Foreword:
Delivering for our ambitious towns and cities

It was in 2003 that the eight major Core Cities outside London were invited to submit prospectuses setting out their visions for the future development of their cities. The debate has widened out since then, with a new focus on the potential of all our towns and cities to be engines of regional growth at the round of city summits last year. And the recently-published sub-national review of economic development and regeneration can be seen as a further development of this new thinking, with its recognition that city-regions and sub-regions are the key to driving sustainable long-term economic growth in the UK.

But what difference has this debate and these policy initiatives made to everyday life in our towns and cities? I think many of the councils involved in discussions about the devolution of power and funding would admit to being disappointed by the speed of progress so far. Councils still lack the power and influence over transport, housing and planning and skills and worklessness that they need to fulfil the economic potential of their areas and to compete with the best of their EU and US counterparts.

However, I think that the real change over this period has been in the confidence of local government to develop its own vision for the future development of our urban areas. Councils have not waited on the government, but have got on with the job of renewing our towns and cities by building alliances with neighbouring councils, local businesses and other partners. The LGA’s recent contribution to the debate about sub-regional working, ‘Pushing back the frontiers: the multi-area agreement pioneers’ shows how far councils have come and how ambitious they are with regard to economic policy-making at a level that matches local economic geography.

The government must now do its part in delivering on these ambitions. We need departments and national and regional agencies to be more joined up and strategic in their approach to economic development and regeneration. We need a genuine devolution of powers and funding to a sub-regional and local level. And we need positive financial incentives for councils to promote the prosperity of their areas.

The LGA has welcomed the contribution that the Centre for Cities has made to these debates in recent years. Its recognition that improving economic performance relies on the devolution of powers and funding and on ‘bottom up’ solutions from town and city leaders has chimed with many of the themes of our lobbying. We look forward to continuing to work with them to deliver on our shared agenda.

Cllr Sir Simon Milton
Chair, Local Government Association
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### Acknowledgements:
The Centre for Cities would like to thank the Local Government Association for its support of Cities Outlook 2008.
Towards a new era for UK cities

With UK cities and city-regions now recognised as the drivers of regional and national economic performance, the two challenges ahead are: (1) addressing the disparities between and within cities, and (2) delivering further devolution to help improve our cities’ economic performance and reduce these disparities.

This report

This report, which will be repeated annually, looks back at the recent economic performance of UK cities as well as the main policy milestones of 2007. It also looks ahead to the prospects for UK cities in 2008 and beyond.

UK cities have benefited from a decade of strong growth and high public spending. But they are now facing a number of headwinds - slower growth, tighter public spending, weaker consumer demand, and an uncertain housing market. Meanwhile, they are under ever-increasing pressure to provide more jobs, more homes and better transport.

2007 saw housing rise to the top of the domestic agenda - and supercasinos fall off it. More reviews emerged from Whitehall, culminating in the Sub-National Review and Comprehensive Spending Review. We now need to move on from these reviews, to delivery and action on the central government’s focus on city-regions has finally started to take shape, with the prospect of new strategic transport investment in the Leeds city-region. We also highlighted the impact of London’s trade links with other regions, and the role of innovation in cities like Dundee and Coventry. We also played a big part in putting city-regions on the map, and played a lead role in devising new investment tools such as Business Rate Supplements.

This report shows that the urban renaissance is already under way in many of our cities - and there is much more to come. We also highlighted the impact of London’s trade links with other regions, and the role of innovation in cities like Dundee and Coventry. We also played a big part in putting city-regions on the map, and played a lead role in devising new investment tools such as Business Rate Supplements.

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Many cities have seen impressive annual employment growth over the last decade, and this includes those that have undergone significant industrial restructuring in the past such as Sunderland and Doncaster.

But tight public spending over the next few years will test cities to the limit, as will those other potential downside risks to the economy.

The Centre for Cities aims to help UK cities improve their economic performance, with practical research and clear policy recommendations. During 2007, we helped Newcastle to develop a better understanding of how to meet its future economic challenges and opportunities, and assessed the benefits of transport investment in the Leeds city-region. We also highlighted the impact of London’s trade links with other regions, and the role of innovation in cities like Dundee and Coventry. We also played a big part in putting city-regions on the map, and played a lead role in devising new investment tools such as Business Rate Supplements.

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Some parts of the capital have the lowest employment rates in the country: while 78% of working-age residents in Sutton are in employment, only 53% are in Tower Hamlets.

This pattern of internal disparities is replicated in other major urban areas. Solihull residents take home £610 a week on average, and 79% are in employment – compared to £480 per week and 63% in neighbouring Birmingham.

Inequalities tend to be most pronounced in our biggest cities. This report identifies Manchester as the most unequal city in England. The 10 most unequal cities include London, plus 7 of the 8 Core Cities. By contrast, smaller- and medium-sized cities like Cambridge and Swindon tend to display a lesser degree of inequality.

Regional economic growth across the country remains very uneven. The output gap between the Greater South East and the Northern regions continues to be massive. Recent small gains up North are welcome, but they will need to be sustained over many years if that gap is going to be narrowed. It’s not simply a North-South divide, because cities like Warrington and York are doing well on some key indicators. But we still face a worrying pattern of uneven performance, which we examine later in this report.

Cities Outlook 2008

Call to action
These sharp differences in performance between and within our cities are deeply entrenched, but not inevitable. Further action is needed to narrow the output gap between the Greater South East and other regions, and the performance gap within UK cities. But we need to be realistic. London’s continued success is vital to the whole UK economy. The lagging performance of the three Northern regions will not be transformed overnight. Strategies alone will not be enough. And tighter public spending means that transport and housing investment will need to be prioritised more than ever before.

Our research aims to identify practical steps that cities themselves could take to improve their performance. For example, our “London’s Links” report found that Northern regions could do more to benefit from London’s success, by building up stronger trade links with the capital. That would help to generate jobs and increase investment in cities like Liverpool and Hull. But it requires improved transport links with London, and between our major cities.

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With the ability to choose their own priorities, and the right tools and incentives to deliver them, cities could more effectively promote local economic development. They could further develop the skills of local residents, to better match them to employers’ needs and new job opportunities. They could build a better housing mix for their residents, and put in place the right transport connections, to more effectively link people to jobs. In 2008, the Centre will work with a range of different cities to help them respond to the specific challenges they face. Cities like Reading are now starting to confront the “challenges of success” such as congestion and a tightening labour market. Cities like Hull have not realised their full potential, and face a different set of issues: they need to make themselves more attractive as a business location, diversify their economies, and develop their skills base.

This is Britain today – a nation of “two-track cities”. Cities that are doing well, and those that have a lot more to do. And cities that are polarised within their own boundaries.

2007: Stepping stones to greater devolution
All cities need more political and financial powers, whether they are aiming to maintain their success, realise their full potential or address internal disparities. In 2007, we saw some significant steps towards more political and financial devolution for English cities.

The Lyons Report set out a range of options to help England’s cities and towns support economic development. But it was more incremental than radical. Lyons decided against the full relocalisation of business rates - but did propose a local supplement to the business rate, allowing local authorities to generate some additional funds for infrastructure investment. He also proposed a reformed grants system, to give councils more funding flexibility.

Ministers were too quick to reject some of Lyons’ proposals, for example on council tax capping. At the time, this gave the unhelpful impression that they had rejected the whole thing. Local government understandably wanted Lyons to be more radical, while business leaders urged caution. This explains Lyons’ incremental approach, recommending some achievable wins first (like supplementary business rates) and more difficult changes later (like Council Tax revaluation).

The Treasury’s Sub-National Review put city-regions on the map – just as we’ve been calling for. It phased out Regional Assemblies (from 2010 onwards) and gave regional development agencies new strategic powers, while subjecting them to new scrutiny from local councils. It also actively encouraged closer collaboration between councils on economic development, through Multi-Area Agreements and the offer of statutory city-regions.

Business Rate Supplements got the go-ahead in the Pre-Budget Report. We first proposed these in our 2006 ‘City Leadership’ report, and developed further in our 2007 ‘City Solutions’ paper.

Although more modest than our own proposals, the Government’s plans were met with a mixed reaction from business leaders. National business groups were alarmed by the tax hit, but many local Chambers welcomed the move as a source of much-needed infrastructure investment. We believe that a local tax, ring-fenced for local economic development priorities – especially transport – will help improve the business environment in many cities.

