



Moving public agencies out of London was a major plank of the levelling-up agenda. **Max Nathan, Henry Overman, Capucine Riom and Maria Sanchez-Vidal** show how the BBC's move to Salford had a positive effect on the local economy, albeit one that was smaller than expected.

Public sector relocation:

lessons from the BBC's move to Salford

In 2011-12, the BBC shifted key functions – and 1,700 skilled workers – from London to the MediaCity site in Salford, Greater Manchester. This was the biggest public sector move in the UK this century.

Relocating big firms and scientific infrastructure can produce “halo effects” for local areas, boosting the performance of their economies. Can relocating public sector activity do the same?

Many policymakers – in the UK and elsewhere – see government relocation as a tool for transforming local economies, but hard evidence on its effects is sparse. Our study exploring the BBC's relocation helps us to understand the likely impacts.

We find that the resulting multiplier effects – caused by increased local spending by the BBC and its employees – helped the area's creative industries to grow, adding 2,000 further jobs and over 220 businesses by 2017. But we find no

effects on creative industries in the wider city-region and few broader impacts on Salford's economy.

Why should public sector relocation matter for local economies?

Many people think of public sector relocation as just about cost-saving – shifting civil servants out of big, expensive cities to save taxpayers money. In fact, relocations often have two aims: to cut property and salary costs; and to stimulate local economies (Nickson et al, 2020).

The real-world scope of such relocations varies hugely. At one extreme, Brazil, Germany and Indonesia have moved the whole of national government out of one city and into another. In the UK, however, relocation has meant shifting government agencies, ministries and back-office functions out of London

to smaller, cheaper cities around the country. Two notable examples are the Office of National Statistics moving to Newport in 2010 and, more recently, the Treasury campus opening in Darlington in 2021.

These relocations may boost local economies directly from the jobs moved and also have a wider impact through creating additional jobs in the local economy, as the new arrival buys services from local businesses and their employees spend money in local shops and cafes – what is known as a multiplier effect (Moretti, 2010).

These effects may be felt beyond the labour market. For example, an injection of knowledge-intensive jobs might help to boost innovation through knowledge spillovers to other firms. Against this, big relocations may crowd out local firms, which are forced to compete harder

for staff. Big moves may also raise local housing costs, as employees look for places to live.

What does the evidence tell us?

Politicians driving these relocations often assume that the economic impacts are very large. This is despite there being little hard evidence on the actual effects. Evidence is especially thin on the moves of so-called “anchor institutions” – large firms, major infrastructure or government departments – at the centre of policy debates.

Some clues come from big relocations in the private sector. Two recent evidence reviews, which used data from countries in the Organisation for Economic Cooperation and Development, suggest that an additional “tradable” private sector job – that is, a job that produces goods and

services for national or international, rather than local, markets – typically results in another 0.9 jobs in local services. For high-value jobs in the technology sector, this figure (the multiplier) is around 2.5 (What Works Centre for Local Economic Growth, 2019; 2023).

Looking at past industrial and “big push” place-based policy provides further insight, especially for relocations – like the BBC’s move to Greater Manchester – which shift high-skill creative activities and people.

Public research and development (R&D) programmes often have a strong place-based component, reflecting a local place’s strength in particular technologies and industrial know-how (Juhász et al, 2023). For example, in the UK, the Diamond Light Source in Oxfordshire – the country’s synchrotron science facility – drove up scientific output in related research fields, as scientists clustered nearby (Helmert and Overman, 2017).

In contrast, cluster policies have a much more chequered history (Nathan, 2022). One reason is that cluster initiatives often try to combine both targeting key industries in a place and influencing wider local ecosystems (Duranton, 2011). This makes policy more complex, and outcomes harder to define and achieve.

The most direct evidence – on public

sector relocations themselves – is still sparse. What evidence we do have suggests that public sector jobs multipliers are lower than those in the private sector in the short term. But over the course of two decades or more, these do move closer together.

One UK study finds a public to private sector multiplier of 0.21 (Faggio and Overman, 2014). Another finds a multiplier of 0.55 from a UK-wide programme of small-scale relocations in the 2000s (Faggio, 2019). Both studies look at impacts over five years.

