

Knowledge Economy News

The newsletter of the Knowledge Economy Network



Issue 6 October 2006

A warm welcome to our existing and new KEN members. Knowledge Economy News is the quarterly network newsletter. This issue focuses on Local Futures' research on the future of public services and local government in the wake of the impending white paper and ongoing Lyons Review. We are making the case for localism through which partners' local knowledge can be fully utilised to design policies and implement services that are closer to the customer.

The Knowledge Economy Network now has 86 members. Some of our new members are:

- Advantage West Midlands
- Bolton MBC
- Bracknell Forest Borough Council
- Bradford MDC
- Canterbury City Council
- City of London Corporation
- East of England Development Agency
- Hertfordshire County Council
- North Tyneside MBC
- Oxford City Council
- Oxfordshire City Council
- Reading Borough Council
- Royal Borough of Windsor & Maidenhead
- Slough Borough Council
- London Borough of Sutton
- London Borough of Wandsworth
- Wokingham District Council

Gareth Ralphs is the new Business Development Manager of the KEN Network. Gareth is focussing on recruiting new members from the South East, South West and East of England. Some of you may already know Gareth from his previous role as Head of Economic Development for Wycombe County Council, and as a KEN member.

In this issue....

Mark Hepworth analyses the **public sector of the knowledge economy** on page 2.

John Fisher explains our programme of place shaping support, **Wakefield Futures**, on page 4.

James Binks highlights **young people's** perspectives on the knowledge economy on page 6.

Naomi Clayton looks at the **Manchester City-Region** on page 8.

Finally, our report on **local area agreements and local public services** is discussed by James Binks on page 10.

Forthcoming research from Local Futures:

- **2012: Procurement and Legacy.** *The long-term benefits of holding the Olympics to business competitiveness, skills and innovation across Britain. This project builds on our report for the DTI and is in partnership with Experian Business Strategies. Contact james.binks@localfutures.com*
- **Public libraries in the Knowledge Economy.** *Following our report for the MLA, see www.mla.gov.uk, we are assessing public libraries' involvement in 'place shaping' activities including Local Area Agreements. Contact naomi.clayton@localfutures.com*
- *Our revised **Knowledge Economy Audits** have been used by KEN members across Britain to support the knowledge economy agenda in their. KEN members receive a discount on the Audits. Contact james.binks@localfutures.com*





