

# Spatial inequality, measurement and regional policy

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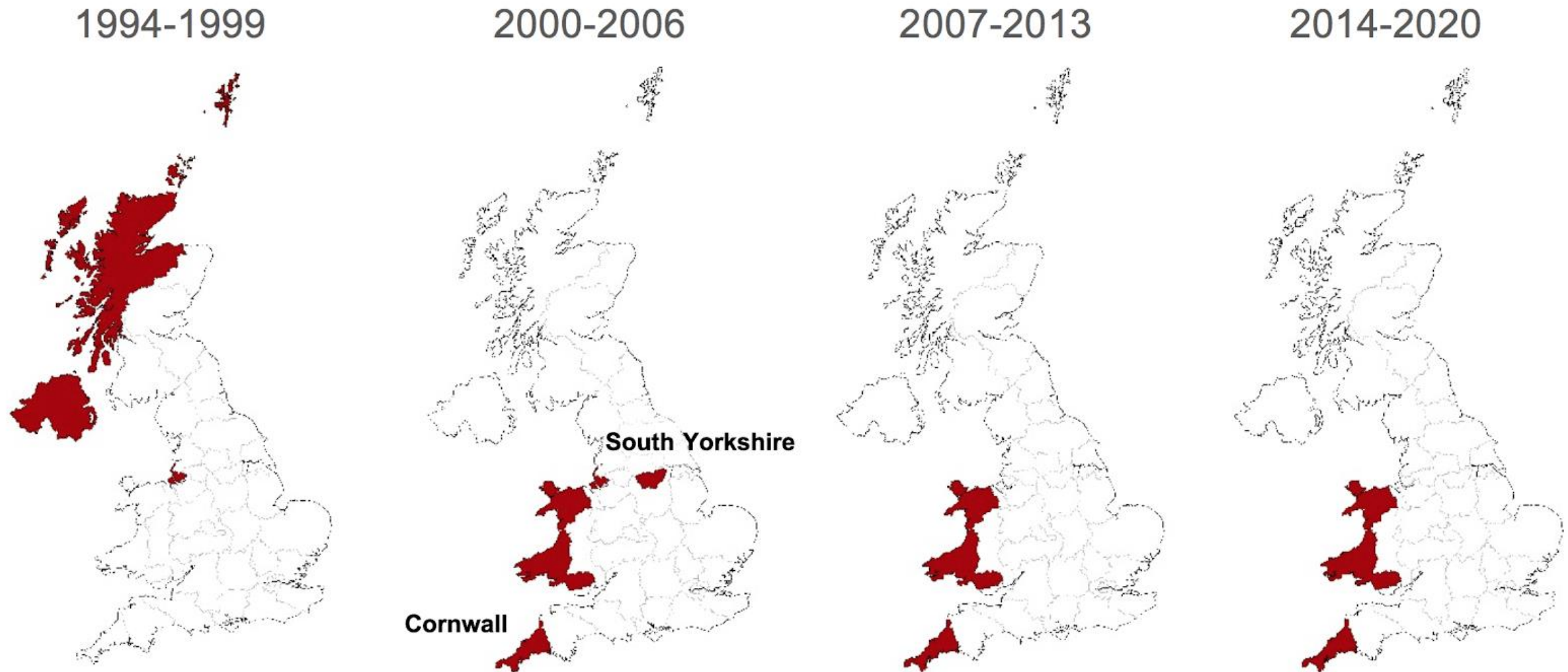
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# Context

- EU Structural Funding to end soon
  - One of the few “needs-based” mechanisms for differentially supporting regional development across the UK
  - ERDF - Focus on innovation, SMEs, infrastructure, transport
  - ESF – skills for young people, for those facing obstacles getting a job
- This presentation:
  - The Shared Prosperity Fund
  - Solving what problem?
  - How will it be designed?

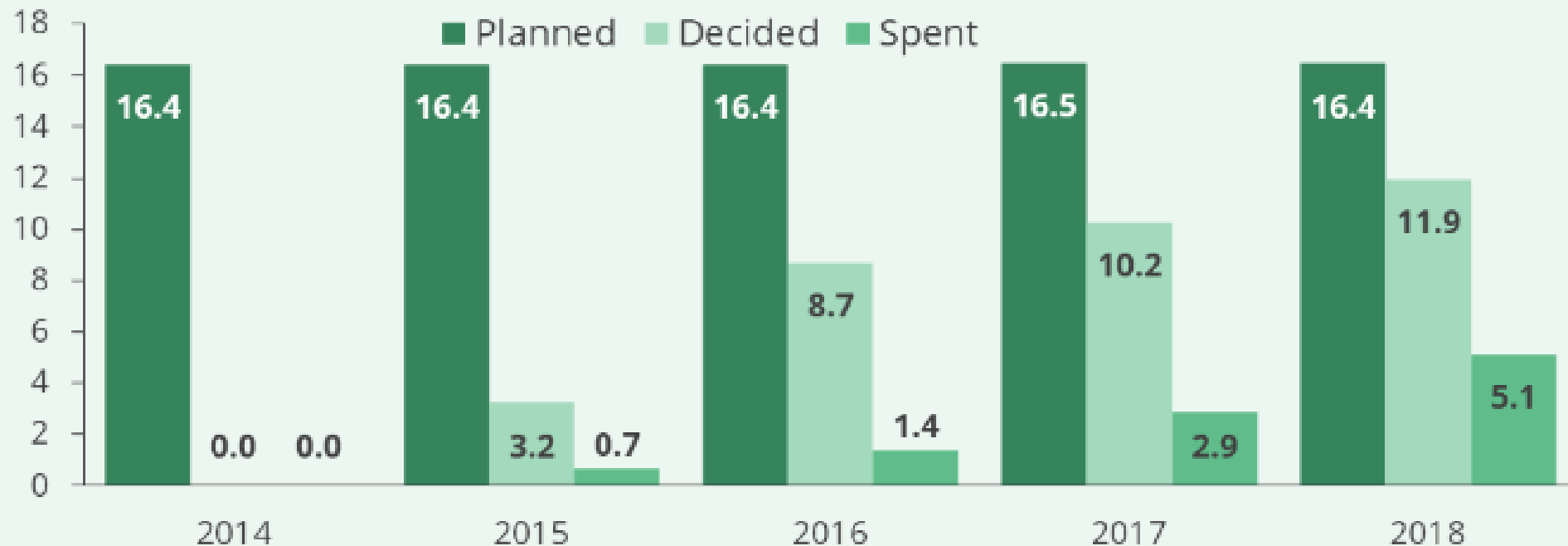
# The changing map of most intensive EU support



# EU funding coming to an end

## EU structural funding to the UK, by year

Cumulative 2014-20 totals at year end, € billions



Source: European Commission, ESIF 2014-2020 Finance Implementation Details, 13 March 2019

# Structural Funds Regulation:

The Structural Funds shall support the Investment for growth and jobs goal in all regions corresponding to level 2 of the common classification of territorial units for statistics ('NUTS level 2 regions') established by Regulation (EC) No 1059/2003 amended by Regulation (EC) No 105/2007.

