centreforcities

Cities Outlook 2011

"Cities Outlook 2011 highlights some of the challenges confronting cities today: economic development, unemployment, changing demographics, ever-increasing resident expectations - all coupled with significantly reduced budgets. Leaders will need to act decisively and on a broader range of topics if their cities are to transition successfully into 'Smarter Cities'.

The greatest advances in improving city life for residents are created by visionaries who are able to see and plan beyond organisational boundaries. Understanding where you are today, with respect to your peers and competitors, is an essential first step towards setting and achieving goals - this report helps provide this valuable information."

Stephen Leonard, Chief Executive, IBM UK and Ireland

"Thriving cities are essential to the UK's economic recovery and to our continuing global competitiveness. Investment and growth in London remain crucial not only for Londoners and for London businesses - they also support growth and prosperity in other UK cities. Each of our great cities is unique, but also part of a network linking people, ideas and products. I warmly welcome the work of the Centre for Cities in helping us to understand better the economic importance of cities, the relationships between our cities and how we can work together to succeed in the global economy."

Boris Johnson, Mayor of London

"Better connecting our cities and towns will be critical for the economic recovery. That's why this Government is determined to boost our prosperity by bringing Britain's cities closer together with a new national High Speed Rail network. Cities Outlook 2011 provides a timely analysis of the growth and potential of our urban areas."

Philip Hammond MP, Secretary of State for Transport

"Manchester leads the way in terms of city region partnerships. Together, we are targeting limited public resources at key interventions that achieve the best possible economic and social returns, to create a virtuous circle of increased productivity and reduced dependency. Cities Outlook provides a valuable baseline against which we can measure our progress."

Sir Howard Bernstein, Chief Executive, Manchester City Council

"Chambers of Commerce - which have front doors in every town and city across Britain - need clear information to stand up for local businesses. That clear, concise information is what makes Cities Outlook such an indispensible resource. It's more critical than ever in 2011 - which must be a Year for Growth."

David Frost, Director General, British Chambers of Commerce

"Centre for Cities continues to go from strength to strength, and Cities Outlook is the key analysis of economic performance for British cities. For policy makers at a national and local level, as well as for business leaders, it makes compulsory reading."

Rachel Reeves, MP for Leeds West

"In the environment of restrained public sector spending, cities will lead the UK out of the recession by the strength of the enterprise of their people and their business sector albeit supported by new initiatives including Local Enterprise Partnerships. These are challenging but potentially exciting time for cities. The Centre for Cities' Cities Outlook is an important tool in informing the decisions that will lead to long term prosperity."

Cec Tallack, Leader, Milton Keynes Council

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Acknowledgements
The Centre for Cities would like to thank IBM and the Local Government Association for their support of Cities Outlook 2011.

Cities Outlook 2011

Managing the deficit in a way that supports UK economic growth has been the key topic of debate since the Coalition took office in May 2010. The Government has now set out how it intends to do this. Its plans include a strategy for growth and enterprise, rebalancing the economy and implementing £81 billion of reductions in annual public spending by 2014/15.[1]

While the Coalition is seeking to shift the emphasis to growth, all local authorities will feel the impact of spending cuts following the deepest recession in decades. However, these reductions - as well as measures to promote growth - are being implemented in an economy that is rebounding strongly.

During the recession, the UK economy shrank in total by 6.4 percent from peak to trough, and unemployment increased by around 840,000 people.[2] However, throughout the recession and nascent recovery, employment has been more resilient than expected. This is likely to be a result of employers reducing hours and pay to retain their workforce and drawing on high levels of cash reserves built up pre-recession,[3] as well as continued employment growth in the public sector.

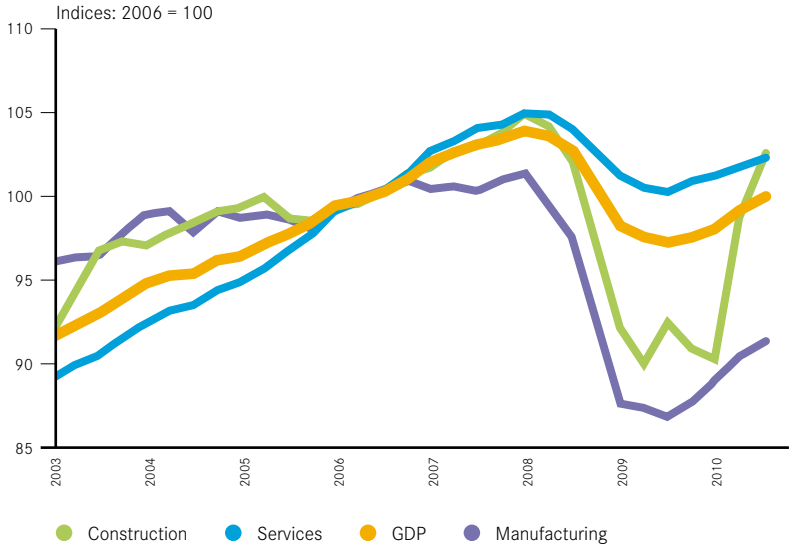
As Chart 1 shows, the economy has bounced back strongly over the course of 2010, although it remains well behind its pre-recessionary peak. Since the recession ended, output has increased by 2.8 percent, driven by strong growth in the manufacturing and construction sectors.[4] Going forward, the Office for Budget Responsibility (OBR) estimates that growth will be 2.1 percent in 2011 and 2.6 percent in 2012.

Despite the national economy's strong emergence from recession, the pace of recovery across UK cities is uneven. While in the longer term, cities such as Bristol and Edinburgh are well positioned to support national growth by building on their diverse industrial base and high skills levels, the economies of cities like Liverpool, Newport and Swansea are vulnerable to the forthcoming public sector cuts in the short-term because of their weaker private sector economies and their dependence on public sector employment.

The varied geography of both recession and recovery makes it even more important that local authorities are empowered to devise strategies that respond to their distinctive local economic circumstances. Empowering cities, in particular to build on local assets, will be vital to supporting the UK's prosperity. Containing over 70 percent of Great Britain's private sector jobs, cities and their hinterlands will be critical to driving private sector growth in the future because they offer businesses access to consumers, skilled workers

1. Speech by David Cameron, 6 January 2011
2. Between Q1 2008 and Q3 2009
3. GLA Economics (2010) Working Paper 44: London's labour market in the recent recession, London: GLA Economics
4. Between Q3 2009 and Q3 2010

Chart 1:
GDP and sector Gross Value Added



Source: Bank of England 2010, inflation report - November 2010. London: Bank of England.

and the opportunities to exchange ideas.

The challenge of managing spending reductions, and the need for cities to support economic growth, makes the Coalition's economic growth strategies and the introduction of legislation to support greater localism particularly significant.

The Coalition has committed to rebalancing the economy and has introduced measures such as the Green Deal, Technology and Innovation Centres and the New Enterprise Allowance with the aim of supporting this. Box 1 also shows that despite large cuts to the capital budget the Government has committed to funding key transport projects that are likely to be important to support medium-term growth.

Box 1:
Infrastructure and transport spending – keeping the economy moving

Public spending on infrastructure is vital for supporting future economic growth,[5] but this type of expenditure is in for a squeeze. Under the Coalition's current plans net investment is due to fall from 2.9 percent of GDP in 2010/11 to 1.3 percent in 2014/15.

Despite this significant reduction, the Government has recognised the importance of infrastructure spending and in particular the need to invest in transport. In the Spending Review, the Department for Transport received a sympathetic settlement (with its budget reduced by 15 percent by 2014/15) and funding approved for key capital projects, such as Crossrail and upgrades to the Tyne and Wear Metro.

At the local level, councils have been given more flexibility over budgets, Regional Development Agencies have been scrapped, Local Enterprise Partnerships have been created and a Regional Growth Fund has been established.

Over the next few years, cities will need to grapple with the challenges and opportunities of managing very tight budgets and the increased responsibilites associated with localism. At the same time cities will need to respond to on-going processes of economic change, and find ways to effectively support growth and job creation in the private sector. Box 2 analyses what the Localism Bill and financial settlement mean for cities.

Cities Outlook 2011 highlights the strengths and vulnerabilities of different city economies in this context. Section 1 looks at the impact of the recession and recovery on different cities. Section 2 then reviews how welfare reforms and cuts in public sector jobs are likely to affect different UK cities. Finally, Section 3 compares cities on a range of indicators.

5. Gemmell N, Kneller R & Sanz I (2009) *Does the Composition of Government Expenditure Matter for Economic Growth*. Unpublished Working Paper

Box 2:
Analyses what the Localism Bill and financial settlement mean for cities

The much anticipated Localism Bill was published on 13 December 2010. The Bill sets out the legislative underpinnings for many of the Coalition's biggest policy announcements. The main proposals in the Bill were:

- Referenda will be held on whether the UK's twelve largest cities should have a city mayor;
- General power of competence to be granted so that councils can take any action that does not cost money or break an Act of Parliament;
- Much greater community empowerment, including neighbourhood planning to enable communities to grant planning permission;
- New rights to be given to communities to take over services (for example through employee-run mutuals, cooperatives or social enterprises) or to buy community assets;
- Citizens to have the right to have referenda on local issues and veto council tax rises;
- Dormant bank accounts to be used to fund a Big Society Bank;
- Greater financial autonomy to local government and greater transparency (e.g. job titles and salaries published);
- Right for discretionary business rate discounts; and
- New settlement for London to devolve greater power to the Greater London Authority.

The Centre for Cities welcomes many of the proposals set out in the Localism Bill. However, questions still remain around whether cities, even with the proposals set out in the Bill, will have sufficient powers and financial freedom to effectively tackle the important issues in their local areas.

01

Recession and Recovery in UK Cities

Recession and Recovery in UK Cities

The impact of the recession and the shape of the recovery have varied significantly across the UK. At the onset of the recession, it was expected that cities with high concentrations of high-skilled white collar workers, such as London and Brighton, would be hit the hardest.

Instead, it was blue collar workers that were hit the hardest as a result of the severity of the recession in the manufacturing and construction sectors. This meant that some cities - such as Hull and Middlesbrough – experienced large rises in their claimant counts during the recession, while others - like Edinburgh and Cambridge - only experienced relatively minor increases.

Similarly, even though economic growth has been reasonably strong during the recovery so far and the national claimant count has been falling, Belfast has actually seen an increase in its claimant count since the national recession came to an end. A number of other cities, such as Dundee and Plymouth, have only experienced small declines.

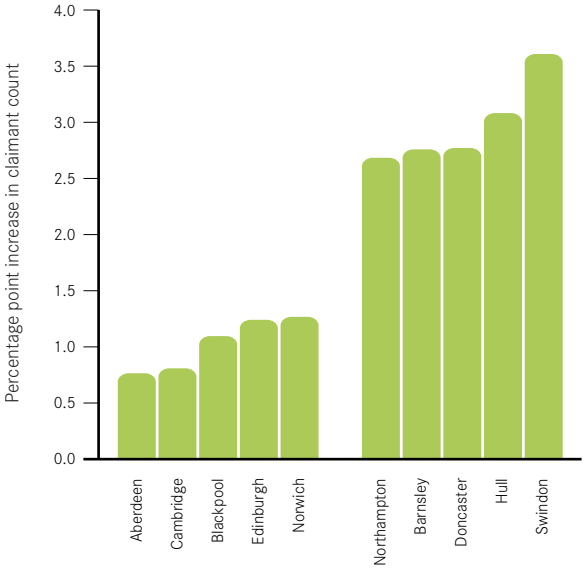
Much of this variability in economic growth across UK cities can be explained by their different starting points. Over the last year our Agenda for Growth research programme has highlighted the uneven nature of private sector job creation across England's cities. *Private Sector Cities*,[6] highlighted how cities such as Brighton, Milton Keynes and Preston were the main drivers of the strong overall performance of the national economy between 1998 and 2008. Conversely, it showed that despite strong growth at the national level, cities such as Birmingham, Burnley and Stoke actually lost private sector jobs over the ten year period. The recession and the recovery have tended to accelerate these pre-existing trends.

The impact of the recession varied across the country

Changes in the claimant count demonstrate this variability. Chart 2 shows the top and bottom five performing UK cities on the percentage point increase in claimant count between February 2008 (when the national claimant count figure started to increase because of the recession) and June 2009 (when it stabilised). Cities that were hit hardest over this period include Swindon, Hull and Doncaster. Those that suffered least were Aberdeen, Cambridge and Blackpool.

6. Webber C & Swinney P (2010) Private sector cities: A new geography of opportunity, London: Centre for Cities

Chart 2:
Top and bottom five cities for increases in claimant counts February 2008 and June 2009



Source: NOMIS 2010, Claimant Count, Feb 2008 and June 2009 data, non seasonally-adjusted. Note: Although not a completely accurate measure of unemployment in a city, the claimant count is the most up-to date indicator we have for unemployment at a city level.

Box 3:
The use of primary urban areas (PUAs)

The analysis undertaken in Cities Outlook compares cities' Primary Urban Areas (PUAs) – a measure of the built-up areas of a city, rather than individual local authority districts.

A PUA is the city-level definition used in the Department for Communities and Local Government's State of the Cities Report.[7] It is useful as a consistent measure to compare cities across the country and we have used it since the first edition of Cities Outlook in 2008.

It is worth noting that, as is the case with almost every definition of geographic units, PUAs fit some areas better than others. Hull and Cambridge PUAs, for example, are slightly under-bounded. And some cities with substantial populations, such as Colchester, never made it into the PUA definition.

PUA data only exists for English cities; for Welsh and Scottish cities we have used Local Authority data with the exception of tightly-bounded Glasgow, where we have defined the city as an aggregate of five Local Authorities: Glasgow City, West Dunbartonshire, East Dunbartonshire, East Renfrewshire and Renfrewshire. Belfast is defined as the aggregate of Belfast City, Carrickfergus, Castlereagh, Lisburn, Newtownabbey and North Down.

