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The strategic economic governance of Greater Manchester's local labour market by the local state: Implications for young workers

Abstract:

This paper explores how work and employment conditions for young workers are affected by the actions of the state at the spatial scale of the locality. The paper argues that young workers have experienced deteriorating labour market conditions following shifts in the form which capitalist accumulation takes in the UK. This shift has altered the composition of the British state which has in turn led to changes in both how the national state regulates local labour markets and the economic strategies of the local state. One result of these changes is the diffusion of neoliberal labour market reforms which have led to negative material consequences for young workers; this is manifest in the expansion of low-waged work concentrated in a small number of sectors, and characterised by an intensified labour process.

Key Words: Economic Change, Employment, Local Labour Market, Local State, Young Workers

Introduction

This paper connects work and shifts in the political economy of the British state by exploring how work and employment conditions for young workers – those aged 16-24[1] - are affected by the actions of the state at the 'spatial scale' of 'the locality'. *Spatial scale* in this sense refers to the geographic spaces within which capitalist processes occur, as well as referring to where labour concretely experiences the outcomes of capitalist processes (Harvey, 1989a; 2006). The spatial scale of the *locality* is important because it is at this scale that key social

[1] This definition of young workers is in line with Office for National Statistics (ONS) and International Labour Organization (ILO) definitions. (ILO, 2016; ONS, 2016)

processes occur, most notably: the reproduction of household economies; provision of state welfare services, and; paid labour, which is characterised by a varied labour process. A focus on the *state* is insightful because it is the local state which is immediately responsible for confronting the contradictory outcomes of capitalist production and the labour process within a locality.

This paper argues that since the early 1980s young workers have experienced worsening labour market conditions due to shifts in processes of capitalist accumulation - from what this paper calls "full-employment" capitalism to "finance-led" capitalism. This shift is characterised by the tendency of capital to accumulate surplus value through the appropriation of value, rather than through the productive accumulation of value (Fine, 2013). Full-employment capitalism saw a contested diffusion of mass production and mass consumption integrated within a broadly defined but equally contested political compromise between state planners, capital and labour. Accumulated capital in the form of profit was then appropriated from existing value produced by labour; this circulation in the circuit of productive capital redistributed surplus-value to labour via productivity gains and capital via investment in capital stock. The circuit of finance-led capitalism is in contrast to this strategy, and is premised on a falling labour share of income and a re-commodification of labour (Thompson, 2013; Stockhammer et al. 2016). The re-composition of the state and associated processes that result from these shifts in accumulation impact on the form of labour market intervention, associated regulations, and on the very capacity of the state *to* intervene, particularly at the level of the local state which has undergone substantial transformation (Brenner, 2004; Greer, 2016; Hastings & Heyes, 2016).

Why Greater Manchester? Why Young Workers?

The metropolitan county of Greater Manchester[2] was selected as a focus of study due to the character of its political economy; the county experienced a period a marked decline throughout the post-war period, reaching a nadir in the 1980s, as deindustrialisation led in 1983 to long-term unemployment rates of 47.6% for men and 29.8% for women (Peck & Emmerich, 1992: 29). Since the 1980s local state managers have presented an image of the county which highlights its renaissance from de-industrialisation to that of a successful, 'post-industrial' county characterised by a diverse local economy (McDermot, 2015). Local elites - in particular local state executives and members of prominent local business fora - point to the Greater Manchester Devolution Agreement, in which the county gains greater oversight of £7 billion of central government funding and increased retention of business rates revenue, as the culmination of the success of their local economic strategy (HM Treasury, 2014). However, Greater Manchester is affected by high and increasing levels of low-paid employment[3] (New Economy, 2015), rising inequality (Centre for Cities, 2014), and an absence of affordable housing (GMCA, 2015). All three of these social outcomes are felt most keenly by young people (Clark & Heath, 2014). By focusing on the role of the local state in shaping labour market outcomes this paper reveals how the imperatives of capitalist accumulation cajole the state to pursue economic strategies which affect different types of labour differentially, leading to differentiated labour processes.

The established literature suggests a worsening of labour market conditions for young people – the UK youth unemployment rate is currently 13.7%, which is 2.7 times higher than all-age

[2] Greater Manchester is a metropolitan county made up of ten metropolitan boroughs: Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, and Wigan. As of 2016, total employment is over 1.3 million, of which approximately 187, 000 are aged 16-24.

[3] Low paid employment is defined by the Low Pay Commission as employment in which pay is below two-thirds of the median income.

unemployment[4] (ONS, 2016) and the youth unemployment ratio is 20.2%; an historical high in the UK (O'Reilly et al., 2015). Similarly, whilst 21% of all-age workers in the UK are in low-paid employment the number is 40% for workers aged 21-25 and 77% for workers aged 16-20 (Clarke & D'Arcy, 2016: 20).

This paper addresses two research questions. Firstly, in what ways do changes in local governance and associated changes in the political economy of work ground and re-focus capitalist accumulation away from the nation state towards capital, shift from "full employment capitalism" towards "finance-led capitalism"? Secondly, what is the impact of these changes on young workers in Greater Manchester? To explore the research questions, the paper divides into four parts; part one provides an overview of shifts in the British state and defines the term the 'local state'. Part two contains an empirical overview of Greater Manchester's governance arrangements, particularly those which relate to local economic governance. Part three provides empirical evidence to demonstrate how local economic strategies affect labour market outcomes for young workers. Part four contains a discussion which examines the limits of these strategies, and is followed by a conclusion.

