

UK metropolitan areas' experience of inclusive growth in international context: an exploratory note for the RSA Inclusive Growth Commission

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I. Towards an inclusive growth metric

- 1.1 New Economy's initial, exploratory work on a potential 'inclusive growth index' was motivated by a desire to develop a single, composite measure that captured the relationship between growth and inclusion at the aggregate GM scale and provided a means of benchmarking GM's performance, over time, with comparator areas, nationally and internationally.
 - 1.2 New Economy's Deep Dive research on the dynamics of the GM economy in 2016 identified two principal challenges with respect to inclusive growth in GM: lower-than-(UK-)average in-work productivity, which holds back growth in personal and household incomes, and a lagging employment rate, reflecting the comparatively high percentage of GM residents of working age who are not active within the labour market. These challenges are common across the majority of provincial city-regions/metropolitan areas in the UK.
 - 1.3 It follows from these twin challenges that an ideal measure of progress towards more inclusive growth in provincial UK metropolitan areas, relative to a wide range of comparators, would be one that combined a measure of GVA per worker or (preferably) per hour worked, to capture change in in-work productivity, and an employment rate measure.
 - 1.4 There is no single, international data source that matches this specification. The nearest approximation is provided by OECD's data series for 281 metropolitan areas, across all OECD countries, whose populations exceed 500,000. The most recent data series covers the period 2000-2013. OECD defines metropolitan areas rather more carefully than is common for most national datasets, where sub-national 'units' tend to be based on administrative boundaries rather than functional geographies. The OECD series includes an employment rate measure but the only proxy for productivity it contains is GDP per capita, which provides an aggregate measure of the productivity of the whole metropolitan population, not an in-work productivity measure.
2. UK metropolitan areas within the OECD context
 - 2.1 New Economy's analysis took the OECD data on metropolitan GDP per capita and employment rates between 2000 and 2013 and derived an indicator of 'inclusive growth' from them by multiplying one by the other. The effect of this calculation is to reduce the size of the GDP figure by an amount that varies depending on the extent to which the benefits of growth, in terms of employment, are shared across the metropolitan population. In effect, it is an inclusiveness-adjusted GDP per capita figure. The adjusted figures are not especially meaningful in themselves but they do enable us to produce a stylised inclusive growth index which allows the metropolitan areas to be ranked against one another.
 - 2.2 The two tables, below, illustrate where the 15 UK metropolitan areas that are included in the OECD data series were ranked, relative to all OECD equivalents, on 6 indicators: GDP per capita at 2012, change in GDP per capita between 2002 and 2012, employment rate at n

2012, employment rate change between 2002 and 2012, the 'inclusive growth index' figure at 2012 and change in the index figure between 2002 and 2012. 2002 and 2012 were chosen because the relevant data were available for the vast majority of metropolitan areas for those two years.

2.3 Both tables contain the same data. The only difference is that Table 1 ranks the UK metropolitan areas according to their position within the broader OECD rankings for the inclusive growth index figure as at 2012 whereas Table 2 ranks them by the degree of change in their inclusive growth index 'score' between 2002 and 2012.

2.4 The ranking data on GDP per capita, the rough productivity measure, confirms what is already known about the recent economic performance of the UK and how it varies across the country's principal metropolitan areas. Thus, for example, there is a broad north-south split (with the metropolitan area centred on Edinburgh being the northern UK exception) in terms of GDP per capita with only London being ranked alongside the OECD's most productive areas, concentrated in north American and northern Europe. The lower ranking of UK metropolitan areas in terms of change in GDP per capita highlights the UK productivity puzzle which has caused policy concern, especially since the financial crisis. On this measure, UK metropolitan performance lags that of more recent higher growth regions in the OECD (for example in the former eastern Europe, Mexico, the Pacific Rim and Australia) as well as the more resilient areas of north America, northern Europe and Japan).

Table 1: OECD rankings for UK metropolitan areas, sorted by change in the inclusive growth index for 2012. (n = 281 unless otherwise indicated)

Metro area	GDP per capita		Employment rate		Inclusive growth index	
	2012	2002-2012	2012	2002-2012	2012	2002-2012
London	51	134	95	177	47	167
Edinburgh	97	181	118	213	106	212
Bristol	116	190	75	193	113	211
Portsmouth	135	220	46	208	122	230
Leeds	164	173	102	189	164	190
Glasgow	141	153	183	46	165	108
Manchester	170	231	153	188	176	227
Birmingham	196	246	190	224	200	250
Liverpool	205	232	122	128	201	206
Leicester	209	238	127	134	204	217
Nottingham	206	224	137	168	205	213
Cardiff	210	211	176	135	208	196
Sheffield	221	186	140	152	210	187
Newcastle	220	168	145	122	212	168
Bradford	223	257	187	173	223	248
		n = 277		n = 277		n = 276

2.4 A similar, within-UK north-south variation can be seen on employment rate rankings, too. On this measure, the better 'performers' are again found in northern Europe and north America, as well as Japan and Australia, and employment rates tended to grow fastest, within the 2002-12 period, in Germany and central America whereas in the majority of the UK metropolitan areas, employment rates declined.

2.5 The moderate performance of most UK metropolitan areas on both productivity and employment rate change translates into similarly moderate, if variable, performance on the inclusive growth index that combines the two measures. As Table 1, above, shows, London retains a relatively high ranking, alongside better-performing OECD areas in north America and northern Europe, largely as a result of its higher GDP per capita growth. Many of the provincial UK metropolitan areas, however, rank alongside struggling, low value and/or low growth areas of eastern Europe and central America on this measure. More striking still is the generally lower ranking of the UK metropolitan areas in terms of change in our inclusiveness-weighted growth index between 2002-12. Here, they trail metropolitan areas that are distributed right across the OECD territory, in both recently-growing economies and older established high-performing areas and rank alongside some of the more problematic rustbelt areas of the US.

Table 1: OECD rankings for UK metropolitan areas, sorted by change in the inclusive growth index, 2002-2012 (n = 281 unless otherwise indicated)

Metro area	GDP per capita		Employment rate		Inclusive growth index	
	2012	2002-2012	2012	2002-2012	2012	2002-2012
Glasgow	141	153	183	46	165	108
London	51	134	95	177	47	167
Newcastle	220	168	145	122	212	168
Sheffield	221	186	140	152	210	187
Leeds	164	173	102	189	164	190
Cardiff	210	211	176	135	208	196
Liverpool	205	232	122	128	201	206
Bristol	116	190	75	193	113	211
Edinburgh	97	181	118	213	106	212
Nottingham	206	224	137	168	205	213
Leicester	209	238	127	134	204	217
Manchester	170	231	153	188	176	227
Portsmouth	135	220	46	208	122	230
Bradford	223	257	187	173	223	248
Birmingham	196	246	190	224	200	250
		n = 277		n = 277		n = 276

2.6 This initial attempt to explore whether it is feasible to derive a single index indicator for inclusive growth is experimental and in need of further development. It is not a substitute for finer grained work which looks at the distribution of life chances within as well as between metropolitan areas. It is highly suggestive, however, of the scale of the task that remains if future economic growth in and around the most important employment centres in the UK is going to 'work for all' as effectively as it does in the more successful areas of the OECD.