

# City Relationships: Economic Linkages in Northern city regions Liverpool City Region

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Moving Forward:  
The Northern Way



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## Summary

### **This is one of seven reports published as part of the City Relationships research programme.**

The research aimed to test a hypothesis derived from previous research that stronger and more complementary economic relationships between towns and cities in the North of England would generate higher levels of sustainable economic growth and development.

The project examined the economic relationships between the five most significant economic centres in the North – Leeds, Liverpool, Manchester, Newcastle and Sheffield – and selected cities and towns nearby, looking in particular at labour market linkages and the connections between businesses. It considered barriers to more complementary economic relationships and what public policy might do to foster them.

At a time when the public policy environment is focused on recovery from the current recession, and when there are emerging changes in the tools available to agencies and institutions at sub-national level working on economic development, the report aims to generate insights about how these tools could secure better economic outcomes for places across the North of England.

### **The seven reports published through the research programme include:**

- An overall synthesis report: City Relationships: Economic linkages in Northern city regions
- Five reports detailing our findings and conclusions for each of the city regions in this study
- A report on the Research Methodology

In addition, there are five supplementary data annexes supporting the five city region reports.

These reports are available on The Northern Way website at [www.thenorthernway.co.uk/cityrelationships](http://www.thenorthernway.co.uk/cityrelationships)

## **Key findings and policy conclusions**

### **Economic development in the Liverpool City Region**

- In the city region, strong and confident leadership should be able to make difficult decisions within a clear understanding of the complexity of the wider Liverpool City Region's economic geography, the roles of different places and how mutual benefits can best be secured.
- The city region needs a co-ordinated focus on investment in education and skills, employability and enterprise, health improvement and housing market failure, across the city region as a whole, to improve both individual life chances and the wider Liverpool City Region economy.<sup>1</sup> Beyond the central area of East Wirral, North Liverpool and South Sefton, particular consideration should be given to how to better integrate communities in Knowsley, St Helens and Halton so they can benefit more from the growth opportunities from the Liverpool City Region.
- The Liverpool City Region has developed particularly strong cross-sector agency support for its economic development strategy. The Mersey Partnership has led in developing concepts such as Liverpool 'SuperPort'. Mersey Maritime offers very strong private sector led support to the Maritime sector. Merseyside

<sup>1</sup> See section 2.1 for definitions of the wider Liverpool City Region (wider LCR) and the core of the Liverpool City Region (LCR core)

acme and Liverpool One provide innovative approaches to the support of start-up companies and firms in the early stages of their development through creative business networks to enable them to learn and support each other.

### Draw of Economic Centre

- The Liverpool City Region has a **simple polycentric structure**. Liverpool is the main driver and employment centre. Its economy has grown by some 62% in the past 10 years and each day it attracts some 90,000 commuters from across the city region. The other main centres of employment are Warrington and Chester. By contrast, the core of the Liverpool City Region (Liverpool, Wirral, Sefton, Knowsley, St Helens and Halton) is largely monocentric with Liverpool as the dominant centre.
- Liverpool has a **compact travel-to-work area** compared with the other study areas. This reflects its position on the North West Atlantic Seaboard, the compactness of the surrounding urban area, and the fact that Liverpool currently lacks the economic pull of Manchester or Leeds, having lower workplace earnings and relatively fewer knowledge worker employment opportunities.

### Labour Market Relationships

- In labour market terms, *Sefton* is 'dependent' on Liverpool, with 26% of its working residents commuting into Liverpool for employment. However, there is a clear geographical division between the southern part of the borough, which is close physically and in character to Liverpool, and the northern towns around Southport, which have a more 'independent' character.
- *Wirral* is also 'dependent' in labour market terms on Liverpool with more than 13% of residents commuting to Liverpool. West Wirral is an attractive residential area for senior executives working in Liverpool. East Wirral is relatively deprived. Wirral aspires to move from 'dependence' to 'interdependence' with Liverpool.
- *Knowsley* is largely 'dependent' on Liverpool, with almost half of its working residents commuting to Liverpool. It is the 3rd most deprived local authority district in England and therefore has a low skill profile. It has developed its business density in recent years, although it still considerably lags that of the other boroughs. Knowsley aspires to be a stronger employment centre in its own right, building on its existing significant industrial and business parks, maximising its positive geographical position close to major regional motorway and airport links.
- In labour market terms, *St Helens* is largely 'isolated' from Liverpool's economy. Just under 9% of St Helens residents commute to Liverpool. The economy has a different industrial history to the rest of the Liverpool City Region, which reinforces its isolation. Efforts are being made to achieve a transformation of the town centre, improve the housing offer and build the SME base.



## Wheel of city typologies – Liverpool City Region



- *Halton* is characterised as 'independent'. This is because of its firm links, its strategic position in the city region and the relative quality of its business base. It has some key knowledge assets, like Daresbury, and plays an important role in Liverpool 'SuperPort'. However, if only its labour market characteristics were taken into account it would rate as 'isolated'.
- *Chester*<sup>2</sup> is characterised as 'independent', with a relatively strong economy of its own. In labour market terms it is relatively self-contained within a sub-region including Flintshire and Wrexham in North East Wales and West Cheshire. Only 3% of its residents commute to Liverpool to work. However, it has strong specialisms in financial services, tourism and retail which offer opportunities for complementary firm relationships within the Liverpool City Region.

2 The data analysis for Chester is based on the local authority district of Chester that existed prior to the April 2009 local government reorganisation, which incorporated Chester within the new unitary authority of Cheshire West and Chester

### Firm Relationships

- The *Maritime* sector is a key sector in the Liverpool City Region, with some 1,700 firms employing around 28,000 employees. It is a diverse sector encompassing port operations (wet and dry docks), shipping services, professional services, distribution/logistics, marine engineering and specialised services. Activities are spread around the city region. Given the historic and strategic importance of the sector to the city region and its locational advantages, a vision has been developed to integrate all the maritime activities together with airport activities into a single concept, called Liverpool 'SuperPort'. The agglomeration advantages for the sector are: infrastructure investment; location (with shipping access to USA, Ireland and other world markets), rail access to South East ports and road access to a significant population and manufacturing capacity in the North West; established labour market and maritime skills. The sector's growth aids complementary economic relationships across the city region.
- *Digital and Creative Industries* is a growing sector with around 6,000 firms that employ around 35,000 people in the city region. Nearly all the firms in this sector are micro or small and medium sized. In this sector, the City Centre acts as a 'public good' in providing the location for start-up and growing companies. As they grow, creative companies are more tied to the City Centre because face-to-face contact and the City Centre experience remain important. By contrast, digital firms become less tied to Liverpool as they grow and consider their position with regard to competitive markets (primarily in London and secondarily in Manchester). The recent transformation of Liverpool's reputation is of assistance to firms in this sector. They rely almost exclusively on a graduate workforce, and have to compete to recruit and then retain staff. A larger pool of labour and of large firms would assist the development of this sector.

### Economic Relationships

- *Sectoral specialisation* – Over recent years, changing patterns of sectoral specialisation mean that Sefton, Wirral, Halton and Chester have more potential to create complementary firm links with Liverpool. By contrast, Knowsley and St Helens, with their specialisms in manufacturing, have presently less potential for complementary firm links.
- *Transport* – Liverpool City Region, and in particular its core, is exceptionally well connected by public transport. Because the city region is compact, average travel to work times are shorter than in the other case study areas. The main bottlenecks identified are for the transportation of goods from Liverpool docks to the M62 and congestion on the Mersey Crossing in Halton. Liverpool John Lennon Airport offers a strong alternative to Manchester Airport. Train connections to London are also rated, although the journey time by rail to Manchester is seen as a problem.
- The *quality of life* in the city region is rated. There is perceived to be a good available choice of *housing*. In both the Maritime and the Digital and Creative Industry sectors, staff loyalty is seen to be an advantage compared with other centres such as London.

# 1: Introduction



For policymakers seeking to enhance the productivity of individual places, it is vital to look beyond administrative boundaries. Local areas are open and dynamic. Their economies are shaped by economic relationships with other areas<sup>3</sup> – connections and flows of people to and from home, work and leisure, as well as firm relationships and supply chains.<sup>4</sup> These have the potential to generate benefits for both local areas, for example, in the Greater South East, London's success has benefited nearby cities and towns such as Reading.<sup>5</sup>

When local areas have economic relationships that create advantages for both areas we have defined them as **complementary economic relationships**: labour market and firm links between two urban areas that generate mutual economic benefit.

However, not all economic relationships are complementary; some places appear to be less likely to benefit from their links with one another. In the North of England, for example, there is a desire to understand why the success of Manchester, Newcastle and Leeds has not spread to neighbouring areas in the same way that the success of London has benefitted surrounding areas.<sup>6</sup> This raises questions about the factors that contribute to more or less complementary economic relationships.

In response The Northern Way and CLG have been supporting a partnership of the Centre for Cities, SURF and The Work Foundation to investigate relationships between cities in more detail. Building on *City Links*<sup>7</sup> and our review of additional literature,<sup>8</sup> our hypothesis is:

*"Sustainable economic growth of places, a more highly skilled workforce, higher individual prosperity and reduced deprivation could be achieved in the North by strengthening the economic links between the economic centres of city regions and the towns and cities that surround them. These links could be supported through policies to improve integrated transport links, focus up-skilling of the working population, and foster innovation and investment in specific business clusters and their supply chains."*

To test this hypothesis, the partnership has investigated the relationships between the five most significant economic centres in the North – Leeds, Liverpool, Manchester, Newcastle and Sheffield – and selected cities and towns nearby, seeking to answer the following questions:

**What are the factors that contribute to complementary or non-complementary economic relationships between northern cities?**

**Can a focus on complementarity lead to higher and mutually beneficial economic spillovers within and around the city regions of the North?**

**Supplementary questions:**

1. What supports complementary economic relationships between cities?
2. What are the barriers to complementary economic relationships developing between cities?
3. What can public policy do to support and develop complementary economic relationships between cities? Are there transferrable lessons from other cities that have successfully developed and supported complementary economic relationships?

3 Overman, H. et al (2007) Economic Linkages Across Space, CEP Discussion Paper No 805, London School of Economics: London.

4 Harding, A, Marvin, S. and Robson, B. (2006) 'A framework for city regions', Office of the Deputy Prime Minister, London, available at: [www.communities.gov.uk/publications/citiesandregions/frameworkfull](http://www.communities.gov.uk/publications/citiesandregions/frameworkfull)

5 Hall, P. & Pain, K. (2006) The Polycentric Metropolis: Learning from Mega city regions in Europe: Earthscan

6 IPEG and CUPS, University of Manchester (2008) The Northern Connection: Assessing the comparative economic performance and prospects of Northern England: The Northern Way and Jones et al. (2007) How Can Cities Thrive in the Changing Economy?, The Work Foundation

7 Lucci, P and Hildreth, P (2008) City Links: integration and isolation, Centre for Cities, available at <http://www.centreforcities.org>

8 See scoping paper published in March 2009

9 Our focus is on economic growth of places but we note that Overman and Leunig's work suggests that there may be a tension between focusing on the prosperity of individuals and of places, as individuals may gain greatest individual benefit from moving to places offering the greatest economic opportunities. Our work hopes to contribute to insights about if and how prosperity of both individuals and places can be achieved.



Our methodology is summarised in Box 1 and set out in more detail in a Methodology Paper.

### Box 1: Summary of Methodology

We selected **two sectors** to focus on in each city region, enabling us to understand supply chains and business relationships in more detail.

We also selected **six towns and cities** in each city region, focusing on three local authorities that have strong commuting links with the economic centre, one 'boundary' local authority (a local authority at the edge of the city region), and two local authorities, each with a high concentration of employment in the selected sectors. These are set out in the table below. More details (including SIC codes) are available in the methodology paper.

The work started with **background data analysis** to help us test the hypothesis. This set out measures of economic performance, skills, individual prosperity, wages and deprivation for the economic centres of the city regions and selected towns and cities in the surrounding area.

We then **analysed secondary data** to review the relationships between the economic centre and the towns and cities which surround them, focusing on three main themes:

1. Economic scale and increasing returns;
2. Labour market links;
3. Transport links.

We also conducted a brief **literature review** and a series of **interviews with selected policymakers and businesses**. This was to help us understand more about two issues:

1. Business supply chains;
2. Other factors that might affect relationships between cities, for example the history of places and their relationships, cultural issues such as a preference for local working, and political and geographical challenges.

**Table 1: Overview of case study places**

City Region	Top commuting LAs	Boundary LAs	Sector LAs
Leeds City Region	1. Wakefield 2. Bradford 3. Kirklees	4. York	5. Calderdale – Financial Services 6. Harrogate – Retail
Liverpool City Region	1. Sefton 2. Knowsley 3. Wirral	4. Chester	5. St Helens – Maritime ('Liverpool Super Port') 6. Halton – Digital and Creative Industries
Manchester City Region	1. Stockport 2. Trafford 3. Bury	4. Blackburn	5. Oldham – Advanced manufacturing 6. Warrington – ICT, Digital/Communications <sup>10</sup>
Sheffield City Region	1. Rotherham 2. North East Derbyshire 3. Barnsley <sup>11</sup>	4. Doncaster	5. Bolsover – Advanced manufacturing and metals 6. Manchester – ICT
Tyne & Wear City Region	1. North Tyneside 2. Gateshead 3. Sunderland	4. Durham	5. Easington – ICT/Digital 6. Derwentside – Manufacturing <sup>12</sup>

### 1.1 This paper

The work aims to inform the development of economic development strategy at a number of levels: The Northern Way's strategy, regional strategies, sub-regional and city regional development plans; and the work of CLG and other Government departments in the development of Multi-Area Agreements (MAAs), City Region Economic Prosperity Board pilot schemes and prioritising infrastructure projects for the post 2014 budget. In addition this work aims to provide insights to inform the way that city regions respond to recession, prepare for recovery and work together in the context of tough spending decisions that will be required to be made by Government over the next few years.

This analytical paper focuses on the results of our analysis for the **Liverpool City Region**. It is accompanied by an overarching paper setting out our overall findings and papers on the other four city regions: Leeds, Manchester, Sheffield and Tyne and Wear. These are all available at [www.thenorthernway/cityrelationships](http://www.thenorthernway/cityrelationships)

This paper on Liverpool City Region sets out our findings in the following sections:

First, we provide a summary of the current position in the city region. It briefly sets out the context for, and the history of, relationships within that city region, and then focuses on the characteristics of Liverpool as the economic centre – e.g. its economic performance and how this affects relationships within the city region.

10 Warrington can look both east and west, to Manchester and to Liverpool, and we have considered this as part of our analysis.

11 Barnsley can look both south to Sheffield and north to Leeds, and we have considered this as part of our analysis

12 Data analysis conducted as part of the research was carried out prior to the 2009 local authority boundary changes. Local authorities affected as part of the 2009 Local Authority boundary changes include Easington and Sedgfield (part of Durham Unitary Authority), and Chester (part of Cheshire West and Chester Unitary Authority)

Secondly, we review how these individual labour market relationships affect relationships at a city region level, focusing on ‘life choices’ (migration, jobs and homes), career development, and the relationships between housing, workplace, skills and transport.

Thirdly, we review firm links in the city region: presenting the findings about specific sectors within the city region, assessing how supply chains work and how relationships between different cities operate. In the Liverpool City Region these sectors are Maritime (‘Liverpool SuperPort’) and Creative and Digital Industries.

In the fourth section, we draw together our findings about the linkages and relationships within the city region between places, using the analytical model which has been developed through this study, across the five city regions in which we have been working. Given our findings about the importance of labour market linkages to the economic relationships between places, the main focus for this model is on the labour market linkages. In this section, we apply our spectrum of different types of labour market relationships to the Liverpool City Region, and explain why we characterise each city in the way that we do. This sets out information about commuting patterns, skills, earnings, economic performance, transport and house prices for each city or town we reviewed.

Finally we highlight the key findings and policy conclusions that this research raises for the current and future relationships between Liverpool and the neighbouring towns and cities.



## 2: Background



### Box 2: Literature

This study builds on existing literature on the city region's economic geography. Key policy background documents to this report include: Knowsley MBC: Core Evidence Base (Regeneris 2007); The Liverpool City Region: Transforming our Economy (The Mersey Partnership 2005); Liverpool City Region Development Programme (The Mersey Partnership 2006); Liverpool City Region Multi Area Agreement (The Mersey Partnership 2009); Liverpool John Lennon Airport Master Plan; Liverpool Super Port (The Mersey Partnership 2008); Mersey Ports Growth Strategy (Mersey Maritime 2006); North West of England Plan Regional Spatial Strategy (2008); Ocean Gateway Draft Prospectus and Technical Report (Peel Holdings 2008); The Maritime Sector on Merseyside: Economic Impact Study (Mersey Maritime 2007); The Local Transport Plan for Merseyside 2006-2011; West Cheshire – North East Wales: Sub-Regional Study (GVA Grimley, 2004). Other background sources include: Liverpool: A People's History (Belcham, J. 2008) and Liverpool 800: Culture, Character and History (Aughton, P. 2008).

