CITIES, COMPETITIVENESS AND COHESION: EVIDENCE FROM CENTRAL SCOTLAND

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Summary

Competitiveness and cohesion are ambiguous concepts in the development of cities. Single, simple indicators cannot do justice to their range, complexity and inter-connections. The paper develops and applies definitions to two major cities in Central Scotland. Glasgow's economic and social difficulties reflect decades of industrial decline and restructuring. Some indicators imply that it is an uncompetitive business location and socially polarised.

Yet other data suggest there has been a turn-around in its economic position and that the city is surprisingly cohesive. Edinburgh's prosperity reflects several decades of slow, steady growth, reinforced by the city's unique historical role and attractive built environment. Many of the indicators do not suggest that the city is a particularly competitive business location, except perhaps for financial services. Indeed the current high property prices and labour shortages in the city indicate potential obstacles to continued economic growth.

1. Introduction

Competitiveness and cohesion have become popular goals in the lexicon of city development. They are typically used in a loose, casual way that implies general agreement on their meaning, yet they are really very nebulous and ill-defined. Competitiveness signifies something about the ability of cities to attract and retain resources in a context of increasing economic rivalry between regions and nations. Cohesion indicates a concern that urban societies are becoming more unequal, fragmented and divided, which threatens the collective well-being through conflict, crime and other forms of disruptive behaviour.

These ideas are sometimes linked in controversial and thought-provoking ways. One line of argument is that there are tensions and trade-offs between competitiveness and cohesion. For example, neo-liberal economics suggests that social inequality reflects differential incentives and penalties for enterprise, investment and innovation, which stimulates economic efficiency and growth, especially in the context of global pressures on wages, taxes and social overheads. An alternative view is that the two goals can be complementary and mutually reinforcing. For example, cohesive societies are more productive because higher levels of trust, security, common values and institutional co-operation engender stronger commitment, longer-term decisions, higher investment and greater willingness to take risks.

There has been increasing theoretical discussion of the concepts of competitiveness and cohesion in recent years, but comparatively little empirical assessment. The purpose of this chapter is to apply these ideas to the two largest cities in Central Scotland, Edinburgh and Glasgow. This is an interesting comparison since the performance of the two cities has diverged over the last two decades despite their physical proximity and similar geographical setting on the periphery of an increasingly integrated Europe. Edinburgh has experienced steady economic and population growth; it has a compact spatial form and relatively small scale problems of social deprivation and exclusion. It is one of the most prosperous cities in Britain on some indicators. In contrast, Glasgow has experienced long-term economic and population decline and decentralisation, and has some of the most severe social problems in Britain. Its economic position has improved somewhat in recent years, lending some credibility to its reputation among European cities for energetic self-renewal and innovation in urban revitalisation.

The structure of the chapter is as follows. The next section discusses the definition and measurement of economic competitiveness and performance. It proceeds to examine the indicators of productivity, employment, industrial specialisation, new firm formation, labour supply and land. The following section considers the definition and measurement of social cohesion, focusing on income disparities, housing conditions, health inequalities and territorial belonging. The final section offers some conclusions.

2. Measuring City Competitiveness

Some of the difficulties associated with the concept of competitiveness become apparent when trying to define and measure it empirically. Many suggested indicators of competitiveness (e.g. output per capita) are more accurately defined as measures of

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economic performance, or the outcomes of competition. They are predominantly backward-looking and measure the effects of earlier rounds of competition and historical performance, rather than the current competitive position of the city. Consequently, they may fail to detect or explain a significant change in the fortunes of a city, as we shall see. Some other suggested indicators are measures of economic structure or resources, which are open to conflicting interpretations as to whether they are positive or negative attributes for a city in competition with other places. Such indicators can be viewed as assets or liabilities, depending on the perspective. Some of the measurement difficulties arise from the complex, circular cause-effect mechanisms operating within urban economies, making it difficult to disentangle the fundamental determinants of economic progress from the many contingent conditions and consequences of economic change.

The concept of city productivity is important in focusing attention on how much economic output or wealth a city produces in relation to its resources. City productivity is influenced by factors such as its industry mix; the level of investment in plant, equipment and property; workforce skills and aptitudes; the ability of urban institutions to learn and innovate; and the efficiency of the transport system, housing market and other urban infrastructure. Improvements in productivity promote prosperity by lowering prices, increasing sales, adding value to production, raising household earnings, expanding the demand for local services, and increasing investment, tax revenues and employment. City competitiveness is partly about the productivity of a city in relation to other cities and towns. Cities compete via their firms in product markets, and more directly as business locations for mobile investment, as residential environments for population, as tourist destinations for visitors, and as innovative organisations to host hallmark events and to capture public funds.

