

Productivity, Place and Poverty

Place based policies to reduce poverty and increase
productivity

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Introduction

One of the most pressing problems facing the UK Government today remains the huge variation in productivity and wealth between regions within the UK, specifically between London and the rest.

London accounted for approximately 23 per cent of UK growth in 2015¹, while the North West, North East, Yorkshire and Humberside, the East Midlands, West Midlands, Wales, Scotland and Northern Ireland were all below the UK average proportion of output.

The average worker in London is 280 per cent more productive than that of someone in Blackpool, and has a salary 164 per cent larger. London has more business start-ups, attracts more private and public investment for infrastructure², and has more world class universities than the entire North West, North East and Yorkshire and Humberside³.

Efforts to correct this imbalance have focussed on (a) increasing investment in physical infrastructure (HS2, 5G communication networks, etc) and (b) devolving power to local government and local businesses (Local Enterprise Partnerships and City Deals).

These have been well received and popular. They have been successful at building hubs of e-commerce, technology and the creative arts in cities like Manchester, Bristol, Cambridge and Aberdeen. However, whilst growth has begun to thrive in knowledge-driven city economies, there remains an imbalance with the suburban towns that surround them - areas such as Sefton outside Liverpool and Rochdale outside of Manchester which have been largely left behind. Someone in Sefton earns on average £368 per week, while a worker in Liverpool is on £414. A worker in Rochdale is on £353 per week while in Manchester the average wage is £476⁴. As city economies boom, more needs to be done to tackle productivity coldspots across the UK.

This paper calls for a shift in focus from Area Based Initiative's (ABIs) that focus solely on job and business growth, to more holistic ABIs that tackle poverty and social breakdown at a local level. Our analysis shows that policies that improve educational outcomes, reduce welfare dependency, and tackle debt and addiction, are likely to help generate local productivity growth. If ABIs tackle the root causes of local poverty, we believe productivity growth will ensue.

¹ House of Commons, *Regional and local economic growth statistics* (December 2016)

² Institute for Public Policy Research, *Infrastructure Spending by Region* (2017)

³ Times Higher Education, *Best universities in the world 2018* [accessed via: <https://www.timeshighereducation.com/student/best-universities/best-universities-world>]

⁴ ONS Digital, *How do earnings vary across Great Britain?* [accessed via: <https://visual.ons.gov.uk/interactive-how-do-earnings-vary-across-the-country/>]

Britain Today

It is widely accepted that the British economy has, much like our Atlantic partners in the United States of America, undergone a significant transition from an economy with a wide manufacturing base to one dominated by the service sector. Manufacturing accounted for one in four jobs in 1979. Since then nearly 4 million manufacturing jobs have been lost, and today the sector accounts for less than 10 per cent of UK employment. Economists and political theorists believe this displacement of manufacturing jobs has in-part caused economic marginalisation, social breakdown and a growth in political populism. What is equally concerning that the process of deindustrialisation had left a regional divergence in social and economic fortunes between those in London and the rest of the UK.

Today there is a higher prevalence of unemployment in deindustrialised parts of the UK. ONS statistics showed that in September 2017, “*the highest unemployment rate in the UK was in the North East and West Midlands (both 5.5 per cent), and the lowest was in the South East (3.2 per cent)*”⁵. The UK regions with the highest rate of Labour inactivity is Northern Ireland (28.9 per cent), Wales (24.2 per cent) and the West Midlands (23.3 per cent). The region with the lowest rate was the South East (17.6 per cent), followed by the East of England (19.3 per cent) and the South West (19.6 per cent).

These employment statistics are mirrored by an earnings and productivity divide. Workers in Wales are half as productive (in Gross Value Added terms) as workers in London, and earn 73p for every £1 earned in London. Similarly, a worker in the North East earned 74p for every £1 earned in London and 87p for every £1 earned in the wider South East of England. The productivity divide is driven by a social divide that extends from education to welfare, from house prices to health standards. Students in the North of England were 3.65 percentage points less likely to receive A* to C grade in English and Maths GCSE than students in the East and South of England (including London). Middlesbrough has a claimant count of 4.5 per cent, while in the Prime Ministers constituency of Maidenhead is just 0.8 per cent. House prices in the London commuter belt area of West Berkshire average at £431,000 whereas in Hartlepool the average house costs £126,500.

The Centre for Social Justice highlighted the more nuanced variance in economic performance in the 2017 report *The Great British Breakthrough*⁶, “*Analysis of the Government’s Intellectual Property Office (IPO) data on patents, shows almost a fifth of new patents being registered in London and the South East, the North West is home to more than 8 per cent of newly registered patents, whereas the North East only accounts for 1.8 per cent. This is not surprising considering just less than a third of public expenditure on science and technology over 2014 to 2015 was directed in London and the South East... private equity (PE) and venture capital (VC) firms made 670 investments in London based businesses with a combined turnover of £28.3 billion. There were just 46 investments made in businesses based in the North East, with a combined turnover of just over £1 billion. The*

⁵ ONS, Regional labour market statistics in the UK: November 2017 [accessed via: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/november2017>]

⁶ Spencer, P., *The Great British Breakthrough: Driving UK Productivity Growth in the UK* (CSJ, 2017)

difference is accentuated when looking at 'high tech investments'. PE and VC firms made 186 high tech investments in the London, and just 4 in the North East.”⁷

The regional divide is not one simply between the North and South. It is more a nuanced and complex divergence between what Enrico Moretti called ‘Cool Cities’⁸ and left-behind suburban-rural communities. While it is true that UK growth can be generalised as being centred in the London and the South, productivity growth is now a unique feature of urban areas that attract students, entrepreneurs, big businesses, infrastructure investment and most importantly new innovative ideas.

At root of this is the fact that cities are becoming hubs for growth across the country. Manchester is fast becoming home to a larger digital sector than London. Cambridge makes up 0.1 per cent of the UK's population, but 1.1 per cent of the UK's output. Milton Keynes is home to the UK headquarters of Domino's Pizza, Argos, Mercedes-Benz, Volkswagen, and a Nissan European R+D facility. Aberdeen is home to the UK's oil and gas industry (Oil and Gas estimate that up to 40 per cent of the UK's jobs in the industry are based in Aberdeen⁹). Bristol is the UK base for Airbus and has a strong local financial services industry.

The effect of this urbanisation of growth, has been the creation of productivity coldspots, predominantly found outside high growth hubs, in suburban-rural communities that were once dominated by the availability of industrial jobs. While big cities like Manchester, Aberdeen, Bristol, London and Leeds have seen strong growth in productivity levels of workers, suburban commuter towns have often been left in their wake. Manchester has GVA per head 25 per cent higher than the UK average, while North East Manchester (Oldham, Rochdale and Middleton) has per head productivity nearly 40 per cent lower than the UK average. Bristol has a per head GVA 20 per cent larger than the UK average, but the surrounding countryside of rural Wiltshire has a productivity per capita 15% lower than the UK average. A worker in Leeds is 7 per cent more productive than the average UK worker, but just south in Kirklees they are 30 per cent less productive.

