

# **Urban Policy: Lessons Learned and the Quest to Re-Balance the British Economy**

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# Overview

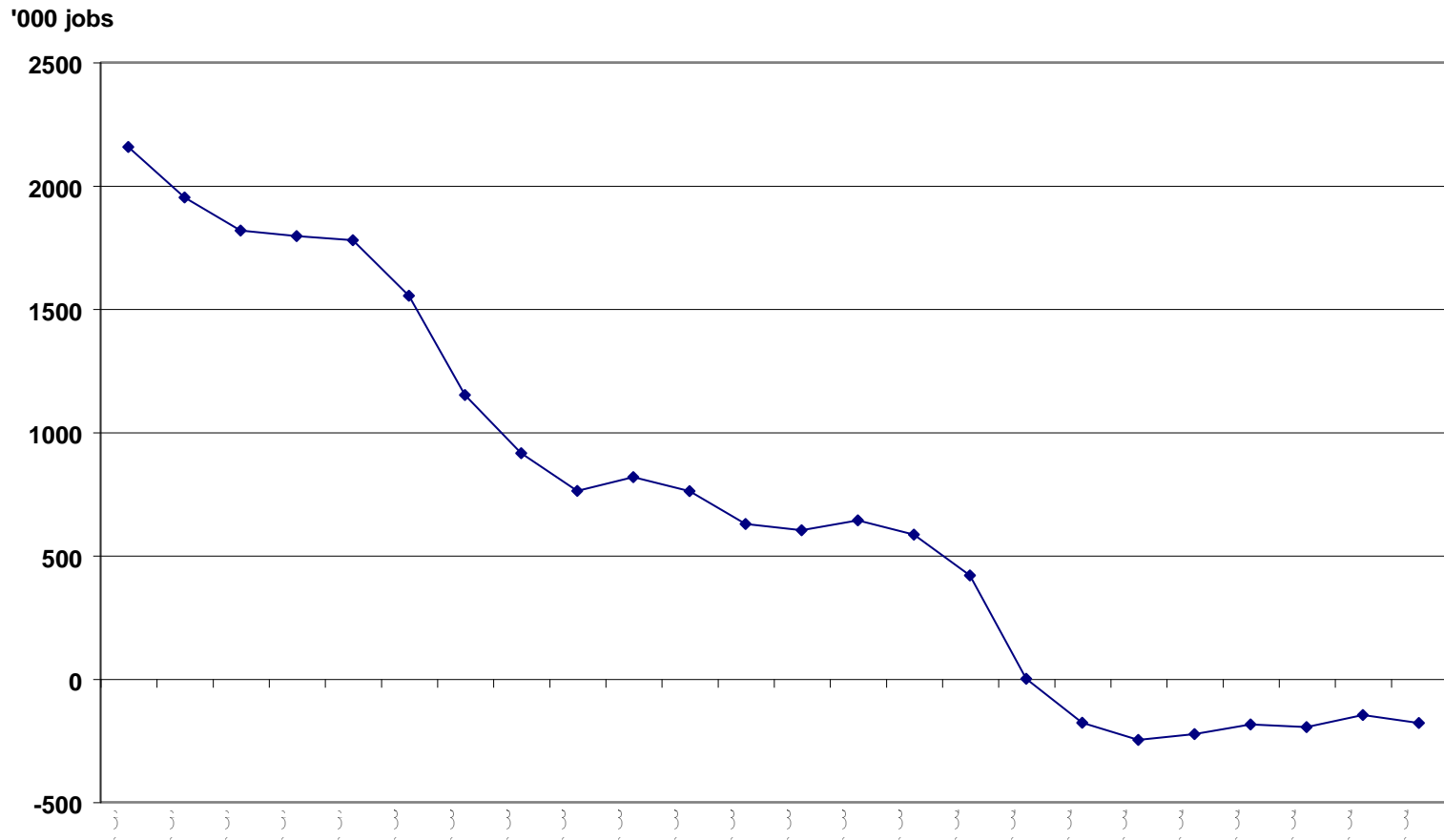
- The nature of the urban problem;
- The evolving policy response;
- Relative success;
- The quest for spatial re-balancing in an age of austerity;
- Where should policy go?

# The changing nature of urban problems in post-war Britain

- For much of the period up until the late 1970s British urban problems were considered to revolve around poor quality housing, congestion and the need to accommodate the virtually insatiable demands of motorists for more urban road space;
- urban economic policy was largely that of Barlow Report; the Green Belt, New Towns and the planned decentralisation of economic activity from urban cores to overspill settlements was very much the order of the day;
- It was not until Peter Shore's White Paper on the Inner Cities in the late 1970s that it became clear that economic problems of a completely different kind were now beginning to emerge in the Inner Cities;
- By the early 1980s severe recession, exacerbated by the harsh fiscal and monetary policies of the Thatcher Government led to rapid deindustrialisation with the impact being felt most in the urban areas.

# The nature of the problem; economic decline;

Differential decline of employment in the large UK conurbation's  
relative to growth of EU16 employment



# Key aspects of the problem

The problem was one of ;

- A weakening economic base
- Large concentrations of unemployed and socially disadvantaged residents
- Physical deterioration/poor environment

Once underway the problem appeared to have a momentum of its own passing from one generation to the next

Not just a problem of decline *per se* but the cumulatively unbalanced nature of decline. Imbalances between supply and demand

Why did adjustments not occur and imbalances go away? Problem appeared resistant to:

- Solution by market forces
- Solution by orthodox policies and main programmes of government.

# Issues with the market

- **Inner City deprived neighbourhoods suffered particularly from large plant closures - significant adverse shock from which many have still not yet recovered;**
- **The workings of the market persistently reduced the accessibility of deprived neighbourhoods in urban areas to employment opportunities. New employment opportunities were on periphery;**
- **Mismatch between old and new jobs; segmentation in labour market;**
- **Market forces led to outward migration from the inner city along with employment opportunities;**
- **Enterprising behaviour (targeting and emerging markets, product innovation and new firm formation) was attracted to near accessible areas outside large urban areas;**
- **New private sector house-building was most profitable on Greenfield sites on the edge of large urban areas and often in surrounding smaller towns and villages and frequently not profitable in deprived neighbourhoods;**

# Market failure

- **Market failure in urban land and property markets was intense: Land could remain undeveloped for long periods because of high costs of assembly, fragmented ownership, dereliction, low development values and uncertain demand.**
- **Market forces in retail provision was leading to the growth of out-of-town often on major roads away from deprived communities. The viability of local shops was in doubt**
- **There was a need to help to correct the adverse impact of market forces in urban areas and this formed part of the rationale for regeneration programmes, particularly in stimulating urban land and property markets.**

# Unintended consequences

- **Dispersal/New Town Policy used from the 1950s to the late 1980s. Reducing population in old urban areas and deflecting it to largely Greenfield sites. Thus reinforcing market forces that were leading to the closure of factories in inner city areas and new investment in near accessible areas around Cities. Also reinforced personal decision of people to move to periphery**
- **Provision of new local authority housing estates - single tenure, sometimes on outer-edge of cities. Legacy was that a large proportion of most severely deprived neighbourhoods contained high proportion of social housing stock**

# **Mainstream Government Intervention Failed Because:**

- **Poor targeting to deprived areas. A lot of funding was targeted on a population basis taking little account of special needs of those in deprived areas**
- **Lack of incentives and opportunities for residents of deprived urban areas to move from welfare to work**
- **Poor take-up of programmes by residents of deprived urban neighbourhoods. In some local areas only 2% of working age residents had participated in Government training schemes, even though some 61% of working age head of household were unemployed or otherwise economically inactive. Too many not job ready.**
- **Poor co-ordination of mainstream programmes at national, regional or local levels.**

# Urban Regeneration Policy

- If the interpretation of the problem was correct then policy measures were needed that addressed three key elements:
  - Strengthening the economic base
  - Raising the relative labour market competitiveness of the concentrations of unemployed/disadvantaged groups
  - Improving housing and the environment
- To achieve any one or even two of these was not sufficient for a permanent long-term solution
- Small achievements in securing one of the three policy objectives was easily offset by further deterioration in circumstances relating to the other two

# **The evolving policy response**

Urban policy to regenerate Britain's urban areas, and particularly its inner city areas, got off to a relatively poor start with relatively small amount of resources being focused on piecemeal attempts to alleviate a rapidly deteriorating situation. There was a lack of focus and coordination across the main departments of Government.