The Local Transport Bill is now making its way through Parliament, and is likely to receive Royal Assent by summer 2008. The Bill aims to build on the 2006 Eddington Review of Transport – which articulated a new, productivity-focused case for investment in urban transport. The Bill proposes new strategic city-regional transport authorities, and a mix of new powers for local authorities to improve bus services and tackle congestion – although it stops short of providing the powers needed for a national road pricing scheme. Greater Manchester and Cambridge have since unveiled plans for their own road pricing scheme, given some freedom to play a direct role in housing provision. The new Agency will go live in 2009. The All-Party Urban Development Group held an inquiry into Britain’s future housing supply in December 2007, and will report back in early 2008.

The Sub-National Review, and these recent legislative milestones, are stepping stones to greater devolution – and a call to action to city leaders. It’s now time for cities to start taking up the emerging portfolio of powers on offer. If they are used well, there should be more to come.

Local politics
The Conservatives became the biggest party in local government, following the Local Elections in May 2007.

Local Election Results 2007

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Source: LGA

Cities Outlook 2008

240,000 per year by 2016. And it confirmed a new role for city councils and the private sector in delivering more affordable and social housing. The follow-up Housing and Regeneration Bill provides for the establishment of new tax credits and Communities Agency and gives councils more freedom to play a direct role in housing provision. The new Agency will go live in 2009. The All-Party Urban Development Group held an inquiry into Britain’s future housing supply in December 2007, and will report back in early 2008.

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Source: LGA
In England, the Tories now dominate local councils in most areas – a very different picture to the House of Commons. At the same time, Labour and the Liberal Democrats remain strong in our major cities and towns. In the eight Core Cities:

- Labour runs Manchester, Nottingham, Sheffield (No Overall Control), and Bristol (NOC)
- Lib Dems run Liverpool, Newcastle, and Leeds (shared with Conservatives)
- Conservatives run Birmingham (NOC), and Leeds (shared with Lib Dems).

Michael Heseltine is back. His Cities Taskforce, due to report in full early in 2008, made an initial proposal in favour of “whole city” elected Mayors. We called for elected big-city mayors in 2006 – because they would provide the strong, visible and directly accountable leadership that cities need. But there is currently no appetite for elected mayors in cities like Manchester or Birmingham.

All eyes are now on the London Mayoral election in May. With three big hitters like Ken Livingstone, Boris Johnson and Brian Paddick, the campaign is a real opportunity to debate the major issues facing the capital – especially housing, transport and jobs. The election will also expose the “power gap” between London and other cities. Why shouldn’t the leaders of Manchester, Birmingham and Leeds have the same strategic powers over housing, transport and skills that Ken Livingstone has in London?

In summary

2007 ushered in a broad package of new (but relatively modest) powers for cities, and a cross-party consensus for greater devolution. In 2008, the Centre for Cities will work with central government and all the political parties, with cities and business leaders, to deliver on this new devolutionary agenda. It’s clear that new powers will be devolved only incrementally – but will come more quickly if cities make a success of what’s on offer right now. The period of reviews is over. It’s now time for delivery and action.

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Section 2:
The Bigger Picture
The national economy & city performance

The UK economy performed well during 2007, with rising real incomes and record employment levels. But the outlook for 2008 is looking more difficult, due to a number of factors including continued financial market turbulence and likely reduced growth in property prices.

A successful and stable national economy has been a key factor in UK cities’ economic recovery over the past decade. There are emerging downside risks to national growth, but cities should maintain a balanced perspective. Growth will be slower in 2008, but it is likely to remain at or relatively close to trend – so cities can look forward to another year of steady expansion in the wider economy.

Figure 1: UK Macroeconomic Trends, 2007

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Strong (but slowing) GDP growth

The UK’s economy has expanded rapidly during 2007 (see Chart 1). The Treasury now expects total annual GDP growth for 2007 to be 3% - significantly above the economy’s trend growth rate of 2.5%. Many of our cities will have benefited from the high levels of investment and consumption underlying this strong performance. But the pace of growth is set to slow in 2008. The Treasury has recently downgraded its growth projections for next year to between 2% and 2.5%.

Continued growth in services

The services sector has been the main driver of economic growth for the UK over the past 10 years. It has expanded rapidly, compared to the relatively static performance of manufacturing industries (see Chart 2). These trends have continued during 2007, which is positive news for UK cities given the extent to which services industries now dominate in our urban areas.

Total employment reaches a new high

Total employment has also continued to expand (see Chart 3). Over the 12 months to November 2007, total employment increased by 178,000 to 29.22 million - the highest figure since comparable records began in 1971. Many UK cities have benefited from this employment growth, and will continue to do so in 2008.

A mixed picture on worklessness

Despite this increase in total employment, the unemployment rate has remained stable (after increasing slightly in 2005) and the employment rate has fallen (see Chart 4). On the face of it, these figures are disappointing. But they are primarily due to an increase in the working-age population and higher numbers of such people re-entering the labour market, rather than a significant deterioration in employment conditions.
Slow real income growth
The earnings and inflation picture has deteriorated, although real incomes continued to grow during 2007. The rates of earnings growth and inflation have continued to converge (see Chart 5), with higher inflation slightly eroding real income growth over the year.

Slower growth in real incomes can mean a slow-down in consumer spending. This can lead to weaker growth in demand for goods and services, affecting retail activities in UK cities. Fortunately, inflation started to fall in the second half of 2007, so the inflation/earnings problem could fade slightly as we move into 2008.

Overall, these figures show that the UK’s economic performance during 2007 has been quite strong. National output has grown quickly and the services industry has continued to expand. Employment and income figures have been less positive. But real incomes continue to rise, and employment statistics are in good shape by historical standards. The general picture for cities has therefore been positive.

However, there are risks on the horizon for the national economy – and our cities – during 2008. Some of the biggest concerns relate to volatile financial markets, high levels of household indebtedness, the potential for a downturn in the property market, and the impact of slower growth in public spending.

The corporate credit market
Ongoing problems in international financial markets represent a clear threat to the UK’s economic growth in 2008. The crisis in the US sub-prime mortgage market has created significant turbulence in global financial markets in 2007, and this instability looks set to continue into 2008. Lenders have reduced credit availability and tightened the price terms on loans to corporations.

The lower availability and higher cost of credit may have repercussions for some businesses within UK cities. If the tight credit environment continues (or worsens) during 2008, then cities may see their economic growth significantly constrained. The interest rate cuts now expected from the Bank of England should help mitigate the threat of further tightening in the credit market.

How big a problem is household debt?
An increasingly common view is that the UK’s strong economic performance over the past 10 years has been the result of a high-street boom, based on the accumulation of unsustainable levels of household debt. Some say this will ultimately result in a hard landing for the national economy.

As centres for the consumer economy, cities have been key beneficiaries of the high-street boom. Forthcoming research by the Centre for Cities will show that the retail and leisure industries have been important drivers of economic growth in urban areas over the past decade, accounting for around 25% of new jobs between 1995 and 2005. So how worried should we be about the debt situation?

The pessimists have half a point. Since 1997, the UK has seen a significant increase in the levels of secured and unsecured debt (see Chart 6). The most obvious threat for cities is that these debt levels prove to be unsustainable, and lead to a collapse in household spending – which would have particularly serious consequences for the retail and leisure industries. Any big setbacks to their performance would hit cities hard.

The high levels of household debt in the economy certainly represent a risk to growth. But we need to take a balanced view. There are legitimate explanations for increased levels of household debt in the economy – including lower long-term interest rates, a more stable economic environment, a more efficient financial system and higher property prices. This suggests that debt levels are more sustainable than some commentators have suggested – and that household spending should hold up over the long term. In the short-run, however, we could see more cautious spending from consumers, for example as higher mortgage costs start to bite.

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in demand, and have serious consequences for economic performance in our cities – impacting on indebtedness, labour market mobility and property investment.

High house prices are largely due to the combination of increased demand (stemming from an increase in the number of households, for example) and chronic undersupply (resulting from a long-term failure to build enough houses). The Government’s ambitious target to build 3 million new homes by 2020 is designed to address the undersupply problem, but future demand is set to outpace even this massive increase in new housing. This suggests that, over the long term, house prices will remain buoyant.

But in 2008, cities should expect to see much slower (and possibly negative) house price growth, as a tighter lending environment squeezes borrowing and reduces the availability of mortgages.

Housing markets vary significantly across regions and within cities, so the current pressures are likely to play out differently in different cities. Over the last 15 years, house price growth in London has been much greater than in the North West or the UK average (see Chart 8). This shows that property prices in different places tend to vary at least as much according to local or regional economic circumstances as they do according to national factors.

