REPORT

THE STATE OF THE NORTH

SETTING A BASELINE FOR THE DEVOLUTION DECADE

Ed Cox
and Luke Raikes

November 2014

Institute for Public Policy Research

ABOUT IPPR NORTH

IPPR North is IPPR's dedicated thinktank for the North of England. With its head office in Manchester and representatives in Newcastle, IPPR North's research, together with our stimulating and varied events programme, seeks to produce innovative policy ideas for fair, democratic and sustainable communities across the North of England.

IPPR North specialises in regional economics, localism and community policy. Our approach is collaborative and we benefit from extensive sub-national networks, regional associates, and a strong track record of engaging with policymakers at regional, sub-regional and local levels.

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1. INTRODUCTION

Many changes have affected the north of England over the last decade: from the vote against a North East regional assembly in the 2004 referendum, to the Nobel prize being awarded to two Manchester University-based scientists in 2010 for the discovery of graphene; from the ins and outs of Corus, Hitachi and Siemens, to the ups and downs of policymaking across three different governments. Some would continue to paint a picture of economic decline mitigated by stoic pride and natural beauty, while others would point to the resurgence of cities like Manchester, Leeds and Newcastle, and to Greater Manchester's recent signing of a groundbreaking deal which opens up new possibilities for devolution in England. However, the reality is more complex. This *State of the North* report is an opportunity to take stock and highlight the trends that we think matter most.

Beginning with the economy, we consider some of the classic indicators of growth and productivity, as well as jobs, wages and skills. We look at private and public investment, public services and welfare, housing, ageing and migration, and the ways in which they all affect inequality and life expectancy. We also consider political trends and northern attitudes to the relationships between central and local government.

In many respects our analysis highlights the ongoing challenges that face the north of England – challenges that stem from deindustrialisation over many decades. In the national context, the North fares badly in relation to other English regions on many indicators, and the so-called North–South divide is a wide one. In the global context the picture is more mixed, but in some key respects – such as the performance of our major cities – the North is falling behind comparable European cities and regions. Furthermore, there is evidence that, since the global recession, the North has fallen even further behind both nationally and internationally.

However, it is not all bad news. Northern regions are making progress on almost all indicators, and until the recession were keeping pace with other regions of the UK. The North has a positive story to tell in key areas such as skills and innovation. At the more local level, cities such as Greater Manchester and the Leeds city-region are experiencing rapid jobs growth, and rural areas like Cumbria and Cheshire have consistently ranked among the top 10 fastest-growing economic areas in the country over the past decade.

Up and down the country, the North's potential is now being recognised. While there have long been calls for a rebalancing of the UK economy, the case for it has recently been bolstered by a growing body of evidence demonstrating that maximising the 'agglomeration effects' of more closely connected northern cities will bring significant economic benefits for the whole nation. Our maxim, 'northern prosperity is national prosperity', has now become common currency in the corridors of Whitehall.

The indicators set out in this report are the products of many factors, many of them global and long-term trends. It would therefore be easy to overestimate the role of public policy in fashioning the north of England's future. The UK's over-centralised governance may also give many people reason to doubt whether the state is able to effect the kind of change that is so clearly needed. However, to take such a pessimistic view would be to overlook the remarkable effect that strong leadership and state action can have, which is evidenced by the past and present successes of so many northern towns and cities. For this reason, our report concludes with a further articulation of the key steps that are required to empower northern leaders to form more mature and strategic relationships with central government.

This report has been produced in part to mark the 10th anniversary of the formation of IPPR North. Over the past decade, as one of very few thinktanks working outside Westminster, we have attempted to identify major trends and propose policy ideas for driving progressive change in the north of England. We have consistently adopted the principle that we must be leading and not pleading, and this report marks no departure in that respect. Rather, the indicators highlighted here represent a new baseline from which we can build.

Over the next decade we propose producing annual *State of the North* reports that reflect less on longer-term trends and more on the changes and challenges happening on an annual basis, and which above all continue to present analysis and policy proposals driven by our evidence base. In a further 10 years from now, our hope is that the north of England will not only continue on its upward trajectory, but that it will have forged ahead with a policy agenda that will narrow the gaps between richer and poorer regions, and carve out a new kind of economy and society that the rest of the world will once again seek to emulate.

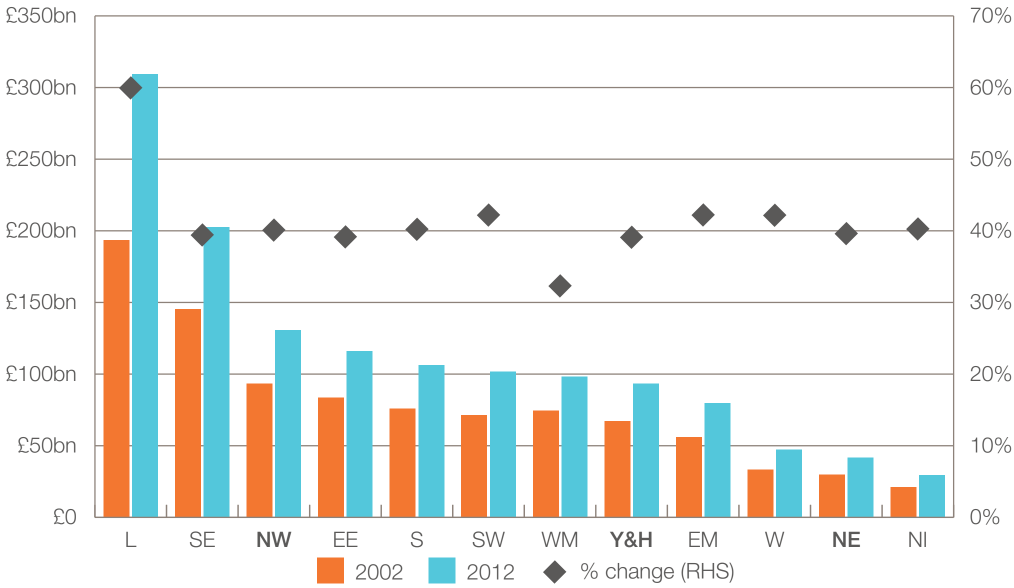
Ed Cox
Director, IPPR North
November 2014

2. ECONOMIC GROWTH AND PRODUCTIVITY

The North–South divide

While there has been economic growth in every region of the UK over the past decade, gross value-added (GVA) growth in London has been 20–25 percentage points higher than any other region – leading many to conclude that the capital city is indeed becoming 'another country'.

Figure 2.1
GVA by UK region, 2002 and 2012 (and % change, RHS)



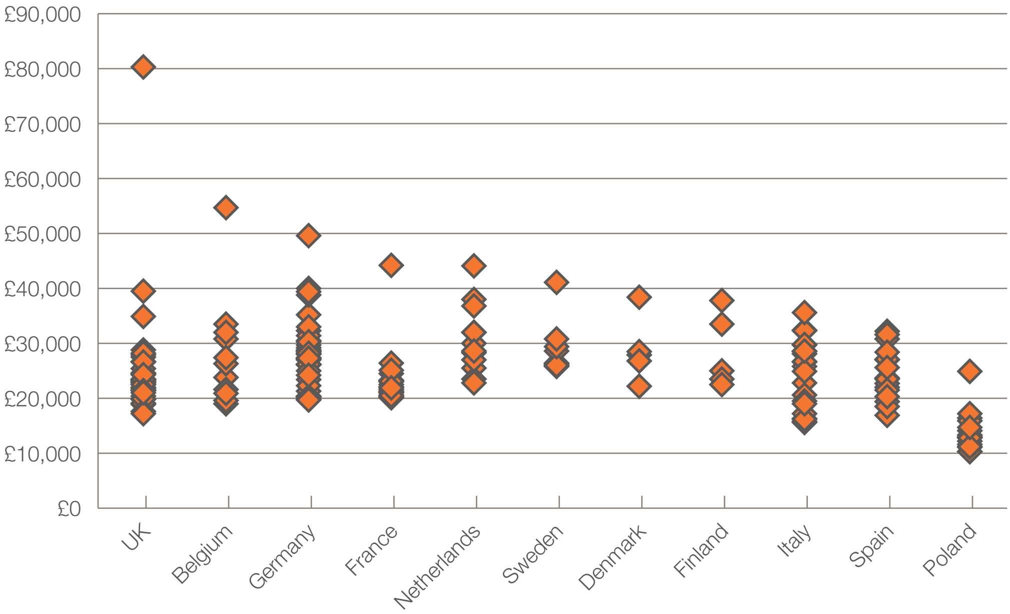
Source: 'Regional GVA NUTS1, 1997–2012', Office for National Statistics [ONS] (2013)
Note: Throughout this report, the following abbreviations are used for UK regions. EE = East of England, EM = East Midlands, L = London, NE = North East, NW = North West, SE = South East, SW = South West, WM = West Midlands, Y&H = Yorkshire and the Humber, W = Wales, S = Scotland, NI = Northern Ireland.

…the greatest in Europe

This size of this disparity is put into stark relief when compared with other European nations: the UK has by far the biggest gulf between its most productive and least productive regions.[1]

1 In this case, 'NUTS-2' sub-regions, which include, for example, Greater Manchester and Inner London.

Figure 2.2
Productivity, measured as GDP (in purchasing power standards), per inhabitant in NUTS-2 areas of selected European countries, 2010



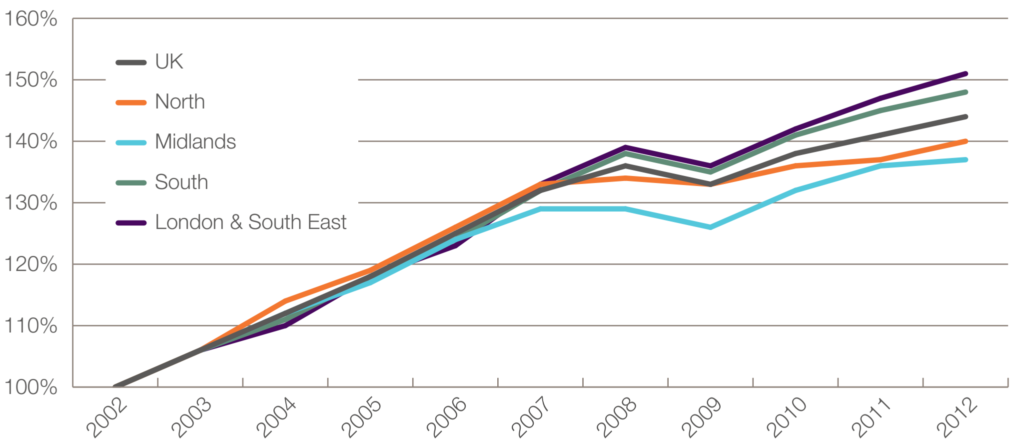
Source: 'Gross domestic product (GDP) at current market prices by NUTS 2 regions', Eurostat (2013)

However, behind this startling disparity are nuances which deserve closer attention.

Northern regions can keep pace…

For much of the past decade, the rate of GVA growth in the UK's regions matched and even exceeded those of the London and the South East. The North has only started to fall behind again since the beginning of the recession.

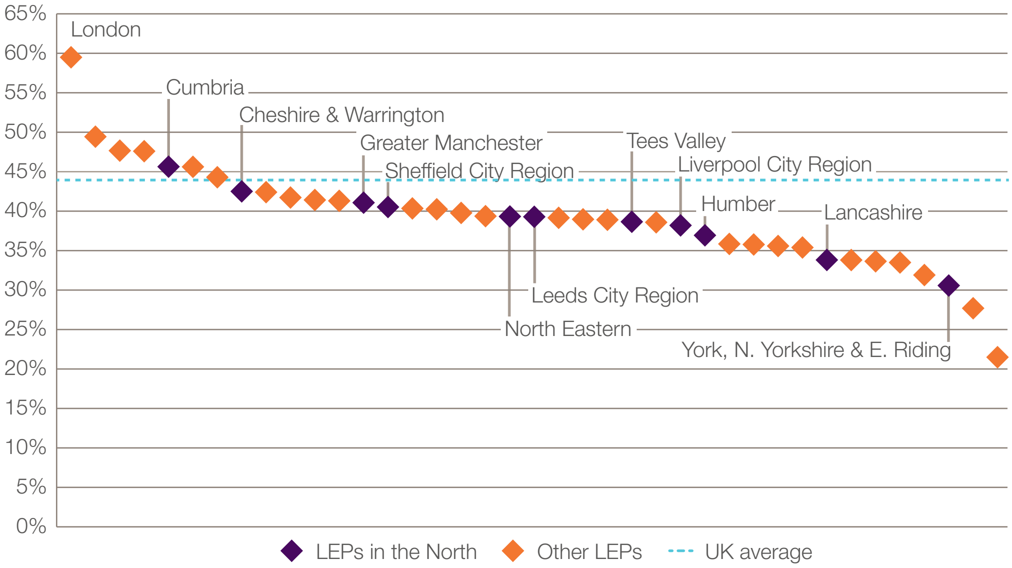
Figure 2.3
GVA of UK regions, 2002–2012 (2002 = 100)



Source: IPPR North analysis of 'Regional GVA NUTS1, 1997–2012', Regional Gross Value Added (Income Approach), Office for National Statistics [ONS] (2013)

Some northern areas performed particularly well in the decade to 2012 – both Cumbria and Cheshire and Warrington exceeded the national average over that period, and the Greater Manchester and Sheffield city-regions grew faster than areas such as Oxfordshire, Buckinghamshire and Sussex (the Coast to Capital local enterprise partnership [LEP] area).[2]

Figure 2.4
Per cent change in GVA by LEP area, 2002–2012



Source: 'Nominal Gross Value Added by Local Enterprise Partnership, 1997–2012', Regional Economic Analysis, GVA for Local Enterprise Partnerships, ONS (2014)

…but we have a problem with northern cities

There is a growing body of evidence which demonstrates that many English cities outside London have fallen behind their OECD counterparts over the past decade.[3] Our analysis shows that all of the northern core cities are lagging well behind comparable cities in Germany, France and Spain (see figure 2.5, overleaf).

