



Our
Scottish Future

Glasgow's Economy in Context
7th February 2023

Today we are talking about the opportunity for Glasgow

Executive Summary

For Scotland and the UK the road out of the current economic and inflationary crisis and back to growth runs through Glasgow

- Greater Glasgow is one of four million-plus-inhabitant urban areas outside of London in the UK
- Greater Glasgow is also Scotland's Metropolis with >30% of Scotland's GDP and Population making it comparable with major European cities such as Helsinki, Prague, Dublin and Copenhagen

Glasgow today has most of the ingredients that it needs to have a thriving and prosperous economy

- It is a great place to live and work, with strong public transport and affordable housing
- It has high spending on R&D, world class universities, and a high number of graduates
- It has industrial heritage, and new 'anchor' employers in the financial services sector

However, something isn't working: Glasgow's strengths are not translating into the economic and social outcomes that we all want

- Productivity remains lower than other Scottish cities, and R&D isn't translating into patents and start ups
- Socially, Glasgow still has some of the worst levels of poverty and deprivation in Scotland, and despite 10%pts more high skilled individuals in the workforce, the average Glaswegian earns no more than those in less skilled cities

Greater devolution of political power to Greater Glasgow, alongside better connectivity with other centres of capital, skills, and innovation across the UK could see more change happen more quickly

- The sectors that Glasgow can be famous in all require massive scale in both financial and human capital beyond just one city: better networks across the UK would allow Glasgow to benefit from much greater access to finance, talent and ideas
- Glasgow has the least devolved powers of any comparable city in the UK - greater initiative could get more done more quickly

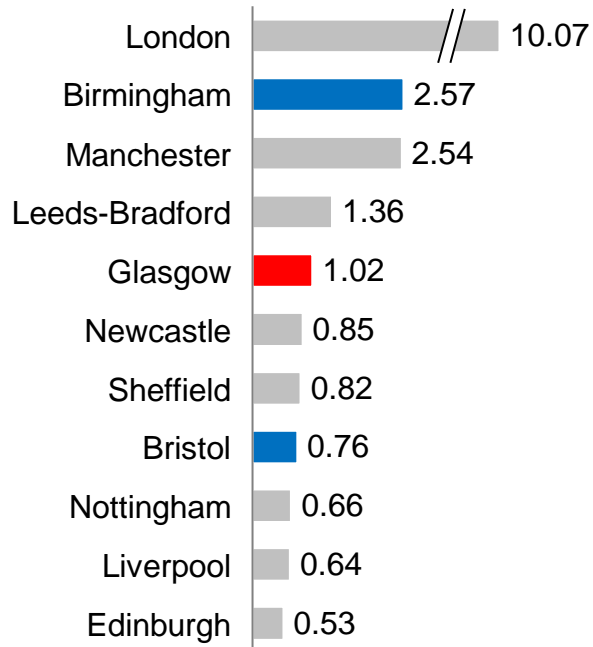
At this conference, we look forward to facing down some of these tough issues together

For Scotland and the UK the road out of the current economic and inflationary crisis and back to growth runs through Glasgow

There are two ways to look at Glasgow – as a major UK city, or as Scotland’s metropolis...

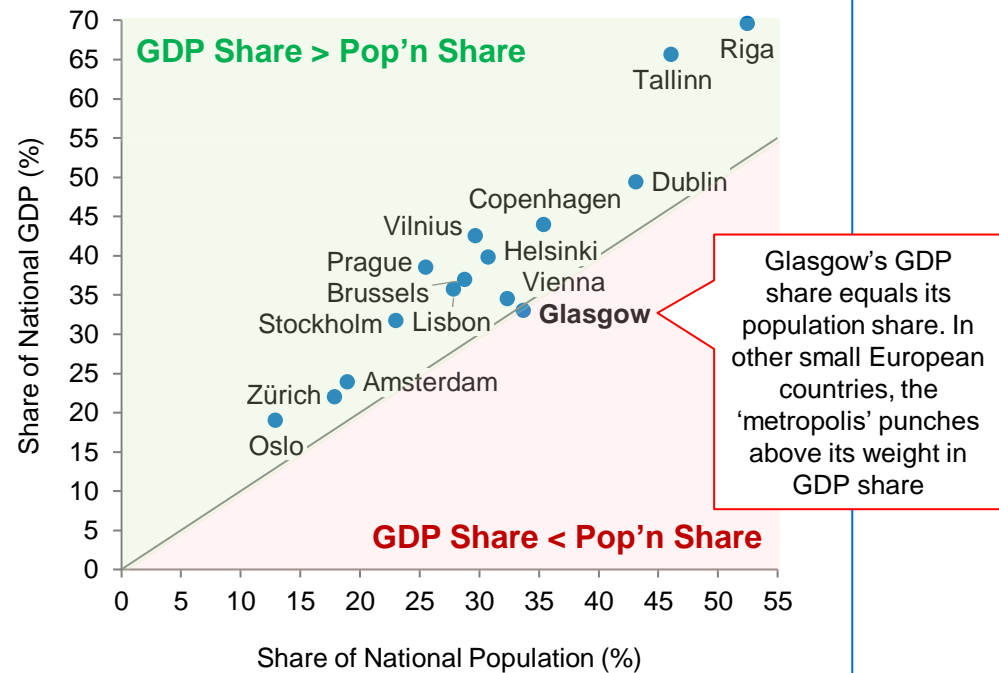
A G4 City: Glasgow is a member of the G4 of big UK regional cities, with over 1 million people living in its economic zone

