

# Are cities really the motor of UK regional economic growth?

**Steve Fothergill**

CRESR, Sheffield Hallam University

and

**Donald Houston**

Urban Studies, University of Glasgow

# The prevailing ideology

- Cities are the dominant source of economic growth in the modern economy
- Cities benefit from 'agglomeration economies' that allow their businesses to be more productive than elsewhere
- Growth in cities will revive the economies of their hinterlands through commuting networks and spill-overs

# The resulting policy prescriptions

- Economic growth in cities should be prioritised over areas of 'need' elsewhere
- Powers over economic development should be devolved to the cities
- Transport investment – especially rail – should concentrate on connections within and between cities
- Surrounding local authorities should be clustered together into 'city regions'

# The pre-2000s view: counter-urbanisation

- Most big cities were experiencing an absolute decline in population and jobs
- Conversely, smaller towns and rural areas were the main location of growth – and not just in cities' hinterlands
- The emergence of the 'inner city' problem
- Not just a UK experience – seemed to be common to advanced western economies

# Urban-rural shift

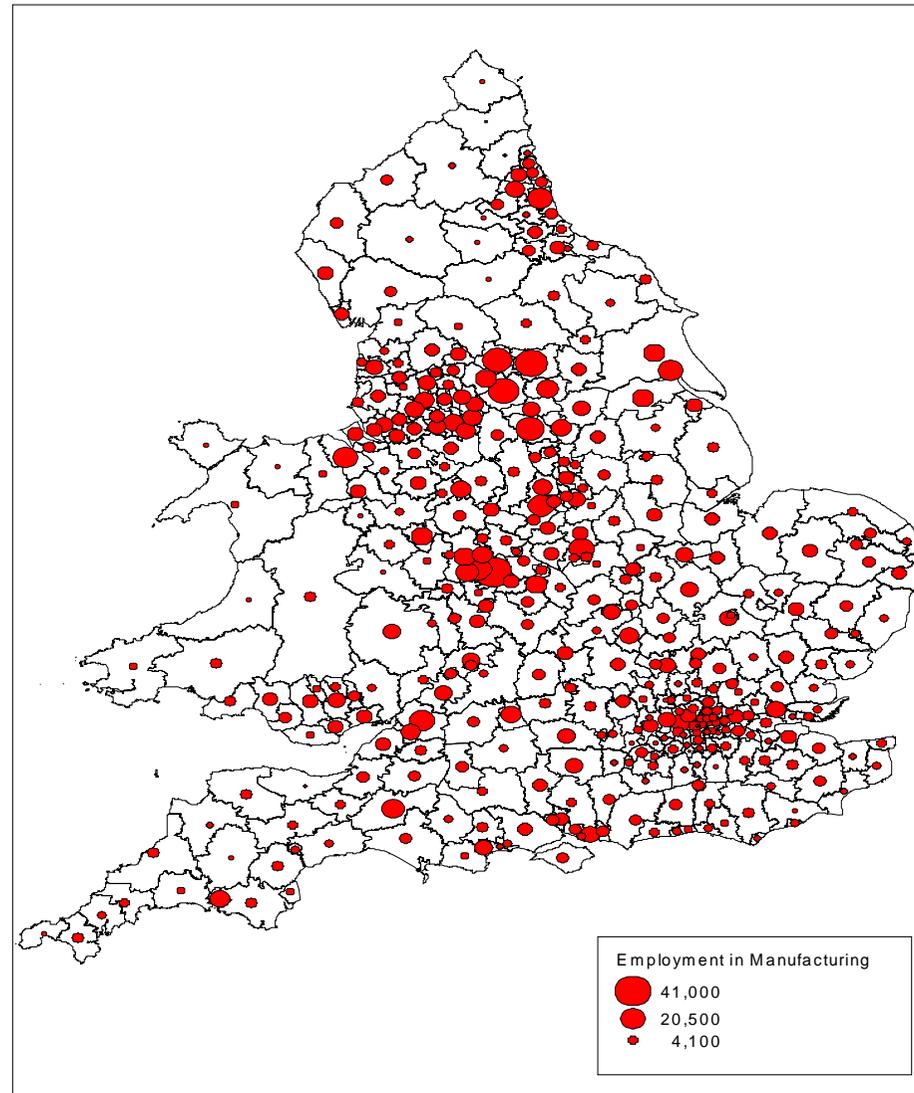
	<b>Manufacturing jobs, GB 1960-81</b>	
	<b>no.</b>	<b>% change</b>
London	- 690,000	- 52
Conurbations	- 990,000	- 43
Free standing cities	- 380,000	- 29
Large towns	- 170,000	- 18
Small towns	- 20,000	- 1
Rural areas	+130,000	+ 24
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GB	- 2,100,000	- 26