⁷ Spencer, P., *The Great British Breakthrough: Driving UK Productivity Growth in the UK* (CSJ, 2017)

⁸ Moretti, E., *The New Geography of Jobs* (New York, 2012)

⁹ <https://oilandgasuk.co.uk/key-facts/major-employer.cfm>

Cluster Policy and Innovation Hubs– Tackling Productivity Coldspots

Michael Porter coined the term cluster theory to summarise the effect of agglomeration economics in urban environments¹⁰, Enrico Moretti talked of ‘cool cities’ and brain hubs in his 2013 book *The New Geography of Jobs* and in 2014 Bruce Katz and Jennifer Bradley spoke of a metropolitan revolution where city officials in America will become more important than the Federal Government in delivering jobs, growth and poverty reduction programmes¹¹.

Supporting regions and cities (instead of sectors) to help develop the ‘competitive advantage’ they offer businesses and investors, requires each part of the country to properly define its own offer in a global economy. The Centre for Cities broadly echoed this sentiment in *The role of place in the UKs productivity problem* (2017) by saying “*The main challenge for underperforming cities has been their struggle to attract higher-skilled exporting businesses, with implications for their productivity. If this is to change then these cities need to offer the advantages that high skilled businesses are looking for – namely access to knowledge in the form of high skilled workers, and increasingly in the case of services exporters, a dense city centre. Any policy intervention should therefore have a clear rationale as to how it makes a city more attractive to such investment*”¹². They estimated additional growth generated if cities outside of the South East were able to generate productivity growth at the same rate as cities in the South East to be £203 billion¹³.

Efforts to generate local productivity growth have taken the form of Innovation Hubs and other smaller forms of ABIs. The best example of an Innovation Hub in the UK can be found between Old Street and Shoreditch in East London dubbed ‘Silicon Roundabout’ or ‘Tech-City’. Since 2010, more than 15,000 start-ups have based themselves in the surrounding area. In 2015 David Cameron identified Silicon Roundabout as part of a wider regeneration plan for East London. The former Prime Minister said, “*our ambition is to bring together the creativity and energy of Shoreditch and the incredible possibilities of the Olympic park to help make East London one of the world’s greatest technology centres*”¹⁴.

One of the most prominent Innovation Hubs developed outside the UK was the Poblenou district of Barcelona. The former factory district was dilapidated, unproductive and in need of rejuvenation. In 2000 the city government began to develop 115 city blocks in Poblenou to create an Innovation Hub called 22@Barcelona. The plan for 22@Barcelona called for the building of 4,000 subsidised housing units, more green spaces and improved infrastructure by the city government and the building of office and business space by private investors and land owners.¹⁵ These improvements culminated in the creation of an industry specific cluster where businesses, NGOs and universities share the same space, supported by technology

¹⁰ Porter, M. *Clusters and Economic Policy: Aligning Public Policy with the New Economics of Competition* (Harvard Business School, 2009)

¹¹ Katz, B and Bradley, J., *The Metropolitan Revolution How Cities and Metros Are Fixing Our Broken Politics and Fragile Economy* (Brookings Institute, 2014)

¹² Centre for Cities, *The role of place in the UK’s productivity puzzle* (2017)

¹³ Centre for Cities, *The role of place in the UK’s productivity puzzle* (2017)

¹⁴ David Cameron, Speech (4 November 2010) [accessed via: <https://www.gov.uk/government/speeches/east-end-tech-city-speech>]

¹⁵ Smart Cities, Case Study: 22@ Barcelona Innovation District (2017) [accessed via: <https://www.smartcitiesdive.com/ex/sustainablecitiescollective/case-study-22-barcelona-innovation-district/27601/>]

centres and research capacity. Each cluster is a compact self-contained space designed with the explicit aim of improving networking and providing the facilities needed to develop innovative ideas. As of 2010 22@Barcelona was home to 7,000 businesses and shops, a 50 per cent increase on pre-2000 levels.¹⁶ For business, the benefit of this innovation hub is clear, the estimated turnover for companies between 2010 and 2015 based in 22@ rose by 13 per cent to over 10.3 million Euros.¹⁷ The city government has deemed the project a success and are continuing to expand and grow the area as the benefit of having companies, both large and small, rooted in Barcelona greatly benefits the city's economy.

Across the Atlantic the development of the Boston Waterfront into an Innovation Hub began in 2010. Located on a dedicated 1,000-acre plot of underdeveloped industrial waterfront in the city, the City of Boston's aggressive marketing and support for this new Innovation Hub saw initial success with 50 businesses moving into the area by 2011 resulting in 2,000 new jobs.¹⁸ The growth of this Innovation Hub is attributed to the affordability of the district as well as the support from education institutions MIT and Harvard which have resulted in the area also becoming a hub for art, science and technology¹⁹.

These examples demonstrate the fact that cluster policy and innovation hubs have largely been focussed on developing business and job growth in city centres. This has helped contribute to the urbanisation of growth that has occurred in Britain. There is little doubt, that going forward city centres will drive economic growth in the UK. However, policy must do more to tackle social breakdown and poverty outside of city centres, in suburban-rural communities, where productivity coldspots have emerged.

¹⁶ <http://www.22barcelona.com/content/view/887/90/lang,en/>

¹⁷ Barcelona Activa Survey, Slide 26, [accessed via: <https://www.slideshare.net/barcelonactiva/22-barcelona-economic-activity-analysis-june-2015>]

¹⁸ Smart Cities Dive, Case Study: *The Boston Waterfront Innovation District* (2017) <https://www.smartcitiesdive.com/ex/sustainablecitiescollective/case-study-boston-waterfront-innovation-district/27649/>

¹⁹ Forbes Magazine, *Why Boston Is The Next Hub For Innovation* (October 2016) [accessed via: <https://www.forbes.com/sites/noahkirsch/2016/10/18/why-boston-is-the-next-hub-for-innovation/#6cb943da3d6a>]

The Link Between Productivity and Poverty

This paper seeks to establish the evidence to prove that poverty reduction and specifically tackling social breakdown – in education, welfare, family structure, debt and addiction – is key to boosting productivity through ABIs.