The Public Sector of the Knowledge Economy



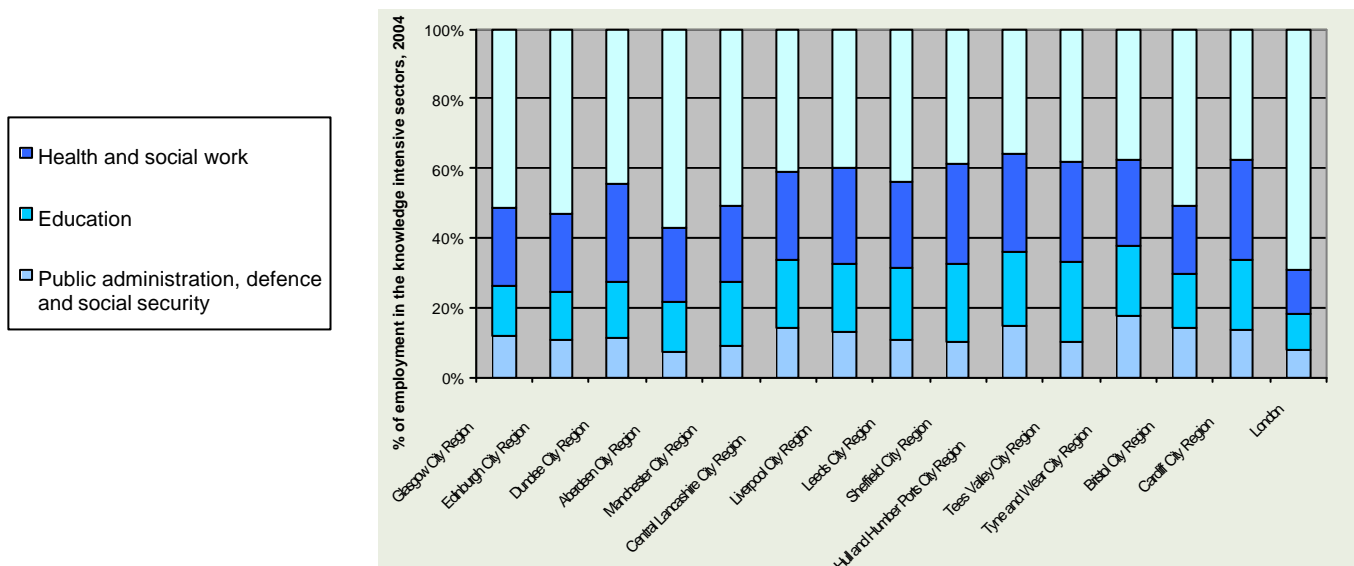
Mark Hepworth

The public sector is very much the “Cinderella” in UK knowledge economy agendas, both nationally and regionally. This reflects the global business orientation of knowledge economy policy thinking – public services are ‘non-tradable’. In this short article, I want to correct this false reading of the role of the public sector in the knowledge economy.

The first plank of my argument is that the public sector – broadly defined to include health, education, public administration and defence – generates a large proportion of ‘knowledge intensive’ employment in all regions of Britain (see graph below and map overleaf). I define ‘knowledge-intensive’ jobs as those normally requiring a degree (following the EC ‘higher education’ definitions of knowledge-based economic activity). Its role is particularly great in local and regional economies where the business drivers of the knowledge economy are weak. Further, in recent years, and even in London, the public sector has out-paced the private sector in knowledge-intensive job creation.

The second plank of my argument is that unlike the private sector, the ‘head offices’ of public sector organisations – like universities and colleges, hospitals, local authorities and so on – are more evenly distributed across Britain, Scotland and Wales and the English regions. It is possible to organise a business lunch in Glasgow with the heads – the lead decision-makers – of all of the city’s public sector agencies. There would be a significant but much weaker ‘turn-out of big hitters’ in the private sector. However, to maximise economic leverage from this high-level public sector representation, it is essential that public procurement is decentralised and proactively used to grow stronger supply chains of local businesses and start-ups. Procurement can be strategically used to increase knowledge (managerial and technical know how) and innovation levels in business suppliers

The Public Sector of the Knowledge Economy in selected city-regions (2004)



Please send your articles and news stories to:

james.binks@localfutures.com



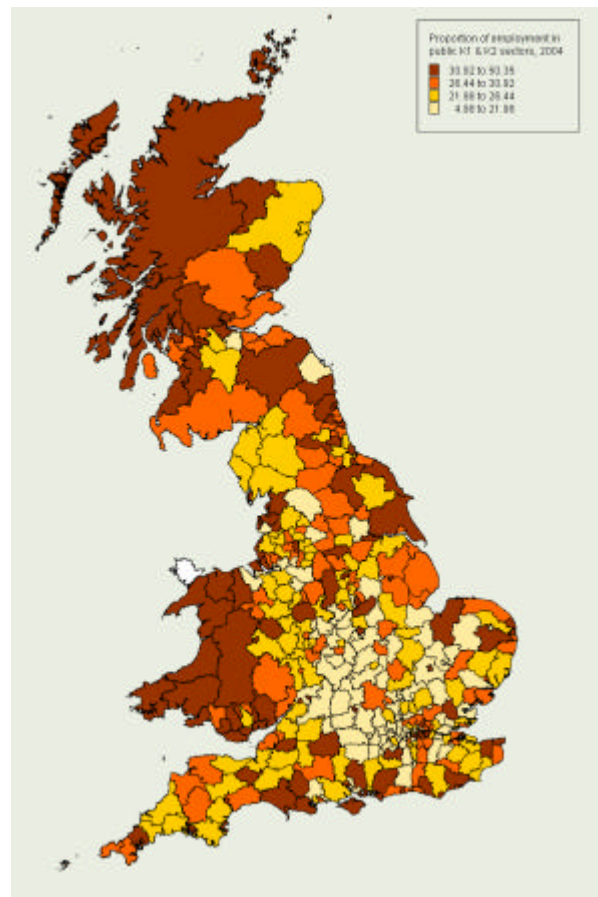
The Public Sector (continued)