Resources for the Investment for growth and jobs goal shall be allocated among the following three categories of NUTS level 2 regions:

- (a) less developed regions, whose GDP per capita is less than 75 % of the average GDP of the EU-27;
- (b) transition regions, whose GDP per capita is between 75 % and 90 % of the average GDP of the EU-27;
- (c) more developed regions, whose GDP per capita is above 90 % of the average GDP of the EU-27.

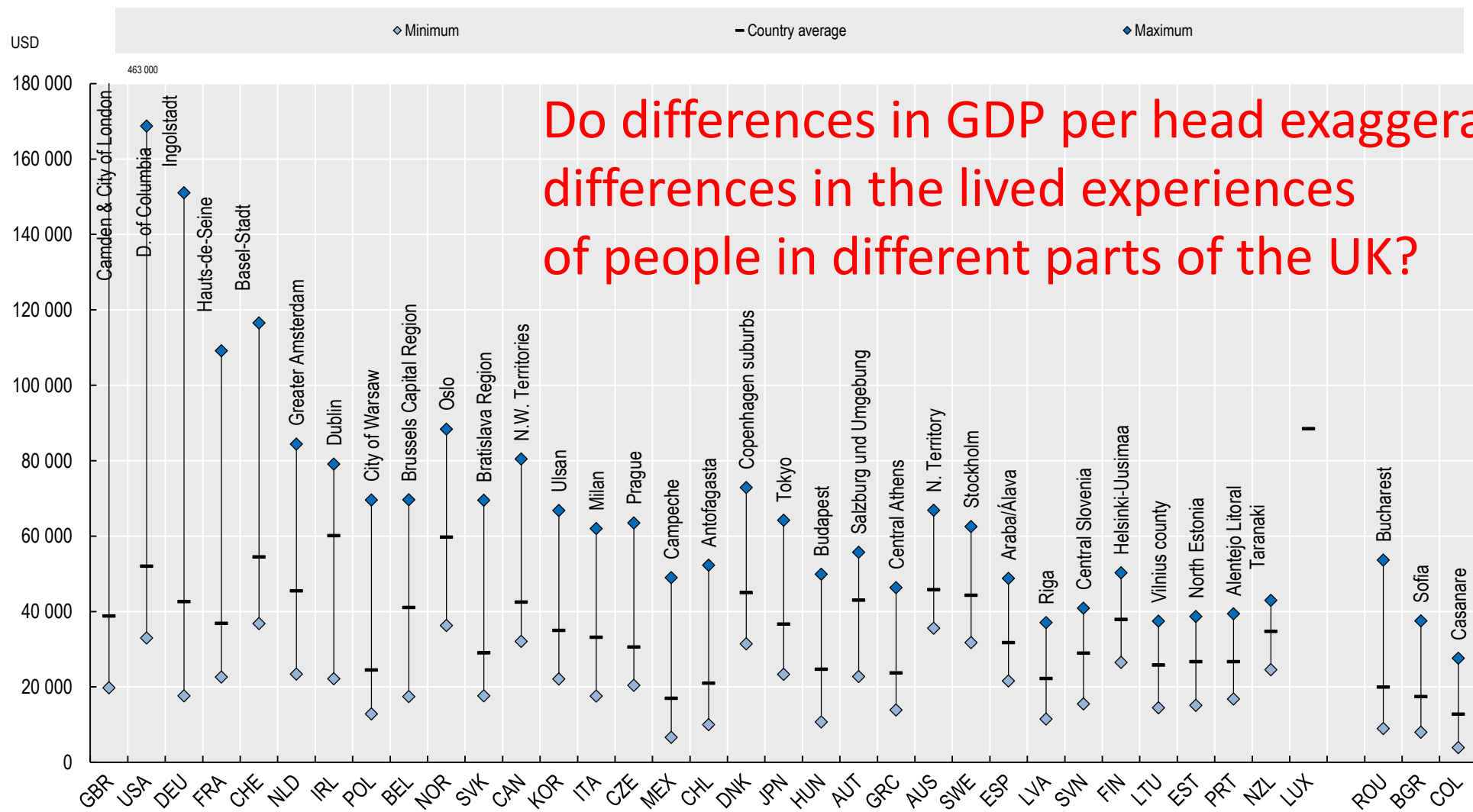
Objective criteria should be fixed for designating eligible regions and areas for support from the Funds. To this end, the identification of the regions and areas at Union level should be based on the common system of classification of the regions established by Regulation

# The Shared Prosperity Fund

- The UKSPF will tackle *inequalities between communities* by raising *productivity*, especially in *those parts of our country whose economies are furthest behind*.
- The Government will of course *respect the devolution settlements in Scotland, Wales and Northern Ireland*
- Local areas in England are being asked to prepare Local Industrial Strategies to prioritise long-term opportunities and challenges to increasing local productivity.

