

It's all about the people

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A key factor for economic development is human capital. This is why businesses locate in the SE and why there has been a regional brain drain for decades. For businesses to start and flourish, one needs a critical mass of skilled people. Companies 'churn', and in the SE there are always people available. This is why clusters drive development across the world.

An example of the problem regions face is with jobs in medicine, which one would consider relatively immune to geography. Even for prestigious posts, repeated adverts can fail to get applicants.

This is clearly not the job itself. Geographic disconnection is the key reason. Talent marries talent, therefore two high-skilled jobs are needed at the same time in the same place.

Much harder if the jobs market is just Newcastle. Much easier if the jobs market is Edinburgh, Newcastle, Teesside, Leeds. Better still if one person doesn't need to leave their job.

The poverty trap of place

This issue is amplified with private sector jobs, where one doesn't have NHS central control, talent is even more mobile and connectivity to customers is key.

Whilst many have left, for the non-university group, the barriers to migration to the SE are too high, therefore 24% of the working age population are out of work.

This mismatch compared to headline

unemployment rates also reflects hidden under-employment and systems that incentivize for illness. The flip side when looking for increased UK productivity is an under-utilized workforce with a heritage of working hard in tough conditions.

Rather like the English rugby, new management and one or two new players could lift performance. An example of raw ingredient is Sunderland's Nissan being consistently the most productive plant in Europe.

The flawed Whitehall rule: Investment follows geography, welfare follows people

Whitehall will look to maximise ROI, which means spending money in the South, then for some of the tax receipts to follow people in terms of welfare payments and come to the North.

One might regard this as pragmatic paternalism, but it is the wrong thing to do.

One Nation, Better Together, or lip service ?

Take HS3. Recent discussions are welcome, recognizing that connectivity of human capital is key. It would bring together the Pennine cities, but the NE and Scotland, will remain disconnected.

Newcastle will be 2 hours to Manchester, **after** the transPennine route is built. This is not transformational for the NE. Newcastle is as close to Edinburgh as to Leeds yet is connected by a single carriageway road.

An opportunity would be to build on the Better Together mantra of the Scotland Referendum campaign and the One Nation positioning post Brexit and link the Glasgow-Edinburgh belt (4million) with the NE (3m) and Pennine cities (7m) to create a supercity region.

Rethinking ROI

Take transport infrastructure as our example. Current cost effectiveness calculations are based on ticket sales. This approach is flawed. The post for head of Public Health for Teesside went to advert three times with no applicants.

The harsh reality is top talent does not want to go there. DoT calculations on ROI for transport infrastructure don't include the added value of a particular commuter.

If one could recruit a top public health lead because Newcastle and Leeds were close, the impact on lives, on welfare spend, on economic potential, would be much more than this individual's rail fare spend.

The same goes for the executives locating businesses. If one influences the CEOs, then the value to the region is far greater than the ticket spend of key decision makers.

Also transport assessments are based on current demand, rather than **after** regeneration and growth. This becomes a self fulfilling prophecy; it's easier to do business in the south, people commute to the south and there are fewer journeys to the north.

The new politics

Furthermore, one should include health and welfare spend in ROIs. The Due North PH report of 2014¹ showed a failing economy and ill health go hand in hand.

The opportunity for Mayonomics - improve the economy and health and welfare spend will decrease, offering an ROI rather like very large Social Impact Bonds.



¹ <http://www.cles.org.uk/wp-content/uploads/2014/09/Due-North-Report-of-the-Inquiry-on-Health-Equity-in-the-North-final.pdf>