Population of Top 11 UK Urban Areas 2020, millions



Scotland’s Metropolis: It’s 1/3 of Scotland, but It’s economy doesn’t dominate in the same way that big cities in other successful small countries do

Big Cities Small Countries, % national population & GDP



Glasgow is one of the best places to live in the world, and its improving infrastructure and skills base are making it a better place to work as well

Glasgow's 10 Distinct Advantages (from Glasgow Chamber of Commerce)

1	Population is expanding & urbanising	Population growth forecast of c. 1% pa in contrast with flat/negative growth across Scotland
2	Skills and talent base in on the up	>50% of the population has NVQ 4+ qualifications 10%pts higher than other 'G4' UK Cities
3	Economy & jobs base are growing	850,000+ jobs across the Glasgow city region, growing at around 0.5% per annum pre pandemic
4	Millennial & career age talent appeal at all time high	Most affordable housing of all major UK cities, able to retain university graduates vs losing them to London
5	3 Innovation Districts with great potential	Spend of 1.8% of GDP on R&D leads the UK
6	Excellent universities & colleges	50,000+ full time students, two universities with global reputation, both in the UK top 20
7	First class transport, digital & energy infrastructure	Large geographic Travel to Work area, with comparatively high usage of public transport
8	Maturing investment proposition	2,000 new financial services jobs created in 3 years pre pandemic, new office openings in revamped city centre
9	Destination retail & events appeal globally recognised	COP26 an advert to the world
10	Borrowed scale from a competitive region	Greater Glasgow, plus connectivity across the Central Belt

Glasgow Chamber of Commerce are already focussing on 10 key projects

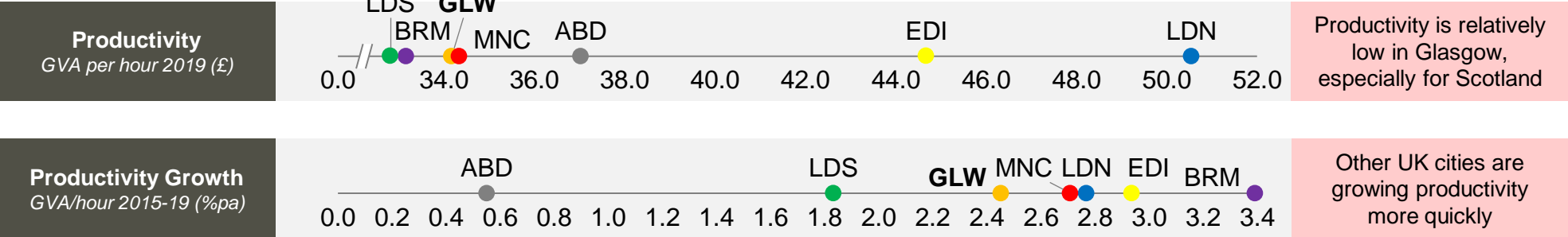
POLICY – 10 Glasgow Projects



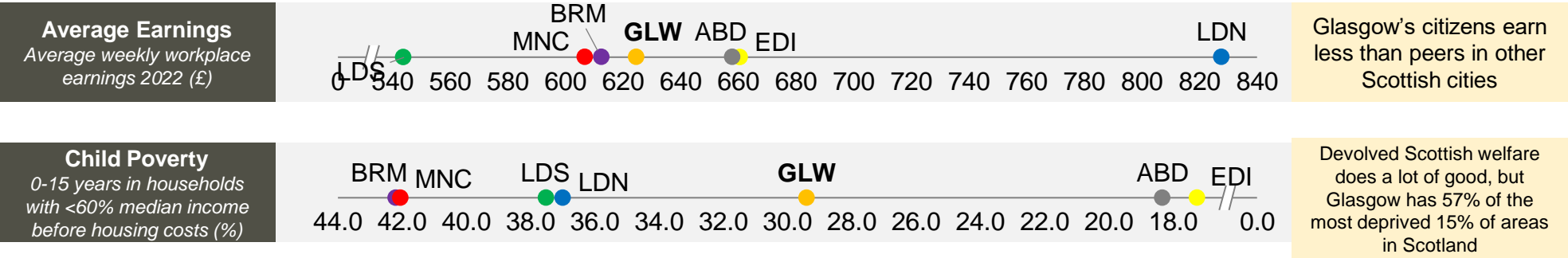
However, something isn't working: Glasgow's strengths are not translating into the sort of economic and social outcomes that everybody aspires to

Outcomes – Comparing Major UK and Scottish Cities on Key Measures

Economically, Glasgow lags other major cities in terms of productivity and productivity growth making less out of its workforce than it could do

