Fragility and Recovery: The Spatial Divide in the UK

Abstract:

Introduction

The depth and severity of the global financial crisis became fully apparent in mid 2007. Based on the quarterly GDP figures, the UK experienced the longest recession between the second quarter of 2008 and the third quarter of 2009 since the publication of such quarterly data in 1955. It was also the first time that the UK economy had the largest quarter-on-quarter decline since 1980 (Vaitilingam, 2009). As in previous recessions, the UK housing and labour market has responded unevenly and inconsistently at the local and regional level (Mansley and Rhodes, 1992). Northern Ireland, for instance, experienced the largest house price boom, followed by the deepest (and continuing) subsequent contraction (Frey and Grey, 2010). Somewhat surprisingly, given the experience of the last price cycle in the early 1990s, London and the South East appear to have been more resilient.

For over seven decades, the discourse of spatial inequality has been very much centred on the North-South divide, a line drawn between the Severn and the Wash Estuary. The Barlow Report (1940) was the first report to develop a post-war regional policy framework to address spatial disparities in Britain. In recent years, both the Thatcher and the Blair governments tried to divert attention from inter- to intra-regional disparities (Morgan, 2002). The issue, however, should not be about displacement of arguments, but rather that attention should be paid to both inter- and intra-regional inequalities to develop robust policy to address different development issues. While there is a corpus of research
highlighting the deeply entrenched north-south friction, nuanced evidence of intra-regional variation in market performance, affordability, housing construction, business activity and labour markets throughout the UK is currently lacking. This paper aims to bridge this research gap by examining the changing nature of housing and locality conditions across the UK over the recession period.

The paper begins by first exploring the varied notions of the UK spatial divide before moving on to discuss contemporary housing and locality circumstances within the context of the pre and post recessionary periods. This is followed by an explanation of the methodological approach taken in the research, with the remainder of the paper discussing the pre and post recessionary trends in housing and locality circumstances and the spatial implication of these trends for future UK policy development.

**Conceptualising the Spatial Divide**

New economic geography (NEG) – a thesis first posited by Krugman (1991) – assumes that industries, skilled labour and technologies cluster in geographical space. The spatial concentration of interconnected firms provides a mechanism for enhancing competitive advantage by reducing training and recruitment costs associated with the labour force and by enhancing competition as well as facilitating cooperation between firms (Krugman, 1991). In a review of NEG, Fujita and Mori (2005) note that economic agglomeration is not consistent across space but occurs in different ways in different places and at different scales. Variegation in economic agglomeration reflects the fact that agglomerations are embedded in larger economies that serve to create a complex multi-layered economic system. However, part of this complexity is the acknowledgement that agglomeration is only one part of the story; dispersion also occurs – centripetal forces (market access, skill bases) pull economic activities together whilst centrifugal forces (congestion, rent costs)
disperse economic activities (Krugman, 1998). As the NEG framework has evolved, the complexity of the concentrating and dispersing narrative has intensified but one constant remains: the processes of concentration and dispersion have historically generated uneven distributions of economic activity (Fujita and Krugman, 2004) and sociospatial configurations (Filion, 2010) within and between different localities.

The north-south divide – a tale in which a socially and economically declining north is lagging behind a developing and buoyant south – is one of the most enduring representations of uneven spatial development in the UK. It was in the immediate post-war period, following the rise of the Labour Party and the ‘turn to interventionist’ and ‘one-nation policies’ (Gonzalez, 2011), that the narrative of the north-south divide gained resonance. Stark spatial inequalities following the collapse of the traditional spatial division of labour in inter-war Britain (Morgan, 2002) gave rise to an explicit redistributive policy mantra branded as ‘a strategy of spatial Keynesianism’ (Brenner, 2003). Under Keynesianism, the national scale became the focus for development policy but ‘...it was the regions...that became the key spaces for policy intervention’ through which redistributive, ‘one-nation’ policies would be delivered (Raco, 2007: 22). However, the break-down of the Keynesian settlement and the onset of the global economic crisis in the mid-1970s served to erode the ‘one-nation’ philosophy that had prevailed in the immediate post-war period (Raco, 2007). During this period of ‘roll-back’ neoliberalism, the secret of economic growth ‘...was seen to lie in the unshackling on Britain’s stifled entrepreneurial spirit [achieved] through the dismantling of the welfare state’ (Peck and Tickell, 1992: 355).