# Urban policy from the 1980s onwards

- Throughout the 1980s urban policy in the United Kingdom began to follow a relatively market orientated approach with an emphasis on overcoming the market failures that were felt to be impediments to the smooth working of urban land, property, capital and labour markets. The policies included:

Enterprise Zones

Urban Development Corporations

Inner City Task Forces

Derelict Land Grant

City Challenge and

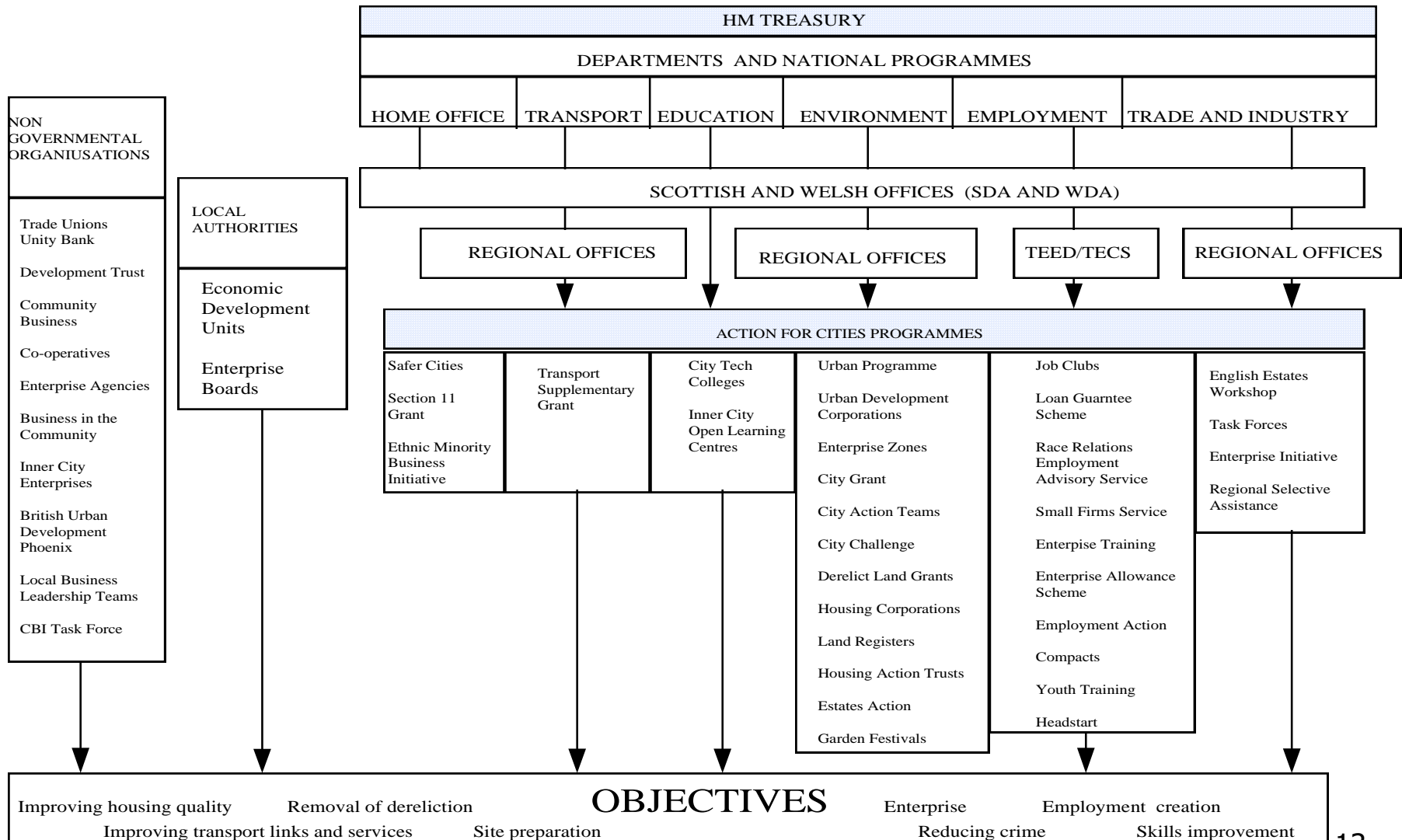
by the early 1990s the Single Regeneration Budget

Equivalent to approx, £1bn per year

- A very wide and varied policy response targeted on urban problems.

# Inner City Policies in the 1980s

## INNER CITY POLICY IN THE 80S



# **City Challenge and the Single Regeneration Budget; the arrival of Area Based Initiatives (ABIs)**

- The degree of involvement of main parties - central government and local government, the private sector and the community/voluntary sectors -and thus the model of partnership working adopted;
- The role of competition in deciding how the funds for regeneration are allocated. At one extreme there is a model where central government is proactive in defining priorities at the local level and allocating funds to them. At the other interested bodies apply for funding through a competitive process-sometimes called a “Challenge Approach”;
- The designation of fixed boundaries with a strong requirement made that the initiative operates within them, compared to no boundaries at all. Again, there are variations on this theme with one option being a fluid boundary structure with some layering to reflect intensity of need and thus funding commitment;

# The arrival of ABIs (Conti)

- the breadth and thus variety of functions that are considered within the structure and activities of the regeneration initiative;
- the delivery mechanism adopted to allocate resources according to need. Again two extremes can be identified. The first is where the need and resources are decided by the organisation responsible for regeneration outwith the specific areas concerned. The other is where there is total autonomy of decision making and resource allocation to meet local needs decided totally inside the area that is the focus of regeneration.
- The management of the regeneration scheme. Increasingly there has been a 'hands-off' approach with guidance by Government and periodic review.

# **New Labour; The Social Exclusion Agenda and Neighbourhood Renewal**

- **A new commitment to Neighbourhood Renewal: A National Strategy Action Plan; Neighbourhood Renewal Unit;**
- **Regional Development Agencies; The Single Pot and Regional Economic strategies;**
- **New deal for young and older unemployed, Health Action Areas, Employment Zones;**
- **Social Exclusion Unit in Whitehall, Local Government Act 2000 - preparing community strategies;**
- **Neighbourhood Renewal Fund; Local Strategic Partnerships and the setting of Local Public Services Agreements (PSAs)**
- **Local Strategic partnerships supported by Neighbourhood Renewal Teams in the Government Offices;**
- **Community Forum/ Community Empowerment Fund /Neighbourhood Renewal Community Chests;**
- **Neighbourhood Management, New Deal for Communities and Neighbourhood Wardens.**

# The achievements of urban policy; has it been worth it?

Challenges and criticisms on all fronts;

- Value For Money
- Ascertaining the impacts on outcomes;  
Sustainability
- And, the academic people versus place debate.
- However, the evidence points to a favourable return to society.....

