



FINANCIAL
TIMES



Levelling up is hard to do

**Chris Giles – Economics Editor
Financial Times
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There is a standard story

In the 21st century, we need to get away from the idea that 'Whitehall knows best' and that all growth must inevitably start in London.... We will use this historic investment to **level up and connect this country, so that everyone can get a fair share of its future prosperity.**

Conservative manifesto – December 2019

Once we compare like-with-like across 30 countries and for 28 different measures of interregional inequality, amongst the advanced economies which the UK considers as its peer group, the UK emerges as the most unbalanced and unequal country across the largest range of indicators, including disposable income

Philip McCann Blog - Are Britain's Regional Divides Large or Small? A Response to Chris Giles, May 2019

It's more complicated than that

- This applies to the evidence on regional inequalities
 - It also applies to potential “solutions”

Source of the “worst inequalities”

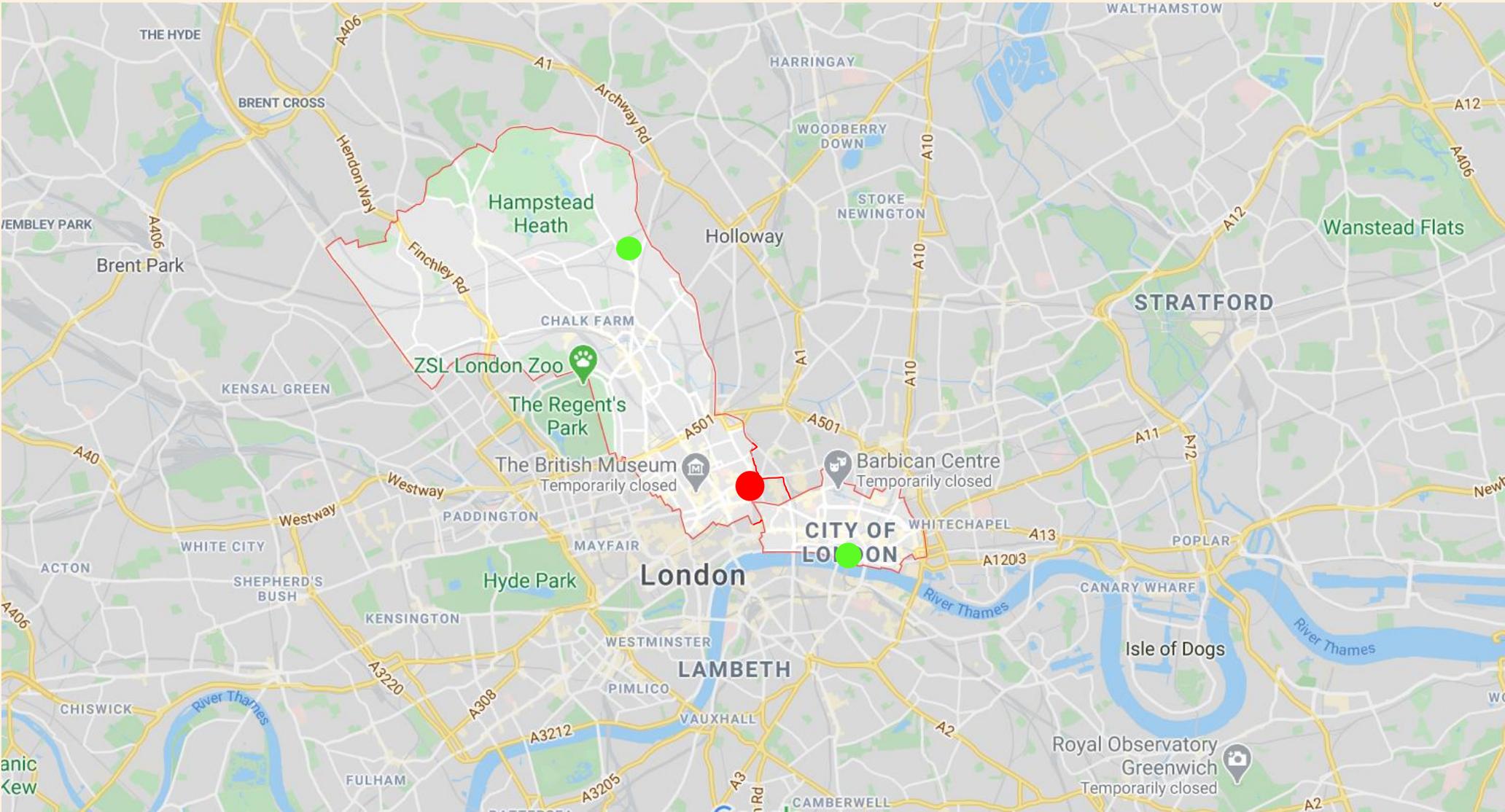
By one measure, the UK has the most geographically unequal economy in the developed world

Local GDP per capita 2016 (thousands of 2015 USD*, log scale)



*Adjusted for the cost of living in each country
 Source: OECD
 Graphic by John Burn-Murdoch / @jburnmurdoch
 © FT

