



## Does ‘trickle out’ work?

### How cities help their surrounding towns

September 2023

A considerable challenge for the UK economy is the underperformance of its big cities. Unlike their European comparators, most trail far behind UK average productivity, and this drags down the productivity and output of the UK economy and the prosperity it generates. Centre for Cities estimated that this underperformance meant that the UK economy was £48 billion smaller in 2018 than it would otherwise have been, or 2.3 per cent smaller.<sup>1</sup> It is for this reason that improving the performance of these places has become central to UK economic policy.<sup>2</sup>

This approach relies on the prosperity generated in the big cities to reach their surrounding towns and villages. Critics have sometimes labelled this as ‘trickle out’ economics,<sup>3</sup> and have argued that it doesn’t work – the prosperity generated in the city, they claim, will stay in the city and won’t benefit the places around it.<sup>4</sup>

This briefing shows that the ‘trickle-out’ process does exist and does work – most big cities do provide economic benefits to surrounding areas, and policymakers should have confidence that improving the performance of these big cities will increase the scale and quality of the opportunities that residents in surrounding towns and villages have access to.

It looks at the eight largest cities in England after London – home to 13 per cent

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1 Swinney P and Enenkel K (2020), *Big Cities and Levelling Up*, London: Centre for Cities

2 For example, see: UK Government (2022), *Levelling Up the United Kingdom*: London: The Stationery Office; UK Government (2023), *Spring Budget 2023*, London: The Stationery Office

3 For example, see Pike A (2018), *The limits of city centrism? We need to rethink how we approach urban and regional development*. British Politics and Policy at LSE accessed via <http://eprints.lse.ac.uk/89115/>

4 A second criticism of the big city approach is the loss of agency – that places which were once centres of production, for example in coal or in steel, are now hitched to the fortunes of their bigger neighbours, which has potential knock-on effects around civic and community pride. The economic levers that the public sector has to pull to change this though are very limited, although there is an argument to be made about whether there are some powers that could be devolved to the very local level to give some control over factors affecting community and civic pride.

of the economy and 9.3 million people – and their relationships with the 679<sup>5</sup> towns and villages – home to 5 million people – which surround them.

## Towns and villages around big cities benefit from being close to their neighbour

The series of charts below shows the relationships between the largest cities in England outside of London and their surrounding towns and villages by looking at two variables: average incomes in those towns and villages and the share of working residents that commute into the neighbouring big city. Box 1 sets out methodology for the selection of the settlements.

### Box 1: Methodology

#### Selecting settlements

The cities, towns and villages used in this report are defined using the ONS' built up area definitions (2011), with the following thresholds used:

- Big cities: Between 600,000 and 2.6 million daytime population in 2011
- Towns and villages: less than 135,000 daytime population in 2011

Other cities, defined as having a daytime population between 135,000 and 600,000, were excluded from the analysis because they have large economies and so are prosperity generators in their own right.

Given the purpose of this research is to better understand relationships between big cities and their surrounding towns, a geography must be selected that meaningfully illustrates this. There is no one consistent way of defining what the geography should be, and this is influenced by distance, topography and the rival centres that exist close to the big city in question.

To define this geography, first all the towns and villages in local authorities that cover the big city (e.g. North Tyneside for Newcastle) and border the big city (e.g. Northumberland) were selected. This was then refined depending on distance and the location of other economic centres. For example, all towns and villages in Northumberland were kept because the next centre to the north is Edinburgh, and this means the outcomes for Berwick-upon-Tweed are insightful, despite its distance from Newcastle. But because places in the north of County Durham (e.g. Consett) point towards Newcastle but south (e.g. Sedgefield) point towards Middlesbrough, the latter were excluded.

When undertaking the analysis, towns and villages within two miles of a large city appear to have a different relationship with their nearest large city, acting more like extensions of the suburbs of a city. Given this, they

<sup>5</sup> This is an underestimate. The lowest level at which data on incomes is available at is the lower super output area. There are a number of instances where this unit covers more than one village.