## Benefit Cost Ratios for Mainly Urban Policy by Activity Type - central and cautious valuation applied to outputs derived using average unit costs (See Tyler, et al Urban Studies 2013)

Activity type	Central valuation	Cautious valuation
<b>Theme 1: Worklessness, skills and business development</b>		
Tackling worklessness	1.1	1.1
Skills and training	2.2	1.6
General business support	9.4	6.4
Start-up and spin-outs	10.2	7.4
Business enterprise research & development	2.6	1.9
<b>Theme 2: Industrial and commercial property</b>		
Industrial and commercial property	7.9	5.9
<b>Theme 3: Homes, communities and environment</b>		
New build housing	2.8	1.9
Housing improvement	2.0	1.3
Acquisition, demolition and new build	5.7	3.9
Communities: Volunteering	1.1	1.1
Communities: investing in community organisations	1.9	1.3
Environmental: open space	2.8	1.8
Environmental: public realm	1.5	1.0
Neighbourhood renewal	3.0	3.0
<b>All Activity types (real resources)</b>	<b>3.5</b>	<b>2.4</b>

# But limitations.....

- Unrealistic expectations about what could be achieved;
- Poor appreciation of the problem and how it was changing;
- Area based regeneration only operated at the **margin** to bring about change;
- Differences in ability to lever resources from public/private sector so that required **thresholds** could be attained;
- Thus, often insufficient **leverage** given the scale of the challenge and the **linkages** that exist between the declining area and its surrounding economy;
- Mixed success in getting business/mainstream service providers and households to put more investment into under performing areas;
- **Incentivisation** has often been too weak, too diffuse or insufficiently targeted;
- Insufficient attention given to **capacity** to deliver.

# Limitations (continued)

In some places the relevant outcomes have not changed enough;

As a result;

- Business/residents have remained disillusioned (policy seen as a 'quick fix');
- External perceptions remain adverse;
- Unattractive place to acquire housing;
- Public sector intervention consigned to defensive expenditure, in some places public sector response continues to be overwhelmed by the breadth and depth of the problems.

# **Limitations (Continued)**

**Inadequate understanding of how places relate to other places and the dynamics of the local economy;**

- Displacement;**
- Leakage;**
- Population churn**

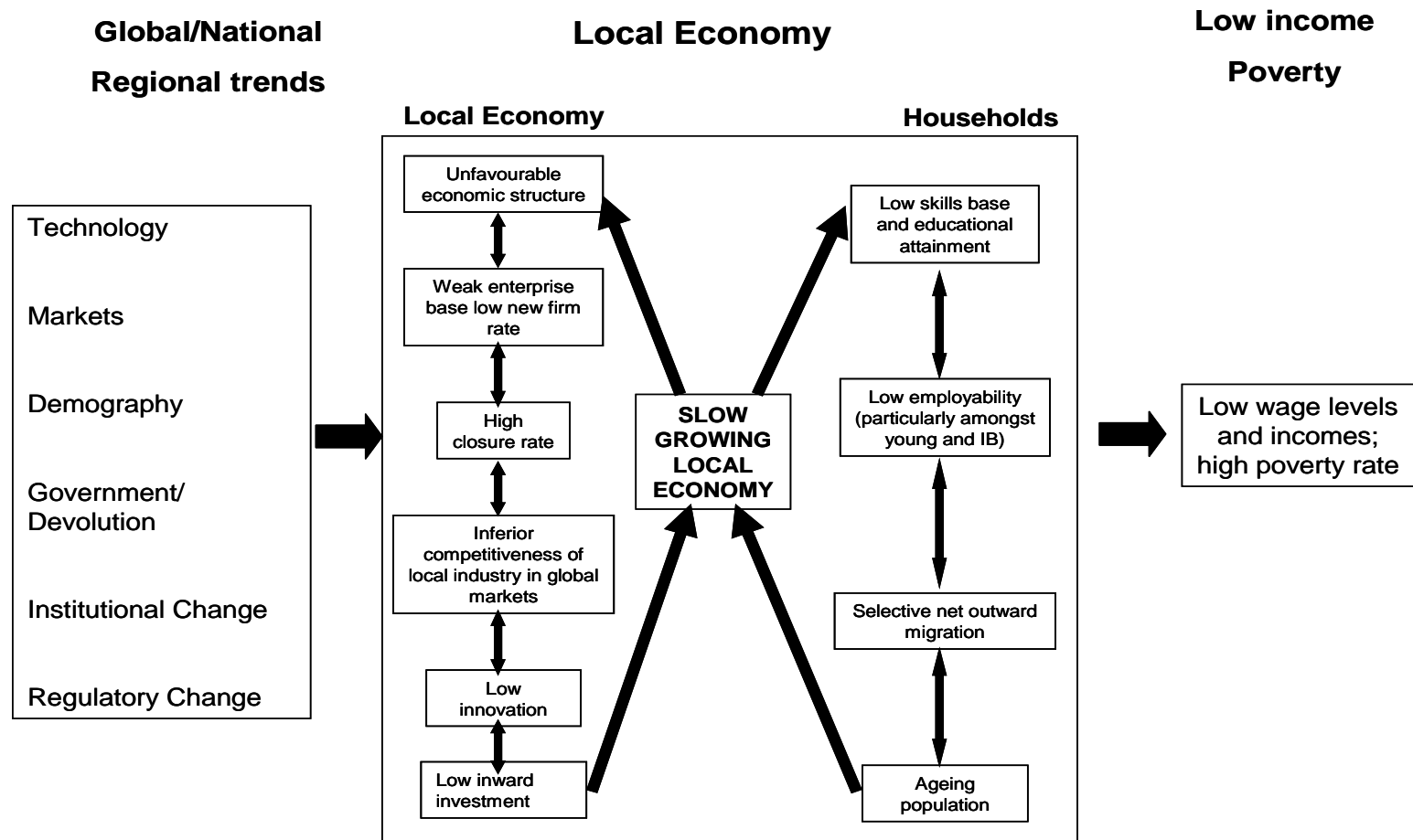
# **Limitations (Continued)**

**But the biggest problem is that the problems are worsening again.**

# Worrying trends in the nature of the problem

- Powerful global economic forces combined with trends in population movement and features of local housing markets are continuing to produce significantly spatially differentiated outcomes. Believe the **pace of adverse change is accelerating**;
- Reduction in public expenditure is impacting differentially on slow growth areas. Every effort must be made to minimise impact on most vulnerable groups to avoid return to problems faced in early 1980s;
- Helpful to consider some of the broad processes at work that produce spatial variations in income using simple framework in Figure 1.

# Figure 1 Understanding the factors at work in under-performing places that drive down incomes.



Source: Gardiner, Martin and Tyler (2009).

# **Worrying trends in the nature of the problem (continued)**

- Economic viability of local economy related to its economic competitiveness;
- Cycle decline whereby traditional industries in local area lose relative competitiveness. Unfavourable economic structure, firm closure, weak enterprising behaviour and low rates of R&D/innovation compound problem.
- Relatively unfavourable growth reflected in labour market outcomes that lead to, and reinforce, relatively low incomes. Recent work pointing to effect on local incomes of employment change, worklessness, employment in low wage sectors, those with no qualifications and a population of young and retired people. (Gardiner et al 2009).

# Median and lower quartile gross weekly wages in England, West Midlands and Birmingham, and change after inflation

	2001	2008	Change in real terms
<b>England average</b>	£324.8	£388.4	-0.5%
<b>West Midlands average</b>	£309.4	£367.1	-1.3%
<b>Birmingham average</b>	£312.3	£362.4	-3.5%
	2001	2008	Change in real terms
<b>England bottom 25%</b>	£198.8	£238.3	-0.3%
<b>West Midlands bottom 25%</b>	£191.9	£229.6	-0.5%
<b>Birmingham bottom 25%</b>	£200.3	£230.0	-4.5%

Source: Fenton et. al., 2010

# The New Discourse on Spatial Re-balancing

- Research undertaken with Ben Gardiner, Ron Martin and Peter Sunley (Now published: Journal of Economic Geography (2013).
- Over 70 years ago, Barlow Commission argued that British economy had become too spatially unbalanced
- That this imbalance was seen as partly a structural problem
- Due to regional patterns of industrial specialisation
- Much of Northern Britain was burdened by old declining industry
- While London and South East attracted bulk of the new manufacturing industry of interwar years

# The New Discourse on Spatial 'Rebalancing'

- Barlow Report argued for a more spatially balanced pattern of activity and employment;

"The contribution in one area of such a large proportion of the national population as is contained in Greater London, and the attraction to the Metropolis of the best industrial, financial, commercial and general ability, represents a serious drain on the rest of the country".

