



The role of place in an industrial strategy

Why does it matter?

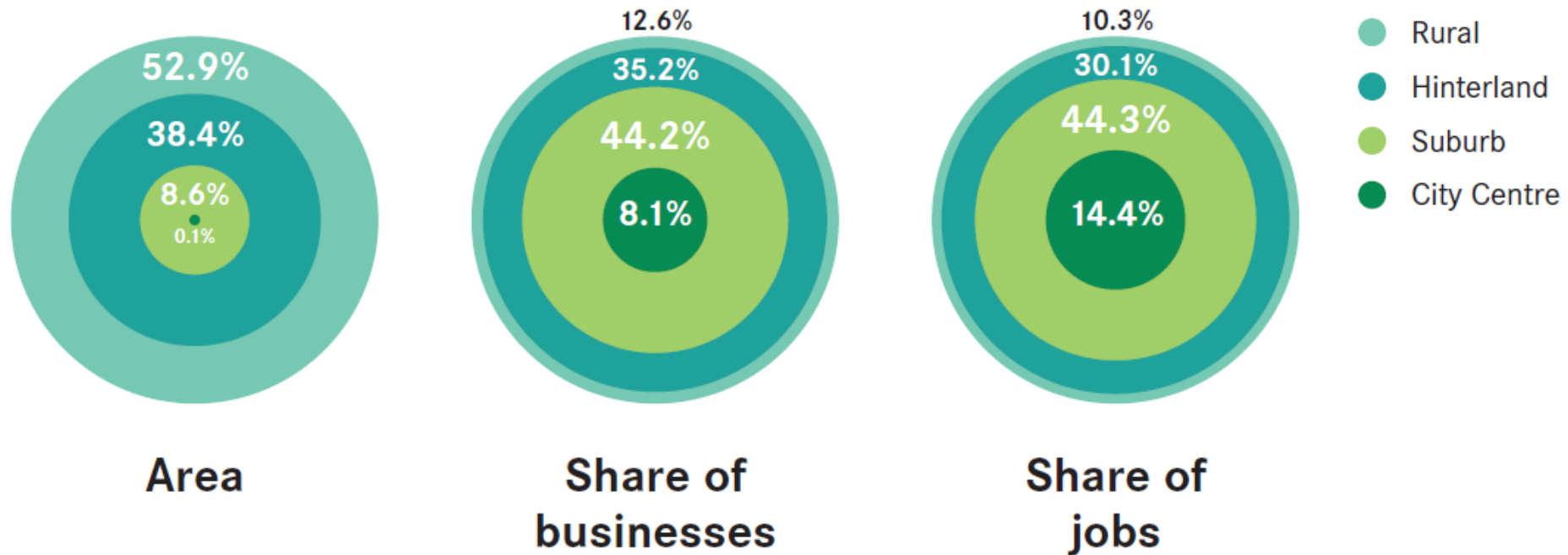
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Different places play very different roles in the national economy



Source: ONS (2016), Business Structure Database 2015; ONS (2016), Census 2011, origin-destination data (WU02UK); Centre for Cities' own calculations.

Supporting exporters is particularly important for industrial strategy

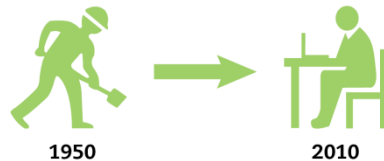
1. **Exporters** bring money into the local area...



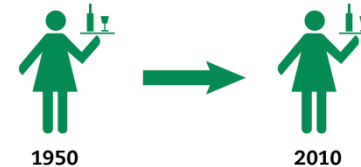
...while **local services** sell to local workers and residents



2. **Exporters** drive productivity growth...