The debates about the scope and scale of unequal regional development simmered below the surface throughout the 1980s and 1990s (Townroe and Martin, 1992; Hughes and McCormick, 1994; Dunford, 1995). This context changed little with the rise to power of New
Labour in 1997. The advent of a dominant ‘Third Way’ discourse – which sought to combine enterprise with fairness and equality – gave rise to an awkwardly conceptualised (and ultimately unrealised) notion of ‘balanced’ competitive regional development (see Balls and Healey, 2000). This stage of constrained ‘roll-out’ neoliberalism (Peck and Tickell, 2002) coincided with a period of devolution for Scotland, Wales, and Northern Ireland, and regional institution-building in England. This process of state and institutional restructuring and modernisation was seen by New Labour as a way of ‘tooling-up’ for the task of reinvigorating the economically underperforming regions of the country whilst allowing the UK’s economic engine room – London and the South East – to thrive (HM Treasury, 2001; ODPM, 2003). Ultimately, balanced competitiveness worked to shift the political focus away from regional disparities towards emphasising the ‘untapped opportunities’ for competitive growth across all regions of the UK.

Since taking power in 2010, the governability of housing market and wider economic recovery following the onset of recession in 2007 has been a major political challenge for the UK Coalition government. The dominant economic policy discourse of the Coalition – with its strong emphasis on competitiveness and market efficiency – continues to privilege a neoliberal economic philosophy – albeit a philosophy whose implementation is likely to be constrained by private sector conservatism and resource and capacity restrictions in the public sector. It is perhaps unsurprising then to see interest in the north-south divide re-emerging as concerns surface around the differential capacities of areas to first resist and subsequently to recover in the aftermath of the recent recession.

Despite the partial and simplifying nature of the north-south dichotomy and the emergence of more nuanced readings of the phenomena (Gonzalez, 2011), the debate around north-south inequality has endured. The fortitude of the issue reflects the fact that
the manifestation of regional inequalities – which emerge through the uneven redistributional effects of national economic and social policies – matters. Massey (2001: 7) contends that to understand regional inequality and to engineer effective redistributive change, ‘...the geography of relations of control, the geometries of power and the discursive dominance of the South East over the rest of the country’ need to be addressed. This view has its roots in the idea that due to the unbounded circulation of capital, ‘regions’ cannot be conceived as territorially bounded spaces but rather need to be thought of as open and ‘leaky’ and constructed through relational processes and power dynamics (Massey, 1995; Allen et al, 1998; Amin et al, 2003). Whilst relational conceptions of space offer particular perspectives on spatial structure, there is also an argument, however, ‘...that many everyday realpolitik acts...often distinguish a pre-existing or aspirant spatial scale or territorially articulated space of dependence through which to conduct their actually existing politics of engagement’ (Jones and Macleod, 2004: 437) (emphasis in original). The north-south divide is one example of the realisation of ‘space dependence’ and the dichotomy provides a convenient ‘...discursive device for simplifying what in reality is a necessary complex socioeconomic landscape’ (Martin, 2004: 21).

The north-south divide has ultimately become something of a hegemonic narrative in the UK and this narrative has been constructed around administrative standard regions and territories. From a rational planning perspective, it is crucial that policies are sensitised to the ‘geographies of outcomes’ and the ways in which space-time dynamics influence spatial change (Wong and Watkins, 2009). As a result, spatial planning and policymaking will often be underpinned by the idea that practical solutions should be sought for complex problems. Policy monitoring, for example, will often rely on the adoption of spatial boundaries including housing and labour market areas, administrative boundaries, or
national territories to frame any analysis. Because of practical considerations, ‘space
dependence’ emanating from the ‘problem’ scenario will often reinforce ‘space
dependence’ in the ‘response’. Therefore, how spatial boundaries are drawn and the spatial
resolution that is chosen to frame any spatial analytical exercise are crucial elements in the
construction of an understanding of spatial structure and outcomes (Flowerdew et al, 2008;
Huby et al, 2009). Ultimately, the primacy afforded to the regional scale and national
territories in the debate around the spatial divide has long served to mask the ‘archipelago’
of variegated spatial development that is characteristic of sub-national and sub-regional
scales in the UK (Gonzalez, 2011).