Note: Due to local government reorganisation, in April 2009 Ellesmere Port & Neston became part of Cheshire West & Chester unitary authority. As a result, in some cases Birkenhead may be defined as Wirral local authority only. However, unless otherwise stated, Birkenhead PUA is defined as the aggregate of Wirral local authority and the former local authority area of Ellesmere Port & Neston.

7. Department for Communities and Local Government (2005) State of the English Cities, London: Department for Communities and Local Government

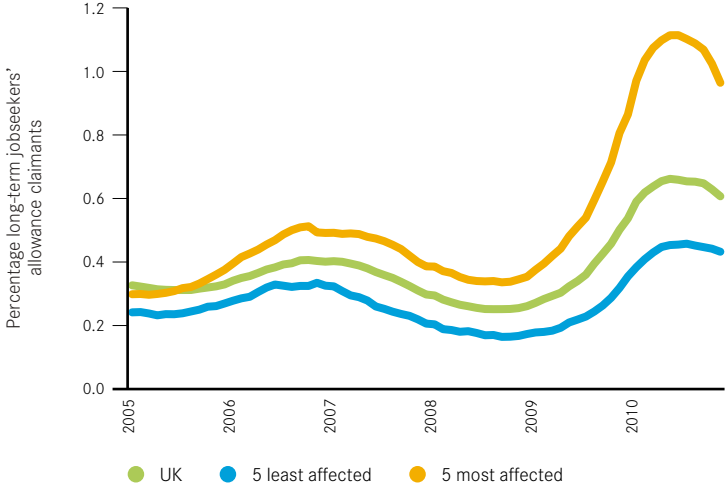
Unemployment did not increase as much as expected, but there was a rise in long-term unemployment

Although all UK cities experienced increases in their claimant counts over the course of the recession, the national labour market did not deteriorate as much as some commentators had feared.[8] However, this better than expected performance masked a significant increase in the rate of long-term unemployment - measured by the number of people claiming Jobseekers' Allowance for more than one year - in some parts of the UK.

Chart 3 plots the average long-term unemployment rate for the UK as a whole and for the two groups of high and low performing cities used above. It shows the strong divergence in the rates of long term claimants between those cities whose labour markets were most and least badly hit by the recession.

Although an increase in long-term unemployment in the cities that were hit hardest by the recession should be expected, its impact on those cities should not be underestimated. Importantly, the increase could have damaging long-term consequences for the employment and earning prospects of the individuals concerned, particularly if they are young, as research shows that the long-term unemployed experience significant barriers in their efforts to return to work.[9]

Chart 3:
Claimant rate for claimants receiving Jobseekers' Allowance for more than one year



Source: NOMIS 2010, Claimant Count, January 2005 to November 2010, non-seasonally adjusted.

8. 'Unemployment could peak at 4m in 2012', Observer, 10 May 2009
9. Gregg P & Tominey E (2004) The Wage Scar from Youth Unemployment, Bristol: University of Bristol

Inequality within cities has fallen over the last year

The difference in the claimant count rates between neighbourhoods within cities[10] has in general fallen over the last year, as shown in Table 1. This is primarily due to reduced claimant count rates in those neighbourhoods with the highest claimant count rate. In Glasgow, the city with the highest inequalities last year, for example, the level of disparity had reduced by 9.9 percentage points from 32.3 percentage points in November 2009 to 22.4 percentage points in November 2010.

Table 1:
Top five cities with the highest percentage point change in inequalities

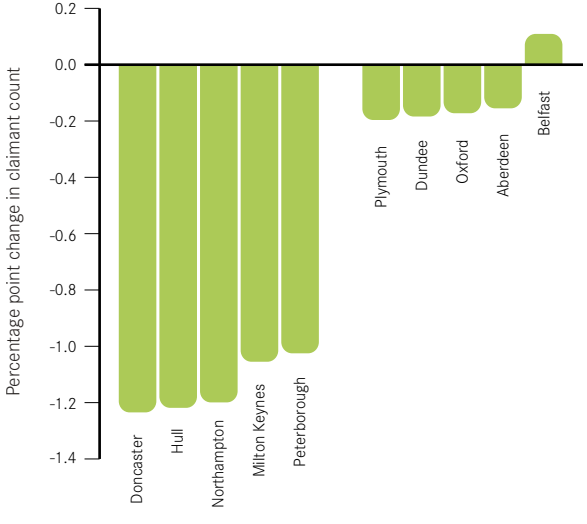
City	Percentage point change in the difference between lower super output areas with the highest and lowest claimant count rates, November 2009 to November 2010
Glasgow	-9.9
Milton Keynes	-3.9
Preston	-3.3
Northampton	-3.3
Dundee	-3.1

Source: NOMIS 2010, Claimant Count, November 2009 and November 2010 data.

The geography of recovery has been highly uneven across the country

The national claimant count stabilised in June 2009 and began to fall in March 2010 as the economy began to recover and create more jobs. Again, however, the geography of recovery has varied significantly across the country. Chart 4 shows the percentage point change in claimant count experienced by the top and bottom five performing cities in the UK between March and November 2010. Three of the top five performers during the recovery phase – Hull, Doncaster and Northampton – were among the worst affected cities during the recession itself. Their relatively strong performance over the course of 2010 is encouraging because it suggests that employment levels could be bouncing back more quickly in some of the cities hit hardest by the recession.

Chart 4:
Increase in claimant count between March 2010 and November 2010 for top and bottom five performing UK cities



Source: NOMIS 2010, Claimant Count, March 2010 and November 2010 data, non-seasonally adjusted.

10. We use the percentage point difference between a city's lower super output area (LSOA) with the highest claimant count and a city's LSOA with the lowest claimant count as a proxy indicator for inequalities

Not every city is performing so well, however. For example, the claimant count in Belfast has increased and cities like Dundee, Glasgow and Plymouth have only experienced relatively small decreases in their number of claimants.

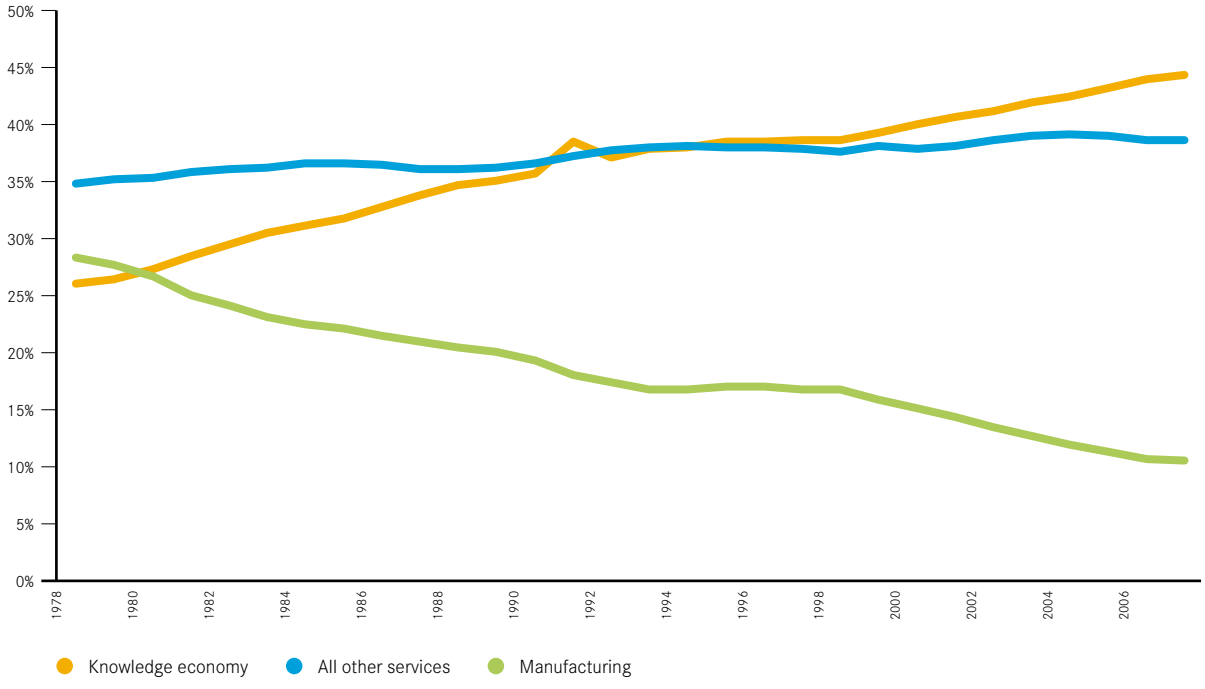
The strong bounce-back in some areas has primarily been down to an increase in the availability of low skilled jobs

The indication of a bounce-back among those cities that were hit hardest by the recession is good news. But the composition of the recession means that this should come as no great surprise. The manufacturing industry shed 10.8 percent of its jobs between Q1 2008 and Q3 2009 and construction lost 9.0 percent. So employment in cities with large numbers of workers in these sectors – such as Hull and Doncaster - was always going to suffer more than employment in cities with a stronger emphasis on services – such as Reading and Brighton - which only shed 1.3 percent of its workforce over the course of the recession.

The strong bounce-back experienced by some cities during the recovery reflects that demand for low skilled workers hit hardest by the recession, has begun to recover from the severe job cuts made during the recession. Low skilled occupations (process, plant and machine operatives and elementary occupations) have accounted for 54 percent of the fall in the claimant count across UK cities since March 2010. In Hull this figure is 61 percent. In Sunderland it is 87 percent.

Over the longer-term, however, the on-going process of globalisation and technological change means that cities are unlikely to be able to rely on low skilled manufacturing jobs to the extent that they have in the past (see Chart 5).

Chart 5:
GDP and sector Gross Value Added



Source: Brinkley I 2008. Knowledge Economy and Enterprise. A Knowledge Economy Working Paper. London: The Work Foundation.
Note: Share of employees in employment, GB. Knowledge based services Work Foundation estimates from ONS figures and includes communications, financial services, business services, education and health. All other services includes retail, hospitality, transport, public administration and other community, social and personal services. Manufacturing includes both knowledge based and other sectors.

02

Reducing the Deficit: The Impact on Cities

Reducing the Deficit: The Impact on Cities

Managing the structural fiscal deficit – which amounted to 8.7 percent of GDP in 2009/10 - was identified as a priority by all the political parties in the run-up to the General Election in May 2010.

Once the Coalition took office it swiftly undertook an emergency Budget in June and a Spending Review in October, together announcing that the Government would be cutting annual public spending by £81 billion by 2014/15 to bring the deficit under control.

The need to manage the deficit and strengthen the recovery is undisputed across the major political parties.[11] Yet, just as the impact of the recession and recovery has varied across the country, so too will the impact of public sector cuts.

If the Government's growth ambitions are to be achieved, it is critical to understand how different places are likely to be affected by the economic climate, the Government's spending decisions and policies aiming to re-balance the economy.

This section uses policy announcements by the Government to estimate the impact of welfare cuts, public sector job losses and the knock on impact on private sector job losses on cities.[12] The analysis focuses on the impact of policy on these three issues. It does not incorporate wider economic dynamics, potential behaviour changes or the effects of the Government's policies for growth. The findings are therefore illustrative rather than forecasts.

These findings are indicative and will assist cities and national government to identify policy priorities for different places. We show that some cities – such as York and Reading - appear relatively well placed to emerge with strong economies and to continue to contribute to national economic recovery. Others with weaker economies – including Liverpool and Newport – are much more vulnerable to the coming reductions in public sector spending.

The implication is that the UK economy is likely to continue to grow, driven by cities such as Reading. However, those cities most dependent on the public sector and therefore most vulnerable to public sector spending cuts are likely to face significant challenges in the months ahead.

11. 'Spending Review 2010: Ed Miliband calls cuts 'irresponsible gamble'', Daily Telegraph, 20 October 2010 'Osborne's cuts will strengthen Britain's economy by allowing the private sector to generate more jobs', Daily Telegraph, 18 October 2010
12. For a more detailed explanation on the methodology used to estimate the impact of the cuts please see the technical note on our website at www.centreforcities.org/outlook11

Cities and the welfare state

As part of the Coalition's effort to tackle the budget deficit and increase work incentives, the welfare budget will be reduced by around £18 billion by 2014/15 – about 9 percent of the total welfare bill. In addition, the cuts overall represent only a small proportion of any individual city's income.

Reductions in welfare will have an impact on the people receiving benefits, and on places where benefits income has historically compensated for low levels of jobs in the local economy. In this context, understanding the differential impact of welfare cuts for spending in each city can help city leaders and the Coalition understand how best to support these economies.

How much welfare do cities currently claim?

Using data on benefits claimants and average payments where possible,[13] we have been able to estimate the size of the welfare bill for each city for 2009.[14] As is evident from our findings, many of the cities with larger welfare bills are those that are experiencing other economic challenges, for example they tend to have suffered most from deindustrialisation and its associated effects in recent years. Chart 6 maps the welfare bill per capita in cities throughout Great Britain.[15]

It is important to recognise that assessing the impact of welfare cuts is highly complex. Reductions in welfare are likely to have a range of dynamic effects on people's expenditure patterns, use of housing, and their labour market incentives. Our estimates about their impact can only be just that: estimates. They do not take account of the economic benefit of people moving back into work. In addition, whilst significant it is important to remember that the cuts overall represent only a small proportion of any individual city's income.

Key findings include:

- **There is significant variation in welfare spending per capita across UK cities.** At the equivalent of £3,398 for every person who lives in the city, Birkenhead[16] had the largest welfare bill per capita. This is almost double the per capita bill in Cambridge, which is the lowest.