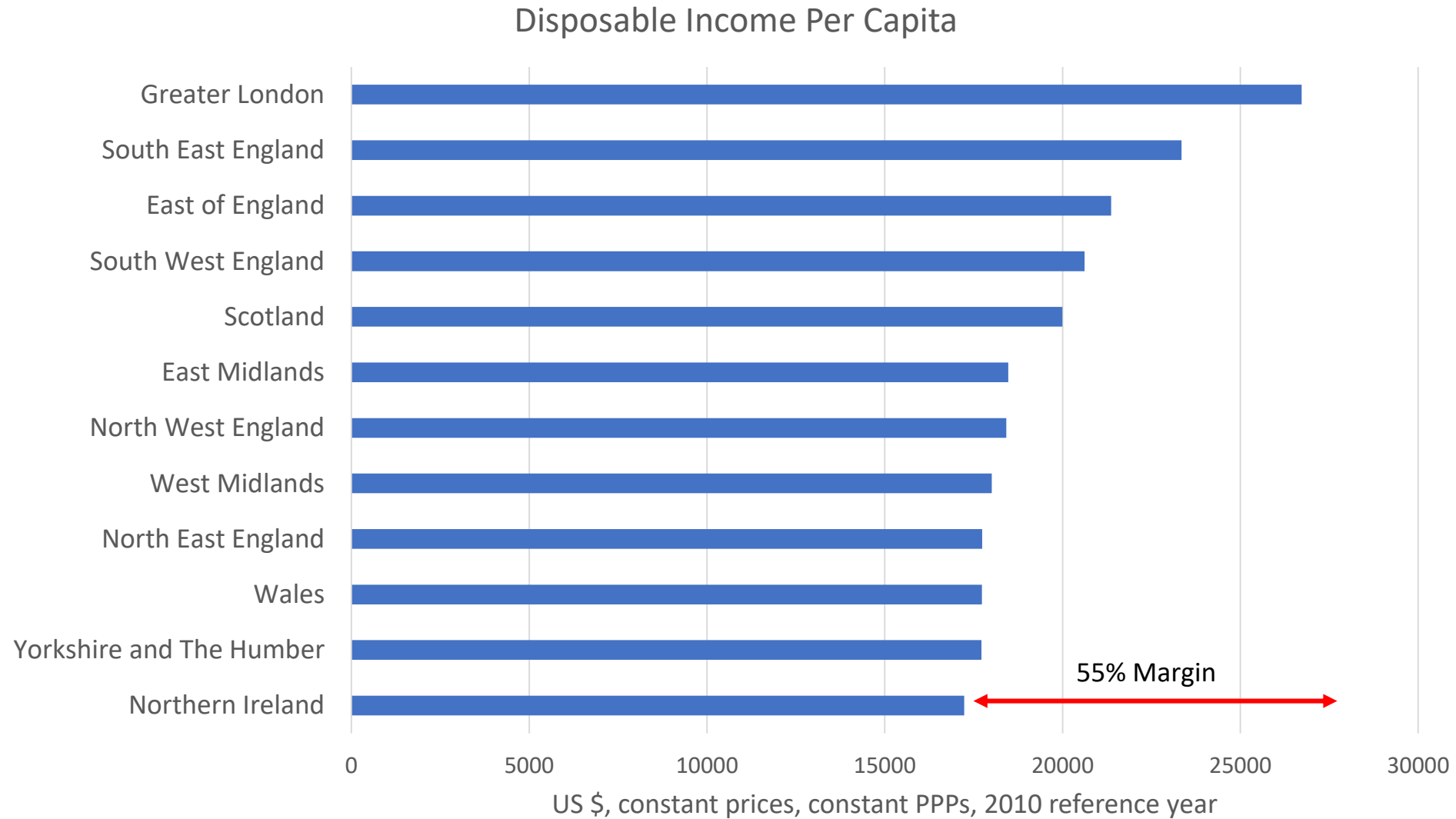
What is meant by furthest behind?

# UK is the (spatially) most unequal country in the OECD?





# Household income a more reliable indicator ...



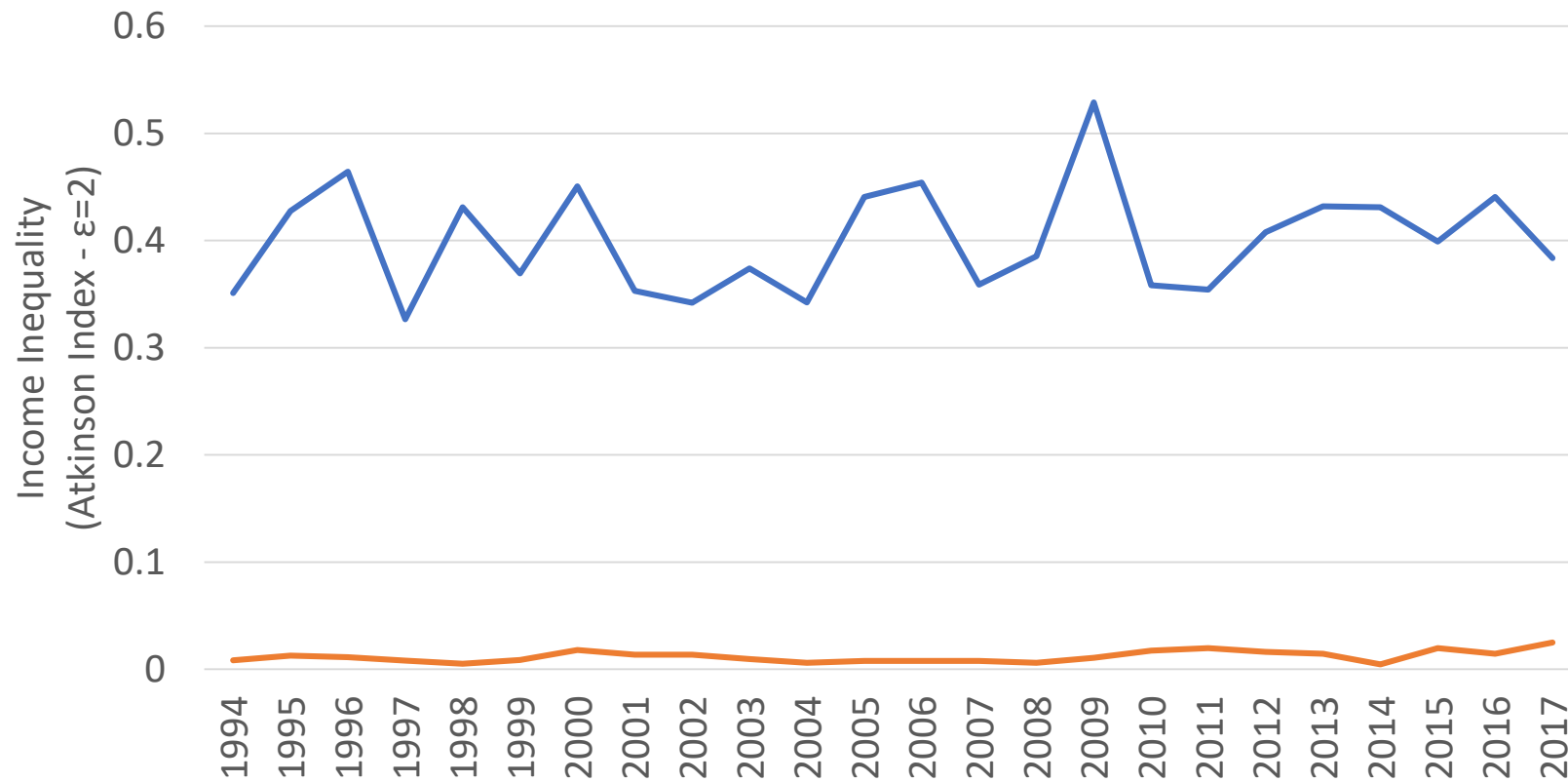
How much is inequality due to differences *between* areas and how much to inequality *within* areas?

