

Business, Energy and Industrial Strategy Committee

Oral evidence: Industrial Strategy: sector deals and productivity, HC 663

Wednesday 12 September 2018

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Watch the meeting

Members present: Rachel Reeves (Chair); Vernon Coaker; Mr Ian Liddell-Grainger; Drew Hendry; Stephen Kerr; Peter Kyle; Sir Patrick McLoughlin; Antoinette Sandbach; Anna Turley.

Questions 160 - 200

Witnesses

I: Andrew Carter, Chief Executive, Centre for Cities; Professor Will Jennings, Centre for Towns.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of Witnesses

Witnesses: Andrew Carter and Professor Will Jennings.

Q160 **Chair:** Thank you very much, Andrew Carter and Professor Will Jennings, for coming to give evidence to our Select Committee this morning on the industrial strategy and the importance of place within that. Can I start with a question of clarification that we were asking amongst ourselves before we started? Do you cover England, Northern Ireland, Scotland and Wales, or a subset of that?

Professor Jennings: We cover the UK in our data. There are some bits of analysis we do where we focus on England, Wales or Scotland. Joining together different administrative data from different regions presents different challenges, but what I will say to you about towns will cover the UK broadly. For some of the issues I deal with in political science, we sometimes set Scotland and Northern Ireland aside because there are different sorts of attitudinal drivers.

Andrew Carter: We look at the 63 biggest urban areas and that covers all of the UK. Obviously, there are more in England but there is at least one in each of the four.

Q161 **Chair:** Excellent. We are very pleased, especially our Scottish colleagues around the table. As you will well be aware, place is one of the five foundations of productivity in the Government's industrial strategy. Can you tell us a bit more about what the Centre for Towns and the Centre for Cities are doing to improve policy-making for towns and for cities?

Professor Jennings: The Centre for Towns is an independent non-partisan organisation. We are dedicated to providing research analysis of our towns. We are very data driven. We are made possible by the opening up of administrative data, census data and so forth across the UK. We are really focused on analytics and understanding the social and economic conditions of our towns. Today, you may have some governance-type questions about models looking at towns, but our work so far has really focused on diagnosing conditions. In the UK, 10 million people live in towns of 10,000 to 30,000 people; 11 million people live in medium-sized towns of 30,000 to 75,000 people. Our feeling is that those places have not necessarily always been at the forefront of debates about economic growth.

Growing inequality within the country and within regions is not only factored in now and placed into the industrial strategy, but also to the sorts of politics we are seeing today. We are really interested in both understanding the condition of different parts of the UK, different towns and places, and also the sorts of conditions under which towns are able to adapt and thrive in the wider environment.

Q162 **Chair:** How long has the Centre for Towns been going?



Professor Jennings: We were formally created in October 2017. We are a relatively young think-tank. We are very small. Essentially the analytical capacity is mainly myself and Ian Warren, and Lisa Nandy is obviously involved as well. We do not have any full-time staff. We have virtually no funding. It has been basically a start-up. Ian has put his own money into paying for the website and so forth. We are a very small outlet, but we draw on a lot of academic research. One of the reasons I am involved is as a political scientist, someone who studies public policy, doing a lot of work around geographical polarisation in terms of both electoral politics but also public policy. We draw on that a great deal.

Q163 **Chair:** That is fine. Andrew Carter, the Centre for Cities has been going for a bit longer than that.

Andrew Carter: 12 years.

Q164 **Chair:** Tell us about what you are doing to improve policy making for those areas?

Andrew Carter: The Centre for Cities has been established for 12 years. We are a registered charity; we are an independent policy and research institute. Our remit is to improve the economic performance of UK cities. Our definition of UK cities, so you have a sense as to what I am talking about, is the 63 biggest urban areas in the UK. That is a daytime population threshold of 135,000. That will take in places like London, obviously, as the biggest but that will also pick up places like Exeter or Worthing at the lower end, where their daytime population, not their resident population, is above 135,000. Places like Basildon will be in there as well. It is a real mix.

To give you a sense, as Professor Jennings has done, those 63 big urban areas, when you think about what they do, sit on 9% of the UK's land. 9% of land is given over to those 63 areas. They produce 62% of the country's GDP. They house 55% of the population. In a sense, they do not cover much land but lots of stuff is going on in and around them.

Q165 **Chair:** Professor Jennings, I think you identify six different types of town with different challenges. Can you briefly talk about the differences between them? There are university towns, ex-industrial towns, market towns. There is quite a range with presumably quite different policy needs.

Professor Jennings: Absolutely. If I may start with the headline picture that is important to connect the work with the Centre for Cities, some of the initial analysis we have done about demographics of towns and cities—and there is a little bit of overlap between the Centre for Towns and the Centre for Cities—is this growing demographic divide between towns getting older and cities getting younger. That is the kind of headline figure that is most important for understanding the socioeconomic challenges you have. There are ageing populations in towns. You face different sorts of demands on social care, public services and health compared with cities, where you have growing populations,



younger populations with demands on education, schools, congestion, transport and so forth.

Turning to towns, we identify six types. For those of you who do not know, we have coastal towns, post-industrial towns, commuter towns, market towns, new towns and university towns. Across the whole range, all those towns are getting older apart from university towns, which in the last 35 years have been getting younger. They do face, as you say, a distinct set of challenges and features. I would pick particularly on coastal towns and post-industrial towns as facing the most acute set of socioeconomic conditions and the gravest challenges in public policy.

Coastal towns are the oldest of our towns; post-industrial towns have been getting older. Both were identified by the Social Mobility Commission as areas that have cold spots of social mobility. They are poor in terms of social outcomes. Coastal towns were identified by the Office for National Statistics earlier in the year as suffering particular problems from drug misuse.

