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REGIONAL PROBLEMS AND POLICIES IN THE UNITED KINGDOM

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{Regional Problems and Policies in the United }
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Foreword

This report forms part of a series of country reports on regional problems and policies undertaken by the OECD Industry Committee's Working Party on Regional Development Policies.

The preparation of the report was preceded by a study visit to the United Kingdom from 8 to 13 September 1991 by the members of the Working Party and the Secretariat at the invitation of the UK Government. The visit provided an opportunity to obtain first-hand information on UK regional problems, such as the so-called "North-South divide", and a range of significant policy developments introduced over the past decade, {e.g.} a shift towards a highly-discretionary aid package; the emphasis on cost-effectiveness, monitoring and evaluation; a reduction in regional aid expenditure; and the growth of policy measures and resources for urban inner city regeneration.

The study visit began in London with briefings by officials from the Department of Trade and Industry (DTI), as well as counterparts from the Department of the Environment and Scottish, Welsh and Northern Irish Government departments. The briefings addressed the general background to regional industrial policy in the United Kingdom, regional differences, concepts underlying the Assisted Area map and other maps, policies and their cost-effectiveness, the role of inward investment, and urban policy.

The briefings outlined the long-standing nature of regional disparities in the United Kingdom, notably the north-south differences in unemployment, GDP, employment structure and new company formation. However, differences in unemployment across the country narrowed during the late 1980s as the national unemployment rate rose; also, intra-regional disparities are often greater than inter-regional differences. It was explained that the rationale for regional policy is justified on social grounds, although the economic case has strengthened in recent years. The objectives of policy are to reduce regional imbalances and to ensure that support is cost-effective.

The Working Party then travelled for 3-4 days to North West England for the main part of the study visit. The Working Party was briefed on the historical and contemporary regional situation in the North West, dominated by the industrial and urban problems in the conurbations of Merseyside and Manchester. The main economic development priorities are typical of many old-industrialised regions: to reverse the rise in unemployment, strengthen the manufacturing base, enhance skill levels, renew infrastructure (both locally and in relation to international networks), regenerate the inner cities, encourage SME growth, improve environmental conditions, stimulate technology transfer and develop the technological strengths of the regions. The study visit focused on five policy themes.

First, the Working Party was introduced to the operation of regional assistance with a visit to a recipient of Regional Selective Assistance, the major instrument of UK regional policy. The Working Party was also briefed on the activities of English Estates, the main government-sponsored organisation providing directly, or facilitating the private sector to provide, industrial and commercial space in the Assisted Areas of England.

Second, the Working Party was shown the problems and policy measures associated with urban regeneration, especially in Merseyside where unemployment was almost 15 per cent (compared to the national average of 8.2 per cent) and as high as 40 per cent in certain localised areas. The Working Party visited several types of urban policy initiative: two Urban Development Corporations (Trafford Park DC in Manchester and the Merseyside DC in Liverpool), the Inner City Task Force of Granby Toxteth and the Wavertree Technology Park.

Third, the Working Party was briefed on the role of inward investment in regional development and visited INWARD, the agency responsible for promoting foreign investment in the North West. In 1990, foreign investment in the United Kingdom (in projects known to the DTI) involved £2.2 billion of investment, mostly from the United States, and the creation or safeguarding of almost 40 000 jobs.

Fourth, the Working Party was briefed on the role of the UK Government in promoting innovation. The objectives are to set the "climate" for innovation, to increase awareness and overcome barriers, and to encourage an innovation culture. The Working Party visited NIMTECH, a Regional Technology Centre set up to promote innovation in the North West through technology transfer. The Working Party was shown a case study of NIMTECH's activities in assisting a former government laboratory (the UK Atomic Energy Authority) to

restructure and commercialise its operations.

The last policy theme of the visit was infrastructure, notably the roles of the Departments of Environment and Transport in improving the residential and business environment in the inner cities and the transport infrastructure of the North West region.

The Working Party was accompanied throughout the visit by representatives of the Department of Trade and Industry in London and the DTI North-West Regional Office. Extensive briefings and discussions were held involving a range of central, municipal and local government officials, as well as representatives of private sector organisations involved in regional and urban development. The Working Party was unanimously appreciative of the organisation and informative nature of the full and diverse programme and the great hospitality shown to it.

During and following the visit, members of the Working Party provided both verbal and written comments concerning their insights as to the nature of UK regional problems and policies. Further discussions were held at the December 1991 meeting of the Working Party in Paris on the basis of an {aide-} {memoire}, and at the June 1992 meeting of the Working Party on the basis of a draft version of the report.

This report reviews the issues studied by the OECD Working Party during their study visit and their subsequent reactions. The report has been prepared by Mr. John Bachtler, Consultant. It is published under the responsibility of the Secretary-General.

REGIONAL PROBLEMS AND POLICIES IN THE UNITED KINGDOM

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I. Introduction

Regional problems are not unique to the United Kingdom. However, the definition, measurement and analysis of regional problems, and the proposal, monitoring and evaluation of regional policy responses have been accorded more attention in the United Kingdom during the post-war period than in virtually any other OECD country.

Why should this be so? Some commentators have focused on the scale of the problem based on the extent of class divisions, inequalities in welfare and opportunity, and geographical disparities in economic health. However, regional disparities in the United Kingdom are not wide by international standards; regional variation in GDP or unemployment is relatively small by comparison with France, Italy or Germany. More important than the relative scale of regional disparities is the trend and, in particular, the increase in the levels of problems.

If disparities exist, do they matter? Three reasons are commonly put forward to explain the significance of regional inequality in the United Kingdom. First, there is an economic argument. Regional differences can impede economic efficiency and performance. A mismatch in labour demand and supply, for example, involves higher under-employment and unemployment rates in some regions which represent a loss of potentially productive labour resources to the detriment of national economic growth. The mismatch may also contribute to inflationary pressures in more prosperous regions because of labour shortages and wage pressures. In addition, regional inequalities represent a sub-optimal use of the nation's social overhead capital -- under-utilisation of infrastructure in peripheral or lagging areas and potential congestion in growth regions. This latter argument has been used most frequently during periods of excessive economic and population growth (relative to infrastructure capacity, labour resources and housing) in the South East, notably in the 1960s and late 1980s.

A second reason is the perception that major regional differences are unacceptable in terms of "social equity" in the United Kingdom; disparities in indicators such as unemployment are associated with undesirable social consequences. Lastly, there are political implications arising from regional imbalance.

Against this background, the following report examines both regional problems and regional policies in the United Kingdom, based on the study visit of the OECD Working Party. Following this Introduction, Chapters II and III review the evolution of United Kingdom regional problems and the nature of current regional disparities according to a range of socio-economic indicators.

Chapters IV, V and VI describe the development of regional industrial policy, the current rationale and objectives of policy, the package of incentives and infrastructure measures applied in the problem regions, and the designation of Assisted Areas. Chapter VII discusses the promotion of inward investment and its contribution to regional development, Chapter VIII reviews the development and structure of urban policies, and Chapter IX examines innovation policies. Chapter X briefly identifies some of the distinctive aspects of regional development in Scotland, Wales and Northern Ireland.

Chapters XI and XII examine the implementation of many of these policies in practice, in response to specific regional problems, using the North West Region of England as a case study. Finally, Chapter XIII highlights some of the main policy issues arising from the OECD Working Party's visit to the United Kingdom and their subsequent discussions.

II. The Evolution of Regional Disparities

A striking feature of UK regional problems is their persistence. In the 1960s, McCrone (1969) wrote: "regional policy has now been in operation for over thirty years; yet regional differences still remain and the problem regions are approximately the same ones as in 1934". Two decades later, it was noted that the United Kingdom is almost the only developed country where relative regional unemployment rates of 20 years ago are good predictors of the regional disparities today (McCormick, 1991).

The following chapter describes the evolution of regional differences in the United Kingdom. It traces the identification of regional problems during the period prior to 1945, and their development over the periods 1945-73 and 1973-80s.

Regional problems pre-1945

The analysis of UK regional problems frequently takes the 1930s as a starting point. Clearly, this was not the first time that spatial inequalities existed in the United Kingdom. Dramatic regional differences in population, employment and economic activity existed prior to the Industrial Revolution and during the period of UK industrialisation up to the early 20th century. Nevertheless, the early 1930s is a useful starting point for analysis since it was the period when spatial inequalities, particularly in unemployment levels, were first recognised as necessitating a specifically regional policy response.

The early 1930s was a period of severe economic and social problems for the United Kingdom, notable for the high level of unemployment throughout the country. Unemployment levels exceeded one million during the 1920s and reached three million in the 1930s; unemployment rates ranged from around 10 per cent in the 1920s to 23 per cent in January 1933 (McCrone, 1969). The depression originated in the UK's export dependence on traditional industries (textiles, iron and steel, ships and coal) during much of the 19th century and the early 20th century. Several factors contributed to the recession in these industries -- overvaluation of the pound, technological change, protectionism among developed countries and competition from developing, lower wage economies.

It was during this period that the need for government intervention in response to the difficulties of particular parts of the country was recognised much more explicitly than was previously the case. Three types of regional problem were identified: depressed industrial areas, under-developed, rural areas, and congestion in densely populated areas.

The first and clearest category of problem regions comprised the depressed industrial areas where the effects of the depression were most severe. In general, the northern parts of the country were most affected. While unemployment rates in London and the South East were 5-6 per cent in the 1920s, rising to 15 per cent in 1932-3, Scotland, Wales, Northern England and Northern Ireland had rates of 12-15 per cent in the 1920s, increasing to 25-35 per cent in 1932. The rise in unemployment reached its height in the regions dominated by the "staple industries" -- coal, ship-building, iron and steel and textiles -- such as the coastal areas of north-east England, west Cumbria, central Scotland, South Wales and Northern Ireland as well as parts of Merseyside and Lancashire. In these areas, unemployment averaged 40 per cent of the employed labour force in 1933 and, in individual towns, ranged from 50 to 90 per cent (McCrone, 1969).

In some respects, the depression represented an intensification and widening of long-standing problems. Although they were the source of national prosperity, the "staple industries" were associated with unstable regional economies subject to periodic, prolonged and widespread unemployment during the 19th century. Subsequently, the collapse of these industries resulted in acute economic distress and unemployment (Southall, 1983).

The problems of the depressed industrial areas during the inter-war period were compounded by geographical and structural disadvantages. Most areas were peripheral relative to the centres of economic growth (in southern England) and the shift in trading patterns away from the Atlantic to Europe.

Further, the industrial areas were disadvantaged by their economic structure: the growth of manufacturing employment in new engineering and consumer goods industries favoured locations in the south and east of the United Kingdom, the area which also predominated in service activities such as commerce, banking, finance and government (Martin, 1989).

The second type of problem region comprised areas of rural depopulation and underdevelopment, in particular the Highlands and border areas of Scotland, mid-Wales, south-west England and parts of Northern Ireland (and, prior to 1922, the whole of Ireland). This was a much more long-standing regional problem, already evident in the early and mid 19th century, but which was only accorded occasional special legislation.

Lastly, a regional problem that was evident before the Second World War (see the Barlow Report -- HMSO, 1940), but which grew in importance after 1945, was social and economic congestion in densely populated areas, especially in the South East, where the London metropolitan region was the largest urban concentration in Western Europe. The "congested" South East and the Midlands were seen as excessive concentrations to the detriment of the depressed areas (RSA, 1983).

The long boom: 1945-1973

Following the Second World War, reconstruction and the promotion of exports encouraged a period of exceptional economic growth. By 1955, the British economy was, in employment terms, one of the most highly industrialised economies in the world. However, even during the post-war period, there were frequent balance of payments problems based on fundamental economic weaknesses of poor competitiveness, inadequate profitability and slower growth, together contributing to lower productivity increases in comparative international terms (Damesick, 1987).

In spatial terms, the Second World War and the immediate post-war period were associated with a reduction in regional inequalities in economic activity. It is estimated that, over the period, 1939-47, there was an "accidental or planned" redistribution of industry involving a loss of 350 000 jobs from South-East England and the Midlands to other parts of the United Kingdom, particularly to the North West, the North, Wales and Scotland (Leser, 1949).

The period following post-war reconstruction, from 1947 onwards, was extremely favourable, economically, for most parts of the United Kingdom. The repeat of severe regional distress, characteristic of the inter-war years, was prevented by "demand management" to maintain full employment and nation-wide social welfare policies to reduce the effect of unemployment. The period 1951-73 has been referred to as the "Long Boom", when inter-regional imbalance was "a relatively minor economic and political issue" and the UK unemployment rate remained at a very low level, rarely exceeding 3 per cent (Keeble, 1976; Balchin, 1990). Indeed, with national unemployment (at times) as low as one per cent, it was argued that the higher levels of unemployment in certain regions provided a significant labour reserve. This was a factor of considerable importance to UK governments concerned with potential UK growth constraints resulting from insufficient labour supply (Damesick, 1987).

Although minor by comparison with the pre-1939 period, regional disparities in unemployment and income continued. Even between 1945 and 1947, London and the South-East had begun to regain some of the industrial employment lost during the War (Leser, 1949). During the 1950s and early 1960s, much of the economic growth in manufacturing was concentrated in the central parts of the United Kingdom, notably the central industrial conurbations of London and Birmingham and the surrounding regions (South East and Midlands). By contrast, many other regions declined in relative terms, particularly Scotland, the North West, Yorkshire, Northern Ireland, Wales and parts of the South West, although only ten of the country’s 62 sub-regions recorded absolute decline during this period. In relative terms, the differential rate of growth represented a clear shift southward, and by the mid-1960s, the ’south and west’ of Britain had emerged as the country’s major concentration of manufacturing (Keeble, 1976; Martin, 1989).

The year 1966 is generally seen as a "watershed" for UK industrial employment (manufacturing, mining and construction) at which time employment in industry was at a record level of 11.5 million people, of which manufacturing accounted for 8.97 million employees. Over the preceding period, 1959-66, manufacturing employment had increased by 400 000 jobs, whereas subsequently manufacturing employment declined by 580 000 between 1966 and 1971 and by a further three million up to 1984 (Keeble, 1976; Rowthorn, 1986). After 1966, the pattern of spatial employment change in manufacturing was characterised by

the dispersion of employment with a reversal of pre-1966 trends. The five major industrial conurbations -- London, the West Midlands, Manchester, West Yorkshire and Clydeside -- lost some 540 000 manufacturing jobs during the second half of the 1960s; nearly all the declining sub-regions were clustered along the London-Lancashire industrial belt. Most peripheral subregions, however, experienced net manufacturing employment growth (Keeble, 1976).

Deindustrialisation and tertiarisation: 1973-1980s

During the 1970s and 1980s, the UK economy can be characterised by two major trends in employment. First, the period was marked by a decline in manufacturing jobs. Manufacturing employment fell from 7.6 million to 4.9 million between 1972 and 1991 (a fall of 35 per cent), most of the jobs being lost over the 1979-87 period (Martin, 1989; DTI, 1991).

Second, there was a major rise in service employment. Service industry employment rose by two million from 1971 to 1984, increasing the service share of total employment from 53 to 65 per cent, particularly in female and part-time jobs. Three groups of services were mainly responsible for this growth: services related to the growth of leisure and recreation; public services such as education, notably during the 1970s; and private producer services such as banking, finance and business services (Damesick, 1987).

The importance of these changes in industrial structure is deemed highly significant: "What has been underway for the past decade and a half [1973-88] is not some mere inflexion or disturbance of the 'post-war norm', nor simply a major recessionary crisis, albeit a particularly prolonged one, but arguably a transition to a new phase of economic development" (Martin, 1989). This structural shift to a new phase of economic development has been labelled as "deindustrialisation", implying negative features such as job losses in manufacturing industry, lack of international competitiveness and deficits in the balance of trade. Others refer to "post-industrial change" denoting a more positive structural progression towards more efficient knowledge and technology based industries, greater productivity and predominance of professional and technical employment (Damesick, 1987).

Third, technological change had a great impact on virtually every industry: "the wave of technological innovation, based primarily on micro-electronics and information processing, that began in the early 1970s and which is generating a number of new industries and transforming the operation of existing ones" (Martin, 1989). Technological ability rather than productive capacity became a key factor in determining business competitiveness, with significant implications for the nature of both manufacturing and service employment within industries.

These processes of deindustrialisation, tertiarisation and technological innovation (as well as changes in public policy -- examined in subsequent chapters) together contributed to major changes in the economic, social and spatial organisation of the United Kingdom. Industrial decline affected not just individual industries but virtually the whole manufacturing sector in the older industrialised regions, especially in the North West and West Midlands. More than one-quarter of manufacturing jobs were lost nation-wide, a figure rising towards one-third in the North West, North Yorkshire-Humberside, Scotland and Wales. Job loss in the manufacturing sectors was far lower in some of the southern regions. Equally important, the regional distribution of new employment creation in the service sector was very uneven: nationally, service employment increased by an average of 6.4 per cent, but with figures in excess of 10 per cent in East Anglia, the South West and Scotland (RSA, 1983).

Lastly, a further spatial issue began to be recognised during the 1970s: the plight of the inner city areas of the major conurbations. Environmental dereliction, poor quality housing and infrastructure and social deprivation were combined with an eroding manufacturing base reflecting a prolonged period of out-migration of both people and businesses. Indeed, there was a widespread perception that the United Kingdom suffered from an "urban problem" rather than a "regional problem" (RSA, 1983).

