

BRITISH CITY REGIONS' ECONOMIES INTO RECESSION

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Introduction and overview of findings

This document summarizes our initial work on updating and extending the analyses which we reported in our paper 'The Fluctuating Record of Economic Regeneration in England's Second-Order City Regions, 1984-2007', published originally in 2009 as Spatial Economics Research Centre Discussion Paper 33 (SERC-DP-33) and in revised form by *Urban Studies* (on *OnlineFirst* DOI: 10.1177/0042098010375320 in September 2010 and due out in Volume 48:8 in June 2011, USJ). It should be read in conjunction with the technical notes provided in those papers about the compilation of the data series (covering all employees but not the self-employed and using FTEs, Full-time equivalents where a part-time job is weighted half a full-time one), the definition of City Regions, etc., as well as alongside the contextual material provided there relating to the theory and policy.

Data availability at the time that those papers were prepared meant that they were able to trace job change only to 2007, i.e. the onset of the financial crisis that precipitated the recession in 2008. Our latest analyses take advantage of the data series being currently available to 2009, as well as using the final data for 2007 (in place of the provisional data used previously for then) and also using the set of local-level scaling factors subsequently released by ONS for allowing for a major data discontinuity in 2006 rather than a global estimate of this change (see also 'Note on data' at the end of the paper). While incorporating these refinements, the opportunity has been taken to extend the analysis to the whole of Great Britain (i.e. including Scotland and Wales), adding one further City Region, Glasgow. This paper also infers the latest situation (i.e. post-2009) from national data on employment and local data for unemployment up to February 2011 and includes forward estimates of the exposure of the City Regions to public expenditure cuts.

As suggested above, the aims of this paper are very similar to those of SERC-DP-33 and our USJ paper. In the context of urban regeneration policy, the primary objective is to examine employment trends for the country's second-order cities and compare them with those for London and for the rest of Great Britain. To what extent are they helping to rebalance the national economy away from the capital region and how far are their 'central cities' leading a resurgence of their wider regions? The paper starts with a look at employment change for the second-order cities combined (Birmingham, Bristol, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield and referred to below as 'the nine City Regions'). The following section compares this with the overall national performance and those of London City Region and the rest of Great Britain separately, while the third disaggregates overall change into eight broad industrial divisions. The fourth section looks at employment trends for the nine City Regions individually. Finally, the growth of their principal local authority areas is compared with the rest of their City Regions.

Among the key findings from the data on 1984-2009 employment trends are the following

- The nine second-order City Regions combined gained FTEs 1984-2009 at an annual average compound rate of 0.33 per cent, but their growth rate peaked in 1993-98 and had dropped markedly even before the onset of recession after 2007.
- Relative to the national trend, the nine City Regions were slower to recover from the 1989-93 recession and were at their strongest in 1998-2002 when even so they barely managed to match the national growth rate.
- The nine City Regions' aggregate cutback in employment growth in 2007-09 was similar to their experience in the first half of the 1989-93 recession, and was very much in line with the 2007-09 experiences of the London and elsewhere.
- The 2007-09 recession has not been associated with any marked change in the nine City Regions' overall trend in manufacturing, with a continuation of the 1998-2007 average losses of around 40,000 FTEs a year.
- Between 2002-07 and 2007-09 the nine City Regions combined registered negative shifts in FTE change for all the other broad industrial sectors, and all but one (Public administration etc) shrank in FTE numbers between 2007 and 2009.
- Over the full period 1984-2009, Bristol was by far the fastest growing of the nine City Regions, and Leeds was the only other one to grow faster than London City Region.
- Of the nine City Regions, Liverpool was the weakest performer for 1984-2009 overall, followed by Birmingham and Sheffield, while Birmingham appears to have been the worst hit by the 2007-09 recession.
- The nine 'central cities' combined have been less badly hit by the 2007-09 recession than the rest of their City Regions, but the latter have outperformed the former in all the previous post-1984 periods except 1998-2002.

Turning to other data sources in order to examine post-2009 developments, the key question is the extent to which the above picture provided by the latest employee data (up to September 2009) may have been overtaken by further change as the recession has progressed. As promised in the Abstract, the latest situation will be inferred from the latest national data on employment and local data on unemployment (Job Seekers' Allowance claimants) available at the Conference date, i.e. up to February, 2011. An update will be given on the current picture of a comparative easing from September 2009 to the end of 2010, with moderate declines in unemployment rates across Great Britain and all City Regions except that of Glasgow. By then the Birmingham City Region, despite enjoying the greatest percentage point reduction in unemployment, was still suffering the impact of recession in having the highest rate of unemployment among City Regions, followed by Liverpool and Glasgow. The wider ILO measure of unemployment, however, showed the GB rate increasing marginally from 7.8% to 7.9% between the last quarters of 2009 and 2010, while the over-16 employment rate fell from 58.3 to 58.2 %. However, male employment rates increased at the expense of female and 'Full Time Equivalents' declined by 0.6% due to the greater emphasis on part-time employment. We may conclude that (due possibly to measures taken by the outgoing Labour government) employment conditions in the year following our main reference period 1984-2009 represented a remarkably stable plateau.

