Tackling regional inequality in the UK

SUERF – DNB Conference

Forging a new future between the UK and the EU

8 January, 2020

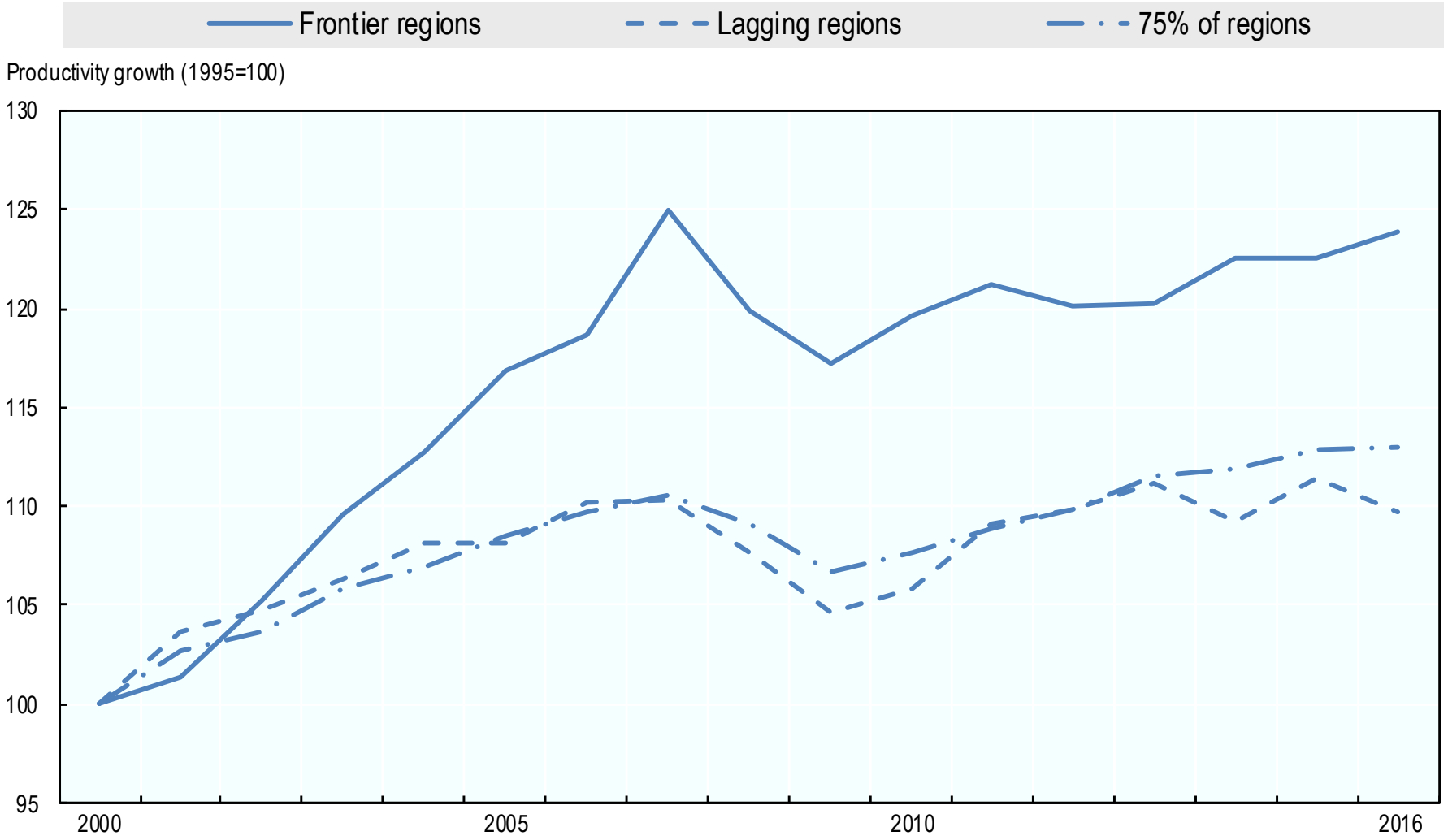
Joaquim Oliveira Martins

OECD Centre for Entrepreneurship, SMEs, Regions and Cities

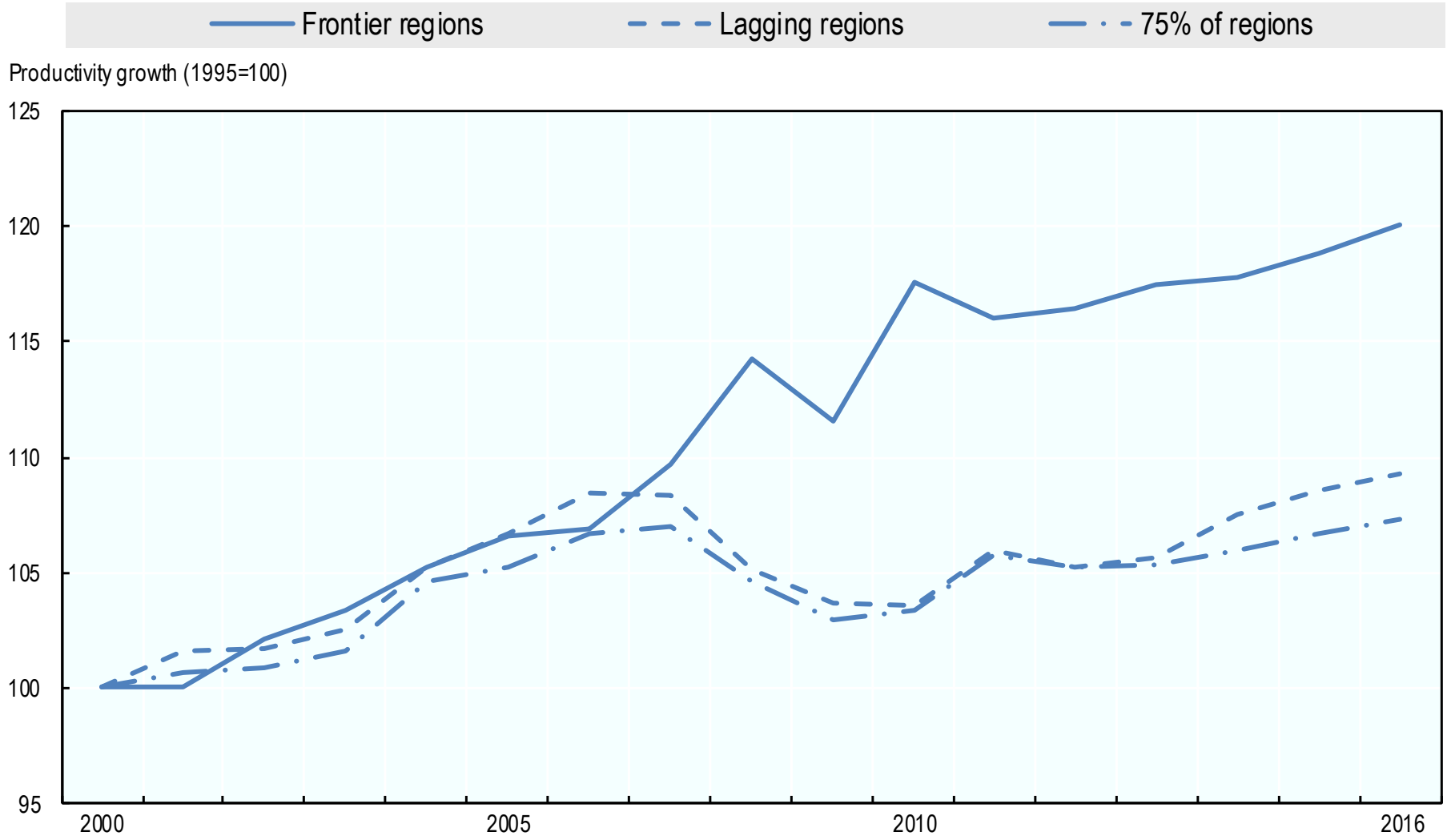