Atkinson decomposable measure of inequality with  $\epsilon=2$  (more sensitive to changes at the lower end of the income distribution)

# Decomposing Spatial Inequality

Households Below Average Income 1994-2017  
(equivalised household income after housing costs)

Between and Within Inequality



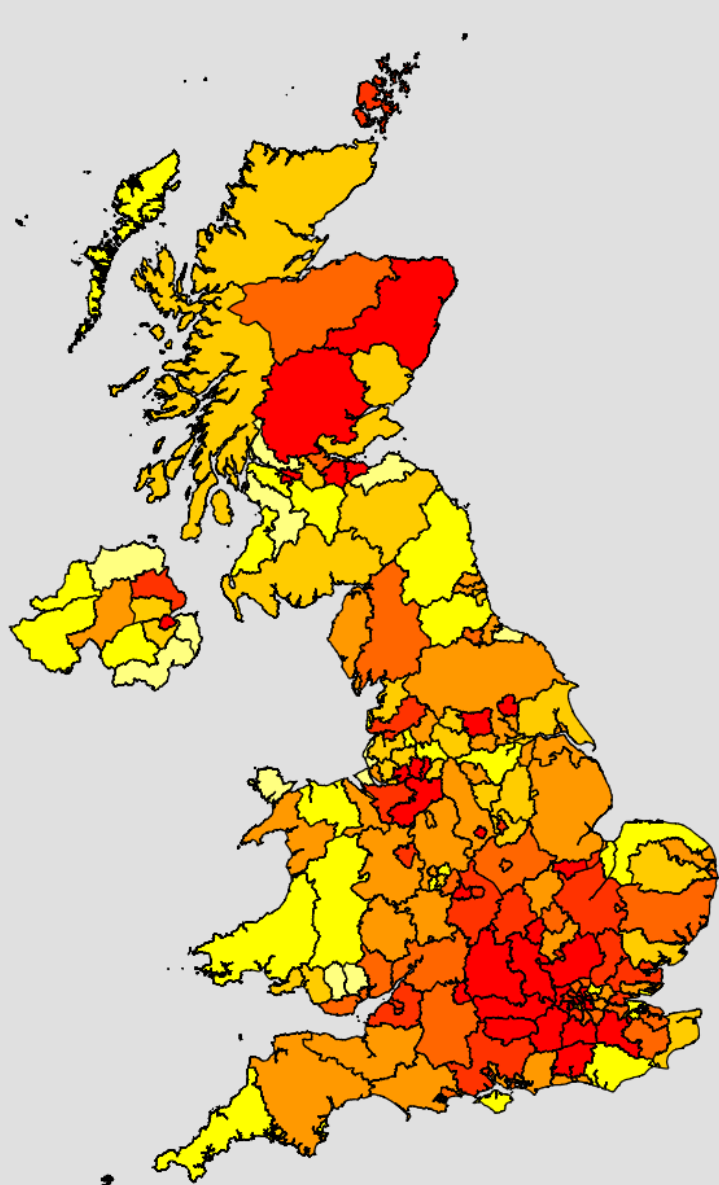
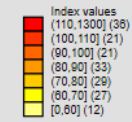
“Within” inequality dominates

No significant trends over time

Index sensitive to trends at the bottom end of the income distribution

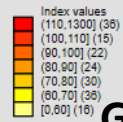
Perhaps the ranking of areas has changed even though inequality between areas has been largely constant?

1998  
Index UK=100

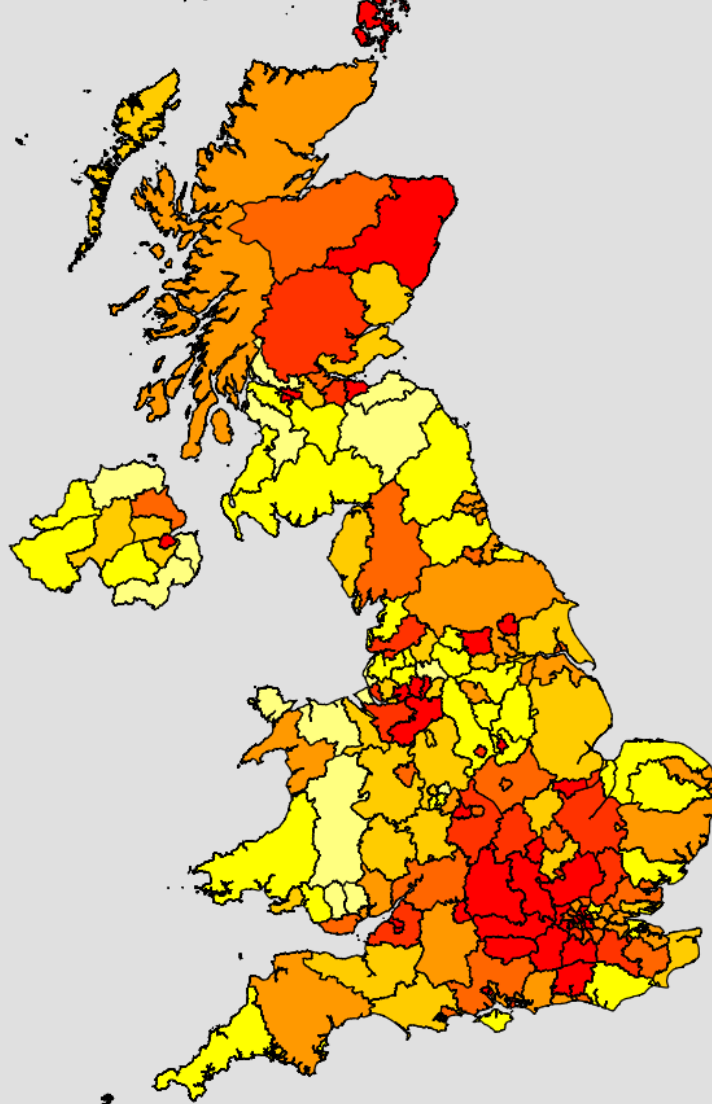


["Source: ONS"]