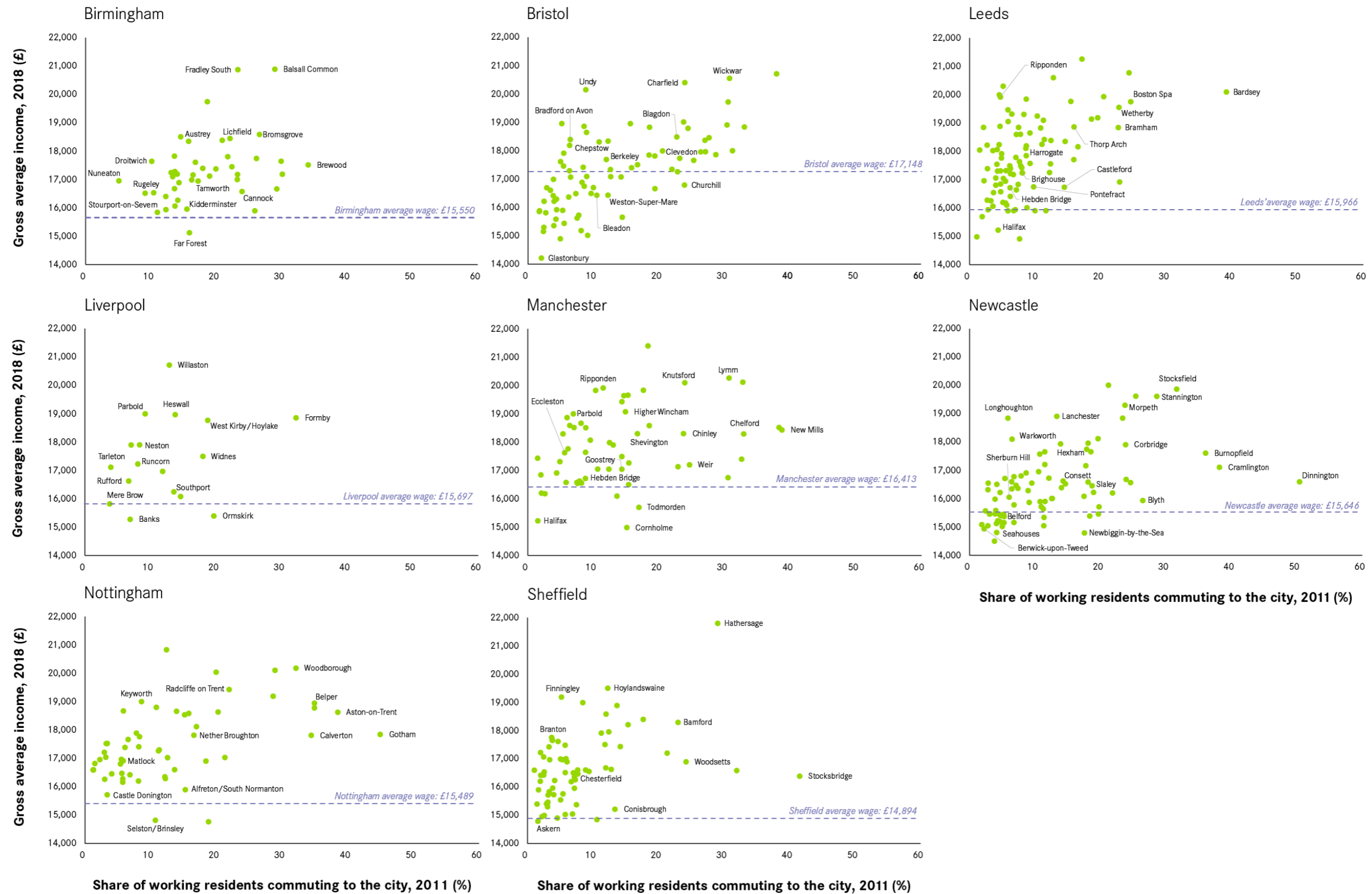
are excluded from the main analysis and this difference is investigated separately in Box 2.

### **Data used**

The data used in the report is the latest available. For commuting data, this is 2011 – data from the 2021 census has not yet been released and, given the census took place during a lockdown, is unlikely to provide much insight on commuting patterns. As a result, the 2011 data is the best available at low-level geographies.

