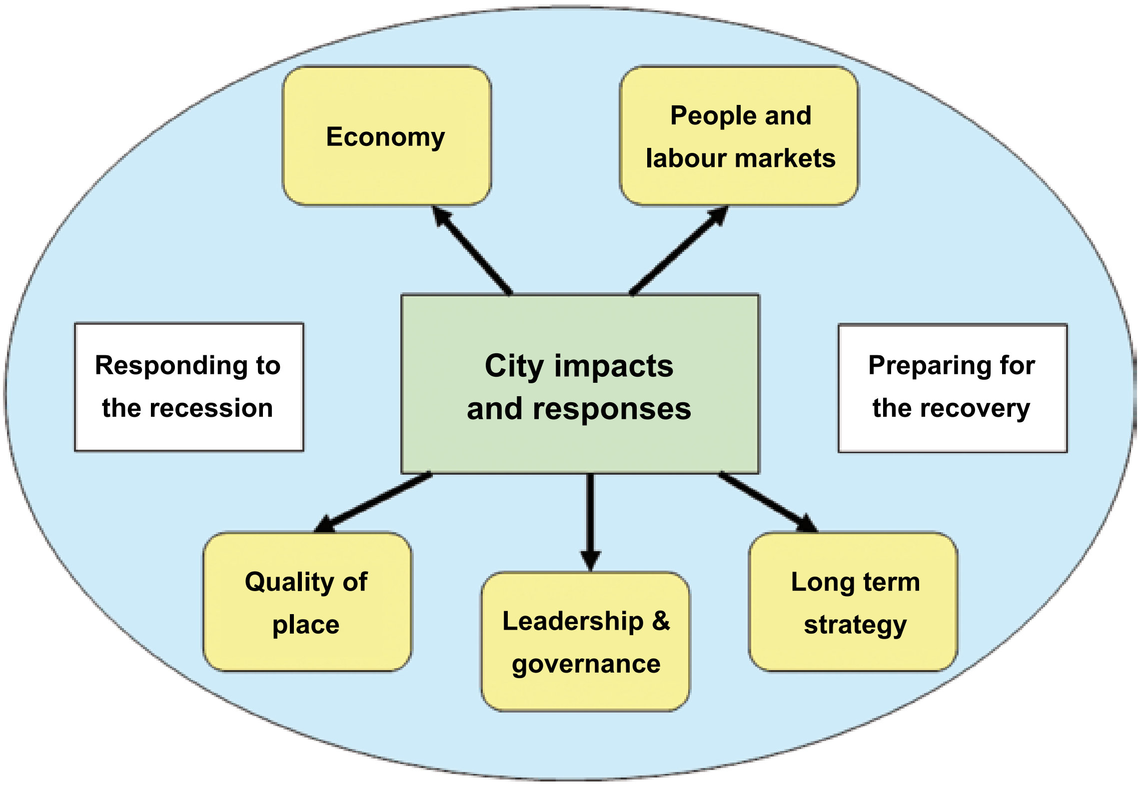
[32] A recent assessment by NIESR suggests that 'labour hoarding' has been widespread across the OECD in this recession, with the major exceptions of the US and Spain (NIESR Economic Review, July 2009)
[33] Edward L. Glaeser and Albert Saiz (2003) 'The Rise of the Skilled City', *HIER Discussion Paper 2025*
[34] Ed Glaeser (2009) 'How some places fare better in hard times', *New York Times Economix Blog,* 24.3.2009

As unemployment continues to rise, businesses continue to struggle and public finances come under increasing strain at both local and national level, it is clear that the recession has created a series of immediate and longer term challenges for medium-sized cities in the UK.

Based on the framework set out in Figure 3.1 which draws on The Work Foundation's *Ideopolis* research on cities[35] and was developed in partnership with the OECD LEED programme[36], this section identifies some of the key challenges facing medium-sized cities and highlights some of the creative and innovative ways that medium-sized cities such as Norwich, Ipswich and Exeter are responding to the recession and acting to ensure long-term success.

Figure 3.1: Recession framework



Shoring up city economies

Short term

In the short-term medium-sized cities must act to support local businesses that are facing difficulties in the recession. This support may take many forms. Its foundations are **signposting existing sources of support and advice** and **staging or hosting free business advice seminars and events**. Efforts in Ipswich and elsewhere to **speed up the payment of council**

[35] Jones, A et al (2006) *Ideopolis Knowledge City Regions*: The Work Foundation
[36] Clark. G et al (2009) *Recession, Recovery and Reinvestment*: OECD LEED Programme

invoices from small or local firms to help ease cashflow issues are also important, but mitigating the impact of recessions needs to go beyond this.

