

# **Pulling in the Same Direction? Economic and Social Outcomes in London and the North of England Since the Recession**

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## Contents

Summary.....	7
1. Introduction.....	9
2. Economic change.....	12
Economic divergence of London and the North.....	12
Growing inequalities in London .....	15
Hourly wages.....	15
House prices and rents.....	15
Affordability of housing .....	16
After housing cost income .....	17
3. Social outcomes .....	19
Young people, education and qualifications .....	20
General Health, disability and quality of life.....	23
Poverty and Inequality .....	27
Homelessness.....	30
4. The Regional Distribution of Public Spending .....	32
5. Conclusion.....	37
References.....	39
Appendix.....	44
Figures .....	44
Tables.....	70

## List of figures

Figure 1: Gross Value Added (2011 prices) UK Regions. Cumulative annual differentials 1971-2013 .....	12
Figure 2: Employment rate (% , moving quarters), 2000 to 2015 (ages 16 to 64), London and Northern regions .....	13
Figure 3: Unemployment rate (% , moving quarters), 2000 to 2015 (ages 16 to 64), London and Northern regions .....	14
Figure 4: Percentage change in number of employees (part-time and full-time), 2008 to 2013. ....	14
Figure 5: Index of Private Rents, 2005 to 2015 .....	16
Figure 6: First time buyers' gross house price to earnings ratio, London and Northern Regions, 1990 to 2015 .....	16
Figure 7: Growth in population in London and the North, 2007 to 2020, index number 2007=100 (figures from 2014 onwards are estimates).....	19
Figure 8: Percentage of children achieving a 'good level of development' in London and the North, 2007 to 2014 .....	20
Figure 9: Percentage point gap in a 'good level of development' in the Early Years Foundation Stage Profile between children not eligible for free school meals and children eligible for free school meals, 2007 to 2014 .....	21
Figure 10: Percentage of pupils achieving 5+ A*-C grades at GCSEs and equivalents by region, and the attainment gap between FSM and non FSM eligible pupils, 2007 to 2013, and 2014 ..	22
Figure 11: Change in proportion with higher degree, degree and no qualifications by region, 2007 to 2013 (working age population) .....	23
Figure 12: Age-standardised suicide rates among men in London and the North, 2000 to 2014 .....	24
Figure 13: Percent of population with limiting long-standing illness or disability among population aged 16 years and over in London and the North, 2008 to 2013 (sorted by 2013 figures).....	25
Figure 14: Percentage of older people reporting limited day-to-day activities due to a longstanding illness or disability at age 65 and over in London and the North, 2011 .....	25
Figure 15: Infant mortality rate (per 1,000 live births) in London and the North, 2008 to 2013... ..	26
Figure 16: Poverty by region (for children and all individuals), three-year periods, 2000/01-2002/03 to 2011/12-2013/14 .....	27
Figure 17: Regional distribution of bottom 10% LSOAs .....	29
Figure 18: Regional distribution of bottom 20% LSOAs .....	29
Figure 19: Homelessness acceptances, 2008/09-2013/14: trends at broad region level – indexed .....	30
Figure 20: Overcrowding in London and the North, 2011.....	31
Figure 21: Reduction in Local Authority spending power 2010 to 2015 by region, £ per person.....	34
Figure 21a Change in real per capita Local Government identifiable expenditure on services by region 2009/10 - 2013-14 .....	35
Figure 22: Employment rate (%) by region (those aged 16-64), 2000-2015 (moving quarters) . ....	44
Figure 23: Unemployment rate (%) by region (those aged 16-64), 2000-2015 (moving quarters) .....	44
Figure 24: First time buyers' gross house price to earnings ratio by region, 1990 to 2015 .....	45

Figure 25: Changes in net incomes (adjusted for household size) by region, 2007/08 to 2012/13, after housing costs (%) .....	46
Figure 26: Changes in net incomes (adjusted for household size) by region, 2007/08 to 2012/13, before housing costs (%) .....	47
Figure 27: Percentage of children achieving a 'good level of development' by region, 2007 to 2014 .....	48
Figure 28: Percentage point gap in a 'good level of development' in the Early Years Foundation Stage Profile between children not eligible for free school meals and children eligible for free school meals, 2007 to 2014 .....	49
Figure 29: Percentage of pupils achieving 5+ A*-C grades at GCSEs and equivalents by region, 2005/6 to 2012/13, and 2013/14 .....	50
Figure 30: Percentage of pupils achieving 5+ A*-C grades (including English and Maths) at GCSEs and equivalents by region, 2005/06 to 2012/13, and 2013/14.....	51
Figure 31: Percentage point gap in proportion achieving 5 A*-C grades at GCSEs and equivalents between non-FSM pupils and FSM pupils by region, 2005/06 to 2012/13, and 2013/14 .....	52
Figure 32: Percentage point gap in proportion achieving 5 A*-C grades at GCSEs and equivalents between non-FSM pupils and FSM pupils by region, 2005/06 to 2012/13, and 2013/14 .....	52
Figure 33: Change in proportion with degree and higher qualifications by region, 2007 to 2013 (working age population).....	53
Figure 34: Change in proportion with school level qualifications and no qualifications by region, 2007 to 2013 (working age population) .....	53
Figure 35: Highest qualifications by region, 2007 .....	54
Figure 36: Highest qualifications by region, 2013 .....	54
Figure 37: Life expectancy at 75 by region .....	55
Figure 38: Infant mortality rate (per 1,000 live births) by English region, 2008 to 2013 .....	56
Figure 39: Under 75 mortality rate from cardiovascular disease, Directly standardised mortality rate (DSR) per 100,000 population, calendar years.....	56
Figure 40: Under 75 mortality rate from respiratory disease, Directly standardised mortality rate (DSR) per 100,000 population, calendar years .....	57
Figure 41: Under 75 mortality rate from cancer, Directly standardised mortality rate (DSR) per 100,000 population, calendar years .....	58
Figure 42: Under 75 mortality rate from liver disease, Directly standardised mortality rate (DSR) per 100,000 population, calendar years .....	59
Figure 43: Percent of population with Limiting long-standing illness or disability among population aged 16 years and over, 2008 to 2013 (sorted by 2013 figures) .....	60
Figure 44: Percentage of older people reporting limited day-to-day activities due to a longstanding illness or disability at age 65 and over in London and the North, 2011 .....	61
Figure 45: Risk of poor mental health: proportion of men and women (and all) with GHQ-12 scores of 4 or more by region, 2008 and 2012.....	61
Figure 46: Age-standardised suicide rates by sex and regions of England, 2002 to 2014 .....	62
Figure 47: Households accepted as homeless by Local Authorities by region (accepted rate per 1,000 households), 1998 to 2012.....	63
Figure 48: Overcrowding by region, 2001 .....	63

Figure 49: Overcrowding by region, 2011 .....	64
Figure 50: Child poverty rate by region, average for three year periods .....	64
Figure 51: Poverty rate by region (all individuals), average for three year periods .....	65
Figure 52: Percentage of patients waiting 4 hours or longer in the A&E departments by Strategic Health Authority, 2008-09 to 2012-13 .....	66
Figure 53: Percentage of patients waiting 4 hours or longer in the A&E departments by broad geographical regions, 2013-14.....	67
Figure 54: Proportion referred to treatment within 18 weeks by Strategic Health Authority (SHA), March 2009 to March 2012 .....	67
Figure 55: Proportion referred to treatment within 18 weeks by region, March 2014 and March 2015.....	68
Figure 56: Pupil to Teacher ratios, 2010 to 2014 .....	69

## List of tables

Table 1: Percentage change in real after housing cost income between 2007/08 and 2012/13 and Income inequalities (90:10 ratios) in 2007/8 and 2012/13 (£/week, adjusted for household size) in London and North of England .....	17
Table 2: Percentage change in real total and per capita identifiable expenditure on the largest areas of public service spending by region, between 2009/10 and 2013/14 .....	33
Table 3: Total identifiable expenditure on services by region in real terms (2013/14 prices), 2004-05 to 2008-09 (£m) .....	70
Table 4: Real change in total identifiable expenditure by service area and region, 2009/10 to 2013/14 (£m).....	71
Table 5: Percentage change in real total and per capita Local Government identifiable expenditure on services by region, 2009-10 to 2013-14 .....	72
Table 6: Net current expenditure by Councils with Adult Social Care responsibilities by region, 2009/10 to 2013/14 .....	72
Table 7: Net current expenditure by Councils with Adult Social Care responsibilities in London and the North: total and on people aged 65 and over, 2009/10 to 2013/14 .....	73

## Summary

There is an overall continuing disparity of economic performance between London's growth and slower growth in the North of England (defined here as including the North West, North East, and Yorkshire and the Humber). This is mirrored by parallel disparities in some social outcomes (health, education and early years) between these regions, also showing London as a whole doing better than the Northern regions. The wider impact of the economic crisis has been to increase inequalities between and within regions, including significant new inequalities of economic and social outcomes within London, and in particular for London's lower income groups. "Austerity" cuts to public services expenditure have hit both London and the Northern regions particularly hard and there are some signs of its increasing pressure on the delivery of services. Within this overall context, some main points stand out:

- London has shown a faster recovery from the recent recession compared to the regions in the North of England in terms of GVA (Gross Value Added) - London's GVA continued to increase rapidly after 2008 while the three Northern regions of England experienced the worst decline.
- London saw a sharp rise in employment rates among its working age population following the recession, overtaking Northern regions and no longer remaining the region with the lowest employment rate, as it was pre-recession (in 2007).
- There has been a marked reduction in public service jobs in the North and a rise in London, with private sector jobs picking up some of the slack in the North West.
- A sharp rise in house prices and private rent costs in London was not accompanied by an increase in earnings. On the contrary, real earnings in London and other regions fell between 2007/08 and 2013/14. Additionally, real net household income (after housing costs) fell particularly sharply in London, especially among the least affluent. The overall effect has been an increase in inequalities in net income after housing costs within London and parts of the North since 2007. In London this resulted in a 18.3 percentage point reduction in income after housing costs for the poorest 10%, and an increase in the adjusted 90:10 income ratio from 8.4 to 9:1.
- The demographic profiles of London and the North are very different which means these regions are faced with contrasting pressures: an increasingly elderly population in the north, but a younger population in London.
- Social outcomes have mostly diverged between London and the North since the recession, with London showing greater improvement. A higher proportion of children living in London are achieving "good development" measured by the Early Years Foundation Stage Profile, and there is a smaller gap in development between pupils who are eligible for free school meals and those who are not. A larger proportion of children living in London gain 5 or more A\*-C GCSEs compared to those living in the North. Moreover, London residents are better qualified and have seen bigger health improvements in terms of the prevention of killer diseases, better mental health, fewer suicides, and being less disabled when elderly.
- Nevertheless, housing and economic inequalities in London mean that not all Londoners benefit equally. Homelessness has grown much faster in London, there is more housing overcrowding, and many adult social care indicators are worse. After housing costs poverty rates for all people remained at the same in London between 2005/06-2007/08 and 2011/12-2013/14 whereas they have improved in other regions, including the North of England. There was also a greater improvement in after housing cost poverty rates for children in the Northern regions compared to London during the same time period.

- Following growth in total public spending on services across all regions up to 2009/10, both the North of England and London saw sizeable reductions in total public spending on services from 2009/10 onwards, with expenditure per head being particularly squeezed in London, including in the protected areas of public spending.
- Strains on services are seen in healthcare, with increased waiting times in both London and the North, but particularly in London.



## 1. Introduction

Since the economic crisis and particularly since the 2010 General Election, increasing political attention has been given to the economic disparities between English regions. In a speech in 2010 launching the Coalition's strategy for economic growth, the Prime Minister David Cameron announced a determination to transform England's heavy reliance on a few industries and a few regions, particularly London and the South East, through breathing new economic life into less well performing regions (Cameron, 2010). The strategy to deliver this included the abolition of the Regional Development Areas in each region, and the establishment of 39 business-led Local Enterprise Partnerships (LEPs) at the level of the functional economic area. The establishment of a Local Growth Fund aimed at housing and infrastructure, together with "City Deals" in 28 cities, complemented the LEPs, and aimed to attract private investment in return for pledges on innovation and efficiency. There was also a series of commitments made to the creation of a 'Northern Powerhouse', including investments in road and rail infrastructure, science and innovation (see also Lee 2015), and the devolution of certain powers to some major cities. In January 2015 the Minister for Cities, Greg Clark, announced that such was the revival of the northern cities to date that the "picture of a north-south divide pulling apart was certainly true in the previous decade ... in this decade it is changing. North and south are now pulling in the same direction, which is upwards".<sup>1</sup>

This claim has been disputed and is put to the test in this paper. However, the debate about the North-South divide goes beyond the empirical validity of the Government's claims.

One key issue is the scale of economic rebalancing that is needed and how it might be achieved. As Martin et al (2015) point out, 'pulling in the same direction' would be insufficient to remedy the long-standing regional imbalances in the English economy. Those authors propose a more radical decentralisation of power and finance: a new governance structure based around regions or city regions, a regionally-based investment bank, further decentralisation of public administration and employment and an institutional framework at central government level for influencing and monitoring the spatial impact of government policies.

A second issue is the relationship between economic and social outcomes. It is not clear that the Governments' efforts to rebalance the economy would necessarily address the wide disparities in social outcomes that exist between regions. Indeed Lee et al (2012, 2012a) claim that there is no guarantee that economic growth will reduce poverty. Their study at city level showed that in some economically expanding cities poverty has stayed the same or increased. Growth in economic output did not necessarily produce employment growth and risked worsening poverty through leading to increases in the cost of living. Employment growth could reduce poverty, but the impact was minimal if jobs were low-paid or went to workers living outside the area. The key determinant of changes in unemployment was the skills of the population, with highly skilled cities experiencing smaller increases. Evidence on disparities in social outcomes and trends at the regional level is surprisingly much less well documented in the UK than economic disparities, possibly because services tend to be organized at smaller geographies (although Dorling's (2012) study of the UK population and Hammett's (2009) study of the geography of welfare benefit expenditure provide valuable recent information). Nevertheless, concerns about wide and possibly diverging social outcomes have also been the subject of increasing political

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<sup>1</sup> *Management Journal for Local Authority Business*, 22 January, 2015, cited in <http://www.theguardian.com/business/economics-blog/2015/apr/21/north-south-divide-is-far-from-being-resigned-to-history>. [Accessed 03/08/2015]

attention. In the wake of the Scottish independence referendum of September 2014, the political debate in England around the 2015 General Election revealed a new sense that the interests of the 'North' and the 'South' were increasingly diverging to the extent that the politics and policies of London-based government might no longer represent Northern interests. Proponents of a new regional federalism have argued that the issue at stake is not simply the need for a serious focus on the economic revival of areas outside London, but a degree of self-governance to reflect their different conditions, assets, issue and challenges (Mitchell, 2012). The Labour Party leadership campaign of summer 2015 also highlighted this issue, focusing on social policies as well as economic policies (Corbyn, 2015). Uneven public spending has historically been a tool to promote more even social outcomes in the face of economic disparities. Needs-led funding formulae for public services have historically led to higher per capita spending in less well-off regions. However, as Hastings et al (2013) have calculated, since its peak in 2008/9 overall local authority spending has declined by 29%, and the previous trend to provide more resources for the less well-off regions has changed. The most deprived fifth of all-purpose<sup>2</sup> authorities have lost £250 per capita compared with £150 per capita for the least deprived fifth in the 2010/11 to 2014/15 period, raising new concerns about possible increases in social inequalities between regions in the short to medium term.

Third, there is a debate about whether cities, city-regions, or regions represent the right scale for policy intervention, and about how to coordinate interventions across different scales. As economic development policy moves increasingly to the city-region scale, debates about governance tend to focus on super-regions ("the North", rather than its constituent regions or cities), while some recent policy developments (such as Regional Schools Commissioners) have appeared on new regional geographies. Furthermore, the recent abolition of the former Government Offices for the Regions has left no official body with responsibility for collating data across multiple service areas such as health, education and crime, and for monitoring these alongside economic developments. As a result, empirical data about regional trends in economic and social outcomes and public spending is rarely now collated and published in an accessible way to inform these emerging debates.

As part of the Social Policy in a Cold Climate research programme, we have recently had the opportunity to do exactly this collation exercise. That programme has had two major components: first an analysis of the social policies and spending of Labour and Coalition governments from 1997 to 2015, and their impacts on poverty, inequality, and distribution; and second an analysis of the changing distribution of economic outcomes (such as qualifications, earnings, income and wealth) since the recession, including regional breakdowns. Here we bring together some of these data to give a broad picture of regional disparities in economic and social outcomes and in spending and resource allocation, and trends over time. Are the regions pulling together, or apart, and in what ways?

We look at three core questions:

- 1) To what extent have economic outcomes in the English regions converged or diverged since the recession?
- 2) Are social outcomes tending to follow the same pattern, leading to increasing or decreasing disparities between the characteristics of and issues facing different regions?

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<sup>2</sup> That is, not Districts and Counties where functions are split over the same geographical area

- 3) To what extent are regional spending patterns changing and how might these affect patterns of social outcomes in the future? With nine English regions and hundreds of potential indicators, we limit the scope of the paper as follows:
- We concentrate on the period since the recession. We take the second quarter of 2008 to represent the onset of the recession.<sup>3</sup>
  - We summarise the data on economic disparities, including some of our own new analysis, but since material of this kind is covered elsewhere, we focus more on social outcomes.
  - We focus principally on differences between London and the three Northern regions – the North East, North West and Yorkshire and the Humber, since it is the economic divergence of these regions that emergence most strikingly from our initial analysis in section 2. Data for all regions is included as an Appendix.
  - For each topic examined, we look at a small set of indicators which emerged as important during the Social Policy in a Cold Climate work. Our goal here is not to be comprehensive but to highlight some key trends and to bring data from multiple sources into one place in order to construct an overall picture and raise questions that might be explored in further analysis.

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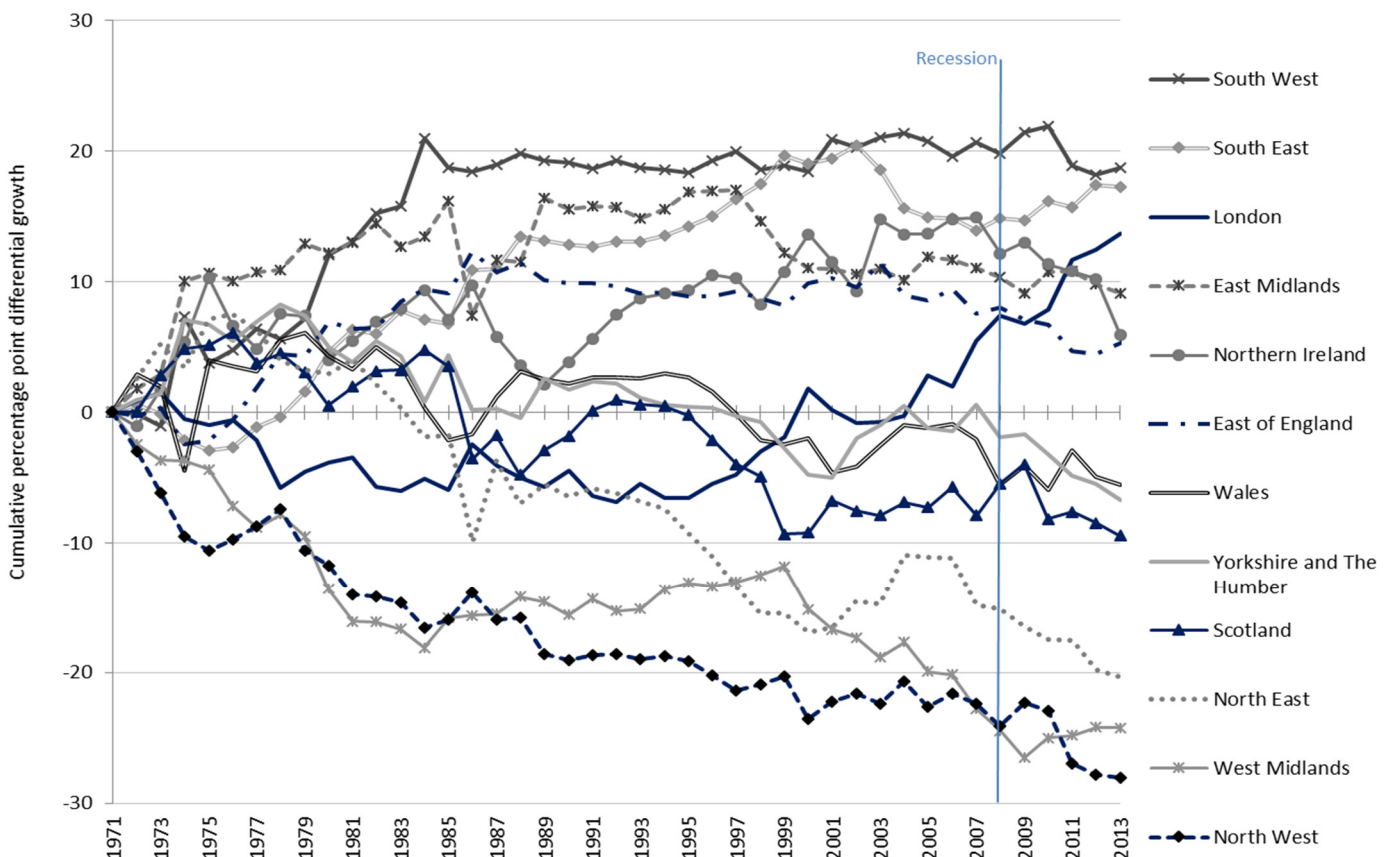
<sup>3</sup> ONS National Accounts show that recession in the UK - a period of two quarters of negative GDP growth - began in Quarter 2 (April-June) of 2008 (ONS 2016)

## 2. Economic change

### Economic divergence of London and the North

Figure 1 shows the comparative long run economic performance (in terms of **GVA**) of UK regions since 1971. While there is a clear pattern here of divergence between the South of the UK and the North, what really stands out is the turnaround of London from being one of the lowest performing regions to becoming the fastest growing region from the mid-90s. If we look at the period since the recession, London's extraordinary performance is also clear. Far from the expectation that the recession would hit London the hardest due to the origin of the crisis being in the banking sector, London's GVA continued to increase rapidly after 2008 while the three Northern regions of England experienced the worst decline.

**Figure 1: Gross Value Added (2011 prices) UK Regions. Cumulative annual differentials 1971-2013**



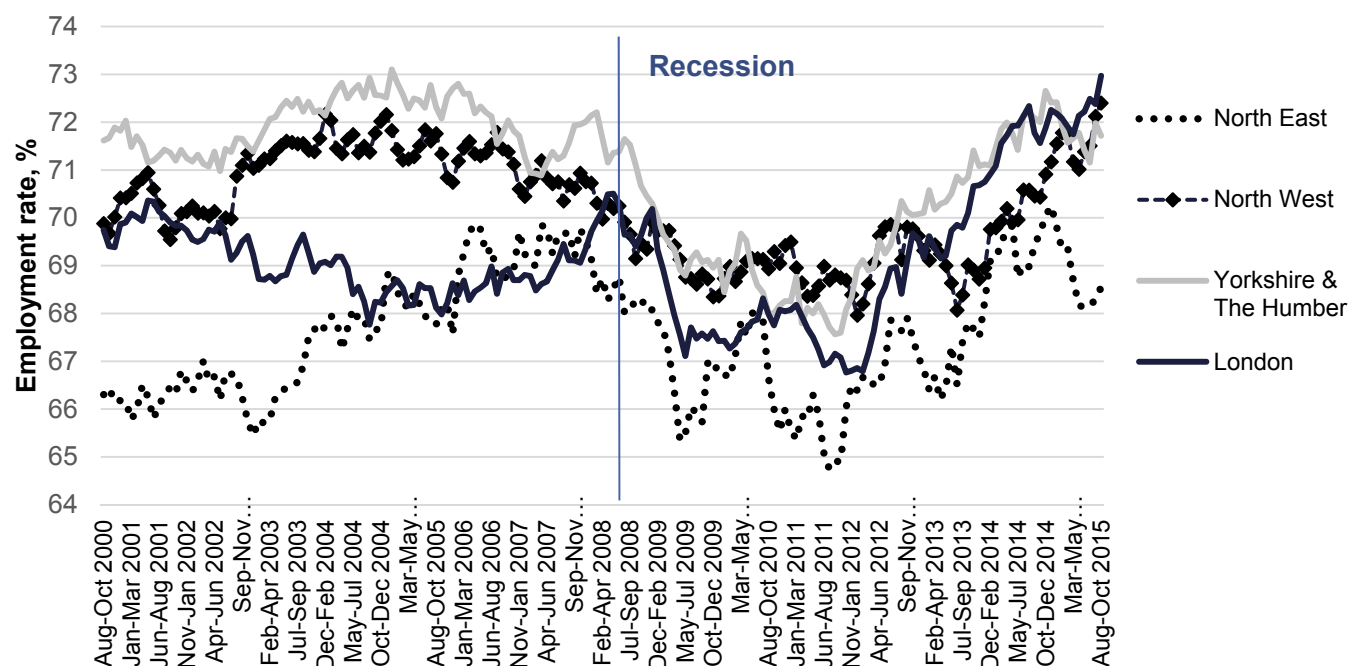
Source: Reproduced with permission from Martin et al (2015)

Notes: Start of recession is roughly indicated here as 2008

Other economic indicators such as employment and unemployment rates show divergence across regions since the recession. The employment rate fell sharply across all regions during 2008 and 2009. However London bounced back more strongly than the northern regions, with the employment rate reaching above its pre-recession rates towards the end of 2013, and continuing to improve thereafter. (Figure 2). While improvement in employment rates was also seen in the Northern regions as the

economy came out of recession employment rates were barely back to pre-recession levels in the North East and Yorkshire and the Humber, as recent data shows (August-October 2015). London's recovery left it with a higher employment rates than any of the northern regions by 2015, a situation not in evidence at any time during the growth period of the 2000s. The relatively poor post-recession performance of the North East is another striking feature of Figure 2.

**Figure 2: Employment rate (% , moving quarters), 2000 to 2015 (ages 16 to 64), London and Northern regions**



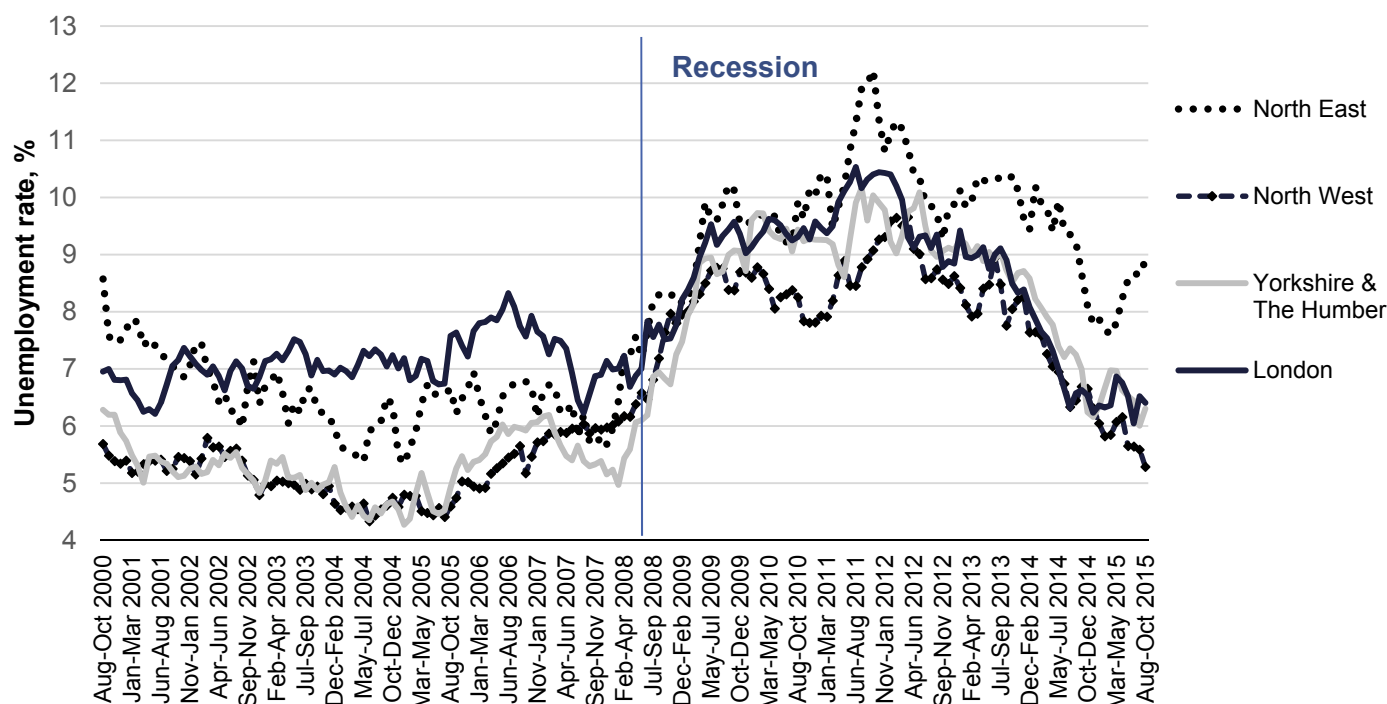
Source: ONS (2015a)

Notes: 1. Start of recession is indicated here as April-June 2008. 2. Not all data point labels are shown in the graph

Overall, the loss of jobs was much less pronounced during the 2008 recession than during the recessions of the 1990s and 1980s, and employment rates recovered more quickly. But an increase in the size of the workforce meant that unemployment has not reduced to previous levels (UK Commission for Employment and Skills, 2014). While the latest labour market statistics show that some regions are on their way to recovery, others still have quite a way to go. London had higher unemployment than other regions in the 2000s, including the North; and had the second highest unemployment rate among English regions pre-recession (higher only in the North East, data from April-June 2008). In contrast, during the same quarter (April to June) in 2015, while the North East and Yorkshire and the Humber failed to return to the pre-recession levels, unemployment in London was lower than it was pre-recession (Figure 3). Again the poor performance of the North East in particular is evident in this graph.

Unemployment rates among younger people show particularly dramatic regional variation. The Social Mobility and Child Poverty Commission (2014, Figure 4.4) report youth unemployment in London remaining more or less at the same level between 2008 and 2014, but increasing by more than 10 percentage points in the North East, the region with the highest youth unemployment to start off with.

**Figure 3: Unemployment rate (% , moving quarters), 2000 to 2015 (ages 16 to 64), London and Northern regions**



Source: ONS (2015a)

Notes: Start of recession is indicated here as April-June 2008.

The rise in unemployment in the North has partly been due to the large loss in public sector jobs. Up to the recession, the majority of new jobs were directly or indirectly in this sector, or dependent on public funds in the three Northern regions (Smith Institute, 2015). These jobs and funding had since been cut. Figure 4 shows a reduction in the percentage of employees in public sector jobs in the Northern regions but not in London.

**Figure 4: Percentage change in number of employees (part-time and full-time), 2008 to 2013**



Source: ONS (2010a), ONS (2015d)



## Growing inequalities in London

London's extraordinary economic growth in the last two decades and a fast recovery from the most recent recession has nevertheless been accompanied by **growing internal inequalities**. Vizard et al (2015) have shown that London's economic success and relative resilience following the recession in comparison to the rest of the UK has not translated into lower inequality amongst Londoners themselves. The authors examined the position of different population groups up to 2012/13 and show that "economic outcomes for some of the poorest, lowest paid and most at risk Londoners deteriorated in the wake of the economic crisis and subsequent downturn, whilst wealth at the top of the distribution grew, and inequality against some indicators increased".