### 2.1 Liverpool City Region

The Liverpool City Region (LCR) (also referred to hereafter as the 'wider LCR') is located on the Atlantic Seaboard of the North West Region with a common geography shaped by the River Mersey and its Maritime and industrial history. As set out in the new MAA document:<sup>13</sup>

*"The city region comprises the Core City of Liverpool and local authority districts of St Helens, Wirral, Knowsley, and Halton plus the adjacent areas of Warrington, Chester, Ellesmere Port and Neston (West Cheshire), and North Wales and West Lancashire. Therefore geographically it extends right across the home to work area although we recognise that at its core are those communities and businesses within Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral."*

Therefore, 'the wider LCR' embraces the wider functional labour market and firm relationships that Merseyside has with Cheshire West and Chester, Warrington and West Lancashire, and Flintshire and Wrexham in North Wales. Within this area, Liverpool, Chester and Warrington are the three primary employment areas. However, the draw of Liverpool, as the main driver of the city region, is significantly greater than the other two and Warrington is more significant than Chester.<sup>14</sup> The 'wider LCR' has a simple 'polycentric' structure.

LCR is an important driving force for the North of England's economy. The 2005 CRDP<sup>15</sup> stated that the 'wider LCR' economy contributed the equivalent to a 40% share of the North West region's GVA and 34% of its jobs. LCR has economic interrelationships with the Manchester City Region and 6.75 million people live within 60 minutes drive from Liverpool City Centre. LCR is important as a strategic sea and air gateway to Europe and, particularly in its Maritime role, to the global economy. LCR is a distinctive and increasingly internationally recognised brand, reinforced by the success of Liverpool European City of Culture 2008.

13 The Mersey Partnership (2009) 'Liverpool City Region: Multi Area Agreement', available at: [www.merseyside.org.uk/dbimsgs/Liverpool\\_City\\_Region\\_MAA.pdf](http://www.merseyside.org.uk/dbimsgs/Liverpool_City_Region_MAA.pdf)

14 The Mersey Partnership (2005) 'The Liverpool City Region: Transforming our Economy', page 1

15 The Mersey Partnership (2005), 'The Liverpool City Region: Transforming our Economy', ibid

Figure 2.1: City region Case Study Area<sup>16</sup>



As indicated above, the 'urban core of the LCR' (referred to hereafter as 'LCR core') is defined by the area covering Liverpool City Council, Knowsley, Sefton, Wirral, St Helens, (former boroughs of the old Merseyside Metropolitan County Council) together with the borough of Halton. This is also the area represented by The Mersey Partnership. The GVA of this area is over £18 billion,<sup>17</sup> accounting for some 17%<sup>18</sup> of the North West's total GVA.<sup>19</sup> It has a combined population of 1.5 million, offers 540,000 jobs and 40,000 businesses. The LCR core is largely monocentric in character, with Liverpool as the dominant employment centre.

Interviewees frequently used the term LCR in an inter-changeable way to refer to both the 'wider LCR' and to the 'LCR core'. This paper adopts the approach taken by the CRDP in distinguishing between both definitions of the LCR. Our view is that there is great value in embracing both concepts of the city region and applying them in their appropriate context. They reflect the fuzzy boundaries of all city regions, with different policy issues and priorities being appropriate to different spatial levels. Therefore it is not surprising that the CRDP stated:

- 16 The data analysis for this project was undertaken prior to 1 April 2009 and was based on the pre-2009 local authority boundary changes. The previous local authority districts of Chester, Vale Royal and Ellesmere Port and Neston were incorporated into a new unitary Cheshire West and Chester Council. All data and chart references to Chester in the report apply to the area covered by the former local authority district of Chester, unless stated otherwise. The methodology used in this report can be applied to the new local authority boundaries.
- 17 The City of Liverpool (2009) 'Liverpool Economic Briefing', available at: [www.liverpool.gov.uk](http://www.liverpool.gov.uk)
- 18 The Mersey Partnership (2009) 'Liverpool City Region Multi-Area Agreement', *ibid*
- 19 North West of England Plan Regional Spatial Strategy (2008), page 133

*“The city region is not a homogeneous entity but rather a patchwork consisting of different sub-economies that interact but operate primarily in the context of their own evolved competitive strengths and weaknesses. There are economic ‘hotspots’ in terms of performance – namely the three activity nodes of Liverpool, Chester and Warrington – but even these are different in scale, function, capacity and operation.”<sup>20</sup>*

Our evidence about economic relationships between places within the LCR supports this statement and shows how understanding the complexity of these economic and social relationships could help the wider LCR build an even stronger foundation for its future economic development.

### 2.1 Partnership working in Liverpool City Region

There is a long history of partnership working within the LCR core. The Mersey Partnership<sup>21</sup> was formed in 1993 and developed a strong culture of collaboration between its member authorities and with the private sector. Many of the interviewees stated that the Objective One programme under the European Regional Development Fund had been a very positive experience for collaboration in Merseyside.

It was repeatedly emphasised by interviewees that the development of a partnership that embraces the wider LCR posed challenges of a different nature, having access to less external resource, and needing to have an even stronger strategic capability. By its nature, the latter type of partnership requires a higher degree of mutual trust to make difficult choices between potentially competing priorities and outcomes. As interviewees also stressed, it requires strong leadership. A common view was that Liverpool had been unable to provide such leadership between the 1980s to late 1990s as a result of relative economic decline during that period. However, there was general consensus that circumstances had changed. The growing renaissance in Liverpool had in turn created greater civic confidence. As a result, the City was now better placed to provide stronger leadership within LCR.

It was acknowledged by the boroughs within the LCR core that there was a strong mutual interest in achieving effective cooperation. Many of their individual aspirations would not be achieved by acting on their own. However, there was also an appreciation that achieving this was not always easy. As will be explored further later on, each of the boroughs has a different character, even within their boundaries, as starkly illustrated by Wirral (east and west) and Sefton (north and south). Distinctiveness can be a great strength. But it can also lead to *‘a legacy of parochialism, low aspirations and lots of barriers in achieving progress’*.<sup>22</sup> These distinctions are at the heart of political tensions between the very local and city regional interests which constantly need to be managed for a wider LCR agenda to be developed successfully.

In 2009, the LCR signed a Multi-Area Agreement (MAA) with the Government. The MAA document set out the LCR’s commitment to develop stronger governance arrangements for the city region. These were to consist of a city region Cabinet comprised of the leaders of the six local authorities and the Chair of The Mersey Partnership. It was proposed that the Cabinet would offer associate status to neighbouring local authorities in the wider city region as well as the private sector. The Cabinet would be underpinned by six policy boards to align a city regional approach across: economy; employment and skills; transport; planning and housing; environment and waste; and healthier communities. The Shadow city

20 pa The Mersey Partnership (2005) ‘The Liverpool City Region: Transforming our Economy’, *ibid*, page 15

21 Whilst The Mersey Partnership originally covered the geographical area of the old Merseyside Metropolitan County Council, it now encompasses six local authorities within the LCR, with Halton joining in 1998. It currently has some 500 members, including many of the leading and smaller companies in the city region. For more information see the Mersey Partnership website: [www.merseyside.org.uk/default.asp](http://www.merseyside.org.uk/default.asp)

22 Quotations are given in the text from interviews to illustrate common views that were expressed by interviewees. To reflect the confidential nature of the interviews, quotations are un-attributed.

region Board became operational in October 2008, with the intention of the full city region governance structure being in place by October 2009.<sup>23</sup>

For the reasons given above, there was a consensus amongst the interviewees that LCR has some way to go to develop similarly strong city regional structures as those for the Manchester City Region. History, complex economic geography and other circumstances are seen to inevitably make it a longer process.

## 2.2 Current relationships are shaped by history

Relationships between different boroughs, towns and cities in Liverpool City Region have been shaped by history. Knowsley illustrates how historically the urban area of the LCR was formed by the joining-up of previously unconnected towns and villages to form a contiguous urban area. Many of the original settlements have retained some of their original character and identity. The River Mersey has also acted as a barrier to reinforce distinctive identities, for example between Wirral and Liverpool, and even between Birkenhead and Wallasey.

Being a great port city has dominated Liverpool's modern history, shaping its character, and continuing to influence its future development. Indeed, several interviewees mentioned Liverpool's historic role as a 'Gateway City' and how this has shaped how the City sees itself today. Liverpool developed rapidly as a port in the 18th century, initially trading sugar and slaves and later becoming a major world port by importing cotton from the USA and transporting it to Lancashire via the Leeds-Liverpool Canal. On the back of the cotton trade and trade of a wide range of other goods, Liverpool became a wealthy city, reflected today in its rich architectural heritage. Liverpool has more grade one listed buildings than any other English city outside London.

During the 20th century, Liverpool went through a process of decline. This paralleled the waning of the cotton industry and the introduction of container ships benefiting ports in the South East of England. Because of its dependence on the Maritime industry, the Liverpool and Merseyside economy was very vulnerable to changes in global market conditions. The process of decline continued during the 1980s, when Liverpool's unemployment rate reached 25%, marked symbolically by the closure of Tate and Lyle, in 1981, and other employers.

However, since the mid-1990s Liverpool and Merseyside have been on a journey of renaissance. The Maritime sector has grown significantly since 2000. Dramatic improvements in the urban fabric are most recently reflected in the opening of Liverpool One in 2009 and major infrastructure investment along the old dockside.

23 The Mersey Partnership (2009) 'Liverpool City Region Multi Area Agreement', page 31, *ibid*



### Box 3: Liverpool has a distinctive character

Interviewees frequently referred to Liverpool having a very distinctive character. This was shaped by its location on the North West Atlantic Seaboard and its long and great history as a port. Liverpool was frequently described as being *'on the edge'* and as a *'gateway city'*. This meant that it had been a place to *'pass through'* for journeys to other countries and continents. But it also meant being *'at the end of the road and rail terminus'*. This was contrasted with Manchester. Manchester was perceived as a base, not just for itself, but also for other places: *"You can live in Manchester and work there or in other places, such as Leeds, Liverpool and Sheffield. And if you change your job you do not have to move"* Liverpool was seen as different, as reflected in its unusually compact travel to work area. People had made deliberate choices to come, stay, work and invest in Liverpool. The benefit was that it had created an exceptionally strong and distinctive cultural identity. This was powerfully represented in the success of the Liverpool 'European City of Culture 2008' programme and celebrations. It also helps to explain, alongside its distinctive skyline, why Liverpool is such a strong international brand.

Nonetheless, like the other great Northern cities, Liverpool has significant concentrations of poorer housing and communities within its inner area. For example, some of the inner city wards such as Kirkdale, Everton and Toxteth, whose communities originally provided workers for the docks, remain today amongst the most deprived in England. Liverpool has more Super Output Areas (SOAs) in the bottom 5% than any other District in England.

Both pre-war and post-war, there were periods of demolition and replacement of inner-city slums. In the 1950s and 1960s, there was large scale housing reconstruction and relocation into neighbouring areas including Knowsley, Sefton, Speke/Garston as well as into Runcorn and Widnes. These were often mixed developments, combining residential development with new manufacturing plant. Indeed, as a result of 1950s and 1960s regional policy of encouraging relocation of businesses to the North of England, major car plants investments were made by Ford, Vauxhall and Standard Triumph in Kirby, Huyton, Ellesmere Port and Speke, providing for the first time in Liverpool's (and Merseyside's) history a real manufacturing base within the city.

The Wirral has a strong civic history, which remains important in influencing aspirations for the borough today. Birkenhead grew up around shipbuilding in the 1820s and the first docks were opened in 1847, together with the municipal park, which became an inspiration for New York's Central Park. Despite a long and distinguished history, shipbuilding has currently ceased on the Mersey. However, Cammell Laird is in the ship repair/conversion business with the additional anticipated return of shipbuilding and has secured long term contracts that are important to the Liverpool 'SuperPort' offer.

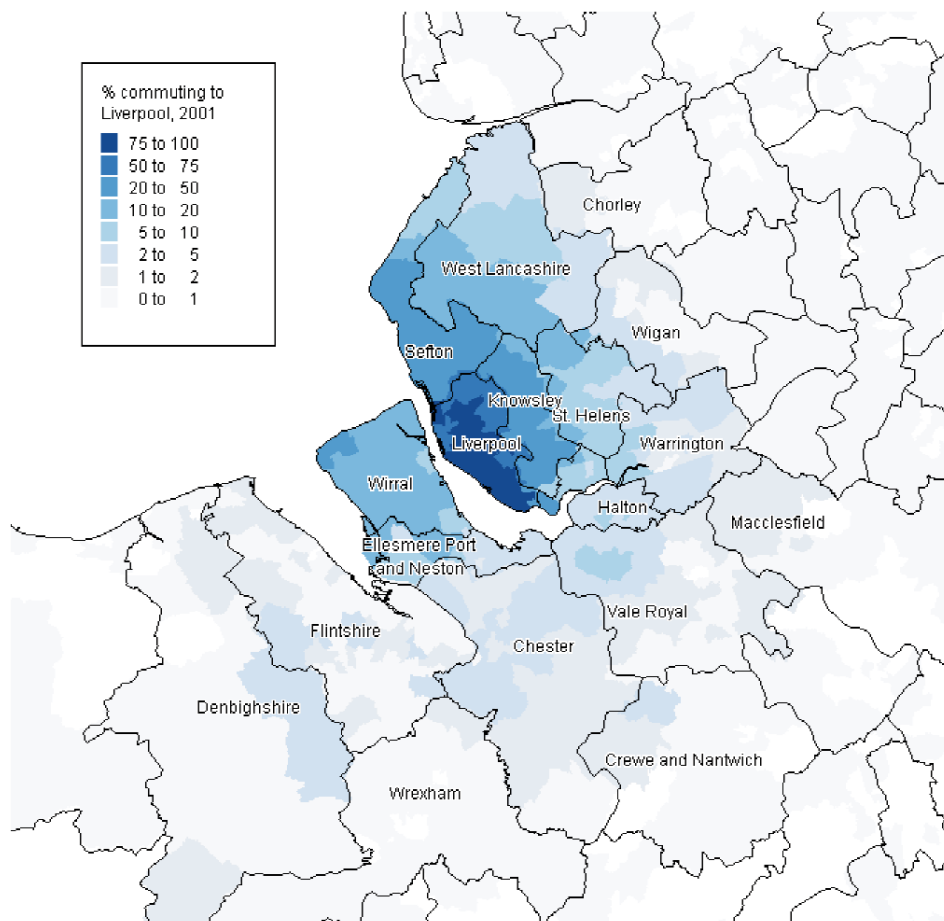


### 2.3 Liverpool is a centre of employment for the city region

Liverpool is the centre of employment opportunities for both the wider LCR and for the LCR core, with a population of around 442,000<sup>24</sup> and 226,000 jobs.<sup>25</sup> It attracts some 70,000 workers from the LCR core and some 17,000 from the surrounding area that forms the rest of the wider LCR. With 87,000 workers commuting into the city and 40,000 Liverpool residents travelling out of the city to work, Liverpool is a net importer of 47,000 workers.<sup>26</sup>

However, Liverpool has a more compact travel-to-work area (TTWA) than the other core cities. 81% of Liverpool's residents live and work in the city, with the TTWA only stretching some 30 kilometres from the City. Liverpool is less self contained than Sheffield (54% of Liverpool jobs are taken by Liverpool residents compared to 71% in Sheffield), but a higher proportion of jobs in Manchester are taken by in-commuters (only 31% of Manchester jobs are taken by Manchester residents). This relates to how cities are bounded administratively, as well as their socio-economic characteristics. Thus the tighter travel-to-work area of the LCR reflects its economic geography: its position on the North West Atlantic Seaboard; and the relative compactness of its core urban area as well as the relatively strong economic pull of Manchester and Leeds compared with Liverpool.