III. The Nature of Regional Disparities in the United Kingdom

During much of the 1980s, the decade was considered to represent a reversal of previous trends in UK regional disparities. It was portrayed as a period of absolute increase in the levels of problems -- running counter to earlier periods in which regional imbalances, though significant, were generally reduced. However, the economic conditions of the late 1980s and early 1990s led to a narrowing of regional disparities in indicators such as unemployment.

The following chapter examines the nature of recent UK regional disparities in detail. It reviews the levels and recent trends for a range of important indicators, commonly used to illustrate the nature of "regional problems" -- employment, unemployment, migration, output, income and business performance.

The north-south divide

As a broad generalisation of socio-economic patterns in the United Kingdom over the past decade, a concept frequently used during the 1980s was that of the "north-south divide". The origin of the supposed divide between the northern and southern parts of the United Kingdom has been traced back to the recession of the early 1980s:

- "The deep recession of 1979-81 gave birth to the north-south divide. The sluggish recovery of 1983-86 and the credit boom of the late 1980s served only to deepen the divide. As the economy becomes more deeply entrenched in the latest recession, the slower growth expected in the 1990s is unlikely to enable a significant narrowing of the gap between north and south" (Cambridge Econometrics, 1991).

The north-south divide concept has been used to contrast the differences between two parts of the country divided by a line from the River Severn to the Wash. The divide has been justified mostly by comparisons of regional economic performance. Thus, during much of the 1980s the "south" benefited more from new job creation, especially in private services, and suffered proportionately less from the loss of manufacturing jobs, than the "north". The levels of employment and unemployment are the most obvious indicators used to illustrate the north-south differences, but other measures include differences in employment type, socio-economic class, income, wealth and social welfare, and voting patterns (Martin, 1989).

The concept of the north-south divide has been subject to considerable criticism. First, it is argued that a division of regional disparities between northern and southern parts of the country is too crude and gives a misleading impression of the true nature of spatial economic disparities in the United Kingdom, ignoring dimensions such as differences in industrial structure, the urban-rural shift and local decentralisation (Champion, 1987). Further, although there may be broad north-south differences in social conditions and economic prosperity, disparities in variables such as unemployment and earnings are often greater between localities within regions than they are between regions. Local inequalities grew during the 1980s -- between new and old industrial areas, between prosperous service-based towns and manufacturing communities, and between deprived inner cities and suburbs -- dualisms which occur across the country (Martin, 1989). According to DTI data, all regions contain considerable sub-regional variations; for example, four of the five local labour markets with the lowest unemployment rates in the United Kingdom (in late 1991) were in Cumbria, the other was in Aberdeen (DTI, 1991).

A second major criticism of the north-south divide is that it is frequently seen as being of recent origin. It is sometimes presented as having developed during the 20th century in Britain, especially since the Great Depression, and intensified during the 1980s. Again, this is perhaps too simplistic. Even during the Industrial Revolution, the northern parts of the country were poorer than the south which has historically been relatively well placed. Although the UK's manufacturing heartland (West Midlands, Yorkshire-Humberside, North-West) accounted for most industrial employment as the country

industrialised, there was also an industrial periphery (Wales, Scotland, the North) already experiencing lower rates of growth and relative decline in the 19th century. Thus, trends in employment and unemployment during the 20th century period did not "reverse" the geography of spatial patterns of inequality, but intensified a pre-existing imbalance (Martin, 1989; Balchin, 1990).

Given the controversy over a concept as general as the "north-south divide", it is useful to examine key indicators in more detail. The following sections review regional differences and recent trends for a range of socio-economic indicators: employment, unemployment, migration, output, income and expenditure and business performance.

Employment

In 1990, the UK civilian labour force was almost 28.6 million, comprising almost exactly half of the UK population. Of this total, employees in employment constituted 81 per cent, a further 12 per cent was accounted for by self-employed people and 6 cent by the unemployed.

Over the past decade (1979-90), the civilian labour force increased by 8.4 per cent, but employment hardly changed, rising by only 0.2 per cent. The number of self-employed, however, rose by more than three-quarters; in 1990 3.4 million people were self-employed compared to 1.9 million in 1979.

There are significant differences in regional employment change across the United Kingdom (see Table 3.1). The strongest rates of growth were in the southern regions of England -- East Anglia, South West, South East and East Midlands -- compared to an employment decline elsewhere ranging from 2 per cent in Northern Ireland and Wales to 10 per cent in the North. If the two recession years at the end of the 1980s are excluded, the disparities are greater still: employment growth in East Anglia over the period 1979-88 was more than 26 per cent. These differences are considerably greater than in the 1970s, when all regions recorded employment growth -- ranging from one per cent in the North West and West Midlands to 15 per cent in East Anglia.

The regional differences are related to industrial structure. The southern regions, and the South East in particular, have a much higher proportion of employment in the fast-growing business and financial services sectors. There has, however, been some convergence of sectoral employment structure over the last decade, as the regions previously dependent on the declining, traditional industries have, at least partially, restructured (DTI, 1991).

In terms of recent trends, all regions experienced a significant loss of manufacturing jobs during the 1980s, but the impact was disproportionate in the Midlands and northern regions where there was a greater dependence on manufacturing in the industrial structure, especially in the West Midlands (see Table 3.2). This loss of manufacturing jobs in the northern regions was compounded by the loss of public service employment (MacInnes, 1988). In the south, by contrast, regions such as South Wales, the South West and East Anglia already had at least one-third of their employment in the growth sector of private services in 1980; the growth of the service sector within the industrial structure of these regions was also particularly strong during the subsequent decade, notably in the South East. Between 1980 and 1990 the private services sector accounted for an additional 2.25 million jobs (a rise of 39 per cent) in the south compared to 627 000 jobs (17 per cent) in the north (Cambridge Econometrics, 1991).

Analyses of regional employment change for specific groups or sub-sectors, such as high-technology industries and occupations, reinforce many of the above conclusions. The southern regions account for the majority of advanced manufacturing and service jobs -- especially high-tech engineering, research and development and producer service employment -- which is associated with concentrations of higher professional and managerial occupational classes. Other regions, such as Yorkshire and Humberside and Wales, appear to have very small shares of high-technology activity. Service employment is highly concentrated in the South East, particularly in the business and financial services sector as well as other key categories: distribution, hotels and catering; and public administration. Both high-tech and producer services are most strongly represented, within local labour markets, in and around London and westwards from the capital as far as Bristol -- the so-called "M4 corridor" (Begg and Cameron, 1988; Balchin, 1990).

Unemployment

During the first half of 1991, the UK unemployment rate was 7.4 per cent. Regional differences were limited: all regions were within +2 per cent of the national average apart from the North (9.9 per cent) and Northern Ireland (13.6 per cent), the lowest figure being recorded by East Anglia with 5.4 per cent. This level of disparity is small compared to the pattern over much of the past decade, which has been characterised by very wide regional disparities in unemployment (see Table 3.3).

In 1979, the national unemployment rate was 4 per cent, a figure which rose steeply to a maximum of 11.1 per cent in 1986. The increase was far greater in the northern and western regions of the country. Unemployment in the North, North West, Scotland and Wales ranged between 13 and 15 per cent, compared to 8-9.5 per cent in the South East, South West and East Anglia. As the national unemployment fell during subsequent years, regional disparities also diminished, the greatest falls occurring in the high unemployment regions. This relationship is not new: "the tendency for absolute differentials to widen and narrow as national unemployment rises and falls is a fairly well-documented phenomenon" (DTI, 1991). However, recent trends over the period 1989-91 demonstrate a different relationship: the national unemployment has risen with the largest regional increases in the southern regions of the country leading to a narrowing of regional unemployment disparities.

A comparison of regional differences in unemployment rates conceals considerable sub-regional differences; variation within regions may be as great as between regions. For example, in 1991 the North contained some of the highest unemployment areas in the country ({e.g.} South Tyneside and Hartlepool), as well as four of the five lowest unemployment areas ({e.g.} Windermere) -- see Table 3.4.

Migration

A commonly used indicator of regional problems is the level of migration, implying spatial inequalities in labour supply and demand. In the United Kingdom, population change during the 1980s was greatest in the south of the country; the population of the southern regions grew by 2.7 per cent compared to a decrease of 0.1 per cent in the north. Since regional variations in birth and death rates and national immigration/emigration are very minor, regional disparities in population change are mostly attributable to migration (Balchin, 1991).

There are considerable migration flows in the United Kingdom. Most migration, however, takes place over short distances, within regions. Also, although every region -- except for Northern Ireland -- gained and lost at least 50 000 migrants during 1989, gross migration flows were much greater than net flows which were relatively small (see Table 3.5).

In 1989, net regional migration changes were dominated by north-south flows. Among the regions losing the greatest population were Scotland, West Midlands, North and North West, while the greatest gains were in the South West, East Anglia and East Midlands. The South East was also a net exporter of people, but most of the flow appears to have been to neighbouring regions; there is also substantial migration within the regions from Greater London to the Outer South East. The most mobile workers tend to be the most qualified, to the detriment of source areas (DTI, 1991; Taylor, 1991).

Output

Regional differences in GDP per head are long-standing; the level of disparity at the end of the 1980s was similar to regional differences in the early 1970s. The South East is the region with by far the highest per capita output, some 20 per cent higher than the next region (East Anglia) -- see Table 3.6. However, regional differences in GDP per head are not as clear cut as for other indicators. Although there are perceptible north-south disparities, the South West, Midlands, Scotland and North West are relatively close together. (The main deviant is Northern Ireland for special reasons).

More significantly, the disparities in GDP per head have persisted over the past decade and have widened with an intensification of north-south differences. While the South East, South West and East Anglia each gained 4.5-5.0 relative to the UK average (of 100), the North, Yorkshire and Humberside, West Midlands and North West lost the same amount (DTI, 1991; Taylor, 1991).

Income and expenditure

The regional pattern of income and expenditure is similar to the pattern for GDP per capita (see Table 3.7). The South East has a very major income differential with the rest of the country because of its disproportionate share of high-wage occupations and labour shortages (Taylor, 1991).

There is some evidence that income and expenditure differentials widened between the north and south of the country during the 1980s, certainly in the period 1979-87. Consumer expenditure, like output, increased faster in the south than in the north. Whereas in 1979 expenditure per capita in the south was 12.5 per cent greater than in the north of the United Kingdom, by 1986 it was 23.4 per cent higher. With respect to earnings, over the period 1979-87, average earnings (in cash terms) in Greater London rose by 143 per cent compared to 109 per cent in the northern region (Lewis and Townsend, 1989; Balchin, 1991).

Business performance

As a measure of regional business performance, the rates of new firm start-up and failure provide a useful indicator of entrepreneurship and small firm survival. Across the United Kingdom, there is considerable disparity in firm formation rates. There is evidence that the least prosperous regions, especially those specialising in traditional heavy industries have a poor record of new firm formation. Based on research in the early 1980s, Lloyd and Mason (1984) hypothesised that:

- "on account of its socio-economic and industrial structure, South East England [together with parts of adjacent regions] will exhibit the highest rates of new firm formation and may be expected to have the highest proportion of rapidly growing and innovative enterprises. By contrast, northern industrial regions, and particularly the conurbations, will display low rates of new firm formation and survival".

The hypothesis is substantiated by recent data (see Table 3.8). In 1989, new business registrations per thousand working population were highest in the South East, followed by the South West, East Anglia and East Midlands; rates were lowest in Northern Ireland, Scotland, the North and North West. This differential appears to have applied for much of the 1980s. Between 1982 and 1989, total registrations (per thousand working population) in the North and Scotland averaged only 56 per cent of the rate in the South East.

The position with respect to failure rates is more complex, but there is still a broad north-south difference. Over the period 1982-87, deregistrations as a percentage of registrations in the northern regions of England and in Scotland were higher than the national average; the reverse was true in the south of England.

A further measure of business performance is research and innovation. Industrial R&D in the United Kingdom is strongly concentrated in the south-east of the country. Typical of several non-central regions is the low and declining share of innovations in the northern region of England which also has a poor record of {in-situ} innovation and a considerable transfer of R&D results from outside the region. Although some innovation does take place, there are insufficient numbers of innovatory firms to create a critical mass that could effect a transformation of the industrial environment (Goddard and Thwaites, 1991).

Causes of regional disparities in the United Kingdom

The preceding review of selected socio-economic indicators during the 1980s, at the regional level, provides some justification for the proponents of the north-south divide. Employment grew faster in the southern English regions (South East, South West and East Anglia), especially in the high-tech and service sectors. Unemployment was higher and rose more steeply, between 1979 and 1986, in the northern UK regions.

During the 1980s, north-south disparities in output, income and expenditure were less pronounced -- and are dominated by the differential between the South East and the rest of the country -- but the gap between the northern and southern parts of the United Kingdom widened distinctly. Lastly, various measures of business performance (new firm formation rates, deregistrations as a percentage of registrations, and innovation) confirm the

general picture of a poorer performing north of the United Kingdom relative to the national average and a more dynamic and prosperous south.

It is of course true that the regional pattern is relatively general and conceals considerable sub-regional variation. As noted earlier, local inequalities in indicators such as unemployment are greater than inter-regional differences. Nevertheless, this does not invalidate the basic premise that the north of the country is disadvantaged relative to the south.

What are the reasons for these regional differences? In particular, what are the causes of the extraordinary persistence of the decline in certain regions of the United Kingdom?

Rigidities in the labour market are one explanation. It is evident that, while there are major regional differences between the north and south of the United Kingdom in indicators such as unemployment and employment structure, the regional disparities in earnings are relatively small. Historical data shows that regional earnings converged during the 1960s and early 1970s. Although the differential between the South East and the rest of the country widened during the 1980s, excluding the South East indicates that regional pay dispersion has not widened over the past decade (Walsh and Brown, 1991).

It has been argued, especially in the early 1980s, that wage rates in the problem areas are too high compared to productivity and competitiveness. The effect of trades union power has also been cited as an important factor inhibiting wage flexibility, particularly the effect of collective bargaining covering whole industries across the country. Although union influence declined significantly during the 1980s, there is relatively little decentralisation of wage bargaining.

There are also other factors at work. It has been recognised as unrealistic to expect wage adjustment alone to eliminate regional imbalances in employment opportunities (HMSO, 1983). Labour is highly immobile for a variety of socio-economic reasons ({e.g.} education, occupation, social class) certainly with respect to inter-regional movement, as the data in the previous section indicates. Consequently, parts of the country suffer from skill and labour shortages with associated recruitment and retention difficulties. This pattern is reinforced by the structure of UK housing tenure, notably because of controls on rent and security of tenure. The regional dispersion of house prices is a significant contributor to the mismatch in employment and aggregate wages leading to higher unemployment and higher wage pressures as a result of obstacles to regional mobility (Muellbauer and Murphy, 1991).

A further set of explanations relate to the need for structural adaptation in certain "old-industrialised regions". These areas contain a lower proportion of employment in nationally fast growing industries. However, shift-share analysis indicates that industrial structure can only explain part of regional employment growth differentials. A more important factor appears to be the poorer performance of individual industries in northern regions than in the south (Taylor, 1991). ESRC research has identified a range of characteristics in old conurbation areas that contribute to low rates of profit and innovation: low investment rates, poor product innovation, older and more labour-intensive capacity, poor quality premises and unattractive physical environment, high labour costs, inefficient work practices, poor labour relations, routine production of a mature product and low value-added activities (Bowen and Mayhew, 1991).

These factors inhibit performance improvements by existing firms and discourage new firms from moving into the area. The historical legacy of large industries and single employers means that there is less of a "culture" of self-employment and small business management. The legacy is maintained by continued reliance on externally-controlled enterprises, including foreign investors. In addition, there are several negative factors associated with branch plants: lower rates of professional and managerial employment, propensity for closure when strategic repositioning of facilities takes place independent of the business cycle, and lower rates of local purchasing and linkage.

Lack of entrepreneurship is also reflected in the lower new firm formation rates. It seems clear that the physical, social and occupational environment, as well as economic factors, have an important bearing on new start-up rates; in this context, new firm formation appears to be inversely related to a region’s distance from the South East (Taylor, 1991).

Finally, the pattern of government spending is perceived to contribute to regional inequality. Although substantial sums have been spent on regional aid in the past (in excess of £1 000 million per year in the late 1970s), these

amounts are dwarfed by expenditure on areas such as research and development support and defence contracts, much of which has benefited firms in the south of England (Bowen and Mayhew, 1991).

IV. The Development and Rationale of Regional Industrial Policy

As a starting point for examining the structure of regional policy in the United Kingdom, it is useful to consider its evolution and underlying rationale and objectives. The following chapter outlines the historical development of UK regional policy, the Government's current justification for operating regional policy, and the primary aims of policy measures.

The evolution of regional policy

The origin of current regional policy is commonly dated as 1934 when the Special Areas Act was introduced to counter the extreme unemployment in depressed industrial areas (although an Industrial Transference Board had already been set up in 1928 to assist the relocation of redundant workers). Initially conceived as a temporary measure, regional policy was retained and expanded after 1945 to reduce regional disparities in economic development. Policy was based on influencing the mobility of manufacturing industry, first through the provision of industrial estates and factory buildings and then with loans and grants in the Development Areas and development controls (Industrial Development Certificates) in the South East and Midlands.

From the early 1960s to the early 1970s, a higher priority for regional policy produced new instruments: tax incentives such as accelerated depreciation on new investment; larger grants for locating new plant and equipment in the Assisted Areas (including Regional Development Grants and Selective Financial Assistance in 1972); and the Regional Employment Premium introduced in 1967 to encourage job creation in the Assisted Areas. The first policy measures for service activities were also introduced during this period. The Location of Offices Bureau was set up in 1963, Office Development Permits were introduced in 1965 to reduce congestion in central London (later extended to south-east England, East Anglia and the Midlands) and Service Industry Removal Grants (later the Office and Service Industries Scheme, OSIS) became available from 1973.