## Hourly wages

In the period between 2006-08 and 2013, **hourly wages** of the poorest Londoners fell more compared to those at the top of the pay distribution, resulting in increasing wage inequality among Londoners (Hills et al 2015). The Northern regions, on the other hand, had the lowest full-time wage inequalities across all the regions just before the recession in 2006-08 and unlike London, the changes to 2013 were less marked (Hills et al 2015). In the North West, while the 90:10 ratio<sup>4</sup> for male median hourly wages increased between 2006-08 and 2013, the ratio remained stable for women. In the North East, wage inequality among men actually decreased, while it remained unchanged among women. In Yorkshire and the Humber, pay inequality for both men and women increased. The pattern of higher pay inequality in London compared to the Northern regions therefore remained between 2006-08 and 2013 with further widening of inequalities in London (Hills et al, 2015).

## House prices and rents

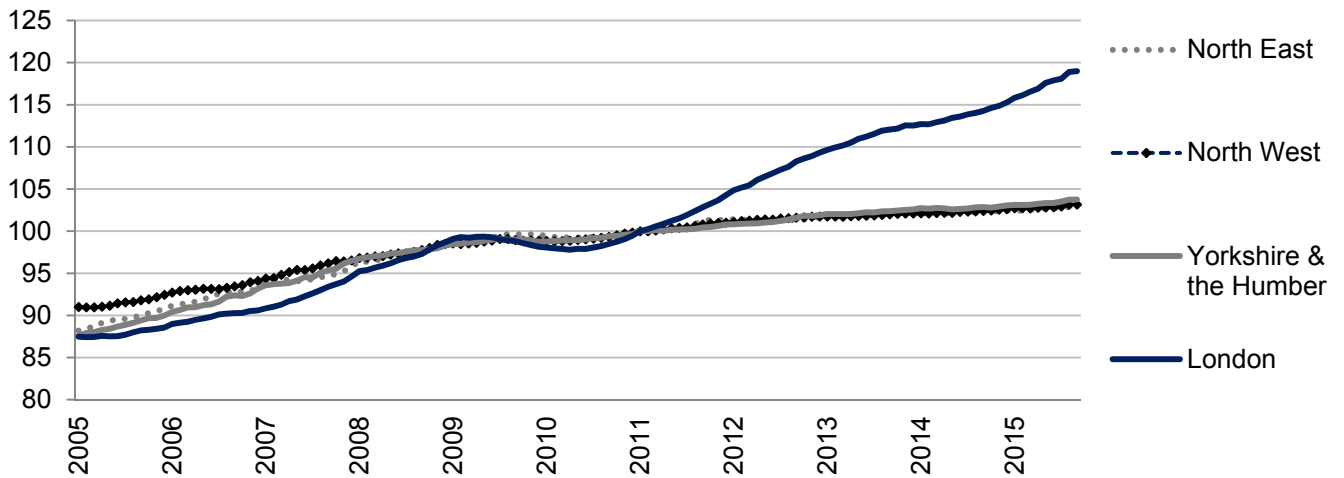
In parallel to London's economic turnaround since the early 90s, a surge in London house prices began with a temporary decline during the recession and its aftermath, before undergoing a continued rise thereafter. In the Northern regions, on the other hand, median house prices more or less flat-lined since the beginning of 2010, following a fall during the recession (DCLG, 2014).

The position with private renting also showed higher increases in housing costs for London. The ONS experimental statistical index, which measures the change in price of renting residential property from private landlords, shows a steady rise in private rental costs between 2005 and 2009, followed by a plateau and some decrease in 2010. There was then a much greater rise for London, which outstrips the pace of the lower, but still increasing, levels in the North (Figure 5).

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<sup>4</sup> The ratio of the highest 10 percent to the lowest 10 percent of the distribution; a higher ratio means greater inequality

**Figure 5: The Index of Private Housing Rental Prices, 2005 to 2015**



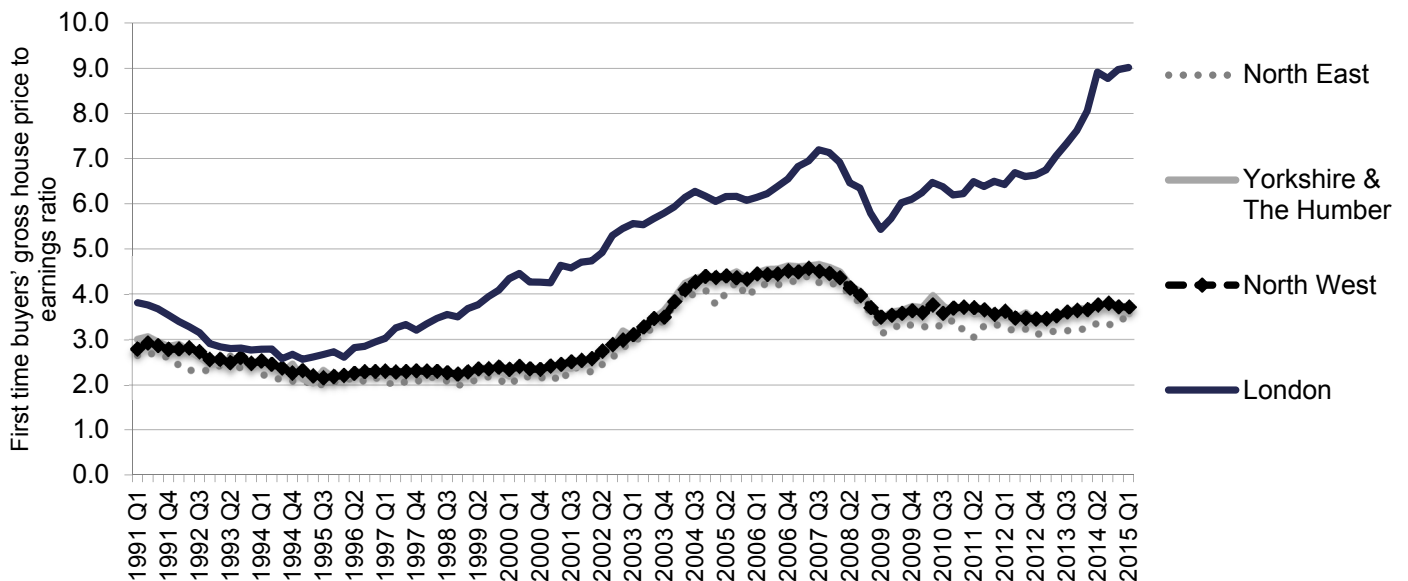
Source: ONS (2015e)

Note: The Index of Private Housing Rental Prices (IPHRP) measures the change in price of renting residential property from private landlords

### Affordability of housing

House price affordability for first time buyers, measured by **the price to earnings ratio**, had been worsening across all regions since the mid-1990s, accelerating from the early 2000s to the beginning of recession – at which point it improved briefly due to the housing market crash. Following the 2008 recession London's house price to earnings ratio increased substantially, while remaining relatively flat across the Northern regions (Figure 6).

**Figure 6: First time buyers' gross house price to earnings ratio, London and Northern Regions, 1990 to 2015**



Source: Nationwide (n



### After housing cost income

Further to falling wages, **real net equivalised household income after housing costs** fell across the income distribution, falling particularly sharply in London, and especially among the least affluent Londoners (Hills et al, 2015). Between 2007/08 and 2012/13 real net median incomes after housing costs<sup>5</sup> fell substantially more in London than in any other region, including the three Northern regions. Between these periods real net income after housing costs in London fell by 11.8% at the median and 10.3% at the 90th percentile (most affluent) but by 18.3% at the 10th percentile (least affluent) - although there are some uncertainties surrounding data on changes over time due to small sample sizes in the highest and lowest incomes in each region. The least affluent people in regions other than London appeared relatively more protected with much lower reductions in their net income, although a few other regions experienced comparable reductions in net income at the median and at the higher end of income distribution. The inequality ratio also increased slightly in Yorkshire and the Humber, while it fell in the North West and remained constant in the North East. Notably the changes in London led to a substantial increase in income inequalities within the region, making London's position as the most unequal region even more pronounced (Table 1).

**Table 1: Percentage change in real after housing cost income between 2007/08 and 2012/13 and Income inequalities (90:10 ratios) in 2007/8 and 2012/13 (£/week, adjusted for household size) in London and North of England**

	Change in income (percentage point) between 2007/08 and 2012/13			90:10 ratio	
	at 10th percentile	at the median	at 90th percentile	2007/08	2012/13
London	-18.3	-11.8	-10.3	8.4	9.1
North West	-1.6	-6.5	-6.6	4.8	4.6
Yorkshire and the Humber	-9.3	-8.3	-8.3	4.3	4.6
North East	0.6	-4.7	-5.0	4.2	4.2

Source: CASE/DWP analysis of HBAI dataset. Figures for 2007/08 are from Hills et al (2010) and figures for 2012/13 are from Hills et al (2015).

Furthermore, Vizard et al (2015) show evidence of some at risk groups being particularly hard hit in the wake of the economic downturn in London. Between 2007/8 and 2012/13, there was a 53% fall in equivalised weekly household income after housing costs for the poorest 10 per cent of private renters in London, from £83 to £39 per week in 2012/13 prices. In contrast, during the same period in the rest of the UK, the incomes of the 10<sup>th</sup> poorest private renters remained unchanged at above £100 a week. Moreover, the poorest disabled individuals in London also appear to have been hit harder in terms of the reduction in weekly after housing costs income compared to those elsewhere in the UK, and harder than people without disabilities. Vizard et al (2015) also show that the percentage of Londoners paid less than the London Living Wage had increased across most population groups over the period of 2007/8 to 2012/13, but especially amongst disabled individuals, individuals who work part-time or who are from ethnic minority groups.

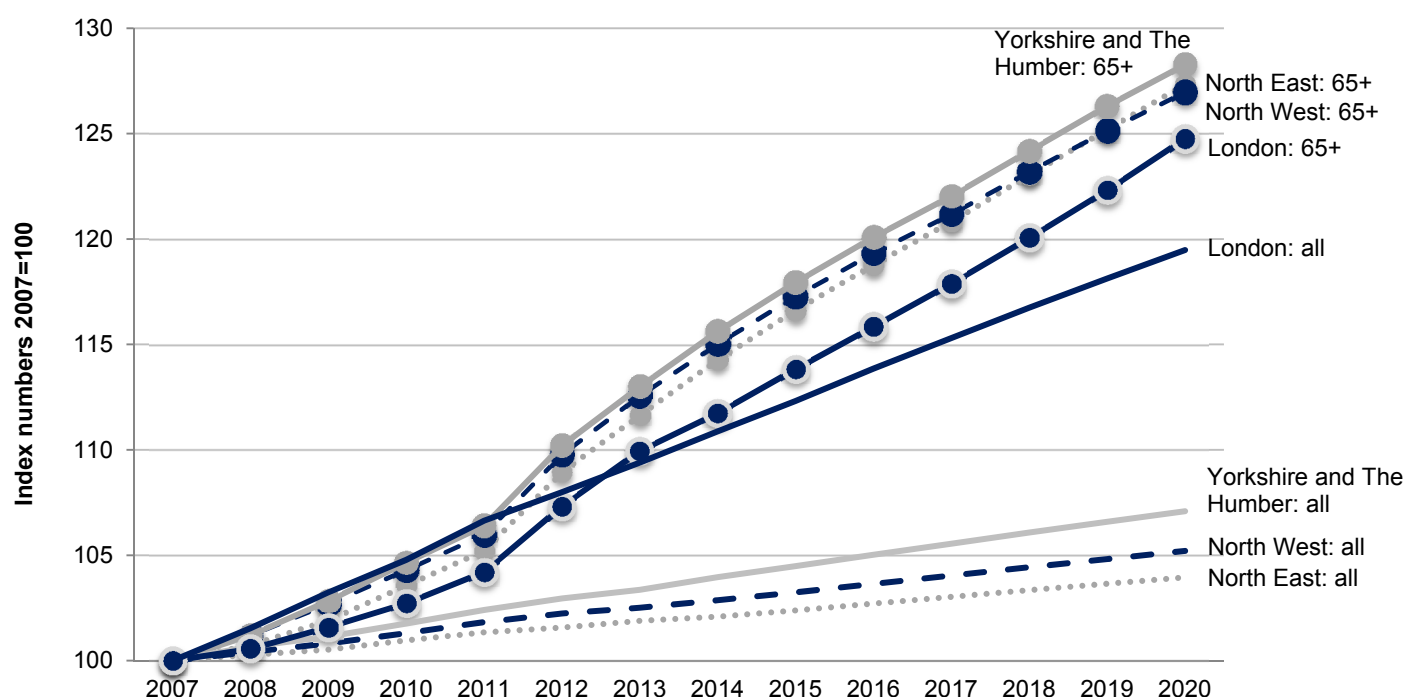
<sup>5</sup> Net income *before* and *after* housing costs at the median as well as at the 10th and 90<sup>th</sup> percentiles can be found in the Appendix

To summarise, London has shown a faster recovery from the recent recession compared to the North in terms of GVA and employment, improving its position in relation to Northern regions compared to pre-recession levels. However while it may be the case that the Northern regions are now pulling in an upward direction, they are not doing so as rapidly as London. Additionally, rising housing prices, rising private sector rents, falls in real earnings particularly among the poorest Londoners and decreasing housing affordability have meant that the overall effect has been an increase in inequalities in net income after housing costs in London since 2007. Therefore, while London retained its position as the most affluent region, economically outperforming the North, it became more unequal following the recession.

### 3. Social outcomes

Given the increasing economic disparities between regions and within London, what might be expected of trends in social outcomes? In some respects, we might expect a direct link between economic performance and social outcomes. We know that better-off people tend to have better outcomes and at national level, there is evidence that **inequalities** of income and wealth are associated with worse health and social problems (e.g. Rowlingson, 2011; Wilkinson & Pickett, 2009). However these relationships are complex, with some outcomes being less responsive to economic change than others. For example the health of older populations may be heavily influenced by economic inequalities in previous decades and be relatively unaffected by shorter-term factors such as service differentials. On the other hand, the cognitive development of young children may be highly responsive to increasing parental income and changes in school funding and policy. Changes in regional population composition may be driven by economic change, in ways which affect social outcomes in the short term. For example, – for example successful cities can attract highly qualified graduates who then start families, while other areas experience continuity of population composition. The English regions, in any case, have differing population composition and face different demographic challenges. Notably, although the number of over 65s has increased across all regions in England since 2007 (see Figure 7), including London, the proportion of the population who are 65 and over in London has remained at the same level between 2007 and 2013 (at 11.4%) with little increase expected to 2020. In contrast, the proportion of older people has been rising in the Northern regions (from 16.2% in 2007 to 17.7% in 2013) and is set to increase to 19.5% by 2020 (authors' calculations using ONS, 2013; ONS, 2014d; ONS, 2014e). The demographic divide between London and the North of England is also evident in the proportion of foreign-born residents: the 2011 Census shows that in London they made up 36.7% of population, while in the North East, for example, they made up only 4.9%.

**Figure 7: Growth in population in London and the North, 2007 to 2020, index number 2007=100 (figures from 2014 onwards are estimates)**



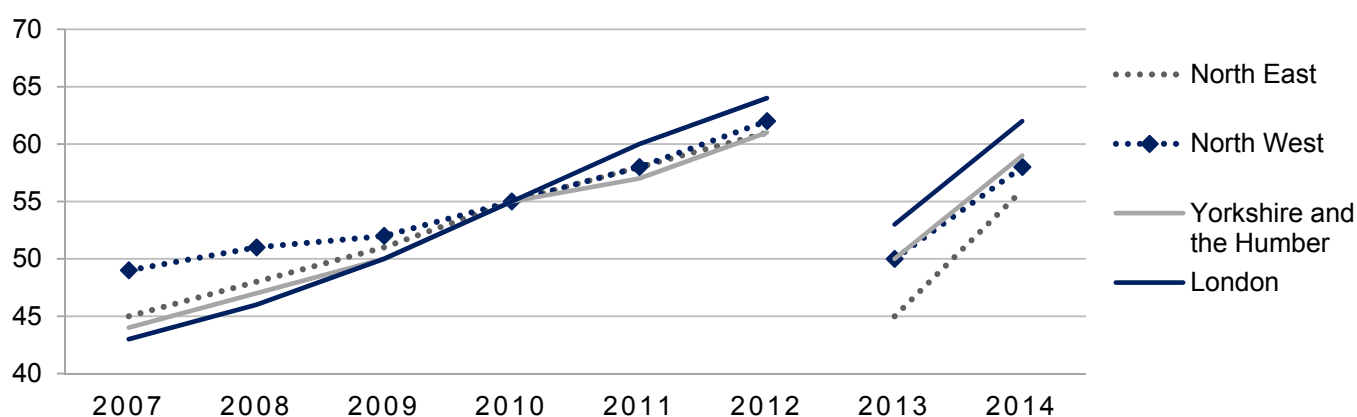
Source: Mid-2007 to mid-2012 estimates: ONS (2013); mid-2013 estimates: ONS (2014d); population projections: ONS (2014e)

All of these factors, and others, suggest a complex set of relationships between economic and social outcomes that needs to be better understood. However, regional trends in social outcomes are rarely reported alongside each other, nor alongside economic indicators, making these relationships hard to discern. In this section, we set out a range of headline indicators covering a broad range of social outcomes in London and the Northern regions as follows<sup>6</sup>: early years development and educational qualifications (both in the working age population and for current school students at GCSE level); population health and social care; housing and homelessness; and poverty, in order to reveal common and contrasting trends.

## Young people, education and qualifications

In terms of outcomes for young children, we look at changes to children's early development measured by the proportion achieving 'a good level of development' by the **Early Years Foundation Stage Profile** at the age of five. These are the scores recorded by teachers for children as they approach the end of reception class, measuring their development in various areas including personal, social and emotional development, communication, language and literacy, problem solving, reasoning and numeracy, knowledge and understanding of the world, physical and creative development. Although there was an improvement in the proportion of children achieving a 'good level of development' across all regions since 2007, this was fastest in London and improvement in London overtook other regions after 2010 (Figure 8). This pattern is also mirrored in the gap in development by economic disadvantage (Figure 9).

**Figure 8: Percentage of children achieving a 'good level of development' in London and the North, 2007 to 2014**



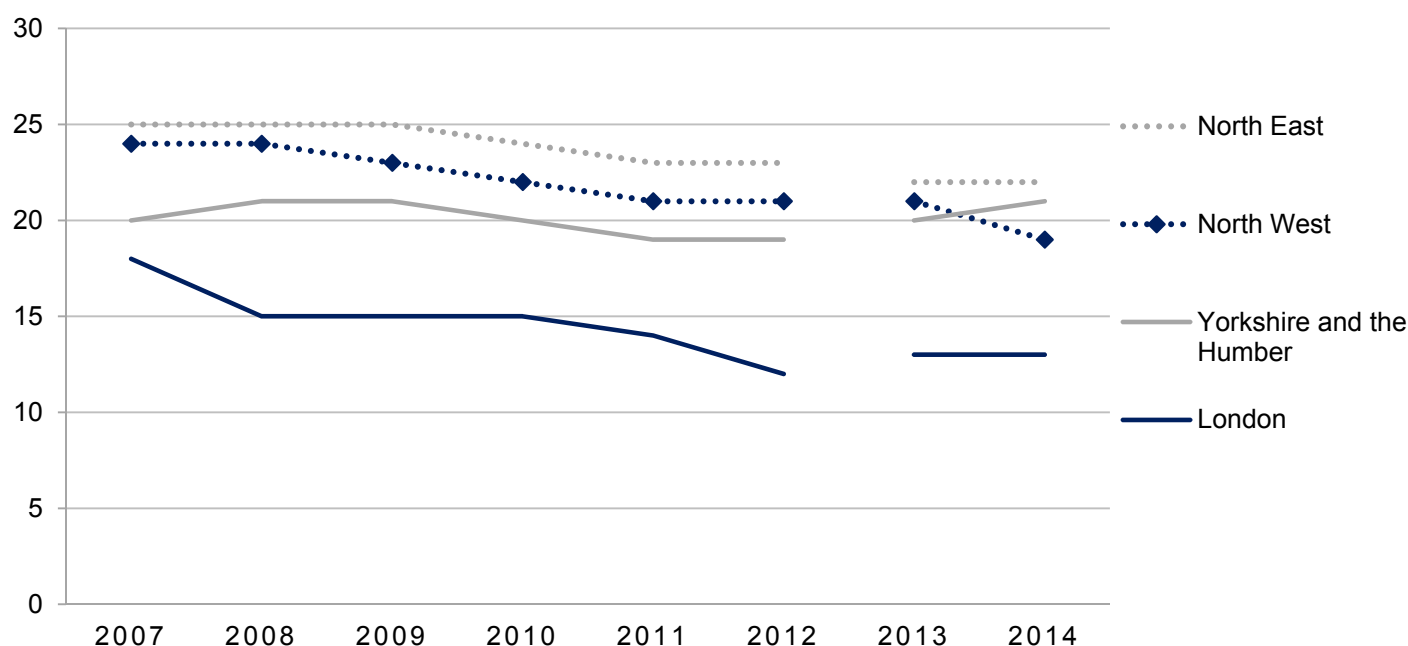
Source: DfE (2010, 2012, 2014)

Notes:

1. All English providers of state-funded early years education (including academies and free schools), private, voluntary and independent (PVI) sectors are within the scope of the EYFSP data collection.
2. For years 2007 to 2012: A pupil achieving 6 or more points across the 7 Scales of PSE and CLL and who also achieves 78 or more points across all 13 scales is classed as having "a good level of development".
3. For years 2013 to 2014: A pupil achieving at least the expected level in the ELGs within the three prime areas of learning and within literacy and numeracy is classed as having "a good level of development".
4. 2013 results onwards cannot be compared to earlier years due to change in methodology.

<sup>6</sup> The broad selection of outcomes reflects the scope of our original work on the Social Policy in a Cold Climate project (see Lupton et al 2015, for example, and [http://sticerd.lse.ac.uk/case/new/research/Social\\_Policy\\_in\\_a\\_Cold\\_Climate/Programme\\_Reports\\_and\\_event\\_information.asp](http://sticerd.lse.ac.uk/case/new/research/Social_Policy_in_a_Cold_Climate/Programme_Reports_and_event_information.asp) for a full list of publications).

**Figure 9: Percentage point gap in a 'good level of development' in the Early Years Foundation Stage Profile between children not eligible for free school meals and children eligible for free school meals, 2007 to 2014**



Source: DfE (2010, 2012, 2014)

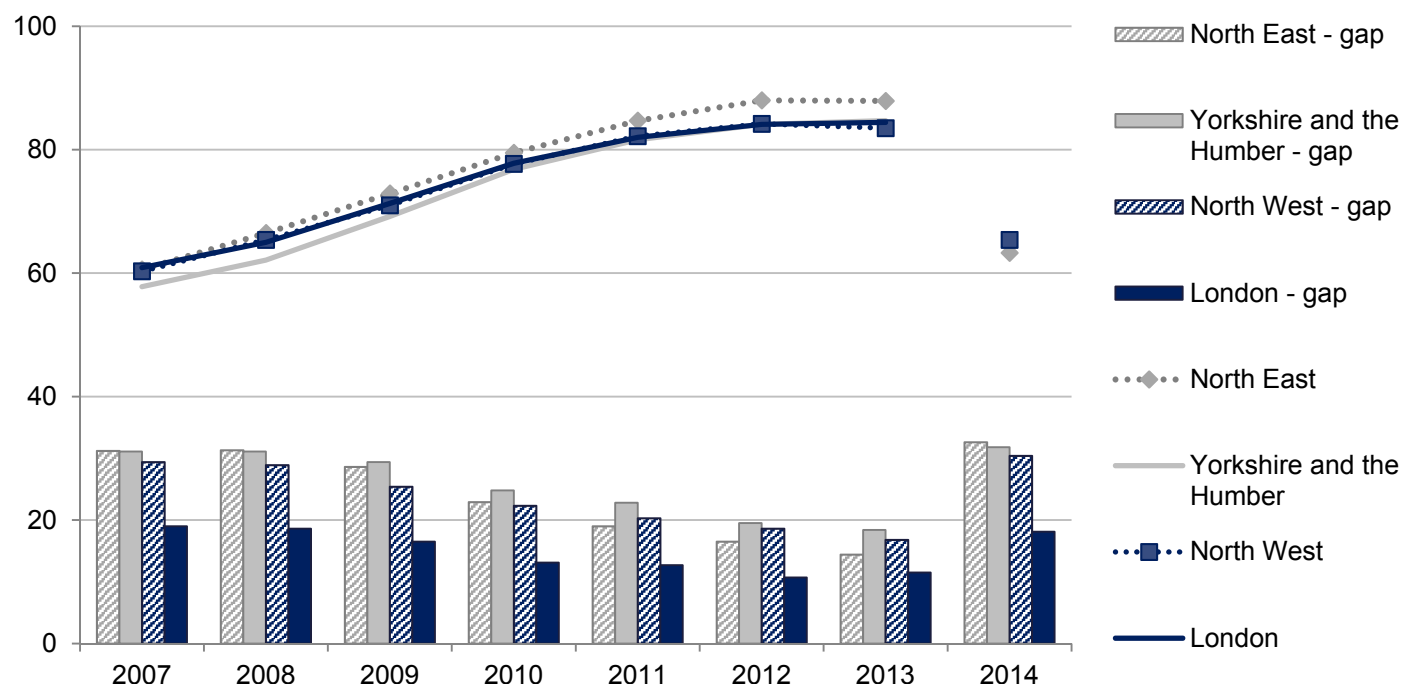
Notes: See notes to Figure 9.

Results for the proportion of pupils **achieving five A\*-C GCSEs including English and Maths** show that while there was progress made among pupils both in London and the North, London remained in the lead in terms of the proportion of children achieving 5 or more A\*-C grades throughout the period between 2007 and 2014. This headline trend has been well reported elsewhere – we include the figures in the Appendix.

Results for the slightly lower level of achievement, five GCSEs at A\*-C in any subject (not necessarily in English and Maths), are illuminating. At this level, the North East slightly outperformed London up to 2013 as shown in the lines in Figure 10. However in 2014 this situation changed, with London taking the lead over the Northern regions. Changes to GCSE assessment and performance tables in 2014 meant that vocational qualifications counted less towards school performance and some students were therefore steered away from these qualifications. This change in 2014 suggests that the lead of the North East prior to this was largely due to higher uptake of vocational qualifications.

Figure 10 (the bars) also shows the gap between pupils eligible for Free School Meals (FSM) and others, at the lower level of five A\*-C (any subjects). Young people eligible for FSM tended to rely more on vocational subjects to reach GCSE expected levels (House of Commons Education Committee, 2014), so were more likely to be affected by the changes to assessment and performance tables in 2014. Indeed, as Figure 10 shows, the FSM gap at this level of attainment had been decreasing across all regions up to 2013, but increased in all in 2014. While regional differences had been narrowing up until 2013, they widened in 2014 as the gap increased more in the Northern regions than in London.

**Figure 10: Percentage of pupils achieving 5+ A\*-C grades at GCSEs and equivalents by region, and the attainment gap between FSM and non FSM eligible pupils, 2007 to 2013, and 2014**

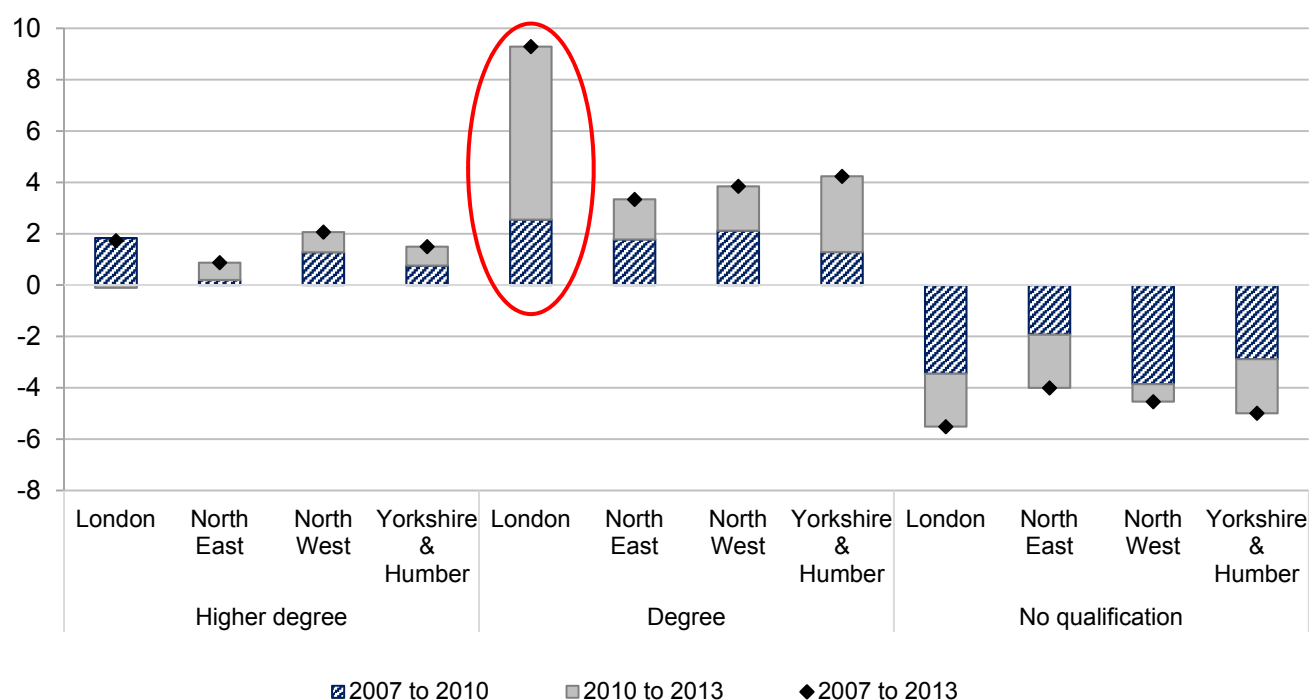


Sources: DfE (2012) SFR 03; and DfE (2015) SFR 06

Notes: State funded schools only. Figures for 2014 are revised, all others are final. Figures for 2014 are based on the new counting rules and are therefore not comparable to previous years.

Hills et al (2015) show large variations of the **highest educational qualifications** across regions pre-recession and particularly after. Just before the onset of the recession almost 30% of those living in London had a degree or higher degree – the highest proportion across all regions and double that observed in the North East (14.8%), which was the lowest region. By 2013, the proportion of people with these qualifications increased to over 40.5% in London and 19.0% in the North East, marking a faster growth in highly educated people in London. At the same time the proportion of people with no qualifications reduced significantly across all the regions but particularly so in London (Figure 11).

**Figure 11: Change in proportion with higher degree, degree and no qualifications by region, 2007 to 2013 (working age population)**



Sources: Underlying data from Hills et al (2015)

Notes: Data for 2007 is combined data from years 2006 to 2008 and is considered to be roughly the period just before the recession.