...while the productivity of **local services** remains static



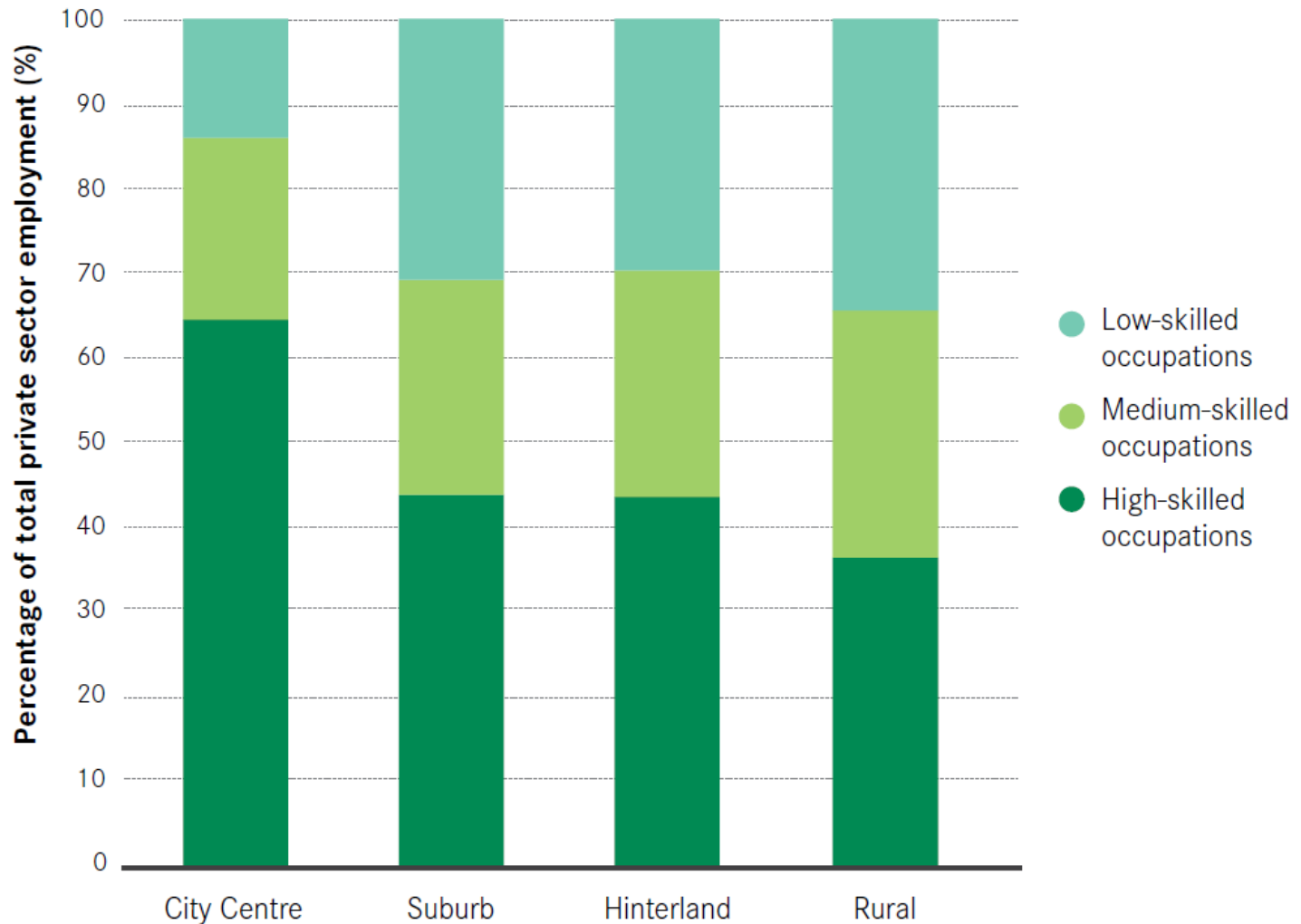
3. **Exporters** raise disposable income in a local area...