There are also problems around connectivity with transport and broadband. We have done a little bit of analysis looking at broadband connectivity in towns being much slower than in cities. On skills, if I can draw out some statistics—I will not draw too much on paperwork—for example, university towns have a very high proportion of people with high skills and degree-level qualifications. Oxford, Cambridge and Brighton all have around 40% of people with degree-level qualifications. If we look at post-industrial towns like Oldham and Stoke, they have nearly 40% of people with no qualifications whatsoever. There is tremendous divergence.

Q166 Chair: I have two questions. Does it make sense to look at towns as an entity, because the challenges in a place like Oxford or Canterbury would be very different from the challenges of Oldham or Scarborough? Does it make sense to have a Centre for Towns?

Professor Jennings: Cities face particular challenges, but it is very important in general to highlight the challenges facing towns. Those headline figures I identified for you in demographics and ageing populations are important in distinguishing them from cities. We are talking about towns, and most of our research and analysis tries to disaggregate to say, “What are the particular conditions faced by coastal towns? What are the issues faced by commuter towns?” That is also important. The Centre for Towns is not just about towns in general but about identifying particular sorts of place-based policy challenges that we face and how you could come up with solutions that are sensitive to place, both in terms of public policy but also in terms of identity and community.

Q167 Chair: You mentioned the issue about towns getting older and cities getting younger. One of the things that matters is the reason why that is happening. Are towns getting older because younger people are moving



away or because older people are moving to them? One might be seen as a worrying thing; one might be seen as a positive thing.

Professor Jennings: There is an increasing awareness that the role of higher education in internal migration flows is becoming increasingly important. As a political scientist, it is something we did not really think about and realise as being significant over the last 30 years, and suddenly we have come to an awareness that those young people moving away from communities in which they grew up and never going back has consequences both economically but also for cohesion and community. We are very interested in how, for people who do not move away from towns, those changing populations as people move away changes a sense of place and a feeling of community. It is very clear that that movement of young people into education and then to cities is having quite profound effects and is a key driver of this demographic shift.

I will give you an example based on research by the Centre for Cities. London is exerting a huge gravitational force on higher education leavers. Six months after graduation, it employs 22% of all working new graduates and 38% of working new graduates with a first or upper-second class degree from a Russell Group university. Thank you to Centre for Cities for that. You can see that London alone is a big factor. If you look at the websites of many universities—and I say this as someone who teaches at university—universities are very proud of the fact that people stay on and work in their cities and their region. That is something that, on one level, is absolutely right, but it is clear that, in terms of that divergence of towns getting older, apart from university towns, and cities getting younger, higher education is playing a key role, as is economic clustering.

Urban agglomeration is another key factor. One of the things at the start of the internet revolution was that we perhaps had a sense that technology was going to mean that agglomeration would not matter, that we could work from home and so forth. Actually, we see that agglomeration and clustering effects, if anything, have increased. That is a second factor that is really important.

Q168 **Chair:** In terms of industrial strategy, which is what we are looking at, if I take my area of West Yorkshire and Leeds, it would be interesting to know more, and maybe this would apply to other areas of the country. I think Andrew Carter would say that industrial strategy should focus on the big cities within a region, and Professor Jennings may say, “What about an industrial strategy for the Huddersfields, the Barnsleys and the Halifaxes, not just for the city?” Is that too simple an understanding of where the two of you are coming from? What should be the priority for an industrial strategy for a region that perhaps has a city, or two cities, at the centre of it? What should it focus on?

Andrew Carter: That is a great question, Chair. I would say, for a place like West Yorkshire, the starting point is to understand the economic geography of that place and to recognise that the economic geography of



West Yorkshire is certainly not flat—we have alluded to those issues—and it is not random. Firms and workers locate in different places for the different offers and the benefits that they get from that, whether they are from a residential point of view or from a worker's point of view.

The starting position for every local industrial strategy is to think about and really, truly understand the economic geography of its place and why that economic geography looks like it does. Once you start to do that, what you will then be able to reasonably easily differentiate is the very different role, for example, that Leeds and Leeds city centre play vis-a-vis Wakefield, Calderdale or Halifax. There are questions then about the degree to which policy can help facilitate the growth and opportunities in those different places. That would be a worry in some respects—maybe we will get on to this—in that much of our industrial strategy work at the national and local scale largely ignores the economic geography or wishes it to be different and does not fully understand it. Until we understand it, we will not really be able to resolve some of those questions.

The point made by Professor Jennings is a good one, but let us be clear about ageing and younger populations: younger people are leaving towns; they leave rural areas for urban areas. London loses lots of people at 18. They go to other parts of the country to study, for certain. There is definitely an issue there. What we also see—and this is an important caveat—is that for those towns that are in reasonable proximity to bigger cities, they gain higher-qualified residents when they turn 30 and particularly when they have children.

This idea that towns are getting older is undoubtedly true but if you just simply think about the age question, you miss the point that our towns are shifting out. People are looking to acquire qualifications, particularly a degree. Places—not every place obviously, because proximity matters—are acquiring people that are 30-plus, often with families, who are looking to relocate for a bunch of different reasons. We need to grapple with and understand that and then ask this question about the degree to which industrial strategies help or hinder some of these decisions that different places are able to make and the individuals and firms within them. That would be my immediate response to that question. It is a great question.

Q169 Chair: Probably within Professor Jennings' six types of towns, it is the commuter towns and the new towns that are gaining people when they are having children, rather than the ex-industrial towns. I do not know because I have not looked at the data. Again, I guess that it comes back to, within towns, it is quite a diverse mix, is it not?

Andrew Carter: Of course.

Professor Jennings: Our response would be slightly different, in the sense that our starting point would be that we cannot have a one-size-fits-all solution. There are certain cases in which a city-region-based model might work, but we have to be very sensitive to some of the issues



within the relationship between towns and central city regions. For example, it certainly is true that there are some commuter towns and new towns that are within a positive proximity to city regions that allow an influx of populations, services, shopping and so forth and they work. However, there are some models of economic development, which I think have been called overshadowed cities or overshadowed towns, where the pattern of economic development is to the detriment of towns.

