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IN THE LIVERPOOL CITY REGION

THURSDAYS

3rd / 17th / 31st OCTOBER 2019



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SEMINAR THREE

# Thursday 31st October 2019

## Devolution / Governance

*in the Brexit era*

Constellations, Baltic Triangle  
5.30-7.30pm



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# Gerry Proctor MBE

## *Chair of Engage*



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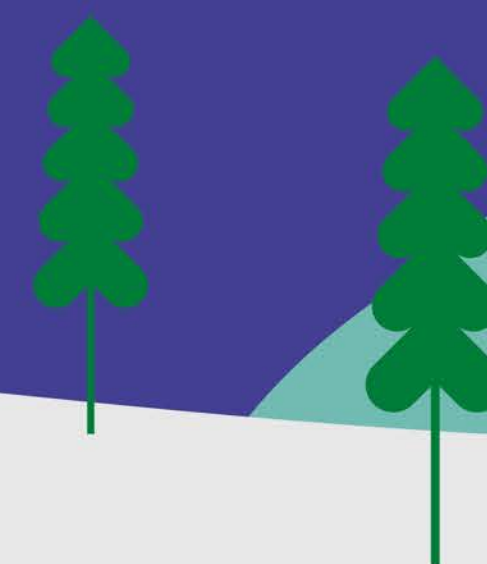
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🐦 @EngageLiverpool  
🐦 @UoS\_Management  
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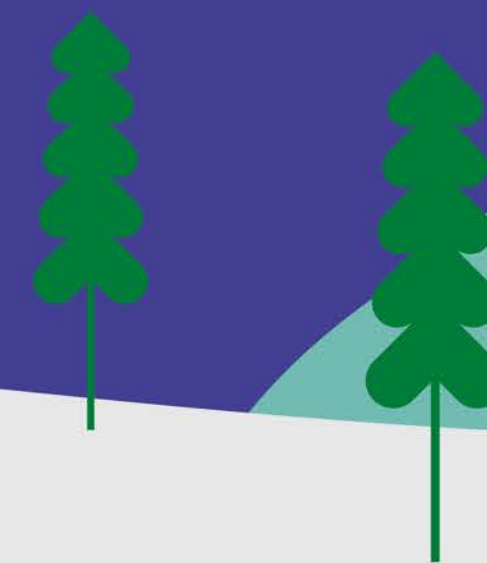
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SPEAKER

# Prof Philip McCann

*Professor in Urban and Regional Economics,  
Sheffield University Management School*



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# UK Regions and Cities: Economic and Governance Challenges of Devolution

Philip McCann

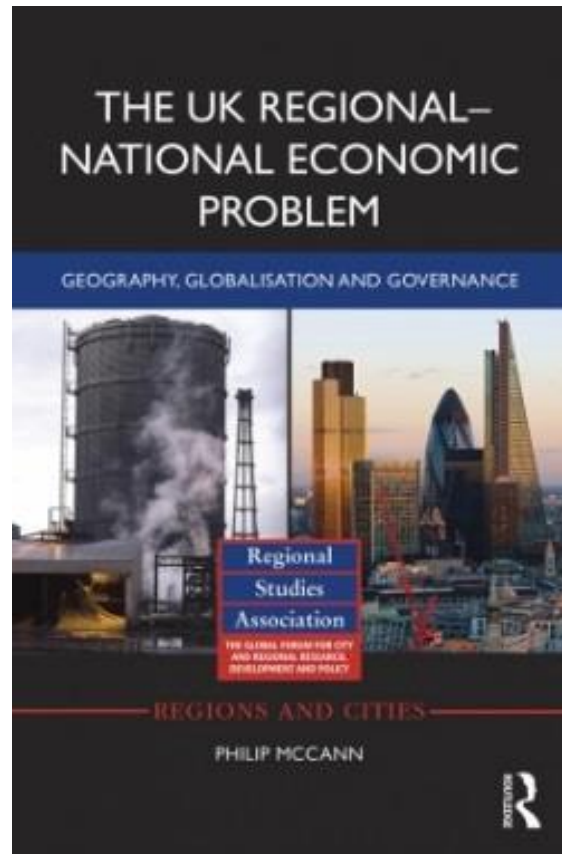
University of Sheffield



*The UK Regional-National Economic Problem:  
Geography, Globalisation and Governance 2016,*

Routledge, 566 pp

ISBN: 978-1-138-64723-7



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- *Productivity isn't everything, but, in the long run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.” Paul Krugman*

*The Age of Diminished Expectations*, 1994, MIT Press, Cambridge, p.11



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- By OECD and European standards, the UK displays high interregional **productivity** imbalances and inequalities and these are also reflected in terms of high inequalities in:
  - incomes; wealth; employment status and job tenure
  - health indices; quality of life and wellbeing indices
  - artistic, cultural and heritage assets; town centre viability
  - education, research assets and infrastructure provision
  - political and media profiles
- *Core-periphery* inequalities give rise to a *Geography of Discontent* → profound political and institutional consequences



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- The causes of dislocation and decoupling relate *primarily* to the different UK regional impacts of globalisation



- London and the rest of the UK are totally different in magnitude of investment capital, human capital, social capital, and infrastructure capital
- Driven by London's global city status and role in the era of modern globalisation



# UK Regions and Cities: Economic and Governance Challenges of Devolution

....but internally within the UK these connectivity and capital flows are largely uni-directional .....



... with little or no spillovers or linkages between London + hinterland and the rest

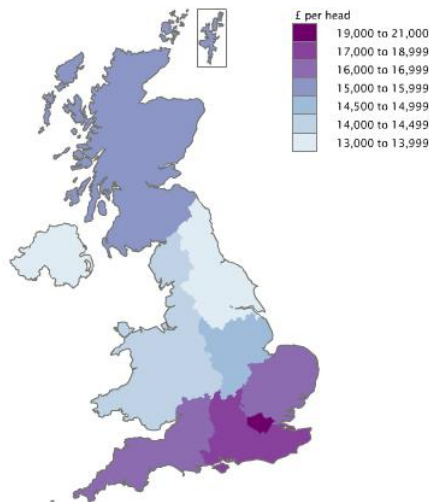
... rather than being multi-directional  
.... to all regions





# UK Regions and Cities: Economic and Governance Challenges of Devolution

- UK Interregional problem Is the *worst* in the OECD relative to scale and national development
- London and hinterland is ***decoupling*** from the rest of UK
- UK is *diverging, dislocating and decoupling* into 3 different economies [London + SE, E, SW] [Scotland] [WM, EM, NW, YH, NE, W, NI]



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- UK different narratives regarding whether the UK regional ‘problem’ exists → whether it is natural/automatic → whether it is important → whether anything could be done to address it → whether anything should be done to address it, ...even if it exists
- Argument that there is *no* real regional divide: two forms
- Debates involving *The Economist*, FullFact (fact-checking website), Jeremy Vine (BBC), Andrew Neil (BBC *The Spectator*),
- Chris Giles (*Financial Times*) – focus on disposable household incomes *after* housing costs → no real interregional inequality
- Resolution Foundation 2019 → much smaller than GDP per capita, GVA per worker,



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- Andy Haldane, Chief Economist Bank of England: – ‘hub no spokes’; is all economics local?; red car/blue car; institutions, governance and knowledge diffusion
- Just under half of the UK population today live in regions whose productivity is comparable to the poorer parts of the former East Germany, parts of Slovakia and Slovenia, and poorer than West Virginia and Mississippi
- MDLS Multi-Dimensional Living Standards - SE in top OECD quartile (top 25%), L, SW and E in second quartile; rest of the UK in third quartile (between 50% and 75%)
- More than half of the UK live in regions whose MDLS Multi-Dimensional Living Standards are comparable to the poorer parts of the former East Germany, Alabama, Tennessee, South Carolina, Georgia

# UK Interregional Inequality Rankings

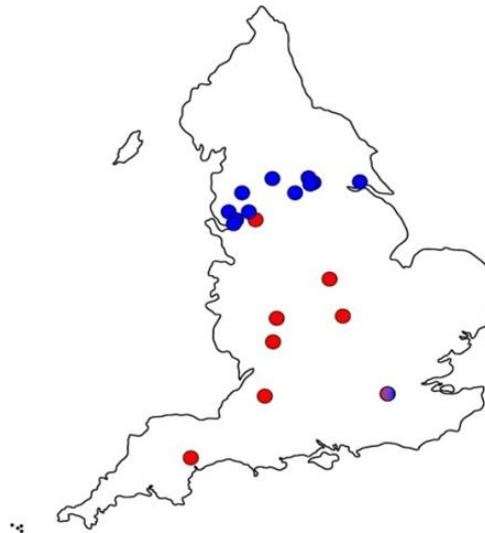
## (Number of OECD and EU Countries with Comparable Data)

Ratio Top/Bottom OECD TL2 Regions GDP per Capita	Difference Top-Bottom OECD TL2 Area GDP per Capita Divided by national GDP per Capita	Ratio Top/Bottom OECD TL2 Regions GDP per Capita	Difference Top-Bottom OECD TL2 Area GDP per Capita Divided by national GDP per Capita	Ratio Top 10%/Bottom 10% OECD TL2 Regions GDP per Capita
5/27	5/27	1/26	1/26	4/26
Ratio Top 20%/Bottom 20% OECD TL2 Regions GDP per Capita	Ratio Top 10%/Bottom 10% OECD TL3 Regions GDP per Capita	Ratio Top 20%/Bottom 20% OECD TL2 Regions GDP per Capita	Ratio Top 10%/Bottom 10% OECD TL2 Regions GVA per Worker	Ratio Top 20%/Bottom 20% OECD TL2 Regions GVA per Worker
6/26	2/27	4/26	2/25	5/25
Ratio Top 10%/Bottom 10% OECD TL3 Regions GVA per Worker	Ratio Top 20%/Bottom 20% OECD TL3 Regions GVA per Worker	Ratio Top 10%/Bottom 10% OECD TL2 Regions RDI per Person	Ratio Top 20%/Bottom 20% OECD TL2 Regions RDI per Person	Ratio Top 10%/Bottom 10% OECD TL3 Regions RDI per Person
3/27	6/27	4/27	4/27	1/11
Ratio Top 20%/Bottom 20% OECD TL3 Regions RDI per Person	Gini Index Regional GDP per Capita OECD TL2 Regions	Gini Index Regional GDP per Capita OECD TL3 Regions	Gini Index Regional RDI per Capita OECD TL2 Regions	Gini Index Regional RDI per Capita OECD TL3 Regions
1/11	9/26	1/27	5/26	1/11
Difference Top-Bottom OECD Metro Urban Area GDP per Capita Divided by national GDP per Capita	Ratio Top/Bottom OECD Metro Urban Area GDP per Capita	Ratio Top/Bottom GDP per Capita EU NUTS2 Region (including Metro Urban Regions)	Ratio Top/Bottom GDP per Capita EU NUTS3 Region (including Metro Urban Regions)	Ratio Top 10%/Bottom 10% GDP per Capita EU NUTS2 Regions (including Metro Urban Regions)
8/19	5/19	6/20	6/22	4/22
Ratio Top 10%/Bottom 10% GDP per Capita EU NUTS3 Regions (including Metro Urban Regions)	Coefficient of Variation GDP per Capita EU NUTS2 Regions (including Metro Urban Regions)	Coefficient of Variation GDP per Capita EU NUTS3 Regions (including Metro Urban Regions)		
11/22	5/23	11/22		10



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- Two different economic systems - *The Economist* 30.11.2013 analogy of co-existence of **rugby league** and **rugby union**
- Ostensibly the same ...BUT... different rules, different rewards, different playing field, different institutions, different teams, different audience, different culture, different geography



# UK Regions and Cities: Economic and Governance Challenges of Devolution

X '*Jam spreading*' analogy



X London as a *motor or engine*.....