**Figure 1: Big cities provide prosperity for their surrounding towns and villages**

The relationship between incomes and commuting into large cities for their surrounding towns and villages



Source: ONS; Census 2011 - Note: High Shincliffe in County Durham, with an average income of £23,000, has been excluded from the Newcastle chart in order to make the y-axis more comparable across all charts. It has low levels of commuting to Newcastle but high average incomes, putting it in the top left of the Newcastle chart. Loughborough has been excluded from the Nottingham chart for the same reason - its very low average incomes of £13,200 are likely skewed by its very large student population.

There are three main findings from these charts:

### **1. Incomes in surrounding towns and villages are on average higher than for big city dwellers**

For those who have followed the somewhat unhelpful debate that has pitched cities against towns in recent years, you would be forgiven for thinking that resident incomes are much higher in cities than their surrounding areas. In reality, most towns and villages around England's largest cities have higher wages, and some substantially so.<sup>6</sup> Of all the towns and villages used in this research, 81 per cent have average incomes above their nearest large city, and 37 per cent have incomes at least 10 per cent higher. It is not the case that the residents of surrounding towns and villages are trailing well behind their big city neighbours.

### **2. Towns and villages with larger commuting links to big cities have higher average incomes**

Almost all big cities spread prosperity to their surrounding settlements. There is a positive relationship between the average incomes of residents of a town or village and the share of working residents commuting into their nearby large city. Around Newcastle, for example, a place like Seahouses, which is some distance to the north in Northumberland and has no alternative jobs centre near to it, has weak commuting links to Newcastle and low average incomes. Morpeth on the other hand, which is much closer, has high levels of commuting and high incomes. Box 2 shows how this relationship alters for towns and villages within two miles of a big city.

#### **Box 2: The relationship between big cities and settlements within two miles**

The relationship between the big cities and settlements within two miles is more nuanced than for other areas. Figure 2 shows that there is no clear relationship between commuting and incomes when looking at all places that are within two miles of a big city. But there are two things to draw from this chart.

The first is that there is no relationship because there are a number of places towards the bottom right of the chart that have low incomes despite high shares of commuting. This shows that these places are dependent on the city in terms of access to jobs, it is just that their residents aren't disproportionately accessing high-skilled employment. Given the much lower travel costs (in terms of time and money) relative to other places to access a job in the city, this is not a surprise. When looking at commuting to the city centre, which has a higher travel cost because of the longer distance, these towns and villages perform much more in line with their

<sup>6</sup> The income figures for large cities will be pulled down by students, which disproportionately are found in them. That said, this will be offset to some degree by retirees, which make up a large proportion of residents in towns and villages.

peers.

The second is that there aren't any towns or villages towards the top left of the chart. There is no town or village that has high average incomes with weak commuting links. The prosperity of these places is very much hitched to their larger neighbour.

**Figure 2: Nearby towns and villages are dependent on their larger neighbour for jobs, if not high-skilled jobs**

The relationship between incomes and commuting into a big city for towns and villages within two miles of a big city

Commuting into the city



Commuting into the city centre



Source: ONS; Census 2011

While as ever correlation isn't causation, separate data from the ONS' Annual Survey of Hours and Earnings shows that workplace wages in the large cities are higher than resident wages, showing that higher-skilled jobs are disproportionately taken by people from outside the city – Box 3 illustrates this for Leeds. Big cities do bring benefits to their wider area.

### Box 3: Workplace and resident wages in and around Leeds

ONS produces data at the local authority level for wages at the workplace and wages where people live. For Leeds and its surrounding areas, Figure 3 shows that workplace wages are highest in Leeds, and that resident wages are lower than workplace wages, meaning the commuters disproportionately benefit from the high-paid jobs available in the city. This adds weight to the findings in Figure 1.