So some cities (or places within cities) may be more vulnerable to sharp property price falls than others.

Slower public spending growth
Another important constraint on the 2008 outlook and beyond will be slower public spending growth. As expected, the Comprehensive Spending Review included a very tight settlement for the period 2008-11. UK cities have benefited greatly from sustained spending increases in public services over the past 10 years.

With this tighter settlement, cities will need to find alternative sources of growth if they are to maintain their current performance.

Overall outlook for 2008
Financial market instability, the housing market and high levels of household indebtedness all represent risks to the UK’s growth outlook. Lower public spending is also likely to dampen growth in our cities.

The Treasury and the IMF have recently downgraded their expectations for UK economic growth in 2008. But both remain relatively positive about the economy’s prospects, with projected GDP growth of between 2% and 2.5%.

The consensus view from independent forecasters is for 2.1% growth. This means that our cities can look forward to another year of growth, but slower than in recent years.
Over the last decade, English cities have seen big differences in their economic performance – both between and within them. Over the next decade, will the high-performers (many of them small and medium-sized cities) be able to maintain their success? Will resurgent Northern cities continue to grow their employment base? And will our biggest cities manage to reduce the wide disparities within them?

This section maps out the different trajectories of cities manage to reduce the wide disparities within them?

Understanding disparities between England’s cities

Over the next decade, will the high-performers (many of them small and medium-sized cities) be able to maintain their success? Will resurgent Northern cities continue to grow their employment base? And will our biggest cities manage to reduce the wide disparities within them?

This section maps out the different trajectories of English cities, looking at their past performance and their likely future trajectory.

The Centre for Cities examined the recent performance of England’s cities in ‘Two Track Cities’ (July 2007), based on a number of basic indicators such as population growth, employment growth and adult skills. We identified a number of winners and losers over the past ten years, with cities like Reading performing well and others like Hull doing less well.

This section looks in more detail at a wider range of performance indicators. It finds that even some of our least successful cities have seen significant improvements in performance over recent years. Real economies do not achieve smooth growth curves – instead, they experience cycles of growth, stability and sometimes decline. And, as the latest figures show, growth can be uneven – both spatially and over time.

A crude North-South divide is apparent – but it’s also an over-simplification. Many Northern cities have performed well over recent years.

Employment: after a difficult period of restructuring and job loss in the 1980s, and a crippling recession during the early 1990s, cities such as Manchester, Newcastle and Liverpool are now adding significant numbers of new jobs.

Population: in most cases, population growth follows economic growth and success. In some Northern cities, population figures are now increasing slightly – a clear signal of improving economic fortunes.

Despite these encouraging signs, it remains to be seen whether these Northern cities can consolidate and build on their economic recovery. They now need to sustain growth over time, and spread the benefits of growth to communities with high levels of worklessness.

Is there a North-South divide? Broadly, there is a North-South divide, with cities in the South and East performing better than those in the North and West. This was acknowledged by the Government in its 2006 ‘State of the English Cities Report’. But many Northern cities have performed well in recent years.

Employment growth (1995-2005): the top 28 urban areas of employment growth are split between North and South – 18 are in the South and East performing better than those in the North and West. This was acknowledged by the Government in its 2006 ‘State of the English Cities Report’. But many Northern cities have performed well in recent years.

Employment rates (2006): out of the 28 urban areas with the highest employment rates, 17 are in the South, and 11 are in the North.

Within regions, there are disparities too. For example:

- Within Yorkshire and Humberside, Doncaster has the 6th highest annual employment growth rate in England (2.4% per annum, 1995-2005), but nearby Grimsby is 41st with an annual growth rate of 1.0%.
- Within the South East of England, Chatham ranks 8th with an annual employment growth rate of 2.3%, whereas Hastings is 51st with a 0.5% annual growth rate.

These examples show that crude generalisations about urban and regional trends, and ‘North versus South’, can be unhelpful in terms of understanding the performance of our cities.

Some of the indicators used in city ‘league tables’ also miss key signs of improvement. For example, Manchester achieved 1.2% annual employment growth (1995-2005), ranking 34th out of 56 urban areas. But at the same time, it also had the highest net employment gain of any city outside of London – adding 101,700 net new employees during the same period.

Northern recovery – with performance gaps A city’s overall economic performance ranking is useful, but doesn’t always tell us whether that city has improved or got worse.
For example, Liverpool and Sunderland ranked 35th and 50th on average gross weekly earnings in 2006 (see Chart 10). But they each saw very high rates of annual earnings growth between 2002 and 2006, ranking 1st and 3rd respectively. Although their weekly earnings still compare badly to other cities, their pace of improvement has been impressive.

By contrast, some high-wage cities like Reading have experienced low earnings growth recently. It has the 3rd highest wage levels in England, but ranks 47th in terms of annual earnings growth.

Chart 10: Gross Weekly Earnings in 2006 and Annual Earnings Growth 2002-06

<table>
<thead>
<tr>
<th>City/urban area</th>
<th>Gross Weekly Earnings 2006 Value</th>
<th>Rank</th>
<th>Annual earnings growth 2002-2006 Annual growth rate</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>675.1</td>
<td>1</td>
<td>3.3%</td>
<td>43</td>
</tr>
<tr>
<td>Reading</td>
<td>646.0</td>
<td>3</td>
<td>2.9%</td>
<td>47</td>
</tr>
<tr>
<td>Milton Keynes</td>
<td>553.4</td>
<td>8</td>
<td>2.8%</td>
<td>48</td>
</tr>
<tr>
<td>England average</td>
<td>548.0</td>
<td>35</td>
<td>3.2%</td>
<td>4</td>
</tr>
<tr>
<td>Liverpool</td>
<td>473.1</td>
<td>3</td>
<td>5.6%</td>
<td>1</td>
</tr>
<tr>
<td>Sunderland</td>
<td>440.3</td>
<td>50</td>
<td>5.4%</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: State of the Cities Database, 2007. Note: Annual growth rate is calculated as a compound annual growth rate (CAGR) – which estimates a “smoothed” rate of return because it measures the growth of an economic indicator as if it had grown at a steady rate on an annually compounded basis.

In many high-wage cities such as Milton Keynes, earnings growth is below the English average. One explanation for this is that other areas of England are catching up in their wage levels. Over time, this is pulling up the level of average earnings growth.

Population growth follows economic success

Population growth and decline in our cities is a broad signal of economic performance. Successful economies tend to attract workers and residents, by offering higher wages and better employment opportunities. Less successful economies tend to shed labour, which goes in search of work elsewhere.

Each of England’s cities fits into one of three scenarios for population change over the past 15 years:

1. Growth: population levels at or above the national trend growth rate. Population growth rates in cities such as London, Reading and Southampton have been significantly above the national average since 1991 (see Chart 11). Bristol, Preston and Chatham have seen population growth in line with the England average rate of growth.

2. Stability: population levels stable or modest recent growth below national growth rates. Leeds and Portsmouth have experienced modest population growth since the early 1990s (see Chart 12). Birmingham, Manchester, Nottingham and Portsmouth have seen stable population levels with a small decline in some cases since 1991.

3. Decline: population has declined and has not recovered to 1991 levels. Some cities have experienced population decline since 1991, and

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3. Decline: population has declined and has not recovered to 1991 levels. Some cities have experienced population decline since 1991, and
trends suggest further continued decline and divergence from the national average (see Chart 13). Liverpool, Newcastle, Stoke and Sunderland all experienced population decline between 1991 and 2001, but showed some stabilisation of population levels between 2001 and 2006 despite previous losses.

Northern cities: job creation, not job decline

After a difficult period of restructuring and job loss in the 1980s, and a crippling recession during the early 1990s, our biggest cities outside London have now moved into an era of employment growth. The turnaround from job loss to job gain has been remarkable in a number of cities (see Chart 14). Birmingham, Liverpool, Manchester, Newcastle and Sheffield have demonstrated significant levels of employment creation between 1995 and 2005, after employment loss between 1981 and 1991.

Employment: national increases, regional variance

The employment rate is the proportion of working-age residents in employment in a given area. It’s an important indicator, as it also tells us how much of the workforce is not involved in productive work. Employment rates have increased nationally since the mid-1990s. Many cities have also experienced increases in their employment rates, in line with national trends. For example, Newcastle’s employment rate was just below 90% of the English rate in 1996, but is now nearer 95%.

But a number of cities, including London and Birmingham, still lag behind the English national employment rate. Their employment rates have actually deteriorated since 2001 (Chart 15).