*(Royal Commission on the Distribution of the Industrial Population [Barlow Commission], 1940, para 171)*

- Became the basis for post-War regional policy
- Seventy years on, as result of worst financial and economic crisis since the early-1930s, Coalition government has argued that the British economy has become too spatially unbalanced and that a 'rebalancing' is required
- Problem again seen as structural

# The New Discourse of ‘Rebalancing’

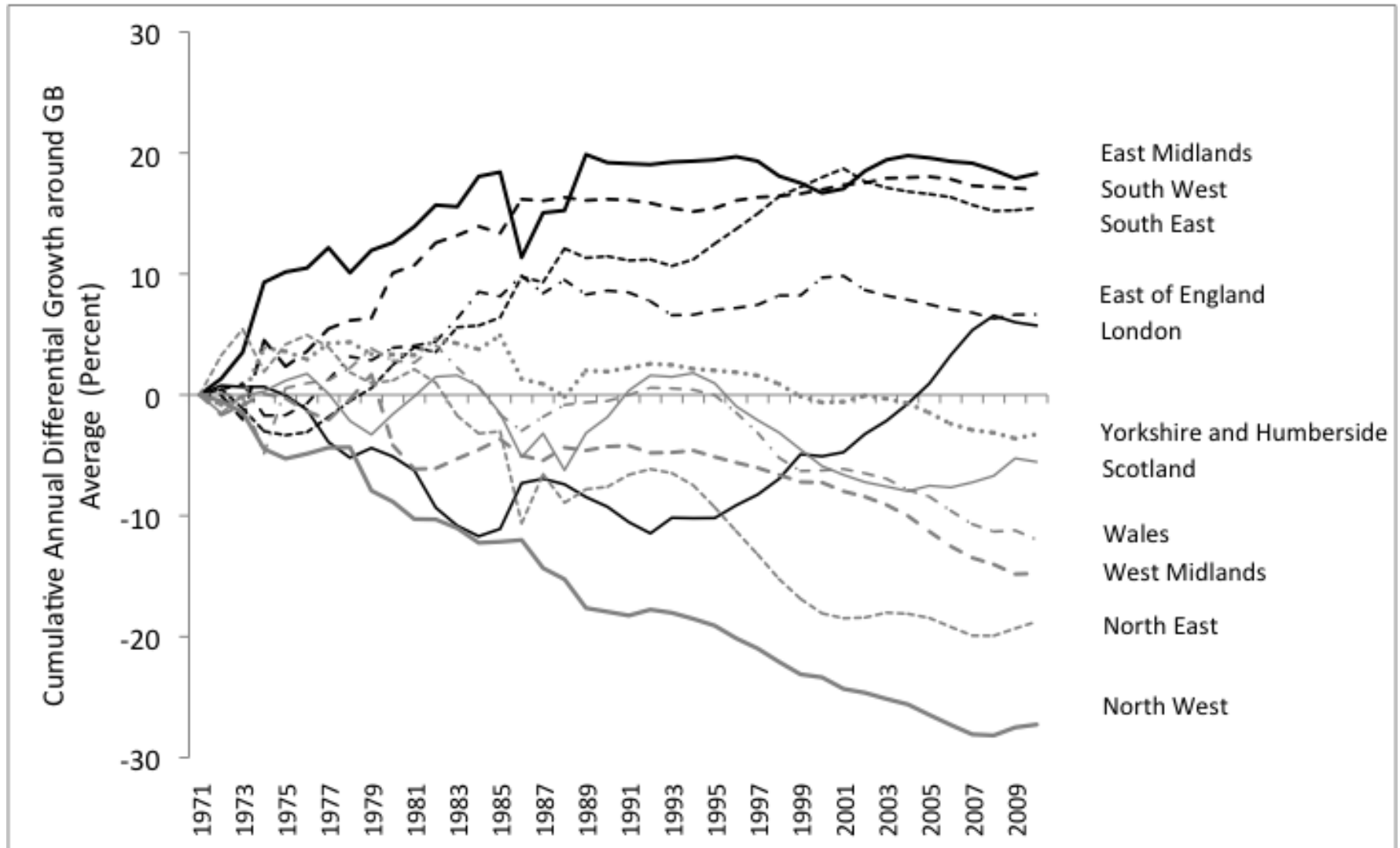
“Our economy has ***become more and more unbalanced***, with our ***fortunes hitched to a few industries in one corner of the country***, while we let other sectors like manufacturing slide.....It has become far too dependent on the public sector, with over half of all jobs created in the last ten years associated in some way with public spending”.  
(*David Cameron, Speech on the Economy, 2010*)

# The New Discourse of ‘Rebalancing’

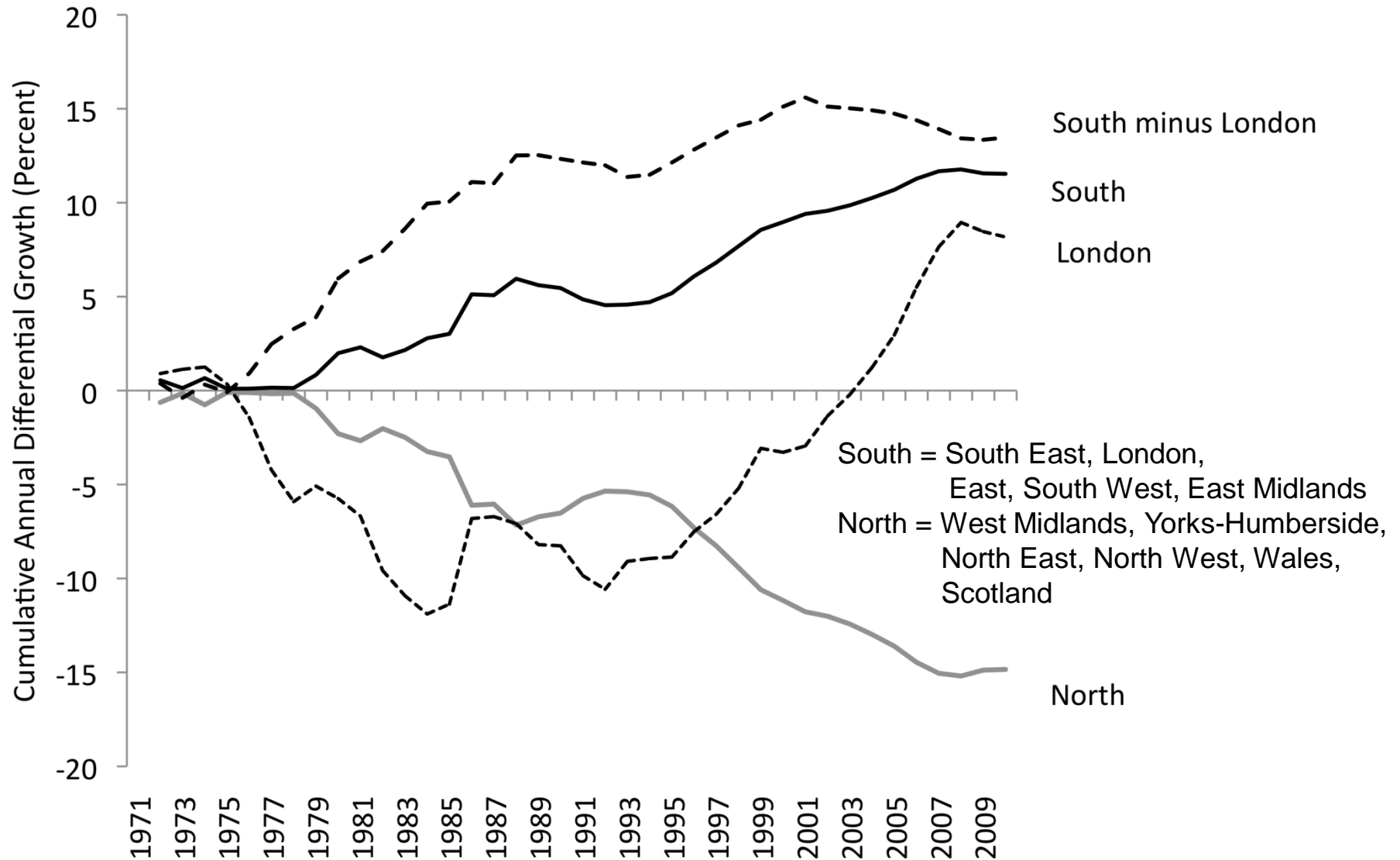
***“Our policy is to raise from the ruins of an economy built on debt, a new, balanced economy where we save, invest and export. An economy not overly reliant on the success of one industry, financial services –important as they are – but where all industries grow. An economy where prosperity is shared among all sections of society and all parts of the country”.***