2008  
Index UK=100

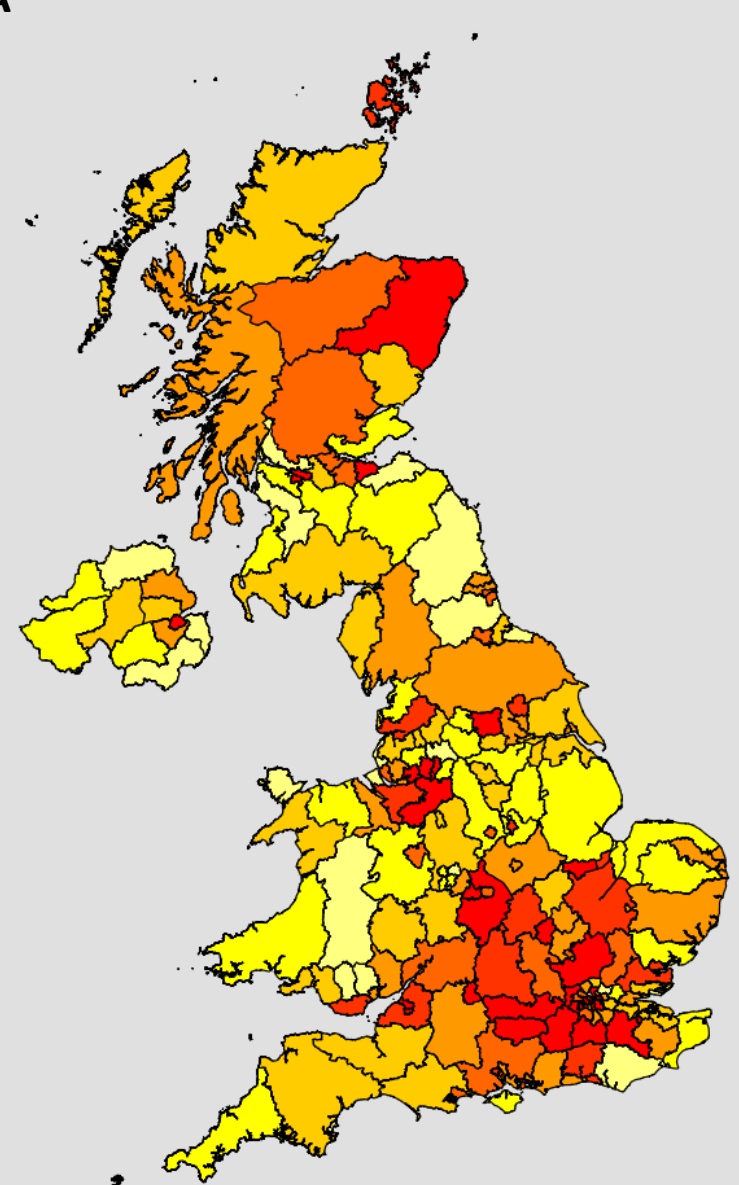
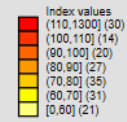