....for the whole of the UK with spread effects cascading outwards ....



X London as a dark star

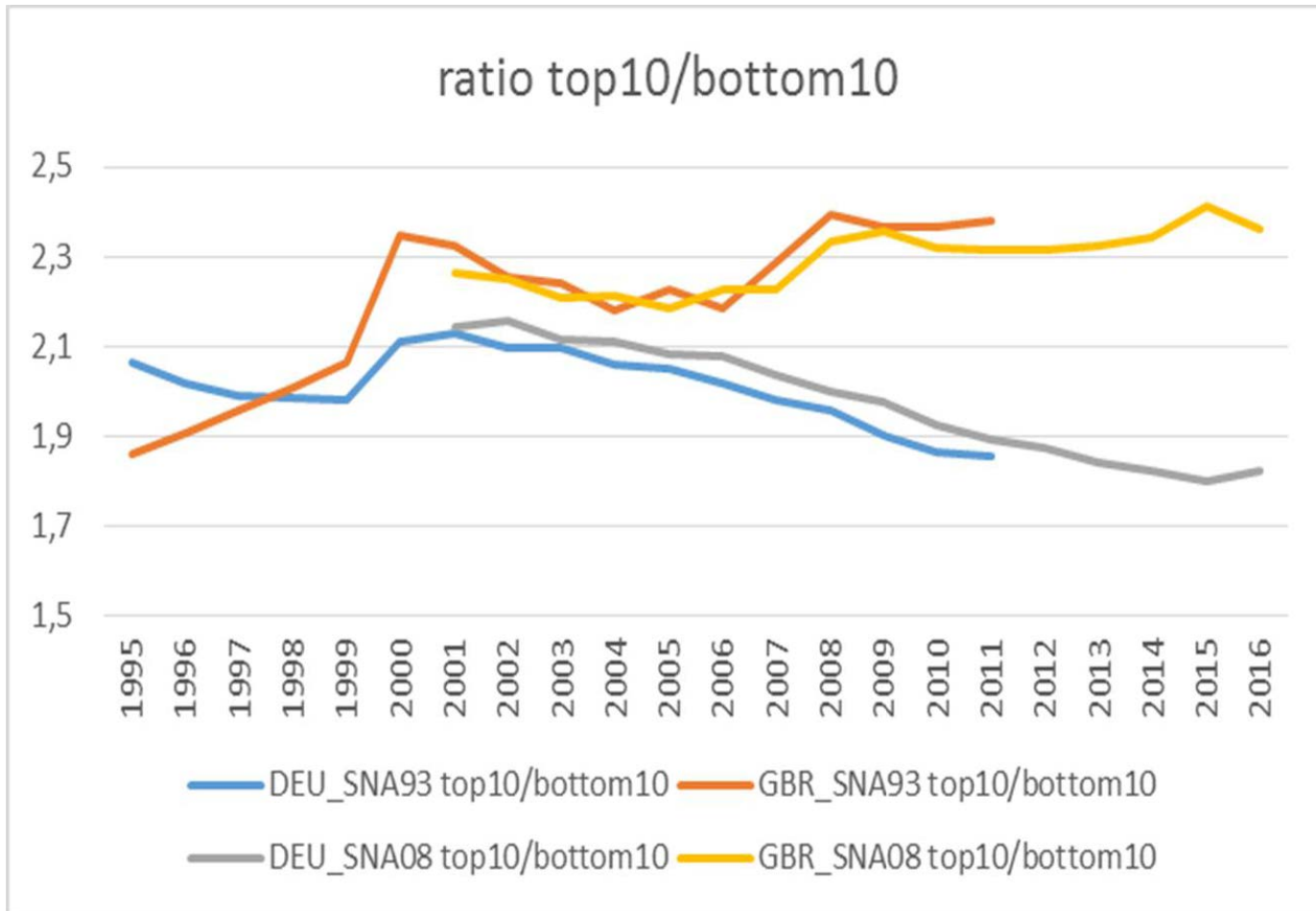


X Cities versus towns problem

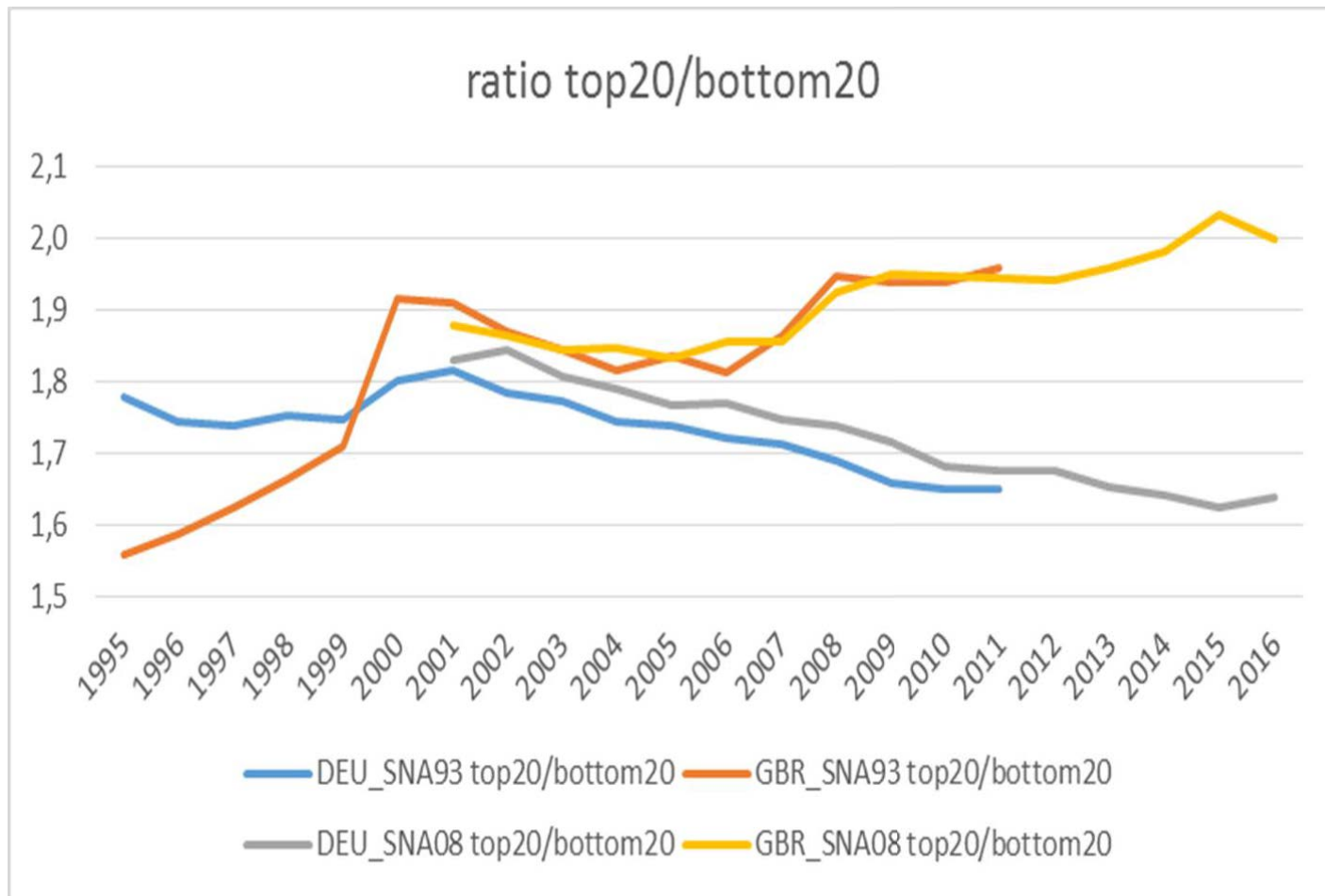




# GDP per Capita OECD-TL2

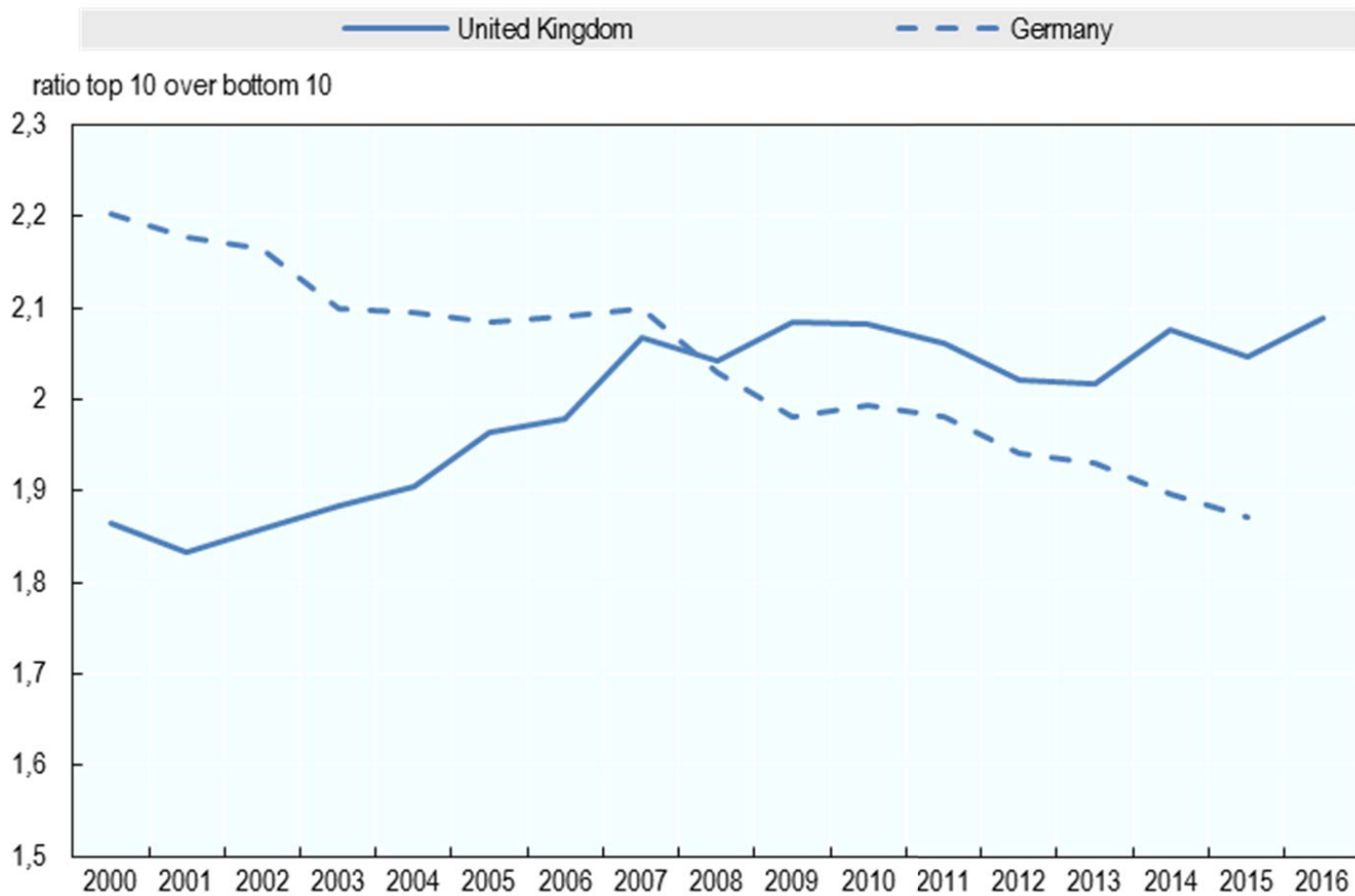


# GDP per Capita OECD-TL2

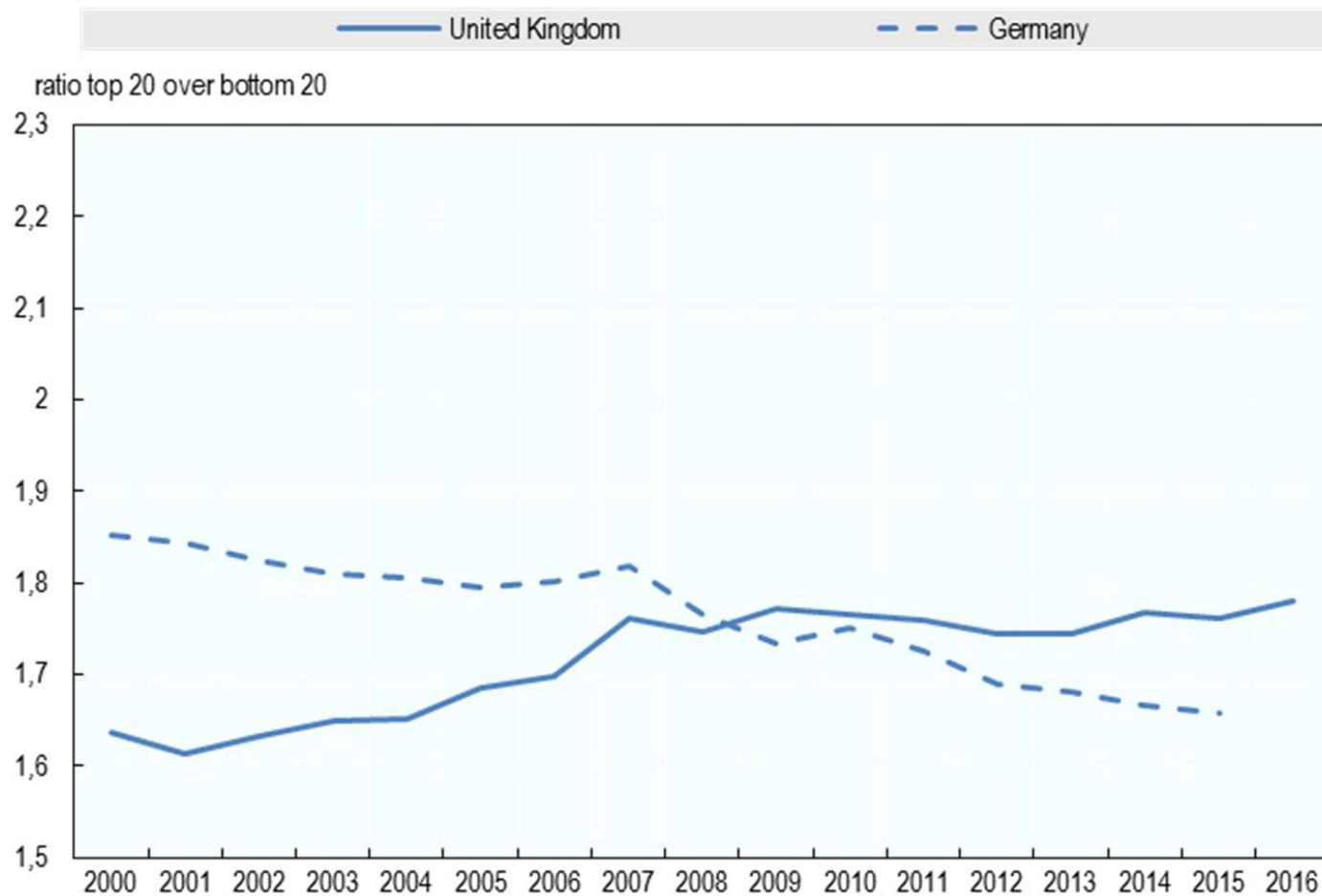




