

**Anglo-German Foundation for the  
Study of Industrial Society/  
*Deutsch-Britische Stiftung für das  
Studium der Industriegesellschaft***

# **Shrinking to Grow? The Urban Regeneration Challenge in Leipzig and Manchester**

**Alan Mace, Nick Gallent, Peter Hall, Lucas Porsch, Reiner Braun and Ulrich Pfeiffer**

**2004**

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**Institute of Community Studies**

**October 2004**

**Anglo-German Foundation  
for the Study of Industrial Society**

## THE URBAN REGENERATION CHALLENGE IN LEIPZIG AND MANCHESTER

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## Preface

Both Leipzig and Manchester have experienced a severe loss of population: Manchester over a long period since the middle of the twentieth century; Leipzig sharply, after reunification. While both cities have greatly improved their city centres and can claim many regeneration successes, both have, at best, stemmed their population losses.

Linked to this demographic shrinkage has been the presence of a large stock of low-demand housing. Given this, and the potential for future population loss – especially in Leipzig, with falling birth rates nationally – in this study we asked whether these two cities could plan for an economically sound contraction in their populations. We set out scenarios for future household numbers in both cities and consider the implications of a future loss of households.

However, it was soon evident that neither city could countenance such an approach; in fact, both were actively planning for household growth. Given this approach we then considered how these two cities could best meet their aims.

Both cities have a large number of young people, not least because of their universities. This is an asset in an ageing Europe, but only if these young cohorts can be retained: the range of job opportunities that the cities can offer is therefore crucial. Still, this is not enough.

We demonstrate that stemming massive population losses – though partially successful at present – may prove a fragile solution, not least because nearby suburban areas are often able to offer housing choices and levels of liveability that are not necessarily available within the city boundaries. In many instances it is possible that even where the cities offer exciting career opportunities, they may not benefit from an increase in residents. The key here is the retention of households as they establish families. Therefore, we suggest two goals for the future:

1. Become magnets for the young;
2. Keep the family builders.

The second, we believe, will be harder to achieve than the first. It will mean multiple action in a number of fields: planning and urban regeneration, education, social policy and transport policy.

We also suggest key policy levers that will have to be addressed, especially greater discretionary spending powers to meet local needs, which should be implemented locally. Both cities have demonstrated an ability to act proactively. This poses a key final question: can their national and regional governments now give them the necessary freedom, allowing them to take risks to develop such an entrepreneurial approach?

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Reiner Braun, Ulrich Pfeiffer  
London/Berlin, June 2004

## **Acknowledgements**

We thank the Anglo-German Foundation who provided the financial support that made this study possible; many respondents in both cities, who were so generous of their time in interviews and in workshops in Manchester (December 2002) and Leipzig (March 2003); and Ann Rudkin, who so expertly edited the text.

A fuller version, with appendices, will be published by the Institute of Community Studies in their Research Report series in September 2004.

# 1 Introduction

Leipzig and Manchester are superficially very different cities. Leipzig laboured from 1945 until 1990 under a Communist regime that effectively ran down its industrial base, which duly almost disappeared within a few years of reunification. Manchester, one of the world's oldest industrial cities, suffered no such political misfortunes. Nevertheless, their recent history and their present condition show remarkable parallels. Both have suffered from deindustrialisation and out-movement of people. Both, in consequence, are witnessing abandonment of parts of their housing stock. Both face the challenge of devising policies that will successfully counter these trends.

Viewed more closely, the parallels are even stronger. In both cities, the centres have been rebuilt and restored, and are in good economic condition despite strong competition from edge-of-town retail parks: Manchester is enjoying a construction boom in new loft apartments around the centre; in south Leipzig, 100-year-old apartment blocks have been comprehensively restored to their former glory with the help of massive subsidies and rising demand. In both, the south side of the city retains an attractiveness for certain sections of the population, especially students (30,000 in Leipzig; 80,000 in Manchester–Salford). In both, problems of industrial loss and housing abandonment are highly concentrated in the less attractive parts of the city.

Leipzig has the biggest problem of abandoned housing in all of Europe: 60,000 vacant units in a city of fewer than 500,000 people. Manchester has the beginnings of the same problem, especially on the eastern side of the city, where whole streets and even whole neighbourhoods have been boarded up and many buildings were demolished while we were researching and writing this report. In both cities, the problem affects the same kinds of housing: older housing in the less fashionable districts of the city, which tend to be the old industrial areas, and industrialised housing of the 1960s in the same kind of area. The structural causes seem to be the same: these were the areas where the economy massively contracted within a short period, leaving large numbers of people unemployed and unequipped to work in the service jobs that are now the main economic base; they are in consequence the least attractive, with huge scars in the landscape and massive clean-up problems; and there is a free housing market beyond the city limits, offering new, cheap, owner-occupied housing to anyone capable of meeting the down payment.

Leipzig is facing an additional question: whether any attempt to regenerate the city will be limited by demography. Population projections suggest that the age cohort of young adults, to whom city living is most attractive, will soon contract. That point has not yet been reached in Manchester, and the ageing of the UK population is not as advanced as in eastern Germany. However, in both cities there is a central policy challenge: can they offer an attractive environment and lifestyle, plus affordable services and housing, to families with children who will make up much of the effective future demand?

Facing this challenge, the German Federal Ministry of Technology and Research created the *Cities 2030* programme, in which 20 cities are receiving funds for future-oriented projects. Leipzig has the largest and most ambitious of these projects. The city, together with the research institute *empirica*, is developing a long-term strategy for physical,

administrative and social restructuring. The Institute of Community Studies proposed to the Anglo-German Foundation a parallel study of Manchester, bringing the experiences of the two cities together in a mutual learning process that might also be interesting for policy-makers in other British and German cities facing similar challenges.

It became apparent that in both cities the focus is firmly on ensuring that they attract an increasing share of population to live within their borders; neither is planning for contraction. We consider the policy implications of this approach. How can local, regional and national government influence this attempt to repopulate the two cities?

## **Some geography: boundaries and definitions**

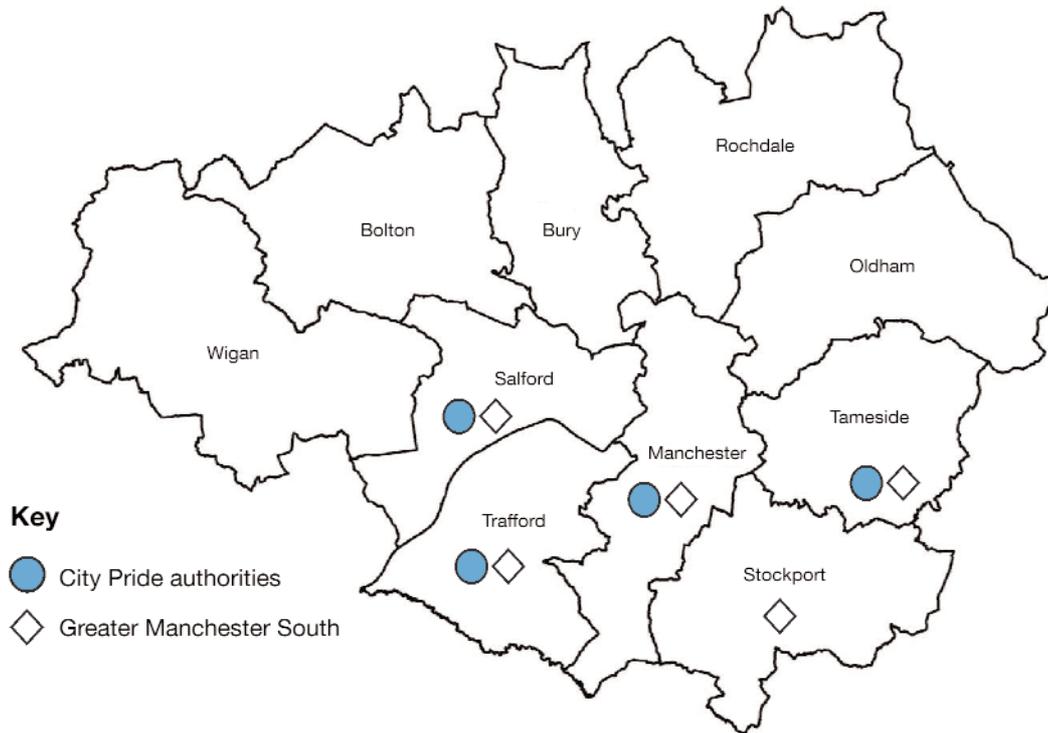
In this connection, it is very important to explain exactly what we mean – geographically – when we use the names ‘Manchester’ and ‘Leipzig’.

Leipzig is the simpler case: it is a freestanding city, whose administrative boundaries correspond fairly well to its physical built-up area; indeed, it has expanded its boundaries to include some of the outlying suburban areas. It does, however, lie relatively close to the border between two German *Länder*: its nearest city neighbour, Halle, with whom it shares the airport, is in Saxony-Anhalt, while Leipzig is in Saxony. In planning terms, this has the effect of cutting the western hinterland of Leipzig off from the city.

Manchester is a more complex case; it is not logical to separate the city from its neighbouring authorities. No other city in the UK has such tightly drawn boundaries; Manchester’s fortunes are inseparable from those of surrounding authorities. The City Pride area is used in this report, because on the ground Salford, Trafford, Manchester, and to a considerable extent Tameside, are physically indistinguishable and because these four authorities have a history of working together on regeneration. Greater Manchester South (the four City Pride authorities plus Stockport) is sometimes used, as some statistics are only available for it. Therefore, throughout this report:

- *Manchester* refers only to the city authority;
- *Manchester CPA* refers to the Manchester City Pride Area, that is, Manchester, Salford, Tameside and Trafford;
- *Greater Manchester South* refers to the four Manchester City Pride Authorities plus Stockport.

We shall now outline the histories of the two cities (Section 2), and then briefly consider their experiences of regeneration since 1990: first in Manchester, then in Leipzig (Section 3).



**Figure 1**  
**Boundaries of Manchester, Manchester City Pride Area, Greater Manchester South and Greater Manchester**

Source: UK Borders

## 2 Two city histories

### The Leipzig story

Before the Second World War Leipzig and Hamburg vied for the rank of 'Germany's Second City' after Berlin. During the *Gründerzeit* – from 1871 to 1914, immediately after the unification of Germany – Berlin's function as capital of the new state, and its concentration of electrical and chemical industries (the high-technology drivers of their day), made it by far Germany's most important manufacturing centre. Leipzig and Hamburg each had special functions: Hamburg had trade and the harbour, Leipzig printing and publishing, as well as a very strong position in mechanical engineering. Supported by this growing industrial base, Leipzig's population grew from 62,000 in 1849 to 700,000 at the onset of the Second World War.

A first downturn came after the war, during the communist era when the German Democratic Republic (GDR) concentrated industrial development in new cities and locations (Stendal, Eisenhüttenstadt, Neubrandenburg, Wolfen, Halle) and in its capital, Berlin. Leipzig was neglected, and this was reflected in population loss – it had fallen to 540,000 by 1991.

