

## Sunderland: The Challenges of the Future

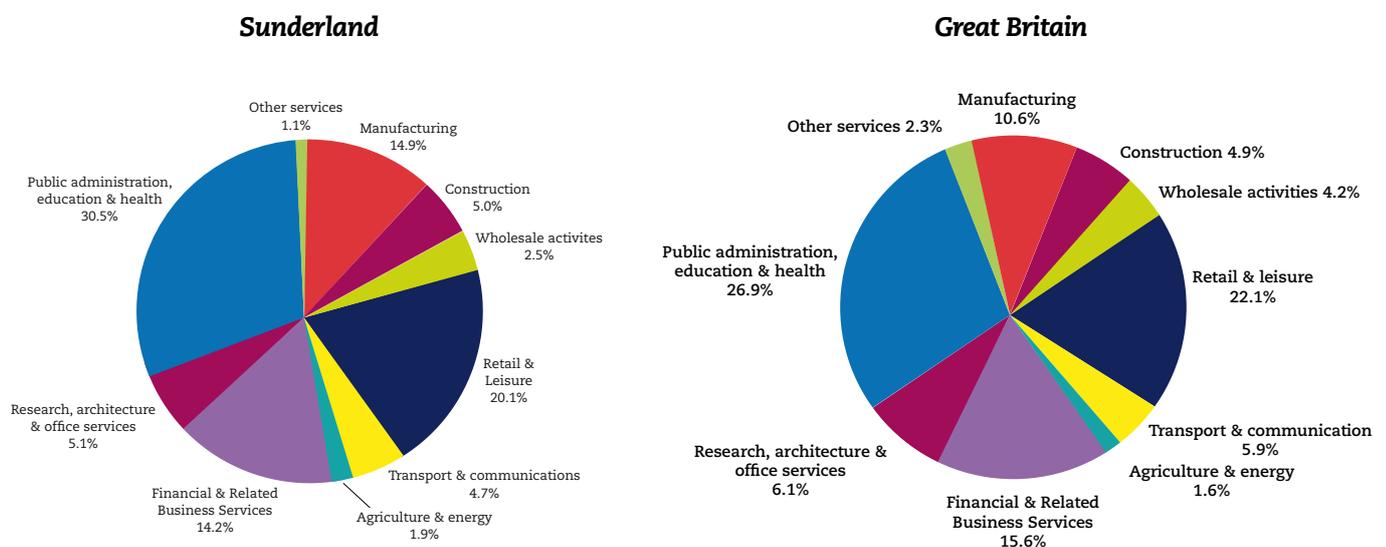
A report prepared by Centre for Cities for Sunderland City Council  
January 2009

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### Introduction

Sunderland is a Partner City in the Centre for Cities research programme '**Unlocking City Potential and Sustaining City Growth**'. The programme works closely with a small group of cities to inform economic development strategies and improve economic performance. This report sets out policy analysis and recommendations in response to two principal questions:

- How can Sunderland build on a decade of achievement to attain long-term sustainable growth?
- What should be the main priorities in formulating an appropriate economic development strategy?



Source: NOMIS 2008 Annual Business Inquiry Employee Analysis (ABI) for 2007 data.

### Key Recommendations

- The phased regeneration of the city centre must be pursued for Sunderland's economy to return to its recent growth trajectory.
- The Working Neighbourhoods Strategy should be pursued along with the introduction of an integrated bus network to bind Sunderland into the wider city region economy.
- Policy and financial resources should be invested to create the infrastructure for a local enterprise and innovation network.

## Macroeconomic Context

Following the much publicised upheaval in financial markets the UK economy contracted by 0.6 percent in the third quarter of 2008. Monthly data and survey readings through December suggest the pace of decline accelerated in the fourth quarter, confirming that the UK is now in recession. Forward looking indicators suggest further loss of momentum into Q1 2009. Whereas the 1990s recession has been attributed almost entirely to a reversal in confidence and reduction in demand, the root cause of the downturn we are currently experiencing, has been a sharp reduction in the availability of credit and liquidity.

2009 will be a difficult year for the UK economy. The Pre-Budget Report set out the Government's view that the economy will contract by  $-\frac{3}{4}$  to  $-1\frac{1}{4}$  percent in 2009, before growing by  $1\frac{1}{2}$  to 2 percent in 2010. These forecasts look optimistic given the current pace of decline in output, a fact admitted by the Chancellor in a recent interview in the FT on 7 January 2009. Many forecasters now see a contraction in GDP during 2009 of more than 2 percent and the momentum of revisions remains negative. Members of the Monetary Policy Committee have suggested this recession will be comparable in length and depth to the previous three major post war UK downturns.

## Decline and Renewal

Sunderland's experience of sharp late 20<sup>th</sup> century decline succeeded by slow partial recovery followed a broad pattern common to many of Britain's northern and midlands former industrial cities. There were, however, a number of characteristics peculiar to Sunderland itself which made the decline a particularly comprehensive one, and have rendered the road to renewal more difficult than most. Three of these were particularly important.



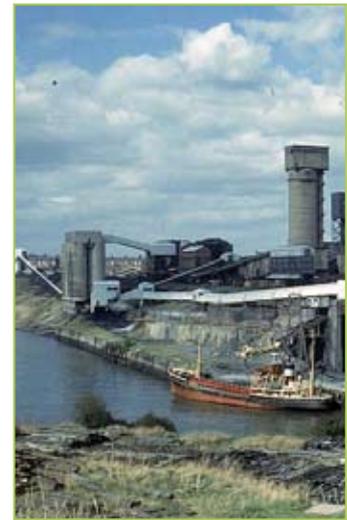
The first was the make-up of Sunderland's industrial economy. This was heavily dominated by coal mining, shipbuilding, the mechanical and electrical engineering trades closely associated with ship construction, and glass manufacture. In 1973, these industries employed 32,800 workers, almost one in three of the total Sunderland labour force (without taking into account secondary, support and service employment directly or indirectly dependent on the core industries). These jobs would disappear quickly and almost simultaneously in the face of global competition, blowing a massive hole in the local economy.

The second was Sunderland's proximity to the rival regional centre of Newcastle-upon-Tyne (Newcastle). Although Sunderland's industries were a match for those of her neighbour, the latter was very much the commercial and administrative centre of the northeast. Newcastle's old industries suffered a very similar fate to those of Sunderland, but her commercial and administrative assets ensured that she (together with her cross-river neighbour Gateshead), rather than her rival on the Wear, became the hub of the post-industrial service economy in the northeast. As emerging financial services, business services, administrative and retail/leisure industries went through a process of regional centralisation, the bulk located in Newcastle-Gateshead, at the expense of Sunderland and other centres within the region.