# GDP per Worker OECD-TL3

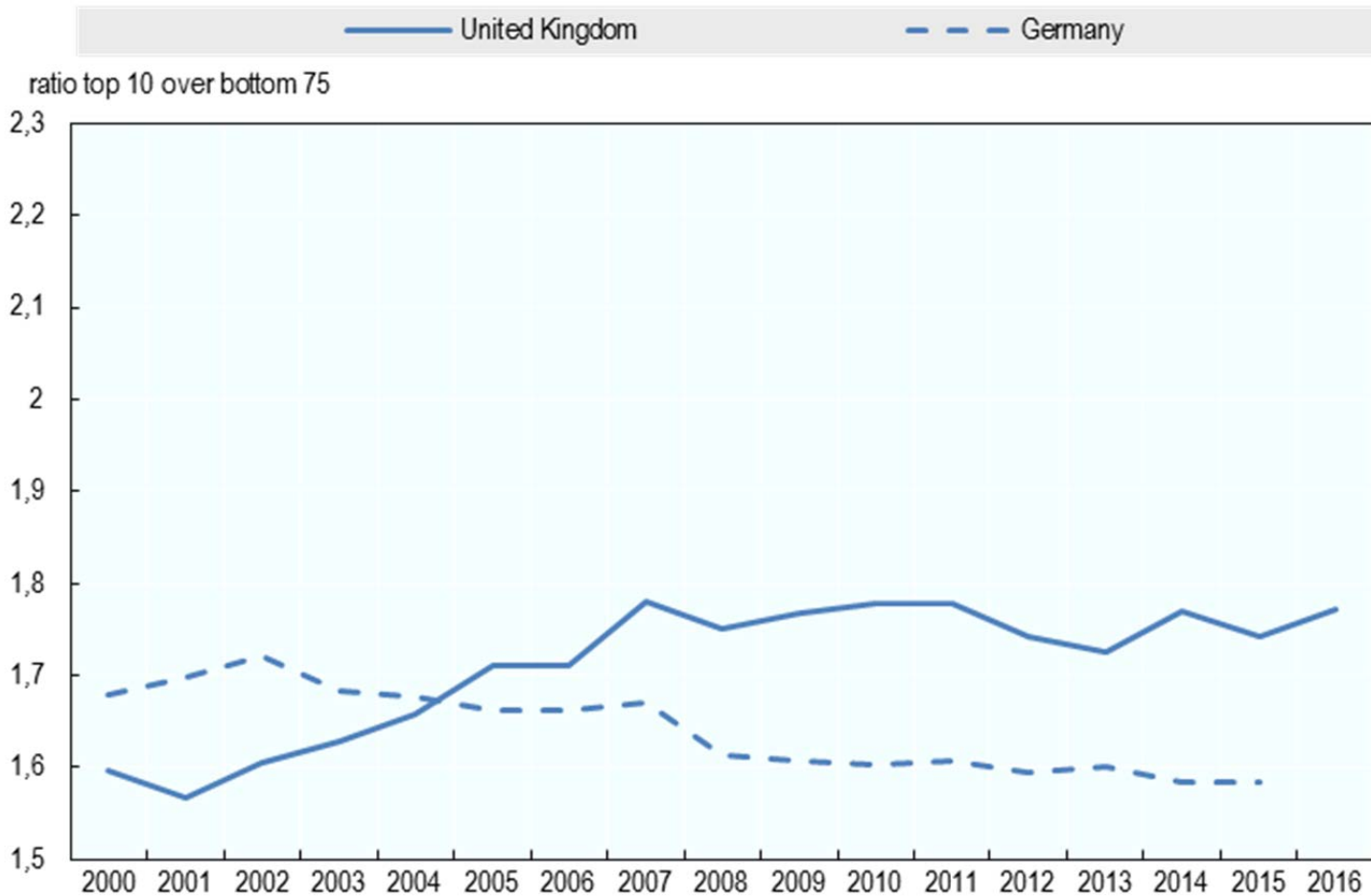


# GDP per Worker OECD-TL3

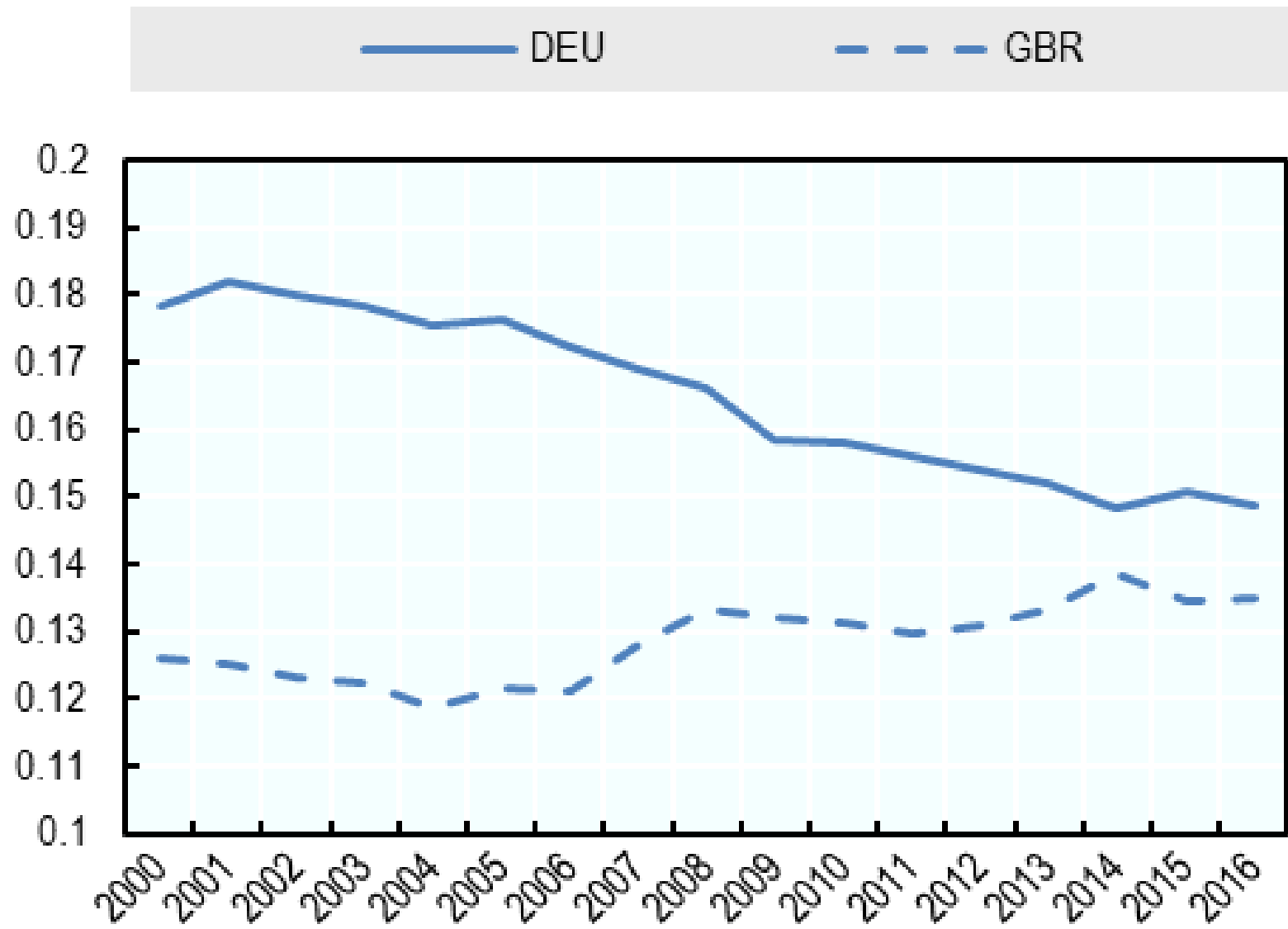




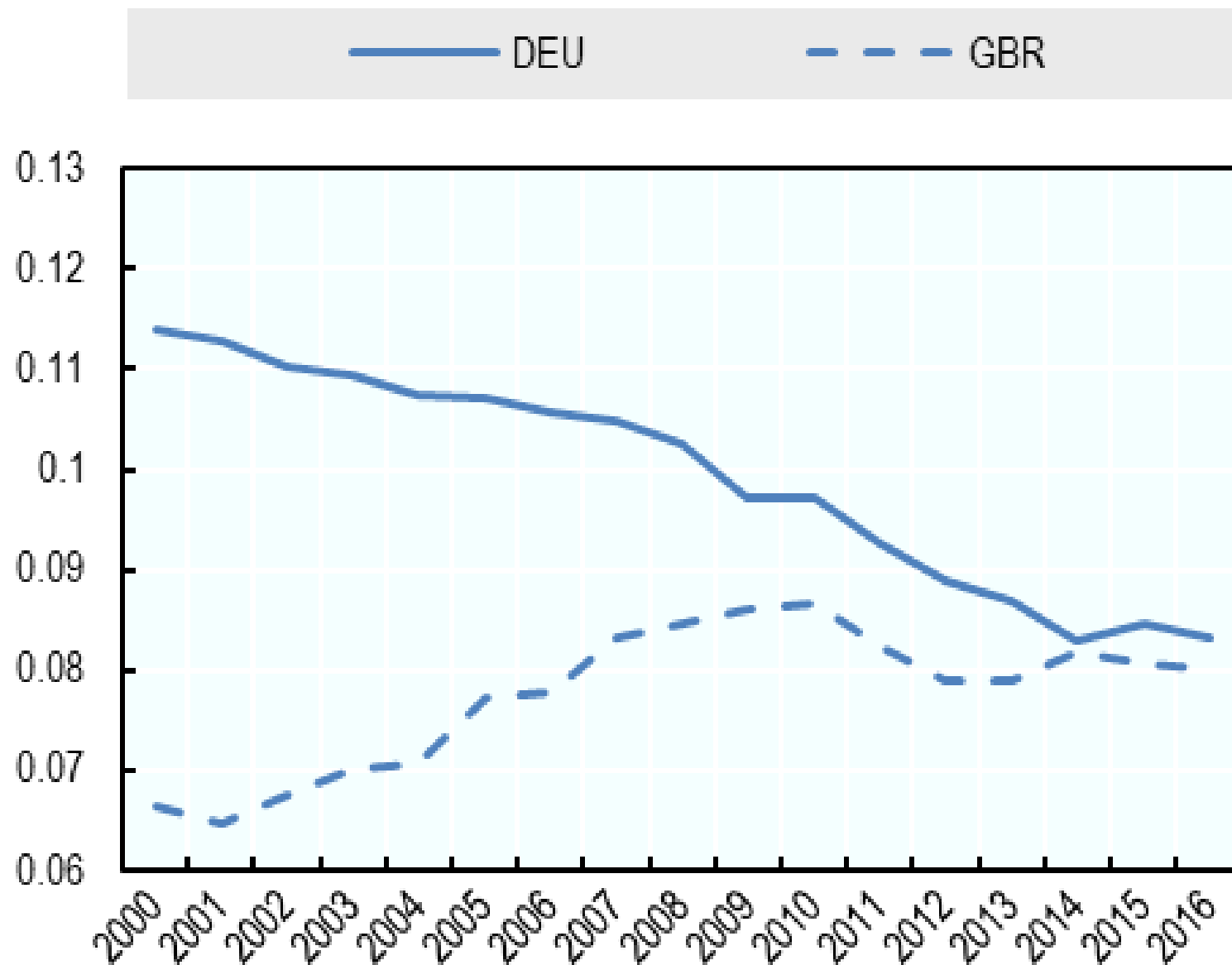
# GDP per Worker OECD-TL3



## Gini GDP per capita - TL2

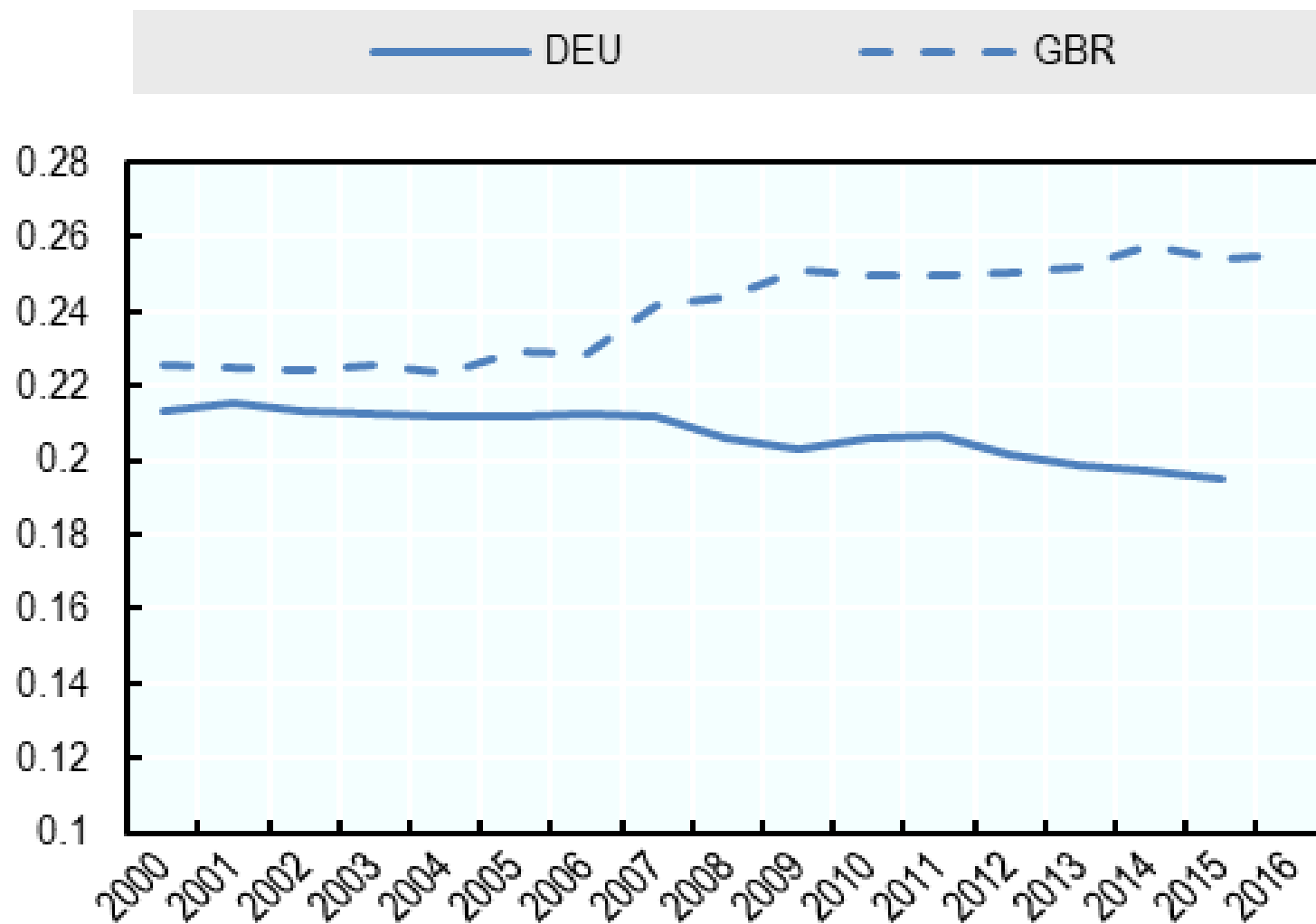


## Gini GDP per worker - TL2

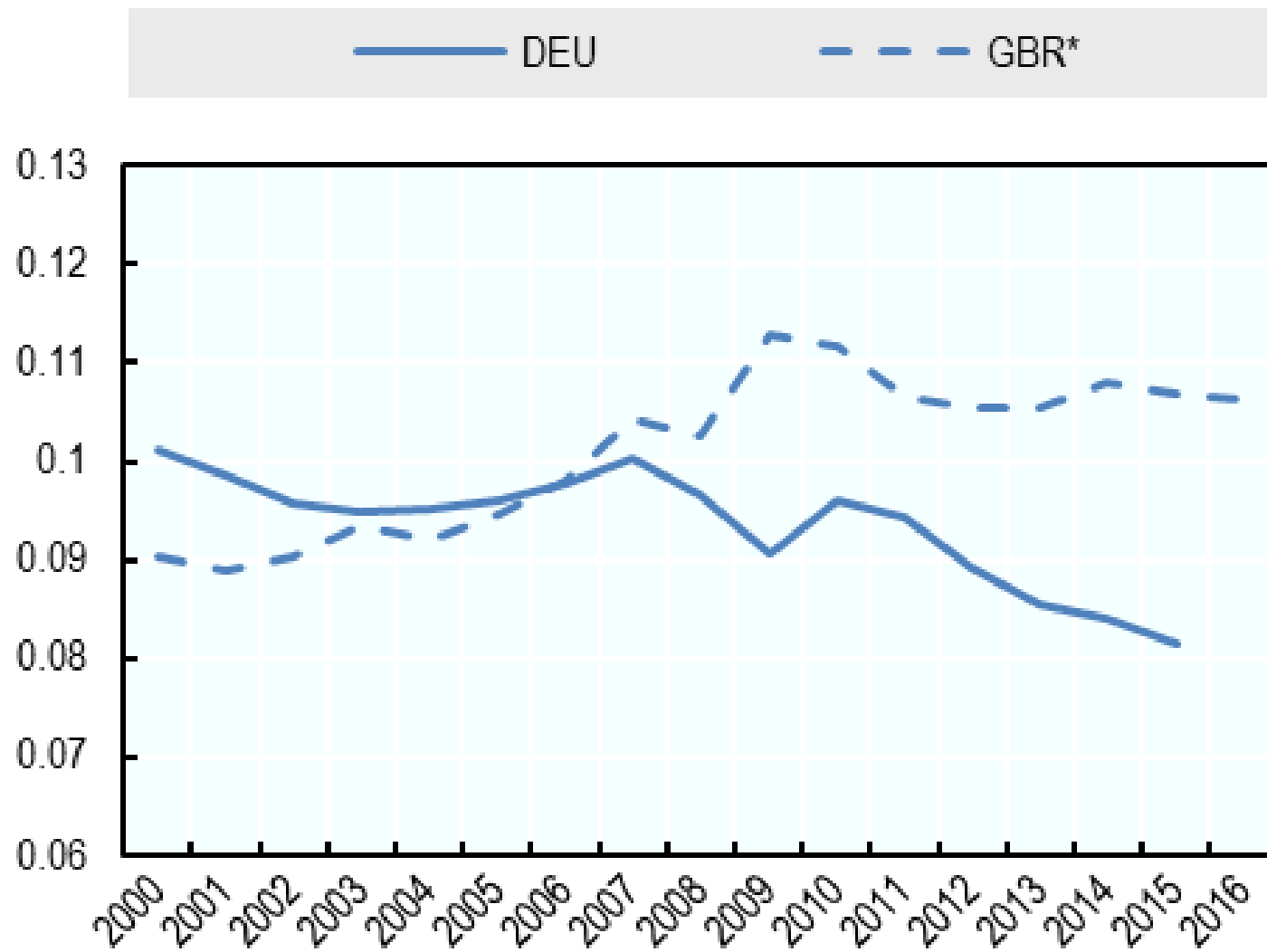