I would like to say one thing. I agree that economic geography is very important but social geography and people's identity are also really important. This comes back to this point around people's communities. We cannot have lived through the last five years without having a sense that people's perceived sense of place and perceived sense of what is happening to their area does matter to the sorts of policy decisions we take. We have to be very aware that some of the reasons why people relocate are maybe positive decisions about looking for work and employment, but some people do not want to leave the area in which they grew up; it is a fact of economic life.

One of the challenges we have to face in coming up with policy is making sure that, for areas that want to see people with a reason to return home to the community in which they are born and grow up, there are reasons to do so. One area that is a good example of this is cultural capital. The people might move to cities is the cultural capital available in them, so what is the offer in towns and different sorts of towns for why people might move back?

Andrew Carter: You asked the question about the industrial strategy. The starting point that we should remember is that industrial strategy is charged with improving productivity of the country. We have a dire productivity problem in the country. When we think about the interventions and support that we want to be making through the industrial strategy plus other Government interventions or public interventions more generally, we are charged with a task, which is about how we improve productivity and productivity growth, particularly given where we are. We should not lose sight of that, which then ought to flow through to a bunch of other decisions that we make around investments.

Q170 **Drew Hendry:** Andrew Carter, your company's research has shown that cities outside the south-east are performing far worse than the south-east itself. Do you think that the Government should be tackling this, or is it just an inevitable consequence of the overheated economy in the south-east?

Andrew Carter: I definitely do not think it is inevitable. That is a defeatist idea that we have no truck with at the Centre for Cities but you rightly identify the problem in a sense. When you look at the most productive cities in the country they are overwhelmingly in the greater south-east—London itself, but also places like Reading, Swindon, Cambridge and Oxford that are within the orbit of London. We most



definitely have a problem when we move through the midlands and the north.

If we want to make a more prosperous economy and make a more prosperous society, having our big cities, particularly but not exclusively, and our urban areas in those regions in the midlands and in the north functioning above the national average—which is par for the course in many other OECD countries, by the way—should be, to use the Government's phrase, the grand challenge. How do we improve productivity and output performance in our urban areas outside the greater south-east? That should be the grand challenge. How we do that is a conversation we can have.

Q171 Drew Hendry: Let us pursue how we do that. Have you identified any areas or industries where productivity could most obviously rise? Would any of that require Government intervention, for example?

Andrew Carter: When you look at the noticeable facts or noticeable issues when we move through the country, there are radically different profiles when we think about knowledge and skills. If you were asking me to predict the performance of any place in the country, if you told me what its skills levels was across the one to four, and indeed the knowledge quotient in its firm base, I would be pretty comfortable and confident I could tell you where it was on a performance metric on a whole range of other things that we want to be thinking about.

There is an overriding position, when we go through the midlands and the north, particularly our urban areas, where need to do much, much more on improving the skills, particularly at the lower end, but not exclusively at the lower end. There are people with no qualifications; 16% of Birmingham's residents have no qualifications whatsoever. It is a fundamental challenge. In some of our better performing places, those numbers will be in the very, very low numbers of 2% or 3% but certainly no more than that. We need to think about skills and knowledge.

My other point would be on the work we have done looking at the tail, the distribution, of high productivity firms in different parts of the country. What you notice is that, yes, London is a highly productive economy. In part, it is because of its highly productive firms. As you move through the midlands and the north, what is noticeable is the absence of higher productivity firms. There are simply less of them in those places than there are in London. Even those high productivity firms in those places in the north and the midlands have lower levels of productivity than those in London. There are lots of interventions that could be made at the city scale. There is a devolution question that we should not shirk in how policy is delivered. Government have a role both to think about how they get improvements in those places and then marshal investment by the Government across skills, transport, innovation, housing and planning to really unlock those sorts of places. Unfortunately, we have not done enough of that for a long enough period to see some of the rewards that we get. In the sense that the cities



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policy is done, I would fundamentally argue that, when you look at the evidence, we have not even started.

Q172 **Drew Hendry:** You think Government intervention is absolutely needed and it is overdue, in fact.

Andrew Carter: Yes. Of course.

Q173 **Drew Hendry:** Previously you have said that the biggest factor dragging down UK productivity is not underperforming businesses; it is the fact that cities outside the greater south-east are home to too few highly productive firms that drive national economic growth. What lessons have been learned from other European countries?

Andrew Carter: The reference you make is to our work on the long tail, as we call it. There are ongoing conversations, as we know, about why the UK suffers from poor productivity performance. Rightly, we have identified when we look at the data that the UK has a long tail of low productivity firms—so does every other country. We are not unique in that sense at all. What we miss when we look simply at that distribution is understanding the nature of those firms. Some 95% of the firms in the UK in the lower productivity end of the tail are local services. They are providing services to their localities, to the people who live in their areas. When we look at the evidence, it is very difficult, from a policy point of view, to think about the policy interventions that will drive productivity in those said firms. I am not denying that we have a long tail, but so does every other country. When I turn to what we should do about that, the policy answers are not immediately obvious.

On the flipside, when we think about high productivity firms, the policy agenda becomes slightly easier or more evident around skills investment, R&D investment, innovation investment, housing investment, transport investment. Creating the conditions that these firms need to be super-successful is something we need to be doing in our places—in our bigger urban areas but also our urban areas more generally. It is creating conditions where more high productivity firms can flourish in the north and in the midlands. That is what we need to be thinking about: why are they not there? They are not there for some of the reasons that I have alluded to. That is where I think the productivity problem is. We do not have enough firms outside the greater south-east in the high productivity bracket. We need to help firms that are on the productivity frontier in those places, or in the exporting frontier, to do more.

Drew Hendry: That is fine. Thank you for that. It is worse the further north you get, basically, but when you got into Scotland it is worse still because of that effect.

Q174 **Antoinette Sandbach:** I am going to ask you about clustering and whether or not the Government's approach is right to support clustering in successful sectors and whether the existing clusters prevent growth in less developed areas of the UK.