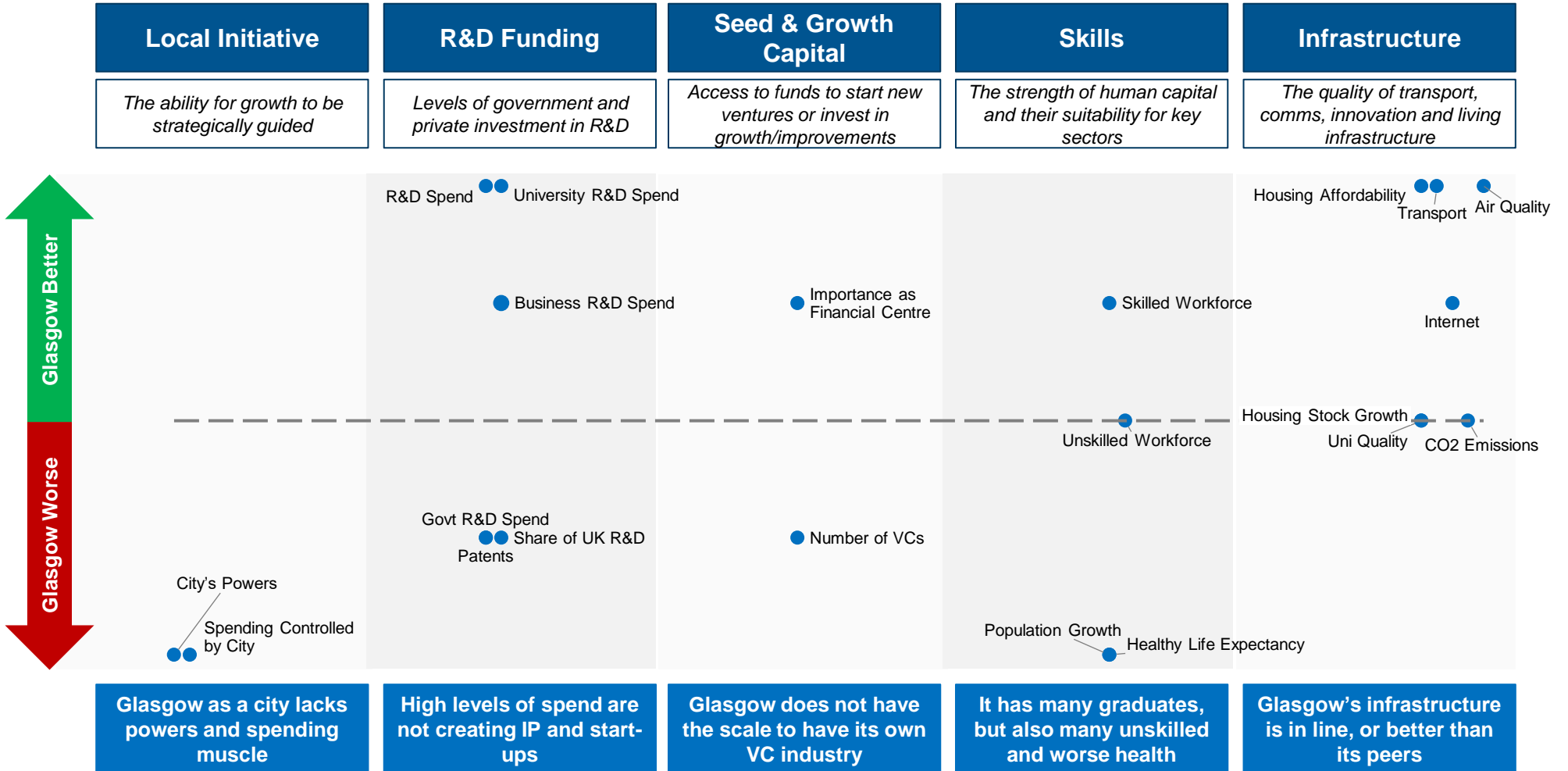


Therefore, socially Glasgow has lower wages and worse poverty than other cities in Scotland