In Oxford, Oxford City Council **has adopted a flexible approach to business rate collection**, offering struggling businesses that meet certain criteria a 12 month period to pay business rates rather than the statutory 10 monthly instalments and allowing businesses located in Council owned business units some payment flexibility. In Ipswich, **a series of 'crunch lunch' networking sessions** will help businesses network and boost local trade, whilst a £25,000 fund in Exeter will enable at least 100 small businesses to access **advice on marketing, financial management, employment law and achieving efficiencies.**

Longer term

The recession has raised many questions about the long-term ability of small and medium-sized businesses to access credit and whether provision by existing credit institutions is sufficient to fulfil local needs. Many commentators have raised the prospect of **a new era of municipal banks providing credit to local people and local businesses**, a phenomenon already realised in the Bank of Essex[37], a partnership between Essex County Council and Santander. Medium-sized cities should also note that Cardiff Council **is considering taking equity stakes in local SMEs** via a Cardiff Capital Fund, a way of offering support without increasing the debt burden for local businesses.

The recession has also heightened the need for sustained **investment in innovation and enterprise**. Norwich's Local Enterprise Growth Initiative (LEGI) programme is spending £2.7m this year on activities designed to stimulate enterprise and investment. From January to June 2009 the programme's eight work streams supported 745 businesses, helped create 176 business start-ups and 120 jobs, safeguarded a further 136 jobs, delivered a series of training, skills development courses and advice sessions.

People and labour markets

Short term

Numerous studies have highlighted the links between long periods of unemployment and detrimental mental and physical health outcomes for individuals and communities.[38] As such, there is an obvious need for medium-sized cities to **support the newly unemployed**. This can take the form of **enhanced local unemployment services and training opportunities**, for instance Chelmsford Borough Council and partners have launched a redundancy support scheme whereby advisers will help people identify career options, improve professional skills,

[37] http://www.bankingonessex.com/

[38] See Brinkley, I. *et al* (2008) *Hard Labour: Jobs, unemployment and the recession:* The Work Foundation for a review

network professionally weekly via seminars and advice surgeries. Similarly in Derby, a consortium of five higher and further education institutions will use part of £988,086 from the £25 million HEFCE Economic Challenge Investment Fund to provide an extra 300 spaces on short-term training courses, along with 500 higher education free taster sessions and 250 fully-funded short courses for the unemployed.

Given the particularly damaging effects of long-term unemployment on young people[39], there is also a clear need for medium-sized cities **to support school leavers and new graduates entering the job market**. One way of **investing in young people is via apprenticeships**: medium-sized cities should note that Essex County Council is doubling the number of apprenticeship placements available at the council and partner organisations and working with the private sector to support enterprises wishing to take on apprentices. Examples of **investment in new graduates** can be found in Norwich, where Norwich University College of the Arts is using funding from the HEFCE Economic Challenge Investment Fund to develop a mentoring scheme to assist graduates and others to enter the creative industries.

Longer term

Over the longer term, **the investment in workforce skills in medium-sized cities is paramount to city sustainability and success**. As highlighted in Sections 2 and 3, it is the medium-sized cities that created the most jobs and generated the highest levels of productivity during the boom years and are now weathering the current recession best. Also the cities that are likely to prosper most with the return of growth are those with the strongest labour force skills profiles.

Part of this work should involve **investigating future demand for skills**, for instance Exeter City Council has allocated £15,000 to find out what impact the recession has had on skills development in the local workforce and to understand the future skills requirements of the Exeter economy.

The other, larger side of this work must entail **supporting entrepreneurship and real investment in high and intermediate level skills for future sectors in medium-sized cities**. In terms of entrepreneurship, medium-sized cities must ensure that there local entrepreneurs have access to affordable, appropriately designed and located workspaces and access to business support and business growth funds. Exeter City Council is supporting entrepreneurship by allocating £125,000 to support the Exeter Business Centre which provides flexible office and workshop units for start ups and small businesses. Real investment in skills can be seen in

[39] See Coats, D. *et al* (2009) *A Boost for Britain: the case for activist fiscal policy:* The Work Foundation

Norwich, where the University of East Anglia is to use funding from the HEFCE's Economic Challenge Investment Fund to prepare people with the high skills levels that will be in demand in the future and to support development in potential economic growth sectors like low-carbon technologies. And in Ipswich, the new University Campus Suffolk has been working directly with local businesses such as BT to develop specific qualifications.