Finally, in Sunderland, like many other declining port cities, the geography and associated transportation infrastructure that were ideal for Sunderland's role in the coal and ship building industries, were not as suitable for other forms of commerce. Although not as remote as the Tees or Humber ports to the south in terms of distance from the major north/south routes, Sunderland

was nonetheless disconnected from the main north-south and east-west rail and road networks. It did not benefit from “through trade” along these routes, and did not offer many of the physical connectivity links so critical to attracting or retaining modern service-driven businesses. Geography has also been a hindrance to building a cohesive new economy on the foundations of the old – housing and thus population reflect patterns relevant to the age of ship-building and coal mining, with the result that a number of deprived areas are relatively remote from the city centre, making their inclusion within a revived and cohesive community all the more difficult. On the other hand, Sunderland’s coastal location in terms of leisure and recreational opportunities is a factor which benefits Sunderland and gives it one of its most attractive characteristics.

Although Sunderland’s traditional industries had been contracting for decades in the face of nationalisation and changing global markets, the final descent was a steep one. In 1973, total employment in ship-building was 8,700. In 1978, a year after nationalisation, 7,500 people still worked in the Wear’s shipyards. In 1980, the remaining two shipyard groups merged and by 1984, the number employed had fallen to under 4,400. These remaining yards were finally closed on 7 December 1988. The other established industries followed a similar path to extinction – individual coal mines were closed down steadily through the late 80s and early 90s, with employment falling from 8,600 in 1973 to 2,000 in 1989, and the last pit was shut down in 1993. The process of decline might be said to have reached its symbolic end when the iconic Hartley Wood glassworks closed in 1998 and the Vaux Brewery, whose site dominated the centre of the town, followed it into history in 1999.



Recovery has been a drawn-out process, and is still far from complete. It was underway, however, long before the last of the old industries finally closed its doors. Nissan began to manufacture cars in Sunderland in 1986. The Sunderland plant is now the UK’s largest car exporter and the most productive car assembly plant in the country, although the global downturn in automotive demand has recently forced it to cut back output and announce redundancies. The Bridges Shopping Centre opened in 1988 (and doubled in size in 2000), Sunderland Polytechnic was founded in 1969 and became a university in 1992. Sunderland was also awarded city status in the same year. The Stadium of Light football stadium, built on the site of an old colliery, opened in 1997. The City was also able to capitalise on its excellent digital connectivity to open a thriving business incubation centre and to develop a series of out of town business parks, in particular Doxford International Business Park and the Sunderland Enterprise Park, to house an expanding cluster of contact centres.<sup>1</sup>

Sunderland’s considerable achievement in arresting its steep decline and putting the economy back on an upward path should not be underestimated. From the peak of employment of 119,300, reached in 1975, Sunderland then lost a quarter of all jobs by 1989. Since then through the series of investments and interventions described above, it has more than replaced all of the jobs lost. Between 1995 and 2006, Sunderland’s Gross Value Added (GVA) grew by 83 percent. This was well in excess of the North East average of 62 percent, and slightly above the UK average of 80 percent.<sup>2</sup>

Employment statistics for the last decade give an idea of the extent of the overall recovery in employment, as well as Sunderland’s shift towards a service economy. It is notable that the number of jobs in finance, IT and other business services has almost doubled. It is also significant, however, that the number of public sector service jobs has increased substantially.

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1. [www.sunderland.gov.uk](http://www.sunderland.gov.uk)

2. Sunderland City Council (2008) NUTS3 GVA Data 1995-2006: Sunderland and the North East, unpublished analysis

In common with many other northern cities, the public sector's share of total employment is higher (30.5 percent) than the national average (26.9 percent). It is lower, however, than the regional average, reflecting Tyneside's role in housing functions of regional and national government. Overall, the balance of Sunderland's economy is relatively robust with some 37 percent of employment being in production and service "export sectors", as opposed to public and locally dependent goods and services. This is broadly in line with the figure for Leeds and stronger than that for Newcastle, where the comparable figure is under 33 percent.

<b>Total jobs</b>	<b>1997</b>	<b>2006</b>
Manufacturing	26,400	17,700
Construction	4,400	5,700
Services	72,700	95,500
Total jobs	103,500	118,900
Finance, IT & other business services	12,600	23,100
Public Administration	26,100	35,100

**Source: NOMIS 2008 Annual Business Inquiry Employee Analysis (ABI) for 1997 & 2006 data.**

The impact and prospects of these developments will be considered in more depth in the main body of the report. In the meantime, an idea of the scale of just one part of the socio-economic challenge Sunderland was facing during the process of post-industrial adjustment can be gained from two brief abstracts from written evidence submitted by the City of Sunderland to a House Select Committee inquiry into coalfield communities regeneration in November 2003:

*“Sunderland Coalfield area remains blighted by widespread unemployment, long-term sickness and poverty, over a decade after the collapse of the mining industry... These wards experience all the characteristics of coalfield communities in a downward spiral: increases in long term sickness, early retirement, increased net out migration, increased net out commuting and localisation of the adjustment problems leading to pockets of deprivation being concentrated in particular areas. These issues are coupled with low education attainments, low income levels, a low entrepreneurial culture, rising crime rates, declining housing conditions, low accessibility and problems associated with insularity. The overall quality of life reflects dissatisfaction with the area in which residents live.”*

*“Poor transport infrastructure and the lack of good quality employment land have hindered meaningful economic recovery and have frustrated the considerable effort that has been made to create the necessary conditions for employment growth.”<sup>3</sup>*

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3. Select Committee on Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions (2003) Written Evidence – Memorandum by The City of Sunderland (COA 17)

## Progress and Challenges

Perhaps the most accurate way to describe the regeneration of Sunderland would be as unfinished business. Increasingly dynamic local leadership has registered some solid achievements, most notably through working with employers, public sector partners and HEIs to develop strong clusters in the automotive and contact centre sectors, and through the provision of excellent small business incubation facilities. Following the largest public housing stock transfer in the UK, excellent progress has been made in renovating and modernising social housing stock. Some progress has also been made with the urban landscape, including the creation of a new riverside university campus on former shipyard land, the building of a new football stadium and a new aquatic centre on the site of an old colliery, the revival of Mowbray Park in the city centre, the Sunderland Museum and Winter Gardens, the National Glass Centre, the refurbishment of the Sunderland Empire, the regeneration of the Sunnyside area of the City Centre, the modernisation of the Bridges Shopping Centre.