Camden and City of London - £395,309 per head

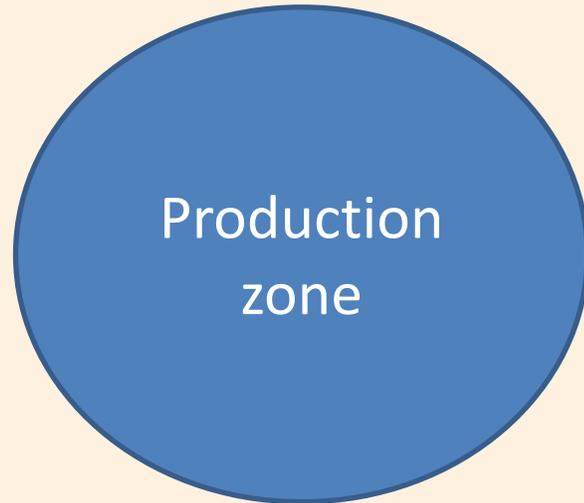


Christopher Hatton School - £395,309 per head??



What's happening here? Is this so bad?

Camden & City of London



High productivity per head
High inward commuting
Incomes variable

Dorset

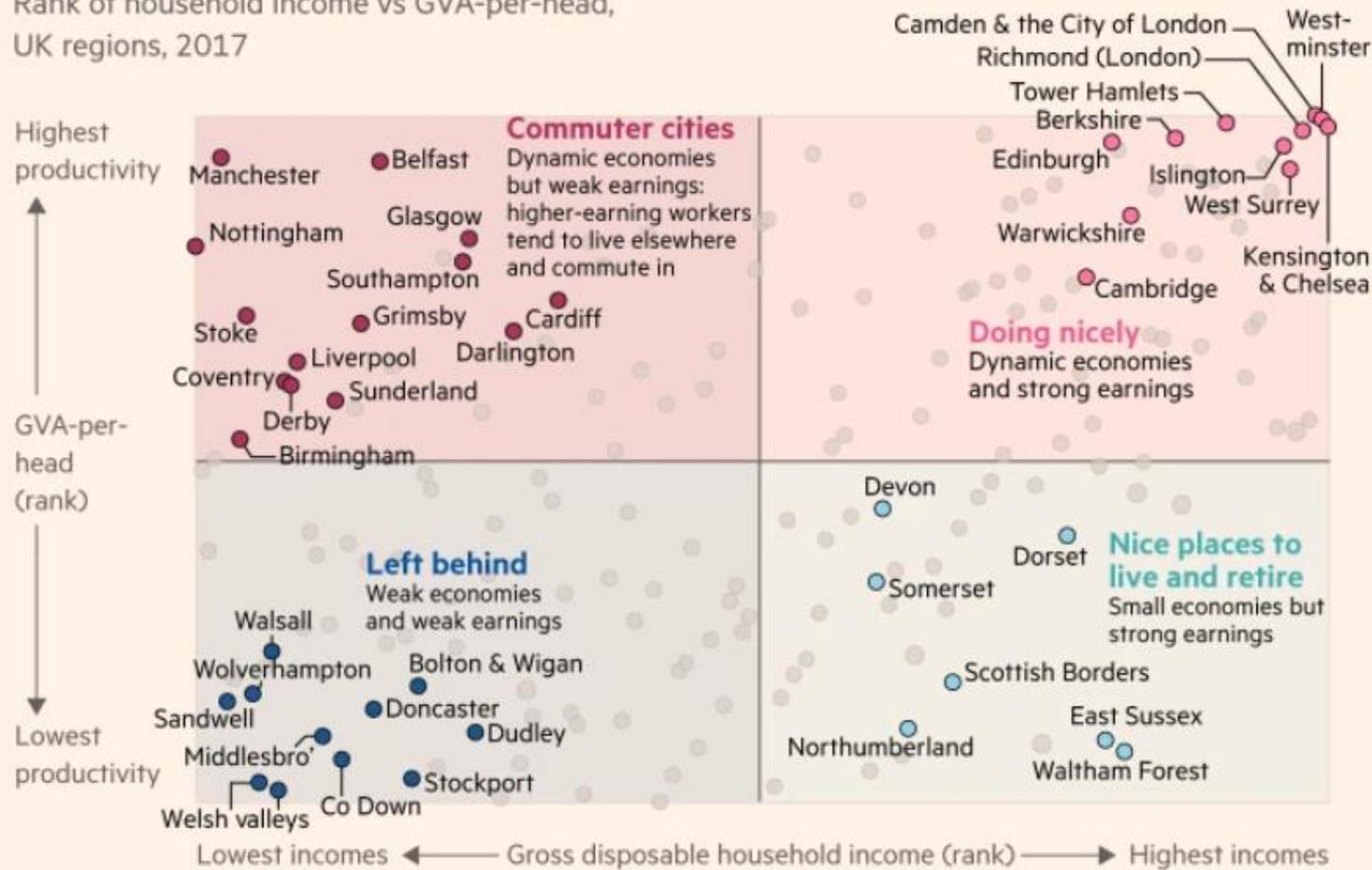


Low productivity per head
Low inward or outward commuting
Incomes high

Income ranks not well correlated with GVA ranks

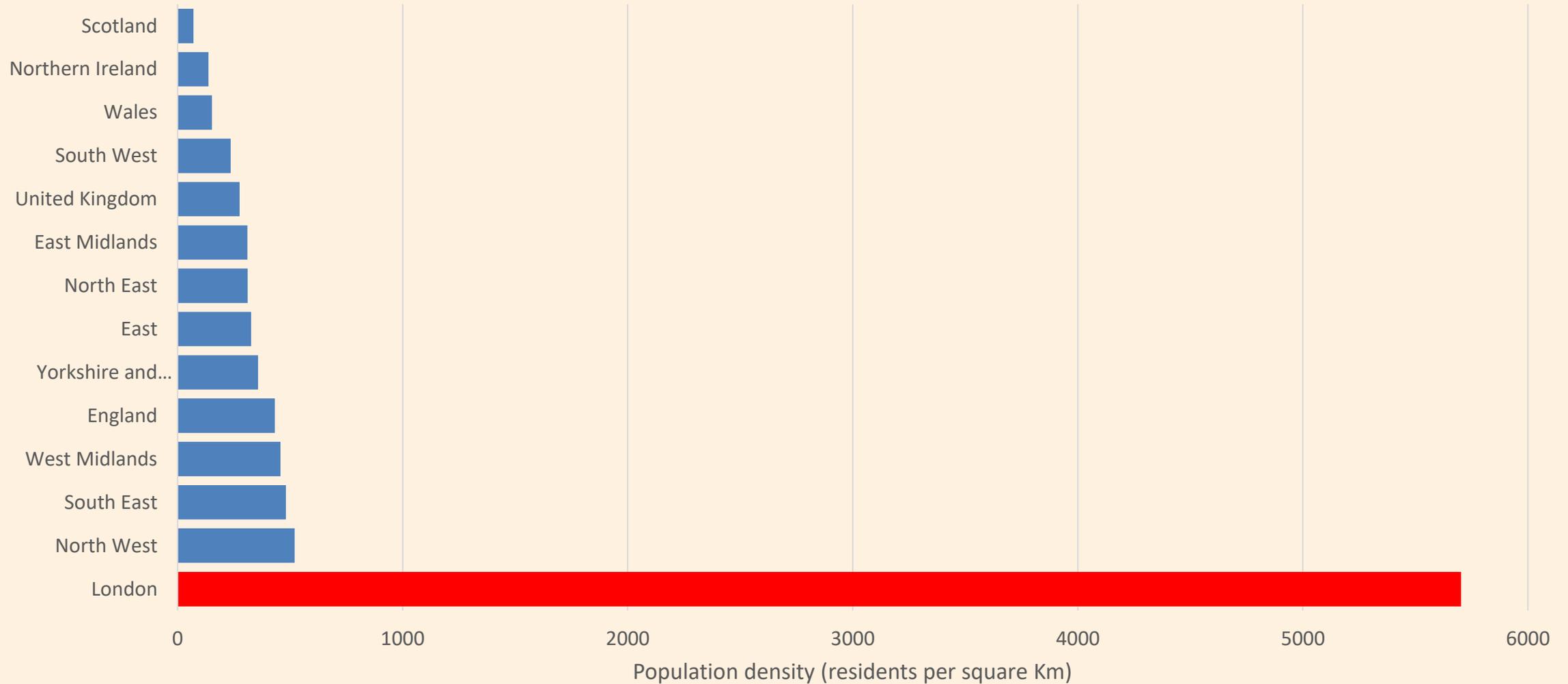
High output-per-head does not always translate into comfortable living