- **The total welfare bill in some cities is equivalent to more than one quarter the size of their total economic output (although transfer payments are not scored as economic output).[17]** If welfare bills are compared to the size of the local economy, Birkenhead and Barnsley have the largest overall welfare bills - welfare spending is equivalent to 30 percent and 26 percent of their total economic output respectively.

- **Welfare is particularly important to some cities as a source of local income.** The welfare bill in Liverpool accounts for up to 28 percent of the total estimated income of residents in the city, while it is up to 29 percent in Hull.[18] Whilst only a proportion of

13. Benefits included in the total bill are housing benefit, council tax benefit, jobseekers' allowance, incapacity benefit, employment support allowance, carers' allowance, disability living allowance, widows' benefit, income support, severe disability allowance, state pension, working tax credits, child tax credits, attendance allowance, winter fuel allowance, child benefit and health in pregnancy
14. Figures for housing benefit are for 2010
15. Further data for all cities can be found on our website at www.centreforcities.org/outlook11
16. Birkenhead Primary Urban Area is defined as Wirral local authority only in this section. This is due to local government reorganisation in April 2009 that saw Ellesmere Port and Neston become part of Cheshire West and Chester unitary authority
17. Welfare payments do not contribute to cities' GVA; this is for comparative purposes only
18. This assumes that welfare payments and wages are the sole income streams in an economy, when in reality investments, private pensions and unregistered economic activity will also contribute
19. See: Webber C & Swinney P (2010) Private sector cities: A new geography of opportunity, London: Centre for Cities

this income would be spent in the local area, it still leaves consumer spending in these cities vulnerable to cuts in welfare spending.

- **Economically buoyant cities[19] have the smallest welfare bills.** In Cambridge, total welfare payments are equivalent to just 5 percent of total economic output, while this figure is only 6 percent in Reading and Oxford.

- **London has the largest welfare bill – but it is small relative to the size of its economy.** The capital has the largest overall welfare bill of all cities, equating to £22 billion per year. This is almost as large as the total welfare bill of England's Core Cities put together. But this is in part a function of London's size; its welfare bill is equivalent to just 8 percent of its total economic output.

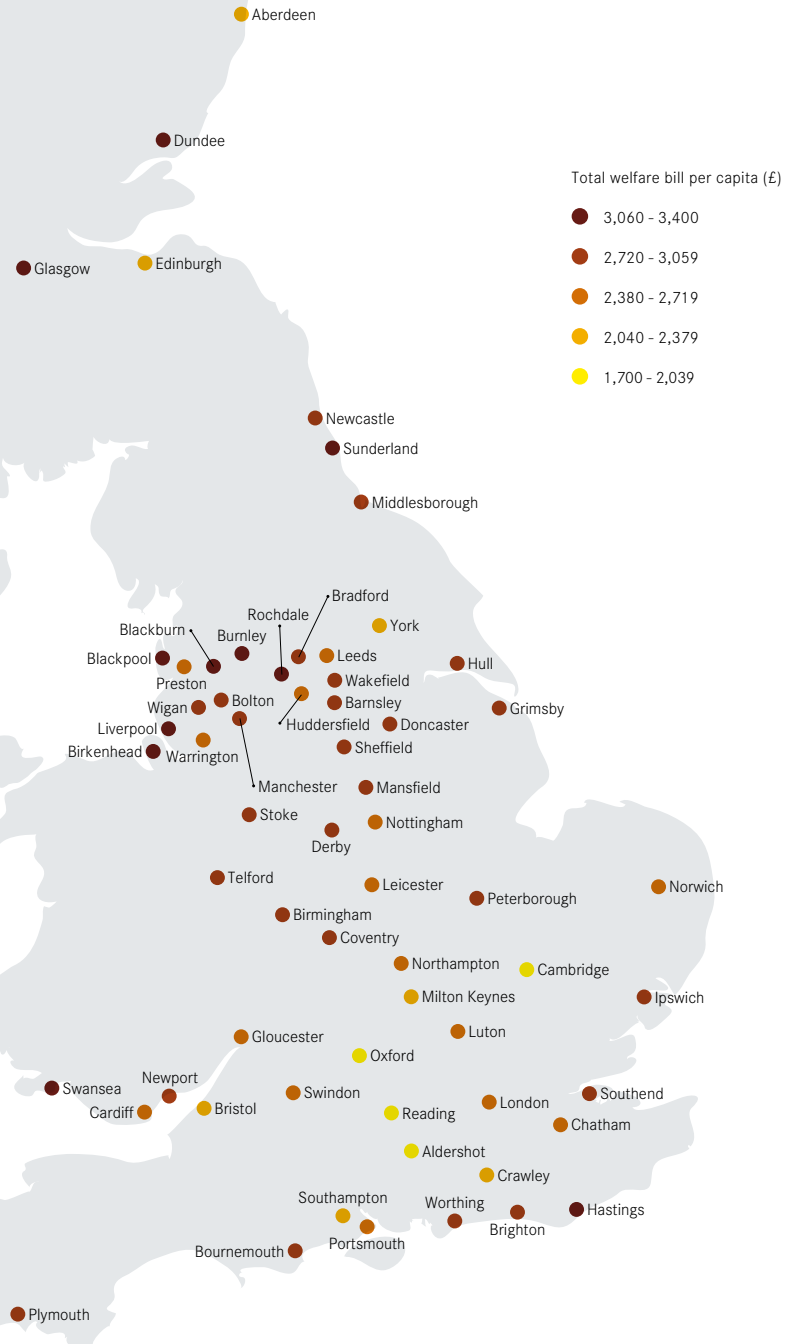
Table 2:
Major cities for total welfare bill per capita (Estimated)

City	Total welfare bill 2009 (£)	Total welfare bill as a % of 2008 GVA	Total welfare bill per capita (£)	Welfare bill as a % estimated total income
Major cities for total welfare bill per capita				
Liverpool	2,591m	20	3,371	28
Glasgow	3,274m	14	3,138	22
Birmingham	7,073m	17	3,041	26
Newcastle	2,444m	16	2,963	24
Manchester	5,237m	14	2,870	22
Sheffield	2,194m	16	2,739	23
Nottingham	1,703m	14	2,678	21
London	22,476m	8	2,489	14
Leeds	1,918m	11	2,435	18
Bristol	1,641m	9	2,360	17
Edinburgh	1,105m	7	2,313	14

Source: NOMIS 2010, DWP Benefits; DWP 2010, Information Directorate: Work and Pensions Longitudinal Study; DWP 2010, Single Housing Benefit Extract; NOMIS 2010, Population Estimates; ONS 2010, Births and Deaths in England and Wales; HMRC 2010, Child and Working Tax Credit Geographical Statistics; ONS 2010, Annual Survey of Hours and Earnings; HMRC 2010, Child Benefit Statistics; ONS 2010, NUTS3 GVA 1995-2008, own calculations for PUA level – weighted by population; Direct Gov; DWP 2010, Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-12, London: DWP; Scottish Neighbourhood Statistics 2010, Births registered in year; NOMIS 2010, Annual Population Survey; ONS 2010, Annual Survey of Hours and Earnings.

Chart 6:
Map of welfare bill per capita

City	Welfare bill per capita (£)	City	Welfare bill per capita (£)
Birkenhead	3,398	Southend	2,757
Liverpool	3,371	Derby	2,750
Dundee	3,301	Ipswich	2,741
Hastings	3,287	Sheffield	2,739
Blackpool	3,242	Brighton	2,731
Blackburn	3,184	Huddersfield	2,707
Rochdale	3,172	Leicester	2,679
Burnley	3,152	Nottingham	2,678
Glasgow	3,138	Gloucester	2,613
Sunderland	3,120	Norwich	2,580
Swansea	3,067	Luton	2,576
Stoke	3,053	Preston	2,574
Hull	3,052	Cardiff	2,564
Barnsley	3,043	Portsmouth	2,559
Birmingham	3,041	Chatham	2,540
Bolton	3,034	Warrington	2,518
Newport	3,024	London	2,489
Middlesbrough	2,995	Northampton	2,485
Doncaster	2,989	Leeds	2,435
Grimsby	2,977	Swindon	2,389
Newcastle	2,963	Milton Keynes	2,374
Mansfield	2,955	Southampton	2,363
Wigan	2,928	Bristol	2,360
Bournemouth	2,912	Edinburgh	2,313
Manchester	2,870	Aberdeen	2,296
Peterborough	2,845	Crawley	2,220
Wakefield	2,840	York	2,186
Coventry	2,815	Aldershot	2,030
Telford	2,807	Oxford	1,933
Bradford	2,806	Reading	1,931
Worthing	2,787	Cambridge	1,770
Plymouth	2,768		



Source: NOMIS 2010, DWP Benefits; DWP 2010, Information Directorate: Work and Pensions Longitudinal Study; DWP 2010, Single Housing Benefit Extract; NOMIS 2010, Population Estimates; ONS 2010, Births and Deaths in England and Wales; HMRC 2010, Child and Working Tax Credit Geographical Statistics; ONS 2010, Annual Survey of Hours and Earnings; HMRC 2010, Child Benefit Statistics; ONS 2010, NUTS3 GVA 1995-2008, own calculations for PUA level – weighted by population; Direct Gov; DWP 2010, Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-12, London: DWP; Scottish Neighbourhood Statistics 2010, Births registered in year; NOMIS 2010, Annual Population Survey; ONS 2010, Annual Survey of Hours and Earnings.

Box 4:
Birkenhead and Cambridge

Birkenhead and Cambridge are at opposite ends of the scale in terms of the size of the welfare bills in their cities. The breakdown of the welfare bill also differs in the two cities in part reflecting their different industrial heritages.

In Birkenhead, the levels of Incapacity Benefit, Income Support and Child and Working Tax Credits are higher than the Great Britain city average, and more than twice the size of the respective bills in Cambridge. Cambridge's small welfare bill is in part due to its small pension bill and its large relative population of students. It is interesting to note however that pensions still dominate the overall welfare bill despite being below the Great Britain city average.

Chart 7 shows the breakdown of welfare spending in both cities.

Chart 7:
Composition of the welfare bill per capita in Birkenhead and Cambridge

Birkenhead

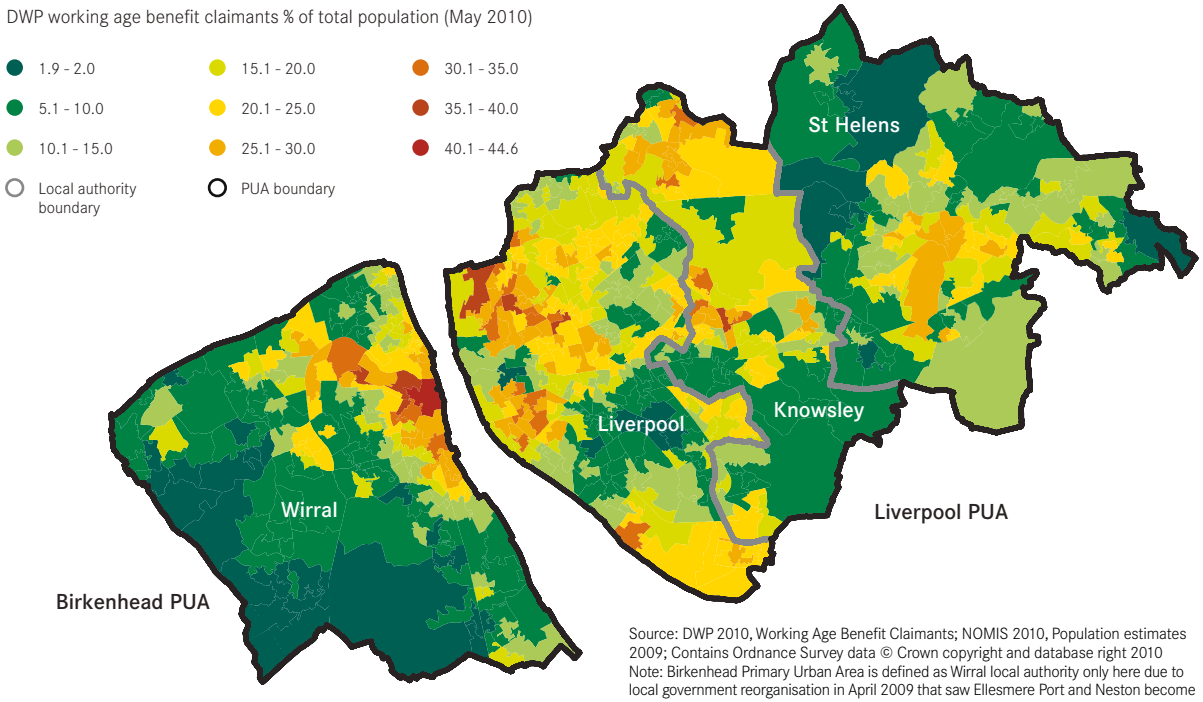
Cambridge

Source: NOMIS 2010, DWP Benefits; DWP 2010, Information Directorate: Work and Pensions Longitudinal Study; DWP 2010, Single Housing Benefit Extract; NOMIS 2010, Population Estimates; ONS 2010, Births and Deaths in England and Wales; HMRC 2010, Child and Working Tax Credit Geographical Statistics; ONS 2010, Annual Survey of Hours and Earnings; HMRC 2010, Child Benefit Statistics; ONS 2010, NUTS3 GVA 1995-2008, own calculations for PUA level – weighted by population; Direct Gov; DWP 2010, Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-12, London: DWP; Scottish Neighbourhood Statistics 2010, Births registered in year; NOMIS 2010, Annual Population Survey; ONS 2010, Annual Survey of Hours and Earnings.