Too much of the map of the city centre, however, is still occupied by as yet unrealised regeneration sites, and the symbolic Vaux Brewery Site, the key to any vision of Sunderland re-born, has now been vacant for almost a decade. Sunderland city centre, quite simply, has not experienced the same regeneration breakthrough and the same physical transformation as cities such as Newcastle, Sheffield, Leeds and most recently Liverpool.

Business and employment indicators reinforce the picture of work as yet unfinished. On the one hand worklessness remains stubbornly high, and the local labour market appears to be both fragmented and contracting. There is a real danger that the outlying communities absorbed into the Local Authority in 1974 are being driven out rather than pulled into the city in terms of both economic reality and community identity. On the other there is a particular problem with levels of enterprise. Sunderland has only 18.8 VAT registered businesses per thousand residents aged 16 plus, compared with 23.7 for the region, and 39.9 for the UK.<sup>4</sup>



In addition, lack of progress in re-inventing the city centre has contributed to a dispersal of investment and economic activity away from the urban hub, and a leakage of jobs, spending and entrepreneurship into other markets within the region. Very real successes like the Nissan plant and the Doxford International Business Park, which together (including Nissan's supply chain) have created 15,000 jobs, have benefited the wider city region more than the city itself. Economic development now appears to have reached a plateau, and the current recession inevitably means contraction over the next year or two. The path to higher more sustainable growth, underpinned by a vibrant city centre has yet to be fully charted.

One of the more striking features of Sunderland's experience over the last decade and a half is that the creation of new jobs has been counterbalanced by a roughly equivalent decline in population. Much of this decline has involved short rather than long-distance migration, and reinforces the message that Sunderland needs to re-invent its city centre (as well as upgrade its housing stock) to reclaim people. Successful cities are built around cores of high density business, employment and leisure activity which pull in services, commerce and people from a wide catchment area. While Sunderland faces a number of other challenges on the road to growth, the re-invigoration – indeed, one might even say the re-invention of its city centre – is probably the most important.

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<sup>4</sup> Sunderland City Council (2008), *Working Neighbourhoods Strategy*

## The City Centre

Sunderland has not participated in the recent country-wide rebirth of city centres. The modest Bridges Shopping Centre has been expanded, an impressive new aquatic centre has been



completed beside the modern Stadium of Light football stadium, public green spaces have been brought back to life, and work is underway to revive the mixed residential-business Sunniside area.

Parts of the city centre, however, are undeniably run down or under-utilised, and the area is lacking in modern work, retail and living space, with the exception of a small number of recent developments including the Echo 24 Building. As things stand at present, there is no single street, square or other thoroughfare that is identifiable as the centre of the city, and the most obvious candidates are in a poor state of occupation and display. Most successful new business creation has taken place around the outskirts of the city, so the benefits have not

been felt in the city centre. While there is a considerable stock of potential development sites, an ambitious range of regeneration projects have yet to proceed far beyond the starting line, not least because of attempts to take them all forward simultaneously with what have proven to be limited resources.<sup>5</sup>

Government approval for the building of a new bridge across the Wear, and signs that the ownership deadlock blocking the re-development of the Vaux site might be successfully resolved are potentially positive developments that might unlock the door to comprehensive regeneration. The current financial climate almost certainly means that progress on regeneration must be a medium rather than an immediate objective. When market circumstances allow, regeneration should be embarked upon taking account of the following factors:

- Re-vitalising, indeed even re-inventing the city centre should be the number one priority of the City's economic development strategy. The existing regeneration strategy should be re-visited to ensure that it (a) revolves around a coherent and integrated vision of central Sunderland, (b) provides a hub for the development of the entire city region economy, and (c) that it prioritises individual projects in such a way as to achieve a steady progression of improvements.
- In pursuing this strategy, pressure should be resisted to attempt simultaneous or matching improvements elsewhere in the wider Tyne & Wear city region. Dispersal of effort will result in capital and effort being spread too thinly. A clear understanding must be arrived at that the improvement of the city centre will benefit all of Sunderland residents, and indeed will attract others in from the surrounding area. The aim should be to develop a virtuous circle in which residents will be given more reason to visit the centre and use its facilities, in the process contributing to its revival.
- The Vaux site is the key to downtown Sunderland in terms of both scale and position, and if the current owner's Tesco have indeed found an alternative location for their planned super store, the City and the Area Regeneration Company (ARC) should proceed as quickly as possible to gain possession and set the planned development underway. Continued negotiation on acquisition by agreement with the owner remains the best way forward.

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5. *Sunderland arc* (2008), *Sunderland arc Annual Report, 2007/2008*

- Of the other major development sites Holmeside is the most advanced, with a developer already in place.<sup>6</sup> This should be the priority unless the Vaux situation is resolved positively in the near future. The other projects should be prioritised to ensure that each is brought forward to completion as expeditiously as possible given the current economic climate. Approval for the construction of the new Wear bridge should make even the more remote former Grove Cranes site an attractive possibility.
- The absence of high quality office space is acting as a serious drag on the commercial revitalisation of the city centre, and all new developments should be configured to remedy this deficiency. Over the long term, demand for office space in Sunderland and for industrial/warehouse sites in Washington has been buoyant, due in no small measure to the success in attracting inward investment. The recent deterioration in general business conditions has brought this trend to a halt, but Sunderland should put itself in a position to benefit from eventual recovery by expanding and enhancing its business space centre.
- When the economy begins to emerge from recession, the opportunity should also be taken to expand the downtown retail offer, provide high standard central hotel facilities, and provide a mixture of housing types and tenures to draw residents back into the city core. Sunderland currently suffers from a serious leakage of retail and leisure patronage to surrounding centres, but there is no reason why this trend could not be reversed given the right investment. Investment in housing near to the city core offers a number of benefits, not least the reinforcement of a future retail recovery.
- The medium-sized retail offering in the Bridges shopping centre is seriously let-down by its immediate surroundings. As financial resources become available, some should be allocated to give approaches a serious face-lift, and thought should be given to a complete renewal of the adjoining Maritime Terrace.
- While the original Victorian building stock has been severely depleted, sufficient does remain to restore the main downtown streets to something like their former glory. There does seem scope to employ phased renovation and/or re-building to convert the main street (Fawcett Street) into an attractive thoroughfare.
- The central railway station does little justice to Sunderland. Although some improvement is underway, largely below ground, something much more significant would need to be done to make it a more welcoming gate to the city and a more visible transportation hub.
- Much of the above involves relatively low-cost renovation of existing building stock and streetscape, which can be achieved cost effectively. At present, work of this nature does not appear to be given high priority in the Sunderland ARC's regeneration strategy nor in the Council's own investments. While the first phase of a recession is not the right time to embark on ambitious capital spending, the Council should be prepared to push ahead with area upgrading work when resources permit.



