



Is it time to challenge the north/south divide debate? Inequality knows no compass points

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Background

This paper began at a recent seminar, looking at the future of the northern economy. Sitting, listening and debating, we were struck, by how similar the debate was to seminars we had attended for ten years previously – the north *'lacked investment'*, it was *'hard done by'*, the south east *'got it all'*; we needed a new northern focus. However, we couldn't help thinking that this narrative was imprecise, as there are parts of the north doing really well and parts of the south doing really badly; there were also huge divisions in northern cities.

We left the seminar with a sense that sometimes the ability or inability to tackle longstanding social and economic issues is bound up with how we think and frame the problem; therefore, whilst it is orthodox and standard to talk of a poorer north and a more affluent south, it struck us that perhaps it may help if we had a reset and started a policy discussion which replaced this imprecise north south narrative, with something which was more in tune with inequality and divides which stretch across and within all of England. After all, whether you are in Hartlepool or Hastings, inequality knows no compass points.

This paper merely seeks to vent a sense that overly focusing on a north south divide might be hindering progressive thinking on inequality and poverty. In doing so, this paper does not deny that north/south divisions exists; however it tries to expose some of the problems inherent in this dominant narrative and, in turn, seeks to downplay its policy importance. In its place, this paper highlights the growing inequality and divisions between the haves and have nots across all corners of the UK, and suggests how a new robust localism and commitment to a redistributive centralism could address the growing divides.

Perhaps thinking about the north has reinforced the problem?

Of course there is a north/south divide, across many social and economic indicators. The North/South divide has been shaped historically by the economic restructuring taking place in the UK economy. Whilst London and the wider South East have been able to respond effectively to the restructure from manufacturing towards (financial) services; the regions of the North and Midlands have been able to less effectively. This had knock-on effects for economic output (productivity), regional housing markets, and employment opportunity.

Many commentators have catalogued the social and economic divides at length, notably the excellent work of Professor Daniel Dorling¹.

¹ http://www.dannydorling.org/wp-content/files/dannydorling_publication_id1474.pdf

Through the policy ages, we see that the usual starting point as regards inequality has at some point saw the rise of the notion of a north/south divide. Furthermore, this is not an argument solely of the left; it covers all sides of the political spectrum. Indeed, recent work by Eric Ollerenshaw, a northern Conservative MP, highlights the problem of the north/south divide²; however, perhaps the best recent summation of the divide and its enduring feature of our policy landscape, comes from a Smith Institute report which states:

'Since the First World War, regional differences in England have proved to be stubborn and intractable. Successive governments of all parties have dedicated substantial budgets to reducing these differences, but the most that governments have achieved is to mitigate the position.'³

There is no doubt, that the evidence base and policy focus on a north/south divide has been a strong narrative for at least the last eighty years. In all of this, the first step has been to unpack the 'problem' of the north and/or the 'regions'.

For the ten years up to the abolition of regional policy in 2010 and the Regional Development Agencies (RDAs)⁴, the whole premise was to address the north/south divide. Indeed, the northern RDAs and the Northern Way⁵ spent a decade trying to bridge the £30 billion economic output gap between London, the south east and the rest of England. In attempting to bridge this gap, the RDAs documented a range of economic problems within their regions and in the north more specifically.

However, it could be argued that the weight of evidence they amassed merely created a regional and northern English frame for the problems. They were unsurprisingly focused on what the region and pan northern England interventions could do, but ultimately they were fettered by what the UK centralised economic model would allow; they were Whitehall progeny. This frame, with the benefit of public sector largesse, led to many inward 'regional' solutions. They were also imbued with traditional approaches to economic development and growth. This involved some area based regeneration handouts and development sweeteners. These arguably worked to merely lessen the impact of a UK economy which systemically worked for the spatial and human haves, and against the have nots. As such, they were arguably unfocused on either connecting up economies to social issues or addressing the real systemic causes of social and economic divisions.

We cannot go down a similar path again, or indeed trumpet a localism, which fails to tackle the deep divides. By continuing a focus on the north/south divide today, perhaps we are in danger of merely following the failed policies of the past, going down the same path of economic orthodoxies, without asking questions of the systemic causes which create the divides. We must acknowledge that in times of significant economic turbulence, it is unlikely that the arguments for northern problems will gain any greater traction than has been the case for the last eighty years. It would seem, that across the UK, we need to be arguing for a deeper fundamental shift and challenge to the prevailing inequality and divisions. This is not just about the north/south; UK economic stewardship, economic centralism and economic orthodoxies (including those within the north and the regions) need a wake up call.