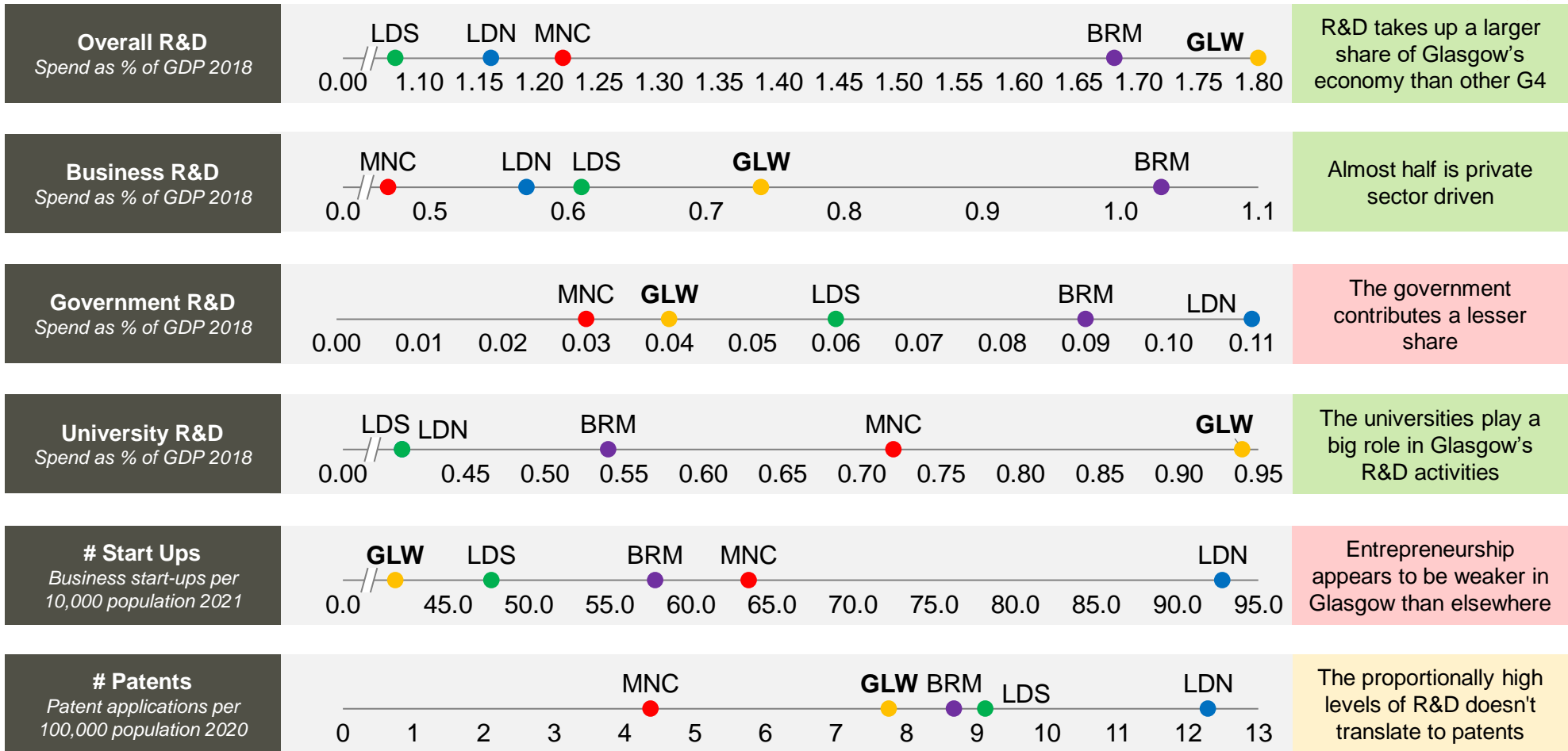
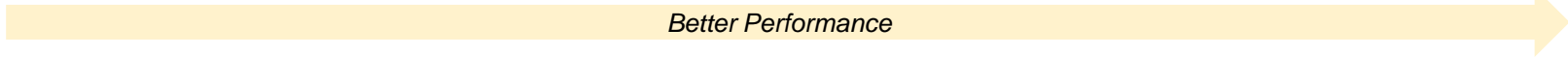
Comparing Glasgow against other 'G4' Cities, there appear to be gaps in initiative, health and finance to scale up innovation

Magic Formula for Growth: Glasgow Performance Relative to G4 Cities + London



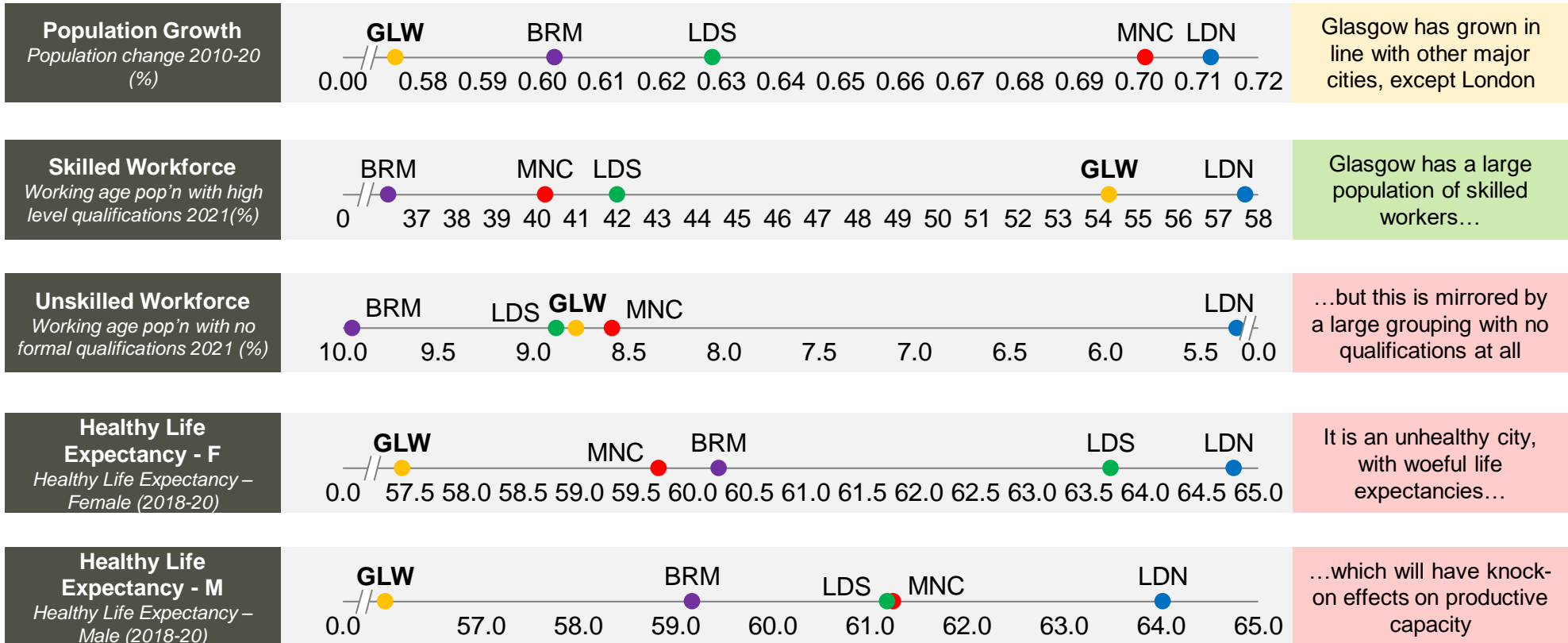
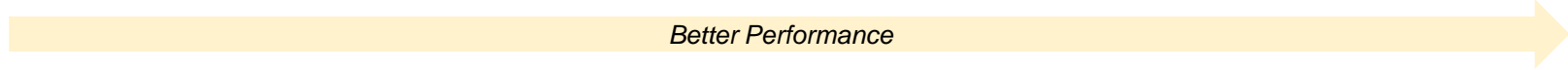
In particular, whilst spending big on R&D and innovation, that spend is not translating into the broader economy