**Source: based on Department for Employment data**

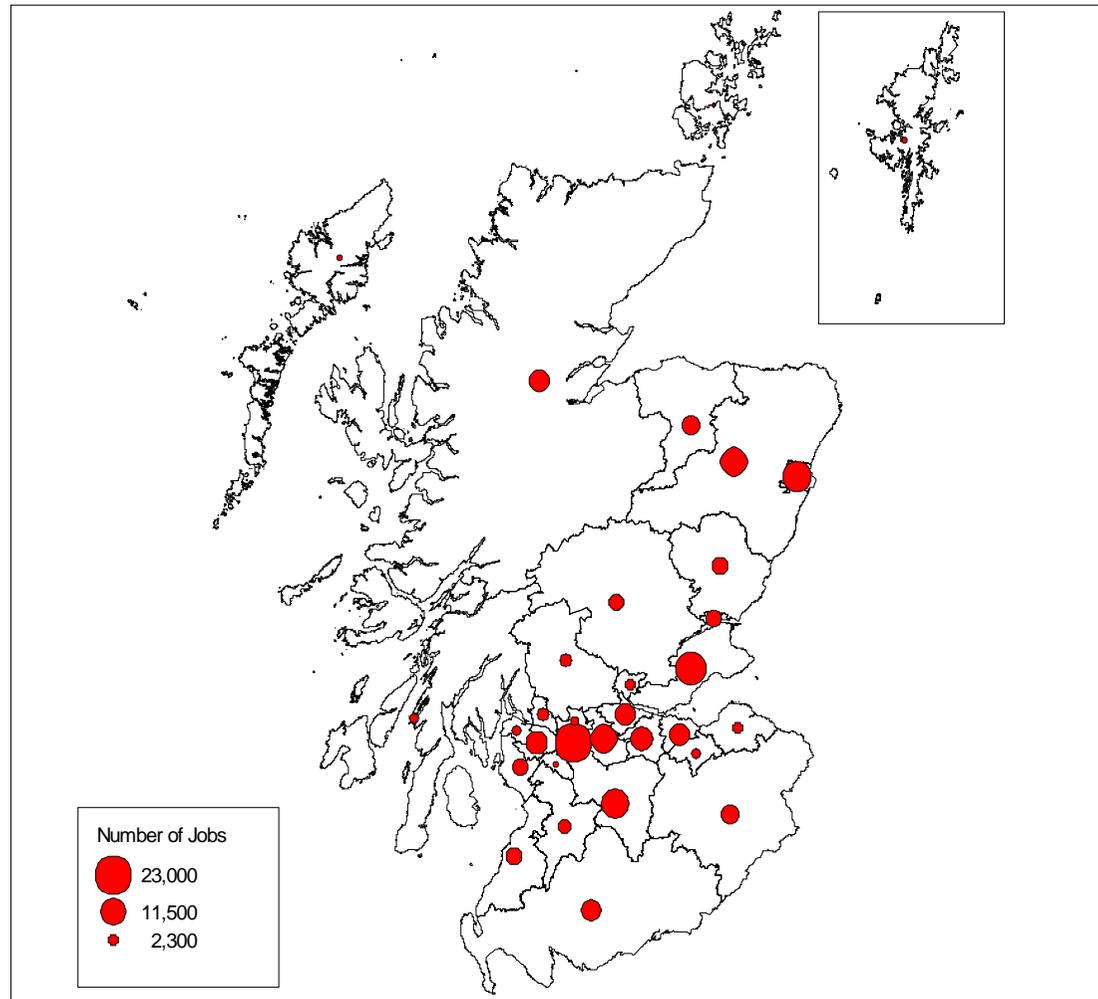
# Causes of the urban-rural shift

- Physical relocation out of cities to other areas accounted for little of the overall shift
- *Closures and redundancies* were occurring fairly evenly in cities and elsewhere
- But *job growth* was disproportionately concentrated in smaller towns and rural areas
- The availability of physical space for expansion – on new sites and on existing sites – was the key factor