Figure 2.2: Liverpool's travel-to-work area<sup>27</sup>



Source: 2001 Census, ONS

24 The Local Transport Plan for Merseyside 2006-2011, page 48, available at: [www.letstravelwise.org/files/138849671\\_LTP\\_complete\(reduce\).pdf](http://www.letstravelwise.org/files/138849671_LTP_complete(reduce).pdf)

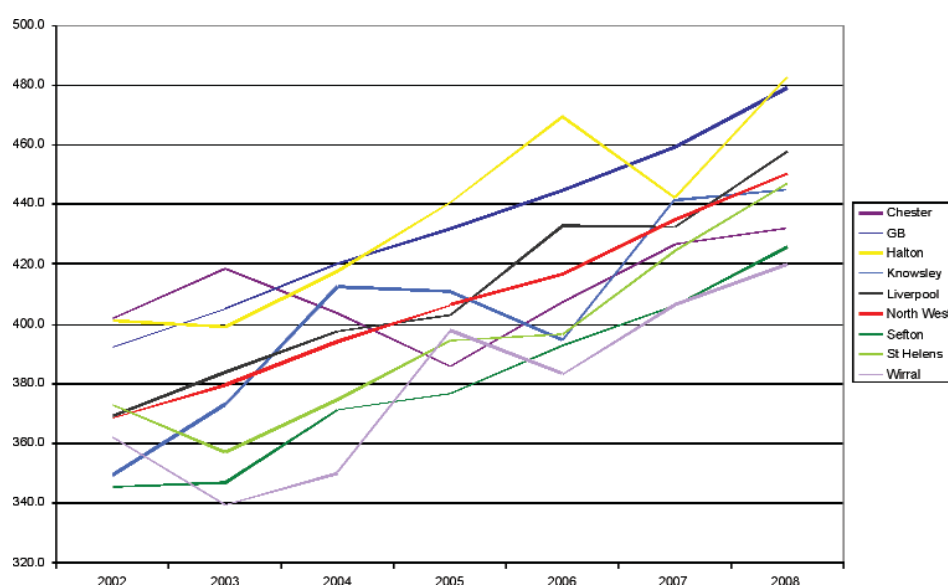
25 The City of Liverpool (2009) 'Liverpool Economic Briefing', ibid

26 The Local Transport Plan for Merseyside 2006-2011, page 48

27 See footnote under Figure 2.1 for comments about boundary changes in April 2009 that created Cheshire West and Chester Council

The relatively stronger pull of Manchester is illustrated by workplace earnings. Since 2002 earnings in Liverpool and the wider LCR have been increasing (see Figure 2.3). Liverpool has higher workplace earnings than Sheffield and Newcastle (this may partly be an effect of public sector employment). However, Liverpool has far lower average workplace earnings than Manchester (£458 compared to £491 respectively).

Figure 2.3: Change in workplace earnings in Liverpool City Region, 2002-2008



Source: Annual Survey of Hours and Earnings, 2009

Liverpool's employment rate has increased significantly over the last decade, from 56% in 1998 to 64.6% in 2008, outperforming the North West as a whole at a time when the GB employment rate remained relatively stable. However, despite progress in growing the business base, Liverpool remains one of the most deprived local authority districts in England (see Data Annex, Table 18):

- Liverpool's high deprivation and low skills mean that its **employment rate is well below regional and national averages** (72.3% and 74.5% respectively).
- Liverpool has a high concentration of people living within its administrative boundary but the **majority are not educationally qualified to access the high value jobs** in the city.
- The city has a **polarised skills profile** – 20% of its residents have degrees, which is low compared with the UK (33%) and NW (30%) averages. At the other end of the spectrum 22% of residents have no qualifications, compared with UK (9%) and NW (10%) averages.

#### 2.4 Liverpool is the key economic driver of the LCR

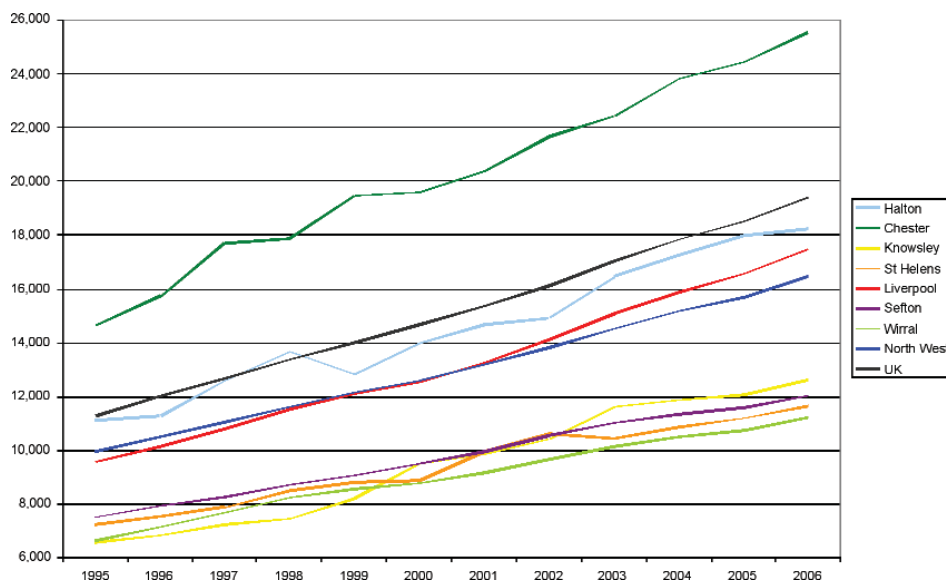
In recent years, the Liverpool (and the LCR core) economy has been performing relatively well. Over the past ten years, the economy has grown by some 62% in economic value and business density has risen by 21%.<sup>28</sup> The Maritime industry has re-established itself again, becoming increasingly reintegrated into the life of the City and its surrounding boroughs. Liverpool is the main UK port trading with USA and Ireland, and services ports in other parts of the world, including Asia. A fresh vision

28 The Mersey Partnership (2009) 'Liverpool City Region Multi-Area Agreement', *ibid*

has been developed to create Liverpool 'SuperPort', integrating the core assets of the ports, airports, professional services and logistics operations to service regional, national and international markets. In addition, the European City of Culture in 2008 reinvigorated confidence in Liverpool, and considerably raised its national and international profile as a business and visitor destination.

In 2005 and 2006, Liverpool's GVA grew by 5.2%, placing it third (alongside Leeds and behind Tyneside (5.7%) and Greater Manchester South (5.5%)) amongst the English Core Cities<sup>29</sup> in growth rates. Liverpool is the core economic driver within the LCR and has the highest workplace earnings within the city region, perhaps because of its high levels of public sector employment. However, within the wider LCR, Chester and Halton have higher levels of GVA per capita than Liverpool itself because of concentrations of higher value employment.

Figure 2.4: GVA per capita, 1996 to 2006



Source: ONS, 2009

There has been a developing base of knowledge intensive firms in the LCR core and the wider LCR, reflected for example in the growing Digital and Creative Industries. Over the past ten years, Liverpool's knowledge economy has grown by over a fifth,<sup>30</sup> and the city has also made good progress in new business registrations and increasing business density.

However, the majority of this growth in knowledge intensive employment in Liverpool has been driven by the public sector (health, education and public administration). Nearly 60% of employment in the knowledge-intensive industries is in the public sector, for example in the three universities: Liverpool University; Liverpool John Moores University and Liverpool Hope University. The Liverpool economy may therefore be vulnerable to reductions in public expenditure. The other large source of growth in the economy has been in 'other business services' including accountancy, legal services, architecture and advertising. However, overall growth rates of knowledge intensive employment over the last ten years have been lower than the other Core Cities, with the exception of Manchester.



29 Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield

30 The City of Liverpool (2009) *Liverpool Economic Briefing*, *ibid*

In all respects, Liverpool has been coming from a lower base position than all our other case study areas, with the exception of Sheffield. For example, Liverpool's GVA per head of £17,849 (2006 figures) remains £1,941 (11.1%) below national GVA per head and below all of the other Core Cities, with the exception of Sheffield (£16,578).<sup>31</sup> The knowledge economy employment in the city accounts for a smaller percentage of total employment than in other Core Cities. This impacts on Liverpool's present capacity to offer an effective pull factor for the wider LCR economy as a whole.

### 2.5 Liverpool's sectors and economic relationships

Liverpool has several long standing (10 years) sectoral specialisations – i.e. sectors where the city has more employment than the national average. These, together with the more recent patterns of sectoral specialisation, facilitate or discourage firm relationships with its neighbours.

An analysis of sectoral specialism based on individual SIC codes does not pick up the Maritime industry specialisation of Liverpool (and the 'LCR core'). This is because of the wide range of activities that come within this sector. However a recent economic impact study for Mersey Maritime calculated a location quotient of 4.5 for the Maritime sector for the Merseyside sub-region, which indicates that the sector is relatively significant compared with the UK economy as a whole.<sup>32</sup> On the basis of individual SIC codes, long standing sectoral specialisations of Liverpool include: manufacture of pharmaceuticals; land transport; non-life insurance; higher education; museum activities; gambling and manufacturing. Recent sectoral specialisations of Liverpool include: publishing; retail; transport; database activities; legal activities and call centres.

With 76 four digit SIC Code sectors with over 500 employees in 2007, Liverpool is more diverse than Sheffield and Newcastle, but less diverse than Manchester. It is also very public sector dependent. Most of the sectors that Liverpool specialises in are 'agglomeration sensitive', meaning that they derive above average benefits from being located in or near a big city. This is indicated by Liverpool's responsiveness to agglomeration, which is 22.5% above the GB average.

This overview of the evolution of Liverpool City Region offers an insight into the history and spread of the functional economy, and it suggests how the local authorities administrative areas are economically inter-linked. The next three sections of this report aim to look more closely at these connections – looking in particular at the linkages between businesses within the two selected sectors, and the movements of people to and from the six selected local authority areas, to understand more about the roles of different places in the functioning of the city region's economy, and to help inform the future strategy of the city region.

31 The City of Liverpool (2009) 'Liverpool Economic Briefing', *ibid*

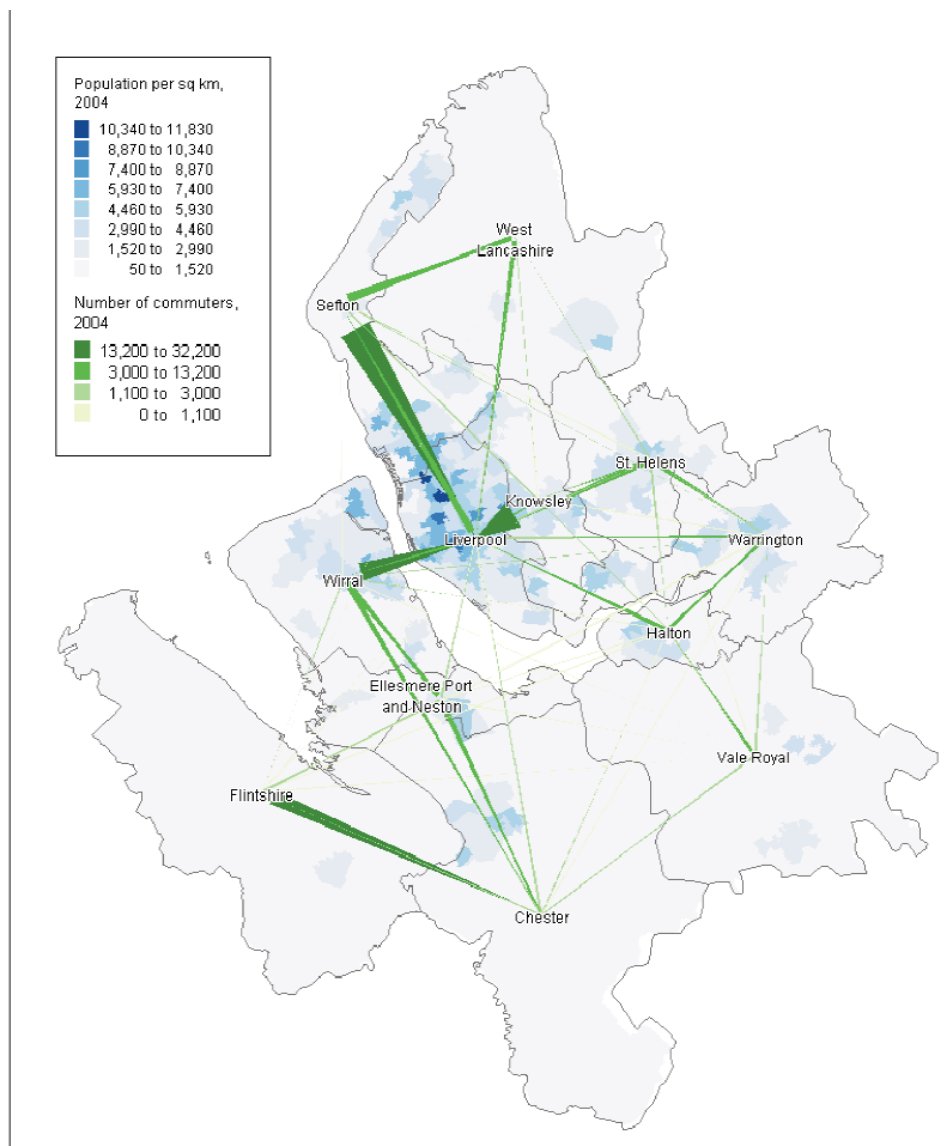
32 Mersey Maritime (2007) 'The Maritime Sector on Merseyside: Economic Impact Study', available at: [www.mersey-maritime.co.uk/dbimsgs/Econ\\_Impact\\_Study.pdf](http://www.mersey-maritime.co.uk/dbimsgs/Econ_Impact_Study.pdf)

## 3: Labour market relationships in the city region

### 3.1 Wider commuting patterns<sup>33</sup>

Liverpool is by far the largest employment centre in the wider LCR, employing 226,000 people. Other significant employment centres include Warrington (112,000), Wirral (97,000), Sefton (95,000) and Chester (68,000). 1.3% of the total commuter population commute to Manchester. 0.1% of the total commuter population of Manchester commute to Liverpool.

Figure 3.1: LCR's continuous built up area and travel-to-work patterns



Source: Annual Population Survey and Neighbourhood Statistics

33 See footnote under Figure 2.1 for comments about boundary changes in April 2009 that created Cheshire West and Chester Council



Across the wider LCR as a whole, the largest numbers of workers commute to Liverpool. Within the LCR core, the labour market pull of Liverpool is strong, particularly for Knowsley, Sefton and Wirral. However, there are a broader set of labour market movements within the wider LCR reflecting the strength of other centres, with Chester and Warrington being the other primary employment centres. 31,000 LCR residents commute to Chester, 20,000 to Warrington (from outside the local authority area) and 17,000 to Knowsley.

There are other secondary employment centres in St Helens, Halton (Widnes and Runcorn), Vale Royal and West Lancashire (Skelmersdale and Ormskirk). There are also a number of relationships between local authority areas, with significant patterns between local authority areas including: Flintshire to Chester (13,000), Sefton to West Lancashire (10,000), Wirral to Ellesmere Port (7,000). The close proximity of Manchester means that the travel-to-work distances to Liverpool are relatively short.

Overall, as stated above, the wider LCR can be characterised as having a simple polycentric structure with Liverpool clearly the largest employment centre, but complemented by employment centres in Warrington, Wirral, Sefton and Chester. Warrington and Chester in particular have higher proportions of high skilled workers or knowledge intensive employment than Liverpool, but are smaller employment centres.

