

How the south was won?

The changing pace of growth in British cities, 1971-1991

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Introduction

Cities are widely recognised by governments across the developed world as key ‘engines’ of growth, creating jobs and spreading prosperity. In the UK, the introduction of City Deals and the evolving promotion of city- and metro-mayors by central government, and former Chancellor Osborne’s idea of the ‘Northern Powerhouse’ and the ‘Midlands engine’ all testify to the importance now assigned to cities as primary arenas of economic activity.

Despite this acceptance, less is known about how well have British city economies actually performed economically in recent years, how has this varied around the country. And this has important lessons for policies like the Northern Powerhouse. Using a unique new dataset, this paper, the first in a series, outlines how cities have performed over four and a half decades and offering four key observations on how Britain’s economy has evolved and diverged over time.

About the data

To better understand the nature of British cities, we have created a new dataset of 85 cities, based on travel-to-work areas, a reflection of a functional economic area. They range in employment size (in 2014) from 5.35 million (London) to 83,400 (Merthyr Tydfil) with employment and output data for 82 sectors of activity for each city.

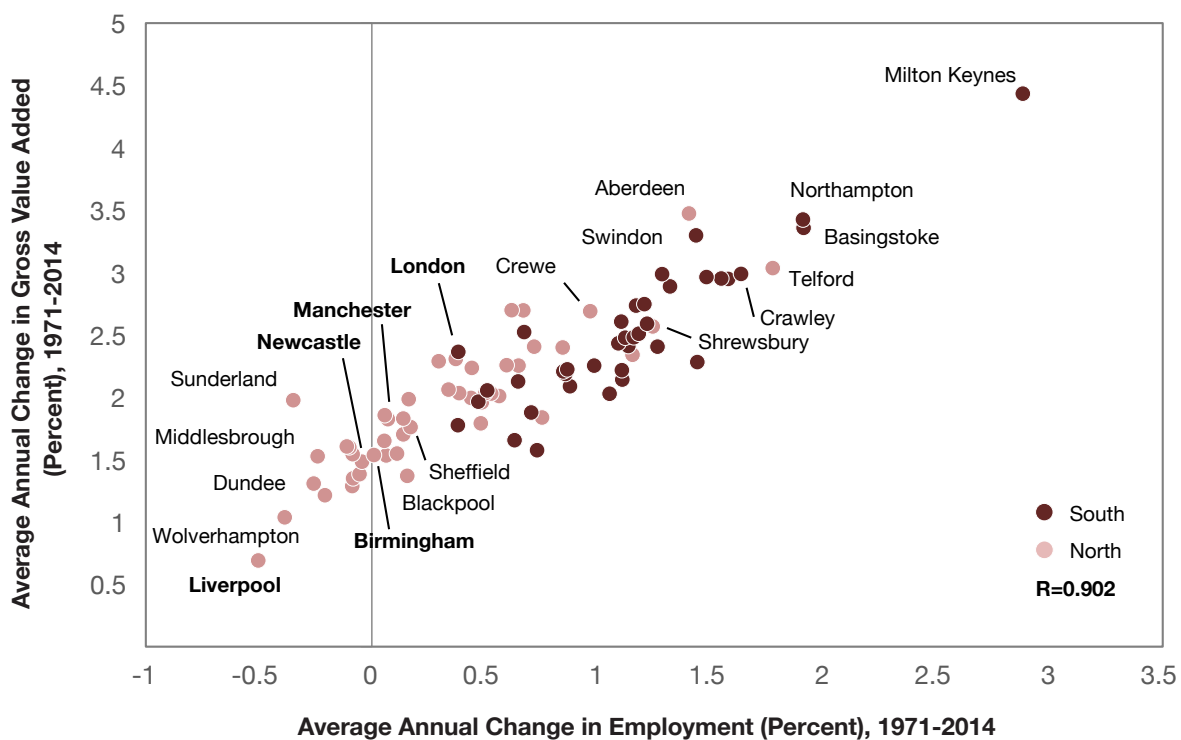
Four key findings on city economic change from 1971 to 2014

1. Employment growth was not the same everywhere

Figure 1 below shows the overall performance of the 85 cities, measured as the average rate of change in employment and output over 1971-2014. Overall, the economic performance of cities has varied substantially. The data also shows that:

- Cities such as Milton Keynes, Northampton, Telford, Crawley and Swindon have experienced average employment growth rates of 1.5 per cent or more per year;
- Several cities, such as Manchester, Sheffield, Blackpool and Birmingham, have shown virtually no overall growth employment at all;
- Some cities, including Sunderland, Middlesbrough, Dundee, Wolverhampton and Liverpool, have actually witnessed a decline in employment over the forty-five years.