*(George Osborne, Budget Speech, 2010)*

# Cumulative Regional Output Growth Gaps (GVA, 2006 prices), 1971-2010



# Cumulative North-South Growth Gaps (GVA, 2006 prices), 1971-2010



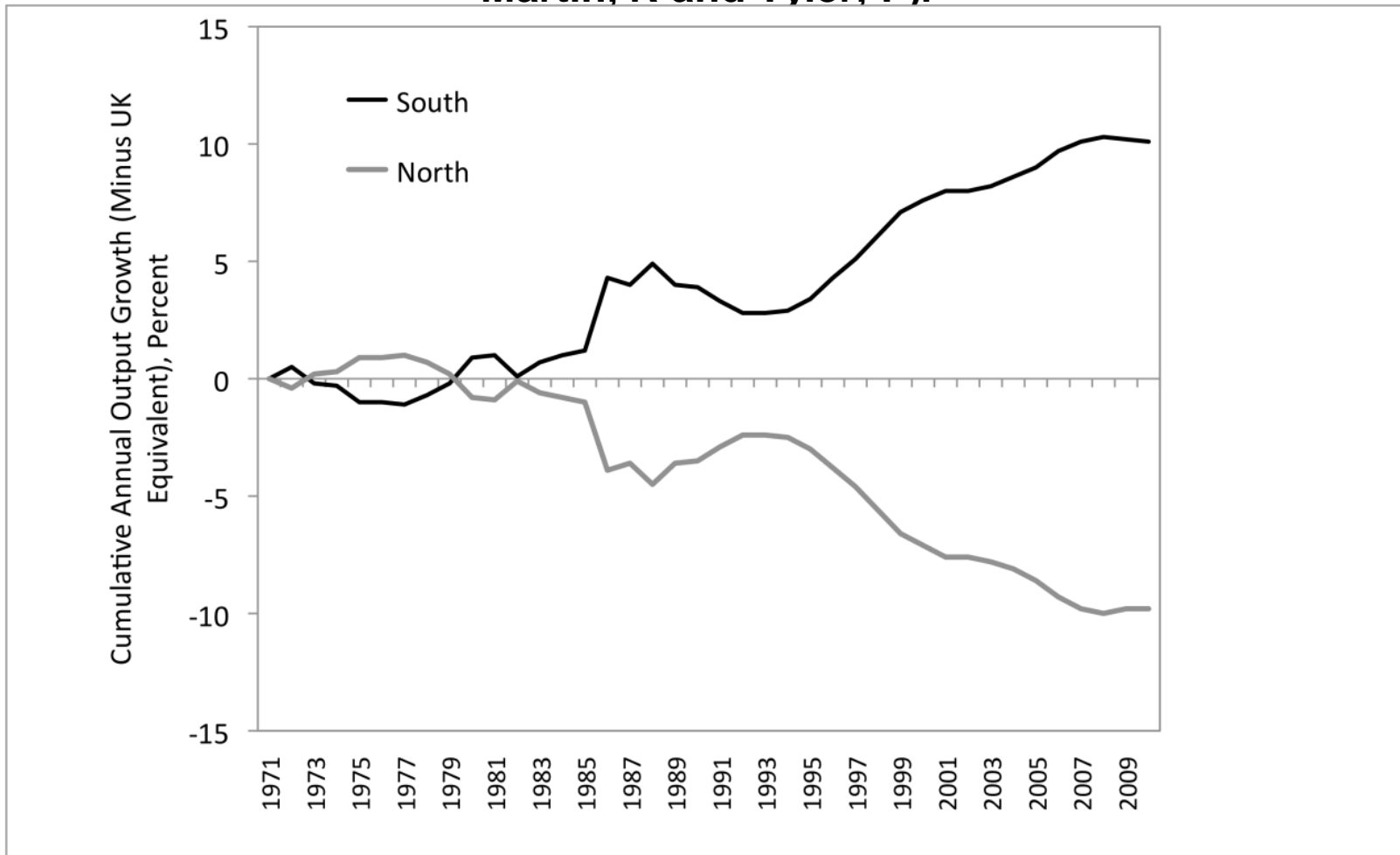
# **Spatially Unbalanced Growth and the ‘North-South Divide’**

- Regional imbalances in economic growth have not disappeared, but become firmly entrenched
- High degree of ‘path dependence’ in uneven regional growth and development
- Striking ‘turnaround’ in London’s growth path since early-1990s
- How far has regional economic imbalance been driven by sectorally unbalanced growth?
- What do various theories tell us about this North-South growth gap?

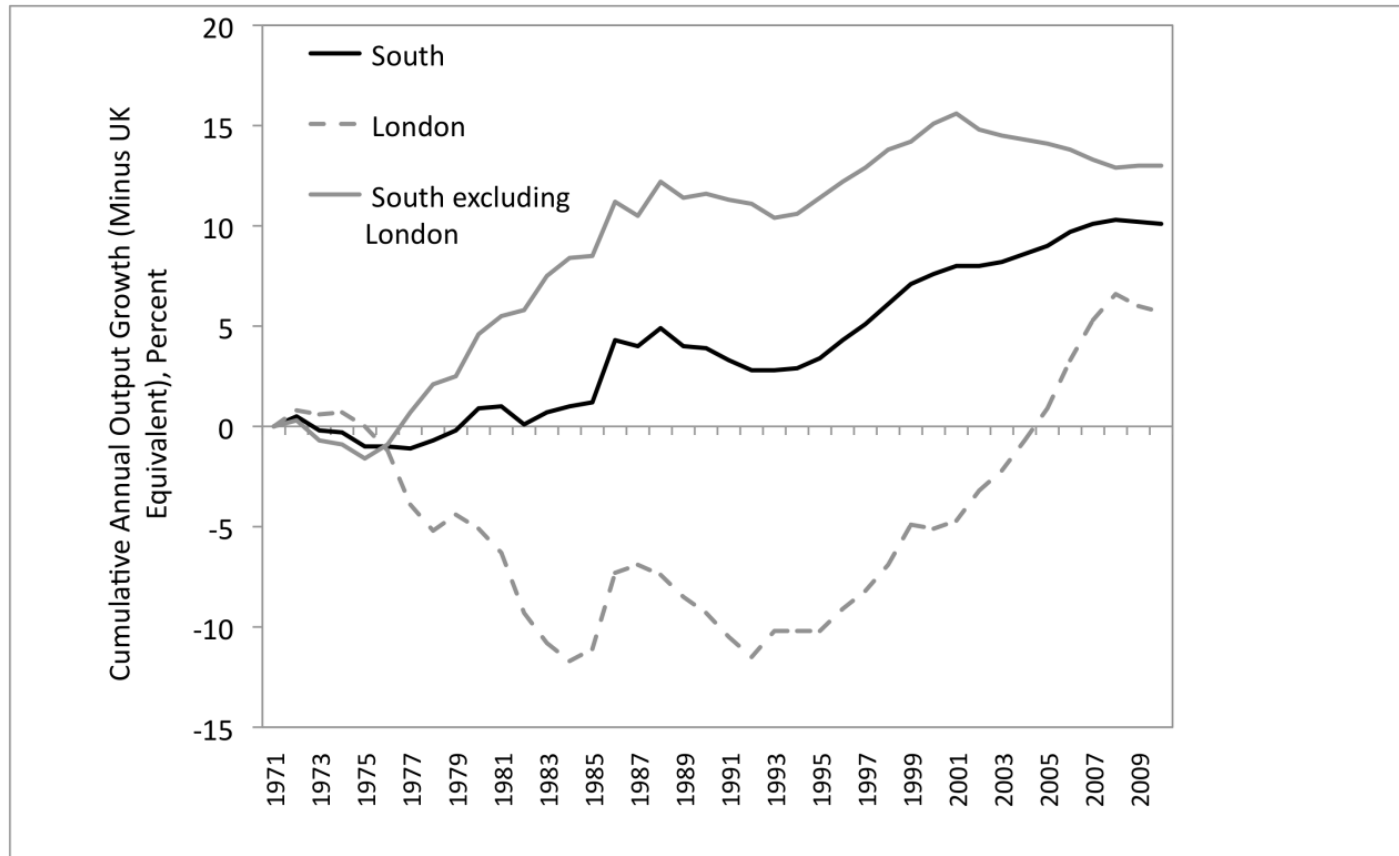
# Spatially unbalanced growth in the UK; the stylized facts