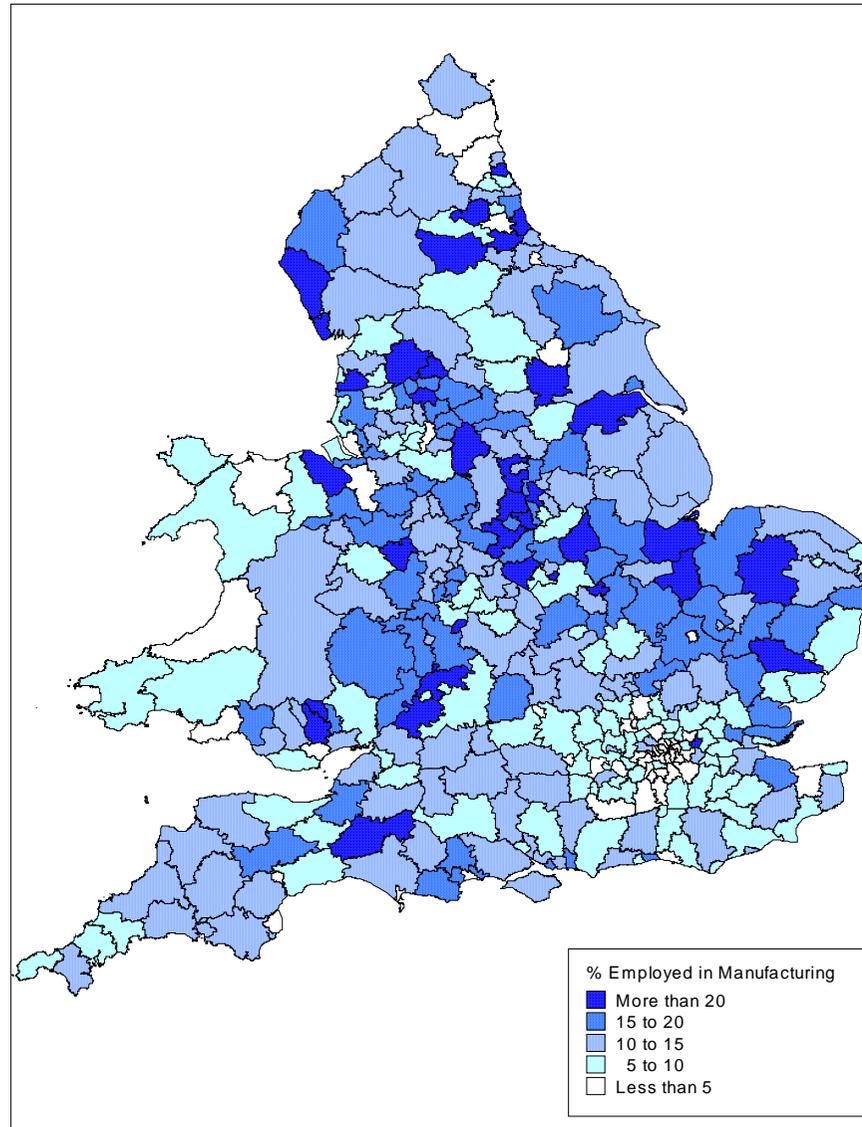
# Location of manufacturing, 2011



# Location of manufacturing, 2011



# Share of jobs in manufacturing, 2011





# Then something changed.....

- London stopped shedding people and jobs in the early 1990s – and then started growing quite quickly
- Other UK cities stabilised, and there began to be major signs of physical renewal

# What changed? (1)

## ARITHMETIC

- Continuing decline of manufacturing employment at same percentage rate accounted for fewer jobs
- Smaller share of city employment in manufacturing means that other sectors now have a bigger influence on overall growth