In light of the recession, medium-sized cities must also consider whether existing financial institutions are able to provide credit appropriately to local people. Norwich has invested £200,000 in a financial inclusion initiative and is offer**ing advice to help local people and communities** 'bite back at the crunch'. In a similar vein the Trinity Project in Exeter is providing a full time adviser offering advice on debt management, benefit claims and mortgage repossessions.

Some large cities are also **supporting the activities of local credit unions to increase local access to credit** with Bristol City Council and Cardiff Council both providing financial support for local credit unions to increase membership and raise awareness of low-cost loans.

Strong local leadership and governance

Short term

As demand for public services continues to increase, whilst revenues from land sales, business rates and Section 106 agreements continue to contract, local government finances are coming under increasing pressure. In the short term, many medium-sized cities have taken steps to **streamline local government and identify additional efficiency savings**. There have also been efforts to **engage with high level stakeholders from the private sector to craft effective responses** to the recession, for instance Ipswich Borough Council has produced its own 'Business Survival Guide'.

Longer term

With a view to the longer term, it is vital that medium-sized cities **take stock and work to enhance engagement and relationships with local businesses**. This is already happening: Norwich City Council has signed the Federation of Small Businesses' Small Businesses Engagement Accord which seeks to encourage dialogue and accord between local authorities and small businesses, whilst Ipswich Borough Council hosted a business forum to discuss recession response plans with local business leaders in February 2009.

There is also a clear need for local authorities to work with partners to **update local economic development strategies in light of the new economic realities**. In Exeter, a Science Park company has been established to deliver a high quality, low carbon science park on the eastern edge of the city. In Norwich, Norwich City Council and the Homes and Communities Agency have signed a ground-breaking partnership which will see £8 million invested in the city. The collaboration and investment agreement establishes a joint venture partnership between the two organisations and makes the regeneration of a number of community and public realm projects possible as well as creating local employment, new homes and affordable housing.

Investing in quality of place

Short term

Empty shops in town and city centres are one of the most obvious signs of recessionary physical decline and urban blight in the UK. With implications for consumer confidence as well as external perceptions of a place, medium-sized cities should **seek creative ways to make use of 'eyesore' empty retail units**. The Norwich Vacant Shops campaign has been highlighted as national best practice by the Association of Town Centre Managers and the Department of Communities and Local Government. Alternative uses for the vacant shop sites have included displays by local artists and students from Norwich University College of the Arts and promotion space for the charity and voluntary sectors.

Medium-sized cities with strong tourism offerings should also **capitalise on higher levels of domestic tourism in the UK and the opportunities to maintain or increase international visitor numbers**, following the example of Exeter. Exeter City Council is spending an additional £35,000 to boost the city's tourism profile as a weekend break and conference destination and a further £20,000 to promote the city during the Christmas 2009 shopping period and Ipswich will see a major new destination come on stream in the next few years at SnOasis, an indoor winter sports resort that is expected to attract 650,000 visitors a year.

There is also a need for medium-sized cities to **address any reputational damage caused by the recession**. Thus far, local newspapers have led the way, with **innovative 'fightback' campaigns** by the Ipswich Evening Star ('Fightback') and the Exeter Express & Echo (Exeter Bites Back). Commonalities include the showcasing of local businesses and the products and services they offer and the featuring individual and business success stories. Alternative means of combating reputational damage include **recruiting high profile local 'ambassadors'** to advocate for their respective localities, a technique adopted in Swindon.

Longer term

One of the most damaging effects of the recession has been on long-term city development plans and aspirations. Numerous commercial and private property developments have been delayed, mothballed or abandoned since the onset of recession, with clear consequences for city infrastructure. However, Ipswich has been praised by central government for the regeneration of its waterfront, which includes new hotels, homes, leisure and office space.

All cities should be seeking to **encourage infrastructure developments by reducing the number or extent of the barriers currently facing property developers**. Indeed places such as Exeter are programming a number of infrastructure enhancements with over £50 million of public funding being invested in transport and energy supply infrastructure over the next two years to deliver a new community, business park and science park. Amongst other medium-sized cities, Oxford City Council has cut contributions from developers towards major transport and infrastructure schemes by 50 per cent to ensure that the regeneration of Oxford's west end goes ahead and a Developer's Forum was held in May to look at ways that Norwich City Council could help to bring forward developments in the recession. The framework for planning obligations will allow the council's planning committee to approve development proposals with a reduced level of developer contributions where there are overriding regeneration benefits.