Framing the Spatial Divide: The Interaction of Housing and Neighbourhoods

Although political devolution in 1999 served to fragment policy agendas within an
asymmetric governance framework, the four nations of the UK have all faced common
issues revolving around: ‘housing supply’, ‘housing affordability’, ‘homelessness’, and
‘neighbourhood regeneration’. These issues, in a broad sense, could be subsumed within
New Labour’s policy objective of achieving ‘sustainable communities’. The nature of
housing issues has changed markedly over the last ten years. There are now less physical
problems with housing stock, but more concerns over housing affordability and the external
neighbourhood characteristics that accompany housing consumption, as well as increasing
concerns about the sustainability of housing markets (Barker, 2004). Across the four
jurisdictions, housing supply emerged as a key focus for policy not only because the supply
of new units to the stock of housing had been depressed since the 1990s (see Bramley, 2007)
but also because it was recognised that housing supply is intimately connected to
affordability.
In England, the Blair government set a target of building 240,000 extra new homes per annum by 2016 and a total of 3 million homes by 2020. To achieve ambitious housing supply targets set by national government, Growth Areas and Growth Points were identified as spatial planning instruments which were initially announced in the *Sustainable Communities Plan* of 2003 (ODPM, 2003). Varying targets for supply – not only of private sector dwellings but also of social and intermediate dwellings – were also set across the other jurisdictions. The delivery of affordable housing as well as housing to meet the general need of the population remerged as a key political battleground across the UK. In addition to having an economic impact, it was recognised that a quantitative lack of housing was driving up affordability pressures whilst a qualitative imbalance had the potential to leave individuals and families without stable or suitable accommodation (DETR, 2000). The focus on improving the efficiency of housing market functioning meant that increasing emphasis has been afforded to addressing the social implications of housing market outcomes. Indeed, concerns over housing market functioning led to the development of bespoke homelessness policies for England, Wales, Scotland and Northern Ireland. The assumption was that the variegated operation of housing markets across the UK created qualitatively different challenges for homelessness policy within the four jurisdictions. Likewise, neighbourhood regeneration policy took on many different forms across the four territories following devolution. Alternative funding mechanisms emerged along with alternative regeneration strategies. Although the mechanisms and strategies were bespoke, the core focus of regeneration policy remained somewhat consistent across the four jurisdictions. All of the agendas emphasised the roles of brownfield land remediation and neighbourhood regeneration in developing higher quality, liveable neighbourhoods.
Despite the fragmentation that has taken place in the policy architecture in the UK since devolution, the spatial divide continued to be framed in rather predictable ways in the policy agendas. Across the UK, the traditional regional and national territory boundaries retained their original prominence. The north-south dichotomy continued to linger below the surface within the policy discourses (Massey, 2001). As a result, the spatial divide continued to be framed within broad brush policy agendas that were spatially blind or, in spatial and scalar terms, were one-dimensional. The aim of this paper is to interrogate the ‘archipelago’ of housing and locality change in the UK and to explore the fragility of different types of places and their differential capacities for resistance and recovery in light of the most recent recession. The following questions will underpin the remainder of the paper:

- What trends characterise housing and locality change in different types of places in the UK and how have these changed in the context of pre and post-recessionary shocks?
- What are the implications of the analysis for understanding the ‘archipelago’ of housing and locality change in light of recessionary impacts?

**Approach and Methodology**

The approach adopted here harnesses an area-based classification and key spatial statistics to provide a spatially sensitive cross-country overview of contemporary changes to the conditions of housing markets and localities across the UK. The approach seeks to examine the interaction of housing and locality changes for different area types by drawing on key housing and locality indices (Figure 1). The methodology consists of three components and each is discussed below.

[FIGURE 1 APPROXIMATELY HERE]

**Stage 1: Spatial Analytical Units and Area Classification**
The emphasis on the importance of interpreting policy performance against the broader socio-economic context (the structure-performance model) (see Wong, 2006) has, since the 1970s, given rise to the derivation of area-based classifications. Area classifications are useful in providing simple and robust contextual information on similarities and differences between areas and for monitoring policy performance (Wallance et al, 1995). The first stage of the methodology involved identifying an appropriate area classification to frame the analysis of housing market and locality change. There are different typologies available but the analysis here adopts the 2001 Office for National Statistics (ONS) Area Classification for local authority districts (Appendix 1). The classification is used to group together geographic areas according to key characteristics common to the population in that grouping (Figure 2). The resulting 13-fold area classification provides a consistent basis by which to examine different types of areas across the UK (Bond and Insalaco, 2007). While the use of local authority districts is not ideal, it overcomes the problem that many housing and locality indicators can only be collected at this level. Appendix 1 provides a summary of the 13-fold area classification.

[FIGURE 2 APPROXIMATELY HERE]

**Stage 2: Constructing Housing and Locality Indicator Bundles**

The second stage of the methodology involved constructing the key housing and locality change indicators for 2006-2007 (pre-recession) and 2009-2010 (post-recession). The emphasis of this stage of work was to develop a conceptually rigorous process to guide the indicator research. The method for constructing the indicators used in the analysis was underpinned by Wong’s (1995) four-step procedure for indicator development: (1) conceptual consolidation (clarifying basic concepts to be explored in the analysis); (2) analytical structuring (developing an analytical framework within which indicators are
developed and analysed); (3) identification of indicators (translation of key factors identified in step 2 into measurable indicators); and (4) synthesis of indicators (into either composite index/indices or an analytical summary).

A conceptual framework of housing and locality change, through a review of academic and policy literature (see Wong et al, 2008), was used to underpin steps 1 and 2. A series of semi-structured interviews (n=46) were then undertaken with key policymakers from across the four UK jurisdictions. These interviews were used to refine the analytical framework and to identify the key drivers, processes, opportunities and challenges facing the four jurisdictions. Informed by the analytical and conceptual frameworks and the results of the interviews, 14 conceptual and technical criteria were identified to appraise the indicators in a scoping exercise (Appendix 2).