However, real industrial decline came after the great transformation of 1989–91, when the GDR regime collapsed and Germany was reunited. Leipzig's industries struggled to cope with the currency revaluation of approximately 400% following adoption of the West German Deutsche Mark at an exchange rate of 1:1, rapid wage increases, and the loss of most of its East European export markets. Within a few years East German manufacturing employment (originally far above West Germany's) fell to a third of its previous level, to about two-thirds that of West Germany. No other part of Western Europe has ever had to face such a sharp adjustment shock. Even massive subsidies after 1990 could not counteract this politically-generated economic collapse.

Leipzig's employment loss has therefore been dramatic: 80% of all manufacturing jobs have disappeared since 1989. It has experienced a marked shift towards service employment and, in common with Manchester, has been able to reclaim some of its legacy of banking and financial services. Since 1990 over 50,000 new jobs have been created in this sector; 78% of jobs are now in services (OECD, 2002).

These unprecedented economic catastrophes were accompanied by a dramatic decline in birth rates. Throughout the former East Germany,<sup>1</sup> the number of births fell at the beginning of the 1990s to only a third of its 1980s level: from 200,000 a year to 60,000. Despite the strong upturn since then, still only half as many children are born each year as in the 1970s and 1980s. Furthermore, there has been strong out-migration to the western *Länder* of Germany.

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<sup>1</sup> Throughout, 'East Germany' refers to the five so-called new *Länder* of the Federal Republic, equivalent to the former German Democratic Republic.

Even more important has been intensive suburbanisation. The percentage of homeowners in East Germany increased more rapidly between 1993 and 1998 than in West Germany; among younger households (under 40) it appears to be as high as in West Germany, while households between 40 and 45 are catching up. As owner-occupiers tend to move to the suburbs, the population of Leipzig and other cities has shown rapid decline. In Leipzig between 1995 and 1999 roughly 30,000 people migrated to surrounding villages and towns. This was exacerbated by overproduction of rental housing due to tax incentives and by intensified urban renewal and restoration of empty units.

In consequence, Leipzig lost 18.3% of its population between 1981 and 1996 and became known locally as the 'shrinking city'. Roughly 60,000 housing units out of 310,000 were empty in 2000. Long-term forecasts show a stable or slightly increasing number of households until 2010, followed by a decline as the low birth rates of the 1990s result in declining household formation.

Leipzig has recently seen a modest but welcome change of demographic fortune: suburbanisation has been reversed. Since 1998 its population has stabilised while the suburban regions (outside the city but in the same *Land*) have actually seen a small loss of population.

### **The Manchester story**

Often regarded as the first industrial city, Manchester was established in Roman times (AD 70) and grew to be a sizable medieval city. It was a major provincial centre by the middle of the eighteenth century, after which it went through a century of rapid expansion (1750–1850). Manchester was the economic centre of the cotton trade and although it was traditionally associated with 'dark satanic mills', Manchester itself was always as dependent on its warehousing and commercial activities as on manufacturing. 'Manchester was never merely a mill town ... despite its undoubted contribution to the growth of factory production, Manchester may more appropriately be described as a "warehouse town"' (Kidd, 2002: 16).

Banking and other financial services grew up around the cotton trade, together with trade-related transportation. In Manchester this legacy remains in the form of the Manchester Ship Canal, opened in 1894 and the basis of the Trafford Industrial Park and an extensive inland canal system, now derelict, but being restored to enhance the amenities of new housing developments.

By the late 1970s Manchester was suffering severe long-term decline as jobs moved out into the wider conurbation and beyond. Between 1971 and 1997 total employment in Manchester fell by 26%, from 344,739 to 254,550. Manufacturing was particularly hard hit: male jobs declined by 64%, female jobs by 60%.

Manchester, like Leipzig, lost population – partly because of changes in employment, but also because of local government housing policies. Between 1951 and 1981 Manchester's population declined by one-third, from 703,000 to 462,700. Government mid-year estimates for population suggested that in the 1990s population was growing again, but

the 2001 Census showed the loss had continued, shrinking the population from 438,500 in 1991 to 392,819, representing a fall of 10.3% since 1981 (UK Census, 2001); this was strongly contested by city officials and was later adjusted up to 414,819.

Although the city has received regeneration money from the 1970s on, the transformation of the city dates only from the mid-1980s. Since that time a change in political leadership, a decision to work with central government and the pursuit of a long-term vision to 're-brand' Manchester have produced dramatic change.

### **3. The urban regeneration experience in Manchester and Leipzig**

#### **Manchester**

Manchester has become a shining example of successful regeneration. The undoubted success of the Commonwealth Games in 2002 stands in stark contrast to the debacle of the redevelopment of the Wembley national football stadium in London. With East Manchester<sup>2</sup> now the focus of regeneration, there is every possibility that this success will continue. Meanwhile, the demand for city centre living appears to be continuing unabated.

The Manchester CPA has benefited from being part of every single major UK governmental regeneration initiative since the 1980s, and there is a general perception that the city has been particularly successful in regenerating. Many parts of the city, and of the wider City Pride area, saw major improvements in their physical condition and business environment during the 1980s and 1990s. Some obvious examples are:

- The boom in office development in Salford Quays (Greater Manchester) and in Manchester city centre, including new corporate offices in the Spinningfield area. This is linked to a strengthening of the service and high technology sectors of the local economy.
- A considerable improvement in cultural facilities, including: Urbis (the museum of urban living), Manchester Art Gallery, Bridgewater Hall (home to the Hallé Orchestra), as well as the Imperial War Museum (Trafford) and the Lowry Arts Complex (Salford).
- The continuing expansion of the international airport.

Despite the many successes, much remains to be done. Across the City Pride area, but especially in Manchester and Salford, there are areas of low-demand housing and dereliction. This is accompanied by severe social disadvantage that is often expressed in low educational achievement, poor health and long-term unemployment. The 2001 Census results came as an unwelcome shock, suggesting that Manchester had suffered the greatest loss of population of any UK city over the 1990s. Some even argue that the

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<sup>2</sup> Encompassing 1,100ha immediately east of Manchester City Centre, 'New East Manchester' offers an opportunity for investment and regeneration on a scale unprecedented in any other English city. It is managed by New East Manchester Limited, established in October 1999. The second Urban Regeneration Company to be created, it is a partnership between national (English Partnerships), regional (North West Development Agency) and local government (Manchester City Council), with local communities playing a full part. Projects now in progress include: a Central Business Park and an Openshaw Business Centre; the Sportcity complex around the 2002 Commonwealth Games stadium, now home to Manchester City FC, with associated residential development; the Ancoats Urban Village and regeneration of the Ashton canal connecting the city centre to Sportcity; New Islington, a canal-side residential development; and the renewal of the adjacent Beswick neighbourhood.

current vogue for city centre living is precarious, based on demand from relatively footloose single young professionals (Seo, 2002) and on investors who went into property after the stock market downturn in 1999.

### **From confrontation to cooperation**

In the 1980s there was an uneasy, sometimes confrontational, relationship between central and local government. Regeneration policies were largely focused on property-led initiatives and by-passed local government through the establishment of Urban Development Corporations (UDCs) which took over planning powers from the local authorities within their area – an approach typified by London Docklands. The 1980s also marked a change in attitude: central government no longer saw itself as willing or able to provide all regeneration funding, but sought to involve the private sector in a direct relationship (Roberts and Sykes, 2000).

A weakening economy and numerous critiques of the property-led approach (especially, that it distorted local property markets and failed to help the most deprived areas) brought change. In the 1990s local government was brought back into the regeneration process, as part of a partnership with other government agencies and the private sector. This was exemplified by the establishment of the Central Manchester Development Corporation (CMDC) which:

- marked the beginning of partnership working between the local authority and other agencies;
- offered a strategic view for future regeneration;
- brought people back to live in the city;
- extended the core commercial centre;
- had low levels of public funding but focused on a small area;
- benefited from an existing asset in the form of the existing commercial core.

CMDC's strategy was to focus on the functional and geographical extension of the city centre and to promote its economic diversity (Williams, 1996). The city centre was not initially a residential area; there were a mere 250 residents, the result of a long-standing policy of moving people out of the city centre in slum clearance programmes. Thus, the focus – as in Leipzig – was on economic rather than social regeneration; the low numbers of people living here supported this focus. A less conscious decision was the failure to develop good public transport links, as well as the general state of decay in the city centre, both of which led to the suburbanisation of many businesses (Mellor, 2002).

CMDC's importance is twofold. First, by making overtures to the local authority, it helped Manchester City Council to develop the partnership approach that would be so effective in bidding for regeneration money and in implementing projects. Second, CMDC helped to establish a strategy for regeneration, which included bringing a residential population back into the city centre; diversifying the economic base of the city centre to include visitor attractions; and building on the financial services sector.

Much has been made of the "Pink Pound" as a key factor in this process. However, research suggests that while links with the gay and lesbian community were significant in early rebranding, Manchester City Council 'moved on' during the Central Manchester UDC period: as it shifted from municipal socialism to being an entrepreneurial city, the gay

community became politically less important to the city (Quilley, 1998). Thus, while a useful initial device in rebranding and marketing the city internationally, it has not been so significant in the past decade as the community has gained a life of its own (Skeggs and Binnie, 2004).

The focus of regeneration has now moved to East Manchester. Unlike previous examples, this is in fact a whole series of communities rather than one defined locality. At the end of the 1990s East Manchester was in a parlous state, with:

- 13% population loss in the 1990s;
- collapse of the housing market;
- 20% vacant properties, negative equity;
- low skills base, high crime, poor health, poor community and retail facilities;
- fragile economic base;
- 52% of households receiving benefit;
- 12% unemployment;
- poor infrastructure and environment.

A key difference between Leipzig and Manchester is the sheer range of social interventions in East Manchester. Concern with the low skills base of residents, high crime rates, poor health and poor community facilities has resulted in an extensive network of initiatives seeking to address these matters.

The presence of Sportcity – the central site of the 2002 Commonwealth Games – in the middle of East Manchester makes a link between the earlier phases of regeneration in Manchester and the present initiatives. Manchester made bids for both the 1996 and the 2000 Olympic Games. Although unsuccessful, the process exerted a strong influence, acting as a unifying force and giving a sense of purpose to the wider regeneration efforts of the city. The bids were quite audacious, but they proved an essential part of learning to think big and of believing that Manchester had real potential. The Eastland area of East Manchester was identified as a site for a stadium that would support the 2000 bid – and this eventually housed the 2002 Commonwealth Games.

From our study of Manchester's regeneration experience, we built on the Manchester model of regeneration (Robson, 2002) to isolate important contributory factors in Manchester's regeneration success to date. One of the key results is that statutory plans are not at the centre of Manchester's regeneration. Statutory plans were developed in the 1980s and 1990s but the main driver of change has been informal policy, creating the right environment to generate rapid change (Williams, 2003).

