

CITY SYSTEMS

The role of small and medium-sized towns and cities in growing the northern powerhouse

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60-SECOND SUMMARY

The north of England's big cities have thus far been viewed as the primary means of rebalancing the national economy: the growth of Manchester and Leeds is regularly presented as evidence of an emerging counterweight to an overheated Greater London.

However, the dominance of this 'agglomeration narrative' is open to question. The empirical evidence for agglomeration effects in Europe – and in the UK in particular – is at best mixed, and is even negative in some studies. In this context, the role of small and medium-sized cities (SMCs) is too often overlooked.

Together, SMCs represent almost a third of the north of England's economy, and since 2010 they have grown just as fast as the region's core cities. The recent independent economic review of the 'northern powerhouse' demonstrates that the majority of the North's primary and enabling economic capabilities lie outside of its big cities. However, while no northern SMCs are suffering from absolute decline, many do suffer from numerous problems associated with their industrial heritage and their peripherality in relation to large urban centres, a problem made worse by the prevailing 'big city' narrative.

This paper argues for a more sophisticated understanding of the urban system in the North. It acknowledges the vital role that the big cities must play in driving northern prosperity, but makes recommendations for a more coherent and comprehensive approach to regional economic strategy that gives greater attention to the complementary strengths of SMCs, without necessarily 'jam-spreading' public money.

KEY FINDINGS

On the big city narrative:

The rise and rise of Britain's core cities in public policymaking is welcome, in the absence of a more coherent regional or industrial policy. It has largely been driven by data and narratives from the US, and by hypothetical economic modelling of 'agglomeration effects', as well as by a concerted effort by England's core cities to present a positive case for their role in the UK economy.

In fact, there are some significant methodological concerns in relation to these approaches, and the empirical evidence for agglomeration effects in Europe – and in the UK in particular – is mixed at best, and, in some studies, negative. Recent studies have shown that:

- productivity and employment growth rates in the majority of core cities have remained consistently *below* national growth rates (Martin et al 2014)
- there is no clear relationship between urban scale or density and urban productivity for the UK's 14 largest cities other than London (McCann 2016).

On small and medium-sized cities in the North

The 20 SMCs with populations of more than 75,000 represent nearly one-third of the North's economy (£82 billion) and of its population; they have experienced gross value added (GVA) growth of 34 per cent since 2009, which is comparable with rates of productivity in the core cities. SMCs are, in short, too big and too productive to be ignored – just as the northern economy itself is too big to be ignored in the UK context.

SMCs such as Warrington, Wakefield and Durham all have growth rates that exceed their core city neighbours, and two SMCs that feature as case studies in this report – Wigan and Burnley – have higher labour productivity rates than nearby Manchester. In most cases this is because they have local economic clusters that complement urban hubs, but benefit from non-urban locations.

Despite their combined strengths, many SMCs in the north of England face significant challenges. Very often these are a function of their peripherality – perceived and actual – in relation to larger urban centres, and of their ongoing transitions from their industrial pasts.

Typologies of SMCs show that there are some significant differences between them. These differences are very often associated with the relationship they have with core cities, and the broader role that they play within the northern urban ecosystem.

Case study evidence suggests that the problems of peripherality can be overcome by maximising the benefits of local economic assets; strengthening human potential; addressing institutional weaknesses; and enhancing collaboration and connectivity with big-city neighbours.

RECOMMENDATIONS

Based on a reappraisal of how urban systems operate in the UK context, there needs to be:

- more scrutiny of the extent to which regional and local disparities are the *natural* consequences of urban agglomeration, as opposed to a self-fulfilling prophecy generated by ingrained attitudes towards urban policymaking and public spending in the UK
- a better understanding of different 'types' of agglomeration, and recognition of the importance of connectivity over concentration
- greater recognition of the different and complementary roles played by different places within the northern urban ecosystem, and of the need for a more comprehensive approach to regional economic strategy.

With these needs in mind, we make the following six recommendations.

1. HM Treasury and the National Infrastructure Commission should reappraise the appraisal methodologies set out in the *Green Book*, in light of emerging evidence on agglomeration effects in the UK; and Transport for the North should develop its own appraisal methodologies that take proper account of the contributions that SMCs make to the urban ecosystem, and the mutual benefits of better connectivity between the larger and smaller cities and towns.
2. Transport for the North should also ensure that its future strategy development takes account of the complexity of the northern urban ecosystem, and the diverse nature of the North's primary economic capabilities, rather than relying too heavily on partial accounts focussed on the dominant role of big cities.
3. Local enterprise partnerships (LEPs) and combined authorities should do more to acknowledge the role of SMCs in relation to bigger cities, and pursue specific initiatives aimed at building on their local assets and enhancing connectivity between places.
4. The chairs of the 11 LEPs should meet on a regular basis and work together to identify opportunities for collaboration across boundaries to support the development of particular SMCs.
5. SMCs themselves must take the lead in identifying and articulating their unique role within the wider urban ecosystem, focussing in particular on maximising the value of local assets, enhancing human potential and, in some cases, acknowledging their interdependency with bigger cities and/or embracing the need for re-evaluating their size and how they can best provide services in ways that suit the distribution of their population.
6. SMCs must identify and address their current institutional weaknesses through more extensive training and support for local councillors to help and encourage them to engage more fully with sub-regional affairs, and by more effectively pooling their policy capacity with neighbouring councils, and with city-regions as a whole.

For the full report, including all references, data sources and notes on methodology, see: <http://www.ippr.org/publications/city-systems>

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The Northern Powerhouse must ensure all parts of the north benefit from the government's ambition to rebalance the economy and devolve power in the upcoming Budget. For instance, cities in the south have seen a much stronger growth in full-time equivalent job creation, benefitting places such as Exeter and Milton Keynes, while Burnley and Stoke have struggled. In the top 12 struggling cities, full-time job creation fell back by -2.1% according to the index, compared to growth of 1.9% for the national average and 5.4% in the top 12 best performing cities. Many cities in the north are growing but are failing to keep up with national trends.