The third plank of my argument is that the economic 'footprint' of the public sector is the most meaningful and useful way of defining the boundaries of city-regions – as strategic platforms for the knowledge economy. This 'footprint' could be drawn up as a composite map – the travel-to-work areas of public service workers, focusing on professional, managerial and scientific and technical occupations, the 'customer base' of public service organisations, including universities and business support and skills agencies, the geographical fields of public investment and spending and the topologies of communications infrastructure. My view is that places that have ambitions to build city-regions – such as Glasgow and Edinburgh – should build the foundations of their knowledge economies across the public sector.

There are other fact-backed arguments for developing the public sector of the knowledge economy. The 'culture and consumption' approach: 'creative cities' that boast a high quality of life and excellent welfare services are more successful in attracting and retaining talent. Successful place-making depends on the quality of the local public sector and local governance – knowledge, leadership and civic capital. The 'knowledge spill-over and production' approach: places with powerful local innovation systems – knowledge communities of businesses, universities, technology and know-how transfer agencies and skills and training providers – are more successful in building a high value dynamic enterprise base. The public sector contribution, in the form of pump-priming investments, infrastructure, brokerage, regulation and incentives, is an indispensable element these geography-based innovation systems.

These various arguments lead me to a simple conclusion: make the public sector a cornerstone of 'your' knowledge economy.

The Public Sector Knowledge Economy, 2004



How important is the public sector to your knowledge economy?

KEN members can receive a free chart highlighting local performance by contacting us



Wakefield Futures!



John Fisher

One of the key challenges during Wakefield Metropolitan District's recent review of its Community Strategy was to develop a clear and shared understanding of the nature of modern Wakefield, and to create a compelling vision for its future amongst partners. Local Futures' programme of work, Wakefield Futures, is helping the Council and its partners to anticipate future change and exploit new opportunities.

The knowledge economy has been placed at the heart of Wakefield's economic ambitions. However the district faces several 'roadblocks' on the way including a low skills base (see chart), few knowledge-intensive businesses, wider social deprivation, high crime and poor health. The Council and its partners are also moving towards more devolved service provision based around community needs in neighbourhoods where these issues are most prescient. The Wakefield Futures programme is helping the partners to connect the knowledge economy agenda to this new service model through the concept of 'knowledge communities'.

Following an initial *knowledge economy audit* benchmarking exercise, workshop sessions and presentations on *future drivers of change* were used to help partners evaluate the impact these drivers will have on Wakefield. Is Wakefield's economy vulnerable to increasing competition from India and China, who themselves have knowledge economy ambitions? Will global warming increase local concern for the environment? Are social problems in deprived towns going to increase unless investments are made in the transport infrastructure?

Future opportunities and threats were highlighted and incorporated into four alternative scenarios for Wakefield's long-term future. These drew on scenarios developed by Local Futures, framed in the context of two underlying drivers of change: social values and systems of governance. Having discussed the scenarios, and agreed that all four were realistic over a 20-year horizon, partners assessed the impact and implications for Wakefield.