The complexity of housing market performance coupled with the range of factors affecting the condition of wider localities means that single statistical indicators cannot adequately capture the performance of the housing market or the condition of the wider locality. What is needed is an approach that offers greater scope for untangling analytical complexity. Wong’s (2006) ‘analytical indicator bundle’ approach facilitates such analysis by providing a technique that links a small number of separate indicators into groupings that reflect different aspects of the phenomenon being studied. In this case, two change indicator bundles are developed – the housing market bundle and the locality bundle. Indicators within each bundle offer complementary insights into housing and locality issues. Following the appraisal and data scoping exercise, nine housing and eight locality indicators were chosen and taken forward in Stage 3 of the methodology (Table 1).

[TABLE 1 APPROXIMATELY HERE]

**Stage 3: Developing Composite Housing and Locality Indices**
Based on the chosen indicators, the third stage of the methodology involved developing a series of composite indices - three housing indices and two locality indices - for the 13 neighbourhood types. One-way analysis of variance (ANOVA) was first employed to determine whether the trends and patterns that were observed in the different housing and locality change indicators were statistically different across the 13 classification areas at the local authority level. The ANOVA procedure was used to test whether significant differences exist between different area groups for particular indicators. This was then followed by the creation of the five indices. The indices were intended to shed light on the interactive effect between the housing market and the wider locality. The 3 housing indices (defined based on work in Stage 2), cover different dimensions of housing market performance and functionality:

- Housing market index (HI-Mkt): including indicators on house price, house price change, affordability ratio, and market rent levels to measure the general level of pressure of the housing market.
- Housing supply index (HI-S): including indicators on household dwelling ratio, private and social sector new builds to provide a measure of the level of housing supply.
- Social housing needs index (HI-SN): including homelessness and social rent levels to measure social housing needs.

Likewise, two locality indices were calculated in the same way:

- Socio-economic conditions (NI-SE): this index includes population change, economic inactivity rate, burglary rate and unemployment rate as the core indicators; and
- Economic growth dynamics (NI-EG): indicators included are new enterprise birth and death rates, employment rates and education qualification levels.
Each index was calculated by following a number of steps:

1. Calculate the indicator value for each of the 13 area types through statistical aggregation procedures;
2. Rank the 13 areas on each indicator used in the housing/locality index;
3. Sum the ranks of the indicators to create a total index rank;
4. Calculate the maximum index rank: that is, the number of indicators in the index times the number of neighbourhoods (e.g. HI-S has 3 indicators, so the potential maximum index rank is 3x13=39); and
5. Express the total index rank as a percentage: by dividing the total index rank in step 3 with the maximum index rank in step 4 and multiply by 100%.

Taking all five indices together allowed for the patterns of both housing and neighbourhood issues for each of the 13 areas to be triangulated and provided insight into the trajectories of housing and neighbourhood conditions that are found common across different neighbourhood groups. The ranking undertaken in step 2 was then used to measure relative change in classification areas between 2006/07 and 2009/10. It is to the results and discussion that the paper now turns.

**Results: Fragility and Recovery – The Spatial Divide**

**Trends in Housing and Locality Conditions**

The change analysis of the individual indicators reveals that housing and locality performance has varied considerably among the 13 ONS area types (statistically significant) between 2006/07 and 2009/10 (Table 2), which was true for both the pre-recessionary period (2006/07) and the post-recessionary period (2009/10). While there is a clear message that different types of areas responded significantly differently in terms of housing and
locality performance to the recession, it is important to unravel the patterns of differences by examining the 5 indices further.

[TABLE 2 APPROXIMATELY HERE]

*Trends in the Housing Market Indices*

By focusing on the three housing indices, variable spatial change in housing market conditions (see Tables 3 & 4 and Figure 3) across the 13 ONS area groups can be observed over the three years since the onset of the economic downturn. The analysis of change in the housing market pressure index reveals evidence of particularly high increases in pressure for Regional Centres (Group 2) led by a 5.2% increase in market rent, and Industrial Hinterlands (Group 11) – in part due to a relatively small 0.3 percentage point decrease in affordability – as well as the Coastal and Countryside group (12). More moderate increases in housing market pressure were seen for Prospering Smaller Towns (Group 4), New and Growing Towns (Group 6), Prospering Southern England (Group 3) and Centres with Industry (Group 13). London Centre (Group 10) saw the lowest percentage point change over time, measuring a small increase in housing market pressure due in part to a slight 0.3 percentage point rise in affordability. The remaining three London groups, Thriving London Periphery (Group 1), London Suburbs (Group 8) and London Cosmopolitan (Group 9) all saw single digit decreases in housing market pressure due to relatively stable market rent and affordability ratio change. Manufacturing Towns (Group 7) saw the largest percentage point decrease in housing market pressure over time, in large part due to a 14.3% drop in house price (from £162,279 to £139,059) between 2006/07 and 2009/10 in this group.