R&D Spending – Comparing The G4+London on Key Measures



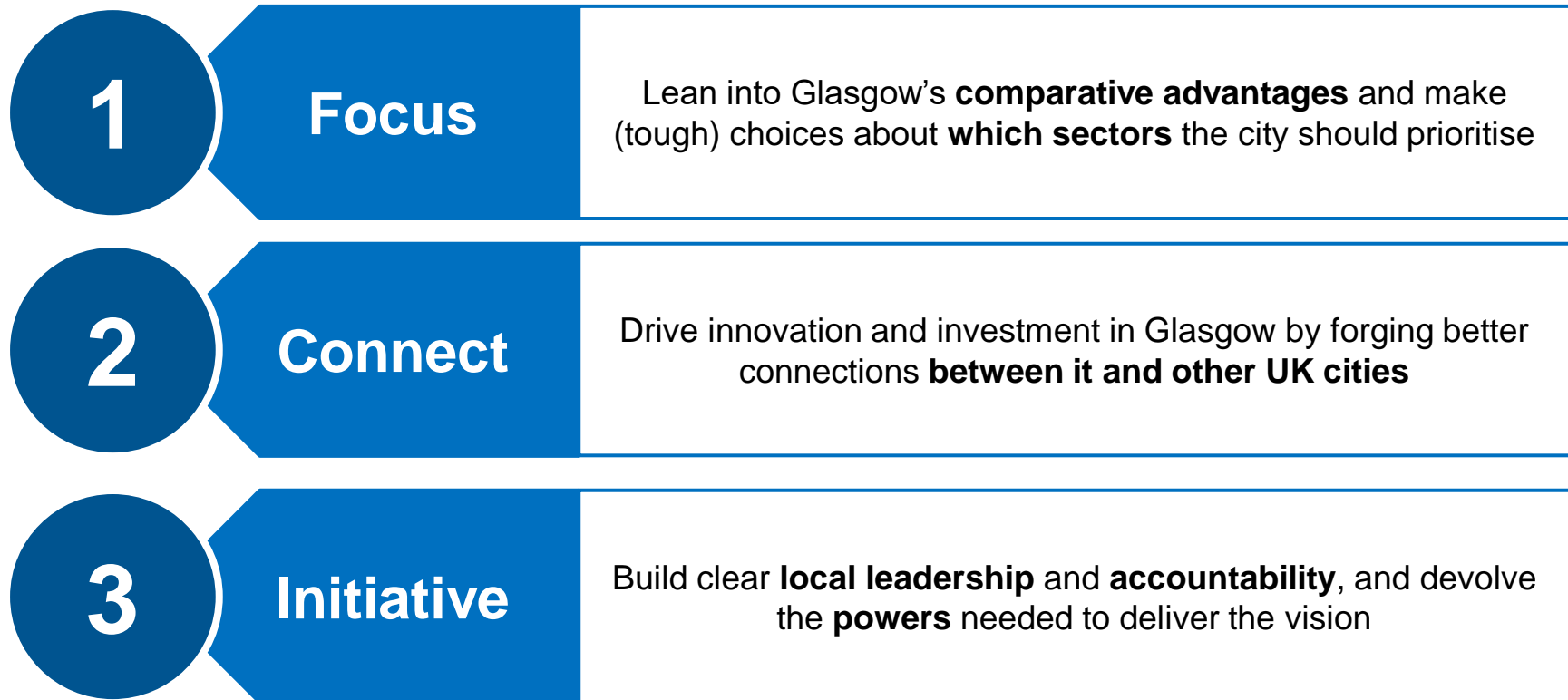
Glasgow is able to retain graduates better than the rest of the G4, but the big gap between them and the rest is leaving the city scarred by poverty

Skills – Comparing The G4+London on Key Measures



With sector focus, better connections, and local initiative Glasgow can achieve more of its potential