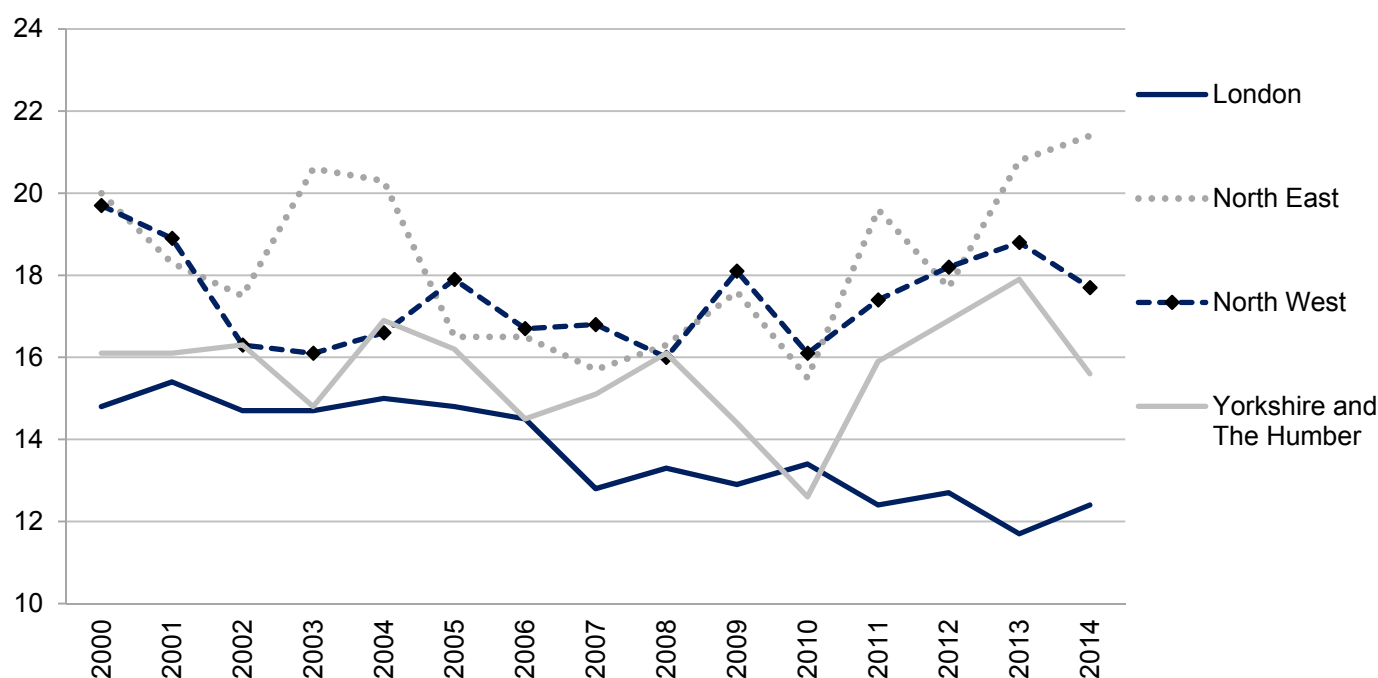
## General Health, disability and quality of life

Looking at general health indicators, both London and the North saw improvements with London maintaining its lead across a number of outcomes in comparison to the northern regions. Life expectancy at birth saw the largest improvement in London compared to any other region for both men and women, diverging from the visibly slower improvement in the North since the recession (data for 2006-09 to 2011-13 from ONS, 2014). Similarly, life expectancy at 75 improved continuously since before the recession in London and was maintained after the recession, while the progress of a number of other regions, including the North, slowed down or even deteriorated in the last few years (2009-11 to 2011-13, HSCIC online).

The improvements in the under 75s premature mortality from major causes of death since 2007 including cardiovascular disease, respiratory disease and cancer, are seen across all regions with London maintaining its lead compared to the Northern regions. London also showed improvement in mortality from liver disease among both men and women, while other regions (except women in the North East) show signs of deterioration since 2007.

Difference in mental health indicators are also seen between London and the North of England. The proportion of people identified as at **risk of poor mental health**<sup>7</sup> has increased nationally during the recession and its downturn in England overall, particularly visibly among women (Vizard and Obolenskaya 2015). Between 2008 and 2012, the risk of poor mental health increased significantly in the North East and East among women - but not among men - and there was no significant change in the risk of poor mental health in London, although it is still at a relatively high level (see Figure 45 in Appendix). Although women were at greater risk of poor mental health generally and saw their risk increase post-recession, the aftermath of the recession coincided with an increase in **age-standardized suicide rates** among men and women in all regions but not in London. After a long-term improvement in the age-standardised suicide rate in England, suicides among men increased significantly after 2007 (Vizard and Obolenskaya, 2015). Between 2007 and 2014, suicides went up significantly<sup>8</sup> among men in a number of regions including both those in the North and in the South, with no significant changes among women. The increase was particularly marked in the North East, while suicide rates in London fell (the only fall across all regions) for both men and women (not statistically significant).

**Figure 12: Age-standardised suicide rates among men in London and the North, 2000 to 2014**



Source: ONS (2016b), Table 7

Notes:

1 Figures are for persons aged 10 years and over.

2 Age-standardised suicide rates per 100,000 population, standardised to the 2013 European Standard Population.

3 Figures are for persons usually resident in each area, based on boundaries as of November 2015.

4 Figures are for deaths registered in each calendar year.

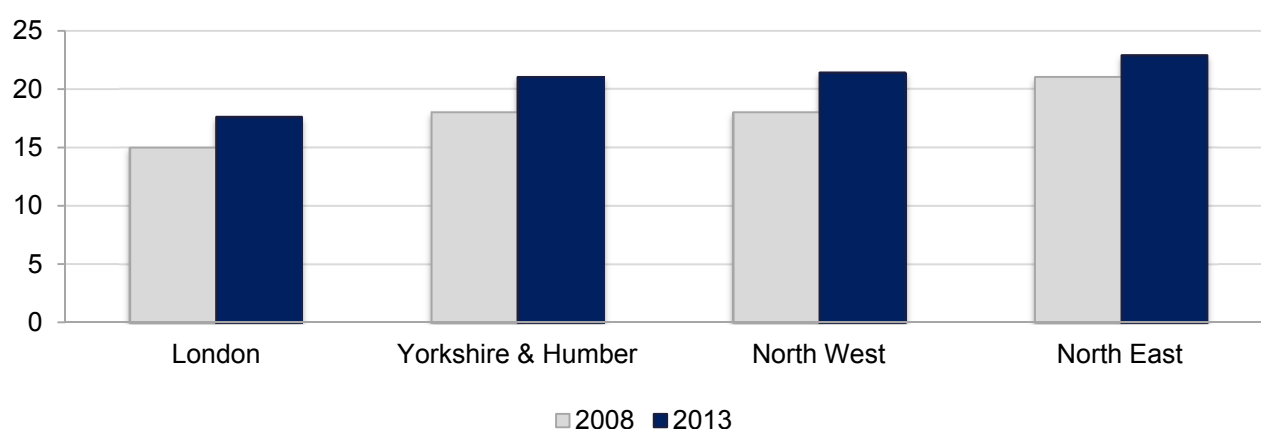
<sup>7</sup> Risk of poor mental health is measured by the percentage with a GHQ12 score of four or above (CASE calculations using Health Survey for England 2008 and 2012 in Vizard and Obolenskaya (2015).

<sup>8</sup> Significance testing is based on examination of the 95% confidence intervals



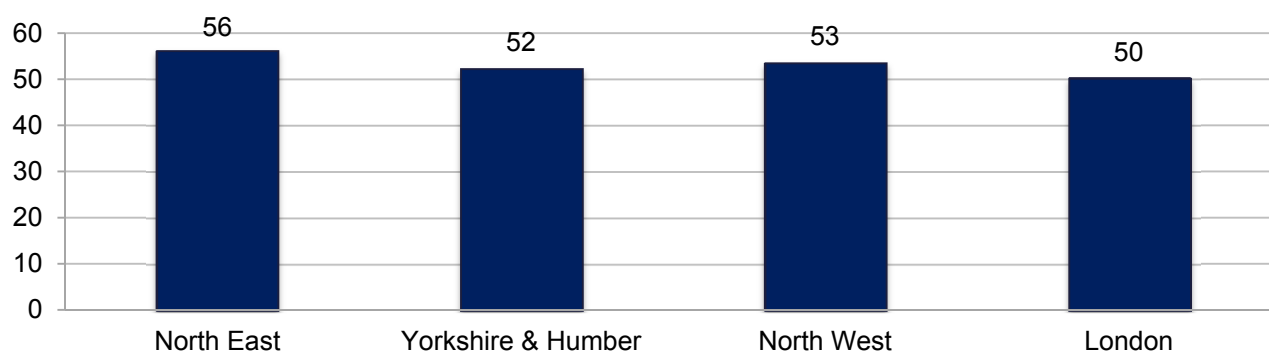
There are marked differences in prevalence of **disability**<sup>9</sup> across regions, with the North faring worse compared with regions in the South, including London (Figure 13). All regions showed deterioration of the trend between 2008 and 2013, with particularly high increases in prevalence of disability in Yorkshire and the Humber as well as in the North West. This trend is influenced by, but not entirely the result of the proportion of, older people in a given population as older people are more likely to have disabilities compared to younger people (NAO, 2014; ONS, 2015b). Data from the 2011 Census (Lloyd and Ross, 2014) shows that in the Northern regions a greater proportion of older people are disabled, compared to London<sup>10</sup> (Figure 14).

**Figure 13: Percent of population with limiting long-standing illness or disability among population aged 16 years and over in London and the North, 2008 to 2013 (sorted by 2013 figures)**



Source: ONS (2010b) and ONS (2015b), underlying data from the General Lifestyle Survey (GLF) in 2008 and the Opinions and Lifestyle Survey (OLS) in 2013.

**Figure 14: Percentage of older people reporting limited day-to-day activities due to a longstanding illness or disability at age 65 and over in London and the North, 2011**



Source: Lloyd and Ross (2014), using the 2011 Census.

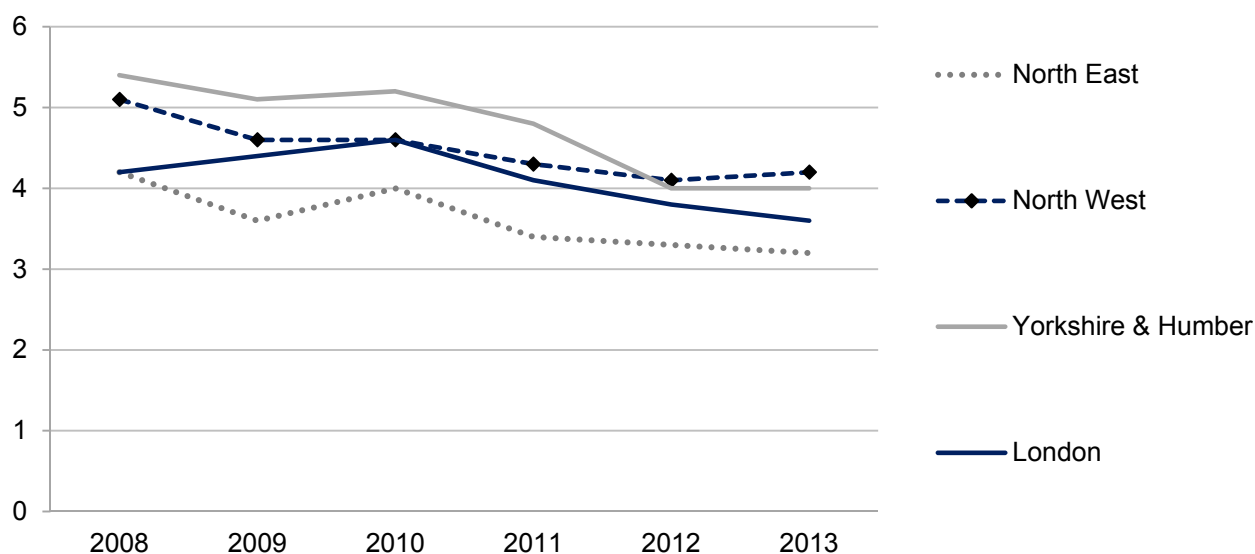
<sup>9</sup> The disability measure used in this data is the self-reported long-standing illnesses and disabilities that limit activities of daily living.

<sup>10</sup> A slightly different definition of disability is used in the Census - the proportion of people who reported that their day-to-day activities were limited by a longstanding health condition or disability nationally.

Indications of the quality of life for elderly or disabled people can be derived from the adult social care outcomes framework reported by the Local Government Association (LGA), although the picture is complex. Tightening of adult social care budgets, introducing more restrictive eligibility criteria and the reduction of the number of social care clients, means that those receiving adult social care services are more likely to be of the highest need (see Burchardt et al, 2015 for more details), and thus not necessarily directly comparable with previous cohorts. Data for the period between 2010/11 and 2014/15, indicates that there has been an improvement in the outcomes of those still receiving social care in England for most indicators, but London is falling behind the Northern regions on some of them. While adults receiving social care in London report similar **social care-related quality of life** as those in the Northern regions, a smaller proportion of London social care users report '**having control over their daily life**', despite an almost uniform improvement for this item across all the regions during the time period.

Looking at health indicators for the youngest, **infant mortality rates** across English regions saw a slow improvement since 2008 - the North East and Yorkshire and the Humber show slightly larger improvements than London (Figure 15).

**Figure 15: Infant mortality rate (per 1,000 live births) in London and the North, 2008 to 2013**



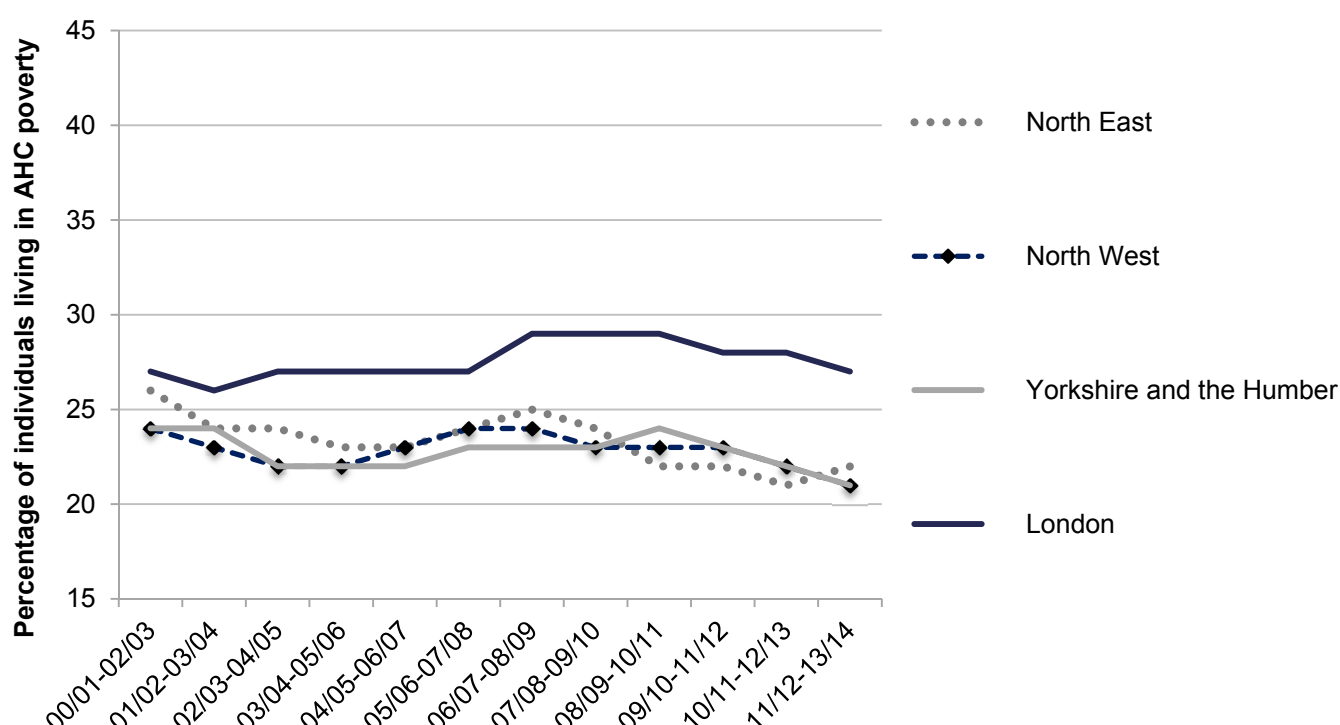
Sources: Data for 2000 to 2012 from HSCIC (online), NHS Outcomes Framework and for 2013 is from ONS (2015c).

## Poverty and Inequality

Despite London's economic success and a stronger position with greater improvement on some of the social outcomes compared to the North as set out above, London has the highest **After Housing Costs (AHC) income poverty** rates across all English regions and has seen much less improvement since the recession, particularly compared to the North East (Figure 16a and Appendix). The proportion of children living in AHC poverty<sup>11</sup> fell across all regions between 2005/06-2007/08 and 2011/12-2013/14, but slower progress was made in London compared to the North West and particularly the North East (Figure 16a). The most recent data also shows that proportion of all individuals living in AHC poverty<sup>12</sup> in London was at the same level in 2011/12-2013/14 as just before the recession (2005/06-2007/08), but fell in all other regions, including the North of England (Figure 16b and Appendix). For both all persons and children, a greater proportion are living in AHC poverty in London than in the North of England, a trend of increasing divergence between London and the Northern regions over time. In addition, while London's **Before Housing Costs (BHC) income poverty** is not the highest across English regions, its improvement since the recession is lower than in some regions, including the North East (see Appendix for BHC poverty for children and all individuals).

**Figure 16: Poverty by region (for children and all individuals), three-year periods, 2000/01-2002/03 to 2011/12-2013/14**

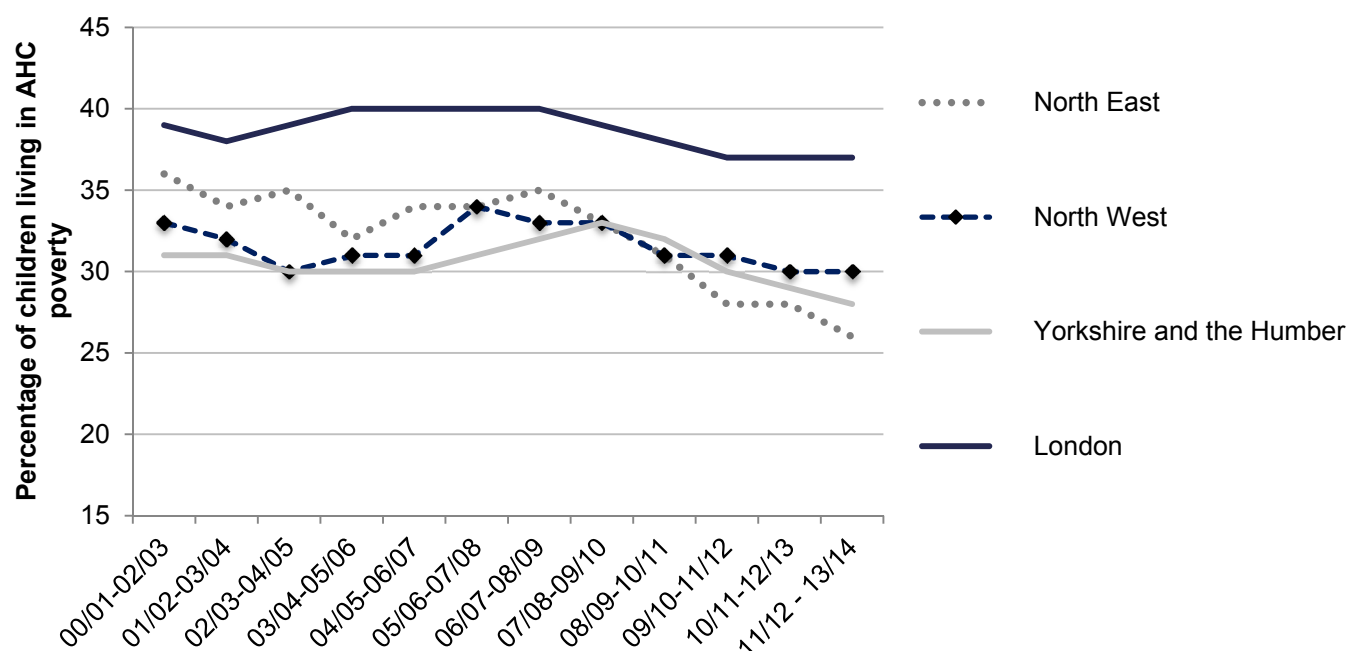
a) Percentage of individuals living in AHC poverty



<sup>11</sup> Measured as the proportion of children living in households with an after housing costs income below 60% of the contemporary median household income.

<sup>12</sup> Measured by the proportion of people living in households with an income below 60% of the contemporary median household income.

b) Percentage of children living in AHC poverty

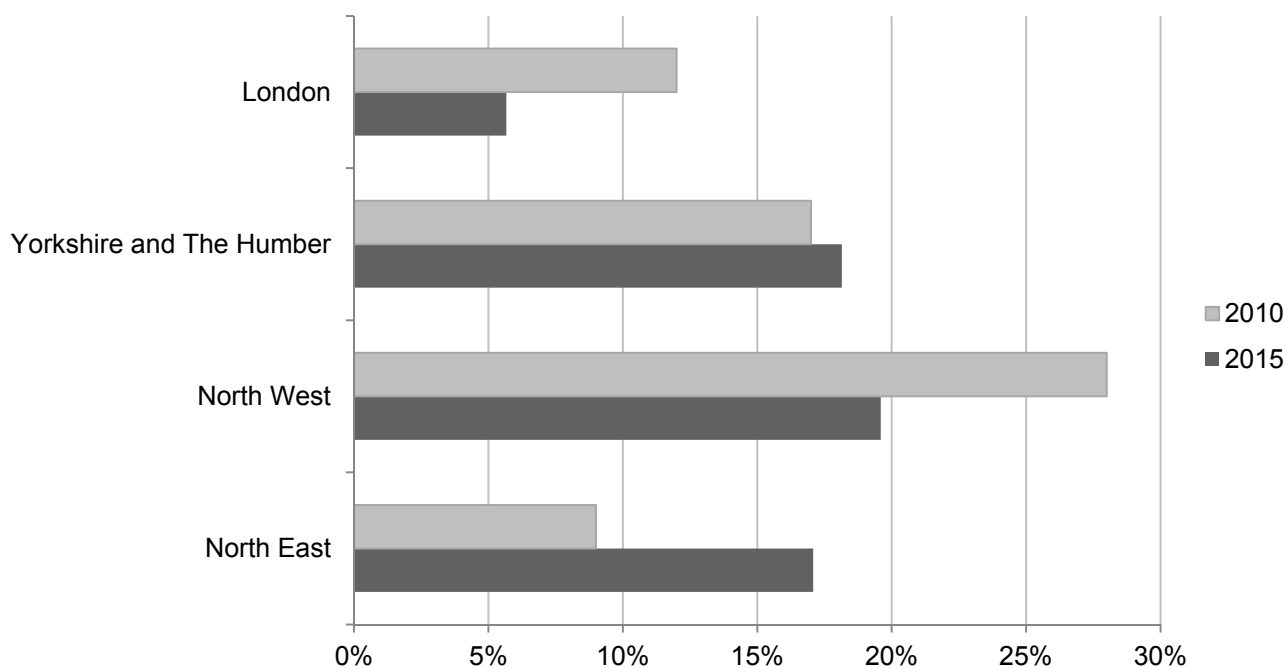


Source: DWP (2015) Households Below Average Income data 1994/95 to 2013/14, Table 4.16ts

It is interesting, therefore, to note that the same picture is not shown when looking at relative rankings in the Indices of Multiple Deprivation (IMD), which show deprivation across seven different domains at the neighbourhood level. Figure 17 below presents the distribution of the most deprived 10% of English LSOAs (small areas with an average of 1,600 people), using both the 2010 and 2015 Indices of Multiple Deprivation overall ranking. This indicates a sharp reduction in the proportion of these most deprived neighbourhoods in London between 2010 and 2015, with a contrasting sharp increase in the North East, despite in 2010 having a lower proportion than London. The North West also improved considerably, while Yorkshire and the Humber became slightly worse, but these two regions both exceeded London.

This relative improvement in neighbourhood deprivation in London, while trends in income poverty have appeared worse than in other regions, requires further investigation. One explanation may lie in the details of the measures. London's poverty rate is considerably worse relative to other regions when measured after housing costs (as we report here) than before housing costs (the measure used as one component of the income domain in the IMD). Figure 50 and 51 in the Appendix show comparisons between the AHC and BHC rates. Housing affordability, homelessness and overcrowding are also included in the IMD composite score, although with lower weighting. Another explanation could be the improvements in London in other indicators underlying the IMD, such as employment and education, affecting both poor and non-poor individuals. Another may be an increase in social mix (or gentrification) of poor neighbourhoods in London, such that neighbourhood indicators can improve whilst the same proportion of people overall remains poor (Lupton et al 2013).

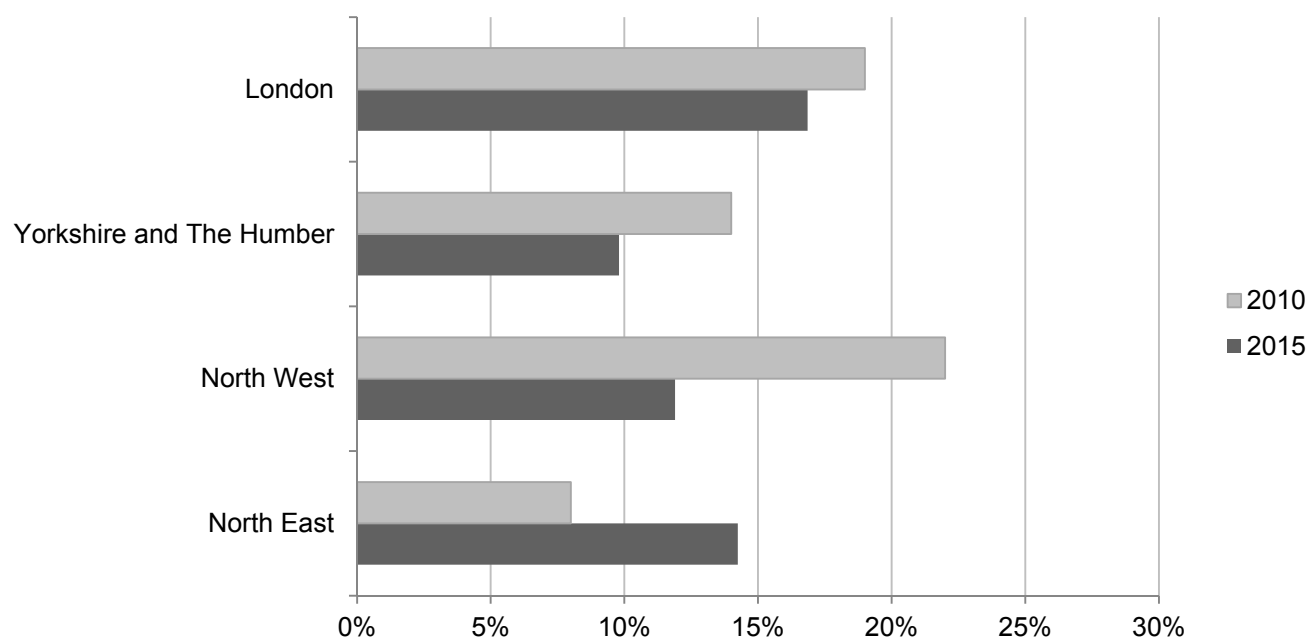
**Figure 17: Regional distribution of most deprived 10% LSOAs**



Sources: DCLG (2011, 2015)

A similar pattern can be seen in Figure 18 below, with the distribution of the most deprived 20% of LSOAs, with London also reducing its proportion, compared to a rise in the North East. Yorkshire and the Humber and the North West both looked relatively better on this measure.

**Figure 18: Regional distribution of most deprived 20% LSOAs**

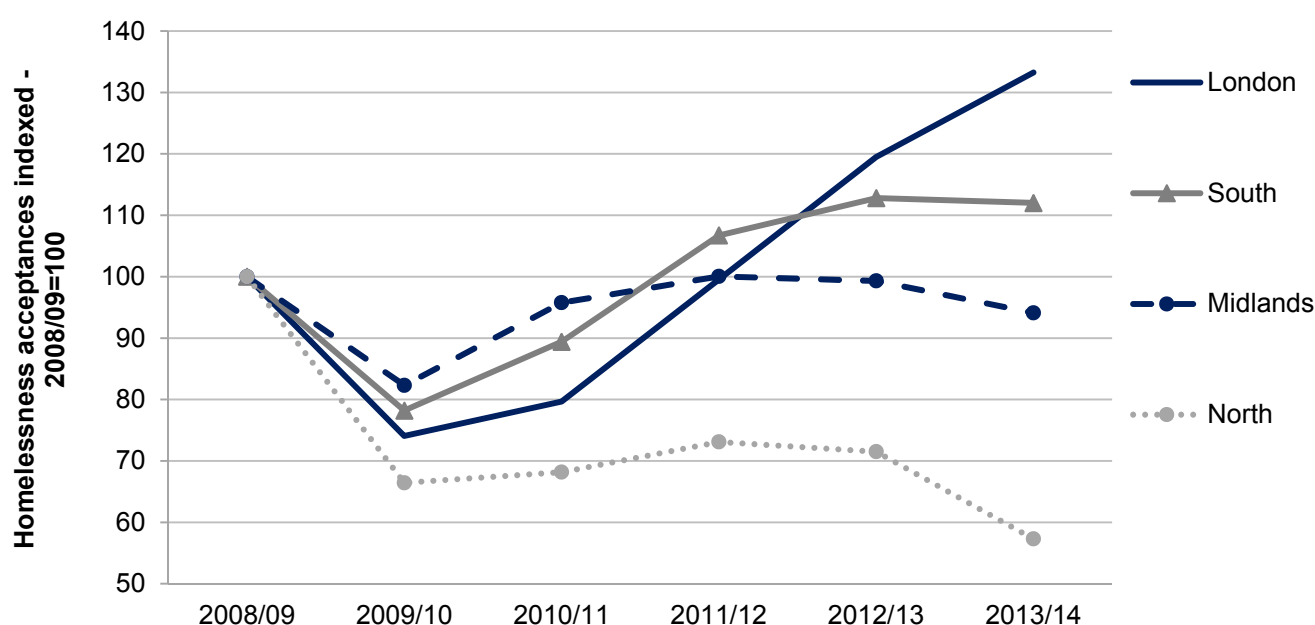


Sources: DCLG (2011, 2015)

## Homelessness

In the years leading up to the recession, **homelessness** was declining across all the regions, with London – the region with the highest rate of homelessness across the years - converging with other region (DCLG 2015a, see Appendix). However since 2007 and 2008 improvement stalled in some regions including London, where the trend has begun to reverse. More recent trends in homelessness show that between 2009/10 and 2013/14 homelessness increased sharply in London (80% increase), but fell by 14% in the North (Figure 19). Fitzpatrick et al (2015) explain these trends by more pressured housing market in London. A large proportion of the increase in statutory homelessness acceptances over recent few years resulted from the sharply rising numbers made homeless by the ending of Assured Shorthold Tenancies in the private rented sector, particularly relevant in London.

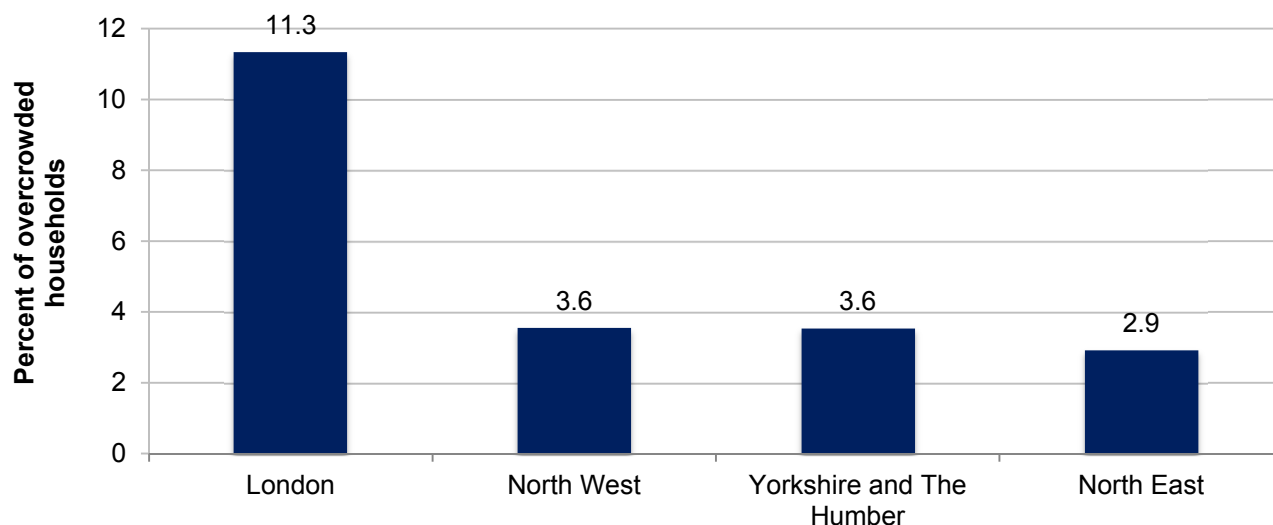
**Figure 19: Homelessness acceptances, 2008/09-2013/14: trends at broad region level – indexed**



Source: Fitzpatrick et al (2015), Figure 4.6 (original data source: DCLG – June 2014 statutory homelessness statistics (includes analysis of unpublished data by the authors).

