

# Regional Inequality in the UK: How Big is the Problem?

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# Regional Inequality in the UK: How Big is the Problem?

- *Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.” Paul Krugman*

The Age of Diminished Expectations, 1994, MIT Press, Cambridge, p.11

# Regional Inequality in the UK: How Big is the Problem?

- By OECD and European standards, the UK displays high interregional **productivity** imbalances and inequalities and these are also reflected in terms of high inequalities in:
  - incomes; wealth; employment status and job tenure
  - health indices; quality of life and wellbeing indices
  - artistic, cultural and heritage assets; town centre viability
  - education, research assets and infrastructure provision
  - political and media profiles
- Interregional inequalities give rise to a *Geography of Discontent* → profound political and institutional consequences

## Regional Inequality in the UK: How Big is the Problem?

- Andy Haldane, Chief Economist Bank of England: – ‘hub no spokes’; is all economics local; red car blue car; institutions, governance and knowledge diffusion
- Just under half of the UK population today live in regions whose productivity is comparable to the poorer parts of the former East Germany, parts of Slovakia and Slovenia, and poorer than West Virginia and Mississippi
- MDLS Multi-Dimensional Living Standards - SE in top OECD quartile (top 25%), L, SW and E in second quartile; rest of the UK in third quartile (between 50% and 75%)
- More than half of the UK live in regions whose MDLS Multi-Dimensional Living Standards are comparable to the poorer parts of the former East Germany, Alabama, Tennessee, South Carolina, Georgia

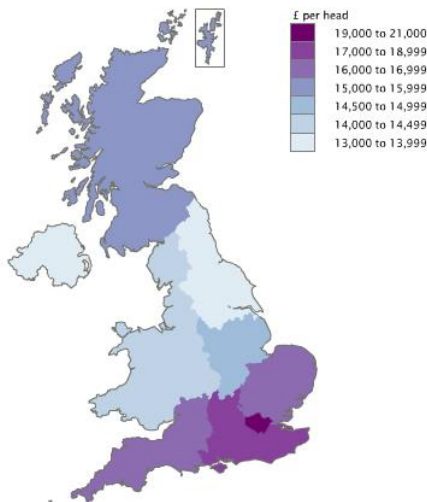
# UK Interregional Inequality Rankings

## (Number of OECD and EU Countries with Comparable Data)

Ratio Top/Bottom OECD TL2 Regions GDP per Capita	Difference Top-Bottom OECD TL2 Area GDP per Capita Divided by national GDP per Capita	Ratio Top/Bottom OECD TL2 Regions GDP per Capita	Difference Top-Bottom OECD TL2 Area GDP per Capita Divided by national GDP per Capita	Ratio Top 10%/Bottom 10% OECD TL2 Regions GDP per Capita
5/27	5/27	1/26	1/26	4/26
Ratio Top 20%/Bottom 20% OECD TL2 Regions GDP per Capita	Ratio Top 10%/Bottom 10% OECD TL3 Regions GDP per Capita	Ratio Top 20%/Bottom 20% OECD TL2 Regions GDP per Capita	Ratio Top 10%/Bottom 10% OECD TL2 Regions GVA per Worker	Ratio Top 20%/Bottom 20% OECD TL2 Regions GVA per Worker
6/26	2/27	4/26	2/25	5/25
Ratio Top 10%/Bottom 10% OECD TL3 Regions GVA per Worker	Ratio Top 20%/Bottom 20% OECD TL3 Regions GVA per Worker	Ratio Top 10%/Bottom 10% OECD TL2 Regions RDI per Person	Ratio Top 20%/Bottom 20% OECD TL2 Regions RDI per Person	Ratio Top 10%/Bottom 10% OECD TL3 Regions RDI per Person
3/27	6/27	4/27	4/27	1/11
Ratio Top 20%/Bottom 20% OECD TL3 Regions RDI per Person	Gini Index Regional GDP per Capita OECD TL2 Regions	Gini Index Regional GDP per Capita OECD TL3 Regions	Gini Index Regional RDI per Capita OECD TL2 Regions	Gini Index Regional RDI per Capita OECD TL3 Regions
1/11	9/26	1/27	5/26	1/11
Difference Top-Bottom OECD Metro Urban Area GDP per Capita Divided by national GDP per Capita	Ratio Top/Bottom OECD Metro Urban Area GDP per Capita	Ratio Top/Bottom GDP per Capita EU NUTS2 Region (including Metro Urban Regions)	Ratio Top/Bottom GDP per Capita EU NUTS3 Region (including Metro Urban Regions)	Ratio Top 10%/Bottom 10% GDP per Capita EU NUTS2 Regions (including Metro Urban Regions)
8/19	5/19	6/20	6/22	4/22
Ratio Top 10%/Bottom 10% GDP per Capita EU NUTS3 Regions (including Metro Urban Regions)	Coefficient of Variation GDP per Capita EU NUTS2 Regions (including Metro Urban Regions)	Coefficient of Variation GDP per Capita EU NUTS3 Regions (including Metro Urban Regions)		
11/22	5/23	11/22		5