#### Figure 3: Higher paid jobs in Leeds are disproportionately taken by commuters

Workplace and resident wages by local authorities in and around Leeds, 2019



Source: ONS

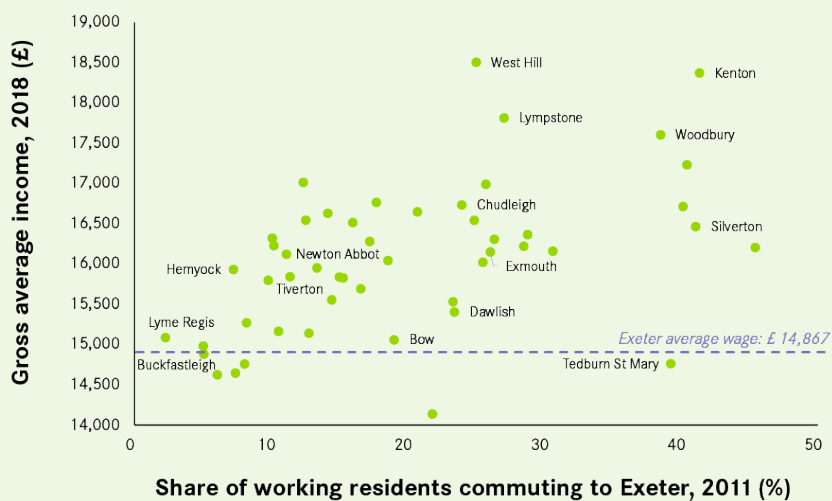
The strength of this relationship varies across cities. This in part results from the number of competing economic centres around a city, increasing the sources of opportunity for a town or village. Bristol, for example, is mainly surrounded by a rural hinterland. Given this, the relationship between commuting to Bristol and incomes is one of the strongest of all of the big cities. (Box 4 shows how this geography influences the role that Exeter, a smaller city, plays within its wider area.) Liverpool is very different, with competing centres including Manchester, Birkenhead, Preston, Warrington, Wigan and Chester. The result is that the number of towns and villages within its orbit is very much smaller than for other big cities, and the relationship is much less clear cut.

### Box 4: The role of smaller cities in their wider economy

The smaller scale of smaller cities means that there is less prosperity to spread and it is harder to pick up their impact if there is a competing economic centre nearby. Figure 4 shows that Exeter, which doesn't have a competing centre in close proximity shows that it too spreads prosperity to its rural hinterland. This impact isn't just the preserve of big cities, especially in more remote parts of the country.

#### Figure 4: Exeter provides prosperity for its wider area

The relationship between incomes and commuting into Exeter for the city's surrounding towns and villages



Source: ONS; Census 2011

### 3. The underperformance of most big cities reduces access to prosperity

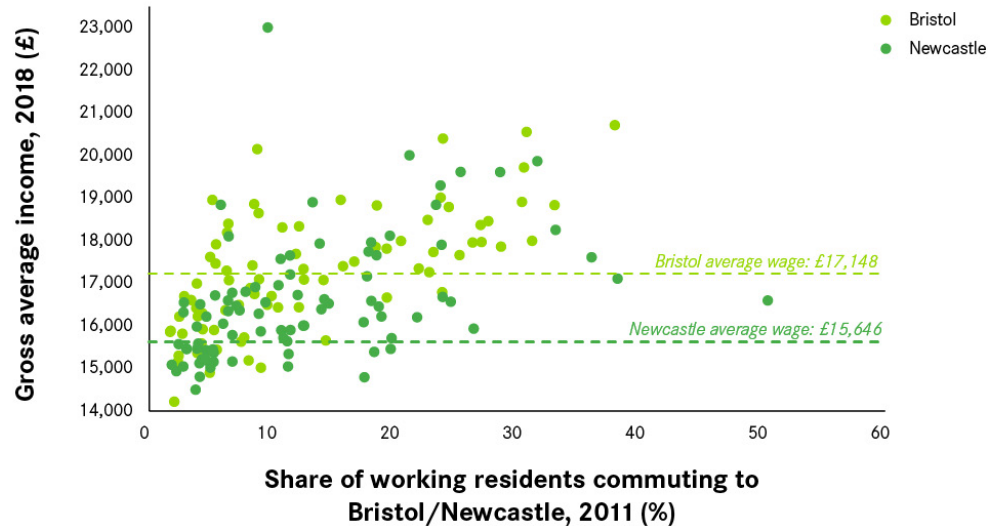
While most large cities play an important role in generating prosperity for their wider areas, the amount of prosperity generated depends on how successful the city is. A big challenge for the UK economy is that, with the exception of Bristol, all large cities underperform.<sup>7</sup> Comparing Bristol and Newcastle in Figure 5 shows this: while there is a positive relationship for both cities, Bristol has many of its surrounding settlements in the top right of the chart. Bristol has 18 towns or villages, home to 89,000 people, that both had at least 20 per cent of their working residents commuting to Bristol in 2011 and had incomes above £17,500 in 2018. The equivalent figure for Newcastle is nine, home to 36,000 people.