It is not only the homelessness problems and affordability of housing but also living conditions that are particularly affecting Londoners. In 2001 the proportion of households in London living in **overcrowded accommodation** was far higher than in other English regions. Over 17% of households in London lived in overcrowded conditions. In other regions, including the North, this figure was between 5% and 6% (Poverty site, nd). By the 2011 census, the proportion of people living in overcrowded accommodation had declined, across all regions but remained highest in London – 11% of households were classified as overcrowded in London, compared to 3.6% in both the North West and Yorkshire and 2.9% in the North East (Figure 20).

**Figure 20: Overcrowding in London and the North, 2011**



Source: Office for National Statistics (2014f), data from the 2011 Census.

Note: A household is considered overcrowded by the bedroom standard if it has at least one bedroom too few for the number and composition of people living in it

### Summary: Social outcomes

To summarise, indicators of social outcomes that are closely related to economic growth (such as employment and qualifications) are better in London compared to the North of England and most generally show the most improvement in line with economic conditions bouncing back to pre-recession levels or even improving. The same is true when we look at outcomes at the population level, such as general health and education. However, some indicators of the outcomes of the least advantaged (such as levels of poverty and homelessness) are less good in London since the onset of recession. We are witnessing, then, a story of 'growth with poverty' in London, at the same time as outcomes for Londoners overall are increasingly diverging from those of the population in the Northern regions.

## 4. The Regional Distribution of Public Spending

One way to reduce disparities in social outcomes in the face of widening economic gaps is through redistribution of public spending. The North has traditionally had more public money per head than other English regions, with the exception of London. With growth in spending across all regions between 2004/05 and 2008/09<sup>13</sup>, total identifiable expenditure<sup>14</sup> grew at a comparable rate in London and the North - by 11% in London and between 10% and 12% in the Northern regions (see Appendix). By 2009/10 spending reached £11,097 per capita in London (the highest among English regions), followed by £10,102 in the North East, £9,760 in the North West and £9,073 in Yorkshire and the Humberside (HM Treasury, 2014a, real terms figures in 2013/14 prices). This pattern is broadly in line with the principle of equalisation in regional spending – whereby areas with higher local needs (e.g. Northern regions and London) or higher costs (e.g. London) require higher levels of spending (Innes and Tetlow, 2015). In this section, we examine regional trends in public spending since the recession to examine whether spending has become more or less spatially distributive.

We look first at **total identifiable public expenditure** on public services (consistent with the figures in the previous paragraph). This figure includes all spending, including on public order and safety, defence, recreation, culture and religion as well as the spending areas most likely to affect the outcomes we report in earlier sections of this report. Some of these areas of spending are higher in London due to its capital city status. As Table 2 below and Table 5 in Appendix show, total spending was cut in all regions between 2009/10 and 2013/14 with London taking the largest hit of 5.8%, followed by the North East (3.9%) and the North West (3.4%). The total spending in Yorkshire and the Humber was cut by 2.2% (Table 2). Other English regions saw smaller cuts of between 0.8% and 1.8%. South West was the only region where the spending remained stable in real terms (0.5% increase) – see Table 5 in Appendix for more regional breakdowns of spending.

Underlying these overall figures are major variations between service areas, with some service areas experiencing much larger cuts than others. Health and school spending were relatively “protected” from cuts, and these were two of the biggest areas of public spending. Expenditure in those two “protected” areas, as well as overall spend on social protection<sup>15</sup> has been increasing over the period between 2009/10 and 2013/14. Severe cuts were made to some of the smaller public spending areas (see Appendix Table 5). For example, the total identifiable expenditure on housing and community amenities<sup>16</sup> fell by 36.5% nationally, with a 33% fall in London, 34.8% in the North East, 40% in the North West and 41.0% in Yorkshire and the Humberside. Similarly, large cuts across regions were seen across General public services, Public order and safety, and Recreation, culture and religion (HM Treasury, 2014a).

<sup>13</sup> HM Treasury publishes regional breakdown of public spending on a consistent basis for 5 year intervals (for outturns, plus one year of planned expenditure where available). We therefore look at regional expenditure outturns for the 5 years leading up to the Coalition government (2004/05 to 2008/09) and the five years of the Coalition (2009/10 to 2013/14) to for the consistency within these two periods.

<sup>14</sup> Identifiable expenditure is “expenditure that can be recognised as having been incurred for the benefit of individuals, enterprises or communities within a particular country or region” (HM Treasury, 2014, p.213). “The regional analyses [...] show where the individuals and enterprises that benefited from public spending were located. It does not mean that all such spending was planned to benefit a particular region because only a minority of public spending is planned on a regional basis” (HM treasury, 2014, p. 109).

<sup>15</sup> Social Protection expenditure includes spending on various benefits, income support and tax credits as well as spending on personal social services

<sup>16</sup> Housing and community amenities spending includes local authority and other social housing development, community development and housing-linked infrastructure such as water supply and street lighting



**Table 2: Percentage change in real total and per capita identifiable expenditure on the largest areas of public service spending by region, between 2009/10 and 2013/14**

	Total identifiable expenditure (a)		Health		Education		Social Protection	
	total	per capita	total	per capita	total	per capita	total	per capita
North East	-3.9	-5.2	3.4	2.0	-1.8	-10.6	10.3	0.5
North West	-3.4	-5.0	3.3	1.6	0.3	-9.0	10.5	0.3
Yorkshire and the Humberside	-2.2	-4.3	3.6	1.3	6.5	-3.7	11.5	0.7
London	-5.8	-11.1	1.2	-4.5	6.7	-7.0	10.5	-3.7
England	-2.7	-5.8	3.2	0.0	3.1	-7.8	12.9	1.0

Source: HM treasury (2014a), Tables A5 to A15 and GDP deflator from October 2014 release (HM Treasury, 2014b)

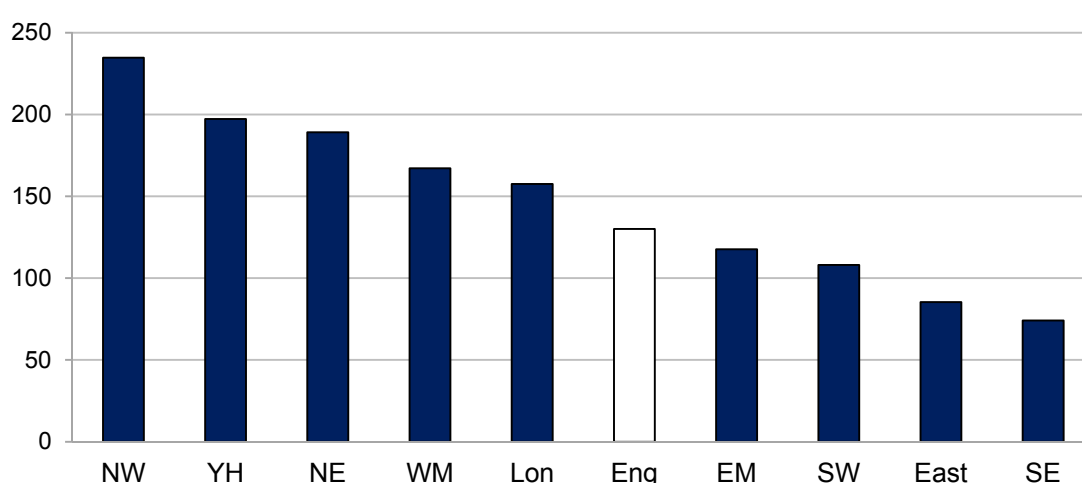
Note: (a) Includes spending on health, education and social protection but also spending on Housing and Community Amenities, General Public Services, Defence, Public order and safety, Economic Affairs, Environmental protection, and Recreation, culture and religion. Education spending includes higher and further education as well as schools.

Turning to **per capita spending** on public services across regions a bleaker picture emerges for London compared to other regions, including in the “protected” areas of public spending (Table 2 above). In London, expenditure on health and social protection per head fell by 4.5% and 3.7%. In contrast, there were no per capita cuts in real spending on health and social protection in the Northern regions. Expenditure per head on the “protected” area of education fell considerably in the North East (10.6%) and the North West (9%), compared to the 7% fall in London. Overall, the cuts in per capita expenditure were 11.1% in London, 5.2% in the North East, 5% in the North West, and 4.3% in Yorkshire and Humberside. These cuts in overall per capita spending in London and the North meant convergence in expenditure per head with other regions in England.

A key mechanism of spatial distribution of overall funding is through **grant allocations to local authorities**, which can be either more or less geared to specific needs in local areas through national funding formulae. These formulae take account – to a greater or lesser extent – the levels of need in each authority on a similar basis, although the way this is done can be contentious and subject to politically driven changes. These allocations fund many services, such as for children and young people and adult social care. Some of these local authority services have seen a disproportionate reduction in funding during the last parliament (Fitzgerald et al 2015). And while it was government’s explicit intention to provide a mechanism for allocating government grants in such a way as to take account of differences in local need and local revenue raising capacity between 2009/10 and 2013/14, IFS reports that there is no evidence to suggest that it actually worked that way. The authors compared the size of the **cuts to Local Authority grants** between 2009/10 and 2013/14 (the period when the grant allocation was meant to reflect the need of the area) and the cuts between 2013/14 and 2014/15 (when adjustment to changing relative need across areas was no longer made) for different measures of ‘need’ for central government grants. They found very little difference in the relationship between need and cuts to local government grants between the two time periods (Innes and Tetlow 2015).

The government's preferred measure of the funds available to local authorities is **spending power** (the overall revenue funding available for local authority services) which includes Council Tax and locally retained business rates as well as government grants (DCLG, 2015b). These data are shown in Figure 21. They show that between 2010 and 2015 councils in the North were affected by reductions in local authority spending power the most, with an average reduction of £234.76 per person in the North West, £197.24 in Yorkshire and the Humber and £189.16 in the North East. This is compared to a reduction of just over £150 in London. However both London and the Northern regions saw larger reductions than the more affluent regions of the country.

**Figure 21: Reduction in Local Authority spending power 2010 to 2015 by region, £ per person**



Source: Berry and White (2014), data originally derived by Berry and White is from Butler (2013)<sup>17</sup>.

Note: NW=North West; YH=Yorkshire and the Humber; NE=North East; WM=West Midlands; Lon=London; Eng=England; EM=East Midlands; SW=South West; East of England; SE=South East

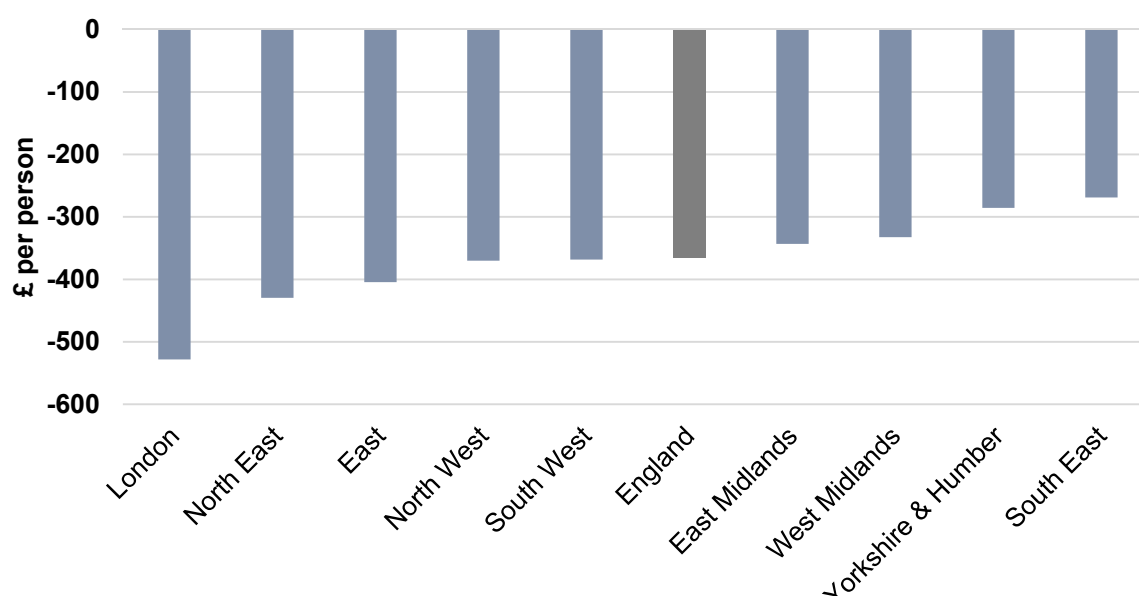
If we compare **total identifiable local government expenditure** (i.e. what local authorities actually spend) in London and the Northern regions between 2009/10 and 2013/14 (Figure 21a below), we see higher absolute cuts per head London compared to the Northern regions (Figure 22). Analyses of local government spending per person by IFS shows that deeper cuts affected most deprived areas with largest population growth, with the same areas likely to lose most in next few years (Innes and Tetlow 2015). IFS also reports that cuts to local authority net service spending<sup>18</sup> were larger in those areas that were relying more heavily on central government grants rather than locally-raised revenues for funding, which meant that London boroughs, the North East and the North West saw the largest average cuts to spending per person (Innes and Tetlow 2015).

<sup>17</sup> Data used in the briefing by Berry and White (2014) we are citing here was derived by the authors from the data in the article by Patrick Butler (editor of society, health and education policy for the Guardian): Butler, P. (2013) 'Council spending cuts: the north loses out to the south', *Guardian*, 11 January 2013:

<http://www.theguardian.com/society/patrick-butler-cuts-blog/2013/jan/11/council-cuts-north-loses-out-to-the-south-newcastle>

<sup>18</sup> Local authority net spending excluding education, public health, police, and fire and rescue as local authorities' responsibilities for these areas have been changing over time (Innes and Tetlow, 2015)

Figure 21a: Change in real per capita Local Government identifiable expenditure on services by region, 2009/10 to 2013/14



Source: Authors' calculations using nominal figures from HM treasury (2014a) and GDP deflator from the October 2014 release (HM Treasury, 2014b).

It is beyond the scope of this paper to identify the consequences of reductions in public spending either for the services delivered or for people's outcomes. As we indicate in various papers in the Social Policy in a Cold Climate Programme<sup>19</sup>, establishing these cause/effect relationships requires methods beyond the simple observation of trends. However it is salient to note some early indications of pressures on services, and their regional variation, in order to highlight some of the potential pressures on economic and social outcomes in the future.

Two health service indicators that have attracted considerable public attention in recent months are **accident and emergency waiting times** and the 18 week target **between GP referral and treatment**. The former, which are affected by cuts to social care as well as pressures on health budgets, have increased across England since 2009/10 (see Appendix for more details). The latest data for 2013-14 shows that a greater proportion of patients in the A&E departments in London wait more than 4 hours to be treated or discharged (4.6%) compared to those in the North (3.8%)<sup>20</sup>, indicating greater pressure felt by A&E services in London compared to the North of England. Similarly pressures on the speed of treatment following GP referral also appear to be increasingly particularly in London. The target for 18 weeks<sup>21</sup> was missed nationally in some quarters of 2011 and again in 2014 (Vizard and Obolenskaya, 2015). In 2011 the 90% target for admitted patients was missed in the North East, and just achieved in the other Northern regions. While the North showed some improvement before missing the target once again in 2015, London's progress deteriorated and the target in regards to admitted patients was missed in the last two years of data (see Appendix for figures). By this measure, performance in London appears

<sup>19</sup> [http://sticerd.lse.ac.uk/case/\\_new/research/Social\\_Policy\\_in\\_a\\_Cold\\_Climate.asp](http://sticerd.lse.ac.uk/case/_new/research/Social_Policy_in_a_Cold_Climate.asp)

<sup>20</sup> Data for 2013-14 is not produced on the same basis as previous data - it is disaggregated by Area Teams and can be aggregated into Northern Area Teams. We therefore combined the data for North East, North West and Yorkshire and the Humber Strategic Health Authorities for the earlier years to be able to compare to the data for 2013-14.

<sup>21</sup> For admitted patients the operational standard is 90% and for non-admitted it is 95%

to have deteriorated more than in the Northern regions. While there has also been deterioration in the proportion of non-admitted patients starting their treatment within 18 weeks of GP's referral, the target has not been missed in either London or the Northern regions. By contrast, in **education**, there is some evidence of higher pressure arising from constrained budgets in the North. National figures show that although the number of teachers rose slightly less than the number of pupils, pupil-teacher ratios overall did not rise under the Coalition but stabilised after a period of decline under Labour (Lupton and Thomson, 2015). However, between 2010 and 2013, while there was an improvement (reduction in the pupil-to-teacher ratio) in London, particularly inner London, while pupil-to-teacher ratios deteriorated or remained stable in the North (see Appendix). The directions of these trends match what be expected given greater per capita reductions in health spending in London and education spending in the North East and North West (Table 2).

## 5. Conclusion

Information examined in this paper suggests that the economic divergence between the English regions, in terms of per head GVA, employment and unemployment continues to grow. Despite claims of ‘pulling in the same direction’, this overall trend is increasingly well recognised by policy makers. Recognition of existing disparities led to a new wave of ‘regional policies’ under Labour from 2007, continued in amended form by the Coalition, and now the Conservative administration, with the general aim of bringing more opportunities for economic growth to the North (Lupton et al 2016). Less well known is that at the same time, gaps have been growing between London and the North in relation to social outcomes such as educational qualifications and health. In addition, inequalities are growing within London, and are as large within the capital as between the capital and the North. Specifically, rapidly increasing house prices and private rents in London have driven up housing costs for all, and driven down affordability. The house price to earnings ratio in London has increased substantially while remaining flat in the North. Combined with falls in real earnings, this has had particularly severe impacts on the incomes (after housing costs) of the poorest Londoners. Homelessness, overcrowding and poverty have all worsened in London, while they improved in some of the Northern regions.

These findings suggest not only a need for regional rebalancing of both the economic and social kind, but that economic growth per se cannot be relied upon to improve social outcomes in any region – and in particular it cannot be relied upon to reduce poverty and inequality. London’s example suggests that certain kinds of economic growth can increase inequality and drive up living costs in ways which make life worse for those at the bottom of the income distribution. These findings also suggest the need to examine the ways in which public spending should be distributed – and to what extent it should be used to counter-balance the effects of uneven economic growth. Recent public service cuts have fallen most heavily on London, but noticeable decline in total public spending (and spending per head) is also seen in the northern regions. While it is too soon to tell whether these cuts have had a direct impact on the provision of services in these regions, we show some evidence that outputs related to A&E admissions and waiting times for treatment are deteriorating at a faster rate in London compared to some of the Northern regions, suggesting increased pressures on services in these areas.

Clearly, these relationships between economic growth and social outcomes and between public spending and social outcomes are complex, and they will play out differently in different regions. Some of the patterns observed may well be in part the consequence of different patterns of population change and migration. An increasing demographic divide, with an ageing population and higher levels of elderly disability in the North, and a younger and more diverse population in London will continue to create different challenges and opportunities.

So what should this paper tell us about how to monitor and manage the next steps, and in particular the continuing process of “austerity” cuts, managing down the level of public services, and re-addressing economic divergence between North and South?

First, we would argue that, despite the abolition of Government Offices for the Regions, there remains a need to maintain a more robust and thorough analysis of regional disparities. A recently published briefing<sup>22</sup> indicated that the UK had the worst levels of regional inequality in Western Europe. Keeping a close eye on these patterns is imperative even as (and perhaps especially because) decision-making

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<sup>22</sup> <http://inequalitybriefing.org/brief/briefing-61-regional-inequality-in-the-uk-is-the-worst-in-western-europe>

powers and the administration of public services become distributed across an increasingly fragmented set of institutions and geographies.

Second, as the growth agenda for UK cities turns increasingly to one of 'inclusive growth', we need to develop more sophisticated understandings of the relationships between economic growth and social outcomes at individual and area level, and to take this understanding into strategies for growth and public service reform. Although this report focuses on regions not cities, the evidence it presents in relation to London demonstrates (as does Lee et al, 2014) that growth per se will not necessarily deliver better social outcomes for the least advantaged, and indeed that it may result in widening inequalities in some respects. Understanding how different kinds of economic growth can reduce poverty and inequality and improve social outcomes, and how local partners can work to ensure that they do will need to be a key element in the next stages of the growth and devolution plans for English cities.

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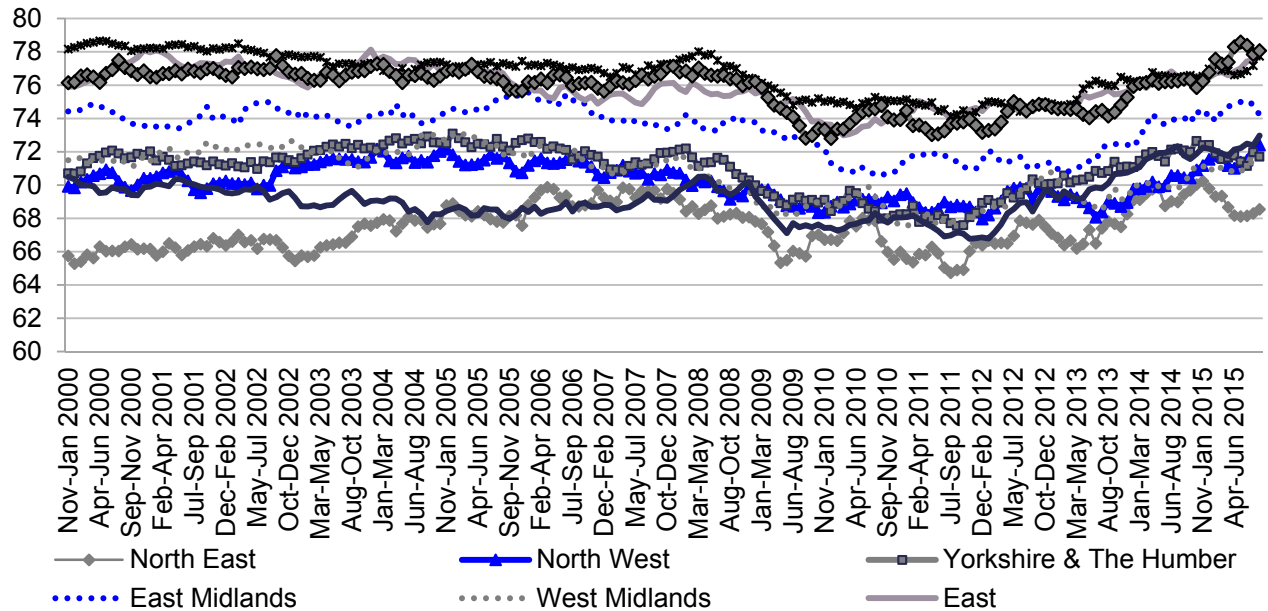
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## Appendix

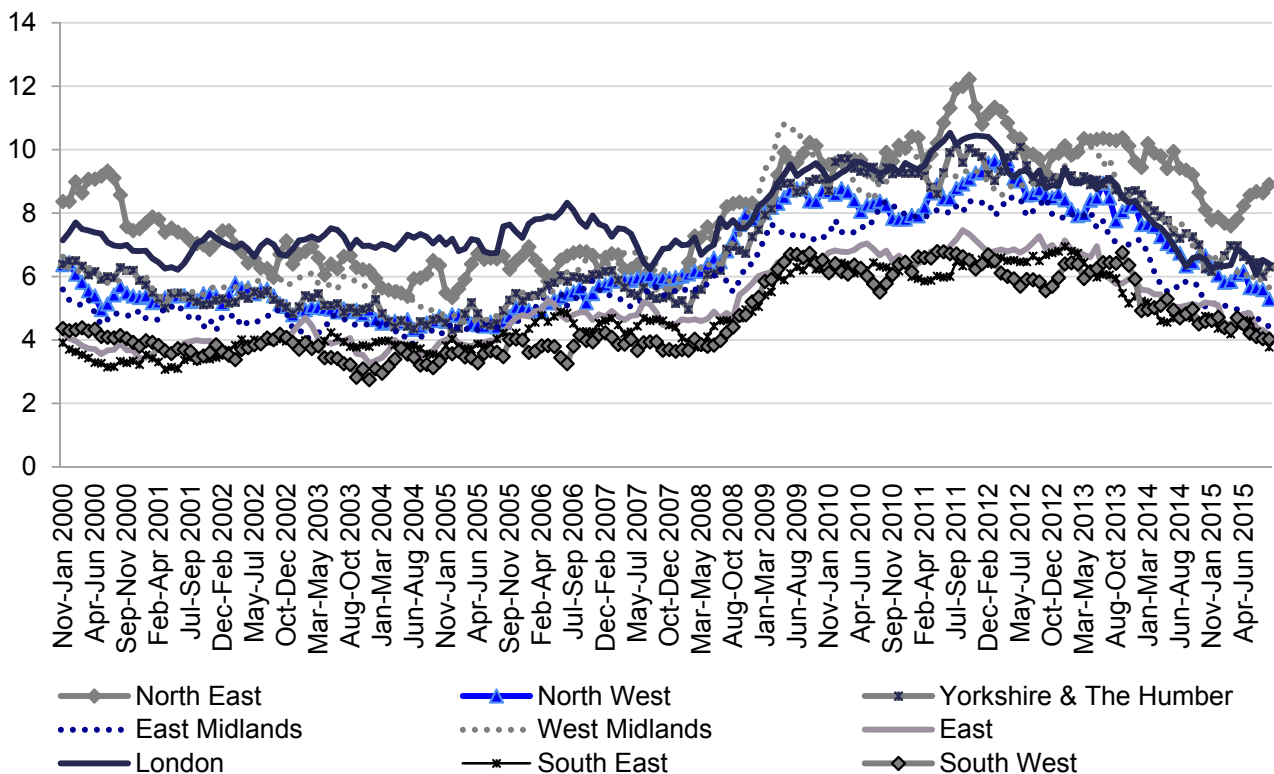
### Figures

**Figure 22: Employment rate (%) by region (those aged 16-64), 2000-2015 (moving quarters)**



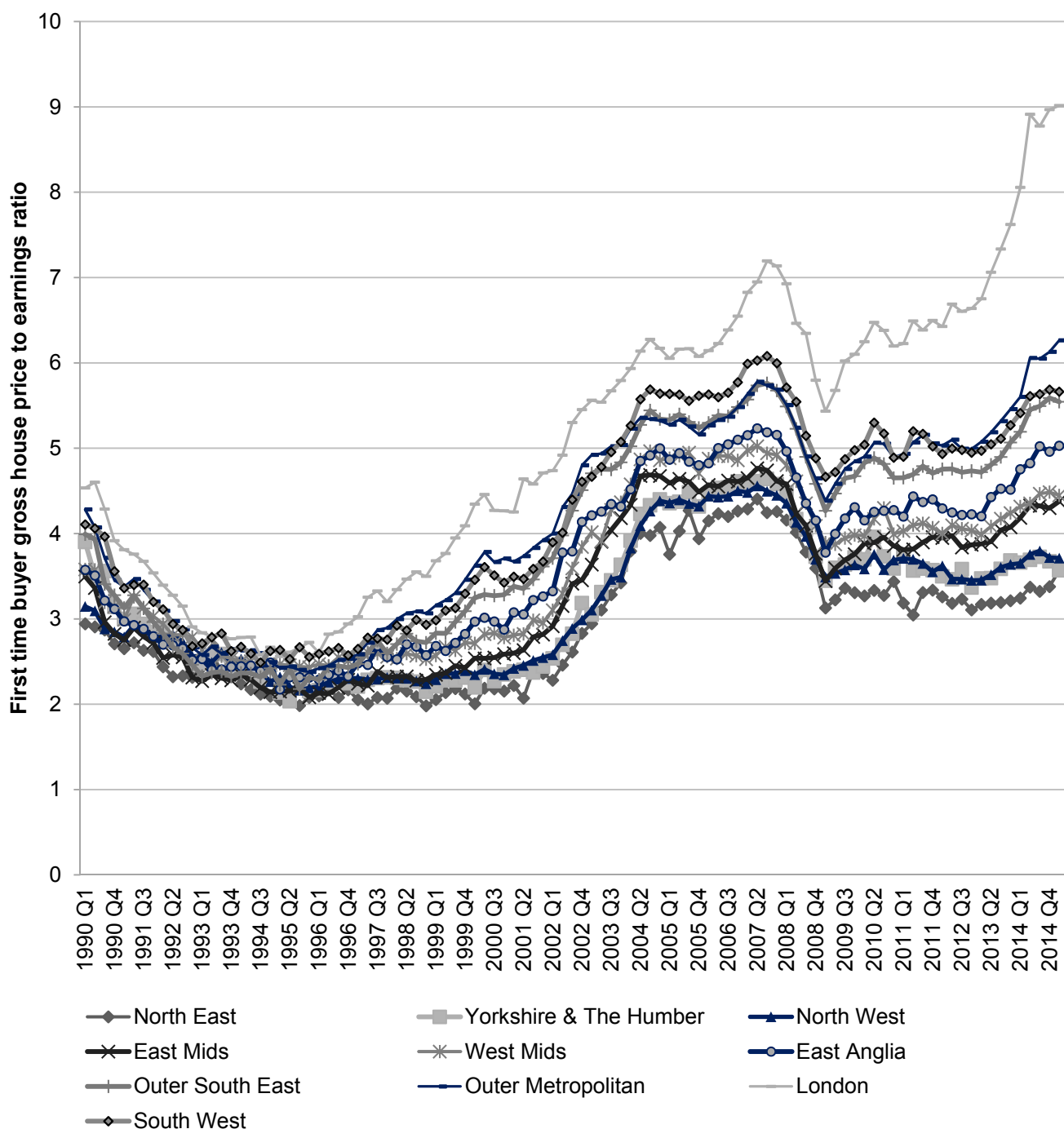
Source: ONS (2015)