Box 5:
Benefit claimants within Liverpool and Birkenhead

Although Birkenhead and Liverpool have the largest welfare bills of all Great Britain cities, the distribution of claimants varies across the two cities. Chart 8 shows the number of people claiming working age benefits from the Department of Work and Pensions as a percentage of all residents across the lower super output areas (LSOA) of both cities.[20] While less than one in 20 people claim working age benefits in some LSOAs in the south west of Wirral local authority and in some parts of Liverpool and St Helens local authorities, almost one in two people claim benefit in central Birkenhead.

Chart 8:
Map of DWP benefit claimants in Birkenhead and Liverpool



Source: DWP 2010, Working Age Benefit Claimants; NOMIS 2010, Population estimates 2009; Contains Ordnance Survey data © Crown copyright and database right 2010
Note: Birkenhead Primary Urban Area is defined as Wirral local authority only here due to local government reorganisation in April 2009 that saw Ellesmere Port and Neston become part of Cheshire West and Chester unitary authority.

20. This is not comprehensive of all benefits included in the total welfare bill. It was not possible to get a list of the total number of claimants for all benefits as no one government department reports statistics for all benefits.

How will cities be impacted by cuts to welfare?

Differences in demographics and economic performance mean that, just as the recovery is uneven, so the reduction of the welfare bill will affect cities in different ways.

The size of the welfare bill will be reduced in every city over the coming years. The aim of the Coalition is that this will increase work incentives and, alongside other measures to improve employability and support private sector growth, lead to an increase in those in paid employment.

However, as employment opportunities vary between cities (with some cities having too few jobs for their residents – a 'jobs gap' - and some having vacancies and skills gaps),[21] it will be more challenging for residents to move into paid employment in some cities than others. This suggests policies to encourage labour mobility will help people to access employment. Skilling up - given the propensity for people with higher skills to travel further to work – should also be a priority.

Some of the measures that the Coalition is introducing to encourage greater mobility between cities (e.g. flexibility in social housing and improvements to transport infrastructure will be important in helping some individuals to move to places with more jobs). Nonetheless, the 'jobs gap' mismatch is still likely to remain and the pressures on labour to be more mobile will increase. Our assumptions are made on the basis that, in the short-term, residents remain in their current cities.

Overall consumer spending is likely to be affected the most in those cities that are most vulnerable to the welfare reforms

Chart 9 displays the estimated welfare cuts per capita in cities.[22] The figures presented here are not comprehensive; some reductions to welfare spending, such as the change in eligibility rules for the Working Tax Credit surrounding number of hours worked, could not be modelled spatially.[23]

Key findings include:

- **The scale of the cuts is relatively small in comparison to the size of the total welfare bill.** Cuts to welfare amount to around five percent of the total welfare bill in cities, and large sums will continue to spent by Government on welfare. That said, the cuts will have a significant impact upon the incomes of claimants on whom they are targeted. And, while not all of this income would otherwise have been spent in the local economy, a 'multiplier effect' would amplify the impact of any money spent through the additional jobs and incomes it would have supported.

- **Cities in the North West will be affected most by cuts to welfare spending.** Seven of the top ten worst affected cities – including Bolton, Blackburn and Wigan – are located in the region.

- **Cities in the South East and East are likely to be least affected.** Six of the ten least affected cities – including Portsmouth, Oxford and Ipswich – are located in these regions.

21. Webber C & Swinney P (2010) Private sector cities: a new geography of opportunity, London: Centre for Cities
22. Data for all cities can be found on our website at www.centreforcities.org/outlook11
23. In total, we have been able to model around two-thirds of the £18billion cuts to welfare at the national level. The cuts we have been able to model are listed in the supporting methodology paper which can be found at www.centreforcities.org/outlook11

- **Birkenhead looks likely to be the most affected city in the country.** In total, Birkenhead's welfare cuts are likely to take at least £61 million out of its economy, which equates to a cut of about £197 per capita.

- **Among Great Britain's major cities Liverpool will be the most affected.** Its cuts are projected to remove £192 for every resident in the city. This is £17 per person more than Glasgow, which is projected to be the second hardest hit major city.

- **Despite the relatively small size of its per capita welfare budget, London will also be one of the major cities most affected.** This is mainly because of the cuts to Child Benefit for higher earners and the changes to Housing Benefit, which will have a big impact because of the city's high housing rents.

- **Leeds, Edinburgh and Bristol will be the least affected major cities.** Their projected cuts amount to £125 for every person in each city.

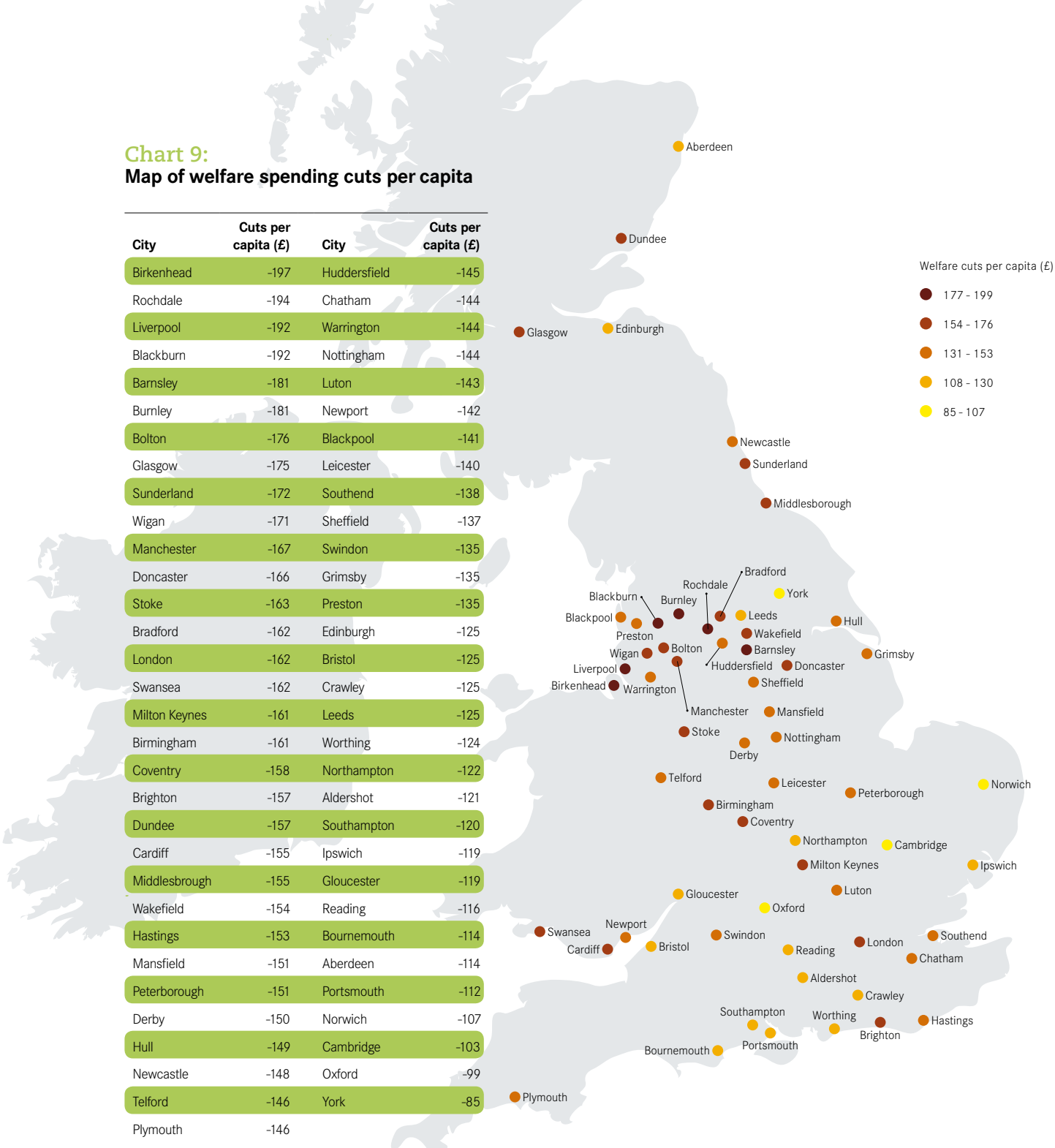
Table 3:
Major city cuts to the welfare bill per capita (Estimated)

City	Total cuts (£)	Cuts as % total welfare bill	Cuts as % 2008 GVA	Cuts per capita (£)
Major city cuts to the welfare bill per capita 2014/15				
Liverpool	-148m	-5.7	-1.1	-192
Glasgow	-182m	-5.6	-0.8	-175
Manchester	-304m	-5.8	-0.8	-167
London	-1,462m	-6.5	-0.5	-162
Birmingham	-374m	-5.3	-0.9	-161
Newcastle	-122m	-5.0	-0.8	-148
Nottingham	-92m	-5.4	-0.8	-144
Sheffield	-110m	-5.0	-0.8	-137
Edinburgh	-60m	-5.4	-0.4	-125
Bristol	-87m	-5.3	-0.5	-125
Leeds	-98m	-5.1	-0.6	-125

Source: NOMIS 2010, DWP Benefits; DWP 2010, Information Directorate: Work and Pensions Longitudinal Study; DWP 2010, Single Housing Benefit Extract; NOMIS 2010, Population Estimates; ONS 2010, Births and Deaths in England and Wales; HMRC 2010, Child and Working Tax Credit Geographical Statistics; ONS 2010, Annual Survey of Hours and Earnings; HMRC 2010, Child Benefit Statistics; Direct Gov; DWP 2010, Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-12, London: DWP; Scottish Neighbourhood Statistics 2010, Births registered in year; HM Treasury 2010, Budget 2010, London: HM Treasury, HM Treasury 2010, Spending Review 2010, London: HM Treasury; ONS 2010, NUTS3 GVA 1995-2008, own calculations for PUA level – weighted by population.

Chart 9:
Map of welfare spending cuts per capita

City	Cuts per capita (£)	City	Cuts per capita (£)
Birkenhead	-197	Huddersfield	-145
Rochdale	-194	Chatham	-144
Liverpool	-192	Warrington	-144
Blackburn	-192	Nottingham	-144
Barnsley	-181	Luton	-143
Burnley	-181	Newport	-142
Bolton	-176	Blackpool	-141
Glasgow	-175	Leicester	-140
Sunderland	-172	Southend	-138
Wigan	-171	Sheffield	-137
Manchester	-167	Swindon	-135
Doncaster	-166	Grimsby	-135
Stoke	-163	Preston	-135
Bradford	-162	Edinburgh	-125
London	-162	Bristol	-125
Swansea	-162	Crawley	-125
Milton Keynes	-161	Leeds	-125
Birmingham	-161	Worthing	-124
Coventry	-158	Northampton	-122
Brighton	-157	Aldershot	-121
Dundee	-157	Southampton	-120
Cardiff	-155	Ipswich	-119
Middlesbrough	-155	Gloucester	-119
Wakefield	-154	Reading	-116
Hastings	-153	Bournemouth	-114
Mansfield	-151	Aberdeen	-114
Peterborough	-151	Portsmouth	-112
Derby	-150	Norwich	-107
Hull	-149	Cambridge	-103
Newcastle	-148	Oxford	-99
Telford	-146	York	-85
Plymouth	-146		



Source: NOMIS 2010, DWP Benefits; DWP 2010, Information Directorate: Work and Pensions Longitudinal Study; DWP 2010, Single Housing Benefit Extract; NOMIS 2010, Population Estimates; ONS 2010, Births and Deaths in England and Wales; HMRC 2010, Child and Working Tax Credit Geographical Statistics; ONS 2010, Annual Survey of Hours and Earnings; HMRC 2010 Child Benefit Statistics; Direct Gov; DWP 2010, Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-12, London: DWP; Scottish Neighbourhood Statistics 2010, Births registered in year; HM Treasury 2010, Budget 2010, London: HM Treasury, HM Treasury 2010, Spending Review 2010, London: HM Treasury; ONS 2010, NUTS3 GVA 1995-2008, own calculations for PUA level – weighted by population.

Cities and public sector jobs

Reducing the deficit will inevitably result in job losses that will affect local economies. The Office for Budget Responsibility (OBR) had previously estimated that 490,000 jobs could go from the public sector by 2014/15, but has recently reduced this to 330,000. Table 4 presents our estimates of the public sector job losses likely to be experienced by British cities under both of these scenarios. These figures were estimated by applying cuts to public sector budgets announced in the Spending Review and then calibrating these with the OBR's estimates of public sector job losses.[24]

- **Swansea and Newport stand to be the cities most affected by cuts to public sector jobs.** They could each directly lose 2.9 percent of all jobs in their cities. This is in part due to the presence of the Driver and Vehicle Licensing Agency in Swansea, which employs around 5,000 people, and the Office for National Statistics (ONS) in Newport, which employs around 1,700 people. The ONS is facing a 50 percent cut to its budget.

- **Cities in the North East are also likely to be vulnerable because of the concentration of public sector administrative jobs.** HM Revenue and Customs employs a large number of people in both Sunderland (3,600 employees) and Newcastle (7,400 employees), while all three North East cities will be affected by cuts to university funding.

- **In absolute numbers, London is likely to lose the most public sector jobs due to reduced spending.** The capital could lose 53,000 jobs, partly driven by the likely impact on jobs in Whitehall.[25] But the projected public sector job losses set out here are only a fraction of total employment in the city; London is in the bottom ten cities in terms of the jobs it will lose relative to all jobs in its economy. And if London's strong record of private sector job creation persists then this is likely to offset job losses in the public sector.

- **We have previously identified some of the cities in the top ten as having weak private sector economies.**[26] For example, Hull, Stoke and Middlesbrough are very vulnerable to public sector job cuts because of their dependence on the public sector. Meanwhile, buoyant economies such as Milton Keynes, Crawley and Reading stand to lose the fewest jobs relative to their overall employment base. This suggests that, unless cities take measures to support private sector growth which builds on existing assets and strengths, the gap between stronger and weaker economies is likely to get wider over the next five years.