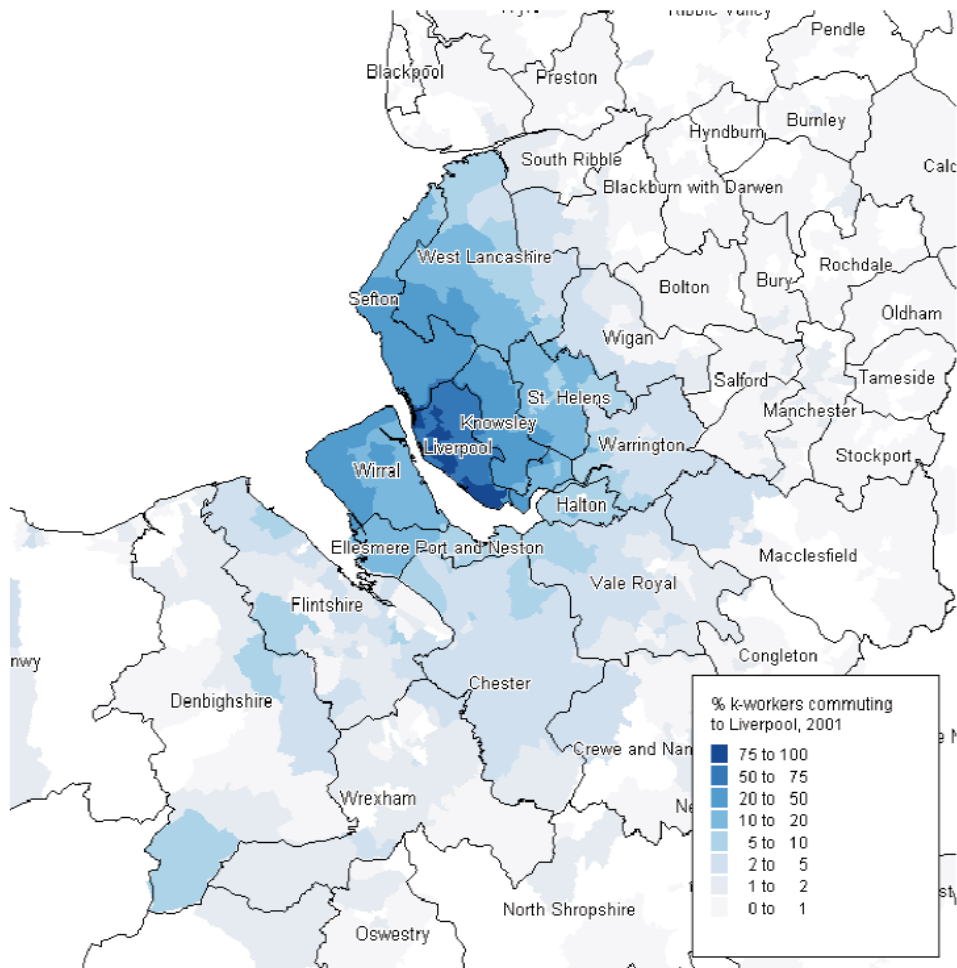
Labour market links are not only influenced by socio-economic characteristics but also by the characteristics of the built environment, the quality of life offer and the quality of transport links. Skilled workers themselves base their location decisions not only on job opportunities, but also on the availability of adequate housing and amenities. Understanding local and regional imbalances in housing and workplace, and how this affects location decisions, is critical to understanding how cities and neighbouring cities and towns interact with each other. These place attributes will affect both commuting patterns and migration patterns across the city region.

### 3.2 House prices, quality of life and business rates

The map on the following page illustrates the travel-to-work area for knowledge workers employed in Liverpool. Compared to the map of overall levels of in-commuting into Liverpool (see Figure 2.2), the footprint is slightly wider, with relatively few knowledge workers living within Liverpool compared to the national average. Knowledge workers working in Liverpool are more likely to live in outlying areas such as Manchester, Chester and North Wales than the working population as a whole.

What is more surprising is that compared say with Manchester City Region, the footprints of the two maps (2.2. and 3.2) are much more similar to one another. This reflects the relative compactness of the core LCR, the easy access to good quality countryside in the Wirral and Sefton, and the excellent rail services and connections provided by Mersey Travel within the core LCR.

Figure 3.2: Knowledge worker commuting patterns<sup>34</sup>



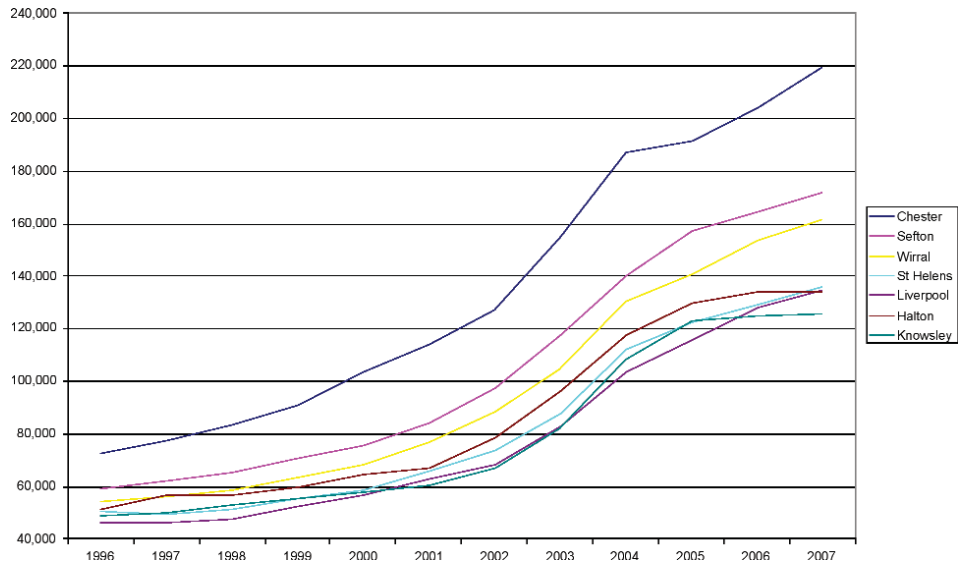
Source: Census 2001

The life choices of knowledge workers have impacted on house prices in the wider LCR, particularly in Chester, Sefton and the Wirral as indicated in Figure 3.3. The figures for Wirral and Sefton cover the whole of those boroughs and would appear even more clearly distinguished from the other places if they focussed on West Wirral and Southport. Consequently house prices have increased on average by between 160 to 200% over the last decade, and the gap has widened between the more prosperous areas on the edge of the city region and the urban core.

34 See footnote under Figure 2.1 for comments about boundary changes in April 2009 that created Cheshire West and Chester Council



Figure 3.3: Change in house prices, 1996-2007



Source: Land Registry, 2009

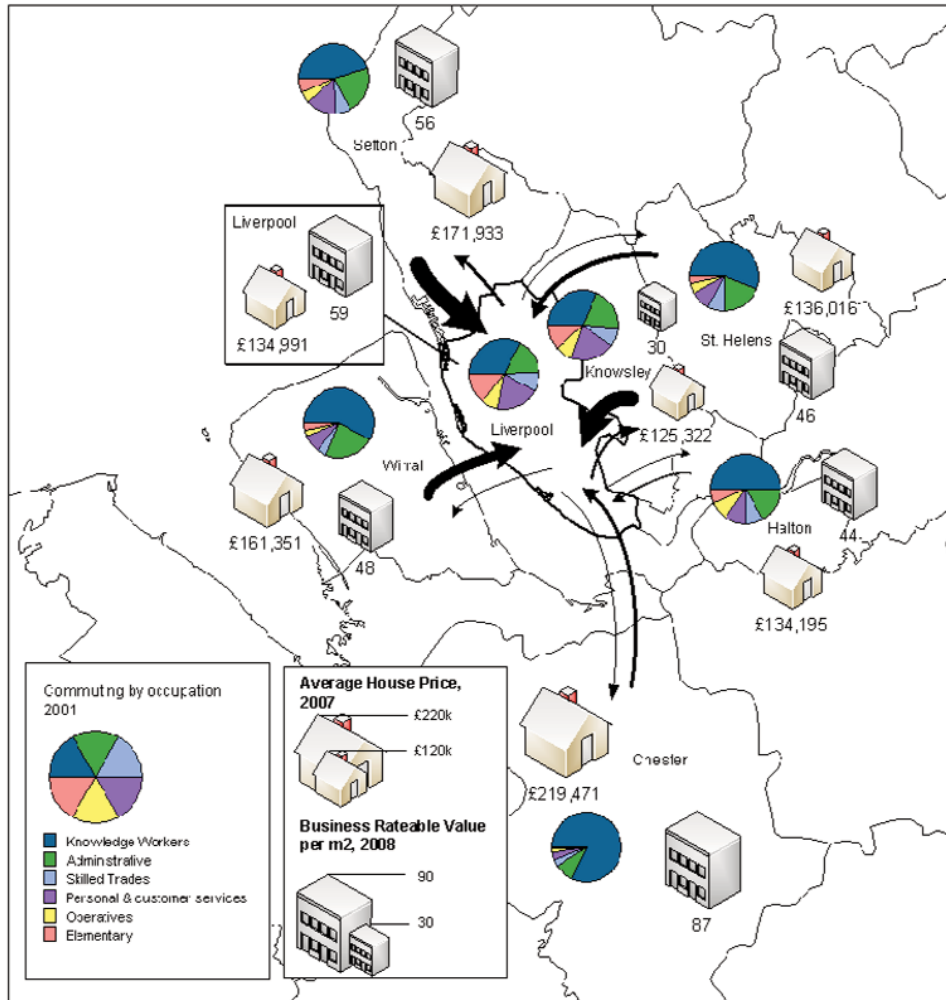
Within the wider LCR, there is a notable North/South divide within housing markets with renewal and regeneration needs largely to the north and affordability concerns to the south. In the LCR core, future housing growth is likely to be dominated by City Centre living in Liverpool (potential growth particularly for students and professional workers) and the New Heartlands Housing Market Renewal Initiative.

House prices and commuting linkages are only part of the picture. Transport linkages, job opportunities and the cost of business space also have an important role to play in shaping economic relationships between cities. The map opposite (Figure 3.4) illustrates these interdependencies. It depicts 2008 business rateable values per square metre, 2007 average house prices and 2004 commuting movements into and out of Liverpool together with the 2001<sup>35</sup> occupational split of those commuting into Liverpool.

<sup>35</sup> The 2001 data comes from the last Census, the latest available data on the occupational split of commuters.



Figure 3.4: Skills/housing/workplace triangle<sup>36</sup>



Source: 2001 Census, Annual Population Survey, Land Registry 2009

This analysis reinforces the differences between the inner part of the LCR core and the more outlying areas such as West Wirral, North Sefton (Southport and Formby) and Chester. Of the areas adjacent to the economic core, a higher proportion of commuters travelling from Wirral and Sefton work in managerial and professional occupations compared with Knowsley and St Helens.

### 3.3 Patterns of Migration

Patterns of migration are the observed outcome of residents 'voting with their feet'<sup>37</sup> and reacting to differences between places in, for example, their quality of life and housing offer. Migration patterns help identify the role that different places within the city region play – and identify ways in which these places can maximise the potential of their links with Liverpool.

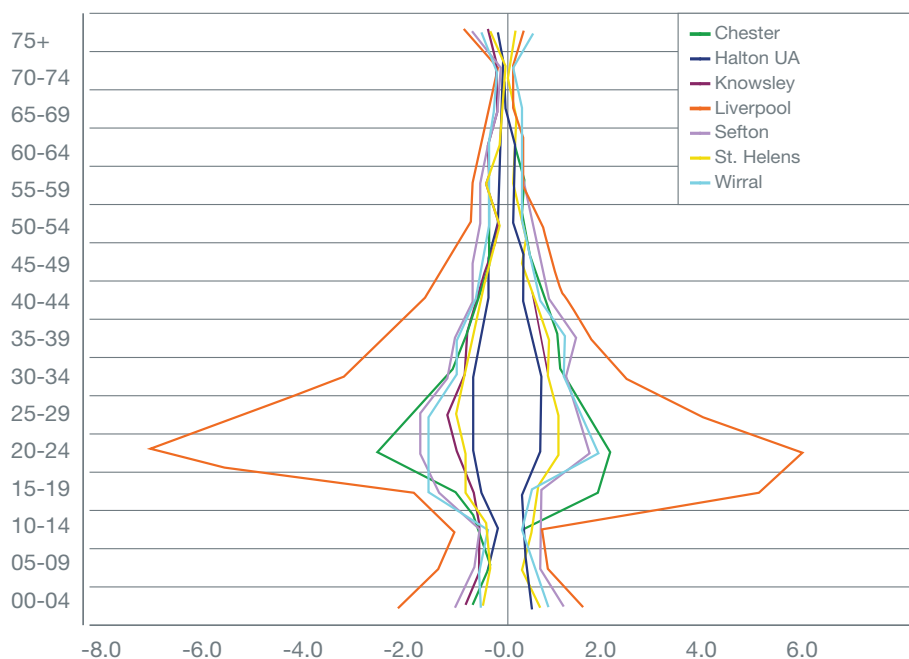
Until quite recently, there was significant population loss from Liverpool and the LCR core. For example, Liverpool lost 24,800 of its population from 1991 to 1997. Whilst the picture between 1997 and 2003 showed further population loss (17,300),<sup>38</sup> the present trend is an improving one towards stabilisation.

36 See footnote under Figure 2.1 for comments about boundary changes in April 2009 that created Cheshire West and Chester Council

37 Interviewee

38 Llewelyn Davies Yeang (2006) 'The Northern Way: Quality of Place: The North's Residential Offer: Liverpool City Region Final Report', available at: [www.thenorthernway.co.uk/downloaddoc.asp?id=393](http://www.thenorthernway.co.uk/downloaddoc.asp?id=393)

Figure 3.5: Liverpool City Region migration



Source: NHSCR

### The patterns of migration confirm Liverpool's attractiveness as a centre of employment.

Some of this inflow of residents is from outside the city region. As a University City, Liverpool also has a net inflow of students, since the largest movements into Liverpool are amongst the 15-19 and 20-24 year old age groups. Anecdotal evidence from interviews indicate that some of the students on graduation make a deliberate choice to stay in the city, either by seeking employment, or in some cases setting up businesses in the city. However, 20-24 year olds are more likely to leave, posing a challenge for LCR with regard to graduate retention. By comparison, Manchester attracts far more students (or 15-24 year olds).

### House prices and quality of life influence migration in LCR and reinforce some places being complementary to the economic centre (Liverpool).

Migration patterns and house prices are interlinked. Residential choices affect house prices and in many cases life choices are influenced by house prices – which serve as a tipping point for workers considering commuting further or relocating.

A consistent perspective from the private sector interviews was that there was a reasonable choice of housing within the wider LCR as well as within the LCR core, which was seen in terms of both quality and price. They focussed on areas such as West Wirral, North of Sefton and South Liverpool as areas offering good quality family housing and central Liverpool as being particularly attractive to younger graduate workers. In other words, housing was not seen as a barrier to employment for staff recruitment or retention at any levels.

These responses are consistent with the results of research reported in the Merseyside Local Transport Plan.<sup>39</sup> This suggests that growth in the knowledge economy is stimulating new markets for housing. These markets are clustered around the City Centre as well as South Liverpool, West Wirral and North Sefton. The demand for new housing supply also runs east-west along the M62 axis from Wirral, through Central Liverpool towards St Helens and Warrington. North-south, a concentration of development has taken place along the M57 axis. A further concentration is along the M6 axis, reflecting the level of development that has taken place in St Helens and Warrington.

In the interviews with local authority representatives three issues were identified:

- **Affordability** – particularly in the outlying areas (e.g. Chester, West Wirral and Southport) where house price increases (until the recent downturn) have considerably out paced the rest of the wider LCR.
- **Range of housing offer** – the need to broaden the range of housing offer in Halton and St Helens, particularly in the higher end of the market, which was being actively addressed by both local authorities (see above).
- **Chronic market failure** – particularly in East Wirral, South Sefton and North Liverpool. The Merseyside Housing Market Renewal Initiative, ‘New Heartlands’, is seeking to bring new opportunities to areas of low demand and abandonment. These, and the associated deprivation issues, such as unemployment, worklessness, crime rates, and poor health are key priority issues for the three local authorities and their partners. These challenges also spread into Knowsley.

### 3.4 Career Development

Data on migration patterns helps us understand net population in- and out-flows, but it cannot give us information on the origin or destination of migration movements. Local knowledge as well as information obtained in interviews with local businesses on career development can help shed more light on some of the patterns we observe. The following examines career development opportunities within the region in our **two case study sectors**, Maritime, and, Creative and Digital Industries. Section 4 will then discuss firm links in more detail.

#### 3.4.1 Career development in the Maritime sector

There is no single career development pattern within the Maritime sector. This reflects the very wide diversity of the sector including port and shipping based activities, logistics, and professional services. However, from the interviews some patterns were observable.

LCR has historical and deep-seated labour market strengths within this sector as a whole. This applies across activities and specialisms within the sector. This is a significant agglomeration advantage for the city region, and is likely to be an important factor for firms considering relocating or expanding their activities within LCR.



39 The Local Transport Plan for Merseyside 2006-2011, ibid



Wage costs were reported to be between 20-30% below London rates, giving the city region a competitive advantage. This includes occupations found in shipping, professional and legal services firms. In addition, no difficulties were reported in recruiting quality staff, including from London and the South East. Lower wage costs were offset by lower living costs (e.g. housing and transport) and a perceived higher quality of life. In addition, specialist professional service staff often had family roots in the North West (e.g. specialist maritime lawyers).

Firms recruited staff at different educational levels (e.g. NVQ 2, 3 and 4). Anecdotal evidence amongst the logistics firms revealed that there was sometimes a preference for recent school leavers with Further Education training at a local college, rather than for graduates. Overall, the relative low proportion of graduates in the local working population was not seen as a barrier to effective recruitment. As long as firms had good staff retention policies, staff loyalty to individual firms was perceived to be significantly higher than in London or in the other South East ports (e.g. Felixstowe).

Anecdotal evidence suggests that senior staff within the sector live in outer areas of the wider LCR (e.g. Wirral, Chester, Southport) and sometimes travel in from further afield (e.g. Manchester). Junior staff tend to live locally. On the whole, travel times to work are short compared with the other case study city regions, reflecting the overall compactness of the wider LCR.

