



4-2005

The Inevitability of Regional Variation in the United Kingdom

John Haugen '06

Follow this and additional works at: <https://digitalcommons.iwu.edu/parkplace>

Recommended Citation

Haugen '06, John (2005) "The Inevitability of Regional Variation in the United Kingdom," *The Park Place Economist*: Vol. 13

Available at: <https://digitalcommons.iwu.edu/parkplace/vol13/iss1/18>

This Article is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/ or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.

©Copyright is owned by the author of this document.

The Inevitability of Regional Variation in the United Kingdom

Abstract

First, the general history of the different regions must be considered, to the degree that explains innate qualities of specific regions. This can assist in understanding the roots of regional variation. Second, the situation of regional governance in the UK is important as it is the vehicle by which the current situation has risen and progress and change can be made. Third, it is best to look at both the history and current situation of economic statistics with special regard to regional differences in GDP per capita and the unemployment rate. Also to be considered is the idea of a "regional problem" and the criteria that collectively determine what qualifies as a problem. And fourth, I will explain the differences and hypothesize as to why they exist and what will happen in the future. I will look at the theoretical imbalance in the government through population and social analysis, and the practical imbalances through economic analysis. Through this, I intend to show the inevitability of regional imbalance in the UK. Moreover, the UK government must recognize these issues as regional and move to set up regional governments to aid the situation and improve each region. Inequity is inevitable, but when a large inequity is present, the government must intercede to diminish it.

The Inevitability of Regional Variation in the United Kingdom

John Haugen

I. INTRODUCTION

The most recent progress in the United Kingdom to confront issues of regional imbalance was New Labour's move to form the Scottish Parliament and Welsh and Northern Ireland Assemblies. The movement was brought forth to recognize and decrease some of the regional variations that exist in the UK. However, this legislation did not consider the many regional issues within England, and has left the entire UK government with an imbalance in representation. Since part of the reason to devolve governance was to increase local economic control, it should be noted that there are differences between regions in England that are as wide as the differences between England and Scotland or Wales. To better understand these issues, why they exist, and what can be done (if anything) to solve them, a few ideas must also be analyzed that parallel the issue of regionalization and devolution.

First, the general history of the different regions must be considered, to the degree that explains innate qualities of specific regions. This can assist in understanding the roots of regional variation. Second, the situation of regional governance in the UK is important as it is the vehicle by which the current situation has risen and progress and change can be made. Third, it is best to look at both the history and current situation of economic statistics with special regard to regional differences in GDP per capita and the unemployment rate. Also to be considered is the idea of a "regional problem" and the criteria that collectively determine what qualifies as a problem. And fourth, I will explain the differences and hypothesize as to why they exist and what will happen in the

future. I will look at the theoretical imbalance in the government through population and social analysis, and the practical imbalances through economic analysis. Through this, I intend to show the inevitability of regional imbalance in the UK. Moreover, the UK government must recognize these issues as regional and move to set up regional governments to aid the situation and improve each region. Inequity is inevitable, but when a large inequity is present, the government must intercede to diminish it.

II. HISTORY OF UK REGIONS: ACCEPTABLE IMBALANCE

There are some types of inequities between regions that are tolerable. Since, at the very least, the 18th century, London

has been a global power in the finance and trade. "During the course of the 18th century, City merchants, ship owners, and bankers gained large fortunes from maritime trade and the acquisition of new colonies" (Clout, 70). The economic prominence of London can possibly be traced back even further to the guilds and livery companies from the 16th and 17th centuries. Whatever way one views the situation, London has always been, comparatively speaking, more economically advanced than the rest of the UK. Because of its proximity to the North Sea via the Thames, its political importance, and its rich economic history, it is inevitable that London will continue as an economic power, especially relative to other regions in the UK.

Just as London's history is important to its economic position at the present, the manufacturing

"There are differences between regions in England that are as wide as the differences between England and Scotland or Wales."

sector has had great influence on cities in northern England. Because of the large decline in the manufacturing sector — partly due to the decrease in coal consumption and the increase in international steel competition — the northern areas of England have begun to decline economically. Part of this decline is inevitable; certain industries can eventually fall and the dependence on one specific industry by a region can cause a problem. This type of inequity is inevitable and can be explained by the theory of capitalism. There is and should be no method of decreasing these inequities. However, to what degree the decline should be allowed is the question. The point at which the decline should be confronted and policy should be implemented to counteract it is a matter I will consider in Section V.