The findings based on the very latest data will be presented at the Conference. The remainder of this written paper is restricted to the picture conveyed by the local employee data series for 1984-2009, providing the evidence behind the observations made in the bullet points above. The numbering of Tables and Figures is the same as in the USJ paper, but their contents are not directly comparable because of the inclusion of Glasgow as a ninth City Region.

Overall employment change for the nine City Regions combined to 2009

Table 1 shows the 1984-2009 employment trends of the nine second-order City Regions combined, with the data referring to employees (not the self-employed) in all sectors besides farming, forestry and fishing and expressed in terms of FTEs (Full Time Equivalents whereby a part-time job is weighted half a full-time one).

Table 1. Change in FTEs in all sectors except farming, forestry and fishing, 1984-2009, for nine second-order City Regions

Period	000s for period	000s per annum	% per annum (compound rate)
1984-89	192.2	38.4	0.67
1989-93	-390.3	-97.6	-1.71
1993-98	368.8	73.8	1.32
1998-2002	272.1	68.0	1.11
2002-07	280.9	56.2	0.88
2007-09	-243.5	-121.8	-1.87
1984-2009	480.1	19.2	0.33
1993-2009	678.3	42.4	0.73

The main conclusion to be drawn from this table is that these City Regions as a group have managed to grow over the past quarter of a century. Their overall rate of growth for the 25 years averaged 0.33 per cent a year, but that figure includes the recession years 1989-93. If the focus is just on the periods since 1993, the average growth rate is more than twice this, at 0.73 per cent, even including the shrinkage in 2007-09. On the other hand, these City Regions' aggregate rate of growth appears to have fallen back steadily since the mid 1990s when it averaged 1.32 per cent a year. This is broadly confirmed by the annual trend for 1997-2007 shown in Figure 1.

Figure 1

Annual change (%) in FTEs of all sectors except FFF, 1984-87 to 2008- for 9 Core City CRs combined

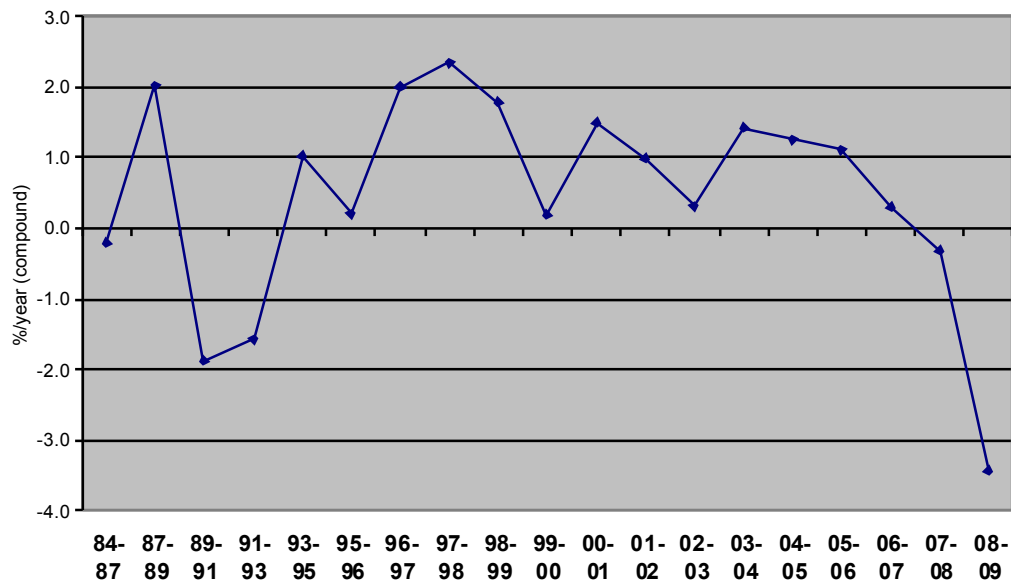


Figure 1 also gives more detail about the impact of the latest recession on the nine City Regions. The drop to 2007-08 is pretty much in line with the gently declining trend of the preceding 10 years, though taking their aggregate growth rate into negative territory for the first time since the 1989-93 recession. The really substantial impact of the latest recession comes only in the year ending September 2009, when their number of FTEs fell by 3.5 per cent. This appears just as sharper a contraction as in the recession of 1989-93. Though as shown in Figure 1 the most detailed data for the latter is available for only 2-year periods, their average rate of -1.87 per cent shown for 2007-09 in Table 1 is almost identical the rate recorded by them in 1989-91.