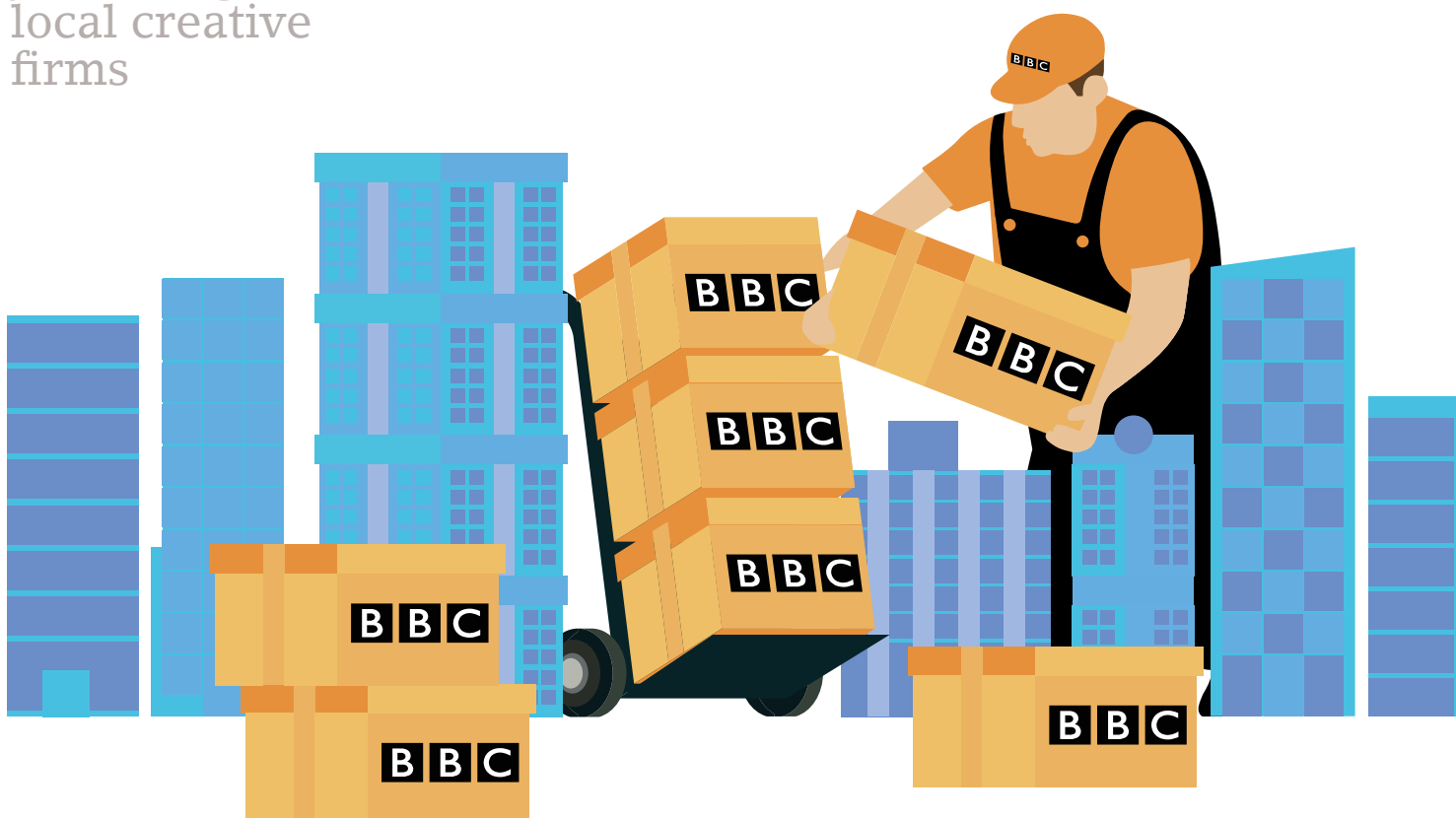
Studies looking over longer periods find larger public sector multipliers on local services: 0.8 for Spain over 20 years, and 0.86 for Germany over 30 years (Jofre-Monseny et al, 2020; Becker et al, 2021).

The BBC’s move to MediaCity

As a case study, the BBC’s move to Salford stands out for three reasons. First, it was large by UK standards – 1,700 BBC staff relocated, another 600 were hired and, by 2017, the corporation had around 4,000 people on site.

Second, rather than back-office roles, the BBC moved highly-paid staff in flagship activities. These included staff working on BBC Sport, Breakfast, children’s programming, 5 Live radio, Future Media

By 2017, for every two BBC positions, another job emerged in local creative firms



and the BBC Academy, among others.