The main feature of this period was the inconsistency of policy. The commitment to regional policy varied according to the government of the day, and frequent changes were made to the map of Assisted Areas. The coverage of the areas was extended continually until 1977 and included an increasingly diverse range of areas, arranged ultimately in a complex three-tier system of Special Development Areas, Development Areas and Intermediate Areas.

The mid-1970s brought a reassessment of regional policy. A slowdown in economic growth, an increase in unemployment, a reduced supply of mobile industry, and the decline of once-prosperous areas such as the West Midlands undermined traditional regional policy strategies. The emphasis of assistance shifted from the redirection of mobile investment to stimulating indigenous development. Development controls were removed, and the task of economic development was partly decentralised through the creation of regional development agencies (set up in Scotland, Wales and Northern Ireland in 1975) and the emergence of local economic initiatives. The Regional Employment Premium was also abolished since it was a relatively cost ineffective instrument.

At the time of the election of the Conservative Government in 1979, some 40 per cent of the British working population were in the Assisted Areas. Almost immediately the new Government undertook a review of policy, beginning a sequence of cut-backs in both spatial coverage and budgets. A major review of policy in 1983-84 saw a justification of regional policy on social rather than economic grounds. It also projected a reduction in regional aid expenditure from £700 million to £400 million by 1988 through a review of the map of Assisted Areas (involving two rather than three tiers), a reduction in the rate of awards under automatic Regional Development Grants, and the abolition of OSIS. RDGs themselves became a more versatile incentive in that they were made applicable to service as well as manufacturing projects and provided award options of capital or employment grants.

Within about two years, however, RDGs were abolished. A combination of ministerial changes, European Commission opposition to automatic grants and a requirement for greater budgetary control over regional aid spending (RDG

spending was demand-led) led to the announcement in January 1988 that RDGs would terminate by April 1988. The same announcement introduced the launch of two new incentives -- Regional Enterprise Grants, to promote investment and innovation by small firms, and the Enterprise Initiative (promoting the use of consultancy) with preferential treatment for the Assisted Areas.

Post 1983: a new rationale

The 1983 White Paper, {Regional Industrial Development}, was notable for its reformulation of the rationale and objectives of UK regional and industrial policy, in line with the new thinking of the Conservative Government of the time. The White Paper noted:

- "Although an economic case for regional policy may still be made, it is not self-evident. The Government believe that the case for continuing the policy is now principally a social one with the aim of reducing, on a stable long term basis, regional imbalances in employment opportunities."

The rationale for regional industrial policy is still principally based on social, rather than economic, grounds. Support is provided to redistribute activity, and in part, to enable areas where staple old industries were predominantly located to adjust and create employment in newer sectors.

Given the current objective of regional policy based on relative unemployment rates, the social case is stronger when the level of unemployment in the Assisted Areas is higher in relation to the non-Assisted Areas. Consequently, as all parts of the United Kingdom participated in economic growth after 1983, with a narrowing of absolute differences in regional unemployment rates, the social case became considerably weaker, although it did not disappear.

On the other hand, the Government acknowledges that the national economic benefit arising from regional policy becomes more clear-cut as unemployment throughout the country falls. The argument has two aspects. At a time of low unemployment in the most prosperous parts of the country, for instance the South East, it has been thought that the level of wage settlements arrived at in that region tend to set the pattern for the rest of the country. To the extent that over-heating can be reduced by locating economic activity in Assisted Areas instead of in the South East, or to the extent that national markets can be satisfied from new enterprises located in the Assisted Areas, rather than the South East, there will be a downward pressure on wages, and hence on the national inflation rate.

The second aspect to the argument is also related to the determination of the national inflation rate. Typically, when labour markets in the most prosperous parts of the country become over-heated, there is still slack elsewhere, particularly in the Assisted Areas. It has been suggested that an increase in economic activity in the more depressed areas will have a lesser effect on inflation than the same increase in output in an over-heated area. This economic case for regional industrial policy clearly depends on the hypothesis that wage pressure, and hence inflation, is affected less per unit increase of output in Assisted Areas, than in the South East (or other core regions).

At the time of the 1983 White Paper, unemployment rates were high throughout the country and, as a result, the Government believed that even if the relationship between wages and economic activity differed between regions, the differential impact on the level of inflation nationally would be extremely small. This guided the formulation of the rationale described in the previous chapter. With the resumption of economic growth from 1983 to 1989 and its subsequent effects on employment, the relevance of the economic case in terms of the Government’s anti-inflation strategy greatly increased. The validity of the arguments nevertheless depends on the form of the relation or relations between wages, inflation and economic output in different regions of the United Kingdom. However, research commissioned by the DTI from the London School of Economics suggests that the counter-inflation rationale for regional industrial policy appears to be valid.

The United Kingdom Government accepts that regional industrial policy does not provide a complete solution to the regional problem. Some commentators argue strongly that the solution rests in making the labour market work much more efficiently, both in terms of increasing geographic mobility, which is restrained in part by the operation of local authority housing and by a lack of a large private rented accommodation sector in modest housing, and by

downward wage pressure in the Assisted Areas. In response, the Government points to significant reforms over the last decade, such as new trades union legislation, and legislation giving individuals the right to buy local authority housing. However, while there are market failures which prevent regional disparities being eliminated in an acceptable timescale, the Government recognises a continued role for regional industrial policy in aiding adjustment.

V. The Structure of Regional Industrial Policy

The previous chapter explained how the implementation of regional policy is now oriented primarily towards employment creation, with considerable emphasis on cost-effectiveness. In the following chapter, the instruments, incentives, and infrastructure measures of regional industrial policy are described.

Regional policy instruments

British regional policy currently consists of several elements. The main component is the package of incentives, consisting of Regional Selective Assistance and Regional Enterprise Grants. Although not formally part of regional policy, preferential incentive aid is also provided for firms in the Assisted Areas through the Enterprise Initiative. Other, non-incentive components of regional policy are industrial estates and the improvement of basic services.

The support in Great Britain is primarily based on the Industrial Development Act 1982. The Act consolidated several sets of previous legislation: the Local Employment Act 1972, parts of the Industry Act 1972 and sections of the Industry Act 1980 and 1981. The most relevant Sections of the Industrial Development Act are as follows:

Section 1:	Development areas, special development areas and intermediate areas;
Sections 2-6:	Regional Development Grant;
Section 7:	Selective financial assistance for industry in assisted areas;
Section 8:	Selective financial assistance: general powers;
Section 10:	Industrial Development Advisory Board;
Section 11:	Advice for businesses;
Section 12:	Powers to promote careers in industry, etc.;
Section 13:	Improvement of basic services;
Section 14:	Provision of premises and sites;

Thus, the Act allows for several policy instruments -- incentives (both automatic and discretionary), consultancy services, training support, service provision and industrial estates and factories. Not all of the powers are currently in use ({e.g.} relating to Regional Development Grants or training) nor are they all restricted to the Assisted Areas: parts of Sections 8, 11 and 12 may be employed on a nation-wide basis.

The current regional incentive package is based primarily on Regional Selective Assistance, now the main incentive since the abolition of RDGs. Regional Enterprise Grants are available to small firms, and the Enterprise Initiative, which is available nation-wide, has preferential award rates for the Assisted Areas.

Incentives: Regional Selective Assistance

Regional Selective Assistance (RSA), provided under Section 7 of the Industrial Development Act 1982, is the principal instrument of regional industrial policy. RSA generally takes the form of a project-related grant and is available for industrial and commercial projects which bring an identifiable regional and national benefit and create or safeguard employment in the two types of Assisted Areas (Development Areas or Intermediate Areas). The assistance may be provided to promote the development, modernisation, efficiency, expansion, reorganisation, and orderly contraction of an industry. Project grants are negotiated on a case-by-case basis and are normally related to the fixed capital costs of a project and to the number of jobs created by a project, normally within three years of its start. Of the total expenditure on regional preferential assistance in 1991-92, £193 million was paid out under RSA (and offers to the value of £210 million were accepted).

Under the 1982 Act, an RSA grant must be linked to job creation. This takes the form of a cost-per-job limit which a project cannot exceed if it is to receive support. Limits are set and revised for Assisted Areas but not

publicised (apart from EC award ceilings). These limits are an important means of ensuring the cost-effectiveness of regional support embodied in the shift from automatic to selective assistance.

There is no limit on the level of Regional Selective Assistance for which a company can apply. However, there are four other tests which it must pass to ensure that it receives support, and which also act, in a more general sense, to ensure the effectiveness of expenditure:

a) Additionality: The applicant must demonstrate either: that the project will not take place at all without assistance; or that assistance will lead to a significant change in the nature or scale of the project or a significant advancement in its timing or its location in the Assisted Areas.

b) Displacement: Assistance is only provided where there is a benefit to employment. Projects should lead to the creation of additional employment, or the safeguarding of existing employment through modernisation or rationalisation in the Assisted Areas.

c) Viability: An assessment is made of the viability of the project and of the undertaking seeking assistance, after taking into account the level of grant agreed.

d) Efficiency: Assistance is provided only for projects which seem likely to strengthen the regional and national economy and thereby provide more productive and more secure jobs, {e.g.} by improving efficiency or by the introduction of new technology or products.

If a project passes these tests it must also be the case that the greater part of its costs are met by the applicant or other sources outside the public sector. Indeed, case officers in the operating departments endeavour to ensure the level of support offered is the minimum necessary for the project to go ahead.

Incentives: Regional Enterprise Grants

The Regional Enterprise Grant (REG) scheme, which was launched in 1988, provides investment and innovation grants to small firms. When the scheme was first introduced, both types of grant under the REG scheme were restricted to firms with fewer than 25 employees in the Development Areas (and in certain Intermediate Areas through funding provided from RESIDER). Since 18 May 1992, the innovation grant has a more generous eligibility condition: firms with fewer than 50 employees may apply. Also, the eligible areas for the innovation grant have been widened to include all Intermediate Areas and EC Objective 2 areas.

With respect to award rates, investment grants of up to £15 000 may be used towards the costs of 15 per cent of eligible expenditure on fixed assets. Innovation grants of up to £25 000 may be used to support 50 per cent of the costs of eligible product and process development expenditure. The administration of the two grants involves only a "light touch", {i.e.} highly automatic award procedures and a minimum of bureaucracy, although applications for the investment grant are subject to an "additionality" test whereby applicants are asked to demonstrate that they genuinely need the grant for the project to go ahead. Expenditure under the REG scheme in 1991-92 was £11 million.

Incentives: Enterprise Initiative

One of the new measures contained in the White Paper, {DTI -- The } {Department for Enterprise}, announced in January 1988 was the Enterprise Initiative. The scheme provides financial support for between 5 and 15 days of specialised consultancy in a number of key management functions: business planning, marketing, design, quality, manufacturing and service systems, and financial and management information systems.

The scheme is available nation-wide with an award rate of 50 per cent of the cost of consultancy, but in the Assisted Areas and Urban Programme Areas (see Chapter VIII), the rate of award is two-thirds of costs. The scheme is, however, not formally part of either regional or urban policy.

Infrastructure: industrial estates

The construction of advance factories and the provision of industrial space is currently undertaken by the English Industrial Estates Corporation (EIEC) under the English Industrial Estates Corporation Act 1981, amended by Section 14 of the Industrial Development Act 1982. This aspect of regional policy has been operational since the 1930s through various agencies: the Special Areas Commissioners, trading estate companies, the Board of Trade, industrial estate management corporations and, more recently, EIEC under the trading name "English Estates".

English Estates is a non-departmental public body exercising a range of functions and powers under the direction of the DTI. Its main function is "to provide, facilitate the provision of, and manage industrial and commercial premises and sites in England". The organisation operates a development programme in the Assisted Areas comprising factories, warehouses, workshops, offices, science parks and serviced sites. During 1990-91, £63 million was spent on the programme, of which £46 million was funded by the EIEC itself (through rents and property sales) and £22 million by DTI grant-in-aid (see Table 5.1).

Around one-third of this expenditure was accounted for by the advance factory scheme (operated in Scotland and Wales by Scottish Enterprise and the Welsh Development Agency respectively). The scheme is intended to make available a range of factory premises for lease or sale in the Assisted Areas. There are relatively few conditions associated with the scheme except that the job density of occupation in the factories should exceed a discretionary minimum per 1 000 square feet.

Although the Assisted Area development is the major part of English Estates' activity, it also has other "development programmes". Since the 1960s, it has been involved in providing premises in Rural Development Areas in conjunction with the Rural Development Commission. In 1988 a subsidiary was created -- English Estates Inner Cities -- to increase the availability of managed workspace in designated inner city areas of England. Also since 1988, English Estates has been encouraging joint ventures with the private sector.

Following the April 1992 General Election, it was announced that a new Urban Regeneration Agency is to be set up during 1993. It is envisaged that the new Agency will take over the activities of English Estates (see Chapter VIII).

Infrastructure: improvement of basic services

Under Section 13 of the Industrial Development Act, any government department can make grants or loans for the improvement of "basic services" in the Assisted Areas. The definition of basic services includes the "provision of facilities for transport (whether by road, rail, water or air) or of power, lighting, heating, water or sewerage, and sewage disposal". In 1990-91, 64 applications were approved for a total estimated grant of £4 million and involving schemes costing an estimated £20 million (see Table 5.2).

VI. Assisted Areas

The spatial framework for the application of the policy instruments described in the previous chapter is the map of Assisted Areas. The following chapter describes the concepts underlying area designation, the designation criteria, alternative designation indicators, and the Travel-to-Work-Areas that form the base for the Assisted Areas map (see Figure 1).

The concepts underlying area designation

Assisted Areas are regions of the United Kingdom eligible for support under the various regional industrial policy instruments. Their designation is based on the criteria laid down in the 1982 Industrial Development Act requiring the Secretary of State for Trade and Industry to have "regard to all the circumstances actual and expected, including the state of employment and unemployment, population changes, migration and the objectives of regional policies".

The United Kingdom Assisted Areas map reflects the Government's main regional objectives, which may be considered as: narrowing regional disparities in unemployment rates; avoiding substantial population losses through migration; and achieving self-sustaining regional growth. These objectives have not been expressed in quantitative terms. In practice, the relative importance of each varies over time depending on the economic circumstances and political framework in which policymakers are operating.

Designating Assisted Areas

Until the early 1980s, the average annual unemployment rate was the main criterion used to designate Assisted Areas. Thus, between 1960 and 1966 eligibility for assistance depended simply on whether an Employment Exchange area -- a small area which formed the basis for collecting labour market statistics, typically with around 50 000 employees -- had an unemployment rate in excess of 4.5 per cent, which was at the time a specified percentage above the national average. Until 1982 other indicators were not systematically taken into account. A single indicator had the advantages of simplicity and precision, but the very precision implied that the sole purpose of regional policy was to reduce unemployment. This method also suffered from the problem that areas could change status a number of times within a short period, introducing uncertainty.

Recognising the disadvantages of the single indicator system, the 1983 White Paper proposed that Assisted Area designation decisions should systematically take account of a wide range of indicators. The choice of variables used since 1983 has depended partly on regional policy objectives -- for example, those measuring unemployment -- and partly on how good a picture the data give of present conditions. Unemployment and associated variables, such as long-term unemployment, are updated respectively monthly and quarterly; others are available infrequently but do not change much over time, such as peripherality. Others such as future labour supply need to be updated to be meaningful, {e.g.}, on the basis of {ad hoc} surveys.

Designation criteria

The 1983 White Paper discussed some of the variables which should be used for area designation purposes, and the operating departments, in general, followed its recommendations.

a) Annual average unemployment. The dominant indicator is the annual average unemployment rate, an average rate being used to eliminate seasonality which could distort the overall picture. It is considered the most appropriate indicator of current differences in employment opportunities and is a good guide to future unemployment.

b) Long term unemployment. An indicator highly correlated with unemployment is long-term unemployment. It is possible to include an average of the most recently available twelve months data on people

unemployed for more than a year. The variable is a good indicator of structural problems in a local labour market, and of a worrying social problem.

c) Occupational structure. The percentage of the working population who are low skilled, as defined by the standard socio-economic grouping, gives an indication of the proportion of low quality jobs. To some extent it operates as a reverse indicator of the entrepreneurial and innovative capacity of the workforce.

d) Industrial structure. An industrial breakdown is made to apply expected trends in each category in order to calculate future labour demand.

e) Peripherality. It is assumed that the more peripheral an area, the more difficult it finds recovery. The indicator is based on distance, weighted by employees in employment, from other areas in the United Kingdom, with some allowance for distance from European markets.

f) Other variables. The DTI uses other variables not explicitly recommended in the White Paper. Given the already high significance assigned to unemployment and its associated indicators, it would not be helpful to include further variables that are highly correlated with unemployment. Thus, an urban indicator, approximated by population density, is included since it is assumed that for a given unemployment rate, the attendant social problems are more severe in areas with high population density.

Alternative criteria

There is on-going consideration within operating departments of whether additional variables should be included. Among the many candidate variables looked at are:

a) GDP per head. This is theoretically a potentially useful indicator, but in practice it is difficult to measure accurately, the possible errors increasing with the level of disaggregation; also, this measure is unavailable at the TTWA level.

b) R&D indicators. The most recent regional data for the number of innovations is 1980, though indirect measures could be used. Occupational and industrial indicators may be more reliable as a guide to whether employment opportunities will change.

c) Social indicators. Variables such as overcrowding, single person households, persons living alone, households lacking basic amenities, mortality rates, etc., would change the emphasis towards social goals and away from industrial/employment objectives.

d) Number of self-employed. This could be a good indicator of the level of enterprise culture in an area, but there could be accuracy problems.