The performance of the nine City Regions combined relative to Great Britain

Figure 2 charts the period rates of the nine City Regions shown in Table 1, puts the national rates for the same periods beside them and, in the final panel, makes a direct comparison of the former relative to the latter in terms of the percentage point difference between the two rates. On this basis, the overall picture for the nine City Regions is of it being a struggle for them to keep in touch with the Great Britain growth rate. They just about manage this in the 1989-93 (‘services-led’) recession and again in 1998-2002 which is what the USJ paper concluded appeared to be the heyday of the country’s second-order City Regions. Since then their aggregate rate has been moving downwards against the national rate. On the other hand, the differential in 2007-09 was only a little greater than that for 2002-07, indicating that (at least up to September 2009) the latest recession impacted only marginally more by the nine City Regions than the country as a whole.

Figure 2

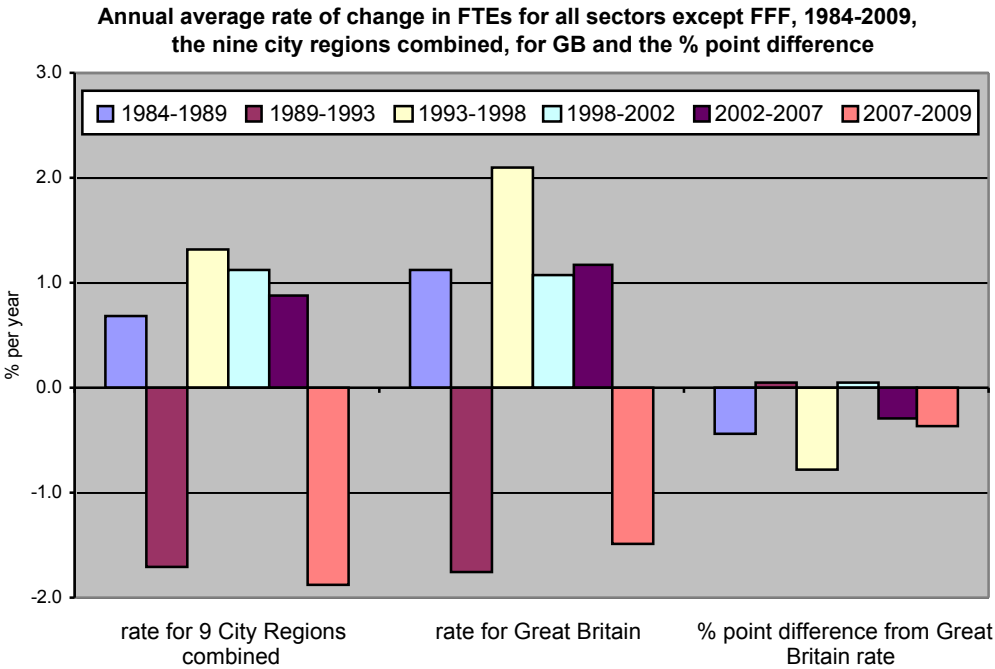
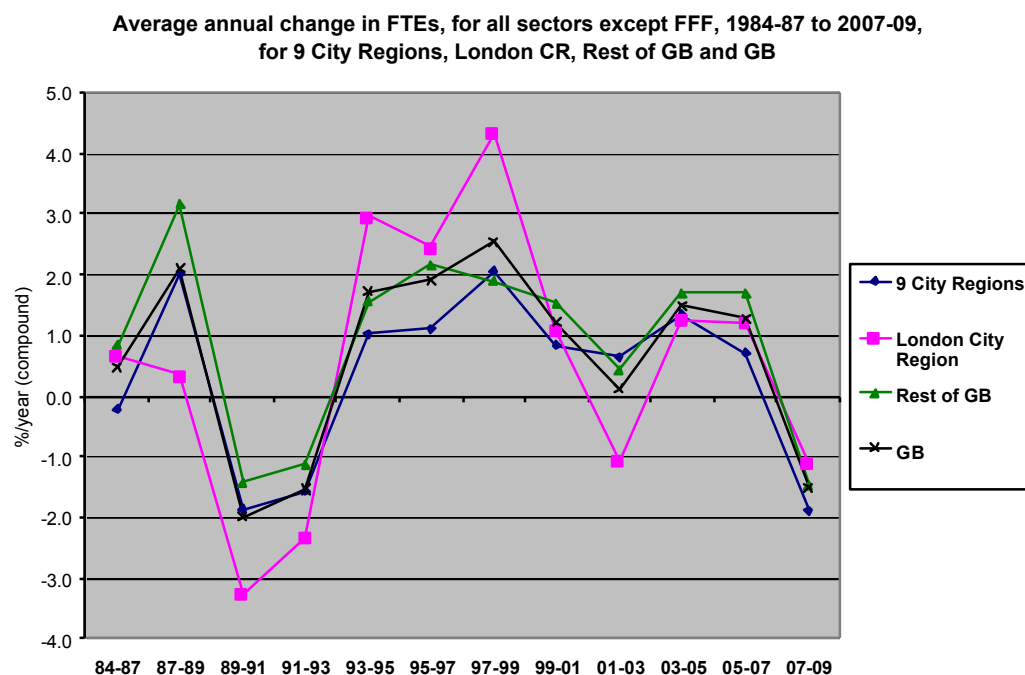