Research Methods

This research is based on findings from a local labour market study of the metropolitan county of Greater Manchester undertaken in 2015-16 which draws on 32 semi-structured interviews with local state officials and politicians, local entrepreneurs and CEOs, and other labour market actors such as trade unionists and local charities. The interviews were transcribed and coded in order to carry out systematic thematic analysis. In addition to this

[4] All-age unemployment is 5.1%, as of 2016.

primary research extensive desk research was undertaken to examine existing local policy documents, economic reports, and data-sets.

TABLE 1 HERE

1. A neoliberal state and finance-led capitalism

The two research questions connect work and the shift in the political economy of the British state by outlining how the move from full-employment capitalism to finance-led capitalism supported by a neoliberal state is grounded in the work and employment experiences of young workers in Greater Manchester. The paper outlines the motives and instruments of the shift in the class character of the state and specifies how some of these macro-level changes are grounded in deteriorating employment opportunities and by association worsening labour process experiences at work.

The contemporary British state promotes austerity and welfare retrenchment policies which create significant labour market inequalities, such as low-paid, precarious work which particularly affects young workers (Papadopoulos, 2014; Selenko & Pils, 2016). These labour market conditions are enabled and facilitated in part by the decline of embedded liberal policies which existed under full employment capitalism (Harvey, 2007; Crouch, 2011; Standing, 2014). The institutional structure of Britain's political economy in the post-war period meant that 'embedded liberalism' (Brenner et al. 2010) positively restrained the entrepreneurial zeal of capital by the application of active economic and industrial strategies, such as; capital controls, wage councils, and sectoral level collective bargaining. (Brown et al., 2009) These features were complemented by the institutional power of trade unions, which afforded workers the structural capacity to resist degradation of work and employment imposed on labour by capital.

Young workers benefitted in this period from the presence of well-developed internal labour markets within large firms, characterised by established training schemes and well-defined entry points for young workers. (MacDonald, 1998) These conditions were particularly evident in the public sector, and in engineering firms. Job opportunities in these sectors for young people were often 'sheltered', meaning that competition was restricted to young people, rather than all-age workers. (Ashton et al., 1990) However, whilst embedded liberalism delivered good economic performance up until the 1960s it began to breakdown in the early 1970s, when supporters of what is now termed neoliberalism were poised to free capital from broader socio-economic commitments established in Britain's post-war full-employment state.

Neoliberalism, which underpins finance-led capitalism, is built on ideas which circulated in think tanks, learned societies and alternative economic associations during the period of embedded liberalism. (Desai, 1994) Free market ideas were present in Westminster political circles long before they were crystalized into a coherent outlook for modern society as part of 'Thatcherism'. A broad-ranging political project, Thatcherism centred on 'disembedding' markets from political constraints associated with embedded liberalism to focus on de-regulation, privatization and the creation of new markets through sustained financial de-regulation and liberalization. (Harvey, 2007:19-30; Crouch, 2011) Economic re-structuring, informed by neoliberalism and by finance-led capitalism represents a social revolution from above designed to restore the power of elite interests in the UK; both neoliberalism and finance-led capitalism are not necessary outcomes of crisis and economic re-structuring but alternatively a class based political construction for the state on behalf of capital (Clarke, 2005; Cox & Nilsen, 2014:136).

Elites in financial capitalism have unwound the UK's post-war economic settlement which informed the embedded liberalism of full-employment capitalism. A consequence of this shift is that managers of capital and state managers are more likely to respond to the demands of financial markets over those of labour markets. Financial markets are favoured because the erosion of embedded liberalism has undermined alliances between state managers, managerial elites, trade unions and workers which prevailed intermittently in the post-war period. The breakdown of embedded liberalism has consequences for labour, and young workers in particular, which are still unravelling today. A first grounded consequence for labour which follows the erosion of embedded liberalism in the British state is its one-directional nature. Since the City of London 'Big Bang' in 1986 privatization, financialization and the associated shift of power to the broadly defined financial sector and away from the public sector and the manufacturing sector cannot be undone other than on the margins (Seifert, 2016:751). These shifts encountered no significant bloc of business opposition lobbying for an alternative corporatist or co-ordinated policy (van der Pijl, 2006). The transition to finance-led capitalism was achieved by financial de-regulation and integration internationally where financial capital and capital markets are now centrally concerned with the market for corporate control and investor value. Britain's globally focussed neoliberalism supersedes the embedded liberalism of full-employment capitalism to ground a second consequence for workers which follows the dismantling of collective structures for labour, the local state and associated communities.

For labour a particular effect of these shifts and transitions is the role of the British economy in a new international division of labour (Charnock & Starosta, 2016). Over the past thirty years the British economy has found a sustained competitive advantage in financial services provided by indigenous and internationalized capital, both of which operate on a global basis. Whilst the financial sector can provide opportunities for high wage, higher productivity employment the overall numbers of jobs are small. In 2010-16, only 600 jobs were created in the financial sector in Greater Manchester, this figure is set against overall labour market growth in Greater Manchester of 96, 000 over the same period, meaning that the financial sector accounted for only 0.6% of job growth (New Economy, 2015).

A second form of sustained competitive advantage centres on the attractiveness of Britain for inward foreign direct investment (FDI). Multinational firms are encouraged to set-up branch plants which are subject to intra-firm internationally focused competition for work within dispersed global value chains (Hammer and Rissgaard, 2015:84-5). Between 2010 and 2016 approximately 17, 994 jobs were created as a result of inward FDI investment in Greater Manchester, meaning that inward FDI was responsible for approximately 19% of new jobs created in the period (MIDAS, 2016). There are opportunities for young workers to find employment resulting from inward investment, although the benefits of such work are skewed heavily in favour of capital. As our empirical research demonstrates, many young people in Manchester are employed not in "headline" sectors of finance or advanced manufacturing, but in more elementary sectors including business services, care, and retail and hospitality. Within these sectors, young people tend to find themselves employed in low-paid, lower occupational roles; a trend which is increasing. 40.6% of young people in Greater Manchester work in the retail and hospitality sectors, and 55% of young people work in sales, customer service, and elementary occupations (See tables 1 and 2).