OECD

BETTER POLICIES FOR BETTER LIVES

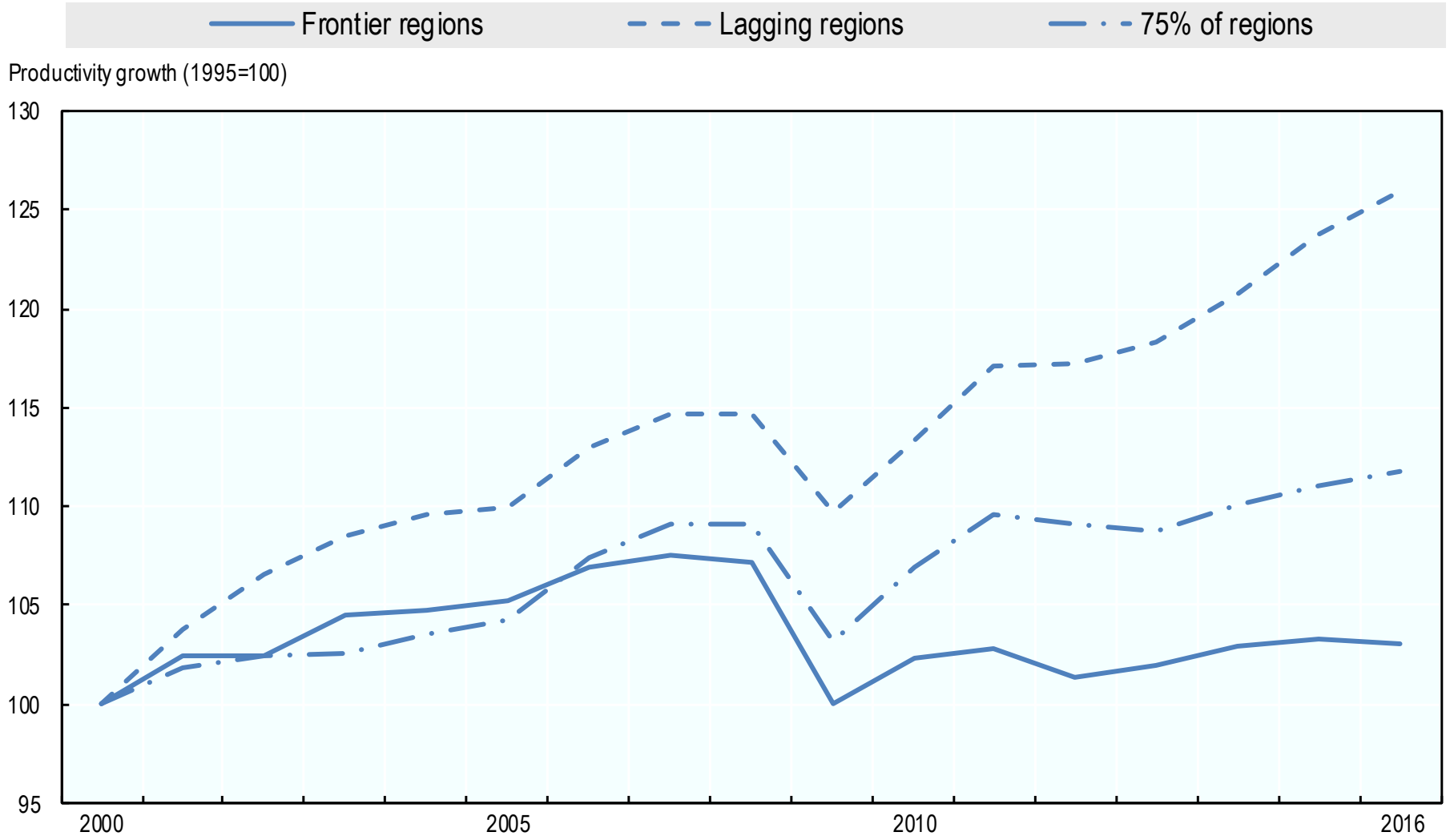
Regional Productivity divergence
UK, TL2 regions, 2000=100