## GROSS VALUE ADDED PER CAPITA INDEX UK=100 NUTS3 Regions



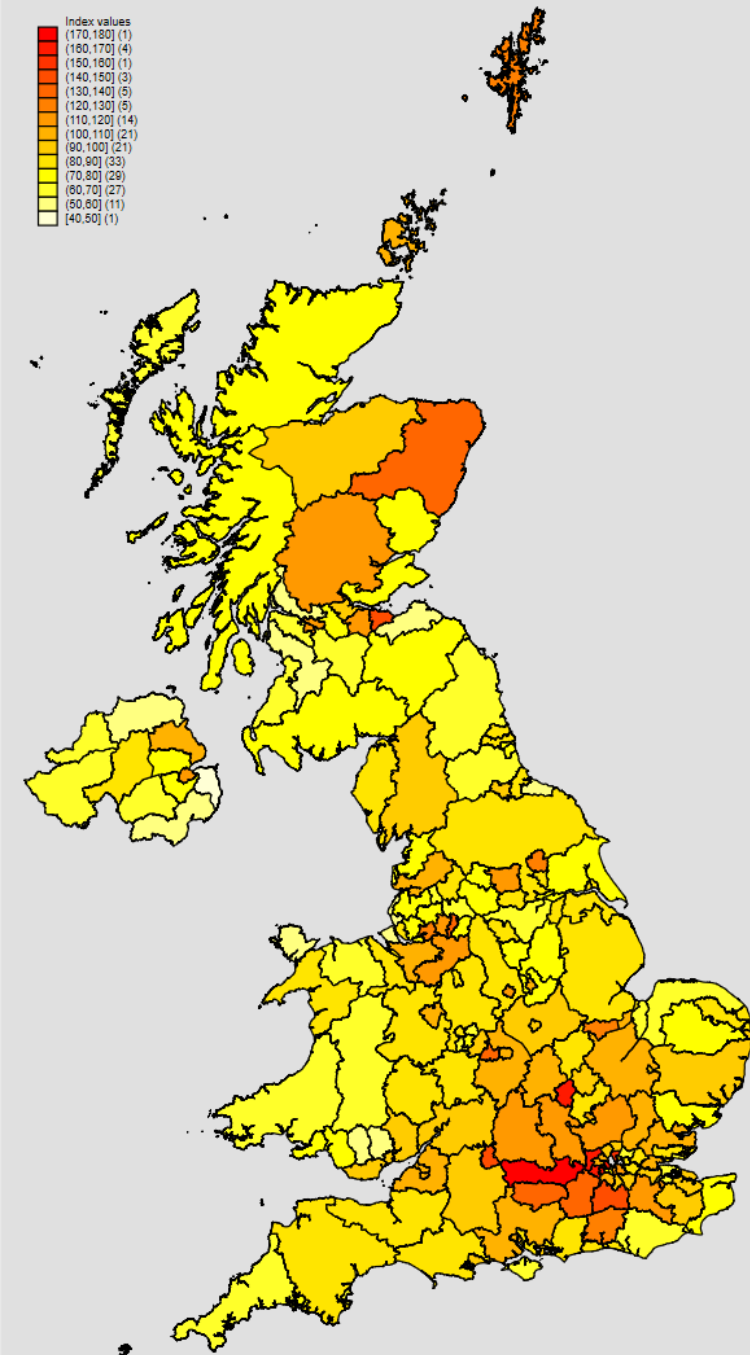
Source: ONS

2018  
Index UK=100

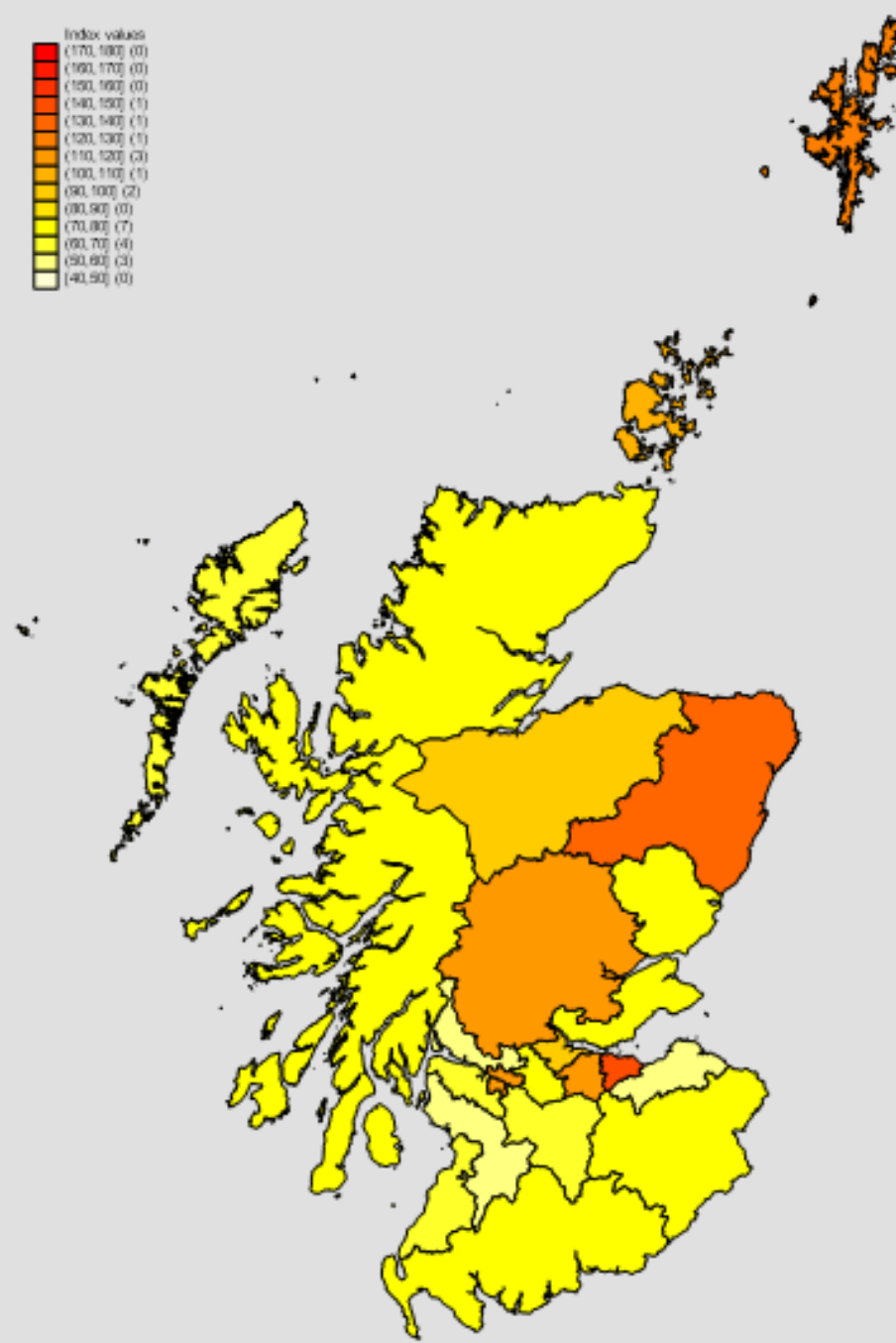


Source: ONS

Growth 1998-2018



Growth 1998-2018



Growth rates in GVA per Head 1998-2018

There are clearly factors other than Structural Funds affecting growth

New focus on “left behind” areas?

# Have the structural funds made a difference?

Becker, Egger and von Erlich (2010) RDD threshold for identification of causal effects of Objective 1 - positive per capita GDP growth effects of Objective 1 transfers, but no employment growth effect

Becker, Egger and von Erlich (2016) Objective 1-type recent effects largely worked through an increase in publicly-funded investments and wages as well as compensation but not through private investment or employment growth.

Cerqua and Pellegrini (2017) argue that greater intensity of Structural Fund provision does not add to economic growth – spreading out might be beneficial

A new regime?



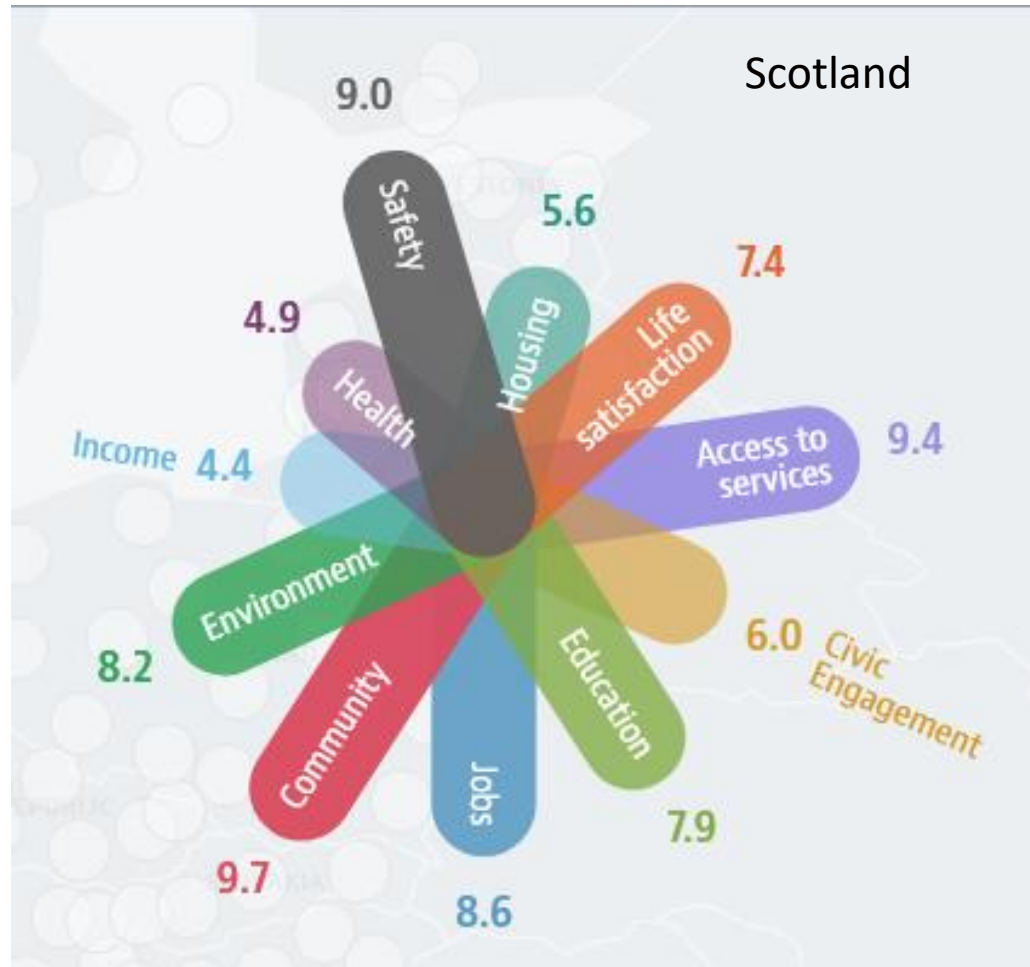
Assume  $UK(y)=100$ , which NUTS 3 regions in Scotland would have qualified for support ( $y < 75$ )?