The commonly held view is that productivity growth often comes at the cost of employment and therefore poverty. Highly productive countries such as the USA, France and countries in the Far East have high levels of unemployment, social breakdown and poverty. London provides ample anecdotal evidence to corroborate this. Productivity growth in London often occurs in close proximity to social breakdown and extreme poverty. Tower Hamlets is home to HSBC, JPMorgan and Bank of America as well as the Robin Hood Gardens estate. Grenfell Tower, an icon of tragedy and destitution was within less than a mile of some of London's wealthiest homes in Holland Park. Big corporate expenditure on London office space, whether it be Google in Kings Cross (£1bn), Apple in Battersea (£10bn), or Bloomberg in the City of London (£1.3bn), will have little near term direct effect on people living in social housing estates nearby. Initial analysis measuring the link between productivity and poverty supports this assertion.

Taking child poverty statistics from The Campaign to End Child Poverty and plotting them against GVA per hour worked in each NUTS3²⁰ region of the UK, there is a (albeit weak) correlation between higher levels of child poverty and higher rates of productivity.

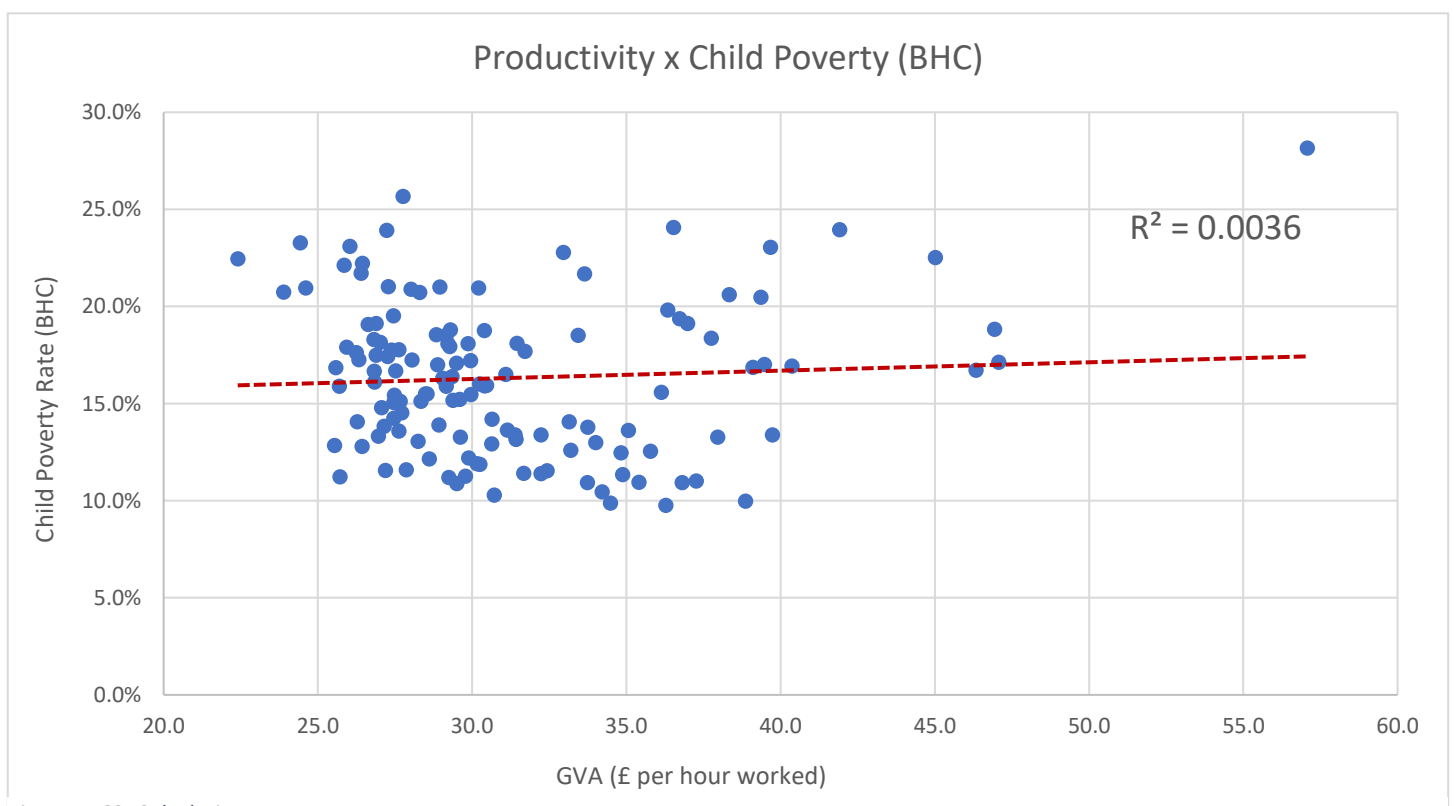


Figure 1: CSJ Calculations

²⁰ Note: NUTS3 statistical area is an officially recognised statistical region used by the Office for National Statistics.

However, there is a limit to the extent that child poverty is a fair representation of poverty in the country. Child poverty remains a better measure of inequality. The CSJ outlined their criticism of the child poverty measure in their paper *Reforming the Child Poverty Act (2015)*:

1. Measuring child poverty using an arbitrary line against the median income allows for the rate of child poverty to fluctuate according to the median income level. During the financial crisis, median incomes fell marginally which caused a significant reduction in the number of children considered in poverty. Alternatively, when the state pension was increased (increasing the median income with it), the child poverty rate rose. This despite no material or financial change in the quality of life faced by children.
2. Measuring poverty in purely financial terms fails to recognise the non-financial factors that lead to destitution, such as drug addiction or low levels of educational attainment. Measuring child poverty in just financial terms has resulted in billions being invested in raising low incomes through in-work tax credits, with little effect on helping people become more affluent and secure in the long term. The CSJ quoted Frank Field MP and stated “one consequence of the Act and its definition has been to ‘straightjacket our understanding of poverty to one particular financial manifestations’”²¹
3. Using an arbitrary line measure, where any household is either above the line and prosperous or below the line and in poverty, makes no nuanced reference to the distance from the line that any household may be. The CSJ stated in 2015, “the reduction of poverty to an arbitrary line tells us very little about the issues that are really affecting people’s lives. Our own research has shown that poverty is caused by complex, interlocking factors such as worklessness, family breakdown, educational failure, addiction and serious personal debt. A measure which fails to take account of the extent to which families are affected by these problems cannot give a nuanced picture of poverty in the UK”²².
4. Lastly, relative poverty is a poor measure of absolute material wellbeing, “Relative low income is now higher than it was through the 1960s and 1970s, despite the fact that material living standards have risen substantially in the past 40 years. Similarly, the UK could be said to have higher levels of poverty than other, much poorer countries where far more people are materially deprived, such as Hungary or South Korea. Interestingly, if relative low income is considered across the whole of the EU then a rather different picture emerges. The 2013 median equivalised income in the EU is obviously considerably lower than in the UK and is thought to be about £10,220; by this measure, only 2.55 per cent of UK children would be considered to be in poverty”²³.