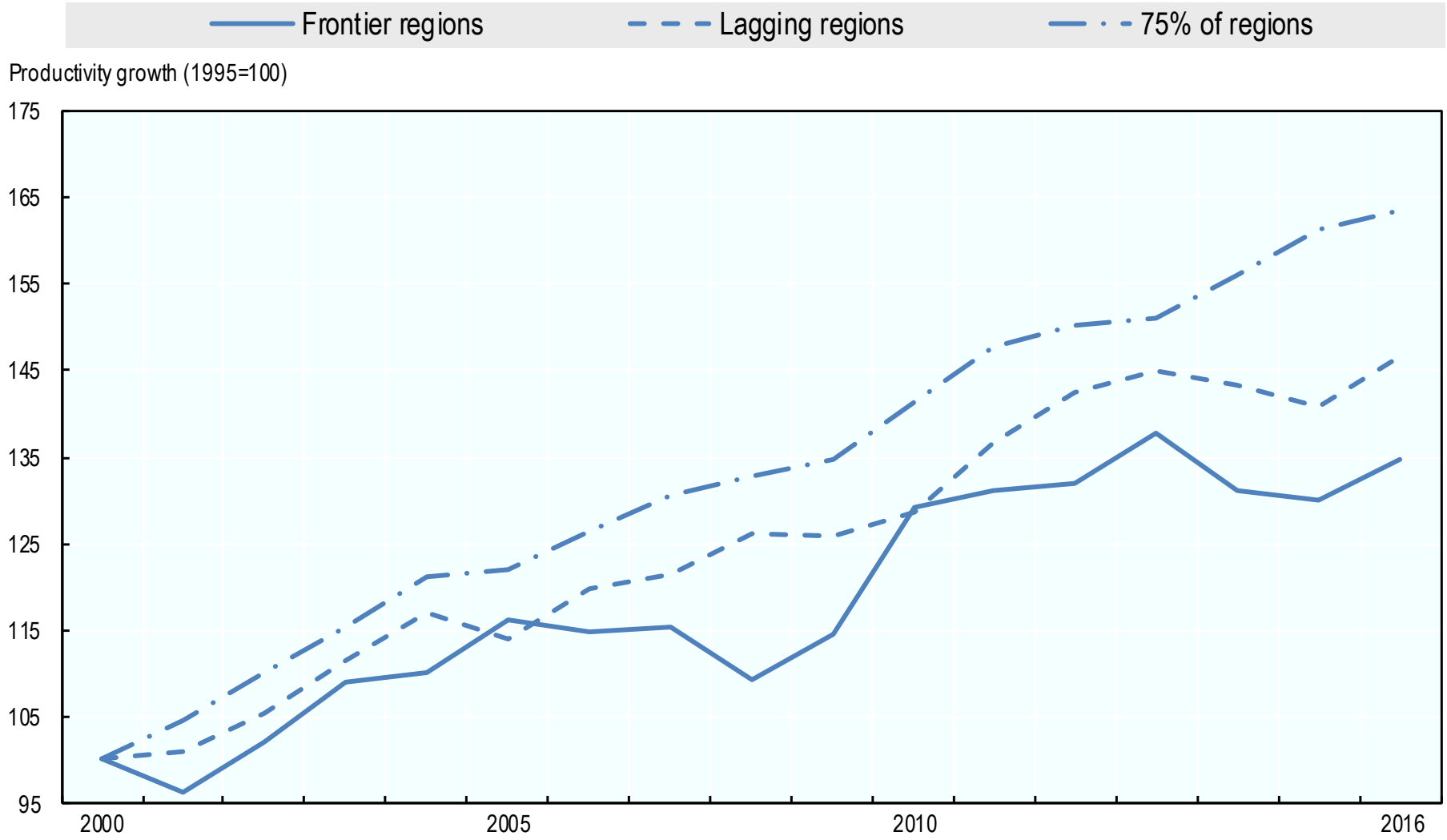
Regional Productivity divergence
France, TL2 regions, 2000=100