It is important to note that the systematic combination of a range of variables is not the sole determinant of the Assisted Areas map and that wider considerations also play a part.

The base of the assisted area map: the TTWA

The present Assisted Areas map has been designated using 322 Travel-to-Work-Areas (TTWAs) as base units. TTWAs are in concept self-contained labour market areas defined so that commuting to and from work all occurs within the boundary of the area. In practice it is not possible to achieve 100 per cent containment, and a 75 per cent criterion is used based on decennial Census of Population data on daily commuting to work.

Since they are based on local employment markets, TTWAs are considered to have a sound economic rationale for use in the Assisted Area map. By generally providing an adequate approximation of self-containment, they give a measure of the mismatch between the supply of and demand for labour in relatively small areas. There are, however, several disadvantages that have been identified.

First, the data are collected decennially and are not easy to update.

Even when it is recognised that changes have occurred, areas showing improvement are reluctant to lose their aided status, but the non-Assisted Areas where the profile of disadvantage has increased find it difficult to enter the assisted category.

Second, it has been claimed that the TTWAs are too large and ignore the problems of sub-areas within them, particularly localised residential areas with high unemployment. The problem can sometimes become acute when a large redundancy has an imperceptible effect on the unemployment rate of the TTWA. It has also been observed that, since the TTWAs do not coincide with local authority boundaries, they are an inappropriate unit on which local authorities can base their policies.

Third -- and conversely -- it is argued that the TTWAs are too small. At county level, income data are available but inaccurate. Larger units avoid potential problems of boundary displacement but accentuate problems with localised unemployment concentrations.

Lastly, the TTWAs include all the working and residential population as defined, but TTWA patterns vary, for example by socio-economic grouping and by gender with each having a different propensity to travel. It might be appropriate to include only a sub-set of the residential population in constructing the TTWAs, though some academic work suggests the problems are not great.

Among alternatives to TTWAs that have been considered in the past are local authorities, Parliamentary constituencies and postcodes. However, each has a range of associated conceptual and practical problems.

The structure of the Assisted Area map

The present Assisted Area map has a two-tier structure of Development Areas (DAs) and Intermediate Areas (IAs). Superimposed on it are the Urban Programme Areas, many of which are in non-Assisted Areas and EC map areas.

The tiers on the map are determined in terms of the cumulative percentage of unemployed in the UK workforce. The worst-off 15 per cent of the workforce are assigned to TTWAs in Development Areas and the next 20 per cent are assigned to Intermediate Areas, leaving 65 per cent of the workforce in non-Assisted Areas. Until recently, the main difference in terms of eligibility for assistance between DAs and IAs was that Regional Enterprise Grants were available only in the DAs. Since May 1992 this distinction has been partially removed as REG innovation grants are now also available in IAs; however, REG investment grants remain restricted to DAs (see Chapter V). Regional Selective Assistance, the main instrument of regional industrial policy is available in both DAs and IAs but subject to different EC net grant equivalent ceilings.

There is no theoretical basis for a two-tier structure, and in the past the Assisted Areas map has comprised three tiers including Special Development Areas which were eligible for additional assistance. Depending on policy objectives, the number of tiers could either be increased or reduced, though the greater the number of tiers the more complex would be the map with an increased possibility of anomalies occurring.

There are several other support maps, each with different rules, forms of support and boundaries. Among other support programmes are: assistance from DG XVI of the European Commission based on unemployment and changes in industrial employment; the Department of the Environment's 57 Urban Programme Areas; and the Department of Trade and Industry's Inner Cities Task Force Initiative to aid the inner city areas in greatest need.

The 1992-1993 review of Assisted Areas

Following the April 1992 General Election, a review of the Assisted Areas was announced on 9 June. The announcement initiated a period of public consultation with local authorities and other organisations which could submit representations to the DTI and Scottish and Welsh Offices until 30 September 1992.

Following clearance with the European Commission, a new map came into force on 1 August 1993. Although the total population coverage changed only slightly (35 to 34 per cent of the British working population) and the two-tier structure of DAs and IAs was retained, the new designated regions showed considerable change (see Figure 1a). Of particular note, specific (small)

parts of London and some coastal towns in the south and east of England were designated for the first time.

VII. The Role of Inward Investment in Regional Regeneration

Overseas investment in the United Kingdom is a major contributor to economic development in the problem regions and, as in other countries, regional incentives are the main financial inducements used to attract foreign investors to the United Kingdom. The following chapter examines the importance of inward investment in the United Kingdom, the agencies and measures for promoting investment and its impact on the regions.

Inward investment in the United Kingdom

Inward investment plays a major role in the UK economy. As a proportion of GDP, the United Kingdom attracts more foreign investment than any other country in the world. According to Central Statistical Office figures, net overseas direct investment in the United Kingdom was £318.6 billion in 1990 compared with £4.5 billion in 1985, accounting for 15 per cent of manufacturing employment, 28 per cent of capital expenditure and 21 per cent of gross value-added in manufacturing.

The importance of the United Kingdom as a base for foreign investment is illustrated by the fact that, by value, the United Kingdom has 40.5 per cent of all investment in the EC by Japanese firms and 37.6 per cent of all such US investment. Since 1945, companies from the United States have provided the majority of inward investment in the United Kingdom; although the United States remains the most important source of investment, an increasing proportion comes from within the EC (notably from Germany and the Netherlands) and from Japan.

The United Kingdom Government actively encourages overseas investment in the United Kingdom. Perceived advantages include the generation of employment opportunities in assisted regions, as well as its potential to bring about important spillover benefits to the national and regional economies. These may arise, for example, through increased competitiveness of indigenous firms faced with a competitor possessing some advantages. Suppliers and customers may also benefit from exposure to the technology, management practices, new products and processes, and quality standards of inward investors. Foreign investors may also act as an agent for change in the industrial structure of regions traditionally reliant on heavy declining industries and so may provide a source of diversification of the employment base. This is particularly important in areas lacking a substantial base of SMEs.

However, inward investment can also impose costs on the economy and on individual regions by displacing output and employment in domestic companies, some of which may be located in Assisted Areas. Further, it has been argued that foreign-owned plants are particularly susceptible to closure in times of difficulty (the so-called branch-plant syndrome) and that efforts to attract inward investment to Assisted Areas may cause instability. However, there is little evidence to support this argument.

The promotion of inward investment

The DTI has overall responsibility for foreign investment promotion, on which it is expecting to spend over £7 million in 1992/93 including £5 million on grants to the five English Regional Development Organisations. The main inward investment promotion agency is the Invest in Britain Bureau (IBB) which is responsible for promoting the United Kingdom (as a whole) as a location for international investment. Its activities include canvassing potential investors in co-operation with Foreign Office posts overseas. It also provides information and advice on the whole range of issues of concern to potential inward investors.

The IBB is at the apex of a structure of regional and local organisations which also play an important part in FDI promotion, and it is the role of the IBB to co-ordinate all inward investment promotion in the United Kingdom at regional and local levels, in order to avoid wasteful duplication of effort and increase value for money. At the level of individual regions in England, inward investment promotion is undertaken by five Regional Development Organisations (RDOs). The RDOs exist only in regions with Assisted Areas,

although the RDOs represent all the areas within their regions, not just the AAs. The RDOs receive part-funding from the DTI, as well as support services from the English Unit (based within DTI) which is responsible for co-ordination of research, publicity and promotion initiatives for all English regions. The remainder of RDO funding comes from local authorities and the private sector. The RDOs work closely with their respective DTI regional offices, particularly in respect of financial assistance. There are similar promotional bodies for Scotland (Locate in Scotland), Wales (Wales Development International) and Northern Ireland (Industrial Development Board).

The main financial incentive available to attract inward investors to the United Kingdom is Regional Selective Assistance (RSA). An important feature of the scheme is that no distinction is made between investment projects of United Kingdom and foreign origin; each case is judged on its merits. As noted in Chapter V, the RSA award criteria include a requirement that projects would not proceed at all or would not proceed in the same form without assistance -- the additionality test.

The appraisal of cases also includes an assessment of the expected efficiency benefits of a project. This encompasses the direct national income effects of a project and the impact on other UK producers and customers, positive and negative, including the likelihood of displacement.

The proportion of all offers of RSA over the period 1981-91 made to foreign-owned enterprises (FOEs) is shown in Table 7.1. FOEs accounted for a small proportion of the number of offers, but, because the average size of foreign projects was relatively high, they accounted for almost half of the value of all offers of assistance. The main beneficiaries of RSA projects involving foreign-owned firms have been Scotland and Wales.

The regional pattern of inward investment

Inward investment is a feature of most parts of the UK economy, but over 80 per cent of the stock of foreign investment in the United Kingdom is in three sectors: energy, financial services and manufacturing. In the energy sector, investment is concentrated in and around the North East of Scotland while financial services companies are predominantly located in London and the South East of England.

Detailed regional data are only available in respect of manufacturing FDI. The pattern of employment and value-added in foreign-owned manufacturing enterprises in the United Kingdom does not suggest any particular leaning towards regions of high unemployment (see Table 7.2). However, flows of inward investment show a slightly different pattern. Of new investment projects notified to the IBB, a higher proportion appear to be locating in the less prosperous regions, notably Scotland and Wales (see Table 7.3).

In the Assisted Areas, manufacturing FOEs account for a significant proportion of manufacturing employment in Development Areas and a higher proportion than elsewhere in the United Kingdom (see Table 7.4). However, there is little difference in the importance of FOEs as between Assisted Areas taken as a whole and non-Assisted Areas, and there have been no discernible changes in the relative positions in recent years.

The regional impact of inward investment

Although few surveys of the effects of inward investment focus on the impact on the regions, some provide indications of a more general nature on the performance of foreign-owned enterprises. There is some evidence to suggest that foreign-owned firms in the United Kingdom make a significant contribution to structural change in manufacturing, through a tendency to concentrate in sectors of high output growth, and have made a major contribution to the diversification of regional economies, particularly in Scotland, Wales and the North-East.

It has also been observed that FOEs have consistently generated a higher value-added per head than their UK-owned counterparts. In 1987, for example, manufacturing value-added per head in FOEs was over 40 per cent higher than in UK firms. Because the industrial structure and capital intensity of FOEs differs from UK-owned firms, it is difficult to isolate the extent to which this reflects superior efficiency. It is thought, however, that differences in industrial structure explain only about half of the current differential in value-added per head. Other evidence based on more detailed survey methods also suggests that Japanese companies in the United Kingdom achieve higher levels of productivity than their domestic competitors.

Some research points to evidence of positive spillover benefits from inward investment, but it is difficult to draw many general conclusions on the basis of work of this nature, particularly as most recent research has concentrated on the major Japanese inward investors, such as Nissan. Recent research commissioned by the DTI points to evidence of positive "knock-on" benefits from inward investment, such as significant increases in local sourcing in the years after establishment and the development of longer-term relationships with local suppliers.

Finally, in relation to the costs of inward investment two points are worth highlighting. First, surveys of inward investors in the United Kingdom indicate that one of the most important motives for their investment decision is to serve the European market. This is confirmed by their high export intensity. Therefore, even if the presence of inward investors in the United Kingdom is associated with displacement of domestic production, much of this displacement might have occurred anyway if the company had chosen an alternative European location. Second, most researchers into the performance of branch plants in the United Kingdom have concluded that branches of FOEs are no more likely to be subject to closure than those of UK companies. If anything, employment in foreign plants tends to be more stable over the economic cycle.

VIII. Urban Policy

A distinctive feature of urban geography in Europe is the scale and severity of urban problems in many UK cities and conurbations. The impact of the industrial decline and technological change within UK urban areas has amplified the effects of wider regional restructuring.

The Department of the Environment has noted how, once started, the process of urban decline escalates producing multiple deprivation. The more vulnerable are unable to adapt to economic changes; differential outmigration results in a concentration of the disadvantaged; fragmented ownership of land makes land assembly costly, while pollution and dereliction can result in sites having negative values; declining local tax bases prevent local authorities from maintaining services; and worsening unemployment and poverty frustrate local communities from helping themselves. The combination of multiple deprivation undermines social cohesion leading to crime and in extreme cases riots.

These issues form the context for urban policy in the United Kingdom. While UK regional industrial policy has declined over the past decade, urban policy has grown in importance. The following chapter reviews the origin and current structure of UK urban policy and describes the main instruments employed by different government departments.

The development of urban policy

Urban policy has existed in the United Kingdom for some 20 years since the Government first recognised the disproportionate problems of some of the cities. The central feature of policy has been the Urban Programme, a collective term for the projects supported under the Local Government Grants (Social Need Act) 1969. The Act authorised the Secretary of State for the Environment to pay grants to local authorities for expenditure on special measures in urban areas.

Initially, during the late 1960s and early 1970s, urban initiatives tended to consist of small scale, localised social and environmental projects and programmes for alleviating poverty and deprivation. However, as unemployment increased during the 1970s, urban problems were seen more in the context of national and international economic trends.

The reaction of policy was set out in a significant White Paper, {Policy } {for the Inner Cities}, published in 1977 and enacted by the Inner Urban Areas Act 1978. It heralded a broader approach to the problems of urban areas involving economic, social and environmental measures with a combination of central and local government action. Priority was given, in terms of concerted action, to so-called Partnership Areas (involving special arrangements between central and local government). The aim of the new approach was to strengthen the economies of the inner cities and to reduce the outmigration of people and jobs: regional policy assistance was modified to give more emphasis to the inner cities, and metropolitan authorities were given greater powers to assist industry and improve infrastructure.

As with regional policy, the election of the Conservative Government in 1979 led to a reassessment of policy towards urban areas and problems. However, the political desire to reduce expenditure on the Urban Programme was countered by rapidly rising unemployment and a deteriorating economic situation in the inner cities, as well as urban riots in the early 1980s. Thus, the resources allocated to the Urban Programme increased from £185 million in 1979-80 to £261 million in 1990-91.

Current urban policy

The emphasis of contemporary urban policy measures has been increasingly on economic rather than social measures and the use of public funds to "lever in" private sector support for regenerating derelict land, refurbishing properties and setting up small businesses. Central control over local authority involvement in urban policy has increased with greater national government regulation of local authority spending, and more direct central

government intervention in urban initiatives, often by-passing or over-riding traditional areas of local authority competence/jurisdiction.

The highest political priority accorded to urban policy over the past decade was immediately after the 1987 General Election when the "inner cities" were placed at the top of the political agenda. A Cabinet committee was set up, chaired by the Prime Minister, and a minister was appointed to co-ordinate action. The outcome, in March 1988, was the government initiative "Action for Cities", a new attempt to publicise and project government programmes in the inner cities and encourage greater public sector involvement.

The Action for Cities programme has four main objectives:

-- to encourage enterprise and new businesses and help existing businesses to grow stronger;

-- to improve people's job prospects, motivation and skills;

-- to make areas attractive to residents and business by tackling dereliction, bringing buildings into use, preparing sites and encouraging development, and improving the quality of housing;

-- to make inner cities safe and attractive places to live and work.

Current urban policy measures are a more complex area to review than regional policy because of the number of government departments involved and the range of programmes and other measures. First, there are the policy responsibilities of the Department of the Environment (DoE): urban development corporations; grants for urban development; derelict land grants; the Urban Programme; City Action Teams; and Enterprise Zones. Second, there are several initiatives run by the DTI, primarily inner city task forces. Lastly, there are several measures involving co-ordinated action with the Department of Employment, the Department of Education and Science and the Home Office. Parallel action is taken in Scotland and Wales by the Scottish and Welsh Offices respectively.

In terms of expenditure, the Action for Cities programme involved the co-ordination of expenditure totalling £4 billion in 1990-91, compared to £3.2 billion in 1988-89. (However, these figures combine programmes genuinely specific to the inner cities with apportioned parts of national programmes which are also available outside the urban priority areas, {e.g.} training, roads). Almost half of the Action for Cities total is accounted for by the DoE. Among the main DoE expenditure items in 1990-91, the Urban Development Corporations spent £543 million and the Urban Programme accounted for £261 million (see Table 8.1).

Enterprise Zones and Simplified Planning Zones

Enterprise Zones were first introduced in 1980 with the objective of encouraging economic activity by the removal of tax burdens and simplified or accelerated planning and other administrative procedures. The zones are designated for ten years. The incentives available in these zones include exemption from rates on industrial and commercial property; 100 per cent capital allowances for industrial and commercial properties; relaxed planning requirements; exemption from industrial training levies; speedier handling of planning controls; and fewer government requests for statistical information.

Overall, 27 Enterprise Zones were designated in the United Kingdom -- 18 in England, four in Scotland, three in Wales and two in Northern Ireland. In December 1987 it was announced that further Enterprise Zones would only be designated in exceptional circumstances. Since then Zones have been designated only in Inverclyde (March 1989) and Sunderland (April 1989). By the late 1980s, according to DoE information, Enterprise Zones were associated with the establishment of 3 884 firms and 89 500 jobs since their creation in 1981.

The Enterprise Zone concept has been superseded by Simplified Planning Zones (SPZs). These may be of any size (currently ranging between 10 ha and 160 ha) and provide advance permission for general industrial, business and warehouse uses. Proposers may be from the public or private sectors.