<sup>7</sup> Swinney P (2021), So you want to level up? London: Centre for Cities



### Figure 5: Bristol provides a greater amount of prosperity to its surrounding area than Newcastle does

The relationship between commuting and incomes around Bristol and Newcastle



Source: ONS; Census 2011

The issue for the North East therefore is not that surrounding places suffer because of Newcastle's success; rather, they aren't as prosperous as they could be because Newcastle isn't playing the role it should be in both the regional and the national economy.

### Not all towns are well placed to access the prosperity available

Within the broad relationships shown above, there is still variation between towns. For example, around Leeds, Tadcaster has a much higher average income than Castleford despite the two places having very similar shares of people commuting into Leeds. The same is the case for Charfield and Churchill around Bristol, and Knutsford and Whaley Bridge around Manchester.

There are three main reasons for this. The first is the skill levels of existing residents, which influence their chances of gaining a high-paid job. Combining all the individual charts for the big cities into one and splitting them by the skills of residents (see Figure 6) reveals two insights:

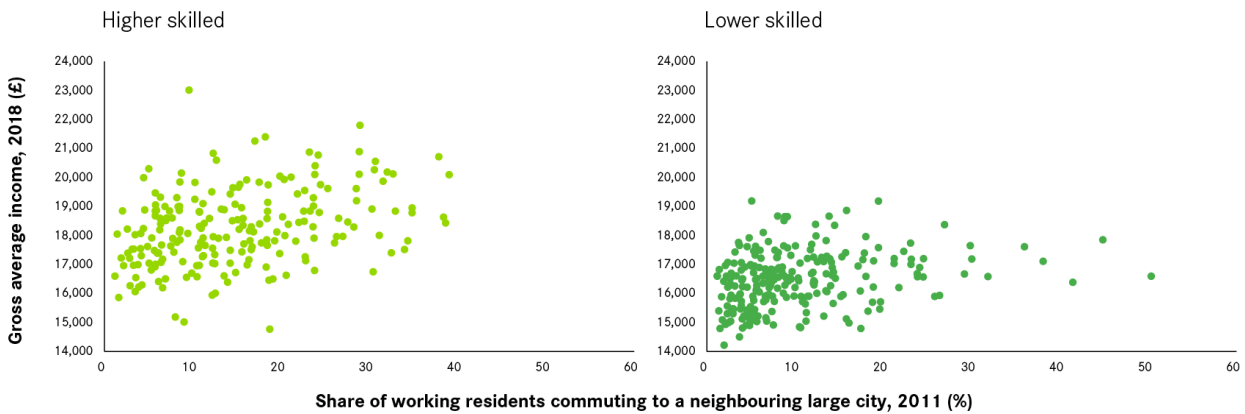
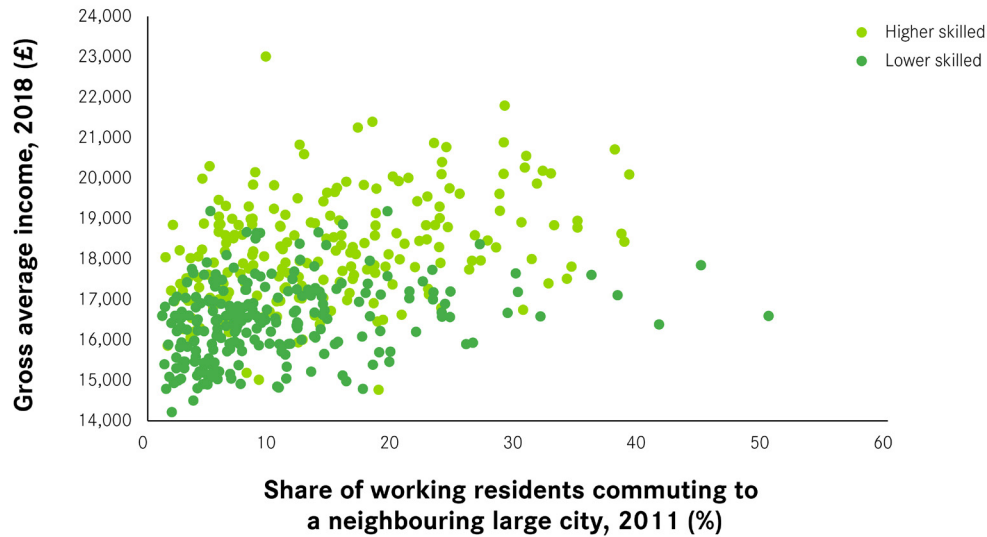
1. Towns and villages with a higher share of high skilled people have higher average incomes than lower-skilled places with similar levels of commuting into a big city.
2. The relationship between commuting and incomes is much stronger for higher-skilled places than lower-skilled ones.