## Inward Investment

Sunderland has benefited from two significant inward investment achievements: the creation and expansion of the local automotive industry into a diverse cluster built around the ground-breaking Nissan assembly plant; and the creation of a significant and diverse contact centre business in new out of town business parks. In both cases, the City excelled not only in attracting the businesses in the first place and providing them with the necessary workspace and supporting infrastructure, but also in providing an aftercare service to ensure that they remained settled and in robust health. It is significant that while the Nissan project was supported with public money, this accounted for only 7 percent of total investment (£180m vs £2.5bn), and that Nissan's exports make the North East one of the few government regions with a positive trade balance.

Neither of these clusters has reached full maturity. Until recession hit the global automotive sector in the closing months of 2008, the Nissan factory was expanding its output. Year-on-year production (April-November) grew by 9.8 percent in 2008.<sup>7</sup> The contact centre businesses had occupied all the available space in the existing business parks, but there was sufficient demand from potential new occupiers, and sufficient scope for further development of the contact centre industry itself (which has yet to reach maturity as a business model), to suggest that more business could be attracted if the space was made available.

The financial crisis and deepening recession have taken some of the lustre off both of these achievements. Having added a third shift in the summer, Nissan has now been forced to remove the new shifts and announce 1,500 redundancies. The re-structuring of Northern Rock, has led to significant contact centre job losses in Sunderland. With evidence growing that the recession is likely to be deeper and longer than originally projected, both sectors will take some time to return to pre-crisis employment levels.

All this said, the further expansion possibilities of both the automotive and contact centre clusters are finite, and the council itself has no suitable residual land bank on the city fringes to expand its business park offering. Sunderland will need to add at least another string to its bow to achieve significant additional business and employment growth. There is a clear need for a fresh injection of enterprise and capital, first to create new employment, second to breathe new life into the city centre, and third to increase labour and service connectivity to the wider economy of the Northeast. The search for new enterprise should be illuminated by the following considerations:

- Priorities should be the creation and presentation of sites in the city centre. Sufficient progress must be made with city centre regeneration projects to allow for a revised inward investment strategy to be built around pre-letting or purchase off-plan of office space.
- Inward investment itself is often pursued at the regional level – this can result in the reinforcement of city-level success in key activities (as in the case of Newcastle) rather than exploitation of unrealised potential (Sunderland). Further efforts should be made to ensure that Sunderland is given prominence in RDA-level marketing, and the City should consider putting more of its own dedicated resources into attracting investment directly to Sunderland.
- The recession will put an overall damper on levels of inward investment, but corporate retrenchment and consolidation often creates a demand for new and more economical workspace. Sunderland should be prepared to react quickly if situations arise in which companies are seeking to re-locate from elsewhere in the country.

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7. [www.nissan-global.com](http://www.nissan-global.com) press release, 8 January 2009

## Business Diversification

While it has been forced to retrench, Nissan's long-term future in Sunderland should be secure. The plant is very efficient, and is likely to remain the UK's largest car exporter and producer.<sup>8</sup> The City has built a deserved reputation as a centre of excellence for contact centres. Beyond these, however, the local business base is narrow, and overly dependent on local public sector jobs.

The Sunderland Software City (SSC) initiative is an important step in the right direction. The vision for the initiative is to create an internationally recognised software sector in the North East. This will be pursued through programmes which encourage more new software businesses to start and grow: and those same businesses to innovate and develop new software technology, thus exposing them to new markets. Equally, the initiative will concentrate on encouraging more people to consider the software sector as a viable career option, achievable through education programmes closely linked to the real business world. In Sunderland the initiative will utilise a series of buildings to accommodate and facilitate growth of software companies. These companies will not only need technically trained employees, but also a supply chain of businesses and associated employees. SSC is thus a venture which can support economic development beyond the realm of just software companies.<sup>9</sup> The infrastructure of SSC will be based on Sunderland's strong digital connectivity and the venture itself should be a prime candidate for the Prime Minister's recently announced intent to invest in broadband as part of the Government's economic strategy to support national economic recovery.<sup>10</sup>



Apart from SSC, there do not seem to be any recognised priorities for building new specialised business clusters. In the absence of high quality workspace and related infrastructure, many of the business services and retail firms that might otherwise serve as the foundations for diversification have located outside of Sunderland, largely in Newcastle-Gateshead.

There would appear to be some major priorities in tackling the issue of business diversification:

- The SSC initiative could provide a stronger bridge from the North East university cluster into nascent high value-added local enterprise. The initiative itself also offers the opportunity for Sunderland to brand itself around one of its strongest (but not particularly visible) assets – its high digital connectivity. A 2007 feasibility study provided strong evidence that markets trends, combined with Sunderland's infrastructure and other assets, indicated that there was a clear opportunity to reap economic benefits from pursuing the initiative.<sup>11</sup> It is critical that Software City goes ahead, and there should be a well-supported plan of action to provide the initiatives and support which are necessary to see the project through to fruition.
- There is a risk that Software City on its own does not reach wide enough to have decisive impact on the Sunderland business base. Its development package should be broadened to embrace supporting and/or synchronous industries to ensure that it becomes a significant generator of wealth and employment.