OSF View on Glasgow's Economy

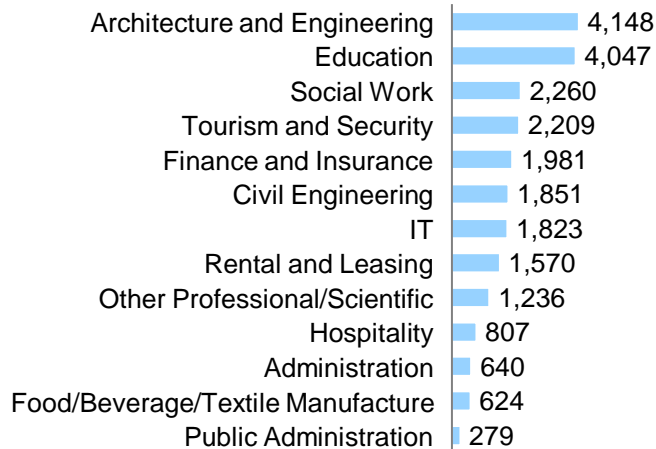


Glasgow needs to decide which sectors to specialise in, as well as where in the production/innovation cycle to focus

Finding Glasgow's Comparative Advantages

Glasgow, City of...: There will be sectors where history, infrastructure and nature have conferred strengths that good policy and investment can amplify

Regional Shift in GCR employment 2016-2019



- Glasgow today has undoubted historical strengths in advanced manufacturing, aerospace & defence, life sciences (in particular precision medicine), and engineering...
- ...To which the service economy in particular education and tourism has added much over recent years
- Focussing on specific sectors can drive better overall growth than 'everything everywhere'

Inventors or Tinkerers?: The next step is to consider what 'Innovation Stage' Glasgow thrives in for a given sector – all stages can drive economic growth

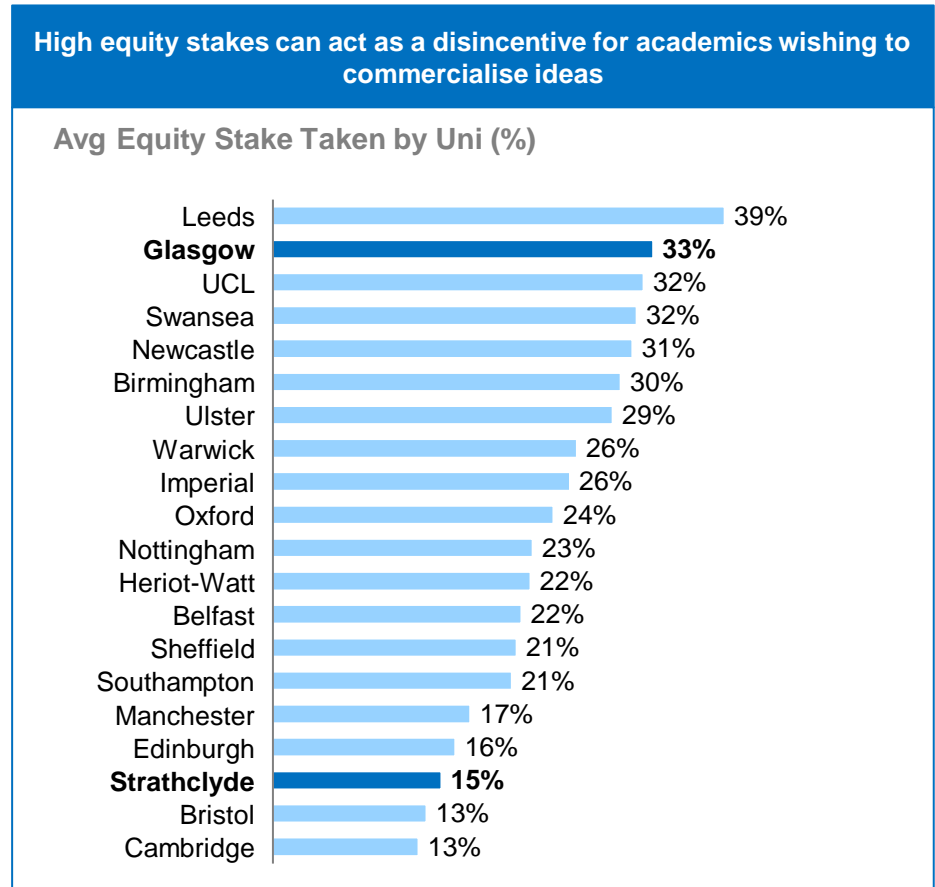
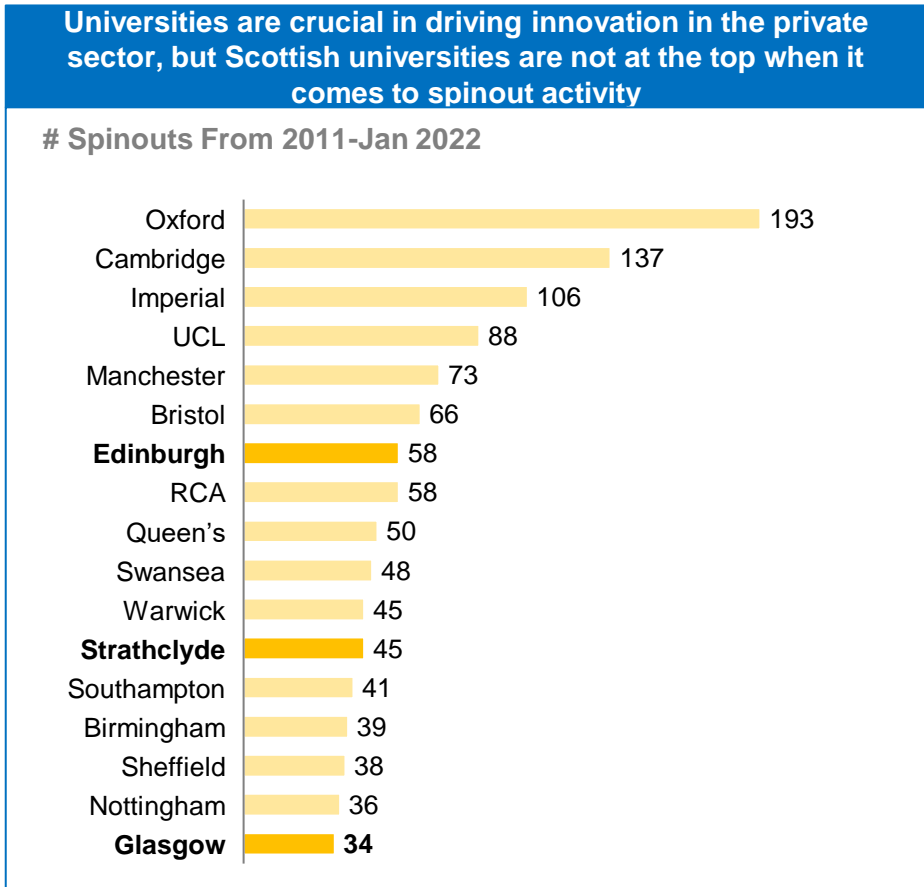
Innovation Stages (based on Dan Breznitz's work)