24. The OBR estimates do not include cuts to university employment, whereas our city estimates to include cuts to higher education. Cuts to quangos are not included in our figures because of lack of data availability. For more information see supporting methodology paper at www.centreforcities.org/outlook11
25. This analysis assumes that there will be no public sector relocations before 2014/15
26. Webber C & Swinney P (2010) Private sector cities: A new geography of opportunity, London: Centre for Cities

Table 4:
Estimated public sector job losses

Top 10 cities for estimated job losses in the public sector

Calibrated to 490,000 public sector job losses at UK level

	City	Job losses	% of all jobs
1	Newport	3,100	4.29
2	Swansea	4,200	4.05
3	Plymouth	3,300	3.13
4	Liverpool	10,600	3.08
5	Portsmouth	6,300	2.97
6	Middlesbrough	5,200	2.90
7	Sunderland	3,400	2.85
8	Newcastle	10,700	2.82
9	Hull	3,200	2.78
10	Stoke	4,100	2.73

Bottom 10 cities for estimated job losses in the public sector

Calibrated to 490,000 public sector job losses at UK level

	City	Job losses	% of all jobs
54	Glasgow	9,200	1.61
55	Peterborough	1,600	1.61
56	London	75,200	1.59
57	Reading	3,600	1.56
58	Warrington	1,800	1.53
59	Aberdeen	2,400	1.37
60	Crawley	1,900	1.34
61	Aldershot	1,200	1.33
62	Milton Keynes	1,600	1.15
63	Swindon	1,200	1.13

Top 10 cities for estimated job losses in the public sector

Calibrated to 330,000 public sector job losses at UK level

	City	Job losses	% of all jobs
1	Newport	2,200	2.94
2	Swansea	3,000	2.91
3	Plymouth	2,500	2.35
4	Liverpool	7,900	2.28
5	Portsmouth	4,400	2.09
6	Stoke	3,100	2.07
7	Sunderland	2,500	2.06
8	Dundee	1,500	2.06
9	Middlesbrough	3,700	2.05
10	Hull	2,300	2.02

Bottom 10 cities for estimated job losses in the public sector

Calibrated to 330,000 public sector job losses at UK level

	City	Job losses	% of all jobs
54	Grimsby	800	1.19
55	Reading	2,600	1.13
56	London	53,400	1.13
57	Peterborough	1,100	1.08
58	Warrington	1,200	1.03
59	Aberdeen	1,800	1.02
60	Crawley	1,300	0.90
61	Aldershot	800	0.90
62	Milton Keynes	1,100	0.78
63	Swindon	800	0.76

Source: ONS 2010, Civil Service Employment, NOMIS 2010, Annual Business Inquiry, LGA 2010, Quarterly Public Sector Employment Survey, Scottish Government 2010, Public Sector Employment, HM Treasury 2010, Comprehensive Spending Review, London: HM Treasury, own calculations.

Box 6:
Bonfire of the quangos

Much has been made of the Coalition's review of quangos. But in employment terms, the abolition of 87 quangos announced to date, with a further 46 under review,[27] is unlikely to have a large impact on city economies because many employ only a handful of people. For example, the Administrative Justice and Tribunal Council employed 14 people, while the Advisory Committee on Organic Standards employed just two people.[28]

An exception to this is the Regional Development Agencies (RDAs). In total, the RDAs employed around 3,300 people in 2009. Table 5 shows which cities will lose jobs as a result of the closure of the RDAs.

27. Cabinet Office (2010) Public Bodies Reform – Proposals for Change, 14 October 2010
28. Source: www.guardian.co.uk/news/datablog/2010/sep/24/quango-list-cuts#data

Table 5:
The location of RDA employment

RDA	Employment base	Job losses
Advantage West Midlands	Birmingham	345
	Ludlow	3
East of England Development Agency	Histon	216
	Thetford	11
East Midlands Development Agency	Nottingham	275
London Development Agency	London	454
North West Development Agency	Cumbria	23
	Daresbury	2
	Manchester	21
	Warrington	429
	London	5
	Liverpool	23
	Preston	9
	Rochdale	1
One North East	Newcastle	402
	Middlesbrough	8
South East Regional Development Agency	Guildford	218
	Chatham	45
	Hastings	13
South West Regional Development Agency	Exeter	218
	Plymouth	64
	Bristol	40
	Truro	32
	Poole	3
Yorkshire Forward	Leeds	395
	Bradford	10
	Hull	11
	Rotherham	23
	York	11

Source: Freedom of Information requests to each agency.

Impact of the Government budget cuts on the private sector

Due to the interaction of the public sector with its private sector supply chain, it is inevitable that public sector cutbacks will also have some impact on employment in the private sector. A recent PricewaterhouseCoopers report identified the sectors and regions most vulnerable to public sector spending cuts.[29] However, allocating the size and impact of public sector cuts on the private sector below the national or regional level is difficult. Box 7 illustrates that assessing the implications of national cuts for individual cities requires each city to be considered on a case-by-case basis.

29. Hawksworth J & Jones N (2010) Sectoral and regional impact of the fiscal squeeze, London: PricewaterhouseCoopers

Box 7:
Impact of Government budget cuts on the private sector

BAE Systems and UK cities

BAE Systems is one of the largest suppliers to the Ministry of Defence and has contracts to provide general munitions, aircraft and ships. The company has sites across the UK, such as tank production in Newcastle, ship building in Portsmouth and Glasgow and aircraft assembly and testing in Preston.

At a national level it is clear that the industries in which BAE Systems operates will be affected by a reduction in Government demand. The company has already cut many jobs this year in anticipation of the Strategic Defence Review,[30] and plans to cut more jobs next year.[31] But tracing the size and impact of these job cuts on specific cities is much more difficult and ultimately will be dependent on BAE Systems' corporate structure and strategic decisions.

Aircraft industry in Derby

Given that Derby has the greatest specialisation of all UK cities in the aircraft and spacecraft sector it would be expected that its more than 11,000 strong workforce would be vulnerable to a fall in public sector demand for its products.

However, the majority of employment in this sector in Derby is accounted for by Rolls-Royce,[32] which is mainly focused on the production and servicing of commercial aeroplane engines for airlines from across the globe. The global scope and long-term nature of Rolls-Royce's activities means that Derby's aerospace industry workforce is likely to be relatively insulated from a reduction in UK public sector demand.

Given the limitations highlighted above, how can cities better understand the impact of public sector cuts on the private sector in their area? One approach is to estimate the effects of reduced levels of spending from public sector employees on private sector levels of profit and employment. This approach suggests that the impact is likely to be least in cities with high levels of private sector employment, such as London and Milton Keynes, and greatest in cities with the largest cuts to their public sector employment, such as Newport and Swansea.

Another way of assessing the vulnerability of the private sector to public sector cuts is through calculating the amount of money that potentially could be removed from the local economy as a result of cuts to local authority budgets. From January, local authorities will be required to publish details on all spending over £500. Some have started to publish this data already. For example, Wirral local authority spent £108 million between April and October of 2010. Clearly not all of this money was spent in the local economy. But for illustration purposes assuming that, in line with cuts to local authority budgets announced in the Spending Review, this is cut by 14 percent in 2014/15, in a worst case scenario (assuming the full impact of the cuts fall locally) this could mean up to £26 million is withdrawn from the Birkenhead economy.[33]

30. 'BAE job cuts reach 9,000 in UK', The Observer, 28 November 2010
31. 'BAE Systems plans 1,400 UK job cuts', BBC News, 9 December 2010
32. Carter A & Seager J (2010) Shifting gears: Safeguarding Derby's economic growth, London: Centre for Cities
33. This assumes that all of Wirral local authority's spending over £500 takes place within its local authority boundaries, and that the spending by the council over the period April to September is reflective of spending patterns over the whole year

Cities and opportunities for growth

This section has highlighted that, despite the strength of the national economy, city economies are likely to fare very differently in the years ahead. Certain cities are well placed to take advantage of any future national growth precisely because they already have strong economies and consequently are attractive locations for further private sector investment.

The cities best placed for a private sector-led recovery include: Milton Keynes, Reading, Aberdeen, Leeds and Bristol. These places will be better-insulated from the economic impact of the spending squeeze, and have high potential to create private sector jobs. They have lower vulnerability to public sector job losses and spending cuts, and - given the right powers and freedoms - could make an even bigger contribution to the national economic recovery.

The performance of our largest cities will remain crucial, with 11 of Britain's major cities (London, Birmingham, Bristol, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield) providing more than one in three (37 percent) of Britain's private sector jobs.

Other cities which have a history of public sector dependency and higher levels of welfare payments will be the places most vulnerable to the Government's deficit reduction agenda. Sunderland, Liverpool, Birkenhead, Swansea and Newport are amongst the cities that are unlikely to feel the benefits of economic recovery for some time. These places will be affected more by Government spending cuts, given they have lower skill levels and levels of business activity, more people employed in the public sector, and more people claiming unemployment benefits.

For these cities the medium-term impact will depend on them being able to develop effective local strategies to improve their economies. They will need additional financial support from central government, and a realistic local plan of action.

For all cities, working with the private sector and neighbouring authorities in structures like the new Local Enterprise Partnerships will be a key part of this. Identifying ways to attract private sector investment will require a considered focus on the factors that contribute to an attractive business environment. This includes new approaches to planning and using new flexibilities to raise finance. Working with local partners to ensure that education and skills provision equips local people for both the local labour market and the wider national and global economy will be important, as will maximising the economic potential of local cultural and knowledge assets.

For the Coalition to realise cities' economic potential over the next year, it will need to support cities to respond to significant economic challenges. But it will also need to empower cities - particularly those with stronger economies - to continue to drive national economic growth.

Table 6:
City potential

City	Claimant count November 2010 (%)	Employment rate July 2009-June 2010 (%)	Potential job losses in public sector by 2014/15 (%)	Residents with high level qualifications 2009 (%)	Business stock per 10,000 population 2009
Five cities with high potential to grow					
Aberdeen	2.2 (3/64)	78.5 (2/63)	1.0 (5/63)	41.1 (4/64)	341.2 (8/64)
Bristol	2.8 (13/64)	74.2 (11/63)	1.5 (24/63)	33.2 (14/64)	313.3 (15/64)
Leeds	4.1 (35/64)	70.4 (25/63)	1.5 (27/63)	30.9 (15/64)	269.5 (33/64)
Milton Keynes	3.5 (23/64)	72.5 (14/63)	0.8 (2/63)	33.7 (12/64)	379.0 (4/64)
Reading	2.2 (3/64)	76.2 (6/63)	1.1 (9/63)	37.9 (9/64)	371.0 (5/64)
Great Britain average	**3.5**	**70.4**	**N/A**	**29.9**	**334.7**
Five vulnerable cities					
Birkenhead	4.1 (35/64)	67.5 (40/63)	1.3 (12/63)	27.3 (27/64)	233.1 (55/64)
Liverpool	5.9 (62/64)	62.7 (61/63)	2.3 (60/63)	24.4 (37/64)	213.6 (59/64)
Newport	4.7 (53/64)	66.7 (43/63)	2.9 (63/63)	22.9 (43/64)	237.2 (50/64)
Swansea	3.2 (17/64)	64.8 (58/63)	2.9 (62/63)	20.9 (50/64)	249.2 (44/64)
Sunderland	4.9 (54/64)	64.9 (56/63)	2.1 (57/63)	26 .0 (29/64)	178.2 (64/64)
Great Britain average	**3.5**	**70.4**	**N/A**	**7.9**	**334.7**

Source: See Tables 4, 9, 10, 12, 13.
Note: Potential job losses in the public sector are calibrated to 330,000 public sector job losses at UK level. For consistency in this table, we have reversed the method of ranking in Table 4, so the most vulnerable to public sector job losses have the highest ranking.

Reducing the deficit: Implications for cities

- **Some cities are well placed to drive the national economy's recovery, but others face on-going challenges.** Cities with strong private sector economies and limited public spending cuts, such as Brighton and Cambridge, will be well placed to drive the UK's economic recovery. In cities with weaker economies and greater reliance on the public sector, public spending cuts and the knock on implications for private sector firms are likely to result in slower economic growth.

- **Total cuts to welfare spending will only represent a small proportion of overall welfare spending in cities.** But they are likely to have a big impact on a subset of individuals in a city economy, and this will have implications for a range of factors, including patterns of consumption, housing choices and labour market participation.

- **Cities that have the largest welfare bills are those that continue to struggle with their industrial legacies.** In Barnsley and Birkenhead, total welfare spending is equivalent to 26 percent and 30 percent of their total economic output respectively.

- **Cities in the North West will be affected the most by reductions in welfare spending over the next five years.** Birkenhead will be affected the most, followed by Rochdale.

- **Cities in Wales and the North East will be impacted most by cuts to public sector jobs.** Swansea and Newport are most vulnerable to the forthcoming reduction in public sector employment because of their concentrations of public sector administration employment.

- **Liverpool stands to be affected by both welfare and public sector job cuts.** We project that the city will be the third most affected by cuts to welfare per capita and the fourth most affected by public sector job losses as a percentage of total jobs. Sunderland is the only other city to feature in the list of top ten cities for both measures.

- **Public sector actors will need to respond in a co-ordinated manner if they are to effectively deal with large public sector redundancies in their cities.** Local authorities, Jobcentre Plus and Further Education colleges should learn from the response to redundancies at the Longbridge Rover plant in the West Midlands and the Corus steel plant on Teesside to deal with forthcoming job losses.