[TABLES 3 & 4 APPROXIMATELY HERE]

The most dramatic shifts in housing market indices are in relation to housing supply. Sharp decreases in the level of housing supply were particularly noticeable in Prospering Smaller
Towns (Group 4), in large part due to an almost complete abandonment of new build housing during the recession (a 99.6% decrease in private sector new build activity in Prospering Smaller Towns between the 2006/07 and 2009/10 period). Similar decreases in supply were also seen in Prospering Southern England (Group 3) (-98.9%), Manufacturing Towns (Group 7) (-99.0%), Industrial Hinterlands (Group 11) (-98.7%), Coastal and Countryside (Group 12) (-98.9%), and Centres with Industry (Group 13) (-98.6%) as private development and government led regeneration schemes tapered off. New build housing fared better, however, in and around the London area (Groups 1, 8, 9 and 10) (-93.9%, -95.7%, -84.2% and -90.9% respectively). Northern Ireland Countryside (Group 5) saw the greatest increases in housing supply as demand for housing dropped dramatically following a period of extensive new house building leading to an over abundance of housing stock, resulting in this group’s supply ratio decreasing from 1.02 in 2006/07 to 0.93 in 2009/10.

Variations in social housing needs are apparent throughout the 13-fold classification areas. The recession brought about a significant rise in social housing need as the Industrial Hinterlands area (Group 11) and Coastal and Countryside area (Group 12) saw a rise, in part due to a 4.4 and 2.1 percentage point increase, respectively, in homelessness rates. Double-digit percentage point increases in the social housing need index are also seen in New and Growing Towns (Group 6) and the Thriving London Periphery (Group 1). These trends highlight the asymmetric spatial impact of the recession on social housing need, as the areas noted embody considerably different socio-demographic characteristics. In a similar vein improvements in the social housing needs index is seen in diverse areas ranging from Manufacturing Towns (Group 7), due in part to a 1.8 percentage point decrease in homelessness, to London Suburbs (Group 8), as a result of a relatively modest 5.2% increase in social rent and slight decrease in homelessness (-0.9 percentage points) between 2006/07
and 2009/10. Regional Centres (Group 2) and Prospering Southern England (Group 3) saw no change in social housing needs as average social rent levels counter-balanced slight increases in homelessness rates in many local authorities.

These trends demonstrate variability in housing conditions throughout the UK and differing spatial impacts of the recession. This variability is plotted in Figure 3 in the form of a spider-graph showing the housing market indices in 2006/07 and 2009/10. What are apparent are the extremes across classification areas but also the variability in index levels within each classification. In addition, following a period of divergence, there appears to be a general converging trend within the housing indices following the end of the recession.

[FIGURE 3 APPROXIMATELY HERE]

**Trends in the Locality Indices**

Stark contrasts are noticeable between particular areas of the UK in relation to locality trends (see Tables 5 & 6 and Figure 4). Between 2006/07 and 2009/10 poor socio-economic conditions have generally increased within most areas. Exceptions to this are apparent in Prospering Smaller Towns (Group 4), due in part to relatively low increases in unemployment of 1.3 percentage points between 2006/07 and 2009/10, but more so in Regional Centres (Group 2) and London Centre (Group 10) which both saw double-digit percentage point change improvement largely due to a decrease in inactivity rates (-0.5 percentage points) and in burglary rates (-7.9 percentage points) respectively between 2006/07 and 2009/10. Negative socio-economic conditions increased in two of the London groups: Thriving London Periphery (Group 1) and London Suburbs (Group 8) but degradation in socio-economic conditions was a feature of the development trajectory across the different area types.

[TABLES 5 & 6 APPROXIMATELY HERE]
The Enterprise and Labour Market index showed positive change between 2006/07 and 2009/10 for the areas in and around London (Groups 1, 8, 9 and 10) as well as Prospering Southern England (Group 3), buoyed by stronger enterprise birth rates (particularly London Cosmopolitan which saw an increase of 1.5 percentage points), lower enterprise death rates (led by a decrease of 0.8 percentage points in London Centre) and rising levels of educational achievement. For example, in Prospering Southern England and London Centre, education achievement increased 12 percentage points in each area type. Centres with Industry (Group 13), Prospering Smaller Towns (Group 4) and New and Growing Towns (Group 6) also experienced improvements, albeit on a more moderate scale. More significant decreases in the index were concentrated in the Industrial Hinterlands (Group 11) area (where educational achievement rates remained stagnant at 63% compared to improvements in most other groups) as well as Coastal and Countryside (Group 12) and Manufacturing Towns (Group 7), where the decreases in enterprise birth rates of -1.1 and -0.7 percentage points were recorded between 2006/07 and 2009/10 respectively. The sharpest decrease, however, occurred in the Northern Ireland Countryside (Group 5) area as a result of negative change in all the enterprise and labour market indicators, particularly as a result of the greatest decrease in enterprise birth rates (-1.5 percentage points) and the greatest increase in enterprise death rates of any area (+1.1 percentage points). Figure 4 visually demonstrates the shift in indices across the 13 classification areas. There is a similar pattern of convergence in locality indicators, particularly for the areas in and around London.