The Urban Programme

The Urban Programme originated in 1969 as a means of reimbursing local authorities for expenditure incurred in dealing with special social needs in urban areas. Any local authority with special social needs in an urban area is

eligible for this grant aid, which is now known as the "traditional urban programme". During the 1970s, the objectives and policies for the inner cities expanded to include improvement of employment prospects and reduction in the number of derelict sites and vacant buildings, as well as strengthening of the social fabric and solving housing problems. This led to the creation of "programme authorities" who were required to draw up Inner Area programmes in consultation with local organisations (health authorities, other government departments, and the voluntary and private sectors) and subject to central government approval.

From 1978 onwards, selected urban areas became the focus of "partnership authorities" which were invited to draw up comprehensive programmes for the revitalisation of inner city areas. The seven Inner City Partnerships (Birmingham, Hackney, Islington, Lambeth, Liverpool, Manchester/Salford and Newcastle/Gateshead) had the most serious conditions of urban deprivation. Lastly, there are several "other designated districts" without programme authority status which are able to bid for support under the "traditional urban programme".

Expenditure on the Urban Programme in 1990-91 was £261 million. Based on the breakdown of the 1988-89 budget, 90 per cent of this total was accounted for by the Inner Area Programme Authorities. Almost half of the expenditure was used for economic objectives, encompassing reclamation and environmental improvement in industrial areas, training, provision of business space and start-up schemes, and business promotion and advice. Other objectives involve environmental measures (building refurbishment and road/transport improvements), housing provision and improvement, and social facilities (education, social services, health care, crime prevention and recreation). The locations of the Urban Programme Areas and Task Force Areas (see below) are shown in Figure 2.

City Action Teams

Eight City Action Teams (CATs) have been set up to co-ordinate the actions of the main government departments involved in inner city de,velopment to ensure that the various departmental programmes and initiatives reinforce and complement each other. They bring together regularly the senior regional officials of the Employment Service, the Training, Enterprise and Education Directorate (TEED) of the Employment Department, the DoE and the DTI as well as other officials. The CATS are active in Manchester/Salford, Tyne and Wear, Teeside, Leeds/Bradford, Liverpool, Birmingham, London, and Nottingham/Derby/Leicester.

Since 1989, the CATs (and the Inner City Task Forces -- see below) have each been allocated a Government minister to stimulate co-operation between businesses, local authorities and the voluntary sector and local communities. The CATs are also responsible for co-ordinating departmental responses to City Challenge, which widens their urban regeneration responsibilities within the region to all UPAs, as well as the Inner City areas for which they were originally set up.

Task Forces

Task Forces have been set up in inner city areas where residents share problems of deprivation and lack of opportunities (especially among Afro-Caribbean and Asian minorities). The purpose of Task Forces, which have a short-term role and are not permanent, is "to improve life and work in particular inner city areas"; they provide limited funds for training, new business start-up and community facilities. There are 16 Task Forces based in Birmingham, Bradford, Bristol, Coventry, Derby, Liverpool, Hull, Manchester, Middlesbrough, Nottingham, South Tyneside, Wirral and London (Deptford, Hackney, North Kensington and North Peckham).

Grants for urban development

The City Grant scheme was launched in May 1988 to support private sector capital investment projects which benefit the run-down urban areas in England by bringing derelict sites or buildings back into use. Projects involving industrial, commercial or housing development in excess of £200 000 and which provide jobs, housing or other benefits may qualify for (unspecified) grant or loan funding which "bridges the gap" between the cost of a development and its value and allows the developer to make a reasonable profit. The City Grant is available in the 57 Urban Programme Areas of England (which are given priority) and the Urban Development Corporation areas. In 1990-91, £49 million was spent

on City Grant.

The City Grant scheme replaces and consolidates several former grant schemes: Urban Development Grant (UDG), Urban Regeneration Grant and the private sector support element of Derelict Land Grant. UDG, which was introduced in 1987, was a similar financial assistance scheme to City Grant -- with the aim of promoting economic and physical regeneration of urban areas -- but development projects had to be worked up jointly by local authorities and the private sector rather than by the private sector alone.

Urban Development Corporations

Urban Development Corporations (UDCs) were introduced by the Local Government Planning and Land Act 1980. They are development agencies designated by the Government with special powers and resources to promote the regeneration of their local area, particularly in terms of the physical renewal of land and buildings. The area and governing board of a UDC is appointed by the Government; thus while they generally include representatives of local authorities, they are not necessarily accountable to them and have a degree of control over land use and development which exceeds that available to local authorities.

The first generation of UDCs, the London Docklands and Merseyside Development Corporations, were set up in 1981; they were followed by five more UDCs in Spring 1987 in the Black Country, Teeside, Trafford Park, Tyne and Wear and Cardiff; and the third generation was announced in December 1987 in Bristol, Leeds and Manchester. Although the original intention was to set up further UDCs, the DoE announced in December 1988 that no more UDCs would be established before 1992 to ensure that existing ones are "up and running and established".

The UDCs have considerable powers. They can: grant planning permission for development in their area; acquire, manage and sell land; provide utility services and roads and require local authorities to adopt them; provide various forms of financial aid to developers; and carry on any business or other activity for achieving their objectives. Over £1 300 million of public funding has been committed to date to the UDC experiment (£543 million in 1990-91). It is intended that the UDC powers and funding are used to attract as much private investment as possible: the DoE estimates that private sector investment in UDC areas to date is in excess of £9 billion.

Derelict land reclamation

The clearance and reclamation of derelict land has been addressed by government policy since the 1960s. Over the past 10-15 years, however, the objective of policy has shifted from undertaking land improvement for environmental or safety reasons to regenerating inner city sites as part of urban economic development strategies.

One of the main instruments for the policy is the Derelict Land Grant scheme, which was made available to the private sector in 1980, as well as the local authority sector. Grants, which are offered as a percentage of the net loss in carrying out reclamation work, are intended for bringing derelict land into beneficial use or for improving its appearance.

In the Assisted Areas and Derelict Land Clearance Areas, 100 per cent grants are awarded to local authorities and 80 per cent grants to the private sector. Elsewhere the rate is 50 per cent, apart from National Parks and Areas of Outstanding Natural Beauty where the rate (for local authorities is 75 per cent). As with industrial estates, administration of the scheme in different parts of the United Kingdom is separated out between the Department of Environment in England and the Scottish and Welsh development agencies. DoE resources for the DLG scheme totalled £21 million in 1990-91.

Following the April 1992 General Election, it was announced that an Urban Regeneration Agency is to be set up (in the second half of 1993) to bring back into use vacant and under-used land in England’s inner cities. The Agency, which will take over the activities of English Estates, will have reserve compulsory purchase powers and development control powers. Further, it is currently proposed that the Agency would operate a unified grant regime, taking over responsibility for City Grant and Derelict Land Grant.

City Challenge

The urban policy initiative, "City Challenge", was launched in May 1991 as a new approach to inner city funding, again with the purpose of co-ordinating and targeting government expenditure in urban areas. Under the City Challenge, local authorities working in partnership with the private sector and local community can bid for extra urban aid. Authorities with successful bids enter into five-year implementation agreements with Government to rejuvenate key neighbourhoods. Following a pilot of this approach in selected "pacemaker areas", the scheme has been extended to all 57 Urban Programme Areas. Twenty winners were announced in July 1992, each to receive £37.5 million for agreed five-year programmes.

Estate Action

The Estate Action Programme is a scheme to promote the transformation of unpopular council housing estates. The Programme does not operate exclusively in inner city areas, although most of the schemes receiving support are in such areas. Estate Action was allocated £140 million in 1990-91.

Other government department measures

Under Department of Employment support for the "Action for Jobs" campaign, inner cities are priority areas for the allocation of employment and training programme places. In 1990-91, the DE and Training Agency spent £1.04 billion on these schemes.

The Department of Education and Science provides the Educational Support Grant to help increase educational opportunities for children in most disadvantaged areas of England. The DES has also identified inner city locations for City Technology Colleges.

IX. Research and Innovation Policy and Regional Development

A further part of the DTI's remit at national and regional levels is to promote innovation, which is a key component of regional and local economic development. The following chapter briefly outlines the main objectives and measures of DTI research and innovation policy and identifies those innovation initiatives targeted at regional development.

Research and innovation policy

The United Kingdom Government has a relatively limited involvement in research and innovation support compared to many other OECD countries. According to EC figures, UK spending on innovation and R&D aid in the late 1980s was lower, in absolute terms, than expenditure in Germany, France and Italy, and less, in per capita terms, than spending in Belgium, the Netherlands and Greece. The main thrust of government programmes is: to set an economic climate in which innovation can flourish, with vigorous competition and free markets; to increase awareness of innovation; to address the key barriers to innovation; and to influence an innovation culture.

Government support for research and innovation can be divided into three categories of initiative: awareness and advice, R&D and technology transfer. Awareness and advice is promoted through strategic consultancy support, for example under the Enterprise Initiative (see Chapter V), the Managing into the 90s Programme, and the Manufacturing Planning and Implementation Programme which offers grants of up to 50 per cent towards the use of consultants.

Grants for R&D primarily target collaborative research through a range of specialist advanced technology programmes, including the LINK programme (to promote industry/higher education collaboration) and EUREKA. The DTI also co-finances "R&D Clubs" bringing together private sector companies and a host organisation such as a research establishment or sectoral research and technology organisation.

Single company support for product or process development in small and medium-sized enterprises is available under SPUR; the maximum grant is the lower of £150 000 or 35 per cent of eligible costs for established firms or groups employing less than 500 people. The SMART Competition is open to firms employing up to 50 people and can provide assistance of up to £104 000 over two years towards the research and development of innovative new products or processes.

Lastly, the DTI operates several technology transfer programmes. Some target the exploitation of technology and its management in selected areas, such as biotechnology, materials, manufacturing intelligence, lasers, open systems, advanced sensors and advanced information technology. Others are aimed at more general exploitation of the science base, particularly by small and medium-sized firms. These include the Teaching Company Scheme, which aims to strengthen links between industry and Higher Education Institutes, and contributes towards the setting-up of Regional Technology Centres to provide a stronger focus of technology advice and information to SMEs. A further area of support is access to information through specialist Research Agencies, technical information services and assistance for overseas travel.

Regional innovation assistance

The schemes described in the preceding section are national initiatives which are largely delivered or promoted on a regional basis. In addition, support for innovation in the Assisted Areas is provided through the Regional Innovation Grant scheme. The Regional Innovation Grant (see Chapter V) is available to firms with fewer than 50 employees; the grants provide 50 per cent of the costs of an innovation project up to a maximum grant of £25 000.

Apart from incentive schemes, a network of Regional Technology Centres (RTCs), currently comprising 12 organisations, has been established across the United Kingdom. The RTCs are intended to help business, particularly small and medium-sized enterprises, to use and exploit modern technology by providing technology transfer services, helping with training and

offering expert advice, as well as developing links between the private sector and further and higher education institutions. Some are piloting a Technical Action Line service which aims to solve immediate technical problems in smaller firms.

The RTCs have been established over the last six years and are at varying stages of development. They have benefited from three-year pump-priming funding from the United Kingdom Government and have access to further support through a Developing Funding Programme aimed at extending the quality and range of their services.

X. Regional Development in Scotland, Wales and Northern Ireland

Much of the discussion in this report is based on the structure of organisations and policy measures operating in England. However, it is important to recognise that Scotland, Wales and Northern Ireland have distinctive administrative structures relating to regional development, encompassing organisations with considerably more independence and autonomy than the departmental regional offices in the English regions.

For example, the administration of regional policies in England is implemented by DTI Regional Offices but subject to centrally-determined limits on their delegated authority ({e.g.} in relation to size of incentive awards). In Scotland and Wales, the Scottish and Welsh Offices make all decisions relating to the award of regional aid (although based on national guidelines). Equally important, both Scotland and Wales have development agencies that co-ordinate a wide range of business development measures as well as country-specific organisations promoting inward investment and local development. Northern Ireland has an entirely separate structure of policies and administrative organisations.

The following sections review the administrative structure in Scotland, Wales and Northern Ireland, highlighting the distinctive agencies operating in each part of the United Kingdom.

The administrative structure for regional development in Scotland

The development of distinctive arrangements for regional planning in Scotland has evolved in response to particular Scottish circumstances. Among these are Scotland's political history and pressure for devolution; its economic difficulties reflecting factors such as a relatively peripheral location and the need for industrial restructuring; the relatively small overall size of the country; and, combined with these, a great diversity of geographical characteristics.

Basic to the whole system is the position of the Secretary of State for Scotland and the Scottish Office, with an extensive range of interests and responsibilities. A separate Scottish Office has existed since 1885, and the Secretary of State has held Cabinet rank since 1926. This has allowed a number of different priorities and approaches to be adopted in relation to policy within Scotland.

The direct powers of the Secretary of State have increased over time, and now extend to agriculture and fisheries, education, law and order, health, local government, housing, physical planning, road and sea transport, environmental protection and tourism. The Secretary also has responsibility for agencies such as Highlands and Islands Enterprise and Scottish Enterprise, both established on 1 April 1991 to supersede the Highlands and Islands Development Board and the Scottish Development Agency which were originally set up in 1964 and 1975 respectively.

In addition, through the Scottish Office Industry Department, the Secretary of State has responsibility for the administration of regional assistance to industry in Scotland (since 1975) and for manpower and training policy in Scotland (since 1979), although it should be emphasised that responsibility for the main instruments of economic policy remains with UK departments. The Industry Department's other functions include a co-ordinating role in assessing the impact of regional policy, North Sea oil, roads and transport in Scotland, nationalised industries in Scotland, co-ordination of Scottish interests in European Community matters, and the production of statistics and publications on trends in the Scottish economy.

The development agency, Scottish Enterprise (SE), was formed in April 1991 through a merger of the Scottish Development Agency and the Training Agency in Scotland. SE acts in partnership with the wider community through a network of 13 Local Enterprise Companies, each of which has a contractual relationship with SE and is led by a predominantly private sector board. This new structure involves a greater decentralisation of powers and activities than before. SE's objectives are to develop the economy, enhance the skills and improve the environment of Scotland and, like the SDA before it, it has

extensive powers to assist industry through equity and loan finance; to carry out industrial promotion (including inward investment from outside the United Kingdom); and to promote infrastructure and environmental improvements. SE also retains a number of special responsibilities, for example, in relation to small firms and towards local areas facing severe economic problems, and it continues to administer the Enterprise Initiative on behalf of the DTI.

Locate in Scotland fulfils one of the main roles of SE -- the attraction of inward investment to Scotland. Following an examination of the subject by the Select Committee on Scottish Affairs, the Government established Locate in Scotland (LIS) in 1981, within the framework of the former Scottish Development Agency, to co-ordinate the activities of all public bodies in Scotland with an interest in inward investment. LIS comprises both Scottish Office and SE staff.

LIS operates a "one-door" approach through which it spearheads the promotion of Scotland overseas and retains an active interest in the progress and development of overseas companies already located in Scotland. At a time of increasing competition for overseas investment, the Scottish Office considers that the concentrated approach available through LIS has been valuable in attracting to Scotland additional job opportunities and projects with a high technological content which have helped to stimulate and diversify the economy.

The development agency, Highlands and Islands Enterprise (HIE), operates in a similar way to Scottish Enterprise, in partnership with ten Local Enterprise Companies. HIE, which has responsibility for promoting the development of the rural areas of Scotland, was also formed in April 1991 through the merger of the Highlands and Islands Development Board and the Training Agency for Scotland.

Local government in Scotland was reorganised in 1975, resulting in the formation of a two-tier structure comprising nine regional and 53 district councils, together with three islands authorities. The area covered by the top-tier authorities tends to be larger than that of most counties in England and Wales and in some cases covers functional city regions. In broad terms the regional councils are responsible for the main strategic services while the district councils administer more local functions. The islands councils are all-purpose authorities for their areas. The Government are currently consulting interested parties on proposals to change the system of local government in Scotland to single-tier, all-purpose authorities.

The administrative structure for regional development in Wales

In parallel to the situation in Scotland, at the apex of the administrative structure in Wales is the Welsh Office which has been in existence since 1965. The Secretary of State for Wales has full Cabinet rank, thus allowing the adoption of individual priorities and approaches in relation to policy within Wales. Full responsibility for the administration of regional assistance in Wales was taken on in 1975. The Secretary of State also has responsibility for agencies such as the Welsh Development Agency, the Development Board for Rural Wales, Cardiff Bay Development Corporation and Welsh Development International.

Under regional policy instruments implemented in Wales, since April 1988 the Welsh Office has made over 790 offers of Regional Enterprise Grants involving investment of nearly £41 million. Under Regional Selective Assistance, since April 1988 the Welsh Office has made over 700 offers of RSA with a value of over £264 million. According to applicant estimates, investment resulting from these projects amounts to £2 122 million, with over 34 000 new jobs forecast to be created.

The Welsh Development Agency (WDA) was established by the WDA Act 1975. It has wide-ranging powers enabling it to carry out its statutory functions of furthering economic development and employment in Wales; promoting industrial efficiency and environmental improvement. The Agency provides factories and services industrial sites on its own and in partnership with the private sector. It undertakes land reclamation, environmental enhancement and urban renewal; provides a range of advisory and support services, including investment funding for Welsh companies, and through Welsh Development International, promotes Wales as a location for inward investment.

The Development Board for Rural Wales (DBRW) was established in 1976 to promote the economic and social development of much of rural Wales. The historic problem for rural Wales has been the outmigration of its people, particularly young people, with a 25 per cent fall in population from 1871

to 1971. Since then this trend has reversed overall, although net outward migration of young people continues. The Development Board seeks to achieve its objectives through the provision of factories, advisory services, enterprise training, financial incentives to industry and social development programmes.

