

## United Kingdom

### *Key facts and issues*

The United Kingdom is a unitary country of 65 million people composed of England and three devolved administrations: Scotland, Northern Ireland, and Wales. Only 25.2% of its public expenditures are carried out by subnational governments, ranking the United Kingdom the 14<sup>th</sup> most centralised country in the OECD on public spending. The United Kingdom is the most urbanised country in the OECD with 74% of its population living in predominantly urban areas.

The country's GDP per capita of nearly USD 41 500 is just above the OECD average, ranking it the 15<sup>th</sup> among OECD countries. Inter-regional inequalities in GDP per capita among small regions (TL3) are higher than the OECD average, when measured by the Gini index. The gap increased between 2008 and 2013 because poorer regions saw their income decrease whereas richer regions increased their income. Among the indicators with large inter-regional disparities are the employment and unemployment rates. South East England ranks in the top 15% of OECD regions and North East England in the bottom half. The size of inter-regional disparities in unemployment rates are in the bottom half of OECD countries. The inter-regional disparities in employment rates are in the top fifth. In terms of labour productivity, Greater London is an outlier. It is 56% more productive than the country average. Most of the country is merely keeping pace with London's performance, while several regions are falling further behind.

### United Kingdom: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	<a href="#">Local Growth White Paper: Realising Every Place's Potential</a> (2010) <sup>1</sup>	Economic development through devolution of powers; balanced growth and competitiveness for all regions are part of the objectives	Department for Business, Innovation and Skills
Urban	<a href="#">Unlocking Growth in Cities Policy Document</a> (2011) <sup>2</sup>	Specific focus on a city's ability to draw their boundaries along functional areas, on transport infrastructure and housing	Department for Communities and Local Government
Rural	Four Rural Development Programmes (England Scotland, Northern Ireland and Wales) (2014-2020) <sup>3</sup>	Productivity growth through agricultural production, innovation support, infrastructure investments, sustainability and skills training	Department for Environment, Food and Rural Affairs, for England (for others the competencies have been devolved)

Notes: 1) Other frameworks include: BIS Economics Paper No. 7: Understanding Local Growth and LEPs documents highlighting the terms of each partnership. 2) Other documents include the contracts giving the terms of each City and Growth Deal.

### *General policy approach*

There is no explicit regional development policy framework since the Regional Development Agencies in England were closed in 2010. However, since 2011, the government has shifted focus in England to functional economic areas by launching local enterprise partnerships (LEPs). These partnerships between local authorities and businesses decide on local priorities for investment in roads, buildings and facilities and apply for funding from Growth Funds. In addition, 24 enterprise zones have been awarded with tax incentives and simplified local planning regulations. The focus of urban policy has been "City Deals" that allow a degree of tailored devolution to English cities. This has been extended to areas beyond cities through "Devolution Deals". While there is no rural policy for England per se, government departments are expected to conduct "rural proofing" of the impact of their policies on rural areas. The Rural Development Programme for England (for EU programmes) provides money for projects to improve the environment, increase the productivity of farming and forestry and grow the rural economy. Some competencies have been delegated to the devolved administrations in Scotland, Wales and Northern Ireland who are responsible for regional development and cities policies in their territories.