III. REGIONAL GOVERNMENTS: DEVOLUTION

In the 1970s, it was decided to promote regional issues and to help shift tripartite regional strategy to have more of “a concentration on the regional economy, social welfare, and allocation of public expenditure” (Hogwood, 188). Despite the movement toward establishment of regional governments in the UK, the late 1970s attempts failed due to improper organisation and a lack of general public support. The next major movement was in 1998, when Tony Blair and his New Labour government held referenda to determine the best route for devolution in Wales, Scotland, and Northern Ireland (O’Neill, 171). The biggest result of the ensuing legislation was the Scottish Parliament, which has full legislative power in all areas except defense, elections, and foreign affairs. The Welsh Assembly contrasts this, with Cardiff possessing fewer powers; essentially, “the Welsh Assembly has executive but no primary legislative functions enjoyed by the Scottish Parliament” (O’Neill, 185).

The Northern Ireland Assembly, though currently suspended due to the religious conflict, possesses similar attributes to the Welsh Assembly in terms of what it is allowed to govern. However, more important in the situation is the Assembly’s ability to

consider both the Protestant and the Catholic side. Its assembly of 108 and executive of 12 are even numbers so as to give equal representation to both sides. Also, the First Minister and the Deputy Minister must be of opposing parties, with the First Minister from the majority party and the Deputy Minister from the lead opposition party. This allows for there to be equal consideration at both the executive and assembly levels in an attempt to appease the religious turmoil and establish a government that will successfully consider both sides. What the Northern Ireland situation shows us, more than the Scottish or Welsh governments, is that each devolved government is tailored to the region, recognizing the differences that exist between them.

However,

if one were to look at the population of the four nations: England, Scotland, Wales, and Northern Ireland, and then would consider how the regional governments are set up, it would be clear that there is

an imbalance. For example, Scotland, a nation of 5 million people possesses far higher control than the people of Wales, a nation of 3 million people. England,

with a population of just fewer than 50 million, has many of its issues voted on by MPs from Scotland, Wales, and Northern Ireland. Through simply looking at the population in the different regions of the UK, it is evident that the regional control is superior in certain areas over others. Scotland’s population is very similar in size to that of 4 regions in England: Southwest, East, West Midlands, and Yorkshire and the Humber. Only 3 English regions have a popula-

TABLE 1
Regional Population

	Region	Population (2001)
North	United Kingdom	58,788,990
	North East	2,520,462
	North West	6,728,562
	Yorkshire and the Humber	4,961,376
	East Midlands	4,182,676
Central	West Midlands	5,264,190
	East	5,389,020
	London	7,187,184
South	South East	8,008,980
	South West	4,934,259
	England	49,246,218
	Wales	2,902,480
UK Nations	Scotland	5,064,200
	Northern Ireland	1,689,258

“England has always been, comparatively speaking, more economically advanced than the rest of the UK.”

TABLE 2
GDP per capita

Region		GDP per capita			Change from 1981-
UK Average = 100		1981	1989	1999	1999
North	North East	94.3	83.9	77.3	-17
	North West	94.3	91.3	86.9	-7.4
	Yorkshire and the Humber	93	89.3	87.9	-5.1
	Central	East Midlands	100	96.6	93.6
West Midlands		90.6	91.8	91.7	1.1
East		97.3	114.2	116.4	19.1
South	London	N/A	128.5	130	1.5
	South East	115	111.6	116.4	1.4
	South West	95.9	92.5	90.8	-5.1
UK Nations	England	N/A	102.3	102.4	0.1
	Wales	88.4	84	80.5	-7.9
	Scotland	98.7	95.6	96.5	-2.2
	Northern Ireland	74.3	74.7	77.5	3.2

tion that is significantly greater than Scotland: London, Southeast, and Northwest, while the Northeast and East Midlands have populations significantly less. Though proportionately it would make sense for the regions of England to devolve, the situation is better analyzed with economic statistics to see the greater picture in terms of the imbalance.

IV. ECONOMICS STATISTICS: PAST AND PRESENT

The economic differences between the regions — especially within England — also indicate that there is a need to improve certain regions. For there to be a “regional problem”, or severe inequality between regions and the national averages, there must be five specific statistical qualifications: low growth of GDP per capita, high and persistent unemployment, dependence on a heavy industrial base, decline in manufacturing, inadequate infrastructure, and net migration out of the region (Griffiths, 194). The “north versus south” issue has been plaguing England since the decline of the manufacturing sector. The Northeast, Northwest, and Yorkshire and the Humber regions have all experienced some sort of regional problem. In turn, I will present and analyze statistics that represent the regional problem, as defined or otherwise.