Professor Jennings: We have not done a lot of analysis of clustering so far. Clustering is clearly important in terms of economic growth but at the Centre for Towns we would say we have to be sensitive to the consequences of focusing on clustering at the expense of regions and towns outside areas of clustering. Back to the previous question about what a strategy should look like, of course it is important to have a national strategy around productivity, but it is also important to have regional and in-region strategies that recognise the importance and the economic reality of clustering as well as what could be done to mitigate it by allowing new clusters to emerge. We should not just focus on pre-existing winners but on areas in which particular environments, talents and resources might be exploited, to take opportunities to create new clusters.

Andrew Carter: I would answer it in a slightly different way in saying that our cities are essentially clusters. We should think about that. Too often, the notion of clustering is essentially sectoral in nature. When you look at what drives employment growth or productivity at the individual level and at the aggregate level, it is the interaction and mix of various industries that often notionally, in a data context, are in quite radically different sectors, however you define it, until you make a very large definition of sectors, which then essentially becomes meaningless. An overtly narrow focus on particular industries or particular sectors misses the magic and the mix of what drives economic growth, which is the coming together of quite distinct and different areas.

I know you went up to the AMRC and looked at Sheffield. Yes, in a sense Sheffield is about manufacturing but really once you get under the skin of that, the interplay and interaction of different industries, different skills and different players in that is very diverse and very complicated. Being able to articulate that in a sectoral deal or in a sector strategy is very difficult.

My final point would be that when we look at evidence around clusters, Governments are, by definition and nature, attracted to these things, but the global evidence everywhere around these sorts of interventions is always that, yes, Governments of various persuasions do them, but invariably the outcomes are less than satisfactory. It is very difficult.

Q175 **Antoinette Sandbach:** Could you write to us with the international research that shows that?

Andrew Carter: Of course. I am more than happy to do that and give you the review of the literature on that.

Q176 **Antoinette Sandbach:** In relation to emerging industries, I am particularly interested in what towns can do, rather than cities, to try to attract emerging industries, because it seems to me it should not necessarily be a Government thing. What can towns and cities do themselves that Government do not need to do?



Professor Jennings: I will start with one piece of evidence that I would like to put before you today, which is that we have just done a bit of analysis looking at foreign direct investment over the last 25 years. There is a huge gap that has arisen between smaller towns and core cities. This is a real challenge. In preparation for today, I was starting to think about what sort of deal towns might offer that would allow industries to look to invest in particular areas. One thing I would say about towns is we should start to look at the particular environmental resources, the people, the heritage of towns, to think about what sorts of industry and what sorts of new industrial developments might emerge in places. The basic infrastructure offer you might look for would be reliable transport and connectivity. Skills are clearly important.

If we look at what foreign direct investors are looking for, it is skills, transport and technological infrastructure, availability of business partners and labour costs. On one level, it is not that complicated; it is about finding initiatives that put that on the table to allow investment. I do not know a lot about it, but the Grimsby town deal is a nice example of the potential for that sort of model, mixing investment from public and private sectors: transport, housing development and environmental urban development is key. In some ways, at the micro level, it is not that different from cities, but we should start to be more creative, and say that there are micro-industries and smaller industrial developments that can work for towns and work on a sectoral level.

Q177 **Antoinette Sandbach:** Are you seeing LEPs do that?

Professor Jennings: We have not looked a great deal at LEPs.

Q178 **Antoinette Sandbach:** Would you be willing to look at it?

Professor Jennings: Absolutely. Given our scale at the Centre for Towns, we are very keen to start looking at governance issues and the sorts of models that work. I would be very happy to go away and have a little look to see what is being done.

Q179 **Stephen Kerr:** In the spirit of that last comment about what works, I should declare an interest. I am the Member of Parliament for Stirling. We have recently had a signed-up city region deal. We actually have what you were describing earlier in your opening remarks about two centres of population and a big rural expanse. Do city deals deliver? We have had some on the go now for four years.

Professor Jennings: There are a variety of city deals. There are some city deals that still have not yet been negotiated and completed. It is very clear in some areas that devolving power to city regions is really necessary and important. Manchester is a great example of a city that has really benefited from taking control of public services and its own strategy. I would be cautious and say we have not looked a great deal at the impact of city regions in terms of policies. We are looking at the diagnosis of the general conditions.



Q180 **Stephen Kerr:** Can you say anything about the effect of city deals on driving productivity and investment?

Professor Jennings: I would not like to speculate.

Andrew Carter: With my very strange and anoraky hat on, anybody who tells you that they can isolate the effect of a city deal on a city level productivity is telling you porkies. Think about what the city deal entails. It involves multiple interventions across multiple policy areas over multiple years. Think of the evaluation challenge of doing that. The Centre for Cities is a partner in the What Works Centre for Local Economic Growth with the London School of Economics. Our remit is to identify high-quality evaluation that really begins to isolate the effect that policy has when you hold everything else constant. What you will hear is people saying, "We had a city deal four years ago. Productivity has gone up by 2% over those four years". That tells you nothing about city deals as you well know, although people will peddle that nonsense to you all the time.

I do not want to be glib on that, but we have to be mindful when we are asked the question as to what it is we are thinking we might see. If you are thinking about a city deal, one of its virtues is a challenge to the way that places and Government think about their economy and how they respond across the different spheres and the different policy areas to the economic challenges of that place. Very importantly, but again this is only a start, there is recognition that in many respects places, big and small, are better placed to drive their economic agenda than someone sitting in Whitehall.

If you ask me whether I feel comfortable and confident in saying city deals were a step in the right direction in how we think about policy and how we might do policy, most definitely, although I would make a slight differentiation between wave 1 of city deal and wave 2, which we can get into if you so wish. If you then said to me, "Do you think that we will be able to isolate the effect of a city deal on Stirling's productivity or Manchester's productivity?", my honest answer is going to be no, but what I can definitely do for you is say, "Let us look at the interventions that have been made under the city deal banner and, with a bit of good evaluation and a bit of thinking and good methodology, we can start towards getting the impact that specific interventions are making in specific areas with specific people."