Rank of household income vs GVA-per-head,
UK regions, 2017



Sources: ONS
Graphic by John Burn-Murdoch / @jburnmurdoch
© FT

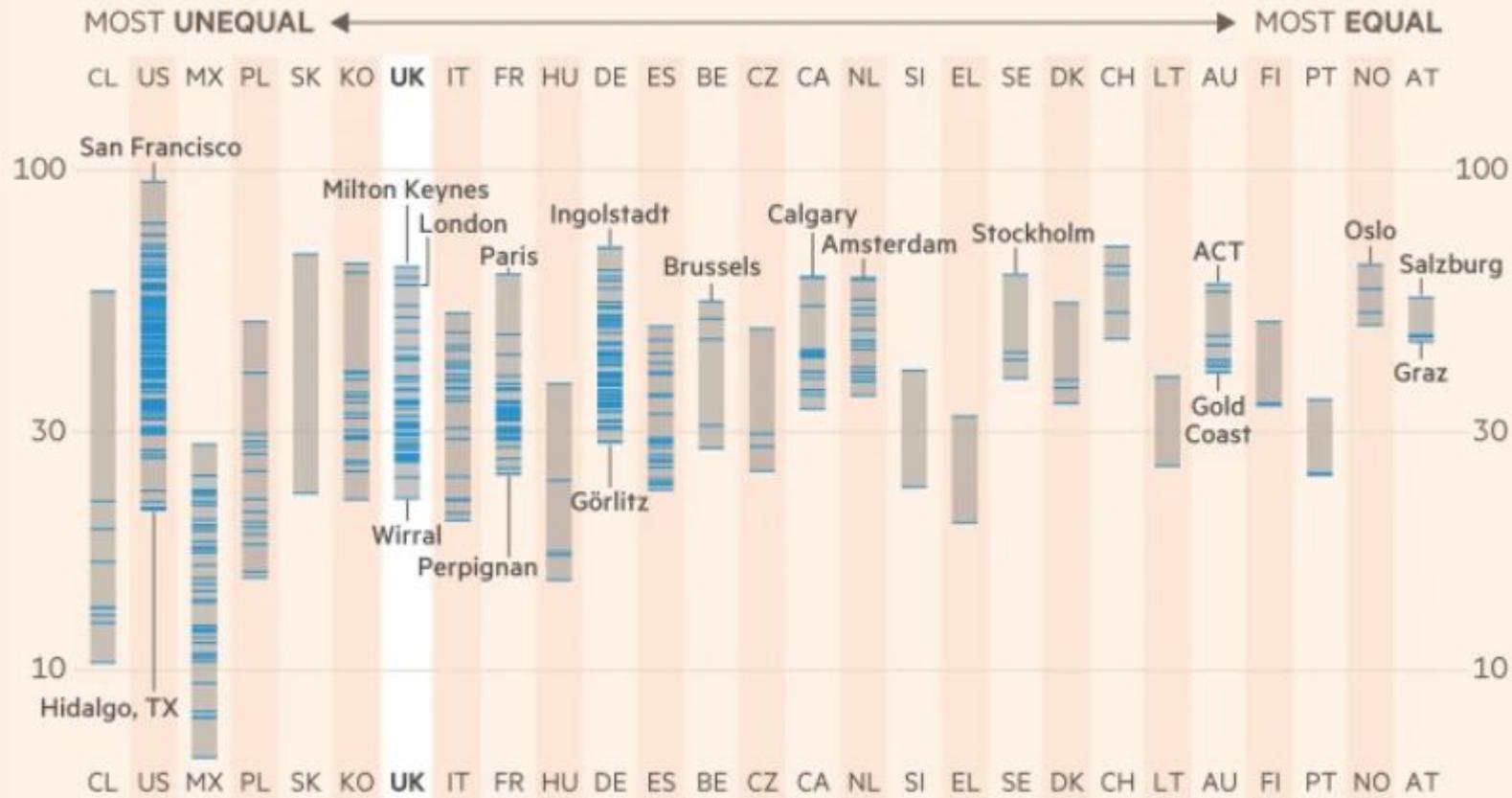
It's not just at local level the boundaries are a nonsense



What about functional urban areas? UK not exceptional

Using city boundaries, the UK looks much more geographically equal

Metropolitan GDP per capita 2016 (thousands of 2010 USD*, log scale)