Medium-sized cities should also learn from large cities such as Newcastle and Glasgow where the public sector is **buying up unsold houses intended for private sale and letting them at affordable rates**. This is providing much needed cashflow for property developers and increasing the supply of affordable housing, whilst also ensuring that housing developments are not abandoned half completed. Glasgow City Council also intends to use **existing housing grants and funds more creatively to take a much more activist role as a social landlord**, buying land while prices remain low and completing housing units where development is on hold.

4. Conclusions

Medium-sized cities are critical nodes within the national economy. Their ability to overcome the challenges presented by recession and to plan for and invest in the future will be critical to economic recovery at the national level.

During the boom years to 2007, economic growth and the growth of the knowledge economy was concentrated in the UK's cities because cities offer highly productive knowledge intensive businesses a number of important advantages known as agglomeration benefits. These benefits are particularly notable in large cities such as Manchester, Leeds, Sheffield, Bristol, Newcastle, Liverpool and Birmingham, which accounted for a growing share of regional GVA between 1995 and 2006. In contrast, many medium-sized cities (including Norwich, Ipswich and Exeter) accounted for a smaller proportion of regional GVA in 2006 than in 1995.

Medium-sized cities cannot by definition offer businesses the scale of the agglomeration benefits available in large cities, but they can offer other benefits such as higher quality of life, lower land and wage costs and less congestion. That GVA per capita is higher than the regional and national averages in the majority of medium-sized cities, particularly those in the east of England, south east and south west, clearly demonstrates the importance of these benefits and the critical role of medium-sized cities in driving regional economic growth in the upturn.

The different performance of medium-sized cities both before and during recession highlights their diversity and the importance of policy support that recognises this and enables these cities to thrive during the upturn. Four clear policy priorities for recession and recovery emerge from our analysis.

First, having strong civic leadership across sectoral boundaries, with public, private and third sector organisations working towards a clear long-term vision of sustainable economic success. This vision of success should be built upon a realistic assessment of a medium-sized city's distinctive assets – its universities, industrial composition and quality of place – and of that city's place in the wider geography.[40]

Second, medium-sized cities should seek to work with surrounding areas to invest in economic development and regeneration. Cities should seek to capitalise upon their

[40] Many medium-sized cities, including Ipswich, are working with others to create integrated development programmes (IDP) – single delivery plans for 'functional urban areas' (a city-region or sub-region with clearly identified economic geography). An IDP sets out the programme for capital investment required to deliver the infrastructure essential for sustainable economic growth. The IDP approach captures growth requirements in their entirety. Transport, housing, employment and economic growth, community facilities, health, training and education and environmental sustainability are all considered in a single delivery programme

distinctive assets based both on size and on other factors such as history, geography, assets such as universities, quality of place and industrial composition. For medium-sized cities based near a larger core city, this will require greater understanding of the economic relationships (labour market and business links) between the larger economic centre and the medium-sized city.

For medium-sized cities in the east of England, parts of the south west and elsewhere that are not near a larger core city, it is vital to invest in the city centre to attract highly skilled workers and businesses and enable those who live in the city and nearby to access economic opportunities. For these cities, working in partnership with the wider city region requires clear leadership and vision. It also means working with surrounding towns and cities that may rely on the medium-sized city as their economic centre instead of a larger core city.

Third, investing in workforce skills. The role of workforce skills as key determinant of city success before, during and in all probability after the recession means that there is a universal need for medium-sized cities to invest in their skills bases. There is an intrinsic relationship between workforce skills, knowledge intensity and economic success, whereby cities with highly skilled populations tend to have more knowledge intensive and diverse economies and better economic outcomes. This is why cities such as Aldershot, Brighton, Cambridge, Exeter, Oxford and York were most successful before and are faring better during the recession, whilst cities such Barnsley, Doncaster, Hull, Sunderland and Rochdale with poorly qualified workforces have struggled more.