Inequality knows no compass points

A clear step in this shift is to step back from over stating the problems of inequality to geographies like north/south. Damaging and unacceptable inequalities and divisions exist at all points of the compass. For instance, whilst claimant counts for January 2012 are high in the north (North East 5.6%, Yorkshire and Humber 4.9%, North West 4.6%), they are also high in the West Midlands and in London (West Midlands 5.0% and London at 4.4%), as demonstrated in Table 1.

² <http://www.lancasterandfleetwoodconservatives.com/wp/wp-content/uploads/2012/03/North-South-Divide-Report.pdf>

³ Ward, M (2011), Rebalancing the Economy; Prospects for the North. Report of the 'fair deal for the North' inquiry undertaken by the Smith Institute

⁴ Centrally devised bodies

⁵ A pan regional body for the northern RDAs

Table 1: Jobseekers Allowance claims by region

Region	% of working age population claiming Jobseekers Allowance
East	3.2%
East Midlands	3.9%
London	4.4%
North East	5.6%
North West	4.6%
South East	2.7%
South West	2.9%
West Midlands	5.0%
Yorkshire and The Humber	4.9%

There are also localised pockets of unemployment across the country and huge variations e.g. in the south, claimant count varies from 1.4% in Wokingham, Surrey, to 7.3% in Newham, East London⁶.

Inequality and divide also stalks our great capital from west to east and from north to south, as much as any part of the UK. Nearly 50% of young adults are paid less than the London living wage. Babies born in Southwark, Croydon, Haringey and Harrow are twice as likely to die before their first birthday⁷ as those born in Bromley, Kingston and Richmond. Adults in Hackney are twice as likely to die before the age of 65⁸ as those in Kensington & Chelsea. More locally, Kensington & Chelsea is the most polarised borough in London, with half of benefit recipients living in the most deprived quarter of neighbourhoods⁹.

If we look in more detail at the north, we find a worrying picture: some places in the north are categorised by significantly higher than average levels of unemployment and worklessness; others by significantly lower. The challenge is that these inequalities between high and low are often in the same town, city, city region, or region (e.g. Yorkshire and Humber currently (January 2012) has levels of Jobseekers Allowance (JSA) claimants ranging from 2.7% of the working age population in York to 8.6% in the City of Kingston-upon-Hull). Whilst these levels of claims have increased across Yorkshire and Humber since 2008 as a result of recession, they have also risen unequally. The increase between January 2009 and January 2012 in York is 24% compared to 31% in the City of Kingston-upon-Hull).

Similar analysis for the north west highlights that JSA rates range from 2.7% in Cheshire East to 7.3% in Blackpool. In the North East, the gap is not quite as pronounced; however JSA still ranges from 4.8% in County Durham to 8.0% in Middlesbrough.

In the economic heart of Yorkshire and Humber (Leeds), inequality in unemployment between parts of the City is even more pronounced, with 1.3% of the working age population in the ward of Wetherby currently claiming JSA compared to 9.7% in the ward of Harehills (the Leeds average is 4.4%). Looking at change, claims of JSA in Wetherby have risen by 22% since 2008 compared to 67% in Harehills. Similar analysis for the cities of Manchester, Liverpool, Sheffield and Newcastle is detailed in Table 2.

⁶ www.nomisweb.co.uk

⁷ <http://www.londonpovertyprofile.org.uk/indicators/topics/health/child-ill-health-by-borough>

⁸ <http://www.londonpovertyprofile.org.uk/indicators/topics/health/adult-ill-health-by-borough>

⁹ <http://www.jrf.org.uk/sites/files/jrf/2019-poverty-wealth-place.pdf>

Table 2: Inequality in Jobseekers Allowance levels

City	Ward with lowest percentage of JSA claims	Ward with highest percentage of JSA claims
Manchester	Didsbury (2.1%)	Moss Side (9.0%)
Liverpool	Grassendale (3.2%)	Granby (14.2%)
Sheffield	Broomhill (1.1%)	Burngrave (11.4%)
Newcastle	Jesmond (1.3%)	Walker (11.9%)

Inequality in worklessness¹⁰ is equally stark in Yorkshire and Humber; 6.8% of the working age population of York (May 2011) are workless compared to 18.3% in the City of Kingston-upon-Hull. In the north east, worklessness ranges from 8.0% in Cheshire East to 21.3% in Knowsley; similarly the north west range is from 11.4% in Northumberland to 19.5% in Hartlepool.

In Leeds, levels of worklessness range from 4.4% of the working age population in the ward of Wetherby to 23.3% in the ward of Burmantofts. Similar analysis for the cities of Manchester, Liverpool, Sheffield and Newcastle is detailed in Table 3. This data reveals that we are wrong to think that the north is hard done by whilst the south is a land of milk and honey; the whole economic narrative needs a wake up call.