The aim of the Cardiff Bay Development Corporation (CBDC) is to establish Cardiff internationally as a maritime city, and in so doing enhance the image and economic well being of Cardiff and Wales as a whole. Its aims are to revitalise the waterfront of the city and to stimulate business and residential developments.

Finally, established in its present form in 1983, Welsh Development International (WDI) co-ordinates the promotion of all aspects of overseas inward investment to Wales through its offices in Europe, North America and the Far East. It also takes the lead in securing inward investment from other parts of the United Kingdom, although in mid-Wales this is mainly the responsibility of the Development Board for Rural Wales. WDI maintains close links with the Welsh Office Industry Department which undertakes all negotiations with potential overseas investors on financial assistance and others seeking to locate in areas outside the DBRW. The inward investment effort has been particularly successful over recent years, both in terms of increasing employment opportunities and in strengthening still further the Welsh industrial base. Over 85 000 new and safeguarded jobs and capital investment in excess of £4 billion have been promised by almost 800 projects secured since 1983.

The administrative structure for regional development in Northern Ireland

The policy position in Northern Ireland has been distinct from the rest of the United Kingdom since 1921. Industrial development policies were organised locally, within financial guidelines set by Whitehall, first by the Ministry of Commerce (later the Department of Commerce and then Department of Economic Development) and then from the early 1970s by the Northern Ireland Development Agency (which became the Industrial Development Board in 1980) and the Local Enterprise Development Unit.

Incentives similar to those in the rest of the United Kingdom have been operated in Northern Ireland. A Standard Capital Grant scheme, similar to the Regional Development Grant in Great Britain, was available until 1988 when it was abolished along with RDG. A package of Selective Assistance measures, of greater diversity and importance than RSA, has been retained. Selective Assistance consists mainly of: i) capital grants of up to 30 per cent of capital investment costs, with a supplementary discretionary award of up to 20 per cent for particularly attractive internationally mobile projects; ii) employment grants for the creation or maintenance of jobs (no specified rate of award); and iii) interest relief grants or soft loans for periods of up to seven years. In addition, the package includes corporation tax relief grants, marketing grants, R&D grants, government factories and/or rent grants, key worker housing grants and loans, and equity finance/venture capital.

The Department of Economic Development (DED), based in Belfast, has overall responsibility for industrial development policies in Northern Ireland. The main orientation of Northern Ireland policies has been consistently (since the 1930s) oriented towards the problem of unemployment; policy measures have been primarily geared to creating and safeguarding jobs. However, a new set of objectives were formulated by the DED in 1990 to place greater emphasis on improving the competitiveness of the Northern Ireland economy, especially in industry, tourism and tradeable services, as the basis for long-term, self-sustaining growth and employment creation. Consequently, financial assistance for industry is being re-oriented to take more account of efficiency as well as additional employment.

The implementation of the DED’s development objectives is undertaken by various agencies. The main agency is the Industrial Development Board which has responsibility for industrial and commercial policies for manufacturing and service firms (for firms with 50 or more employees) within Northern Ireland, as well as marketing and promoting overseas investment in the region. The development of smaller firms (with fewer than 50 employees) is the responsibility of the Local Enterprise Development Unit. A further organisation, the Training and Employment Agency, was established in 1990 to administer skills training, management development and employment measures.

XI. A Regional Case Study: Regional Problems in the North West Region

The North-West region comprises the counties of Cheshire, Lancashire, Greater Manchester and Merseyside. The region has a population of 6.4 million, almost two thirds of whom (4.0 million) live in the conurbations of Merseyside and Manchester. Total employment in the region is 2.5 million, representing 11 per cent of the UK total. The regional unemployment rate in November 1990 was 7.6 per cent compared to a national rate of 5.8 per cent. Economically, the North West is the second largest UK region after the South East, with a GDP of £44 billion (1989 figure) comprising 10.2 per cent of total national output.

In employment and output terms, the North West is one of the UK's major industrial regions. However, in terms of regional problems it is also characterised by problems of industrial restructuring as a consequence of the major decline in manufacturing employment over the past two decades. The conurbations of Merseyside and Manchester contain examples of severe inner city dereliction. A range of regional and urban policy measures has been applied in the region; significant parts of the conurbations are designated as Urban Programme Areas, and much of the region is covered by Development Areas or Intermediate Areas. Overall, therefore, the North West represents a useful case study for examining how UK regional and urban policies are addressing the structural problems of the country's depressed areas. The following chapter reviews the industrial structure of the Region and the nature of regional problems.

The industrial structure of the North West

Among the total employed population of 2.4 million in the North West, the service sector accounts for 1.6 million employees (67 per cent) and the manufacturing sector for 0.7 million employees (29 per cent). There is a greater dependence in the region on manufacturing than nationally (Great Britain's share = 23 per cent), but the run-down of traditional industries and the introduction of new activities in the post-war period means that the region's industrial structure is now more diversified and closer to the national pattern than formerly.

As nationally, the early 1980s was the most difficult period for the region since 1945. Over the past ten years, employment in the region has declined by 6.3 per cent, but in the manufacturing sector, more than one-third of jobs have been lost (see Table 11.1). Whereas 931 000 persons (male and female) were in manufacturing industries in June 1980, the total is estimated to have fallen to 680 000 by June 1990, representing a job loss of 251 000 within a decade. In both absolute and percentage terms the number of male employees has been cut back more drastically than in any other region in Great Britain. This decline has been only partially offset by a 10 per cent increase (149 000 jobs) in service employment over the decade.

In the manufacturing sector, the dominant industries are mechanical engineering, food, drink and tobacco, chemicals, electrical engineering, footwear and clothing, and paper, printing and publishing -- each of which has at least 50 000 employees and together account for 60 per cent of the region's manufacturing employment (see Table 11.1). In a national context, the North West has significant concentrations of several industries, notably one-quarter of the country's glass industry and around one-fifth of national employment in chemicals and pulp and paper manufacture/conversion, as well as a similar proportion in textiles, footwear and clothing, once the dominant industry in the region.

The growth sector in the North West, in employment terms, is services, especially banking, insurance and finance, which has grown by one-third over the past decade (+82 000 jobs). Public sector employment has also increased -- by 58 000 (11 per cent) in education, health and other services and by 32 000 (13 per cent) in public administration and defence.

After the South East, the region has the largest body of service industry employment of any region in the United Kingdom, notably in the banking, finance, insurance and business services sectors. Much of this springs from the sheer size of the region's population. However, both Manchester and Liverpool are major centres of commerce, transport and

education. Despite past decline, Liverpool remains an important port, and Manchester is not only the "regional capital", but in certain cases provides insurance, banking, financial and other business services for the whole of the North of England. Over 60 domestic, merchant and international banks are represented in Manchester. The large number of overseas banks include not only such established operations as the Banks of China, India, Ireland, Swiss Bank Corporation, Citibank, etc., but also three relative newcomers -- the Deutsche Bank and the Japanese banks, Sanwa and Fuji, all of which established branches in the city in 1987. Elsewhere in the region there is an important representation in such ancillary areas as credit cards, including the £8 million Barclaycard Centre in Wavertree Technology Park and the headquarters, in Chester, of both North West Securities and St. Michael Financial Services.

Both Liverpool and Manchester have substantial public administration interests. Manchester houses the regional offices of, among others, the Departments of Trade and Industry, Environment and Employment, and the Department of Social Security and the Inland Revenue at Bootle are on Merseyside. The DTI and the DoE (in the form of the Merseyside Task Force) also have offices in Liverpool with responsibility for Merseyside. In addition, there has been an expansion of tourism. As well as the traditional seaside resorts (Blackpool, Southport, Morecambe), there has been a strong development of Heritage Tourism -- reconditioning of former mills as folk museums, etc., the regeneration of Castlefields as a museum (including the Roman Fort project, the Manchester Science and Technology Museum and Liverpool Road Station), the Liverpool Festival Park -- and an effort to develop conference and exhibition centres in the region.

The regional problem in the North West

Since 1965, the North West has experienced a net loss of over 550 000 manufacturing jobs, a reduction of more than 45 per cent in the manufacturing base of the North West Standard Region. During the recession of the early 1980s the Region was affected more adversely than the country as a whole, with the decline in manufacturing accelerating since late 1979, and job losses spreading over a wider range of industries. Much of the decline represents a permanent loss of capacity; over a third of the job losses in the recession have involved complete plant closures.

There has been some success in generating and attracting new industry, notably major new investment by the motor vehicle industry in the early 1960s, continuing growth of the capital-intensive petroleum and chemical industries and development of certain other advanced technology industries. The North West has the second largest number of headquarters in the United Kingdom after the South East, including such important regionally-based companies as Coats-Viyella; Renold; Simon Engineering; Pilkington Brothers; British Vita; and Scapa Group.

As nationally, there has been growth in the service sector, although (as noted earlier) this has not been sufficient to offset the large-scale contraction in traditional industries. Many of the newer industries, such as electronics, have been reducing employment as a result of technological and market changes, and in a situation where national competitiveness in manufacturing depends on improving productivity with the likelihood of reduced demand for labour, the North West with its manufacturing bias remains vulnerable. Also, the new firm formation rate is lower than in the South East, and despite a number of new developments, the North West is not getting a proportionate share of the new high technology activities which are developing rapidly in other areas of the United Kingdom, notably in the South East and the area between Glasgow and Edinburgh.

Allied to these economic difficulties, most of the North West’s urban and industrial infrastructure, because it industrialised so early, is amongst the oldest in Europe. There are many industrial premises in poor structural condition or otherwise inadequate for the needs of most modern industry, for example multi-storeyed textile mills or old sites with poor access and parking facilities. There is much under-utilised land and buildings, and the region, with a significant amount of former mining and industrial land in need of reclamation, has one of the worst dereliction burdens in the United Kingdom. Outworn sewerage systems also present a widespread problem of underground dereliction. The need thus exists for a major renewal of much of the region’s infrastructure, both to meet the requirements of industry and the community as a whole.

The area most affected by structural decline and unemployment is Merseyside which demonstrates most of the region’s problems and some peculiarly

its own. The underlying long-term problem lies in the decline of the Port of Liverpool, the source of Merseyside's original prosperity, with changes in trading patterns. In addition to the major contraction of employment in the docks themselves, there has been the even larger indirect effects on port-related services such as distribution, and the decline of port-related industries such as food processing. Merseyside has had the most persistent record of high unemployment in Great Britain in recent years. In May 1991 for instance, unemployment stood at 13.4 per cent in the Liverpool Travel-To-Work-Area.

In spite of its difficulties and problems relating to long term unemployment Merseyside, together with most parts of the region, now gives the impression of greater optimism than formerly. Trade and investment have risen at the Port of Liverpool, which doubled its traffic in 1988, handling almost 20 million tons of cargo. In 1990 the abolition of the National Dock Labour Scheme contributed to an increase in trading activities of over 50 per cent compared to the previous year.

With respect to other parts of the region, there have always been pockets of higher unemployment elsewhere -- {e.g.} St. Helens, Wigan, the inner city of Manchester and the Lancashire coastal towns -- but unemployment in the 1970s in the rest of the region had overall tended to be about the same as the national average. However, the impact of the recession in the late 1970s and early 1980s changed this picture, and the textile towns of North and East Manchester, and North East Lancashire, were particularly affected by rising unemployment. Despite some improvement during the 1980s, unemployment rates remain relatively high.

XII. A Regional Case Study: Regional and Urban Policies in the North West Region

Development measures aimed at creating the right conditions for investment and employment growth in the region include assistance for the modernisation, diversification and expansion of existing industry, and the attraction of new industry, particularly in manufacturing, but also in services (including tourism), by the encouragement of innovation and new enterprise, advisory services directed towards small firms, the provision of appropriate training and educational facilities to cater for the needs of incoming industry and technical changes in existing industry, and the renewal and new provision of infrastructure. The last extends from support by way of advance factories with the particular role of focusing development in specially needy areas, site provision and servicing, to major renewal of basic services and the clearance of derelict land to provide new industrial sites and to improve the general environment.

The following chapter examines these policy measures in greater detail, focusing in particular on examples visited by the OECD Study Group. The chapter first addresses regional policy measures operated by the DTI in the North West, followed by a review of inward investment and urban policies.

Regional policy in the North West

A large part of the North West has Assisted Area status. The Development Areas encompass the Travel-To-Work Areas of Liverpool, Wirral and Chester, Runcorn and Widnes, St. Helens and Wigan, and Workington, and designated Intermediate Areas are northern/central parts of Manchester, Bolton and Bury, Rochdale, Oldham, Accrington and Rossendale, and Blackburn.

Under the main regional incentive, Regional Selective Assistance, RSA expenditure associated with offers accepted in the North West amounted to £26.4 million in 1991-92, involving associated project costs of £162 million and in excess of 6 500 (estimated) new and safeguarded jobs. A further £1.9 million of expenditure was associated with offers accepted under the Regional Enterprise Grant scheme (associated project costs: £34 million). Regional incentive spending by DTI in the North West comprised c.£39 million in 1991-92 (including payments for RSA and REG and continuing payments under defunct Regional Development Grant schemes) (see Table 12.1).

Under the European Community's Structural Funds, parts of the North West designated as "Objective 2" Regions (regions in industrial decline) include the whole of Greater Manchester and Merseyside, parts of Lancashire and Cheshire, and the Workington and Whitehaven Travel-To-Work-Areas of Cumbria. Funding of over £200 million has been allocated to the region since the reform of the Structural Funds in 1988. Most of the expenditure is being administered through two Integrated Development Operations (Merseyside and Manchester/Salford/Trafford) and a National Programme of Community Interest -- Mersey Basin Phase II.

Inward investment in the North West

The promotion of foreign direct investment (FDI) in the North West Region is led by INWARD, a Regional Development Organisation funded by central and local government as well as the business community. In 1990-91, INWARD had an income of £1.33 million, of which the DTI provided almost two-thirds of funding.

INWARD operates within the FDI promotion structure headed by the Invest in Britain Bureau, but the organisation also has two overseas offices of its own operating in North America and Japan and a part-time consultant in Germany. Since its formation in 1985, INWARD has been associated with the attraction of c.80 foreign investment projects to the North West, involving £185 million investment and estimated employment of 4 000 new/safeguarded jobs. (However almost one-quarter of the jobs are accounted for by projects undertaken by UK-owned organisations). With respect to non-UK inward investment projects, the Region is heavily reliant on investment from the United States which accounts for over half of all employment associated with FDI in the North West

over the 1985-91 period (INWARD, 1992).

Overall, the North West is a base for an estimated 800 overseas companies. These include General Motors, Heinz, Kelloggs, Procter and Gamble and Siemens (all of which have recently undertaken new investment in the region), as well as Ford, Philips, Volvo, BASF, Sharp, YKK and Brother Industries.

Urban policy in the North West

{New towns}

The region has a vast inheritance of poor housing, especially in Manchester and Liverpool, where the problem has been at its worst. Policy responses have varied from major rehousing programmes in the city centres, {e.g.} Hulme in Manchester, to overspill type agreements whereby areas on the periphery of the cities provide land for new houses, and to New Towns.

The region now has four New Towns. The older established ones, at Runcorn and Skelmersdale, begun in the early and mid-1960s, accommodating overspill population from Merseyside. The two newer ones, at Central Lancashire (Preston, Leyland, Chorley) and Warrington (which merged administratively with Runcorn) developed as regional growth areas to relieve housing pressures generally. All the New Towns are now past their active development phase and are therefore run by the Commission for New Towns, a government appointed agency responsible for the disposal of publicly owned land and property now in 17 English New Towns.

{The Urban Programme}

Worsening economic and social problems in the inner city areas have led to the setting up of new "Partnerships" between central and local government in Manchester/Salford and Liverpool under the Urban Programme to address inner city problems. The first programmes came into effect on 1 April 1979 with an emphasis on economic and environmental measures to stabilise the economy and reduce the loss of population. Other towns in the region also receive assistance under the Inner Urban Areas Act as either Programme Authorities or Designated Districts. The Urban Programme is the main instrument used to fund inner city projects in the North West, with an estimated allocation of £42 million in 1988-89 for the region’s inner cities. Additional funding is provided through City Grant (£8.4 million for 16 applications in 1988-89) and Derelict Land Grant (£19.3 million in 1988-89) (DoE, 1990).

{Urban development corporations}

Three urban development corporations operate in the North West -- in Central Manchester, Trafford Park and Merseyside -- all of which were visited by the OECD Study Group. Together the three corporations received government grant-in-aid of £39 million in 1988-89 (DoE, 1990).

The Merseyside Development Corporation (MDC) was formally established in March 1981 to deal with the primary objective of regenerating 350 ha of extremely derelict and disused dockland in the Merseyside area. Until early 1987 it was only one of two such Urban Development Corporations in the United Kingdom, applying the New Town Development Corporation concept -- powers of planning, land assembly and disposal, etc. -- to inner areas, the other being in the London docklands. Its designated area has twice been extended and now covers 2 400 acres, three times the original site. Government expenditure through the MDC totalled £195 million between 1981 and 1989; the 1989/90 budget was £23 million with £164 million projected for 1990-91.

According to MDC figures, the Corporation has attracted direct private investment of £109 million, the development of 284 000 square metres of industrial and commercial floorspace and has been involved with the creation of 4 626 permanent jobs. The most obvious results of this activity are evident on the Liverpool waterfront with the restored Albert Dock, the creation of the Brunswick Business Park and the residential development taking place on part of the former International Garden Festival Site.