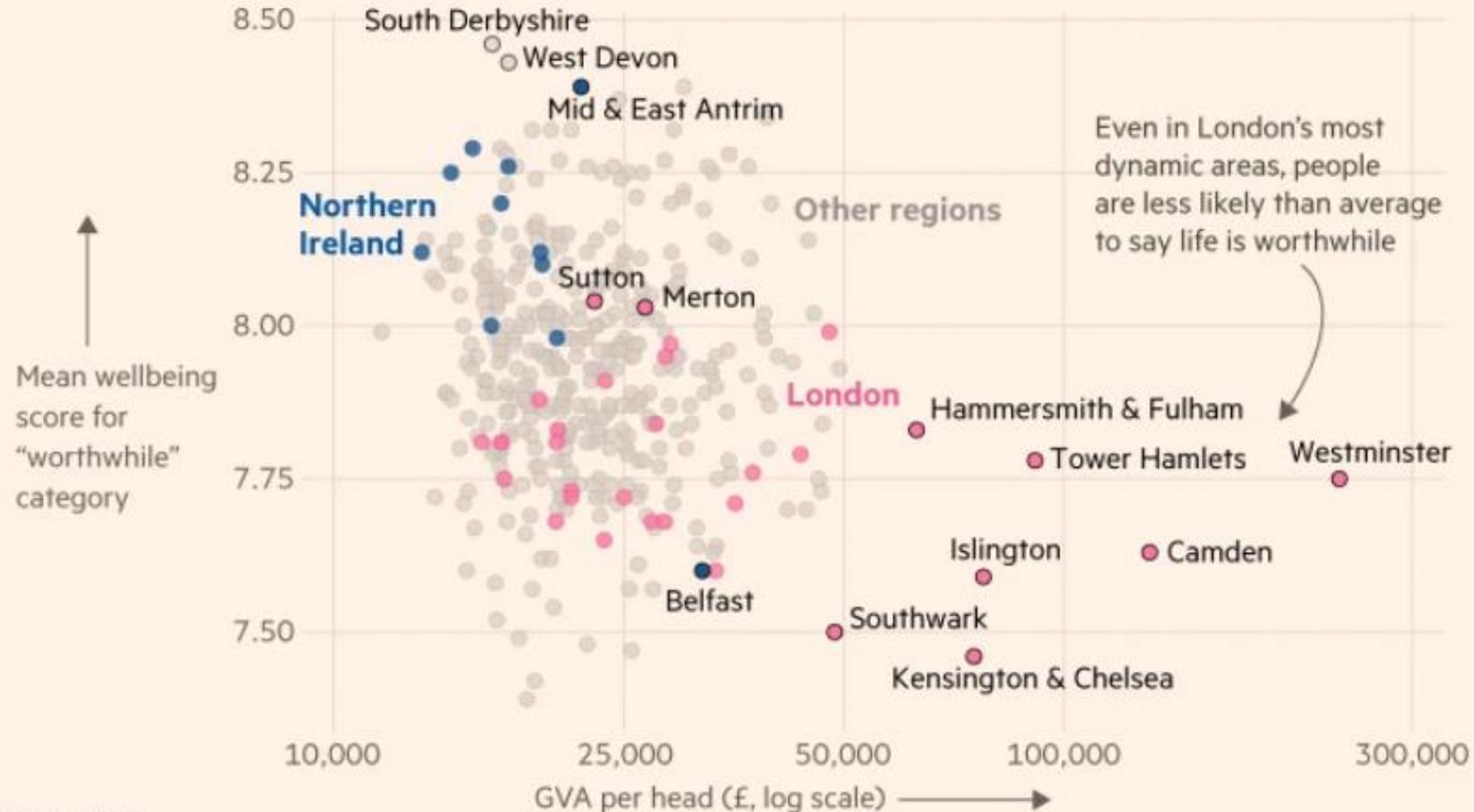


*Adjusted for the cost of living in each country
 Source: OECD
 Graphic by John Burn-Murdoch / @jburnmurdoch
 © FT

Local happiness inversely correlated with GVA/head

A dynamic economy does not buy happiness

GVA per head vs mean score for whether residents feel the things they do in their life are worthwhile



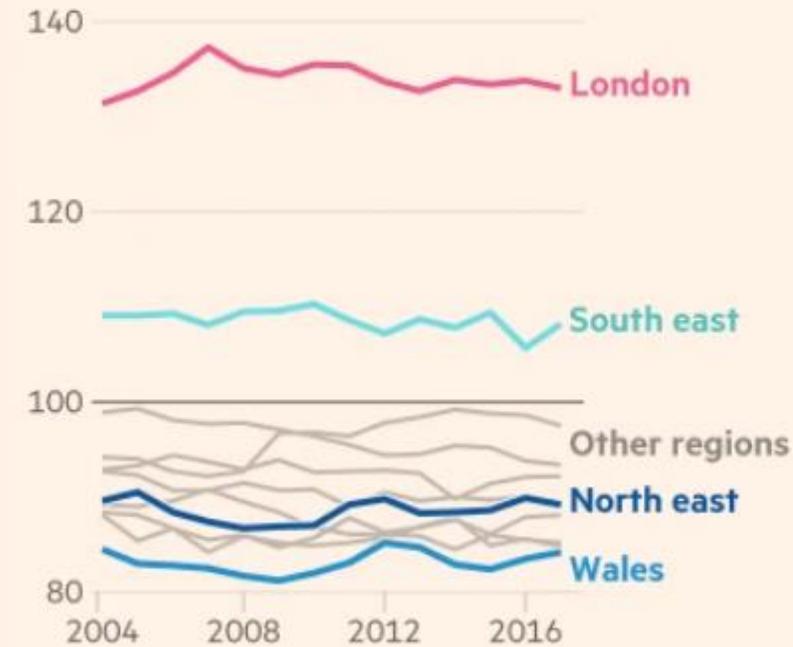
Source: ONS
Graphic by John Burn-Murdoch / @jburnmurdoch
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Net income after housing costs shows London mid table

After taking account of housing costs, the UK appears much more equal

Regional inequality in output per hour worked, and incomes after adjusting for housing costs
(UK average =100)