- **Devolving more responsibilities and funding to cities and city regions will be critical to help cities deal with their particular challenges.** The Localism Bill takes some important steps in this direction; there is an opportunity now for cities to make the most of increased freedoms. However, it will also be vital for Government to support this through further devolution of funding and powers to the city level.

03

City Monitor – The Latest Data

City Monitor – The Latest Data

This section draws on a range of datasets released during 2010 to provide a more detailed analysis of UK city performance.

The UK economy exited recession at the beginning of last year. While the data presented here is the most recently available at the time of going to print, this is the first year in which we can assess the impact of the recession on city level economic performance.

Successive editions of Cities Outlook have shown that certain cities and their residents are consistently high-performing or low-performing over time on a range of indicators, including population growth, business demographics, employment rates, earnings and skills.[34] This year is no exception.

Population growth

People, especially those that are highly skilled, are mobile and tend to follow job opportunities. They are most likely to move to those cities that offer the best job and career development opportunities or places that offer a good quality of life and are located near growth centres.[35] Population growth in this sense is a key sign of a healthy city economy. Population decline, on the other hand, is often a symptom of a city with an economy still grappling with long-term industrial restructuring.

- **The fastest growing cities are small and medium sized and located in the South.** Most of the fastest growing cities continue to be small and medium sized cities located in the South of the country, with Milton Keynes remaining the fastest growing UK city. York, the only Northern city in the top ten, accelerated its population growth between 1999 and 2009 and moved from fourth to second place in the ranking.

- **London remains the biggest absolute contributor to population growth in the UK,** adding a total of 664,600 to its population between 1999 and 2009. London's annual growth (0.77 percent) increased slightly compared to 1998 and 2008 (0.73 percent). However, for the first time since Cities Outlook was first published, London has been overtaken by small and medium sized cities and has slipped out of the top ten growth cities, falling to 14th place.

- **Many Northern and Scottish cities such as Sunderland, Grimsby and Glasgow, continue to lose population.** Dundee

34. This pattern of performance applies across different spatial measurements, such as local authority boundaries, Primary Urban Areas or Local Enterprise Partnerships
35. Webber C, Larkin K, Tochtermann L, Varley-Winter O, Wilcox Z (2010) Grand Designs? A new approach to the built environment in England's cities. London: Centre for Cities

experienced the highest negative annual growth rate in the period between 1999 and 2009. In Dundee's case, this is mainly due to industrial restructuring, which has led to many highly skilled residents leaving the city.[36]

- **Some cities are experiencing a slow-down in the decline of their population.** Hull and Belfast are the most notable examples of this. Both cities have exited the bottom ten cities for population growth after featuring for the last three years. Belfast experienced a modest annual growth of 0.06 percent between 1999 and 2009, while Hull grew at an annual rate of 0.25 percent.

- **The recession did not change these long-term patterns of population change.** Between 2008 and 2009 Cambridge, Luton and York experienced the strongest population growth at two percent, while Burnley, Stoke and Grimsby all saw their populations decline.

36. Dundee Partnership (1996) Priority Partnership Area and Regeneration Programme. 1996-2006 Strategy Document

Table 7:
Population growth

	City	Population 1999	Population 2009	Annual growth rate (%)	Change 1999-2009
10 fastest-growing cities by population					
1	Milton Keynes	206,700	236,700	1.36	30,000
2	York	177,100	198,800	1.16	21,700
3	Swindon	179,300	198,800	1.04	19,500
4	Norwich	238,000	263,200	1.01	25,200
5	Cambridge	109,900	121,100	0.98	11,200
6	Leeds	714,900	787,700	0.97	72,800
7	Bristol	632,600	695,300	0.95	62,700
8	Peterborough	156,500	171,200	0.90	14,700
9	Oxford	136,500	149,300	0.90	12,800
10	Ipswich	116,300	126,600	0.85	10,300
10 slowest-growing cities by population					
55	Rochdale	204,900	204,700	-0.01	-200
56	Aberdeen	214,600	213,800	-0.04	-800
57	Glasgow	1,049,000	1,043,200	-0.06	-5,800
58	Grimsby	158,000	157,100	-0.06	-900
59	Stoke	366,300	363,100	-0.09	-3,200
60	Liverpool	777,000	768,800	-0.11	-8,200
61	Burnley	178,100	174,900	-0.18	-3,200
62	Sunderland	287,500	281,700	-0.20	-5,800
63	Birkenhead	398,600	389,100	-0.24	-9,500
64	Dundee	148,000	143,400	-0.32	-4,600
	Great Britain	**57,005,400**	**60,003,100**	**0.51**	**2,997,700**
	England	**49,032,900**	**51,809,700**	**0.55**	**2,776,800**

Source: NOMIS 2010, Mid-year population estimates, 1999 and 2009 data.

Business demographics

High business stock levels and a high business density are key indicators of healthy city economies. Past research by the Centre for Cities has highlighted the varied pattern of business stocks of UK cities:[37]

- **The relative performance of UK cities with regards to their levels of business stocks has remained constant over time.** Between 1994 and 2007 the ten best and ten worst performing cities with regards to VAT registrations per 10,000 population[38] remained essentially unchanged.

- **The gap between cities is widening.** This presents a challenging backdrop for the Government's aim of rebalancing the economy. Whilst cities such as Sunderland, Hull and Middlesbrough grew their business stock per head between 1994 and 2007, they did so at a much lower rate than cities like Milton Keynes, Brighton and Reading.

The recession affected all UK cities and led to reduced levels of business activity across the country

- During 2009, 62 out of our 64 UK cities saw more businesses close than new businesses being created. Reduced levels of business stock were caused by a reduction in business births as well as an increase in business deaths.

- Aldershot illustrates the impact of the recession on levels of business in UK cities well. In 2008, the city saw 54.9 business births per 10,000 population and 36.4 business deaths per 10,000 population. In 2009 its business births reduced to 46.9 per 10,000 population and its business deaths increased to 50.3.

- Only two cities, Aberdeen and Oxford, had a positive 'churn' rate – meaning more businesses were created than lost. Aberdeen had a 'churn' rate of 0.6 and Oxford had a 'churn' rate of 0.3 percent.

- Blackpool was the city with the highest negative 'churn' rate during 2009, reducing its business stock by almost five percent. Southampton (4.0 percent) and Bournemouth (4.4 percent) also lost a significant element of their business stock over the past year.

37. Swinney P (2010) UK cities: do they mean business? London: Centre for Cities
38. In 2009, the ONS replaced its data on VAT registrations with its Business Demography statistics, which include VAT registered as well as PAYE registered businesses.

Overall, levels of business stocks remain higher in the South than in the North of the country

- Out of the ten cities with the highest business stock per 10,000 population, in 2009 nine were located in the South, Aberdeen being the exception. Of the ten cities with the lowest business stock per 10,000 population, nine were located in the North, with Plymouth being the only southern city representative.

- London remains the UK city with the highest business stock per population in the country in 2009. The city boasts a business stock of 445.7 businesses per 10,000 population, more than double that of Sunderland, which at 178.2 remains the UK city with the lowest number of businesses per 10,000 population.

Table 8:
Business births, deaths and churn

	City	Business births per 10,000 population in 2009	Business deaths per 10,000 population in 2009	Churn rate*
10 cities with highest churn rate				
1	Aberdeen	37.0	34.6	0.6
2	Oxford	31.5	30.5	0.3
3	Edinburgh	36.5	37.6	-0.3
4	Dundee	22.7	23.4	-0.3
5	Aldershot	46.9	50.3	-0.8
6	Glasgow	29.9	32.1	-0.8
7	Telford	31.4	33.9	-0.8
8	Blackburn	40.7	43.6	-0.9
9	Crawley	42.9	46.8	-1.0
10	Hastings	32.8	36.2	-1.1
10 cities with lowest churn rate				
55	Coventry	27.3	35.3	-2.9
56	Birkenhead	27.2	35.1	-2.9
57	Derby	29.7	38.1	-3.0
58	Southend	39.1	51.5	-3.2
59	Preston	36.2	48.8	-3.2
60	Stoke	25.6	35.8	-3.8
61	Southampton	28.4	40.8	-4.0
62	Bournemouth	38.2	56.8	-4.4
63	Bolton	37.7	54.1	-4.7
64	Blackpool	31.8	49.6	-4.9
	Great Britain	**38.7**	**45.6**	**-1.8**
	England	**40.3**	**47.9**	**-1.9**

Source: ONS 2010, Business Demography, 2009 data. NOMIS 2010, Mid-year population estimates, 2009 data.
*Difference between business births and deaths as a percentage of total business stocks.

Table 9:
Business stock per 10,000 population

	City	2008 Business stock	2009 Business stock	Change (%)
10 cities with highest business stocks				
1	London	459.5	445.7	-3.0
2	Aldershot	415.4	404.3	-2.7
3	Brighton	414.1	402.6	-2.8
4	Milton Keynes	392.5	379.0	-3.5
5	Reading	385.6	371.0	-3.8
6	Bournemouth	385.9	360.2	-6.7
7	Crawley	352.8	342.4	-3.0
8	Aberdeen	344.8	341.2	-1.0
9	Cambridge	346.9	340.2	-1.9
10	Southend	349.7	340.2	-2.7
10 cities with lowest business stocks				
55	Birkenhead	242.2	233.1	-3.8
56	Doncaster	232.7	226.6	-2.6
57	Barnsley	234.8	226.2	-3.7
58	Newcastle	222.1	216.0	-2.8
59	Liverpool	223.7	213.6	-4.5
60	Hull	219.0	208.5	-4.8
61	Plymouth	213.6	202.6	-5.2
62	Dundee	198.9	198.7	-0.1
63	Middlesbrough	201.0	198.1	-1.5
64	Sunderland	183.4	178.2	-2.8
	Great Britain	**344.1**	**334.7**	**-2.7**
	England	**356.1**	**345.9**	**-2.9**

Source: ONS 2010, Business Demography, 2008 and 2009 data. NOMIS 2010, Mid-year population estimates, 2008 and 2009 data
Note: The data on business stocks represented here differs from the business data on business stocks in ONS' Business Demography data. The latter includes businesses that were active during 2009, but then closed down. We adjusted the figures to remove those businesses that 'died' during the respective year.

Employment rates

The lasting impact of the recession can still be seen in the UK cities' employment rates.

- Out of 63 Great Britain cities, 46 had a lower employment rate during July 2009 to June 2010 than the year before.
- Aldershot remains the city with the highest employment rate, but its employment rate is 1.1 percentage points below last year's employment rate.
- With an employment rate of 61.3 percent, almost ten percentage points below the Great Britain average and 0.9 percentage points below last year's employment rate, Hull replaces Liverpool as the city with the lowest employment rate.
- The 17 cities that increased their employment rate over the last year have a high proportion of their residents employed in the public sector. These include cities such as Gloucester, Hastings and Liverpool.
- Bristol remains the major city with the highest employment rate, at 74.2 percent, 1.5 percentage points below last year's. Bristol is followed by Leeds, which has an employment rate of 70.4 percent. Edinburgh only drops from second to third amongst the major cities despite its employment rate falling by 5.9 percentage points over the last year.
- Of the major cities only Bristol has an employment rate above the Great Britain average of 70.4 percent. This is unsurprising, considering Bristol's overall economic performance and the fact that Bristol was the major city with the highest private sector jobs growth between 1998 and 2008.

Box 8:
What happened to jobs in UK cities?

In past editions of Cities Outlook we used employment data to assess what happened to jobs in UK cities. This year would have been the first year to assess what has happened to employment in UK cities during the recession. However, due to recent changes in the way employment data is collected it is impossible to assess the exact impact of the recession on employment in individual cities.

This is due to the replacement of the Annual Business Inquiry with the new and much improved Business Register Employment Survey (BRES) by the ONS in late 2010. To date BRES data exists for 2009 only and has been rescaled to 2008. However, differences between the 2008 and 2009 data are driven not only by changes in employment, but also by classification differences leading to employment being counted which would previously not have been counted. This makes it impossible to calculate the impact of the recession on city level employment.

Table 10:
Employment rate

	City	Employment rate July 2008-June 2009 (%)	Employment rate July 2009-June 2010 (%)	Percentage point change
10 cities with highest employment rate				
1	Aldershot	79.7	78.6	-1.1
2	Worthing	72.1	78.5	6.4
2	Aberdeen	78.1	78.5	0.4
4	Gloucester	71.9	77.5	5.6
5	Swindon	77.9	76.6	-1.3
6	Reading	77.4	76.2	-1.2
7	Portsmouth	74.5	75.5	1.0
8	Hastings	71.4	75.2	3.8
9	Warrington	75.3	74.9	-0.4
10	Northampton	77.4	74.5	-2.9
10 cities with lowest employment rate				
54	Middlesbrough	65.8	65.2	-0.6
55	Coventry	66.7	65.1	-1.6
56	Blackburn	63.0	64.9	1.9
57	Sunderland	68.7	64.9	-3.8
58	Swansea	64.0	64.8	0.8
59	Rochdale	67.8	64.6	-3.2
60	Bradford	69.2	63.6	-5.6
61	Liverpool	62.0	62.7	0.7
62	Birmingham	62.5	62.3	-0.2
63	Hull	62.2	61.3	-0.9
	Great Britain	**71.5**	**70.4**	**-1.1**
	England	**71.6**	**70.5**	**-1.1**

Source: NOMIS 2010, Annual Population Survey, residents analysis, July 2008-June 2009 and July 2009-June 2010 data. Belfast not included.