In October 1986 the Secretary of State for the Environment announced that four new Urban Development Corporations were to be set up modelled on the Merseyside and London Docklands example. The first of these was to be in the Trafford Park area of Greater Manchester. The Government indicated in December 1986 that the Development Corporation boundary was to take in much of

the North Bank land, the uppermost reaches of the Manchester Ship Canal as well as the derelict Irlam Steel Works, covering some 3 000 acres. The Corporation officially began operating in February 1987. Stimulated by £68 million of pump-priming investment by the Trafford Park Development Corporation (TPDC), some £490 million of private sector investment had been attracted to Trafford Park by March 1991, including major investments by existing well-established companies such as Kelloggs, Cerestar and Procter and Gamble, together with new investment from companies moving into the area. Fifty-eight hectares of derelict or unused land have been reclaimed and more than 220 000 square metres of new development completed. Since the TPDC was established, over 350 companies have moved into the Park (the total number is c.1 000) and more than 3 200 new jobs have been created.

In December 1987, the Government announced that it was to establish a new UDC in central Manchester, covering an area of about 470 acres and with a budget of £54 million over five years up to 1992-93. The UDC officially came into being in June 1988 with the remit of developing and projecting Manchester's role as an international city and extending the existing city centre both functionally and geographically. New residential communities are being established in canal-side locations and refurbished textile warehouses, and emphasis has been placed on expanding leisure and tourism facilities as well as the provision of high quality, flexible office accommodation. After three years, private sector investment in the UDC area was £188 million with a further £450 million anticipated over the subsequent three years.

The UDCs now have a wider role in administering the City Challenge process (see Chapter VIII) in Urban Programme Areas across the region.

{City Action Teams}

Among the City Action Teams (CATs) created in 1985, to focus government programmes more effectively on the inner cities by using the schemes of DTI, DOE and MSC in conjunction with each other, two Teams were set up in the North West -- in Manchester/Salford and Liverpool.

{Task Forces}

The North West has three Task Forces currently operating in Moss Side/Hulme in Manchester (established in 1986) and Toxteth/Granby in Liverpool (1989) and in Wirral (1990) with the aim of improving quality of life and employment opportunities in these areas.

The Toxteth/Granby Task Force area, visited by the OECD Study Group, provides a vivid example of the problems of regeneration in areas of severe urban deprivation. The Granby Ward has an unemployment rate of 60.1 per cent (although the area is a very localised one of the Liverpool TTWA where the unemployment rate is around 14 per cent) with an absence of large employers and a lack of skills and qualifications among the local population. Almost all of Liverpool's black and other ethnic groups are concentrated in the area; of the area's 40 000 population, 21 600 are white (54 per cent), 14 400 (36 per cent) are black and 4 000 are Chinese.

{Enterprise Zones}

Two Enterprise Zones were designated in the North West in August 1981 -- at Speke, on Merseyside, and at Salford Docks/Trafford Park, Greater Manchester -- in the first round of announcements. A second round of Enterprise Zones designated a further two zones -- Workington in Cumbria and North East Lancashire, and an extension to the existing Zone at Speke. As noted earlier, the Zones provide benefits through relaxed planning requirements, speedy handling of remaining planning controls, exemption from Uniform Business Rates, 100 per cent capital allowances on industrial and commercial premises, exemption from Development Land Tax, and reductions in government requests for statistical information. Up to December 1989, the four Zones were associated with an increase in employment of 21 500 employees (half of which were accounted for by the Salford/Trafford EZ); over the period 1988-89, investment in construction exceeded £41 million.

Freeports

The Freeport concept was launched in December 1984 with the designation of six zones (adjacent to seaports and airports) across the United Kingdom where goods could be imported, processed and re-exported free of all customs

levies. Goods produced or assembled there only attract duty if they are subsequently shipped into the Freeport's own country. However, the initiative has had only limited success; of the original six, one has ceased trading and two are "non-operational". Liverpool, the largest UK Freeport, has been one of the more successful areas and handles more than £2 million worth of goods each week. The Freeport area on Merseyside covers a 600 acre site from Alexandra Dock to Crosby Marina.

Regional technology policies in the North West

{Regional technology transfer}

The Regional Technology Centre (RTC) in the North West, NIMTECH, is one of the most mature centres in the national RTC network. NIMTECH (visited by the OECD Study Group) was formed in 1986, by industrial and academic organisations in the region originally as a vehicle to promote higher education/industry links. As the region's RTC, it has a staff of 16 (most of whom are secondees or contract staff) and operates as a limited company. It has a limited income of £300 000 funded mostly from subscriptions, fee income and a small proportion of government funding and other grants.

NIMTECH is controlled by a board, comprising representatives of North West industry, higher education institutes and other technology organisations. It has c.125 member companies in the region, and its main fee-earning activities include: negotiations of partnerships and licensing agreements on behalf of member companies; training facilities and courses; technology problem solving; technology audits; participation in European technology transfer networks; and seminars, conferences and publications.

{Technology parks}

The North West has a range of science parks located throughout the Region -- Bolton Technology Exchange, Manchester Science Park, Merseyside Innovation Centre, Salford University Business Enterprises and Westlakes Science Park. However, many of these are relatively small scale covering sites of less than two hectares. Larger initiatives include the Wavertree Technology Park and the Birchwood Science Park at Warrington, a major New Town development built around the UKAEA/BNFL presence.

The Wavertree Technology Park (visited by the OECD Study Group) was set up in December 1982 as a means of providing Liverpool with "an opportunity to attract the high quality jobs associated with high technology industry". A limited company created with participation by Liverpool City Council, English Estates and Plessey PLC (which subsequently withdrew). The Park was created on 26 ha of derelict land close to the commercial centre of Liverpool. Initially, infrastructure and landscaping of the site was undertaken funded by £6 million of Derelict Land and Urban Programme grants; the site was subsequently developed by English Estates with private investment of c.£10 million, and (in late 1991) the Park accommodated 38 enterprises employing more than 1 400 people. (A major investor was Barclays Bank which has established a £5.2 million data processing centre supported by DTI assistance of £1.7 million.) The Park is currently being extended with a further 9 ha of adjacent land with the potential for 1 500 jobs; it is anticipated that government funding of £6 million will attract £30 million of private sector investment.

XIII. Conclusions

The preceding chapters in this report have reviewed in detail the trends and patterns of regional disparities in the United Kingdom and the nature of the regional policy response with respect to the rationale and objectives of policy, the package of incentives and infrastructure measures, and the designation of Assisted Areas. The report has also examined the role of inward investment, the regional dimensions of research and innovation policies, and the growing importance of urban policies. To illustrate the operation of these policies in practice, the report has described the specific regional problems of the North West of England and the implementation of regional, technology and urban measures in the region.

This final chapter of the report discusses some of the issues raised by recent trends in regional problems and policies in the United Kingdom and particularly issues which were raised by the OECD Study Group during its visit.

From the perspective of regional policy, neither the disparities nor the policy measures described in this report are unusual for the OECD. Many of the problems facing regional policy-makers in the United Kingdom are familiar in other OECD countries, notably the challenge of restructuring old-industrialised regions. Almost all highly developed countries have regions which need to diversify their industrial and occupational structure; to create employment opportunities and reduce youth and long-term unemployment; to promote entrepreneurship and SME development; to undertake the (extremely costly) clean-up and recycling of land previously used by industry; to undertake landscaping and environmental improvements to air and water quality; and to improve residential accommodation and community facilities.

The regional policy response in the United Kingdom also has many commonalities with other countries. The main UK regional incentive, Regional Selective Assistance, is equivalent to discretionary project-related capital grants in France (the {prime d'amenagement du territoire}), Germany ({Investitionszuschuss}) and Belgium ({prime en capital/Kapitaalpremie}). The maximum nominal rate of award and the level of regional aid expenditure is in line with most competitor countries, and the spatial coverage of the UK Assisted Areas is similar to designated areas in other northern European countries.

For the OECD group, the distinctive feature of spatial problems and policies in the United Kingdom -- relative to most other OECD countries apart from the United States -- is the condition of some urban, particularly inner city areas and the wide range of urban policy measures in operation.

Many of the regional problems listed above are magnified. Unemployment, for example, rises to extreme levels in certain very localised inner city areas (60 per cent in Granby in Liverpool), with a very long-term persistence of under-employment or unemployment among certain social groups. Furthermore, the inner city problems are long-standing; urban and industrial decline in Liverpool, for instance, dates back to the First World War.

Against this background, the concentration on the inner cities as "the regional problem" and the emphasis on urban policy, with increasing resources and political priority in the course of the 1980s, is understandable. Numerous government departments and agencies are active in the inner cities, implementing a diverse range of measures to promote environmental improvement and economic development.

In the view of the Group, the UK approach to regional and urban development has several positive features. First, there has been considerable success in utilising the resources of the private sector in economic development. The Merseyside Development Corporation, for example, claims to have attracted £109 million of private investment over the past decade. Although much of this may be restricted to property development, there also appears to have been significant employment creation.

Second, the United Kingdom has had major success in attracting foreign direct investment (net overseas investment of £319 billion in 1990), and a high proportion of new projects appear to be locating in the less prosperous regions. In the North West, the regional inward investment promotion agency,

INWARD, has been associated with inward investment of £185 million over the 1985-1991 period.

Third, there is clearly a high level of commitment among the participants in urban and regional initiatives. Despite the severity and scale of problems such as structural unemployment and urban deprivation in some areas, the perception of the Group was one of significant optimism and great stress placed on the potential of local areas among local and regional organisations in both the public and private sectors.

Lastly, the United Kingdom places emphasis on assessing and evaluating the cost-effectiveness of its regional and urban measures. The DTI operates a "rolling" evaluation for all its measures; over the past five years, studies have been completed for each of the existing regional incentives (RSA, REG and Enterprise Initiative), as well as past schemes (RDG and OSIS) and the regional policy package as a whole. The DoE also has an Inner City Research Programme for measures such as the Derelict Land Grant and Urban Programme. This emphasis on evaluation is in contrast to some other OECD countries where evaluation is less extensive.

In terms of practical operation, the Group were most concerned with the degree of co-ordination of UK regional economic development policies; and the extent of decentralisation, seeking to understand how these processes work in the United Kingdom.

With respect to policy co-ordination, regional policy in the United Kingdom appears to operate in a much more isolated manner than in some other OECD countries. Different aspects of regional planning such as urban and industrial regional policy are not co-ordinated by a formal body, such as exists as in some other countries. At first sight, it is unclear how contradictions or possibly even conflicts between regional and urban policies are avoided.

In the first place, the two policy areas differ in terms of their origin and application. Regional policy in the United Kingdom has a longer history

than virtually anywhere else in Europe, dating back to before the Second World War.

Urban aid has been in existence for some 20 years, mainly with social and environmental objectives, but over the past decade it has experienced a significant increase in priority and expenditure to address the requirements of inner city regeneration. This contrasts with pressures, {e.g.} from the EC to reduce sectoral support for industry and to reduce coverage of Assisted Areas.

Secondly, the objectives and implementation of the two policies are distinct. Regional industrial policy promotes capital investment and job creation, mainly through aid to individual firms or projects. It operates over relatively large areas, designated on the basis of Travel-To-Work-Areas, and is administered by the DTI.

By contrast, urban policy is aimed at improving the environment for business -- through land reclamation and redevelopment, and regeneration of redundant buildings. Operational areas are closely-specified, sometimes in areas as small as electoral wards. Assistance is generally not provided to individual firms but, instead, through financial support for local authorities or other organisations such as the UDCs.

With respect to the extent of decentralisation, both regional and urban policies in the United Kingdom appear to be "top-down" with decision-making about policy formulation resting with central government. Implementation of policy instruments is undertaken by the regional offices of central government departments.

This situation contrasts significantly with the trend in most OECD countries. Aside from countries with federal or confederal systems and powerful regional governments -- such as the United States, Canada, Austria, Germany or Australia -- many other OECD states have been devolving responsibility for regional development to regional and local levels. Over the past decade, the decentralisation of regional development has taken place in France, the Netherlands, Spain and the Nordic countries.

The limited decentralisation to regional and local levels applies to the involvement in policy-making of both public and private sector organisations. Compared to the experience of other OECD countries such as Germany or France, there appears to be little participation in local economic development strategy by established local intermediaries such as banks or chambers of commerce. Participation of the private sector, in conjunction with local government, has tended to be somewhat {ad hoc}.

This leads to consideration of whether more formal co-ordination between regional and urban policies -- at central government level in designing policy, and at regional and local levels in the delivery of policy -- is desirable. There is also the question of the possible role for a more decentralised approach to regional development with greater prominence and involvement in policy-making for regional and local organisations.

In practice, the UK system is more complex than a simple description suggests. The important point to recognise is that the British system relies heavily on less visible co-ordination. In contrast with the more formal approach in some other OECD countries, there is no framework for co-ordinating regional planning and regional policy, since the United Kingdom does not operate {aménagement du territoire}, and much looser and informal arrangements tend to apply.

These informal arrangements nevertheless allow considerable policy co-ordination between regional and urban policy. When policy is being formulated, it is conducted across the relevant departments responsible for urban policy, inner city policy, land reclamation, industrial policy, regional policy, etc., involving the Departments of Trade and Industry, Environment and Employment, as well as the Scottish and Welsh Offices.

Specifically with respect to the Action for Cities initiative, interdepartmental liaison is headed by a "Ministers Meeting" chaired by DoE and involving inner city "sponsor ministers" from the DTI and Employment Department, as well as the Home Office and Departments of Health, Education and Science, Social Security and Transport. Representatives from the Treasury, Welsh, Scottish and Northern Ireland Offices are also involved. This Meeting is supported by "Official Groups" of Deputy Secretaries and Under Secretaries from the same departments.

The delivery of policies also involves co-ordination -- and

decentralisation. Most regional and urban measures are implemented by the Regional Offices of the DTI, DoE and ED. Although there is considerable informal co-ordination between these offices (since in many cities, they are located in the same building), they also co-operate more formally through the City Action Teams "to ensure that programmes and initiative reinforce and complement each other". Each Team has a sponsoring Government minister to promote co-operation not only between government departments but also with businesses, local authorities, the voluntary sector and local communities.

Several of the initiatives described in this report, such as the Wavertree Technology Park, indicate how a range of different agencies and measures have been applied in a co-ordinated manner in practice.

Under the UK regional planning system, there is also significant decentralisation. Although local authorities were subject to greater central government control during the 1980s, they still retain economic development powers. At national level (under the Local Government and Housing Act), the DoE is required to provide detailed planning guidance -- to set out the framework for regional planning -- for a period of 20 years, covering topics such as land use and housing, as well as more detailed questions about land use and the appropriate mix between industrial and other types of development. Within this framework, local authorities are required to provide economic development strategies for their areas with full consultation of local interests.

With respect to the substantive differences between regional and urban policies perceived by the Group, it is argued that there is a need for policy to address issues at both spatial scales. Moreover, there is a high correlation between urban problem areas and regional policy Assisted Areas; three-quarters of the areas designated for urban policy are also designated for regional policy purposes.

In addition to the questions of co-ordination and decentralisation, the Group made several suggestions regarding the content of regional policy in three areas: services, technological change and environmental issues.

First, with respect to the sectoral focus of regional policy, the Group expressed surprise at the concentration of regional support on manufacturing. Service industries are eligible for Regional Selective Assistance, but manufacturing is the largest recipient of aid. The reason for this is mainly that services find it difficult to prove additionality. Consequently, a greater orientation of regional aid towards the service sector would not be cost effective.

The United Kingdom has considerable experience of regional policy support for producer services. In the past, the United Kingdom has operated various forms of regional assistance for services, first through the Office and Services Industry Scheme during the 1970s and early 1980s and, between 1984 and 1988, via the standard Regional Development Grant. Although these schemes have been abolished, the demand for services continues to be promoted through the Enterprise Initiative which has a preferential award rate for the Assisted Areas. The Initiative encourages firms to use business services and thereby also promotes the availability of consultancy, design, export and other business services in the problem regions.

Second, the Group considered that the future development of UK regional policy could profitably give a higher profile to the promotion of technological change by fostering technology transfer, greater co-ordination between regional policy and national research and technology policies and support for regional technological infrastructure. This has been a focus of regional policy in several OECD countries {e.g.} France and Sweden where significant resources are provided for regional technology centres.

At present, the United Kingdom does provide some support for regional innovation and technology transfer. One of the components of the Regional Enterprise Grant provides assistance for innovation projects undertaken by small firms, and the DTI part-finances a network of 12 Regional Technology Centres. However, the assistance is very small scale. The innovation component of REG was (until recently) restricted to very small firms with fewer than 25 employees (now 50 employees), and the maximum grant is only £25 000. Further, the RTCs also operate at a limited scale: the NIMTECH centre in the North West has only four full-time staff and a budget of £300 000.

Lastly, an important issue for many members of the Group is the environmental impact of policy measures. An increasingly important issue is the relationship between the environment and regional policy. The Group concluded that a greater consideration of environmental factors in the development of regional and urban strategies and the implementation of policy instruments would be a feature of future policy in the OECD. For example, alongside the assessment of additionality, viability, regional benefit, etc., in the award of Regional Selective Assistance, the environmental impact of assisted projects is already taken into account when the issue arises.

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Table 3.1 Regional differences in employment growth, 1979-1990
(percentage change)

	Civilian workforce	Employees in employment	Self-employment
North	- 2.9	- 10.1	48.1
Yorks. & Humbs.	- 2.2	- 8.6	102.2
East Midlands	11.8	2.8	94.8
East Anglia	22.2	13.1	97.5
South East	14.4	6.8	84.0
South West	19.5	10.5	115.1
West Midlands	2.0	- 6.6	92.2
North West	0.5	- 7.0	52.3
Wales	6.4	- 2.3	60.5
Scotland	2.7	- 4.9	54.4
Northern Ireland	4.5	- 1.7	- 9.4
United Kingdom	8.4	0.2	- 78.9

{Source}: Regional Trends, HMSO, 1991.

