

The Alliance

The other half of Britain



Problems and issues in the traditional industrial areas of England, Scotland and Wales

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Foreword



The relative prosperity of Britain over the last decade or so masks deep and long-standing regional problems.

London and much of the South continue to generate huge wealth based on financial services, high tech industry and knowledge-based economic activity. But the rest of the country often fares far less well. In particular, the regions and areas that once relied on traditional industries mostly still struggle with the economic and social ills that have dogged them for decades. Their economies have picked up, but they are still a long, long way behind the more prosperous parts of the country.

The governments in Westminster, Edinburgh and Cardiff are all well aware of these problems. Their policies for regional development have clear targets to close the gaps in prosperity. Yet the statistics are equally clear: on most indicators the gaps are either not closing or closing far too slowly.

Those of us in Britain's traditional industrial areas, who have endured the very worst aspects of restructuring and job loss, do not doubt the new Prime Minister's commitment to the regions. However, we would be failing in our duty if we did not ask for more. If we are genuinely to catch up we still need more jobs - especially better-paying jobs - better schools and training, better health, better housing and more.

This is why the local authority associations representing Britain's traditional industrial areas have come together to form a single new organisation - The Alliance - to press our case. The Alliance does not simply hold out a begging bowl. We seek to engage with all levels of government and other organisations to secure the resources and the structures that will have a real impact on the future of our areas and the prosperity of our regions.

This booklet sets out the problems we need to work together to address.

A handwritten signature in black ink that reads "John Devon".

Cllr John Devon
Chair



1. Britain's traditional industrial areas

Some history

The traditional industrial areas of England, Scotland and Wales continue to suffer the problems associated with job loss and economic restructuring. As a result, there is a constant drive to attract and build new economic sectors in order to provide jobs and address poverty, social exclusion and deprivation.

None of this is new. Some of the worst affected areas - in the Welsh Valleys, North East England and central Scotland for example - have struggled economically and socially since the 1930s. But the problems became deeper and more widespread in the wake of the major de-industrialisation that began in the 1980s.

So despite the overall prosperity of the present-day British economy, there are still very recognisable 'lagging' regions. Within those regions (and even within some more prosperous regions) there are many places that do not benefit from the wealth of UK plc. The gaps in economic performance - wealth creation on one side of the equation, and poverty and deprivation on the other - persist despite a plethora of policy initiatives over many years.

De-industrialisation

Over the last thirty years the fall in proportion of employment in industry has been dramatic. In more recent times the shift continues, with the share of UK output (GVA or Gross Value Added) coming from manufacturing falling from nearly a quarter at the start of the 1990s to less than 15 per cent today.

Looking a closer at the regional picture, it is those regions with the highest share of GVA coming from manufacturing that have experienced the biggest decreases. Even so, manufacturing still remains much more important in these regions than in the most prosperous parts of the South.

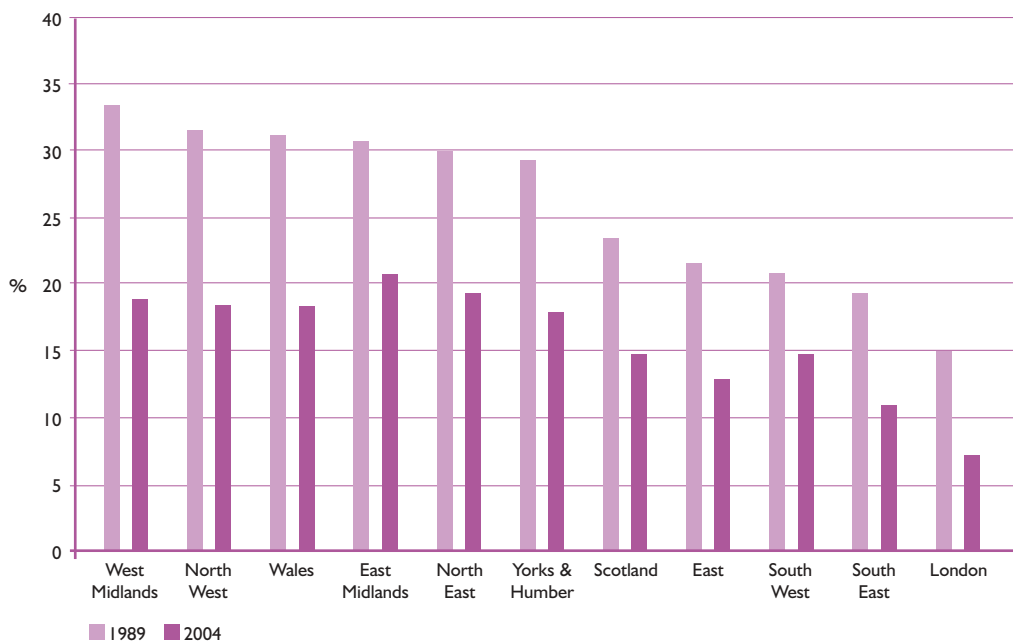
It is the regions and localities where traditional industries once dominated that have suffered most from the de-industrialisation process. Industries such as coal and steel were typically found in relatively close proximity, for example in South Wales, South Yorkshire and central Scotland. In the very same