Given the current aim of bringing households back to East Manchester, we turn again to Leipzig and its concern to grapple with a continuing fall in population as people move either to suburban areas or to West Germany. Given Manchester's own historic decline in population – confirmed by the 2001 Census figure – we sought to explore lessons that Manchester might draw from Leipzig.

## Leipzig

In 1989 the then GDR Television broadcast a report about the derelict state of the pre-Second World War housing estates in Leipzig, entitled 'Can Leipzig still be saved?'. Massive modernisation over the last 13 years has given the answer: a clear 'yes'. The urban structure of Leipzig is restored; most pre-Second World War districts have been restored to their former quality level.

However, in 1990 this development was far from certain. More than 60% of Leipzig's flats had been built before 1939. During the GDR period virtually no modernisation of these buildings took place; in 1989, 30,000 flats had no tenants in spite of a general housing shortage. These flats, and probably many more, were simply uninhabitable.

In 1991 Leipzig became one of the first East German cities to declare a number of formal redevelopment areas (*Sanierungsgebiete*) – thirteen in all – and so gained access to special federal funding for modernisation of the infrastructure in the pre-Second World War areas. Thanks to this rapid action and to huge tax incentives 150,000 pre-Second World War flats were modernised within 10 years. Since 1998 these pre-Second World War areas have been regaining population, and compared to the 1998 low point their population has increased by 30,000.

In addition, Leipzig was able to improve its infrastructure, mainly in the north of the city. The building of a new airport and a new trade fair centre enhanced Leipzig's attractiveness to investors.

Despite all these successes, reconstruction in Leipzig reached a crisis at the end of the 1990s. High subsidies created an enormous surplus of inhabitable flats. Too many new buildings were constructed and too many old, run-down houses were modernised. The number of uninhabited flats rose from 30,000 in 1990 to 60,000 by 2000. In the early 1990s these negative consequences were seen only in the pre-Second World War areas, but in the course of modernising these areas, more and more prefabricated-multistorey buildings on Leipzig's periphery lost their tenants. This has had serious financial consequences for their owners, whose modernisation investments cannot be refinanced out of market returns. In contrast to Leipzig, where whole areas were subsidized to the same degree, subsidy levels in Manchester were adjusted to individual market conditions

The city of Leipzig was not responsible for this failure: 80–90% of the subsidies came from the federal government as tax incentives. To tackle the problem, Leipzig developed a new strategy for the second phase of the regeneration process: the final 25% of unimproved buildings were divided into different categories, either for preservation or conversion. The concern was to concentrate modernisation on key buildings and areas. This made Leipzig again a front-runner in the East German urban renewal process.

Since 1997 Leipzig's net population loss compared with the hinterland has been steadily decreasing, until it was almost nil in 2001. This near-balance is due both to a reduction in out-migration to the hinterland and to an increase in in-migration from the hinterland. The increase in in-migration is mainly demographically driven: most migrants come for educational purposes. Increased birth rates in East Germany in the 1970s have meant that

there is a particularly large pool of young people, and all East German university cities are experiencing increased levels of in-migration from this age group.

Very recently the export base has been spectacularly widened by the establishment of two major companies – BMW and Porsche – in the region. In the long term, however, this is not enough. Leipzig's key task remains the same – to widen its export base. In the scenario entitled 'catch-up' (see p. 16) it is assumed that this task will be successfully achieved. Leipzig will not, however, be able to bring about this success on its own. The prerequisite is a general increase in the demand for labour, which will create a spill-over effect for regions with high unemployment.

Both Manchester and Leipzig seem to have reaped rewards from having an entrepreneurial civic leadership able to deliver certainty to the private sector. Examples of this are the ability of the Leipzig Council to grant planning consent for a development by Siemens in just six weeks. Similarly, the new BMW plant is being constructed, along with training facilities, on land that was identified within a matter of weeks (OECD, 2002). Meanwhile, Manchester was able to establish a framework to rebuild the city centre within weeks of a major bomb attack on the city centre in 1996.

## 4 Scenarios for Leipzig

The background in Chapters 2 and 3 makes it clear that Leipzig, in common with other East German cities, is being forced to rethink and redesign its future. To continue in the same vein as in the 1990s would lead to continuing economic and demographic crisis. However, even drastic improvements in economic development or increases in birth rates cannot eliminate changes which have already occurred.

The adjustment shocks of the past have left their mark, but even more adjustments are being forced through, and various sectors of the city's economy are currently facing some overwhelming challenges:

- The industrial base and the export base (including tradable services) are too narrow and need to be widened.
- Birth rates are too low; they need to rise.
- The now unavoidable ageing of the population will burden the public purse in all East German states (the so-called '*Neue Bundesländer*') and cities, to the extent that massive savings will have to be made in other sectors.
- The structural redesign of the city must continue. Local politicians will have to decide how fast and at what public cost they can continue to upgrade old buildings, and also how many of the remaining unimproved old buildings should be retained. They must decide how much can be spent on reducing migration into the hinterland, in an effort to steer demand towards the huge inner-city waste areas. At the same time, the large areas of surplus apartment blocks, constructed under the former GDR and now standing empty, will have to be demolished.

### Leipzig 2030: the Task

The Leipzig study suggests two case scenarios as a solution, one assuming an optimistic ('catch-up') and the other a less optimistic ('trailing') course of economic development. Then, to act as a kind of 'crash barrier', it forecasts the resulting demographic development which can be expected. The economic and demographic scenarios are each extended by a second dimension, showing different degrees of suburbanisation. An analysis of the development of mobility systems also forms part of the scenarios. These elements – suburbanisation, mobility and local finances – are linked through their mutual interaction.

At the same time, a large number of outside influences can affect the process of city development. Leipzig's bid to host the Olympic Games in 2012 was an extreme example. In the same way, critical consequences can lead to deviations from expected scenario results. A downward spiral of pessimism could cause the scenarios to career out of control, causing an accumulation of negative effects.

Special attention must be devoted to the question of whether the City of Leipzig has enough mechanisms and options at its disposal to achieve the local policy outcomes presumed in the scenarios.

Before approaching the scenarios, special mention should be made of several issues which are either particularly controversial or whose repercussions are difficult to estimate.

### **Leipzig – growth or attrition?**

Despite its continuing low birth rate, Leipzig's population decline has been arrested. This is due to reduced migration to the hinterland, along with increased immigration from other East German cities and from abroad. Leipzig's great appeal can thus lead to a stable or even increasing population in the long term, but only at the expense of other, less attractive nearby cities. Such migratory behaviour would result in a population very unevenly distributed throughout East Germany. Furthermore, Leipzig will probably not be able to maintain this high level of immigration in the long term. In about 10 years' time, the children born during the low birth-rate years of the 1990s will come of migratory age, causing the key in-migration group to fall in numbers. Also, the present low out-migration rate to surrounding areas will not necessarily continue because it could be an economic phenomenon guided by falling demand for freehold homes. The Leipzig team could not make a definitive interpretation here. They do think there are strong arguments suggesting that immigration will ease off, and that migration to the hinterland will increase again because of economic trends. So a persistent decrease in Leipzig's population remains the most realistic assumption. Understandably, the City tends towards an optimistic interpretation and expects a sustainable trend reversal. The range of possible outcomes, and thus risks, has widened.

The City's financial situation will deteriorate drastically, as will that of virtually all other East German cities. Any decrease in the number of workers living in Leipzig will reduce the gross added value and thus the tax base. State allocations will also be reduced. In both scenarios local revenue will decline by 10–30% in real terms compared with the base year 2000, as a consequence of demographic effects.

The budget projection takes demographic considerations partially into account, but it disregards changes resulting from dramatically-increasing pension claims and healthcare costs due to ageing. By 2030 the IMF estimates an increase in age-related state expenditure of 4–6% of GDP in the public sector nationally. This will probably lead to a need for additional savings in the budgets of all public authorities; local authorities must therefore expect large-scale restrictions in the long term. It is impossible to forecast how local politicians will react, but severe restrictions on spending for city development and public transport seem likely. In all, a reduction in local income of the order of 50%, concentrated in the years after 2015–20, does not appear unrealistic. Such changes would exceed anything experienced in the past; it is impossible to predict the political reaction. It will no longer be enough to review individual budgetary items. Local spending will have to be limited to a few core tasks.

Despite scarcity of income, some items of public expenditure will have to increase considerably in the long term. At present Leipzig is in debt at the level of 1,700 euros per head of population. This debt burden must be carried by an ever-decreasing workforce. The proportion of local expenditure needed for capital repayments must therefore increase.

For demographic reasons the following will also increase:

- Expenditure on social welfare, due to an increase after 2020 in the number of aged people needing residential care but unable to fund this themselves.
- Benefits for families, if low birth rates are perceived as an ever-increasing long-term problem requiring remedial action. It is impossible to estimate how great the increases in expenditure will be.
- Cut-backs in human resources will be considerable. For some years there have been few new appointments in the public sector. This will increase the average age of the workforce within the next 15 years, and after 2015 will lead to a wave of retirements and a sharp increase in the need to recruit staff, despite a general reduction in the workforce. The difficulties this situation will create can already be foreseen today. Leipzig will not be in a position to pay traditional high salaries for the few younger people in work. The lack of human resources will force reductions in the public sector to a degree not seen before.

### **Family policies and changes in values**

Today, for every 10 adult Leipzigers there are only about six children, and if birth rates remain constant, they will have only three or four grandchildren. Over generations such a society threatens to become impoverished and can hardly remain functional without huge immigration. Most long-term demographic prognoses assume constant birth rates. In their positive scenario the Leipzig team assume a gradually rising birth rate over time because they believe that increasingly negative effects will generate comprehensive new policies and a change of values. This assumption is, of course, speculative. However, it is consistent with experience that societies react to critical developments, albeit with a time lag.

### **Beyond economic and social structure**

Leipzig is a city with an unemployment rate of 19%, a low level of migration to West Germany, too narrow an export base and a GDP per head of population which is still low. This is less than satisfactory. One bright spot is the robust but irregular migration from other parts of East Germany.

However, this statistical framework is somewhat bland and fails to do Leipzig justice for what it has achieved. In the past 10 years the city has coped with enormous urban redevelopment. Public and private buildings have been redeveloped on a grand scale. The image of Leipzig is attractive and impressive. Its cultural life is developing into a special attraction, particularly for young people, as immigration figures show.

The future development of the city can be positively influenced by its way of life, its range of cultural activities, the way its labour markets operate, the quality of its educational institutions, and its open-minded and visionary people. Its strategically-oriented local leadership must also be a positive factor. In Leipzig there is a tradition of intense political commitment, a pronounced readiness to get involved with reality, an optimistic attitude of 'we'll get there'. The jury is still out on how great an effect such imponderable factors may have in the future. Leipzig's bid for the 2012 Olympics, even though unsuccessful, is evidence of the strength of these 'soft' factors, giving the city confidence to compete with larger and economically-stronger competitors.