The capacities of the local state

Shifts in British political economy directly affect the composition of local state. In the 1960s the British state diffused 'spatial Keynesian' redistributive policies designed to aid underperforming economic regions. (Martin & Sunley, 1997; Brenner, 2004) The movement towards financialised capitalism under a neoliberal state saw these policies wound-up. Instead localities began to engage in 'entrepreneurial urbanist' strategies which rely on securing private capital to fund local economic development as public funding from central government diminished. (Harvey, 1989b) This reliance causes local economic strategies to become competitive in the pursuit of capital investment and in order to secure funding bids. (Cochrane et al., 1996; 2002) Local councils can experience sudden and unexpected cuts to their budgets as a result of central government executive control over local government spending levels (Lowdnes & Gardner, 2016). This fiscal and monetary insecurity means that local councils have to actively pursue growth orientated strategies which rely on the private sector. These circumstances have worsened since 2010 due to the increased ferocity with which local government cuts have been implemented stimulating the argument that central government has 'locked-in' neoliberal measures at the local level (Peck, 2014).

In spite of these structural limitations on its actions it is the local state which confronts the immediate consequences of capitalist accumulation. The local state is charged with enabling, managing and maintaining the 'production-reproduction nexus' (PRN) within a locality. The PRN is defined as the 'interrelationship between production and reproduction via the labour force in a given geographic territory' (Gough, 2014: 28). The strategies pursued by the local state to achieve this can be characterised in two broad categories; neoliberal, and social democratic. Neoliberal strategies promote the flow of all capitals and emphasise discipline over labour via enhanced mobility, spatial fragmentation and increased competition. In turn these strategies focus on the reduction and equalisation of factor costs and final prices and effectively use the national state to minimise regulation by the local state (Gough, 2004: 203). This approach subordinates the local state to individual capitals and capital in general by expanding the influence of value relations at the local level; the local state must engage with capital and this has to the potential to lead to the increased commodification and marketization of society. In contrast to neoliberal strategies, social democratic strategies are characterised by the creation of socio-economic organisations designed to increase productivity and foster cooperation between labour and capital. The aim of this approach is to promote a qualitative differentiation between local economies and the autonomy of the local state from capital to secure accumulation on a more independent political footing (Gough, 2004: 205). The local state can attempt to achieve this aim by promoting the growth of specific sectors of the local economy, or by encouraging the incorporation of other stakeholders – such as community groups and trade unions – in the governance of the local economy.

Capitalist accumulation by its very nature is contradictory so accordingly both neoliberal and social democratic strategies have limitations, as each favour one set of contradictory outcomes over the other. Neoliberal strategies can be characterized as instrumental and can lead to increased inequality and a worsening of employment relations across labour markets as capital develops more control over the state, for example as a local state comes to rely on inward investment to create employment. Social democratic strategies, by contrast, may espouse relative autonomy and lead to increased productivity and infrastructure development by greater spending on economic development, as the local state is able to act in the interest of all capital rather than individual capitals. However, neoliberal critics are likely to characterise this as expenditure which diverts from job creation, in spite of the possibility that social democratic strategies can nevertheless precursor and inform neoliberal outcomes because they promote and sustain capitalist value relations, albeit in a wider stakeholder form. This shift can occur as any socially beneficial gains from social democratic strategies are contingent on capital cooperating with labour via the state, a relationship that can degenerate if individual capitals retreat into instrumentalism to focus on individual, short-term profit.

The outcomes of local economic strategies are heavily contingent on a number of factors. For example, the local state may attempt to create "decent jobs" in the private sector by promoting the growth of particular high value-added sectors by re-orientating its local economic structures so that they assist the accumulation of private capital. Local state managers seek to achieve this is by the creating a subsidized investment climate. Measures associated with this include subsidized business rates and associated financial incentives, a well-developed transport infrastructure, and a suitably skilled labour supply (MIDAS, 2016). However, these local conditions are to the advantage of firms which operate a business model which is characterised by low-wage, low-value added growth. Evidence from existing research shows that there is a tendency for this to occur, as firms which are attracted by financial incentives are often those with low levels of productivity, and have a proclivity to engage in rent-seeking behaviour (Sonn & Lee, 2012). This means that the firm will take financial incentives that are offered without generating correspondingly high levels of employment for the local economy.

2. The governance of Greater Manchester's local labour market

The contemporary governance of Greater Manchester is the result of historical processes of transformation which began with the 1985 abolition of the 'municipal socialist' Greater

Manchester County Council which was hostile to working with either central government or private capital (Quilley, 2000). Abolition led to the creation of the Association of Greater Manchester Authorities (AGMA), comprised of ten metropolitan borough councils. The formation of AGMA fostered more cooperation between local and national government where local officials sought to work with private sector capital (Peck & Ward, 2002). The strategy of co-operation with private capital intensified during the 1990s as local business elites became directly involved in the governance of the county through the control of Training and Enterprise Councils (Peck, 1998). This period was characterised as both 'local elitism' and 'elite localism' (Cochrane et al., 1996). However, limitations to this approach to local governance soon became apparent; local business leaders chose not to cooperate in a long-term strategy for the county. Instead, local business leaders focused on ensuring the profitability of their own businesses and the actions of some business leaders actively undermined attempts by local government to engage in long-term strategic economic planning in the county by preventing the local state from being able to act for capital in a collective sense (Peck & Tickell, 1995). Nonetheless the development of Greater Manchester in recent decades is viewed as a success by local state managers who point to its economic growth in comparison to neighbouring cities-regions, such as Liverpool or Leeds-Bradford (McDermot, 2015). In successfully overcoming the high unemployment of the 1980s Manchester's state managers argue that a post-manufacturing local economy has developed where a majority of employment is in the service sector. One local economic manager suggested that this was partially due to:

'*…a sense of [voluntary] collaborative working in Greater Manchester's [local government] that far exceeded that of Liverpool and Leeds-Bradford, [which along with] Sheffield have not taken off in same way as Manchester*' (Interview with Director of Economic Strategy, local university, 11th January, 2016)

The manner in which capital informs and shapes the strategic direction of governance in the county is evidenced in the central role of the Greater Manchester Local Enterprise Partnership, (GMLEP). According to its own official statement of intent, the GMLEP sits *'at the heart of Greater Manchester's governance arrangements, ensuring that business leaders are empowered to set the strategic course, determine local priorities and drive growth and job creation within the city-region'*[5] (GMLEP, 2015). The partnership is made up of two local councillors, the interim mayor of Greater Manchester, and nine representatives from the private sector. The GMLEP has no representatives from voluntary organisations or trade unions, despite a White Paper recommending the inclusion of these groups (Ward, 2014). Along with AGMA, the GMLEP is responsible for overseeing the Manchester Growth Company (MGC). The MGC is made up of a number of companies which promote economic development across the county in six priority functions: strategy and research; marketing; business support and finance; organisation development services; skills, and employment (See figure 1 for a visualisation of this).

FIGURE 1 HERE

This network of governance actors aims to ensure continued economic growth through the promotion of the county as a site of investment with favourable conditions for private capital. This approach can be understood as an attempt to overcome the limits of economic governance in Greater Manchester in the 1990s, which shifted too much power directly to the

[5] Greater Manchester is part of the Greater Manchester Statutory City Region, which comprises the 10 metropolitan boroughs of Greater Manchester, alongside five neighbouring boroughs, to create geographical area with a population of 3. 36 million, as of 2015. (ONS, 2015)

private sector. Instead, the MGC seeks to govern the local economy for and on behalf of private capital. Rather than allowing private capital to directly govern the county the local state has established a series of quasi-autonomous bodies which are shielded from popular pressures and which have the broad aim of advancing the rate of capital accumulation within the locality. This was acknowledged by one planner, who stated that:

'…you can never really expect business leaders to run the state, that's not what they do, alright? They run businesses and let's hope they keep doing it. So how [do] you co-opt, in a non-executive fashion, functioning of business leaders? Call it what you want – it's called the [GM] LEP' (Interview, senior strategic planner, AGMA, 4th February 2016)

Both the MGC and the GMLEP are unaccountable to the electorate and sustain self-determining, self-elected governance structures which are a form of neoliberal, de-politicised local governance in which power is transferred from elected officials to unaccountable institutions (Burnham, 2001). One local councillor voiced concerns on the diminished role that local councillors have as a result of shifts in local governance, in which decision-making power has been transferred away from elected representatives and to the executive and unaccountable business leaders:

'…we're cardboard cut-outs – [the executive] wheel us out when there's a meeting, we stick our hands up and say yeah, and go home….I've just felt totally surplus to requirement for ages now, and I get the impression that many councillors do but won't admit it.' (Interview, local Councillor, 8th February, 2016)

The limited capacity of the local state to progressively intervene in any meaningful sense to generate progressive local labour market outcomes was described succinctly by the current head of research at a local economic development agency, who stated that:

'90% of what happens in Greater Manchester [local government] has no control over.' (Head of research, local economic development agency. Interview, 9th March 2016)

3. Strategies of economic growth

All cities seek to develop economically; indeed, due to the pressures of entrepreneurial urbanism cities must engage in competitive growth policies in order to prevent urban decline. In Greater Manchester key strategies for economic growth centre on the extension of labour market reforms, in particular those focusing on moving the economically inactive into work, and on up-skilling the labour force. The result of these strategies is mixed and leaves some young workers languishing in low-quality employment. For example, Greater Manchester's, eye-catching aggregate growth figures[6] mask the qualitative form which employment growth has taken in the county. The strategy of economic growth that is pursued in Greater Manchester is based on efforts to develop its internal capacities, most notably through infrastructure development and promotion of "headline" sectors in which the county has a competitive advantage. These sectors include advanced manufacturing, finance and professional services, health sciences, and the digital sector (New Economy, 2016a). The growth of these sectors is supported by MGC by its local boosterism, and through the support the MGC offers to businesses already established in the county, such as through its 'Growth Hub' business innovator which helps firms to access expertise and funding, as well as and assisting with provision of flexible workspace at competitive rates (AGMA, 2009: 28).

Efforts by state managers to promote headline sectors aim to coordinate and regulate economic growth, directing resource into prescribed sites and sectors. These strategies are

[6] Greater Manchester's growth rate exceeded that of the South-East (excluding London) for the first time in 2013.

limited, in part because they downplay the significance of the relationship between cities and wider socio-economic processes at other spatial scales, in particular between Greater Manchester and speculative financial flows, as well as the skewed relationship between the local and national state which favours the latter. Therein local policy development is limited as local state managers are unable to respond to external shocks or abrupt national policy shifts, or to challenge deep-rooted problems which are the result of historical political economy. Therein changes in industrial composition in Manchester have embedded concentrated areas of enduring unemployment.