[FIGURE 4 APPROXIMATELY HERE]

Relative Change in Housing and Local Circumstances

The previous discussion highlights the very different development trajectories for the 13 area groups in relation to housing issues and wider socio-economic conditions. The analysis
here now turns to examine how these areas have changed their relative positions in housing and local conditions since the onset of the recession. The change analysis here compares the 2006/07 rankings of the 13 area types over the five housing and locality indices with those compiled for 2009/10. The changes in the overall rankings of the housing and locality indices are shown in Figures 5 and 6 respectively. These reflect the shift in the relative position of different area groups but not their absolute performance level.

Overall, most areas have changed their relative position between the two time points. The Housing Market Index has seen the least relative change as Regional Centres (Group 2), Prospering Southern England (Group 3), Industrial Hinterlands (Group 11) and Coastal and Countryside (Group 12) all experienced a relative increase in housing market pressure compared to Thriving London Periphery (Group 1), Prospering Smaller Towns (Group 4), New and Growing Towns (Group 6), Manufacturing Towns (Group 7) and London Cosmopolitan (Group 9).

The Housing Supply Index witnessed the most dramatic shifts, with Prospering Southern England (Group 3) and Prospering Smaller Towns (Group 4) seeing the greatest decrease in the supply of housing over time. Northern Ireland Countryside (Group 5) saw the sharpest rise in housing supply in relation to other areas due the area’s relatively low housing supply in the 2006/07 period. Areas in London (Groups 8, 9 and 10) also experienced sharp shifts in relative housing supply positions due to a higher level of new build activity.

[FIGURE 5 APPROXIMATELY HERE]

Turning to the Social Housing Needs rank change, the Coastal and Countryside (Group 12) area shifted seven positions higher due to it having the lowest index score in this category for 2006/07, along with Prospering Smaller Towns (Group 4), but rising to one of
the highest scores in 2009/10. Relative rank change decreases in social housing need are particularly noticeable for Centres with Industry (Group 13) and Manufacturing Towns (Group 7) due to the two areas index scores almost halving between 2006/07 and 2009/10, resulting in the lowest two scores for this index in 2009/10 by a significant margin.

Dramatic relative changes in rank are also apparent in the locality indices (Figure 6), further highlighting the variable impact of the recession across the UK. The rank change for the Socio-Economic Index demonstrates that conditions for this index are not uniform across London. While London Centre (Group 10) improved its relative position between 2006/07 and 2009/10, Thriving London Periphery (Group 1), London Suburbs (Group 8) and London Cosmopolitan (Group 9) all saw a relative increase in negative socio-economic conditions. This suggests that the social and economic conditions in London had deteriorated at a quicker pace than other neighbourhood types, probably reflecting the fact that areas with strong market-orientated economies tended to be hardest hit first by the recession. In contrast, there is evidence that areas – those disproportionally dependent on public sector employment – experienced a less volatile, albeit equally intense, downturn in fortune. Regional Centres (Group 2) – which include many of the cities where public sector employment is high – experienced the greatest relative decrease in negative socio-economic conditions. However, this may change as the full effects of the Government’s austerity measures – including spending cuts in the public sector – are felt.

[FIGURE 6 APPROXIMATELY HERE]

The Enterprise and Labour Market Index sees the London areas (Groups 8, 9 and 10) performing relatively well compared to most other areas in the UK due in part to these areas being the only ones to see a positive change in enterprise birth rates between 2006/07 and 2009/10. This reflects the same strong market-orientated forces operating in
these areas as described earlier, as enterprise and labour activity often leads growth after a recession while socio-economic recovery often trails it. In contrast, strong enterprise death rates in Northern Ireland Countryside (Group 5), along with a more moderate increase in enterprise death rates in Industrial Hinterlands (Group 11) and Coastal and Countryside (Group 12) areas, resulted in a relative decline in position for these areas on the Enterprise and Labour Market Index.

Overall, there have been strong relative shifts in the housing and locality indices between 2006/07 and 2009/10 for each of the 13 classification areas. These shifts have not been limited to a North-South division of space, but rather are far more variable and dynamic then traditionally conceptualised.

Discussion and Conclusion

Uneven development is not a phenomenon that is unique to the contemporary organisation of space in capitalist societies (see Hudson, 1988). Nevertheless, it is contended that uneven spatial development has intensified and has even accelerated under contemporary capitalist conditions as places respond differently to the globalising effects of mobile capital and commodities, and flexible labour market practices (Cox, 1997). The construction of economic and social processes is complex and as a result, the manifestation of their outcomes is variegated within space and across scales (Smith, 1984). As the capitalist division of labour is extended through globalising forces, different places become locked into a ‘see-saw’ scenario in which equalisation and differentiation becomes the norm (Smith, 1984). The trajectory of capitalist development (however development is defined) is socially and historically contingent (Massey, 1984). As a result, through the process of equalisation and differentiation, certain spatial configurations of uneven development have been ‘...qualitatively modified during the process of historical development...[including] the
configuration of urban and regional settlement patterns, the geographies of industrial development, networks of infrastructural investment, and the concentration of political-economic hegemony’ (Brenner, 2010: 32). At the same time, other spatial configurations of uneven development have persisted despite the fact that the morphology of their geographies have shifted over time (e.g. the urban-rural relationship). Indeed, through the coalescence of historically contingent and socially produced and reproduced processes, ‘certain deep structures of uneven spatial development’ can become entrenched (Brenner, 2010: 30).