## Scenarios of economic and spatial development

### Two dimensions of the scenarios

In comparison to western Germany, the eastern part of the country still has considerable catch-up potential. The 20% ratio of one-family houses (i.e. the proportion of households in one- and two-family houses) in the Leipzig region is only half that of western Germany (42%). On average, Germans tend to acquire owner-occupied housing between the ages of 30 and 45. Therefore, when making a forecast of future single-family home ownership the definitive question is what proportion of young householders is moving into such housing. Over the past 10 years the ratio of young householders under 35 in owner-occupied housing has been the same for East and West Germany. In the long term we expect behaviour patterns to align even more closely and thus create new demand for the construction of freehold homes. Certain differences will remain, however, because the large number of vacant apartments has made the rental market very attractive.

Because of these uncertainties the two regional scenarios encompass a broad spectrum:

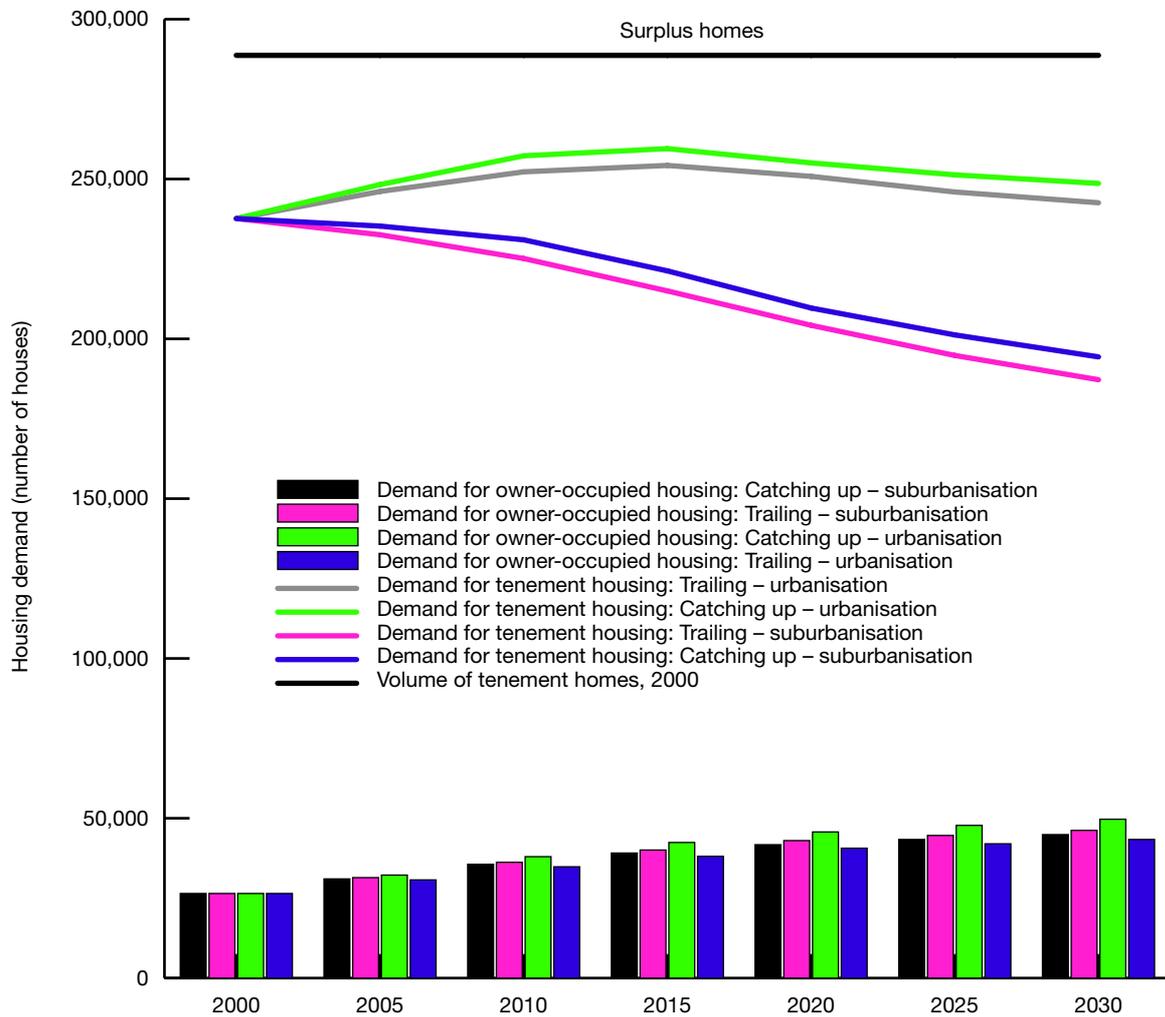
- *Regional Scenario 1 – Suburbanisation.* The additional prospective homeowners in the Leipzig region continue to settle mainly in the hinterland: only 29% opt for an apartment in Leipzig, while 71% move out. Thus Leipzig is unable to reduce its large number of vacant multi-storey apartments (89% of vacant housing in the region is in Leipzig).
- *Regional Scenario 2 – Urbanisation.* Two-thirds of all prospective new homeowners opt for an apartment in Leipzig, due to the city's enhanced range of activities. Only a third migrate to the hinterland. At the same time, Leipzig presents its existing apartments so attractively that the proportion of vacant housing decreases in comparison with the hinterland. In 2030 the proportion of vacant multi-storey apartments in the hinterland is the same as that in Leipzig.

This combination of two regional scenarios with two economic scenarios results in a total of four solutions (Table 1).

**Table 1**  
**Four scenarios for Leipzig (see Figure 3)**

		Spatial scenarios	
		Urbanisation	Suburbanisation
Economic scenarios	Catching up	Catching up – urbanisation	Catching up – suburbanisation
	Trailing	Trailing – urbanisation	Trailing – suburbanisation

Source: Leipzig team



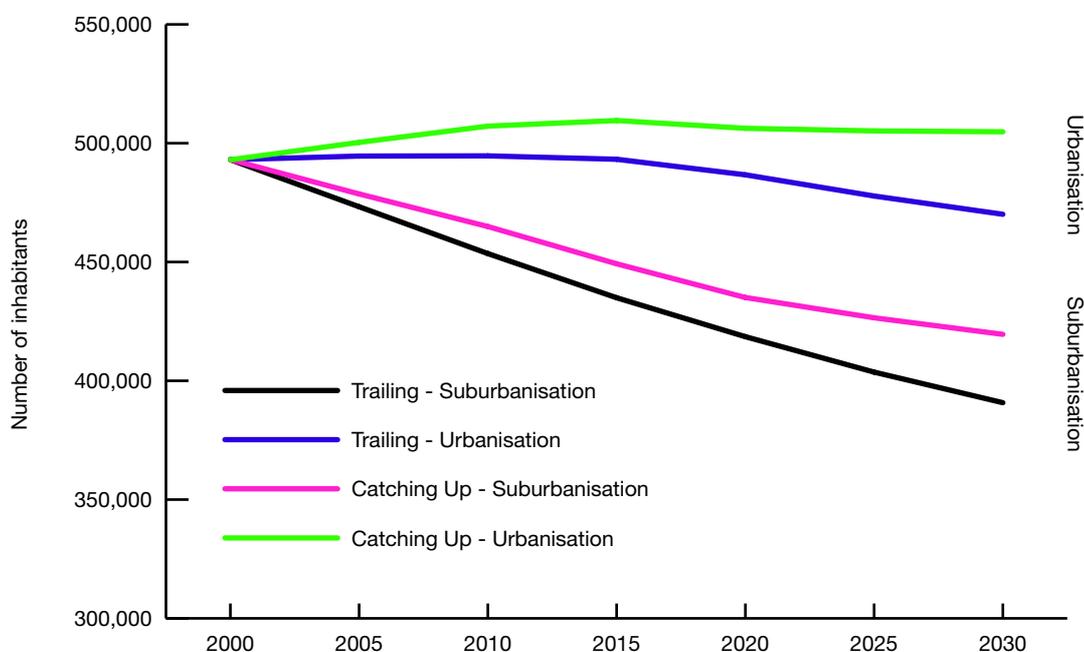
**Figure 2**  
**Demand for multi-storey apartments, freehold homes and surplus apartments in Leipzig to 2030**

Source: Leipzig team calculations

**Results**

In 2000, increased availability meant that approximately 73,000 apartments were vacant in the Leipzig region (60,000 in the City of Leipzig). Demographic considerations will play a role in how this excess availability develops. Figure 2 makes the range of results clear. We consider that different economic growth rates will have relatively little influence on vacant housing and demand for apartments in Leipzig. The regional scenarios show greater differences. If Leipzig manages to capture a larger share of demand for freehold homes and at the same time to place roughly half of this demand in existing apartments (or new buildings constructed in cleared areas), then the total vacant housing in the urbanisation scenario will drop slightly. At the same time, surplus apartments in the suburbanisation scenarios will increase to over 100,000.

As potential home owners are mainly families and therefore tend to be larger households, the question of where these households settle also plays an important role.



**Figure 3**  
**Leipzig population, 2000–2030 (see Table 1)**

Source: Leipzig team calculations

The population of Leipzig remains almost constant in the urbanisation scenarios and reduces sharply in both suburbanisation scenarios, by a maximum of almost 100,000 inhabitants, or 20% (see Figure 3).

Future demand for single-family houses is the key issue in relation to Leipzig’s urban renewal. In a shrinking region, Leipzig has to increase its population share. To achieve this goal Leipzig has to overcome its history of a city dominated by tenants and adjust to the lifestyle and housing needs of homeowners.

### Mobility

The different scenarios for the spatial distribution of inhabitants will also have a strong impact on mobility.<sup>3</sup> The relationship between public transport and the use of individual motor vehicles is highly dependent on the following:

- A high degree of suburbanisation, leading to a higher proportion of people living in low-density suburbs dependent on cars. More cars will allow more people to move to the suburbs. Public transport will lose customers and will have to adjust by cutting costs – most likely by reducing service frequencies, which again will reduce demand and revenues.

<sup>3</sup> Analysis and calculations by PTV Dresden; all conclusions by the authors.

- Compensation through higher subsidies will not be possible and this will result in higher housing costs. The forecasting model underestimates the consequences of rapidly increasing prices. The crisis in public transport is likely to be worse than the forecasting model demonstrates. In effect, trends towards suburbanisation could be even greater than in our scenarios. Relative increases in the prices of public transport, more car-oriented suburban living and low prices for single-family houses create conditions which in the long run – after 2015 – will prove cumulative.

In the next few years public transport will enhance its competitiveness by major infrastructural investments, such as the opening of the new north–south rail tunnel, connecting train termini at the two ends of the city centre. It is hard to forecast how far the upgrading effects, which will dominate the immediate future, will compensate for the various structural changes (suburbanisation, changing relative prices, reduced quality of public transport).

Several other factors could change the outcome:

- Congestion charges for commuters during rush hours could balance the relative costs between public and car transport.
- A more effective public transport system could reduce the need for subsidies.