...which increases demand for **local services**

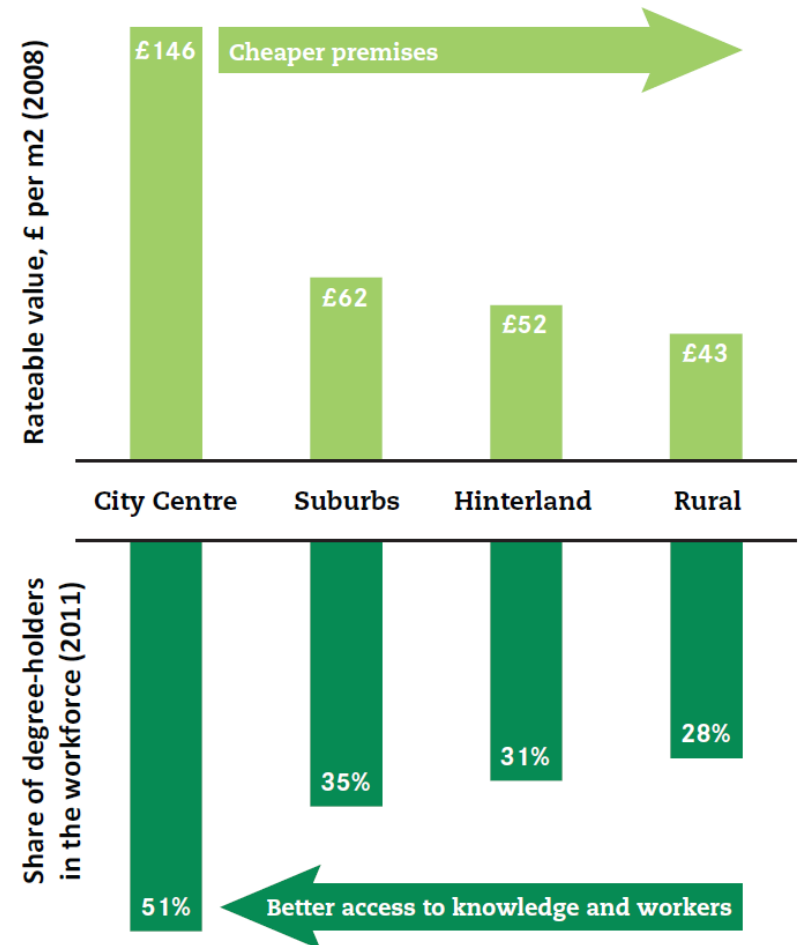
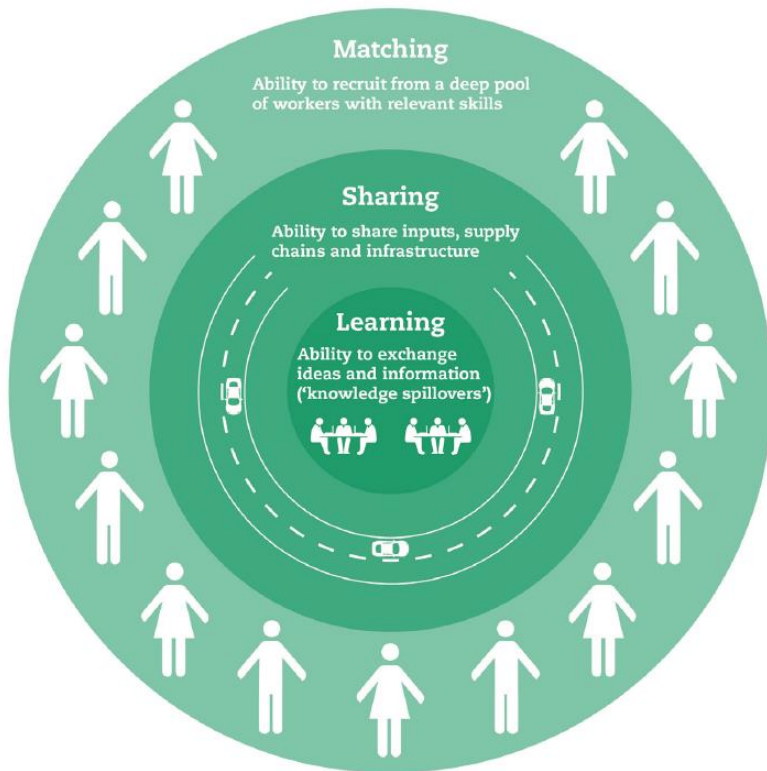


And higher-skilled exporters tend to prefer city centre locations in particular



Source: ONS (2016), Business Structure Database

This is because of the different benefits that different places offer to business



Source: Neighbourhood Statistics; NOMIS (2016), Census 2011. Note: Rateable values are used as a proxy for land costs. Medium Super Output Areas were used to define the different geographies as this is the lowest geography that rateable values are available. Data is for England and Wales only.