**Figure 23: Unemployment rate (%) by region (those aged 16-64), 2000-2015 (moving quarters)**



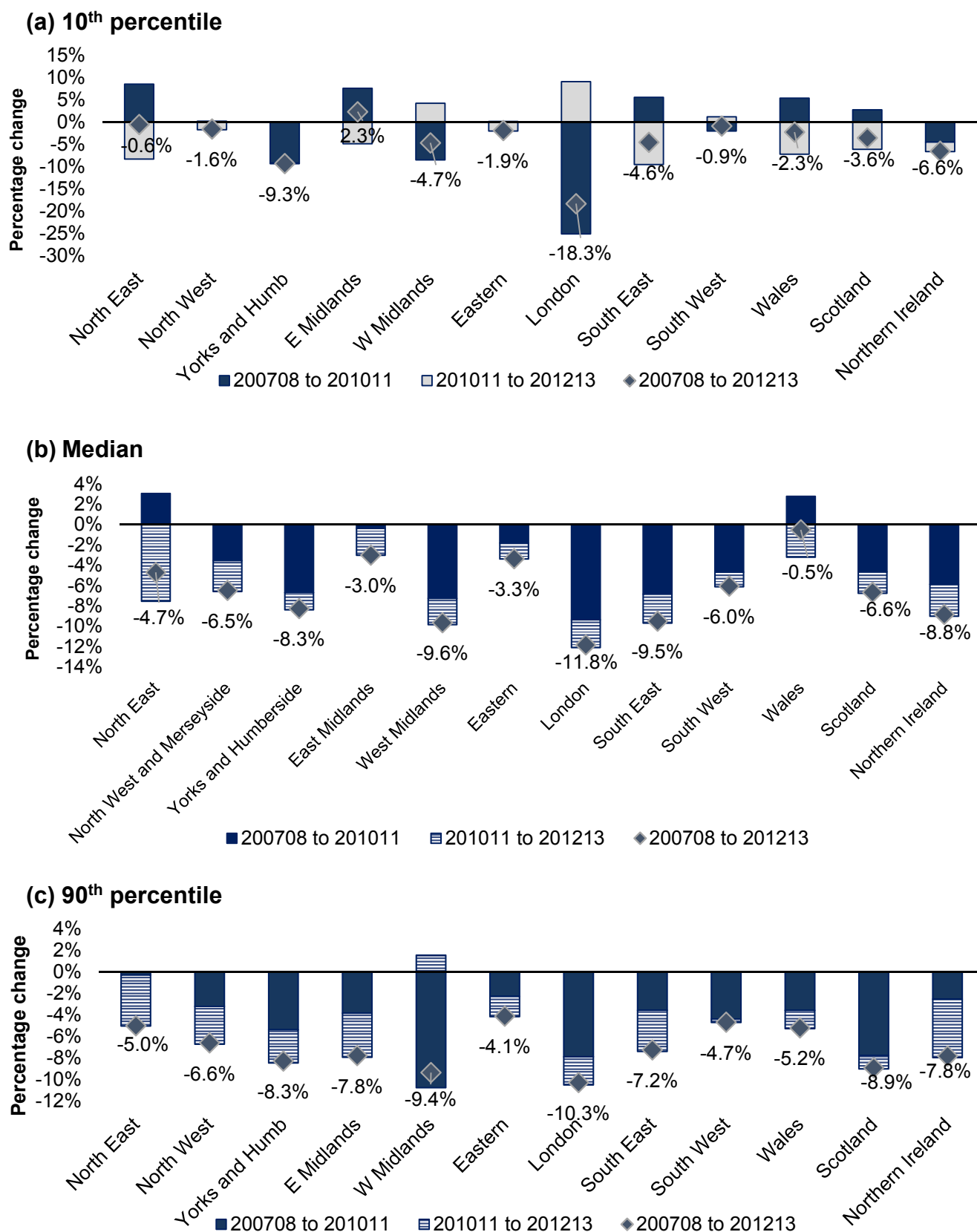
Source: ONS (2015)

Figure 24: First time buyers' gross house price to earnings ratio by region, 1990 to 2015



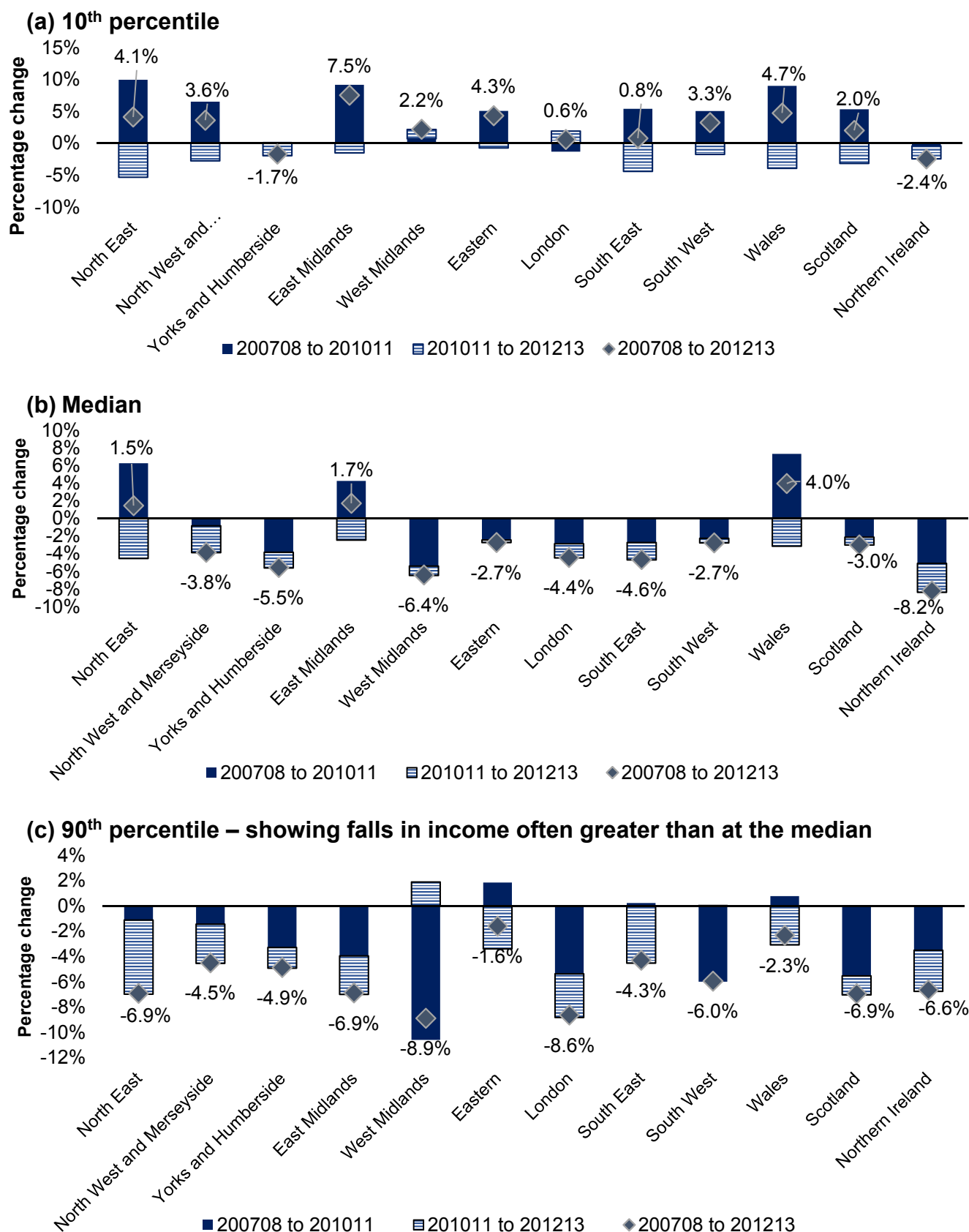
Source: Nationwide (nd)

**Figure 25: Changes in net incomes (adjusted for household size) by region, 2007/08 to 2012/13, after housing costs (%)**



Source: DWP/CASE analysis of HBAI dataset (UK) in Hills et al (2015)

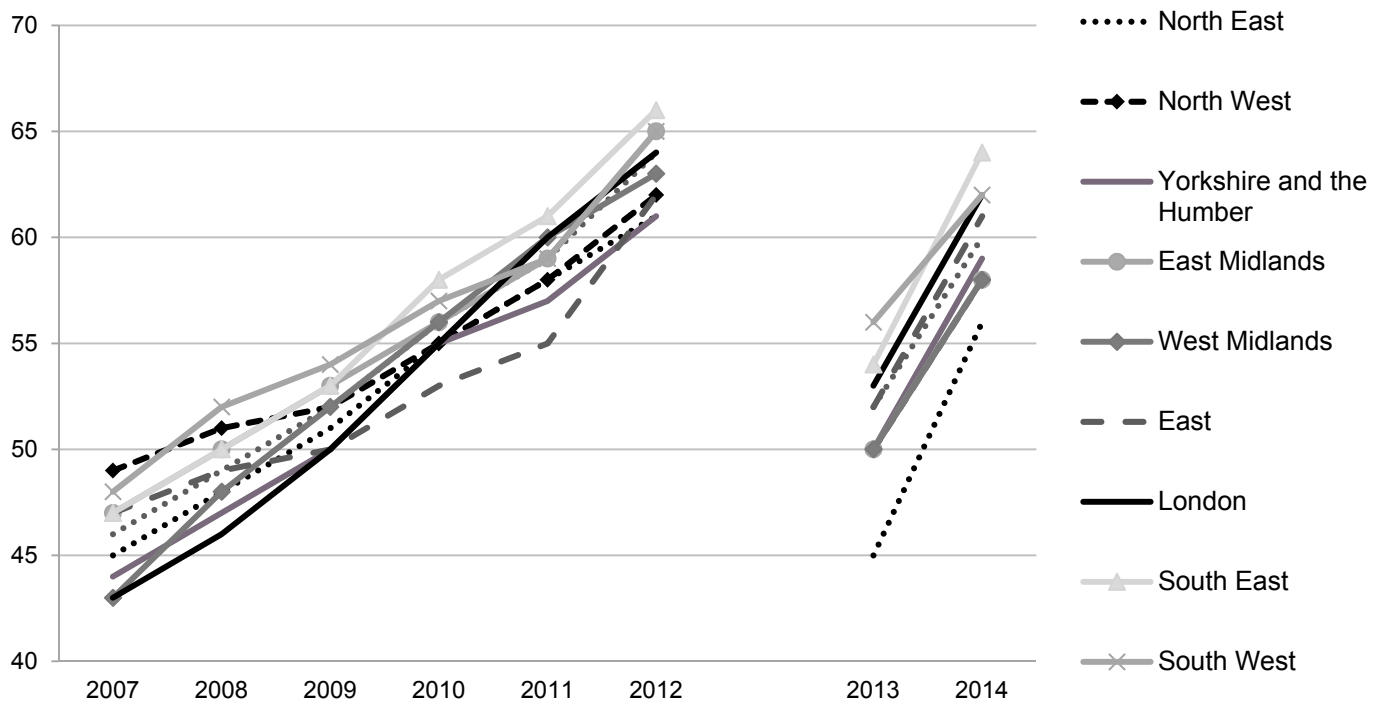
**Figure 26: Changes in net incomes (adjusted for household size) by region, 2007/08 to 2012/13, before housing costs (%)**



Source: DWP/CASE analysis of HBAI dataset (UK) in Hills et al (2015)



**Figure 27: Percentage of children achieving a 'good level of development' by region, 2007 to 2014**



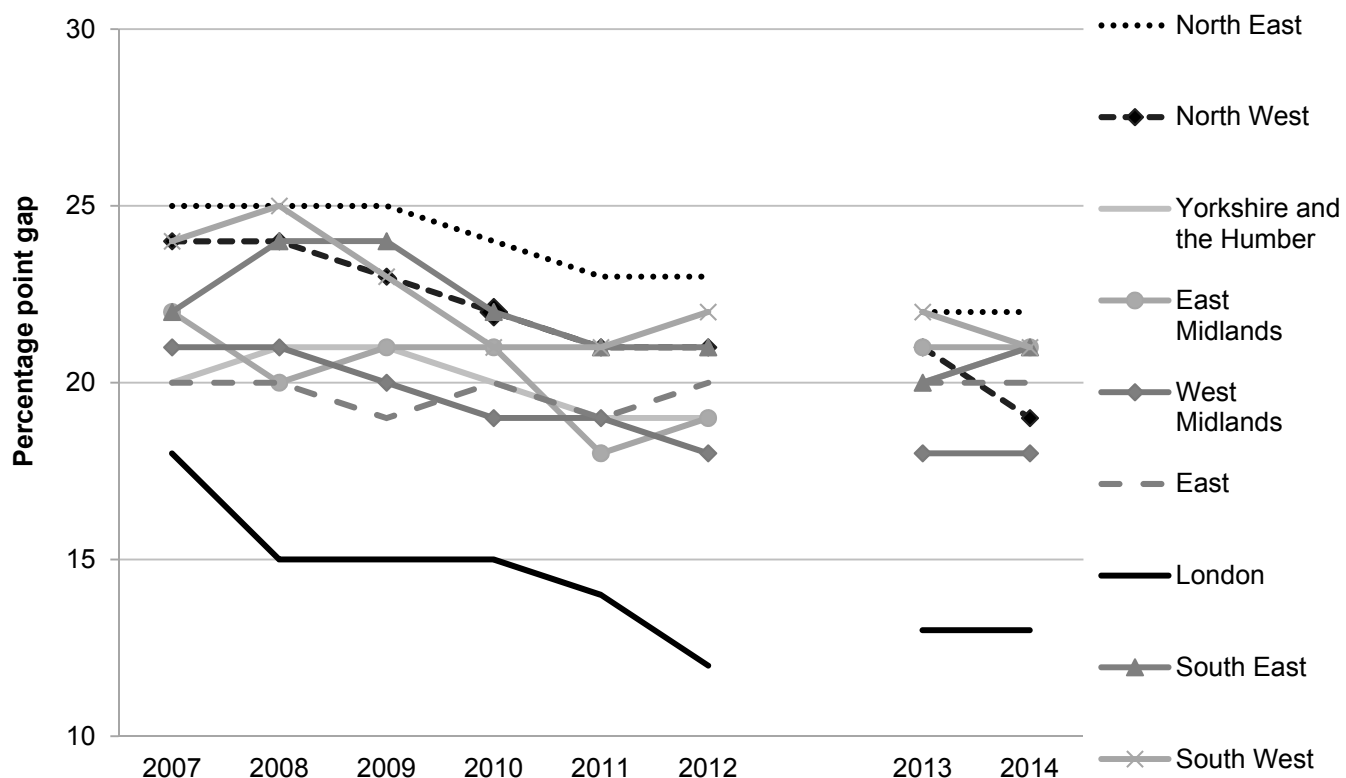
Source: DfE (2010a, 2012a, 2014a)

**Notes:**

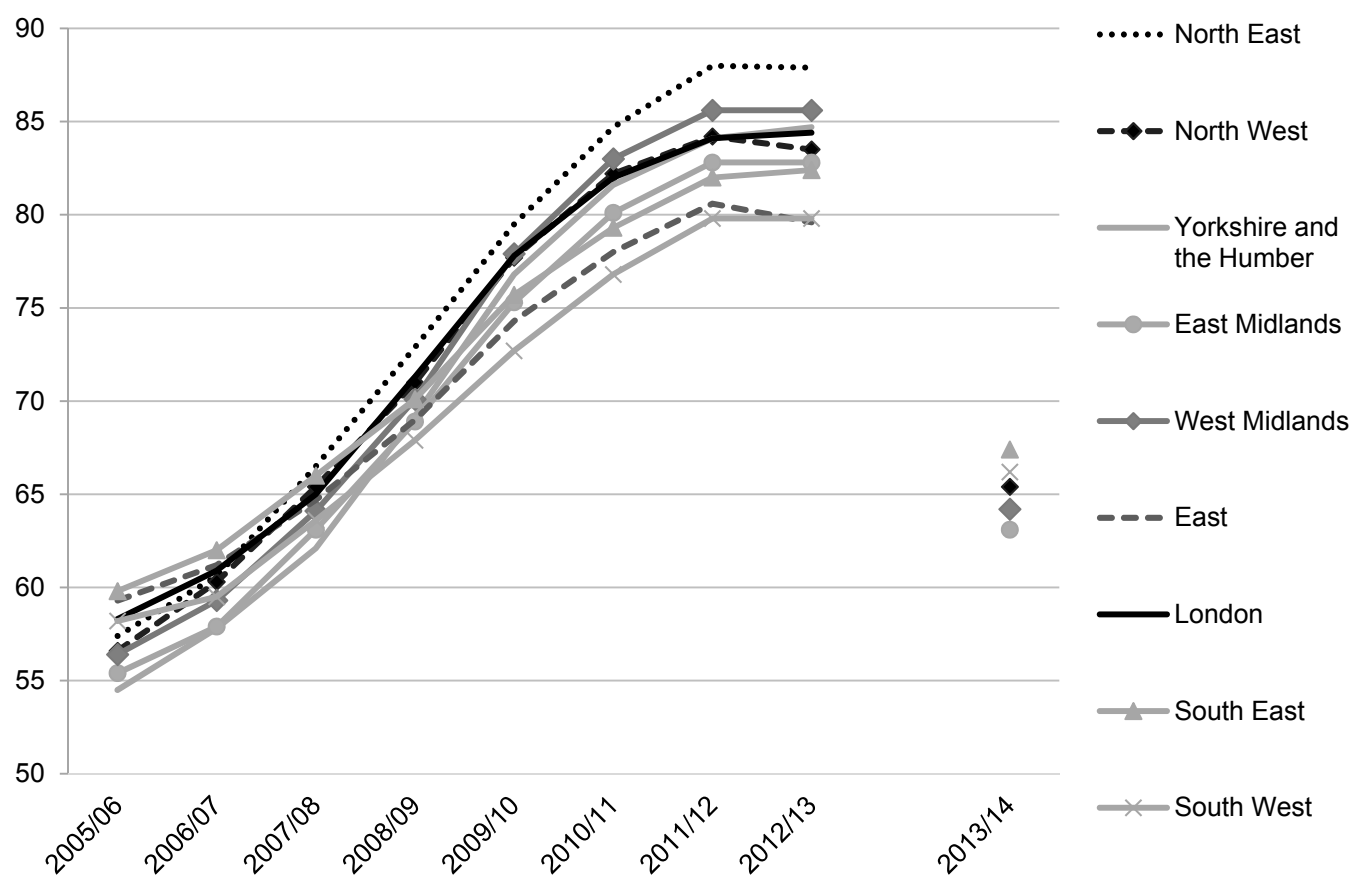
1. Figures for all years are based on final data.
2. Only includes pupils with a valid result for every achievement scale.
3. All English providers of state-funded early years education (including academies and free schools), private, voluntary and independent (PVI) sectors are within the scope of the EYFSP data collection. Data for any children in the PVI sector no longer in receipt of funding who were included in the return submitted by the LA to DfE will not be included in the figures. See accompanying SFR documents for further information.
4. Includes pupils not eligible for free school meals and for whom free school meal eligibility was unclassified or could not be determined.
5. For years 2007 to 2012: A pupil achieving 6 or more points across the 7 Scales of PSE and CLL and who also achieves 78 or more points across all 13 scales is classed as having "a good level of development".
6. For years 2013 to 2014: A pupil achieving at least the expected level in the ELGs within the three prime areas of learning and within literacy and numeracy is classed as having "a good level of development".
7. 2013 results onwards cannot be compared to earlier years due to change in methodology.



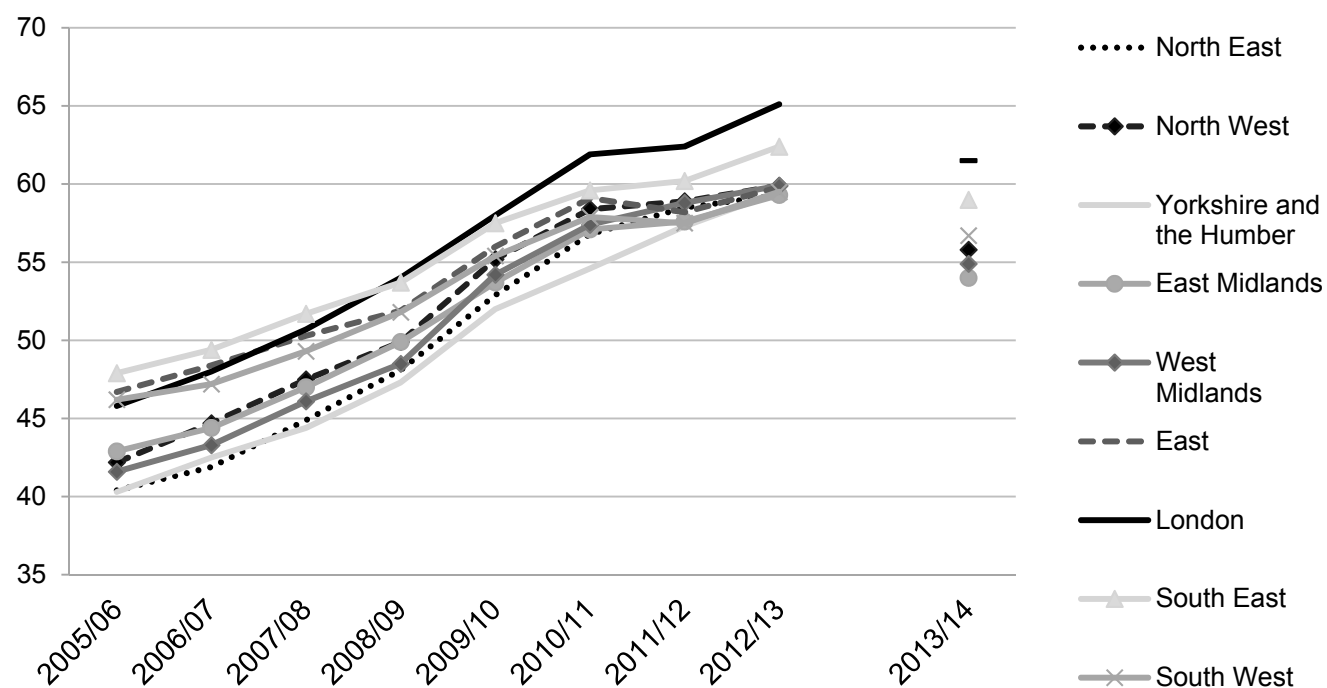
**Figure 28: Percentage point gap in a 'good level of development' in the Early Years Foundation Stage Profile between children not eligible for free school meals and children eligible for free school meals, 2007 to 2014**



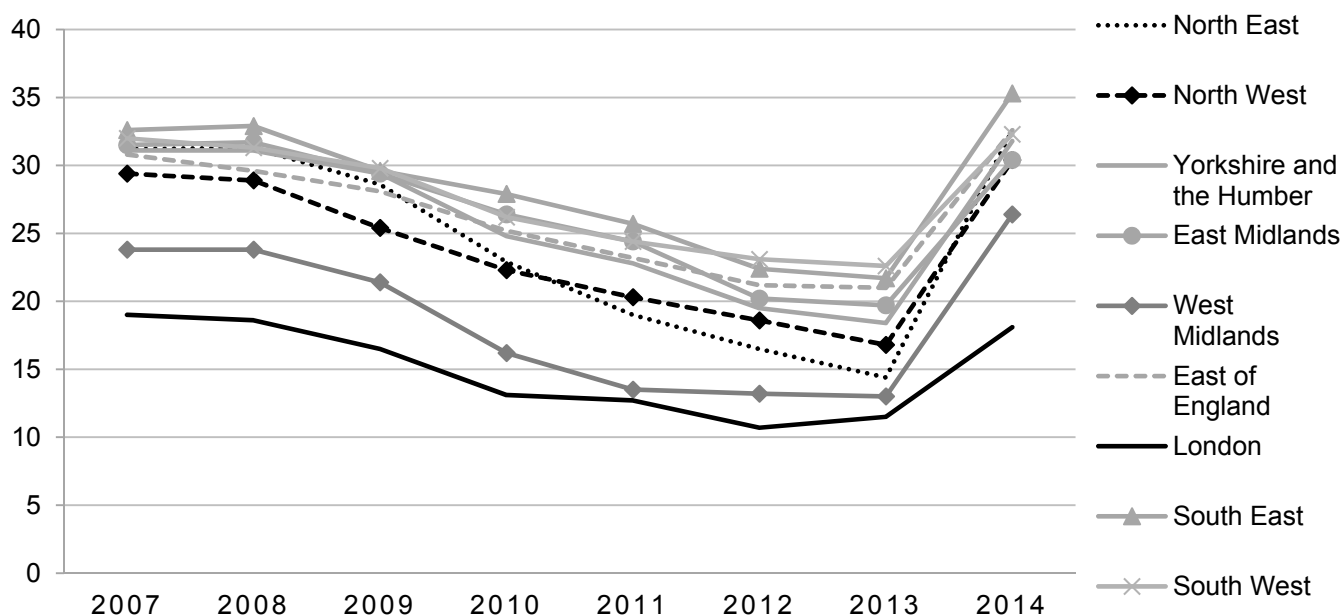
**Figure 29: Percentage of pupils achieving 5+ A\*-C grades at GCSEs and equivalents by region, 2005/6 to 2012/13, and 2013/14**



**Figure 30: Percentage of pupils achieving 5+ A\*-C grades (including English and Maths) at GCSEs and equivalents by region, 2005/06 to 2012/13, and 2013/14**



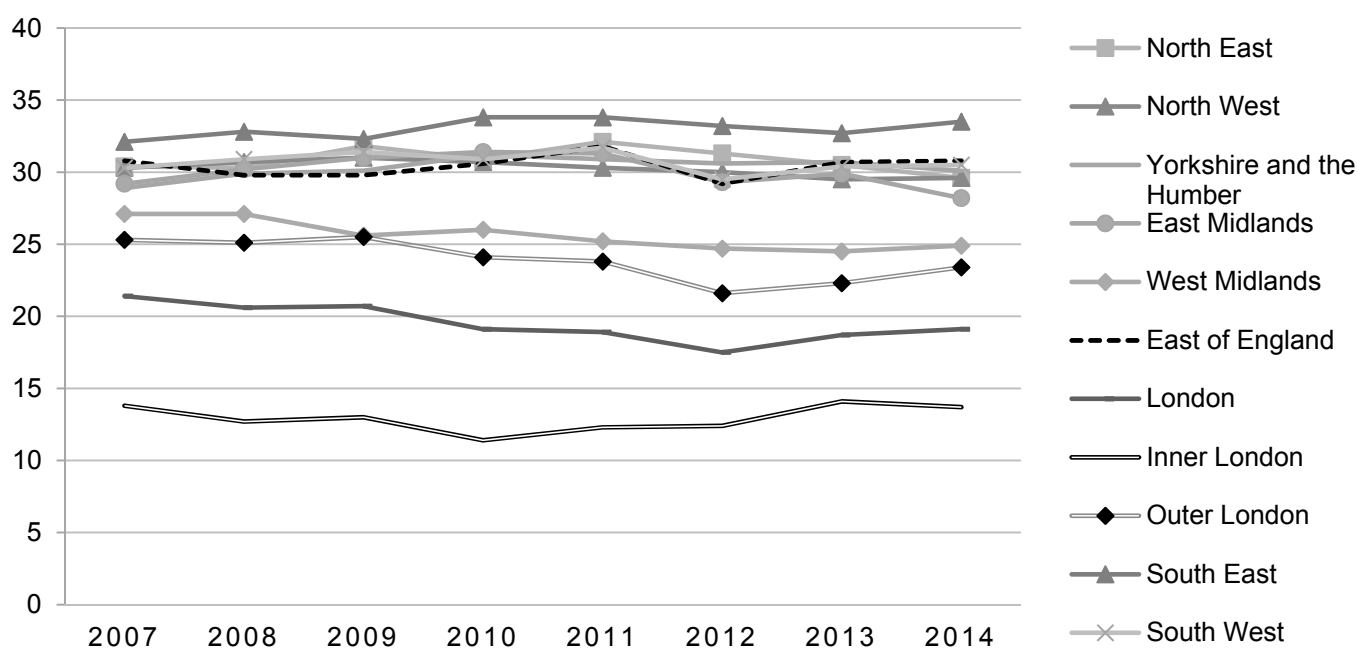
**Figure 31: Percentage point gap in proportion achieving 5 A\*-C grades at GCSEs and equivalents between non-FSM pupils and FSM pupils by region, 2005/06 to 2012/13, and 2013/14**



Source: Department for Education (2012) and Department for Education (2015)

Note: Figures for 2013 and 2014 are not strictly comparable due to change in methodology

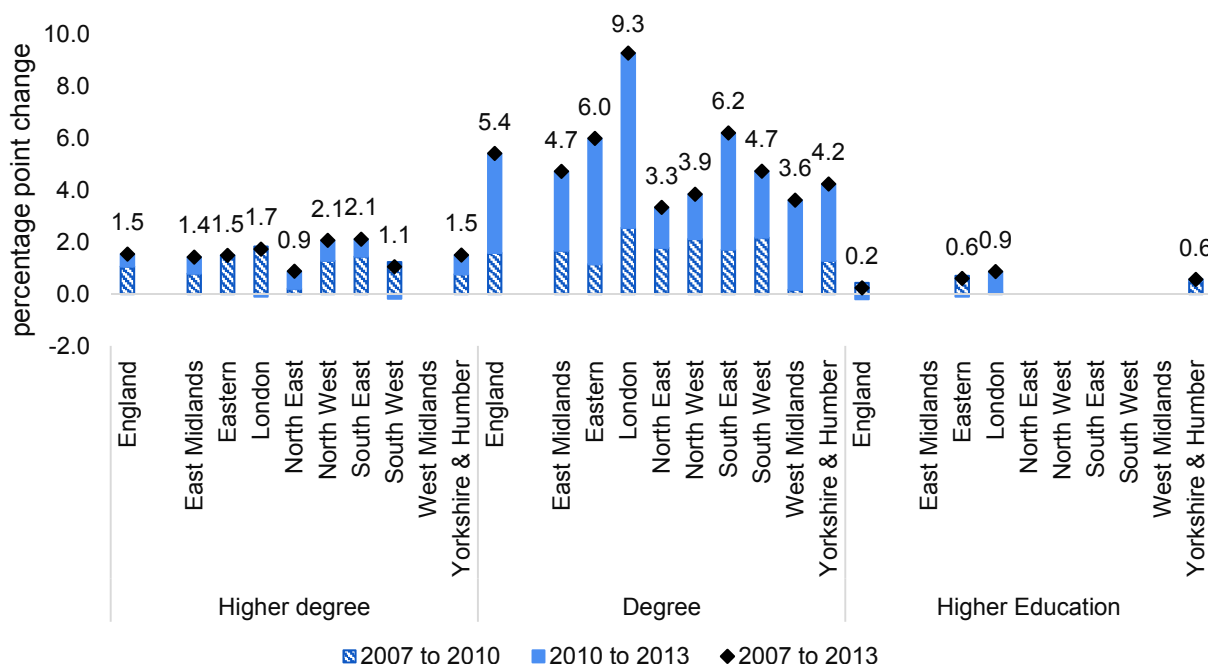
**Figure 32: Percentage point gap in proportion achieving 5 A\*-C grades at GCSEs and equivalents between non-FSM pupils and FSM pupils by region, 2005/06 to 2012/13, and 2013/14**



Source: Department for Education (2012) and Department for Education (2015)

Note: Figures for 2013 and 2014 are not strictly comparable due to change in methodology

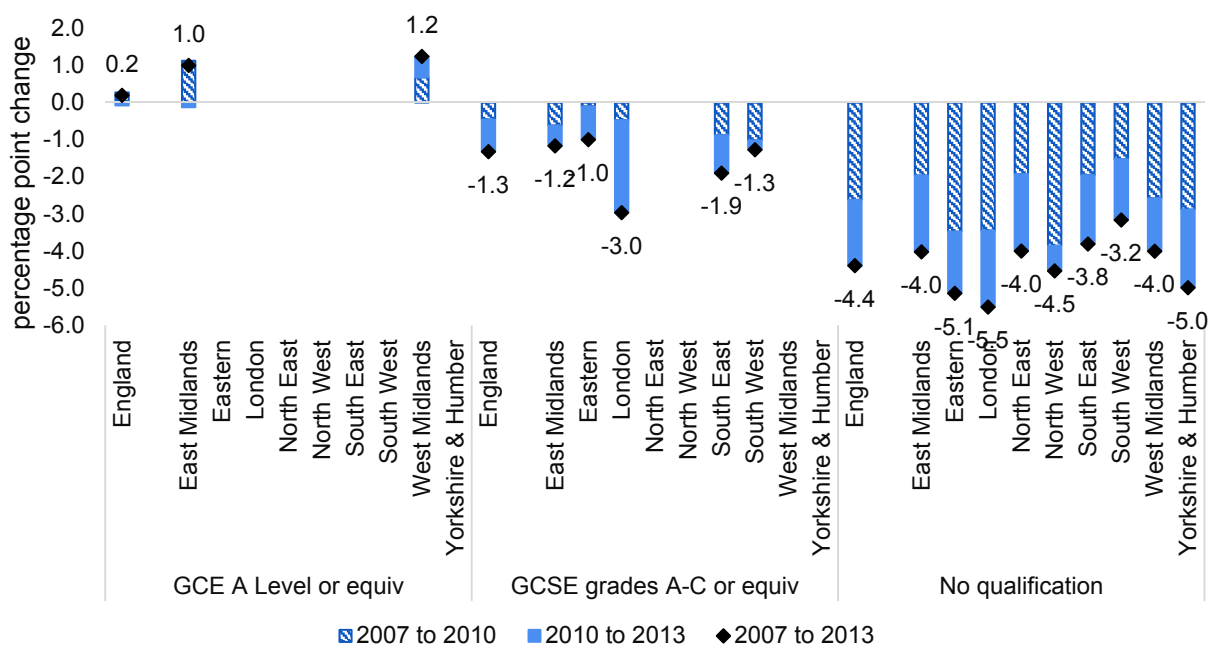
**Figure 33: Change in proportion with degree and higher qualifications by region, 2007 to 2013 (working age population)**



