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REVERSE AUSTERITY TO HELP ‘LEFT-BEHIND’ PLACES:

New Centre for Economic Performance election briefing calls for radical rethink of area-based policy initiatives to tackle the UK’s longstanding regional divides

A new approach is needed to tackle the “profound and persistent” regional divides in the UK, according to a new report from the Centre for Economic Performance (CEP), LSE.

The analysis, one of a series of briefings produced to provide economic evidence on the key issues in the 2019 UK general election, reveals that the economic disparity between areas is now at a level not seen since the 1980s.

“Improving the economy in ‘left-behind’ places requires increased investment and the reversal of austerity”, report author Henry Overman, professor of economic geography and CEP’s research director, said.

He added that traditional approaches to tackling regional disparities – through central government investment in local growth projects, or transport and other infrastructure – have been ineffective in narrowing the gaps.

Professor Overman said: “Where you grow up makes a difference to how much your family background affects your life chances.”

“In the end, we should care more about how policies affect people rather than places. Policies should be judged on the extent to which they improve individual opportunities, and on who benefits, rather than whether they narrow the gap between particular places.”

The report reveals:

- Economic performance varies widely between different places in the UK. On some measures, the performance gap has widened since the financial crisis. There is a broad North-South pattern, but also substantial variation within those areas.

- Having a better educated labour force is the most important driver of local economic performance. An increasing concentration of more educated workers in certain places and a growing earnings premium for graduates are the most important factors behind the increasing inequality between places.

- City size also matters, but much less than residents' skill levels. Smaller towns can do well if they have lots of highly skilled residents. Bigger cities may struggle if they have lots of low-skilled residents.

- On some measures, London receives a disproportionate share of infrastructure investment. A more equal distribution would slow growth in London and might increase growth elsewhere, depending on how and where the money was spent. But the only way for
infrastructure to have a big effect on spatial disparities is if it leads to the relocation of large numbers of skilled workers away from London.

- Local government in England has borne the biggest burden of austerity and cities in the north of England have been hardest hit. Austerity reduced redistribution and so it is partly responsible for the recent widening of spatial disparities.

- Providing a counter-balance to London may require some investment to be more spatially focused – for example, focusing infrastructure investment on a number of places, spread across the UK, that are doing relatively well with the aim of increasing productivity and employment in those areas. Policy then needs to make sure that people in disadvantaged communities can access the opportunities generated, which will require substantial intervention across a wide range of policy areas.

- Improving economic performance and helping to tackle the problems of ‘left-behind’ places are important policy objectives. But ultimately, we care about people more than places. Policies should be judged on the extent to which they improve individual opportunities, and on who benefits, rather than whether they narrow the gap between particular places.

The full report People, Places and Politics: Policy challenges of the UK’s uneven economic geography is available here: People, Places and Poverty

Notes for editors

Henry Overman is Professor of Economic Geography and Research Director of the Centre for Economic Performance at the London School of Economics.

People, Places and Politics: Policy challenges of the UK’s uneven economic geography is one in a series of election briefings produced by the Centre for Economic Performance, LSE. The series aims to provide an impartial, evidence-based analysis of the key issues in the 2019 UK general election including education, social mobility, immigration, Brexit and the labour market.

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