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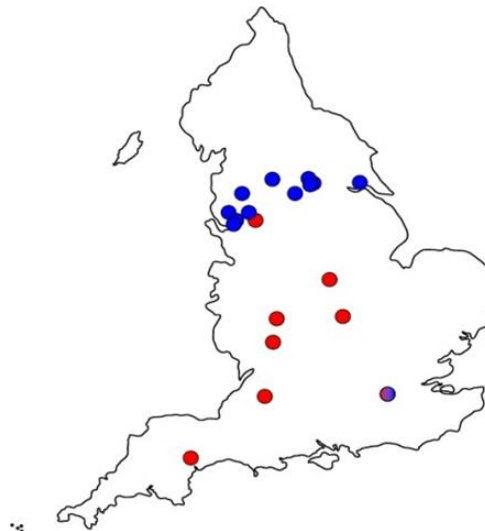
- UK Interregional problem Is the *worst* in the OECD relative to scale and national development
- London and hinterland is ***decoupling*** from the rest of UK
- UK is *diverging, dislocating and decoupling* into 3 different economies [London + SE, E, SW] [Scotland] [WM, EM, NW, YH, NE, W, NI]



# Regional Inequality in the UK: How Big is the Problem?

## ...of Perceptions

- Two different economic systems - *The Economist* 30.11.2013 analogy of co-existence of **rugby league** and **rugby union**
- Ostensibly the same ...BUT... different rules, different rewards, different playing field, different institutions, different teams, different audience, different culture, different geography



# Regional Inequality in the UK: How Big is the Problem?...*of Narratives*

X '*Jam spreading*' analogy



X London as a *motor or engine*.....



....for the whole of the UK with spread effects cascading outwards ....