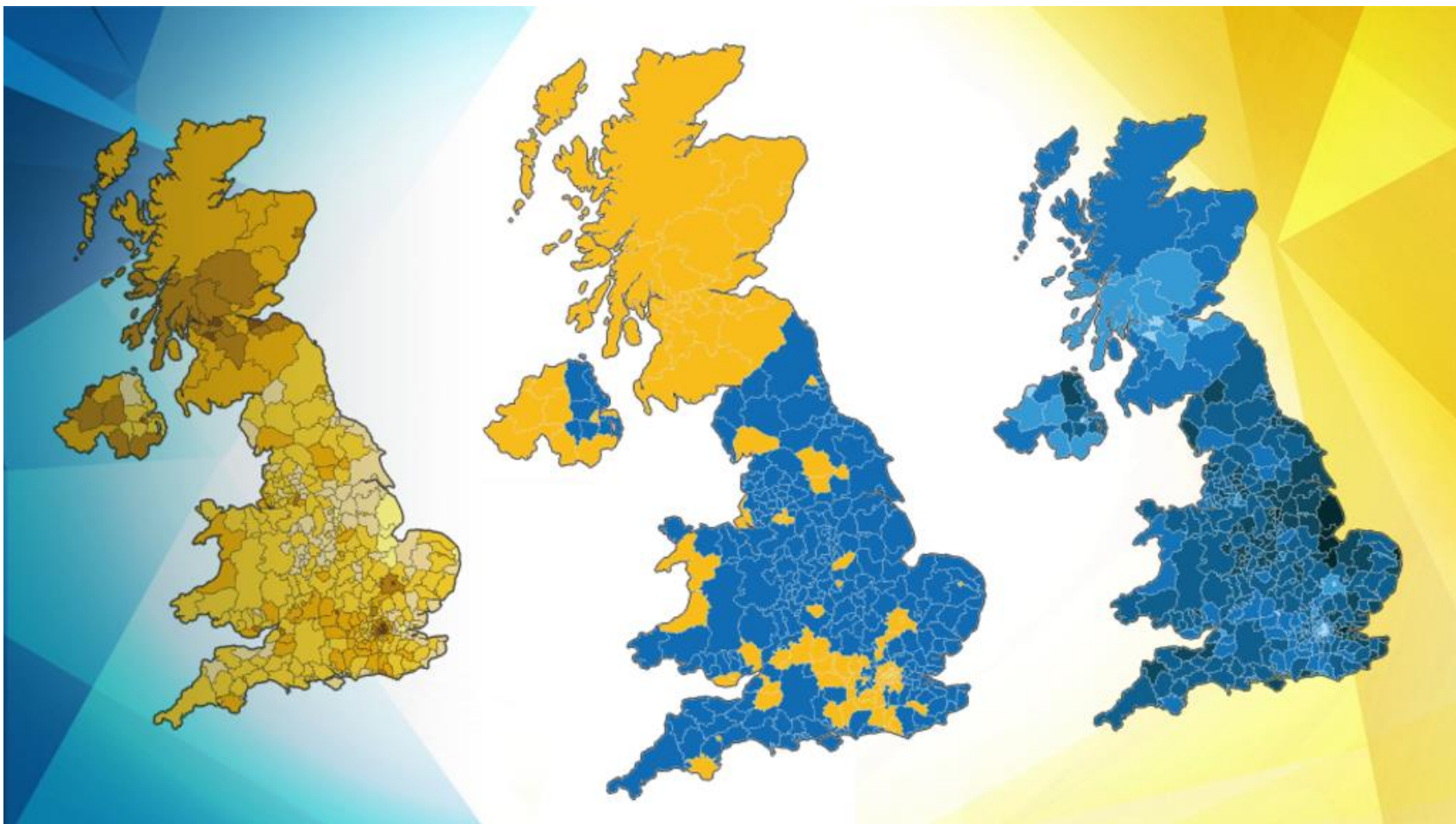


### Gini GDP per capita - TL3



## Gini GDP per worker - TL3





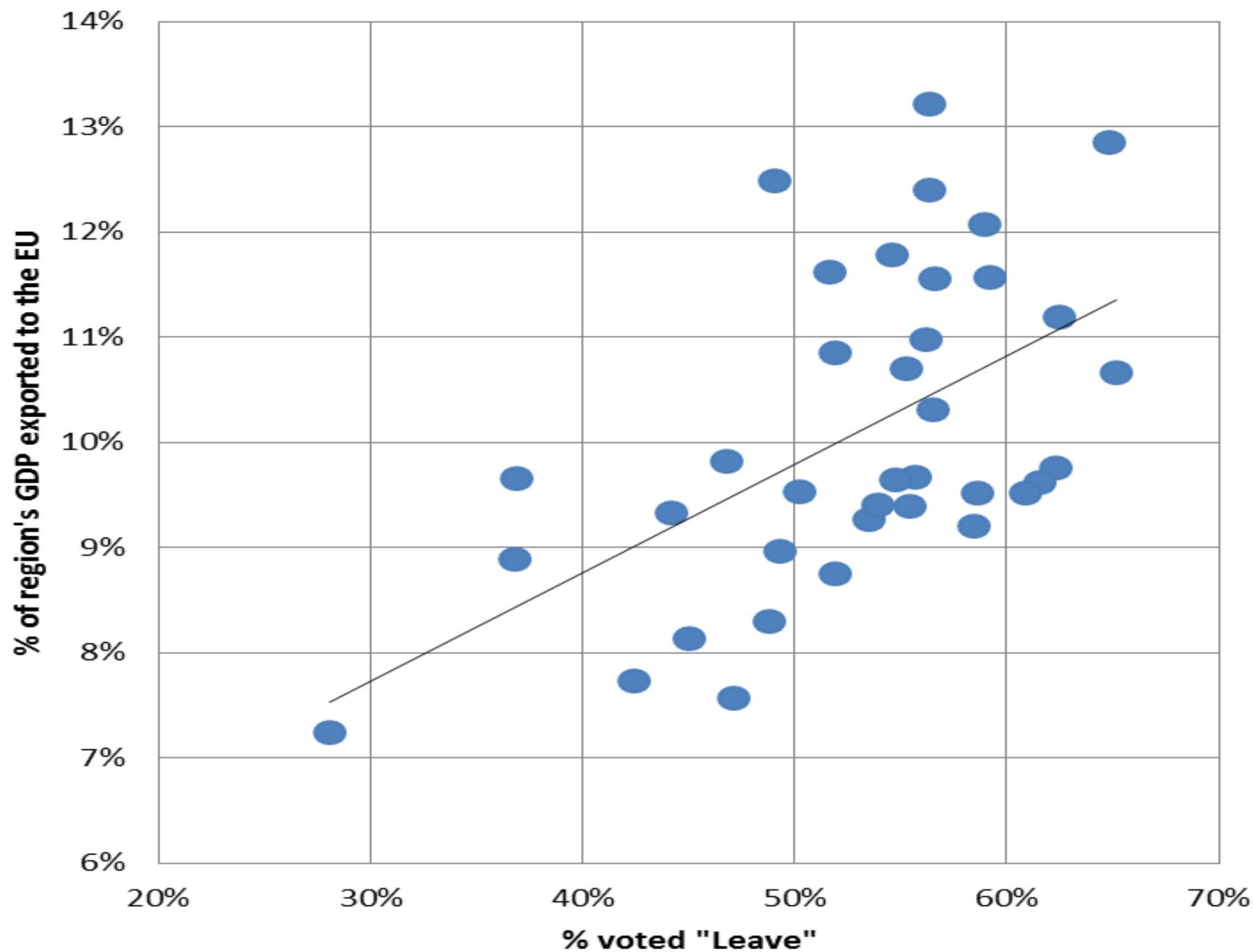


# UK Regions and Cities: Economic and Governance Challenges of Devolution

- Impacts of globalisation are totally different across the UK  
Brexit votes → age, education, skills and occupation, social attitudes, local economic conditions



- *Metropolitan elites* argument for Brexit
- *The Geography of Discontent* → a worldwide phenomenon?
- Geography of 23<sup>rd</sup> June Referendum votes reflects the internal decoupling of the UK
- Economic geography overlays all other characteristics