towns, textiles and clothing often provided employment for women. As all these industries closed or contracted, entire towns and villages were devastated.

There are plenty of other examples. Shipbuilding has all but disappeared, heavy engineering has declined, and docks now rely on machinery not manual labour. Sometimes the impact has fallen on relatively isolated communities in otherwise prosperous counties - in the East Kent coalfield or West Cumbria for instance.

Although it is not necessarily inevitable that the UK's manufacturing base will continue to decline, regional and local economies will need to adapt and diversify. Globalisation points towards further development of the knowledge economy as the most likely way forward for much of the British economy. Yet it is in these knowledge-based sectors that Britain's traditional industrial areas are also starting from a low base.

Share of GVA from manufacturing 1989 - 2004



Source: ONS



2. Economic performance

Production

The English regions, Scotland and Wales have historically had very different levels of economic performance. At its starkest, the output per person in Wales and the North East is more than 40 per cent less than that in London and more than 20 per cent below the UK average. Such wide differences have persisted for many decades.

At a smaller geographic scale the gaps are much larger. Almost invariably it is the traditional industrial areas within regions that lag most of all.

West Wales and the Valleys has an output-per-head figure barely 60 per cent of the UK average - so low in fact that it qualifies for the same category of EU aid as the impoverished new member states of eastern and central Europe. Durham and the Tees Valley only manage about three-quarters of the UK average. The same is true of Merseyside. South Yorkshire is only a little further ahead.

In contrast, the hinterland of London along the M4 corridor achieves an output-per head figure more than 30 percent better than the UK average. London is far ahead, especially inner London with a GVA per head figure nearly two and a half times the UK average, though admittedly that figure is inflated by commuters.

Within regions there are big disparities in the rate of growth of output. Between 1995 and 2004 the North West as a whole managed a respectable 52 per cent growth in GVA (unadjusted for inflation) whereas West Cumbria managed only 22 per cent. The North East increased its GVA by 47 per cent but in Hartlepool the improvement was only just over 27 per cent. The growth in the West Midlands as a whole was 54 per cent but in Stoke-on-Trent just 26 per cent.

Productivity

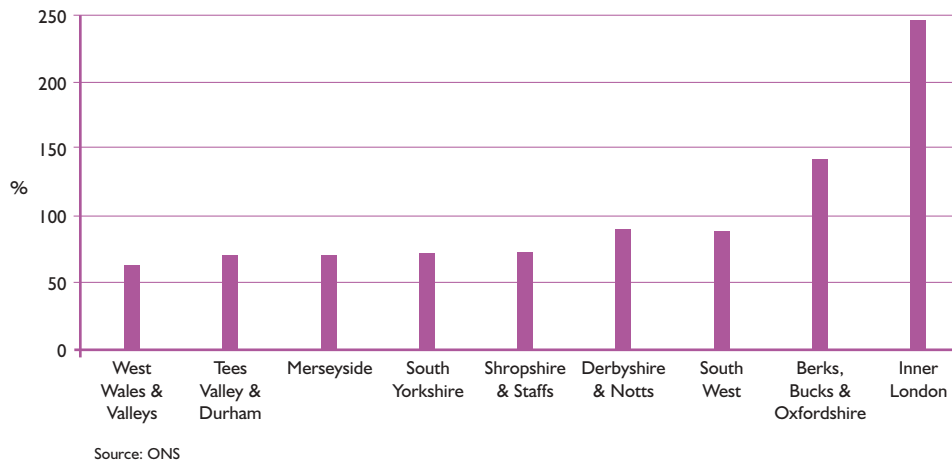
Output per head reflects the employment rate in an area - the share of adults of working age who have a job. It also reflects the productivity of those in work.