In a more knowledge intensive economy, cities have the potential to be drivers of growth because they offer access to highly skilled individuals, consumers and specialist firms with whom ideas can be exchanged. Workforce skills are critical to capitalising on these opportunities. Whilst the approach and timescales will need to vary according to the circumstances of different cities, this strongly points to a need for all medium-sized cities to invest to both increase supply of workforce skills and stimulate demand for higher level skills amongst local employers

Finally, creating an economic development strategy that responds to the changes in the economy: it will be vital for medium-sized cities to consider how they can attract and grow private sector knowledge-intensive services firms, jobs and individuals, as well as how they can ensure that they develop sectors such as retail, leisure and tourism in a way that provides high quality employment for those with lower skills or who may have become unemployed during the recession.

In particular, more needs to be understood about the success of medium-sized cities in attracting private sector knowledge-intensive services employment and how this can be converted into greater productivity. Employment in private sector knowledge-intensive services has become increasingly concentrated within the majority of England's medium-sized cities, creating opportunities not just for those cities but for the surrounding areas in which much of the workforce lives. However in many medium-sized cities an increased share of regional employment in private knowledge services has not translated into an increased share of regional productivity. Understanding the distinctive assets attracting these private sector businesses to medium-sized cities and working to enable those businesses to thrive will be key to the success of medium-sized cities during the recession and into the recovery.

Medium-sized cities are vital to the future of the UK economy in the recovery and it is vital that policymakers respond to help them make the most of opportunities as well as rise to the challenges.

Box E: Defining medium-sized cities

The challenges of defining city size, highlighted by Hildreth (2006) and discussed in a Work Foundation paper for CLG (2006), include:

- **No agreed definition**: There is no standard definition of large, medium-sized and smaller cities. Even when there is consensus about the measure to use – population size for example – there are often differences. For instance *State of the Cities* and the Office for National Statistics (2004) make use of different population size definitions of medium-sized cities.

- **Different measures change the rankings**: Different measures can be selected to define city (eg population, economic success as measured by GVA) and this can alter where cities appear in the rankings. Hildreth (2006) cites Cambridge as an example of a city that would be higher up the GVA rankings than the population rankings.[41]

- **Different definitions of city**: Population or GVA might be measured at the level of the local authority – but this does not necessarily reflect the metropolitan city (contiguous built-up area), let alone the wider city-region.

- **Context is everything**: A medium-sized city in China would be a large or very large city in Europe. This also means that, if a country grows (and all the cities within it grow), the population numbers that constitute a small, medium or large city in that country might change over time, rendering a definition that relies on numbers out of date.

Medium-sized city typologies

When the performance of medium-sized cities is assessed using Clayton's typology, the following findings emerge:

The knowledge intensive service sector is still under-represented in the old industrial medium–sized cities, predominantly based in the north. Whilst some old industrial cities continue to struggle with the decline of traditionally dominant manufacturing sectors, others have succeeded in transforming their economies. In medium-sized cities such as Barnsley, Birkenhead and Stoke the consequences of industrial decline are still very apparent, leading to high dependency on the public sector for knowledge-intensive jobs. By contrast Warrington, traditionally specialising in steel, textiles and other manufacturing, saw increases in employment in light industry, distribution and technology with the growth of the new town. Warrington today, having attracted significant inward investment, is an 'enterprise powerhouse' with a strong knowledge intensive private sector and over a fifth of employment is in business services.

[41] Hildreth, P (2006), *Roles & Economic Potential of English Medium-Sized Cities,* p.2

In many of these medium-sized ‘industrial’ cities there is higher than average employment in the high-tech manufacturing sectors. Overall the medium-sized cities account for 32 per cent of employment in high and medium technology manufacturing. Some medium-sized cities have built on traditional specialisms in manufacturing and developed more advanced manufacturing sectors. In the north of England, high/medium-technology manufacturing is highly concentrated in medium-sized cities: 50 per cent of the north west’s employment in the sector is concentrated in medium-sized cities. In Yorkshire and the Humber the figure is 47 per cent and in the north east it is 36 per cent. Whilst a number of these sectors have become more knowledge-intensive over the last decade, they have also become less labour-intensive, creating employment challenges in these cities.

The majority of ‘enterprise powerhouses’ – cities with highly productive knowledge-intensive private sectors – are located in the south along the major transport arteries from London. Reading, Aldershot, Crawley, Slough, **Peterborough** all benefit from their proximity to London and specialise in sectors such as business services (including legal services, consultancy, accounting and advertising) that complement the capital’s strong financial and professional services sector. Some firms have also relocated to or opened new offices in these cities because they are still able to access high skill labour but benefit from the low cost office space these cities have to offer.