Extending existing labour market reforms

British labour markets have experienced waves of reform in recent decades as part of ongoing processes to stimulate labour productivity in order to enhance the competitiveness of UK-based capital. Labour market reforms are characterised by the promotion of 'skills as welfare', in which skills development becomes the route to employment and comes to replace unemployment benefit as the preferred form of welfare intervention for the unemployed or economically inactive. (Nunn, 2008) This agenda is evident in Greater Manchester; across the county 22% of the labour force is educated to national vocational qualification (NVQ) level two and 32% are educated to NVQ level 4+, whilst 11.6% have no qualifications at all. This compares unfavourably to the national picture (20%, 36%, and 9% (ONS, 2014a)). Low levels of skills amongst the labour force are seen as a problem by local elites. According to official documentation:

'*…a quarter of the productivity gap between Greater Manchester and the UK as a whole [is] caused by higher than average levels of worklessness and low levels of economic activity. The other three quarters [are] caused by lower levels of economic output, with people in work not as productive as elsewhere in the country.* ***Low skill levels are a key contributing factor to this****'* (Authors' emphasis) (AGMA, 2013).

Moreover, labour market weaknesses are identified by local state managers as a key factor which prevents the county from achieving high growth rates. The strategy to overcome these weaknesses centres on active labour market policies to tackle perceived 'worklessness' and a focus on improving the skills base of Greater Manchester. This approach targets workless labour and is generalized from contemporary national policy which focuses on austerity, retrenchment and the re-commodification of labour. These aims witness the introduction of policies which have the effect of coercing individuals back into labour markets, often through disciplinary measures such as removal of welfare benefits. These measures exemplify neoliberal approaches to labour which eschew any attempt to understand or resolve the complex and multi-faceted reasons why individuals might become workless and instead individualise the negative consequences of unemployment onto the unemployed (Nunn, 2012).

TABLE 2 HERE

Local economic outcomes

A key question is whether the application of neoliberal strategies by local state managers has been successful in increasing productivity, as productivity increases are both a key driver of growth, and a prerequisite for more equitable labour market outcomes, if mechanisms exist for increases to be distributed amongst workers. Although gross valued added (GVA) has increased across the county, it does not follow that there are equal rises in productivity across all sectors. Rather than this the majority of sectors in Greater Manchester's local economy are characterised by lower than average GVA per job. The sectors of the local economy which have facilitated economic growth are a mixture of aforementioned headline sectors, but are also sectors which are characterised by low-wage, low-productivity employment. The five sectors with levels of productivity lower than £30,000 per job in Greater Manchester 'correspond with the lowest paying sectors…[and these] low productivity sectors account for a growing share of jobs. In 2000 they represented 35% of employment. By 2014 the proportion was 40%' (New Economy, 2016a). The five elementary sectors are; hospitality, retail, accommodation, cleaning, and residential care. Low productivity sectors such as these are characterised by accumulation strategies with limited potential for productivity growth as surplus is generated through the intensification of the labour process and squeezing returns to labour. Employers in these sectors pursue 'low value product market strategies' where competition is based on 'on low cost, low skill, low specification products and services' (UKCES, 2013; New Economy, 2016a).

Evidently an accumulation strategy based on low productivity, labour intensive work with low levels of technological investment leads to a local occupational distribution which is skewed towards de-skilled, low-waged, low discretion jobs for many young people. This is demonstrated by the data in tables 1 and 2, which highlight the sectoral and occupational distribution of young workers in Greater Manchester. Young workers are nearly twice as likely to be employed in elementary occupations as all-age workers, and young workers make up 22% of the workforce in elementary occupations. Additionally, young workers are nearly 2.5 times as likely to be employed in sales and customer service occupations as all-age workers, and make up 33% of this occupational workforce. In the period 2001-11 there was a 1% reduction in the numbers of young workers employed in the top three occupational categories, alongside a 2% rise in numbers of young workers employed in the lowest occupational category. (See table 2) Sales and customer services occupations are predominantly found in the retail sector, which has an average weekly wage of £344. This weekly average is significantly lower than for the public sector (£504), finance and business services (£635), or for the service sector in general (£488) (ONS, 2017). Additionally, young workers in all sectors are affected negatively by the national minimum wage, which institutionalizes lawful discrimination based on age.

The labour process in elementary occupations restricts productivity increases due to de-skilled labour use strategies for youth workers. In the business service companies which were studied young workers engaged in a labour process characterised by one or two tasks – such as answering calls, processing customer service requests, or inputting data - which were repeated throughout the day. Worker discretion was low and attempts to raise productivity took the form of intrusive workplace monitoring which ranged from; listening in on phone-calls, random sampling of workplace documents for quality checks, and unannounced observations of work throughout the day. These interventions, coupled with the use of open-plan office space and target-based performance management, created a generalised atmosphere of *'pressure'* and *'unease'* for young workers (Interview notes, office manager, Business Services company, April 15th 2016).