**% of region's labor income exported to the EU**

14%  
13%  
12%  
11%  
10%  
9%  
8%  
7%  
6%

20%

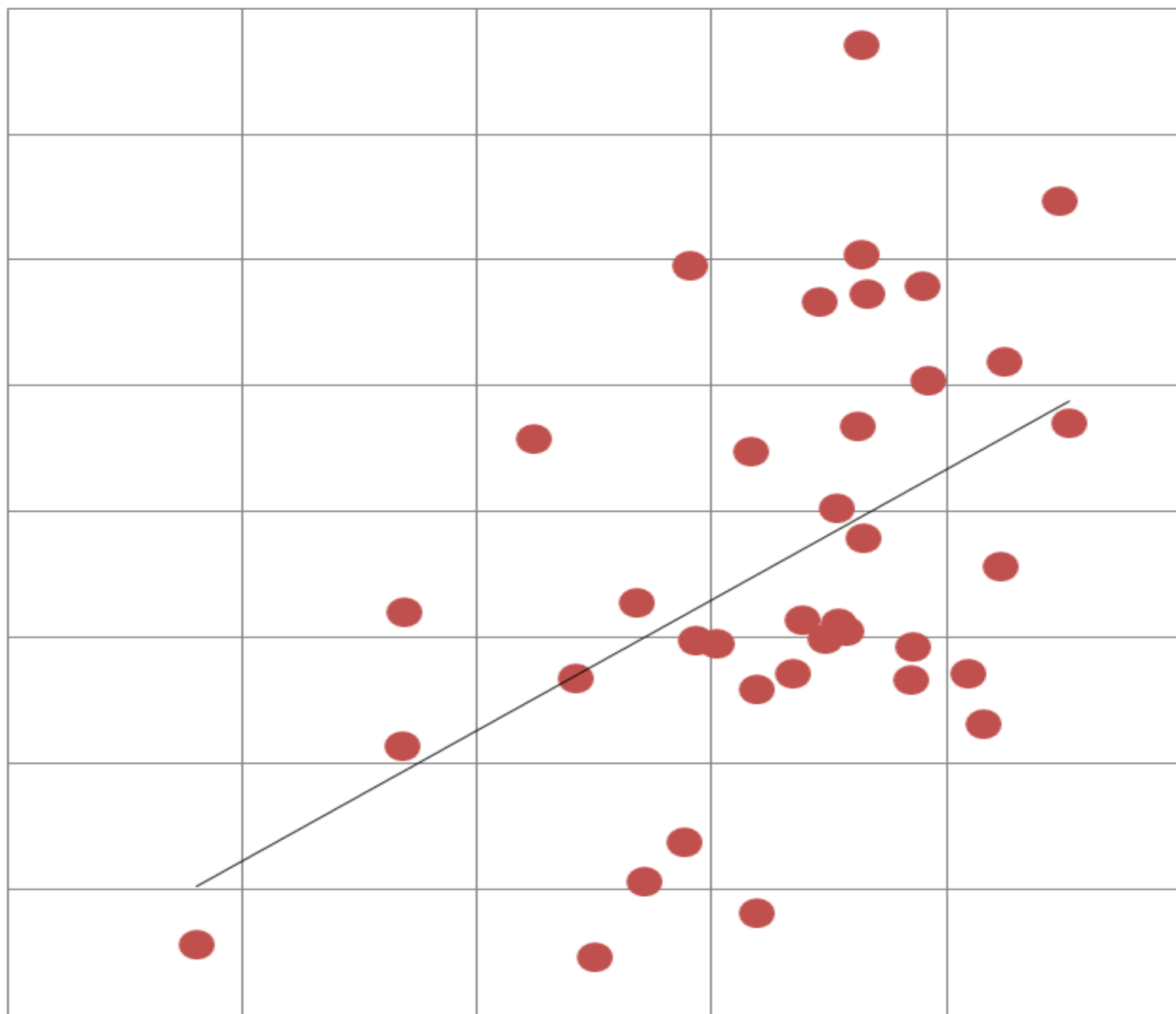
30%

40%

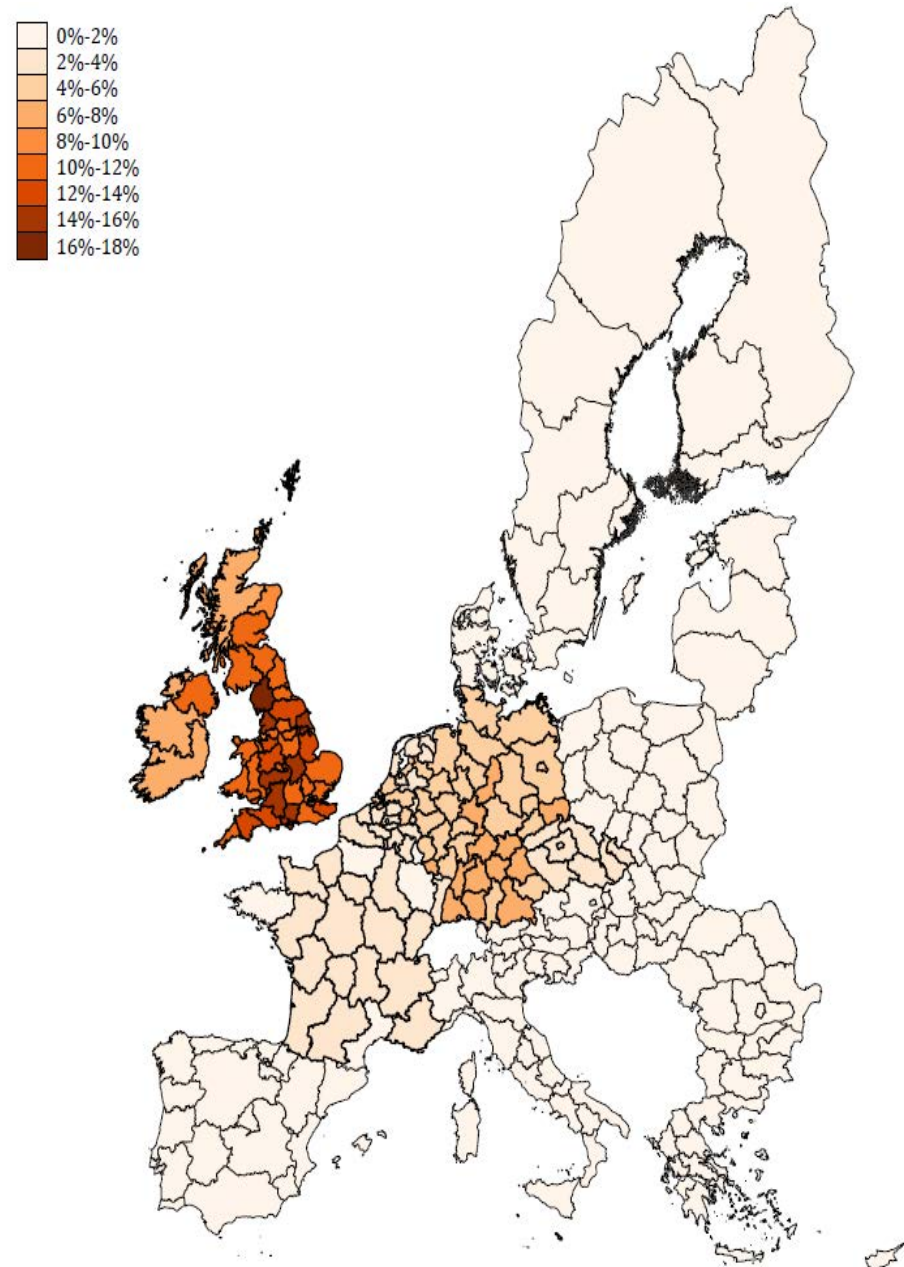
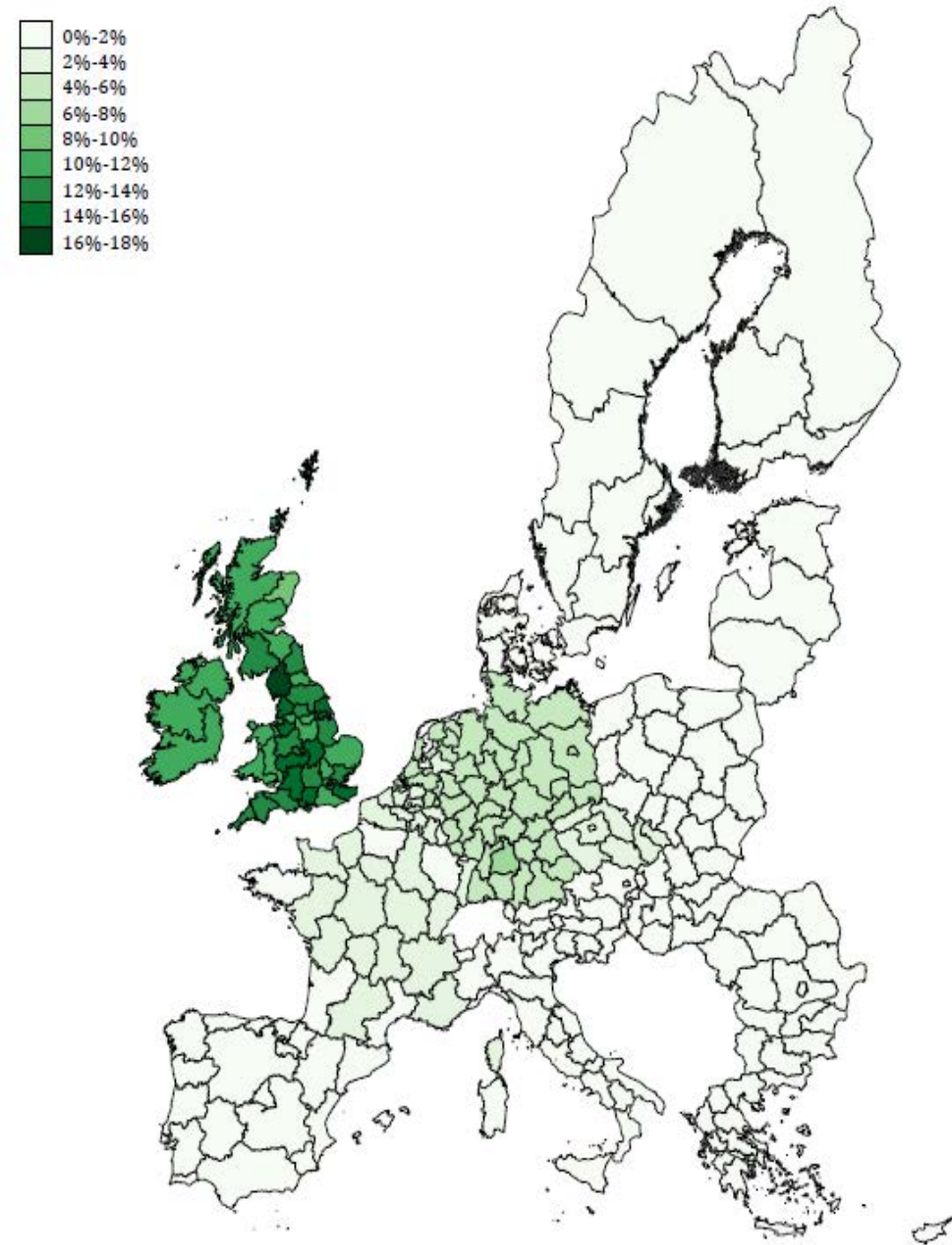
50%

60%

70%



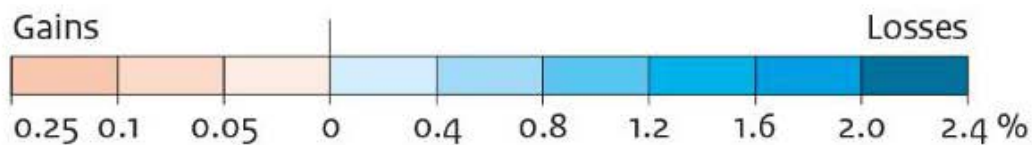
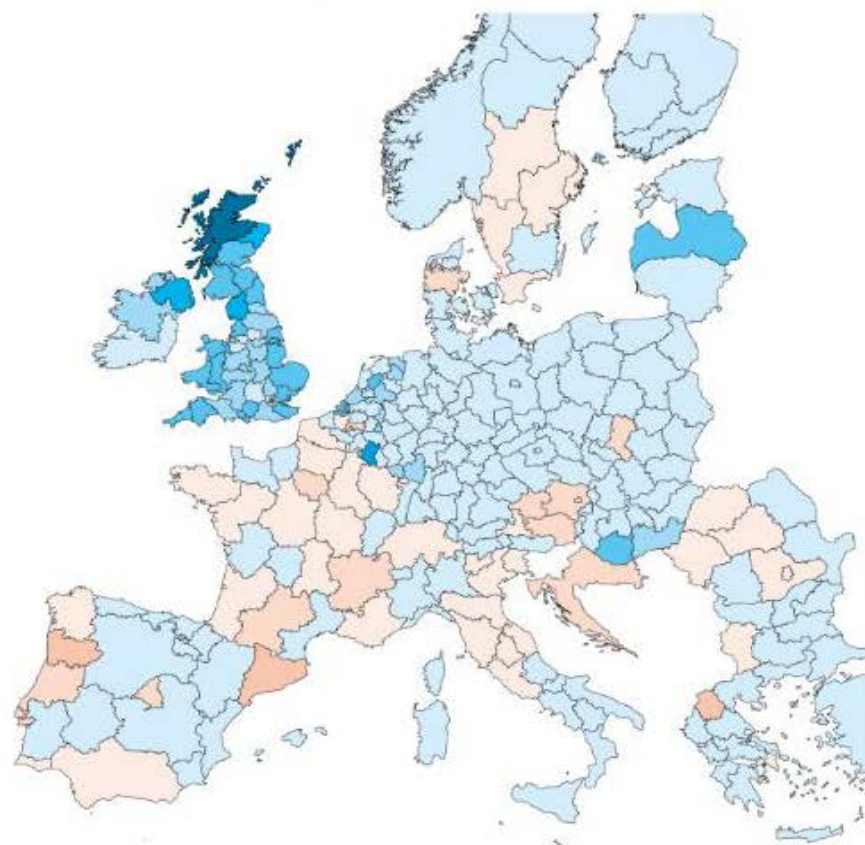
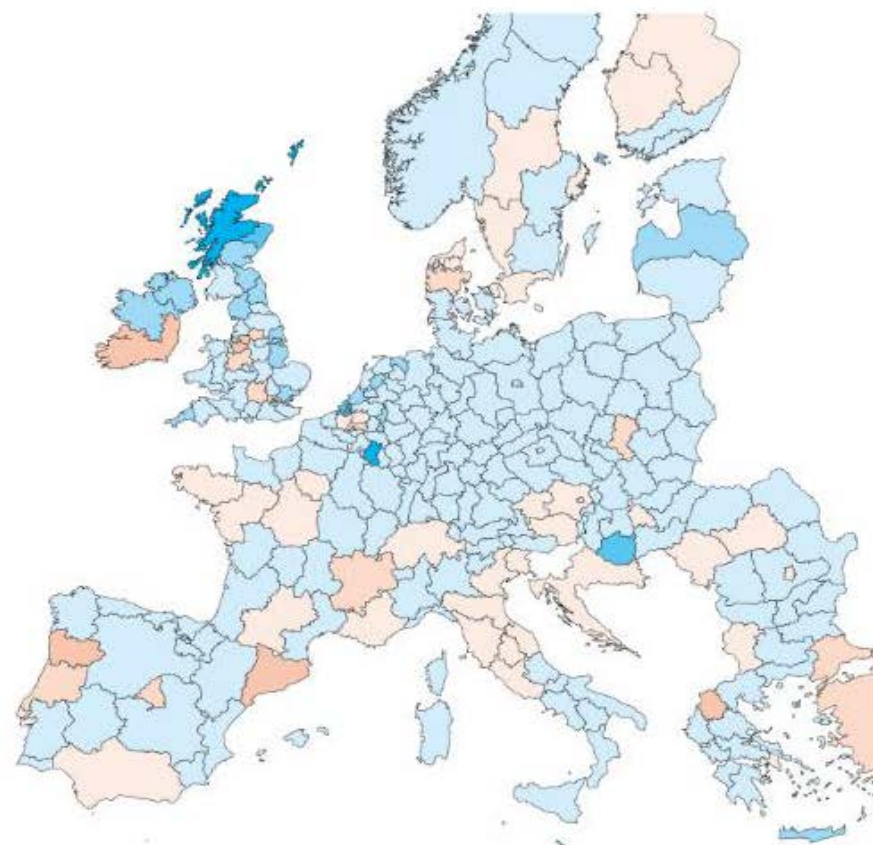