Q181 **Stephen Kerr:** Is that the kind of thinking that is being applied to the city deals that have been agreed and are in play, or not? Are we still at the level of headlines?

Andrew Carter: This flows through into the devolution deals that ultimately had the combined authority plus the mayor as an addition. Also, going back to the Chair's starting questions around industrial strategy, there are certainly places that are trying to think very carefully about how they use the best evidence available to make the best policy



interventions they can, with a view to thinking about how they evaluate that said policy for their own benefit and for the benefit of policy making more generally.

Q182 Stephen Kerr: Where are these role models?

Andrew Carter: In wave 1 of city deals, which if you remember going back to 2011, involved the bigger cities—it was simply a population metric and made no other judgment on that—nearly all of those places have taken a more concerted effort and approach to thinking about how they design the policy, how they intervene, how they implement it and how they evaluate it as well.

Q183 Stephen Kerr: I have one last question. I do not want to take too much time, but it is a very interesting area, for me especially. In terms of the relationship between business and the politics of the area, what lessons can we draw from the experience so far in terms of engagement between the business communities and the political set-up? In essence, what is the best way of driving the city deal, so that it creates an impetus around productivity and investment?

Andrew Carter: It is exactly the point you make there: both parties need to be integrally involved in the conversation and in the decision making. We have to watch for vested interests and all that, but we can deal with that. The business community in the broader sense, plus the public community in the broader sense, need to be party to that. Interestingly—and maybe this will come up later—this is one of the concerns around some of the LEPs in England at least: that they have not sufficiently integrated and connected to the public space, and the advent of the mayors and the combined authorities have essentially brought those two issues back together.

If you go back to the point I made earlier on, when we think about business productivity, it is going to be questions around skills and education more than it is about business support. How our buses function is going to be much more important to the productivity of workers and firms than whether they are getting highfalutin management consultancy advice from whoever it might be. All of those are statutory services. You can call them that; they are public sector, public service functions. They should reside and have accountability and visibility to the public community and the public sector. That is the role: to bring those two aspects together. We must not break them out and think we can subdivide productivity growth as a private event or a public agenda. Those two things have to be brought together.

Q184 Stephen Kerr: Local leadership is a critical factor for success.

Andrew Carter: For certain.

Q185 Peter Kyle: Professor Jennings, do you think there is merit in the call for universal basic infrastructure for towns, cities and rural areas?



Professor Jennings: There certainly should be an increasing focus on the infrastructure offer for cities and also towns in terms of investment. It is very clear that if we are looking to bring productivity up across the board, rather than just focus on the clusters, then infrastructure in terms of connectivity and services is absolutely crucial to that offer.

Q186 **Peter Kyle:** Can you write down a list of things that rural areas, towns and cities need, and that tick list just needs to be rolled out?

Professor Jennings: It will vary slightly depending on the particular geographical location of place. The sorts of transport infrastructure required will depend a little bit on the proximity of being close to a city. There are basic things that certain towns do not have in terms of, for example, bus services, skills training and workforce that we can, at a very minimum, be looking at as a benchmark to start thinking about. That is what our work at the Centre for Towns has really been looking at: asking what it is that particular places are lacking that is holding them back from being the success they could be. While having a statutory universal offer might have certain challenges, a baseline of having an expectation that all places will have comparable infrastructure to compete at a base level is not unreasonable.

Peter Kyle: Thank you. Andrew, you are nodding to that, so I think we will leave it at that.

Andrew Carter: Yes, for certain.

Q187 **Peter Kyle:** Drew mentioned the south-east overheating. I have to agree and disagree, being a Member of Parliament representing part of the south-east and a city in the south-east. Relatively speaking in the UK, we are overheating but not when you compare the south-east to parts of California, and with international comparisons in Germany, which is what I would do. One of the frustrations I have in the south-east in terms of infrastructure is that, for all the towns and cities in the south-east, our economy seems to be relating to London. It is how it relates to London. We are not linking to ourselves. The towns and ports and Gatwick Airport, for example, are all characterised in their relationship directly to London—and Brighton too. Do you think there is merit, even in the south-east, in terms of how we use the assets we have—ports, airports, economic hubs—and link more interregionally rather than just in our relationship to London?

Professor Jennings: What you are describing applies in precisely the same way in the sorts of debates that we have in the north of England and elsewhere in terms of connectivity between, for example, Manchester and Sheffield. Take Brighton to Southampton, for example. If you want to go to London from either of those places, there are very quick train lines. The train lines across the south coast are actually quite slow. What the Centre for Towns is particularly interested in is that the economic productivity gap in the country is between London, the south-east and the rest of the country, but those interregional links are also



really important if we are thinking about growing up a healthy, diverse economy. Absolutely when we are coming to think about what sorts of investments we should be focusing on, we should be very aware of interregional connectivity as well.

Q188 Peter Kyle: In terms of an industrial strategy—and this is to either of you—I learned that lesson very clearly during the referendum when I was campaigning right the way along the coast, to all the coastal towns between Dover and the Isle of Wight. I learnt a lot of lessons there. How do you spread the economic benefit of a hub like Brighton along the coast—you mentioned Worthing a bit earlier—from Dover to Brighton and all the coastal towns in between? How do you increase productivity and throw open the doors to an economy like that and make it far more accessible along the coast rather than just up and down to London?

Professor Jennings: Partly it is about lesson learning. That is what we are interested in. What is it that has made Brighton relatively successful compared with some other towns on the south coast? Partly it is relating to connectivity, a skilled workforce, universities being based there and so forth. It is not a simple solution in the sense that I do not think every town can have precisely the same model. We are really interested in exploring the issue. Coastal towns are a great example, because they have real issues in terms of social mobility, deprivation and so forth. Yet the physical environment often, as a place to live, can be something that is tremendously attractive. The question of the Kent coast or Essex coast, for example, is a great example: why are these places not fulfilling the sort of potential that might attract populations to go and work? Connectivity is a huge issue there, but this is a very long historical economic development that we need to be conscious of.