Greater Manchester reflects the national picture where the absence of sustained re-investment in the capital stock has successfully squeezed labour costs directly in the labour process because many jobs in manufacturing and services are highly de-skilled and subject to significant work intensification, fragmentation, and 'flexibilisation' (Rubery, 2015). UK national accounts demonstrate that since 1982 the wages share of national income has been less than 56% whereas in the 1970s it rose as high as 61% of national income (OECD, 2015). The wage share is defined to include wages and non-wage benefits such as pensions and national insurance contributions. These inclusions are important because pensions and national insurance payments represent reproduction costs for labour. For capital the motive to devalue labour is ultimately to boost short-term profits, whereas the motive for austerity and welfare retrenchment is to reduce the cost of re-producing labour power for capital and the state via the re-commodification of labour. Not only is the UK's finance-led capitalism directly connected to a fall in the labour share and a decline in the agency of collective bargaining and trade unions but a greater debt burden too as labour seeks to sustain consumption levels. These trends are evident in Greater Manchester, which is ranked third nationwide for levels of individual indebtedness; 41.1% of Manchester residents are classed as over-indebted and 21% of these are aged 18-25 (MAS, 2013).

Growth in service sector employment is influenced by the availability of labour rather than by capital stock; accordingly there is an abundance of cheap, available labour in Greater Manchester in the form of young workers. However, the elementary sectors act like a sponge, soaking up workers into low-productivity jobs, rather than acting as a sector which supports the development of more productive employment (Erdem & Glyn, 2001: 53-60). In Greater Manchester the supply of young workers has been indirectly increased by the local state due to freedom it has afforded to property developers to construct numerous private rental apartments in Greater Manchester's city-centre which are occupied almost exclusively by young workers (Folkman et al., 2016).

Notwithstanding the growth strategy for Manchester resting on lower productivity jobs the skills shortage is seen by local state managers as a significant labour market problem limiting productivity increases across the county. This tension is illustrated by documents which advocate the need to 'bridge the skills gap' and 'overcome skills mismatches' (AGMA, 2009; 2013). Specifically, skills policy takes the form of attempting to increase the numbers of workers with NVQ2+ qualifications as Greater Manchester has above national-average levels of workers with no formal qualifications. In part, this focus on skills comes from surveys of local businesses across the county, which found that local employers viewed skills shortages as the biggest barrier to growth (New Economy, 2016b). As a result skills policies are distinctly employer-led, and have at the core, the aim of improving business growth. As the 2013 *Stronger Together* strategy document states; '*[AGMA] will bring employers together with providers and government agencies to narrow the gap between what employers want and what the skills system is able to deliver'* (AGMA, 2013). The aim of this skills strategy is to respond narrowly to pre-existing employer needs, thereby re-enforcing the influence of private employers and re-enforcing the current form which capital accumulation takes in Greater Manchester. As one strategic planner remarked:

'if you rib most politicians not too hard, [and] you say ''would you rather have lots of jobs, or less jobs but better jobs?'' they'll all say lots of jobs, always….I think that everywhere you do see the hourglass economy, you do see the high competition for high quality jobs, which hoover up more and more of the wealth essentially, of the capital spend…and you do see higher volumes of lower [quality] jobs.' (Former head of strategy, local Economic Development Agency, Interview 6th January 2016).

Labour market outcomes for young workers

Young workers in Greater Manchester are affected both indirectly and directly by the actions of the state. Indirect effects are outcomes of the economic strategy pursued by the local state, such as its neoliberal approach to sectoral development which has resulted in high levels of lower quality jobs. Direct effects are the result of labour market reforms and interventions, such as active labour market policies. Labour market reforms are problematic as they characterise youth unemployment and under-employment primarily as a productivity problem, rather than flowing from shifts in how capitalist accumulation occurs in Greater

Manchester. This approach to labour market reform consolidates neoliberal accumulation strategies in Greater Manchester rather than seeking to develop the autonomous productive capacity of young workers. As a result, interventions on youth employment are framed in a context of increased competitiveness, as official documentation implies:

'High levels of youth unemployment have held our economy back, leaving lasting negative effects on the employment prospects of young people. Addressing this requires co-ordinated action across a range of organisations, led by the Skills and Employment Partnership, to broaden young people's opportunities and ensure that they can compete more effectively in a difficult labour market.' (GMCA, 2015)

Active labour market policies aim to respond to weak competition by improving the skills and capacities of the local labour force. This response takes the form of training provision, such as apprenticeships. At the local level there are numerous small scale policy interventions which primarily target unemployed youth and NEET (not in employment, education or training) status young people. Talent Match and the Greater Manchester Youth Contract Extension (GMYCE), both launched in 2004, are examples of local state interventions. Talent Match provides jobs coaches to support young people who are furthest from labour markets. GMYCE aims to assist young long-term unemployed enter into employment by providing cash incentives to businesses which hire young people. By its own admission, AGMA has struggled to achieve the targets it set for reducing youth unemployment: *'All GM's youth employment programmes are performing far better than they were but not quite to target. However, in a climate of slightly increasing youth unemployment, this represents significant progress and lessons learned from these need to be built into future activity.'* (AGMA, 2016). Despite the positive rhetoric, the failure to meet targets in the face of broader changes in employment levels indicate how the local state is constrained from substantive intervention in labour markets informed by social democratic aspirations. The nature of the targets themselves are also indicative of the contemporary focus of the local state; the aim is to reduce youth unemployment and NEET status, rather than seek to facilitate the movement into high-paid, higher productivity work.

4. Discussion: The limits of growth & reform strategies

The paper's findings and related arguments are discussed in terms of the two research questions which the main body of the paper addresses. Firstly, the extent to which changes in the local governance of the state are informed by broader changes implemented to support Britain's finance-led capitalism. The strategy of the local state in Greater Manchester is to a large extent constrained by the national state, and the increased power of capital, which national policy directly enables. The local state can no longer pursue autonomous policies for job creation inspired by social democratic aspirations. Instead of this the local state apparatus aims to enable and create favourable conditions for capital and private sector job creation, often flowing from inward investment. However, the numbers of jobs created from inward FDI are limited, and most job creation is indigenous to Greater Manchester. It is the case that most growth is in low-waged sectors where labour is forced into a reliance on debt-fuelled consumption as a result of the shift towards financialised accumulation at a systemic level (Folkman et al., 2016). It is in the restrictions on local state autonomy that the shifts in capital accumulation become evident.