The reasons why employment rates might remain low in the face of increasing national rates are sometimes complex. A number of factors could explain the poor performance of London and Birmingham – including (a) large numbers of people facing significant barriers to entering the labour market, (b) weak labour demand, or (c) competition from in-commuters.

Reducing worklessness is now a major priority for the Brown Government. These latest figures highlight the urgency of tackling the problem in both large and small cities. The possible solutions are dependent on the labour market and demographic dynamics of each urban area. That is why cities need a more devolved approach to tackling worklessness.

Where next for England’s cities?

There are big differences in economic performance between England’s cities, and within them. This section has mainly highlighted the disparities between these cities, but also identifies recent improvements in lagging cities like Liverpool and some levelling off in cities like Reading. The next section will explore these comparative and internal differences in more detail.

The picture is more complicated than a “North-South divide”. England’s cities face very different economic challenges, and are in different trajectories and cycles of economic development. Several different patterns are emerging:

- The most economically successful cities – the “Achievers” like Portsmouth and Warrington – have experienced high employment rates and high employment growth over the past decade. But they now face reduced growth rates and will...
need to address “problems of success” such as tight labour and housing markets, and congestion. In these cities, additional growth must come through increasing the quality of jobs, attracting new migrants, new housing, and investing in transport solutions that enable workers to access jobs.

• There is a group of “Middle Performers”, including most of the eight Core Cities. Manchester for example has stabilised its population, is on an upward trajectory, but is not in the top flight on new employment creation – and faces the worst degree of internal disparities. Our biggest cities outside London now need to embark on dynamic growth paths, and redouble efforts to ensure that more local people can benefit from employment growth.

• In less successful “Untapped Potential” cities like Sunderland and Liverpool, the challenge is to kick-start dynamic growth. Some of these cities have experienced employment growth recently, but still face relatively low employment rates. Cities like Middlesbrough and Hull will need to continue to find new sources of dynamic employment growth, and ensure that more residents benefit from the creation of new jobs. Over time, trends in population change will signal if these economies are recovering successfully.

• And then there’s London. Our biggest economy, and our only truly “Global City” – vital for the whole UK economy, but home to vast wealth and entrenched poverty. As the next section will show, one of London’s biggest challenges is to address its own employment and income disparities.

Can these cities do better over the next decade? During 2008, the Centre for Cities will be working with high-growth, smaller cities like Reading, helping them to maintain their edge. And we will partner with underperforming cities like Hull, to help them fulfil their potential.
Drawing on a range of datasets released during 2007, we have assessed a range of indicators that highlight the performance of city economies in the UK. The data makes it clear that, on aggregate, cities are performing better than ten years ago. However, city performance remains variable both between and within cities.

Disparities between cities in the North and in the South remain apparent: many high performers in terms of labour market indicators, such as employment rates, wages and skills are in the Greater South East (e.g. Aldershot and Reading). But the data also casts the ‘North/South’ divide in a new light. Some Northern cities like York and Warrington show strong recent performance, and ex-industrial cities including Doncaster and Sunderland registered impressive annual employment growth. But disparities between cities is only part of the story. The data in this section shows that many urban areas, especially the bigger ones, have to contend with strong entrenched disparities within their own borders. For example, London has the highest average weekly earnings of all cities. Yet residents in Newham earned around £509 per week, less than half the average wage in Kensington and Chelsea (£1205).

The following sections use data for Primary Urban Areas – a measure of the ‘built up’ area of a city, rather than individual local authority districts. This helps to show the performance of cities’ real economies.

### Economic Performance

#### Population change

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<tbody>
<tr>
<td>1</td>
<td>Oxford</td>
<td>149,100</td>
<td>130,100</td>
<td>1.4%</td>
<td>19,000</td>
</tr>
<tr>
<td>2</td>
<td>Milton Keynes</td>
<td>224,800</td>
<td>196,600</td>
<td>1.3%</td>
<td>28,200</td>
</tr>
<tr>
<td>3</td>
<td>Telford</td>
<td>161,900</td>
<td>146,300</td>
<td>1.0%</td>
<td>15,600</td>
</tr>
<tr>
<td>4</td>
<td>York</td>
<td>191,800</td>
<td>174,500</td>
<td>0.9%</td>
<td>17,300</td>
</tr>
<tr>
<td>5</td>
<td>Cambridge</td>
<td>117,900</td>
<td>108,000</td>
<td>0.9%</td>
<td>9,900</td>
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<tr>
<td>6</td>
<td>Swindon</td>
<td>186,600</td>
<td>172,700</td>
<td>0.8%</td>
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<tr>
<td>7</td>
<td>Southampton</td>
<td>347,600</td>
<td>323,500</td>
<td>0.7%</td>
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<td>8,757,200</td>
<td>8,160,700</td>
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<td>596,500</td>
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<td>9</td>
<td>Bristol</td>
<td>664,900</td>
<td>622,200</td>
<td>0.7%</td>
<td>42,700</td>
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<tr>
<td>10</td>
<td>Norwich</td>
<td>251,700</td>
<td>235,800</td>
<td>0.7%</td>
<td>15,900</td>
</tr>
</tbody>
</table>

*English Cities PUA level (primary urban areas, a measure of the built up area or ‘physical city’ see ODPM 2006). **Individual local authority districts for other UK cities. ***The annual growth rate is calculated as a compound annual growth rate (CAGR) – which estimates a ‘smoothed’ rate of return because it measures the growth of an economic indicator as if it had grown at a steady rate on an annually compounded basis. Source: NOMIS, Mid-Year Estimates national and local authority levels (own calculations for PUA level). Northern Ireland Statistics and Research Agency (NISRA) for Belfast mid-year estimates.

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<tbody>
<tr>
<td>51</td>
<td>Grimsby</td>
<td>158,900</td>
<td>159,200</td>
<td>0.0%</td>
<td>-300</td>
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<tr>
<td>52</td>
<td>Birmingham</td>
<td>2,293,500</td>
<td>2,299,600</td>
<td>0.0%</td>
<td>-6,100</td>
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<td>53</td>
<td>Stoke</td>
<td>363,500</td>
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<td>0.0%</td>
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<td>Newcastle</td>
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<td>0.0%</td>
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<td>Glasgow City**</td>
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<td>598,800</td>
<td>0.0%</td>
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<td>57</td>
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<td>264,700</td>
<td>0.0%</td>
<td>-8,500</td>
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<tr>
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<td>791,600</td>
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<td>Sunderland</td>
<td>280,600</td>
<td>292,300</td>
<td>0.0%</td>
<td>-11,700</td>
</tr>
<tr>
<td>60</td>
<td>Belfast**</td>
<td>267,400</td>
<td>288,500</td>
<td>0.0%</td>
<td>-21,100</td>
</tr>
<tr>
<td>51</td>
<td>Great Britain</td>
<td>58,845,700</td>
<td>56,502,600</td>
<td>0.0%</td>
<td>2,343,100</td>
</tr>
<tr>
<td>61</td>
<td>England</td>
<td>50,762,900</td>
<td>48,519,100</td>
<td>0.0%</td>
<td>2,243,800</td>
</tr>
</tbody>
</table>

* English Cities PUA level (primary urban areas, a measure of the built up area or ‘physical city’ see ODPM 2006). **Individual local authority districts for other UK cities. ***The annual growth rate is calculated as a compound annual growth rate (CAGR) – which estimates a ‘smoothed’ rate of return because it measures the growth of an economic indicator as if it had grown at a steady rate on an annually compounded basis. Source: NOMIS, Mid-Year Estimates national and local authority levels (own calculations for PUA level). Northern Ireland Statistics and Research Agency (NISRA) for Belfast mid-year estimates.
Over time, a growing population is a strong indicator of a city’s economic health. But the latest statistics show great disparities between our cities when it comes to population change.

- Despite clear residential growth in city centres – as the Centre for Cities’s ‘City People’ report has shown – many of the UK’s largest urban areas continued to lose population over the past ten years. Birmingham, Newcastle, Glasgow and Liverpool have registered declines – and Belfast lost 21,000 residents.

- Among the big cities, only London and Bristol (0.7% annual growth) made the top ten. However, Leeds and Bradford also made strong gains (34,400 and 22,300 residents respectively).

- Meanwhile, smaller English cities and New Towns continued to post strong population gains. Oxford, Milton Keynes, Telford and York all grew at an annual rate of 1% or more over the last decade, showing that growth extends to smaller cities in the Greater South East and beyond.