### 3.4.2 Career development in the Creative and Digital Industries sector

There is a much clearer career development pattern within the Digital and Creative Industries sector. All of the companies interviewed were started-up by former graduates of Liverpool Universities or people who had long term roots in Liverpool. The impact of the 'Liverpool experience' clearly plays an important role in shaping the present development and growth of this sector.

The renaissance of Liverpool and 'city centre' experience is perceived as a positive asset in both the attraction and retention of graduates to Liverpool. However, the growing investment in the City Centre is likely to raise land prices making property rents less affordable. This is an important issue because the city centre experience is an important 'public good' for firms and their staff in the sector, particularly for business start-ups and for small and medium-sized companies (SMEs). The continuing provision of affordable accommodation within the City Centre is important to securing career development within the sector.

Employees within the sector are almost exclusively graduates. The average age is young (primarily in their 20s), with very few staff older than mid-30s. Most live within easy reach of the City Centre, with company directors often travelling longer distances (e.g. Wirral, South Liverpool or Chester), or occasionally further afield (e.g. Manchester).

Firms reported that they are able to recruit staff of sufficient quality. However, they saw it as a real challenge to do so. They reported that it was not easy to compete against the London and even Manchester labour markets, which offered a wider base of employment opportunities. In order to recruit successfully, they had to pay salaries close to London levels. They also had to give careful consideration to staff retention policies, as one advantage they had over London firms was that once recruited, staff tended to be more loyal and less likely to move just for pay reasons. Quality of life factors were, therefore, important in the choice of moving to Liverpool

to join a firm in the Digital and Creative Industries sector. Liverpool based firms also may develop ties with universities around the UK offering courses related to their own specialisms.

### 3.5 Transport

Transport is a key enabler of labour market movement within the city region, with people at the lower end of the labour market commuting mostly by bus and train, and people at the higher end commuting to work by train or by car.

It is a compliment to the efficient public transport system operated by Mersey Travel that the city region is relatively compact. Liverpool has one of the most frequent commuter services outside of London. In terms of modal use, the LCR core is broadly in line with the other case study areas. Bus and walking are similar or above the other areas. Rail patronage is highest in the Merseytravel area, and in Tyne and Wear (which includes the Tyne and Wear Metro).<sup>40</sup>

The Mersey Rail network largely defines the LCR core, although it also connects Ellesmere Port and Chester to Liverpool. The relatively shorter journey times to work to Liverpool compared with other core cities was reflected in anecdotal evidence from the interviews. Even for senior professional employees and managers, journey times could be around 30 minutes from home into Liverpool. Within Digital and Creative Industries these journey times could be even shorter from within or close to the city, reflecting the relatively young average age of employees within this sector.

**There is little evidence that congestion and overcrowding impact on the higher end of the labour market within the LCR.**

None of the private sector interviewees reported any evidence of congestion or overcrowding impacting on journeys to work of senior management staff. Indeed, commuting journeys were on average of shorter duration than for the other case study city regions (see Annex for further details). The rail system, in particular, was seen a real asset for staff recruitment and retention. Some road congestion was reported, but this appears to be a more significant issue for the transportation of goods (e.g. from the entrance of Liverpool docks to the M62 and congestion on the Mersey crossing in Halton) than for commuter movements. The one transportation complaint frequently mentioned was the relatively poor rail connection to Manchester, with a journey time of 1 hour and 10 minutes.

#### **Transport integration matters at the lower end of labour market**

The fact that the public transport system (particularly rail) is highly integrated (particularly Sefton, Knowsley and Wirral with Liverpool) is perceived as a considerable asset. St Helens is quite well integrated with Liverpool. Halton is less so. Most junior and less skilled staff undertake short journeys to work.

#### **Transport underpins complementary relationships**

Decent transport networks underpin complementary economic relationships – but they are not the only condition complementary relationships depend on. Complementary relationships also depend on wage differentials, the employment offer or patterns of sectoral specialisation. More highly skilled workers, for example, often find a way to overcome transport barriers if they need to, while merely providing transport links will not necessarily improve the local economy. For transport improvements to be most effective, they should therefore go hand-in-hand with other policy initiatives strengthening local demand for labour or fostering local supply chains.

40 The Local Transport Plan for Merseyside 2006-2011, *ibid*, page 50

## 4: Firm links and supply chains

The other key feature of the economic relationships between Liverpool and its neighbouring towns and cities are the linkages developed by firms as they undertake their business activities – and businesses are not constrained by Local Authority boundaries as they develop their links to markets and suppliers.

One way to assess current complementarities is to examine how patterns of sectoral specialisation have changed over time, assessing progress that has been made.<sup>41</sup> This section examines patterns of sectoral specialisation and employment in our seven local authority area (Liverpool, Knowsley, Sefton, Wirral, Halton, St Helens and Chester) to assess where there is greater potential for complementary links. For example, if an area has become increasingly specialised in advanced producer services or producer services likely to have supply chain relationships, this suggests there is potential for the two areas to enable stronger economic relationships.

However, focusing only on sector specialisation does not capture firm relationships which may exist where a centre does not have a UK specialisation but is a specialist centre within the city region. Where our research has highlighted these city region specialisms we have noted them accordingly.

Even using analysis of sector specialisation and specialisms within the city region, we cannot definitely demonstrate that these links exist, which is why we have investigated two sectors in more detail through interviews. For Liverpool City Region, these sectors are Maritime, and, ICT and Digital.

Understanding firm links and supply chains remains challenging because of the lack of data on these often intangible relationships. Nonetheless, our view is that the combination of sector specialisation analysis, highlighting any specialist roles within the city region, and more detailed interviews in two sectors, can enhance understanding of where city regions could focus their efforts to improve complementary links between firms.

### 4.1 Sector specialisation – potential for links

**Based on sector specialisation, Sefton, Wirral, Chester and Halton have increased their potential complementarity to Liverpool.**

*Sefton* has growing employment in business services, in particular legal services, credit granting and accounting. It has seen a decline in employment in ‘supporting water transport activities’ however, which may have been connected to Liverpool’s maritime sector.

Whilst the *Wirral* has a concentration of firms in food and drinks industries, it has also seen a growth in employment in business services including legal services and consultancy, industries that can benefit from agglomeration economies.

*Chester* has seen a rise in business services which have the potential to complement Liverpool’s specialisms, although it specialises more heavily in financial services.

*Halton* has seen growing employment in business services. Both Halton and Liverpool have, in particular, seen increases in employment in computing (software consultancy), suggesting there is potential for firm links.

41 This section draws on Tables 8-14 in the Annex that detail 4-digit SIC code sectors in which each of the seven local authorities had over 500 employees at three distinct points in time. They also indicate if the local authorities were specialised (compared to the GB average) in that sector at that point in time.

**Knowsley and St Helens have not increased their potential complementarity.**

*Knowsley* still has a large proportion of employment in manufacturing, particularly motor vehicles and vehicle parts. Whilst these sectors do benefit from agglomeration, they are not sectors that Liverpool specialises in. There has been some increase in business service activities, but this tends to be in low value sectors such as call centres. Similarly, *St Helens* still has specialisms in manufacturing and distribution.

Recognising that sector specialisation cannot give a full view of firm links, we have focused on two sectors in greater detail – in Liverpool, these are the Maritime, and, Digital and Creative sectors. Within each of these sectors, we have held several business interviews, with the aim of understanding current business linkages better and gaining a more detailed understanding of the external business environment.

**4.2 Maritime (Liverpool ‘SuperPort’)**

The Maritime industry is defined as covering all the processes involved in the transportation of goods from embarkation to delivery to the customer. It therefore encompasses a wide range of activities including: ship building and repair; cargo handling; engineering and fabrication services; port operations; professional services; storage and warehousing; transport by land and air; transport by sea and other specialist services (e.g. marine chandlers and underwater services).<sup>42</sup>

In the LCR core, the Maritime sector consists of some 1,700 companies employing around 28,000 employees, with a turnover of around £2.8 billion. The Port of Liverpool is the seventh largest Port in the UK and handles around 33 million tons of cargo a year. This represents a 350% growth in volume since the 1980s. Liverpool has a different character to the south coast ports of Felixstowe and Southampton, in that it is a general cargo port and not a specialist container port. As a result, only around 6 million tons of cargo involves containers and another 4 million tons involves bulk liquids. Over 87% of all North West port cargo tonnage is handled along the River Mersey and the Manchester Ship Canal.<sup>43</sup> However, the Manchester Ship Canal takes only around 8 million tons of cargo. Of these, 7 million tons only goes as far as Widnes, with the remaining 1 million tons going onto Manchester.

**How economic geography reinforces complementary relationships in Maritime**

*The Maritime industry strongly reinforces complementary economic relationships within LCR for the following reasons.*

Firstly, because the geographical position of LCR on the North West Atlantic Seaboard and the River Mersey, combined with the investment infrastructure, shapes the pattern of firms and employment within the Maritime industry. Its location within a 200km range of over 60% of UK manufacturing capacity gives it strategic advantages as a hub for both sea port and dry port activities. Rail connections to the SE ports and motorway connections to the rest of the North West, have supported the increasing integration of logistics (dry docks) with historic sea port and other port based professional services activities. The main locations for the industry are Liverpool, Wirral and Sefton. However, there is also a significant presence of firms and infrastructure sites in Halton and Knowsley, some of which are of strategic importance to the sector’s development in the wider LCR.



42 Mersey Maritime (2007) ‘The Maritime Sector on Merseyside: Economic Impact Study’, *ibid*  
43 Mersey Maritime (2007) ‘Mersey Maritime Ports Growth Strategy’, available at: [www.mersey-maritime.co.uk/dbimsgs/Ports\\_Growth\\_Strategy.pdf](http://www.mersey-maritime.co.uk/dbimsgs/Ports_Growth_Strategy.pdf)



Secondly, because the broad range of industrial and service activities within this sector are supportive to one another in building an overall strong Maritime cluster within the wider LCR. Arguably, the Mersey ports collectively are the only UK Maritime centre that provides the potential for an integrated capability across Maritime commerce, logistics and services that is connected to a physical industrial base. This provides the platform to enable the LCR to develop its long-term competitive position in the industry.

Thirdly, a combination of its long Maritime history in the industry, relatively low cost base (e.g. cheaper land, office and wage costs compared with London), access to a skilled labour force and the growing international profile of Liverpool is increasing the attractiveness of the city as a location for shipping companies and professional services associated with the industry. 46% of shipping companies now have a presence in Liverpool as well as other professional services associated with the industry. This includes the recent relocation to the city by Maersk, even though they do not have any ships operating directly from Liverpool.

#### Liverpool 'SuperPort'

As a result, The Mersey Partnership and its public and private sector partners have developed a vision as to how the potential of the Maritime industry to LCR might be realised through an integrated approach. The concept is called Liverpool 'SuperPort'.

The Liverpool 'SuperPort' concept takes inspiration from modern successful cities (e.g. Dubai and Singapore) that have invented themselves as logistics centres of global significance. It recognises the increasingly sophisticated approach to moving goods around the world in the most efficient manner, taking into account their value, bulk and weight. With computerised planning, choices can be made between the air, sea and land options for each stage of the journey. Liverpool 'SuperPort' integrates the physical, practical and conceptual elements of the logistics of the movement of goods into a single concept. Or as one interviewee put it: "*Liverpool is like a station on a journey offering both an airport and port as stops within the journey*".

The physical elements include the Port of Liverpool, the Manchester Ship Canal, the Multi-modal Gateway (3MG) along with other physical infrastructure along the River Mersey estuary (see Figure 4.1). It also includes the potential of Liverpool John Lennon Airport. This is one of the fastest growing regional airports in the UK, presently handling 5.4 million passengers a year, projected to rise to 10 million by 2016.<sup>44</sup> Whilst it currently only handles around 45,000 tons of cargo, there are plans to lengthen the runway to enable it to handle larger cargo aircraft.



Figure 4.1: The spatial geography of Maritime and Digital and Creative firms in LCR



To promote the concept, a masterplan is being developed which envisages major investment in projects such as a new post-Panamax terminal facility at Seaforth in the Port of Liverpool, and an inter-modal transport facility for Weston Docks. Some of these projects are already in development (e.g. 3MG inter modal freight handling facility). Others are going through the planning process (e.g. 'The Mersey Gateway' second Mersey crossing). More immediate challenges were also mentioned, such as road congestion from the Port of Liverpool to the M57.

However, there was strong agreement about the value of the Liverpool 'SuperPort' concept. It was seen as not just about the delivery of crucial infrastructure projects but rather about realising the wider LCR's strategic potential as a 'Gateway City'. Moreover, the concept could also operate at different levels, as there were both visionary and very practical elements within the concept. In the context of 'city relationships' and our underlying hypothesis set out on page one, Liverpool 'SuperPort' has significant value as a framework to promote greater complementarity between places within the wider LCR.

An even broader concept entitled 'Ocean Gateway', building on Liverpool 'SuperPort', was also shared during our research. This is about developing an integrated spatial approach towards Liverpool and Manchester collectively taking full advantage of global trends within the Maritime industry to enable both cities to reach their potential. This concept is being developed by Peel Holdings, which owns many of the assets that are required to make this concept deliverable. Differing views were expressed about this concept by interviewees. Some thought that it was strategically important for Liverpool to develop its collaboration with Manchester and think on a bigger scale. Others tended to emphasise the relatively

minor role that Manchester (and the Manchester Ship Canal) plays in the shipment of goods at the present time compared with the Mersey Ports.<sup>45</sup> Nonetheless, it should be seen as incorporating the main elements of Liverpool 'SuperPort' and not as an alternative plan. However, one caveat is that it should not allow focus to wander from the central requirement to deliver the Seaforth terminal improvements. The NWDA has commissioned a study on its own 'Atlantic Gateway' concept. This should take into account the spatial dynamics across a more polycentric wider LCR and a monocentric Manchester City Region.

#### **Supplier linkages are not significant, strategic linkages between the diversity of firms within the sector are more important**

No evidence was found during the research that supplier linkages between firms within the industry are a significant factor impacting on or impeding the growth of the Maritime sector within the city region. There are examples of firms supplying services locally. For example, Liverpool legal firms with specialisms in Maritime law provide legal services to shipping companies within Liverpool. But overall, this accounts for only a relatively small proportion of their business.

What is more interesting is how the wide range of apparently independent industries that come within the Maritime sector are made strategically inter-dependent by the inter-connected geography and infrastructure investment in the city region. This has been recognised, for example through the work of Mersey Maritime, a business led initiative to help lead the work of the industry.

#### **In terms of markets, the Maritime industry has strategic connections across the world as well as in the UK**

As indicated above, Liverpool is the number one port for the USA and the Irish Sea and serves over 100 global destinations.<sup>46</sup> It also acts as a hub for rail connections through London, for goods traffic from Southampton and Felixstowe and is well connected by road for the NW and to Hull and the Humber Ports via the M62.

#### **Access to quality labour is critical in supporting the growth of the industry**

The labour force skill base is important. Liverpool does have historic strengths in this area. However, because of the large variety of industrial activities within the Maritime Industry, the labour requirements between firms are very different.

Liverpool has become a significant employment centre for professional services supporting the Maritime industry. As one interviewee within the industry reported: *"It is very different working in Liverpool compared with London, because the city has a very different feel. It is a maritime city at the heart of the industry."*

The ability to recruit quality staff at lower wage costs than London (20% to 30% less) appears to be a helpful locational factor for shipping companies within Liverpool. Anecdotally it was said that this was a factor that helped to influence Maersk's decision to move to Liverpool. It was also reported that it is not difficult to recruit good legal staff to Liverpool. In both cases the position has greatly improved in recent years. This is not just because of the economic recession, but more significantly as a consequence of the considerable improvement in perceptions that Liverpool is a quality place to live and work. It also helps that many maritime lawyers have family roots in the NW.

45 McCann, P (2007) 'Sketching Out a Model of Innovation, Face to Face Interaction and Economic Geography', *Spatial Economic Analysis*, Vol. 2, No. 2, pp117-134

46 Mersey Maritime (2007) 'Mersey Maritime Ports Growth Strategy', *ibid*

Significant efforts are being made to improve the skill base in the city region. For example, investment has gone into the development of the Maritime and

Engineering College North West in Birkenhead, which is part of Mersey Maritime Group for training, marine apprenticeships and other maritime programmes. There is also a marine navigation centre (Lairdside Maritime Centre), which is part of Liverpool John Moores University. LJMU also offers a range of undergraduate and post-graduate maritime courses. The knowledge base of the city is also growing, for example in container technology, wireless global technology and in team talk (transmitting news content to fleets around the world in seven languages). These investments are important since companies are looking for a skills base on which they can rely.