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8. [www.nissan.co.uk](http://www.nissan.co.uk)

9. [www.sunderlandsoftwarecity.com](http://www.sunderlandsoftwarecity.com)

10. *Observer*, 4 January 2009

11. *Tyne and Wear ICT Partnership (2008), Sunderland Software City*

- Not the least of these opportunities is the scope for reaping stronger benefits from Sunderland's Higher/Further Education cluster. Both the University of Sunderland and Sunderland College already provide a strong mix of business and enterprise courses. There is a shared belief between the educational institutions and the council that more should be done to identify and develop potential entrepreneurs, and explorations are currently underway to assess ways of pursuing this objective through Sunderland's Working Neighbourhood's Strategy. Sunderland's past industrial success was built on the efforts of local entrepreneurs, and Sunderland's future prosperity can only be enhanced if a new generation of such entrepreneurs can be brought forward.
- Local and/or regional branches of large private sector business services firms (from accountancy and law at the high end to recruitment and office support services at the low) provide the bedrock of medium and high-skilled employment in most UK high streets. Their presence stimulates supporting investment in retail and leisure offerings, and secondary employment opportunities across the skills spectrum. Such firms are almost entirely absent from Sunderland city centre, and their attraction to the new workspace to be created through downtown regeneration, including the space that has been created for business services in the Sunniside area, should be an absolute priority.
- Neither business nor leisure visitors are likely to find an adequate supply of hotel accommodation in Sunderland itself, and much of their economic value is thus lost to Newcastle or Durham. Hotel space is included in some of the planned regeneration schemes – it is important that some of this is, in fact, built and that efforts to attract several business/mid-market hotel operators are intensified.
- Progress with the city-centre space and streetscape agenda should be aligned with attempts to attract major retailers and pull a higher proportion of local retail spend back from Gateshead, Newcastle and Durham. As has already been mentioned, this will help city centre regeneration become a self-reinforcing mechanism and will expand the radius of Sunderland's own regional economy.

## Employment, Skills and Worklessness

Although Sunderland added 13,500 new jobs between 1997 and 2007, it still suffers from high unemployment and a relatively low skills profile. Just over one in five working age people (20.4 percent) are claiming benefits, and a high proportion of these are long-term workless. Only 22.1 percent of residents are educated to NVQ4 level or above, while 12.5 percent have no formal qualifications. The figure for those with no qualifications is broadly in line with the national average, but that for NVQ4 qualifications lags both the national average (28.6 percent) and a more successful northern city like Leeds (27.6 percent).<sup>12</sup> These statistics would seem to mirror the expected profile of a post-industrial city that has not yet 'turned the corner', as would statistical evidence that the local labour market is contracting in geographical terms.

Sunderland's labour force is also very inward looking. Recent travel to work data demonstrates clearly that most of those who work in Sunderland live in Sunderland, and vice-versa. While it would be an exaggeration to say that Sunderland's labour market is isolated, there is some sense in which its connections with the wider North East economy are underdeveloped.

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12. NOMIS (2008)

### **Sunderland's Labour Force, 2007**

<b>Where Sunderland residents work</b>		<b>Where Sunderland workers live</b>	
Sunderland	87,887	Sunderland	87,887
Newcastle	9,495	South Tyneside	6,810
Gateshead	6,999	Easington	5,756
South Tyneside	5,800	Gateshead	5,149
Durham	4,329	Durham	3,618
Easington	2,316	Newcastle	3,470
Others	5,046	Others	13,320

**Source: Annual Population Survey, 2007**

There is, nonetheless, some evidence to suggest that these labour market issues are not as intractable as they are sometimes assumed to be, and that significant improvement is achievable. None of the private sector employers interviewed expressed any concerns with the quantity or quality of the local labour workforce. In addition, there are already well-established training relationships between employers, higher/further education providers and local government, which have shown themselves capable of translating job vacancies into local employment. Indeed, one of the key components of Sunderland's employment recovery has been success in up-skilling potential workers for jobs that have themselves moved up the value-added curve.

While the problems of up-skilling and otherwise making the workless job-ready should not be underestimated, it does seem that the local labour market is as much under-exploited as structurally deficient. This suggests that further progress on the demand side, through inward investment and business diversification, need not await expansion or improvement of labour supply. This said, there is still scope for supply side intervention:

- Attempts should be made to increase local responsibility for tackling worklessness to allow such programmes to be focussed on those who are potentially work-ready. The success of employers like Nissan in attracting and training relatively low-skilled labour does suggest potential for further progress.
- Improvement in the local skills profile is partially dependent on providing incentives to convert high skilled employees from commuters to residents. This must be reflected in local housing policies with the aim of substantially improving the choice and quality of homes on offer across a wide income range.
- Sunderland has benefited (albeit on a relatively small scale) from the arrival of skilled migrants from the European A8 (Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Latvia, Lithuania and Estonia) countries. These people represent a valuable addition to the city workforce, and the Council should be pro-active in assisting them to remain in their new homes.
- The initiation of Sunderland's as yet largely unrealised regeneration plans for its city centre provide a potentially powerful lever for training, job creation and the breaking down of stubborn worklessness. The City Works initiative in Hull provides an excellent example of using direct employer engagement to get locals into jobs created by a major regeneration project.

### The City Works Initiative, Hull



The St Stephens retail development produced construction, retail and hospitality jobs, and locals were encouraged to come into two 'job shops', one in the city centre and one next to a housing estate notorious for high levels of worklessness. Here they were given information on available jobs and the opportunity to access relevant training. The initiative had a very high success rate in getting local people into jobs, showing what can be achieved when regeneration is properly integrated with training and job creation.

**Source: Ryan & Nolan (2007) *Future Growth Sectors and Clusters in the Hull and Humber Ports City Region: Opportunities for Addressing Worklessness and Exclusion Final Report to the Humber Economic Partnership***

- Sunderland's commuter patterns are characterised by an inward looking workforce, with only a limited number of people travelling outside the city for work. While there may be a sustainable relationship between where people live, where they work and how they move between the two, it is currently depressing wages earned by residents of the city. Given the relative shortage of employment opportunities in central Sunderland, this is almost certainly exacerbating the local worklessness problem.

The recently agreed Multi Area Agreement (MAA) offers the opportunity to move towards one integrated Tyne-Wear employment market, and the city should be an active participant in this process. The MAA transport proposals, however, cover only the northern half of Sunderland's travel to work area, and joint working will be required with the relevant authority for County Durham. A single labour market would open opportunities to break down the city's own worklessness problem and to develop home-grown talent. It would also facilitate the attraction of higher skilled workers into Sunderland's next generation of higher value-added growth industries.