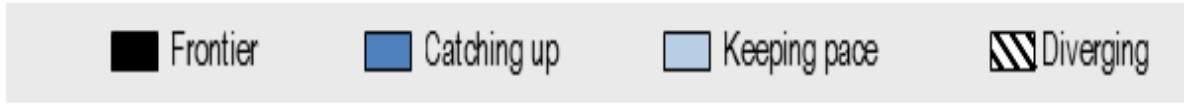
Regional Productivity convergence
Germany, TL2 regions, 2000=100



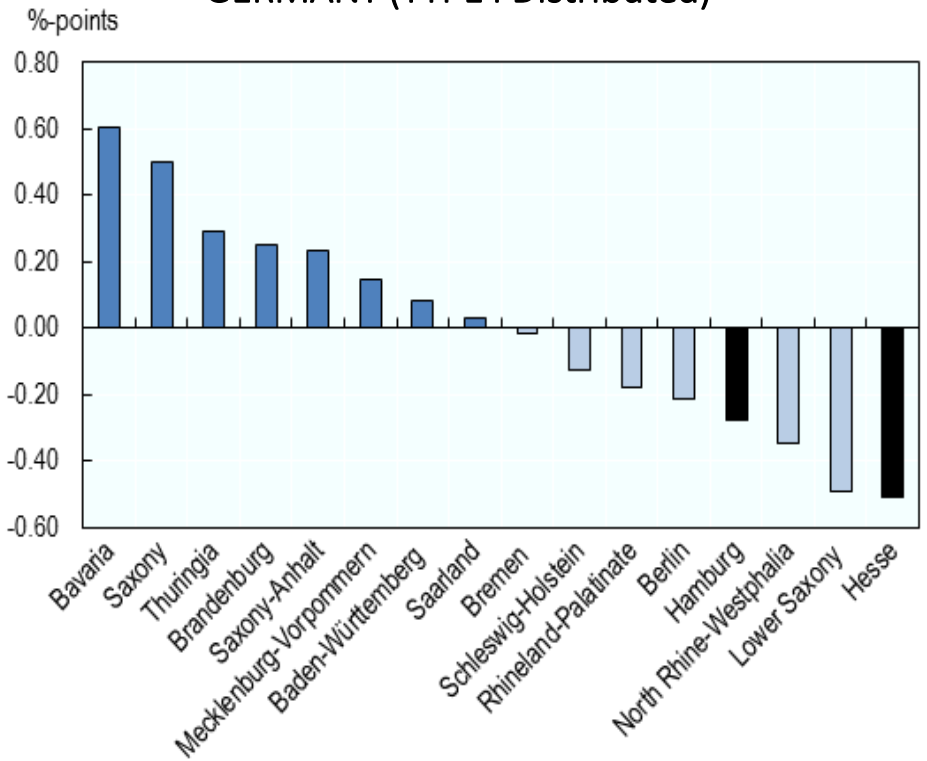
Regional Productivity convergence
Poland, TL2 regions, 2000=100