- Over the last decade, the Liverpool area has lost the most people in absolute terms – almost 27,000 – while Greater London gained 600,000 new residents due largely to international migration and the capital’s high birth rate.

Recently-released data for 2005-2006 confirms longer term trends, with Milton Keynes, Northampton, Leeds, Edinburgh, Cambridge, Norwich, York and Cardiff all adding over 1% to their populations in a single year. Population has stabilised in Newcastle, Birmingham, and Glasgow – suggesting that these cities may have turned a corner. Liverpool and Belfast, meanwhile, posted further losses.

### Employment Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Milton Keynes</td>
<td>233,600</td>
<td>98,100</td>
<td>3.1%</td>
<td>34,500</td>
</tr>
<tr>
<td>2</td>
<td>Portsmouth</td>
<td>210,100</td>
<td>156,000</td>
<td>3.0%</td>
<td>54,100</td>
</tr>
<tr>
<td>3</td>
<td>Brighton</td>
<td>142,400</td>
<td>111,500</td>
<td>2.5%</td>
<td>30,900</td>
</tr>
<tr>
<td>4</td>
<td>Derby</td>
<td>121,200</td>
<td>95,200</td>
<td>2.4%</td>
<td>26,000</td>
</tr>
<tr>
<td>5</td>
<td>Southampton</td>
<td>187,300</td>
<td>147,300</td>
<td>2.4%</td>
<td>40,000</td>
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<tr>
<td>6</td>
<td>Doncaster</td>
<td>114,200</td>
<td>90,300</td>
<td>2.4%</td>
<td>23,900</td>
</tr>
<tr>
<td>7</td>
<td>Sunderland</td>
<td>123,100</td>
<td>98,000</td>
<td>2.3%</td>
<td>25,100</td>
</tr>
<tr>
<td>8</td>
<td>Chatham</td>
<td>91,600</td>
<td>73,000</td>
<td>2.3%</td>
<td>18,600</td>
</tr>
<tr>
<td>9</td>
<td>Sheffield</td>
<td>360,500</td>
<td>287,400</td>
<td>2.3%</td>
<td>73,100</td>
</tr>
<tr>
<td>10</td>
<td>Warrington</td>
<td>110,000</td>
<td>88,100</td>
<td>2.2%</td>
<td>21,900</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>Blackburn</td>
<td>62,500</td>
<td>58,500</td>
<td>0.7%</td>
<td>4,000</td>
</tr>
<tr>
<td>52</td>
<td>Blackpool</td>
<td>125,700</td>
<td>117,800</td>
<td>0.7%</td>
<td>7,900</td>
</tr>
<tr>
<td>53</td>
<td>Birmingham</td>
<td>1,055,200</td>
<td>997,300</td>
<td>0.6%</td>
<td>57,900</td>
</tr>
<tr>
<td>54</td>
<td>Bradford</td>
<td>195,700</td>
<td>185,700</td>
<td>0.5%</td>
<td>10,000</td>
</tr>
<tr>
<td>55</td>
<td>Hastings</td>
<td>29,100</td>
<td>27,700</td>
<td>0.5%</td>
<td>1,400</td>
</tr>
<tr>
<td>56</td>
<td>Birkenhead</td>
<td>129,800</td>
<td>124,400</td>
<td>0.5%</td>
<td>5,400</td>
</tr>
<tr>
<td>57</td>
<td>Stoke</td>
<td>152,600</td>
<td>146,400</td>
<td>0.4%</td>
<td>6,200</td>
</tr>
<tr>
<td>58</td>
<td>Cambridge</td>
<td>80,600</td>
<td>77,400</td>
<td>0.4%</td>
<td>3,200</td>
</tr>
<tr>
<td>59</td>
<td>Leicester</td>
<td>224,000</td>
<td>218,700</td>
<td>0.2%</td>
<td>5,300</td>
</tr>
<tr>
<td>60</td>
<td>Burnley</td>
<td>66,500</td>
<td>67,300</td>
<td>0.1%</td>
<td>-800</td>
</tr>
<tr>
<td>Great Britain</td>
<td>26,503,100</td>
<td>22,728,900</td>
<td>1.5%</td>
<td>3,774,300</td>
<td></td>
</tr>
<tr>
<td>England</td>
<td>22,921,700</td>
<td>19,625,200</td>
<td>1.6%</td>
<td>3,296,400</td>
<td></td>
</tr>
</tbody>
</table>

* English Cities PUA level. ** The annual growth rate is calculated as a compound annual growth rate (CAGR) – which estimates a “smoothed” rate of return because it measures the growth of an economic indicator as if it had grown at a steady rate on an annually compounded basis. Source: State of the English Cities Database 2007, Annual Business Inquiry Employee Analysis (AIB). NOMIS, Annual Business Inquiry Employee Analysis (AIB) for other UK cities. Department of Enterprise, Trade and Investment (DETI), Census of Employment for data on Belfast.
## Employment Rate

### Top 10 - Cities: Highest employment rates

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Employment Rate 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aldershot</td>
<td>86.8%</td>
</tr>
<tr>
<td>2</td>
<td>Gloucester</td>
<td>83.3%</td>
</tr>
<tr>
<td>3</td>
<td>Ipswich</td>
<td>80.9%</td>
</tr>
<tr>
<td>4</td>
<td>Reading</td>
<td>80.8%</td>
</tr>
<tr>
<td>5</td>
<td>Swindon</td>
<td>79.8%</td>
</tr>
<tr>
<td>6</td>
<td>Warrington</td>
<td>79.0%</td>
</tr>
<tr>
<td>7</td>
<td>York</td>
<td>78.9%</td>
</tr>
<tr>
<td>8</td>
<td>Portsmouth</td>
<td>78.8%</td>
</tr>
<tr>
<td>9</td>
<td>Bristol</td>
<td>78.6%</td>
</tr>
<tr>
<td>10</td>
<td>Warrington</td>
<td>78.4%</td>
</tr>
</tbody>
</table>

### Bottom 10 - Cities: Lowest employment rates

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Employment Rate 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>Burnley</td>
<td>68.8%</td>
</tr>
<tr>
<td>52</td>
<td>Sunderland</td>
<td>68.7%</td>
</tr>
<tr>
<td>53</td>
<td>Cardiff**</td>
<td>68.5%</td>
</tr>
<tr>
<td>54</td>
<td>Luton</td>
<td>68.5%</td>
</tr>
<tr>
<td>55</td>
<td>Blackburn</td>
<td>67.1%</td>
</tr>
<tr>
<td>56</td>
<td>Birmingham</td>
<td>67.1%</td>
</tr>
<tr>
<td>57</td>
<td>Hull</td>
<td>65.6%</td>
</tr>
<tr>
<td>58</td>
<td>Liverpool</td>
<td>65.7%</td>
</tr>
<tr>
<td>59</td>
<td>Glasgow City**</td>
<td>64.7%</td>
</tr>
<tr>
<td>60</td>
<td>Belfast***</td>
<td>63.4%***</td>
</tr>
</tbody>
</table>


## London & Core City Employment Rates

### Cities* 

<table>
<thead>
<tr>
<th>Cities*</th>
<th>Employment Rate 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bristol</td>
<td>78.6%</td>
</tr>
<tr>
<td>Leeds</td>
<td>77.5%</td>
</tr>
<tr>
<td>Manchester</td>
<td>72.6%</td>
</tr>
<tr>
<td>London</td>
<td>70.3%</td>
</tr>
<tr>
<td>Nottingham</td>
<td>70.2%</td>
</tr>
<tr>
<td>Newcastle</td>
<td>69.4%</td>
</tr>
<tr>
<td>Sheffield</td>
<td>69.3%</td>
</tr>
<tr>
<td>Birmingham</td>
<td>67.1%</td>
</tr>
<tr>
<td>Liverpool</td>
<td>65.7%</td>
</tr>
<tr>
<td>Great Britain</td>
<td>74.3%</td>
</tr>
<tr>
<td>England</td>
<td>74.3%</td>
</tr>
</tbody>
</table>

Over the last decade, employment has increased nationally, and in most cities. And although some Northern cities perform well, the highest employment rates are still found in the Greater South East.

- Ex-industrial cities like Sunderland (25,100 new jobs) and Doncaster (23,900 new jobs) have posted impressive gains in employment over the last decade.
- London remains a stubbornly low performer when it comes to the number of residents in work, with an employment rate of 70%. But this figure masks substantial disparities within the capital: high-performing Sutton has a 78.4% employment rate, whereas only 52.6% of adults are in work in Tower Hamlets. Among the English Core Cities, Bristol registered the highest employment rate (78.6%), while Liverpool featured the lowest (65.7%).