Third, the BBC aimed to build and deepen links to Greater Manchester's large cluster of creative industries, and out into the wider north west, through commissioning programmes and enlisting local creators. Essentially, the BBC hoped to serve audiences in the north better – and to help local and regional economies in the process.

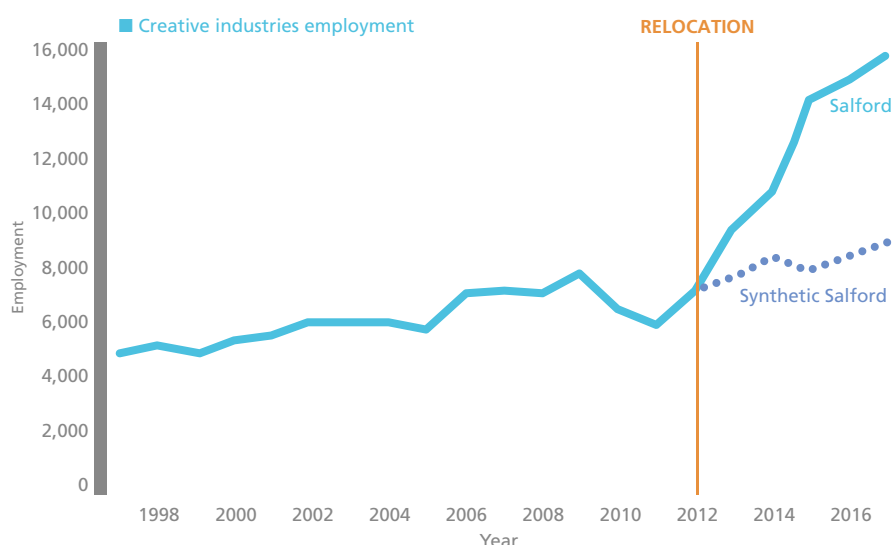
Local planners suggested that the relocation might create up to 15,000 new jobs in Salford alone. Establishing what actually happened is tricky.

Economists normally assess the impact of place-based policies by comparing changes in “treated” places with those in similar “control” locations. For example, in the case of Amazon HQ2 in the United States, the firm ran a competition, so the winning city (Crystal City, Virginia) can be compared with the losing bidders. (There were initially two winners – Crystal City and Long Island City – but Amazon pulled out of the latter in 2019.)

In the BBC case, there is only one treated location – Salford – and no viable runners-up, as the BBC seems only to have considered Greater Manchester when planning the move. To get around this, we develop a “synthetic Salford” – a doppelgänger location built using data from other UK towns and cities, and weighted to resemble Salford's local economy before the move as closely as possible. We then use changes in real versus synthetic Salford to work out the effects of the BBC relocation.

Figure 1:

The BBC relocation and creative employment in Salford



Source: Business Structure Database (BSD)

Note: The chart shows changes in creative industries employment (as defined by the Department for Digital, Culture, Media and Sport, DCMS) from 1997 to 2017. The solid line shows the trend in Salford local authority. The dotted line shows our synthetic control. The vertical line shows the relocation. BSD data cover financial years, so the relocation is placed in 2012.

The effectiveness of state relocation may vary depending on its scale

Benefits for the creatives

We find that in the first five years after the move, every three BBC jobs led to another job in Salford's creative industries (a multiplier of 0.34). That ripple effect gets bigger over time: by 2017, the