If I may, I often said of the referendum that the voting in towns with piers was very particularly high for leave. The pier is a great allegory or instrumental variable for a very long historical line of places that were once affluent, that were once based around tourism and have seen that decline. What we should be looking at, if you were to take the south coast as a particular example, is what it is about each of those towns, whether it is Worthing, Ramsgate or wherever, that might give it potential to find a particular niche to thrive in. I do not think there is a one-size-fits-all model. Those sorts of investment models and developments should take into account cultural heritage and people, so as to exploit what is there rather than trying to transpose a national model. Interregional connectivity is part of that but then thinking about what it is about a place that gives it a particular identity as strengths.

Chair: We move seamlessly to another seaside town, Redcar.

Q189 Anna Turley: Redcar is a town that used to have more than one pier and now has none. I hope everyone in this room and watching is also watching *The Mighty Redcar* documentary, because you will not get a better snapshot of a town that has so much potential in its young people but sadly so little opportunity for them and sees so many of them move



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away, usually to major cities, if they can get out. Those who cannot get out often have limited opportunities. That is the big challenge we need to face, and I am very interested in your work.

I am asking a bigger-picture question. In the industrial strategy, which is what we are investigating here, there has been a lot of focus on the sector deals. There is the automotive sector deal; we are battling for a steel sector deal. Part of that is the local industrial strategies. The first ones are supposed to be coming out in March 2019. What do you expect them to look like? What do they need to have? What sort of powers would you be looking at in those local industrial strategies as part of the national strategy?

Professor Jennings: I sound a bit like a broken record, but it is about sensitivity to place. The sectoral deals are going to look at particular sectoral strengths of the UK. Local industrial strategy has to grapple with various issues about national variation, but also interregional and within-region variation and where the real challenges facing particular areas within regions are. I would hope the emphasis on place encourages us to start thinking about the challenges facing particular regions. It is not a one-size-fits-all model. What is the infrastructure offer and skills offer that we can get?

There is a sense in which we are now far more aware of place and identity in national policy making. I would hope that those sorts of local industrial strategies are sensitive to economic geography but also our social geography. A real challenge of constructing devolution deals is how you construct governance structures that map people's sense of community and regional identity, as opposed to just economic geography. People live through their economic lives but in terms of governance, they are looking for representation in a context they understand. From the Solent region, marrying together the cities of Portsmouth and Southampton is a challenge when those two cities see each other as rivals. Sensitivity to place is absolutely key.

Q190 **Anna Turley:** In terms of the powers, Andrew, you mentioned the power of buses and I totally agree with that. I have people on a living wage, a minimum wage, having to get taxis to work because they are not on a bus route. That is fundamental to the economic development of my area. What would be your checklist? Is it skills? Is it buses? What would you wish to see? I accept it is unique in each place, but are there certain powers that you think could realistically be devolved that could make a real impact in these strategies?

Andrew Carter: A little bit goes back to Peter's conversation about the universal basic infrastructure. I find it hard to understand why we give some places control and influence over their buses, yet we do not do that to other places. We have begun to roll that out, now but the only place we have done that consistently for the best part of two decades, if not more, is London, yet we are only now catching on, and buses do really matter. Internal transport is absolutely critical. We are dominated in a



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conversation about these grand projects and big-ticket stuff between cities. For cities, that is not the game. The game is about how you get your place to function more effectively.

Transport, and everyday transport, is certainly important. You look at that. Some places have some, but some places have no influence over that at all. That is catastrophic for some of those places, particularly as the economic geography of jobs changes. In some of your areas, that is dispersed. Accessing those jobs becomes ever more difficult if you do not have a car or if you do not have much money in your pocket at the end of the week. They are fundamental economy interventions.

The second area—and it could be a long list—for certain is something around skills. If you talk to every place, it is about their ability to have more influence on basic skills or education. Obviously, we have degrees of autonomy around those sorts of things, but certainly skills at the low-skill end of the equilibrium is a real problem for us. Places are doing their best and there is some fantastic work going on in places like the West Midlands and others, but what they are trying to do is grapple with and work in spite of a system rather than because of it—arms behind our backs. There is a fairly fundamental requirement: if we want our places to be more successful and our people to be more successful, we need to give them the basics somewhat and opportunities to do that. We should not be looking much further in many respects than really grappling with questions around education and skills.

That then relates to other questions. We have an overwhelming focus in this country, understandably, around HE and a big detriment around further education and vocational education and training. It is catastrophic what we have done and continue to do for FE in this country relative to HE. We are subsidising HE massively while we are cutting the legs off FE. Yet, if you want to do something for the 50% immediately in towns and cities outside the greater south-east, as it were, there is somewhere to start. We have not been serious in those sorts of conversations.

Yes, industrial strategies need to be more than simply describing the problem. They definitely need to be more than funding applications to Government, which is essentially what the strategic economic plans of previous incarnations essentially turned out to be; they were shopping lists: "Here is a bunch of stuff. Can we have some money, Minister, to do this?" That is a waste of time. We need to think beyond that. We need to engage with the public and the private. These are articulations of what this place is going to do—the business community, the public sector and the political community as well. It then needs to be matched by Government, we think, as a centre, to have much more devolution of power, responsibility and autonomy to those said places to then make the decisions that they see fit. None of them will get it perfect. We do not live in a perfect world, but we ought to trust our local politicians and their actors to make those decisions that are of interest in their areas. They



know much more about their areas than officials in Whitehall or, forgive me, politicians in Westminster.

Q191 Drew Hendry: You were talking about the grand challenges. The previous BEIS Committee recommended that the missions should be sought rather than sectoral approaches to industrial strategy. The Government have obviously chosen these grand challenges and sector deals together. How should the two of those interact?

