



Should we move public sector jobs out of London?

August 2017

The relocation of public sector jobs is one of the most direct tools that policy makers can use to move jobs around the country. There is precedent for doing this already in the UK – for example through the opening of HM Revenue and Customs offices in Liverpool, Department for Work and Pensions in Newcastle and the Driver and Vehicle Licensing Agency in Swansea. And political interest continues on this front. As part of its industrial strategy and rebalancing agenda, the 2017 Conservative Party manifesto pledged to move significant numbers of civil servants out of London and the South East to other cities in the UK.

Governments often use relocation of public sector workers to try and stimulate economic growth in different parts of the country. Public sector relocation can stimulate the local economy in two main ways. The first, direct impact is the move of the jobs themselves and the wages they pay. The second is the ‘multiplier effect’ that these jobs can have, boosting demand for local goods and services and attracting jobs in related industries by improving the attractiveness of the area to businesses.

The size of the multiplier effect on the local area is affected by the skills levels and nature of the jobs as well as the number. For example, the movement of low-skilled jobs has a clear direct impact in that it creates employment. But its wider impact is likely to be limited, in that the wages they pay will be lower, the career progression they offer is likely to be limited and their interaction with other bodies, be they public or private (e.g. public affairs companies), infrequent.

Looking at the seniority of position in the civil service across England suggests that many of the moves to date have been of lower-skilled jobs.¹ London accounted for 23 per cent of all of England’s civil service jobs in 2016, but for 53 per cent of top grades.² In comparison only 12 per cent of all administrative officers and assistants were located in the capital.

There have been two notable cases of high-skilled publicly-funded jobs that have been moved out of London in recent years – the consolidation of the Office for National Statistics (ONS) in Newport and the move of part of the BBC’s national activities to Salford in Greater Manchester.

This briefing looks at the impact of these moves. Box 1 gives an overview of the ONS relocation, while the main body of the report looks at the BBC’s move to Greater Manchester. Using these two case studies it then draws some broad conclusions about the implications for public sector relocation.

¹ England is used here to take out the impact of devolved government.

² Grade 6 and above.

It's important to note that whilst this briefing looks at the economic impact of the BBC's move, there may be non-economic reasons behind a decision to move jobs out of London, such as enhancing devolution or making public bodies more representative of the whole UK. This report looks only at the economic impact on the areas where the bodies have been relocated.

Box 1: The consolidation of the ONS in Newport

The decision to move the majority of jobs at the ONS' office in London to Newport was a result of the 2004 Lyons Review looking at the location of public sector jobs, with a stated aim to 'boost regional economic growth.' But subsequent analysis suggests that this move has not been especially successful at having a wider economic impact on Newport.

In 2005-06, 1,000 jobs were relocated from London to an already established site in Newport with 1,400 existing jobs located there. As many as nine in 10 staff members chose not to follow their job, with just seven civil servants in senior positions opting to do so.³

While we don't know the reasons as to why so many people chose not to move, looking at the depth of the labour market in Newport certainly shows that this did not provide any great incentive. In 2006, 12 per cent of jobs in Newport were knowledge-based, placing it 47 out of 62 cities. And the number of jobs in statistics is likely to have been much smaller still. This means that job opportunities and career progression outside of the ONS in Newport would have been very few and research suggests that these are key factors in attracting highly skilled people.⁴

These 900 jobs have of course been filled. But for the same reasons as above doing this in Newport is much more difficult than in a deeper labour market such as London. Evidence given in the Bean Review of the ONS suggests that this has impacted on the quality of work done in the ONS in recent years. The nature of the ONS' work and its location also mean that its wider multiplier on the Newport economy is likely to have been small. Because of the sensitive nature of what it does, the ONS rightly does not interact with external bodies as much as, say, a Whitehall department does. But the implication is that the relocation does not bring with it other jobs in related activities.