GDP per capita steadily declined in the northern regions and rose in the southern regions from 1989 to 1999. The three regions in the north underwent a significant decrease, and three of the four regions in the south have remained the only regions

steadily above the UK average. While the market theory suggests that these should at some point in time converge without intervention, it seems as if they are diverging at steady rates with little sign of relenting. Granted, a change of 1-2 points is not extraordinary, as in the case of the West Midlands, London, and Southeast. But the change that underwent in the East, Northwest, and Northeast is quite significant and is possibly beyond the realm of explanation by the market theory. There might be a force acting upon those regions that is making its success or failure artificially high. I will examine this in Section V.

Another imbalance that exists is in average household income. The household income of the north is significantly smaller than the UK average, while the income of the southern regions is substantially higher than the average. Given that some of the difference can be attributed to the higher cost of living in areas such as London, the data still outweigh the differences as the major cities in the UK have a similar cost of living. Again, the north-south divide is made evident as the household income in the north is between 50 and 100 pounds lower than the UK average and in the Southeast and London it is 106 to 135 pounds greater than the UK average. Though this is not a factor in determining the regional prob-

TABLE 3
Household Income

Region		Mean Weekly Household Income (£)
United Kingdom		480
North	North East	380
	North West	430
	Yorkshire and the Humber	432
	Central	East Midlands
West Midlands		462
East		510
South	London	615
	South East	586
	South West	449
UK Nations	England	496
	Wales	376
	Scotland	419
	Northern Ireland	370

TABLE 4
Net Migration¹

	Region	1991	2000
North	North East	2	-1
	North West	-12	2
	Yorkshire and the Humber	7	20
Central	East Midlands	15	17
	West Midlands	-9	1
South	East	16	34
	London	-17	55
	South East	28	18
UK Nations	South West	23	39
	England	53	185
	Wales	6	5
	Scotland	15	-5
	Northern Ireland	2	-1

¹Net migration in thousands of people

lem as defined by Griffiths and Wall, it is quite indicative of quality of living, types of jobs, and overall wealth of a region.

There has been no net migration out of the regions in England due to a strong increase in emigrants to England. However, if the net migration statistics are compared between the regions, it is evident that the poorest regions have experienced little or no growth in comparison to the rapid migration into the richer regions. In this regard, it can still qualify as a regional problem as a large percentage of people are *not* moving into the regions but are strengthening and moving into others.

The reliance on industry of the individual regions has been apparent since for the last few

TABLE 5
Percent of GDP from Sectors (2001)

	Region	Manufacturing (%)	Service (%)
	United Kingdom	28.2	70.4
North	North East	36.2	63.0
	North West	32.8	66.2
	Yorkshire & the Humber	34.6	63.8
Central	East Midlands	36.7	61.3
	West Midlands	37.4	61.2
South	East	25.1	73.3
	London	16.6	83.4
	South East	22.4	76.8
UK Nations	South West	28.6	68.9
	England	27.6	71.2
	Wales	34.8	63.4
	Scotland	31.8	66.2
	Northern Ireland	27.7	68.3

decades. In spite of the aggregate move toward service businesses and away from manufacturing, the divide is still apparent today. Again, the north-south divide is quite evident in the statistics. Industry accounts for a significantly lower percentage in the south as only the Southwest is at the same level of industrial contribution to GDP. However, all regions other than the four in the south still experience industrial contribution to GDP on a higher level than the UK average. The regions with the highest GDP have the lowest percentage of industrial contribution, and vice versa.

The final statistic I will examine is that of unemployment. Since 1998, it has declined a whole percentage point in the UK, but this decline is repre-

TABLE 6
Unemployment in those of Working Age

	% of working age Umemp.	1998	2002
	United Kingdom	6.3	5.2
North	North East	8.2	6.9
	North West	6.7	5.5
	Yorkshire and the Humber	7.1	5.4
Central	East Midlands	4.9	4.2
	West Midlands	6.4	5.5
South	East	5.1	3.5
	London	8.2	6.6
	South East	4.4	4
UK Nations	South West	4.6	3.6
	England	6.1	4.9
	Wales	6.8	6.1
	Scotland	7.5	6.8
	Northern Ireland	7.4	5.6

sented regionally in various ways. The Northeast has been consistently 1.5 to 2 points higher than the average, as has London. This goes against the typical profile of London as a prosperous and economically above-average region; it is possibly due to the large number of people living in a confined area vying for a confined number of jobs. Nonetheless, three of the four most affluent regions — the Southeast, East, and Southwest — have the lowest unemployment and are substantially below the national average. The less wealthy regions are slightly above, with the exception of the Northeast, which is quite far above the level.