Strong economic performance, however, is not confined only to cities with large private sectors. Oxford and Cambridge have very large public sectors with more than 40 per cent of employment being in the knowledge-intensive public sector – yet they are two of the most productive cities in the UK. Oxford and Cambridge universities are historically influential and seen as underpinning and shaping economic success in these cities. Exeter is another example of a successful knowledge city which also has a large knowledge intensive public sector, which accounts for over 35 per cent of employment. Exeter also has a large higher education sector: the university is one of the largest employers in the city, alongside the County Council and the Met Office. In addition the city has a concentration of employment in healthcare and is home to one of the country’s five new medical schools. ‘Knowledge hubs’ such as Oxford, Cambridge and Exeter have benefitted from access to pools of highly skilled labour, partly attracted by the universities.

Other medium-sized cities have seen rises in employment in the knowledge-intensive private service sectors but economic performance has been more varied. Norwich, Ipswich, Brighton, Derby and Southampton are all examples of cities that provide services

– business and professional services, as well as retail – within the wider region. Regional employment in financial services in particular is highly concentrated in medium-sized cities in the east of England (46 per cent of regional employment), the east midlands (50 per cent of regional employment), and the south east (49 per cent of regional employment). Nearly 10 per cent of employment in Norwich is in financial services and there is also a concentration of employment in business services.

