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England's Regions 2030

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Purpose

In spite of the fact that regions and regional disparities have become important political issues inter-regional aspects are rarely addressed neither scientifically nor politically. The report provides an attempt to forecast economic and demographic changes within regions in England and how these changes will affect inter-regional relations. Thus, the report can also be regarded as a basis for regional planning over the next 25 years. The main goals of the report are, hence, to identify underlying forces in regional economies, describe how the relationships between regions have been changing and will change in the future, and develop a "national perspective" on England's regions. It also explores the opportunities for policy intervention.

England's Regional Policy: In Need of Inter-Regional Strategies

Since the early nineties England's regions - i.e. London, the South, the Midlands and the North - have changed economically, institutionally, politically, and in a European perspective:

- Economically: England has seen continuous growth rates for more than a decade as well as declining unemployment. However, these changes affected the various regions in England unequally.
- Institutionally: since the early nineties systems of regional governance have been established and a number of institutions have been set up in the regions - e.g. Government

Offices for the Regions, Regional Development Agencies, Regional Chambers.

- Politically: policy instruments have been developed and put in place. Most important were Public Service Agreements (PSA2) and the Sustained Communities Plan. With the PSA2 the government attempted to raise the rate of growth and narrow the differences between the regions as far as productivity and value added are concerned. The Sustained Communities Plan is a long-term programme of action for delivering sustainable communities both in urban and rural areas.
- Finally, in 1999 the European Union set up a European Spatial Development Perspective (ESDP). The ESDP is a policy framework in order to improve the cooperation between regions. The ESDP seeks cohesion, competitiveness, and sustainable development.



These changes made the British government develop a more pronounced regional policy. There remains a lack on inter-regional strategic thinking even though intra-regional policies are being applied for some time. How regions interact with each other is however a crucial aspect in order to reach the goals laid out in the Sustained Communities Plan and PSA2.

The report "England's Regions in 2030" not only provides background information on England's regions but it also presents projections on regional developments until 2030. Based on the forecasts the report identifies political issues and possible interventions by the government. Finally it lays out different scenarios.

Sound Analysis of Past Developments and Guidelines for Policy Interventions

As far as the projections are concerned the report shows a classical approach: The report first identifies economic and demographic trends that have been proven as robust and shaped past developments in the different regions. The report makes forecasts based on these findings and including national and international changes, which in turn are the point of reference for highlighting political issues that might positively or negatively affect the regions' capacities to reach the goals laid out in the PSA2 and the Sustained Community Plan. Finally,

three scenarios describe possible futures of the regions in England.

A project steering group comprising representatives from local, regional and national branches of executives as well as members of Regional Assemblies oversaw the study. The steering group commented on various drafts of the report and its members participated in a brainstorming workshop to discuss the findings and notably policy issues and scenarios that are based on long-term trends and possible policy interventions.

For the forecast a Multi-Regional Model (MRM) was applied. The MRM is a complex model with well-articulated feedback links between labour supply, population growth, employment demands, and personal incomes. At the same time MRM takes the results of macro-economic and industry models (OEF) into account in order to have its regional projections made fully consistent with the macro-economic parameters. MRM has first been applied in 1985; and Regional Forecasts Ltd. publishes reports based on this model on a biannual basis.

Figure 1 shows the stages of the study approach. Overall this is a highly sophisticated and well-developed approach that not only provides a sound analysis of past developments but also clear projections and guidelines for policy intervention.