Figure 3 takes the story forward in two ways. First, it shows the trend in growth rates over time for 2-year periods, which help to iron out some of the annual volatility in

the data (which is no doubt partly due to sampling error and other statistical factors) and also put the post-1995 period on a similar basis to the earlier years when surveys were carried out only every 2 years (3 years for 1984-87). Second, as well as showing the trend lines for both the nine City Regions' aggregate and Great Britain as a whole, it also breaks up the latter into the London City Region and the rest of the country. In relation to the post-2007 recession, Figure 3 suggests that, at least so far, there are quite strong parallels with the first two years of the 1989-93 recession for both the nine City Regions and for the rest of the Great Britain (excluding London). The main difference is that, this time around, London's rate of growth has not (so far) fallen as much as for the other two parts of the country, nor as far as it fell in 1991-93.

Figure 3



The role of eight industrial sectors

Figure 4 disaggregates the average annual change in number of FTEs for the nine City Regions for eight industrial divisions (based on SIC 1992 or the nearest fit of other SICs to this) and just for the six periods used above (because the annual series tend to be rather volatile). Among the main features is that the hit that the nine City Regions' manufacturing sector has taken in the latest recession is not substantially different from the level that it has been at since 1998, following the rebound from the earlier recession. Most of the nine City Regions' other sectors grew in absolute terms in all four non-recession periods. The main exception was energy & water, which appears to have swung into growth only in the last two years (something which, on closer inspection of the raw data, looks like a statistical artefact). But there are also some cases of growth in recession, notably Public Administration, Health and Education (PA) in both recessions and Finance & Business Services (FBS) and Other Services (OS) in 1989-93. Overall, the largest absolute gains over the 25 years have been in FBS and PA (which are why these are examined in more detail in Table 4 below).

Figure 4

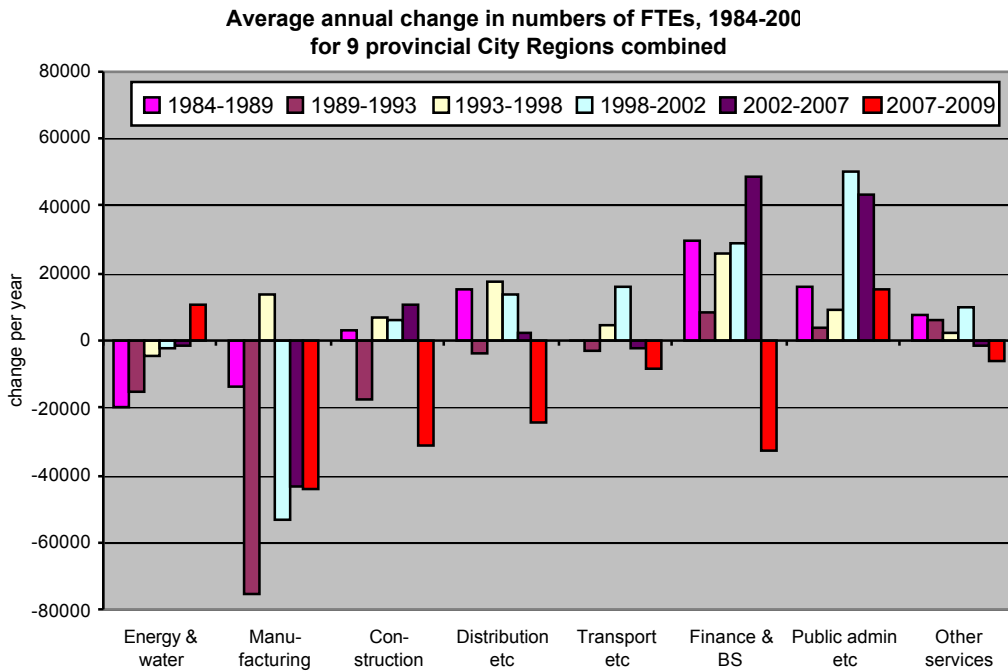


Figure 5 shows the average annual change rates expressed as a % point difference from the national rate, in order to see how the overall variations in performance shown in Figure 2 above have arisen. For the post-1989-93 periods shown here, the overwhelming impression is of most sectors doing worse than the national average most of the time. The ‘heyday’ period of 1998-2002 appears primarily due to Transport-etc and PA, with additional contributions by Construction and FBS. Only the latter two remain above average in 2002-07, and in 2007-09 Construction takes a big dive. But PA (despite its strong showing in absolute terms in Figure 4) seems not to have been of so much benefit to the nine City Regions as elsewhere in either 2002-07 or (especially) 2007-09.