What these statistics show us is that the Northeast — with its high unemployment, low GDP per capita, low household income, high industry, and stagnant population relative to the UK averages — is

the one region that has a substantial “regional problem”. London, the East, and especially the Southeast, all have profiles opposite to the Northeast and have continued their economic superiority through the last few decades. Yorkshire, the Northwest, and both Midlands regions are typically below the UK averages in most of the statistical areas, but to a far lesser degree than the Northeast when all of the statistics are considered.

V. ANALYSIS

As more companies spring up in the service sector and manufacturing companies shrink and outsource, the richer areas that had always been reliant on the service sector (e.g. London and the Southeast) will become richer and the poorer, manufacturing-centered regions (e.g. Northeast and Yorkshire) will become poorer (Notes, 16/11). Though the government tries to foster convergence to more equal prosperity, the experience has been that there is actual divergence in which rich regions are becoming richer and poor regions are becoming poorer.

This is due to a number of reasons. First, the labor market suffers because the jobs lost are often not replaced by service sector jobs, they are simply moved to other regions, causing higher unemployment. Second, the younger generations find that there are less opportunities in the poorer regions and decide to be educated and work in the richer and more prosperous areas, causing an outflow of productive labor from the poor regions. Third, as the businesses fail and become less productive, the amount of money granted to and raised by the community through taxes and philanthropy decreases, causing the maintenance and building of infrastructure to falter. These factors cause the GDP per capita to decrease in the long run. This is a cyclical example of how the poor become poorer, and the point at which the decline becomes endemic is when the government must intercede.

I believe regional governments work better than the UK Parliament in assisting fallen regions and preventing a divergent economy. The regional gov-

ernments are able to better promote their interests and work toward solving the issues to make them more competitive and viable. To enhance the draw on labor and capital from other regions, the government must be able to set policies that give incentives to potential entrants. Also, there must be a strong infrastructure set up to aid in the transport of goods and

capital and to make the potential for expansion increase. Promotion of growth of the region’s interests causes the GDP per capita to increase and unemployment to fall.

A regional economic problem exists if there is low growth of GDP per capita, high and persistent unemployment, dependence on a heavy industrial base, decline in manufacturing, inadequate infrastructure, and net migration of the region.

VI. CONCLUSION

The regional variations in the United Kingdom, though it is a relatively small country, are accounted for by a combination of elements. First, the history of a region and its economy, even dating back a few centuries, can impact a region far into its future. The effect of finance on London 400 years ago, combined with the northern dependence on colonial industrialization 150 years ago impacts the economies of these regions today. Second, the regional governance that is currently in action affects the regional variations, but it is a force that works to counteract them (in situations such as Scotland and Wales) to bring the region back up to or above the UK average levels. Third, along with the social history of an area, the statistical history of an area can often determine how a region can tailspin into a regional problem and the effects of it maintaining its position at the bottom of the scale.

All of these contribute to the economic position of a region, but the cause is an outside force that acts upon the situation in a specific region. The statistics are merely the explanatory variables following the change. However, the impetus behind the change lies in certain outside forces acting on regional predispositions. For example, as the manufacturing sector rose in the 1950s due to rebuilding efforts after the war and the large need for steel, it was prone to decline due to the lack of a need for coal and the declining rebuilding efforts. The further move

toward the service sector sealed the fate of many northern cities. The outside forces cause the change to occur, but the only reason the economic statistics changed and the regions went into decline was due to the heavy dependence on manufacturing. As this is the case, there is no method of halting an outside variable; rather, these forces, whether they are unexpected or not, cannot entirely be prevented. They are the reason that the regional inequities persist and the histories of the regions play into the equation.

As such, the inequities between regions are represented by different concentrations and types of business, labor, demographical tendencies, jobs, wealth, and political power. These differences are inevitable because of history coupled with the unavoidable forces that act on a country. I believe that a government should allow these inequities to exist, however, it must be on a natural level. As soon as the problem becomes common and recurring, the government must take measures to help it improve as naturally as it can. Building up infrastructure and providing incentives to private enterprise as well as social programs to help counteract the destructive effects of unemployment, can be the fastest and most durable form of aid to break the cyclical and inevitable form of inequity.

REFERENCES

Clout, Hugh. *The Times History of London.*

London: Harpers Collins. 1999.

Griffiths, Alan. Wall, Stuart. *Applied Economics.*

Harlow: Pearson Education Ltd., FT Prentice Hall. 2004.

Hogwood, Brian W. Keating, Michael. *Regional Government in England.* Oxford: Clarendon Press. 1982.

O'Neill, Michael. *Devolution and British Politics.*

Harlow: Pearson Education Ltd. 2004.

North West Regional Intelligence Unit. Philip Southward, Director. 2004. 8 February 2004. Available <<http://www.nwriu.co.uk>>

Stenner, Brian. *The British Economy.* Class notes, Fall 2004.