## Change of competitiveness in hard-Brexit scenario

Domestic and international competitiveness

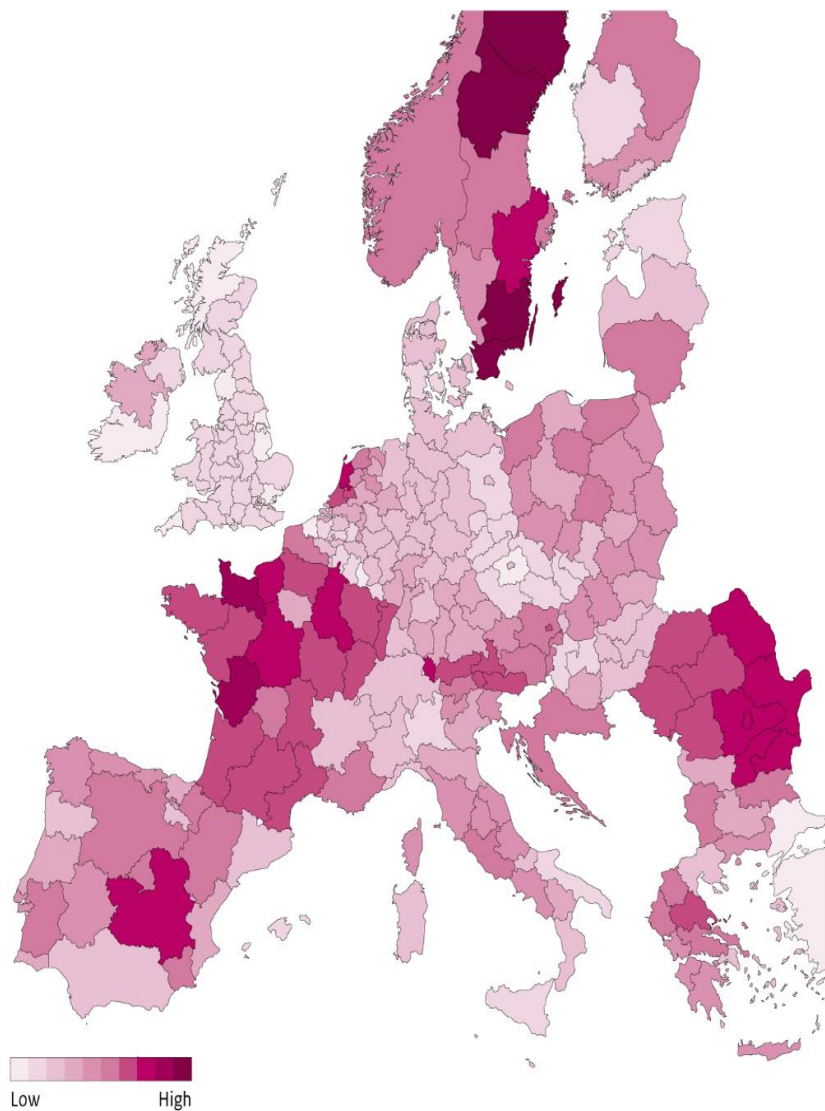
International competitiveness only



Source: PBL

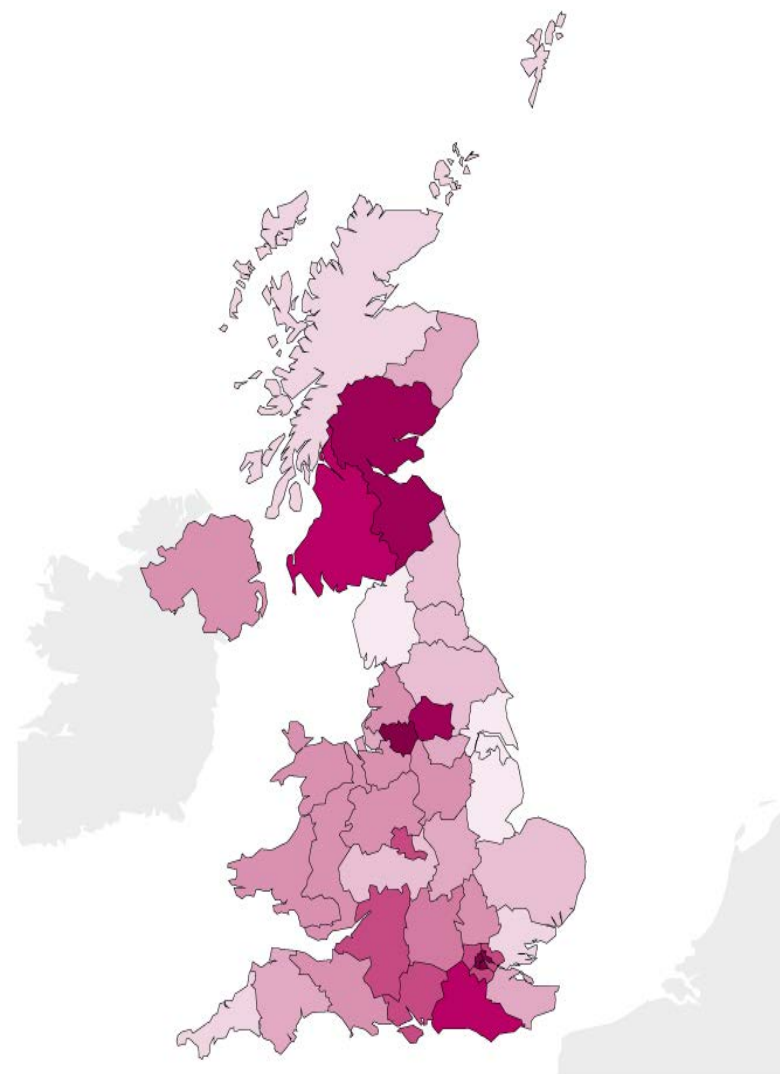


Sensitivity to Brexit Scenario in European regions



Source: PBL

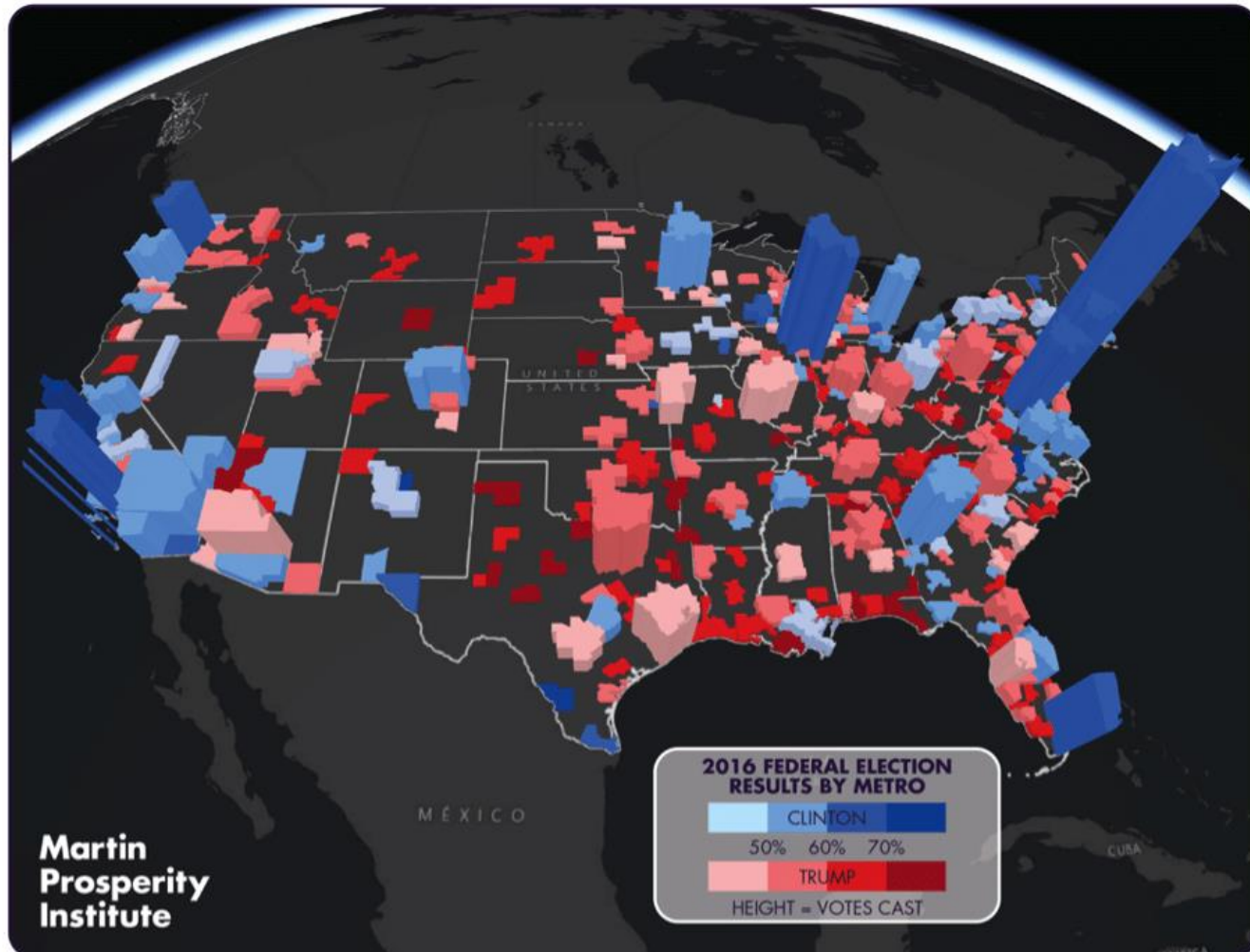
Sensitivity to Brexit Scenario in UK regions