Wakefield Town Hall: Knowledge communities are the future





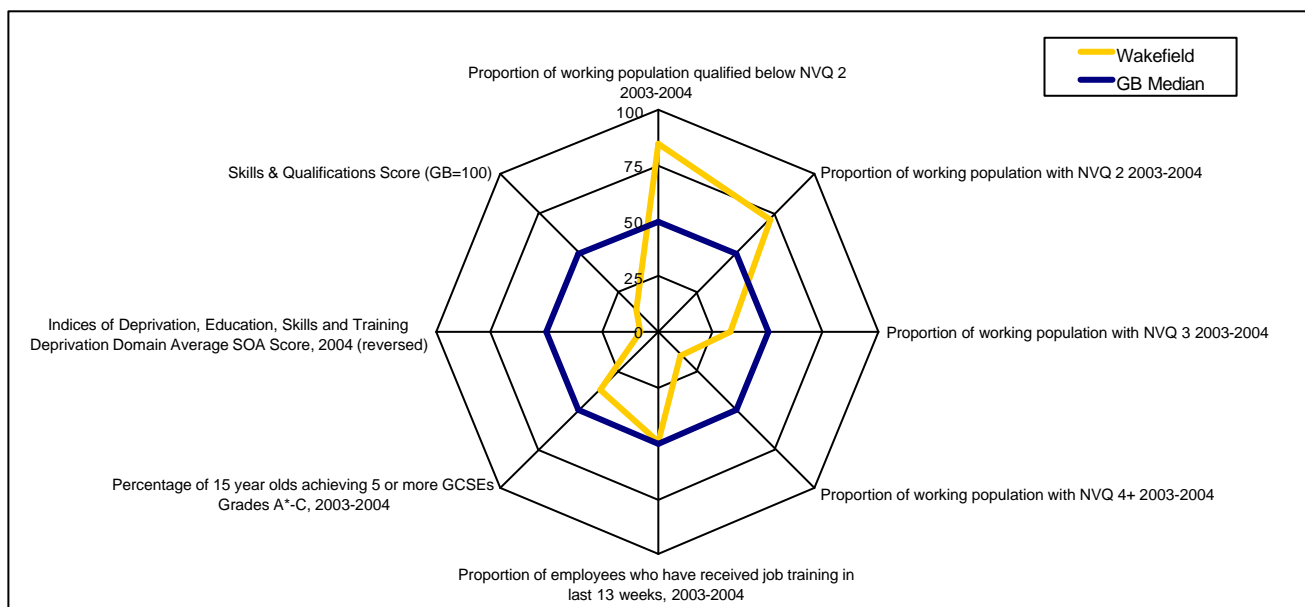
Wakefield Futures (continued)

A vision for the future

The Wakefield Futures programme is integral to the continuing development of the District's Community Strategy, as well as wider strategic planning by local agencies. The programme gives local partners a baseline to both identify emerging issues and measure success. Next stages of the programme are also intended to share this learning with other local leaders, groups and citizens. This will ensure both a wider input into the policy making process and greater local knowledge of issues and actions needed to ensure the long term economic, social and environmental sustainability of the Wakefield District.

Wakefield Futures is part of a continuing programme of work which will allow local leaders to more accurately sense future developments, align resources and energy to meeting future challenges, and respond speedily and efficiently. This 'sense, align, respond' approach is at the heart of the districts shared approach to ensuring sustainable communities across Wakefield. The Wakefield Futures vision is of building 'Knowledge Communities' – communities whose citizens, leaders and public servants have a shared understanding of their challenges and of the actions needed to ensure those challenges are met.