This underlines that, while being close to a successful city is important, it clearly

isn't enough to spread prosperity to a town or village – their residents need to have the required skills to access the higher-skilled jobs available in the city.

**Figure 6: Towns and villages with higher shares of high-skilled residents have higher incomes than lower skilled towns with similar commuting patterns**

The relationship between commuting to a big city, incomes and skills for towns and villages around big cities



Source: ONS; Census 2011

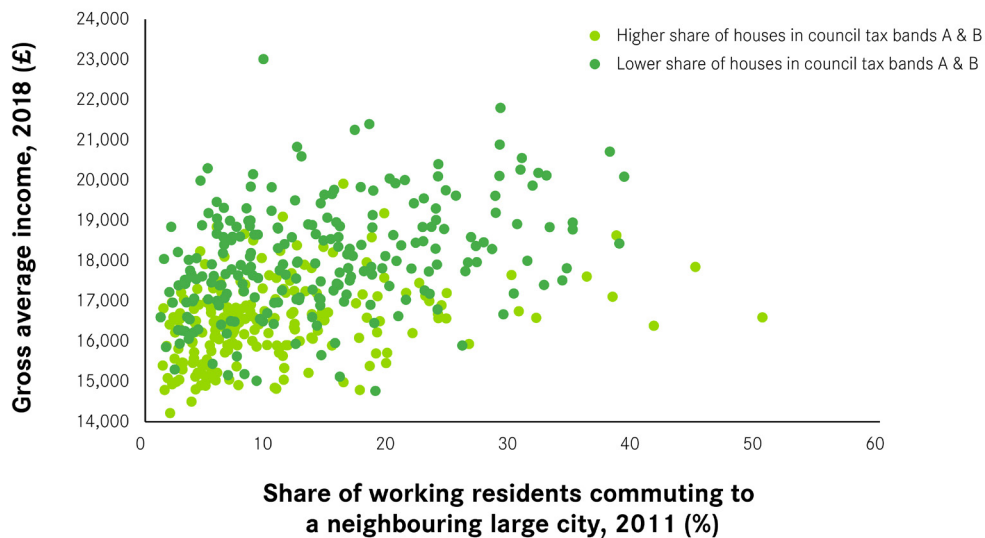
Note: Higher-skilled towns and villages are defined as 30 per cent or more of the 16+ population having at least a degree-level qualification

The second reason is the ability of a town to attract in higher-skilled residents that work in the city but have decided to live outside of it. Measuring 'quality of life' in a place is not an easy thing to do, but using the share of properties in particular council tax bands as a proxy for housing quality gives some insight (see Figure 7). Using a similar approach to the one used in the skills chart, there is again a split in terms of housing, with one difference between towns with similar levels of commuting to a neighbouring big city being that towns with higher

incomes have lower shares of housing in council tax bands A and B (the lowest bands and so generally the cheapest housing). A similar pattern is seen when using the crime index from the Index of Multiple Deprivation.

**Figure 7: Towns with 'better' housing have higher incomes than those with 'worse' housing and similar commuting patterns**

The relationship between commuting to a big city, incomes and housing stock for towns and villages around big cities



Source: ONS; Census 2011; Valuations Office Agency

Note: The threshold used for share of houses in council tax bands A & B is 40 per cent.

The third reason is travel times. As noted earlier, those towns and villages in the bottom left corner of Figure 1, such as Berwick-upon-Tweed, tend to be a long distance from their nearest big city, and the share of people commuting into the big city unsurprisingly increases as settlements get closer to the city. There are also a number of places that have varying shares of people commuting to a big city despite being similar distances away from it, with transport connections seemingly being a factor. But there are also counter examples to this, with places with good road or rail connections having lower commuting than places that are less well connected. Box 5 discusses this in more detail.