1998		2007		2017	
North Lanarkshire	57.8	Dumfries and Galloway	55.5	East Ayrshire and North Ayrshire mainland	50.2
Dumfries and Galloway	59	Inverclyde, East Renfrewshire and Renfrewshire	71.6	East Dunbartonshire, West Dunbartonshire and Helensburgh and Lomond	59
East Dunbartonshire, West Dunbartonshire and Helensburgh and Lomond	60.1	North Lanarkshire	66.3	Scottish Borders	61.4
East Ayrshire and North Ayrshire mainland	60.4	Scottish Borders	57.9	South Lanarkshire	64.1
Scottish Borders	61.9	South Ayrshire	65.3	East Lothian and Midlothian	66.2
South Ayrshire	66.2	South Lanarkshire	61.2	Dumfries and Galloway	68.2
East Lothian and Midlothian	67.9			North Lanarkshire	68.9
				Inverclyde, East Renfrewshire and Renfrewshire	69.9
				Na h-Eileanan Siar	72.1
				South Ayrshire	72.5

# GDP/GVA per head too narrow an indicator?

Other possible metrics: employability, physical and mental health, environment, wellbeing, community resilience etc.

# Extending the range of indicators ...



## OECD Regional Well-being ...

*Safety, Housing, Life Satisfaction, Access to Services, Civic Engagement, Education, Jobs, Community, Environment, Income, Health*

Shades of the National Performance Framework?