Northern Economic Futures

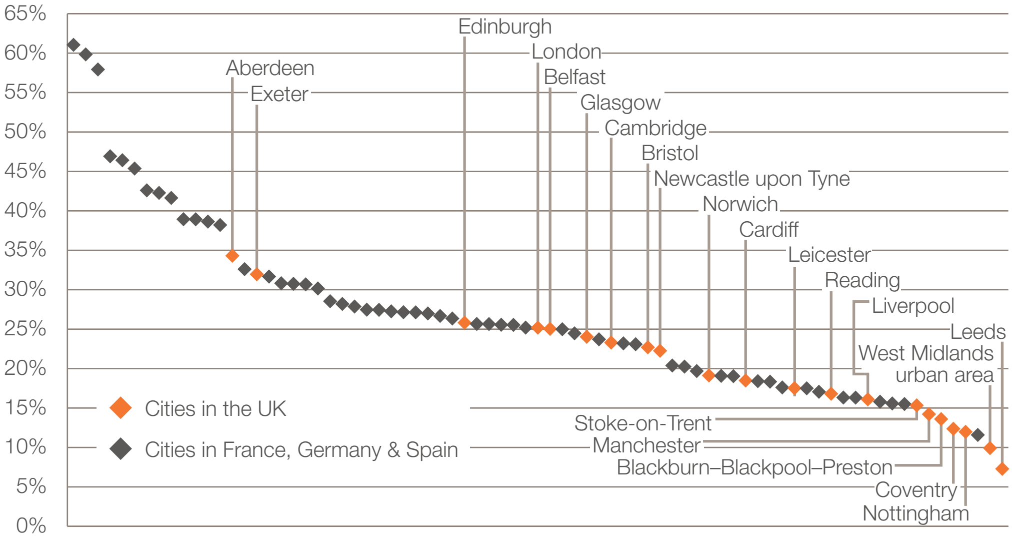
In 2012, the Northern Economic Futures Commission produced a set of economic indicators and targets which it recommended the northern economy should be judged against. These are set out in full, and updated to illustrate progress against each of them, in appendix A of this report.

2 In terms of GVA per filled job (not shown in figure 2.4), the North Eastern LEP area saw productivity growth as fast as that of inner London.

3 See for example Parkinson M, Meegan R, Karecha J, Evans R, Jones G, Tosics I, Gertheis A, Tönko A, Hegedüs J, Illés I, Sotarauta M, Ruokolainen O, Lefèvre C and Hall P (2012) *Second Tier Cities in Europe: In An Age of Austerity Why Invest Beyond the Capitals?*, ESPON & European Institute of Urban Affairs and Liverpool John Moores University. http://www.ljmu.ac.uk/EIUA/second-tier-cities/index.htm

Figure 2.5

Percentage growth in productivity, measured as GDP (in purchasing power standards) per inhabitant, in cities in UK, France, Germany and Spain, 2000–2010



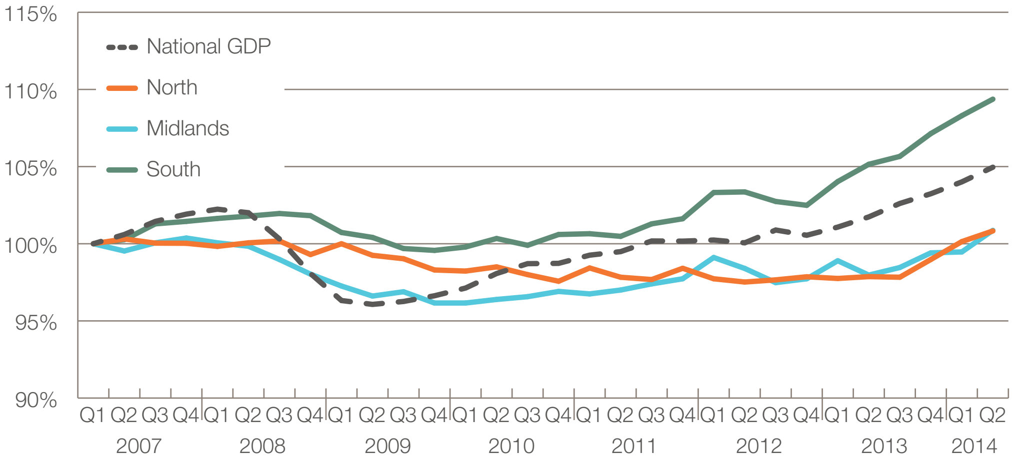
Source: 'GDP at current market prices', Eurostat (2013)

3. JOBS IN THE NORTH

Jobs growth for all?

In the last year, remarkable jobs growth has been taken as an indicator of a return to economic prosperity in the UK across the country. However, this overall growth in workforce jobs again masks some clear disparities between the South and the North and Midlands, where workforce jobs have only just returned to their pre-recession numbers.

Figure 3.1
Workforce jobs in the North, Midlands and South, and national GDP (Q1 2007 = 100)



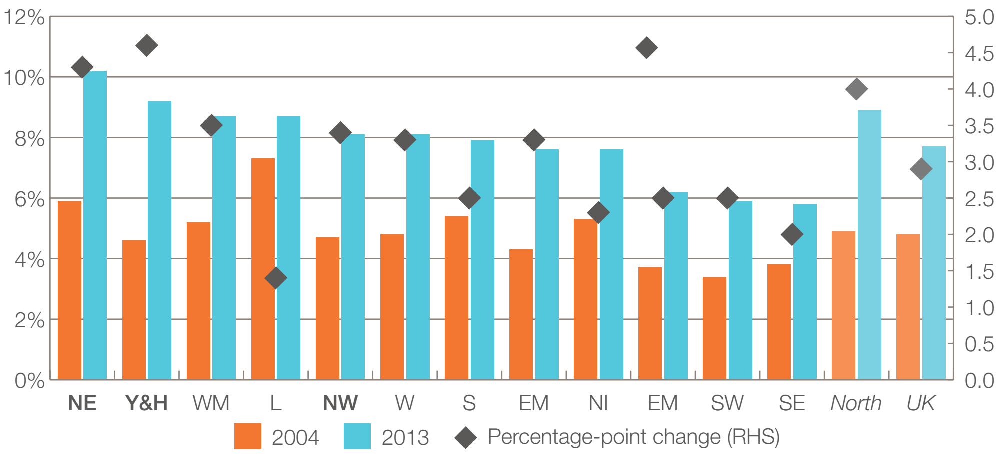
Sources: IPPR North analysis of 'JOBS05 Workforce jobs by region & industry', Labour Market Statistics, June 2014, ONS (2014), and 'Quarterly National Accounts Data Tables, Q2 2014', Quarterly National Accounts, Q2 2014, ONS (2014)

Jobs growth in Greater Manchester

Regional figures often mask more local patterns and developments. During 2011/12, the number of workplace jobs in Greater Manchester grew at a rate of 3.2 per cent, compared to a national average of 0.5 per cent.

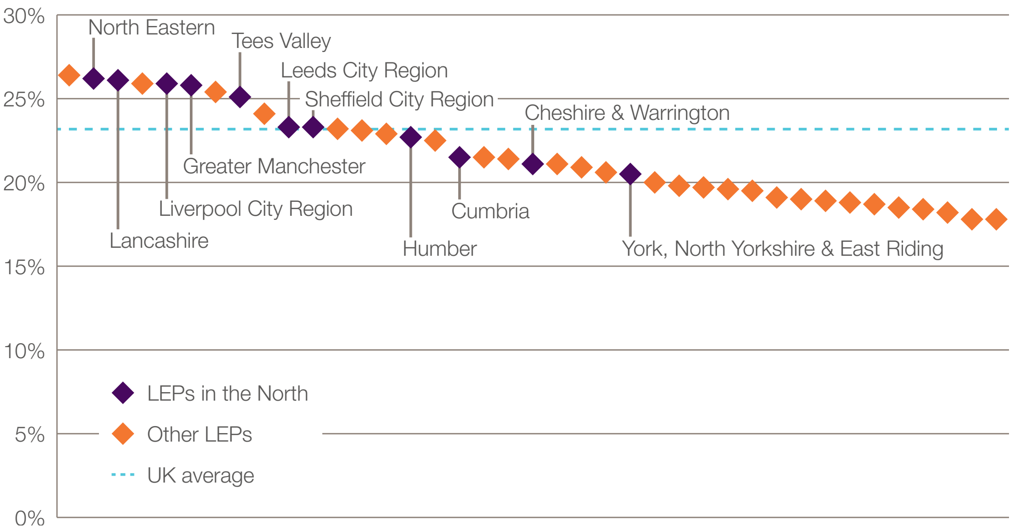
Looking at the long-term trends, rates of both unemployment and economic inactivity show marked regional differences, with unemployment rates in the north of England increasing twice as fast as those in London and the South East over the past decade.

Figure 3.2
Unemployment rates in UK regions, 2004–2013 (and percentage-point change, RHS)



Source: Annual Population Survey, ONS (2014)

Figure 3.3
Rates of economic inactivity in LEP areas, 2013[4]



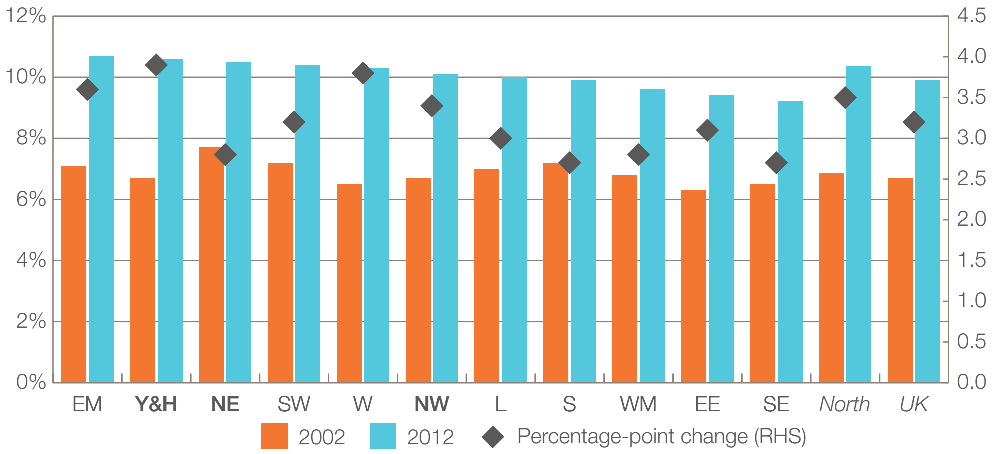
Source: Annual Population Survey, ONS (2014)

Lots of jobs, not enough work or wages

There is also evidence that many newly created jobs offer neither sufficient employment nor the living wage to employees. More than one in 10 northerners consider themselves to be underemployed, and the living wage 'heatmap' below (figure 3.4) illustrates significant concentrations of employee jobs paying less than the living wage in the north of England, as well as in other parts of the country.