The prosperity of cities is also influenced by the extent to which resources are actually used. More output can be produced by activating unemployed resources as well as by improving the efficiency of resource use. The proportion of the population in work is known as the “employment rate”. A high employment rate helps to spread prosperity and raise living standards. Yet, this indicates a tension between firm and city performance; firms may increase their productivity by shedding labour, but this could damage city prosperity if unemployment rises.

The economic trajectories of cities are also affected by public expenditure and employment, especially as cities tend to accommodate regional functions such as hospitals, universities and government offices. Public bodies also have important developmental roles in improving local competitive conditions by providing strategic information, improving public infrastructure and services, enhancing education and training, and regulating excessive or dysfunctional private development. This combination of productivity, resource utilisation and public policy makes for a complex cocktail of factors and forces shaping the nature and strength of urban economic development.

2.1. Output, Productivity and Employment

The principal indicator of national or regional economic performance is GDP per capita.

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GDP measures the capacity of the economy to create wealth. It also corresponds broadly to average incomes and living standards, once the cost of living and transfer payments are taken into account. GDP per capita can be broken down into two elements; the productivity of firms (GDP per worker) and the extent of labour use (the employment rate).

Together Glasgow and Edinburgh accounted for over half of Scotland's GDP in 1996, the latest date for available data (Greater Glasgow was 34% and Greater Edinburgh 18%). However, Edinburgh's GDP per head was 19% higher than the British average, and one of the highest of any city in the country (figure 1). Meanwhile, Glasgow's GDP per head was 9% lower than the British average. This performance gap of nearly a third indicates a much higher level of income generation in the east than the west, resulting in stronger housing demand and consumer spending. The main reason Edinburgh's GDP per head was higher than Glasgow's was because labour utilisation was higher. Forty-three per cent of Edinburgh's population was in work (9% above the British average) compared with Glasgow's 36% (9% below average). The differential in productivity between the two cities was less, although still important. On this evidence, Glasgow needs stronger employment growth more than improvements in productivity.

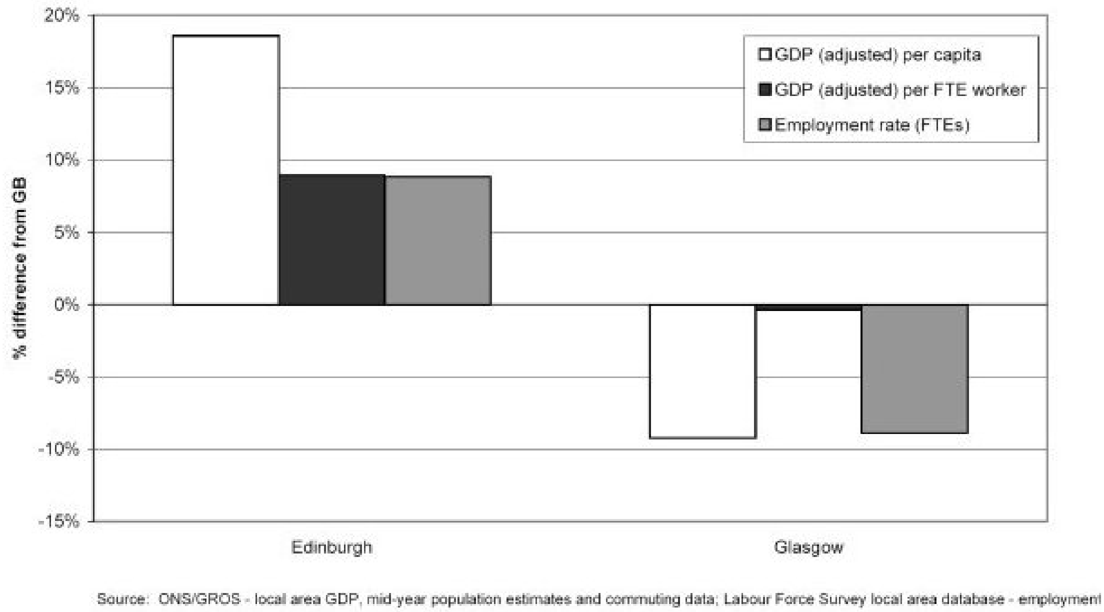

Figure 1. Economic performance, 1996

The difference between labour utilisation in the two cities stems from divergent employment trends over at least the last three decades. The West of Scotland economy has experienced long-term decline, creating a large labour surplus. Labour market adjustment to economic decline through out-migration has been insufficient to bring labour demand and supply back into balance. Meanwhile, employment growth in Edinburgh has outstripped population growth, leading to increased economic activity rates and in-commuting.