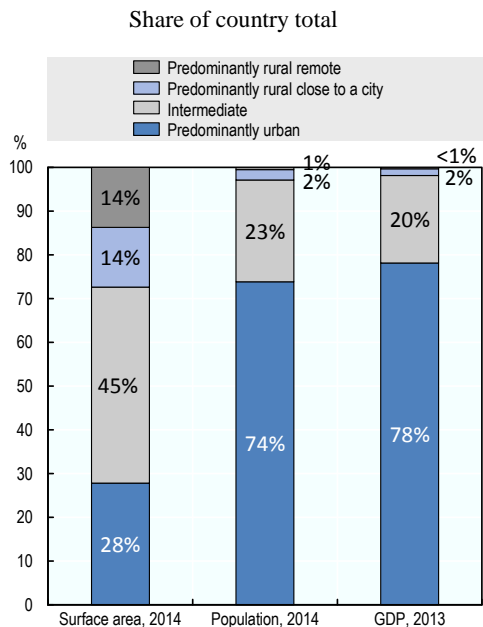
### Recent policy changes

- Following the failed referendum on whether Scotland should be an independent country, new powers are being devolved as part of the Scotland Devolution bill 2015.
- The first wave of City Deals was with the 8 largest cities outside of London, known as the Core Cities. City Deals - Wave 2 involved 20 cities, the next 14 largest cities outside of London and their wider areas and the 6 cities with the highest population growth between 2001 and 2010. A new round of Devolution Deals to cities and local enterprise partnerships (LEPs) began in mid-2015 as part of plans to shift more power and resources away from the central government. There were 38 submissions covering urban as well as rural areas.
- In autumn 2015, the Government set out a plan to allow local authorities to retain 100% of business rates as part of efforts to promote local financing of local services. Councils will be able to decide how to spend the revenue and if they seek to lower rates to attract new business.
- While the Commission for Rural Development ended in 2013, rural proofing guidance was published the same year. All government departments have a responsibility to understand the impact of their policies on rural areas and where necessary make adjustments to ensure the impact of policy is fair and equitable for rural communities. In addition, a 10-point plan for boosting productivity in rural areas was issued in 2015.

### United Kingdom: Main regional, urban and rural development policy tools

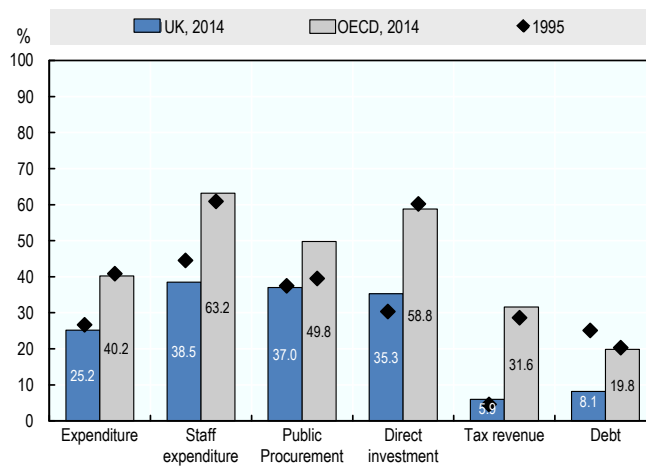
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	<i>Regional:</i> The <a href="#">Regional Growth Fund</a> provides funding and expertise to infrastructure investments for England <i>Urban:</i> <a href="#">Local Growth Fund</a> contributes to infrastructure investments through growth deals <i>Rural:</i> no rural policy programme, however Department for Transport has responsibility
Other Infrastructure investments	✓	<i>Regional:</i> Broadband, business infrastructure financing, grants or incentives through the Regional Growth Fund and <a href="#">LEPs</a> <i>Urban:</i> Broadband and business infrastructure financing through <a href="#">Growth Deals</a> with cities as part of projects <i>Rural:</i> Department for Culture has responsibility through the <a href="#">Broadband Delivery programme</a>
Service delivery (subsidies for public services)		
Business development/ innovation support	✓	<i>Regional:</i> <a href="#">LEPs</a> typically support businesses or provide incentives for innovations; instrumentation varies from programme to programme <i>Urban:</i> <a href="#">City and Growth deals</a> typically include diverse instrumentation for business and innovation support
Urban renewal	✓	There is an emphasis on private sector-led renewal
Urban form and land use	✓	<i>Urban:</i> Green belt policy (part of the <a href="#">national planning framework</a> and as such a planning regulation) is the tool used to control sprawl. <i>Rural:</i> no program is rural specific
Sustainability policies	✓	<i>Urban:</i> <a href="#">National Planning Practice</a> and planning guidelines <i>Rural:</i> <a href="#">Rural Development Program</a> , part of EU policies addresses this issue
Rural-urban linkages		Not a rural specific program
Clusters/technology platforms/ centres of expertise	✓	<i>Regional and Urban:</i> <a href="#">LEPs</a> and <a href="#">City Growth Deals</a> can be used to establish clusters, for example in the Greater Cambridge; instrumentation varies from programme to programme
Special economic zones	✓	<i>Regional and Urban:</i> <a href="#">Enterprise zones</a> can be established through or outside of LEPs, same goes for growth deals with cities
Rural landscape preservation	✓	The Rural Development programme is addressing this issue
Skills/training programmes		
Capacity building for subnational governments	✓	<i>Regional:</i> LEPs are a distinct governance body which serves also to redefine administrative boundaries as part of devolution; capacity building based on pooling existing resources <i>Urban:</i> The " <a href="#">Combined Authority</a> " status allows the pooling of resources from different administrative bodies so as to build capacity. Devolution also allows redefinition of administrative boundaries