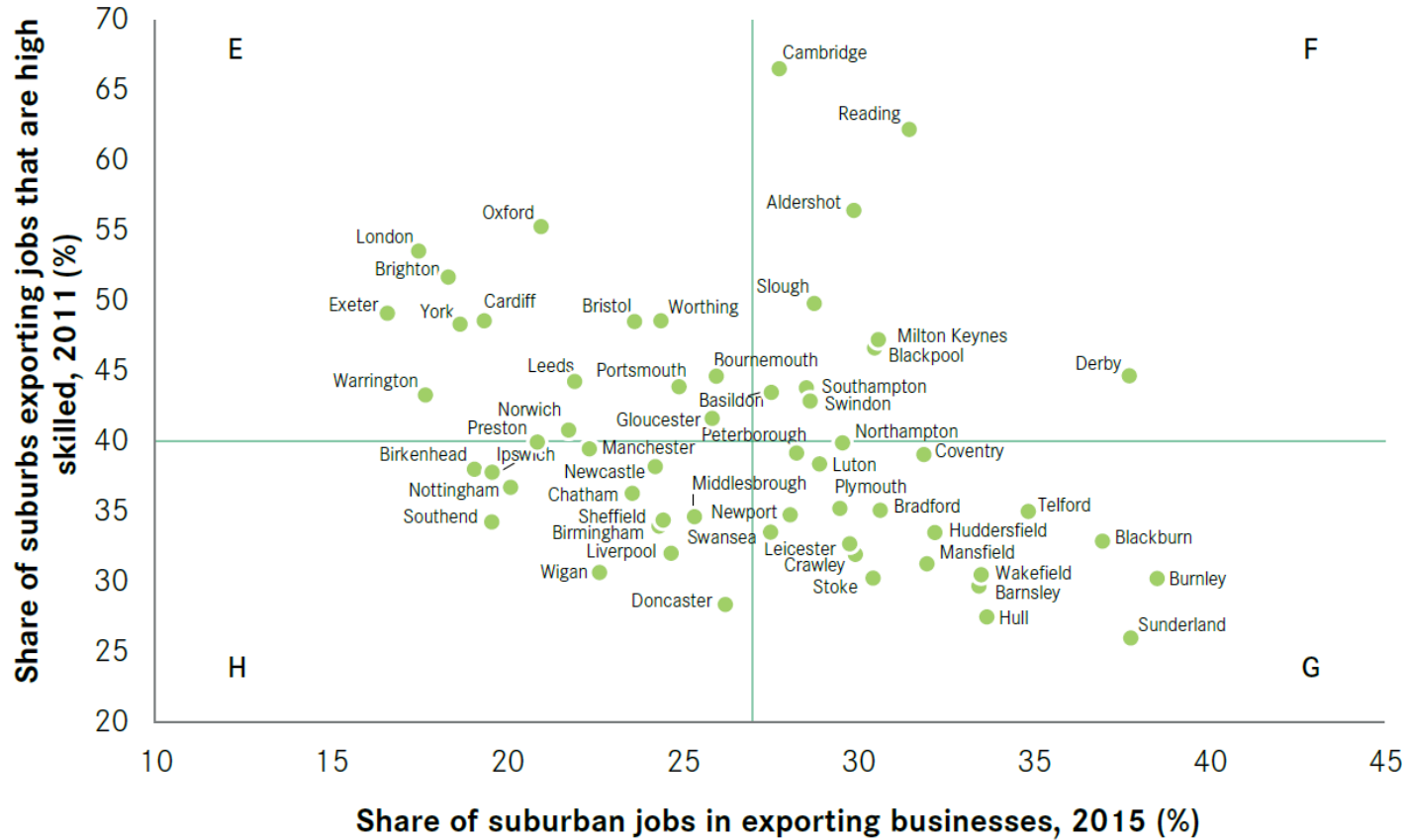
But there is great variation across cities, both in their city centres...