Figure 5

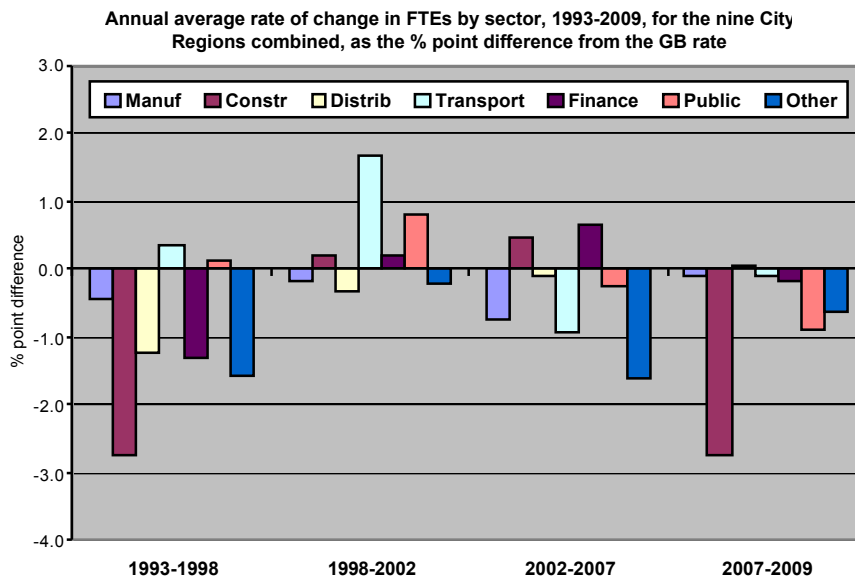


Table 2 looks at the nine City Regions' share of Britain's total FTEs, by sector, 1984 and 2009, in its left-hand panel, updating the original to 2009 and including Glasgow. Over the 25-year period, the nine City Regions are losing out to the tune of 2.2 % points of national FTEs, their aggregate share standing at 28.8% in 2009. In terms of their shares of each national sector, the biggest reductions are in Energy/water and OS, with smaller percentage point reductions in Manufacturing, Construction and Distribution. But, impressively, the nine City Regions have increased their shares of national FTEs in Transport-etc, FBS and PA over the quarter century.

Table 2. The nine City Regions' share (%) of Great Britain's total FTEs, by sector, 1984 and 2009, and sectoral composition of FTEs compared with Great Britain's, 2009

Sectors	Nine CRs' share of GB's total		2009 composition (% all sectors shown)		
	1984	2009	Nine CRs	GB	Difference
Energy & water	43.5	32.4	1.0	0.9	0.1
Manufacturing	34.9	32.1	12.4	11.1	1.3
Construction	32.7	30.1	5.7	5.5	0.3
Distribution etc	29.1	27.9	20.5	21.2	-0.7
Transport etc	26.9	28.5	5.9	6.0	0.0
Finance & BS	25.1	26.1	21.2	23.3	-2.1
Public admin etc	29.7	30.8	28.9	27.0	1.9
Other services	29.9	24.9	4.4	5.1	-0.7
All sectors	31.0	28.8	100.0	100.0	0.0

The end result in 2009 (right-hand panel of Table 2) is that the nine City Regions' industrial composition (on this classification at least) is not hugely different from the national picture: just a somewhat stronger representation of Manufacturing (by about 10% in relative terms) and PA (by about 7%), and a somewhat weaker one of FBS (by about 10%), Distribution and OS.

The nine City Regions individually

This section of the paper compares the nine City Regions both between themselves and against the national average and the rates for London City Region and parts of the rest of Great Britain. Table 3 gives the annual average (compound) rate for the full quarter-century as well as for the 6 periods within it. Overall, the rest of Great Britain as a whole performed the most strongly, at 0.91%/year, followed by London at 0.55% and with the nine City Regions in last place with the 0.33% noted already in Table 1.

Of the nine City Regions, the strongest performing was Bristol, at 1.18%, but this was the only one of the 10 City Regions (including London) that outpaced the national growth rate. Leeds matched the latter exactly, ahead of London, followed (in rank order) by Manchester, Glasgow, Newcastle, Nottingham, Sheffield, Birmingham and Liverpool. Liverpool was the only one of these cases that possessed fewer FTEs in 2009 than in 1984, but it was a close call for Birmingham. Note that this picture is based on the study's attempt to estimate real job change allowing for all the various alterations in survey methodology over the period. Also note again that the data refer only to employees, i.e. excluding the self-employed.