Table 3: Inequality in worklessness levels

City	Ward with lowest percentage of worklessness	Ward with highest percentage of worklessness
Manchester	Didsbury (5.7%)	Harpurhey (29.6%)
Liverpool	Childwall (9.8%)	Breckfield (39.0%)
Sheffield	Broomhill (2.4%)	Manor (26.5%)
Newcastle	Jesmond (2.9%)	Walker (30.7%)

The south or London is not to blame

Central to this wake up call is the industrial focus of the UK and the State's approach to the City of London (I am carefully saying the City of London here; this is not London or the south). For hundreds of years, from the glory days of our imperial wealth to the recent veto out of the Euro deal, the City of London has had a pre-eminent position in decisions about how the State steers the UK economy. Crucial to this is how the City, as the driver of the UK economy, has favoured international trading above local domestic lending and investment.

The City also has a stronghold on the UK's economic mindset and, from this, policies, public resources and investment flow. For many years, the emphasis on the UK finance industries for wider national economic growth, served to justify more investment and financial industry friendly policy, fuelling public infrastructure investment in London and the south east. Even now, as IPPR North¹¹ has shown, there are huge disparities in transport spending per head between London and the rest of the country. This focus on the City and infrastructure support, has triggered wider economic growth (albeit patchy and socially unequal), overheating, and environmentally damaging growth in London and the greater south east.

Furthermore, as regards private sector job creation, it is now clear that the huge decline in manufacturing jobs over the last twenty years has not been replaced by the promise of financial sector, or other high value private sector, employment. The financial sector did not fill the gap, and from the heart of this sector, based in the City of London, wealth did not percolate socially or spatially through the UK economy. A report by the Centre for Research in Socio-cultural Change (CRESC)¹², written in 2009, describes the financial sector as the '*great unleveller*' in the UK economy because it:

¹⁰ Claims of out of work benefits of JSA, Employment and Support Allowance, and Income Support

¹¹ <http://www.ippr.org/press-releases/111/8456/transport-spend-per-head-is-p2700-for-london-but-p5-per-head-in-north-east>

¹² <http://www.cresc.ac.uk/sites/default/files/wp%2075.pdf>

'Promotes a distribution of income which has increased social inequality from top to bottom, and a distribution of jobs which has increased regional inequality. Vertically and horizontally, socially and spatially, the finance sector concentrates prosperity within the UK.'

They go on to describe this trend as being associated with a group of *'working rich'* centred on finance, where bonuses tap a huge financial sector turnover base. To date, this inequality story, has been ignored by north/south divide types of narrative. Indeed, even in the high peak of regionalism, the RDAs never sought to actively diffuse prosperity around the country, as has been done with regional policy in respect of manufacturing in the 1970s. As CRESC state:

'Finance is actively concentrating prosperity spatially in a way which undermines most kinds of regional policy and the problem is barely registered in political discourse.'

Furthermore, north/south debates have failed to acknowledge the fundamental difference in the nature of jobs in the financial sector compared to manufacturing jobs. Manufacturing jobs have a much greater multiplier effect than the financial sector, as jobs are created through the supply chain. This was patently clear before the recession, but little was done to address that then. Whilst talk of manufacturing looms large in north south debates, there is little linking of this to the economic mindset which prevails and the role of the square mile in this.

Therefore, as the recession has hit, and a period of sluggish growth emerges, there has been little sign of this mindset and privileged position abating. North/south debates rarely consider social inequality within the north; UK economic centralism still sees the City as sacrosanct; and financial services and high level jobs remain pre-eminent. The post-credit crunch period saw huge and spiralling bailouts and quantitative easing, measures which benefited the City more than anyone. Across all sides of the political spectrum in England, there is a continued support for the pre-eminent role of the City, with its primary focus on international trading and investment.

Public investment remains skewed, and an economic culture of thinking is dominated around the narrow confines of the square mile. As a result, many areas remain investment ready, but are underinvested in. The progressive future for UK economic steerage must acknowledge that part of the issue here is the dominant role that the City plays upon UK economic life. This is not a northern problem, or even just an English problem, this is a problem for all parts of the UK. Economic trickle down from the City is not working and it's also not working in London!

The need for progressive economic thinking which focuses on inequalities

There is a case for a new redistributive role for the central state; there is also a case for a return to regionalism, indeed the Smith Institute have made a strong the case for a *'council of the north'*¹³. Clearly, a redistributive central state, or a muscular redistributive regionalism, could offer some solution to inequality; however, even if there was political will, it is arguable whether transfer payments through the tax, welfare system or regeneration monies are enough on their own. We have, after all, already tried that.