Using the CSJ’s five pathways to measure poverty returns a different result. Below we have plotted productivity for a select number of NUTS3 localities in England²⁴ and (a) educational attainment, (b) welfare claimant count, (c) indebtedness and (d) family breakdown (see methodology for further information on how this data was assembled).

²¹ Centre for Social Justice, *Reforming the Child Poverty Act (2015)*

²² Centre for Social Justice, *Reforming the Child Poverty Act (2015)*

²³ Centre for Social Justice, *Reforming the Child Poverty Act (2015)*

²⁴ Note: See methodology in appendix for more details.

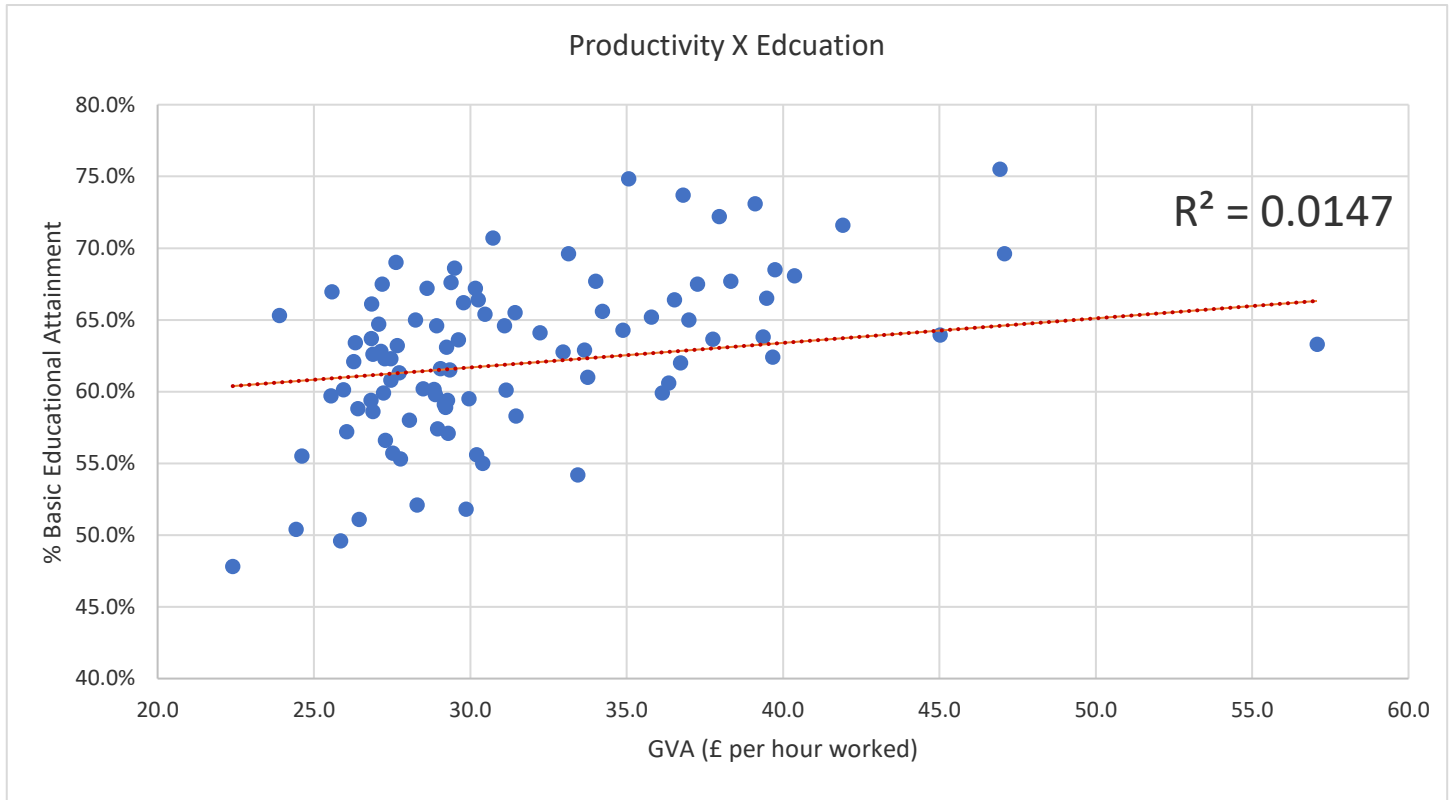


Figure 2: CSJ Calculations - Productivity measured by Gross Value Added (£ per hour worked) and Education is measured by the % of students in a NUTS3 statistical area meeting the basic attainment level (A* - C grade in Maths and English) (Department for Education)

