

The Case for Agglomeration Economies

Glossary

Agglomeration economies	Benefits arising from concentrating industries and economic activity within the same location.
Metropolitan governance	Management of urban areas.
Territorial balance	Balanced economic development across the EU.
NUTS 2	The Nomenclature of Units for Territorial Statistics. Groups of counties and unitary authorities with an area with 0.8—3 mil. inhabitants.
GVA	Gross Value Added, a measure of goods and services produced by an area, sector or producer.

Main Aim

The Case for Agglomeration Economies examines the relationship between agglomeration economies and metropolitan governance within four cities across Europe: Manchester, Dublin Lyon and Barcelona.

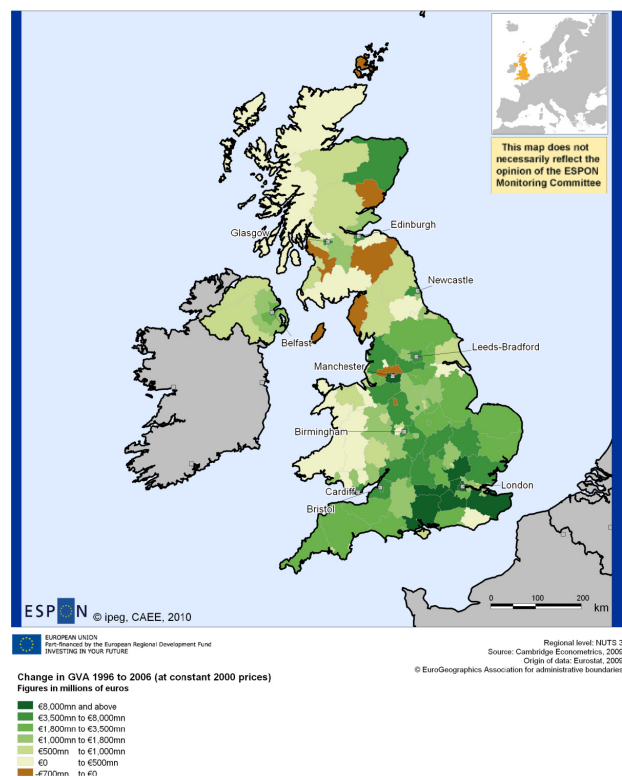
Theory

- There is a general relationship between employment density and labour productivity in that increasing employment density would increase labour productivity.
- There is a link between the implementation of metropolitan governance and the impacts and effects on agglomeration economies.

Findings

- City growth patterns are driven by industry location and sectoral change, due to new agglomeration economies.
- The research and development industry, education and creative economic activities are located within city centres. Manufacturing and textile industries create secondary growth poles outside of the city centre.
- Metropolitan governance arrangements can influence patterns of economic change.
- UK has the greatest range of employment density amongst EU countries with a mean average of **466** (n° of employees divided by area) at NUTS 2 level, but a lower average labour productivity index of **40** (constant GVA per employee in the metropolitan area) compared with France (**44**) Ireland (**42**) and Germany (**45**).

Absolute Change in Gross Value Added, 1996 to 2006



- Net growth in Greater Manchester South (1996 – 2006) was greater than €8bn, which is comparable to that of London. This is partly due to employment growth around Manchester airport.
- Greater Manchester North saw GVA decline between 1996 and 2006 of –€700m— €0. This was partly due to a change from the manufacturing industry to the service sector.

What does this say about the UK?

- There is clear support at local levels from a strong national government.
- Metropolitan governance is better equipped to concentrate on strategic development issues.



City Ranking

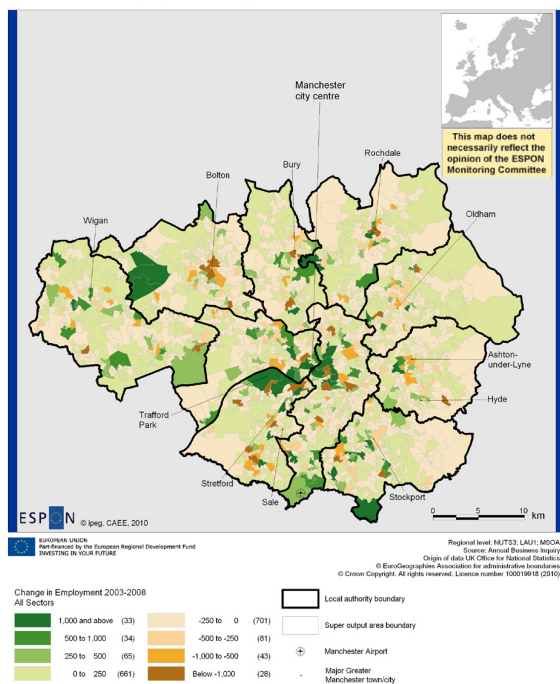
Ranking of cities highlighting the comparative effectiveness and impact of metropolitan governance. Cities have been ranked in terms of longevity, capacity, consistency and influence of inter-municipal institutions:

1. **Lyon**
2. **Manchester**
3. **Barcelona**
4. **Dublin**

Key findings for Manchester and Lyon

KEY POINTS	MANCHESTER	LYON
Metropolitan governance	Financial strength of Greater Manchester's metropolitan institution is considerably greater than any other governance outside of London, due to the success of city strategies and the quality of governance.	Duo of the future: Strong metropolitan government and a central state governance.
Economic sectors	Strong economic sectors around the core of the city and airport, due to the expansion of public employment and recent economic growth	Agglomeration economies from the last 50 years have shaped economic activity, allowing for strong economic sectors.
Metropolitan governance and agglomeration economies	Metropolitan institutions created in the last few years have not driven agglomeration economies. The aim is for them to influence the decisions of firms and individuals.	Clear planning at metropolitan levels has contributed to economic development.
Future lessons	More awareness needed of key spatial economic divisions within the city region to fully achieve a successful economic future.	Strong metropolitan governance can allow for the possibility of combining economic development policies with other policy fields.

Employment change 2003 to 2008 - all sectors



Employment Change in Manchester

- Map highlights employment growth in Manchester City Centre, Salford and Trafford, as well as a clustering of employment growth around Manchester Airport.
- Decline can be seen in areas of Bury and Bolton to the north of the city centre.

Employment change between 1998—2008

- Great Britain: 0.9%
- Greater Manchester: 0.8%
- Manchester City Centre: 1.4%
- Salford: 1.5%
- Trafford: 0.7%
- Bolton: 0%
- Oldham: 0%

Summary

- Clear link between local and metropolitan governance and effective management of agglomeration economies.
- Policies to be more aware of the impacts of future agglomerations and should allow for a balanced territorial development.
- Implications of spatial economic development are likely to shape future policy making decisions.
- Further research is needed to explain current and future challenges arising from agglomeration economies.

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ESPON current projects link: <http://www.rtpi.org.uk/item/1881>

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