

Member blog: Let's not lose sight of the economic inequality in parts of outer London

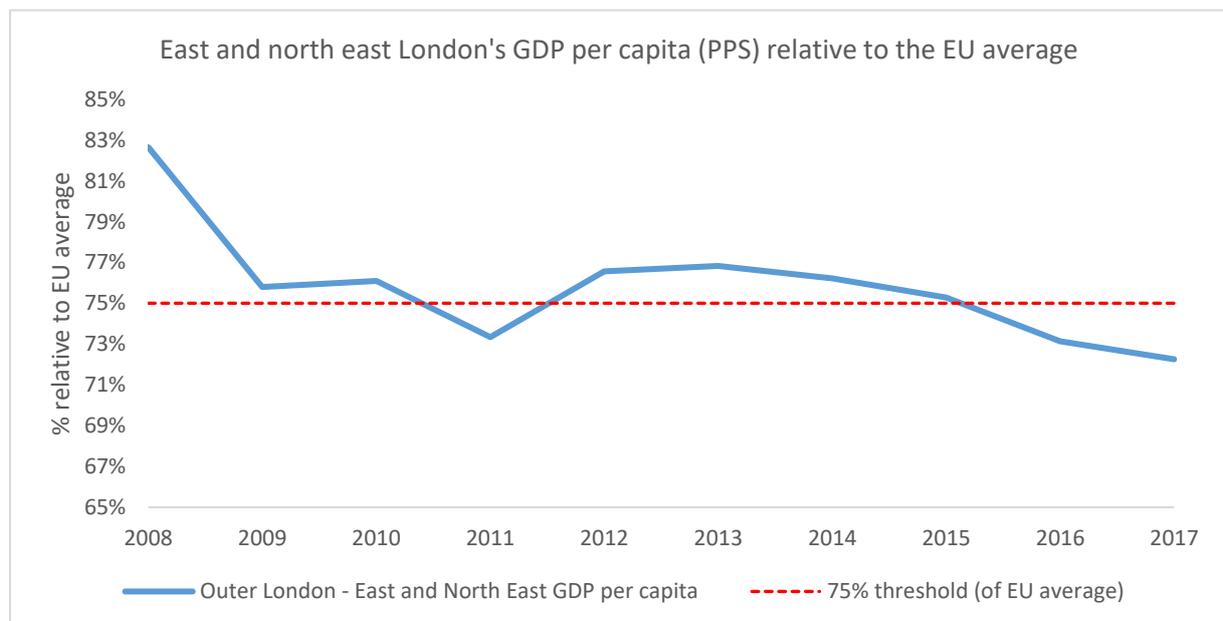
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While the prosperity gap between North and South is well documented and needs urgent action, it is important that we do not lose sight of the significant inequalities that exist elsewhere – including in London itself – to ensure that these disadvantaged areas are not left behind.

The Guardian (<https://www.theguardian.com/business/2019/dec/10/number-of-europes-poorest-regions-in-uk-more-than-doubles>) recently highlighted that Britain's regions have failed to keep pace with Europe's recovery since the 2008-09 recession, which led to the number of UK areas among the EU's poorest more than doubling, from three to seven.

According to Eurostat data, east and northeast London are now officially among the poorest areas in the EU, with a poor region defined as areas with GDP per head worth 75% or less of the EU average in purchasing power parity (PPP) terms. This may come as a surprise to many, as London is one of Europe's wealthiest capitals. But it underlines the significant levels of socio-economic inequality that currently exist and suggests that London's economic success is not 'trickling down' to outer London.

The figure below illustrates this change over time.



Source: GDP per capita in Purchasing Power Standard (PPS) terms; Eurostat

GDP per capita may not necessarily be the best measure for assessing a region's prosperity as it may not reflect residents' income or prosperity levels, which are influenced by commuting patterns. Looking at other measures, however, east and northeast London still lag behind inner and outer London in key socio-economic indicators such as income, poverty and deprivation. Historical earnings levels suggest that the gap is in fact widening over time.

East and northeast London is not a homogenous area, and substantial variation exists between boroughs and sub-areas. Barking and Dagenham, in particular, has very high levels of poverty and deprivation. It is the fifth most deprived local authority in England (out of 317) based on the most recent English Indices of Deprivation.

The December 2019 general election brought into greater focus the regional inequality across the UK, and, in particular, the prosperity gap between northern regions and the south of the country. The new Conservative government has pledged to focus on supporting economic growth in the North, and there is no doubt that this is urgently needed. It is important to recognise, however, that London and the South East's general economic prosperity hides significant levels of inequality, poverty and deprivation.

Outer London, in particular, includes some of the UK's most disadvantaged communities. Research undertaken by the Smith Institute (<http://www.smith-institute.org.uk/book/the-unspoken-decline-of-outer-london-why-is-poverty-and-inequality-increasing-in-outer-london-and-what-needs-to-change/>) suggested inner London's growth is not reaching outer London. Instead, it described poverty as creeping outwards.

The economic decline of these areas (which is usually followed by physical decline) is a result of a combination of contributing factors. These include: labour force issues (e.g. skills, economic activity, unemployment); demographics (aging population, health and disability levels); the greater concentration of business activity and jobs in central London; the decline of traditional outer London employment sectors (such as manufacturing); low productivity growth, and the decline of outer London high streets.

The government is reportedly preparing to announce a major overhaul of its public spending rules in the Spring Budget to boost investment in the Midlands and the North. This would be a welcome and overdue development.

It is also important, however, that areas such as east and northeast London (and indeed other disadvantaged parts of London and the South East) are not overlooked when allocating

infrastructure investment and planning economic growth initiatives. Poverty does not distinguish between North and South.

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