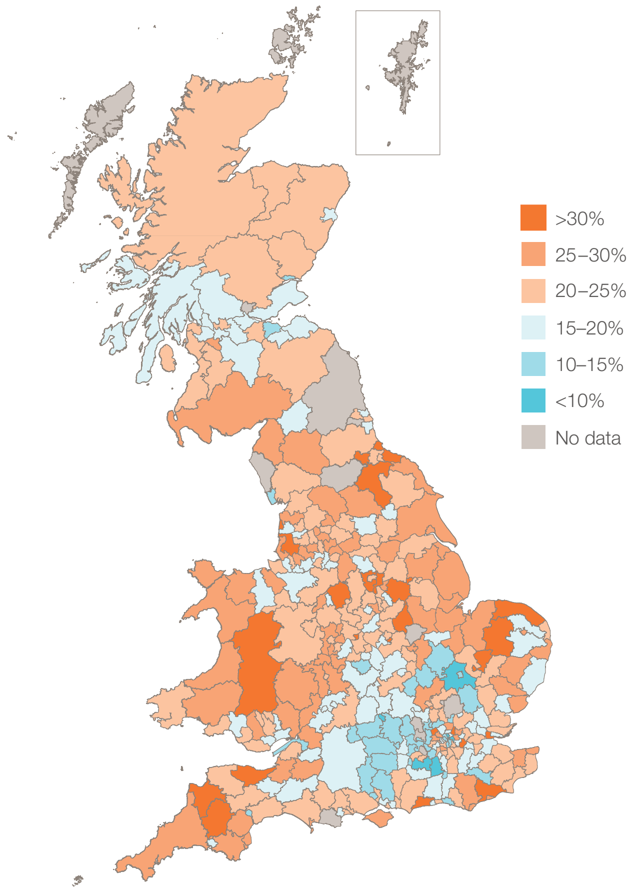
4 It is important to note that rates of economic inactivity have barely changed over the past decade, despite substantial reforms to the benefits system designed to incentivise work.

Figure 3.4
Underemployed workers as a percentage of all workers in UK regions, 2005–2008 and 2009–2012 (and percentage-point change between those two periods, RHS)



Source: Labour Force Surveys, 2005–2012, ONS

Figure 3.5
Percentage of employee jobs with hourly pay (excluding overtime) below the living wage, by local authority area, April 2013



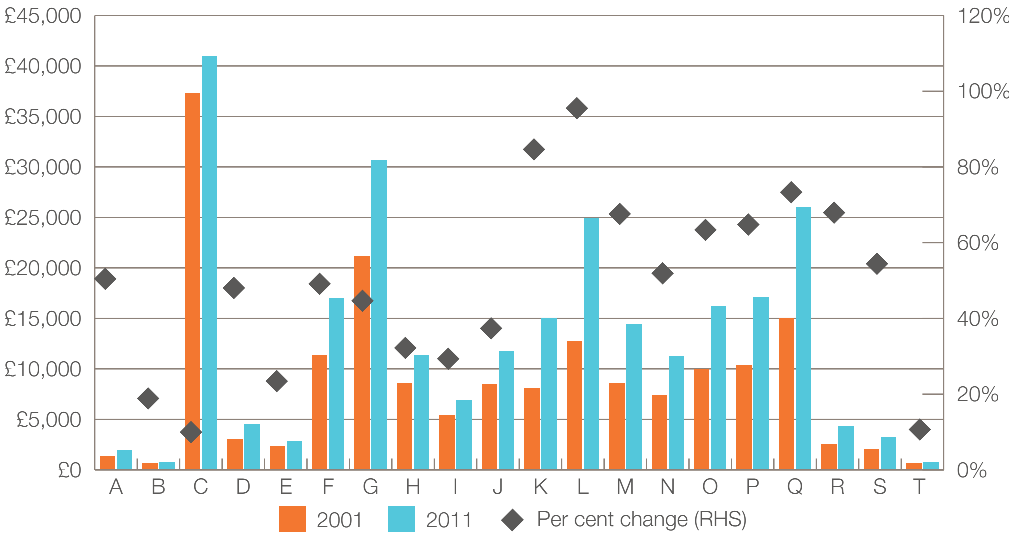
Source: Cabinet Office analysis of Annual Survey of Hours and Earnings, ONS (2013)

4. THRIVING AND DECLINING INDUSTRIES

The nation's makers

The manufacturing industry has remained the largest contributor to GVA in the North, but despite continuing to grow between 2001 and 2011, the rate of growth in other sectors over this period was significantly greater.

Figure 4.1
Nominal GVA by sector in the North, 2001 and 2011 (and % change)



A: Agriculture, forestry & fishing
B: Mining & quarrying
C: Manufacturing
D: Electricity, gas, steam & air-conditioning supply
E: Water supply; sewerage, waste management
F: Construction
G: Wholesale & retail trade; repair of motor vehicles
H: Transportation & storage
I: Accommodation & food service activities
J: Information & communication
K: Financial & insurance activities
L: Real estate activities
M: Professional, scientific & technical activities
N: Administrative & support service activities
O: Public administration & defence; compulsory social security
P: Education
Q: Human health & social work activities
R: Arts, entertainment & recreation
S: Other service activities
T: Activities of households

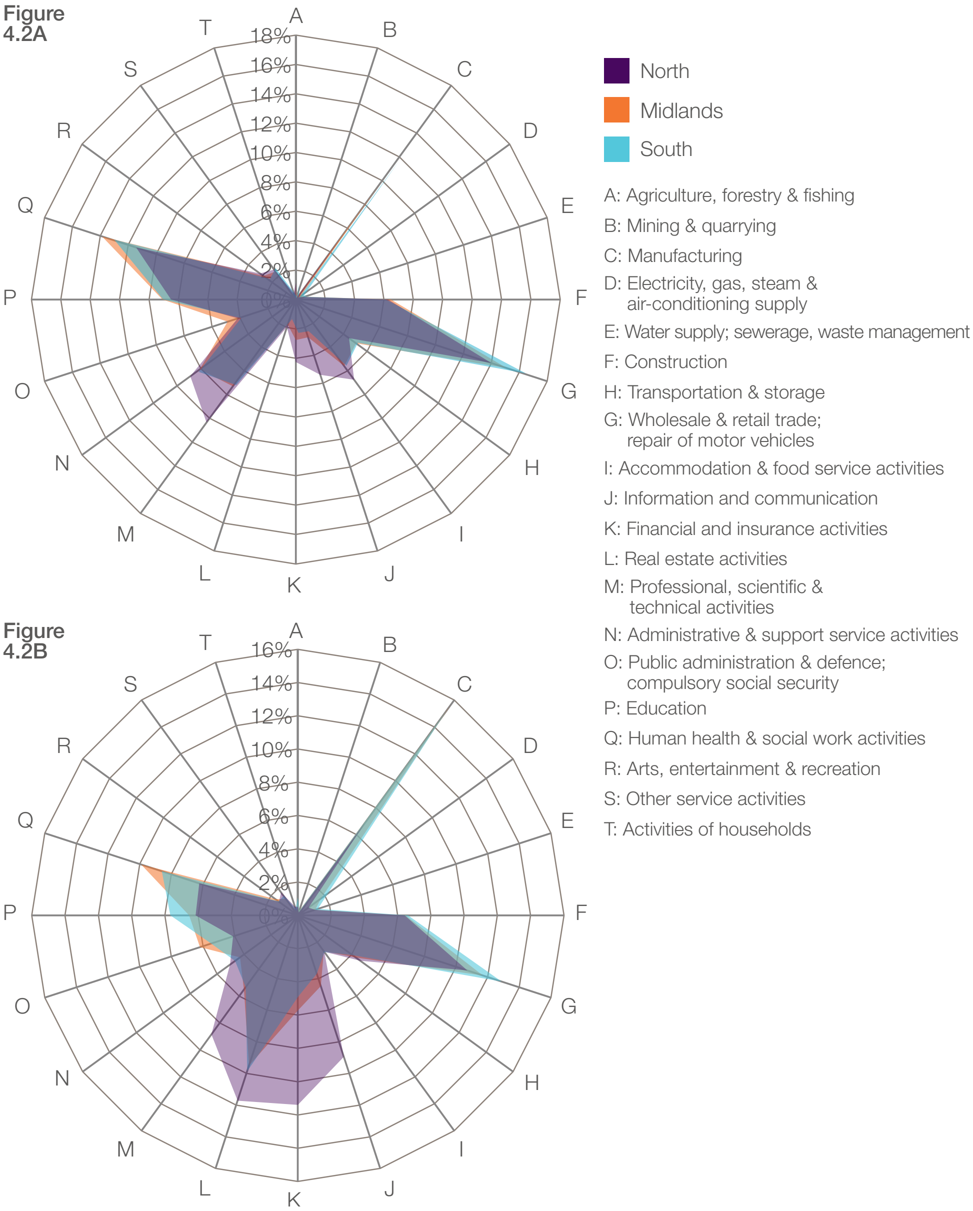
Source: 'Regional GVA(P) Constrained NUTS1 Data Tables, 1998–2011', Regional Gross Value Added (Production approach), December 2013, ONS (2013)

The predominance of manufacturing in both the North and the Midlands, compared with the dominance of financial and professional services in the South, is illustrated in the first of the two radar diagrams below.

A similar pattern emerges in relation to GVA (see the second radar diagram below), but it is important to note that in terms of their overall scale, manufacturing and retail are just as important to the national economy as financial and professional services and real estate activities.

Figure 4.2A and 4.2B

Per cent of employment by industry, September 2012 (4.2A), and per cent of GVA by industry, 2011 (4.2B), in the North, Midlands and South



Sources: IPPR North analysis of 'JOBS05 Workforce jobs by region & industry', Labour Market Statistics, June 2014, ONS (2014), and 'Regional GVA(P) Constrained NUTS1 Data Tables, 1998–2011', Regional Gross Value Added (Production approach), December 2013, ONS (2013)

Recent industrial and regional policy

One of the biggest challenges in the past decade has been the lack of any consistent industrial and regional policy in England. Regional development agencies (RDAs) were tasked with developing regional strategies from 1999, but their success was mixed and neither government nor the RDAs did enough to join up national and regional strategies. They were abolished in 2010, and some of their functions adopted by smaller, business-led local enterprise partnerships with much less capacity and clout. There is now consensus that further significant institutional change should be avoided, and that industrial and regional policymaking should be more closely aligned.

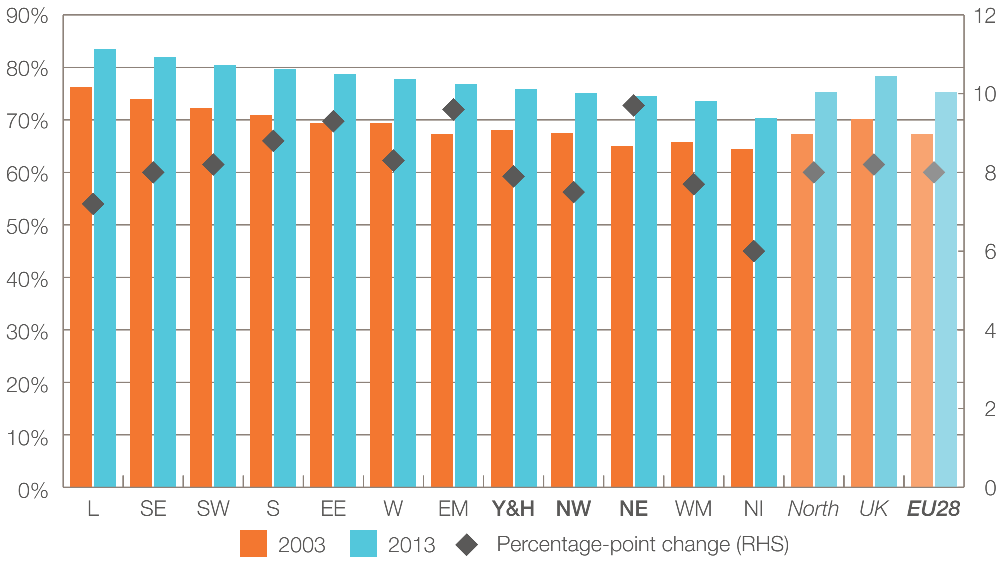
5. NORTHERN SKILLS

The Northern Economic Futures Commission highlighted the fact that the most important driver of northern economic growth would be improving the skills base – not least the number of people with higher-level skills.

Signs of improvement…

In the national context, the proportion of people in the north of England aged between 16 and 64 with at least an NVQ level-2 qualification falls some way short of the national average. However, the North compares relatively well within the EU in terms of the proportion of its residents who have completed upper-secondary or tertiary education. Its rates of improvement in this regard exceed the overall EU rate of change.