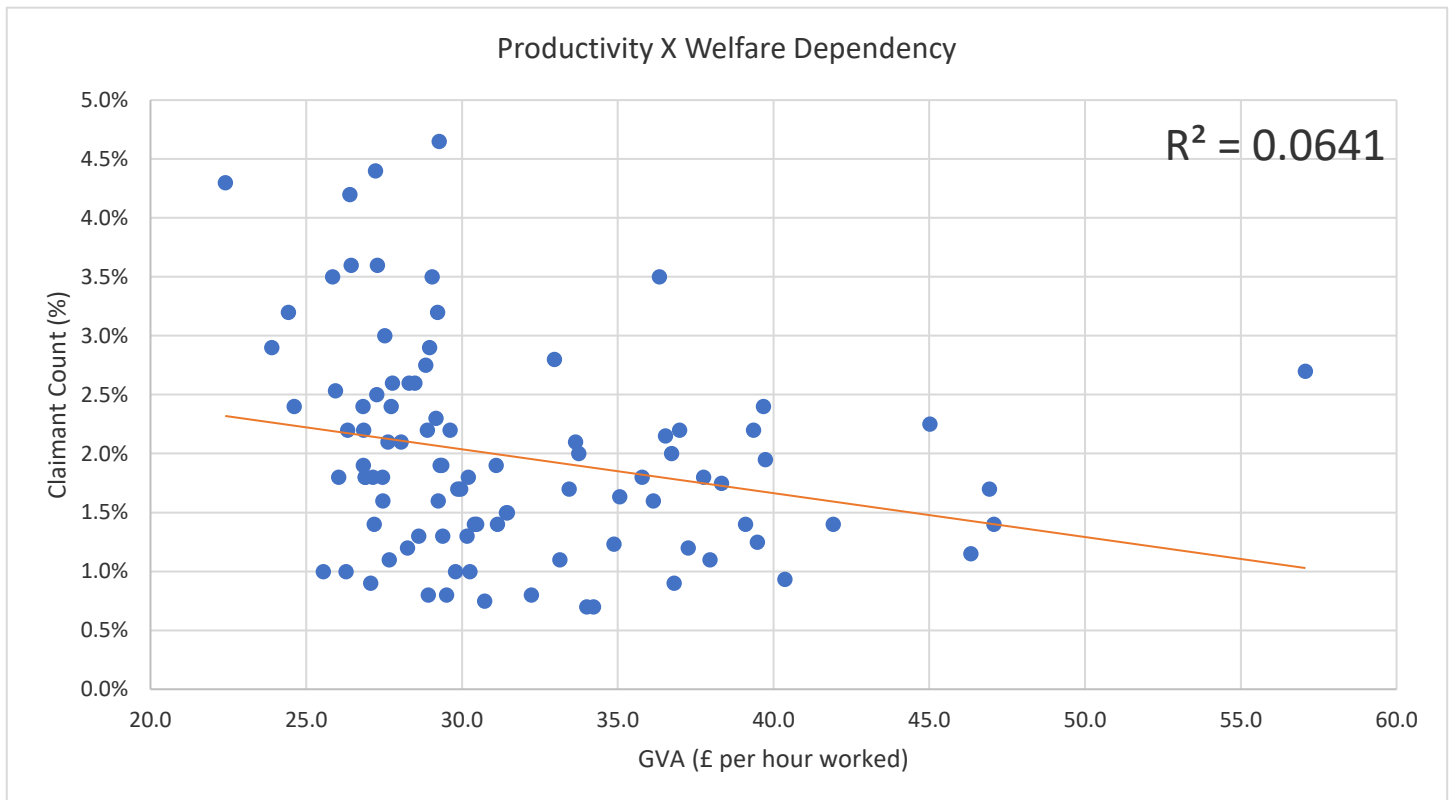


Figure 3: CSJ Calculations - Productivity measured by Gross Value Added (£ per hour worked) and Welfare dependency measured by the JSA and UC claimants count (Department for Work and Pensions)

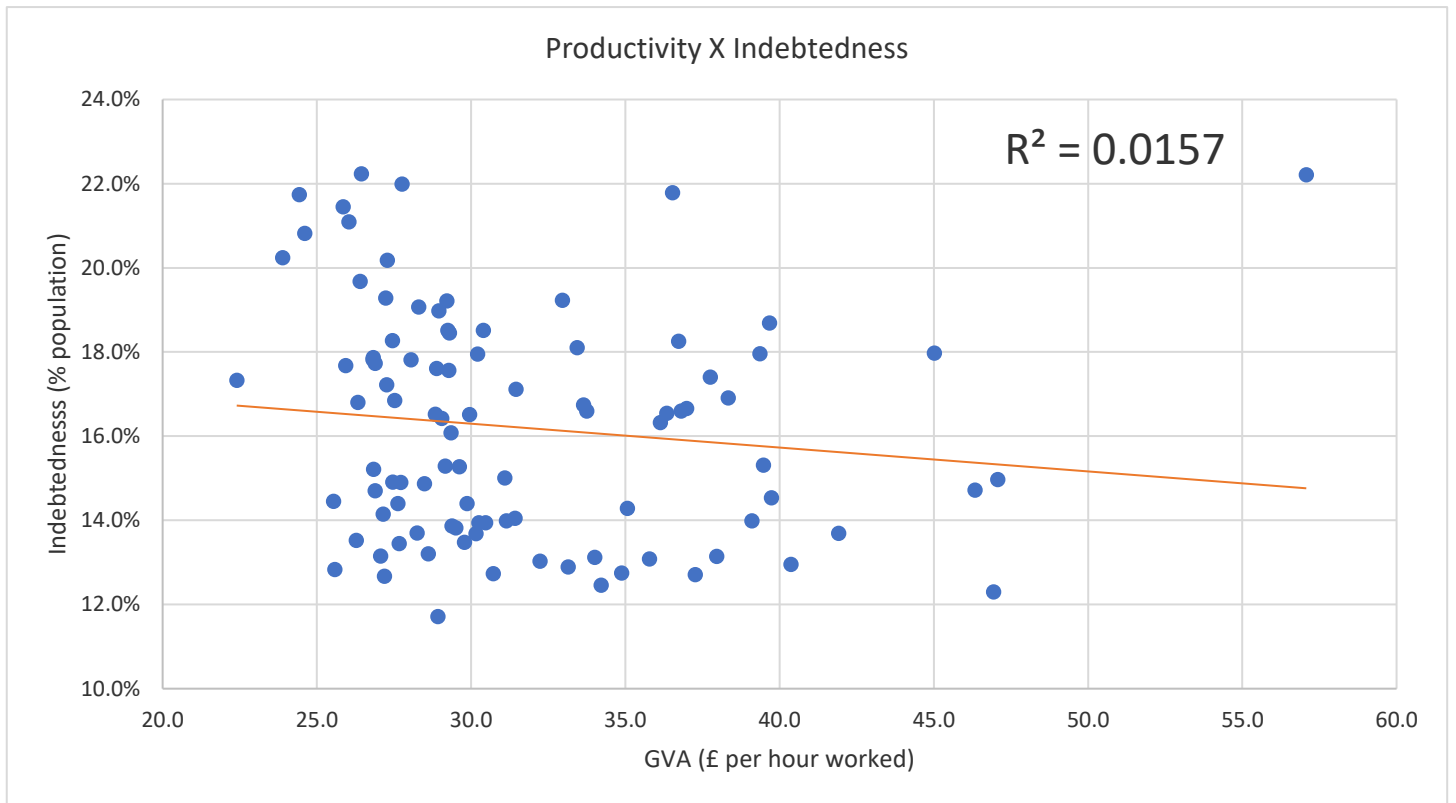


Figure 4: CSJ Calculations - Productivity measured by Gross Value Added (£ per hour worked) and Indebtedness measured by Money Advice Service that is based on a number of factors and characteristics – including tenancy, age, household make up and income (overindebtednessmap.org)