- At the same time, high-performers in the South East – like Aldershot (86.8% employment) and Ipswich (80.9% employment) – have already surpassed the Government’s long-term target rate of 80% employment.
- However, in some economically-vibrant areas like Cambridge and Oxford employment growth has slowed down – these cities grew at 0.4% and 0.9% annual rates respectively, below the national average. This could be a sign that infrastructure and skills constraints are starting to bite.

- During 2005-2006, most of the ‘star performers’ were in the Greater South East – but Leeds (3.8%), Leicester (3.6%) and Preston (3.2%) notched up impressive one-year employment rises.
Earnings Growth

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Earnings 2006 (av £ per week)</th>
<th>Earnings 2002 (av £ per week)</th>
<th>Annual Growth Rate**</th>
<th>Change 2002-2006 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Liverpool</td>
<td>473.1</td>
<td>380.4</td>
<td>5.6%</td>
<td>92.7</td>
</tr>
<tr>
<td>2</td>
<td>York</td>
<td>534.9</td>
<td>431.2</td>
<td>5.5%</td>
<td>103.7</td>
</tr>
<tr>
<td>3</td>
<td>Sunderland</td>
<td>440.3</td>
<td>357.0</td>
<td>5.4%</td>
<td>83.3</td>
</tr>
<tr>
<td>4</td>
<td>Cambridge</td>
<td>650.1</td>
<td>527.2</td>
<td>5.4%</td>
<td>122.9</td>
</tr>
<tr>
<td>5</td>
<td>Stoke</td>
<td>436.2</td>
<td>354.3</td>
<td>5.3%</td>
<td>81.9</td>
</tr>
<tr>
<td>6</td>
<td>Grimsby</td>
<td>453.2</td>
<td>368.4</td>
<td>5.3%</td>
<td>84.8</td>
</tr>
<tr>
<td>7</td>
<td>Crawley</td>
<td>624.6</td>
<td>507.9</td>
<td>5.3%</td>
<td>116.7</td>
</tr>
<tr>
<td>8</td>
<td>Burnley</td>
<td>448.3</td>
<td>367.1</td>
<td>5.1%</td>
<td>81.2</td>
</tr>
<tr>
<td>9</td>
<td>Norwich</td>
<td>482.2</td>
<td>401.0</td>
<td>4.7%</td>
<td>81.2</td>
</tr>
<tr>
<td>10</td>
<td>Leicester</td>
<td>465.9</td>
<td>387.9</td>
<td>4.7%</td>
<td>78.0</td>
</tr>
</tbody>
</table>

10 Cities with lowest earnings growth

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Earnings 2006 (av £ per week)</th>
<th>Earnings 2002 (av £ per week)</th>
<th>Annual Growth Rate**</th>
<th>Change 2002-2006 (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Reading</td>
<td>464.0</td>
<td>575.1</td>
<td>3.0%</td>
<td>70.9</td>
</tr>
<tr>
<td>51</td>
<td>Milton Keynes</td>
<td>553.4</td>
<td>496.3</td>
<td>2.8%</td>
<td>57.1</td>
</tr>
<tr>
<td>52</td>
<td>Luton</td>
<td>480.4</td>
<td>430.9</td>
<td>2.8%</td>
<td>49.6</td>
</tr>
<tr>
<td>53</td>
<td>Brighton</td>
<td>520.4</td>
<td>467.4</td>
<td>2.7%</td>
<td>53.0</td>
</tr>
<tr>
<td>54</td>
<td>Ipswich</td>
<td>462.7</td>
<td>416.4</td>
<td>2.7%</td>
<td>46.4</td>
</tr>
<tr>
<td>55</td>
<td>Coventry</td>
<td>471.2</td>
<td>424.4</td>
<td>2.7%</td>
<td>46.8</td>
</tr>
<tr>
<td>56</td>
<td>Chatham</td>
<td>503.8</td>
<td>457.0</td>
<td>2.5%</td>
<td>46.8</td>
</tr>
<tr>
<td>57</td>
<td>Southampton</td>
<td>506.6</td>
<td>460.2</td>
<td>2.4%</td>
<td>46.5</td>
</tr>
<tr>
<td>58</td>
<td>Worthing</td>
<td>473.9</td>
<td>432.2</td>
<td>2.3%</td>
<td>41.6</td>
</tr>
<tr>
<td>59</td>
<td>Peterborough</td>
<td>477.8</td>
<td>438.0</td>
<td>2.2%</td>
<td>39.8</td>
</tr>
<tr>
<td>60</td>
<td>Great Britain</td>
<td>540.5</td>
<td>475.0</td>
<td>3.3%</td>
<td>65.5</td>
</tr>
<tr>
<td>61</td>
<td>England</td>
<td>548.0</td>
<td>483.3</td>
<td>3.2%</td>
<td>64.7</td>
</tr>
</tbody>
</table>

* English Cities PUA level. Belfast not included. **The annual growth rate is calculated as a compound annual growth rate (CAGR) – which estimates a “smoothed” rate of return because it measures the growth of an economic indicator as if it had grown at a steady rate on an annually compounded basis. Source: State of the English Database 2007, Annual Survey of Earnings and Hours (ASEH), average gross weekly earnings residence based. NOMIS, Annual Survey of Earnings and Hours (ASEH), for national and other UK cities data.

Earnings – another key measure of the health of a local economy – have also risen nationally. And some cities in the North posted high earnings growth. However, data suggests that there is a divide between higher- and lower-wage cities.

Between 2002 and 2006, earnings in Crawley grew almost twice as fast as in Luton – +5.3% versus +2.8% annually, even though both are part of the Greater South East economy.

The top ten cities for wage growth all registered around 5% annual growth, far outpacing the national average of 3.3%. Some cities with high earnings growth were catching up from a low base – but others, including Crawley and Cambridge, have average wages higher than the national average.

Six out of the eight English Core Cities posted earnings growth above the national average during the past five years, and London registered growth almost equal to the British average (+3.3% pa). But, Leeds (+4.8% pa) outpaced its key rivals in the financial and business services sectors, Manchester (+3.6%) and Birmingham (+3.2%). In 2006, London (£675 pw) followed by Bristol (£651 pw) saw the highest average earnings among the Core Cities.

Top 10 - Cities: Highest Wages

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Average £ per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>London</td>
<td>675.1</td>
</tr>
<tr>
<td>2</td>
<td>Cambridge</td>
<td>650.1</td>
</tr>
<tr>
<td>3</td>
<td>Reading</td>
<td>646.0</td>
</tr>
<tr>
<td>4</td>
<td>Aldershot</td>
<td>639.9</td>
</tr>
<tr>
<td>5</td>
<td>Crawley</td>
<td>624.6</td>
</tr>
<tr>
<td>6</td>
<td>Edinburgh**</td>
<td>573.0</td>
</tr>
<tr>
<td>7</td>
<td>Southend</td>
<td>562.6</td>
</tr>
<tr>
<td>8</td>
<td>Warrington</td>
<td>556.5</td>
</tr>
<tr>
<td>9</td>
<td>Milton Keynes</td>
<td>553.4</td>
</tr>
<tr>
<td>10</td>
<td>York</td>
<td>559.9</td>
</tr>
</tbody>
</table>


Bottom 10 - Cities: Lowest Wages

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Average £ per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>Grimsby</td>
<td>453.2</td>
</tr>
<tr>
<td>52</td>
<td>Crewe</td>
<td>448.3</td>
</tr>
<tr>
<td>53</td>
<td>Sunderland</td>
<td>440.3</td>
</tr>
<tr>
<td>54</td>
<td>Plymouth</td>
<td>438.6</td>
</tr>
<tr>
<td>55</td>
<td>Stoke</td>
<td>436.2</td>
</tr>
<tr>
<td>56</td>
<td>Mansfield</td>
<td>432.5</td>
</tr>
<tr>
<td>57</td>
<td>Blackburn</td>
<td>431.4</td>
</tr>
<tr>
<td>58</td>
<td>Hastings</td>
<td>434.9</td>
</tr>
<tr>
<td>59</td>
<td>Hull</td>
<td>401.0</td>
</tr>
<tr>
<td>60</td>
<td>Belfast**</td>
<td>395.7</td>
</tr>
</tbody>
</table>