Table 11:
Major city employment rates

City	Employment rate July 2008-June 2009 (%)	Employment rate July 2009-June 2010 (%)	Percentage point change
Major cities			
Bristol	75.7	74.2	-1.5
Leeds	69.3	70.4	1.1
Edinburgh	74.8	68.9	-5.9
London	69.4	68.8	-0.6
Manchester	67.1	66.5	-0.6
Sheffield	68.7	66.4	-2.3
Newcastle	66.3	66.2	-0.1
Glasgow	67.9	65.5	-2.4
Nottingham	67.2	65.3	-1.9
Liverpool	62.0	62.7	0.7
Birmingham	62.5	62.3	-0.2
Great Britain	**71.5**	**70.4**	**-1.1**
England	**71.6**	**70.5**	**-1.1**
Major city average	**68.3**	**67.0**	**-1.2**

Source: NOMIS 2010, Annual Population Survey, residents analysis, July 2008-June 2009 and July 2009-June 2010 data. Belfast not included.

Unemployment in UK cities is falling – the JSA claimant count clearly shows that city economies have started to recover from the recession

- Out of 64 cities, 59 experienced a percentage point decrease in their claimant count between November 2009 and November 2010.
- The four cities that experienced an increase in their claimant count between November 2009 and November 2010 were Belfast, Aberdeen, Glasgow and Dundee. There was also one city, Blackpool, that maintained its claimant count rate.
- Hull remains the city with the highest percentage of residents claiming JSA at 7.1 percent and Cambridge remains the city with the smallest percentage of residents claiming JSA at only 1.8 percent.

Table 12:
Claimant count

	City	Claimant count November 2009	Claimant count November 2010	Percentage point change
10 cities with the lowest claimant count				
1	Cambridge	2.1	1.8	-0.3
2	Aldershot	2.6	2.0	-0.6
3	Aberdeen	2.0	2.2	0.2
3	Reading	2.7	2.2	-0.5
5	Crawley	2.9	2.4	-0.5
6	Oxford	2.6	2.4	-0.2
7	York	2.8	2.4	-0.4
8	Southampton	3.6	2.5	-1.1
9	Preston	3.1	2.6	-0.5
10	Bournemouth	3.1	2.7	-0.4
10	Portsmouth	3.3	2.7	-0.6
10	Worthing	3.7	2.7	-1.0
10 cities with the highest claimant count				
54	Belfast	4.5	4.9	0.4
54	Sunderland	5.5	4.9	-0.6
56	Rochdale	5.7	5.0	-0.7
57	Glasgow	4.9	5.1	0.2
58	Dundee	5.1	5.2	0.1
59	Hastings	5.8	5.4	-0.4
60	Grimsby	6.5	5.7	-0.8
61	Liverpool	6.4	5.9	-0.5
61	Middlesbrough	6.1	5.9	-0.2
63	Birmingham	7.0	6.2	-0.8
64	Hull	7.9	7.1	-0.8
	Great Britain	**3.9**	**3.5**	**-0.4**
	England	**3.9**	**3.4**	**-0.5**

Source: NOMIS 2011, Claimant Count, November 2009 and November 2010 data.

Impact of public spending cuts are still to be felt

It is worth noting that both the employment rate and the claimant count data do not yet include the impact of welfare and public sector job cuts on UK cities set out in Section 2. It is those cities that are already characterised by low levels of employment and high unemployment that will be most affected by the announcements made in June's Budget and the Spending Review. Swansea, Middlesbrough and Hull are examples of this. They all rank in the bottom ten in terms of their employment rate. And they also rank in the top ten in terms of the potential scale of job losses in the public sector.

Skills levels are important in determining a city's economic success – and they vary across the country

- **Small and medium sized university cities across the country tend to have high skills levels.** Oxford, York and Brighton are examples of this. And Cambridge, for the second consecutive year, remains the city with the most highly skilled residents in the country.

- **Many of the cities in the North and Midlands have lower skills levels.** Birmingham, Derby, Liverpool, Hull and Leicester all rank amongst the ten cities with the highest percentage of working age population without any formal qualifications. This is primarily due to the structure of their economies, with a lack of graduate level jobs leading to outward migration of more skilled residents.

- **Scottish cities tend to perform better with regards to skills levels, irrespective of the strength of their economy.** Aberdeen and Glasgow,

Table 13:
Residents with high level qualifications

	City	Percentage working age population with NVQ4+ 2009
10 cities with highest percentage of high skills		
1	Cambridge	60.5
2	Oxford	45.7
3	Edinburgh	44.3
4	Aberdeen	41.1
5	York	40.9
6	Brighton	39.7
7	London	39.1
8	Cardiff	38.4
9	Reading	37.9
10	Glasgow	34.3
10 cities with lowest percentage of high skills		
55	Doncaster	20.4
56	Chatham	20.1
57	Hull	19.8
57	Luton	19.8
59	Stoke	19.2
60	Wakefield	19.0
61	Gloucester	18.8
62	Barnsley	18.3
63	Mansfield	18.2
64	Grimsby	17.3
	Great Britain	**29.9**
	England	**29.6**

Source: NOMIS 2010, Annual Population Survey, residents analysis, 2009 data. Department for Trade and Investment (DETINI) 2010, District Council Area Statistics for Belfast, 2009 data.

for example, are amongst the ten cities with the highest percentage of residents qualified to degree level, but both have also experienced long-term population decline.

Earnings

Cities offering higher wages also tend to be the cities with higher levels of skills, growing populations and strong private sector economies

- A high demand for labour and high skills levels amongst residents mean cities like Cambridge, London and Edinburgh remain amongst the top ten cities offering the highest wages within the country.
- Cities experiencing industrial restructuring and population loss, such as Grimsby and Blackburn, tend to offer much lower wages. This reflects a lower demand for labour in these cities.
- Large cities do not necessarily offer higher wages. London and Edinburgh remain the only major cities amongst the top ten cities for earnings.
- The impact of the recession continues to be reflected in city level wages. Between April 2009 and April 2010 only 13 out of 63 cities experienced a real increase in wages. This included buoyant cities like Aldershot and Reading, but also cities with a high percentage employed in the public sector, such as Liverpool and Plymouth.

Table 14: Residents with no qualifications

	City	Percentage working age population with no formal qualifications 2009
10 cities with lowest percentage of low skills		
1	Cambridge	5.3
2	Brighton	7.3
3	Hastings	7.5
4	Aldershot	7.6
5	Reading	7.7
6	Worthing	7.7
7	York	7.9
8	Edinburgh	8.1
9	Plymouth	8.4
10	Oxford	8.5
10 cities with highest percentage of low skills		
54	Stoke	16.5
55	Doncaster	16.6
56	Luton	17.1
57	Glasgow	17.2
58	Blackburn	18.2
58	Hull	18.2
60	Derby	18.3
61	Birmingham	19.4
62	Liverpool	19.5
63	Leicester	19.9
	Great Britain	**12.3**
	England	**12.1**

Source: NOMIS 2010, Annual Population Survey, residents analysis, 2009 data. Belfast not included.

Table 15:
Earnings

	City	Earnings 2009 (av £ per week, 2009 prices)	Earnings 2010 (av £ per week, 2009 prices)	Earnings 2010 (av £ per week, 2010 prices)
10 cities with the highest wages				
1	London	619.8	605.9	626.7
2	Aldershot	553.8	571.3	590.9
3	Reading	560.5	561.6	580.9
4	Crawley	558.8	554.7	573.8
5	Cambridge	569.4	553.3	572.3
6	Warrington	513.0	513.2	530.8
7	Milton Keynes	521.3	505.4	522.8
8	Edinburgh	516.8	499.5	516.7
9	Aberdeen	492.8	489.7	506.5
10	Swindon	475.0	482.5	499.1
10 cities with the lowest wages				
54	Wakefield	402.8	398.8	412.5
55	Burnley	394.9	396.3	409.9
56	Middlesbrough	413.6	395.6	409.2
57	Blackpool	401.9	395.2	408.8
58	Blackburn	407.6	390.4	403.8
59	Stoke	400.8	389.5	402.9
60	Hastings	376.4	389.3	402.7
61	Sunderland	401.4	388.7	402.1
62	Grimsby	415.7	369.1	381.8
63	Hull	353.6	351.6	363.7
	Great Britain	**483.8**	**474.8**	**491.1**
	England	**490.0**	**481.0**	**497.5**

Source: ONS 2010, Annual Survey of Hours and Earnings (ASHE), average gross weekly residence based earnings, 2010 data. Own calculations for PUA level – weighted by number of jobs, rounded to the nearest £. CPI inflation adjusted (Q2 2009=100).
Note: ASHE statistics are based on a sample survey, so the statistical significance of the results should be treated with caution.

Earnings growth helps us assess how labour markets are changing over time

- Between 2006 and 2010, 20 out of 63 cities saw their average earnings increase above inflation.[39] These cities were located across the country and included cities such as Hastings, Dundee, Derby, Southampton and Brighton.

- In three cities – Bradford, Hull and, perhaps more surprisingly, London – real average wages remained constant between 2006 and 2010.

- The remaining 40 cities experienced a net decline in real earnings between 2006 and 2010. This included cities with already high wage levels, such as Edinburgh, Cambridge and York, where wage growth slowed down but claimant count levels remained low over the course of the recession. It also included many former industrial cities in the North and Midlands such as Birkenhead, Wigan, Newcastle and Birmingham, which started off with already relatively low wages in 2006.

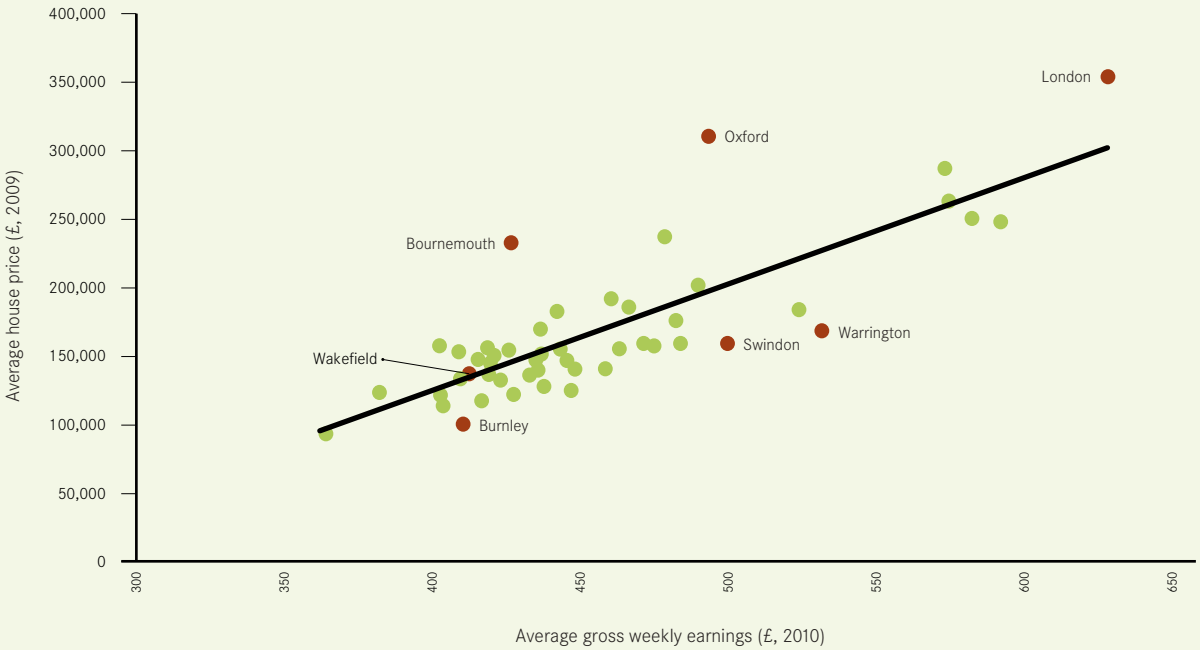
39. The Consumer Price Index (CPI) for Quarter 2, 2006 was used to adjust for inflation. Inflation between individual years varied from a low of 2.12 percent between 2008-2009 to a high of 3.44 percent between 2009-2010

Table 16:
Annual earnings growth

	City	Earnings 2006 (av £ per week)	Earnings 2010 (av £ per week, 2006 prices)	Real growth rate 2006-2010 (%)	Change 2006-2010 (£)
10 cities with highest earnings growth					
1	Hastings	322	359	2.5	34
2	Dundee	374	395	1.3	20
3	Mansfield	347	372	1.0	14
4	Aberdeen	454	452	0.8	13
5	Plymouth	374	380	0.8	12
6	Leeds	423	420	0.6	10
7	Chatham	435	423	0.6	10
8	Blackburn	372	360	0.7	9
9	Derby	376	408	0.5	8
10	Worthing	417	399	0.5	8
10 cities with lowest earnings growth					
54	Nottingham	403	390	-0.9	-15
55	Oxford	433	440	-0.9	-15
56	Gloucester	390	373	-1.1	-16
57	Edinburgh	472	461	-1.0	-18
58	Bolton	413	377	-1.2	-19
59	Grimsby	360	341	-1.8	-25
60	Telford	395	373	-1.7	-26
61	Cambridge	477	511	-1.4	-29
62	Newport	405	400	-1.8	-30
63	Northampton	412	390	-2.2	-37
	Great Britain	**451**	**444**	**-0.3**	**-5**
	England	**444**	**438**	**-0.3**	**-5**

Source: ONS 2010, Annual Survey of Hours and Earnings, residents analysis, 2006 and 2010 data. Belfast data not included.
Note: ASHE statistics are based on a sample survey, so the statistical significance of the results should be treated with caution.

Chart 10:
City wages and cost of living



Sourcne: ONS 2010, Annual Survey of Hours and Earnings, residents analysis, 2010 data and CLG 2010, Mean House Prices 2009 data. Own calculations for PUA level - weighted by number of transactions.
Note: Data for Birkenhead refers to Wirral only.

Cities with a higher cost of living tend to pay higher wages

It is important to note that higher wages do not necessarily mean higher levels of disposable income. Chart 10 illustrates that high wage levels are often offset by a higher cost of living, proxied here by house prices.