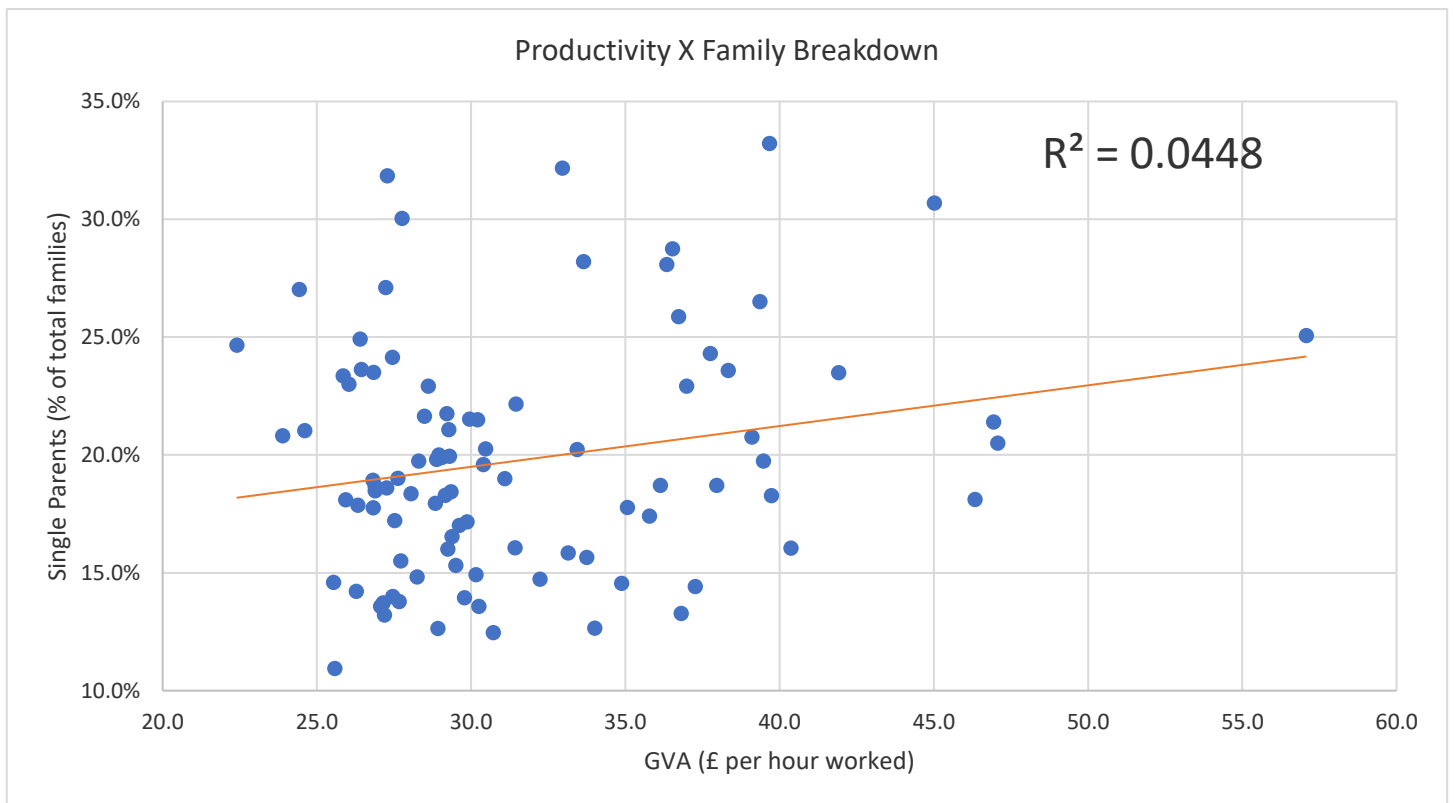


Figure 5: CSJ Calculations - Productivity measured by Gross Value Added (£ per hour worked) and Family Breakdown measured by % of families classed as single parent families (nomis.co.uk)

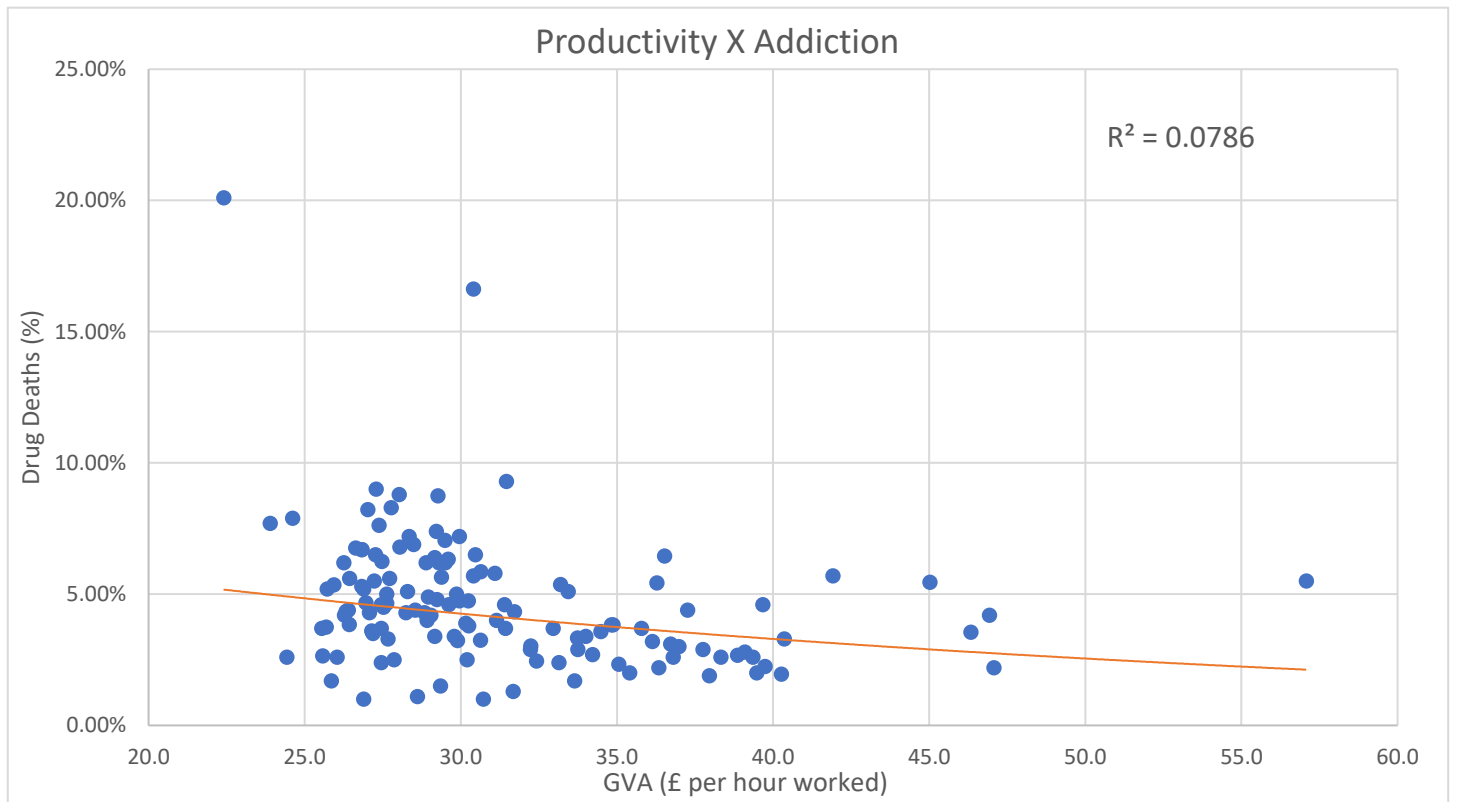


Figure 6: CSJ Calculations - Productivity measured by Gross Value Added (£ per hour worked) and Addiction measured by the rate of drug deaths measured locally (ONS)

These charts support the theoretical a link between social breakdown and productivity at a local level. When tackling the core drivers of poverty – educational failure, welfare dependency, addiction, debt – there is a broadly positive correlation between tackling these social injustices and improving productivity.

