

High Pay Centre briefing: UK's poorest regions are poorer than anywhere else in North-West Europe – and falling further behind

Background

Eurostat, the data agency of the European Union, provides figures on GDP per capita and disposable income for larger (NUTS1) and smaller (NUTS2) regions across the EU.

The High Pay Centre analysed the figures from 2008 to 2016 (disposable income) and 2017 (GDP per capita), the most recent years for which data is available. The analysis focused on how the poorest UK regions have compared to the EU average over time, and how they compared to the most prosperous EU countries in particular.

The results show that the UK's poorest regions are poorer than anywhere in France, Germany, Austria, Belgium, the Netherlands, Luxembourg, Denmark, Sweden or Finland.¹ The relative performance of the UK's poorest regions has also worsened over time.

GDP per capita

The Eurostat figures for 2017) show that the poorest 7 regions in the UK in terms of GDP per capita are poorer than anywhere else in North West Europe (which we have taken to encompass France, the Benelux countries, Germany, Austria, the Nordic countries and Ireland).

Table 1: Poorest NUTS2 regions in North-West Europe (GDP per capita), 2017²

Region	Country	GDP per capita (% of EU average)
Picardie	France	75
Lorraine	France	75
Prov. Luxembourg (BE)	Belgium	73
Outer London - East & North East	UK	72
South Yorkshire	UK	71
Tees Valley & Durham	UK	70
Lincolnshire	UK	69
Cornwall & Isles of Scilly	UK	68
West Wales & The Valleys	UK	66
Southern Scotland	UK	65

This situation is worsening with time. In 2008, there were just three UK regions with GDP per capita below 75% of the EU average. Similarly, only six regions were below 80% of the EU average in 2008, compared with 11 in the most recent figures. The number of regions below 90% of the EU average

¹ The analysis does not include French overseas territories outside Europe in the figures for France.

² Eurostat, *Gross domestic product (GDP) at current market prices by NUTS2 regions* via https://ec.europa.eu/eurostat/statistics-explained/index.php/GDP_at_regional_level#Regional_gross_domestic_product_.28GDP.29

increased from 18 to 23 over the same period while the total number below the EU average rose from 29 to 30.

The EU defines regions with GDP per capita of below 75% as ‘less developed’ and those below 90% as ‘transitional.’ These regions are prioritised for EU funding over ‘more developed’ regions, so the fact that more UK regions now fall into these categories would mean the UK could receive more funding than has been historically the case if we remained in the EU.

Table 2: UK regions with GDP per capita below the EU average

2008		2017	
<i>GDP per capita (% of EU average)</i>	<i>Number of UK regions</i>	<i>GDP per capita (% of EU average)</i>	<i>Number of UK regions</i>
90-99	11	90-99	7
80-89	12	80-89	12
70-79	4	70-79	7
60-69	2	60-69	4
Total³	29	Total	30

Disposable income

The UK has six of the ten poorest regions in North West Europe in terms of disposable income (East Yorkshire and North Lincolnshire; Northern Ireland; South Yorkshire; Durham and Tees Valley; West Wales and the Valleys; and the West Midlands).

There are a further 5 regions below the EU average - Lancashire; Northumberland/Tyne and Wear; Merseyside; West Yorkshire; and Greater Manchester.

Variations in disposable income are less pronounced than in GDP per capita. There is no UK region with average disposable income of below 90% of the EU average. However, our record is still poor compared to other North West European countries. While there are 11 UK regions below the EU average, there is only one from France and none from Germany.

The UK’s record has also worsened over time. In 2008, there were only three European countries amongst the poorest in North West Europe.

³ There are 40 NUTS2 regions in the UK – those with a GDP per capita below the EU average have a total population of just over 45 million.

Table 3: Poorest regions in North West-Europe (disposable income), 2008-16⁴

2008 ⁵			2016		
Region	Country	Average disposable income (purchasing power standard)	Region	Country	Average disposable income (purchasing power standard) ⁶
Tees Valley & Durham	UK	13,700	Syddanmark	Denmark	15,100
South Yorkshire	UK	13,700	Nordjylland	Denmark	15,100
Pohjois ja Ito Suomi	Finland	13,400	Southern region	Ireland	15,100
Hovedstaeden	Denmark	13,200	East Yorks & North Lincs	UK	15,100
Northern & Western region	Ireland	13,200	Northern Ireland	UK	15,000
West Midlands	UK	13,100	South Yorkshire	UK	14,700
Sjaelland	Denmark	12,400	Durham & Tees Valley	UK	14,600
Midtjylland	Denmark	12,400	West Wales & The Valleys	UK	14,600
Syddanmark	Denmark	12,300	West Midlands	UK	14,100
Nordjylland	Denmark	12,200	Northern & Western region	Ireland	13,100

Conclusions

The perceived performance of different economies has a considerable influence on policymakers. Obviously, policies introduced in countries perceived to have enjoyed economic success are more likely to be copied, whereas those in countries considered to have performed badly are more likely to be disregarded.

We have seen during the EU referendum campaign, the claim that UK was ‘shackled to a corpse’ as a result of EU membership. Yet this sense of superiority seems wildly mis-placed. Large swathes of the UK can only dream of achieving the levels of economic activity and living standards of even the poorest parts of supposedly similar EU countries.

Proposals to increase levels of taxation and public spending; expand trade union and collective bargaining coverage; or introduce worker representation into corporate governance structures in the UK are also regularly attacked for being ‘anti-business’ with the implication that they would be harmful to the economy. However, these measures are commonplace in other European countries.

⁴ Eurostat, *Incomes of households by NUTS2 regions* via https://ec.europa.eu/eurostat/statistics-explained/index.php/GDP_at_regional_level#Regional_gross_domestic_product_.28GDP.29

⁵ The figures for 2008 do not include regions from the Netherlands or France, as this data is not available.

⁶ EU average = 15,597. No average is given for 2008.

They are obviously not damaging North Western European economies to the extent that the poorest parts of the UK are held back by the more extreme version of capitalism practiced in this country. This suggests that the risks associated with the more stakeholder-oriented model found on mainland Europe are exaggerated, while its advantages are under-appreciated.