Figure 5.1
Percentage of population aged 25–64 with upper-secondary or tertiary education attainment, UK regions, 2003 and 2013 (and percentage-point change, RHS)

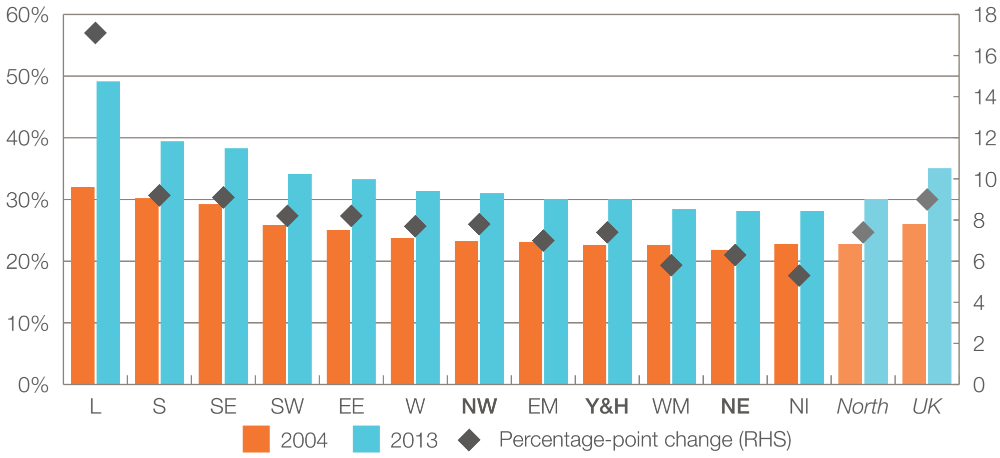


Source: 'Population aged 25–64 with upper-secondary or tertiary education attainment by sex and NUTS-2 regions', Eurostat (2014)

…but not in terms of higher skills

In terms of higher level skills, the north of England is falling behind. Those regions that had the highest proportion of people with NVQ level-4 qualifications or higher in 2004 also experienced the fastest increases in this proportion over the subsequent decade.

Figure 5.2
Percentage of populations aged 16–64 with NVQ level-4 qualifications or higher, UK regions, 2004 and 2013 (and percentage-point change, RHS)

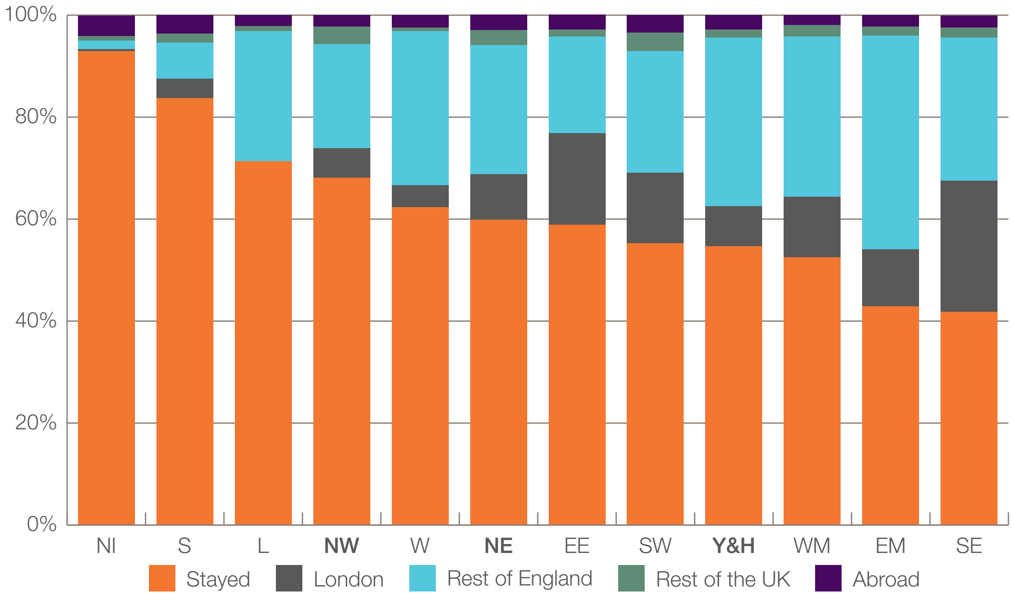


Source: Annual Population Survey, ONS (2014)

Inspiring graduate loyalty, but not so attractive for work

According to Mosca and Wright's analysis,[5] the devolved nations retain a greater proportion of their graduates six months after they graduate than any English region other than the North West. While some do move to London, a far greater proportion of northern graduates go to other regions of England, with a small proportion leaving the country altogether.

Figure 5.3
Distribution of employed graduates six months after graduation, higher education institution graduate cohorts (undergraduate graduates), 2002/03–2006/07



Mosca and Wright (2010) (see footnote below)

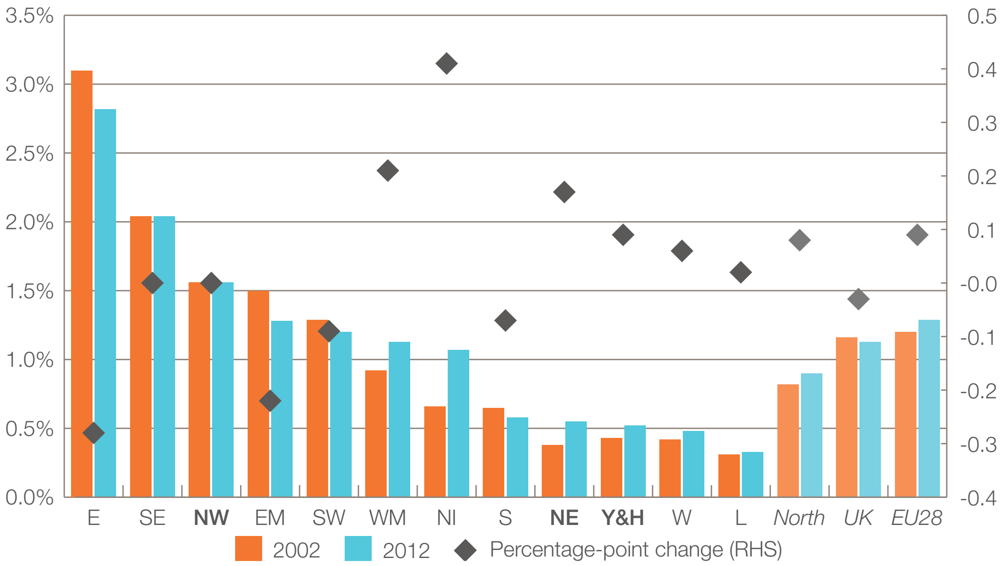
5 Mosca I and Wright R E (2010) 'National and International Graduate Migration Flows in the UK', *Population Trends* 141: 36–53

6. INNOVATION AND INVESTMENT

Business investment

The North West has enjoyed relatively high rates of business investment in innovation throughout the past decade, while London has trailed the rest of the country. Despite starting from a much lower base, the North East and Yorkshire and the Humber have seen some of the highest rates of growth over the past decade, which suggests that there remains a positive story to be told about northern innovation and enterprise.

Figure 6.1
Business enterprise research and development spending as a per cent of GDP in UK regions, 2001 and 2011 (and percentage-point change, RHS)

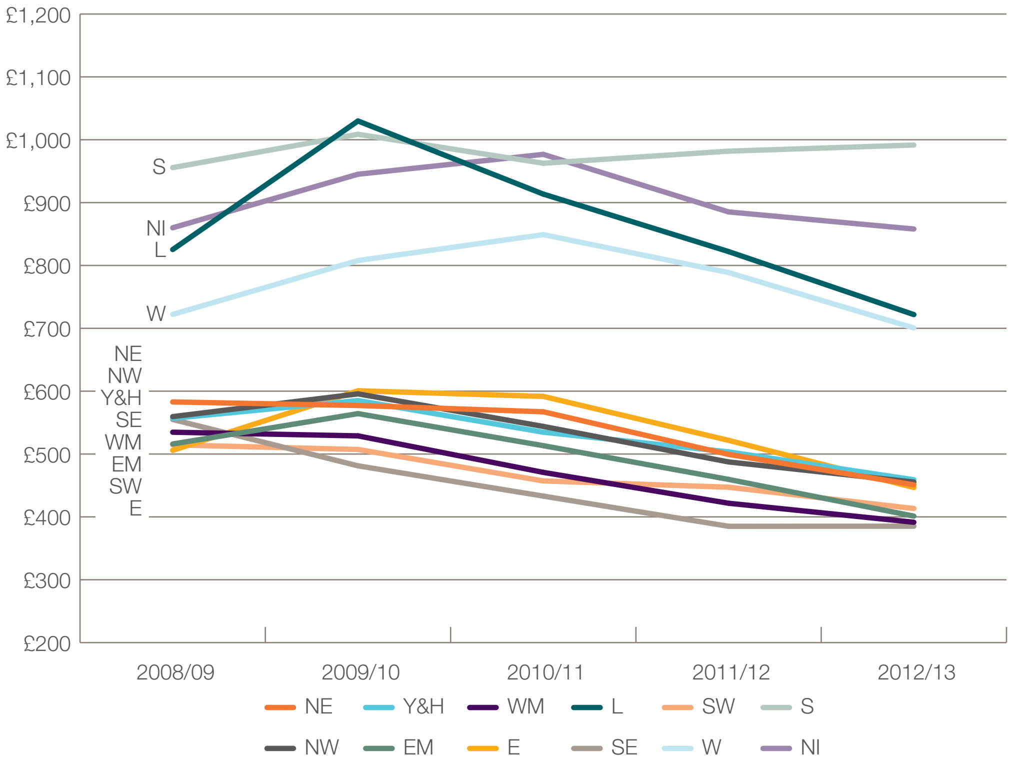


Source: 'Total intramural R&D expenditure (GERD) by sectors of performance and NUTS 2 regions', Eurostat (2014)

Public investment

However, the same cannot be said about public investment. Over the past decade, government spending on economic affairs has remained terribly skewed towards Scotland and London.

Figure 6.2
Identifiable spending on economic affairs (enterprise, development, science, technology, employment policies and transport) (£ per head), UK regions, 2008/09–2012/13



Source: 'CRA Interactive Tables', Public Expenditure Statistical Analyses, ONS (2014)

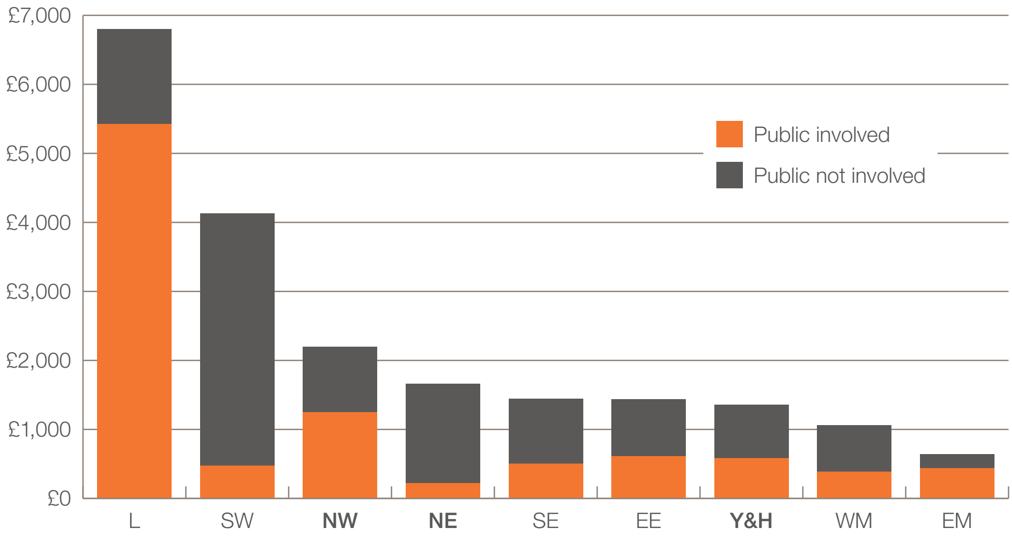
Looking forward, our analysis of the latest government spending review shows that the combined effect of the departmental settlement for 2014/15–2015/16 will have a disproportionate impact on northern economies.