### Box 5: The impact of transport connections on commuting flows

Transport links to a big city are clearly a factor in the performance of a surrounding town or village, but these links must be considered in the context of the other attributes of that place too. Two examples help illustrate this.

Chew Magna and East Harptree lie to the south of Bristol in the Chew

Valley. The two places are very similar in terms of skills of residents and the nature of their housing stock, but Chew Magna is 11 minutes closer to Bristol. This is likely to be a factor in Chew Magna's larger commuting flows into Bristol (see Table 1).

**Table 1: Faster transport links to Bristol are likely make Chew Magna more attractive than East Harptree for Bristol commuters**

Place	Share of working residents commuting to Bristol, 2011 (%)	Share of residents with a degree or equivalent, 2011 (%)	Share of houses in council tax band A and B, 2023 (%)	Travel time to Bristol city centre, 2023 (mins)
Chew Magna	21	42	10	24
East Harptree	16	40	8	35

Source: Census 2011; Valuations Office Agency; Google Maps

The case of Tamworth and Lichfield around Birmingham offers a counter example. Travel times into Birmingham city centre are 8 minutes faster from Tamworth than Lichfield. But the latter has higher commuting into Birmingham than the former. Looking at other characteristics shows that Lichfield has both higher-skilled residents and a much lower share of houses in council tax bands A and B. Improving travel times is undoubtedly important for commuting flows, but it isn't the only factor at play.

**Table 2: Other factors make Tamworth less attractive to Birmingham commuters than Lichfield, despite its shorter travel times to the big city**

Place	Share of working residents commuting to Birmingham, 2011 (%)	Share of residents with a degree or equivalent, 2011 (%)	Share of houses in council tax band A and B, 2023 (%)	Travel time to Birmingham city centre, 2023 (mins)
Tamworth	17	17	63	28
Lichfield	22	35	34	36

Source: Census 2011; Valuations Office Agency; Google Maps

## Implications for policy

The above has five main takeaways for policy.

The first is that tackling the underperformance of most big cities will not just be of benefit to people living in cities but around them too. The pejorative dismissal of this policy approach as 'trickle-out' ignores the realities of the respective roles and relationships that large cities have with their surrounding areas. It is also the most direct route of doing so – improving the economic performance of eight places to the benefit of many hundreds around them is much more feasible than making separate individual interventions across these places.

The second is that improving access to economic opportunity through improving the performance of big cities alone won't be enough to improve the fortunes of the majority of current residents surrounding towns if these towns are low-skilled. That means that direct skills interventions in these places will be required alongside interventions in the cities.

Third, if surrounding towns and villages are to be attractive to higher-skilled workers, then interventions to improve their quality of life 'offer' will be required. This will not only mean looking at the types of housing available but dealing with other issues, such as crime and the quality of schools where these are a problem.

The fourth is that better linking places into the opportunity available in big cities through transport improvements will make them relatively more attractive places to live for those looking to commute in, and open up the jobs market in the city for those who already live there. But the nature of this intervention and the context the town or village finds itself in are important here.

If policy is to reopen rail lines, as is being pursued by the current government, then an assessment must be made based on the existing characteristics of the towns and villages being served:

- If they are low-skilled places then the cost of travel by train is likely to be a barrier, even if travel times are reduced. This means that skills interventions will still be required to improve the outcomes for the place.
- If they are to attract in more commuters to live, so changing the makeup of residents, then this will require housebuilding. The aim in a higher skilled place (which already offers the quality of life that higher-skilled workers are looking for) should be to expand the existing offer, while in a lower-skilled place the aim should be to change the offer to make the place more attractive to potential incomers. In either case, the provision of the rail line alone will not be enough to bring about a substantive change in outcomes.

Finally, those places that aren't within commutable distance of a city pose a particular challenge for policy. Their small size and isolated location mean that their ability to attract high-skilled jobs is limited, as is access to jobs elsewhere (limiting their ability to attract high-skilled workers). This limits what economic

policy can do for them. There are one-off policies, such as giving public support to the creation of gigafactories in Northumberland or Somerset, that could be pursued but by definition there are many more towns and villages than opportunities to use such policies. Given this, the policy approach to these places should focus on providing the best possible public services for the people who live there – for example education and health services – to improve quality of life outcomes.

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