Differences in productivity, both between and within regions, are more a product of inherited industrial structure than inherent inefficiency. The traditional industrial areas of Britain often have much lower stock of businesses in high value-added, high wage sectors, especially in the knowledge-driven economy.

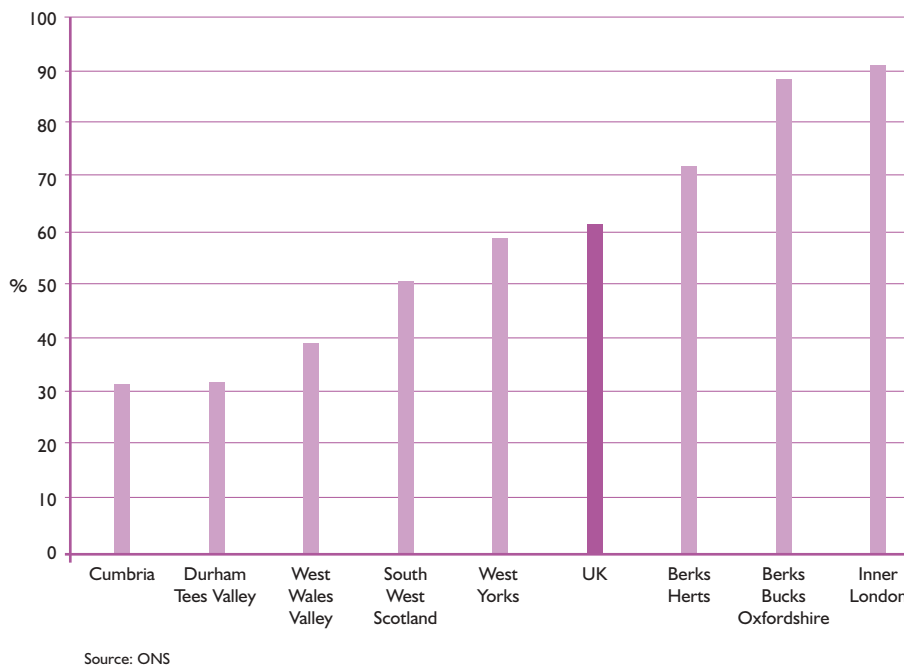
Banking and finance in the City, for instance, boosts London's output per head, and the absence of similar activities across much of traditional industrial Britain depresses the figures there.

Comparing like with like, Britain's traditional industrial areas are not inefficient locations to do business. Productivity can be as good as anywhere, especially in the better firms. The problem is that most traditional industrial areas still don't have enough firms and enough jobs.

GVA per head in selected areas, UK = 100



Growth in GVA 1995-2004 in selected areas





3. Employment

Jobs

Jobs are a key yardstick of economic prosperity. Unfortunately, the continuing and widespread use of 'claimant count' unemployment figures - the number out of work and claiming Jobseeker's Allowance - greatly understates the disparities between and within regions. Since the late 1990s claimant unemployment numbers have been low and the differences between regions have been modest. This has created the false impression that the regional problem is fading away. In fact, if employment rates and wider measures of unemployment are taken into account the disparities are shown in sharp relief.

The share of adults of working age who have jobs struggles to reach 70 per cent across just about all the industrial North East of England, for instance. In contrast, in several parts of the South East outside London, and in some neighbouring parts of the South West and Eastern regions, the employment rate reaches 85 per cent. This gap - between 15 and 20 percentage points - is a far truer reflection of the scale of the regional employment problem.

Real unemployment

Estimates of the 'real' level of unemployment have been published by Sheffield Hallam University since 1997. Their figures take account not only of the claimant unemployed but also of the large number of jobless diverted onto other benefits or out of the benefits system altogether. The latest figures suggest that there are some 2.6 million unemployed, compared to 0.9 million on the claimant count. Furthermore, although the Sheffield Hallam figures confirm that some parts of the South East are enjoying virtually full employment, the real level of unemployment in many traditional industrial areas is still above 10 per cent of the working age population.

The real level of unemployment has fallen since 1997, and by more in the industrial North, Scotland and Wales than elsewhere, which is very good news.