Again, these factors are hard to forecast. Public transport will be in crisis but a crisis can trigger new solutions which might now seem unthinkable.

## **Special development factors**

Various outside factors, not included in the scenarios, could have a considerable influence on future development and could lead to different results from those suggested in the latter. Some examples are discussed briefly below.

### **Migration to Germany and Leipzig**

Should significant waves of in-migration be triggered, this could exert a considerably greater force than, for instance, the Balkan Wars, which brought refugees from Bosnia and then Kosovo. During the entire 1993–2001 period, of Leipzig's population increase through in-migration only 14,500 came from abroad. This is far below the number needed to stabilise the population.

The EU's eastern enlargement in May 2004 could result in such a push as a consequence of income differences. Various studies, however, have reached the conclusion that migration trends provide insufficient compensation for fewer births. High levels of immigration also lead to significant problems and are limited to particular professions and qualifications. Only a high level of immigration by foreign students – opting to remain in large numbers after completing their courses – could markedly change the course of Leipzig's development.

On the whole, we consider an increase in immigration probable in both scenarios. However, to generate a strong increase in immigration far above that shown in the migration scenarios, additional input is needed, and this is presently not foreseen.

### **Parallel ageing and population attrition – negative accumulations**

It can be argued that the ageing of society will shrink migration numbers because older people are less inclined to migrate. The result would be that shortages of qualified labour would be rather evenly balanced. The Leipzig team incorporated this situation in their scenarios. However, several partly speculative arguments can be posed in opposition to this position. The decline in social benefits can appreciably raise the proportion of older employees. An expectation of working until 65 or 70 would considerably increase the profitability of migration decisions at 50 or 55 years of age (such as when children have already left home).

On balance, Leipzig has been able to increase its population of young people through migration during the past few years. This can certainly be traced back to the city's image as a young, exciting '24-hour' city, where something new is happening every day. But the proportion of 'young urban trendsetters' is dropping increasingly throughout Germany. This will have its effect on the cityscape as much as on the range of services. Pubs, squash centres and discotheques will close down, while retirement homes and medical centres will be built. In the long term the streets will be noticeably more deserted after 11 pm than they are today. This monotony and lack of stimulation – from the perspective of young people – could lead to the younger population concentrating in a few cities, as is already happening in Berlin. This would mean that young people would be more inclined to migrate.

### **Paralysing self-fulfilling prophecies**

Leipzig, in contrast to large parts of East Germany, has been successful in creating a positive atmosphere of 'we'll get there'. Such an atmosphere can also be reflected in hard facts, and this has already been taken into account within the context of this study.

The real results, however, can be quite different. If birth rates do not rise, if emigration increases again, if funds are cut, and if the lack of human resources in the public sector starts to bite sooner, then expectations can deteriorate drastically, bringing negative real outcomes for capital investment and economic development. Within a few years the previously positive atmosphere can turn into a negative one, particularly now that the bid for the Olympic Games has proved unsuccessful.

A general atmosphere of pessimism could emerge, transforming a problematic reality into a crisis reality. Apartment residents would be deterred from purchasing properties because they feared reductions in value.

All revival measures which support Leipzig's image continue to be important, as does a policy of increasing the city's appeal to direct investment. This begins with a relatively low local cost of living, lower wage levels, and high-quality public services (in particular, schools and kindergartens) and ends with a characteristic inner-city architecture which has an image that radiates far beyond Leipzig. The significance of a policy success – such as attracting the huge BMW investment to Leipzig – extends beyond the mere number of jobs created.

Germany's five new eastern *Länder* have made fewer efforts to attract direct investment compared with other countries (Ireland, Scotland, Wales), which have had to struggle much more to attract direct investment. So far, the federal system has been an obstacle; however, in future, a recruitment agency could be set up cooperatively by the larger east German cities (Dresden, Halle/Leipzig, Chemnitz, Erfurt, Jena, and Halle) to improve local conditions and thus to attract higher levels of direct investment.

### **Endless wasteland or compact urbanity?**

Leipzig currently presents a picture dominated by vacant houses and areas of wasteland. Residential areas are becoming increasingly peppered with larger or smaller areas of industrial wasteland. For the time being the residents seem prepared to accept such desecration and pollution of their cityscape, regarding it as temporary. In the long term, however, the negative impacts could increase, impairing the development/letting prospects of the adjoining buildings. It is important to make better use of the opportunities and the freedom for imaginative regeneration offered by these areas of land.

During the Leipzig–Manchester exchange, the guests from Manchester identified this freedom as one of Leipzig's trump cards. They pointed out that as a result of initial pioneer investments in areas of urban wasteland and vacant buildings, using a combination of public and private funds, Manchester experienced a real take-off in inner-city growth.

### **Workers' cubby-holes or variety in older buildings?**

The present formats for apartment renovation are closely defined by subsidy programmes. In the majority of cases the old floor-plans and apartment sizes are retained. It is uncertain whether this supply structure will meet future demand. Historical experience shows that subsidised apartments often have only a brief lifespan.

Leipzig still has approximately 40,000 older apartments which have not been renovated since 1990. A large proportion of these should be demolished due to high renovation costs. As high a proportion as possible should be converted into large apartments for freehold owners, in an effort to reduce out-migration to freehold homes on the outskirts. From a cost–benefit point of view, too, such conversions would be particularly valuable because the number of surplus medium-sized apartments would not increase.

### **Deteriorating large housing estates or planned reduction?**

The number of vacant apartments in the major housing estates has increased appreciably in the last few years: from 9,000 to 12,000 from the end of 2000 to the end of 2001 alone, or from 9% to 12%.

As experience has shown, processes of attrition do not progress evenly – they can suddenly accelerate rapidly. Households with higher incomes leave the district so that the average income of the remaining households is reduced. Retail trade and the availability of leisure activities adapt in number and structure to suit the remaining inhabitants; the major housing developments become even less attractive.

As housing developments in Leipzig are of relatively high architectural quality in comparison with other East German cities, it should be possible to retain the quality of life there, even during an 'orderly retreat'.

To date, only a few incidents of such urban breakdown have occurred in the major housing developments of East German cities. The withdrawal of facilities such as schools or private services (shopping centres) has seldom proved critical so far. The trend, however, will continue.

## 5 Scenarios for Manchester

The two core questions for both cities are, put simply: (i) how many people will there be nationally in 2021, and (ii) where will they choose to live? Changes in population profile (including ageing and migration), the economic performance of the cities, and preferences for city, suburban or rural living will all influence the outcome. Bearing these determinates in mind, the UK team have produced a range of possible population and household numbers for the Manchester CPA in 2021 – the furthest future point for which a range of projections is available.<sup>4</sup> These are set out in Table 2.

The Census figures for 2001, although controversial, are the starting point for generating the figures, as they offer the most up to date statistics. This Census has reported lower population figures for all four authorities in the Manchester CPA than earlier government mid-year estimates. In the absence of any firm contrary evidence, they are used as base statistics upon which existing (pre-Census) projections are re-calculated. The trends through to 2021 are taken from 1996 forecasts for the population of the UK and its regions (National Statistics, 1996). Manchester is the authority most affected by population change between our three scenarios and so we show the results in Figure 4. Since the household figures are of greater concern than population, we show how our scenarios would affect all four authorities' housing numbers (Figure 5).

**Table 2**  
**Low, medium and high scenarios for population and households in the Manchester CPA, 2021 ('000)**

	Manchester	Salford	Tameside	Trafford	Total
A Total households 2002	181.2	96.0	94.9	92.3	
B Annual build, Revised draft RPG (actual)	(1,350)	(530)	(370)	(270)	
C Present population, Census 2001	392.8	216.1	213.3	210.1	
D Projected households 2021# A+ (B × 19 [years])	206.9	106.5	101.9	97.4	512.7
E1 Low population 2021	333.5	188.7	208.0	199.5	
E2 Low households 2021	151.6*	89.9**	94.6*	90.7*	426.8
F1 Medium population 2021	396.9	215.4	209.9	214.2	
F2 Medium households 2021	180.4*	102.6**	95.4*	97.3*	475.7
G1 High population	481.5	231.0	220.2	209.9	
G2 High households 2021	218.9*	110.0**	100.1*	95.4*	524.4

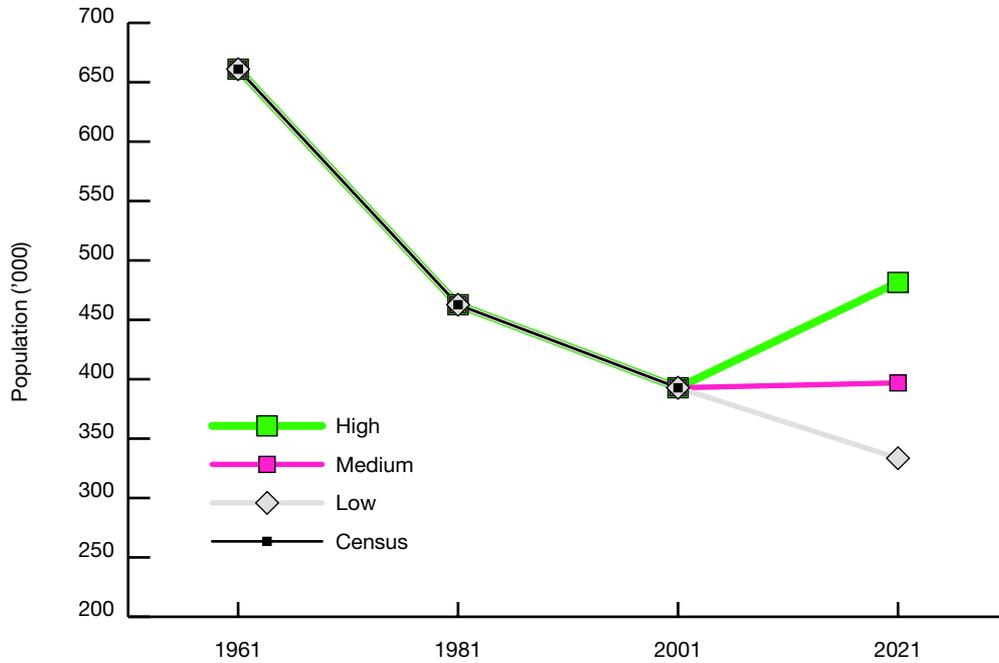
Sources: HIP returns, ODPM.

# GONW Draft RPG13 for the North West, schedule of the Secretary of State's proposed changes (revised housing figures) March 2002.

+ North West Regional Assembly/GONW draft RPG housing figures 2000.