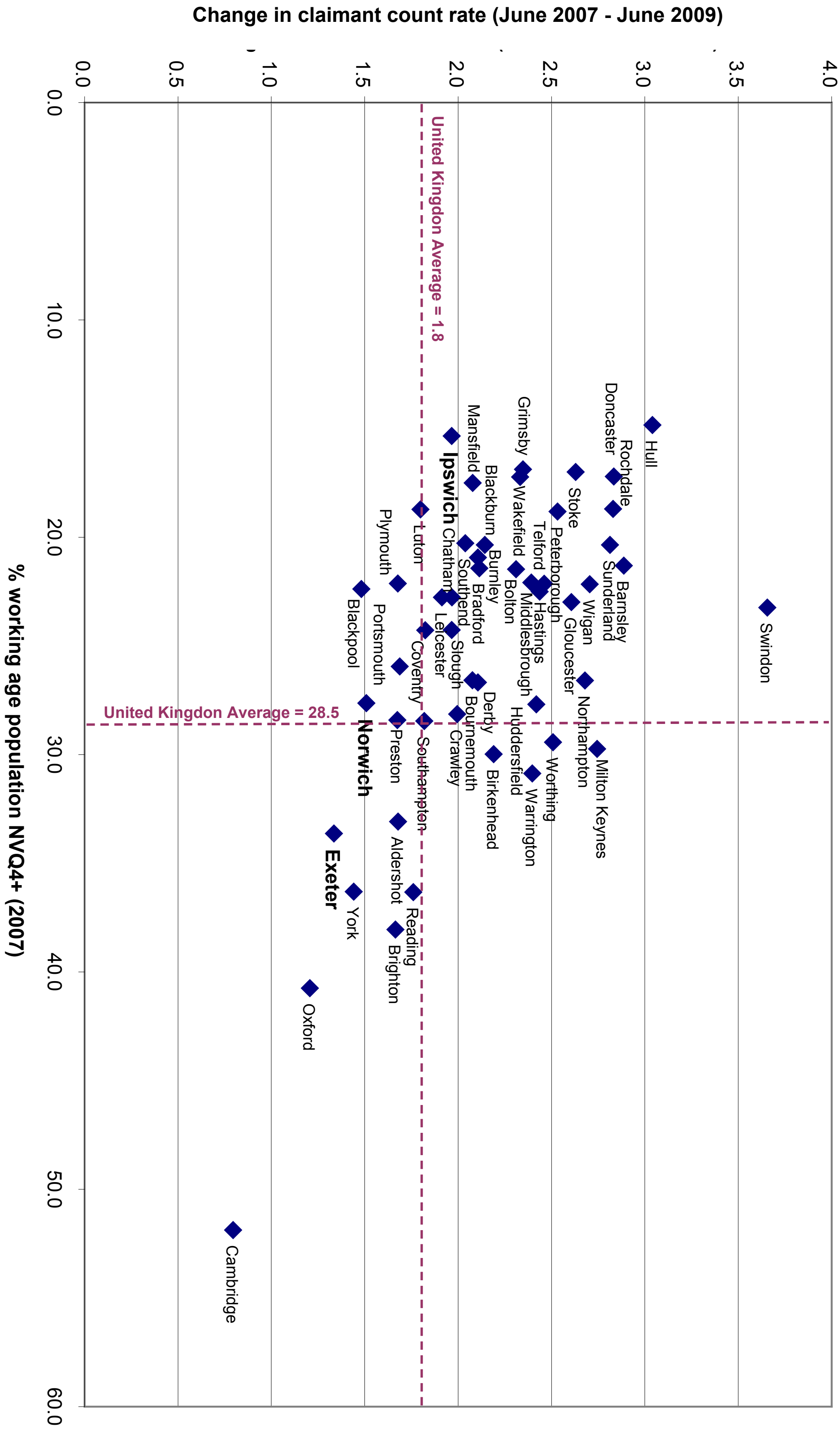


Figure A1: High skill and unemployment

Figure A2: Low skill and unemployment

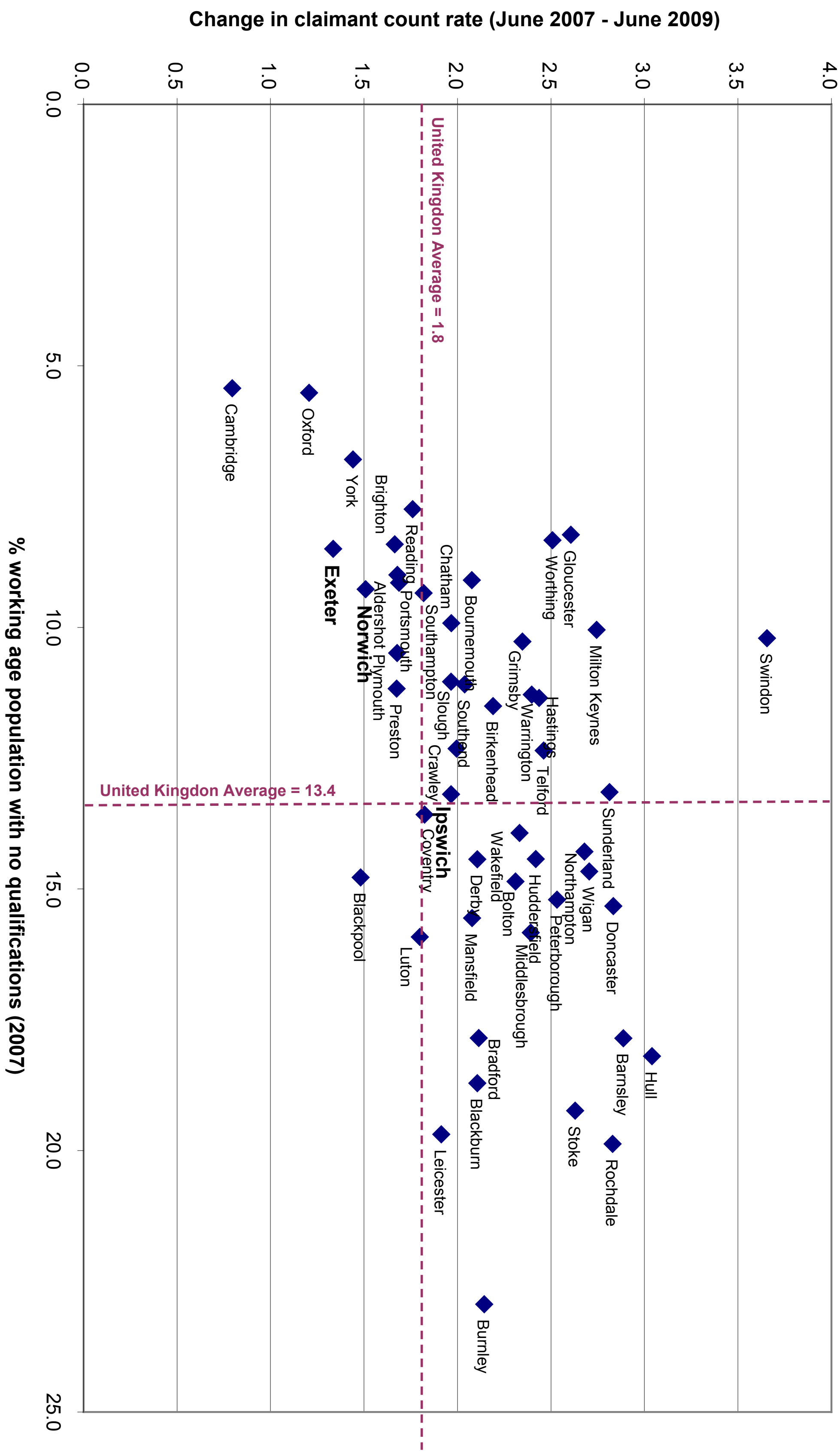