GVA per hour worked



Median household income after housing costs*



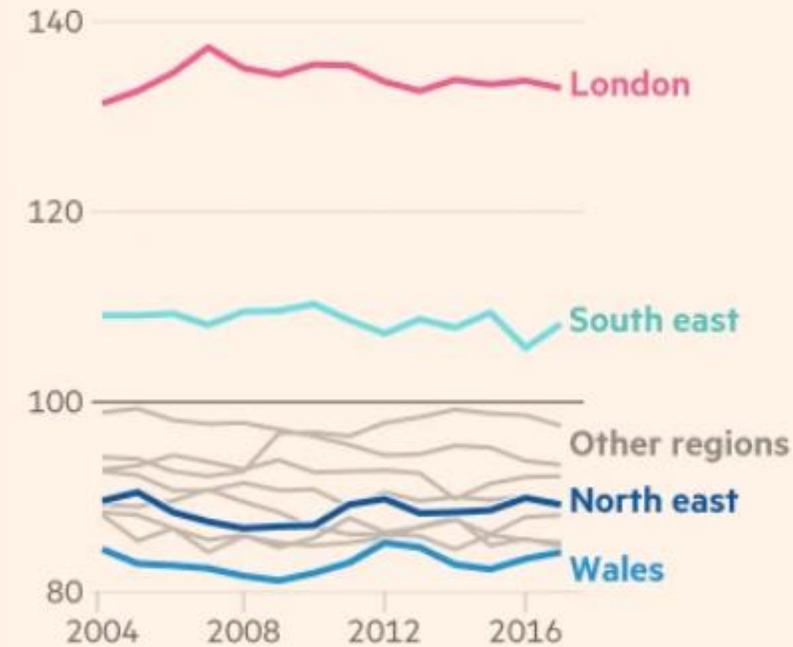
*Equivalised
Source: ONS
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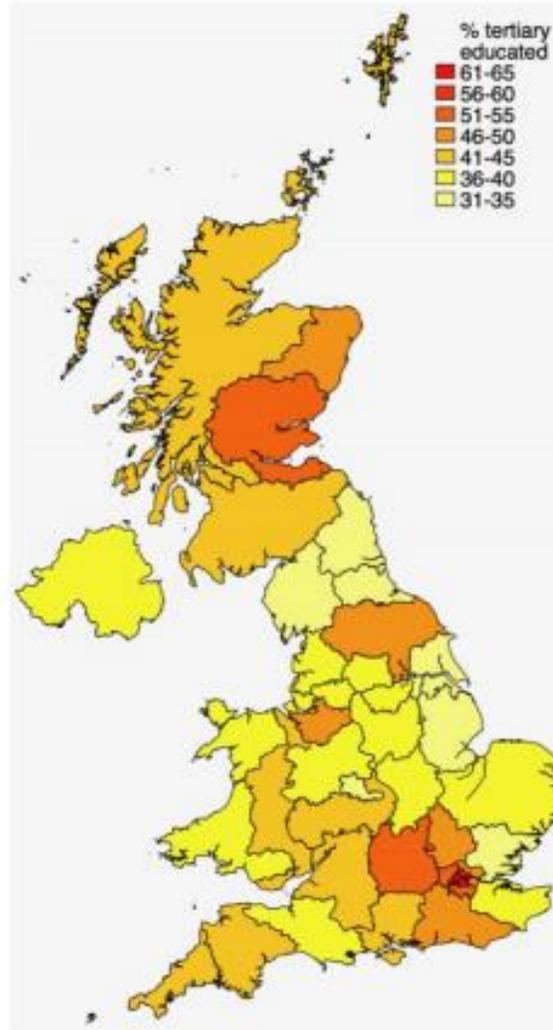
Median household income after housing costs*



*Equivalised
Source: ONS
Graphic by John Burn-Murdoch / @jburnmurdoch
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GVA differences most closely associated with skills

Figure 2: Shares of population with tertiary education



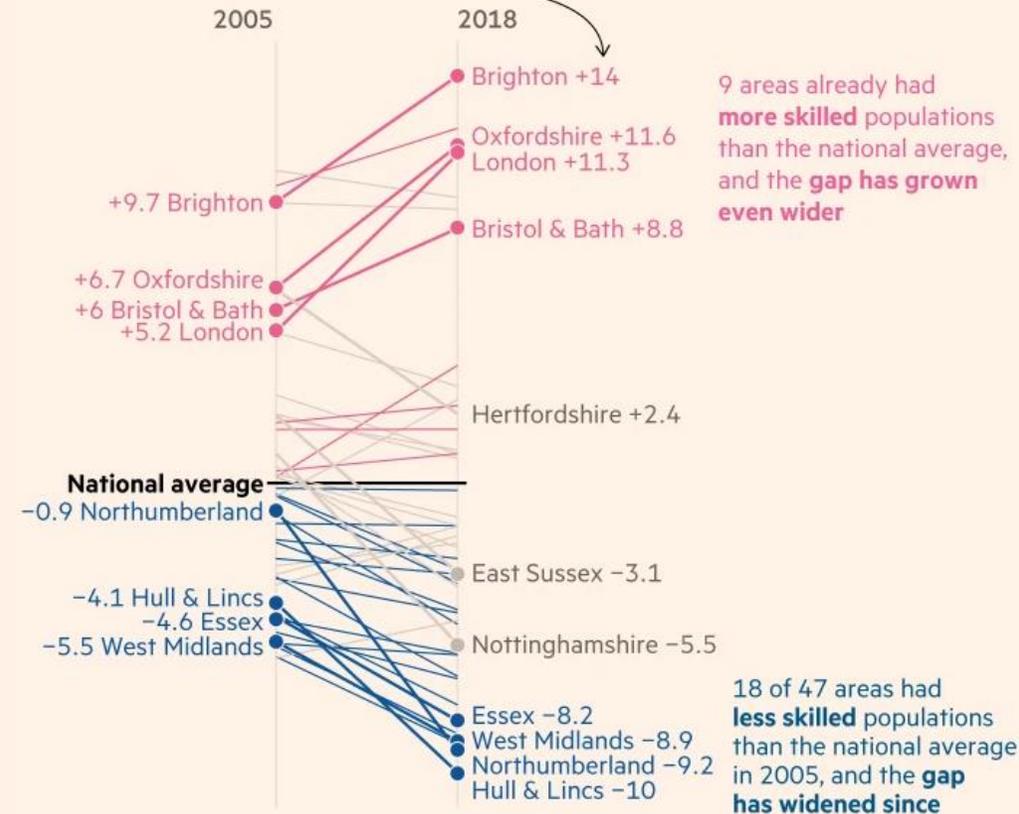
Source: Henry Overmans, CEP

Trouble is: people aren't static...they move to good jobs

Areas in England with the most graduates are pulling further ahead, while those with low-skilled populations are falling ever more behind

Gap between regional and national share of the population who are graduates (% pts)

e.g. in **2018** 62% of adults in **Brighton** were university graduates, which is **14 points above** the national average of 48%



Source: ONS
Graphic by John Burn-Murdoch / @jburnmurdoch
© FT

And there is a growing age divide with GVA effects....