Sources: underlying data from Hills et al (2015)

Notes: Data for 2007 is combined data from years 2006 to 2008

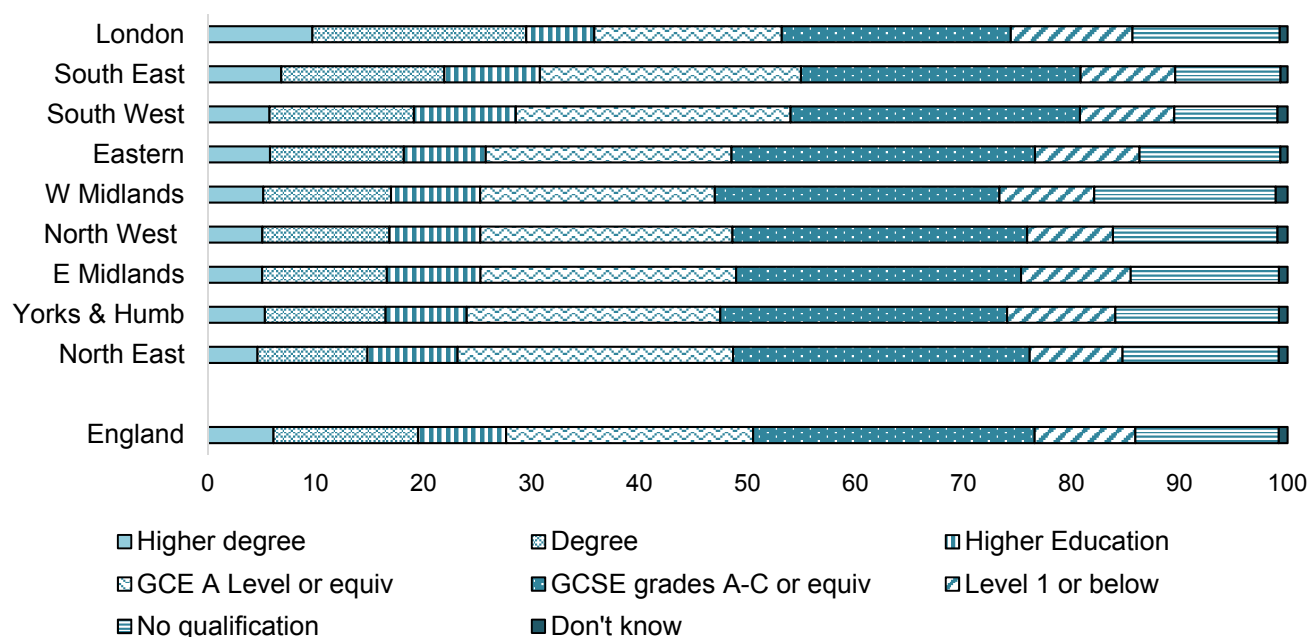
**Figure 34: Change in proportion with school level qualifications and no qualifications by region, 2007 to 2013 (working age population)**



Sources: underlying data from Hills et al (2015)

Notes: Data for 2007 is combined data from years 2006 to 2008

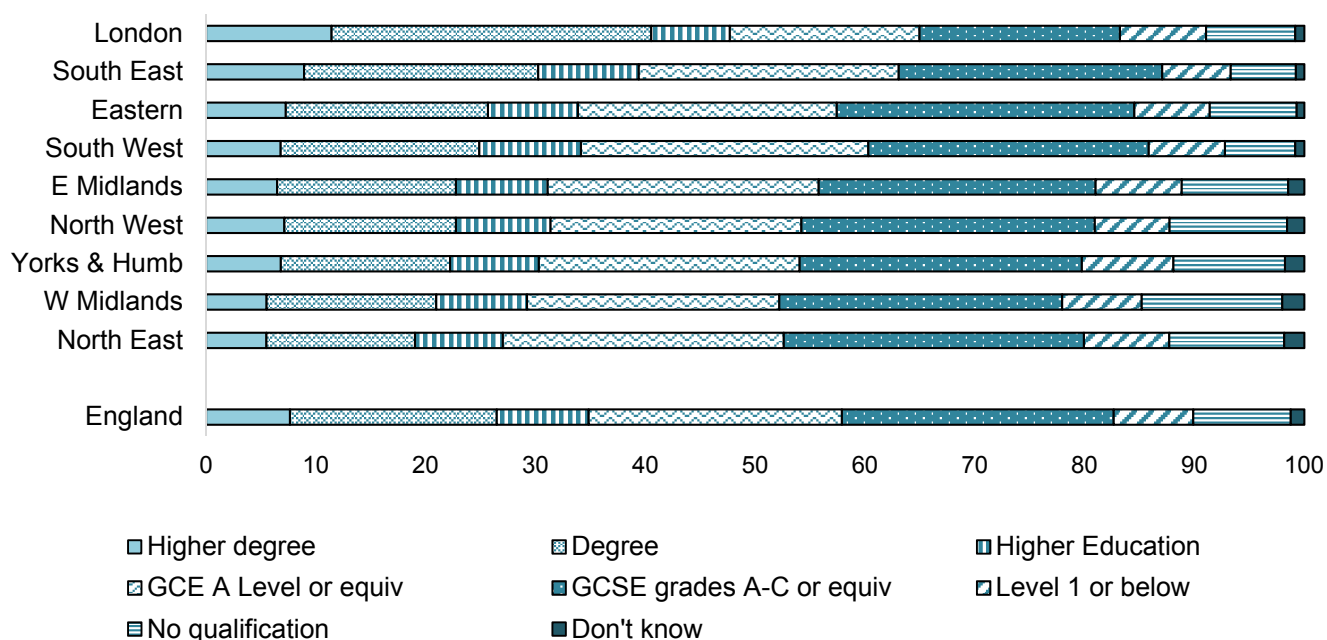
**Figure 35: Highest qualifications by region, 2007**



Sources: data underlying Hills et al (2015)

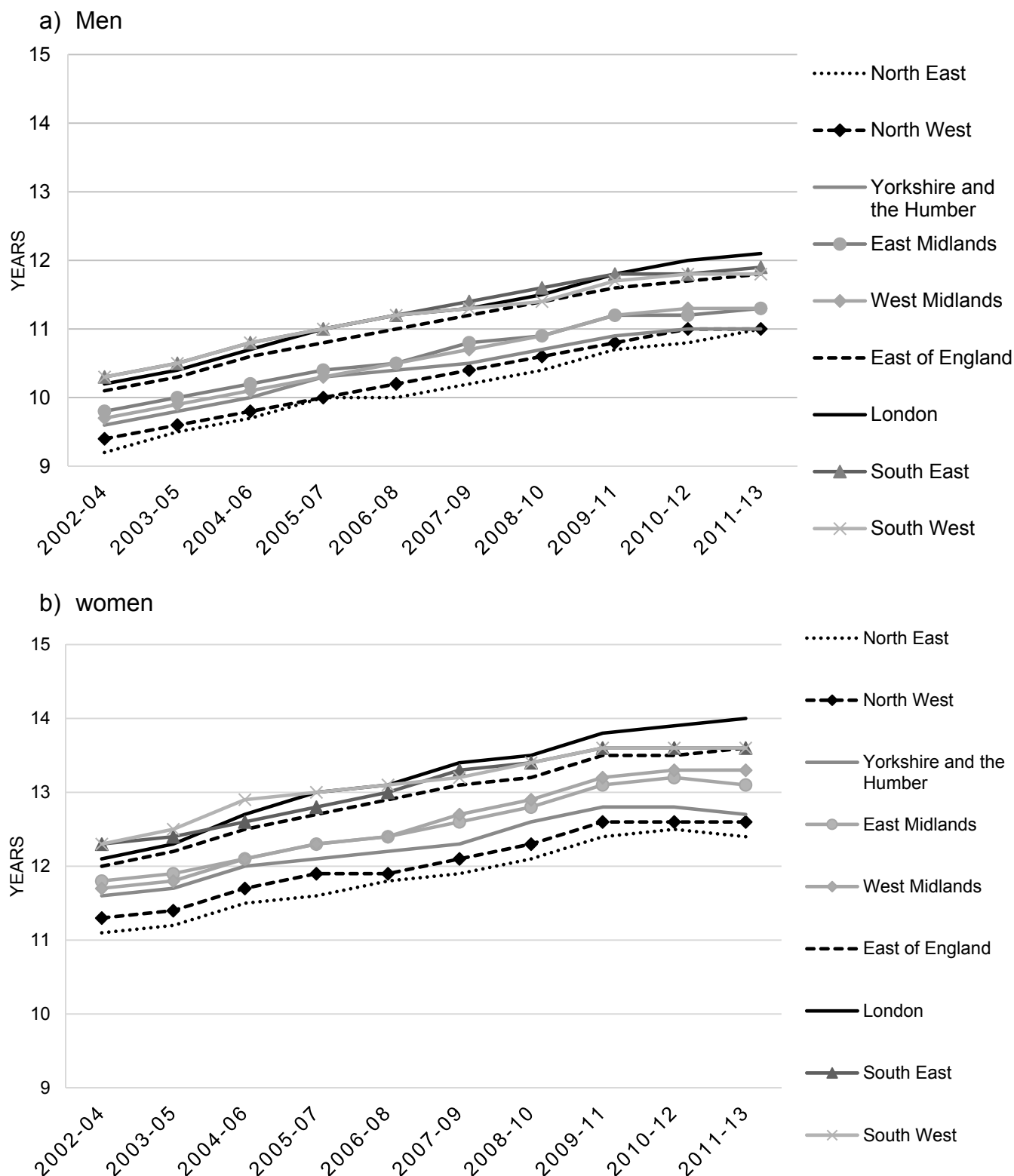
Notes: Data for 2007 is combined data from years 2006 to 2008

**Figure 36: Highest qualifications by region, 2013**



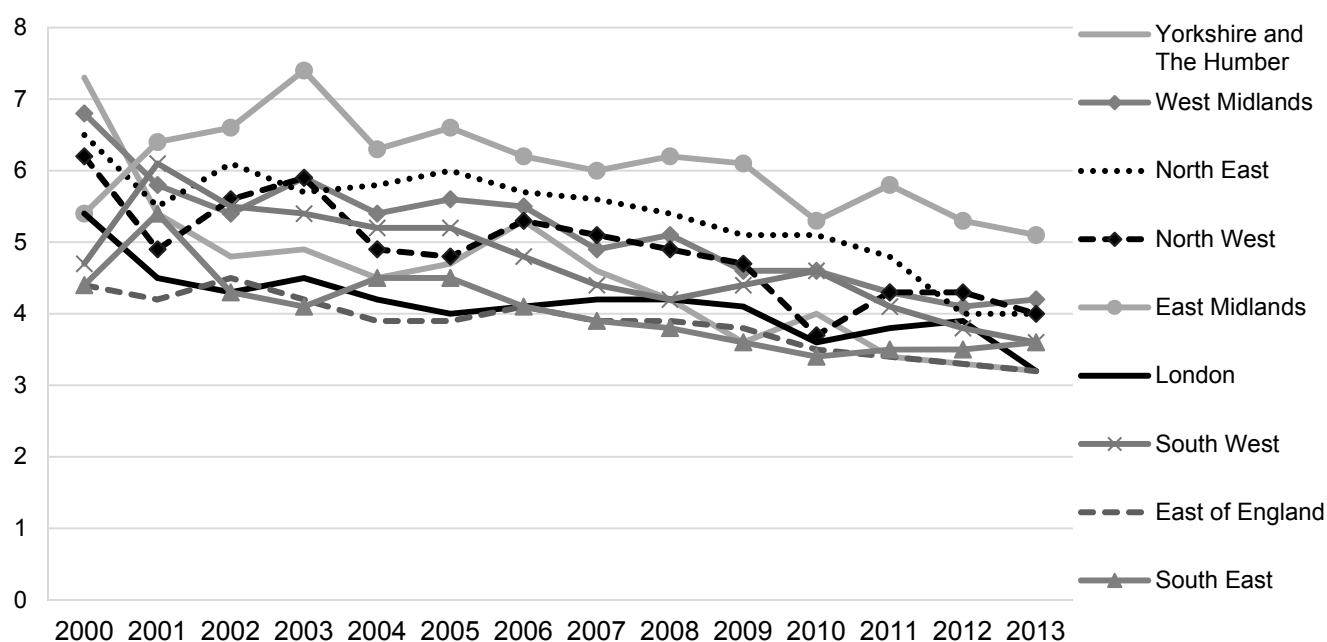
Sources: data underlying Hills et al (2015)

**Figure 37: Life expectancy at 75 by region**



Source: HSCIC (online), NHS Outcomes Framework

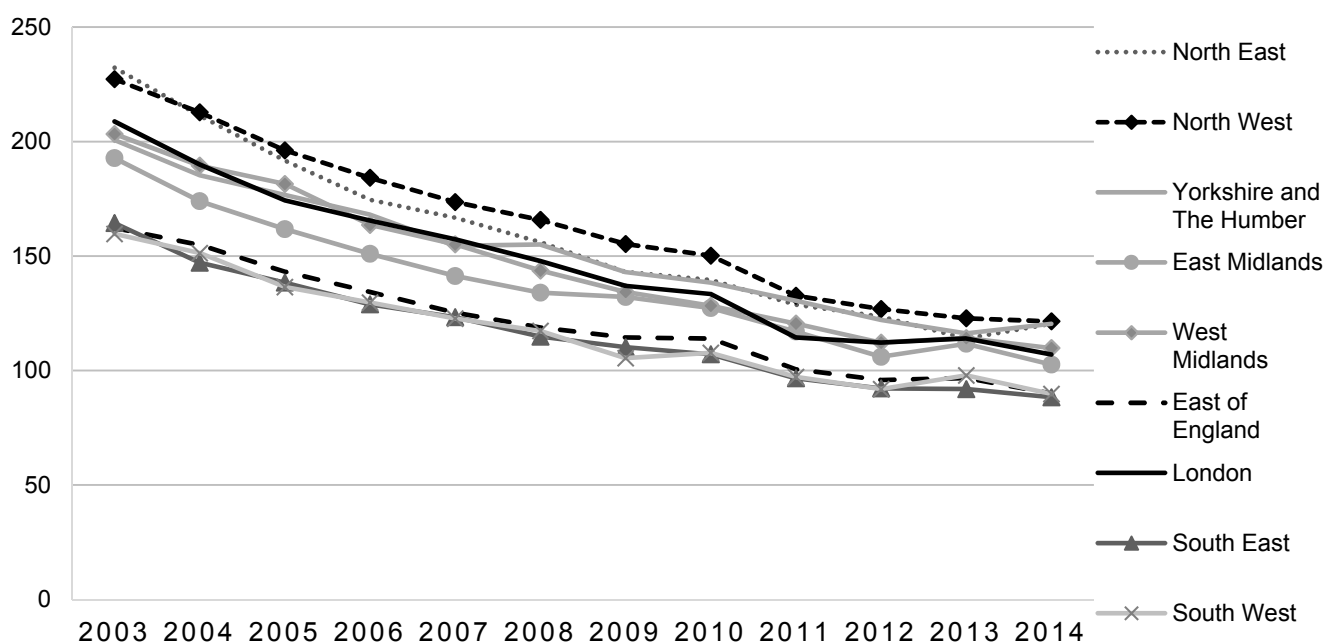
**Figure 38: Infant mortality rate (per 1,000 live births) by English region, 2008 to 2013**



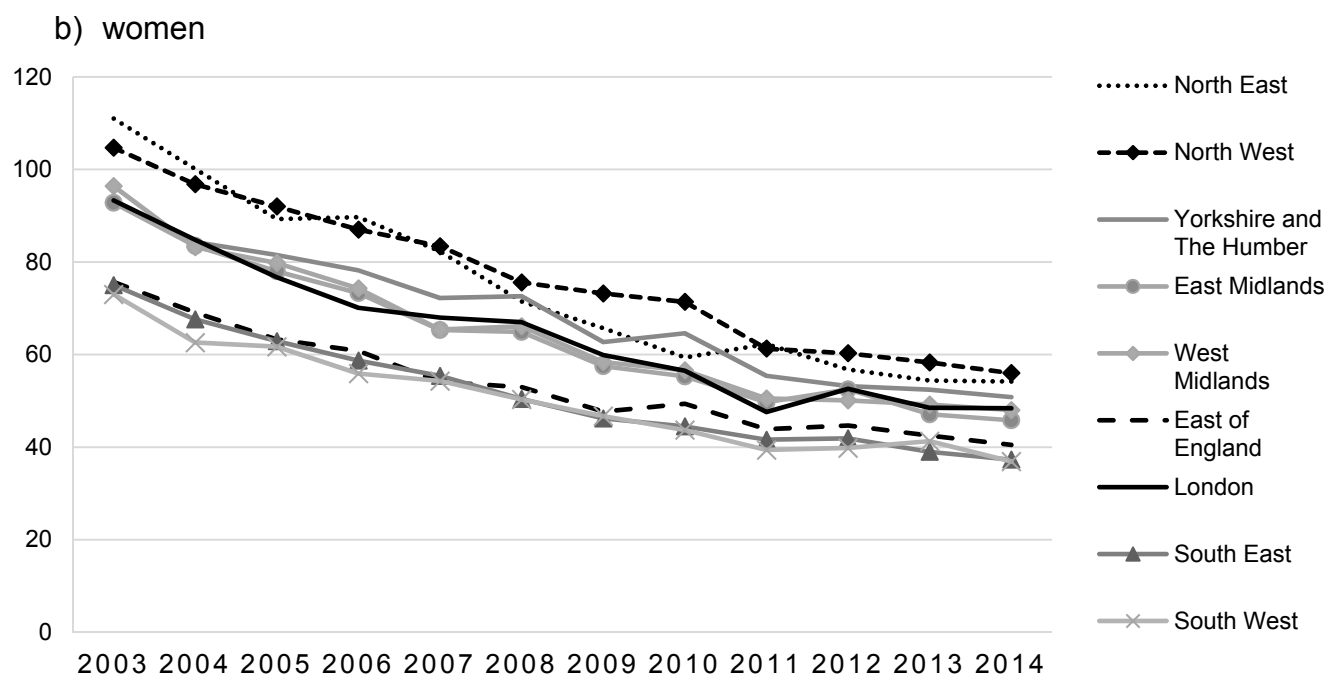
Sources: data for 2000 to 2012 from HSCIC (online), NHS Outcomes Framework and for 2013 - ONS (2015)

**Figure 39: Under 75 mortality rate from cardiovascular disease, Directly standardised mortality rate (DSR) per 100,000 population, calendar years**

a) men

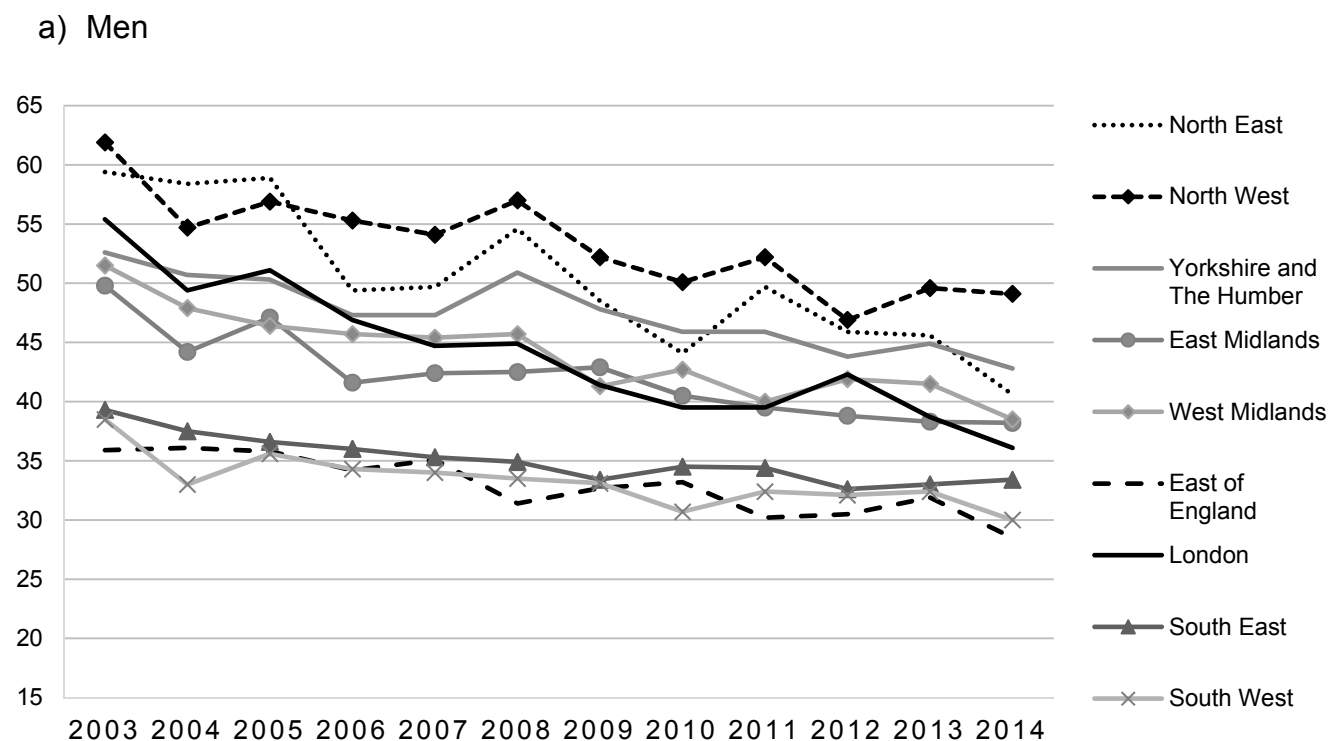




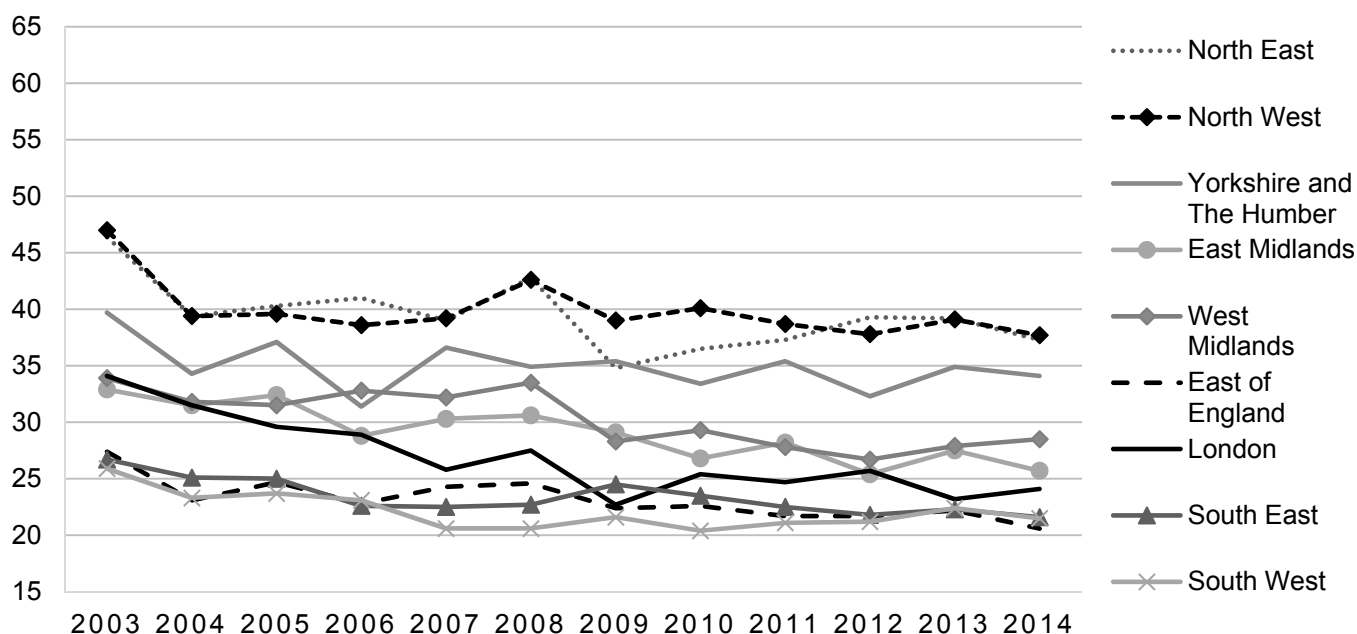


Source: HSCIC (online), NHS Outcomes Framework

**Figure 40: Under 75 mortality rate from respiratory disease, Directly standardised mortality rate (DSR) per 100,000 population, calendar years**



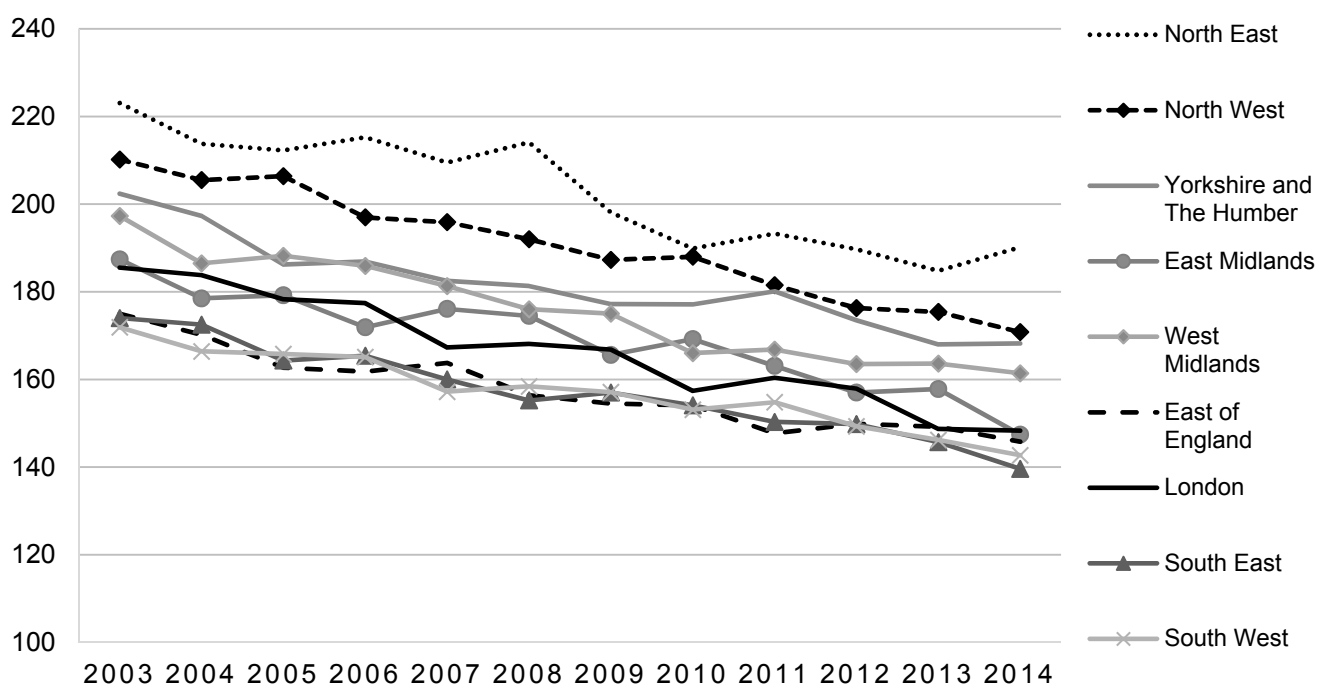
**b) Women**



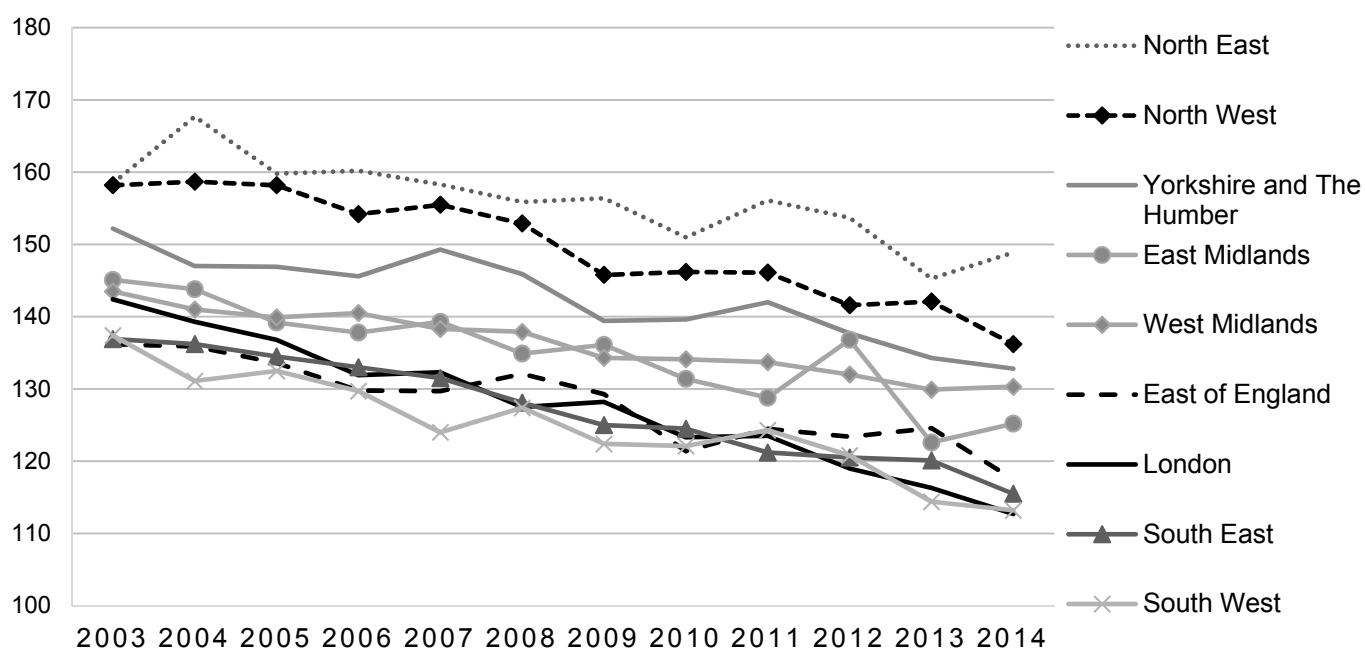
Source: HSCIC (online), NHS Outcomes Framework

**Figure 41: Under 75 mortality rate from cancer, Directly standardised mortality rate (DSR) per 100,000 population, calendar years**