The location of the campus is likely to have been important too for any multiplier effect – the positioning of the ONS campus on an out of town site has limited the demand for local services such as shops and restaurants (although we would still expect to see some positive effects on local services within the travel to work areas for ONS employees). A visit to the site suggests that no immediate local services are sustained by its presence. This means that, unlike the BBC relocation analysis that follows, a more thorough look at employment and business location around the ONS site has not been done.⁵

This suggests that the move of these jobs has done little for Newport beyond the actual jobs themselves, while it may have had a negative impact on the quality of the ONS output. In terms of the former, the nature of the ONS may mean that it wasn't the best body to choose to relocate if bringing a wider economic benefit to Newport was the goal. In terms of the latter, this may have been mitigated if the ONS had been moved to a deeper, more highly-skilled labour market where recruitment is easier.

³ Bean, C (2016), Independent Review of UK Economic Statistics, London: Cabinet Office.

⁴ Swinney P and Williams M (2016), The Great British Brain Drain: where graduates move and why, London: Centre for Cities.

⁵ If this analysis was undertaken the lack of other businesses around the site would mean that getting clearance of the data would be highly unlikely.

The relocation of BBC activities to Salford

The decision to move part of the BBC's national operations to Salford Quays (now named MediaCityUK) in Greater Manchester was taken in 2006. One of the stated reasons for the move was economic, with predictions stating that up to 15,000 jobs would be created, both within the BBC and externally as a result of its commissioning activities and wider demand for services such as hotels and retail.⁶ The move of jobs started in 2011, and placed the BBC at the centre of a longer term regeneration scheme of the Salford Quays area (see Box 2).⁷

Box 2: The regeneration of Salford Quays

The BBC is located in Salford Quays, which until 1982 was the site of the Manchester Docks. Following the closure of the Docks, Salford City Council purchased the site. The area was rebranded Salford Quays and redevelopment began under the Salford Quays Development Plan. Thanks to public funding and private investment, a great deal of development has occurred on the site, such as the improvement of its water quality, development of retail, housing and office space, the opening of Imperial War Museum North, the building of new roads and footbridges and the connection to Manchester City Centre by the Manchester Metrolink.

This report looks specifically at the impact of the BBC on the local economy, and does not comment on the wider merits of this longer-running regeneration scheme.

The following analysis looks at the impact that the BBC move had on jobs in Manchester. It does not provide a cost-benefit analysis, and does not look at any potential negative impact on London of moving these jobs away from the capital or impacts on the BBC's output. Box 3 sets out the definition of MediaCityUK and its surrounding areas.

We also note that some of the economic benefits of the move may continue to play out in the future, but five years provides a reasonable time frame to explore what impacts there have been to date.

Box 3: Definition of MediaCityUK and its wider area

To analyse the impact of the BBC on its surrounding area three geographies have been drawn as shown in the map below. The first is the MediaCityUK site itself, which hosts the BBC. The second and third are 1 and 2 mile concentric rings, with the distance measured from the BBC's offices (rather than the centre of the MediaCityUK site) based on the assumption that proximity to the BBC would be an important consideration for any business drawn to the wider area.

⁶ NAO (2013) The BBC's move to Salford, Report by the Comptroller and Auditor General presented to the BBC Trust Finance Committee, London: NAO.

⁷ KPMG (2015) The role of the BBC in supporting economic growth, London: KPMG.

Figure 1: Defining MediaCityUK and its wider area

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The announcement of the BBC relocation had little impact on jobs in MediaCityUK prior to the move