Many of the logistics firms recruit locally. Indeed, anecdotally it was reported that the workforce in Halton tend to work on the same side of the Mersey bridge (Widnes or Runcorn) that they live. There was no reported shortage of available labour.

#### **Knowledge networks are also important**

The Maritime industry can be characterised in three ways, of which the first two have already been mentioned. First, the location of firms across the sub-region is shaped by the location of natural as well as infrastructure assets across the LCR core. Second, it is represented by a wide range of industries, such that it is difficult to pick out a 'Maritime industry' from the SIC codes without detailed analysis. Third, it is dominated by a relatively small number of large firms, who operate alongside a large number of other smaller firms. The most significant firm is Peel Holdings, which owns the Port of Liverpool and Liverpool John Lennon Airport, as well as other strategic sites in Liverpool, Sefton, Wirral and Halton. There are also a number of other significant players such as the Stobart Group (owners of 3MG and with a key role in transport logistics), shipping companies such as Maersk and Atlantic Containers and professional services firms such as Hill Dickinson.

These characteristics of the sector, and in particular its diversity, may mean that firms are less likely to learn from one another across the sector as a whole. Learning and innovation is more likely to occur within sub-sectors in the industry (e.g. across shipping firms or specialised services). However, the impact of public and private sector investment in infrastructure and labour force development is more significant. The tendency towards increasing integration within the sector, combined with close cooperation between firms, coordinated by Mersey Maritime, and fostered by the larger players within the industry, may be reinforcing the industrial concentration and 'complementary' effect of the sector across the wider LCR.

#### **4.3 Digital and Creative Industries**

The Creative and Digital Industries sector consists of around 6,000 businesses that employ about 35,000 people within the LCR core.<sup>47</sup> Overall, there has been substantial growth in the sector, particularly in creative industries, which has seen a 23% increase in SMEs and a corresponding growth in employment of 45% between 2003 and 2007. The vast majority of firms within the sector are small SMEs or micro-businesses, with relatively few larger companies. Exceptions include Sony CEE and Mersey Television

#### **The sector is geographically concentrated, but the factors for location change as firms within the sector grow**

Over 50% of digital and creative industry firms within the LCR core are located within Liverpool. Smaller concentrations of firms can also be found in Wirral, Sefton and Knowsley. The most significant location for creative industry firms is a relatively

compact area of Liverpool City Centre. Many of the digital firms are also found relatively close to the City Centre, but the factors that shape their physical location are slightly different. Overall, the role that geography plays in the location of firms is important in providing clues about the future growth potential of the sector within LCR and the possibilities of improving complementary relationships.

Many of the firms started-up within LCR and particularly in Liverpool. The interviews suggested a common pattern where new entrepreneurs went to university in Liverpool, or had longer term roots in the city. A deliberate decision was taken to stay and found a business with colleagues that they had got to know during their time in Liverpool.

For creative industries a central location within the City Centre is often important: *"Being where we are in the heart of the creative area of Liverpool helps the business, as creative people need the right kind of environment to produce their best work. After all, what we do is a 'way of life', not just a job."*

A number of factors appear to explain why this is important. First, creative firms are more likely to value face-to-face interaction with other firms and colleagues within the industry. This is particularly important in the early development stages of the company, but may remain important as the company grows to become medium-sized: *"We have found it useful to be part of a wider business community. It has helped us to learn from the experience and knowledge of other companies as they have gone through stages of business development."*

Second, it may reflect the culture of the company and how it works. The average age of staff of the company is young (most are in their 20s), and as reflected in the above quotation, being in a creative environment is important to the culture of the firm.

Third, most employees travel relatively short distances to work by public transport or even by foot or cycle, and Liverpool City Centre is highly convenient, as well as offering access to good shopping, bars, restaurants and nightlife.

Fourth, a city centre location reinforces the firm's external identity, particularly with national and international customers. Liverpool's growing reputation as an 'exciting city', particularly from being European City of Culture in 2008, has emphasised the value of a central location. It may also make it easier to recruit good graduates.

However, the pattern of location of digital firms shows how locational factors may alter depending on the size and development stage of the company (this is supported in the academic literature).<sup>48</sup> Sites such as the Liverpool Science Park have improved the offer of quality accommodation to knowledge intensive firms that wish to stay within the city centre area. However, if a city centre location is not seen as vital, the Liverpool Innovation Park and International Centre for Digital Content, both at Edge Lane, offer alternatives, particularly for firms seeking to be close to other similar firms and university facilities. These may be more suitable for larger firms. There is also a concentration of such firms at the Daresbury Innovation Centre in Halton.

48 McCann, P (2007) 'Sketching Out a Model of Innovation, Face to Face Interaction and Economic Geography', *Spatial Economic Analysis*, Vol. 2, No. 2, pp117-134

However, as was reported in interviews, there may come a point in the life cycle of a company where the ties to a Liverpool location become less important. As a company seeks wider international and national markets, it may seek to balance between its local ties within LCR and its desire to be closer to markets. In a national context these will primarily be London and also possibly Manchester. Some companies have addressed this by opening a second office in London, or even a third office in Manchester. Others may even consider the possibility of relocation.

As indicated above, this sector suffers from the relative absence of large companies. The challenge for the wider LCR is that without sufficient advantages for larger firms to locate or remain within LCR, there is a risk that this may become a longer-term barrier to the overall growth of Digital and Creative Industries within the city region. Given that larger firms would be less likely to locate in the City Centre, their presence would provide greater knowledge based employment in other places in LCR.

#### **Localised supply chains are not particularly important to firms within these industries**

There is no evidence to suggest that local supply chains are important to firms within the Digital and Creative Industries. By far, the greatest cost factor to these firms is staff costs. However, specialist services are very important to these firms. Whether, for example, it is for IT host provider services, or filming or design work, selection of suppliers is made on the basis of quality rather than on price. This also means that the supplier may be in another national or even international location. Even where local services are selected (e.g. legal services), they are usually chosen on the basis of quality rather than locality.

#### **The more successful companies have developed markets nationally and in some cases internationally**

As already indicated above, many of the firms within Digital and Creative Industries are small. Many of them are reliant on relatively localised markets within the LCR or just beyond. However, more successful companies within the sector, including those interviewed, have successfully built on an original LCR market to expand their customer base nationally or even internationally.

To compete at a national level, LCR companies have to both compete and seek business in other centres. For business in the private sector, making an impact in London is particularly important. After London, Manchester comes second. Within the public sector, primary markets will be in the North West, but the more successful firms have won business with different public sector employers around the UK. A minority of firms are also winning business successfully internationally and are amongst the best in their chosen market in the world.

Different views were expressed as to whether a Liverpool location helped or made it more difficult in national and international markets. On the positive side, Liverpool's greatly improved image and brand profile was a real asset. Customers were much more willing to visit the city than in the past. A Liverpool address was also a novelty factor, where most competitors came from London. Improving rail links to London and air links to Europe and beyond from Liverpool John Lennon Airport or Manchester Airport were rated. On the less supportive side, some said that they were expected to offer a London address. Also, international connections from London Heathrow were seen as much better. A challenge for LCR is that digital firms that have global aspirations can choose the best location for their business.



**The ability to attract and retain the best staff is absolutely vital to firms in this sector**

Being able to attract and retain good quality employees is vitally important to firms in the Creative and Digital Industries in LCR. These firms employ a relatively young work force and nearly all workers in the industry are graduates, sourced from the Liverpool universities or from other UK universities. Leading firms sometimes have relationships with universities that provide graduates with appropriate skills. However, LCR firms have to compete for the best employees with other centres, and in particular, with firms in London and Manchester. As a result, top Liverpool firms may have to offer similar wage rates to London firms to compete successfully.

The improved perceptions and image of Liverpool are helpful. Firms also report that if they get their employment packages right, employees tend to be more loyal and less footloose than for comparative firms in London, where there is greater employment choice. The compactness of the LCR core, excellent public transport (Mersey Travel), the availability of reasonably good quality and well priced housing within easy reach of Liverpool City Centre, and the quality of cultural life in the city are all strong positives. However, the relative absence of large firms within the digital and creative sector in LCR and the relative smallness of the sector compared with London, and even Manchester, means that the absence of scale in the labour market is an obstacle to the sector's long term growth and development in LCR.

**Support to the sector that understands the importance of knowledge networks between firms as well as their employees, particularly in the early stages of firm development, is important**

The role of face-to-face interaction between individuals, firms and agents varies between creative and digital firms and the size and stage of development of the business. There is also a relationship between the importance of face-to-face interaction to the company and its workforce and the location of the company. Companies for whom face-to-face interaction is very important are more likely to locate in Liverpool City Centre. For example, many of the firms within creative industries are located within a few streets of each other in Central Liverpool. The firms know each other and there is interaction between firms socially and professionally.

Networking is characteristic of most firms within Digital and Creative Industries at the start-up and early stages of firm development. Therefore, it is important that networks of firms are supported (i.e. building on the natural links and learning opportunities between firms), rather than the focus being on the traditional single adviser to firm relationship. In this regard, Merseyside acme, and the digital industry support work being undertaken through Liverpool Vision, were observed to be playing an important role, which deserves full support and encouragement within LCR and by NWDA.

To ensure the long-term strength of the sector, it is also important that:

- There is provision of good quality start-up and early stage premises within or close to Liverpool City Centre for creative and digital firms, particularly as City Centre land prices increase, making rents more prohibitive. It is understood that this is being addressed by Liverpool Vision, Merseyside acme, and NWDA through the development of a sustainable Creative Industries Trust to secure workshop provision in the Baltic Triangle area;
- The Liverpool universities develop their role in supporting processes of innovation and labour market development in the sector;
- Over the longer-term, attracting and building a stronger base of larger firms in Creative and Digital Industries in LCR is recognised as important. Unlike the smaller firms, they are less likely to choose City Centre locations, creating greater complementarities within LCR. In addition, they are likely to play an important role in helping to mentor the smaller companies.

It is important to recognise the important contribution that successful medium-sized companies within the Digital and Creative Industries sector play as ambassadors for LCR nationally and internationally. Their role can be better supported through a stronger profile for the role of design and creative processes within the city: *“We want the profile of design in Liverpool to be higher and for the city to embrace it. The more the city is seen as a creative and attractive place the easier it will be for us to be taken seriously in London and internationally, and the easier it will be to recruit good graduates coming out of universities.”*

## 5: Characterising links between Liverpool and neighbouring towns and cities



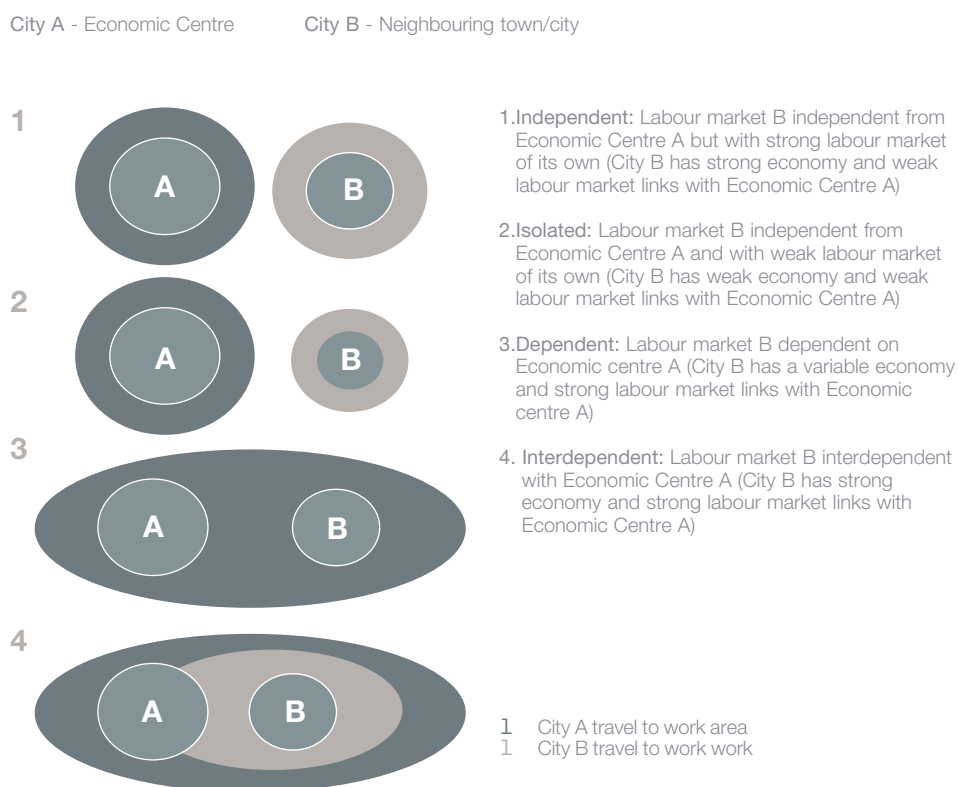
### 5.1 Overview of city typologies

Across this research programme, our analysis of economic relationships within the 5 city regions has identified four typologies of places within a city region, based in particular on their labour market relationships with the economic centre.

These typologies are helpful in understanding how places currently relate to each other economically within a city region context and what some of the factors are which influence the nature of these relationships. This analysis helps to shape thinking about how future economic development strategy could build more effective and complementary economic relationships between places.

The broad typologies are illustrated in the diagram below.

Figure 5.1: Roles of cities – labour markets and city typologies



These typologies, which focus particularly on labour market relationships, enable us to capture two characteristics of places. First, the roles which places play in a city region based on their relationship with the economic centre. Places are described as being in one of the four typologies based on: commuting patterns; skills; earnings (resident and workplace); sectoral mix; and house prices.

Second, the typologies provide a way of assessing the extent to which places benefit from their economic relationships by identifying different categories within the four typologies. For example, areas such as the Wirral, with high levels of skills, are likely to have more mutually beneficial economic links with their economic centres than lower skilled areas such as Knowsley because individuals' mobility (both geographic and occupational) is influenced by their skills and qualifications.



The typologies are based upon Local Authority areas, despite the arbitrary nature of administrative boundaries, because this is the level at which policy is often developed. We recognise, however, that typologies based on local authorities are by necessity a simplification: characteristics often differ within, as well as between, Local Authority areas. The fact that places are constantly evolving further compounds this complexity. Nonetheless, consultation with stakeholders suggests that, despite these caveats, understanding the roles of different Local Authority areas can provide valuable insights to support the development of city region strategies.

The wheel below positions our case study cities and towns within the Liverpool City Region according to the above typologies.

## 5.2 Liverpool City Region – City Typologies



Many places in the Liverpool city region depend on the economic core. The cycle shows the importance of Liverpool as the overall economic centre of the wider LCR, and particularly of the LCR core, as a number of the surrounding boroughs, Sefton, Wirral and Knowsley, have dependent relationships with Liverpool. The cycle classifies St Helens as 'isolated' and Halton as 'independent' (but close to 'isolated'). Chester's classification as 'independent' reinforces the 'polycentric' nature of the 'wider city region', with Chester and Warrington as the alternative employment centres to Liverpool.

The following section explains why cities and towns are positioned where they are, looking beyond labour market patterns at other characteristics that lie behind the typologies.<sup>49</sup>

49 The data used in these explanations is summarised in Tables 2-18 and Figures 1-3 and Map 1 in the Annex. Data on sectoral specialisations refers to sectors employing 500 employees or more and a location quotient higher than 2. This identifies sectors in which a Local Authority area specialises in compared to the English and Welsh average – rather than sectors with a large number of employees per se. Tables 8 to 14 in the Annex detail 4 digit sectors with 500 or more employees in each of the Local Authority areas.

### 5.3 Why did we characterise each city in the way that we did?

#### Sefton

Overall, *Sefton* (with a population of just fewer than 300,000) is 'dependent' on Liverpool for employment. 26.2% of Sefton's working residents commute into Liverpool, whereas only 4.2% commute back from Liverpool to work in Sefton. Of those people who commute into Liverpool to work, a relatively high proportion work in public administration or in financial services. However, there is a clear geographical division between the southern part of the borough, which is close physically and in character to Liverpool, and the northern towns around Southport.

The northern part of the borough has natural and physical assets of national significance. Southport is a vibrant 'classic' seaside resort with local employment opportunities and a developing entrepreneurial culture. Along with Formby, it is at the centre of the 'golfing' economy, with famous courses such as the Royal Birkdale. It is also a commuting base for West Lancashire as well as for Liverpool. However, less than 10% of residents from northern wards such as Birkdale, Kew and Northwood commute to Liverpool.

By contrast, in southern wards like Blundell Sands and Netherton more than 30% of residents commute to the city. The centre of the present day operational docks is located in Bootle, rather than in Liverpool and this is where there are expectations that Peel Ports will invest in new deep water dock facilities over the next few years. The A5036 going out from the docks in Bootle to the M57 provides a strategically important investment corridor for logistics operations and employment opportunities.