Figure 6.3
Regional impact, relative to forecast GVA, of departmental settlement, current and capital, 2014/15–2015/16 (%)

Source: *Rebalancing the Books*, IPPR North (2014)

Furthermore, the 'National Infrastructure Pipeline 2014', which sets out spending priorities for the coming decades, shows that as a nation we are planning to spend £5,425 per person per year on infrastructure in London, compared with £1,428 in the North West and just £223 per person in the North East.[6]

Figure 6.4
National Infrastructure Pipeline expenditure per capita, by type of funding, in UK regions



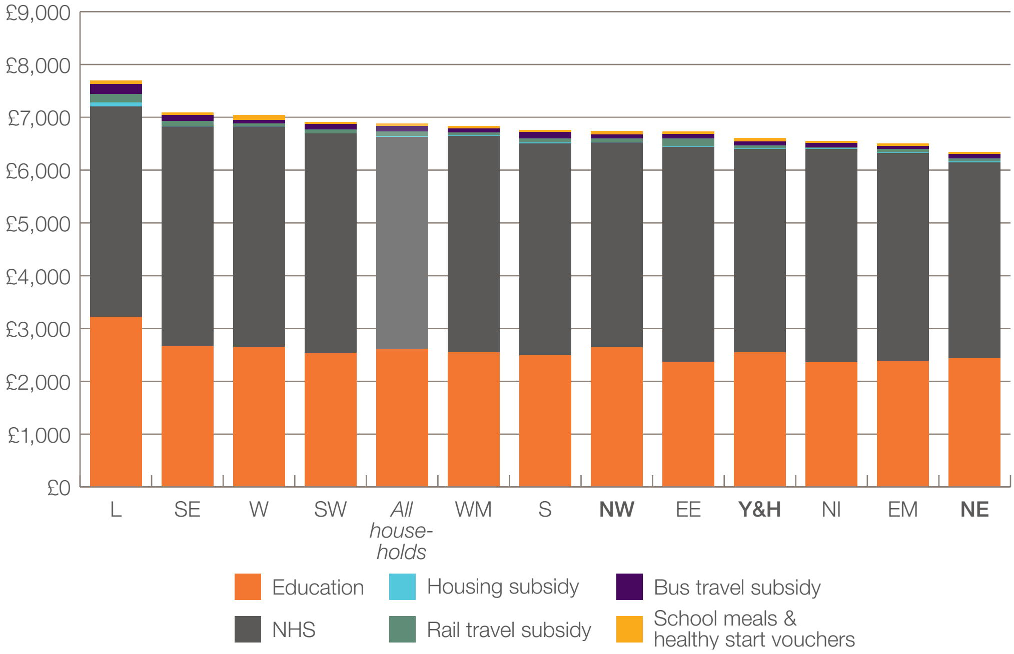
Source: IPPR North analysis of 'National Infrastructure Pipeline 2014', HM Treasury (2014)

6 These figures denote infrastructure spending per capita where public money is involved. We believe that the use of public–private figures in this way is justified, as it is consistently argued that public funding is necessary to lever private investment.

7. PUBLIC SERVICES AND WELFARE

When we look at the major items of public spending like education and health, the average value of public benefits per household is remarkably consistent from region to region, although each of the three northern regions fall below the national average.

Figure 7.1
Average value of benefits in kind received per household in UK regions, 2012/13

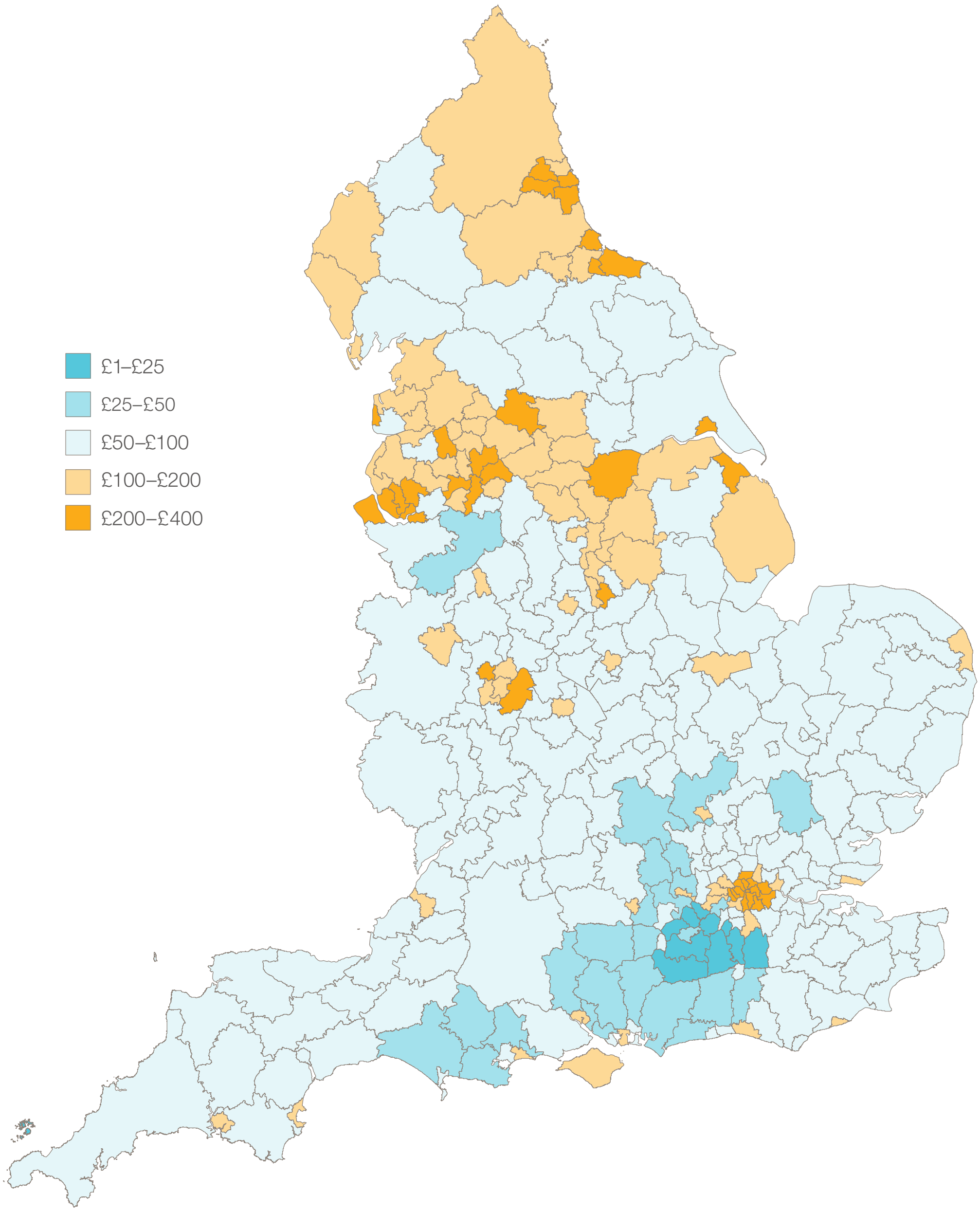


Source: 'The Effects of Taxes and Benefits on Household Income, 2012/13,' ONS (2014)

But over the past five years, the impact of public spending cuts has been felt disproportionately around the country. This has been particularly true of local government 'spending power', as is illustrated in the map overleaf (figure 7.2), which shows that northern local authorities (as well as the inner London boroughs) have been particularly affected by government spending cuts.

Benefit cuts have also had different regional effects. The amount spent on benefits has been cut by a higher-than-average proportion in the north of England – although London has been worst hit, the three northern regions are the next-worst affected in England. This is largely because more people have been receiving non-pensioner benefits in these regions.

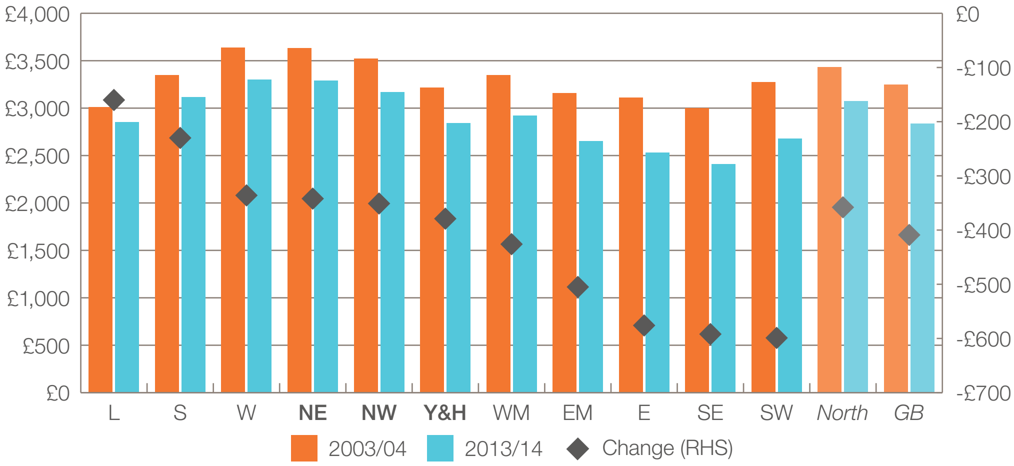
Figure 7.2
Cumulative change to local authority spending power per head (£ reduction) in England between 2010/11 and 2014/15



Source: 'Cuts by Local Authority, England', Newcastle City Council (2013)

Figure 7.3

Expenditure (£) on DWP benefits per head of adult population in UK regions, 2003/04 and 2013/14, and change (£) between those two periods (in 2013/14 prices; RHS)

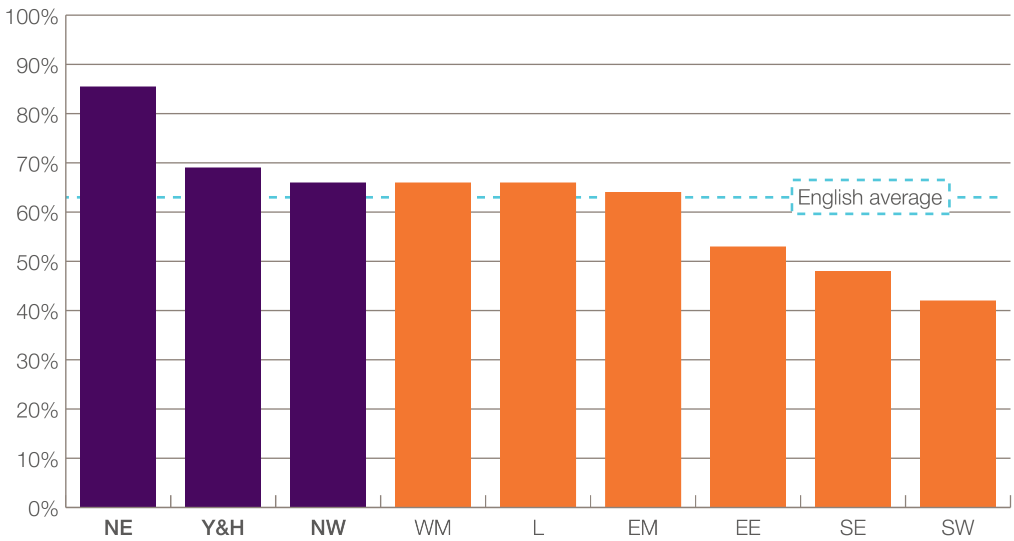


Source: IPPR North analysis of 'Benefit Expenditure by Country, Region and Local Authority', DWP Statistical and Accounting Data DWP (2014).
Note: Includes all benefits and pensions payments.

There are also significant variations in key service areas. For example, the proportion of three- and four-year-olds receiving funded childcare is greater in northern regions, but the quality of childcare settings has been found to be generally worse.

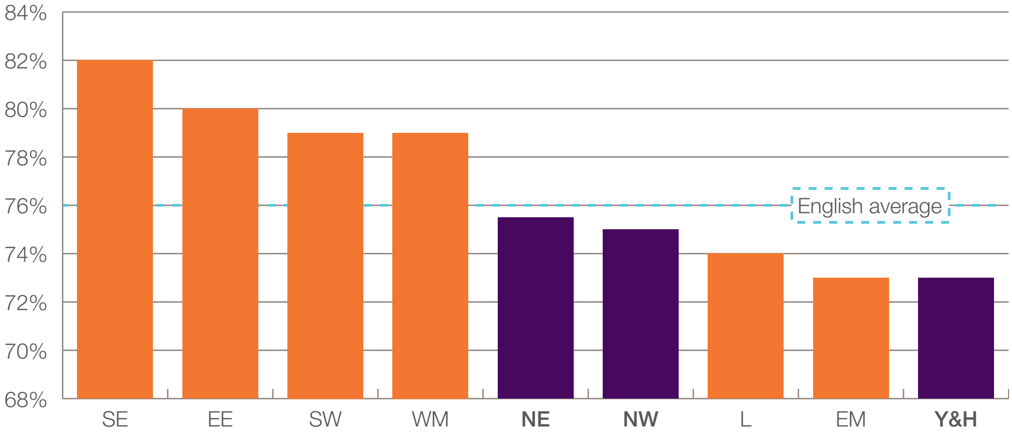
Figure 7.4

Percentage of three- and four-year-olds receiving funded early education in maintained settings in English regions, 2013 (local authority median)



Source: 'Early years benchmarking tool', Department for Education (2014)

Figure 7.5
Percentage of childcare and early years settings rated 'good' or 'outstanding' by Ofsted in English regions, 2013 (local authority median)



Source: 'Early years benchmarking tool', Department for Education (2014)

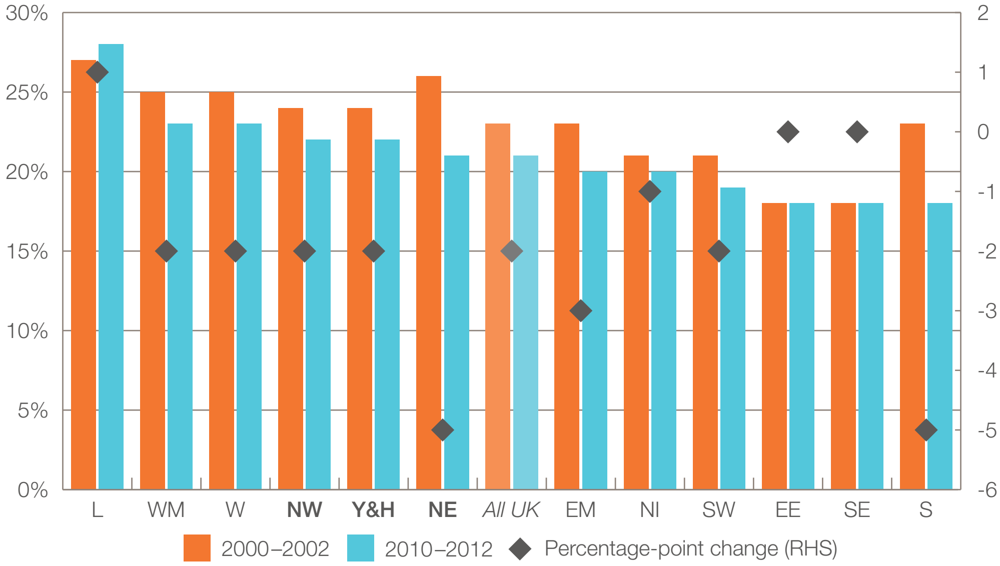
8. INEQUALITY

One of the main consequences of the economic disparities in the UK is regional divergences in people's quality of life.