In spite of the various economic strategies deployed by the local state economic outcomes in the county are mixed, and are largely detrimental to young workers. Although the GVA of Greater Manchester's economy grew at nearly double the national average in 2012 (AGMA, 2014) the increase in both low-paid work and economic inequality across the county bring into question just how equitable this growth is for residents, as the outcomes of economic growth are distributed unevenly across the working population. The restructuring of capital in Greater Manchester into smaller, potentially less innovative units in elementary sectors results from the fusion of finance-led capitalism alongside the promotion of labour market competition on the basis of low wages and lesser regulation by the central state. In part these policies rest on a competitive advantage in finance and employment growth which focusses on inward investment, the growth of the elementary service economy in particular and a deliberate cheapening of youth labour. The low value-added low-wage business models of local firms allow any productivity gains from such employment to be appropriated by investors and owners at the expense of retained profit for further investment in innovation – the latter being key aspect of full-employment capitalism (Clark, 2016).

The second research question centres on how young people in Manchester experience changes in the state policy on work and employment. The sectors of Greater Manchester's local economy that are promoted as high-growth and high-value added have suffered a decline in job longevity and retention, most notably financial services and manufacturing (New Economy; 2016a). Similarly, whilst Greater Manchester has experienced high levels of business start-ups, it has some of the lowest business survival rates of any UK city-region, indicating that although Greater Manchester may be good at attracting business, it is less successful at sustaining it (AGMA, 2015; Enterprise Research Council, 2016). This reflects the neoliberalism of free market economics where the creation of market mechanisms is assumed in turn to create jobs. The creation and stimulation of markets and market approaches to accumulation in the private and the public sector of the national and local state is viewed by state managers as more democratic than the processes of job creation in the embedded liberalism of full-employment capitalism. Accordingly the approach taken to labour market reform by the local state is similarly limited in scope. The prominence given to skills-based solutions is marginal and because of this low productivity within labour markets is attributed to the individual worker, rather than with structural weaknesses in the composition of the local labour market, or the British political economy. Rather than trying to resolve structural labour market issues – such as the presence of large numbers of businesses with low-valued added business models - the local state has instead continued to promote a discourse which individualises the skills issue. This approach aims to overcome perceived skills shortages through the promotion of market-facing training, and associated notions of employability and entrepreneurialism. A particular problem with this market-led approach to training provision is that markets are inherently limited in their ability to resolve skills shortages; this is a recurrent feature of Britain's largely voluntarist approach to skills and training (Keep, 2000; Lloyd & Payne, 2016). Although some employers in Greater Manchester identify skills shortages as a barrier to growth many are unwilling to invest in skills development, and resort to using temporary staffing agencies, or poaching skilled workers, rather than investing in training (Ward, 2005). Policy documents demonstrate this, stating that a major challenge preventing an upskilling agenda is the distinct lack of employer engagement (GMCA, 2015).

The marginal impact of direct local state labour market interventions in job creation raises the prospect that systemic structural issues may be the root of the problem, most crucially shifts in the form that accumulation has taken in Greater Manchester towards labour intensive service sectors, and the shifts in the orientation of state managers towards capital. The local state is unable to influence the direction of this change, and its policies instead only mitigate the contradictory outcomes of capital accumulation. Labour market policies implemented at the local level enable and reinforce shifts in power towards capital; GMYCE, for example, is the local form of the national-level Youth Contract programme which is a subsidy to business, as employers are rewarded for merely engaging young people, often on a temporary basis. Little consideration is given to the *form* of this employment, associated minimum wages levels or opportunities for progression. Rather, the converse is true; young people are lawfully discriminated against in the form of age-stratified minimum wage enforced by the national state which is compounded by the recent introduction of the national living wage, which only applies to over 25s. The effect of the minimum wage and national wage devalue youth labour-power in the form of wage-caps but aim to increase the productivity of young workers through work intensification.

Conclusion

To conclude, the aims of local economic strategies in Greater Manchester for young people are confined to attempting to place young people into employment. This highlights the inability of the local state to moderate the contradictions of capital accumulation across the county. In Greater Manchester, efforts to engage in ostensibly social democratic strategies through the promotion of headline and elementary sectors have instead increased the power of private employers. The increased power of private capital has further entrenched disciplinary value relations across the county and has done little to mitigate or challenge enduring structural issues. The expansion of low-paid, de-skilled, intensified insecure[7] work, associated social polarisation between the North and South of the county and traffic and environmental problems continue apace. These challenges together, with a looming housing crisis, risk a bigger crisis of social reproduction for young workers as neoliberal governance strategies are further embedded in the local state.

[7] Post-recession, full-time employment has increased by 1.7% in Greater Manchester. Self- employment has grown by 32%. Flexible employment by has grown by 23% and part-time employment by 12%. These figures are for all-age workers. (New Economy, 2016a: 18)

These challenges reveal imperatives which local state strategies impose on employment conditions in Greater Manchester. The paper demonstrates that the local state is severely restricted in its ability to actively intervene in local labour markets. This is so because of the institutional composition of the British state and because of shifts in British political economy which see private capital secure greater influence over local economies, a tendency that is reflected in the emergence of 'entrepreneurial urbanism' in the local state. As a result of these processes, attempts by the local state to engage in progressive reform necessarily occur within a narrow range of policy options which reflect the needs of capital in Greater Manchester; namely the need for largely de-skilled young workers who can enter the growing service economy across the county.