- The key initiative in this area is Sunderland's Working Neighbourhoods Strategy. This programme is intended to deploy over £20m of WNF and ERDF over a two year period to help to help 2,500 people into work and create 260 new businesses, with a focus on deprived neighbourhoods. In essence, the strategy will seek to build 'ladders' from worklessness or low level economic activity into the mainstream economy by providing neighbourhood-based services and individualised investment plans for each person embarking on the journey. This project is ambitious but surely constructed upon precisely the right lines. There will be a number of challenges to face, not least the further challenges created by recession-driven increases in unemployment. It is imperative that robust operating and oversight procedures are put in place and maintained to ensure that the programme achieves and maintains momentum in what are bound to be difficult economic times.
- There are two key features of the Working Neighbourhoods Strategy that deserve special attention. The first is a matter of ambition. The Strategy's stated vision is "to create successful neighbourhoods across the city by putting employment and enterprise at the heart of our efforts to improve prosperity in those neighbourhoods." This is very much the right approach, but the vision statement goes on: "It will contribute directly to the Sunderland Strategy's aim to 'create an enterprising and productive global city...'"

The issue here is not with the Working Neighbourhoods Strategy itself, but with the wording of the vision statement agreed by Sunderland City Council and its partners. The term 'global

city' is usually restricted to the small number of cities that play a distinct and important role in the global economy: New York, Tokyo, London and a handful of others. Sunderland can and should aspire to be a globally competitive city, but it is simply too small to aspire to 'global city' status, and should not distract itself by attempting to do so.<sup>13</sup>

- The second feature is the absence of any coherent policy to tie Sunderland into the wider Tyne & Wear economy. Many of Sunderland's problems stem from relative economic isolation and poor integration with adjoining labour markets in Gateshead, Newcastle and Durham. Sunderland should not pursue city regeneration in isolation, but should tie it directly to strengthening links with its surrounding local authorities. The proposed MAA should provide the ideal bridge to do so, but once again, the Council should also look south towards its other partners.

## The Housing Market

In common with many other northern ex-industrial cities, Sunderland has an unbalanced housing offer. Most of the existing stock is Council Tax A or B banded, although tremendous progress has been made in upgrading the quality of these houses since the stock transfer to Gentoo. The relative paucity of affordable middle income housing has resulted in a loss of higher-earning residents (largely to northern County Durham) and in the city's relatively limited supply of new higher skill jobs being taken by commuters from Newcastle and Gateshead. In addition, housing geography exacerbates urban cohesion problems, with residential areas widely spread away from, and weakly linked to the empty city centre.

There is a wealth of examples of imaginative responses to housing challenges. One, which ties housing to commercial development is Brighton's New England Quarter Masterplan.

### **One Brighton and the New England Quarter, Brighton**

Since the 2001 Local Plan, Brighton & Hove Council has aimed to raise housing density, make more effective use of available land and deliver affordable housing through mixed-use, mixed community, developments. The New England Quarter Masterplan aims to regenerate a 8.75 hectare brownfield site at the centre of Brighton & Hove including:

- Offices, workspaces and two hotels
- A training centre and a language school
- 355 residential units
- New community and retail facilities
- A new car park for the station
- A greenway and Site of Special Nature Conservation Interest



The One Brighton development, a partnership between the council, Quintain Estates and Crest Nicholson, forms part of the wider Masterplan - accommodating 172 residential units, of which 30 percent are shared ownership or socially rented. The development is also expected to create 71 full-time employment opportunities through on-site provision of office and community space. The freehold of the development is held by a Community Trust, with responsibility for housing and community management.

**Source:** [www.onebrighton.co.uk](http://www.onebrighton.co.uk)

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13. Sunderland City Council (2008), *Working Neighbourhoods Strategy*

Three policy imperatives suggest themselves:

- There is a three-way relationship between housing, skills and the workplace. Priority should be given to increasing the stock of higher grade/middle income housing to help draw higher skilled workers back into city residence. This will need to be supplemented by improvements to the image and reality of Sunderland's cultural, retail and entertainment offer.
- A sensitive pursuit of higher density can contribute positively across the policy field. It would be profitable to explore the scope for employing new housing to shift the residential focus closer to the city centre. Moving particular groups, such as the aged and key workers back into town should be one of the strategic aims of the overall process of city-centre regeneration.
- One of the common features of deprivation is a spatial mismatch between homes and jobs. This is an issue in which housing policy needs to overlap with wider regeneration initiatives. Close attention needs to be paid to the transport links between neighbourhoods and centres of employment, and the whole issue needs to be embraced within the framework of the Working Neighbourhoods Strategy.

## Connectivity

External connectivity tends to be a common problem for British coastal cities whose economies no longer derive any significant benefit from maritime trade. In this regard, Sunderland is not as badly served as many of its peers. While the city is not on the main rail or motorway network, local links to both are reasonably good, although links to the Tees Valley City Region to the south by public transport are poor, and congestion on the A19 is increasing as a result.

In addition, Sunderland benefits from excellent digital access, a critical factor both in supporting its contact centre cluster and providing a platform for the Software City initiative. There are, however, a number of specific challenges. The most pressing of these appears to be the relative underdevelopment of intra-regional public transport. Bus usage, for example, has fallen by 25 percent in the Tyne & Wear region over the last decade.<sup>14</sup> The following challenges should be addressed, either through the new MAA or the city's own regeneration programme:

- The Metro commuter rail system provides a link from Tyneside to central Sunderland but very poor access to the new areas of employment to the west of the city centre. The Metro itself appears to be a very Tyne-centric network. While there is no immediate prospect of further investment in light rail, the extension/expansion of the system to the west should remain a long-term objective.
- Travel to work in the out of city business parks appears to be highly car intensive. In the absence of any Metro improvement, there is a strong case for upgrading bus services. Bus patronage has continued to fall in recent years, dropping from 34.6 million journeys in 2002/3 to 32.9 million journeys in 2007/8. In this context, pursuit of the PTA/Nexus strategic objective laid out in the current consultation draft "to provide an integrated bus network in Tyne & Wear that will be the envy of others" is as challenging as it is important. The key element of the draft bus strategy for Sunderland's relatively dispersed hinterland is the target of 85 percent of households being within easy reach of a service departing at least every 10 minutes.<sup>15</sup>
- The Council should also work closely with the local authority for Durham.