Skills and qualifications spider chart: Wakefield struggles





Young people and the knowledge economy in Brighton & Hove



James Binks

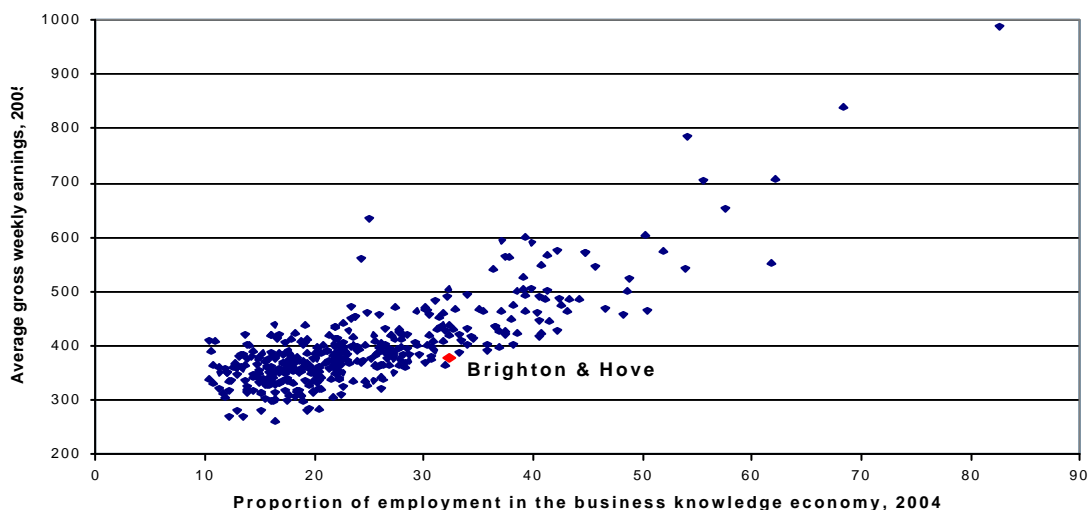
Young people face an increasingly uncertain economic future, with India and China set to compete in knowledge-intensive sectors, tuition fees ratcheting up the cost of going to university and owning a home becoming ever more unaffordable. At the same time, knowledge and human capital will be the lifeblood of national and local knowledge economies. Local Futures' research with Brighton & Hove City Council emphasised the importance of the city's undergraduates to the local economy and illustrated that local areas must now commit heavily to retain the best young graduates.

Through focus groups with students from the universities of Sussex and Brighton, we assessed students' experiences of living, studying and working in Brighton & Hove and their aspirations for the future.

The two universities act as vital 'conduits' for bringing young people to Brighton & Hove – human capital is the 'raw material' of the knowledge economy – and shaping young people's understanding of the world of work. This initial attraction offers great potential to integrate young people into the Brighton & Hove economy so that young people choose to, and can afford to, stay after they graduate.

The first key finding was that young people are 'knowledge-savvy' about where they choose to go to university. Yes, the nightlife and social scene of Brighton & Hove are factors in putting the two universities on their radar – but the defining factor among every single student we spoke to was the *quality or unique nature* of their course.

Brighton & Hove: Paradox of a strong business knowledge economy with low average earnings





Young People in Brighton & Hove

The second key finding was that *economic well-being* and the quality of local jobs generally define where young graduates choose to live. This is the reverse of the popular argument of Richard Florida that economic development follows creative capital – businesses choose to locate in areas where they can tap into local reservoirs of knowledge and creativity. In terms of initial effort, Brighton & Hove scores highly. Up to 400 students from the University of Brighton organise work placements with local businesses each year, many immersing themselves in business and learning a myriad of business skills through ‘sandwich courses’. The university also runs 100 knowledge transfer partnership each year.

Sussex University supports innovation in local businesses through its Innovation Centre and has sponsorship arrangements with local employer American Express to finance a Masters course in Informatics. Lecturers have a plethora of informal networks with local companies and many run their own businesses part-time. Despite all this activity, two-thirds (65%) of Brighton & Hove students still leave the city (many not by choice) at the end of their course because the jobs on offer do not compare with London, student debts have become unmanageable, or they simply want to return home or travel.

The third key finding was that all sides recognised more could be done. Brighton & Hove currently has a paradox of a strong business knowledge economy (with many graduate-level jobs) but relatively low average earnings.