X London as a dark star

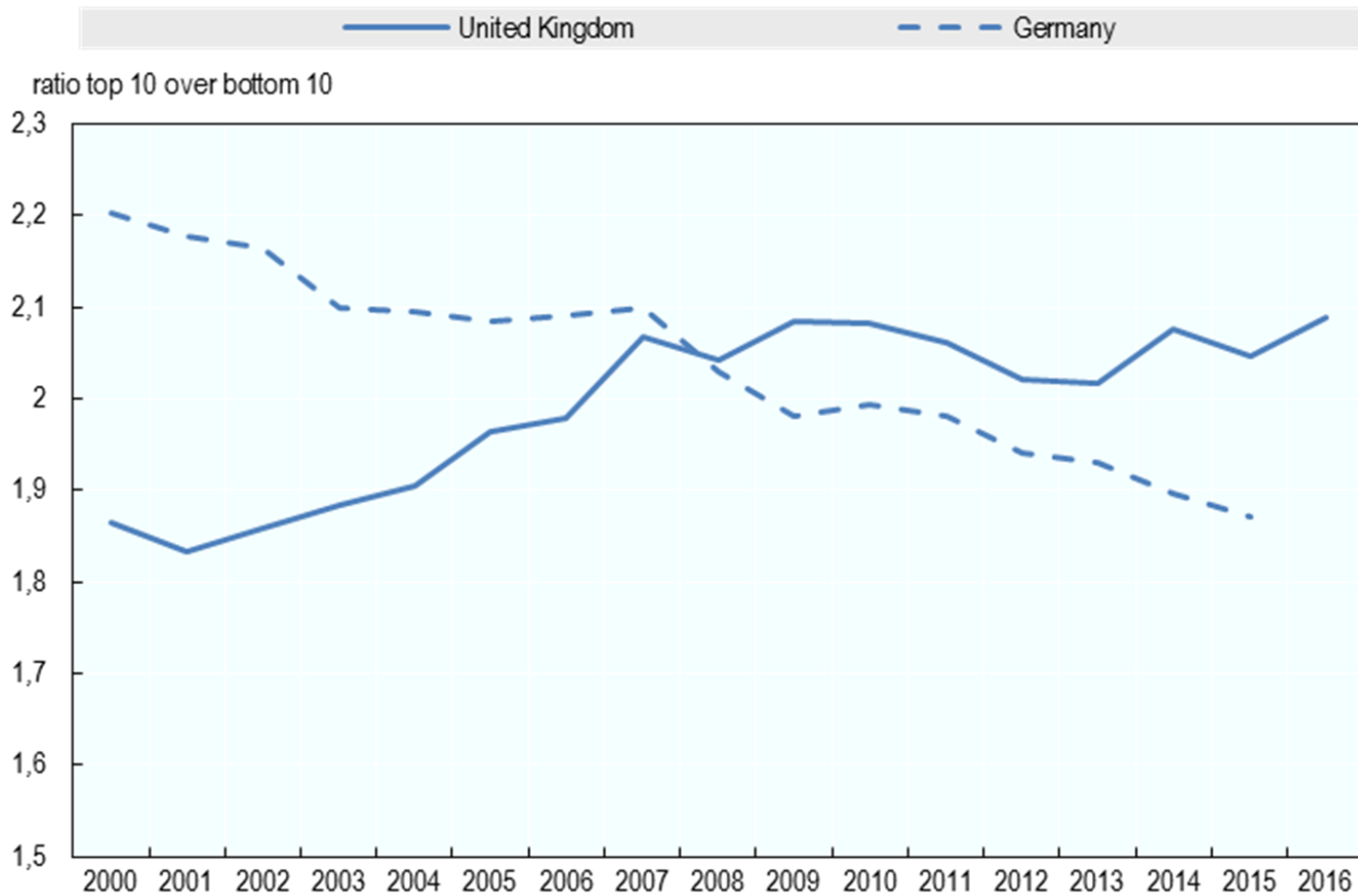


X Cities versus towns problem

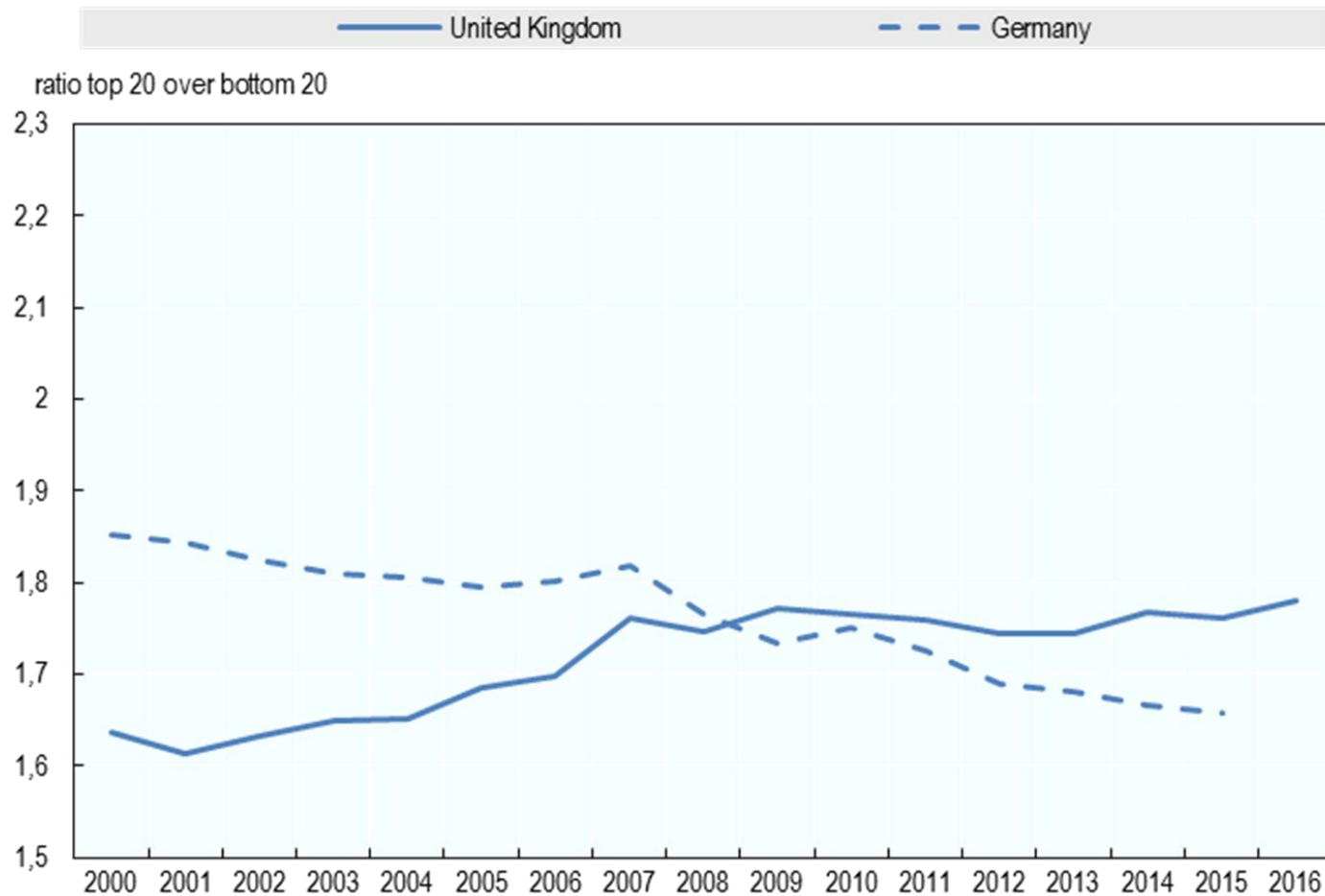




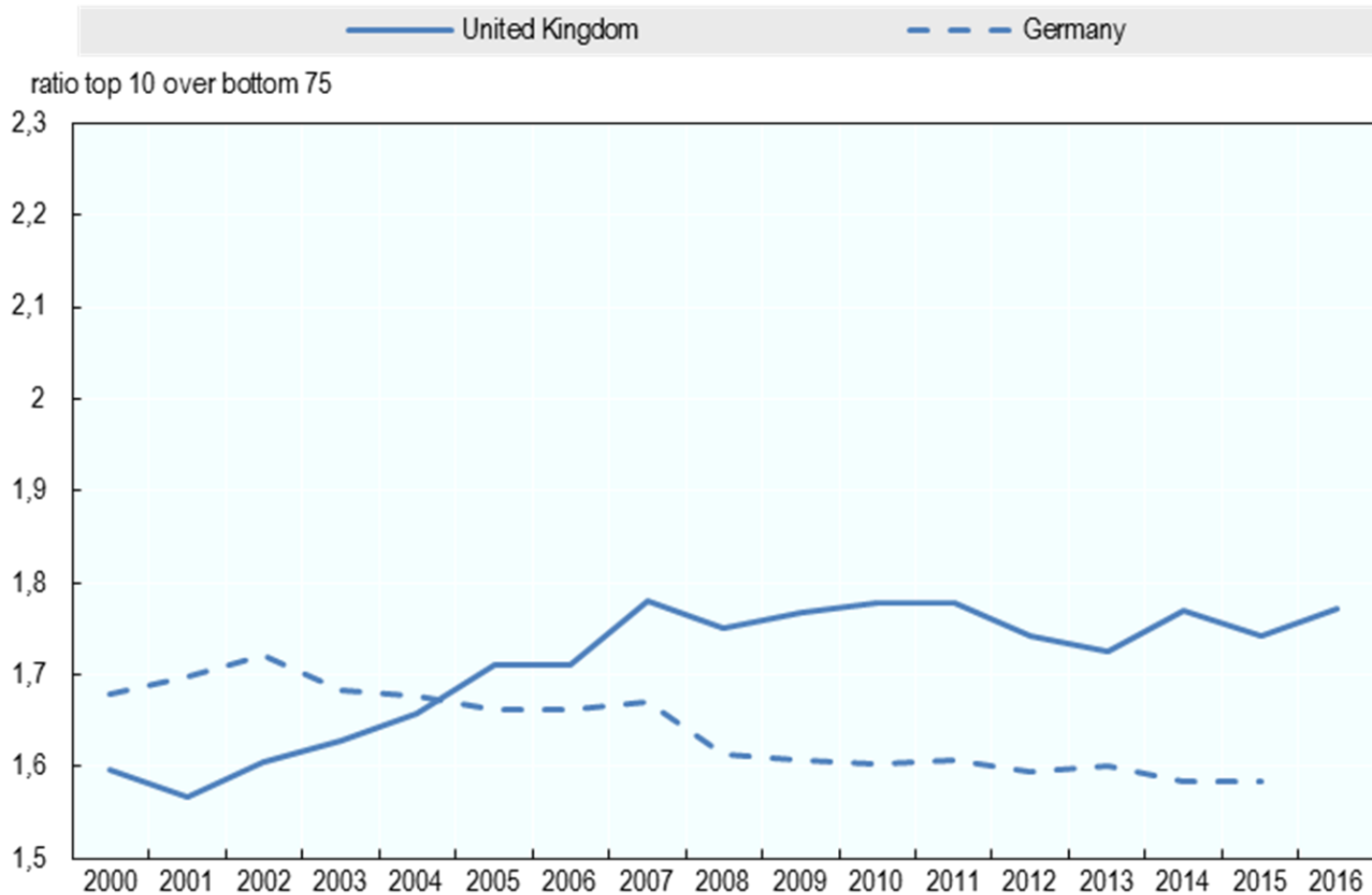
# GDP per Worker OECD-TL3



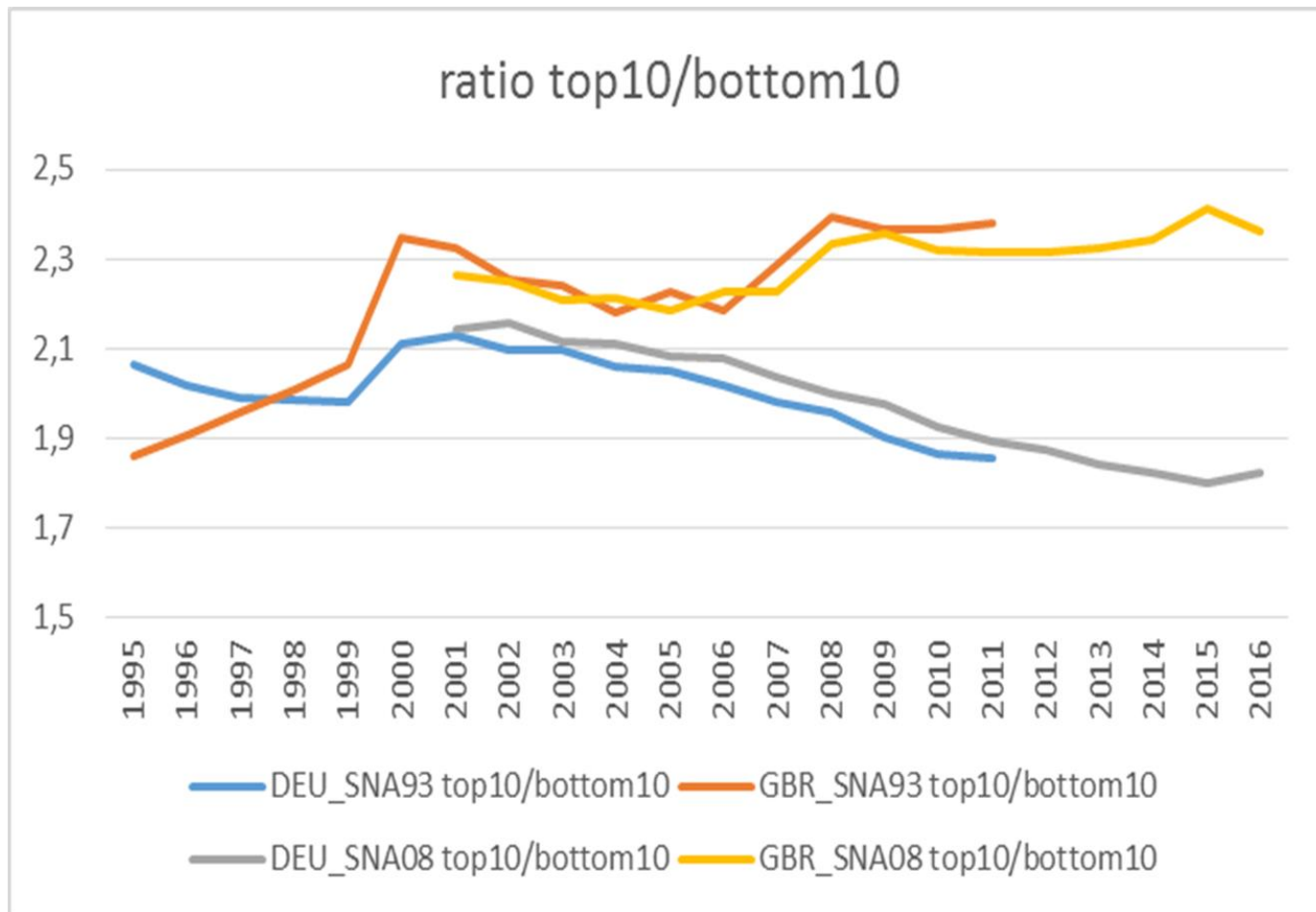
# GDP per Worker OECD-TL3



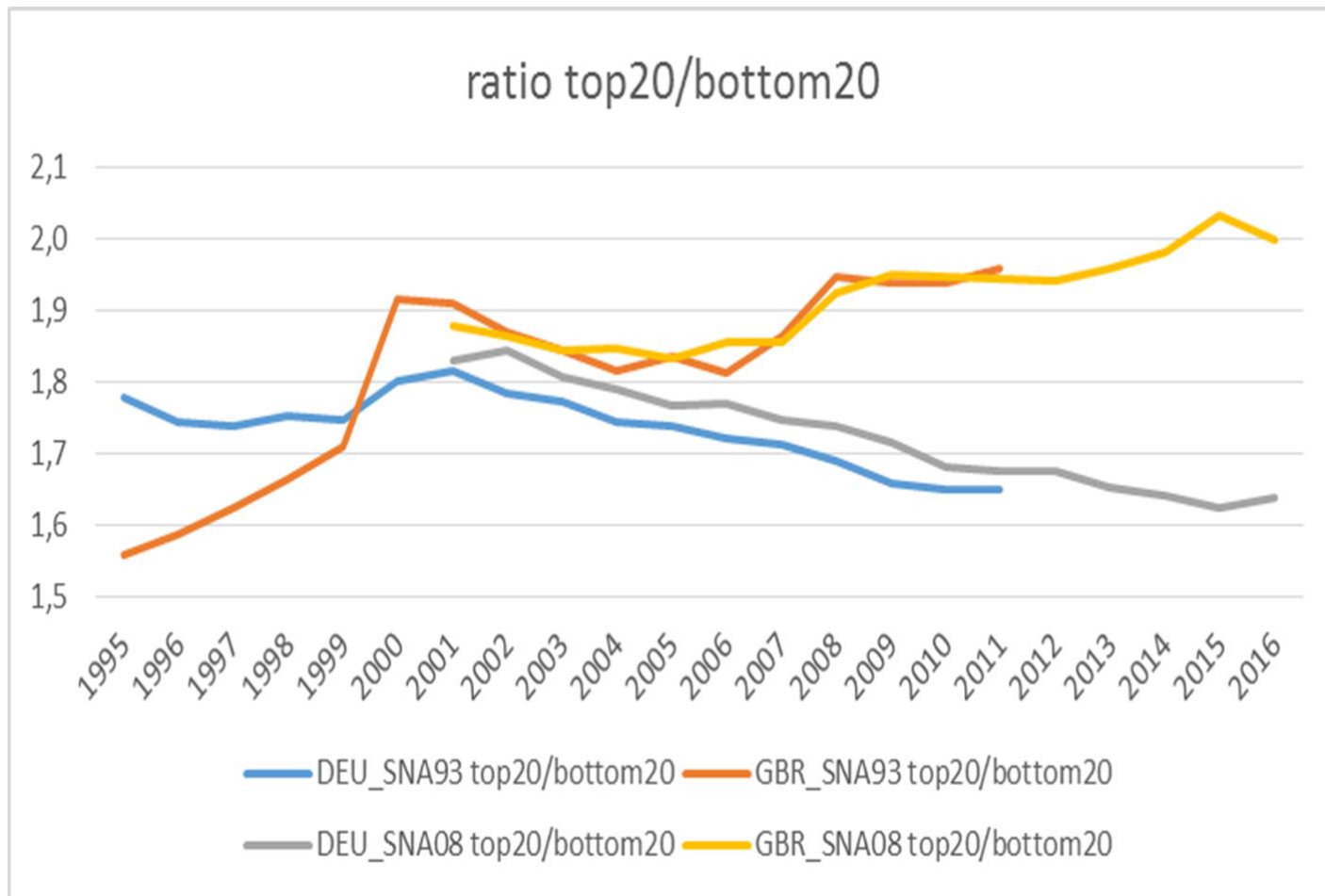
# GDP per Worker OECD-TL3



## GDP per Capita OECD-TL2



## GDP per Capita OECD-TL2



# Regional Inequality in the UK: How Big is the Problem?

## *...of Governance Reform*

- Devolving an already highly unbalanced urban system ↓

.... risks the danger of ....

← governance fragmentation ....  
...leading to opposing incentives  
.... and interests →



- ... and national governance problems ↓



- ...unless there is a workable equalisation/stabilisation formula
- ... reflecting the UK shift towards being a quasi-federal state
- ... which can be even more unbalanced and fragmented

# Regional Inequality in the UK: How Big is the Problem?

## *...of Governance Reform*

- There needs to be a wholesale restructuring of the relationship between local, regional and national policy
- We need to move towards much more of bottom-up and place-based policy logic and away from top-down processes in many arenas of national policy-making
- Devolution should result in more tailoring, engagement and coordination between places rather than more fragmentation
- Need to aim for.... so as to achieve.... and to avoid at all costs