But the problem has not gone away. There is still a job shortfall in most of Britain's traditional industrial areas. The mass job destruction of the 1980s and

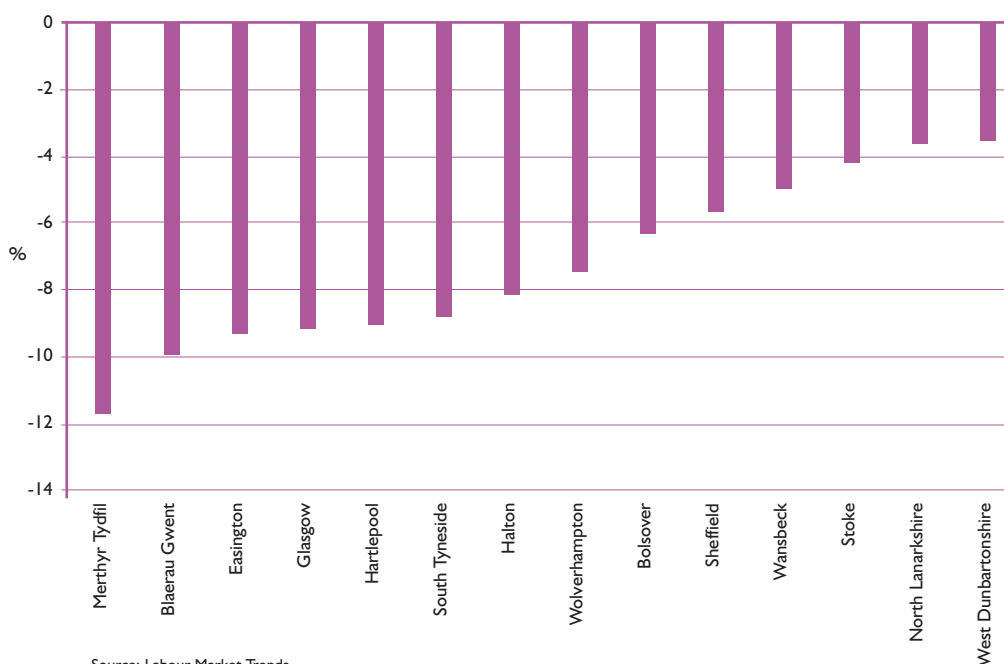
early 1990s damaged many local economies so badly that twenty or more years later the effects are still being felt.

Districts with the highest real unemployment - January 2007

	District	%
1	Easington	16.0
2	Blaenau Gwent	15.9
3	Merthyr Tydfil	15.3
4	Knowsley	14.9
5	Liverpool	14.5
6	Hartlepool	14.4
7	Glasgow	14.0
8	Middlesbrough	13.8
9	Neath Port Talbot	13.6
10	Barrow in Furness	13.4
11	Inverclyde	13.0
12	Caerphilly	12.9
13	West Dunbartonshire	12.9
14	Hackney	12.7
15	Blackpool	12.5
16	Great Yarmouth	12.2
17	Stoke on Trent	12.1
18	Birmingham	11.9
19	Halton	11.9
20	South Tyneside	11.9

Source: Sheffield Hallam University

Employment rates compared to UK average, selected areas - 2004



Source: Labour Market Trends



4. Deprivation

Joblessness and economic weakness are often related to more widespread problems of deprivation. Throughout Britain, the highest levels of deprivation can be found in big cities - several of which have a long industrial history - and in former mining areas and 'one-industry' towns.

England

The most recent Indices of Deprivation measure seven 'domains' - income, employment, health, education and skills, housing, crime and the environment. They also provide statistics down to 'super output area' (SOA) level - relatively small local areas below the level of wards.

Whilst deprivation is not unique to traditional industrial areas, the figures for 2004 underline the high concentration in the industrial regions of northern England. The proportion of the population living in the most deprived 20 per cent of SOAs is seven times higher in the North East than in the South East. The same figures show that twice as many people live in deprived SOAs in the North West alone as in the whole of the South East, South West and Eastern regions combined.

Beyond a small group of inner London boroughs, the district-level rankings of deprivation are likewise dominated by the industrial North and Midlands, with barely any districts south of a line from the Severn estuary to the Wash coming within the worst 50 on any of the composite indicators.