Many local students have part-time or temporary jobs in shops or bars – why not target business support on enabling those companies to use undergraduates more strategically, and student support on encouraging young people to be more proactive at work? Support the development of more innovative sector-based networks along the lines of Wired Sussex for digital media? Or develop highly specialised sector-based post-graduation careers support for graduates who stay locally – at present many are forced to leave due to low wages and high house prices.

Our conclusion was that retaining talent should be at the centre of local strategies to boost the knowledge economy – unless the economy is successful and high quality of jobs are available, young people simply will not be able to utilise their human capital locally, even in a city with all the attractions of Brighton & Hove.

Brighton Pavilion and the University of Sussex





A greater future for the Manchester City-Region?

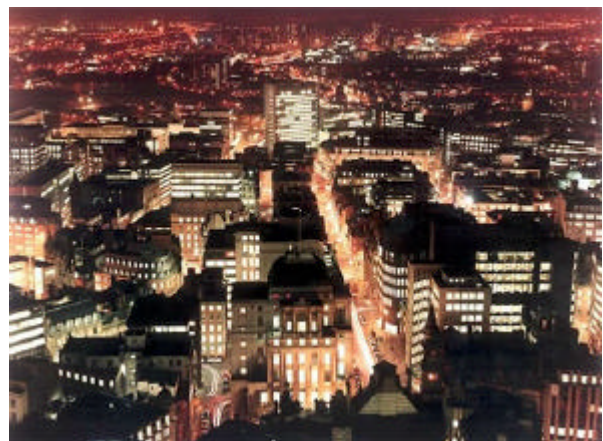


Naomi Clayton

There is strong consensus amongst the Association of Greater Manchester Authorities (AGMA) that the 'city region' is an appropriate spatial framework for building sustainable knowledge economies. The Lyons' Inquiry due to report later this year and the forthcoming local government white paper which are expected to include some level of commitment to devolving power from the national to the local. With these anticipated increases in the freedoms and powers at the local level, how might Manchester City Region build a competitive, sustainable and inclusive knowledge economy?

AGMA has voiced its concerns over present local governance arrangements in its recent submission to the Lyons' Inquiry – *“the lack of focus given to the importance of city regions and the need for them to be given more appropriate joined up governance arrangements”*...*“current arrangements hamper taking these plans forward effectively as resources, accountability and strategy are split between a range of local, sub-regional, regional and national bodies”*. What are the strengths and weaknesses of the knowledge economy in Manchester City Region? What are the interdependencies and the spatial dynamics within the city region? Local Futures' recent report for Manchester: Knowledge Capital, AGMA and Manchester Enterprises examines these issues.

The biggest challenge facing Manchester City Region is to avoid exacerbating problems of social exclusion, labour market polarisation and environmental degradation in the development of the knowledge economy. From a national perspective, the knowledge economy is London-centric. Outside of the capital, the city region agenda aims to counterweight London's economic scale and competitiveness. Manchester City Region stands out with a relatively strong business knowledge economy and skills profile. There are still huge disparities, however, across the city region – these inequalities in employment and skills exist within all major cities including London and Birmingham. These inequalities demonstrate that the benefits of the development of the knowledge economy do not necessarily cascade down to all areas, particularly within the core of the city region, Manchester, where huge 'skills poverty' threatens to exclude thousands from the knowledge economy.





Manchester City-Region

The contrast between the employment and skills profile in the area suggests that it is commuters who seem to gain from local knowledge economies. Ultimately the city region’s knowledge economy needs to grow but this must also be socially and spatially inclusive.