**a) Men**



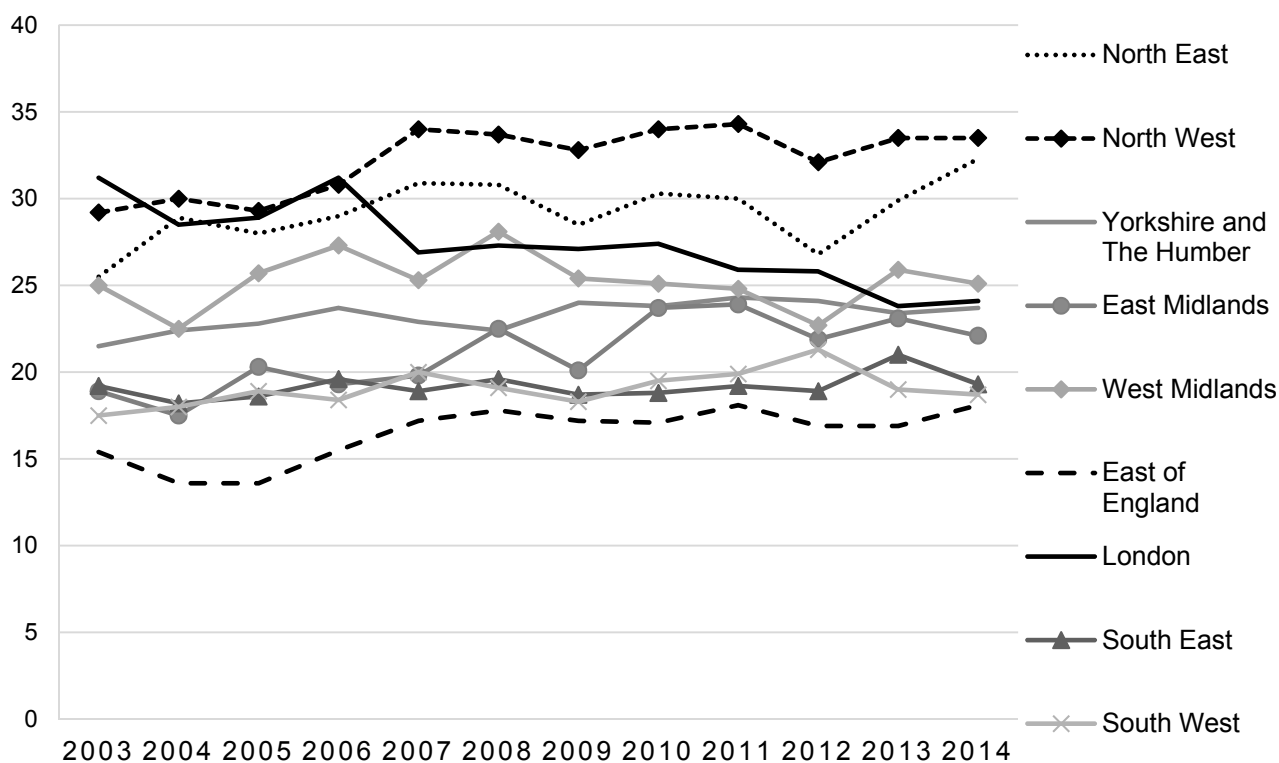
**b) Women**



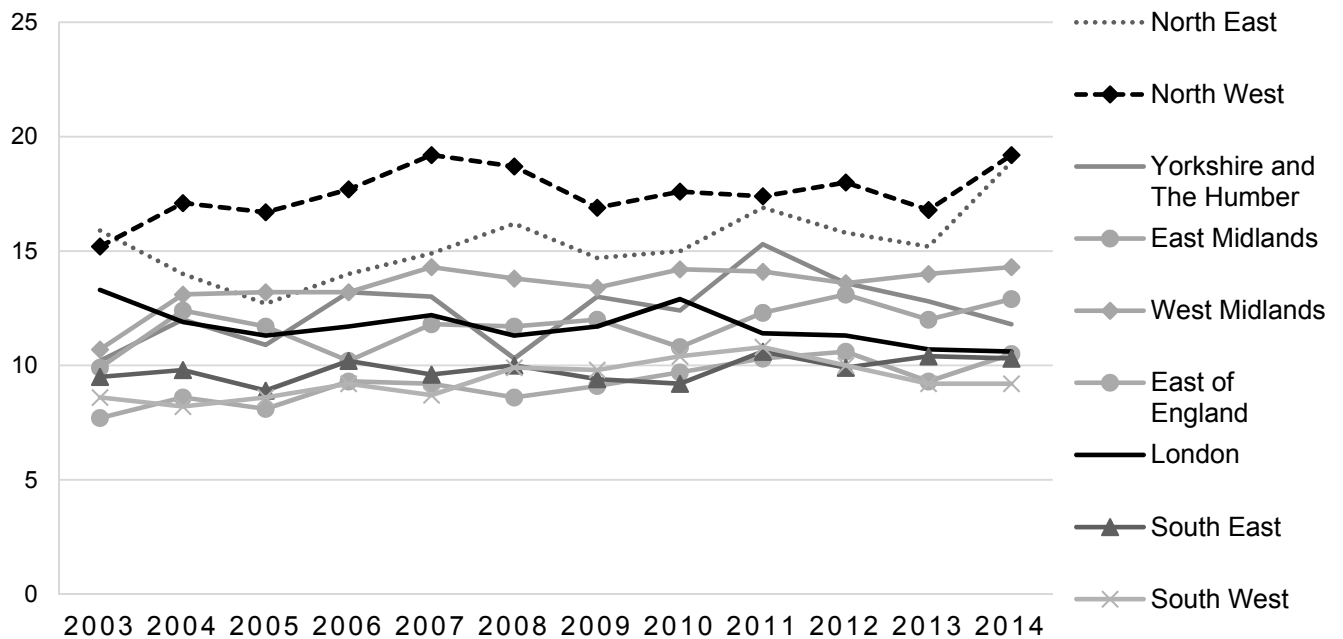
Source: HSCIC (online), NHS Outcomes Framework

**Figure 42: Under 75 mortality rate from liver disease, directly standardised mortality rate (DSR) per 100,000 population, calendar years**

**a) Men**

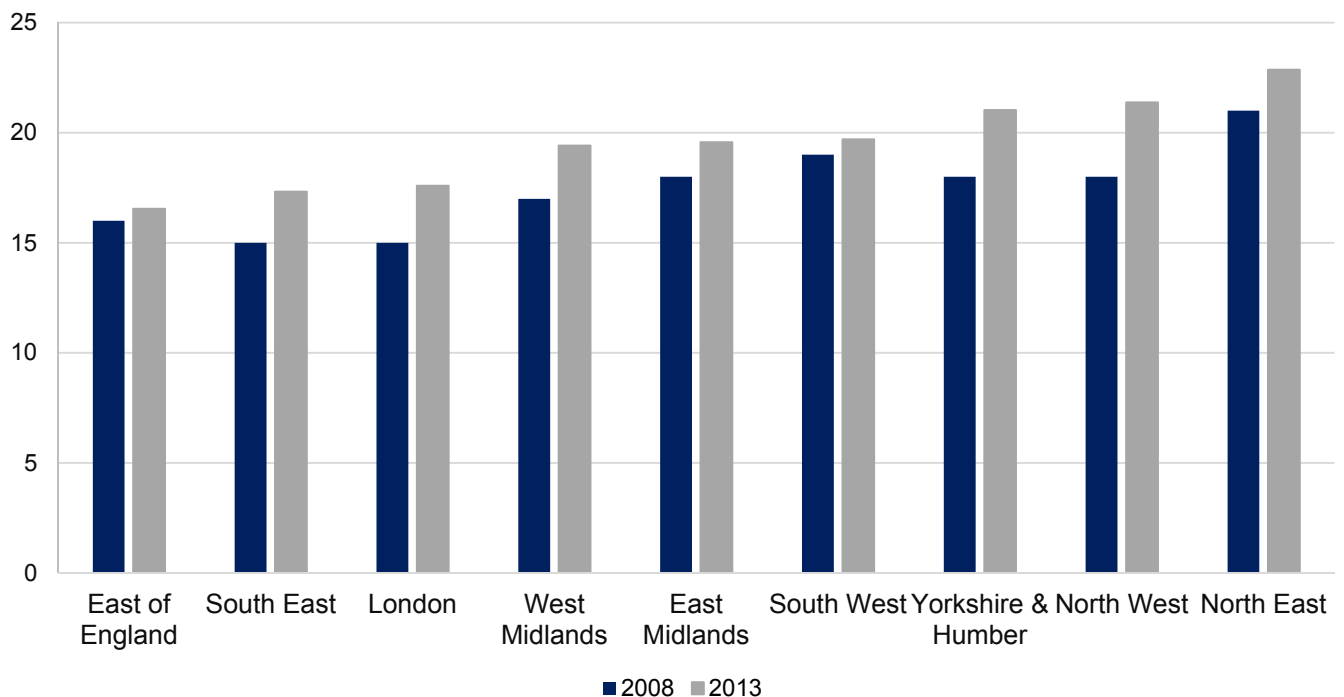


**b) Women**



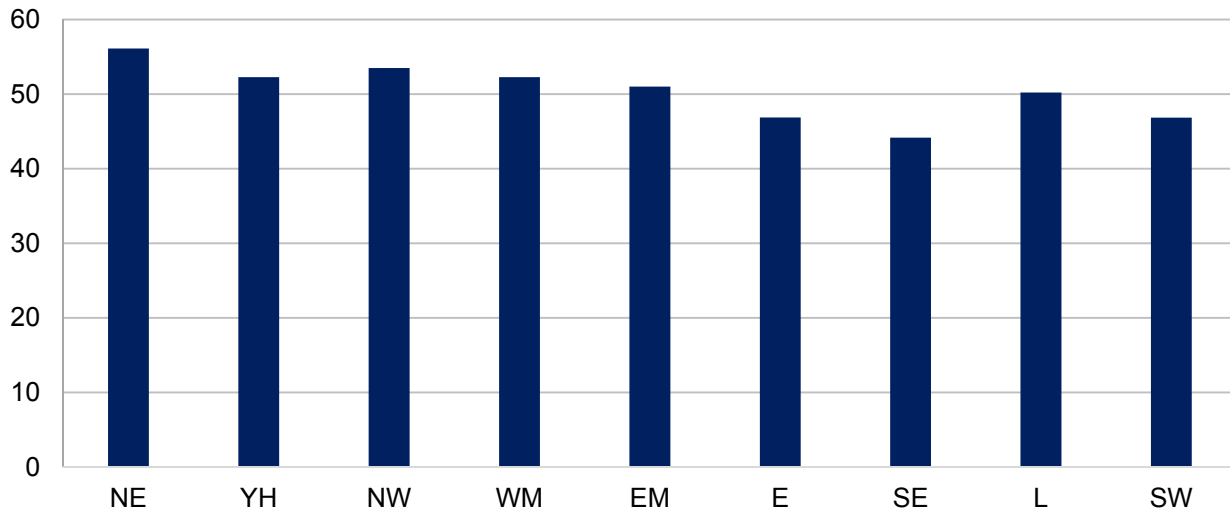
Source: HSCIC (online), NHS Outcomes Framework

**Figure 43: Percent of population with Limiting long-standing illness or disability among population aged 16 years and over, 2008 to 2013 (sorted by 2013 figures)**



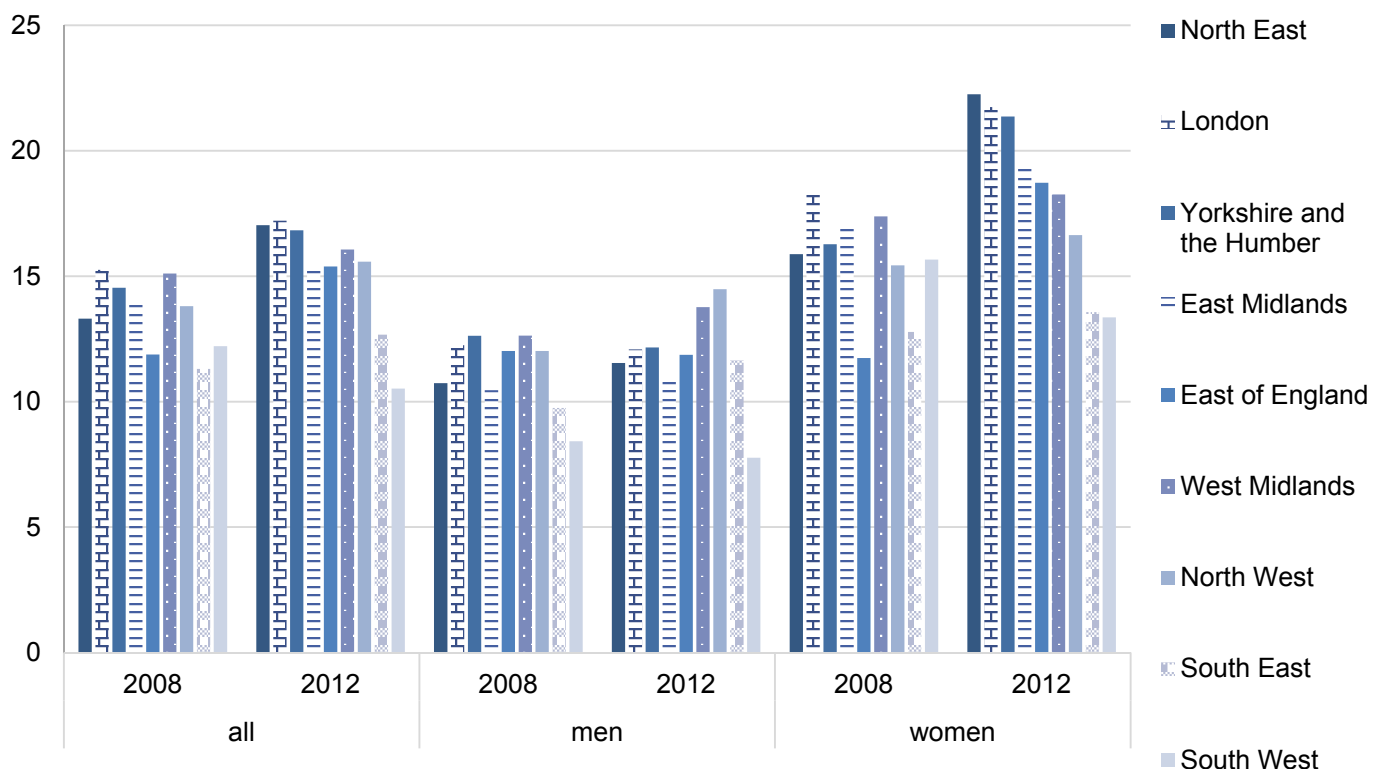
Source: ONS (2010b) and ONS (2015b), underlying data from the General Lifestyle Survey (GLF) in 2008 and the Opinions and Lifestyle Survey (OLS) in 2013.

**Figure 44: Percentage of older people reporting limited day-to-day activities due to a longstanding illness or disability at age 65 and over in London and the North, 2011**



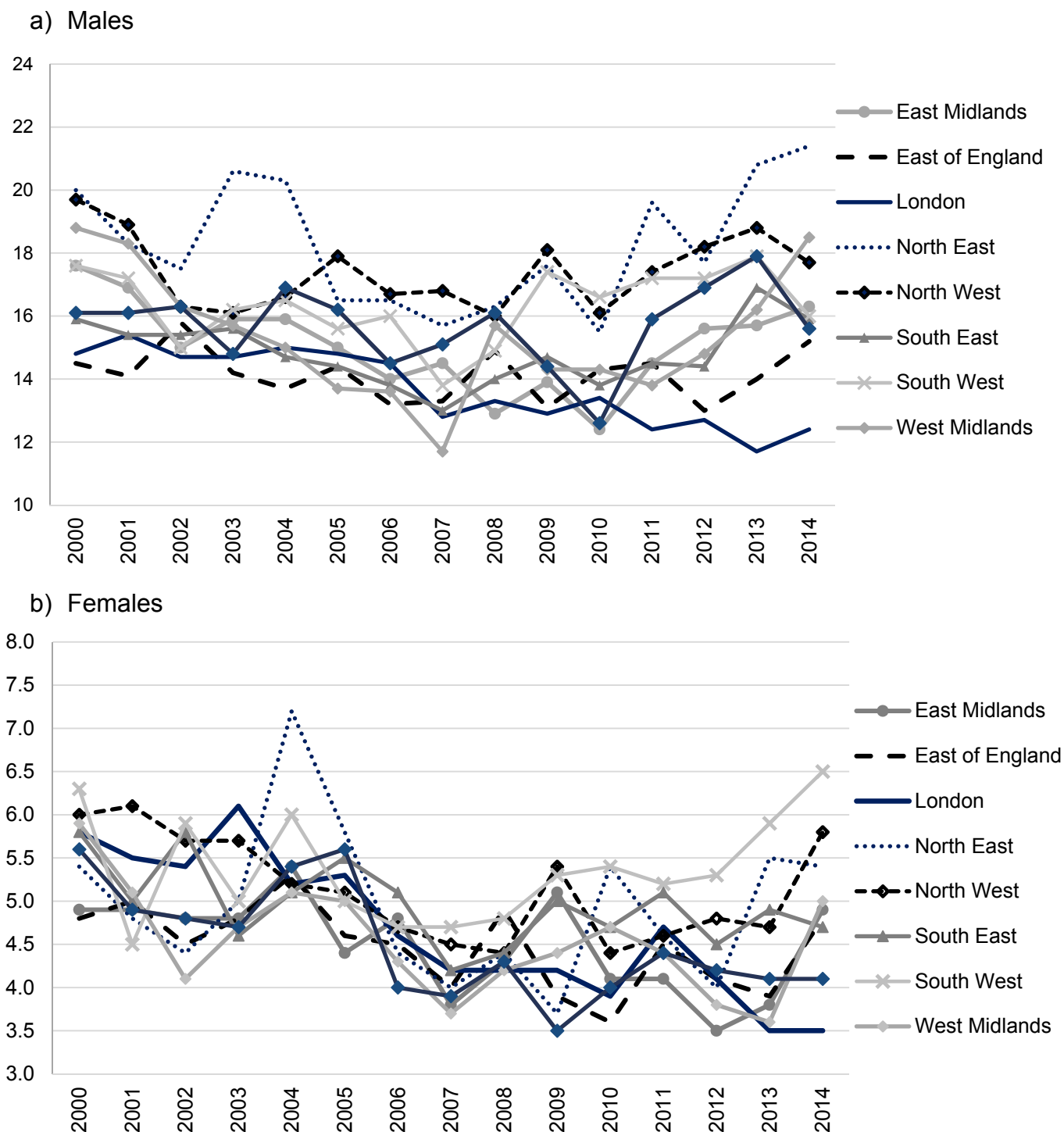
Source: Lloyd and Ross (2014) using the 2011 Census

**Figure 45: Risk of poor mental health: proportion of men and women (and all) with GHQ-12 scores of 4 or more by region, 2008 and 2012**



Source: Vizard et al (forthcoming), CASE discussion paper

**Figure 46: Age-standardised suicide rates by sex and regions of England, 2002 to 2014**



Source: ONS (2016b), Table 7

1 The National Statistics definition of suicide is given in the 'Suicide definition' tab.

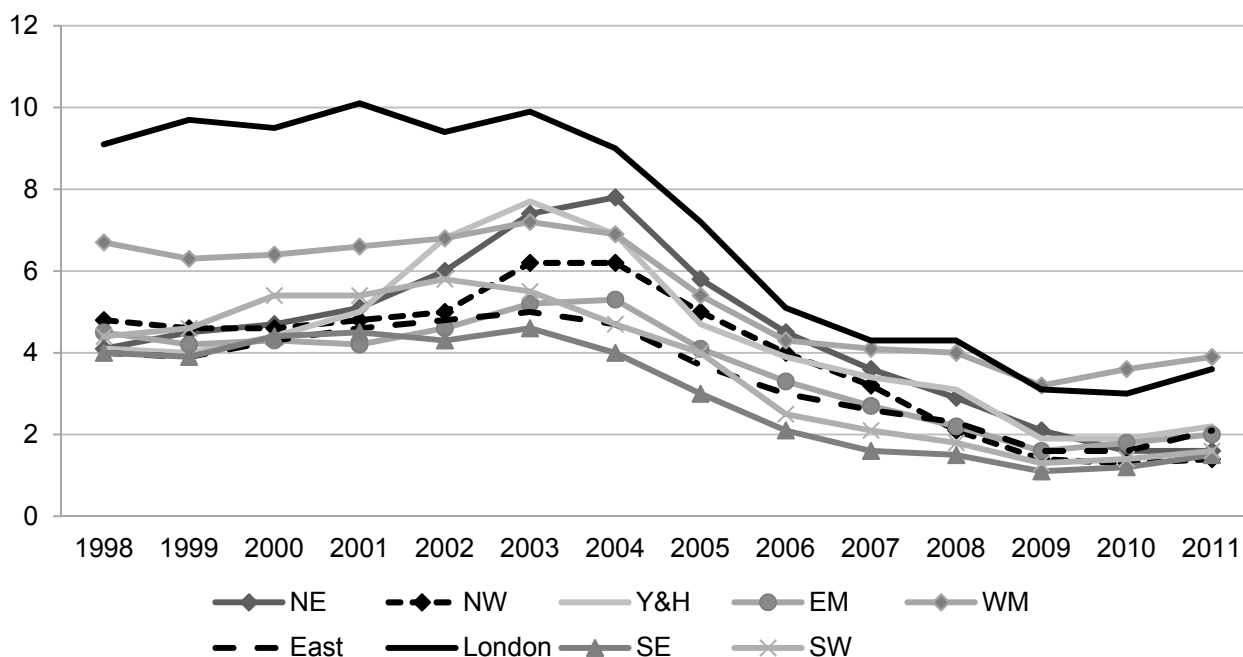
2 Figures are for persons aged 10 years and over.

3 Age-standardised suicide rates per 100,000 population, standardised to the 2013 European Standard Population. Age-standardised rates are used to allow comparison between populations which may contain different proportions of people of different ages.

4 Figures are for persons usually resident in each area, based on boundaries as of November 2015.

5 Figures are for deaths registered in each calendar year

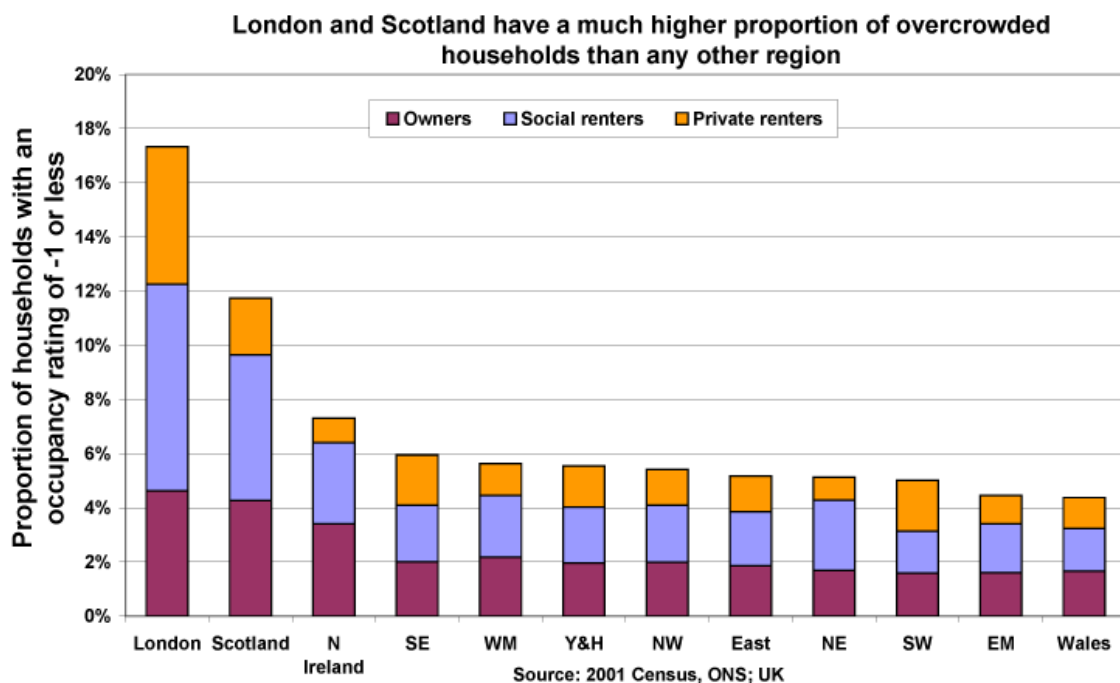
**Figure 47: Households accepted as homeless by Local Authorities by region (accepted rate per 1,000 households), 1998 to 2012**



Source: DCLG (2015a), Table 772

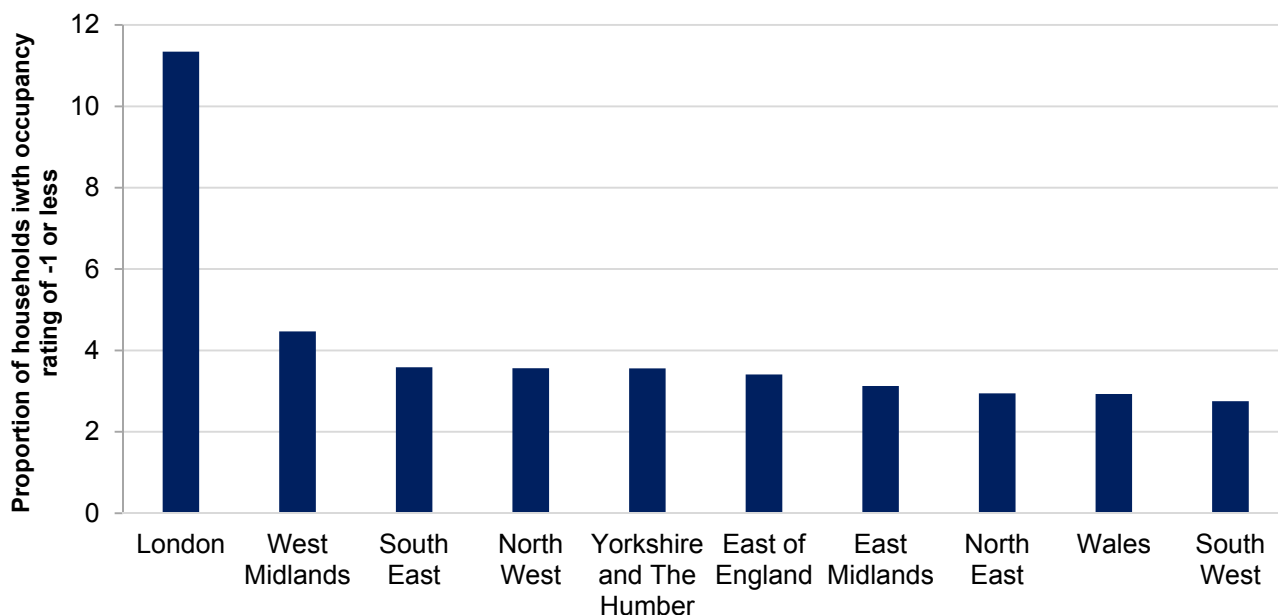
Notes: This table has been frozen following consultation in Summer 2012 and no updates by region are available in DCLG statistics with effect from 1 October 2012.

**Figure 48: Overcrowding by region, 2001**



Source: Poverty site (nd)

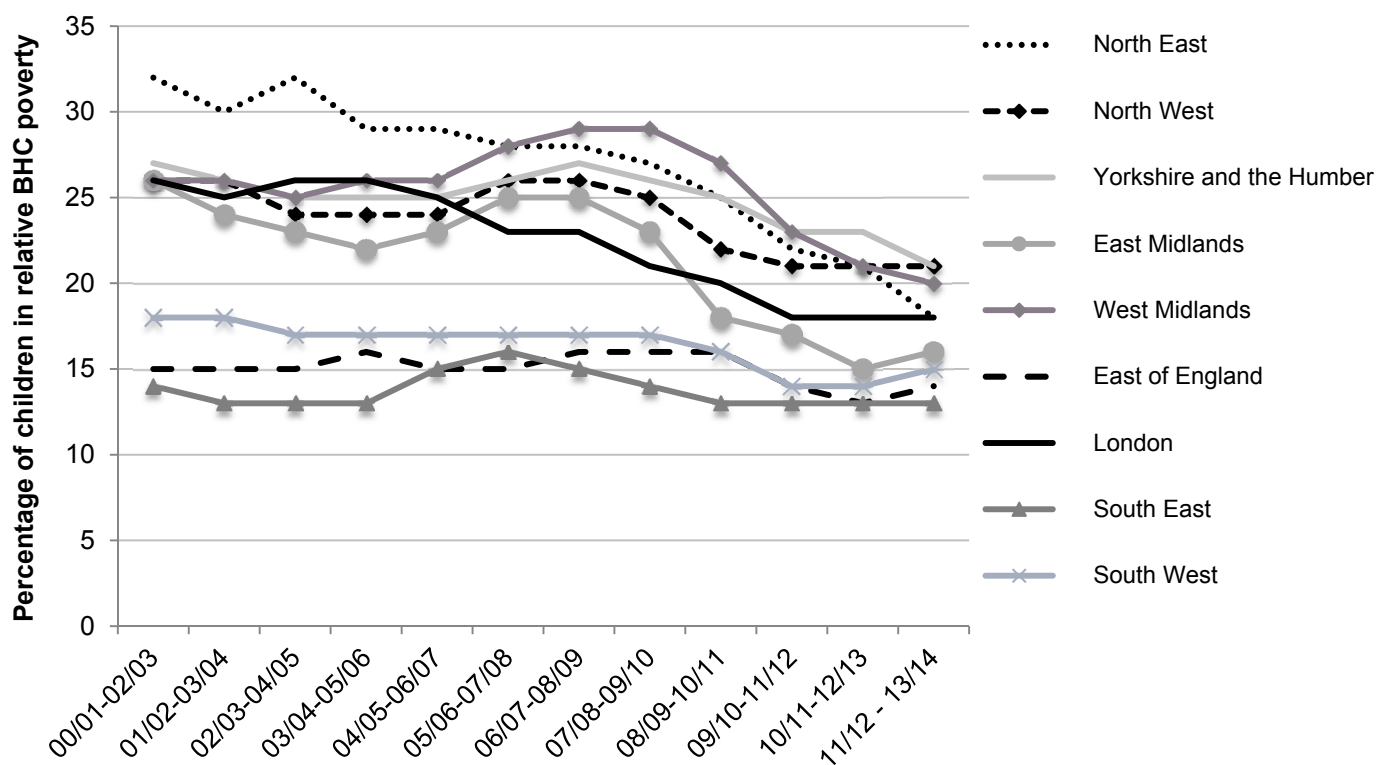
**Figure 49: Overcrowding by region, 2011**



Source: Office for National Statistics (2014b), Overcrowding and Under-occupation in England and Wales.