City Centres



...and their suburbs

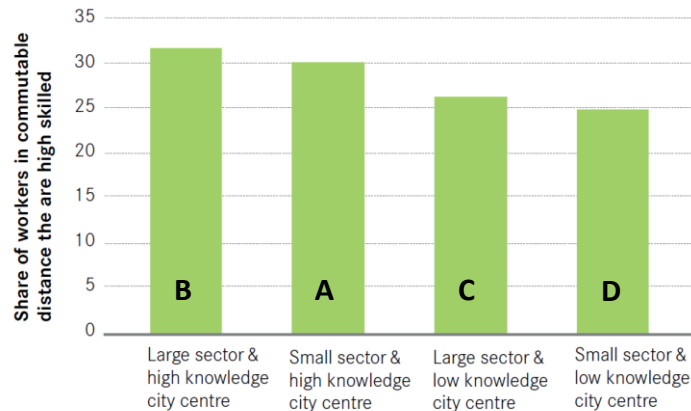
Suburbs



Source: ONS (2017), Business Structure Database, Census 2011

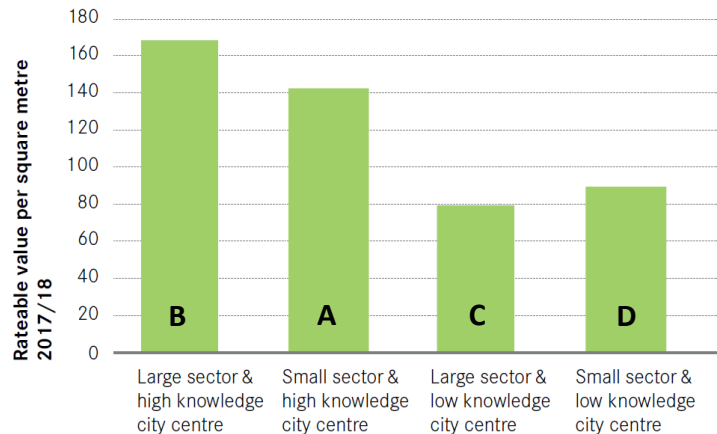
Strongly performing city centres offer particular benefits to business