In light of this, the first question posed in the paper – what trends characterise housing and locality change in different types of places in the UK and how have these changed in the context of pre and post-recessionary shocks? – sought to unpack the nature of housing and locality change over time across the UK. The shock of the most recent recession has resulted in shifts in the spatial structure of the UK. While many of the UK’s spatial divisions are historically rooted and socially reproduced, the paper highlights the variable responses of different areas to the impacts of the recession and their manifestation in spatial housing and locality outcomes. Each of the indicators studied have shown significant change between 2006/07 and 2009/10. By bundling the indicators into a set of indices and studying them at a sub-regional level – through the use of the 2001 ONS Area Classification – it is apparent that the impact of the recession has not been evenly distributed across the UK. The analysis demonstrates that these shifts have not been limited to a North-South division of space, but are rather more variable and dynamic than the traditional conceptualisation of the spatial divide suggests.

The second question sought to unpack the implications of the analysis for understanding this ‘archipelago’ of housing and locality change in light of recessionary
impacts. The UK already had a fairly defined set of housing and locality policy challenges prior to the arrival of the credit crunch and the recession that eventually developed. By 2007, housing markets across the UK had experienced more than a decade of uninterrupted – though locally variable – growth following recession in the early 1990s. Despite marked inequities in housing and local labour markets – as measured by relative deprivation and performance – a continued period of growth was widely assumed by policymakers across the UK. The onset of the recession and subsequent recovery creates new challenges that have to be addressed at local, regional and national policy levels.

The first of these concerns relates to the fragile and patchy nature of the recovery of the housing market. As the UK emerges from the recession, housing market conditions are spatially varied, with some areas experiencing a dramatic oversupply of housing stock and others a lack of supply due to the reluctance of the private sector to commit to new build activities. This has had strong implications for house prices, creating affordability issues in some areas such as the prosperous parts of London and the South East as well as negative equity concerns in others (e.g. Manufacturing Towns).

Second, the Coalition government’s commitment to reducing public spending in key areas of housing, welfare benefits, and regeneration will inevitably produce variable spatial impacts. The analysis here suggests that socio-economic conditions and economic growth dynamics vary considerably across the 13 area groups. The recovery period has seen areas that are more market-orientated emerge better positioned in socio-economic terms, while those areas that are more dependent on public sector support will most likely be worse off as the impacts of funding and public sector job cuts manifest themselves spatially.

Third, UK devolution creates unique policy environments in each nation. Devolution – enacted in 1999 – is characterised by different ‘speeds’ in Wales, Scotland and Northern
Ireland. Since devolution, there has been evidence of both divergence and convergence in policy substance (Adams and Robinson, 2002). In addition, there is a general degree of pressure building to resolve more or less perceived anomalies in England, and, most recently, growing demands for greater powers in Wales and Scotland. While it is clearly true that housing and locally defined policies are affected both by national and global market contexts and by UK fiscal tightening, they are also constrained by reserved matters that impinge directly such as housing benefit, housing and land taxation and public expenditure rules. Nevertheless, housing policy, physical planning policy and neighbourhood or area-based regeneration strategies are devolved to the respective jurisdictions. Devolution creates the opportunity for national governments to devise policy interventions that meet the unique needs of the areas that they govern. However, spatial processes and spillovers do not respect administrative boundaries. This is widely acknowledged in relation to local government and regional boundaries but the same is also true for national boundaries. As this paper demonstrates, there is a significant degree of spatial variation within and across the jurisdictions of the UK, in terms of post-recession recovery, that needs to be understood and accommodated within policy thinking.

This is a particular area of concern in the English setting. The UK Coalition Government has advanced legislative proposals around the concept of ‘localism’, which has profound implications for communities, local government and housing development (TCPA, 2011). The key question is how might localism play out and impact on the quantity, quality and location of new supply in a patchy market recovery context? Current policy removes regional targets and assessment, therefore, making it essential that there is consistent and resourced support for local needs and demand assessments. It remains unclear, however, whether the new bottom up approach will generate more housing units and indeed
whether policy measures can over-ride understandable concerns about anti-development sentiment where there is unmet need. Policy in this sphere is in a period of uncertainty where the impacts and results will not be known for some time.