## What changed? (2)

### SHED LOADS OF REGENERATION MONEY

- Urban Development Corporations
- City Challenge
- Enterprise Zones
- Neighbourhood Renewal Fund
- Derelict Land Grant
- New Deal for Communities
- Lottery funding
- Working Neighbourhoods Fund
- Single Regeneration Budget

# What changed? (3)

## THE COMPOSITION OF UK GROWTH

### Drivers of UK job growth 1993-2008

Financial services

Retailing

Leisure and tourism

Higher education

Health service

Property world

### Typical locations favoured

London + other big cities

City centres

City centres

Mainly cities

Big city teaching hospitals

City and town centres

# What changed? (4)

## GLOBALISATION

- Financial services – great for London
- ‘Global cities’ – only London in UK
- Super-rich – a London base
- Property investment – into London
- International migration – especially into London

## But how much really changed?

*Champion and Townsend data analyses:*

- 'Core city regions' recovered more **slowly** than London from early 1990s recession
- Job growth through to 2007, but **slower** than national average over whole period
- Core city employment grew faster than rest of city region **only** in 1998-2002
- English metropolitan counties **lost more jobs** than the national average in the post-2007 recession

# Most recent data !

	% change in employment (FTE)		
	Core cities	Rest of city region	GB
2010 -12	- 1.4	+ 0.7	+ 0.8
<b>2012 -14</b>	<b>+ 7.6</b>	<b>+ 1.4</b>	<b>+ 3.9</b>

Source: Champion and Townsend (unpublished) based on LFS

## Further evidence

*Martin, Gardiner and Tyler:*

- Negative relationship between city size and output growth, 1981-2011
- But London an outlier, and North-South divide

*Centre for Cities*

- Net job growth in southern cities, 2004-13 = 12.4%
- But net job growth in northern cities = 0.9%

*(NB. Data used by both studies includes numerous smaller 'cities')*

# What are cities good for?

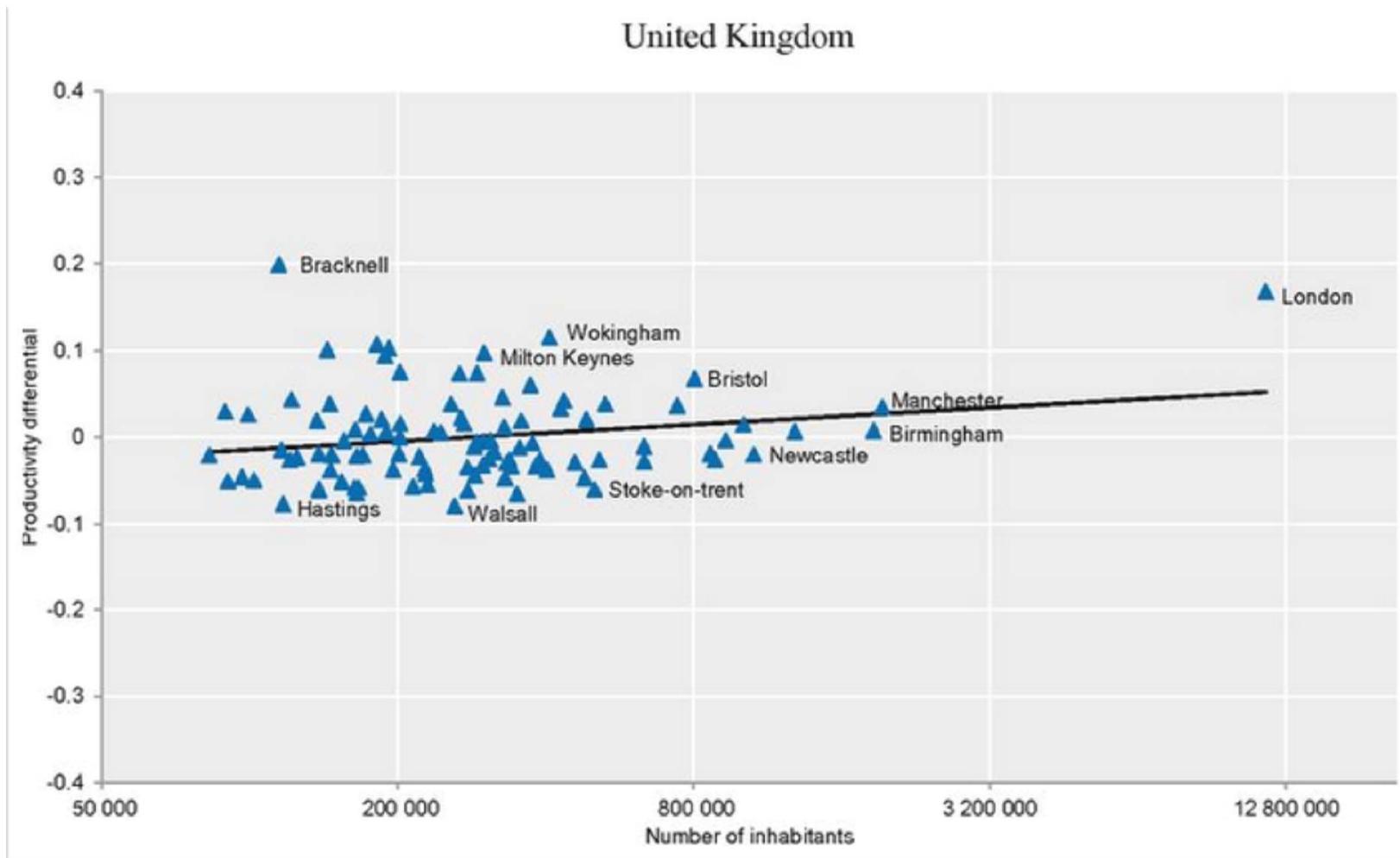
- Providing regional facilities
- Consumption-based activities
- 'Networked' industries
- Specialised services
- Some R&D and innovation
- Providing a big pool of labour
- Multiple big employers
- Attracting migrants – nationally and internationally
- A locational 'brand'
- Links to everywhere else