Table 3.2 Regional differences in industrial structure
(per cent of total regional employment)

	Manufacturing			Private services		
	1980	1990	Diff.	1980	1990	Diff.
North	30.5	24.0	6.5	30.6	37.8	7.2
Yorks. & Humbs.	31.8	24.0	7.8	30.5	39.5	9.0
East Midlands	34.7	28.2	6.5	29.1	36.0	6.9
East Anglia	25.4	19.4	6.0	33.6	41.8	8.2
South East	22.7	15.0	7.7	39.8	49.9	10.1
South West	24.0	18.9	5.1	35.7	42.7	7.0
West Midlands	40.0	28.7	11.3	28.4	38.3	9.9
North West	32.9	25.2	7.7	33.7	40.8	7.1
Wales	26.2	21.7	4.5	29.3	36.0	6.7
Scotland	25.3	19.8	5.5	34.2	40.2	9.0
Northern Ireland	22.8	17.8	5.0	29.0	34.9	5.9
United Kingdom	28.0	20.6	7.4	34.3	42.9	8.6

{Source}: Cambridge Econometrics, 1991.

Table 3.3 Regional differences in unemployment
(percent of total regional employment)

	1979	1986	1990	1979-1990
North	6.4	15.3	8.7	2.3
Yorks. & Humbs.	4.0	12.5	6.7	2.7
East Midlands	3.3	10.0	5.1	1.8
East Anglia	3.1	8.5	3.9	0.8
South East	2.6	8.3	4.0	1.4
South West	4.0	9.5	4.4	0.4
West Midlands	4.0	12.9	6.0	2.0
North West	5.0	13.7	7.7	2.7
Wales	5.3	13.5	6.6	1.3
Scotland	5.7	13.3	8.1	2.4
Northern Ireland	7.9	17.4	13.4	5.5
United Kingdom	4.0	11.1	5.8	1.8

{Source}: Regional Trends, 26, HMSO, 1991.

Table 3.4 Sub-regional disparities in unemployment (May 1991)

	Highest unemployment travel-to-work-area		Lowest unemployment travel-to work-area	
North	S. Tyneside	16.1	Windermere	2.1
Yorks. & Humbs.	Rotherham & Mexborough	13.3	Northallerton	3.2
East Midlands	Skegness	11.2	Matlock	3.6
East Anglia	Gt Yarmouth	9.3	Cambridge	3.8
South East	Thanet	11.7	Winchester & Eastleigh	3.1
South West	Redruth & Camborne	13.4	Honiton & Axminster	4.8
West Midlands	Wolverhampton	10.6	Leek	3.7
North West	Liverpool	13.4	Clitheroe	3.1
Wales	Aberdare	13.4	Llandeilo	3.8
Scotland	Cumnock & Sanquhar	16.9	Aberdeen	2.8
Northern Ireland	Strabane	23.8	Ballymena	9.1

{Source}: DTI (1991).

Table 3.5 Inter-regional migration flows, 1989
(thousands)

Region of origin	Region of destination	Net flows
North	55	54	- 1
Yorks. & Humbs.	90	95	5
East Midlands	88	95	8
East Anglia	52	59	7
South East	292	251	-42
South West	106	128	22
West Midlands	96	85	-11
North West	106	103	- 2
Wales	51	63	13
Scotland	59	65	6
Northern Ireland	16	10	- 5
United Kingdom	-	-	-

{Source}: Regional Trends, 26, HMSO, 1991.

Table 3.6 Regional disparities in GDP per head

	GDP per head (1989) (£)	Change UK = 100	1979-1989
North	6 522	86.6	- 4.5
Yorks. & Humbs.	6 649	88.3	- 4.7
East Midlands	7 131	94.6	- 1.5
East Anglia	7 460	99.0	5.0
South East	9 086	120.6	4.5
South West	7 187	95.4	4.5
West Midlands	6 898	91.6	- 4.4
North West	6 898	91.6	- 4.9
Wales	6 732	84.6	- 0.2
Scotland	7 021	93.2	- 1.9
Northern Ireland	5 758	76.4	- 1.7
United Kingdom (*)	7 534	100.0	
United Kingdom (+)	7 666		

{Notes}: (*) less Continental shelf; (+) with Continental shelf.

{Source}: Regional Trends, 26, HMSO, 1991.

Table 3.7 Regional differences in income and expenditure

	Total personal income per head (1989) (£)	UK=100	Consumers' expenditure per head (1989) (£)	UK=100
North	6 671	86.5	4 837	85.3
Yorks. & Humbs.	6 940	90.0	5 078	89.6
East Midlands	7 402	96.0	5 058	89.2
East Anglia	7 786	101.0	5 700	100.6
South East	9 047	117.3	6 725	118.6
South West	7 825	101.5	5 711	100.7
West Midlands	7 093	92.0	5 167	91.1
North West	7 042	91.3	5 386	95.0
Wales	6 493	84.2	4 888	86.2
Scotland	7 214	93.6	5 205	91.8
Northern Ireland	6 342	82.2	4 607	81.3
United Kingdom (*)	7 711	100.0	5 669	100.0

{Source}: Regional Trends, 26, HMSO, 1991.

Table 3.8 Regional differences in business registrations and deregistrations (1) per thousand working population (2)

	Net registrations (1982-89)	Total registrations	Deregistrations	Deregist. as % of registrations
North	4.27	71.42	54.46	76.2
Yorks. & Humbs.	3.52	70.77	54.48	77.1
East Midlands	3.30	65.27	50.00	76.6
East Anglia	2.86	56.01	44.37	79.2
South East	2.73	53.28	43.71	82.0
South West	2.63	55.94	46.09	90.6
West Midlands	2.43	50.87	42.86	90.6
North West	2.18	50.87	45.04	84.3
Wales	1.72	40.27	34.20	84.9
Scotland	1.81	40.85	33.90	83.0
Northern Ireland	1.58	41.38	31.61	76.4
United Kingdom (*)	3.09	58.61	46.74	79.7

{Note}: (1) Registrations for VAT;
(2) Civilian workforce.

{Source}: Regional Trends, 26, HMSO, 1991.

Table 5.1 Stock of premises and factories completed 1990-1991

	Premises				Advance factories			
	Units		Area ('000m2)		Units		Area (m2)	
	AA	NAA	AA	NAA	AA	NAA	AA	NAA
North East	2 100	157	937	40	113	9	54 383	1 508
North West	1 633	433	383	138	24	23	14 067	3 607
Yorks-Humb.	704	315	185	53	49	26	24 339	3 189
E. Midlands	34	332	8	61	-	30	-	3 551
W. Midlands	49	231	9	35	-	7	-	1 483
South West	507	380	85	55	7	39	880	5 019
South East	-	422	-	58	-	32	-	4 113
Total (AA+NAA)	7 297		2 047		359		116 139	

{Source}: Industrial Development Act, Annual Report 1991.

Table 5.2 Improvement of basic services 1990-1991

Department	Service	Number	Estimated cost (£000)	Estimated grant (£000)
Dept. of Environment	Sewerage	11	2 100	325
	Water supply	3	52	9
Dept. of Transport	Roads	21	8 490	1 593
Scottish Env. Dept.	Roads	9	1 267	317
	Sewerage	1	282	85
	Water supply	1	31	9
Welsh Office	Roads	10	7 527	1 362
	Sewerage	1	646	194
	Water supply	7	76	22
Total		64	20 470	3 916

{Source}: Industrial Development Act, Annual Report 1991.

Table 7.1 RSA offers of assistance to overseas firms as a proportion of all offers in Great Britain, 1981/82-1991/92

	By Number of Offers (%)	By Value of Offers (%)
England	7	38
Scotland	18	55
Wales	15	44
Total Great Britain	10	45

{Source}: DTI, (IDA3) July 1992.

Table 7.2 Geographical distribution of foreign-owned manufacturing enterprises in the United Kingdom (1989)

Region	Employment (%)	Value-Added (%)
North	6.5	8.3
Yorkshire & Humberside	7.1	5.1
East Midlands	5.5	5.5
East Anglia	5.0	5.0
South East	30.6	33.4
South West	5.1	3.9
West Midlands	9.6	7.9
North West	12.0	13.4
Wales	6.3	6.2
Scotland	10.6	11.2
Northern Ireland	1.9	2.3
United Kingdom	100	100

{Source}: Business Statistics Office, Annual Census of Production (1989).

Table 7.3 Geographical distribution of new inward investment projects*, 1984-90

Region	New projects (%)	Associated employment** (%)
North East	9.9 (+)	9.0 (-)
Yorkshire & Humberside	5.1 (+)	5.1 (+)
East Midlands	4.3 (+)	4.4 (+)
South East***	14.8 (-)	7.9 (-)
South West	3.0 (-)	2.7 (-)
West Midlands	19.1 (+)	18.6 (-)
North West	11.6 (+)	12.0 (+)
Wales	15.7 (+)	13.6 (-)
Scotland	14.4 (-)	15.2 (+)
Northern Ireland	6.4 (+)	8.9 (-)
Not specified	0.3	2.6
United Kingdom	100	100

* Known to the Invest in Britian Bureau.
** Company estimate of employment created or safeguarded at time of decision to invest.
*** Includes East Anglia.
( ) Sign in brackets indicates an increase (+) or a decrease (-) compared with the corresponding share over 1979-83.

{Source}: Invest in Britain Bureau.

Table 7.4 Manufacturing employment in foreign-owned enterprises as a proportion of total manufacturing employment

	1985	1988
Non-Assisted Areas	13.6	12.6
Assisted Areas	13.5	13.3
Intermediate Areas	11.2	10.9
Development Areas	16.8	16.8
United Kingdom	13.6	12.9

{Source}: Business Statistics Office, Annual Census of Production (1989).

Table 8.1 Estimated expenditure under action for cities 1990-91 (England only)

Departmental programmes	£ millions
Urban Programme (DoE)••••••	261
City Grant (DoE) ••••••	49
Urban Development Corporations (DoE) •••	543
City Action Teams (DoE) •••••	8
Estate Action: provides additional resources for local authorities to revitalise their run-down housing estates (DoE)•	190
Derelict Land Reclamation (DoE)•••••	21
Funding for housing associations through the Housing Corporation and local authorities (DoE)••••	620
Housing Investment Programme: special allocation for inner cities + (DoE)•••••	100
Homelessness: special capital allocations to local authorities and housing associations ** (DoE)•••	147
Rooflessness in London: hostels, "move on" housing and accommodation agency (DoE)•••••	-
Housing Action Trusts (DoE)•••••	42
TOTAL DoE PROGRAMMES •••••	1 981
Task Forces (DTI)••••••	23
Support for inner city business, including Regional Selective Assistance investment and innovation grants/assistance for small firms, and English Estates (DTI)•••	192
TOTAL DTI PROGRAMMES••••••	215

continued....

Table 8.1 continued

Departmental programmes	£ millions
Training, programmes to encourage enterprise (including support for small firms) and to help people back into work (ED)	1 040
TOTAL ED PROGRAMMES	1 040
Section 11 grants to LAs for staff expenditure to meet special needs of Commonwealth citizens (HO)	73
Safer cities (HO)	6.5
Drugs Initiative (HO)	-
Roads (DTp programmes and TSG supported local authority roads DTp)	300
City Technology Colleges (DES)	45
Grants for Education Support and Training (inner city targeted) (DES)	
England Total	3 660
Scotland and Wales++	400
ACTION FOR CITIES TOTAL	4 060

{Notes}:
DoE: Dept. of Environment.
DTI: Dept. of Trade and Industry.
ED: Dept. of Employment.
DTp: Dept. of Transport.
DES: Dept. of Education and Science.
HO: Home Office.
+ For 1990-91, resources within the total of Housing Investment Allocations were distributed separately to inner city authorities as special allocations. For 1991-92, these resources have been added to an enhanced Estate Action programme, mainly targeted on inner cities.

** A proportion is used to tackle homelessness outside inner city areas.

++ Programmes in Scotland and Wales differ in operation and geographical coverage.

Table 11.1 Change in number of employees in employment
(1980-90 Employment Estimate Series)

Industry (SIC 1980)	June 1980 (000s) Total	June 1990 (000s) Total	Change 1980-1990 No.(000)	Change 1980-1990 (%)
All Inds. and services	2 644	2 488	- 156	- 6.3
-- Males only	1 512	1 279	- 233	- 18.2
-- Females only	1 132	1 209	+ 77	+ 6.4
Agriculture, Forestry and Fishing	16	15	- 1	- 6.7
Energy & Water supply	68	44	- 24	- 54.5
Manufacturing Industries	931	680	- 251	- 36.9
Metal Manufacturing & Chemicals	149	98	- 51	- 52.0
Metal Goods, Engineering & Vehicles	389	289	- 100	- 34.6
Remainder of Manufacturing	393	293	- 100	- 34.1
Construction	134	106	- 28	- 26.4
Services	1 493	1 642	+ 149	+ 10.0
Wholesale Distribution Hotels & Catering	235	249	+ 14	+ 5.6
Retail Distribution	248	236	- 12	- 5.1
Transport and Communications	166	140	- 26	- 18.6
Banking, Insurance, & Finance	162	244	+ 82	+ 33.6
Public Administration & Defense	215	247	+ 32	+ 13.0
Education, Health, etc.	468	526	+ 58	+ 11.0

{Source}: Department of Employment "Employment Estimates".

Table 11.2 Employees in employment (by industry) in the North West Standard Region* (September 1989)

INDUSTRY (SIC 1980)	No. of employees in employment in NW region		Industries as % of total labour in each industry	North West region's share of G. Britain employment in each industry
	N.West	G.Britain	(%)	
AGRICULTURE, FORESTRY & FISHING	16 000		0.7	1.4	5.3
ENERGY AND WATER SUPPLY	44 000		1.8	2.0	9.9
MANUFACTURING INDUSTRIES	660 900		27.2	23.1	12.8
Mechanical Engineering	87 800		3.6	3.4	11.6
Food, Drink & Tobacco	74 100		3.0	2.4	13.8
Electrical & Electronic Engineering	60 800		2.5	2.6	10.7
Chemicals	69 000		2.8	1.5	21.2
Paper, Printing & Publishing	50 500		2.1	2.2	10.3
Footwear & Clothing	53 600		2.2	1.3	18.9
Motor Vehicles & Parts	39 500		1.6	1.1	15.6
Textiles	36 600		1.5	0.9	17.9
Other Transport Equipment	39 000		1.6	1.1	16.3
Metal Goods n.e.s.	33 900		1.4	1.5	10.2
Non-Metallic Mineral Products	22 000		0.9	0.9	10.7
Rubber & Plastics	28 900		1.2	1.0	13.2
Timber & Wooden Furniture	29 400		1.2	1.1	11.8
Metal Manufacturing	10 700		0.4	0.7	6.7
Instrument Engineering	7 800		0.3	0.4	8.2
Office Machinery; Data Equipment	7 300		0.3	0.4	8.9
Leather, Leather Goods	3 000		0.1	0.1	15.2
Man-made Fibers	500		0.02	0.03	7.4
Other Manufacturing	5 100		0.2	0.3	6.2
CONSTRUCTION	115 100		4.7	4.8	10.8
SERVICES	1 595 500		65.6	68.7	10.4
Distribution, Hotels, etc.	515 300		21.2	21.1	11.2
Banking, Finance, Business Services & Leasing	242 300		10.0	11.9	9.1
Public Administration, Defence, Social Security	167 600		6.9	6.8	11.1
Medical & Other Health Services	162 500		6.7	6.4	11.5
Education	161 300		6.6	7.4	9.8
Transport & Communication	140 300		5.8	6.1	10.4
Remaining Services	206 200		8.5	9.0	10.3
ALL INDUSTRIES AND SERVICES	2 431 700		100.0	100.0	10.9

{Notes}:

* The Standard Region does not include Cumbria.

These figures are for September 1989 and were the latest available at the time of the study.

{Source}: Census of Employment.

Table 12.1 Regional policy expenditure in the North West Region

Regional Incentives (1991-92)

	Offers Accepted			
Applications	Number	Value (£ 000)	Associated Project Costs (£ 000)	Payments (£ 000)
RSA	241	231	26 414	162 392	23 562
REG	336	195	1 907	34 447	1 956
RDG (1)	-	-	-	-	5
RDG (2)	-	-	-	-	13 370

Enterprise Initiative (1988-92)

Applications received	13 823
Projects approved	10 711
of which Assisted Area and Urban Programme Area	7 776
Completed projects	6 896
Actual amount spent (£ 000)	24 316

Infrastructure (English Estates)

EIEC expenditure (£ 000) (1991-92)	12 543*
Premises managed (March 1992)	
-- Assisted Area Units	1 672
-- Assisted area (m)	292 272
-- Non-Assisted Area Units	388
-- Non-Assisted area (m)	112 903
-- Employment in occupied premises (1992)	12 848
Premises building completed (1991-92)	
-- Assisted Areas Units	133
-- Assisted area (m)	24 268
-- Non-Assisted Area Units	8
-- Non-Assisted Area (m)	1 120

{Note}: * Expenditure funded by receipts from rent and sale of property.

RSA: Regional Selective Assistance.
REG: Regional Enterprise Grant.
RDG(1): Pre-1984 Regional Development Grant.
RDG(2): 1984-88 Regional Development Grant.

RDG(1) and RDG(2) figures refer to payments.

{Source}: Industrial Development Act 1982, Annual Report 1992.

END-OF-TEXT