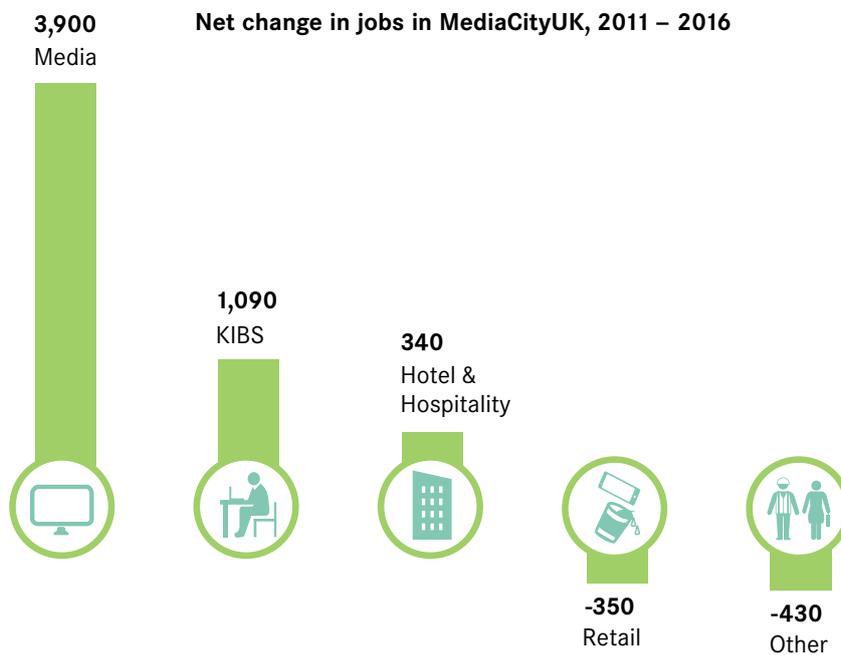
Between 2006 and 2011, the total number of jobs in MediaCityUK fell by around 930, led by contractions in publicly-funded and manufacturing sectors. The number of media jobs (TV, radio and other media sectors) did rise, but this increase was small and meant that by 2011 there were only 186 jobs in these activities. The real impact came after the actual move of the BBC.

Nationally over this period the media sector in Britain struggled, with the total number of jobs in these industries falling by 8.3 per cent. They also fell in Greater Manchester, but at -7 per cent this fall was slightly lower than at the national level.

The opening of the BBC campus did create jobs in MediaCityUK

Between 2011 and 2016, the number of jobs in MediaCityUK increased by 43 per cent (4,600 jobs).⁸ This was mainly driven by jobs in TV, radio and other media – as Figure 2 shows, this sector saw growth of close to nearly 4,000 jobs, accounting for 86 per cent of the total net jobs growth.

Figure 2: Sectoral growth of jobs in MediaCityUK



Source: ONS, Business Structure Database

This of course was partly driven by the movement of the BBC jobs. Publicly-quoted figures suggest that when the BBC's national operations in Salford opened in 2011 there were around 1,400 positions.⁹ This has since risen to 2,000.¹⁰ Removing the employment gain associated with the initial national BBC move shows there was still an increase of around 2,000 jobs in the sector in MediaCityUK.

Figure 2 also shows that growth in other industries that were expected to have benefited from the BBC's relocation, such as hotels, were more mixed. Jobs in hotels and hospitality increased by around 340, but the number of jobs in retail fell by around 350.

⁸ As the number of jobs in the MediaCityUK prior to the BBC move were very low, it is more helpful to look at levels rather than the rates.

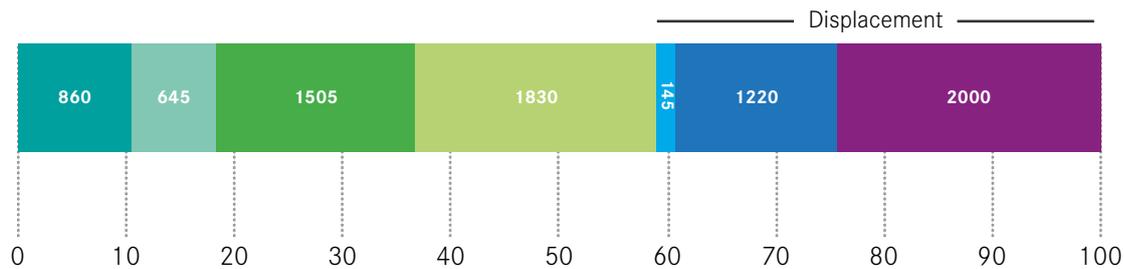
⁹ Data in the BSD is anonymised so it is not possible to report on any specific enterprise from this dataset.