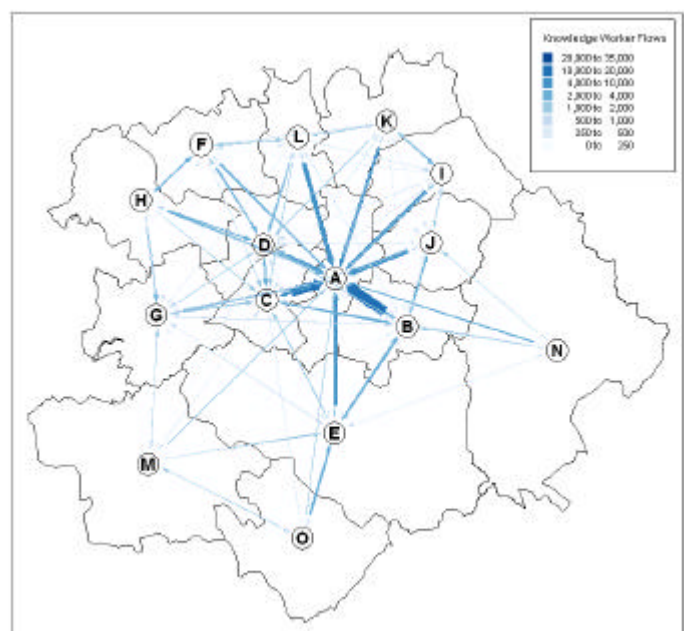
Examining the spatial dynamics of the city region – looking at commuting patterns and emerging employment centres – Manchester City Region comprises several major employment centres, with strong interaction between them within the city region. Manchester lies at the heart of the city region – as the principal employment centre, drawing in the largest number of knowledge workers from within the city region, accounting for a quarter of the city region’s knowledge-intensive employment. The centre of Manchester City Region encompasses the surrounding districts of Trafford, Salford and Stockport. These other major employment centres, together with Manchester, account for over half of the city region’s knowledge intensive employment (public and private).

Michael Lyons’ latest published thinking recommends that constitutional change should be considered to enable local authorities to innovate with their governance arrangements according to local preference. This is echoed by AGMA, which believes the debate should not become too narrowly focussed on one form of governance.

One way in which the Manchester Authorities might formalise their voluntary arrangements is through, cross boundary, multi-area agreements. This is an extension of Local Area Agreements (LAAs) – the government’s preferred vehicle for delivering better quality and more coordinated public services that support well-being.

More power at the local level, with a ‘bottom-up approach’ to governance reform, would allow Manchester City Region to build on their collaborative agenda in the development of the knowledge economy. We are yet to see the extent of the government’s commitment to localism and the debate is building momentum but it is likely that powers will only be devolved to those authorities that can demonstrate that public services managed at the national level can be best managed and delivered at the local.

Manchester, Stockport, Trafford and Salford are centres for knowledge worker commuters





Local Public Services in the knowledge economy



James Binks

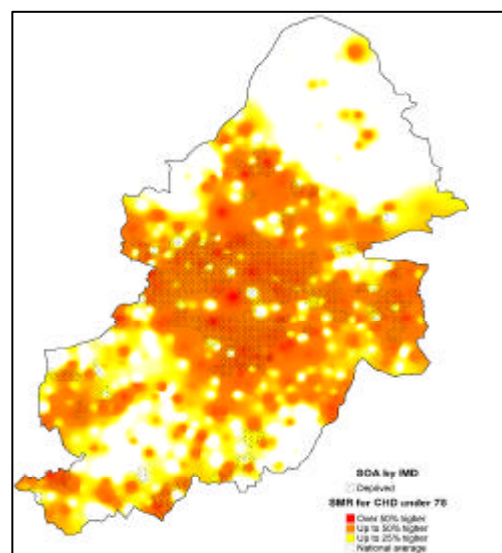
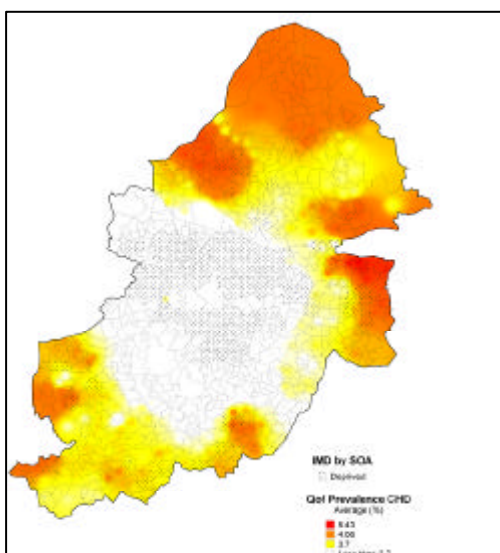
The Lyons Review and forthcoming white paper on local government offer the opportunity of a decisive shift in the balance between national and local priorities, between centralism and localism. 'Localism' involves recognition that local areas are all different, have different priorities and require different types of services – face-to-face services may be more appropriate in some areas, e-services in others, etc. The closer that service providers are to users, the more that local tacit knowledge and distributed knowledge can be exploited to tailor services to demand.