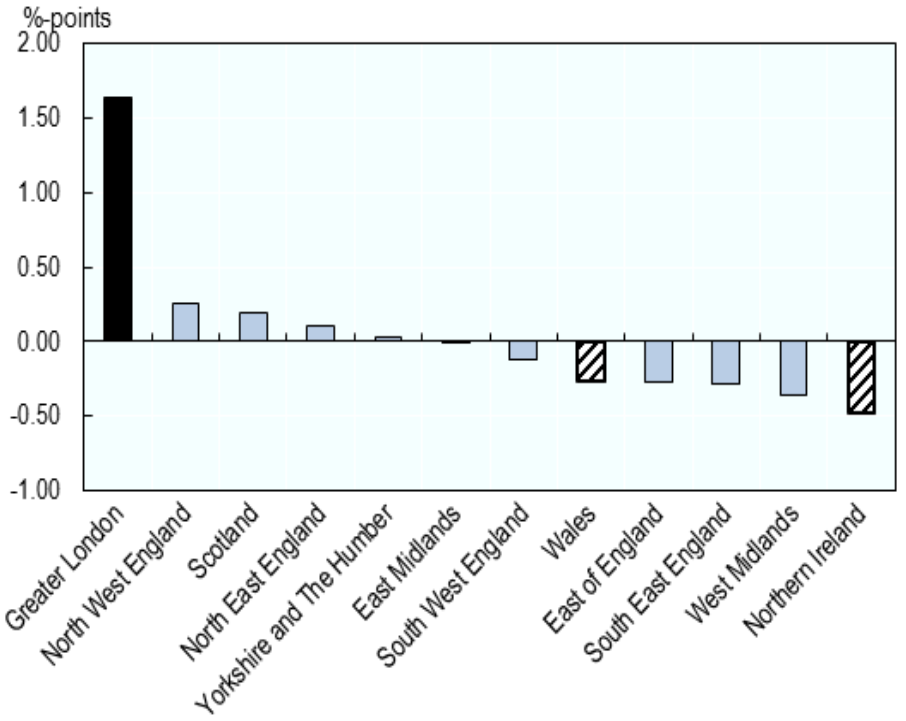
(Pseudo) contributions of regions to national productivity growth, 2000-2014



GERMANY (TYPE I Distributed)



UK (TYPE II **Concentrated**)



The contribution of a region is defined as the difference between the national annual average labour productivity growth rate and the same rate excluding the indicated region, cf. OECD Regional Outlook (2016).

How to address regional development trade-offs within countries?

There are two polar policy approaches:

I. ***Compensating*** the lagging regions and promote labour mobility

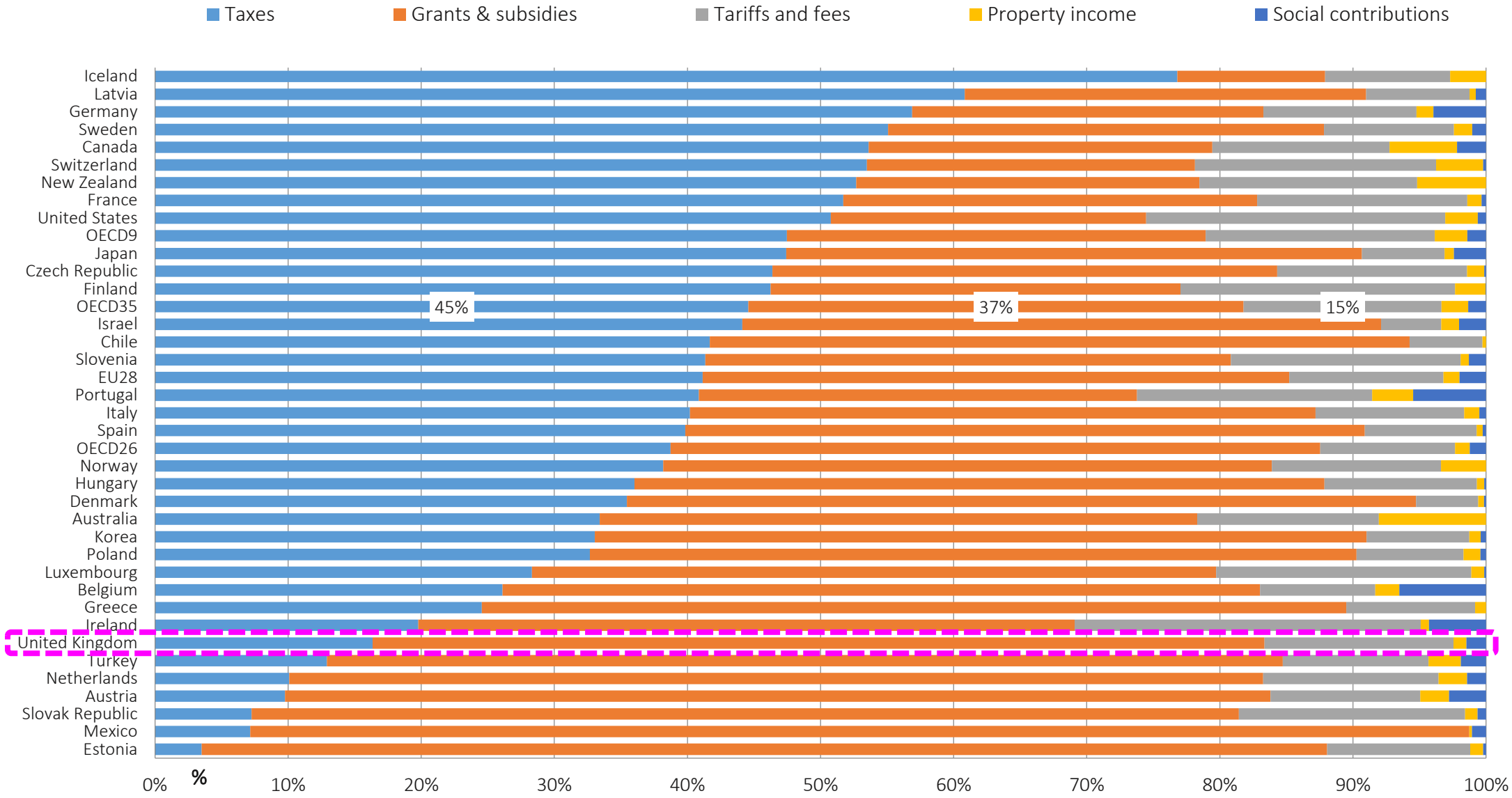
➔ *This do not seem to work over the long-run and may trigger the "geography of discontent" (McCann) or the "revenge of places that don't matter" (Rodrigues-Pose)*

II. Adopt a ***place-based*** (or territorial) approach for regional productivity and development

➔ *Quite demanding to adopt tailored development strategies, in particular a strong investment in multi-level governance*