The position of young workers in this accumulation strategy is unquestioned by local politicians and state managers. Young workers are a source of cheap labour-power for the service sector, and their low incomes are used a source of profit for both the private rental sector and to grow the consumptive economy of Greater Manchester. Few direct attempts are made by the local state to try and intervene and coordinate the labour market for young workers, other than to move long-term unemployed into work or to upskill those with the lowest qualifications. All of this leads to large numbers of young workers continuing to experience some of the worst aspects of contemporary labour markets, marked by some of the poorest labour conditions and lowest levels of remuneration.

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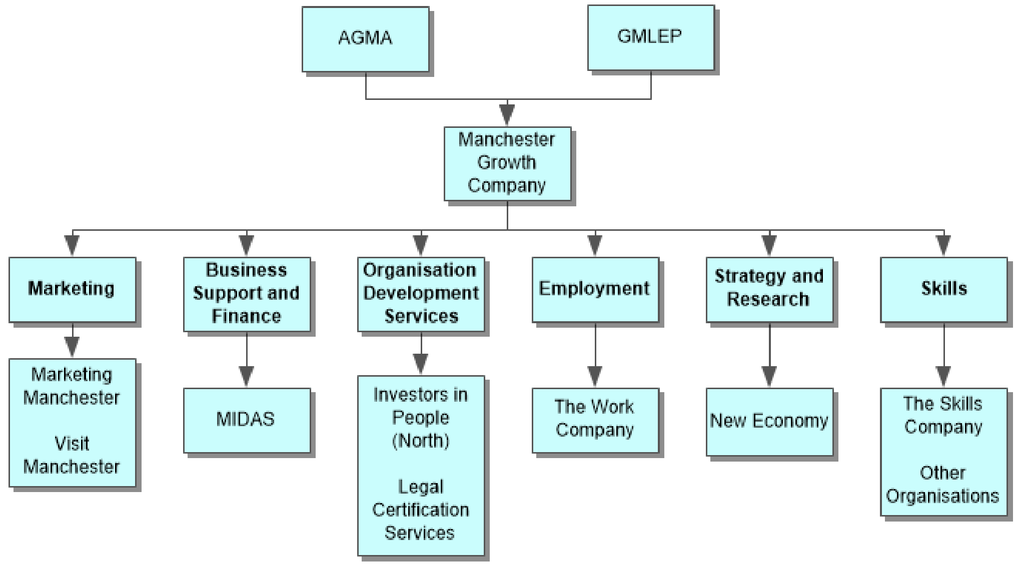
Figure 1. Structure of Manchester Growth Company



Source: *MGC website; AGMA.*

Table 1. Employment of 16-24 year old and all-age workers in Greater Manchester, by sector

Employee Jobs By Sector	**Employees aged 16-24 in Greater Manchester (%)**	**All-age employment in Greater Manchester**	**Greater Manchester (%)**	**North West Region of Great Britain (%)**	**Great Britain (%)**
Total Employee Jobs	167,233 (100)	1,196,900	100	100	100
Primary Services: Agriculture and Mining (A-B)	2,005 (1.1)	500	0.0	0.1	0.4
Energy And Water (D-E)		12,800	1.1	1.0	1.1
Manufacturing (C)	8,808 (5.3)	104,700	8.8	10.3	8.5
Construction (F)	11,031 (6.6)	50,400	4.2	4.5	4.5
Wholesale And Retail, Including Motor Trades (G)	67,979* (40.6)	190,800	15.9	16.2	15.9
Transport Storage (H)	8,772** (5.3)	57,400	4.8	4.5	4.5
Accommodation And Food Services (I)	-	75,300	6.3	7.1	7.1
Information And Communication (J)	-	37,800	3.2	2.7	4.1
Financial And Other Business Services (K-N)	26,492 (15.9)	288,800	24.1	20.5	22.2
Public Admin, Education And Health (O-Q)	29,921 (17.9)	326,100	27.2	28.5	27.4
Other Services (R-S)	12,225 (7.3)	52,400	4.4	4.5	4.4

Source*: UK Census 2011; ONS business register and employment survey (BRES)*

Notes:

*This figure includes accommodation and food services workers.

**This figure includes information and communication workers.

Table 2. Occupations of 16-24 year olds in Greater Manchester, 2011						
Occupation	**Age 16 and over in each occupation**	**Age 16 to 24 occupation**	**Percentage of 16 and over in each occupation (%)**	**Percentage of 16 - 24 who work in each occupation (%)**	**Percentage of each occupation made up by 16 -24 year olds**	**Change since 2001 of percentage of each occupation made up by 16-24 year olds**
All categories	1,223,865	167,233	100%	100%	14%	-1
1. Managers, directors and senior officials	115,717	5,611	9%	3%	5%	-1
2. Professional occupations	202,432	11,640	17%	7%	6%	-1
3. Associate professional and technical occupations	146,373	16,246	12%	10%	11%	-1
4. Administrative and secretarial occupations	146,473	18,749	12%	11%	13%	-2
5. Skilled trades occupations	129,634	16,432	11%	10%	13%	-1
6. Caring, leisure and other service occupations	119,786	19,645	10%	11%	16%	-1
7. Sales and customer service occupations	122,012	40,415	10%	24%	33%	0
8. Process, plant and machine operatives	97,547	6,160	8%	4%	6%	-3
9. Elementary occupations	143,891	32,335	12%	19%	22%	+2
Source: *UK Census 2001; UK Census 2011*						