Andrew Carter: I have already suggested I am somewhat sceptical of a sector deal approach. For the record, I am sceptical of the sector deal perspective. For me, the grand challenge is improving the economic performance of cities outside the greater south-east. That seems to me to be the fundamental factor that not only has an effect on the localities we are talking about—those cities themselves—but has larger effects for the towns and places around them and for the national level. If our cities outside the greater south-east got anywhere near the national average, that is £200 billion extra to the economy, four times the economy of Birmingham. That is the grand challenge.

I am reasonably confident—it is hard and it will take time—that we know what the policy mix and policy delivery mechanisms are to try to achieve that, but we have to have the political will and ambition to deliver those things and to be consistent that we are going to do these things. That is my grand challenge. I appreciate I have not answered your question but that is my grand challenge in terms of improving the economic performance of those places.

Q192 Drew Hendry: I would like to hear Professor Jennings' view on this as well, but we have heard you are sceptical about the grand challenge approach. Do you feel that the main challenges are now being missed, for example with the impact of Brexit? You talked about skills earlier, about the workforce and the need for workforces in the towns and cities to raise the productivity. What do you have to say about those issues?

Professor Jennings: The grand challenges of ageing and the digital economy map very closely to what we at the Centre for Towns are interested in in terms of demographic change and connectivity—digital connectivity but that applies more broadly. Those grand challenges are useful to identify key priorities.

There is a danger with the grand challenge approach that there is less of a focus on the place-based issues of how you build from the bottom up. In my other life as a professor at the University of Southampton, when we are looking at developing what our research agenda might look like in response to the industrial strategy, on one level research can speak very much to the grand challenges but when I am looking at the local Solent region, in terms of development I am often thinking in terms of place. Although ageing is part of it, it is about the interconnection of ageing, skills and connectivity. Separating them through the grand challenges may not help us develop joined-up approaches in public services, private



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investment and reflecting on that interaction between place, community and identity.

My fear around some of the grand challenge approach—and I accept that place is part of it—is that we sometimes will separate out sectoral deals and initiatives that would benefit from a real emphasis on the local context or regional context.

Q193 Drew Hendry: To finish off, I am interested in your views on the skilled labour challenges and how that could impact on productivity.

Andrew Carter: To be honest with you, I am more worried or more focused on thinking about the effects of the onrushing automation and the rise of the robots, as it is often termed, and what that will do to the skills in our labour force over the next 10 to 20 years. The analysis that we did looking at the effects on different occupations shows that automation in the relatively near future could well affect a third of the jobs in places like Wakefield and Stoke. They are already at the bottom of the pack in terms of productivity, wages and skills. The worry would be that some of these changes that are coming, which are global and macro in orientation, reinforce the difficulties. That is my worry and concern. That is 30%. In some of our most successful cities, that will be less than one in 10 jobs affected. It is 8% or 10% of jobs. The worry, in a sense, is that these big macro trends, which, frankly, other places are also experiencing and are having to grapple with, are really nowhere in the domestic policy agenda, which partly relates to Brexit and partly does not.

If anything, that makes the urgency and the significance of helping our people and our places, of all persuasions in all places, adapt and respond to the changing economy ever more critical. It is always critical and it is ever more critical as we go through these quite dramatic changes in the way that our economy functions. We will go through these changes. It is somewhat inevitable that we will. The choice we have is how we respond. Let us not respond in the way that we did in the 1970s and 1980s, when our heavy industrial places across the country were decimated by large global changes and we did very little to help those places and those people adapt to acquire the new skills, to acquire the new attributes to take advantage of the economy as it continued to change. We parked them on incapacity benefit. My hometown was a recipient of those sorts of decisions.

Let us not do that again when we get to this point. Let us prepare now and think about how we help our people and our places, those that are more challenged in the economic change, to make sure that they at least have a fighting chance of dealing with those sorts of changes.

Chair: Thank you very much. That is a very important challenge to all of us. Thank you for articulating that.

Q194 Vernon Coaker: Much of the interesting evidence we have had this



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morning has talked about the importance of place, local decisions and some of the inequalities that have arisen, whatever has happened to economic growth, yet the Government criteria for the sector deals only requires local involvement where it is relevant or where there is a strong existing link. Without putting words in your mouth, does that need strengthening? Is that sufficient? Is that enough?

Professor Jennings: From our perspective at the Centre for Towns, we would strongly advocate looking at local solutions and the sense in which places in which investment might be—

Q195 **Vernon Coaker:** You would say that the criteria need toughening up. Am I putting words in your mouth?

Professor Jennings: No, I have come in today and I have probably repeated too much. We would absolutely say that policy needs to be sensitive to place. Sectoral deals and grand challenges, while very important in identifying the national picture, have to drill down into looking at the particular challenges, strengths and opportunities in particular regions.

Q196 **Vernon Coaker:** Would you agree?

Andrew Carter: I would agree. I agree simply because if we want better outcomes at the local level and indeed at the sector level, one of the factors that drives better outcomes is more local involvement and better calibration of the issues that matter in that locality and the influence that they have on those sorts of industries. The extent to which a firm in industry X or industry Y is going to be successful in a particular place is partly to do with what the firm ultimately chooses to do but, as I have already said, what determines the productivity of that firm will be stuff that is far outside of the firm's control: access to housing that is not too pricey; transport that gets its workers from point A to point B; integrations of these sorts of questions. All of those are place factors. They require co-ordination at the local level. None of those are in the sector's gift or the firm's gift to make that happen.

You talk to firms in Brighton, Cambridge or Manchester about what is holding them back. It is not within-industry issues; it is outside those. It is access to skilled labour more generally. It is a transport system that does not work. It is housing costs that are catastrophically high. All those things require co-ordination. They all need to happen at the place level. Local leadership is fundamental to making those kinds of decisions.