¹⁰ KPMG (2015) The role of the BBC in supporting economic growth, London: KPMG. Note: The figures presented here are for national operations only, and remove the reported figures for those jobs in the BBC's North West operations. The 600 jobs created since 2011 are assumed to all have been in national operations. These numbers do not take into account freelancers and employees of service providers contracted by the BBC.

But many of these jobs were relocated from elsewhere

Rather than being ‘new’ jobs, many of those created in MediaCityUK were simply relocated from elsewhere. Figure 3 illustrates this by separating the businesses present in MediaCityUK in 2016 into a number of groups according to whether they are headquarters or a branch of a business, whether they are new or have moved from elsewhere in the country, and whether they are in ‘related’ and ‘unrelated’ industries (see Box 4 for a definition of related and unrelated industries).

Figure 3: Breakdown of ‘new’ jobs in MediaCityUK in 2016 by origin of business



Share of jobs in businesses that were not present in MediaCityUK in 2011 (%)

- Recently created businesses in related industries
- Recently created businesses in unrelated industries
- Recently created branches in related industries
- Recently created branches in unrelated industries
- Businesses that have moved from elsewhere in Great Britain
- Businesses that have moved from elsewhere in Greater Manchester
- BBC relocation from outside Greater Manchester

Source: ONS, Business Structure Database; KPMG (2015) The role of the BBC in supporting economic growth.

* Numbers have been rounded to the nearest five.

Box 4: Defining related and unrelated industries

Related industries include retail, hospitality and hotels, and industries in the knowledge business activities, such as advertising, that are likely to have been affected by the move. The unrelated group includes industries such as manufacturing, extraction, public services and all the others that are unlikely to have been directly affected by the relocation (see Appendix for full list).

Existing jobs from elsewhere

Of jobs displaced from elsewhere, the most identifiable are the BBC jobs involved in the initial move. But very few other businesses followed the BBC’s lead and moved to Greater Manchester from elsewhere in the UK. Only 145 jobs in MediaCityUK in 2016 were from businesses that had been based elsewhere in the country in 2011.

The number of jobs that moved from elsewhere in Greater Manchester was much larger. Over 1,200 jobs were in businesses that moved to MediaCityUK from elsewhere in the combined authority (of which around

990 were in related industries). Of these jobs, publicly-available data suggests that around 640 of them were the result of the BBC moving its local operations from Oxford Road in Manchester City Centre.¹¹

The result is that displacement played a large role in the total increase in jobs. When we include the BBC jobs, around 3,365 jobs in the area in 2016 were in businesses that were based outside MediaCityUK in 2011. This is equivalent to around three quarters of the total net new jobs created in the area in the five years to 2016.

New jobs in existing firms

Displacement can also occur through the opening of new branches of existing businesses in MediaCityUK. It is not clear whether the jobs created by new branches are new positions or transferred from elsewhere, but they made up a reasonable share of all jobs. Jobs in new branches of existing firms in related industries accounted for around 1,500 jobs in 2016.

New jobs in new firms

The final category is jobs in businesses set up since 2011. Around 1,500 jobs were in these new businesses. Splitting this category into related and unrelated sectors shows that 860 were in related industries, and of this 370 were in media businesses.