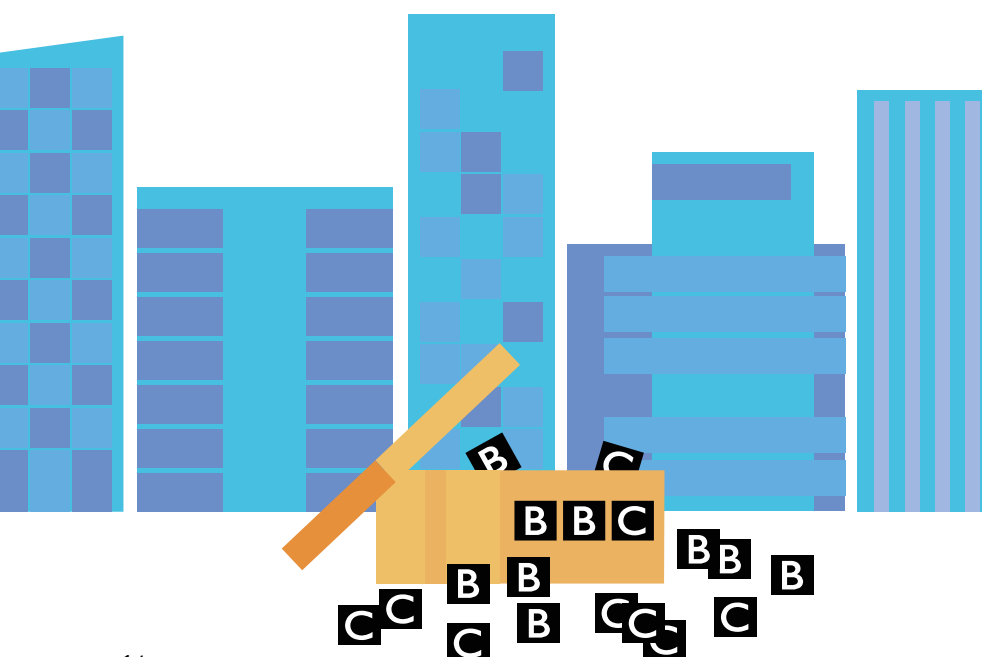
multiplier is 0.55. This means that every two BBC positions led to another job in local creative firms (see Figure 1).

These effect sizes are close to the other UK studies mentioned previously, where the timeframe is similar. We find similar gains for counts of creative firms, and creative firm size – and some of these even occur after the move is announced but before it happens.

But this chain reaction stops when we look beyond the creative industries. Effects on adjacent activities, such as technology, are marginal. And we find no jobs gains across the wider Salford economy, including on local services.

This is perhaps disappointing for policymakers, but it makes sense. In the short term, we might expect the BBC's halo effects to be strongest on local creative people, especially those involved in programme-making and media.

These shifts in the local creative economy seem to come mostly from new firms or those moving into the area. So, did the relocation simply shuffle activity around the city-region?



Relocation created new jobs in Salford, rather than shifting existing ones from the rest of Greater Manchester

The research indicates not. There were no statistically significant effects for displacement – that is, negative impacts of the BBC relocation on the creative economy in the rest of Greater Manchester. Similarly, there does not appear to be evidence of lasting damage to London's creative economy – although we are less confident about this result.

What about broader impacts on the area? Average wages rise in Salford, even when we take out the effect of higher-paid BBC jobs. The growth in higher-paid creative jobs may explain this.

Conversely, there is no evidence that the move drives up local house prices, although these shifts might be very localised. The effects on rental prices, which might be more responsive, are unclear as we are unable to look at these.

Concentration brings results

When we have talked to politicians and officials about this research, they typically see it as a levelling-up win-win: Salford and Manchester gain; London does not lose.

We broadly agree, although we must add some caveats. First, there are halo effects from this relocation, but they are limited – there are job gains but a lot fewer than predicted, and multipliers are restricted to the creative industries. And as we have flagged above, we are less clear about the impacts on London than we would like to be.

Second, this is a very large relocation by UK standards, and one that carefully moved one part of one big creative cluster to another existing creative cluster. Other proposed government relocations are much smaller and involve many different parts of the country. Policymakers should consider the scope for concentrating future state relocations, as well as comparing the impact relative to other policy tools – key infrastructure, new institutions or encouraging private sector investment.

It's also important to say that we look at early impacts – we would like to expand this analysis to look at the 15 years since the BBC moved to Salford once the data become available. And we would encourage others to explore wider impacts – on innovation, on productivity and on changes in local people's access to jobs and opportunities.

Further reading

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This article summarises 'Multipliers from a Major Public Sector Relocation: The BBC Moves to Salford' by Max Nathan, Henry Overman, Capucine Riom and Maria Sanchez-Vidal, CEP Discussion Paper No. 2042 (<https://cep.lse.ac.uk/pubs/download/dp2042.pdf>). An earlier version appeared as 'Do Cities and Regions Gain from Public Sector Relocation?' on *Economics Observatory* (<https://www.economicsobservatory.com/do-cities-and-regions-gain-from-public-sector-relocation>).

Max Nathan is a professor of economic geography at University College London and an associate in CEP's urban programme.

Henry Overman is a professor of economic geography at LSE, research director of CEP and director of the What Works Centre for Local Economic Growth. **Capucine Riom** is a research economist at the World Bank and an associate in CEP's urban programme.

Maria Sanchez-Vidal is an associate economist and co-founder of Knowledge Sharing Network (KSNET).

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