Q197 **Vernon Coaker:** I am interested in what Professor Jennings thinks as well. The argument, from what I gather from what you are saying, is that we need stronger links to local decision making and local criteria for the industrial strategy in sector deals and so on. As part of that, the strategy or the sector deals have to demand a greater sense of how an area demonstrates that. Part of what you were saying, Andrew Carter, was that those are the sorts of things areas need to put forward to Government to demonstrate how a deal would benefit them.



Andrew Carter: Your brilliantly put question reveals the ultimate weaknesses of a sector-led approach because what will happen is the same sector is evident in lots of different places, although what happens within that industry really does vary in different places. Look at how industries segment their activities in radically different ways. Think about Nissan. It builds cars in Sunderland but designs them and thinks about R&D in Cranfield. Barclays does investment banking in London and its call centres are elsewhere. Within industry, it is really different.

My point would be that when you get to the sector conversation about sector X or sector Y and we think, "How do we improve the performance?" you can end up having a conversation about, "How do we do this in Cambridge? How do we do this in Brighton? How do we do this in Redcar? How do we do this in Stirling? How do we do this in Cardiff?" Essentially you are back to where I started, which is that the factors for improving firm-level performance in a place are place-orientated conversations and interventions, if you see what I mean.

Vernon Coaker: I do.

Professor Jennings: I could not put it any better. It is the local context that really matters when we are looking at development within regions where sectors are based. This session is useful because the Centre for Cities and the Centre for Towns have many overlapping ideas.

Q198 **Vernon Coaker:** Here is the question; here is the nub. We are sitting here in London. We would all agree that economic growth has not been fairly distributed across the country. Many cities have benefited and there are centres of excellence. It is booming. All sorts of things are going on that can be good. Sector deals, if we are not careful, will reward them again. We are all worried, as the Chair said right at the beginning, which is the heart of it. Alongside all of that, we have towns and regions that, if they are not missed out, certainly have huge swathes that are missed out in all of our constituencies. How will an industrial strategy, which we are now looking at and this Committee is looking at, mean that that will actually be tackled? For decades that is what everybody has said: it is not fair that some regions do better than others. Particularly after the post-industrial decline, with the decline of massive industries, they have just missed out. In towns, whether they are coastal towns or whether they are parts of my constituency or parts of everybody's constituency, the inequality is rife, cheek by jowl with huge prosperity. Will the industrial strategy that we are looking at do anything about that?

Professor Jennings: For an industrial strategy to work, it has to look at the particular challenges facing particular areas—skills challenges, transport connectivity challenges—and look at the particular resources and opportunities in the particular areas. A national-level, place-insensitive strategy will not solve any of the problems we have seen in terms of inequality and economic productivity, but also in terms of social inequality.



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The thing that I would like to say, and the reason I as a political scientist have become increasingly aware of this, is that there is a real danger that, if we do not start to become increasingly sensitive to the vast disparities in terms of place and differences between towns and core cities—we would never say that core cities do not face their own particular sorts of challenges—that fuels a discontented, polarised politics that is very unhealthy.

I have not mentioned the “B” word at all in my evidence today but, as we look forward, the sensitivity to the challenges faced by particular areas has to be central to any effective industrial strategy that reflects the particular socioeconomic conditions, challenges and opportunities faced by particular areas, and it has to respect local people and communities and their felt experience of the economy as well as the hard, economic productivity numbers.

Q199 Sir Patrick McLoughlin: Particularly to Andrew Carter, in the course of this morning, you have been fairly critical of LEPs; you have been questioning of local authorities. If you wanted to say which had been the most successful form of devolution that has happened over the past 15 years, which one would you say was the right model to follow?

Andrew Carter: Can I ask for a point of clarification, Chair? When you say “successful”, Sir Patrick, what do you mean by that?

Q200 Sir Patrick McLoughlin: In terms of the things that you have talked about that have been so important to see generation taking place and investment. If I think of the time I have been in Parliament I have heard every Government of whatever colour talk about upskilling, about open learning and about how we do that. If I go back to when Michael Heseltine was Secretary of State for Environment, we had the city challenges, which were very good for competition. The trouble was those who won the competition thought it was great. Those who lost the competition said they were being left behind. It is always the way with scarce resources. We now have this situation where we have metro mayors in parts of the country. We have the London Mayor. We then have local authorities becoming unitary authorities. Which is the best way for the Government to see that kind of progress that everybody wants to see?

Andrew Carter: That is a great question. I do not think there is one overriding best way. Having said that, I am increasingly clear that a highly centralised way of running an increasingly divergent and diverse country is not the way to go about it. Therefore, I start from that basis where for too long we have had political centralisation that has been married and connected to an economic centralisation. If we want to see more of our places succeed over the longer term, in an economic sense we need to be quite radical and fundamental about devolving powers and responsibilities to different places at different scales. Therefore, there is not one definable geography where you say, “It is these everywhere”, or



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"It is these everywhere". There is a degree of pragmatism and realism within all of that.

More recently, the shift towards recognition of combined authorities with directly elected mayors visible and with reasonably strong leadership is a substantive shift in the right direction. It is early, so we have to wait. Nevertheless, that is an approach that gives those places—bigger places initially—some of the control over the powers and resources that matter with a corresponding political accountability and visibility that is also very important. We need to continue to push that out.

We need to think about how devolution and a more devolved system in the UK, and particularly in England, evolve. There are different models on the table, and we need to genuinely explore and debate them. We need to be relaxed that there is no one best way and we should avoid an assumption that we can create uniformity of a system over scale, which—again, apologies—has a civil servant neatness; it is a prized outcome of policy: nice and neat and the same everywhere.

We have reasons to be optimistic, recognising we have only made some tentative steps. We need to continue into that area. To your point—and this is the point from others—it does matter how and who is making policy as well as what that policy and those decisions are. My reading of the disenfranchisement or the disaffection of the way that the economy functions is at least partly about how those decisions are made and by whom, as well as being about what the actual decision is, whether it is X or Y. Those two things need to be run in tandem.

Chair: Thank you very much. Professor Will Jennings, Andrew Carter, thank you for giving evidence to us this morning.