The south is also characterised by a failing housing market with much of the housing having been built before 1919 to serve the population working in the docks. This is why Sefton has combined with the Wirral and Liverpool to form the New Heartlands Housing Market Area. Despite being physically close to the city centre, few people from this area appear to work there. Rather, many of the jobs go to the more affluent residents from Crosby and Formby, which act as dormitories to Liverpool and Bootle.

#### Box 4: Dependent places

Our research found three types of 'dependent place' depending on an area's level of skills and earnings, its sectoral composition, average house prices and levels of deprivation.

- 1) Places with *traditional industries* are often characterised by low levels of skills and earnings, house prices and poor deprivation scores. They benefit less from their relationship with the centre than other dependent areas.
- 2) Places with a *mix of industries* often have medium levels of skills and earnings, medium house prices and mixed deprivation scores. They benefit to some degree from their dependent relationship with the centre.
- 3) Places with a *more complementary pattern of sectoral specialisation* have higher levels of skills, resident earnings and house prices. Their deprivation scores tend to be good and their workplace based earnings medium level. They are the dependent places that benefit most from their relationship with the economic centre.

Sefton falls within the second category of dependent places as it has relatively high levels of skills and benefits from its strong commuting relationships with Liverpool:

- *Sefton has medium levels of skills.* About one in four of Sefton's residents are graduates and 15% have no qualifications.
- *Residents within Sefton benefit from the labour market relationship with Liverpool,* as indicated by the high resident average earnings in the district (which for the areas studied are second highest next to Chester). On the other hand, Sefton has the second lowest workplace based earnings of the case study areas.
- *With regard to commercial and industrial floorspace, Sefton has a relatively high proportion of retail premises.* GVA per capita is just £12,044 compared to £16,482 across the North West as a whole.
- *Sefton's Mean Tax Take is relatively higher than other parts of LCR, £3,920* compared to £3,720 across North West.
- *House prices are relatively high compared to other areas in LCR:* average house price is £171,933.
- *Overall, Sefton has a relatively high employment rate* and is one of the least deprived places within the city region. However, there are significant contrasts between the north and the south of the borough, with Bootle having a concentration of SOAs in the 10% most deprived, with high levels of worklessness, ill-health and low incomes.

### Wirral

Wirral (with a population of around 310,000) is largely in a 'dependent' relationship with Liverpool. Wirral's geographical proximity to Liverpool allows short commuting times to the city (average travel time to work of borough residents is just 21 minutes). More than 13% of Wirral's residents commute to Liverpool, a significant number working in financial services, whilst only 2% commute from Liverpool to Wirral.

However, there are significant contrasts within the Wirral, one of the largest local authorities by population and land area in England. The west (Hoylake, West Kirby and Heswall) with its attractive coastline and rural feel is prosperous footballer and senior executive country. By contrast, the east (Birkenhead, Wallasey and Bebington) with its old industrial docks area and housing estates is highly deprived. Comparative education performance mirrors this as does life expectancy (for a baby boy it is 11 years lower in the east compared with the west of Wirral). In the middle (the central southern wards) lies an area that is neither as prosperous as the west or with the pockets of deprivation as in the east.

Despite its contrasting economic, social and physical geography, commuting links with Liverpool are strong across the Wirral, with 10-20% commuting to Liverpool across all wards. The level of commuting is highest in Hoylake, with more than 20% of Hoylake's working residents commuting to Liverpool. Whilst the majority of the 40,000 people who travel out of Wirral to go to work each day go to Liverpool, Wirral also has strong functional labour market links to Chester and North Wales, reflected in Wirral's membership of the Mersey-Dee alliance.

Wirral has recently reviewed its strategy for the future. One option was to accept its 'dependence' on Liverpool as a dormitory area for the city region offering a good housing, leisure, coast and countryside offer. However, it has decided to be more proactive in promoting Wirral and choosing to emphasise that it is a 'great place to come to'. This requires a transformation of east Wirral to make it an extension of



Liverpool City Centre offering its own office based service employment. At the heart of this strategy is the development of Wirral Waters, a potential £4.5 billion mixed development scheme regenerating Wallasey and Birkenhead Waters. In the context of the framework set out in this report, Wirral is seeking to move from a 'dependent' position to an 'interdependent' one.

#### Wirral falls into the second category of dependent places:

- *About one in four of Wirral's residents are graduates (2nd highest case study area) and 14% have no qualifications (2nd lowest). However, performance is still below NW and GB average.*
- *The economy is ranked at 131 out of 133 at NUTs 2 level and it is the 8th most deprived in terms of employment opportunities.*
- *Although Wirral has the lowest workplace based earnings of the case study areas, its residence based earnings are relatively high, £453 compared to £451 across North West.*
- *There is a high concentration of manufacturing industry in Wirral. Factories take more than 40% of commercial and industrial floorspaces, whilst warehouses and retail premises take another 40%. However, Wirral's GVA per capita remains the lowest of LCR, and far below the national average.*
- *Wirral's Mean Tax Take is relatively higher than other parts of LCR, although slightly below the mean across North West.*
- *Average house price is £161,351, third highest in the city region.*
- *Wirral's employment rate has gone down below 70%, despite overall lower levels of deprivation compared to other parts of LCR. This may be because of the mix of affluence (Heswall is the 3rd most affluent post code in England) and significant concentrations of deprivation, particularly in Birkenhead and Wallasey.*

#### Knowsley

Knowsley is largely 'dependent' on Liverpool's economy. Almost half of Knowsley's working residents commute to Liverpool, whereas only 3.2% commute from Liverpool to work in Knowsley. More than 60% of residents working in financial services and more than 50% of residents working in public administration commute to Liverpool. Also, there are a large number of commuters working in health services. Commuting patterns within Knowsley vary, but overall, there are very strong commuting links to Liverpool across the district. Levels of commuting drop towards the east, and in Prescot and Whiston, about 16% of residents commute to Liverpool.

Knowsley comprises the towns of Kirby, Prescot, Huyton, Whiston, Halewood and Cronton and their surrounding area. Like other boroughs in Merseyside, Knowsley is made of settlements that were originally separate villages with their own individual identity and character. Present day Knowsley, with its population of around 151,000 has developed as a contiguous urban area, but as in other boroughs the historical identity of its constituent towns remains strong.

Its 'dependence' on Liverpool both represents an opportunity and a challenge. Knowsley could seek to emphasise its role as a good neighbour to Liverpool. The borough also has aspirations to be a stronger employment centre in its own right and is working hard to diversify its business base while nurturing and retaining a strong manufacturing sector. The existing Knowsley Industrial Park (KIP) provides around 1000 acres of business space for over 600 businesses. A full review of the future role and layout of the Industrial Park is being conducted to ensure this major employment site provides 21st century accommodation to meet the needs of modern businesses.

### Knowsley falls into the first category of dependent places:

- *Knowsley has a very low skill profile*, with 16% of residents being graduates (lowest case study score) and 24% having no qualifications (highest score). Major investment in the borough's education provision, including the replacement of its secondary schools through the Building Schools for the Future programme, is beginning to raise standards in GCSE and A Level results.
- *Workplace and resident earnings are relatively low* falling below the regional and national averages. However, whilst resident earnings are the lowest for the study areas, workplace is middle ranking from the group of places.
- *Business density is low in Knowsley and employment is concentrated in lower value manufacturing and services*. The business base of Knowsley consists of around 2,900 firms.<sup>50</sup> There has been a 39% increase in business density<sup>51</sup> between 1999 and 2007, following intensive efforts to create a broader business base and increased employment and training opportunities. However,<sup>52</sup> business density in Knowsley still considerably lags that of the other boroughs. Manufacturing industry accounts for 10% of businesses and 20% of employment. This includes a clear specialisation in motor vehicles production, which employs over 2,400 people.<sup>53</sup> Factories take more than 50% of commercial and industrial floor spaces, whilst warehouses take another 30%. Knowsley's GVA per capita remains relatively low, £12,621 compared to £16,482 across North West.
- *Knowsley's Mean Tax Take marks the lowest in LCR*, only £2,800 compared to a regional mean of £3,720.
- *House prices are very low*: the average house price is £125,322, the lowest in the city region.
- *Knowsley's employment rate falls almost 10% behind a national rate*. Knowsley is also one of the most deprived places in LCR. Its overall IMD score makes it 3rd most deprived local authority district in England. 50% of residents live in the 10% most deprived SOAs.

### St Helens

*St Helens* (with a population of around 178,000) is largely 'isolated' from Liverpool's economy. This characterisation is a reflection of the relative weakness of St Helen's economy and the apparent inability of its residents to benefit from the employment opportunities that Liverpool has to offer. 8.7% of St Helens' residents commute to Liverpool and just 1.1% of Liverpool's residents commute to St Helens. About one third of residents from the borough who are employed in financial services commute to Liverpool for work. Commuting links to Liverpool are evenly spread across St Helens at around 5%, except in some western parts such as Eccleston, Rainford and Rainhill, where more than 10% of residents commute to Liverpool.

St Helens' 'isolation' was reflected in anecdotal evidence. Despite being just 20 minutes from Liverpool by train, few St Helens residents are working in the new Liverpool One development. It is perceived as a place that people 'pass through' on the M62 and A580, rather than a destination in its own right.

St Helens developed rapidly in the mid-19th century as a specialist 'industrial city' and centre for copper, glass and chemical industries. Even up to the 1970s St Helens remained highly dependent on glassmaking, coal mining (alone employing half the workforce) and other manufacturing industry (e.g. chemicals and pharmaceuticals). Employment in these key sectors fell from the late 1970s into the 1990s.<sup>54</sup> Most of the larger employers are now closed in the town (e.g. Beechams, Ravenhead Glass and Dalglish Foundry), often by parent companies that have taken

50 Regeneris (2007) 'Knowsley MBC: Core Evidence Base, page 16, available: [www.knowsley.gov.uk](http://www.knowsley.gov.uk)

51 Business density is measured as number of businesses per 10,000 population

52 Business density in 2007: UK – 645; North West – 585; Merseyside – 471; Knowsley – 339; Liverpool – 456; Sefton – 530; St Helens – 458; Wirral – 513; Halton – 465 (Source: Regeneris (2007) 'Knowsley MBC: Core Evidence Base' ibid)

53 Regeneris (2007) 'Knowsley MBC: Core Evidence Base, ibid, page 21

54 Northwest Regional Development Agency Regional Intelligence Unit

over their operations. Pilkington's is the only remaining larger industrial employer. However, possibly partly because of its dependence on 'cradle to grave' employment with a few large employers, St Helens does not have a strong entrepreneurial culture and does not have a strong base of SMEs.

Efforts are being made to achieve a physical transformation of the borough, through investment in the town centre and broadening the housing stock offer. Work is also ongoing to build up the SME base and it has a very active Chamber of Commerce. St Helens has partnered with Halton and Warrington in a LEGI project. This makes sense given that St Helens does have labour market connections with Halton, Warrington and Wigan.

#### St Helens was classified as isolated from Liverpool:

- *Only about 22% of St Helens' residents are graduates and nearly 20% have no qualifications.*
- *Although workplace and resident earnings fall below the regional and national averages, they are middle ranking compared to other parts of LCR.*
- *With regard to commercial and industrial floorspace, St Helens has a relatively high proportion of warehouses. GVA per capita is just £11,641 compared to £16,482 across the North West as a whole.*
- *St Helens' Mean Tax Take is relatively low, £3,300 compared to a regional mean of £3,720.*
- *House prices are relatively low compared to average house prices in Chester, Sefton and Wirral.*
- *St Helens has a very low employment rate and high deprivation levels compared to other parts of LCR.*

#### Halton

Halton is characterised as 'independent'. This is because of its strategic position, and business and economic assets within the wider LCR, rather than as a result of its labour market links. In fact, just 8.4% of residents commute to Liverpool. Those who do commute to Liverpool tend to be working in financial services. The proportion of the Liverpool population commuting to Halton is less than 1%. Levels of commuting are low across the majority of Halton with the exception of central parts of the district, where over 5% commute to Liverpool. If only its labour market characteristics were taken into account, Halton would rate as 'isolated'.

Halton was formed in the 1974 local government reorganisation, which brought together Runcorn and Widnes, on the opposite sides of the Mersey, within a single local authority. Both Runcorn and Widnes have strong residential links to Liverpool. Runcorn was a 'new town' developed for people moving out of Liverpool. There were also Liverpool overspill estates within Widnes. For many years, Halton had plenty of affordable housing, but a shortage of better quality housing. It has only been in recent times that a shortage of affordable housing has once again become a problem. However, Widnes and Runcorn have been fragmented by road development, with three town centres serving a population of only 120,000. With regard to its residential population, Halton is the 32nd most deprived district in England. Its unemployment and incapacity rates are amongst the highest in the country, and many 3rd generation migrants from Liverpool have continued a family history of worklessness.

However, Halton is also a strategic 'gateway' for the wider LCR. Its Mersey crossing connects LCR to London by rail and the M56 by road. Because the first crossing is close to capacity, there is a strategic proposal for a second Mersey crossing. This is strongly supported by the Mersey Partnership. Subject to the outcome of a planning enquiry, work is due to start in 2011. Halton is also located on the Manchester Ship Canal. Historically, it was an important centre for the chemical industry, but the present focus is shifting away from chemicals to logistics. The Mersey Gateway (3MG) development, owned by Stobart's, provides rail connections to the ports of the South East of England and by road to the markets of the North West. It will form an important element of the 'Liverpool SuperPort' concept. There is also a proposal by Peel Holdings to grow the docks at Halton on the Manchester Ship Canal. Halton is also the location for Daresbury which is a nationally important site for the development of science and Innovation.

Because of its strategic position, Halton took the positive decision to be an active part of the Mersey Partnership, joining the Merseyside boroughs in 1998.

### Box 5: Independent places

Our research found two types of 'independent place' depending on an area's level of skills and earnings, its sectoral composition, average house prices and levels of deprivation.

- 1) Places with *diverse industries*<sup>55</sup> are often characterised by a high level of skills, earnings, house prices and good deprivation scores. These are the areas with the strongest economic performance and with the most opportunities for residents.
- 2) Places with a *mix of industries* are often characterised by a medium level of skills, earnings, house prices and mixed deprivation scores. These areas are slightly less economically successful than their more diverse 'independent' counterparts.

Halton falls into the second category of independent places:

- *There is a low proportion of graduates*, and about 20% of the population have no qualification.
- *Halton has the highest workplace earnings of the case study areas*, although its residence based average earnings are relatively low.
- *Halton has a reasonably large manufacturing base*. Factories and warehouses occupy more than 70% of commercial and industrial floorspaces.
- *GVA per capita is relatively high*, £18,259 compared to £16,482 across the North West as a whole.
- *Halton's Mean Tax Take is relatively low*, £3,210 compared to a regional mean of £3,720.
- *House prices are low* compared to other parts of LCR.
- *Halton has medium levels of employment and deprivation* compared to other parts of LCR.

### Chester

*Chester*, within the wider LCR, is classified as 'independent', with a relatively strong economy of its own. It now forms a part of West Cheshire and Chester local authority, following a local government reorganisation in April 2009. The City of Chester has a population of around 120,000.<sup>56</sup> Chester is, alongside Liverpool and Warrington, one

55 A city with diverse industries can be distinguished from a city with a mix of industries according to two criteria: a diverse city specialises in a wider breadth of industries and has a smaller percentage of employment in traditional industries than a city with a mix of industries.

56 Population figure is based on the population (ONS mid-year population estimates) of the former local authority district of Chester

of the three most important employment centres that give the wider LCR a simple polycentric structure. The sub-region around Chester, including Flintshire and Wrexham in Wales and West Cheshire is in employment terms quite self-contained, with 83% of travel to work trips originating within the area.<sup>57</sup> Chester is a founding member of the Mersey-Dee Alliance. Commuting links between Chester and Liverpool are very weak: only 3.2% of Chester's residents commute to Liverpool, and just 0.4% of Liverpool's residents commute to Chester. Most of those commuting to Liverpool are knowledge workers. 2% of the commuter population of Chester commute to Wirral, 4.1% of the commuter population of Wirral commute to Chester.

Chester has a strong, and in some cases international, role in the service employment sector. The city is particularly strong in financial services. It is also an important retail centre and is a national and international tourism destination, with around 8.2 million visitors a year. Of the case study locations within the wider LCR, Chester is geographically the most distant from Liverpool, and has the longest travel time to Liverpool. However, Chester's strong position in knowledge and services based industries offers strong complementary opportunities with the wider LCR in financial and professional services, tourism, and retail.