Scotland

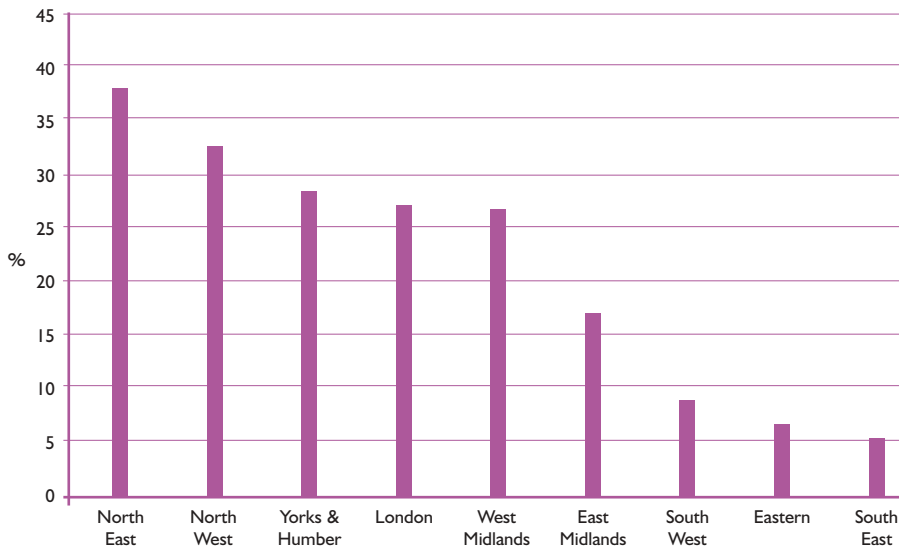
In Scotland, the SIMD deprivation figures are dominated by Glasgow, itself once an industrial city. There are also significant levels of deprivation in the central belt in the former coalfields and steel towns.

Across Scotland as a whole, it is the cities, towns and smaller settlements with an industrial legacy that fare much worse than those with a primarily non-industrial history.

Wales

In Wales, 40 of the worst 50 'super output areas', measured by WIMD, are former coalmining settlements. The other 10 are made up of inner city Cardiff, former steel areas in Newport and poor areas on the North Wales coast.

Share of regional population living in most deprived 20% of SOAs in England



Source: IMD 2004



5. Education and Skills

Performance at school

Improving education and skills is a prerequisite for improving economic performance and raising living standards. Britain's traditional industrial areas were once characterised by a preference for the on-the-job training and little motivation for formal academic qualifications. This culture dominated these areas for many decades and served the various industries well enough. However, in order to meet the challenges of a modern economy, educational achievement and higher skills levels are crucial.

Changing local culture can unfortunately take many years. Many young people who have never known heavy industry, nor had the opportunities it offered, remain unmotivated and do not look to widen their horizons. The evidence is that in traditional industrial areas significant numbers of teenagers turn off education. The result is that fewer perform well at GCSE (or equivalent) and fewer stay on in education. Fewer also move on eventually to higher education.

At district level, many traditional industrial areas have seen improved performance at GCSE level in recent years, sometimes in line with national trends and sometimes even a little faster. But performance in these areas still compares very badly with the results in much of the South and in particular with the educational performance in the more prosperous parts of the South East.

Adult skills

Young people who under-achieve at school find it more difficult later on to pick up the skills needed in the modern economy. They find themselves disadvantaged, and the smaller pool of skilled labour can hold back local firms.

Many of the higher achievers, meanwhile, are inexorably drawn to the economic hotspots. Large numbers of graduates move from poorer regions to

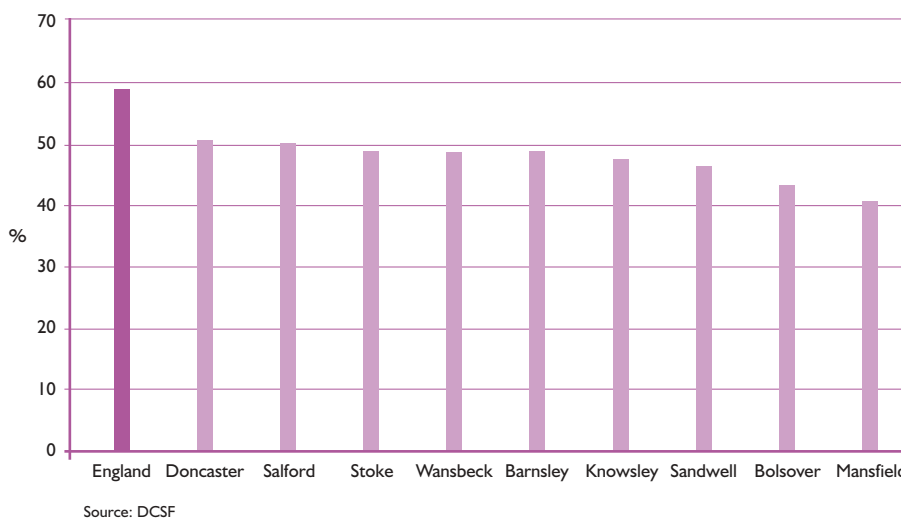
wealthier regions, above all to London and its hinterland. Official figures show that there are 40 per cent more graduates working in London than studied there. Conversely, in the North East, East Midlands, Yorkshire & Humber and Wales, the number is 40 percent below the local output of graduates.