- 1980s something of a turning point and current crisis has re-ignited long-standing issue;
- South pulling away in 1980s, but from early 1990s gap really widens-between 1992-2007 cumulative relative output gap South re North was 20%;
- London's role in this stands out sharply. Between 1971-1992, London output growth lagged behind UK, the South and even the North;
- Between 1971-1992, the South outside London had been driver of rapid growth of the South, but in the long boom of 1992-2007 it was London that powered the growth of the national economy.

**Cumulative Imbalance in Output Growth as between the South and North of the UK (Relative to the UK Average), 1972-2010. (Source: Gardiner, B, Martin, R and Tyler, P).**

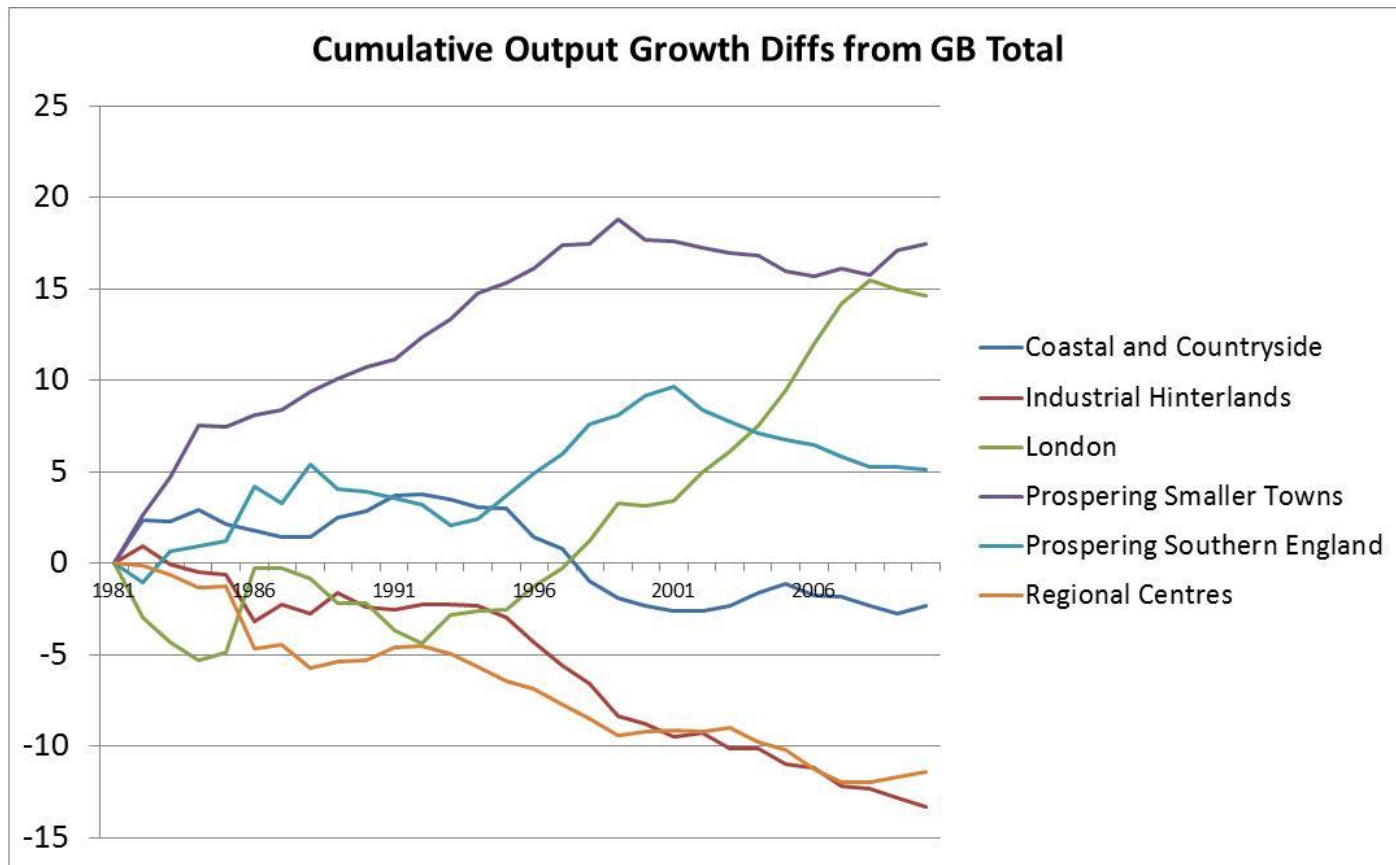


## How the London economy led the 1992-2007 'Long Boom'. (Source: Gardiner, B, Martin, R and Tyler, P).



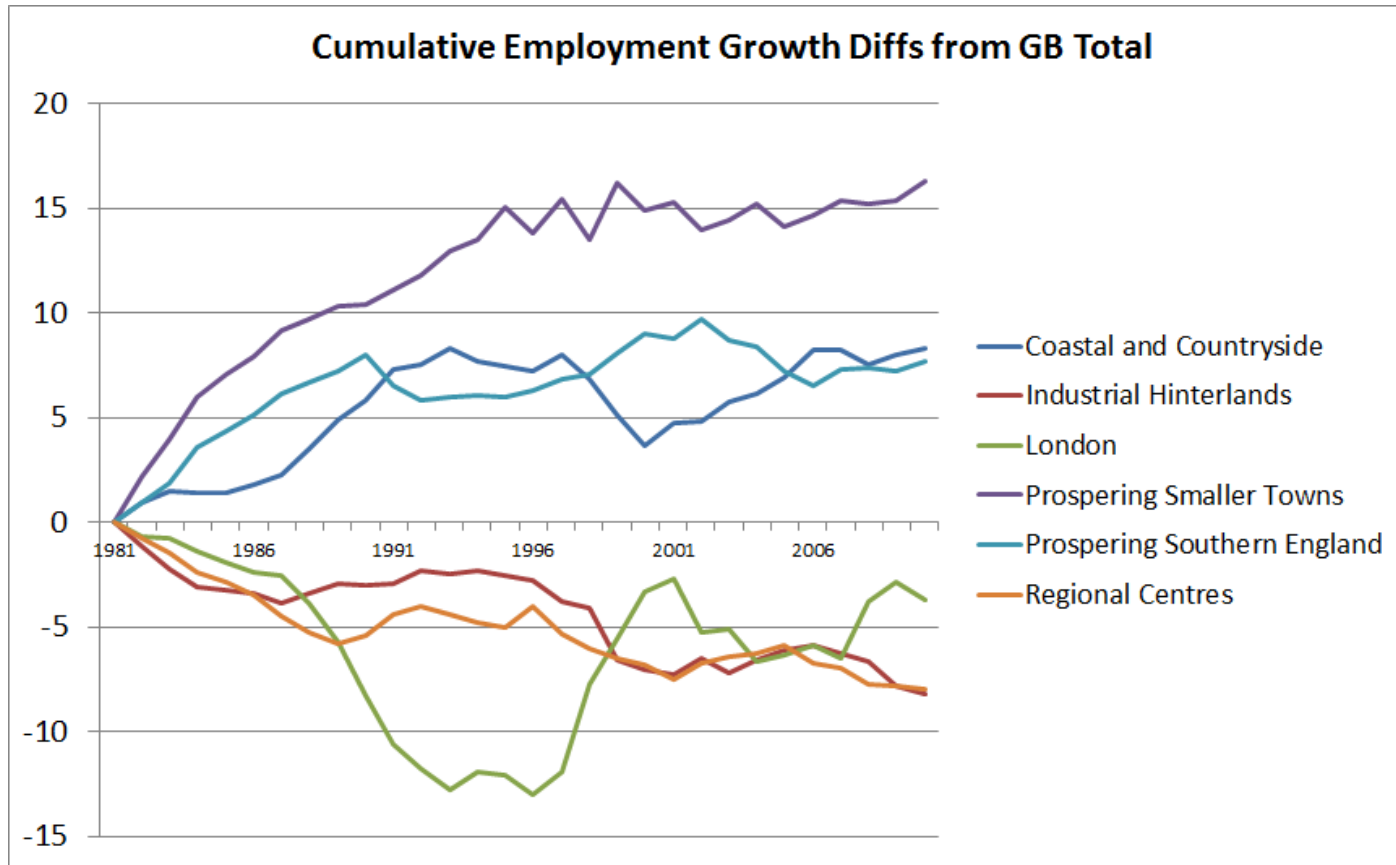
# Spatial imbalance across the LEPs

(Source: Gardiner, Martin, Sunley and Tyler, 2013)



# Spatial imbalance across the LEPs

(Source: Gardiner, Martin, Sunley and Tyler, 2013)



# Summary

- Dramatic turnaround in London's comparative growth performance after 1992;
- Roots trace back to the late 1970s and early 1980s when a process of rapid deindustrialization set in across UK large urban areas.
- At the same time, unleashed by an historic wave of deregulation especially since the Big-Bang, there has been an unprecedented growth in financial and business services.

# Growth of Output (GVA, 2006 prices) by sector by major region 1971-1990 and 1990-2010

% Growth over period	Manufacturing		FBS		Public Sector	
	1971-90	1990-2010	1971-90	1990-2010	1971-90	1990-2010
LONDON	-12.5	-11.8	102.9	133.3	29.7	46.5
SOUTH MINUS LONDON	26.3	1.9	226.9	75.6	36.4	39.6