Figure 2 shows that a clear correlation between a higher rate of educational attainment in a local area with a higher level of gross value added per hour worked. This positive relationship between education and productivity is corroborated across the existing academic literature. The Government released a report in 2015, estimating that skills contributed to 20 per cent of pre-recession UK productivity growth. The CBI found a clear link between education and regional productivity, “where children get the best results at GCSE or equivalent, and school performance is highest, regional productivity is also greater. This held true for a range of educational variables we examined. For example, almost eight out of ten pupils in Trafford achieved at least five A*-C grades at GCSE. This is far above the average for the North West, where two-thirds of school pupils achieve this standard. At the other end of the spectrum, only half of the students in Blackpool manage to achieve the same feat”²⁵.

Figure 3 shows a clear negative association between a local areas claimant count and average levels of productivity in that area. A high claimant count may be associated with higher productivity because fewer people in work, who may also have a lower average level of skill attainment, would release pressure on the denominator, allowing productivity growth to be

²⁵ CBI, *Unlocking Regional Growth* (2016)

generated. However, as the Great British Breakthrough argued, this form of artificial productivity growth is unsustainable in the long term. Areas with fewer people out of work, have higher rates of productivity.

Figure 4 shows the negative relationship between a population that has a high debt load and the local population's productivity. Research shows the relationship between debt and poor mental health which in turn effects an individual's personal productivity. The CSJ stated in 2017, *"2.6 million people grapple with severe debt problems in the UK. It is estimated that this costs the UK economy £8.3 billion a year in debt-related physical and mental health problems, lost productivity, unemployment, family breakdown and housing issues. ... As one [expert] on the impact of debt on children explained, poor financial health causes children to be stigmatised at school, prompts family breakdown and places children at greater risk of developing mental health conditions."*²⁶.

Figure 5 shows a positive correlation between the prevalence of single parenthood and productivity. This goes against the perceived theory that family breakdown drives poverty and ultimately productivity at a local level. Research from Policy Exchange in 2012 found single parents who had never been married were more likely to have a lower level of educational attainment, were more likely to be unemployed and, for those in work, were more likely to be underemployed. The Centre for Social Justice stated in 2017, *"Family instability is closely associated with a higher risk of poverty largely as a consequence of loss of household income and the employment characteristics of lone parenthood. Recent employment data shows a there is a significant gap between lone parents and couple families experiencing worklessness with children growing in lone-parent families more than seven times more likely to be living in workless households (35.1 per cent) than couple households (4.5 per cent"*²⁷). Its worth pointing out that this author also analysed the relationship between the rate of underage pregnancies and productivity at a local level, and found again that there was a positive correlation between the two. Underage pregnancies have been historically more prevalent in urban areas, and as we have covered thoroughly here productivity growth is higher in densely populated urban environments. It is necessary to conclude therefore that a more sophisticated model is necessary to measure the effect of family breakdown on productivity at a local level.

Figure 6 shows another negative correlation between regions with higher rates of addiction and lower rates of productivity. This again falls in line with the perception that addiction reduces the scope for an individual to engage in society, hold down relationships, a job and to progress in their work.

The conclusion is simple – tackling social injustice locally is associated with an improved level of local productivity. This finding corroborates the *Greta British Breakthrough* report that called for a systemic re-evaluation of how policy supports millions of low paid workers who see little chance for progression or wage growth. Policy makers must recognise that rebalancing regional productivity growth requires greater focus on social breakdown, specifically educational failure, welfare dependency, family breakdown, addiction and indebtedness.

²⁶ Centre for Social Justice, *Creating a Society Free of Serious Personal Debt* (2017)

²⁷ Centre for Social Justice, *The forgotten role of families: why it's time to find our voice on strengthening families* (2017)

Area Based Poverty Reduction

Our analysis supports the theory that policies tackling social injustices – educational failure, family breakdown, worklessness, debt and addiction – can have positive effects on local productivity rates. Therefore, where previous ABIs have been focussed on creating jobs and supporting local business growth, in the future they should also incorporate poverty reduction targets.

The most prominent ABI currently in operation are Enterprise Zones (EZ). There are 48 designated EZs in England. EZs were designed to support job and business growth by offering “firms five-year rebates on business rates (the UK’s business property tax), simplified planning regulations and access to superfast broadband; in some cases, firms are also able to claim tax relief on new plant and machinery investments. At the same time, local authorities will be able to keep 100% of any subsequent business rate growth for 25 years after the Zone begins operations”²⁸. Since April 2012, 35,774 jobs have been created across all EZs, £3.3 billion has been invested by the private sector and 822 businesses created.

Going forward, EZs could and should better target people either in poverty or at risk of falling in to poverty. US Empowerment Zones are similar to ABIs, initiated by the Department for Housing and Urban Development in 1993. They seek to create an opportunity for economic rejuvenation and job creation in very economically depressed areas around America. US Empowerment Zones offer tax incentives for employers looking to hire local workers from poor backgrounds. Local businesses can also qualify for low cost loans (from Government) that has to be spent on local capital assets (buildings, machinery, etc).

Zones Franches Urbaines (ZFU) are French ABIs that are also targeted at improving employment prospects for local workers in disadvantaged areas. Businesses are exempt from payroll tax if they employ 33 per cent of employees from within the ZFU area. They have been proven to radically improve local employment prospects and benefit small businesses.

Other ABIs target non-employment related social breakdown. Greater Manchester Combined Authority (GMCA) have incorporated a strong anti-poverty agenda in their strategy document – Our People, Our Place²⁹. Their first commitment is to ensure each child has access to a good education with the hope that Manchester will “*exceed the national average for the proportion of children reaching a ‘good level of development’ by the end of reception*”. GMCA has rolled out an Early Years Model which provides integrated services for families with at-risk children from a young age. The services are diverse including maternity, health visiting, antenatal and parenting support services. Early years intervention is considered one of the most beneficial ways to help children achieve positive outcomes at school, and in adulthood; “*The evidence suggests that early years and pre-school intervention is beneficial. On average, early*

²⁸ What Works Local Growth, Area Based Initiatives [accessed via: <http://www.whatworksgrowth.org/policy-reviews/area-based-initiatives/why-area-based-initiatives/>]

²⁹ GMCA, Greater Manchester Strategy [accessed via: <https://www.greatermanchester-ca.gov.uk/ourpeopleourplace>]

years interventions have an impact of five additional months' progress, and appear to be particularly beneficial for children from low income families"³⁰.