The debate about the 'place shaping' role of local authorities has inevitably raised questions about the scope of place shaping role and whether, under present governance arrangements, authorities actually have the power and ability to shape their area.

The Government's preferred mechanism for enabling local authorities to 'shape places' is to move towards 'localism' through Local Area Agreements, allowing local partners to agree joint delivery programmes as well as community strategies. But does this go far enough and what 'roadblocks' are in the way?

Local Futures is contributing to this debate through a new report published in partnership with PriceWaterhouseCoopers. The report, *Local Public Services in the Knowledge Economy Era*, envisions a future in which public services are delivered as close as possible to where they are demanded, and 'double devolution' unleashes the power of local knowledge as a force for innovation in partnerships and services. We analysed six case study areas covering three LAA 'blocks' – children's services, safer and stronger communities, health and older people.

Reported cases of Coronary Heart Disease (left) is lowest in the areas of Birmingham with the highest mortality rates (right)





Local Public Services

Our key message is that the local supply of public services does not match local demand and this results in sub-optimal allocation of resources, with the usual cautions around generalising upwards from case studies. Our first point to make is that the 'demand' for local public goods is not assessed in any real way, such as by asking individuals to reveal their preferences for goods through a 'trade off', to state a value they place on a good such as a public library, or to evaluate public goods in the context of their individual 'happiness'. Rather, public agencies undertake 'needs analysis'. This is very different to demand and so many demands go un-recorded – for example, people may need a service such as medical treatment, but do not demand it – deprived groups and linguistic minorities tend to under-report demand for various reasons, while institutional clutter may result in miscommunication of demands.

Across each of the six case study areas, 'neighbourhood' models of delivery were emerging for providing community safety, health services and decentralised services for children. A whole range of neighbourhood forums are being used to allow different sub-local areas to articulate 'demand' for services. Local knowledge about needs at least is better than ever.

Our second main argument is that while local partners have a great deal of local knowledge of 'needs' in their area, increasingly across organisational boundaries, they do not have the power to change patterns of service delivery to meet this demand.

While local organisations have the local knowledge, central government still holds the purse strings for local public services. Local police forces, primary care trusts and learning and skills councils are singularly focussed on fixed national targets from their sponsor departments (Home Office, Department of Health, DfES) that dictate their local priorities. Worryingly, preventative programmes to reduce the incidence of crime, poor health and poor education – which could make a massive difference to public spending on reactive services – are given 'short shrift' as budgets are channelled into fighting crime, providing medical treatment and meeting national educational priorities.

Local Area Agreements were conceived as providing the ticket to give local areas additional 'freedoms and flexibilities' and specific local targets, negotiated with government. In reality, central government (departments other than DCLG) has stuck steadfastly to 'mandatory targets', has not permitted local organisations to 'pool' their resources locally and has consistently undervalued preventative services in the process. The net result is that Local Area Agreements are not primarily local, and local partners are still blocked from delivering services that meet local 'demands'. The vision of local government as a 'place leader / place shaper' is a long way from becoming reality. Our report contains a number of recommendations for changing this scenario.