NORTH	42.6	-9.8	101.6	72.7	46.6	38.1

**Where should policy go?**

# Spatial Policy

- RDAs abolished and replaced by Local Enterprise Partnerships (LEPs) and Regional Growth Fund;
- New Localism Agenda-introduced against a harsh economic background;
- Public expenditure is under severe restraint-up to 300,000 jobs could be lost –many in the North
- Resources available for spatial rebalancing would seem inadequate;
- LEPs part of a new localism that includes designation 24 new EZs and the creation of 6-8 Technology and Innovation Centres (TICs);
- Introduction of Growing Places Fund;
- National Planning Policy Framework;
- New plans on housing and planning including boosts to infrastructure

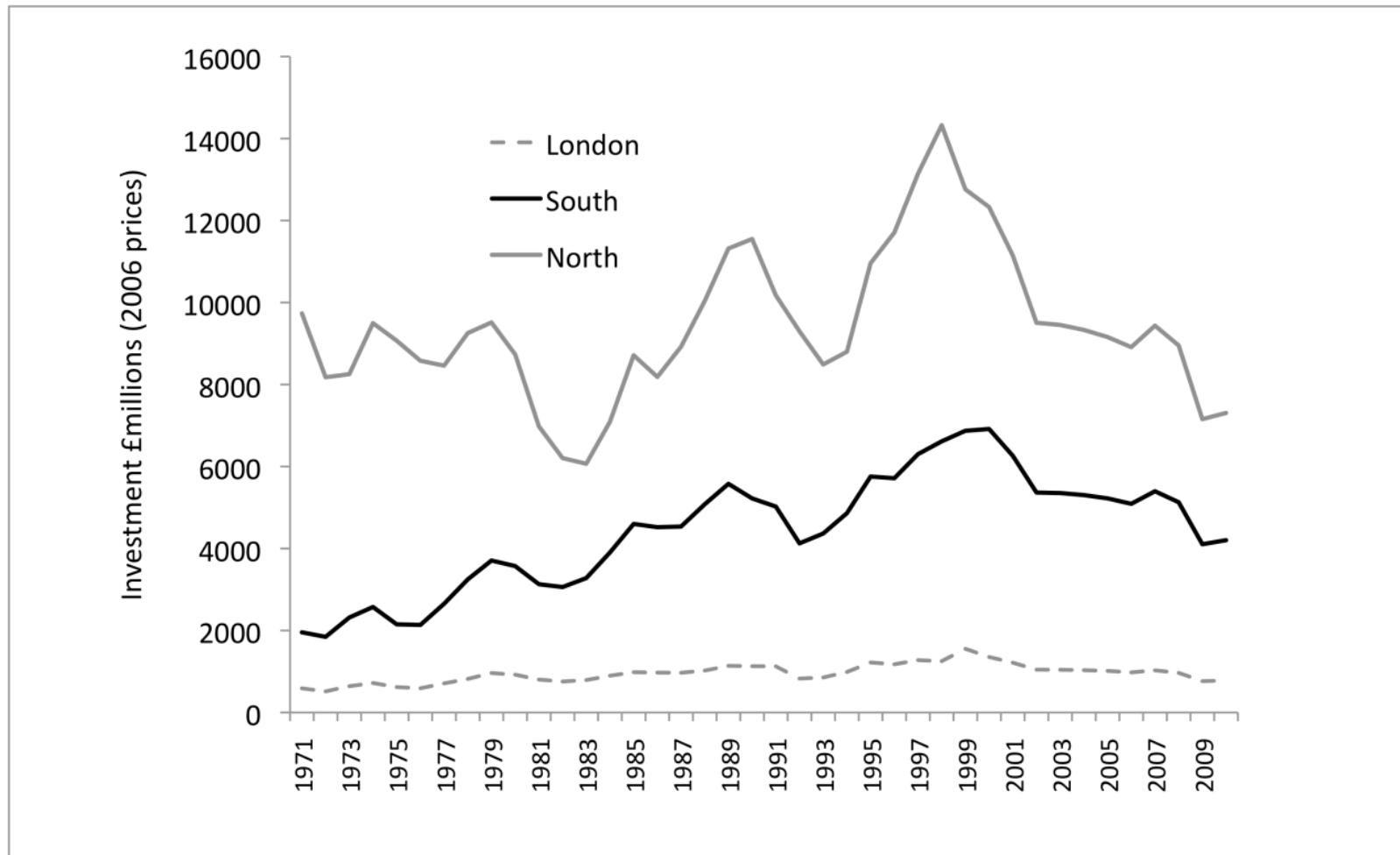
# The Policy Challenge

- Seventy years since Barlow, and after decades of regional policy, Britain still has problem of spatially unbalanced growth
- Coalition Government's approach to spatially rebalancing Britain is via new Localism Agenda
- Variety of initiatives – LEPs, Regional Growth Fund, 24 EZs, 6-8 TICs, new Business Investment Bank
- But are resources enough?
- And the focus on relaxing planning regulations could actually accentuate growth in the South relative to the North

# The Policy Challenge (Cont)

- Like Barlow, Government sees spatial rebalancing going hand in hand with sectoral rebalancing – promoting manufacturing
- Barlow's concern was to get more manufacturing to go to the North
- Problem now is to get more manufacturing everywhere, and especially in the North
- But there is no real strategy for reviving manufacturing
- Manufacturing investment has languished since New Labour took office, especially in Northern Britain
- Has fallen there to levels of early-1980s