Traditional industrial areas are often unable to offer enough good quality jobs. If there are fewer graduates in these areas than in London, it is first and foremost the result of economic weakness, not the cause of under-performance.

One of the consequences of industrial restructuring has been that many older workers with largely un-transferable skills and no obvious route to retraining drop out of the labour market altogether.

Overall, the proportion of the working age population with no formal qualifications is over 15 per cent in the North East of England, for example. In the South East the proportion is just 10 per cent.

Pupils achieving GCSE five A-C or equivalent 2006, selected areas





6. Some further issues

Transport

A transport infrastructure that is fit for purpose is essential for economic development and for access to job opportunities. Traditional industries often made use of road and rail links that are inappropriate for the needs of contemporary economic activities. The coal and steel industries, for example, were usually served by mineral branch lines, and in their heyday good connections with the major urban centres and the main arterial road system were less important. All that has changed, and successful local economies all now require good connections to the strategic transport network.

Britain's traditional industrial areas share many of the same transport problems as the rest of Britain. But there are also key differences. Regeneration is the top priority for many areas and this requirement is not always reflected in regional and national transport planning. Often this means investment in road or rail schemes where the prime justification is not traffic volumes but the need to open up development sites or to facilitate commuting to areas of economic growth.

For many places with low levels of employment and less well-off residents, good, affordable public transport remains vital to help people access jobs and services.

Health

There is a direct link between joblessness, poverty and ill health. People who are less well off economically are much more likely to suffer from poor health. The deprivation indices for England, Scotland and Wales all reveal traditional industrial areas as being particularly disadvantaged by poor health.

One of the Department of Health's aims for 2002 to 2010 was to reduce inequalities by 10 per cent,

measured in terms of infant mortality and life expectancy. A programme was targeted on 70 local authorities in the bottom fifth in terms of health and deprivation. Many of these are traditional industrial areas. In 2006 the Department of Health reported that the gaps had in fact got wider, despite their efforts.

In Scotland and Wales the health of the less well off is if anything worse. The Standard Mortality Ratio for Wales is 5 points worse than the UK average and Scotland is 16 points worse. Particular areas with serious problems in Scotland include North Lanarkshire and Glasgow, at 32 and 43 points above the UK average. In Wales, former coal and steel districts such as Merthyr Tydfil (28 points) and Blaenau Gwent (21 points) fare worst.

Health services in many of the traditional industrial areas with the worst health problems have

historically been under-funded compared to better-off areas. Despite the commitment from government that funding should be allocated based on need, there is still some way to go to close the gap.

Benefit dependency

Unacceptably large numbers of men and women in Britain's traditional industrial areas remain dependent on welfare benefits.

These days, the single largest group of working age claimants are those claiming incapacity benefits, principally Incapacity Benefit itself. Across the UK as a whole they outnumber the claimant unemployed by three-to-one and lone parents on Income Support by nearly as large a margin. The government is committed to reducing incapacity claimant numbers by one million by 2016.

Incapacity claimant rate, top 20 GB districts, August 2006

	District	% of working age
1	Merthyr Tydfil	18.9
2	Easington	18.8
3	Blaenau Gwent	17.9
4	Neath Port Talbot	16.3
5	Rhondda Cynon Taff	15.8
6	Caerphilly	15.5
7	Glasgow	15.2
8	Knowsley	14.2
9	Barrow in Furness	13.6
10	Liverpool	13.5
11	Inverclyde	13.5
12	Bridgend	13.4
13	Hartlepool	13.3
14	Blackpool	13.1
15	Carmarthenshire	13.0
16	Barnsley	12.8
17	Wear Valley	12.8
18	North Lanarkshire	12.7
19	Burnley	12.7
20	Sedgefield	12.7

Sources: DWP, ONS

Figures refer to Incapacity Benefit, NI credits for incapacity and Severe Disablement Allowance

Britain's traditional industrial areas lie at the heart of the rise in incapacity numbers over the last twenty five years. The largest adjustment to massive job loss from industries such as coal and steel was initially that ex-miners and ex-steelworkers moved onto incapacity benefits rather than unemployment benefits. As time passes, many of these redundant workers are finally reaching pension age but in the absence of sufficient jobs to absorb all the available labour a new generation of less healthy and often less qualified workers is becoming marginalized on incapacity benefits.