The main processes underlying the changes in employment have been deindustrialisation and the growth of services. Manufacturing went from employing around 400 000 people in Central Scotland in 1971 to just 140 000 in 1998. Its share of total employment fell from 36% to 14%. Services grew by 230 000, from 45% to 73% of the total. Glasgow has been affected far more than Edinburgh by deindustrialisation, partly because a higher proportion of Glasgow's jobs were in manufacturing to begin with, and partly because the rate of decline was higher in the west. Glasgow lost 70% of its manufacturing jobs between 1971 and 1998, compared with 44% for Edinburgh. In contrast, Glasgow increased its employment in services by 39% compared with Edinburgh's 59%.

Glasgow's employment position appears to have stabilised since the late 1980s (Figure 2). It lost a fifth of its jobs between 1971 and 1986, but has remained fairly steady since then, with an upturn between 1996 and 1998. Edinburgh also experienced an improvement in performance around the mid-1980s. Employment barely increased between 1971 and 1986 but it has risen by about 12% since then. Both cities have experienced some decentralisation of employment to the outer city, but in both cases it has been selective and far less important than it was in the 1950s and 1960s. The main beneficiaries have been the New Towns of Livingston, Cumbernauld and East Kilbride. They have all experienced growth in manufacturing and service jobs. Their relative success has been facilitated by major public investment in physical infrastructure, land, buildings and housing. They were established as "growth poles" to raise the competitiveness of the region as a whole by easing the problems of urban congestion and providing an attractive entry space for new investment. Older outer urban areas (such as Motherwell, Paisley, Coatbridge and Midlothian) have experienced decline at a similar rate to Glasgow.

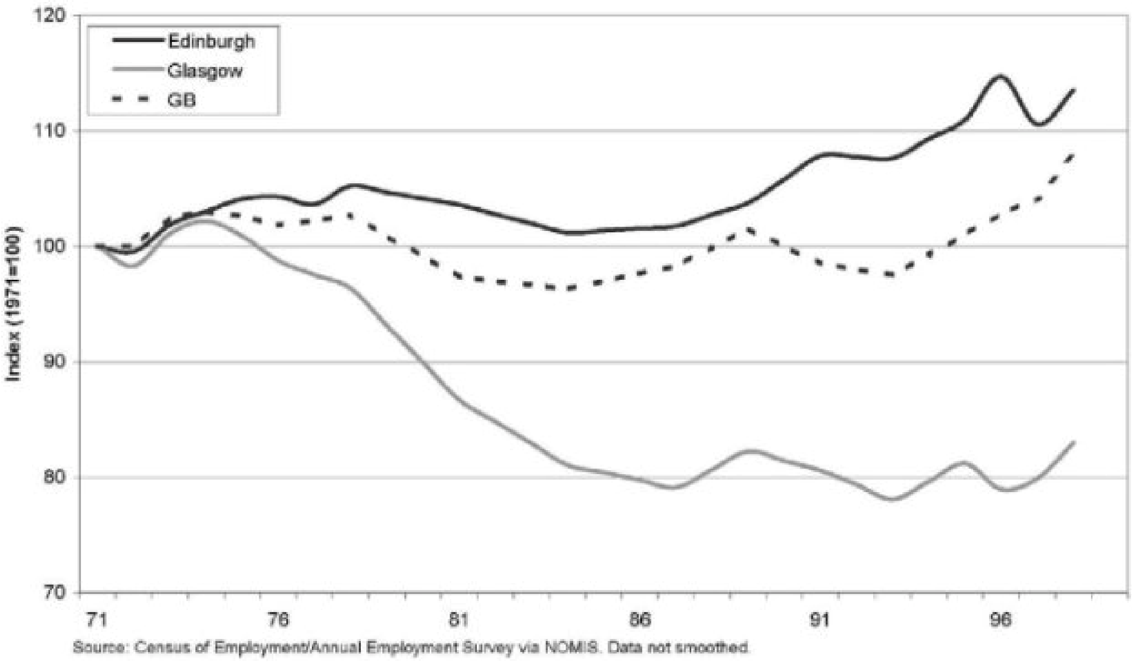

Figure 2. Census of employment—yr on yr change

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Biographical Sketches

Ivan Turok BSc (Bristol), MSc (Cardiff), PhD (Reading) is Professor of Urban Economic Development and Director of Research in the Department of Urban Studies, University of Glasgow. His main research interests are in urban and regional development and policy, with particular expertise in economic development, local labour markets, urban regeneration and local partnerships. Ivan is the author of various publications on these themes, including *The Coherence of EU Regional Policy* (Jessica Kingsley, 1997), *The Jobs Gap in Britain's Cities* (Policy Press, 1999), *Inclusive Cities* (European Commission, 2000) and *Twin Track Cities* (University of Glasgow, 2003). He has just completed a four-year study of economic competitiveness, social cohesion and local governance in Glasgow and Edinburgh as part of a Cities, Competitiveness and Cohesion Research Programme sponsored by the UK's Economic and Social Research Council. Ivan has also acted as an adviser to the OECD, European Commission, UK government and Scottish Executive on various aspects of economic development and employment policy.

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