Stage	Description	Example
1) Invent	Development of entirely new products/services that may need refining	Silicon Valley and its VC driven technology sector
2) Design	Turning the invention into a workable product (e.g. prototype, design)	IDEO; Riviera del Brenta's luxury shoe design expertise
3) Refine	Building on existing products/services to expand markets/demand	The Taiwanese bicycle and semiconductor industries
4) Produce	Production/delivery of the final outputs	Shenzhen's electronic manufacturing industry

- For these sectors, Glasgow can also focus on specific stages of innovation – e.g. it could be an 'inventor' in life sciences, a 'producer' in food/bev, a 'refiner' in certain financial services
- Each of these stages requires different policy support – only by making decisions about where to focus can policy be optimised

Whichever sectors and innovation stages are prioritised, the bonds between academia and the private sector are crucial – they need improving...

Connecting Glasgow's Academics and Private Sector

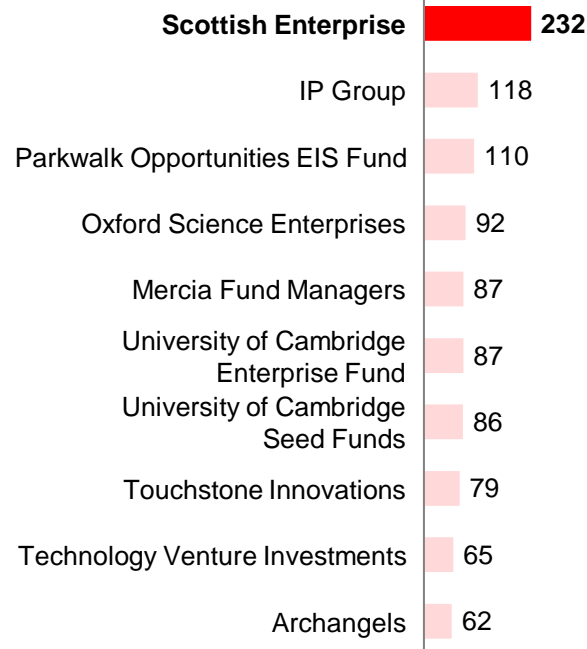


...and linking Glasgow to capital, ideas and skills in other parts of the UK will help it to leverage its status as both Scotland's metropolis and a G4 UK city