### Box 6: Interdependent places

Our research found two types of 'interdependent place', which can be distinguished according to an area's level of skills and earnings, its sectoral composition, average house prices and levels of deprivation. These two types look very similar to the two types of 'independent places':

- 1) Places with *complementary industries* are often characterised by a high level of skills, earnings, house prices and good deprivation scores. These areas benefit significantly from interdependent relationships with the economic centre.
- 2) Places with a *mix of industries* are often characterised by a medium level of skills, earnings, house prices and mixed deprivation scores. These areas benefit to some degree from interdependent relationships with the economic centre.

#### Chester falls into the first category of independent places:

- *Over 35% of Chester's population are graduates*, by far the highest within the city region.
- *Chester has the highest residence based earnings in the case study areas*, well above regional and national averages. However, *workplace earnings are relatively low*, only ahead of Sefton and Wirral of the study areas.
- *Offices occupy a relatively high proportion of commercial and industrial floorspace* – 26.2% compared to 22.1% across North West.
- *Chester's Mean Tax Take is substantially high* compared to other parts of LCR.
- House prices are very high compared to LCR.
- *Chester's employment rate is the highest in the city region* and is above the national average. Chester also has the *lowest levels of deprivation*.

These individual relationships have an impact on the dynamics across the city region as a whole, and are affected by the characteristics of the built environment, the quality of life offer and the quality of transport links.

57 GVA Grimley (2004) 'West Cheshire – North East Wales: Sub-Regional study', available at: [www.merseydealliance.org.uk/docs/Sub-Regional\\_Study\\_NE%20Wales\\_West\\_Cheshire\\_GVAGrimley2004.pdf](http://www.merseydealliance.org.uk/docs/Sub-Regional_Study_NE%20Wales_West_Cheshire_GVAGrimley2004.pdf)



## 6. Key findings and policy conclusions

### 6.1 The economic geography of the Liverpool City Region has clear characteristics that impact on the development of complementary economic relationships between places

The Liverpool City Region has a simple polycentric structure. Liverpool is the main driver and employment centre. The other main centres of employment are Warrington and Chester. By contrast, the LCR core is largely monocentric with Liverpool as the dominant centre.

The functional economic area of the LCR core is very compact compared with the other case study areas. A number of factors were identified to explain this, including LCR's position on the North West Atlantic Seaboard and the relative compactness of the LCR core. It may also partially be because Liverpool does not yet have the economic pull of Manchester and Leeds. However, given the excellence of the Mersey Rail system and the availability of good quality housing relatively short distances from the City Centre, the compactness reinforces complementarity within the city region.

The simple polycentric structure of the wider LCR creates complementary opportunities. The functional structure of the wider LCR is more complex than that of some of the other case study areas. For example, the Manchester City Region is more strongly monocentric. However, the simple polycentric structure creates opportunities for creating complementary economic relationships within the city region that can be grasped. For example, whilst labour market connections between Chester and Liverpool are relatively weak, there are strong sectoral complementarities between the two cities (e.g. tourism, financial and professional services) which could be explored further.

Liverpool City Centre is playing a growing role as the economic engine of the LCR. The Liverpool economy has been coming from a lower base than that of our other case study areas (except Sheffield), but has been growing rapidly in recent years. However, it is yet to become as strong an economic driver of the city region as Leeds and Central and South Manchester are for their city regions, and is presently too public sector dependent, particularly in relation to the growth of knowledge-based employment.

### 6.2 Understanding how existing links between places work is important to realising the economic and social potential of places within LCR

A useful way of assessing if neighbouring cities and towns have benefitted from Liverpool is to look at change in Gross Value Added (GVA) per worker over time (see Figure 2.4). Over the last decade, productivity has increased in all of the sample Local Authority Areas, but it has increased most in Chester, Halton and Liverpool. This reflects the polycentric structure of the city region. Evaluation of resident based earnings shows that some areas with lower levels of GVA (such as the Wirral) have higher resident earnings, reflecting their reliance upon Liverpool as an employment centre.

Overall, Wirral, Knowsley and Sefton are benefiting from their 'dependent' relationship with Liverpool. This is despite the gap in GVA per capita widening between these places and Liverpool, which is a common occurrence between the economic centre of a city and the surrounding areas. Many residents from these boroughs travel to work in Liverpool, reflected in the degree of convergence in resident earnings. Also, significant investment projects within these boroughs are likely to be dependent on the overall success of Liverpool. In other words, they are likely to benefit from a stronger city centre.





There are places where this relationship is more complicated. For example, Southport with its own distinctive brand as a tourism centre, may be able to attract investment in its own right, although its close connection to Liverpool may also help. As mentioned above, attempts to exploit complementary benefits between Wirral, Knowsley and Sefton are held back by the relative concentration of deprivation and housing market failure within these boroughs, which is why addressing these issues is such a priority. These issues are discussed in more detail below.

### 6.3 How can the city region benefit more from complementary relationships in the future?

Overall, considerable progress is being made towards increasing complementary relationships between Liverpool and surrounding towns and cities. However, economic relationships do not stand still, but are constantly evolving based on location choices made by both residents and firms. In certain areas, there appears to be scope to influence city relationships to help ensure neighbouring cities and towns derive the maximum economic benefit from the economic centre, and provide greater support to each other. Our research suggests a variety of areas where future improvement could be achieved.

#### Supporting Liverpool's growth

Liverpool's economy drives complementary economic relationships within the wider LCR and LCR core. Liverpool remains the primary centre of employment, whilst relying on surrounding towns and cities for good quality housing and labour. The City Centre economy plays an essential role in driving complementary economic relationships within the wider LCR and LCR core by:

- Its distinctive architecture, emblematic skyline, dynamic cultural and retail offer and commercial heart creating a brand for the 'wider LCR' that is known around the world
- Being a vital and growing centre for employment, particularly for knowledge-based jobs, retail, culture and leisure, as well as public sector employment, for the wider LCR
- Its success being directly related to the potential of future significant private sector investment in neighbouring centres in East Wirral, South Sefton, South Liverpool and Knowsley
- Acting for the Maritime industry as the centre for knowledge-based employment in shipping companies and in professional services, for a sector that spreads employment and economic activity around the LCR core
- Operating for Digital and Creative Industries as an essential base for many firms within the sector and as a critical 'public good' for the sector's growth and development in the wider LCR
- Its economy facilitating complementary economic relationships with the outer lying centres in the city region, such as Chester

This means that areas within the LCR should be aiming to support Liverpool's growth, as it would be beneficial for both the LCR core and for the wider LCR, as well as developing their own economies. This is likely to require that Liverpool focuses on securing investment for higher value industries, in which it has a comparative advantage, and works with neighbouring areas to enable them to gain investment in other industries in which they have a complementary and distinctive offer.

### **Governance supporting strong leadership is vital**

City regional governance arrangements should be developed to provide strong and confident leadership. This should be able to make difficult decisions within a clear understanding of the complexity of the wider LCR's economic geography, the roles of different places, and how mutual benefits can best be secured.

Considerable progress has been made, particularly in the evolution of appropriate policies for LCR. However, feedback from interviewees suggested that there is still some way to go to build the degree of mutual trust between partners that is required to underpin effective city regional leadership. This needs to be developed on the back of a stronger mutual understanding of the spatial dynamics of places and their economic relationships within the city region, together with their different aspirations.

In particular, what it means to be a city region with polycentric characteristics needs to be more strongly understood. This should include appreciating the value of Wirral cooperating with Chester as well as Halton, Warrington and St Helens supporting each other. These should be seen as reinforcing city region opportunities, and not as a challenge to stronger city regional leadership. Specific issues could include:

- Liverpool and Chester, as two 'independent' cities with complementary industrial sectors, developing stronger dialogue about areas of common policy interest.
- Developing a stronger quality housing offer for the city region in Halton and St Helens, to the benefit of these places.
- Exploring synergies between Chester and Wirral;
- Exploring synergies between Halton, Warrington and St Helens, for example in terms of enterprise development (reflected within their LEGI project) that are important to the building of their local economies.

### **It is vital to tackle the concentration of housing market failure and deprivation in East Wirral, North Liverpool, as well as into Knowsley.**

The severe concentration of deprivation and housing market failure within these boroughs acts as a barrier to complementary economic relationships. This is because many of the residents within these areas are excluded from the growing employment opportunities within the LCR core. This is why people based policies to invest in education, skills development, employability, enterprise and health improvements across LCR, and in particular the LCR core, are so important. It is also why such investment needs to work alongside action to address housing market failure. This is recognised by the city region (e.g. MAA and the New Heartlands Housing Market Area). However, feedback from interviewees suggested that there is still room to strengthen a spatially unified approach towards these issues across Liverpool, Sefton and Wirral local authorities. The quality of LCR's transport system means that this is less of an immediate issue than in other city regions, although investing to maintain, update and improve the transport system will always be an important issue.

### **Wirral and Sefton**

Wirral and Sefton are both a tale of two halves (West and East Wirral and North and South Sefton). East Wirral and South Sefton share similar issues around housing market failure and significant concentration of characteristics of deprivation, and are sharing joint approaches with Liverpool in addressing these issues. Both also aspire to develop stronger inter-dependence in their economies with Liverpool. These aspirations are important to the LCR. They would enable a wider extension of

Liverpool City Centre. However, they are most likely to be achieved within the context of a common strategic approach by the three local authorities and a growing Liverpool city centre economy. This means that Wirral and Sefton need to continue to work together with Liverpool to focus on strategic sites for investment and development, to address housing market failure, invest in developing the skills of the local population and work with communities to address barriers to employment.

West Wirral and North Sefton offer attractive residential areas. But they also offer high quality places with a distinctive offer, such as Southport, (a vibrant 'classic' seaside resort) and both are at the centre of the 'golf economy'. The importance of maintaining and strengthening the infrastructure, residential quality and cultural amenities of these places is recognised by both local authorities. Doing so also makes an important contribution to the overall success of the city region as a whole.

#### **Knowsley**

Knowsley has made good progress in recent years, particularly in improving educational performance and growing its business base. Stronger complementary relationships with Liverpool are most likely to come through improving the quality of its housing offer, enhancing the education and skills performance of its residents and in developing the quality and quantity of its business base. There is currently a review of the future role and layout of Knowsley Industrial Park to ensure that this employment site for over 600 businesses provides 21st century accommodation to meet the needs of modern businesses. Initiatives such as this will help Knowsley play a stronger role within the overall LCR economy.

#### **St Helens**

St Helens faces challenges in maximising benefits from its economic relationships with Liverpool because of its economic history, social composition and structural changes in its economy, meaning that it is relatively isolated from Liverpool. Strong efforts are being made to achieve a physical transformation of the borough, through investment in the town centre and in broadening the housing stock offer. Work is also going on to build up the SME base. St Helens is working in the right direction, including in its joint work with Halton and Warrington, for example through the LEGI project. It is important that Liverpool and the other city region partners understand its particular challenges and support the focus on both a physical transformation, and on investing in the skills and capabilities of St Helens' residents.

#### **Halton**

Halton faces two distinct types of challenges. The first gives Halton 'independent' characteristics. These relate to its important strategic position within the wider LCR, both as a 'gateway' to the wider LCR at the Mersey crossing, and its role as a centre for knowledge employment in the city region through sites for science and innovation, such as Daresbury. For both of these, it needs the support of its LCR partners for major infrastructure projects, such as the second Mersey crossing. However, the second relates to its residential and labour market characteristics, which if taken on their own, would rate Halton as 'isolated'. These require attention through people-based investment in skills and worklessness. The need to improve and diversify the housing stock has been recognised by the local authority. There is also a case for collaboration with St Helens and Warrington, within the context of the wider LCR.

### Chester

Chester is an 'independent' city, with a relatively strong economy of its own. It is in labour market terms relatively self-contained, with 83% of travel to work trips originating in the area.<sup>58</sup> It has distinct strengths, particularly in service sectors. Given these factors, there may be a temptation for West Cheshire and Chester to take a relatively independent line, within the context of the wider LCR. However, there are strong sectoral opportunities to exploit within the wider LCR, including in financial and business services, tourism and retail. In particular, Liverpool and Chester as two relatively strong 'independent' cities are likely to be in a complementary relationship with each other and therefore likely to find mutual benefit from the growth of each of their economies. This suggests that the two cities should engage with one another in developing their economic assessments, in order to identify opportunities to strengthen these complementary links.

### Maritime

There are wider opportunities for increasing sector links in the LCR too. As outlined earlier in the report, the Maritime sector is a key sector in the LCR. Its strategic importance has been recognised through a vision to integrate all the maritime activities within the city region, together with the airport, into a single concept called Liverpool 'SuperPort'. It offers significant agglomeration advantages, a focus for strategic direction for LCR and the potential of growing new knowledge-based employment opportunities. However, as is recognised within LCR, it is vital that LCR's international competitive position within the Maritime Industry is advanced through strategic investment, such as upgrading the Seaforth Terminal to offer post-Panamax facilities and maintaining the momentum of Liverpool 'SuperPort' to spread the benefits around the different facilities offered within the LCR. It is also vital that the sector focuses on improving the skills base within the city region, working closely with universities and other providers.

### Digital and Creative Industries

Digital and Creative Industries is a growing sector in LCR in which the City Centre acts as a 'public good' in providing the location for start-up and growing companies. The contribution of the City Centre in this role needs particular recognition, especially if land and property prices rise making it harder for start-up and growing firms to access accommodation; an issue that is recognised in the city region. The recent transformation of Liverpool's reputation is of assistance to firms in the Digital sector, which are less tied to the City Centre as they grow. These challenges make it essential that there is continuing recognition of the important work support agencies provide to the sector, and of the contribution that Digital and Creative firms make to the LCR economy. One example is in following public sector best practice in implementing tendering procedures that are not cumbersome or costly for firms applying for contracts. In addition, investment in skills is important to this sector as creative and digital firms rely almost exclusively on a graduate workforce and have to compete to recruit and then retain staff. In particular, development of a larger graduate labour force to draw on and a base of larger firms would assist growth of this sector in LCR. This means that support for the Digital and Creative Industries should focus on growing networks between firms, and, attracting a larger pool of graduates and larger firms to the city region.



58 GVA Grimley (2004) 'West Cheshire – North East Wales: Sub-Regional study', *ibid*, available at: [www.merseydealliance.org.uk/docs/Sub-Regional\\_Study\\_NE%20Wales\\_West\\_Cheshire\\_GVAGrimley2004.pdf](http://www.merseydealliance.org.uk/docs/Sub-Regional_Study_NE%20Wales_West_Cheshire_GVAGrimley2004.pdf)

Our thanks go to the following interviewees for their time and insights:

Name	Position	Organisation
Andy Wallis	Director of Planning and Economic Regeneration	Sefton Council
Kevin Adderley	Head of Strategic Development	Wirral Metropolitan Borough Council
Dick Tregoe	Strategic Director – Environment	Halton Borough Council
Sophy Krajewska	Head of Strategy	Liverpool Vision
Steven Smith	ICT Sector Manager	Liverpool Vision
Aiden Manley	Head of Regeneration	St Helens Council
Maurice Gubbins	Service Director Economy and Enterprise	Knowsley Council
Catherine Garnell	Head of Chief Executive's Office	Liverpool City Council
Mark Butchard	Strategic Development Manager	Mersey Partnership
Dave Moorcroft	Director of Economic Development	Mersey Partnership
Alan Stillwell	Director of Operations	Mersey Travel
Robin Tudor	Head of Public Relations	Peel Airports Ltd, Liverpool John Lennon Airport
John Hulme	Partner	Hill Dickinson
Stephen Gaines	Head of Airport Planning	Peel Airports Ltd
Jack Stopforth	Chief Executive	Liverpool Chamber of Commerce and Industry
Kevin McManus	Director	Merseyside acme
Matt Johnson	Chief Executive	Mando Group
Nick Howe	Managing Director	Uniform
David Pendleton	Business Development Director	Mersey Maritime Group
Jim Teasdale	Chief Executive	Mersey Maritime Group
Alan Lewis	Chief Executive	LCVS
James Docherty	Director of Finance	Qire
Richard Veal	Managing Director	New Mind
Steve O'Connor	Managing Director – Stobart Ports	The Stobart Group
Andrew Binns	Business Development Manager	Rippleffect
Neil Bradley	Corporate Development Manager	The Mersey Partnership
Charlie Seward	Director of Regeneration and Culture	Cheshire West and Chester
Melissa Parsons	Senior Regeneration Officer	Mersey Dee Alliance
Peter Nears	Strategic Planning Director	Peel Holdings (Management) Ltd
Frank Fox	Managing Director	Lombard Shipping and Forwarding Ltd
Greg Woodley	Corporate Development Manager	The Mersey Partnership