* English Cities PUA level. **Individual local authority districts for other UK cities. Source: State of the English Database 2007, Annual Survey of Earnings and Hours (ASEH), average gross weekly earnings residence based. NOMIS, Annual Survey of Earnings and Hours (ASEH), for national data and other UK cities. Department of Enterprise, Trade and Investment (DETI), Annual Survey of Earnings and Hours (ASEH) for data on Belfast.
Deprivation & Worklessness

Benefit claimants

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Claimants 2007 (as % of working age pop)</th>
<th>Claimants 1999 (as % of working age pop)</th>
<th>Change 1999-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aldershot</td>
<td>7%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>Reading</td>
<td>8%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>3</td>
<td>Cambridge</td>
<td>8%</td>
<td>9%</td>
<td>-1%</td>
</tr>
<tr>
<td>4</td>
<td>York</td>
<td>9%</td>
<td>11%</td>
<td>-2%</td>
</tr>
<tr>
<td>5</td>
<td>Oxford</td>
<td>9%</td>
<td>10%</td>
<td>-1%</td>
</tr>
<tr>
<td>6</td>
<td>Crawley</td>
<td>9%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>7</td>
<td>Southampton</td>
<td>12%</td>
<td>13%</td>
<td>-1%</td>
</tr>
<tr>
<td>8</td>
<td>Portsmouth</td>
<td>12%</td>
<td>12%</td>
<td>-1%</td>
</tr>
<tr>
<td>9</td>
<td>Milton Keynes</td>
<td>12%</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>10</td>
<td>Swindon</td>
<td>12%</td>
<td>11%</td>
<td>1%</td>
</tr>
</tbody>
</table>

10 Cities with smallest proportion of benefit claimants in 2007

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Claimants 2007 (as % of working age pop)</th>
<th>Claimants 1999 (as % of working age pop)</th>
<th>Change 1999-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Birkenhead</td>
<td>20%</td>
<td>23%</td>
<td>-3%</td>
</tr>
<tr>
<td>2</td>
<td>Middlesbrough</td>
<td>20%</td>
<td>24%</td>
<td>-3%</td>
</tr>
<tr>
<td>3</td>
<td>Rochdale</td>
<td>21%</td>
<td>22%</td>
<td>-1%</td>
</tr>
<tr>
<td>4</td>
<td>Hastings</td>
<td>21%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td>5</td>
<td>Sunderland</td>
<td>21%</td>
<td>24%</td>
<td>-3%</td>
</tr>
<tr>
<td>6</td>
<td>Blackburn</td>
<td>21%</td>
<td>22%</td>
<td>-1%</td>
</tr>
<tr>
<td>7</td>
<td>Barnsley</td>
<td>21%</td>
<td>25%</td>
<td>-3%</td>
</tr>
<tr>
<td>8</td>
<td>Hull</td>
<td>21%</td>
<td>23%</td>
<td>-2%</td>
</tr>
<tr>
<td>9</td>
<td>Liverpool</td>
<td>26%</td>
<td>31%</td>
<td>-5%</td>
</tr>
<tr>
<td>10</td>
<td>Glasgow**</td>
<td>26%</td>
<td>33%</td>
<td>-7%</td>
</tr>
<tr>
<td>11</td>
<td>Great Britain</td>
<td>15%</td>
<td>16%</td>
<td>-1%</td>
</tr>
<tr>
<td>12</td>
<td>England</td>
<td>14%</td>
<td>15%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

10 cities with highest proportion of benefit claimants in 2007

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>Claimants 2007 (as % of working age pop)</th>
<th>Claimants 1999 (as % of working age pop)</th>
<th>Change 1999-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Wigan</td>
<td>20%</td>
<td>24%</td>
<td>-4%</td>
</tr>
<tr>
<td>51</td>
<td>Blackburn</td>
<td>20%</td>
<td>25%</td>
<td>-5%</td>
</tr>
<tr>
<td>52</td>
<td>Leicester</td>
<td>20%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>53</td>
<td>Derby</td>
<td>21%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td>54</td>
<td>Birmingham</td>
<td>21%</td>
<td>22%</td>
<td>-1%</td>
</tr>
<tr>
<td>55</td>
<td>Glasgow**</td>
<td>21%</td>
<td>22%</td>
<td>-1%</td>
</tr>
<tr>
<td>56</td>
<td>Bradford</td>
<td>22%</td>
<td>22%</td>
<td>0%</td>
</tr>
<tr>
<td>57</td>
<td>Stoke</td>
<td>22%</td>
<td>23%</td>
<td>-1%</td>
</tr>
<tr>
<td>58</td>
<td>Liverpool</td>
<td>23%</td>
<td>23%</td>
<td>0%</td>
</tr>
<tr>
<td>59</td>
<td>Hull</td>
<td>25%</td>
<td>25%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Residents with no qualifications

<table>
<thead>
<tr>
<th>Rank</th>
<th>Cities*</th>
<th>% of working age population with no qualifications 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cambridge</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>Oxford</td>
<td>7%</td>
</tr>
<tr>
<td>3</td>
<td>Reading</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>Edinburgh</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>Aldershot</td>
<td>8%</td>
</tr>
<tr>
<td>6</td>
<td>Worthing</td>
<td>8%</td>
</tr>
<tr>
<td>7</td>
<td>Bournemouth</td>
<td>9%</td>
</tr>
<tr>
<td>8</td>
<td>Swindon</td>
<td>10%</td>
</tr>
<tr>
<td>9</td>
<td>Brighton</td>
<td>10%</td>
</tr>
<tr>
<td>10</td>
<td>Plymouth</td>
<td>10%</td>
</tr>
</tbody>
</table>

The proportion of those of working age claiming benefits is another useful proxy for participation in the labour market and the health of our cities' economies. Although many cities in the North managed to significantly reduce overall claimant numbers, North/South disparities are still apparent. Nine out of ten cities with the highest proportion of benefit claimants are in the North.

- In 2007 the proportion of the working age population claiming benefits was more than three times higher in Glasgow - 26% - than in Aldershot - 7%.
- Between 1999 and 2007 some top performers, such as Milton Keynes and Swindon, registered an actual increase in the number and proportion of claimants.
- Ex-industrial cities like Liverpool (26%), Glasgow (26%) and Sunderland (21%), although still lagging behind the national average (15%) in 2007, made impressive progress in reducing the number of claimants in their economies.
- All the English Core Cities - with the exception of Birmingham - managed to reduce the proportion of benefit claimants. Bristol (12% and 11th in the overall ranking) stands out as the major city with the smallest proportion of adult residents claiming benefits.
As the government prepares a major push on worklessness and skills for 2008 – with a landmark bill planned to increase access to education and training for 16-19s and adults – the skills disparities between our cities remain apparent.

- Eight out of the ten cities with the lowest rates of worklessness (the aggregate of unemployed and inactive residents) are in the South – with York and Warrington the exceptions. But there are problems in the South as well: for example, despite its proximity to job-rich London, Luton has a high proportion of workless residents.

- In Cambridge, 45% of residents hold a degree – compared to 14% in Hull – and only 5% of Cambridge residents lack qualifications versus one quarter of the adults in Hull.

- There is a clear North-South divide at the bottom of the skills ladder: Nine out of ten high performers are in the South – whereas all of the bottom ten are in the Midlands and the North.

- Of the English Core Cities, Birmingham and Liverpool still face substantial skill challenges – with over 20% of their local populations lacking basic qualifications. Bristol, meanwhile, has more degree qualified residents than the other major cities – with nearly 1 in 3 holding a bachelor’s degree.

- Liverpool, Hull, Sunderland and Blackburn appeared as the most deprived urban areas according to the Index of Multiple Deprivation 2004 (median scores), while smaller and medium size cities in the Greatest South East registered the lowest levels of deprivation.

---

English Cities PUA level. Other UK cities not included.  

** We calculated median IMD scores and categories for primary urban areas based on data for Super Output Areas (statistical units smaller than wards).  

Source: ONS, Index of Multiple Deprivation 2004, Super Output Areas.
Data for whole urban areas only tells a part of cities’ economic story. Data at more disaggregated levels illustrates the significant disparities that persist within our biggest urban areas.

- When it comes to polarisation within English cities (measured as the variation between deprivation levels in an urban area), all Core Cities feature amongst the worst performers. Other ex-industrial cities such as Plymouth, Blackburn and Hull also registered high inequalities, whereas successful smaller cities and towns – such as those in the Greater South East and York appear to be less polarised.

- Greater London, Birmingham, and Manchester registered big gaps in performance between different local authorities. For example, the employment rate for the Birmingham urban area in 2006 was 67.1%. But this masks stark differences between local authorities: while in Solihull 78.5% of the working age population was in employment, this figure was only 63% for Birmingham.