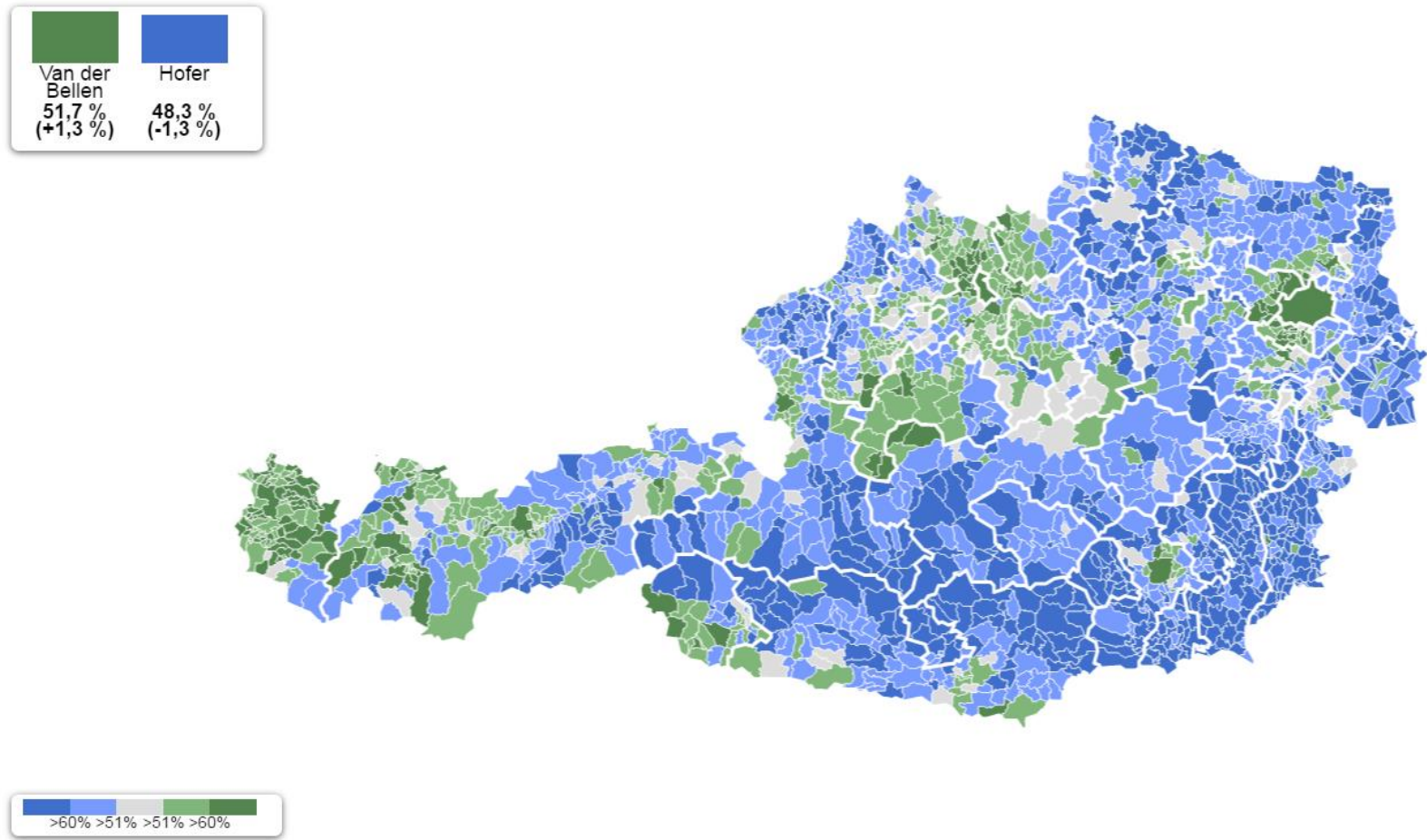
Source: PBL



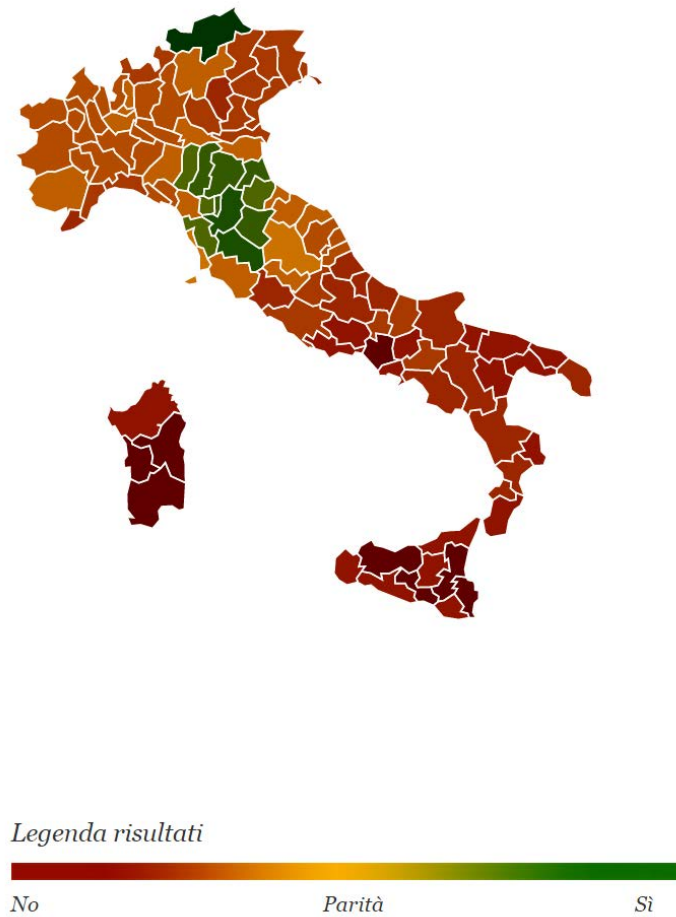
# UK Regions and Cities: Economic and Governance Challenges of Devolution



# UK Regions and Cities: Economic and Governance Challenges of Devolution



# UK Regions and Cities: Economic and Governance Challenges of Devolution



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- UK – almost a perfect mis-match between the UK governance structure and institutional set-up (ultra- centralised, top-down and space-blind) and the extreme internal differences
- Central government to local government – missing middle
- Case for *devolution* is built around attempts to correct for over-centralisation in a context of extreme internal differences
- Cultural and political sentiment around ‘taking back control’
- Social preferences are for very local governance scale – accountability, identity etc.
- Difficulty of achieving things – scale and coordination in issues such as skills, innovation, entrepreneurship, environment, health care, ageing and demographic change, transport, foreign investment, research & development



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- Why the recent focus on cities and city-regions?
- Because it is cities which have been the core of the UK regional productivity problem and the need for a meso-scale
- Core theme: agglomeration economies
- Knowledge spillovers and sharing; labour matching; non-traded local inputs
- Internal economies of scale; economies of localisation and economies of urbanisation
- Worldwide evidence: city size is positively related to productivity; city density is positively related to productivity
- Cities are related to all indicators of knowledge and economic growth

# UK Regions and Cities: Economic and Governance Challenges of Devolution

- UK productivity puzzle → no relationship between city scale and productivity
- City performance is contingent on the regional context
- No real UK 'cities versus towns' phenomenon – narrower gap than in most countries, and UK urban-rural gaps are tiny relative to the UK regional differences
- City (and town) productivity premia are mainly in the south of England and Scotland – the prosperous regions.
- City (and town) productivity challenges are mainly in the economically less prosperous regions
- UK city and regional problems of connectivity and mono-polar infrastructure and network logic of institutional and physical infrastructure

# UK Regions and Cities: Economic and Governance Challenges of Devolution

- OECD evidence that local governance fragmentation undermines all potential city agglomeration gains
- City-governance at functional urban areas – implies enhanced productivity, better planning, service coordination and delivery
- Metropolitan-wide areas can better coordinate health and social care?
- Recent movement toward city-regions – city-region ‘deals’ are different according to place
- Process of bilateral negotiation with HM Treasury
- Manchester is the pioneer model
- Health and social care depends on knowledge of future demographics

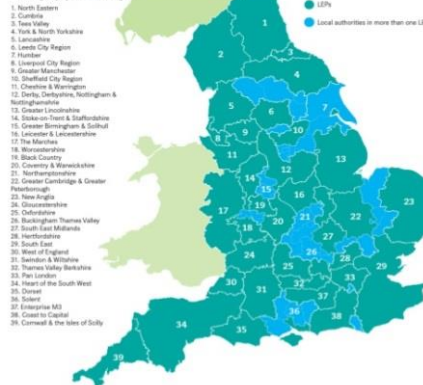
# UK Regions and Cities: Economic and Governance Challenges of Devolution

## The devolved powers

SCOTLAND	WALES	N. IRELAND
Agriculture, forestry & fishing	Agriculture, forestry & fishing	Agriculture
Education	Education	Education
Environment	Environment	Environment
Health	Health	Health
Housing	Housing	Enterprise, trade & investment
Justice, policing & courts	Local government	Social services
Local government	Fire & rescue services	Justice & policing (Since 2010)
Traffic services	Highways & transport	
Economic development	Economic development	
Some transport		



## The 39 LEPs



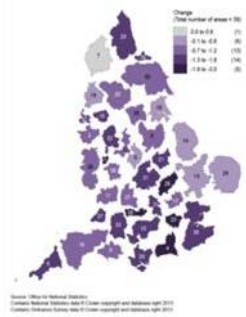


# UK Regions and Cities: Economic and Governance Challenges of Devolution

- Devolving an already highly unbalanced urban system ↓

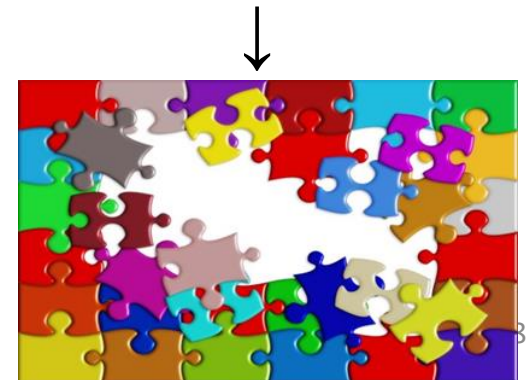
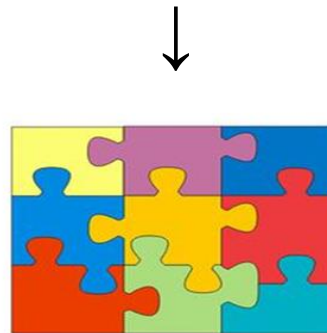
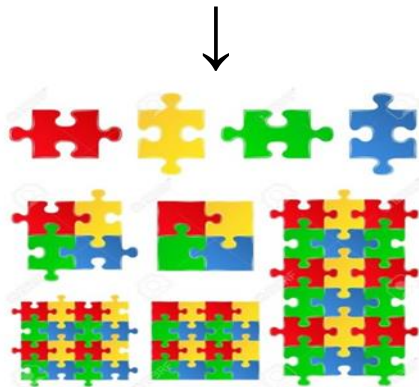
.... risks the danger of ....

← governance fragmentation ....  
...leading to opposing incentives  
.... and interests →



# UK Regions and Cities: Economic and Governance Challenges of Devolution

- There needs to be a wholesale restructuring of the relationship between local, regional and national policy
- We need to move towards much more of bottom-up and place-based policy logic and away from top-down processes in many arenas of national policy-making
- Devolution should result in more tailoring, engagement and coordination between places rather than more fragmentation
- Need to aim for.... so as to achieve.... and to avoid at all costs





REGIONAL SPEAKER

**Cllr Carla Thomas** (Sefton)

*Deputy Portfolio Holder LCR CA ,  
Policy and Resources, Strategy and Delivery*



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LOCAL PANEL

**Andi Herring** *Co-Founder, LCR Pride Foundation*

**Rev Canon Dr. Ellen Loudon**

*Director of Social Justice and  
Canon Chancellor Diocese of Liverpool*

**Nick Smith** *Enterprise Manager Canal & River Trust*



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# Questions & Answers



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# Thank You



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