Low incomes

The proportion of people in the UK living with relatively low incomes[7] is greatest in London. While the three northern regions all have above-average proportions of people on relatively low incomes, this figure has fallen significantly in the North East since the turn of the century.

Figure 8.1
Per cent of individuals in relative low income after housing costs in UK regions, 2000/01–2002/03 and 2010/11–2012/13 (and percentage-point change between those two periods, RHS)



Source: IPPR North analysis of 'Households below average income', ONS (2014)

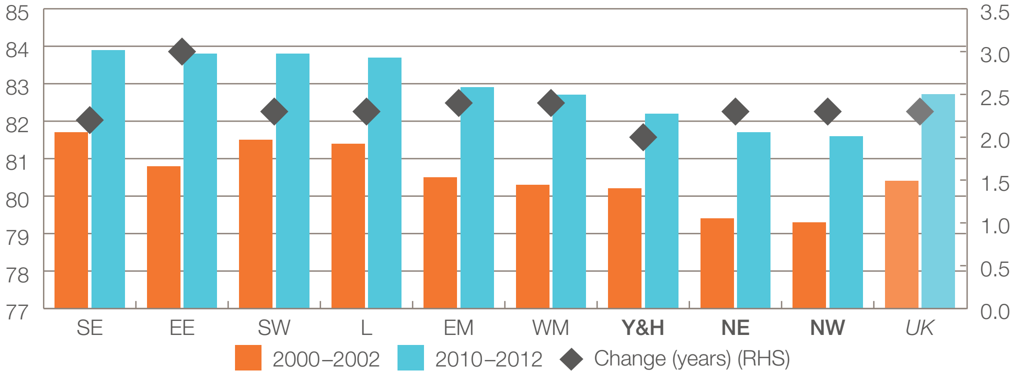
Life expectancy

Over the long term, regional inequalities are evident in the relatively wide regional variations in average life expectancy, which is lowest – and is generally improving at the slowest rate – in the three northern regions.

7 The ONS defines someone as being in relative low income 'if they receive less than 60 per cent of the average income in the year in question'.

Figure 8.2

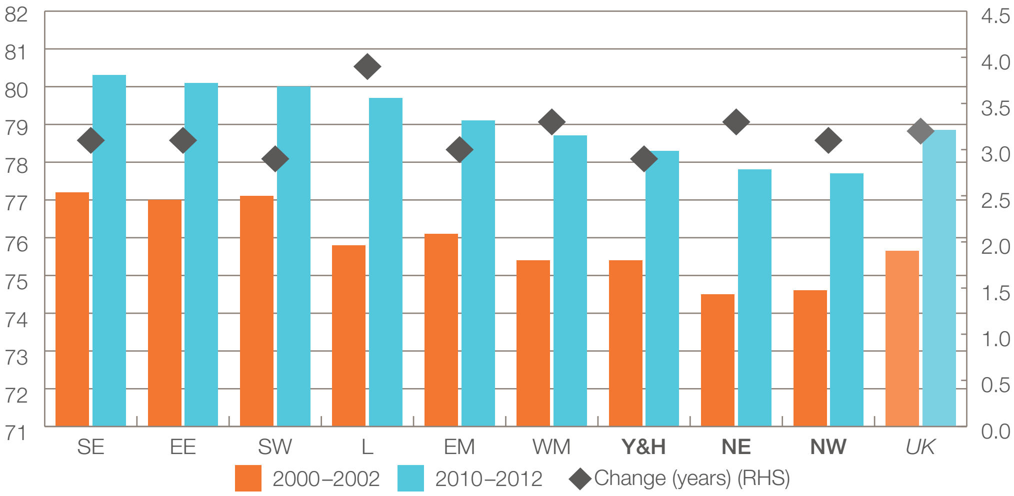
Female life expectancy at birth, by region, 2000–2002 and 2010–2012 (and change in life expectancy [in years] between those two periods, RHS)



Source: 'Life expectancy at birth 2014', ONS

Figure 8.3

Male life expectancy at birth, by region, 2000–2002 and 2010–2012 (and change in life expectancy [in years] between those two periods, RHS)



Source: 'Life expectancy at birth 2014', ONS

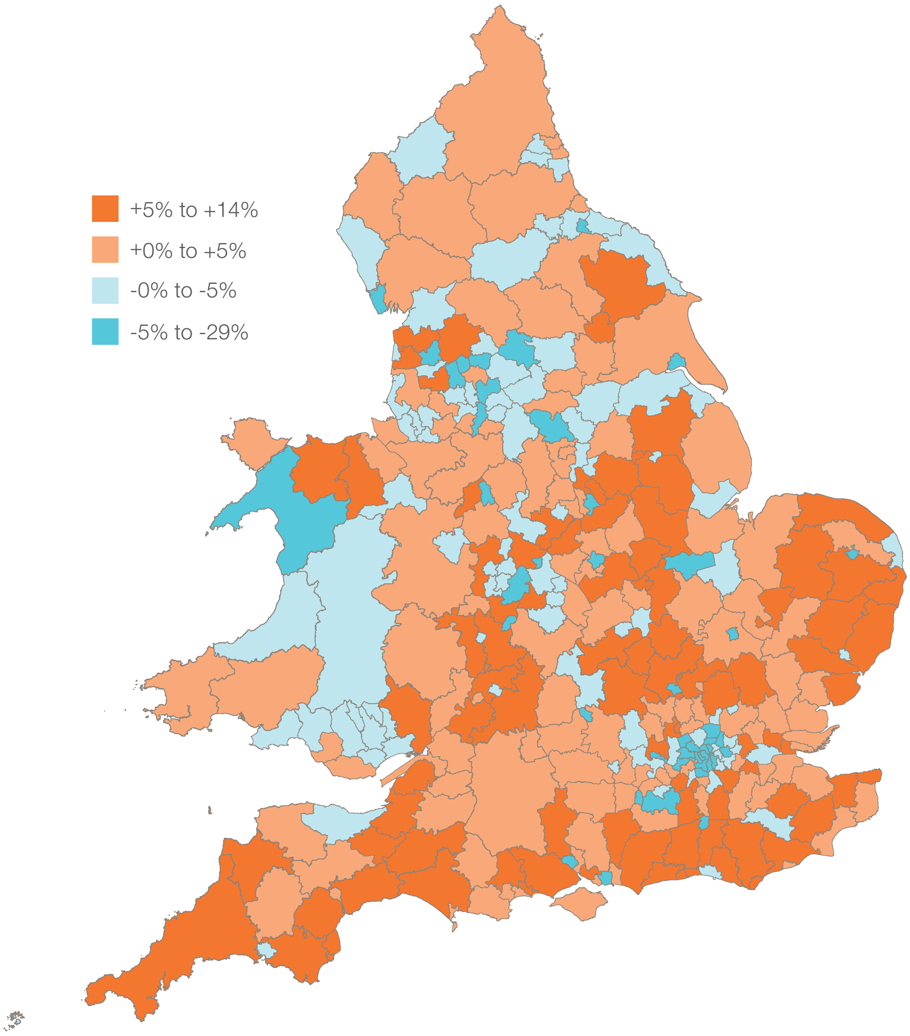
9. POPULATION CHANGE AND MIGRATION

One of the North's greatest assets is its people. However, its population structure is changing relatively rapidly.

Migration

Over the past decade, the north of England has 'exported' significant numbers of people towards the south of England. The below map illustrates the net flow of immigrants in and out of each local authority area in England and Wales.

Figure 9.1
Net flows of internal migrants by local authority in England and Wales, year ending June 2013, per 1,000 mid-2012 population



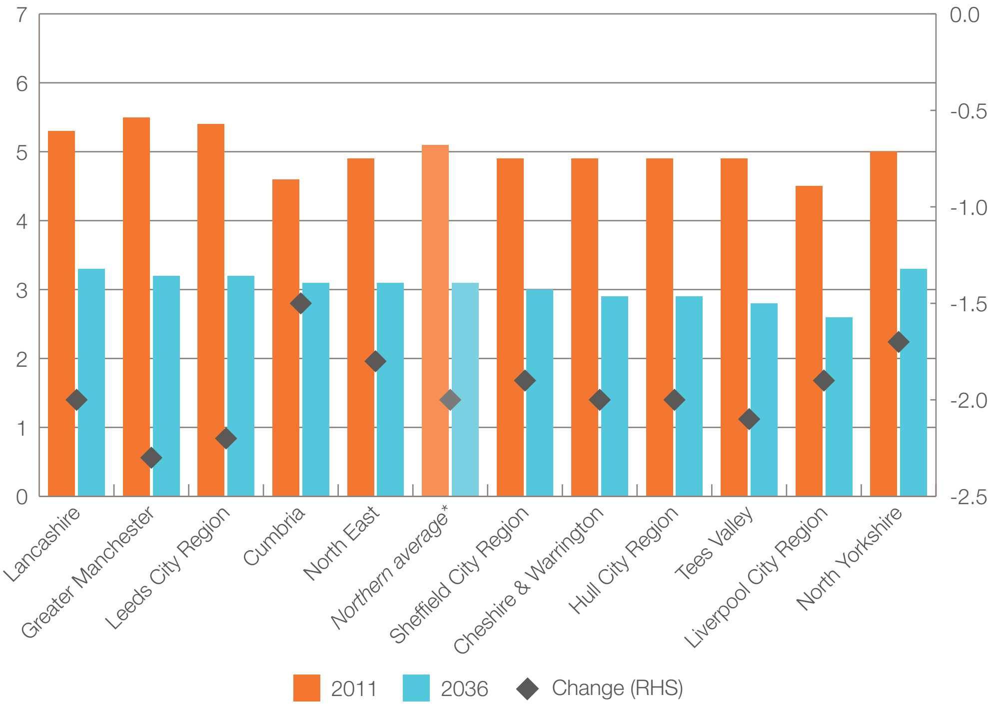
Source: Reproduced from 'Internal Migration, England and Wales, Year Ending June 2013', ONS (2014)

Ageing

One of the most marked long-term trends in the north of England is the relatively high rate at which it is ageing. With many young people moving south, and with lower levels of in-migration in many of its areas, the age profiles and dependency ratios of every part of the North are rising relatively rapidly. This is particularly true of more rural areas such as Cumbria.

Figure 9.2

Old-age support ratios forecast (number of people of working age per person aged 70+), 2011 (actual) and 2036 (predicted), and change in those ratios (RHS), in Northern LEP areas



Source: 'The impacts of demographic change in the functional economies of the North of England', N8 Research Partnership (2014)

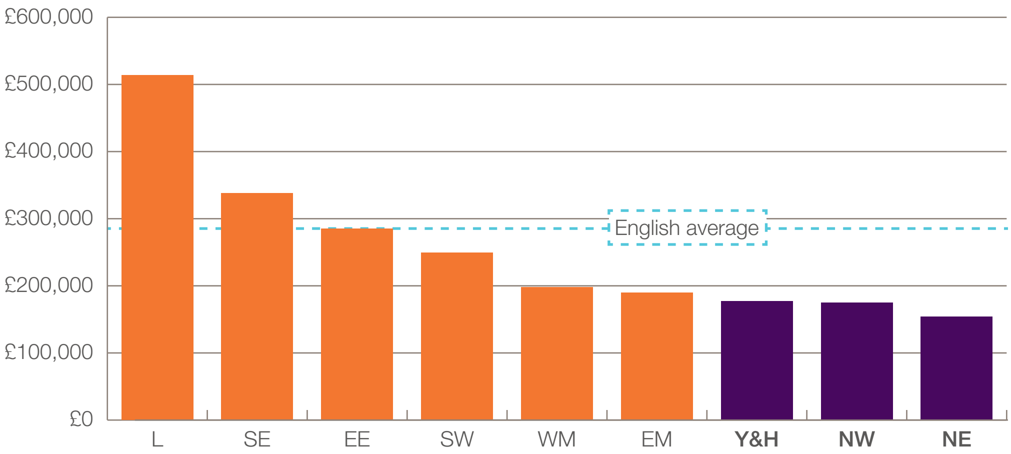
10. HOUSING

There is not one English housing market, but many. The demand for, and tenure mix, cost and quality of accommodation differs widely by region, by sub-region and even by neighbourhood.