Elsewhere, a town in California pays local residents that commit low grade crimes, \$1000 per month to participate in special group counselling sessions and work with mentors to improve their own life prospects. The Becoming A Man (BAM) programme in Chicago offers 'at-risk teens' skills like "*impulse control and conflict resolution, and helps students make better decisions in social situations*"³¹. The UK Government could perhaps copy leadership from Scotland that promotes integrated service provision at a local level through the use of Community Planning Partnerships; "*The Community Empowerment (Scotland) Act 2015 creates new rights for community bodies and introduces new duties on public authorities, ... [strengthening] the voices of communities in the decisions that matter to them*".

Ultimately, UK local authorities should be encouraged to incorporate local poverty reduction strategies in to their policy plans. Currently just 60 per cent do³². These strategies should look at how local education services can improve, how disadvantaged children can access support before and after school, how parents who are either inexperienced, young, unemployed or struggle with physical and mental health conditions are supported, and how those who have or are at risk of having a debt or addiction should be able to receive support from local service providers.

Outside of city deals and unitary authority strategy documents, the Government should seek to set up ABIs that target social breakdown and poverty in productivity coldspots. Five targets to begin with would include local authorities North West of Manchester (Tameside, Rochdale and Oldham), the outskirts of Nottingham and Derby (Erewash) and the outskirts of Birmingham (Walsall).

³⁰ Education Endowment Foundation, Early Years Intervention [accessed via: <https://educationendowmentfoundation.org.uk/evidence-summaries/teaching-learning-toolkit/early-years-intervention/#effectiveness>]

³¹ Doelac, J. Should we pay people not to commit crime? (Brookings Institute, April 2016) [accessed via: <https://www.brookings.edu/opinions/should-we-pay-people-not-to-commit-crime/>]

³² Royal Town and Planning Institute, Poverty, place and inequality (2016) [accessed via: http://www.rtpi.org.uk/media/1811222/poverty_place_and_inequality.pdf]

Conclusion

Productivity (and poverty) coldspots a growing reality of 21st Century Britain. The Royal Town and Planning Institute (RTPI) stated in 2016, *“The poorest are often pushed to live in degraded environments with fewer services and amenities, poor access to public transport, educational opportunities and jobs, a lack of green spaces, lower air quality and higher rates of crime and anti-social behaviour. This in turn reinforces poverty and inequality”*³³. The Social Mobility Commission said in 2017, *“England is a small country with a large and growing gap between those places that offer good opportunities for social progress... and those that do not”*³⁴

The answer to productivity coldspots must be locally focussed action. Local government officials, local police officers, welfare advisers, job coaches, debt advisers, head teachers and drug councillors, and third sector leaders know more about local problems than policy makers in Whitehall do. The CSJ sees the positive effect localised solutions have when they hear and speak to members of their charitable alliance. The CSJ Alliance is composed of small charities working across small localities, using local knowledge to solve serious problems. Whether it is Lads Need Dads³⁵, a mentoring programme designed for young boys from dysfunctional homes from Clacton, run by local men who may have also had absentee parents. Or, the Living Room charity in Hertfordshire which seeks to pick up where local NHS addiction services fail. Local solutions recognise environmental factors and nuances that are important to master if we are to solve social and economic problems... *“On their own, people-based approaches are unlikely to be enough to reduce poverty and inequality, in part because they ignore the importance of place and the local environment”*³⁶.

If the Government wants to tackle regional imbalance in growth across the UK, they need to focus outside of cities and at suburban-rural productivity coldspots. They should continue to devolve resources down to local authorities who are better placed to understand the social and economic barriers facing residents. By tackling educational failure, welfare dependency, debt and addiction, the Government can help people get a good education, get good job and develop a prosperous existence. By creating more jobs and more earners in a locality, local productivity growth will ensue.

³³ Royal Town and Planning Institute, Poverty, place and inequality (2016) [accessed via: http://www.rtpi.org.uk/media/1811222/poverty_place_and_inequality.pdf]

³⁴ Social Mobility Commission, State of the Nation 2017 (November 2017)

³⁵ <https://ladsneeddads.org/>

³⁶ Royal Town and Planning Institute, Poverty, place and inequality (2016) [accessed via: http://www.rtpi.org.uk/media/1811222/poverty_place_and_inequality.pdf]

Appendix: Methodology

Data measuring productivity and 5 measures of poverty were collected from Government sources for each of the NUTS3 statistical regions. Data detailing each measure of productivity is listed below:

Gross Disposable Household Income - Regional gross disposable household income (GDHI) [accessed via:

<https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/dataset/regionalgrossdisposablehouseholdincomegdhi>]

Productivity (Gross Value Added) - Sub regional Productivity: Labour Productivity (GVA per hour worked and GVA per filled job) indices by UK NUTS2, NUTS3 sub regions and City regions (6 January 2017) [accessed via:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbyuknuts2andnuts3subregions>]

Child Poverty – End Child Poverty Campaign, Poverty in Your Area Statistics [accessed via:

<http://www.endchildpoverty.org.uk/poverty-in-your-area-2016/>]

Educational Attainment - GCSE and equivalent entries and achievements of pupils at the end of key stage 4 by gender for each local authority and region [accessed via:

<https://www.gov.uk/government/statistics/revised-gcse-and-equivalent-results-in-england-2015-to-2016>]

Welfare Dependency - CC01 Regional labour market: Claimant Count by unitary and local authority (November 2017) [accessed via:

<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/datasets/claimantcountbyunitaryandlocalauthorityexperimental/current>]

Over-indebtedness – Money Advice Service, Over-indebtedness Map [accessed via:

<http://overindebtednessmap.org/>]

Family Breakdown – Official Labour Market Statistics [accessed via:

<https://www.nomisweb.co.uk/query/construct/submit.asp?forward=yes&menuopt=201&subcomp=>]

Drug Addiction – Drug misuse deaths by local authority (August 2017) [accessed via:

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/datasets/drugmisusedeathsbylocalauthority>]

There are 173 NUTS3 statistical regions in the UK. Due to inconsistencies in some of the data (some sources listed data by local authority which had to then be folded into a NUTS3 area), we eliminated data points for some of the localities. Despite having to eliminate data points for 60 to 70 NUTS3 regions, we maintained a significant number of data points to validate the analysis. Whilst we do not infer causal relationships between our proxies for poverty and productivity, we infer a significant correlation between them.