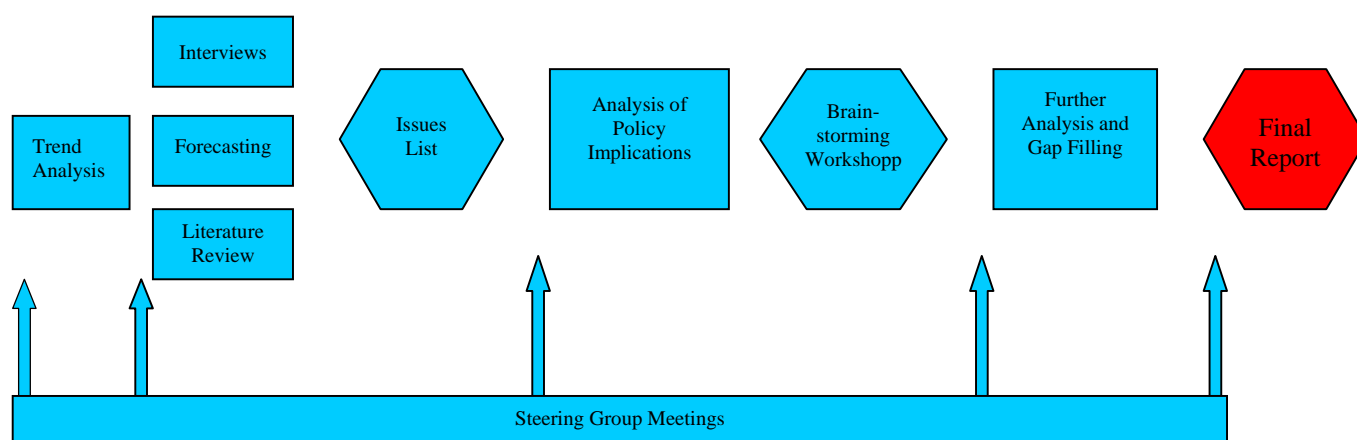


Figure 1: Study Approach: Stages

The Post-Industrial World and Regional Developments in England

In the last thirty years England's economy has changed fundamentally. It had to adjust to a postindustrial world and it will continue on this path. Overall this meant a decline of employment in manufacturing and an increase of employment in the service industries.

Public Sector to Ease Uneven Economy

It goes without saying that the regions profited differently from these changes. Measured by productivity (Gross Value Added (GVA)/employed person), London and the South did far better than the Midlands and the North. This is mainly due to the higher proportion of private sector services in the South and London; and as a rule private services are higher paid and generally employ higher skilled workforce while the public service is still more important in the North and the Midlands and has generally a lower productivity.

Nonetheless, there are some significant exceptions within regions. Notably big cities and hotspots experienced faster economic growth than their respective rural surroundings. This is especially true for London in the South and to a lower degree for West Yorkshire and Manchester. The government has reacted to these uneven developments and has invested in the public service in the Midlands and the North.

Disparities Continue to Grow

Similar regional patterns have emerged as far as high technology companies, research and innovation are concerned. Once again, there is a gap between the North and the South and between rural and urban areas. This goes together with the fact that vibrant cities offer better job opportunities for graduates.

In the future the past economic trends will very likely continue throughout the period to 2030. Two developments are especially noteworthy:

- First and maybe most importantly, overall England will have high growth rates. In other words, in 25 years time a citizen will be twice as rich as now. Furthermore, the existing disparities between and within regions will very likely widen rather than narrow. Hence, London and the South will further enjoy their already existing advantages, while – relatively speaking – the North and the Midlands will fall back, but they will still see economic growth.
- Second, England's economy is on a clear path toward a service industry. Employment in manufacturing industry will continue to decline, while the number of jobs in the service industry will increase. Also in this respect the differences between regions and within regions – i.e. be-

tween prospering cities and laggard rural areas – will persist.

Demography: London Shows Highest Growth Rate

In 1996 the Office for National Statistics (ONS) predicted an overall population increase of 6.9 percent until 2021. In its 2003-based populations projections the ONS predicted an increase of 11.1 percent until the year 2028. According to the latter forecast the North East will be the only region with a declining population, in all other regions the population will increase. Other demographic changes concern international and national migration flows and a raising share of people older than fifty.

Again, London shows the highest growth rate in population due to a continuous influx of young immigrants, while older people will probably out-flow of the city. Apart from London, the natural increase in population is highest in the South East and East of England.

These changes in population will foster the long-term trend of household growth. Respective forecasts predict nearly 189.000 additional households until the year 2021. Some three quarters of this growth will take place in the Southern regions and East Midland. Other regions can expect some growth in households too, but to a lower degree.

The demographic changes will have important ramifications on housing as well. Nonetheless, a rapid increase in housing supply is highly unlikely. This will worsen the already inflationary pressure on the housing market in London and the South East area.

Can Policies Mitigate Inter-regional Disparities?

Needless to say that these changes will raise a number of issues that policy makers and planners will have to address and deal with. The report mentions:

- Spatial development issues - e.g. location of growth industries, the role of London and other city regions, environmental issues,
- Off-shoring,
- Economic development issues - new clusters, regional industrial policy, consumption factors,
- Working practices and transport.