Access to workers

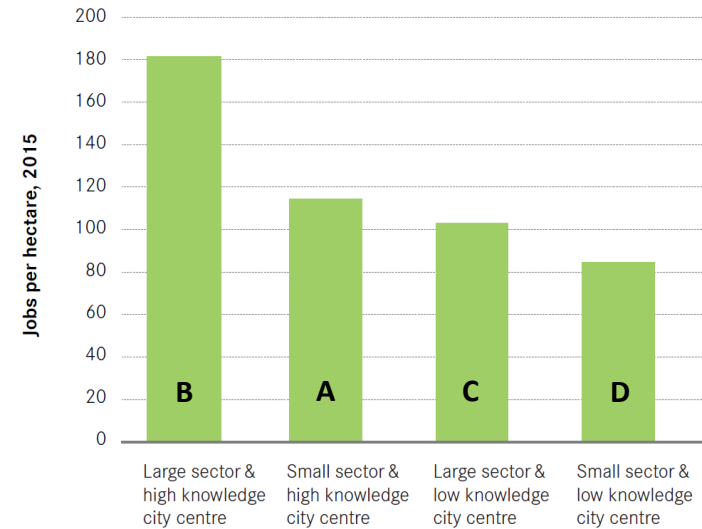


Source: Census 2011, VOA

Costs of property



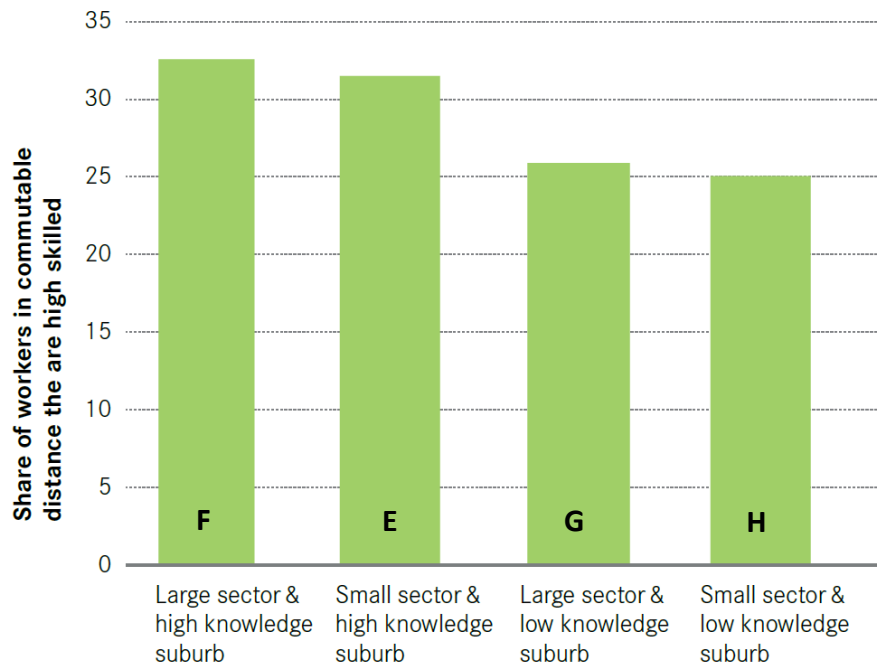
Density (a proxy for knowledge spillovers)



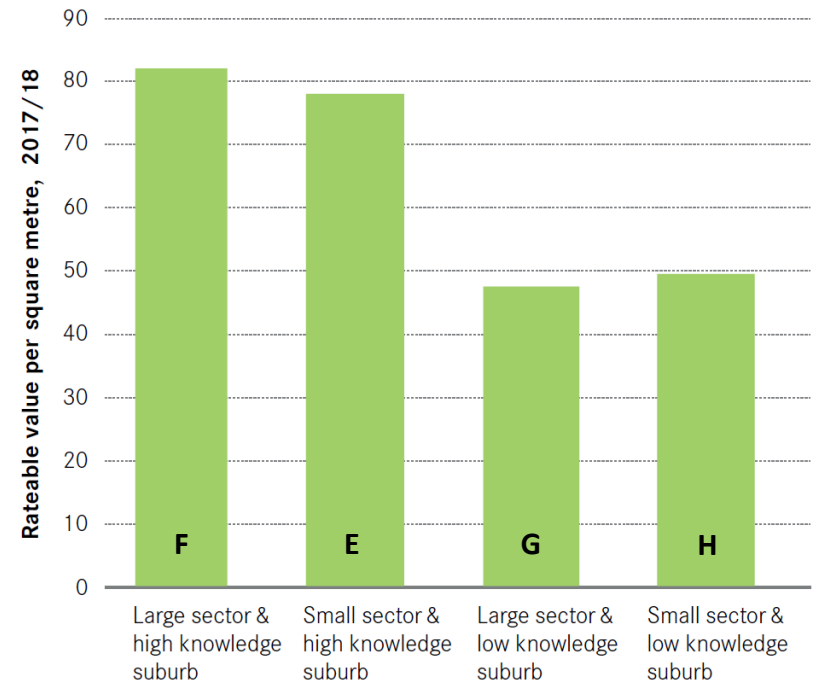
Source: Census 2011, VOA

While the varying offers from suburbs shape the type of investment they attract

Access to workers



Cost of property



Source: Census 2011, VOA



This means that agglomeration can take a number of forms

High skill

Low skill

Benefits

Access to knowledge

-

Access to shared infrastructure

Access to shared infrastructure

Access to high-skilled workers

Access to low-skilled workers

Costs

High cost

Low cost



Implications for the industrial strategy

- **Improve the potential benefits that struggling cities should be offering to business:**
 - Improve the skills of the workforce
 - Make their city centres more attractive places to do business
- **Manage the costs of growth in successful places:**
 - Housing
 - Congestion
 - Air pollution



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