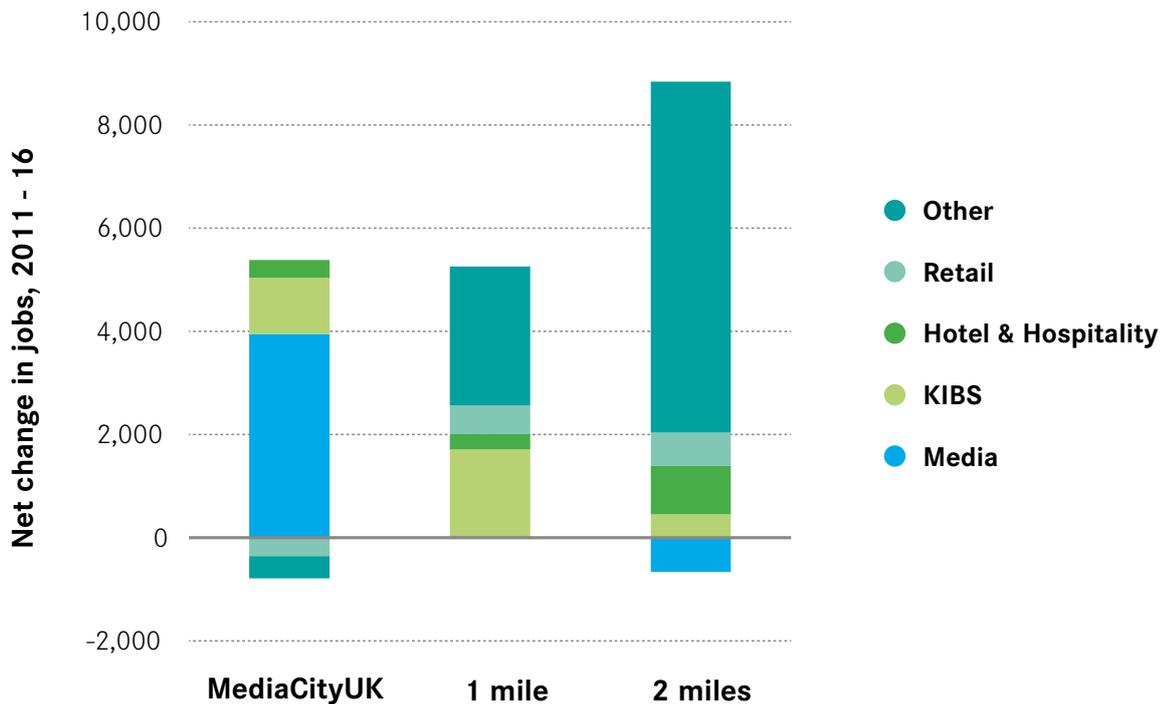
Putting this together shows that of all the businesses in MediaCityUK in 2016 that were not there in 2011, those in industries in or related to the BBC accounted for around 5,400 jobs. Of these jobs:

- 2,000 were from the BBC's national operations
- 1,505 were in new branches of existing businesses based elsewhere
- 1,040 were in businesses that moved from elsewhere, mainly from elsewhere in Greater Manchester
- 860 were in new businesses

There has been little measurable impact beyond MediaCityUK

While there has clearly been an impact of the BBC move within MediaCityUK, there is little evidence of this stretching much beyond the immediate site.

¹¹ NAO (2013), The BBC's move to Salford, London: NAO.

Figure 4: Change in jobs by industry group in and around MediaCityUK, 2011-16

Source: ONS, Business Structure Database

What impact there has been is most obvious when looking at media jobs. While there was a large growth in jobs in this sector in MediaCityUK, as shown in Figure 4, there was a decline in the number of media jobs in the rest of Greater Manchester over the period. Looking specifically at the 1 mile ring around MediaCityUK showed that there were no media businesses located in the sector in 2011 in the area, and this remained the case in 2016.

The chart shows that there was an increase in the number of jobs in hotels and hospitality in the immediate area surrounding MediaCityUK, which could be linked to the activities of the BBC. The one mile ring also experienced growth in retail jobs. But as MediaCityUK saw a decline in this type of jobs, where we would expect the effect to be the strongest, the link between the BBC move and the rise in this type of jobs in the surrounding areas does not appear to be so clear.

There was also growth in the number of jobs in the knowledge intensive based activities (KIBS) in the one mile ring. Breaking this down by jobs that are either related or unrelated to the media industry shows that, of the total net increase of 1,710 jobs, a maximum of 490 jobs were in related industries. Whether or not this was the result of the BBC's move remains difficult to say.

Overall there was strong growth in the media industry in Greater Manchester

Although the number of media jobs located elsewhere in Greater Manchester fell between 2011 and 2016, the growth in MediaCityUK meant that this sector saw very strong growth in Greater Manchester overall. Including the estimated number of jobs relocated by the BBC, the number of jobs in this sector increased by 72 per cent (from 4,520 to 7,760). Excluding the BBC jobs from outside Greater Manchester shows that at 27 per cent, net jobs growth still outstripped the Great Britain average of 15 per cent in this comparison

sector. This suggests that the BBC move had some positive effect on media employment in Greater Manchester, even though it created a lot of displacement within it.