Figure 1: Average annual change in GVA and Average annual change in Employment in all cities, 1971-1991

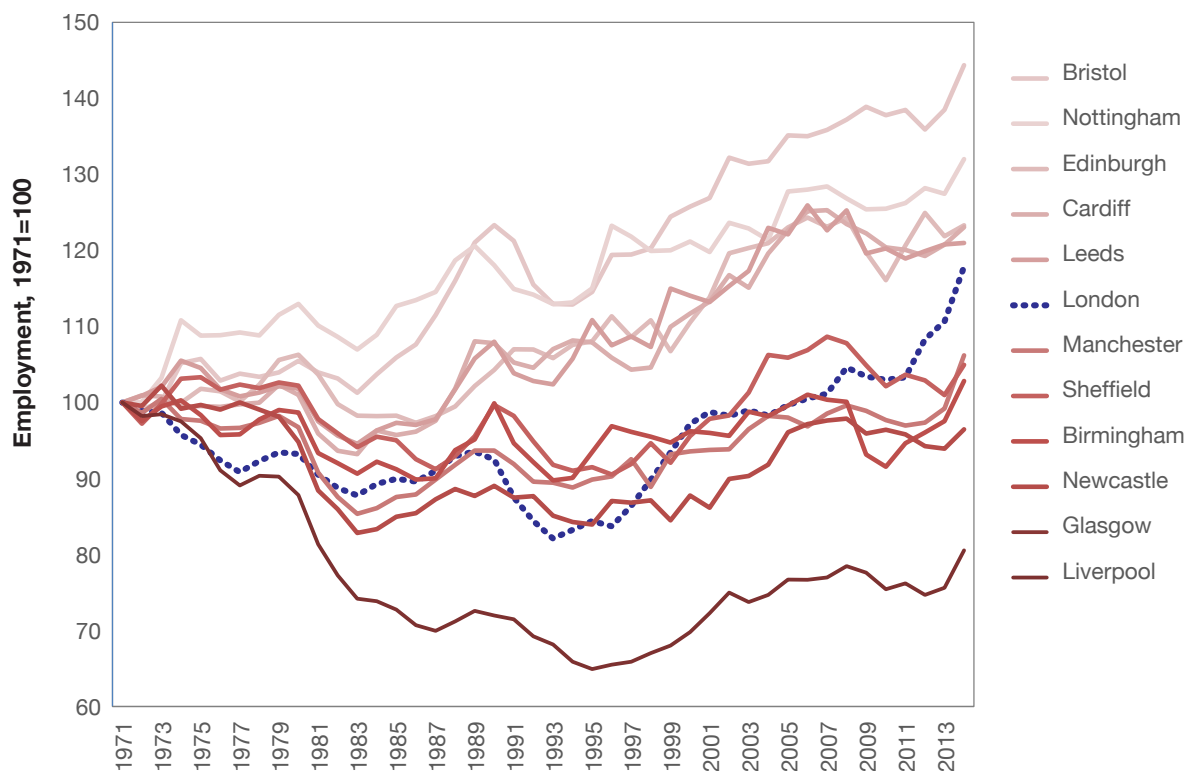


2. The big cities also saw varied growth

If we narrow our focus to just the major cities (the ten so-called Core Cities, plus London and Edinburgh,) a similar pattern emerges. These 12 cities form three groups in their patterns of employment growth.

- ‘Growers’ comprising Bristol, Nottingham, Edinburgh Cardiff, Leeds and London;
- ‘Little change’ comprising Manchester, Sheffield, Birmingham, Newcastle and Glasgow, in which employment either grew slightly or fell slightly over the 1971-2014 period;
- ‘Decliners’ which include cities like Liverpool, which lost a fifth of its employment base between 1971 and 2014.
- For these cities, the most dramatic relative decline occurred between 1971 and the early-1990s as they experienced substantial deindustrialisation. However, while many cities benefited from the job growth that occurred in the long boom of 1992-2007, this group benefited least.

Figure 2: Employment growth in Core Cities, 1971-1991



3. London's great turnaround

London underwent a significant 'turnaround' in economic performance in the early-1990s, having been one of the slowest growing parts of the UK in the 1970s and 1980s. This was largely because of the rapid deindustrialisation of its economy.

- In the period 1971 and 1991 London lost some 685,000 jobs in manufacturing while gaining only 126,000 in services, contributing to a total employment decline of 510,000;
- Between 1991 and 2008, although it lost a further 150,000 manufacturing jobs, it gained no less than 930,000 in services, and its total employment increased by some 728,000 over this period;
- London's productivity growth similarly failed to keep pace with the national average up to the late-1980s and early-1990s, but thereafter it experienced one of the fastest rates of growth of any city and far outstripping the national growth rate (Table 2);
- Since the early-1990s London has grown much faster than all of Britain's 12 larger cities.

Figure 3: London's employment and GVA growth

	1971-1991	1991-2014
	Percent growth over period	
Employment		
London	-12.5	34.7
Great Britain	7.1	18.3
Gross Value Added		
London	39.7	95.1
Great Britain	51.8	64.3

4. The drivers of productivity growth shifted from north to south

One of the recurring concerns about the UK economy is its low productivity – the ‘productivity puzzle’. How cities have performed in this respect is thus a key issue, with a growing North/South divide playing out in the data:

- There was convergence in productivity levels in the 1971-1991 period (see Figure 3) but in the later period (1991-2014, Figure 4) there was a light divergence;
- While the cities that experienced the fastest growth in productivity in the first period were in the north of the UK, the cities that benefited from faster growth in productivity in the subsequent period were in the south;
- This led to a shift in the geography of productivity growth in the early-1990s, one that if continued will lead to a growing productivity gap between northern and southern cities.

Figure 4: Productivity, 1971 and 1991