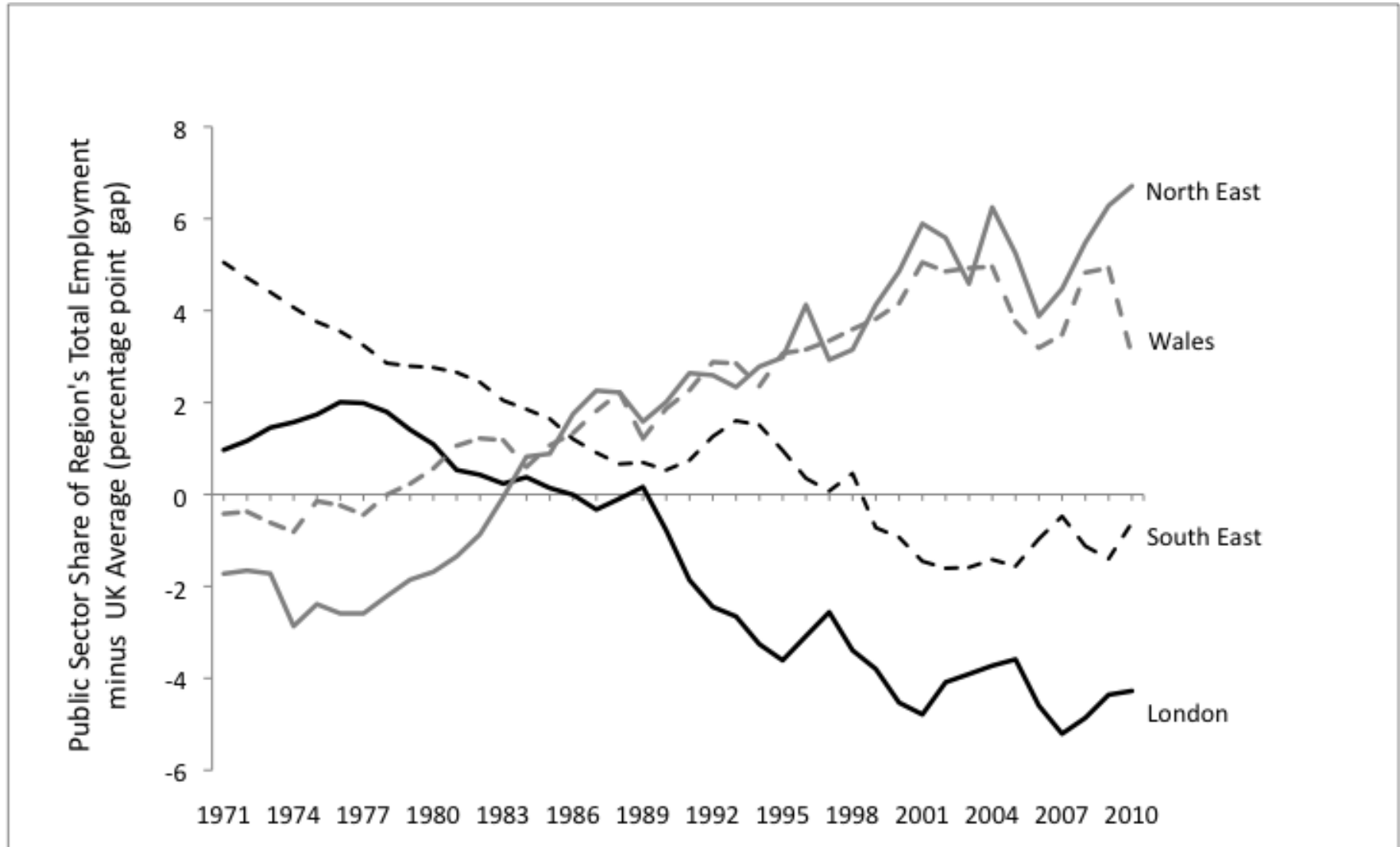
# Manufacturing Investment Trends by Region, 1971-2010



# The Policy Challenge (Cont)

- There is also the issue of austerity – public spending cuts of £155billion up to 2015/16
- Estimated that already 372,000 public sector jobs have gone (cf. £375billion has gone into quantitative easing, and more than £1trillion in propping up banking system)
- Impact likely to be highly uneven across regional Britain
- North of Britain has become more dependent on public sector for growth and jobs
- Can the Local Growth Agenda compensate?
- Austerity is likely to exacerbate spatial imbalance

# Public Sector Share of Regional Employment, Measured Relative to UK Average, 1971-2010



# The Policy Challenge (Conti)

- Where do we go from here?
- Case for a new industrial strategy?
- Case for a new 'spatial grammar' to economic policy? Less London and the South centric
- Heseltine (*No Stone Unturned*, 2012) argues for major devolution of economic policy powers and combination of existing industry, employment and regional support programmes into single annual £50billion 'pot'
- For which LEPs can bid

# Features of a new urban policy agenda

- Recognising ‘the interplay between physical capital, human capital and the business environment’, recognising the ‘benefits of strong interaction between different types of regional assets’. (OECD, 2009);
- Encouraging growth from within and understanding how history and geography shape the ability of a region to *adapt* to economic change;
- Sustained and substantial efforts on several fronts is required with the promotion of entrepreneurship, innovation, investment and human capital formation (education and skills), as well as modernising infrastructure (Gardiner et al, 2013).

# Urban and Regional Policy in the North

- Need economic renaissance of Northern Conurbations;
- New investment in land reclamation, transformational infrastructure and skills;
- Overcoming legacy of the past;
- We also have to recognize the fundamental importance of knowledge transfers between people, people and business, and business to business in successful places. These interactions are central to understanding how places can compete.
- Coordination of wide range of policies;
- Devolution has assisted local coordination in Scotland, Wales and Northern Ireland; North England particularly disadvantaged.

# **New directions in funding and incentivising local regeneration**

- At present time regeneration initiatives are struggling to tackle the problems faced by the large urban areas and their most deprived parts and to turn things around given the scale of new investment required in land reclamation, new transformational infrastructure and people;
- Better understanding of problems faced will help but a keener economic edge to policy is required;
- However, new ways have to be found to increase the volume of resources that can be levered into the regeneration process;
- Speed-up the pace at which land reclamation and new transformational projects can take place. Pace too slow at present;
- Number of issues around land assembly, reclamation, infrastructure and planning.

# New directions in funding and incentivising local regeneration (continued)

- The use of **Tax Incremental Financing**;
- More freedom in the use of **local business tax base**;
- Perhaps use of other innovative approaches to financing required perhaps using tax-based targeted **Capital Allowances** as a way of attracting new **flows of funds** (extremely powerful in context of previous Enterprise Zones);
- Further strengthening of **spatial innovative system** and the role of knowledge based institutions (Baxter et. al., 2007);
- Attention to delivery vehicles:
  - building on what is known about good partnership working between private and public sector;
  - bring together core expertise in land assembly, skills enterprise and the knowledge economy.

# Understanding of the determinants of local growth-the role of resilience

## Increasing interest in the concept of resilience;

- Some see it as a 'fuzzy' concept that needs more clarity if it is to be of use;
- Now involved in research to examine importance, particularly in understanding how places respond to economic shock and what influenced their resistance and recovery. ESRC funded project; *How do Regions React to Recession: Resilience, Hysteresis and Long-term Impacts* and conducted under the aegis of the Cambridge-based *Centre for Geographical Economic Research* (<http://www.geog.cam.ac.uk/research/projects/cger/>).
- Our research points to South East, East of England, South west and East Midlands most resilient. Regions like North East and West Midlands less so.
- **Local Economic Growth: Recession, Resilience and Recovery Conference.** (11-12<sup>th</sup> July 2013 at McGrath Centre, St Catharine's College, Cambridge).

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