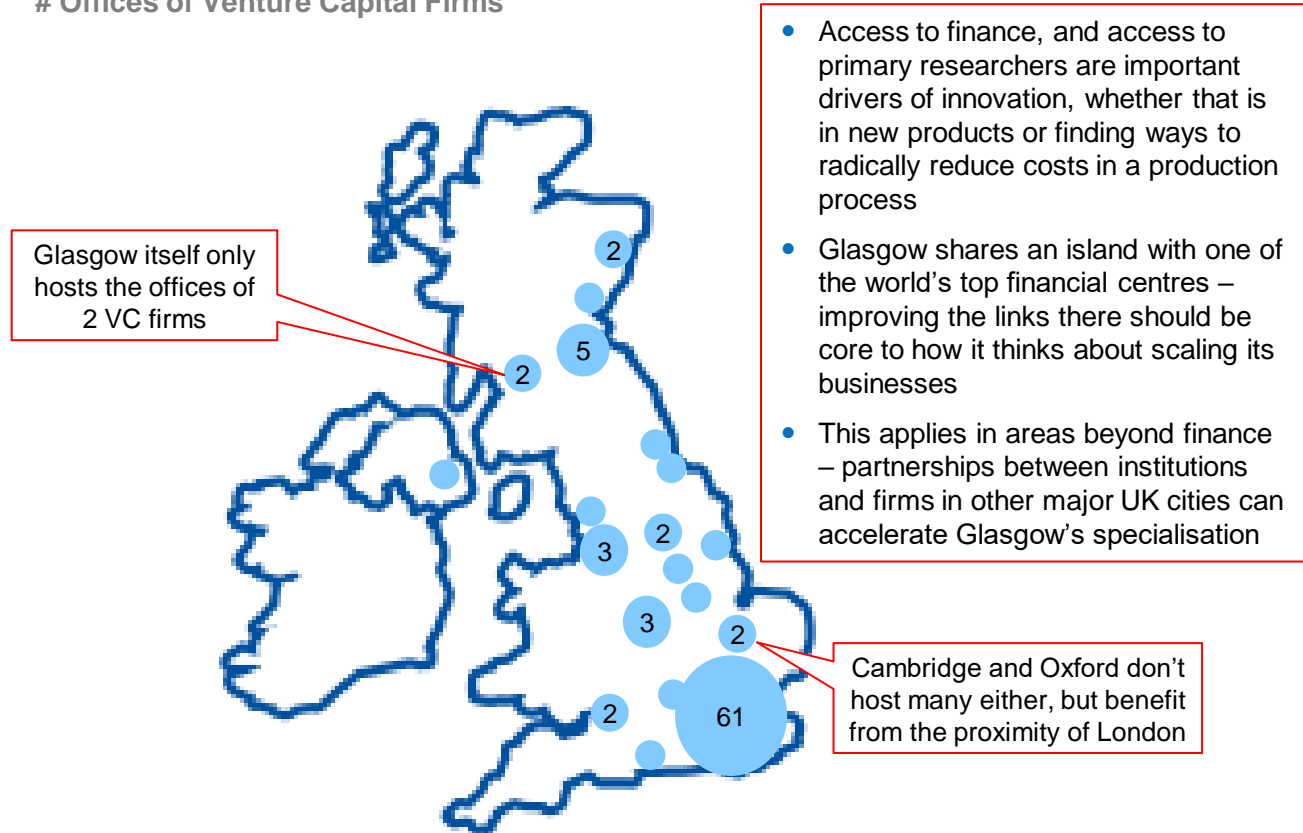
Connecting Glasgow's Innovators with Capital

Scottish Enterprise invests in more scaleups than anyone else in the UK, but clearly this is not delivering enough growth for Glasgow

Top investors by number of equity deals into spinouts (2011-2021)



Offices of Venture Capital Firms



- Access to finance, and access to primary researchers are important drivers of innovation, whether that is in new products or finding ways to radically reduce costs in a production process
- Glasgow shares an island with one of the world's top financial centres – improving the links there should be core to how it thinks about scaling its businesses
- This applies in areas beyond finance – partnerships between institutions and firms in other major UK cities can accelerate Glasgow's specialisation

The GCR operates with a cabinet structure, and without many devolved powers – this makes it harder to guide development than elsewhere

Organising Principle - Powers by City Region

On spending, the Glasgow City Region controls the City Deal and some other investment budgets, but the rest lies at national or local government level

3 Initiative

	Power	London	Greater Manchester	West Mids (incl B'ham)	West Yorks (incl Leeds)	Glasgow City Region
Economic	Transport	Strong Powers	Strong Powers	Strong Powers	Strong Powers	Strong Powers
	Planning	Strong Powers	Strong Powers	Strong Powers	Strong Powers	Strong Powers
	Investment/Business	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers
	Skills	Strong Powers	Strong Powers	Strong Powers	Strong Powers	Some/Shared Powers
	19+ Education	Strong Powers	Strong Powers	Strong Powers	Strong Powers	Some/Shared Powers
	Employment	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers
Other	Police	Strong Powers	Strong Powers	Some/Shared Powers	from '24	Some/Shared Powers
	Justice	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers
	Fire	Strong Powers	Strong Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers
	Health & Social Care	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers	Some/Shared Powers

Strong Powers

Some/Shared Powers

As a recent example, SNP City Councillors are calling for more powers from Holyrood and Westminster to shape their city

3 Initiative

Planning Powers



Call for Greater Powers for Glasgow

- Glasgow's City Council is working to save derelict buildings, and rejuvenate them for residential or commercial use
- SNP Councillor Angus Millar has called for 'additional powers from both governments' in order to make Glasgow's development goals attainable
- He suggests bringing the VAT treatment of converting properties into alignment with new builds to make reuse more economical, and also for the powers to 'bring the owners of derelict or empty properties to the table'
- The benefits to such a policy are significant
 - Economically, increasing the residential population of the town centre would help to combat the slow weekday recovery in footfall since the pandemic, due to increased working from home
 - Environmentally, reuse is also often far preferable to demolishing and rebuilding a property – with the carbon emitted creating the property often a significant proportion (sometimes a majority) of the lifetime carbon usage of the building