### Land, population and economy in rural and urban regions



### Subnational government role in public finance

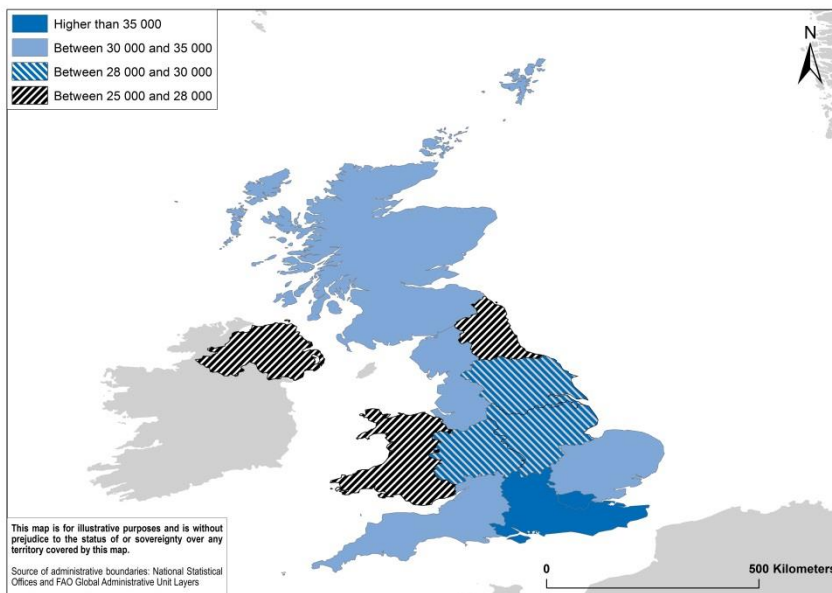
Share of general government



### Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
389	27	3	419

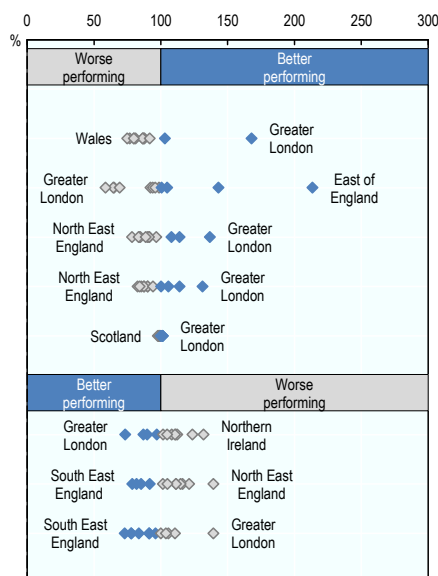
### Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