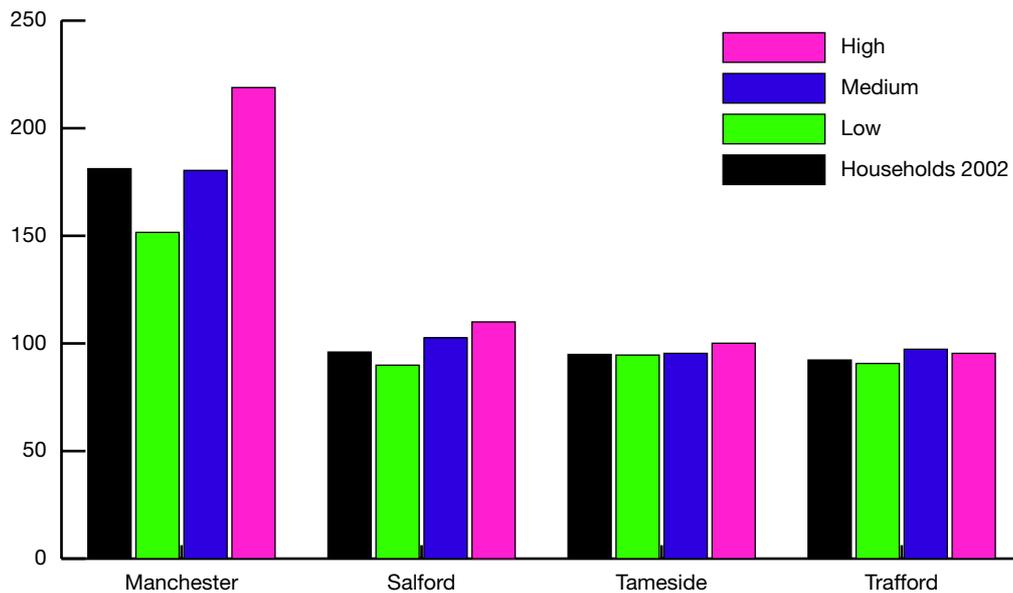
Notes: \* Calculated at 2.2 people per household; \*\* Calculated at 2.1 people per household.

<sup>4</sup> The Government Actuary Department produces long-term population estimates through to 2051 but these are admittedly unreliable.



**Figure 4**  
**Population scenarios – Manchester 2021**

Source: Census + Manchester team calculations



**Figure 5**  
**Household scenarios – Manchester CPA authorities 2021**

Source: HIPs + ICS team calculations.

Note: Trafford has a lower number of households under the high scenario as it is a more suburban authority and so would stand to lose households under conditions of a strong urban renaissance.

Using the latest Regional Planning Guidance (RPG) figures to give a figure for 2021 is highly speculative, as the draft RPG gives annualised figures that will be reviewed throughout the life of the plan. However, if they are projected through to 2021, we can see that under the low and medium household scenarios all of the authorities except Trafford would over-provide housing. Only under the high scenario do Manchester and Salford experience under-provision of housing. Therefore, the assumption of a strong urban renaissance, which is built into this scenario, will be essential if the area is to avoid a housing surplus at the current annualised rate of build. Even then, Tameside and Trafford, which are suburban boroughs and so gain less from the urban renaissance, would have over-provision of housing.

In this scenario, over-provision of housing in Tameside and Trafford could place a ceiling on renaissance in Manchester and Salford. Our high figure assumes that, nationally, 70% of all new development will take place in city areas and this must be achieved if Manchester is to reach the high figure. In fact, Manchester's high figure would leave it 24,900 units short, if it builds to the draft RPG figure, but with an oversupply of 2,000 units in Trafford and Tameside. Overbuild in Trafford and Tameside would thus act as a ceiling on Manchester's ability to attract population, albeit at the higher levels of anticipated growth.

Again, if we make the big assumption that the annualised build is extended through to 2021, the revised draft RPG appears to limit attempts at urban densification in Manchester and Salford: Trafford and Tameside have gained during the RPG process (+11,100 and +200 units respectively), while Manchester and Salford have lost (-22,800 and -11,100 units respectively). Therefore, if population is to be successfully concentrated in Manchester and Salford, Tameside and Trafford would have to curtail strongly their levels of new build (Mumford and Power, 2003).

Under our low scenario, none of the authorities would require any increase in total quantity of housing stock. Under our medium household/urbanisation scenario only Trafford would need more housing. Only under our high scenario (which assumes that urban renaissance policies are entirely successful) would Manchester and Salford require more housing – and in that case, Tameside and Trafford would potentially have an excess. Thus Manchester and Salford are highly dependent on the future success of urban policies and there will always be potential for tension between the City Pride authorities.

Given the importance of urban renaissance to Manchester, we now briefly review the elements that will contribute to, or detract from, the aim of bringing people back to city living.

## **Determinants of population change**

The figures for population and housing rest on assumptions about the economy, migration between and within regions, and the overall UK population through to 2021. In this section we look at these determinants in order to consider how they could lead to marked changes in the population and household numbers for the Manchester CPA. We argue that the absolute size of the UK population and its age profile are of less significance than the potential success of the urban renaissance project which seeks to

reverse a long-established trend whereby people move out of inner-city areas to suburban, fringe and rural locations, sometimes referred to as the 'counter-urbanisation cascade' (Champion *et al.*, 1988). These determinants of population are addressed as follows:

### **Natural growth and population flows: the potential for growth or decline in the UK and North West's population**

The UK does not face a demographic time bomb like other European countries: its population is not set to fall prior to 2040 and so there is no discernable concern among the UK authorities relating to future population loss. Under the government's principal (medium) projection the population is predicted at 64,826,000 in 2025 and 65,424,000 by 2050. Between these two dates the population of the UK would have peaked and will be in gentle decline by 2050.<sup>5</sup> Therefore the issue for the Manchester CPA is not absolute population numbers in the UK, but rather whether they can stem, or reverse, this historic flow of people out of urban areas.

### **Economic effects of an ageing population**

The economic ramifications of an ageing population were of concern to governments in the UK throughout the 1980s and 1990s. More recently, the government appears to be reassessing its view and is now far more optimistic about the economic significance of an ageing Britain; it seems that UK Plc can now afford to be grey (HM Treasury, 2002).

Manchester's large university population, and its association with various elements of youth culture, may give it a young image which – given the contemporary premium placed on youth culture – may be seen as a benefit in marketing terms. Manchester CPA is not retaining large numbers of the students who pass through its universities; to do this it will need to offer a range of job opportunities.

We now consider the economic prospects for the area.

## **Prospects for the economy in the North West and the Manchester CPA**

The economic prospects for the Manchester CPA largely depend on whether the weaker region limits further growth, or the Manchester CPA can continue to perform above the national average despite structural weaknesses in the wider regional economy. Employment opportunities affect population movement and so only the economically-strong Cheshire area is expected to exceed the national average for population growth between 1998 and 2010. However, the five authorities making up Greater Manchester

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<sup>5</sup> UN figures give a lower figure (56,667,000 in 2050) but still with no decline until the period 2025–2050. The same source projects an earlier decline in population in Germany starting in the period 2000–2010, source: [www.un.org/esa/population/publications/migration/uk.pdf](http://www.un.org/esa/population/publications/migration/uk.pdf) [and] [www.un.org/esa/population/publications/migration/germany.pdf](http://www.un.org/esa/population/publications/migration/germany.pdf)

**Table 3****Gross domestic product (GDP) at current basic prices – £ per head; England, the North West and Greater Manchester South**

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
England	9 852	10 349	10 771	11 384	12 141	12 845
North West	8 783	9 248	9 547	9 980	10 494	10 909
Greater Manchester South	10 596	11 019	11 288	11 756	12 685	13 204

Source: National Statistics

South are considerably outperforming the North West region in terms of GDP, and indeed, they outperform other UK regions on average as well (Table 3).

However, even if the Manchester CPA does continue to perform well economically, it will only gain population if it can attract people to live (rather than simply work) within its borders. Thus, as already noted, the success of the urban renaissance project will be key.

### **Potential of urban renaissance policies**

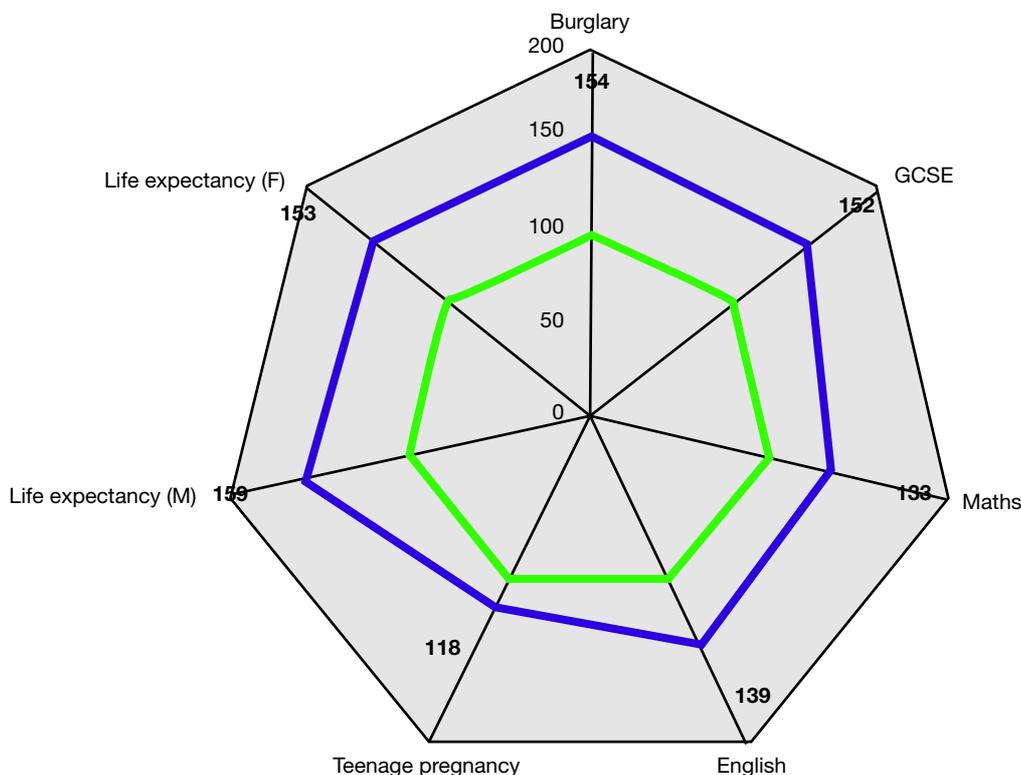
To achieve a strong urban renaissance, local and central government will need to resource and manage a range of policies successfully over an extended period, amounting to decades rather than years. However, in the longer term (looking to 2030, as is the case in the Leipzig study) we can conceive of dramatic changes based on successful application of a range of national and local strategies that have the potential to interact, so making fundamental changes in the liveability of cities and in the quality of life for people currently experiencing social disadvantage. Education Action Zones, the Housing Market Renewal Fund, and improved neighbourhood management (to name but three) have the potential, in combination, to initiate major changes in previously declining neighbourhoods.

These issues are well summed up by Figure 6, showing Manchester's performance in a number of fields relative to the English average. Scores higher than 100 show that an authority is under-performing the national average in that field. As can be seen, Manchester is under-performing across a range of measures. This performance in part reflects the fact that Manchester is largely an inner-city area and has a very limited suburban area within its borders which might balance out the poor figures typical for inner-city areas across England.