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14. Preston, Marshall & Tochtermann (2008), *On the Move: Delivering Integrated Transport in Britain's Cities, Centre for Cities*

15. Tyne & Wear Passenger Transport Authority & Nexus (2008), *Bus Services in Tyne & Wear: Charter for Growth Consultation Draft*

- York, Bristol and Hull have all introduced Quality Bus Partnerships. Sunderland should avoid the pitfalls of informal cooperative partnership. It might consider a Quality Bus Partnership or alternative formal route.
- The national road network in the Sunderland area (i.e. the A19 and the A1M) is well away from the city centre. The primary road network into Sunderland is largely radial and focuses on the city centre – for example, Ryhope Road, Chester Road, Durham Road, Newcastle Road and Wessington Way. This road network, however, takes travellers past rather than into the city centre. This can be disorientating for the first time visitor. Developing the Sunderland Strategic Transport Corridor should provide improved access from the City Centre and key development sites to the A19 and beyond. Additional schemes for key road corridors will also improve access to the national road network to an extent.
- Although it is preferable for city centres to have a pedestrian priority, and cars should therefore have a difficult time if they want to penetrate further than the major car parks or a drop-off facility such as the railway station, it does appear difficult to access many central areas. As in many city centres, accessing such drop-off points and exiting after reaching them can be a confusing and frustrating experience for the newcomer. Careful attention will be required to ensure that planned city centre regeneration is not choked off by difficulties in accessing appropriate parts of the central area.

## The Heritage and Cultural Offering

The marketing and commercial development of heritage and of large-scale cultural events has played a significant role in Britain's urban renaissance. Sunderland's current cultural offer, whilst having potentially broad appeal, appears to be mainly marketed at its own residents rather than potential external audiences. Although events such as the International Air Show, and venues such as the Empire Theatre, SAFC, National Glass Centre and the Sunderland Museum and Winter Gardens all draw users from outside the city, much of the rest of the offer is of insufficient scale to warrant extended visits and/or draw in potential external audiences.

The regeneration of cities such as Glasgow, Manchester, Liverpool, Sheffield and Newcastle-Gateshead has benefited from the direction of large scale resources into developing a strong tourist offering. While Sunderland's heritage offering is unlikely to rival those of some of its peers, it does not seem yet to have been fully exploited. It is already seeking to address this by developing the Cultural Quarter, regenerating the seafront, and establishing Wearmouth-Jarrow as the UK's nomination for World Heritage Site status in 2009. A great deal more could be done, however, to celebrate the city's past as a centre of industry, commerce and learning.



Similarly, the city should explore opportunities to host leisure/cultural events which pull in visitors from outside the wider city region. Sunderland currently hosts two major annual events with a significant external 'draw': the International Air Show and the Sunderland International Friendship Festival. Neither of these, however, celebrates the city itself, and they are insufficient of themselves to put Sunderland on the UK cultural map. The Herrington Country Park development, Stadium Park and the new Cultural Quarter should enhance the broader offer when complete, but more is clearly required:

- The city's cultural strategy<sup>16</sup> should be refreshed and integrated fully with new heritage opportunities. It should incorporate plans to create new visitor assets. Sunderland has a rich history, but it appears to have left little behind it in terms of museums, historic buildings or even plaques to mark the former presence of buildings/enterprises of note. The city might consider launching a “re-discovering Sunderland's past” campaign to provide collateral for asset creation.
- Sunderland has had some success in attracting entertainment events, but the city should do more to compete with Newcastle and the other cities of the North East to attract major sporting or cultural events to the city.
- The city will need to develop a major events infrastructure, and be in a position to offer more extensive hotel provision.

## Identity, Branding and Aspiration

There is a widespread perception that Sunderland lacks a distinct identity and is languishing in the shadow of a more dynamic Newcastle. While it is accepted that there is little mileage in attempting to emulate its neighbour, and a distinctive identity has been agreed for the city, the investment in this to date has been minimal. It is possible that the lack of a strong identity for the city is a contributory factor to the city's relatively low levels of aspiration and entrepreneurship. These issues are paralleled by the apparent disinclination of many of Sunderland's workforce to seek employment outside of the fairly narrow local labour market. Developing a city identity has played a key role in most UK civic regeneration successes, as much through re-building internal confidence/aspiration as in projecting external image. Sunderland needs to raise its sights:



- Targeted activity will be required to extract lasting internal and external impact from brand values.
- Branding and civic aspiration should be tied in (as was the case with the Glasgow's Miles Better Campaign) with a shared view of residents as a collective asset in their own right. It is critically important that residents of Washington, Houghton-le-Spring and other outlying communities are engaged in this process, and are convinced that investment in the city core will benefit the whole area.
- Both the automotive cluster and the emerging Software City project offer branding opportunities, but collateral could be enhanced through the creation of a single iconic physical regeneration landmark, and/or the creation of a more distinctive cultural/heritage offering. The overall importance of creating a vibrant city centre, with a distinct sense of place, and a beating social and commercial heart cannot be stressed too strongly.
- It will be important for Sunderland to position itself strongly with investors and inhabitants across a range of key features of the city's offer.
- Improved promotion must be backed up with real progress towards economic and social goals and illuminated by a strong effort to make residents proud of what is happening. The ongoing achievements of the ARC's regeneration schemes, the Working Neighbourhoods Strategy and the creation of Software City should all be highlighted in the Council's dialogue with its inhabitants.

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16. Sunderland City Council (2002), *Sunderland's Cultural Strategy*

## The Impact of the Recession

We have commissioned forecasts from Oxford Economics on the likely impact of recession on city GVA and employment of a 2 percent decline in UK GDP in 2009. Sunderland comes out from this exercise reasonably well. OE forecast that 2009 city GVA will fall by only one percent, while total 2008-09 net job losses are estimated at 3,000 (2.3 percent of 2008 employment). By way of contrast, Leeds is forecast to suffer a 1.8 percent contraction in GVA and a 3.1 percent fall in employment, while the equivalent figures for Sheffield are 1.5 percent and 2.8 percent. None of this is to suggest that Sunderland will not suffer some pain, but it does point to the fact that the local economy has built up a measure of internal strength over the past decade, and is in a relatively good condition to ride out the storm.

Sunderland has almost certainly already suffered its heaviest blow with Nissan's redundancy decision. The company announced on 8 January that it intended to reduce overall production headcount by around 1,200.<sup>17</sup> While this is a major blow, it is important to view it in context. The figure includes 400 temporary staff whose contracts will not be renewed. In addition, the job losses will not fall entirely within the Sunderland Local Authority (LA) area, as a significant proportion of Nissan's workforce will live in adjoining LA's. Finally, Nissan itself is not as vulnerable to long-term damage as some of the UK's less efficient car producers. There is a good chance that Nissan will seek to rebuild headcount when recessionary pressures ease. On the downside, it is equally important to recognise that there are at least as many jobs in Nissan's supporting cluster of supplier's as in the company itself. These suppliers do not have their client's financial strength and some of them will be vulnerable as a result of the decrease in car output.