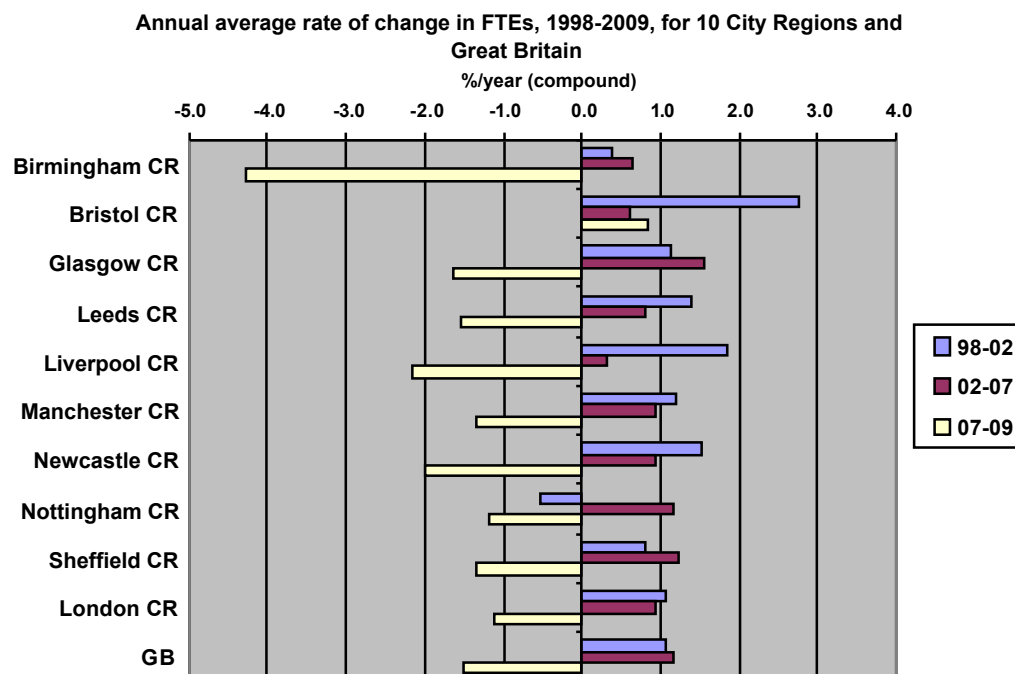
In terms of the phasing of peak growth since 1993, for the majority of the nine City regions this was the 'rebound from recession' period of 1993-98. It was the following

period (1998-2002) for just three English CRs: Bristol, Liverpool and Newcastle. For Glasgow it was the final pre-recession period 2002-07.

Table 3. Annual average change in FTEs for all sectors except farming, forestry and fishing, 1984-2009 (% compound rate)

	1984-2009	1984-89	1989-93	1993-98	1998-2002	2002-07	2007-09
Birmingham CR	0.02	0.71	-2.39	2.05	0.38	0.64	-4.28
Bristol CR	1.18	2.03	-1.02	1.55	2.77	0.60	0.85
Glasgow CR	0.33	-0.01	-1.39	0.95	1.13	1.56	-1.62
Leeds CR	0.65	1.45	-1.32	1.57	1.39	0.80	-1.53
Liverpool CR	-0.20	-0.31	-1.84	-0.13	1.84	0.31	-2.17
Manchester CR	0.49	1.26	-1.73	1.24	1.20	0.94	-1.34
Newcastle CR	0.32	0.01	-0.68	0.80	1.51	0.93	-2.00
Nottingham CR	0.21	0.66	-2.08	1.78	-0.52	1.15	-1.17
Sheffield CR	0.06	-0.32	-2.50	1.31	0.79	1.22	-1.36
Nine CRs	0.33	0.67	-1.71	1.32	1.11	0.88	-1.87
London CR	0.55	0.53	-2.78	3.10	1.07	0.93	-1.10
Rest of GB, of which:							
S England	0.91	1.76	-1.26	2.09	1.03	1.48	-1.45
N England	1.17	1.98	-1.44	2.92	1.24	1.58	-1.25
Wales	0.59	1.77	-1.68	1.65	0.53	1.15	-1.78
Scotland	0.84	1.87	-1.07	1.13	1.36	1.80	-2.05
Scotland	0.55	0.78	0.15	0.18	0.91	1.46	-1.24
GB	0.65	1.12	-1.76	2.10	1.06	1.17	-1.49

Chart of Table 3 data for ten City Regions and Great Britain for 1998-2009



As regards the developments of the most recent periods, and especially the impact of the latest recession (so far, i.e. up to September 2009), these are easier to see on the chart above that is based on the final three columns of Table 3. This suggests that since 1998 most City Regions have registered a progressive slippage in growth rate. The main exceptions are those that followed the national trend of rate rising in 2002-

07 before falling back in recession, namely Birmingham, Glasgow, Nottingham and Sheffield. Bristol, however, is impressively different, seeing its growth rate actually rise in 2007-09, albeit from a 2002-07 level that was below every other City Region except Liverpool

Another point of interest in the chart above is the change between the last two periods: Birmingham suffered the biggest setback (down by 4.9 % points), followed by Glasgow (-3.2) and Nottingham (-2.9). All the other City Regions had smaller % point setbacks than Britain as a whole (-2.7): Sheffield (-2.6), Liverpool (-2.5), Leeds (-2.3), Nottingham (-2.3) and Manchester (-2.3), all higher than London (-2.0) and of course, in an apparent class of its own, Bristol (+0.25 % points).