Some also see great promise in new forms of localism; however we must also be very wary of a mere administrative localism via elected mayors, Local Enterprise Partnerships or city deals. These are welcome, but in their present form are unlikely to tackle systemic economic centralism, or inequalities and divisions; they may in fact grow divisions, as winning areas win and losers fall further behind. Therefore, a true progressive approach would appear to need both central and local, only then could we hope to tackle the systemic inequalities and divisions. In this, we hope to reset some of the north/south narrative and offer the following five concluding thoughts:

- 1) **move beyond a localism which is just about services or economic growth** – it must also be about tackling inequality. The Government appears to accept some form of localism, in particular city deals give England's biggest cities the ability to make their case for new powers from central government to drive growth (e.g. housing, planning and economic development). Furthermore, this opportunity may not be confined to core cities; it may be extended to many other non-core cities and LEPS across

¹³ Ward, M (2011) Rebalancing the Economy; Prospects for the North. Report of the 'fair deal for the North' inquiry undertaken by the Smith Institute

England. This is an opportunity by which we could accelerate economic devolution and weaken the Whitehall centralist and city supporting culture.

This localism is one in which Hastings, Hartlepool, Brighton, Blackpool, Greater Manchester and Greater Bristol have power and resources, in which they can steer their own progressive economic future in a local wave of policy, with inequalities, poverty and local division at the forefront. Tactically, any acceleration of a focus on inequality is not helped by solely harking on about the north. Indeed, it could be counterproductive, pitching the cities of the north against the cities of the south, Midlands and south west. Bristol's cause is the same as Leeds, Birmingham or Newcastle; they all share the same systemic problem of UK centralism and a difficulty in connecting their local economies to society.

LEPs and cities which believe in addressing inequality must start thinking about what they do with any new powers and resources, which not only seek to grow or protect the local economy, but address the social and economic divisions. This is a localism in which social divisions and inequality take centre stage in local economic planning;

- 2) **we need to look more closely at local relationships between work, welfare, the economy and the local State** – there is still a role for the central welfare state, but one which creates the basic standard of social and economic context which, in turn, works with and enables local activity. We should aim to create new local relationships between the local state, unions, businesses and citizens, with a common goal of using the labour market as a means of tackling poverty. Locally, we could have progressive labour market policies, such as living wage, including living wage arrangements in public procurement, more pay transparency, and other ways of curbing pay excesses, thus creating more equitable wage levels.
- 3) **recognise that localism needs a region** – all successful economies have strong and powerful local government and a functioning regional entity, either in the form of federal elected regional institutions or through some regional development institution, quango or special purpose vehicle. International experience tells us that regional bodies have two important functions that service effective local government and localism:
 - they create a long term, high level economic strategy for a region which allows for priority setting, above local short term political timeframes and decisions. In this, planning for 20-30 years can come into play; this is very important in our present circumstances with regard to the need for a stable and consistent local economic plan. This creates a context for continuity, for investors or inter-generation considerations as regards living, working and bringing up a family;
 - it creates a regional voice or frame for aggregating collective local voices within central government. Local authorities need to be honest enough to recognise that they will need a collective voice for coordinating local government with the wider business community and third sector, providing a forum for debate and lobbying Whitehall. Therefore it is correct to build up the local economic component parts where appropriate, creating new economic policies which connect regions. However, tackling inequality is not going to be addressed by the reinvention of a regionalism, without a proper appreciation of the systemic centralist failings and a focus on inequalities across all parts of the UK;
- 4) **national economic development plan**; we need to start afresh and see the UK as an economy which works as a whole. Most importantly, an economic plan, which instead of accelerating divisions, is working to counteract them. In this, a national economic plan needs to consider and join up key connecting strands: an industrial strategy; and an investment strategy (including local/regional investment banks);
- 5) **National debate about the City of London and its powers** – it is evident that, in real economic terms and in terms of its perceptual hold on our economic consciousness, the City of London is pre-eminently powerful. We need a debate about its role in our present and future economic and social health; this debate needs to confront a centuries old relationship between the City and the UK State, and look at its future role. In this should we not begin by asking: can other cities and city regions and regions not have similar to powers to that enjoyed by the City of London?

Conclusion

There are economic and social divides between the north and south, but this may not be the core issue which progressive economic thinking should be focused on. The real problem is inequality and division between the haves and have nots, and between the elites and excluded across the UK. The problem is not solely in the north, and there is no land of milk and honey in the south.

Perhaps it is time for a reset; maybe we should start from the systemic issues and stop reinforcing the idea that the north is a special problem. Let's avoid crude north/south clichés. We must accelerate the promise of economic localism and create new levels of social inclusion. To do this, we need a different type of centralism and a reshaped regionalism, acting to reduce national and local divides. This is the progressive local future.

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