- Oxford was the city with the 11th highest wages in 2010 ranking just behind Swindon. However, Swindon residents' wages go much further than those of Oxford residents, where house prices are almost double.

- Similarly, at the bottom end of the league table Burnley and Wakefield had comparable wage levels in 2010, ranking 55th and 56th respectively. However, the average house price in Burnley was £100,187 in 2009, in Wakefield it was £137,600.

Disparities within cities

Across the country large cities tend to be more unequal

Economic performance does not only vary between cities, it also varies within cities. A good measure of inequalities within places is the Index of Multiple Deprivation, although this indicator is not updated on an annual basis. As in last year's Cities Outlook, we use the percentage point difference between a city's lower super output area (LSOA) with the highest claimant count and a city's LSOA with the lowest claimant count as a good proxy indicator for inequalities.

- **Disparities are a feature of cities across the country.** Out of 63 Great Britain cities, 19 have low levels of disparities, 19 have medium levels of disparities and 25 have high levels of disparities.

- **Small and medium sized cities tend to be less unequal than larger cities.** Oxford, York and Worthing all rank amongst the ten cities with the lowest inequalities within the country, while Birmingham, London and Edinburgh rank amongst the ten cities with the highest inequalities.

- **High levels of inequality within cities are driven by differences in the level of concentration of JSA claimants in the poorest neighbourhoods.** Across the 63 cities, the neighbourhoods with the lowest levels of JSA claimants are broadly comparable – Crawley's lowest LSOA JSA rate is 0.5 percent, Birmingham's is 0.2 percent and Middlesbrough's is 0.9 percent. However in these same cities the LSOAs with the highest concentrations of JSA claimants are markedly different – in Crawley it's 5.9 percent, for Birmingham it's 23.2 percent, and Middlesbrough it's 27.3 percent.

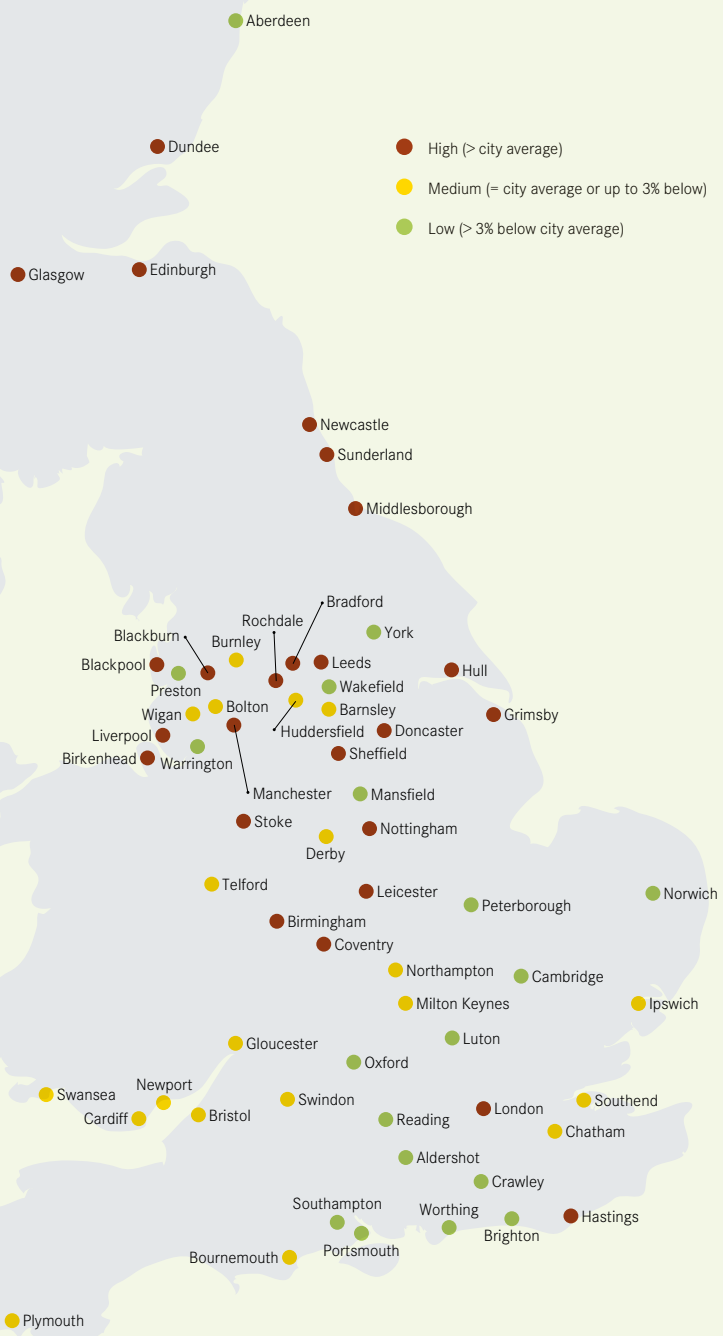
Table 17:
Disparities within cities

	City	Lowest JSA rate (%) November 2009	Highest JSA rate (%) November 2009	Difference between highest and lowest JSA rate
10 cities with the lowest levels of inequality				
1	Crawley	0.5	5.9	5.5
2	Aldershot	0.4	5.9	5.5
3	Cambridge	0.2	6.0	5.7
4	Oxford	0.3	7.2	6.9
5	Worthing	0.7	7.9	7.2
6	York	0.2	7.8	7.6
7	Reading	0.3	8.2	7.9
8	Brighton	0.6	8.8	8.2
9	Luton	0.7	9.7	8.9
10	Portsmouth	0.4	9.4	9.0
10 cities with the highest levels of inequality				
54	Blackpool	0.4	17.6	17.2
55	Grimsby	1.1	19.1	18.1
56	Hull	0.7	19.7	19.0
57	Edinburgh	0.0	21.0	21.0
58	Leeds	0.4	21.5	21.1
59	Glasgow	0.0	22.4	22.4
60	Birmingham	0.2	23.2	23.0
61	London	0.0	24.1	24.1
62	Rochdale	0.9	25.9	25.0
63	Middlesbrough	0.9	27.3	26.4
	City average	**0.5**	**13.8**	**13.2***

Source: ONS 2010, Mid-year population estimates experimental statistics, 2009 data. NOMIS 2010, Claimant Count, November 2010 data. Belfast not included.
* Difference differs from the difference between the LSOA with the highest and lowest claimant count due to rounding.

Chart 11:
Disparities within cities

City	Difference in JSA rates (%) November 2010	City	Difference in JSA rates (%) November 2010
Crawley	5.5	Bolton	12.5
Aldershot	5.5	Huddersfield	12.7
Cambridge	5.7	Chatham	12.9
Oxford	6.9	Barnsley	12.9
Worthing	7.2	Southend	13.0
York	7.6	Derby	13.2
Reading	7.9	Dundee	13.4
Brighton	8.2	Blackburn	13.6
Luton	8.9	Sunderland	13.9
Portsmouth	9.0	Stoke	14.0
Southampton	9.1	Hastings	14.0
Mansfield	9.3	Birkenhead	15.2
Warrington	9.5	Bradford	15.3
Norwich	9.6	Sheffield	15.6
Aberdeen	9.8	Newcastle	15.7
Wakefield	9.9	Doncaster	15.8
Peterborough	10.1	Coventry	15.9
Preston	10.1	Manchester	16.0
Gloucester	10.2	Leicester	16.8
Swindon	10.4	Liverpool	17.2
Northampton	10.8	Nottingham	17.2
Burnley	11.1	Blackpool	17.2
Swansea	11.1	Grimsby	18.1
Ipswich	11.2	Hull	19.0
Bristol	11.4	Edinburgh	21.0
Milton Keynes	11.4	Leeds	21.1
Cardiff	11.8	Glasgow	22.4
Wigan	11.9	Birmingham	23.0
Plymouth	11.9	London	24.1
Bournemouth	12.0	Rochdale	25.0
Telford	12.2	Middlesbrough	26.4
Newport	12.4		



Source: ONS 2010, Mid-year population estimates experimental statistics, 2009 data. NOMIS 2010, Claimant Count, November 2010 data. Belfast not included.
Note: Disparities measured as the difference between a PUA's LSOA with the lowest and highest percentage of resient's claiming JSA.

Economic success does not necessarily result in decreased inequalities

Cities generating high levels of Gross Value Added (GVA) per capita are not necessarily more equal.[40] Similarly, those cities generating low levels of GVA per capita are not necessarily less equal.

- London and Cambridge both created a high GVA per capita in 2008, but London has a much higher level of disparities than Cambridge.
- Birmingham and Sunderland generated much lower levels of GVA per capita, but Birmingham's disparities were much larger.

Chart 12:
Disparities and GVA per capita

Source: ONS 2010, Mid-year population estimates experimental statistics, 2009 data. NOMIS 2010, Claimant Count, November 2010 data. ONS 2010, NUTS3 GVA, 2008 data. NOMIS 2010, Annual Business Inquiry, employee analysis, 2008 data at Local Authority and NUTS3 level. Own calculations for PUA level. Belfast not included.
Note: Disparities measured as the difference between a PUA's LSOA with the lowest and highest percentage of residents claiming JS40.

40. Disparities were again measured through our above proxy – the difference between the LSOA with the lowest percentage of JSA claimants and the LSOA with the highest percentage of JSA claimants within a PUA

Carbon Emissions

Progress on reducing carbon emissions has been slow and will be easier for some cities than others.

At the UK level the Government is committed to reducing carbon emissions by 80 percent by 2050. With most carbon emissions produced in cities, cities will be vital in achieving these targets and reducing our carbon footprint.

- **Reducing carbon emission will be easier for some cities than it is for others.** Cities with industrial legacies and higher employment in the manufacturing sector tend to have higher carbon emissions per capita. Middlesbrough's high carbon dioxide emissions, for example, are driven largely by its chemical industry. Newport's are driven by the steel industry.

Table 18:
CO_2 emissions per capita in cities

	City	Total CO_2 emissions (t) 2008	Total CO_2 emissions per capita (t) 2008
10 cities with lowest per capita emissions			
1	Hastings	414	4.8
2	Chatham	1,279	5.0
3	Worthing	532	5.2
4	Southend	1,760	5.3
4	Luton	1,003	5.3
4	Brighton	1,677	5.3
4	Ipswich	670	5.3
8	Plymouth	1,414	5.5
9	Portsmouth	2,894	5.7
10	Gloucester	670	5.8
10 cities with highest per capita emissions			
55	Wakefield	2,719	8.4
56	Blackburn	1,181	8.5
57	Aberdeen	1,804	8.6
58	Doncaster	2,546	8.8
59	Swindon	1,745	8.9
60	Warrington	1,934	9.9
61	Birkenhead	4,356	11.2
62	Newport	1,649	11.8
63	Grimsby	1,920	12.2
64	Middlesbrough	12,825	27.4
	UK	**506,526**	**8.2**

Source: DECC 2010, CO_2 emissions per capita, 2008 data.

Chart 13:
CO_2 emissions per capita

City	CO_2 p/c (t)	City	CO_2 p/c (t)
Hastings	4.8	Rochdale	6.9
Chatham	5.0	Huddersfield	6.9
Worthing	5.2	Manchester	6.9
Southend	5.3	Oxford	6.9
Luton	5.3	Derby	6.9
Brighton	5.3	Swansea	7.0
Ipswich	5.3	Leeds	7.0
Plymouth	5.5	Edinburgh	7.2
Portsmouth	5.7	Dundee	7.2
Gloucester	5.8	Sheffield	7.2
Bradford	5.9	Blackpool	7.2
Southampton	5.9	Stoke	7.3
York	6.1	Cardiff	7.4
Bournemouth	6.1	Liverpool	7.5
Coventry	6.1	Belfast	7.6
Wigan	6.2	Barnsley	7.7
London	6.3	Telford	7.8
Nottingham	6.3	Crawley	7.8
Northampton	6.3	Preston	7.9
Bolton	6.5	Peterborough	7.9
Mansfield	6.5	Aldershot	8.0
Norwich	6.5	MiltonKeynes	8.2
Birmingham	6.5	Wakefield	8.4
Reading	6.5	Blackburn	8.5
Sunderland	6.6	Aberdeen	8.6
Cambridge	6.6	Doncaster	8.8
Leicester	6.6	Swindon	8.9
Burnley	6.6	Warrington	9.9
Hull	6.7	Birkenhead	11.2
Bristol	6.7	Newport	11.8
Glasgow	6.7	Grimsby	12.2
Newcastle	6.7	Middlesbrough	27.4

Source: DECC 2010, CO_2 emissions per capita, 2008 data.

- **Compared to last year, several cities reduced their per capita carbon dioxide emissions.** Warrington, for example, reduced its per capita carbon dioxide emissions from 10.3 tonnes to 9.9. Newport reduced its emissions from 14.0 to 11.8. However some of this reduction may have been caused by a reduction in output as a result of the recession rather than specific steps to reduce carbon emissions.

- **Major cities are more 'carbon efficient'.** All of the major cities' per capita carbon emissions are below the UK average. This is in part due to industrial structure and the greater density of larger cities.

Table 19:
CO_2 emissions per capita in major cities

City	Total CO_2 emissions (t) 2008	Total CO_2 emissions per capita (t) 2008
Belfast	2,209	7.6
Liverpool	2,815	7.5
Edinburgh	3,376	7.2
Sheffield	3,666	7.2
Leeds	5,465	7.0
Manchester	3,215	6.9
Bristol	4,587	6.7
Glasgow	6,955	6.7
Newcastle	5,490	6.7
Birmingham	6,534	6.5
London	56,099	6.3
Nottingham	3,963	6.3
UK	**506,526**	**8.2**

Source: DECC 2010, CO_2 emissions per capita, 2008 data.

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