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17. [www.nissan-global.com](http://www.nissan-global.com) press release, 8 January 2009

## Conclusions

Sunderland can be portrayed as standing at a crossroads. Much has been achieved over the last decade and a half, but much remains to be done. Between 1998 and 2008, the city added 13,900 jobs and achieved average annual GVA growth of 3.2 percent, but lost 10,400 inhabitants.<sup>18</sup> The challenge from 2009 on will be to ride out the recession, and then move on to a new phase of growth. It must reverse the population decline trend while building on progress in addressing the employment challenge.

City centre regeneration, a dynamic housing policy and active support of local entrepreneurship are the keys to attracting people back. The employment challenge will be made more challenging by the recession, which has already resulted in some job losses and will undoubtedly produce more. The Working Neighbourhoods Strategy must be at the core of employment growth strategy, not only because of the jobs it should produce, but also because of the impact it will have on the city's relatively high levels of deprivation and worklessness. This strategy needs to be supported by an active inward investment strategy, which even in a recession might attract businesses to an area with relatively low property costs and an increasingly skilled and committed workforce. Inward investment can only be assisted by the provision of new office space through the completion of new developments in the city centre, but Sunderland should not simply look without for the businesses of the future. Local entrepreneurship plays a key role in local growth, and the council and its partners should work together even more closely than they have in the past to sow the seeds for home-grown business expansion.

Nissan and Sunderland's wider automotive cluster is the core contributor to employment and GVA, and the medium-term recovery of the city economy will depend to a significant extent on a turnaround in the world car market. Future growth, however, will most profitably be sought in the services sector and in the knowledge economy. The damage caused by the credit crunch is likely to weaken the UK economy's overall dependence on financial and related services, and recovery will need to be led by the expansion, and commercialisation of other sub-sectors of the knowledge economy. While national policy must play a role, the real impetus must come at the city level. Sunderland already has some valuable assets and promising plans in place, but it should aim high. Victorian Sunderland was a cradle of industry – 21<sup>st</sup> century Sunderland should aspire to be one of the centres of the UK's knowledge economy.

## Key Policy Imperatives

In common with all UK cities, Sunderland faces a range of structural and policy challenges. This paper has sought to capture the majority of these and suggest the direction and nature of solutions. Three major challenges, however, would seem to stand out.

- 1. The revitalisation of the city centre.** Sunderland's achievements to date have had little impact on the city centre, which has played a relatively minor role in Sunderland's regeneration. In recent years the physical growth of Sunderland has largely taken place in out of centre locations. This has been in part as a consequence of government policy (for example, enterprise zones) and the lack of availability of large scale central sites with redevelopment potential. The creation of a re-built dynamic magnet for business and people is the key to moving growth forward to a higher level. Phased major city-centre regeneration projects, pursued when economic conditions permit, must be the cornerstone of this revival, but they can be supported by smaller supporting investments. Physical regeneration itself should be closely integrated with employment and business support programmes, which will play a major role in moving regeneration from the purely physical to a wider and higher economic level. The ultimate reward will be a stronger and more widely reaching urban economy, and a higher and more sustainable rate of growth. This reward will be more easily realised if the wider benefits of regenerating the core are clearly explained to residents of outlying communities.
- 2. The joint pursuit of the Working Neighbourhoods Strategy and an integrated regional transport system.** The successful creation of new jobs and the new automotive and contact centre clusters has been built on the exploitation and up-skilling of Sunderland's potential labour pool. Ultimately a city's inhabitants are its most important assets, and it is their work, creativity and perseverance which support economic success. The evidence is strong that Sunderland has a considerable pool of untapped talent, which given the right training and support, will move into and up the work force. The city faces a problem with long-term worklessness common to many of its northern and midlands peers. Its success in implementing the Working Neighbourhoods Strategy and supporting employment policies is critical to it moving further away from this legacy of the industrial past, and integrating Sunderland into the wider Tyne & Wear economy. This process of integration will be accelerated if the proposed integrated area bus network is implemented, and if strong links are forged with other bus networks south of the regional boundaries.
- 3. The creation of a flourishing local network of entrepreneurship and innovation.** While economic development plans rightly focus on inward investment, there is a danger that the potentially more important, and more permanent gains from home-grown business do not receive the attention they deserve and require. Helping create entrepreneurs and promoting entrepreneurial activity is best pursued at local level, and Sunderland already has some of the assets it needs to move forward. It is strongly urged that an alliance be created of local government, business and education with a strong remit to bring forth a new generation of Sunderland 'born and bred' businesses.

## Acknowledgements

The Centre is grateful to Sunderland City Council for the financial support which made this report possible. The Centre would also like to acknowledge the considerable time Councillors, Council officers, and a wide range of external public and private sector stakeholders were prepared to devote to discussions with the research team. Stakeholder engagement was invaluable in helping us to shape relevant, timely and achievable policy recommendations.

## Sunderland City Profile

Total population (2007)	280,300	
Population growth (1997-2007)		-3.2%
Working age population (2007)	175,800	

Total jobs (2007)	117,100	
Jobs growth (1997-2006)		+14.7%

Economically active (July 07 - June 08)	135,800	(75.3%)
Inactive seeking a job	12,700	(7.3%)
Inactive not seeking a job	30,500	(17.4%)
JSA claimants (November 08)	7,349	(4.2%)
Total key benefit claimants (November 08)	35,530	(20.2%)

Gross average weekly wage (2008)	£384	
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Skills Profile (2008)	Sunderland	Great Britain
NVQ4 & above	22.1%	28.6%
NVQ3 & above	40.4%	46.4%
NVQ2 & above	65.0%	64.5%
NVQ1 & above	81.2%	78.1%
Other qualifications	6.3%	8.8%
No qualifications	12.5%	13.1%

Sources: Data for Sunderland Local Authority Area – ONS Annual Population Survey 2008; Annual Business Inquiry 2008; Annual Survey of Hours & Earnings 2008; JSA Claimant Count November 2008; DWP Benefit Claimants May 2008



January 2009

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