House prices

Discussions about an 'English' housing market usually centre on London, where houses are in extremely short supply and prices for them are high. The cost of the average dwelling in London (£513,000) is nearly double the price of an average property in England as a whole (£285,000). Prices in the north of England are typically much lower than this, and property values in the North East are little more than half the national average (£153,000).

Figure 10.1
Average house prices, by English region



Source: House Price Index background tables, Land Registry (2014)

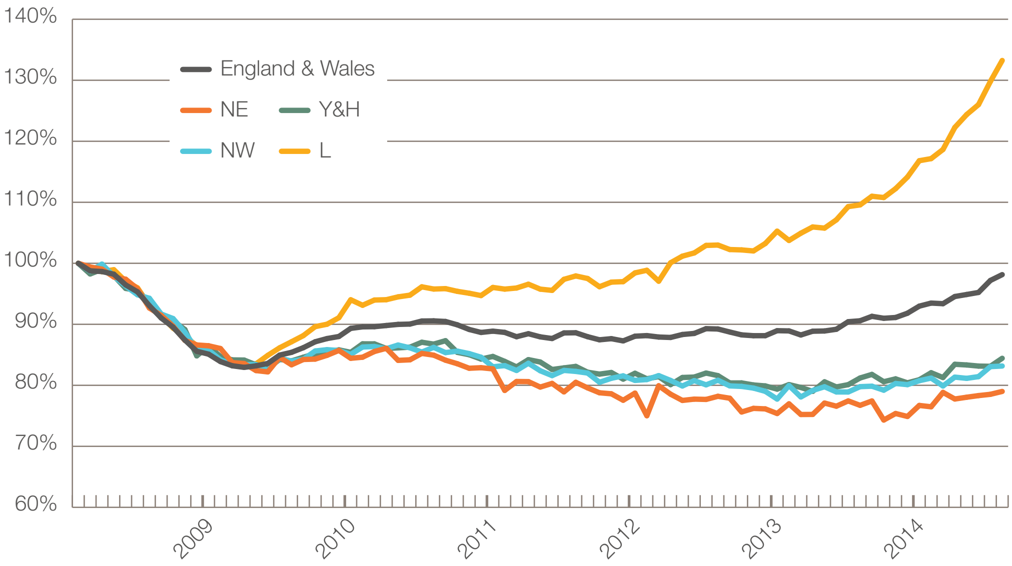
Has the housing market recovered?

The affordability of housing in northern England disguises the underlying fragility of the region's housing market. In particular, while the housing market in London and the South East appears to have all but recovered from the downturn in the property market in early 2008, when we look at regional house-price growth across the regions of England it becomes clear that much of this talk about recovery is overstated. Figure 10.2 below illustrates house price growth by region since 2008, and shows that while prices in the North East, North West, and Yorkshire and the Humber may be climbing, they remain far below their pre-recession peaks (see figure 10.2 overleaf).

Negative equity

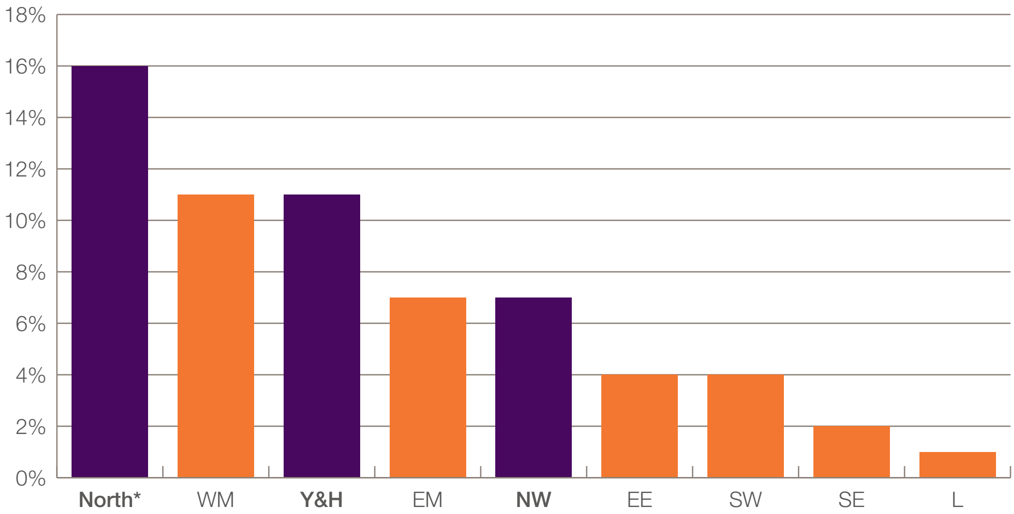
The regional variance in the recovery of housing markets has important impacts on other facets of the housing market – most notably the proportion of people living in negative equity. This proportion is highest in the North East, where house prices are the most affordable in the country, both nominally and relative to incomes (see figure 10.3).

Figure 10.2
Average regional house price growth (%), February 2008–August 2014 (February 2008 = 100)



Source: House Price Index background tables, Land Registry (2014)

Figure 10.3
Proportion of mortgages advanced since 2005 in negative equity as of Q3 2013, by English region



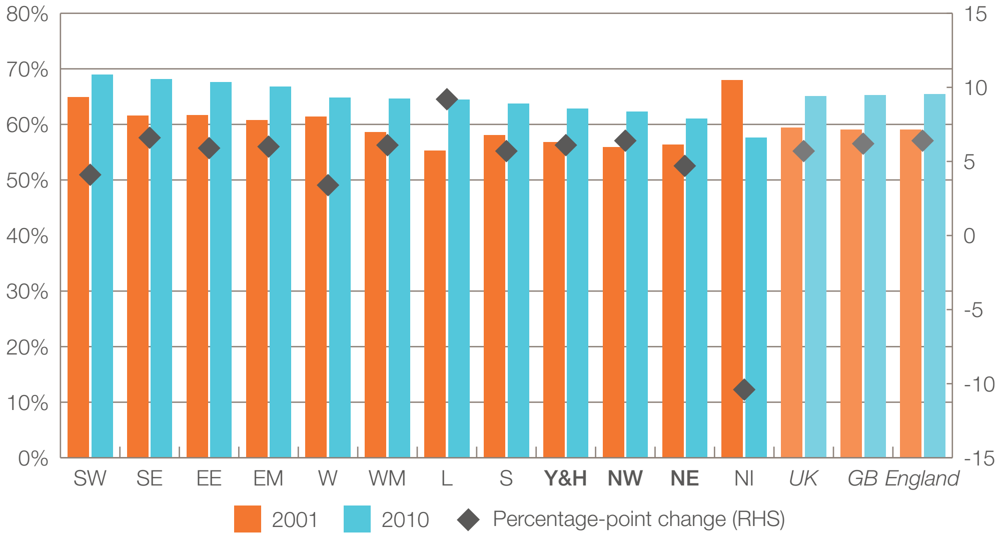
Source: 'BBC negative equity report', HML (2014)
*Note: The geography of regions has changed over time, but in some cases older standard statistical regions (SSRs) are still used, including for some housing market data. In this case, the 'North' SSR consists of the North East government office for the region (GOR) areas, together with Cumbria (which is part of the North West GOR). Both GORs are commonly referred to as simply the 'North East' and 'North West' regions.

These figures highlight the futility of applying housing policy from the administrative centre across widely different housing markets: blunt instruments like monetary policy, mortgage regulation and housing taxation have very different effects on different parts of England.

11. POLITICS

Although turnout at the last general election increased in relation to the previous two elections,[8] voting in the three northern regions was lower than in any others. The North East had among the smallest growths in voter turnout of all the English regions.

Figure 11.1
Voter turnout (%) in the 2001 and 2010 general elections, and percentage-point change (RHS)



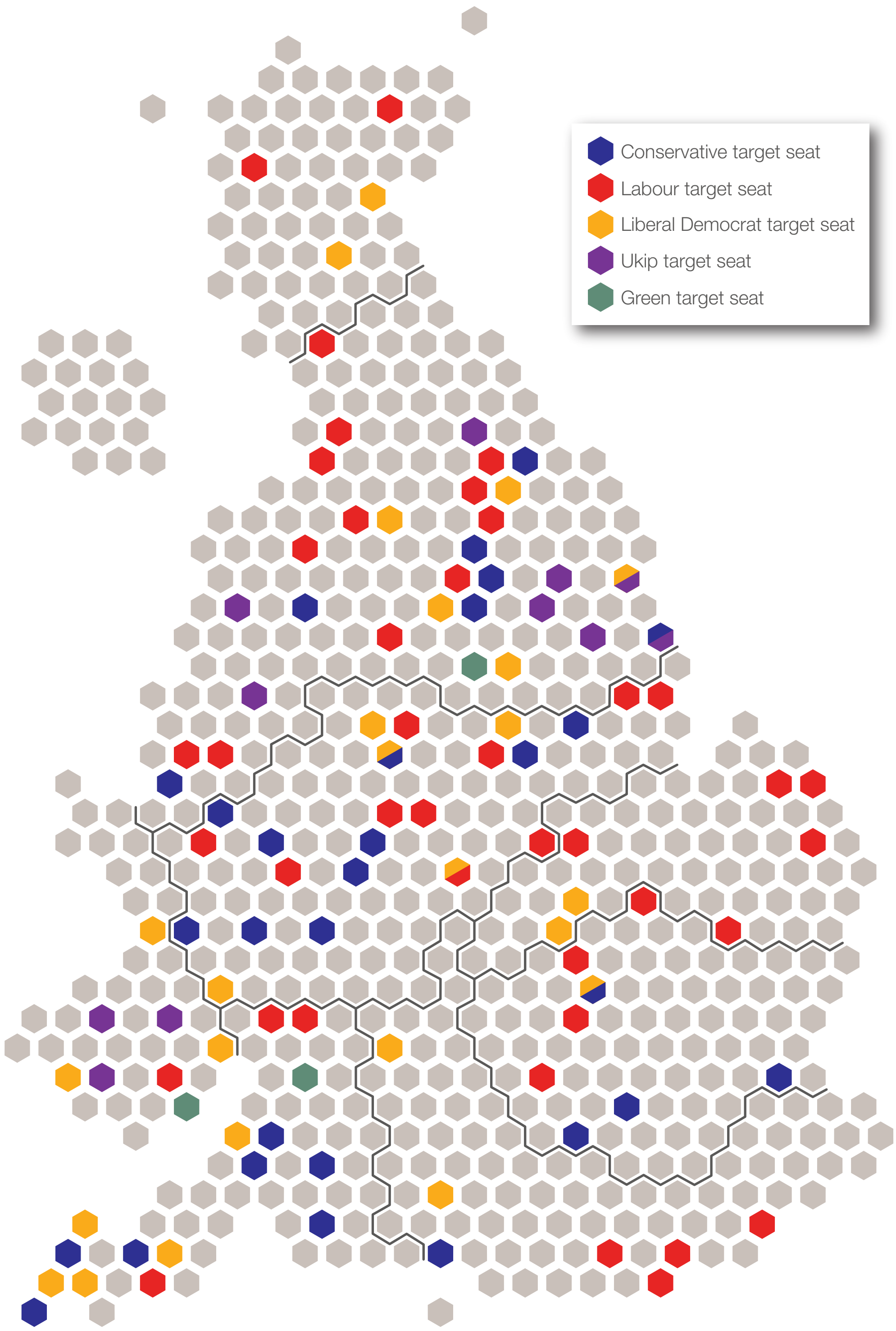
Sources: 'General Election results, 7 June 2001', House of Commons (2001); 'The 2010 General Election: aspects of participation and administration', Rallings and Thrasher (2010)

Having said that, the following map (figure 11.2) shows that a large number of 'super-marginal' seats[9] exist in the north of England, and that many constituencies may be 'demographically receptive' to Ukip's electoral appeal.