- Wages show a similar trend. London has the highest average weekly wage of all cities: £675 per week. However, residents in Newham earned around £509 per week, less than half the average wage in Kensington and Chelsea (nearly £1201).

- Benefit claimants are also concentrated in some parts of our major urban areas. In Stockport, for example, only 13% of working age adults claim benefits – below the national average – while 22% did in nearby Manchester, part of the same city-region.
**Cities Outlook 2008**

**London - Employment Rate**


**London - Wages**


**Key** (Compared to GB average)
- Far Below (>10%)
- Below
- Above
- Far Above (> £100)

---

**Sutton** 78.4%
- Enfield 71.3%
- Islington 66.3%
- Kingston-upon-Thames 75.6%
- Redbridge 68.0%
- Waltham Forest 68.0%

**Bromley** 77.3%
- Eltham 68.4%
- Ealing 68.2%
- Hackney 58.5%
- Newham 57.7%
- Tower Hamlets 52.6%

**Bexley** 76.5%
- Brent 69.8%
- Camden 72.3%
- Southwark 71.1%
- Tower Hamlets 66.3%
- Wandsworth 66.3%

**Havering** 75.6%
- Barking & Dagenham 75.6%
- Croydon 75.6%
- Ealing 75.6%
- Hackney 75.6%
- Newham 75.6%

**Richmond-upon-Thames** 75.3%
- Brentford 75.3%
- Greenwich 75.3%
- Hammersmith & Fulham 75.3%
- Kew 75.3%
- Redbridge 75.3%

**Kingston-upon-Thames** 74.1%
- Chiswick 74.1%
- Kingston 74.1%
- Lambeth 74.1%
- Redbridge 74.1%
- Greenwich 74.1%

**Merton** 73.2%
- Balham 73.2%
- Bexleyheath 73.2%
- Ealing 73.2%
- Greenford 73.2%
- Greenwich 73.2%

**Croydon** 72.3%
- Balham 72.3%
- Bexleyheath 72.3%
- Ealing 72.3%
- Greenford 72.3%
- Greenwich 72.3%

**Hounslow** 71.2%
- Acton 71.2%
- Feltham 71.2%
- Greenford 71.2%
- Hounslow 71.2%
- Shepperton 71.2%

**Harrow** 70.8%
- Acton 70.8%
- Feltham 70.8%
- Greenford 70.8%
- Hounslow 70.8%
- Shepperton 70.8%

**Hillingdon** 70.8%
- Acton 70.8%
- Feltham 70.8%
- Greenford 70.8%
- Hounslow 70.8%
- Shepperton 70.8%

---

**Kensington and Chelsea** 1,201.3
- City of London 1,188.3
- Westminster, City of 1,111.4
- Greenwich 807.3
- Lambeth 832.6
- Redbridge 730.1
- Hammersmith & Fulham 791.4
- Ealing 725.4

**City of London** 1,201.3
- Westminster, City of 1,111.4
- Greenwich 807.3
- Lambeth 832.6
- Redbridge 730.1
- Hammersmith & Fulham 791.4
- Ealing 725.4
- Hammersmith & Fulham 791.4
- Ealing 725.4
- Hammersmith & Fulham 791.4
- Ealing 725.4

**Kingston-upon-Thames** 1,055.3
- Merton 1,055.3
- Kingston 1,055.3
- Brentford 1,055.3
- Kingston 1,055.3
- Brentford 1,055.3
- Kingston 1,055.3
- Brentford 1,055.3
- Kingston 1,055.3
- Brentford 1,055.3

**Hammersmith & Fulham** 807.3
- Ealing 807.3
- Hammersmith & Fulham 807.3
- Ealing 807.3
- Hammersmith & Fulham 807.3
- Ealing 807.3
- Hammersmith & Fulham 807.3
- Ealing 807.3
- Hammersmith & Fulham 807.3
- Ealing 807.3

**Greenwich** 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9
- Greenwich 637.9

**Waltham Forest** 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4
- Waltham Forest 566.4

**Hackney** 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3
- Hackney 563.3

---

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- Acton 70.8%
- Feltham 70.8%
- Greenford 70.8%
- Hounslow 70.8%
- Shepperton 70.8%
Birmingham - Employment Rate

Solihull 78.5%
Dudley 73.8%
Coventry 72.1%
Wolverhampton 68.7%
Sandwell 66.3%
Walsall 65.9%
Birmingham 63.0%

Birmingham - Wages

Solihull 609.0
Birmingham 483.9
Coventry 471.3
Dudley 462.8
Walsall 435.2
Wolverhampton 430.0
Sandwell 410.8

Manchester - Employment Rate

Stockport 80.5%
Trafford 78.7%
Tameside 73.6%
Wigan 73.1%
Rochdale 72.9%
Bury 72.8%
Bolton 72.2%
Salford 71.8%
Oldham 70.1%
Manchester 65.2%

Manchester - Wages

Trafford 596.3
Stockport 537.4
Bury 504.3
Bolton 479.1
Oldham 473.3
Salford 469.6
Rochdale 468.2
Manchester 462.3
Wigan 458.5
Tameside 437.8
As the Government takes up the Local Transport Bill, which would give cities in England the power to develop London-style regulated bus networks, the challenge around promoting public transport is clear. Public transport use has increased in London – but this doesn’t necessarily mean people are ‘leaving their car at home’. Rises could be due to increased population and commuting.

While the capital saw 67% growth in bus and tram use between 1996/97 and 2006/07, the West Midlands and all three Northern regions registered double-digit falls. In the English metropolitan areas outside London, there were 15% fewer bus journeys in 2006/07 than in 1996/97. Money to finance better bus services is a major issue in regional cities: whereas London spent £625m on public transport support in 2006/07, the other six English metropolitan areas together spent only £128m.

Infrastructure challenges: Transport and Housing

Public Transport use

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Journeys 2006/07 (millions)</th>
<th>Journeys 1996/97 (millions)</th>
<th>10 year % change (96/97-06/07)</th>
</tr>
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<tbody>
<tr>
<td>London</td>
<td>2082</td>
<td>1246</td>
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</tr>
<tr>
<td>East of England</td>
<td>183</td>
<td>162</td>
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</tr>
<tr>
<td>South East</td>
<td>308</td>
<td>290</td>
<td>6%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>220</td>
<td>215</td>
<td>2%</td>
</tr>
<tr>
<td>South West</td>
<td>195</td>
<td>196</td>
<td>-1%</td>
</tr>
<tr>
<td>Yorkshire &amp; the Humber</td>
<td>390</td>
<td>439</td>
<td>-11%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>407</td>
<td>462</td>
<td>-12%</td>
</tr>
<tr>
<td>North West</td>
<td>522</td>
<td>606</td>
<td>-14%</td>
</tr>
<tr>
<td>North East</td>
<td>244</td>
<td>307</td>
<td>-21%</td>
</tr>
<tr>
<td>England total</td>
<td>4550</td>
<td>3922</td>
<td>16%</td>
</tr>
<tr>
<td>Scotland (bus)</td>
<td>482</td>
<td>478</td>
<td>1%</td>
</tr>
<tr>
<td>Scotland (Glasgow Subway)</td>
<td>13</td>
<td>14</td>
<td>-7%</td>
</tr>
<tr>
<td>England exc. London</td>
<td>2468</td>
<td>2676</td>
<td>-8%</td>
</tr>
<tr>
<td>Wales</td>
<td>119</td>
<td>131</td>
<td>-11%</td>
</tr>
</tbody>
</table>


With the exception of Newcastle (57%), over 60% of people drive to work in the Core Cities (Birmingham, Manchester, Liverpool, Nottingham, Newcastle, Bristol, Leeds). Conversely, only around 40% choose the car in Greater London, Cambridge and Oxford.


The East of England – led by bus growth around the chronically-congested cities of Cambridge and Norwich – registered a phenomenal 12% growth in bus use during 2006/07 alone, showing that good bus networks and Park and Ride systems can make a difference even in highly car-dependent regions.

Housing has now become a key priority for the Brown government. Although overall housebuilding in England has increased significantly since 2001, it still lags well behind the Government’s ambitious new target of 240,000 additional homes per year. Only 185,000 houses were completed in England in 2006/07.

Two highly urbanised regions – the North West and the West Midlands – registered significant falls in house completions in 2006/07.

Despite unprecedented housing demand in the Greater South East, developers actually delivered fewer new homes in the South East region in 2006/07 – although the East and London saw strong growth.

---

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