Table 4 focuses on the two sectors with the nine City Regions' largest absolute FTE growth (see Figure 4 above). Taking the whole period shown of 1993-2009, for FBS Glasgow records the fastest growth rate (+3.4%/year compound), followed by Manchester, Leeds and Sheffield, with Birmingham and Liverpool the slowest. For PA, the range is not as wide, with Sheffield leading on +2.6%, followed by Bristol, and with Newcastle and Liverpool the smallest growers of this sector.

Table 4. Average annual rate of change in FTEs in two sectors, 1993-2009, for the nine City Regions (% compound rate)

City Region	Financial and business services					Public administration etc				
	1993-2009	1993-98	1998-2002	2002-07	2007-09	1993-2009	1993-98	1998-2002	2002-07	2007-09
Birmingham CR	1.5	3.7	1.1	2.7	-6.3	2.2	0.4	3.9	3.7	-0.1
Bristol CR	2.4	3.8	1.1	2.8	0.7	2.4	0.8	4.9	1.7	2.7
Glasgow CR	3.4	1.3	4.0	5.8	1.6	1.9	1.1	2.9	3.0	-1.1
Leeds CR	3.1	4.7	2.8	3.5	-1.4	2.2	1.3	3.1	2.4	1.9
Liverpool CR	1.6	1.0	6.6	1.8	-7.1	1.6	0.2	3.2	2.1	0.3
Manchester CR	3.2	3.4	3.6	4.5	-1.1	1.7	0.4	2.9	2.4	1.4
Newcastle CR	2.0	-0.7	4.1	4.8	-2.8	1.5	-0.2	3.8	1.8	0.4
Nottingham CR	2.9	3.5	0.0	6.8	-2.4	2.1	3.2	0.3	3.3	-0.3
Sheffield CR	3.0	3.8	0.8	5.6	-1.4	2.6	-0.1	5.8	2.7	3.0
Nine CRs	2.6	3.0	2.7	4.0	-2.2	2.0	0.7	3.4	2.6	0.8
London CR	2.7	5.7	1.8	2.2	-1.6	1.7	-0.2	1.7	3.0	3.3
Rest of GB, of which:	2.9	3.9	3.0	3.9	-2.3	2.0	0.7	2.5	2.9	1.7
S England	3.2	5.3	2.8	3.7	-2.5	2.1	0.8	2.3	3.1	1.9
N England	2.4	2.2	3.1	4.4	-3.3	1.9	0.8	2.1	2.7	2.0
Wales	3.4	2.8	2.9	6.1	-1.0	1.8	-0.1	3.9	2.5	0.7
Scotland	2.0	0.2	3.9	3.1	0.2	2.1	1.0	2.5	3.2	1.0
GB	2.8	4.3	2.5	3.4	-2.0	1.9	0.5	2.6	2.8	1.8

Core local authority areas ('Central Cities') compared with the rest of their City Regions

The final section of this paper, as in the USJ paper, examines the relative performance of the principal (or in American parlance, 'central city') local government areas of each of the City Regions and the rest of their City Regions. This was done for the City Region aggregates only, partly because the data on individual local authority areas is not as reliable as for the aggregates and partly because comparisons between City Regions are hampered by differences in the coverage of the Core areas (notably with

Newcastle and Manchester being quite narrowly defined compared to Leeds and Sheffield).

Figure 6's left-hand panel shows the pairs of actual rates for the Cores and the Rest of the City Regions for the nine City Regions combined for the six periods. The picture varies considerably over time, with the Rest of the City Regions having more positive rates in the first three periods and 2002-07 and the Cores substantially outshining the Rest of the City Regions in the City Regions' 'heyday' of 1998-2002 and also being hit less hard in the 2007-09 recession.

The right-hand panel of Figure 6 shows differences from the national rates. This highlights the Cores' heyday in 1998-2002. Impressively, the only other instance of above-national-rate change was by the Rest of the City Regions in the 1989-93 recession.