### **Nature of the housing stock**

The North West Regional Assembly in its draft RPG recognises that the condition of the housing stock, sometimes combined with low demand, is a key problem facing the region. Meanwhile, levels of vacant and hard to let properties reveal stark contrasts between the City Pride Authorities; in the case of Salford and Manchester they are extremely high (Table 4).

Significantly, Manchester and Salford form one of nine pathfinder projects for the Housing Market Renewal Fund (HMRF). This will attempt to ease the supply and demand



**Figure 6**  
**Manchester's status based on a range of performance indicators, 2002**

Source: GONW

Notes: Maths and English scores at age 11; GCSE is for test results at age 16.

Figures greater than 100 indicate worse than the English average.

mismatch. The pathfinder bodies will operate across a much wider area than existing area-based regeneration initiatives, but will work with local projects. Their role will include the compulsory purchase and clearing of thousands (1,700 in the first three years) of Victorian terraced houses regarded as surplus to requirements, as well as the demolition of unwanted council estates. In some cases these should be replaced with larger homes that better meet current demand. Manchester and Salford have confirmed their leading position in regeneration by being the first of the pathfinders to complete a

**Table 4**  
**Levels of vacant and hard to let properties in the public and private sectors in Manchester CPA, 2000 (%)**

	Unfit stock as a percentage of all social housing (2000)	Unfit stock as a percentage of all private housing (2000)
Manchester	3.6	11.2
Salford	11.3	11.5
Tameside	3.4	15.0
Trafford	5.5	7.0

Source: ODPM, 2002

successful bid worth £125 million. It is too early to know how effective the HMRF will be, but it certainly addresses a key housing issue in the area – that of needing new housing to meet modern demand, while having an excess of stock in absolute terms.

Taken together, all of these determinates will influence the success of the attempt to attract people back into the cities.

We do not take a position on the likelihood of any one of these scenarios becoming a reality. Leipzig and Manchester may both now be standing at a critical crossroads; having reversed future population losses, they may continue to increase their share of population and to grow. However, for both cities, the signs are far from clear.

## 6 Recommendations for Leipzig

Based on the scenarios, the Leipzig team developed the following package of recommendations for city policy-makers.

### **An anti-suburbanisation development policy**

#### **Setting the course**

Leipzig must attempt to achieve an urban development which is as compact as possible, with as high a level of economic growth as possible. Considerable risks could result from a decline in population and weak economic development:

- a fragmented city with a high proportion of harmful urban waste areas;
- a city with diminishing appeal and continuing out-migration;
- a city in permanent fiscal crisis, whose public transport on essential arterials must be limited with long waiting times because funding is not available for a better service;
- a city with a growing number of vacant apartment buildings which cannot be demolished due to a lack of funds.

Setting targets is not enough. The really critical question is, what can Leipzig realistically achieve under the foreseeable conditions, even if faced with uncertainties?

If the funding capability is included, then:

- more resources will be needed than are presently available to expand the range of large apartments in older buildings, in order also to retain the 'sophisticated' purchasers of older property;
- further expansion of public transport networks would be highly unlikely due to a reduction in demand caused by shrinking subsidies and a deterioration in quality.

#### **Lowering prices for vacant inner-city sites and buildings**

Currently, all prices for unrenovated sites and buildings in the older districts of the City are over-inflated by subsidy expectations, which often render any 'new usage' unprofitable. A particular problem is the special depreciation allowances for the many protected ('listed') buildings and all buildings in redevelopment areas. Their vendors profit from high prices produced by these subsidies; they suffer no appreciable financial disadvantage from hoarding the sites. The subsidies fail to achieve their aim of making building in the city more attractive. Prices could be reduced if a land value tax were levied on unused sites, allowing Leipzig to exert a major influence on the market by purchasing sites and buildings itself.

### **Creating a family-friendly city**

Creating family-sized apartments in the city is only one tool in an anti-suburbanisation policy. To retain families in the city, the whole environment must be geared towards them, that is, towards parents and their needs. Rural-type living conditions, catering for families, could be created in several city neighbourhoods.

- *Child care.* Such neighbourhoods should have priority over all investment for childcare. The city should organise a range of affordable childcare for incoming parents. In addition to the creation of kindergartens and crèches with flexible opening times, child-minding agencies and playgroups (parents taking care of each other's children) should be organised through a district office. If funds allow, a temporary childcare grant could be paid to incoming parents. The message to mothers must be, 'You can both work and bring up your children here, even if it's difficult everywhere else'.
- *Range of schools.* The range of schools in these areas should also be compatible with this system. Primary schools with realistic hours or affiliated after-school care facilities should complete the range for the 6 to 20 year olds.
- *Traffic calming.* An important reason for parents to move to the country is their fear for the safety of their children in traffic. Widespread traffic calming could transform the 'Villages in the City' into a slow-motion zones for vehicles, giving older children the freedom of movement which has previously been the reason for parents moving to the country.
- *Parking.* The family neighbourhoods should not be anti-motor vehicle; convenient parking in the vicinity of their apartments is especially important for families. Intelligent solutions are needed here, ones which can combine convenient parking spots with 'play-streets'.
- *Green areas.* Leipzig's conditions make possible the creation of many small parks and playgrounds. A city scattered with wasteland has more creative freedom than the economically well-groomed city.

The main task is to offer families all the advantages of both living in an area of single-family houses on the outskirts and living in the city. As well as making housing available, the city, in cooperation with private business, should improve working conditions for mothers and increase the range of services available to families. Germany and German cities have become increasingly anti-family over the last 30 years. It is unknown whether policy can make enough changes here, and to what extent a change of values and changes in behaviour will also be needed. A city such as Leipzig should, however, take advantage of all its opportunities because this can become an important factor in location.

### **Increasing the cost of mobility as an urban policy**

The policy of constant massive subsidies for public transport and failure to recognise fully the costs of motor vehicle transport cannot be sustained in the long term. Subsidies for public transport will eventually have to be cut or cancelled altogether. However, this would promote suburbanisation – an illustration of how uneven subsidy cuts can produce new imbalances. The balance could be retained if a traffic-congestion tax and further petrol price rises increased the cost of motor vehicle transport. Such a policy would assist

urban development, as would an increase in the availability of affordable sites on present wasteland. At the moment there is no political will for such drastic measures, but an ageing population and resulting tensions – in particular, general scarcity of funds – will increase the incentives and the political will to change because otherwise too many generally-accepted urban development targets will suffer.

### **Demand more decision-making power for local authorities**

Despite the magnitude of the tasks it faces, Leipzig does not have enough tools at its disposal to achieve its various development goals. The same holds true of the other large cities in East Germany.

Future property development should be increasingly situated in the city, for instance in recycled areas and in attractive older buildings. New, fast-acting tools to bring about the release of urban land for building need to be created:

- A land-value tax which would be levied even when sites earn no revenue. The owners would then be strongly motivated to sell, leading to a faster release of these sites and buildings.
- A system of block grants – which would replace different federal programmes and depreciation allowances – to allow the cities to spend their funds according to their needs and according to special project conditions (gap funding).

At present in the apartment sector there is a fiscal shortfall in revenues of the order of 25 to 30 billion euros. In the face of coming shortages in funding, any Federal Finance Minister must introduce cut-backs to the apartment sector and urban development.

The cities should introduce policy innovations of their own. The Federal Finance Minister should offer additional revenues through subsidy reductions (cuts in home allowances, reversal of all special depreciation allowances, cuts in various programmes) available to local authorities, partly through a system of block grants. From such urban development block grants, cities would receive allocations for their local needs, on a quota basis. Munich, where there is a permanent shortage of apartments, could use this grant to promote new building, while Leipzig finances recycling. In view of the major differences in apartment-market problems and urban development tasks from one region to another, local authorities must be in a position to decide locally how they use the block grant resources made available to them.

With such a strategy, local authority goals could be achieved more efficiently. Smaller resources could generate higher gains, and the present dispersion of housing and people, resulting from current fiscal incentives, would be avoided.

To complete the picture, the cost of motor vehicle transport would be increased by adding traffic-congestion taxes and higher emissions charges.

A more effective regional economic policy of widening the export base will require improved cooperation between the East German *Länder* and between participating cities. Leipzig should play a key part in this strategy because its prospects for economic growth are better than the average. A few cities – Leipzig, Jena, Dresden and Potsdam – have already achieved an above average success rate; a key part of the strategy for other East German cities will be to learn from their success.

## 7 Recommendations for Manchester

Many of those interviewed during the course of this research and involved in shaping the city's future were rightly proud of what has been achieved in Manchester, not least because – as in Leipzig – it has been realised within the context of an economically weak region. Perhaps what Leipzig best shows Manchester, however, is that, despite necessarily upbeat assessments, the gains to date are probably fragile.

Across wide areas of Europe at the present time the emergent reality is that of a cluster of up to 40–50 cities constituting a networked urban region with as many as 20–30m people, drawing enormous economic strength from a new functional division of labour and connected by dense flows of people and information along motorways, high-speed rail lines and telecommunications systems (Hall, 1999; Hall and Pfeiffer, 2000). In Europe, new work identifies a Liverpool–Manchester–Leeds agglomeration with a population of 6.87 million, the fourth largest in Europe (Anon, 2002). Such complex polycentric urban regions are characterised by functional divisions of labour between highly-networked city units and by intensive development along transportation corridors (Ipenburg *et al.*, 2001). Within such regions, people appear increasingly indifferent as to which cities they relate to (Kloosterman and Musterd, 2001); the 'space of flows' (Castells, 1989) becomes extremely complex. Allen Scott has titled the largest such areas the 'Global City Region' (Scott, 2001). In discussing the area now in question – a wide trans-Pennine region extending from Liverpool to Leeds – it is more accurate to refer to a Global Mega-City Region.

Within such a region, people manage ever more complex lives as they balance access to quality services, households and careers which – all too rarely – coincide within a single neighbourhood. It may mean working, living and consuming services such as education across two or three different authorities. Manchester has succeeded as a centre for employment opportunities, but what of its future as a centre of household growth? Since it seems impossible to grow economically while shrinking demographically, we ask what more Manchester can do, and what support it needs to build up its household base.

The aim of repopulating Manchester is apparently supported by a number of central government initiatives, including the Housing Market Renewal Fund and the Urban Task Force agenda, encompassing a range of policies to achieve higher density city living. The Housing Market Renewal Fund is important, allowing Manchester (and Salford) to demolish some unsuitable housing where the housing market has failed and – importantly – to support the construction of new housing by other agencies. But how best to replace this housing?

The benefits to Manchester of the Urban Renaissance agenda are less clear. Policies to support re-urbanisation may not prove an unqualified good for the city, encouraging higher-density development than was the case in the 1980s. Indeed, Manchester has excelled at promoting high-density city-centre living, and extended it out to New East Manchester, with the development of apartments near Sportcity promising a city-centre lifestyle at more affordable prices. These units, under construction during our study, have enjoyed a high level of 'off plan' sales.