Regions with similar well-being *in other countries*



Germany  
Bremen



Ireland  
Southern and Eastern

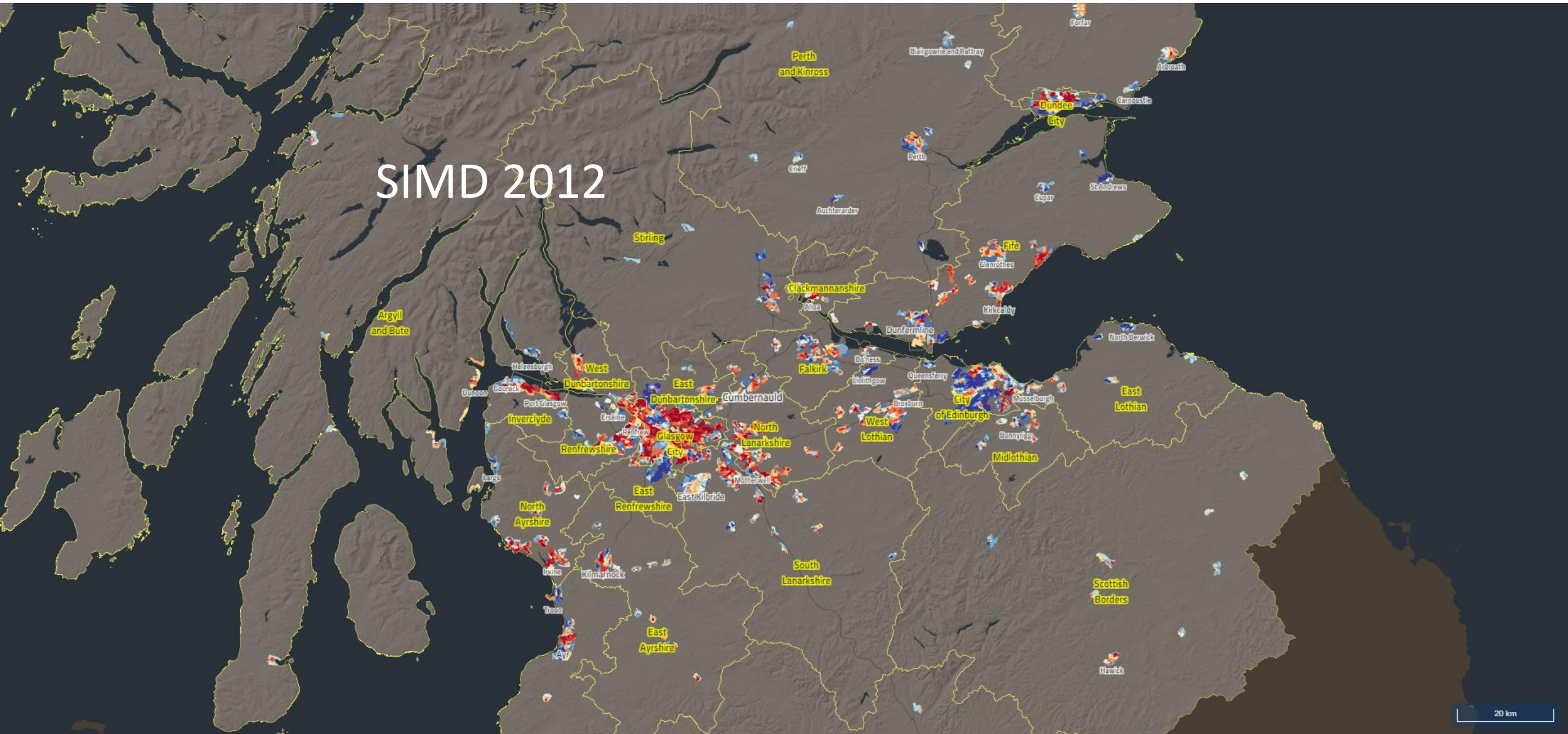


Norway  
Hedmark and  
Oppland

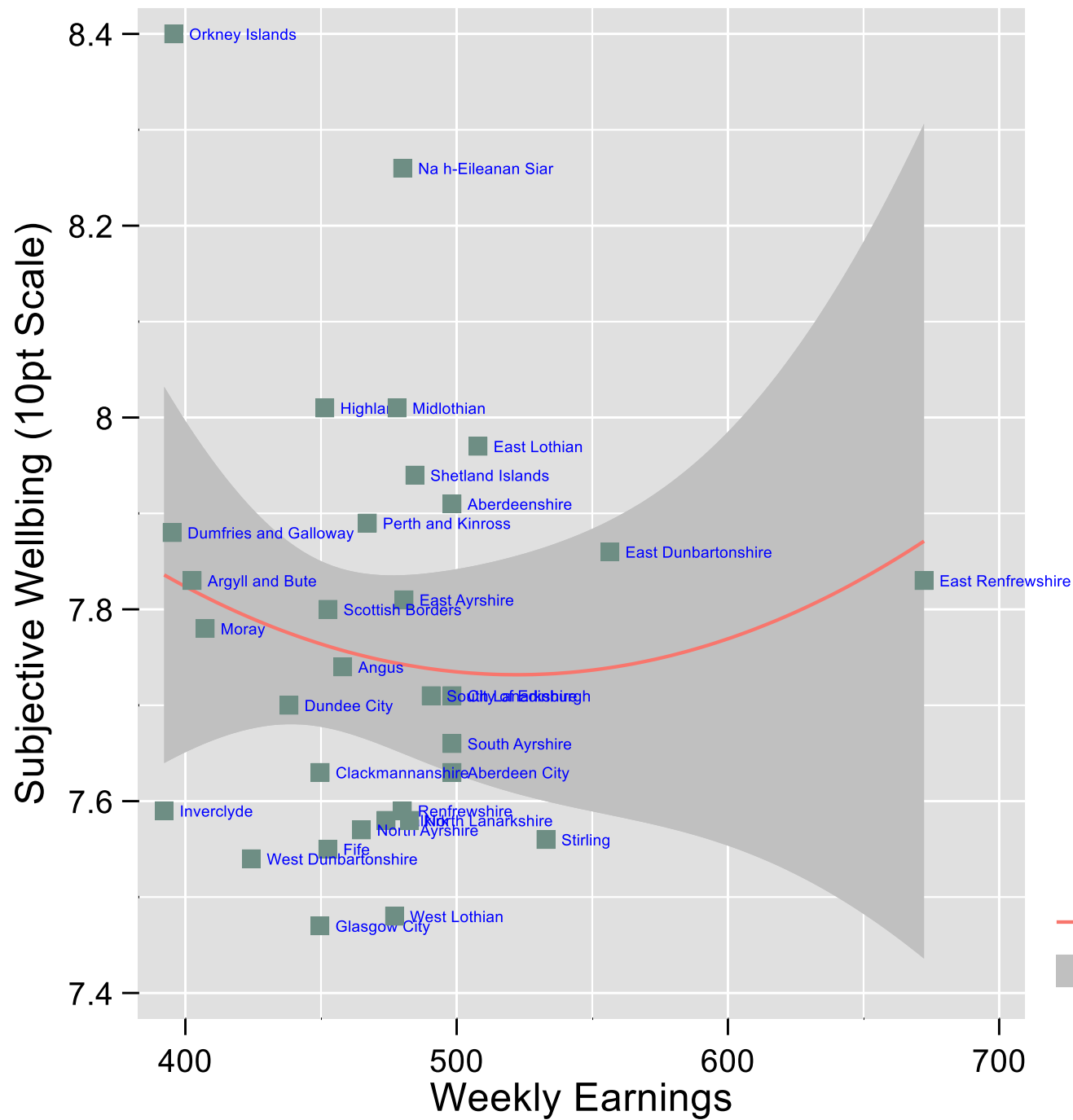


Finland  
Southern Finland

Or SIMD?)



How to choose with a wider  
range of indicators?



How to select/weight indicators?

Earnings and wellbeing unrelated

— Subjective Wellbeing 2018  
■ Fitted Value



How to select/weight indicators?

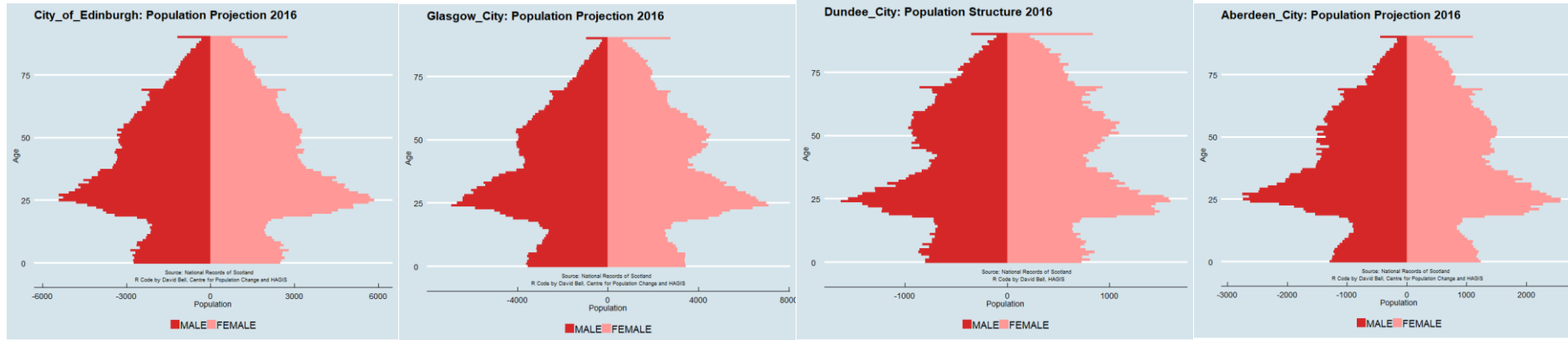
Earnings and anxiety scores unrelated

— Anxiety Level 2018  
■ Fitted Value

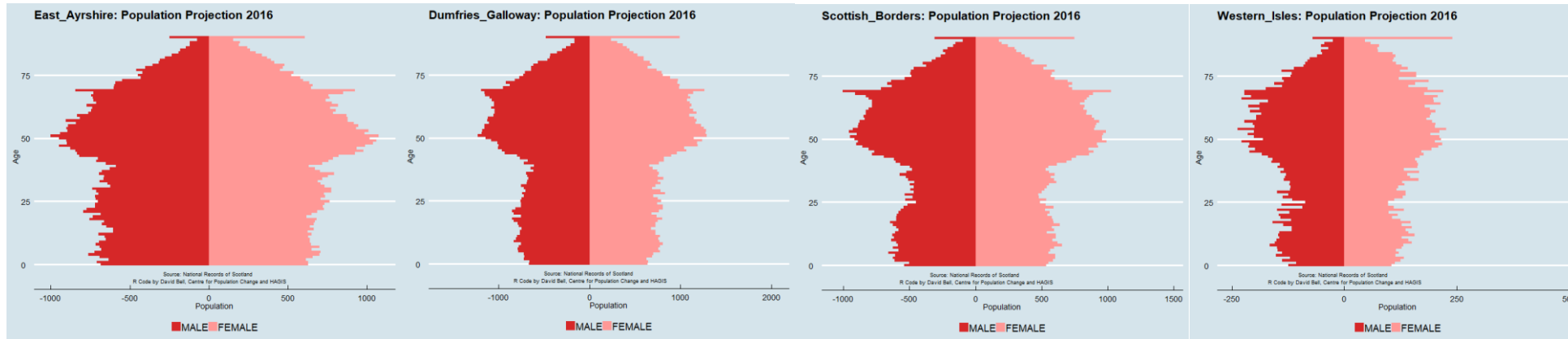
Focus on challenges



# Or perhaps demography?



## The cities' student inflow



## accelerates rural ageing

# Or climate change?



A small fund cannot do everything

Don't focus on need. Tap into  
community resources.

# Allocate funding competitively?



## Big Lottery Fund Living Landmarks

- By Beninjam200 - Own work, CC BY-SA 4.0, <https://commons.wikimedia.org/w/index.php?curid=34764174>

# Designing the Shared Prosperity Fund

- Small amount of funding
- How does it integrate into confusing landscape of regional initiatives?
  - e.g. City Deals, Town Deals
- What are the strategic objectives?
- How can it be a catalyst for regional/local action?
- Agglomeration was an objective of government policy: no longer so?
- Needs-based approach needs clear decision on how country to be subdivided - otherwise have the Modifiable Areal Unit Problem (MAUP). Redraw the map to get the “desired” outcome
- Tradeoff between smaller/larger areal units – focus v capacity
- Who is going to call shots?

Thanks!