Older parts of England are ageing faster than the country as a whole, while younger areas grow even younger

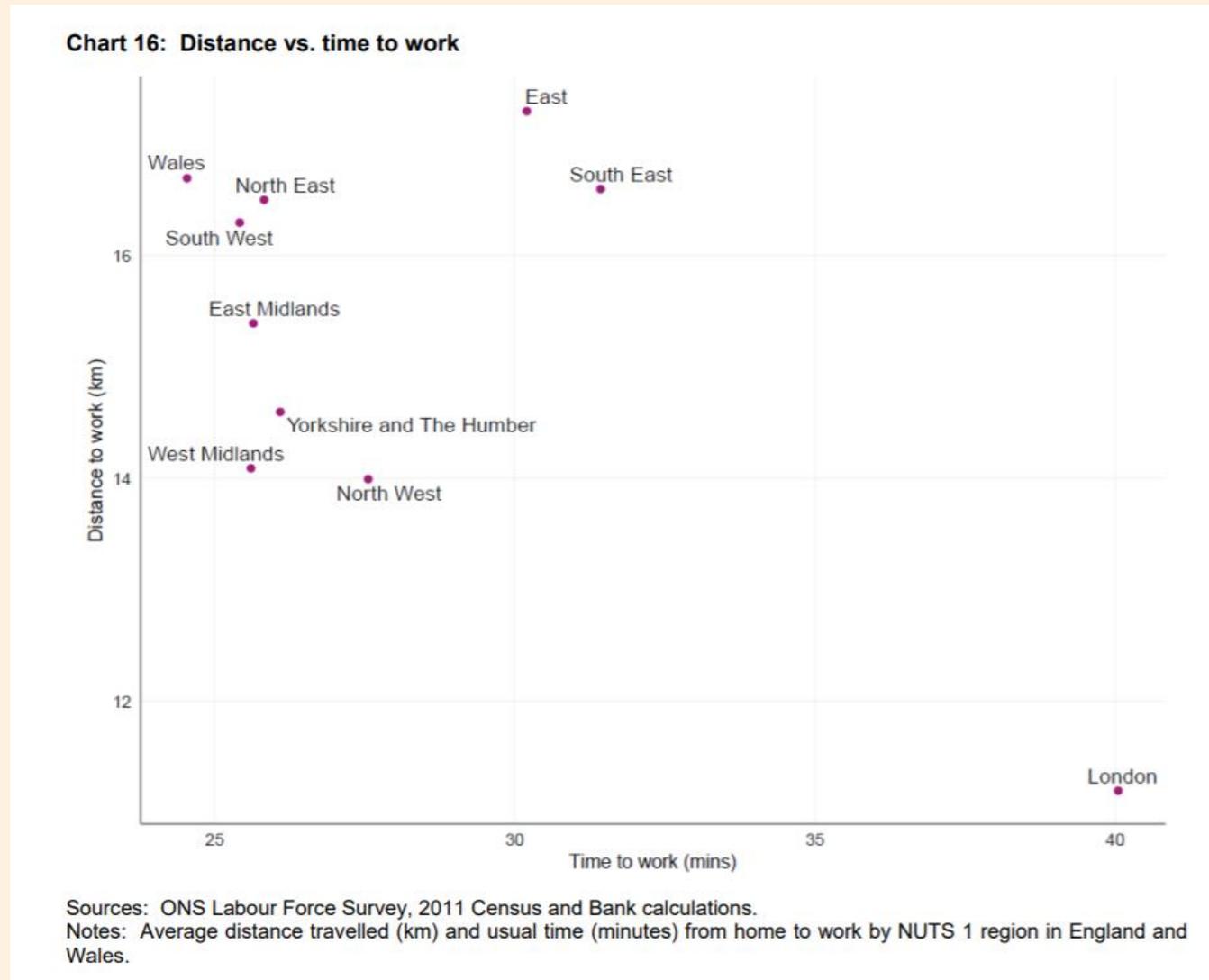
Gap between regional and national share of the population that is aged 65 and above (% pts)

e.g. in 2018 25.5% of people in **East Sussex** were aged 65 or over, which is **7.5 points above** the national average of 18%



Source: ONS
Graphic by John Burn-Murdoch / @jburnmurdoch
© FT

Evidence that transport is poor outside London is weak



Evidence that transport is poor outside London is weak

Today, Sat 27 Jun, at 17:51 [Change](#)

[^ Earlier trains](#)

17:51 ON TIME	● Rochdale Platform 3	14m ≠	🕒 PEAK
18:05 ON TIME	○ Manchester Victoria Platform 6 estimated	0 changes	
18:18 ON TIME	● Rochdale Platform 4	20m ≠	🕒 PEAK
18:38 ON TIME	○ Manchester Victoria Platform 5	0 changes	Find tickets
18:38 ON TIME	● Rochdale Platform 3	14m ≠	🕒 PEAK
18:52 ON TIME	○ Manchester Victoria Platform 5	0 changes	Find tickets

 **Discount Code Available** [Activate code →](#) 

18:51 ON TIME	● Rochdale Platform 3	14m ≠	🕒 PEAK
19:05 ON TIME	○ Manchester Victoria Platform 3	0 changes	Find tickets