Yet the Leipzig study concludes that the availability of more suburban housing types within the city boundaries for family living may be one key to strengthening recovery. And there is a longer tradition of apartment living in Leipzig than in Manchester. Perhaps attempts to replicate the high-density inner city in East Manchester may discourage greater buy-in from families. Furthermore, if families are to be encouraged to live in Manchester, there will need to be a step-change in the quality of education available to children in the city. Most families are unlikely to wish to send their children to a school in advance of an improvement in standards (although, of course, if enough ambitious families did so, this should help achieve an improvement). We suggest that the government would need to underwrite far more ambitious plans for the weaker inner-city schools if they are to draw in a balance of pupils across the full ability range. This holds for other services, such as policing, in areas that suffer blight. While at present these services struggle to close the gap as against more affluent areas, they will need to offer a clearly superior service to attract a range of families.

We also argue that attracting and holding on to young singles will be important for cities in the future. Manchester has a large student population concentrated to the south of the city. It faces the need to ensure that this population is not so concentrated as to discourage family groups from the city centre and it needs to work hard to ensure that it retains as many graduates as possible; this is of course dependent on the economy.

Also linked to the economy is the need to ensure that small- and medium-sized businesses, including those in low-tech industries, are fully supported by the city even while it seeks to encourage large-scale inward investment. Smaller businesses may be able to offer employment opportunities to workers with a wide range of skill levels and may be more rooted in the city than some larger employers.

Finally, we return to the unending UK regional debate. Although the move by central government to devolve more of its functions to the regional level (rhetorically, at least) is welcome, there is still a growing discrepancy between the performance of London and the South East on the one hand, and northern regions, including the North West, on the other. Recent announcements from the Office of the Deputy Prime Minister of a northern growth belt that would support inter-regional working along motorway corridors in the north would appear to hold some promise (ODPM, 2004). It is clear that the economy of Manchester, including its employee base, is more favourable than that of the region as a whole. The discussion in the previous chapter, regarding Leipzig's need for greater autonomy, holds also for Manchester, although the details differ.

Consider public finance. In the UK, around 75% of local government finance is raised and distributed by central government. This constrains local government: a 1.0% increase in the revenue that it collects directly (council tax) produces only a 0.25% rise in its overall budget. Despite the often hazy relationship between a local economy and a council's budget in the UK, local authorities are directly affected by loss of population (albeit with some time delay). Manchester estimates that the original Census 2001 figures would have led to an £8 million loss of revenue in the financial year 2003/2004; this would have been even higher were it not for government guarantees that all authorities would receive increases in their budget in the current financial year.

There is thus a case for greater financial freedom for local authorities (or decision-making freedom in Germany). In England local authorities are constrained by central government's audit mentality, partly a product of the high ratio of central funding of

local government. Currently, 22 local authorities are being freed of some of these restrictions, having received a high rating from the Audit Commission, and not only by conforming to central government's agenda, that is, for being obedient rather than entrepreneurial.

Being entrepreneurial means taking risks. An audit mentality militates against risk-taking. Part of the 'thinking big' in both Leipzig and Manchester, rooted in their histories, is taking chances, whether in the redevelopment of Leipzig-Halle airport or the Commonwealth Games in Manchester. But thinking big and taking risks can mean high-profile failure, difficult for risk-averse governments to accept.

## 8 Conclusions: common strategies

In 2004 Leipzig and Manchester are at a very similar stage of development. In both, the drastic process of deindustrialisation has bottomed out. In both, advanced services – especially business services, print and electronic media, higher education – form the economic base and the major driver of growth. Leipzig is also benefiting from a renaissance of manufacturing, especially through new car factories built by leading German manufacturers, attracted here by Objective One EU assistance, lower wage rates, a more flexible labour market and cheaper housing than in the western *Länder*.

However, there is a deeper underlying cause for the growth of the new economy. Both cities have enjoyed good political leadership, backed by top-quality administration. Both have developed a positive ‘can do’ attitude to put the past behind them, to make things happen and to create a new future. In both, there is a feeling that the city is going places; that this is a city that counts. Everywhere, there are physical signs of this process: construction cranes on the skyline, new construction and refurbishment on the streets, an atmosphere of purpose and bustle. These are cities that are attracting people, particularly young people, who are drawn there because they sense that this is a place where things happen.

### Keys to the future: (1) Become magnets for the young

This, we believe, is the key to the future of both cities: they must consciously develop policies that make themselves attractive to upwardly-mobile young people who will become tomorrow’s entrepreneurs and consumers. They need to attract young people both from their immediately surrounding region, and from beyond: the national catchment area, Europe, the world. The immediate mechanism must be their universities. Both cities are outstanding intellectual centres – ideopolises, in the Manchester formulation (Westwood and Nathan, 2003) – that attract young talent through the excellence of their research and teaching programmes. Once students have graduated, the priority is to retain them by building an economic base that will allow them to remain in the city if they wish. However, this is a circular and cumulative process: the more students put down personal and emotional roots, the more they will be drawn to remain, providing a potential labour force and a pool of entrepreneurs to start new small businesses.

The key to both these processes – attraction and retention – is action on a number of fronts:

- *The university base.* Both cities must campaign relentlessly to build the reputation and the achievement of their universities. This means attracting a higher share of both national and regional funds (Federal and *Land* in Germany) to their universities, in order to both widen and deepen the student base, and to attract funding for high-quality research. It will be important to support more than one

university in each city; these universities should compete, especially by occupying niches (general versus scientific/technical, on the model of Harvard and MIT, UCL and Imperial in London, or Humboldt/Free University versus TU in Berlin), but they should also form united fronts to develop a common knowledge base: for example, specialised library facilities.

- *The physical environment.* Both cities must consciously develop themselves physically to create an attractive and, if possible, unique environment for students and young people: one or more urban quarters that are lively, with a range of cafés and restaurants and bars and clubs, in a special kind of physical environment, with a good street quality and a range of living accommodation (apartments, lofts) appropriate to an urban lifestyle. Generally these will be in or on the fringe of the city centre, extending out into a 'university sector' that may occupy much of the inner and middle urban rings.
- *Transport.* Both cities should consciously develop transport policies that encourage access by low-cost sustainable modes such as walking, cycling and public transport; the last should be available on a 24-hour basis.

Both cities have gone a long way in these directions already, though sometimes – as in transport – by very different means. In particular, both cities have developed very strong university systems. The need now is to build on success. This will mean active intervention in the politics of university and research funding. Universities in both cities will compete for funds with other universities, some highly prestigious. They will need to develop arguments that money spent on their universities will generate a yield, in terms of development potential, that is much greater than the immediate outcome.

## **Keys to the future: (2) Keeping the family builders**

The other arm of policy is equally important but less well understood: it is to retain these people at the critical point when they form stable partnerships and start to have children, typically 10–15 years after they are first attracted to the city. Currently, most European cities – and Leipzig and Manchester are no exceptions – are not perceived as family-friendly. The very qualities that attract the young – vibrancy, street life, partying – may appear negative to couples combining a dual career with a third taxing job of rearing and educating small children. Apartment living may then appear constrained and problematic; suitable family housing may be hard to find, especially if parts of the critical middle ring of the city are seen as unprepossessing or even downright dangerous, and city school systems are seen as poorly performing and even hazardous for middle-class children. The major risk, at this point, is that families decide that they have no alternative to leaving for suburbs or small rural towns.

To counter this danger, both cities need to pursue conscious policies in:

- *Urban regeneration.* Rebuild extensive areas of their middle and outer rings, where these are ripe for redevelopment, with middle-class family-oriented housing, providing private garden space, accessible and safe public open space, and streets safe from traffic hazards.

- *Education.* Provide top-quality crèches, pre-school facilities, primary and secondary schools, as good as anything on offer in the suburbs and small towns.
- *Transport.* Provide top-quality transport, including walking and cycling routes to schools and shops, and public transport; but provide for the use of the car when people feel they need it.
- *Security.* Manage social and policing programmes, through integrated policies, to ensure that neighbourhoods are perceived as safe and socially integrated places.

This will be harder to achieve than the first objective. It will mean multiple action in a number of fields: planning and urban regeneration, education, social policy and transport policy. (In the last-mentioned area, policies are similar though not identical to those under the first policy objective.) We argue that it must now become the top policy objective. Crudely, the achievements in city centres and innermost rings must now be paralleled in the middle and outer rings of both cities.

This is more urgent for Leipzig, and for German cities generally, because of demographic realities: with a falling birth rate and the prospect of a shrinking national population, internal migration – and also migration from abroad – become increasingly important, even vital, to augment the qualified workforce on which economic growth must depend. So far, the problem is smaller in the UK, or at least is perceived so. However, it will begin to unfold there too, over the next 20–30 years, as city populations fail to replace themselves.

## **Means to ends: Key policy levers**

These, then, are the policy objectives. To achieve them, both cities need to acquire and to use key levers:

- *Physical redevelopment powers.* Both cities will need to be able to acquire and actively use powers to reshape their middle and outer rings. This is likely to involve a subtle combination of selective demolition and rebuilding, and rehabilitation and internal remodelling of those buildings worthy of preservation. In Leipzig some of the poorer-quality *Mietskasernen* ('rental barracks') will need to be demolished and replaced by single-family town houses, while others are reconstructed to provide larger apartments; farther out, the same will have to happen to the large areas of *Plattenbau* (prefab construction) of the 1960s and 1970s. In Manchester, likewise, the Victorian and Edwardian regulation two-storey housing of the middle ring will need to be selectively demolished or rehabilitated; the same will be increasingly true of the outer ring interwar and postwar public housing estates. This will require comprehensive powers of compulsory purchase which so far have not been freely available in Germany.
- *Flexible housing subsidies.* Gap financing needs to be made available for pioneer investors in regeneration areas, until the market takes off. Only local city-based administrative entities will have the detailed knowledge to implement such subsidies, but they will need to be available at national and regional (*Land*) level.

- *Discretionary spending powers.* Generally, there should be a range of available discretionary subsidies to meet local needs, implemented at local level. This will require changes in central government thinking in both countries; cities are not being given sufficient fiscal freedom.

## **The challenge for the cities: competing for people**

Cities throughout the world – not just Leipzig and Manchester, not just German and British – find themselves drawn into a new kind of global competition: to attract people. In the knowledge economy, now that traditional factors of production like coal and navigable water are insignificant, people are the only significant raw material. This competition will become ever more intense, fuelled – as in Germany – by a plunging birth rate, but more fundamentally still by the search for top-quality human capital, always a scarce resource.

No one kind of place will have a unique advantage here. Indeed, as just argued, the very qualities that draw young people from small towns into cities may be the same as those that send them back a few years later – unless cities are smart in developing policies both to attract and to retain them. The need for any city like Leipzig or Manchester is to work to improve the objective offer, but also the image of the city, its 'TV reality'. In recent times TV soap operas have portrayed cities as places where you can have a great time if you are young. They now need to work to show that they are also great places for the not-so-young.

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