Figure 6

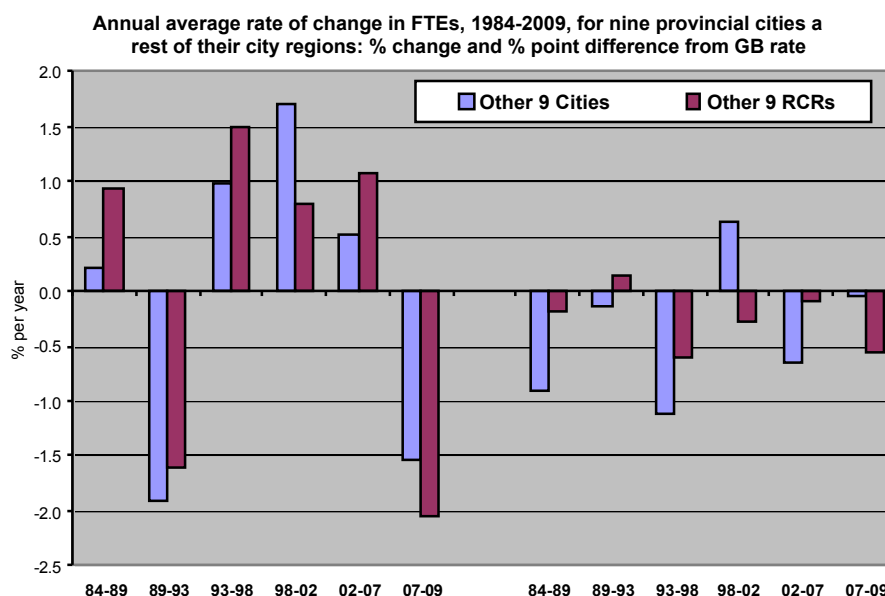
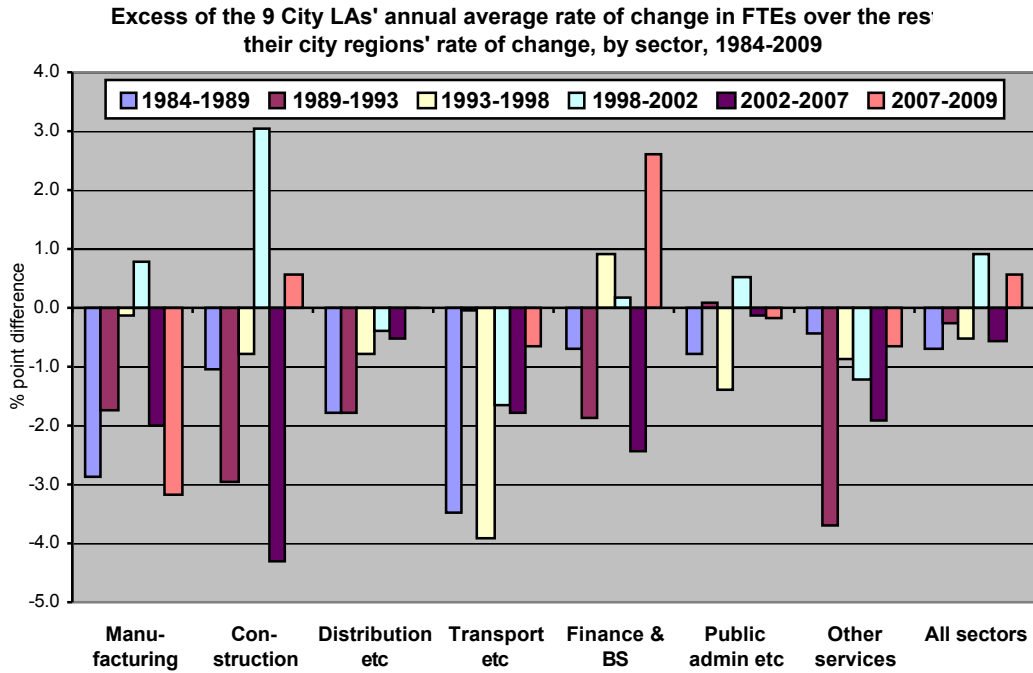


Figure 7 unpacks this performance by sector, simplifying the picture by focusing on the difference between the Core rate and the Rest of the City Region rate. This provides an even more impressive demonstration of the latter performing more strongly than the former, with only 8 of the 42 observations being above the 0.0 line (where Cores register the stronger growth). Four of them relate to the 'heyday' period: FBS (just), PA, Manufacturing and most notably (in % terms at least) Construction.

Construction also helps to explain why the Cores were less badly hit in the 2007-09 recession, though it is the FBS that seems to provide the primary explanation for this. The FBS also grew faster in the Cores in 1993-98, but by itself this was not enough to boost them into overall faster growth than the Rest of the City Regions.

Meanwhile, there are three sectors where the Cores' change rates have never managed to exceed that of the Rest of the City Regions for the nine City Regions in aggregate: Distribution, Transport and OS.

Figure 7



Note on the employment data. The results reported above update, extend and refine the findings of the original study published in SERC-DP-33 and USJ. Besides using the latest available data to 2009 and covering Great Britain rather than just England, they adopt the new scaling factors published by ONS for handling the discontinuity in 2005-06 and use the final data for 2007 rather than the provisional series. The jobs data continues to throw up discontinuities, with the data source changing to the BRES in 2009, so that 2008-09 change is based on the provisional BRES data for 2009 and the ONS estimates of what BRES would have given for 2008 if it had been used then instead of the ABI. All change calculations have been based on consistent pairings of years, where necessary averaging the results for periods affected by discontinuities (see Appendix in USJ).