Today, Sat 27 Jun, at 17:49 [Change](#)

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17:49 EXP 17:51	● Reigate Platform 1	47m ≠ > ≠	🕒 SUPER OFF PEAK
18:36 ON TIME	○ London Blackfriars Platform 2	1 change ▾	
18:00 ON TIME	● Reigate Platform 2	50m ≠	🕒 SUPER OFF PEAK
18:50 ON TIME	○ London Victoria Platform 15 estimated	0 changes	
18:30 ON TIME	● Reigate Platform 2	49m ≠	🕒 SUPER OFF PEAK
19:19 ON TIME	○ London Victoria Platform 15 estimated	0 changes	Find tickets

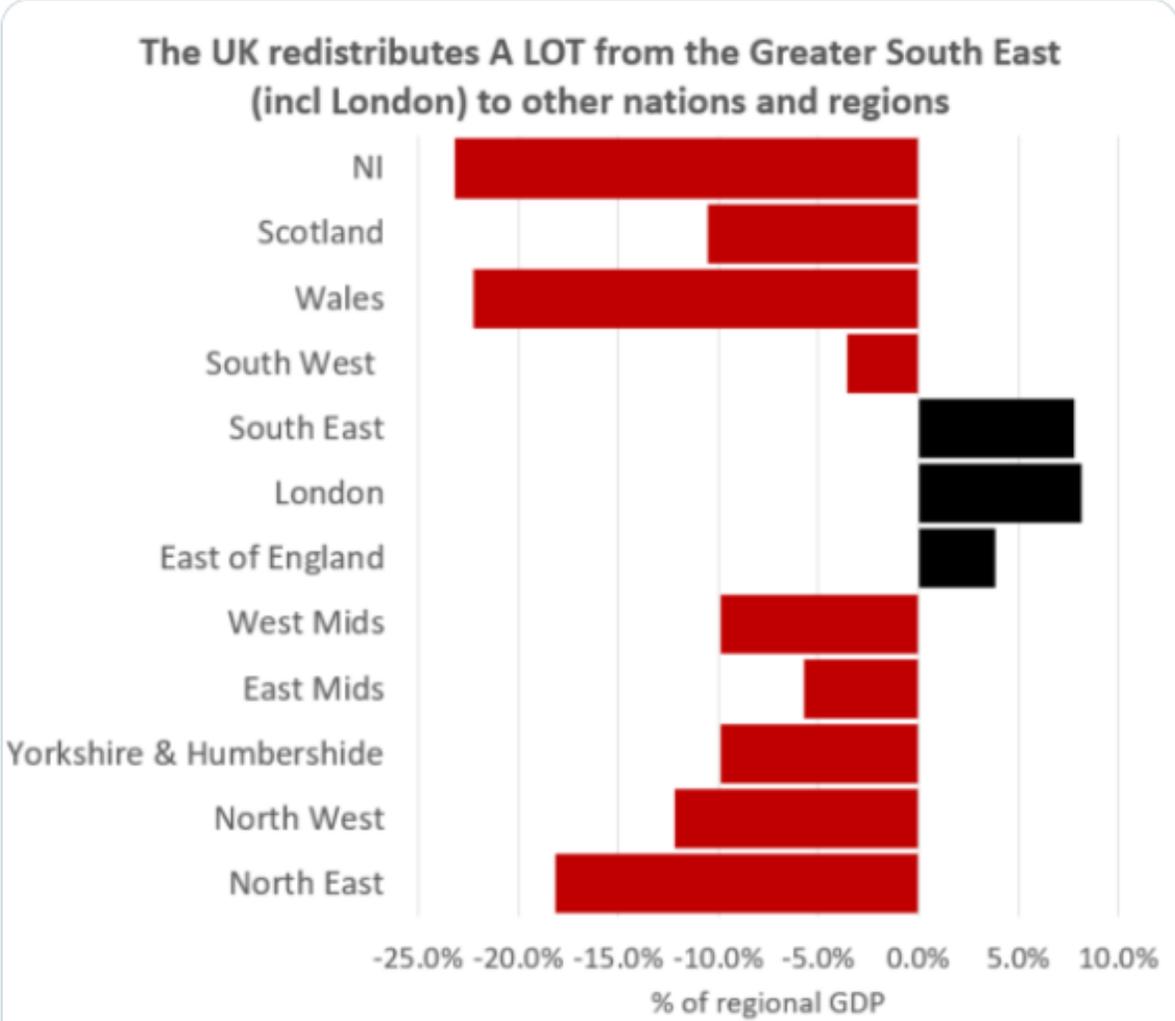
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18:49 ON TIME	● Reigate Platform 1	47m ≠ > ≠	🕒 SUPER OFF PEAK
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And if big infrastructure makes all the difference.....



What about more regional redistribution?



Conclusions

- Far from obvious we have a terrible regional inequality problem
- The data is contradictory and complicated
- Reducing inequalities in regional productivity will be difficult when it's battling individual choices and trends in age and skill location
- Regional transport infrastructure as a solution lacks supporting evidence
- There is already copious regional redistribution
- And the fundamental problem is jobs in the North and housing in the South



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