In-keeping with the sentiments expressed in the Scottish referendum campaign, there is a high level of disaffection with the Westminster system throughout the country, and a strong desire to change the current balance of power between central and local government. This sentiment is particularly strong in the North East, and particularly weak in London. However, people in the North West, surprisingly, appear relatively content with the status quo compared with most other regions.

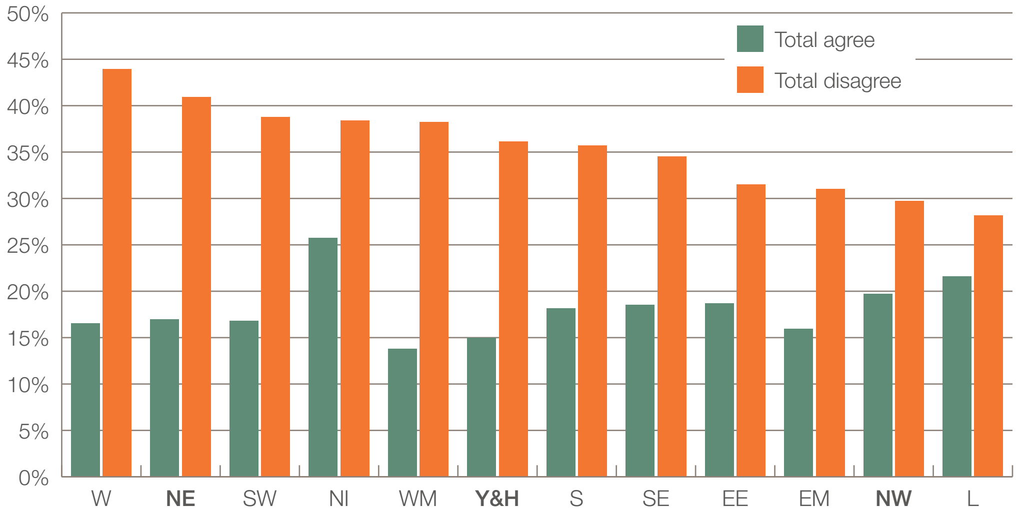
8 Except in Northern Ireland
9 That is, constituencies won in the 2010 general election by a margin of 5.0% or less. Note that in figure 11.2, Ukip and Green party 'target seats' have not been identified on this basis.

Figure 11.2
National parties' 'target seats'* for the 2015 general election



Source: For Conservative, Labour and Lib Dem target seats, 'UKPR election guide', UK Polling Report (2014). For Ukip, Ford and Goodwin, data from *Revolt on the Right* (2014). For Greens, www.election-data.blogspot.co.uk.
*Note: Conservative, Labour and Lib Dem 'target seats' are here defined as constituencies which those parties failed to win in the 2010 general election by a margin of 5.0% or less (so-called 'super-marginal' seats). Ukip and Green party target seats have been identified on a demographic basis.

Figure 11.3
Proportion of the population who agreed and disagreed with the statement, 'The current balance of power between central and local government is about right', by UK region



Source: *Who's Accountable*, PwC (2014)

12. SUMMARY AND CONCLUSIONS

The many charts in this report paint a complex picture of the north of England, and no summary can do justice to the many variations which exist between different indicators, different scales of analysis and, most of all, between different places. Nevertheless, it is hard to avoid the overall conclusion that, considered in a 10-year context, the deep and abiding challenges that the North continues to face have been made worse by both the recent recession and cuts to government spending.

There are reasons for optimism, however. Progress is being made. Prior to the recession, most parts of the North kept pace with average rates of economic growth on many counts; structural problems are slowly being corrected, and certain places show signs of real prosperity and innovation. There is also a strong sense that while we know the ingredients of success, they now need to be brought together both nationally and locally.

Over the past few years, IPPR North has set out a range of proposals to address many of the deep-seated issues set out in this report. These focus on three major concerns.

Economic development

- Starting with the big cities, central government must free local areas to realise their potential for economic growth.
- In order to compete in the global economy, northern regions must work more collaboratively as a well-connected northern 'super-region' with economic weight and political muscle.
- The three big priorities for northern economic development are skills, infrastructure and developing institutional clout.

Devolution in England

- Political parties must champion a clear timetable for enabling the decentralisation of nearly 40 key administrative, fiscal and political functions of government,[10] starting before the 2015 general election.
- These plans must be based upon a set of principles and lessons, and adopt a phased and asymmetrical yet purposeful approach that offers different powers and responsibilities to different parts of subnational government over a 10-year period.
- This process must be accompanied by some limited changes to the architecture of subnational governance, including a new wave of combined authorities.

Fiscal autonomy

No scheme of decentralisation can be effective without also devolving the means necessary to bring about real change.

- City-regions should be enabled to invest in sustainable growth opportunities through place-based budgets, long-term settlements and freedoms to borrow.
- On top of this, they should also be able to retain the proceeds of growth through 'earn back' and tax increment finance arrangements, and business rates and a proportion of income tax should be assigned locally.
- In the longer-term, there must be a root-and-branch review of land and property taxes.

10 As proposed in Cox E, Henderson G and Raikes L (2014) *Decentralisation decade: A plan for economic prosperity, public service transformation and democratic renewal in England*, IPPR North. http://www.ippr.org/publications/decentralisation-decade

The recent Scottish referendum opened up a national debate about the future of governance across the whole country. There has perhaps never been a better time for the north of England to flex its muscles, and for many of the policy ideas set out here to be made a reality. However, three significant challenges remain.

First, over the past decade, as IPPR North has sought to champion a progressive, pan-northern agenda, our ideas have all too often been met with parochial and defeatist responses, like ‘So how will that benefit my patch?’, and ‘You must be mad if you think that will ever happen.’ In recent times, through the creation of combined authorities and the launch of initiatives issues such as the One North transport plan, changes have started to come about: a different type of leadership is emerging, and new forms of collaboration are being tested. But we need to go much further. While maintaining local identities and pushing powers down to the lowest possible levels, **the north of England needs leadership** and voice – and needs it more now than at any time in recent history.

Second, the Scottish referendum debate was propelled not just by political parties or narrow campaigns but by the people of Scotland themselves. Scotland’s devolutionary moment is being fuelled by the demands of the people, and their sense that the political system is not working for them. This must become the case in the north of England too. If our data has demonstrated only one thing, it is that the nation is not pursuing the interests of the North any more than it is those of Scotland – less so, in many respects. Yet **the general public have yet to find their voice in the North** in quite the same way as their neighbours have, perhaps because the Scots have a much clearer national identity. The extent to which the people of the North find common cause and common voice will be key in the months ahead.

Finally, recovering from the gravest economic crisis in a century is proving to be a hard fight, not least for northerners. But it also provides an opportunity. While the recovery in the South appears to be built upon all the old frailties of the pre-recession system, this devolutionary moment might afford the north of England an opportunity to **build upon more sustainable economic assets**: its green economy, its rich natural resources, its sense of place, its sense of justice, and above all its entrepreneurial and inventive people.

In 10 years’ time, with the right leadership and with revitalised local democracy, there is no reason why the north of England shouldn’t take its place alongside the best, most progressive northern European economies, once again **forging a new political economy** that becomes a blueprint for the rest of the 21st century.

APPENDIX A
UPDATE OF NORTHERN ECONOMIC FUTURES COMMISSION INDICATORS

In 2012 the Northern Economic Futures Commission set out two sets of indicators by which it felt economic progress in the north of England should be judged. The first (table A.1) is a set of short-medium term national indicators; the second (table A.2) is a series of longer-term measures of economic development. These indicators go beyond simplistic notions of GVA or GDP growth alone, and look to measure the sustainability and resilience of the northern economy.

Figure A.1
National indicators: current performance versus previous performance as measured in final report of the Northern Economic Futures Commission (NEFC), 2012

Indicator	Measure	Current performance		Previous performance		Target	Performance against target	
		North	UK	North	UK		Previous	Now**
1A. Economic performance: agglomeration, competitiveness, investment, productivity, innovation, employment								
Unemployment	ILO unemployment rate	8.7%	7.5%	9.2%	8.0%	Convergence with UK	-1.2pp	-1.2pp
Earnings/wage distribution	Median wage (weekly)	£479.85	£517.50	£458.00	£498.30	Convergence with UK	+£40.30	£37.65
Competitiveness/innovation	Annual growth in number of enterprises	-0.3%	0.5%	-0.5%	0.4%	2%	+1.4%	+0.3%
1B. Environmental performance: carbon emissions, protection of landscapes & biodiversity								
Waste	Municipal waste (tonnes per person per year)	0.43	0.44	0.46	0.46	Maintain annual decrease of 3%	-3%	-2.7%
CO_2 emissions	Annual per capita local CO_2 emission estimates; industry, domestic and transport sectors	7.7	6.5	8.3	6.9	Maintain annual decrease of 5%	-5%	-3.3%
1C. Quality of life & wellbeing: economic equality & inequality, skills & education, community cohesion & health								
Subjective wellbeing	Proposed ONS Measure (scale of 1–10)	7.42	7.45	7.38	7.41	Score above UK average	+0.03	+0.03
Crime rate	Police recorded crime, Home Office (recorded crime rates per 1,000 population)	63.0	66.4	74.2	75.7	Below 70	74.2	63.0
High skills	% of workforce qualified at NVQ level 4	34.5%	39.4%	31.9%	35.7%	Close gap with UK average	-3.8	-4.9
1D. Resilience: economic diversity, dynamism, connectivity & demographics								
Demographic balance	Support ratio (number of working-age people per person aged 65+)	3.76	3.84	3.96	4.04	4.00	3.96 (revised)	3.76
1E. Role: distinctiveness, linkages & accessibility								
Geographical connectedness	Rail journeys to/from other regions per annum (000s)	61,383	410,392	58,635	393,335	Annual growth rate of over 5%	+5.1% (in decade to 2010/11)	+4.7%
Online connectedness	% households with internet access	85%	88%	80%	83%	100%	80%	85%

Sources: IPPR North analysis of data from ONS (2014); Department for Environment, Food & Rural Affairs (2014); Department for Energy and Climate Change (2013); Home Office (2014) Office for Rail Regulation (2014); Eurostat (2014)
***IPPR North and NEFC (2012) *Northern prosperity is national prosperity: A strategy for revitalising the UK economy*, IPPR North.** http://www.ippr.org/publications/northern-prosperity-is-national-prosperity-a-strategy-for-revitalising-the-uk-economy
****Note: green, amber and orange cells indicate our assessment of the progress made towards each target, from 'good' to 'middling' to 'poor'.**

Figure A.2
International indicators: current performance versus international targets

Indicator	Measure	North	International comparator	Target	Year	Source	Publication lags	Comparability
2A. Economic performance: agglomeration, competitiveness, investment, productivity, innovation, employment								
Unemployment	ILO unemployment rate	9.2%	8.0%	Below OECD median	2012	LFS	6 week delay	OECD regions
Household income	Household income per capita	17,593	17,024	Above OECD median	2010	OECD	>4 year delay	OECD regions
2B. Environmental performance: carbon emissions, protection of landscapes & biodiversity								
Waste	% of waste recycled	26.5%	24.2%	Increase to 30% (average for Germany is 40%)	2011	Eurostat	>2 year delay	EU regions
2C. Quality of life & wellbeing: economic equality & inequality, skills & education, community cohesion & health								
Low skills	% of workforce with only basic education	19.2%	18.3%	Below OECD median	2012	OECD	>2 year delay	OECD Regions
Life expectancy	Life expectancy	79.8	80.4	Above EU median	2010	Eurostat	>3 year delay	EU regions
2D. Resilience: economic diversity, dynamism, connectivity & demographics								
Innovation	Patent applications per million inhabitants	52.1	61.8	Above 75 (EU 60th percentile)	2009	European Patent Office	>2 year delay	All EU Regions
Ageing population	Working-age population as a % of the total population	65.6%	66.2%	Above OECD average	2012	Eurostat	>2 year delay	OECD regions
Research and development intensity	R&D expenditure as a % of GDP	0.9%	1.3%	Above 1.28 (EU 75th percentile)	2011	Eurostat	>3 year delay	EU regions
Economic dynamism	Employment in high-tech sectors	3.9%	4.1%	Above 5 (EU 75th percentile)	2012	Eurostat	>2 year delay	EU regions
2E. Role: distinctiveness, linkages & accessibility								
Online connectivity	% of households with broadband	83%	74%	100%	2013	Eurostat	>1 year delay	EU Regions

Sources: Eurostat (2014); OECD (2014)

APPENDIX B
IPPR NORTH PUBLICATIONS, 2004–2014

Restoring the Balance: Strengthening the Government's proposals for regional assemblies
Authors: John Adams, John Tomaney
18 February 2005

A Full Employment Region
Author: John Adams
1 April 2005

At the Crossroads? Transport and social inclusion in the North East
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Towards Full Employment: Tackling economic inactivity
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