



The Impact of the Recession on Northern City Regions – Summary

Institute of Public Policy Research & Joseph Rowntree Foundation, Oct 2009

This document attempts to evaluate the geographical effect of the recession in the city regions of the North of England.

Summary

Based on evidence from Office for National Statistics and the Labour Force Survey the report focuses on 3 elements which are viewed as key to the impact of the recession.

- Unemployment rates and their disproportionate growth in areas of deprivation based on unemployment rate changes in the 18 months between March 2008 and Sept 2009.
- Over reliance on manufacturing.
- Housing projects cut back due to imminent public spending cuts.

Unemployment

ONS evidence indicates that between Q1 2008 and Q2 2009 the greatest negatives changes in output by sector UK wide were seen in manufacturing and construction sectors (-14%) whereas business services and finance fell by a little over 4%.

Amongst regional unemployment rates (JSA claimant count providing the most up to date intelligence) the greatest change (increase in rates) has been in Northern Ireland, North East England and the West Midlands. The report finds that out of the top 20 districts in this analysis which have seen greatest increases in unemployment only 2 are in the Yorkshire and Humber region.

The government's Index of Multiple Deprivation incorporates 37 indicators, however there is a time lag in compiling this data. The IPPR therefore have taken unemployment to be a definition for deprivation (and broader measures of deprivation it says are closely related to unemployment) and these data suggest that the recession so far has had a bigger impact on relatively deprived communities within northern-city regions.

Manufacturing

The report suggests that part of the cause for manufacturing output to fall so significantly was the desire of firms in this sector to reduce inventory levels rapidly. This impacted heavily on those regions with a significant manufacturing base. More positively, survey data reveals that these inventory levels are now extremely low, leading to a stabilisation in recent months and any revival in demand could lead to an

immediate increase in output and possibly employment too. Indeed there is an argument that sterling's relative weakness against the Euro and US dollar puts UK manufacturing in a strong position. The UK continues to have some of the most productive car plants, and when the recession comes to an end, the UK automotive industry can benefit from weak pound.

The report also reveals findings from a CIPD survey (2009) that the region most likely to recruit staff in the near future (across all sectors) is the North (72% of employers, against 54% in the Midlands).

Public spending

The report acknowledges cuts in public spending will impact on employment and incomes and as such the IPPR specifically identifies 3 areas of concern ;

Where public spending is equivalent to a large proportion of GVA. The North of England is seen as vulnerable given that it relies more heavily than other parts of England on public spending. Public spending is equivalent to 52% of GVA in the North East and 47% in the North West and as such these regions are considered most vulnerable.

Where the Lyons review has resulted in significant employment. The IPPR further reinforces its argument about the vulnerability of public sector jobs notably where large numbers have been created in response to the Lyons review for HM Treasury. Liverpool and Manchester were the 2 cities to gain in excess of 1,000 posts as a result of this review.

Where public sector jobs make up a significant part of the economy. The paper builds on work from Centre for Cities indicating that where public sector activities are the highest (within Northern city regions area) such as Newcastle, Liverpool, Barnsley and Blackpool vulnerability to public spending cuts are also significant.

Conclusions

The report emphasises that deprived wards in Northern city regions are likely to be heavily impacted upon by the recession given the 'triple whammy' of unemployment, over reliance on manufacturing and imminent public spending cuts. It concludes that relationships between deprived areas and economic opportunities are vital.