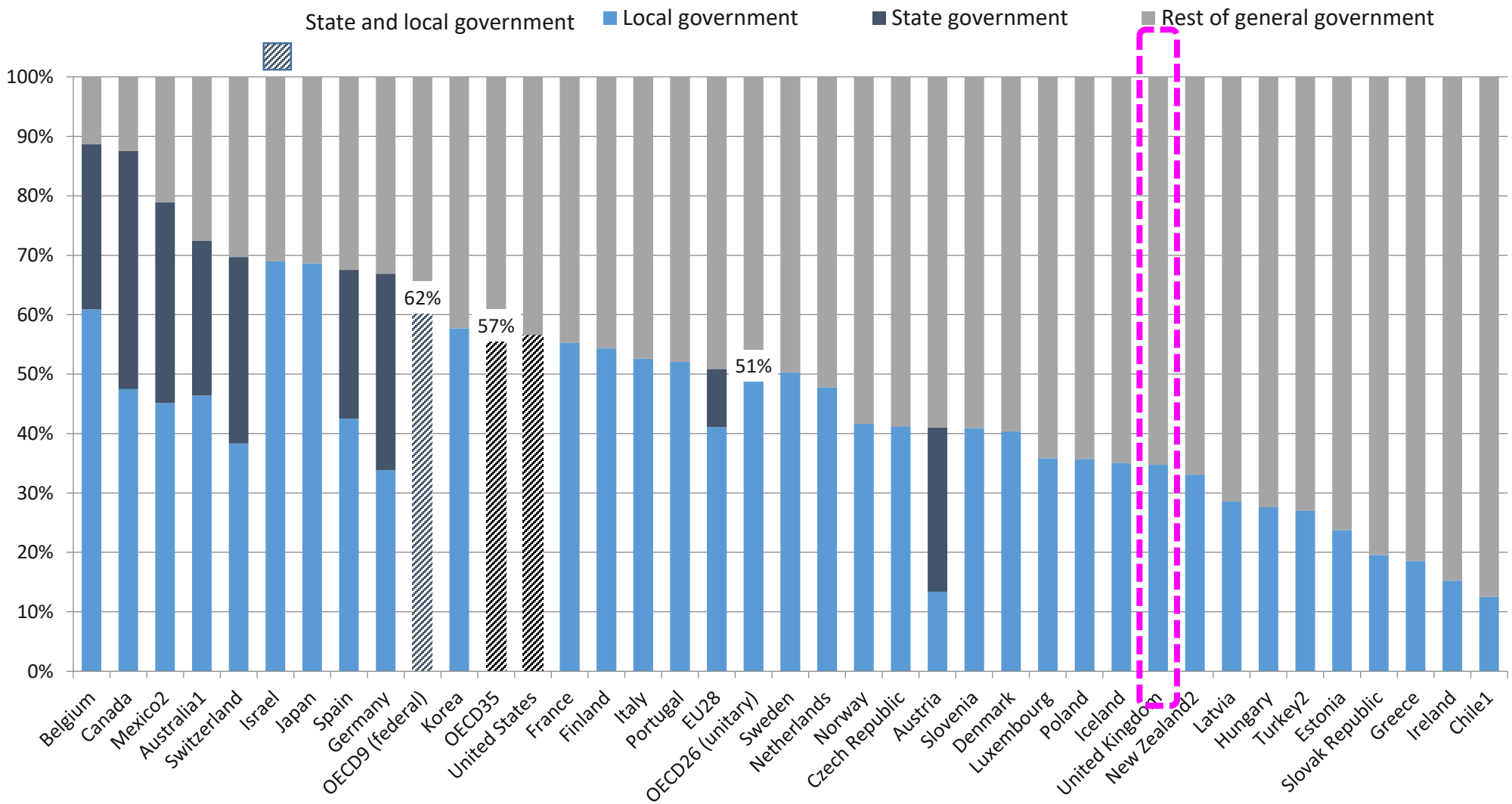
The UK has a compensatory model

Sources of subnational governments' revenues



Share of Subnational Governments in Public investment

SNG investment as a % public investment (2016)



1. Source: IMF 2. 2015 data

A National spatial productivity strategy

1. Benefit from **agglomeration economies** in large and dense urban areas, notably in service sectors

2. Promote **regional productivity catching-up** in regions intermediate/rural close to cities. Proximity and tradable sectors play a key role

3. Address the specific problems of **remote rural areas**, through place-based approaches (e.g. smart specialisation)

The strategic role of Multi-level Governance

- A central government cannot have as many policies as different types of cities and regions. Designing place-based policies is a **too complex task to be centralised**.

- But decentralisation needs to be organised as a **partnership** and not only as a process of autonomy and devolution of competencies. By delegating certain tasks central governments can be more strategic

- Decentralisation works better when it is done in a **process allowing for the asymmetry of capacities at the local level** and experimentation (learning-by-doing) – NB: the UK has interesting experiences in this respect

- To find the right scale: address governance fragmentation of **metropolitan area**s, promote **supra-municipal cooperation** and use of a **regional level**

Thank you

Joaquim Oliveira Martins: joaquim.oliveira@oecd.org

OECD
BETTER POLICIES FOR BETTER LIVES