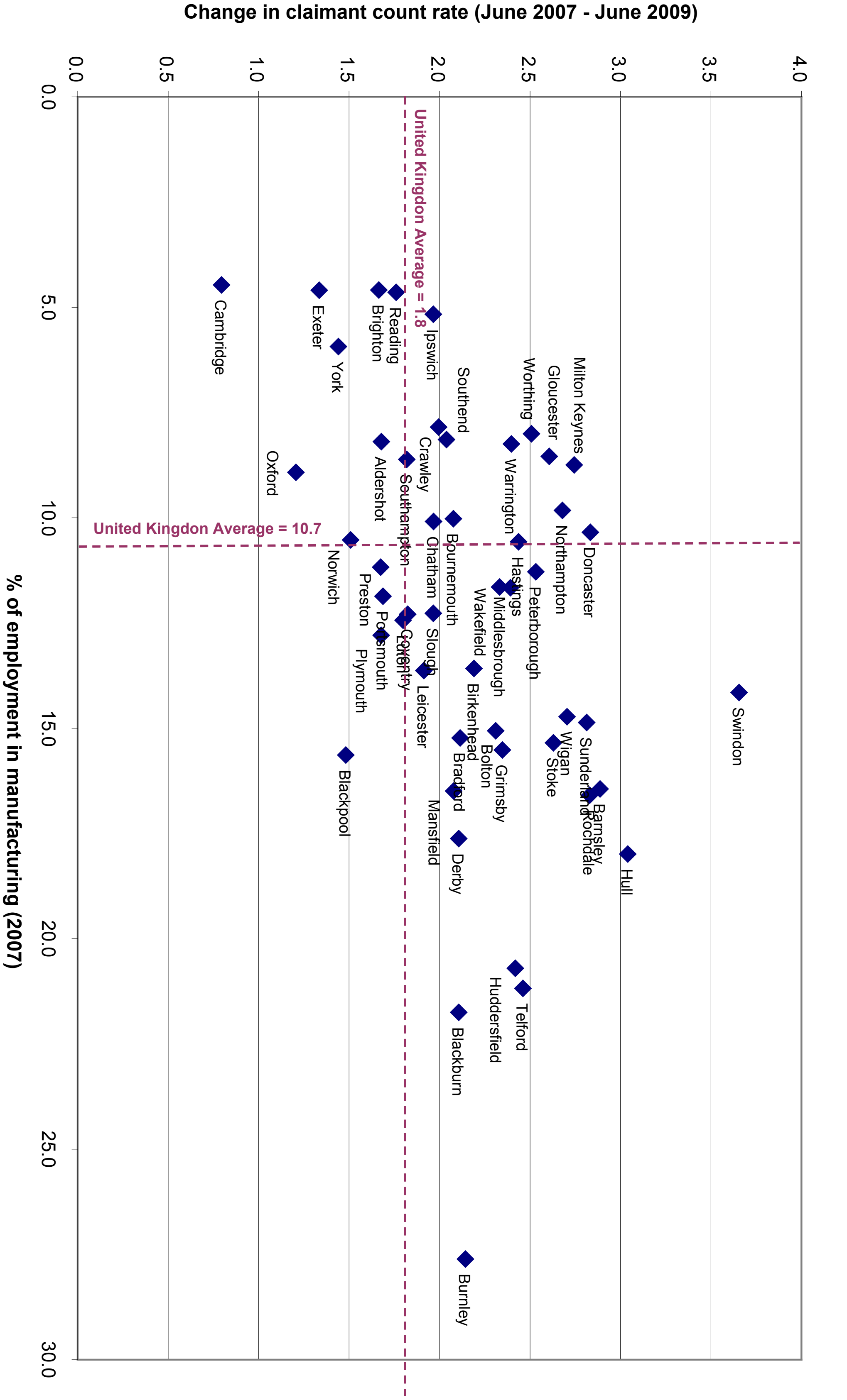


Figure A3: Manufacturing and unemployment



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