Government policy as stated in the PSA2 target is to raise economic growth in all regions and reduce the gaps between regions. These are challenging objectives because the past trends are structural and have proven highly resilient to change which, of course, limits the chances and effectiveness of public interventions. In addition, one has to keep in mind that even though certain policy interventions may have positive

effects on the national, sub-regional, or local level, inter-regional dimensions may require different policies.

The report lists a number of possible policy interventions - spatial planning, economic development, transport, public spending, and public sector location and activity. Lumped together four areas seem of special relevance:

First, policy-makers have to tackle the question as to how far the government should support growth particularly in London and the South East. Current policies restrict the growth potential to the South of England. Yet, the potential for spatial planning to limit the gap between the South and London on the one side and the North and the Midlands on the other is restricted. Furthermore, the resources are limited and will hardly be sufficient to make a significant contribution in order to overcome or mitigate regional disparities. Overall this means that public intervention will have only limited effects on inter-regional developments.

Second, structural change will continue to produce unemployment and job losses. In addition, there are areas of depri-

vation in the South, in inner London and coastal towns. Government has to deal with this kind of problems.

Third, a higher mobility will lead to an increasing travel demand. Good transport networks will be essential for national and regional competitiveness. Hence, it will be crucial that cities and regions are well connected in order to avoid delays and congestion. The state will have to address capacity constraints by managing travel demand and by providing new investments. At the same time climate change, flooding and

water supply require political action. In consequence, environmental policy will become far more important.

Fourth, the potential to decentralise functions to the regions will continue to grow. This sort of devolution would strictly concern administrative tasks. Currently, it does not look as if England's regions want to have parliaments of their own - like in Scotland and Wales. Nonetheless, decentralising administrative functions would reduce costs and provide employment opportunities in those regions with comparatively weak economies.

Three Scenarios

Based on the trend-based prognosis and possible policy interventions the report identifies three scenarios for regional development and change.

Scenario 1 – Constraining growth in the South: This scenario assumes to further restrict housing supply, transport capacity and employment in the South in order to achieve two goals: to relieve the pressure on London and the South on the one hand and to help push economic development to the North and the Midlands on the other. However, the report finds this strategy as extremely risky. It is unlikely that such a strategy would improve the situation in the North and the Midlands while it could easily jeopardize the overall growth target.

Scenario 2 – Planning for growth in the South: The government could expand transport capacity in the South and provide means in order to ease the pressure on the housing market. According to the report such a scenario is quite promising because it could raise the level of national economic performance, which heavily relies on London and the South. However, it could only work if sufficient public investment is made. In addition, it would neither stimulate the competitiveness nor initiate structural change in the North.

Scenario 3 – City-region renaissance in the North, Midland and peripheral parts of the South. The approach currently under consideration in the Office of Deputy Minister focuses on city-regions. According to the report this approach is the least vulnerable to oil price fluctuations and the best for climate change. In addition, Scenario 3 is not in conflict with Scenario 2.

The Downside of Policy Intervention

Overall, this report does not only meet the highest methodological standards but it also provides ample information on past trends and gives a clear picture on future developments. In addition, it highlights consequences of possible public interventions. Even though the report does not recommend specific policies it describes the context within which decisions will be made. According to the report the government has two options: In order to reduce disparities between regions the government can intervene into the national and regional economies and redistribute wealth from the prosperous south to weaker regions in the North and Midlands. However, based

on the report such a policy would have rather negative long-term effects because it would lead to higher costs, increase inflations, hamper competitiveness etc. In sum it could restrain national growth rates. Nonetheless, national government and regional bodies will have to strike a balance between economic necessities, environmental problems, regional disparities and those in needs. In spite of the solid and seasoned approach and the sophisticated method the report acknowledges that it can “just” present a trend-based prognosis. In essence the forecast is a prolongation of past structures into the future. The report does not claim to predict the unpredictable: the “next big thing” that might alter economic and social structures.

Sources and References

http://www.emra.gov.uk/news/documents/REGIONAL_FUTURES_Final_Report.pdf

About the EFMN: Policy Professionals dealing with RTD, Innovation and Economic Development increasingly recognize a need to base decisions on broadly based participative processes of deliberation and consultation with stakeholders. One of the most important tools they apply is FORESIGHT. The EFMN or European Foresight Monitoring Network supports policy professionals by monitoring and analyzing Foresight activities in the European Union, its neighbours and the world. The EFMN helps those involved in policy development to stay up to date on current practice in Foresight. It helps them to tap into a network of know-how and experience on issues related to the day to day design, management and execution of Foresight and Foresight related processes.