At a broader scale there remain uncertainties and challenges for regional co-ordination and strategic planning within the constituent nations as well as the broader UK, including questions over the development of infrastructure across broader housing market areas and the potential for inter local authority collaboration across administrative borders. These are further overlapping reasons to imagine that localism will have to be integrated within broader supra-local arrangements – though it may require time and cost before this is recognised and acted on. Likewise, there are wider specific neighbourhood challenges, in particular, referring to the future of place-based approaches in the light of policy development by the UK Coalition Government, fiscal retrenchment and the uneven economic recovery. While a downgrading of the leadership role of the Centre fits with the bottom-up localism imperative, it risks losing the positive sum benefits of joining up economic, social and environmental interventions. The indicators discussed in this paper also suggest that recession does bring a degree of convergence between different areas of the UK, but that this is already diminishing as the London region pulls away at a faster rate than other parts of the country as the economy recovers. Nonetheless, rapidly growing regions such as London and the South East can be strongly segmented with considerable social and housing problems found in the inner areas of the capital. All of these points reinforce the dynamic and structural relationships that exist across and within the UK regions.

Ultimately, current UK Government policy can be criticised for underplaying – in some instances neglecting – the spatial and neighbourhood impacts of national policies due
to the large-scale abandonment of the spatial planning approach in favour of more spatially
blind policymaking, particularly in England. There needs to be a better systematic
understanding of the sub-regional variation in housing and locality circumstances that exists
throughout the UK in order to ensure that the policy response suits the specific policy
problem. The existence of a dynamic UK ‘archipelago’ highlights the need for a more
spatially strategic policy approach for addressing housing and locality issues. The UK is
moving into a highly uncertain period resulting in coalescence of significant policy change
and fragmentation of policies across the UK alongside a fragile and unsteady economic
background. This research suggests that different area types are cross cut by varying
housing market conditions, implying considerable local and regional complexity when
thinking about future policy challenges. This complex layered picture suggests that it will be
harder to support wider local area change in a joined up and coherent fashion – because of
the way the localism agenda downgrades interventions from the Centre and arguably is too
willing to dismiss the scope and scale economy arguments in favour of local knows best.
Rarely is either side of this artificially constructed dichotomy wholly right or wrong. Rather,
local innovation can and should work alongside higher level and strategic planning and
resourcing with the aim of addressing the dynamic and spatially contextual features that
characterise localities in the UK.

[APPENDICES 1, 2 & 3 APPROXIMATELY HERE]

References

the UK IPPR and Economic and Social Research Council, ESRC: London.


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1 The UK General Election took place in May 2010. Labour – which had had successive governments since taking power in 1997 – was replaced following a hung parliament by a new coalition government comprising the Conservative and Liberal Democrat parties.
Figure 1: Methodological Framework
Figure 2: ONS Area Classification by Local Authority District, 2001

Source: Adopted from ONS (2010)

Figure 3: Visual change in Housing Market Indices, 2006/07 (left) and 2009/10 (right)
Note: HI-Mkt: Housing Market Index (high = pressurised market) HI-S: Housing Supply Index (high = high housing supply) HI-SN: Social Housing Needs Index (high = high social housing needs). Note: 2009/10 data is not available for Northern Ireland Countryside on HI-Mkt and HI-SN.
Figure 4: Change in Locality Indices, 2006/07 (left) and 2009/10 (right)

Note: NI-SE: Socio-Economic Index (high = negative conditions) NI-EN: Enterprise/Labour Market Index (high = favourable conditions).
Figure 5: Housing Indices Rank Change between 2006/07 and 2009/10

Note: HI-Mkt: Housing Market Index (increase in rank = more pressurised market) HI-S: Housing Supply Index (increase in rank = increased housing supply) HI-SN: Social Housing Needs Index (increase in rank = increase in social housing needs).

Note: 2009/10 data is not available for Northern Ireland Countryside on HI-Mkt and HI-SN.
Figure 6: Locality Indices Rank Change between 2006/07 and 2009/10

Note: NI-SE: Socio-Economic Index (increase in rank = relative increase in negative conditions) NI-EN: Enterprise/Labour Market Index (increase in rank = relative increase in favourable conditions).
Table 1: Headline Housing and Locality Indicators

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See Appendix 3 for definitions and data sources

Table 2: Analysis of Variance (ANOVA) Tests for Individual Housing and Locality Indicators

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Note: All housing and locality indicators are statistically significant ($p<0.01$)
## Table 3: Change in Housing Market Indicators (2006/07 – 2009/10)

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<th>Affordability Ratio % Change</th>
<th>Household Rent % Change</th>
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<th>Market Rent % Change</th>
<th>Household Dwelling Ratio % Point Change</th>
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Note: ‘-’ indicates that 2009/10 data is not available for Northern Ireland Countryside.

## Table 4: Percentage point change in Housing Market Indices (2006/07 – 2009/10)

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Note: NI-SE: Socio-Economic Index (high = negative conditions) NI-EN: Enterprise/Labour Market Index (high = favourable conditions).