In terms of the share of working age adults claiming incapacity benefits, the list of the top 20 districts reads like a roll call of traditional industrial Britain. The top six are all former coal or steel areas, and in Merthyr Tydfil (South Wales) and Easington (Co Durham) approaching one-in-five of all working age men and women are incapacity claimants. Not a single one of the top 20 districts lies south of a line from the Wash to the Severn.

Housing

Housing is fundamental to sustainable communities. In some of the traditional industrial areas of Britain the collapse in employment has led to out-migration. Coupled with this has been a concentration of marginalised poorer people on so-called sink estates. Areas of housing dereliction and decaying public amenities have resulted in low demand for some types of housing in some areas.

Economic development is doubly difficult if an area is not attractive to live in.

In contrast the private housing market has seen huge rises in prices and demand has far outstripped supply. Although this is often regarded as mainly a

feature of the better-off areas there is also a significant impact on people in the cities, towns and villages of traditional industrial areas. In areas where wages often remain low, affordability has become a pressing issue.

Lottery funding

The distribution of Lottery grants has been notoriously unfair to the less well-off parts of Britain. Many localities that are beset with economic and social problems have the least clout and capacity to successfully apply for funds. Across the smaller industrial towns of England, Scotland and Wales there are also precious few of the museums, galleries and opera houses that have gobbled up so much Lottery funding, especially in London.

On the other hand, it is almost certainly the case that some of the poorest people, in some of the poorest areas, are the ones that underpin the sale of Lottery tickets.

The government has tried to redress the balance and over recent years its efforts have had some success. But there remains a huge London bias in Lottery funding. And it could be about to get a lot worse. Although 2012 may seem some way off, the expectation in the 'provinces' is already that they will lose funding to pay for the London Olympics, and that in practice there will be very little 'trickle-down' of benefits outside the capital.

The 2012 Olympics provide a massive opportunity for London and the South East. The fear is that this will in part be at the direct expense of worthwhile projects in the rest of the country, including in the traditional industrial areas that are already underfunded.

7. Government policies

Aspirations

“The Government’s central economic objective is to achieve high and stable levels of growth and employment. An essential element of that objective is to improve the economic performance of every part of the UK, both for reasons of equity and because unfulfilled economic potential in every nation, region and locality must be released to increase the long-term growth rate in the UK.”

(HM Treasury, Productivity in the UK 4)

The Westminster government’s re-assertion of the importance of regional policy, after years of neglect, is a welcome step forward for Britain’s traditional industrial areas. Translating the aspiration into reality has not been so easy.

There has been a tendency to write off past regional policies as failures, rather than build on the parts that are known to work. In fact, many thousands of jobs were created in Britain’s less prosperous areas during the heyday of old-style regional policies during the 1960s and 70s. Some of the tools used at that time - financial incentives, factory building and investment in transport infrastructure - still have a useful role today, especially where the disappearance of old industries means that the local economy needs to be re-built from scratch.

The new emphasis is on markets, enterprise, innovation and skills. There is much in this approach that is welcome, but it would be wrong to rely on these more fashionable tools alone. Government would do well to remember that successful regional development requires simultaneous action across a broad front.

Devolution and governance

The devolved administrations in Scotland and Wales have been given the job of driving forward their economies. In England, the Regional Development

Agencies (RDAs) have been created as delivery mechanisms.

The new thinking in government is that each country and region should 'get on with the job' in its own way. The people on the ground in each region and locality are seen as the ones best placed to take decisions. This too is welcome. But as important as devolved decision-making is, it does not in itself necessarily close the prosperity gaps between the regions. Positive discrimination by central government, in terms of resource allocation, is still required.

The RDAs have emerged as the key bodies in charge of economic development in the English regions. However, the poor progress of the Regional Assemblies left a democratic deficit that remains unfilled. In the Treasury's recent Sub-National Review of Economic Development it is proposed that local authorities should in future play a more meaningful role in scrutinising the work of the RDAs. This is a step in the right direction, but the new arrangements need to be made to work.

Targets

In England, the inter-departmental target for regional economic policy is currently "to make sustainable improvements in the economic performance of all English regions by 2008, and over the long-term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006". The government's own evidence, published at the end of 2006, is that there is only mixed evidence of success: some catching up has occurred, but this may be simply the result of the timing of the economic cycle in different regions.