StatLink <http://dx.doi.org/10.1787/888933420527>

### Inter-regional disparities (as a % of the country average)



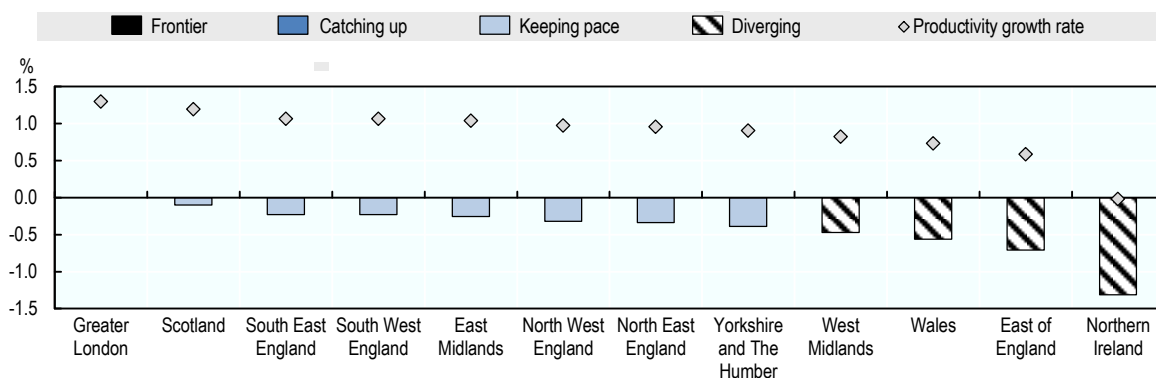
Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	59 611	133 506	79 467	74 520	up
R&D expenditure as a % of GDP (2013)	0.99	3.61	1.69	2.4	down (2005)
Share of labour force with tertiary education	31.4	54.7	40	32.3	down
Disposable household income (2013)	27 504	43 720	33 279	34 866	up (2005)
Life expectancy (2013)	80	82.3	81.1	80	down
Share of workforce with only primary education	12.4	22.3	16.9	25.2	up
Unemployment rate	4.8	8.5	6.1	7.3	down
Gender gap in participation rate	-7.6	-14.5	-10.4	-15.9	up

Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

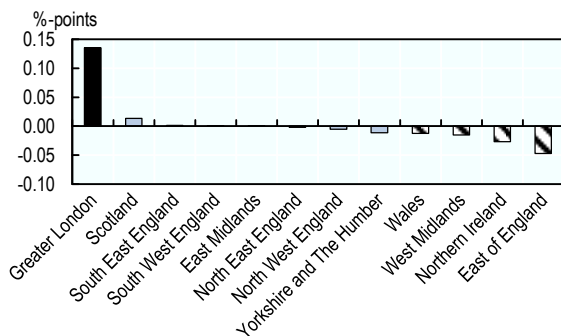
### Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013

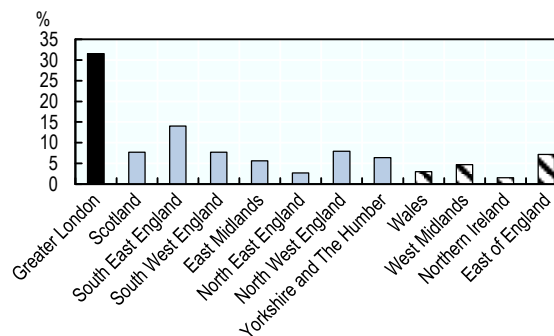
See country page notes for classification of regions



Contribution to labour productivity growth, 2000-13



Percentage contribution to national GDP growth, 2000-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

StatLink <http://dx.doi.org/10.1787/888933420527>

## Country page notes

### Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km <sup>2</sup> grid cell population weighted average of satellite-based estimates of small particulate matter (PM <sub>2.5</sub> ).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

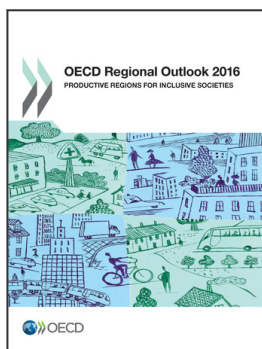
### Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

### Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, [http://dx.doi.org/10.1787/reg\\_glance-2016-en](http://dx.doi.org/10.1787/reg_glance-2016-en).



**From:**  
**OECD Regional Outlook 2016**  
Productive Regions for Inclusive Societies

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264260245-en>

**Please cite this chapter as:**

OECD (2016), "United Kingdom", in *OECD Regional Outlook 2016: Productive Regions for Inclusive Societies*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264260245-47-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).