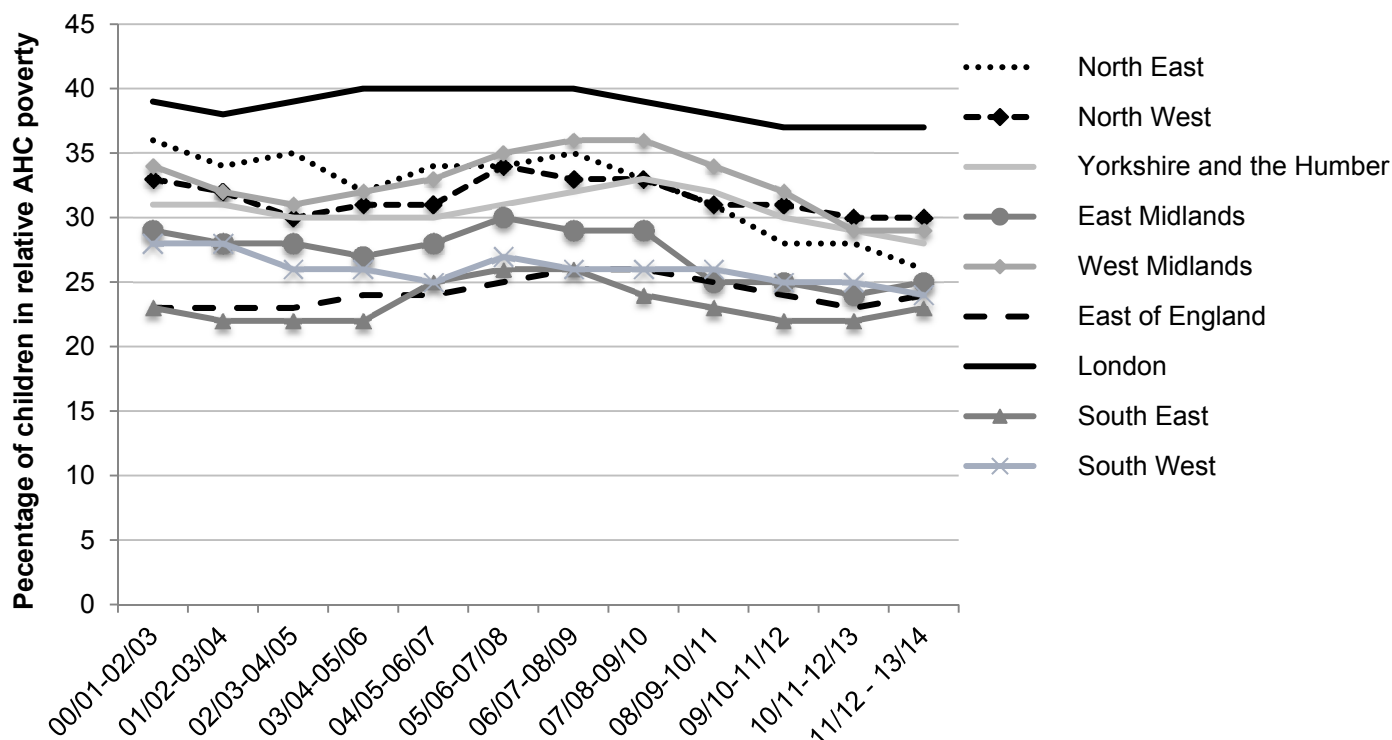
**Figure 50: Child poverty rate by region, average for three year periods**

a) Before Housing Costs





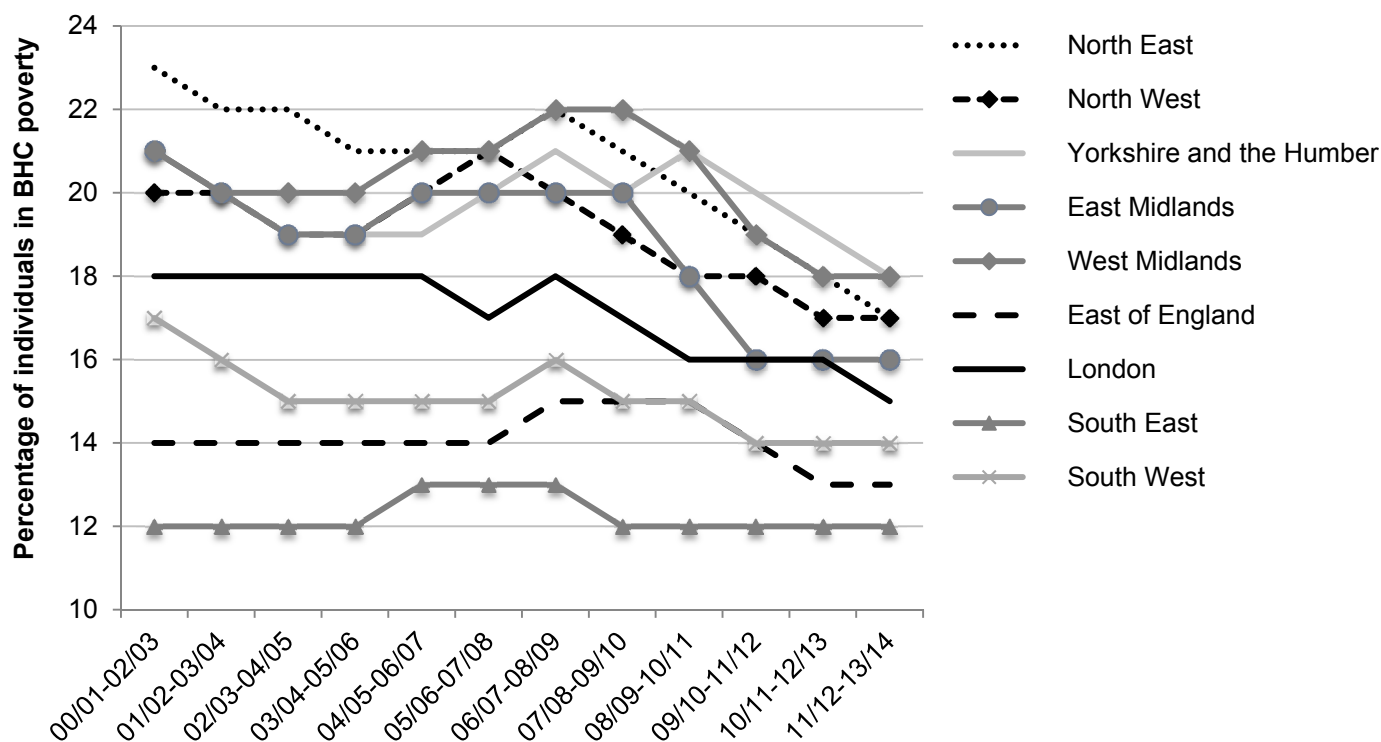
**b) After Housing Costs**

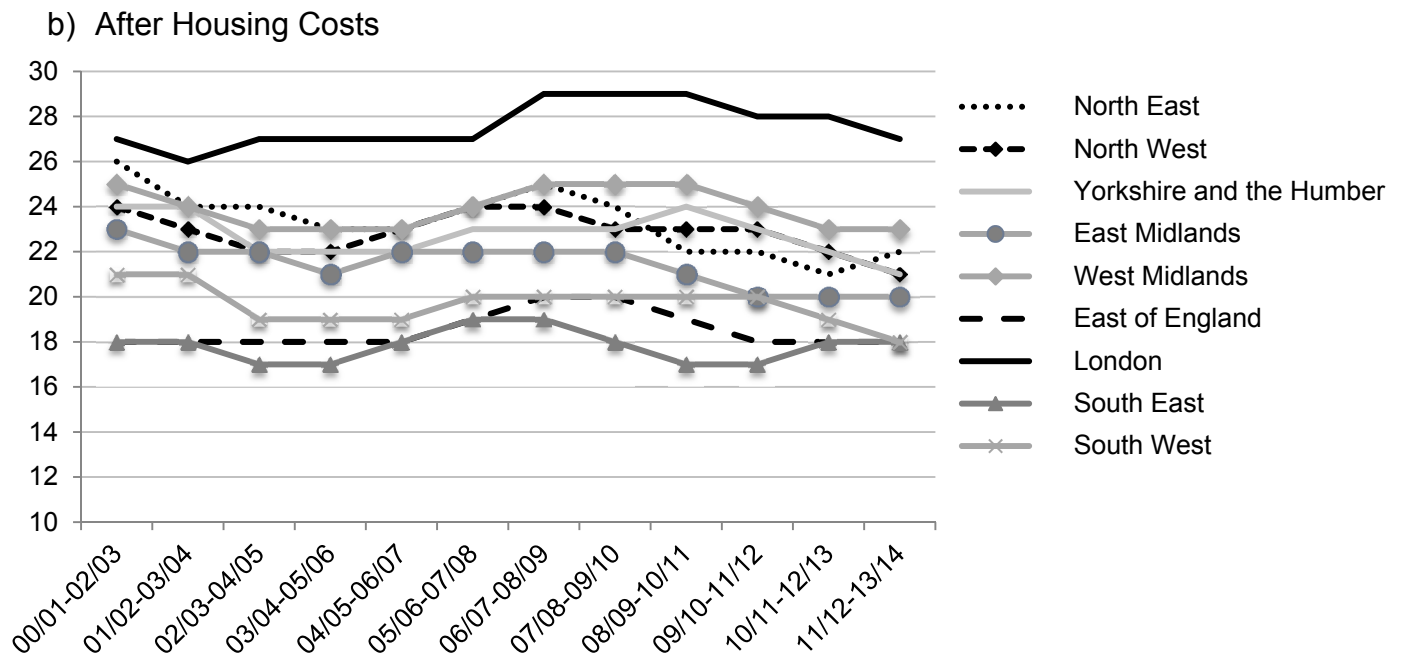


Source: Department for Work and Pensions (2015), Supporting data files, Table 4.16ts

**Figure 51: Poverty rate by region (all individuals), average for three year periods**

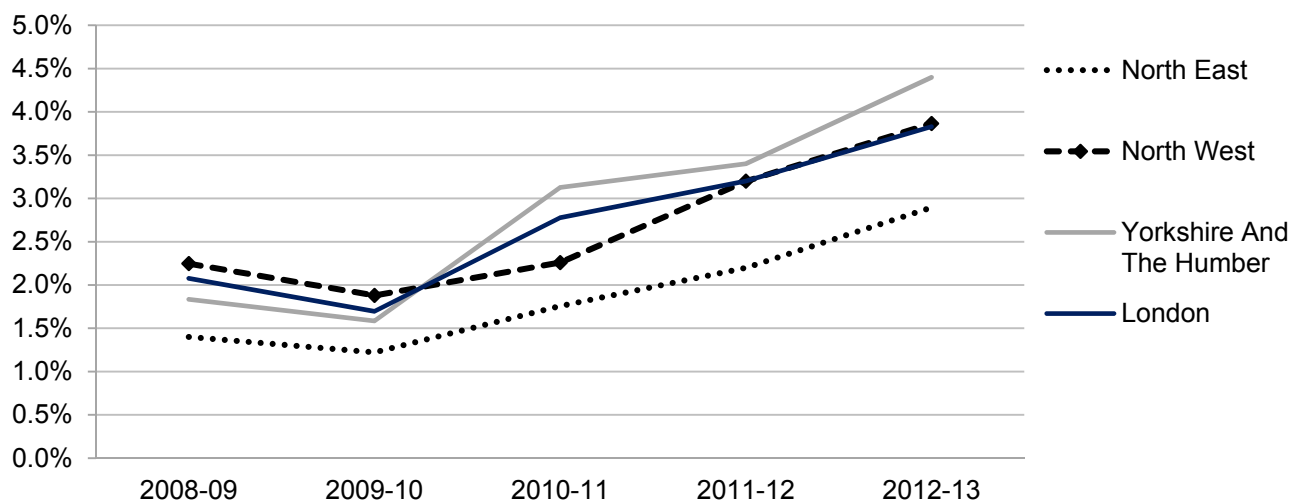
**a) Before Housing Costs**





Source: Department for Work and Pensions (2015), Supporting data files, Table 3.17ts

**Figure 52: Percentage of patients waiting 4 hours or longer in the A&E departments by Strategic Health Authority, 2008-09 to 2012-13**

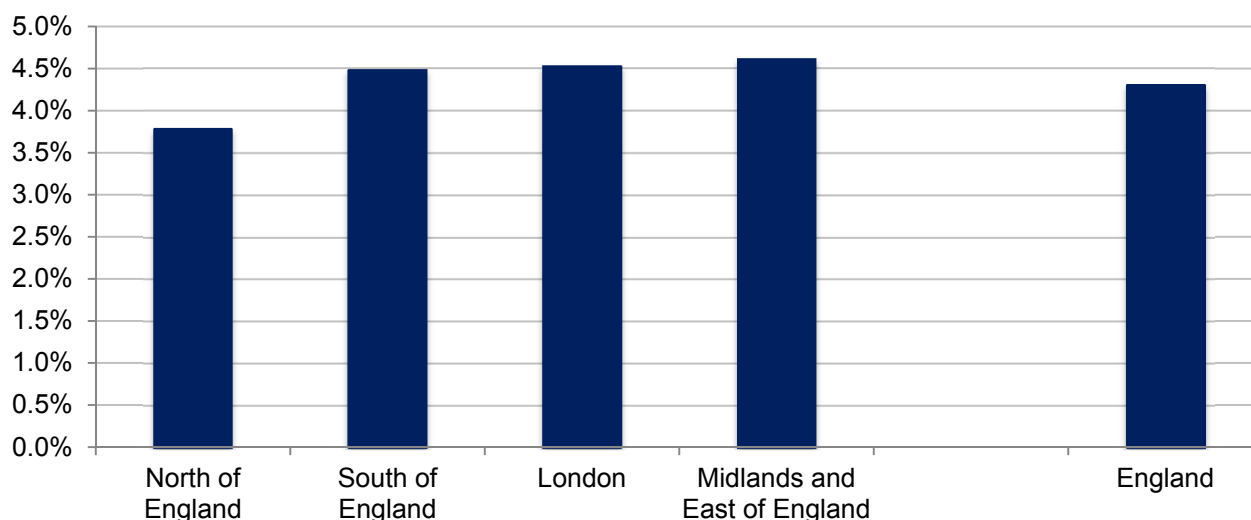


Source: Authors' analysis of provider level waiting times from HSCIC (various years). Data based on the Quarterly Monitoring of Accident and Emergency (QMAE) returns for 2008-09 to 2010-11 and 'Weekly A&E Sitreps' for 2011-12 and 2012-13.

Notes:

1. QMAE is a processor of 'Weekly Sit Reps' and is broadly consistent over time
2. QMAE is based on counts made in local NHS organisations and submitted to the Department of Health in aggregate form.
3. 'Weekly Sit Reps' are based on counts made in local NHS organisations and submitted to the Department of Health in aggregate form, rather than from patient level data.
4. NHS (Foundation) trust level data is provided for 2008-09. For 2010-11 to 2012-13 these are also provided and grouped further into Strategic Health Authorities. Authors grouped data for 2008-09 into Strategic Health Authorities.
5. The current target for A&E is to treat or discharge 95% of patients within 4 hours of arrival, so that fewer than 5% of patients wait longer

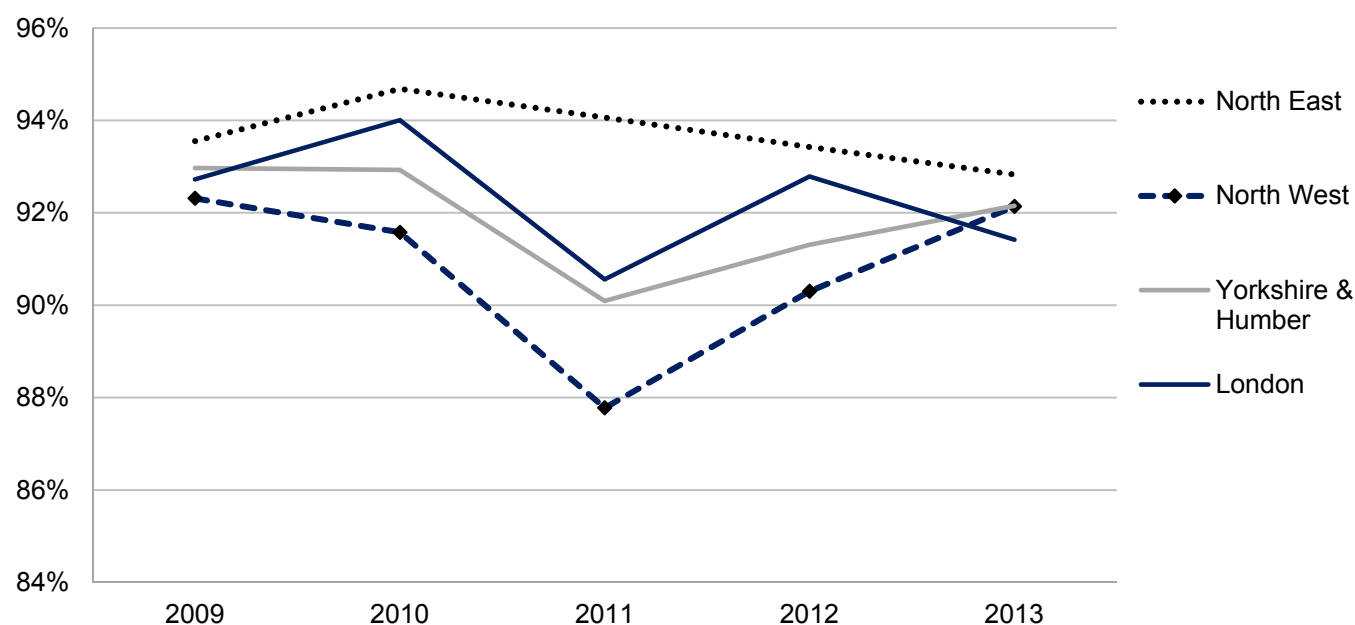
**Figure 53: Percentage of patients waiting 4 hours or longer in the A&E departments by broad geographical regions, 2013-14**



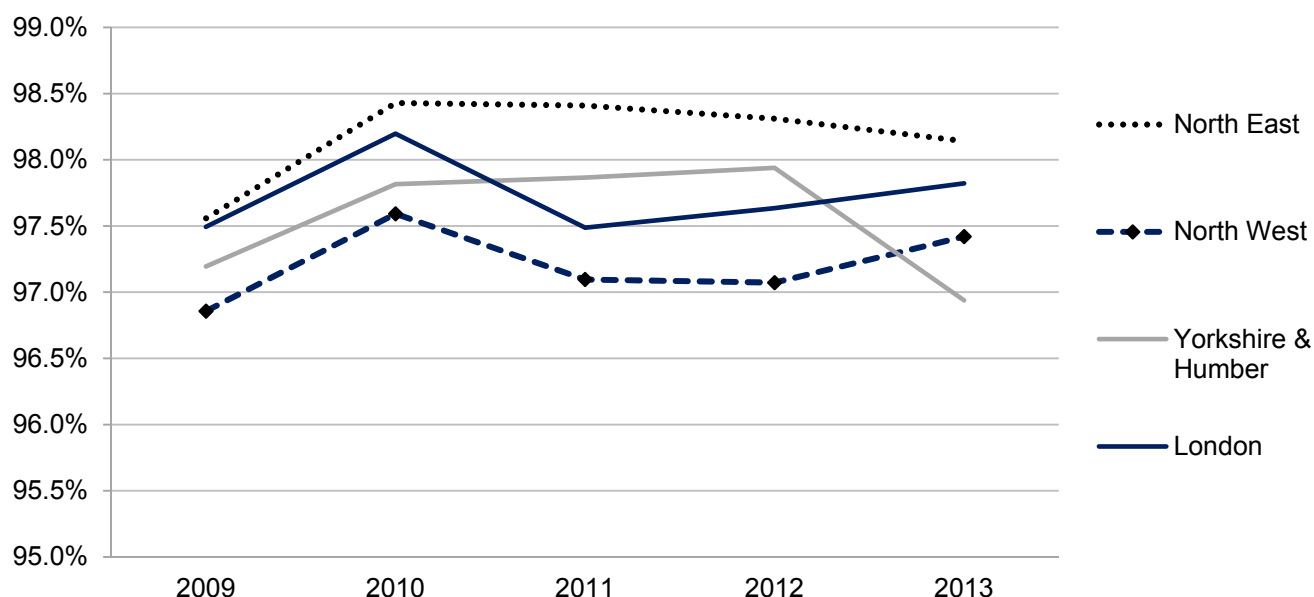
Note: Data is based on Weekly A&E Sitreps'. Authors grouped provider-level data for 2013-14 into broad geographical areas. More detailed notes in Figure 52.

**Figure 54: Proportion referred to treatment within 18 weeks by Strategic Health Authority (SHA), March 2009 to March 2012**

**a) Admitted (adjusted) patients (90% operational standard)**

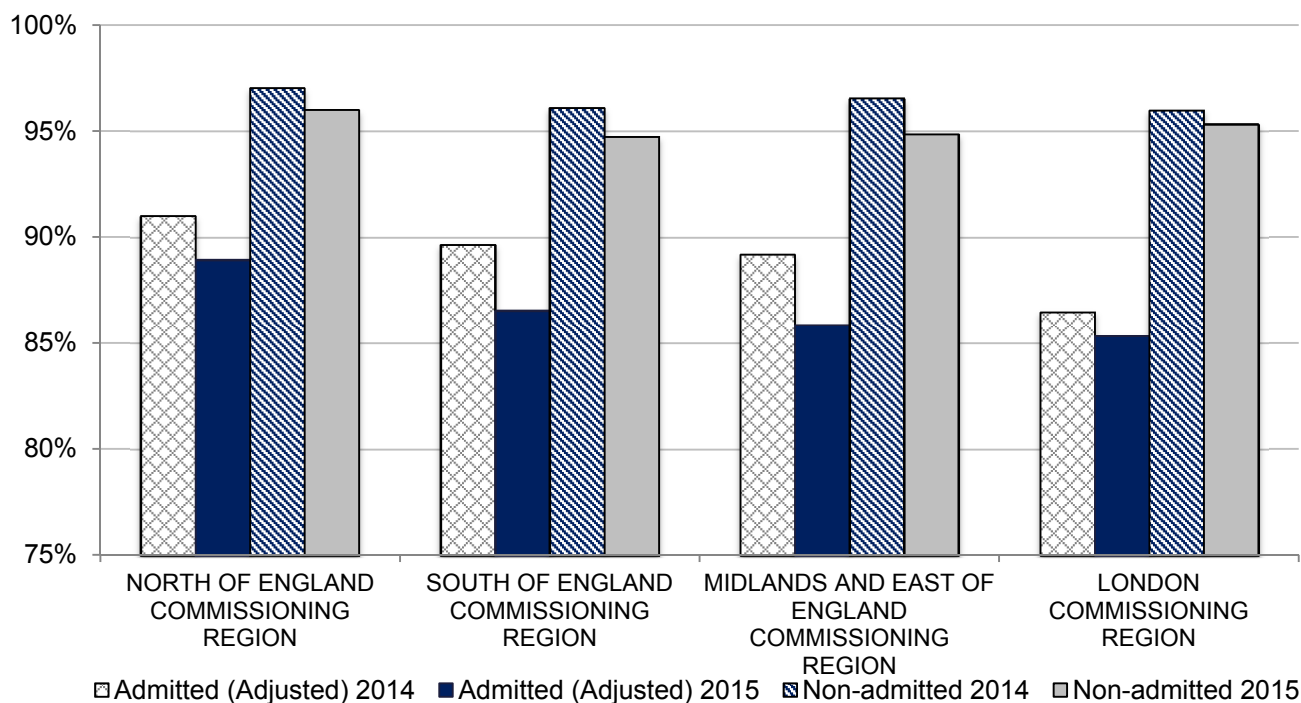


**b) Non-admitted patients (95% operational target)**



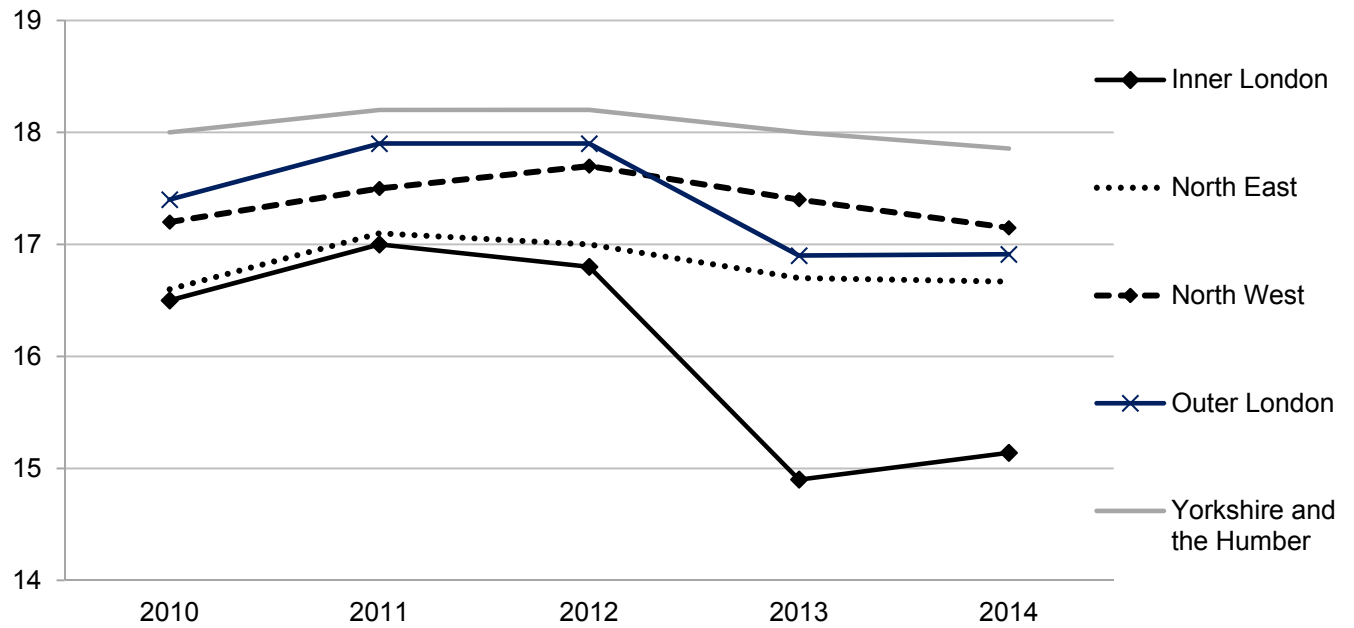
Source: NHS England (online), Consultant-led Referral to Treatment Waiting Times, Commissioner based figures for March 2014 and March 2015; Pre-2012 data is from DoH (2012)

**Figure 55: Proportion referred to treatment within 18 weeks by region, March 2014 and March 2015**



Source: NHS England (online), Consultant-led Referral to Treatment Waiting Times, Commissioner based figures for March 2014 and March 2015.

**Figure 56: Pupil to Teacher ratios, 2010 to 2014**



Source: DfE (various years: 2011 to 2015), School Workforce in England, underlying data 2010 to 2014 based on November statistics

Note: Pupil to teacher ratio is a ratio of full-time equivalent number of pupils on roll in schools (where a part-time pupil counts as one half) to the full-time equivalent number of qualified teachers regularly employed in schools.

## Appendix

### Tables

**Table 3: Total identifiable expenditure on services by region in real terms (2013/14 prices), 2004-05 to 2008-09 (£m)**

	2004-05	2005-06	2006-07	2007-08	2008-09	% change 2004-05 to 2008-09
North East	9,025	9,237	9,237	9,436	9,922	9.9%
North West	8,531	8,711	8,927	9,207	9,562	12.1%
Yorkshire and the Humber	7,981	8,175	8,251	8,377	8,745	9.6%
East Midlands	7,397	7,621	7,660	7,855	8,187	10.7%
West Midlands	7,884	8,193	8,333	8,584	8,902	12.9%
East	6,970	7,229	7,304	7,473	7,816	12.1%
London	9,506	9,778	9,857	10,099	10,515	10.6%
South East	7,066	7,190	7,265	7,423	7,810	10.5%
South West	7,487	7,676	7,711	7,939	8,317	11.1%
<b>England</b>	<b>7,964</b>	<b>8,178</b>	<b>8,268</b>	<b>8,474</b>	<b>8,845</b>	<b>11.1%</b>

Source: nominal figures from HM Treasury (2010) and GDP deflator from October 2014 release (HM Treasury 2014b)

**Table 4: Real change in total identifiable expenditure by service area and region, 2009/10 to 2013/14 (£m)**

	General public services		Defence		Public order and safety		Economic affairs		Environment protection		Housing		Health		Recreation, culture and religion		Education		Social protection		Total expenditure on services	
	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita	total	per capita
North East	-13	-14	-8	-8	-17	-18	-15	-17	-7	-8	-35	-36	3	2	-29	-30	-2	-11	10	1	-4	-5
North West	-20	-21	-19	-8	-18	-19	-24	-25	15	13	-40	-41	3	2	-21	-22	0	-9	10	0	-3	-5
Yorkshire & the Humber	-27	-28	-26	-8	-17	-19	-15	-17	-10	-12	-41	-42	4	1	-14	-15	6	-4	11	1	-2	-4
East Midlands	-20	-22	-23	-8	-17	-19	-26	-28	-1	-4	-17	-19	5	2	-25	-27	6	-5	15	3	-1	-4
West Midlands	-46	-47	-21	-8	-20	-22	-17	-19	-11	-14	-39	-41	3	0	-4	-6	7	-4	11	0	-3	-5
East	-20	-23	-26	-54	-17	-20	-25	-27	-2	-5	-35	-37	1	-3	-25	-28	3	-8	15	3	-2	-6
London	-15	-20	-8	-8	-17	-21	-33	-37	-2	-8	-33	-37	1	-4	-3	-8	7	-7	11	-4	-6	-11
South East	-12	-15	-15	-8	-16	-19	-14	-17	-8	-11	-44	-46	2	-2	-17	-20	-1	-11	16	3	-2	-5
South West	-28	-30	-34	-8	-15	-17	-19	-22	1	-2	-45	-46	11	8	-21	-23	-1	-11	17	5	0	-2
England	-22	-25	-21	-8	-17	-20	-23	-25	0	-3	-37	-39	3	0	-16	-18	3	-8	13	1	-3	-6

Source: Authors' calculation using nominal figures from HM treasury (2014a) and GDP deflator from HM Treasury (2014b).

**Table 5: Percentage change in real total and per capita Local Government identifiable expenditure on services by region, 2009-10 to 2013-14**

	% change in total expenditure	% change in per capita expenditure
<b>North East</b>	<b>-13.2</b>	<b>-14.4</b>
<b>North West</b>	<b>-11.4</b>	<b>-12.9</b>
<b>Yorkshire and the Humber</b>	<b>-9.1</b>	<b>-11.0</b>
<b>The North (total)</b>	<b>-11.0</b>	<b>-12.6</b>
East Midlands	-11.8	-14.2
West Midlands	-10.3	-12.6
East	-13.4	-16.3
<b>London</b>	<b>-8.3</b>	<b>-13.5</b>
South East	-8.4	-11.5
South West	-12.8	-15.2
England	-10.4	-13.2

Source: Authors' calculation using nominal figures from HM treasury 2014a and GDP deflator from HM Treasury (2014b).

**Table 6: Net current expenditure by Councils with Adult Social Care responsibilities by region, 2009/10 to 2013/14**

	2009/10	2010/11	2011/12	2012/13	2013/14	Change % 2009-10 to 2013-14	Change % 2007-08 to 2013/14,
East Midlands	1,271,141	1,270,848	1,192,978	1,194,472	1,179,424	-7.2	0.4
Eastern	1,704,870	1,681,681	1,724,824	1,680,719	1,676,045	-1.7	4.1
<b>London</b>	<b>2,689,916</b>	<b>2,609,636</b>	<b>2,577,243</b>	<b>2,481,336</b>	<b>2,379,444</b>	<b>-11.5</b>	<b>-8.9</b>
<b>North East</b>	<b>883,622</b>	<b>871,470</b>	<b>829,364</b>	<b>802,299</b>	<b>746,079</b>	<b>-15.6</b>	<b>-10.6</b>
<b>North West</b>	<b>2,124,662</b>	<b>2,109,985</b>	<b>2,085,279</b>	<b>1,989,237</b>	<b>1,946,701</b>	<b>-8.4</b>	<b>-6.1</b>
South East	2,340,761	2,313,612	2,317,689	2,308,174	2,340,607	0.0	4.6
South West	1,551,908	1,530,827	1,553,050	1,552,676	1,535,334	-1.1	5.8
West Midlands	1,628,694	1,582,723	1,572,291	1,527,753	1,504,022	-7.7	-3.3
<b>Yorkshire &amp; Humber</b>	<b>1,469,699</b>	<b>1,422,107</b>	<b>1,418,653</b>	<b>1,362,192</b>	<b>1,339,785</b>	<b>-8.8</b>	<b>-4.8</b>
<b>Total NORTH</b>	<b>4,477,984</b>	<b>4,403,562</b>	<b>4,333,296</b>	<b>4,153,727</b>	<b>4,032,565</b>	<b>-9.9</b>	<b>-6.6</b>

Source: Authors' calculations using nominal figures from HSCIC (online) and GDP deflators from HM treasury (2014b)



**Table 7: Net current expenditure by Councils with Adult Social Care responsibilities in London and the North: total and on people aged 65 and over, 2009/10 to 2013/14**

	% change in total expenditure on adult social care	% change in expenditure on those 65 and over	% change in number of clients aged 65 and over	% change in population aged 65 and over
<b>London</b>	<b>-11.5</b>	<b>-19.9</b>	<b>-21.8</b>	<b>8.2</b>
North East	-15.6	-25.8	-29.0	9.6
North West	-8.4	-23.3	-17.8	9.6
Yorkshire & The Humber	-8.8	-23.7	-26.7	9.9
<b>Total NORTH</b>	<b>-9.9</b>	<b>-24.0</b>	<b>-22.8</b>	<b>9.7</b>

Source: Health and Social Care Information Centre (online), National Adult Social Care Intelligence Service (NASCIS) online analytical tool; HM Treasury (2014b) deflator. ONS population estimates.