The temptation is therefore to set a revised target that is less ambitious. For example, London might be taken out of the figures because its runaway economic success and global status distorts

comparisons between the regions. From the point of view of Britain's traditional industrial areas, mostly in the poorer half of the country, this would be a retrograde step.

The proper goal of regional policy is to not only close the gap in growth rates between the regions but also to narrow the absolute gap in prosperity and living standards. This would mean toughening up the target, not diluting it. What's more, it is only right and proper that the target is extended to cover Scotland and Wales as well as the English regions. It would be unacceptable for the gaps between the English regions to narrow whilst Scotland and Wales, and in particular their hard-pressed traditional industrial areas, fell further and further behind.

The target also needs to be widened. Using Gross Value Added as the sole measure of regional performance does not take account of numerous other factors, such as employment rates. In addition, there needs to be a new emphasis on narrowing the gaps within regions as well as between regions.

Opportunity and need

Regional development is characterised by a tension between areas of opportunity and areas of need. On a UK-wide scale, there is always a temptation to stoke the economy of the successful Greater South East and hope it will pull the rest of Britain along with it. In Scotland and Wales, and within each of the English regions, there is the same temptation to go for easy wins.

There is also a powerful body of opinion that only the big cities can deliver economic prosperity. They are seen as the prime areas of opportunity, and therefore the first call on resources. For the second-tier cities, industrial towns and districts that are struggling to plug into the knowledge-based economy, the danger is that their claim on resources will slip further behind.

The allocation of Britain's share of EU regional aid for 2007 to 2013 demonstrates the dangers. The overall funding is down by half on the preceding round, and two-thirds of it is no longer tied to specific geographic areas. Britain's traditional industrial areas used to be a prime beneficiary, and much useful progress has been made with EU money. The fear is that they will now be by-passed as funds are directed to economic hotspots in the more prosperous parts of each region.

Moving forward

There is much in the stated aims and objectives of government policy that the Alliance supports. The renewed commitment to a more equitable regional policy after years of neglect is welcome.

Yet the evidence is that progress is slow in closing the gaps and, in some important respects the gaps are widening. There is still a great deal of work to do before Britain's traditional industrial areas will be able to offer their communities the same opportunities and quality of life that is taken for granted in so many other parts of the country.

The Alliance

The Alliance was formed in June 2007 to represent local authorities in the traditional industrial areas of England, Scotland and Wales.

The Alliance brings together two existing local authority associations - Coalfield Communities Campaign (CCC) and SteelAction - together with local authorities from textile and other industrial areas. It builds on ten years' successful collaboration under the banner of the Alliance for Regional Aid and, in the case of CCC in particular, a track record of successful lobbying extending back to the 1980s.

The Alliance inherits a formidable reputation with government and in Brussels, a professional staff experienced in working at the highest level, and an extensive network of support in all of Britain's industrial regions.

The aims of the Alliance are: to articulate the needs of Britain's traditional industrial areas; to attract resources for regeneration; to press for balanced growth within and between regions; and to provide a framework for information sharing between member authorities.

New member authorities are welcome.

Founding local authority membership of the Alliance

Allerdale	Castle Morpeth	Durham County
Mansfield	Powys	Staffordshire
Ashfield	Chester le Street	E Ayrshire
Merthyr Tydfil	Redcar & Cleveland	Sunderland
Barnsley	Chesterfield	E Lothian
Midlothian	Rhondda Cynon Taff	Thanet
Blaenau Gwent	Clackmannanshire	Easington
N Lanarkshire	Rotherham	Torfaen
Blyth Valley	Copeland	Fife
N Lincolnshire	S Tyneside	Wakefield
Bolsover	Corby	Flintshire
N Warwickshire	Salford	Wansbeck
Bolton	Derbyshire	Forest of Dean
NE Derbyshire	Sedgefield	Warrington
Bridgend	Derwentside	Gateshead
Neath Port Talbot	Selby	Warwickshire
Caerphilly	Doncaster	Gedling
Newark & Sherwood	Sheffield	Wear Valley
Cannock Chase	Dover	Kent
Newcastle u Lyme	St Helens	West Lothian
Canterbury	Dumfries & Galloway	Knowsley
Northumberland	Staffordshire Moorlands	Wigan
Carmarthenshire	Durham City	Leeds
Nottinghamshire	Stoke on Trent	

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