# What are 'non-cities' good for?

- Space-intensive industries
- Logistics and distribution hubs
- Industries with 'negative externalities'
- Captive and stable workforce
- Lower costs – at least in some cases
- Environmental quality
- Footloose 'lifestyle' businesses
- Accommodating overspill growth
- Labour and consumers for nearby cities

# But do cities do things better?

Source: Centre for Cities, based on OECD data.



# And do cities really do things *alone*?

	<b>% of jobs held by in-commuters from outside local authority</b>	<b>% of employed residents who commute out of local authority</b>
Core cities	45	28
Metropolitan counties	17	11

Source: 2011 Census of Population

# Drivers or followers?

- City growth does spill over to jobs for residents in surrounding areas, but.....
- Many jobs in cities are supported by demand from businesses and consumers in their hinterlands
  - Retailing
  - Leisure and culture
  - Business services
  - Education and healthcare
- So growth in hinterlands drives as well as follows city growth

# The big city as predator

## Predator

Newcastle

Leeds

Manchester

Liverpool

Birmingham

Glasgow

Cardiff

## Victims

Gateshead, Sunderland

Bradford, Huddersfield

Oldham, Rochdale, Bury, Bolton, Stockport

St Helens, Birkenhead

Wolverhampton, Walsall, Dudley

Paisley, Motherwell, Clydebank

The Valleys

# Looking to the future (1)

## THE COMPOSITION OF UK GROWTH

### Drivers of UK job growth 1993-2008

### Sustainable?

Financial services

Not at same rate

Retailing

No

Leisure and tourism

Up to a point

Higher education

Probably not

Health service

Only more slowly

Property world

No

## Looking to the future (2)

### WHAT THE UK ECONOMY REALLY NEEDS

- Spending rooted in rising incomes rather than rising public and private debt
- Selling more goods and services to the rest of the world
- Investment in activities that deliver export earnings
  - **Manufacturing**
  - Business and professional services
  - Tourism
  - Higher education

## Some implications for cities

- Post-2012 upturn in growth in core cities may well be transitory – last gasp of re-kindled ‘housing & debt’ model?
- Pre-recession drivers of UK city growth are unlikely to return on the same scale
- The recovery the UK needs is less likely to favour cities

# Conclusions

- Cities as drivers of UK regional economic growth is ideology more than reality
- UK cities follow – and feed on – the growth of their hinterlands as much as lead
- UK economy needs a different model of economic growth – and that implies a different geography