That said, the impact that this has had on the number of jobs in Greater Manchester economy is very small. Looking at the businesses in related industries and removing those that relocated within Greater Manchester means that the BBC's move brought up to around 4,420 jobs to the city region. This is equivalent to 0.3 per cent of all jobs in Greater Manchester in 2016.

Summary

The move of the BBC has clearly had an impact on MediaCityUK. The presence of at least 2,000 jobs in national operations, and a further 600 in local ones, is in itself considerable. And there has been a wider impact – removing the estimated national and local moves of the BBC suggests that there were around 1,400 additional jobs in other businesses in the media sector. And given the industry had little presence in the area before the BBC's move, it is highly likely that their location was the result of the BBC relocation. This is also likely to have supported growth in the hotel and hospitality sectors, though it did not increase the total number of jobs in retail.

However, much of the growth in media was down to displacement, particularly from elsewhere in Greater Manchester. Of the 1,400 extra jobs, 370 were jobs in new businesses. Outside of MediaCityUK, the number of jobs in media in Greater Manchester declined between 2011 and 2016. While this may ultimately make the sector in Manchester more productive by concentrating jobs in one place and facilitating knowledge spillovers, it means that job creation figures should be handled carefully.

Beyond the MediaCityUK, the impact was limited. Between 2011 and 2016, in the one mile area around MediaCityUK, there was no growth in media jobs and growth in other industries is unlikely to have been linked to the BBC's relocation. At the combined authority level, the contribution of the employment growth in MediaCityUK to Greater Manchester's economy was fairly small.

Policy implications

While there has been some impact, the economic benefits relocating high skilled publicly-funded jobs out of London should not be overplayed. Discussions about the economic merits of moving public functions out of London, most recently Channel 4, are not new. The evidence presented here for both the ONS and BBC moves suggests that their wider economic impact to date has been fairly limited beyond the relocation area. If a relocation is to take place, then it should be subjected to a thorough evaluation.

The impact of any relocation will depend on the attributes of the host city. The ability to attract in high-skilled businesses hinges on the ability of a city to offer high-skilled workers. And the functioning of a public or quasi-public body operates on a similar principle – if there aren't the sufficient numbers of necessary workers recruitment will be difficult.

Any wider economic benefit of a relocation is likely to depend on the nature of the activity being relocated. Lower-skilled jobs in closed bodies will have less impact on a city economy than

higher-skilled jobs in more outward-looking ones. This means that a move of Channel 4 to Birmingham or Manchester, for example, is likely to have a bigger impact on either of those cities than the ONS move to Newport. That said, it must be stressed once more that even the impact of the former is likely to be limited, at least in the short-term.

Cities should consider the opportunity costs of trying to attract a public body. Thanks to the BBC move, Greater Manchester gained a small number of highly-skilled jobs and this is the type of employment that cities should be looking to attract. But like with any other business attraction policy, cities should be wary of deploying disproportionate resources that could be more effectively utilised to improve the fundamentals of the local economy such as skills and transport.

This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.

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For more information on the Centre's work on the industrial strategy, including further briefings on topics such as encouraging innovation through clusters and how to create a successful place-based industrial strategy, visit: www.centreforcities.org.

Appendix

Industry definitions (SIC2003)

Media Industries:

9211	Motion picture and video production
9212	Motion picture and video distribution
9213	Motion picture projection
9220	Radio and television activities
9240	News agency activities
7481	Photographic activities

Other Related Industries:

7250	Maintenance and repair of office, accounting and computing machinery
7260	Other computer related activities
7450	Labour recruitment and provision of personnel
7485	Secretarial and translation services

Related KIBS:

7210	Hardware consultancy
7221	Publishing of software
7222	Other software consultancy and supply
7230	Data processing
7240	Data base activities
7440	Advertising

Picture Credit

“Media City, Salford, Manchester”

by Neil Howard: <http://bit.ly/2wpKDqd>

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