

Levelling up opportunity – redressing social and economic disparities in the UK



By David Fellows (1)

This is an extraordinary time for the country and the Government. Despite the terrible consequences of Covid-19 and the challenges of Brexit, this is also a time that bears the seeds of a renaissance. Our new found freedoms, new ways of working and new sense of shared responsibility provide the means to redefine Great Britain for the 21st century.

Well before the Covid-19 struck digital technology had introduced new forms of remote working, shopping and entertainment but the virus has accelerated adoption. Greater flexibility of work location has been established and physical proximity to London is no longer the advantage it once was. This has improved the feasibility of 'levelling up' the regions, a commitment made by the PM on taking office. Levelling up also carries the potential to reduce pressure on accommodation in the London area and alleviate the worst of the capital's housing crisis. With a little imagination levelling up could be seen as a win win prospect for the whole country.

Levelling up commitments

Recovery is always an aspirational project and we have a PM who epitomises this quality. His early call to use levelling up as the route to recovery from Covid-19 captured the public mood and certainly chimed with the expectations of Red Wall voters.

The Conservative manifesto for the 2019 election commits to 'agenda for levelling up every part of Britain, investing in our great towns and cities, as well as rural and coastal areas'. Under the heading 'Levelling up' the March 2020 Budget asserts to need to 'raise productivity and growth in all nations and regions for everyone, addressing disparities in economic and social outcomes'.

Regional disadvantage

The regions are suffering from long-term underperforming economies giving rise to the steady destruction of social structures as young professionals and skilled workers drift to the London area. This regional situation is to be contrasted with London where the City and Central Government directly and indirectly provide huge economic impetus. The concentration of media, major cultural venues, law courts, international tourism and a host of vastly resourced academic institutions add enormous weight.

This constitutes a system of self-serving parochialism that produces a continuous flow of advocacy for endless public and private sector investment. The thought of major institutions locating outside London has become almost risible. Some suggest that there is a spill-over effect from London to the regions but where this happens it consists of low-paid back-office jobs, call centres and branch plants that can be axed or offshored at a moment's notice.

Levelling up challenge

It is worth considering the concept of levelling up in terms of the current socio-economic challenges facing the country and the regions: the attenuated international supply chains; overly heavy dependence on manufactures from across the world; the steady drain on young talent from the regions to London leaving behind increasingly vulnerable communities; the narrowing of employment opportunities in the regions that fit the skill sets, interests and monetary ambitions of regional communities; and the stagnant regional economies that require regular, and often resented support, from the national exchequer.

It is astounding to reflect that the UK has proportionately the smallest manufacturing sector of any OECD country (Gudgin & Coutts 2015 – see Bickerton below). In terms of shared prosperity a recent [House of Commons briefing paper](#) gives the GDP per head for the devolved administrations and English regions. The astonishing fact emerges that London's value is £54,700; the South East £34,100; and the remainder are below the national average, mainly in the range £30,100 to 25,900 with the exception of the North East £23,600 & Wales £23,900. It is a crude but interesting comparison.

Apart from the extremely wealthy, London too has its problems. The housing crisis is borne of excessive demand compounded by a dysfunctional housing sector, an overly restrictive spatial planning system and political inertia. It is also worth considering the cost of continuing to develop the already congested and expensive London infrastructure. It has taken Covid-19 to emphasise the inherent risk entailed by an enormous concentration of cost and livelihoods invested in a London area public transport system that is reliant on a huge passenger throughput. The changing demand habits of the travelling public have shown the inbuilt risks to this system.

These factors suggest the potential benefits of rebalancing in favour of regional economies. This could include some reshoring of production, strengthening internal regional markets and developing the capacity to recognise and exploit regional economic potential.

For instance, there may be particular local relevance to the development of renewable energy technologies and support services; battery technology; high insulation house fabrication industries; and digital technology applications supported by local graduates from higher education (perhaps helping to develop local businesses). More specifically, computer aided design expertise offers support for improvements in the efficiency of manufacturing and agricultural processes that may help to offset the potentially higher costs of repatriated production and smaller companies may be prepared to collaborate in the creation of local skill sets required by emerging local industries.

The levelling up offer

As yet there is no clear indication from Government about the objectives, details or total spending commitment to be attached to the levelling up commitment. Colin and Carole Talbot in their paper [‘On the level’](#) considered the feasibility of interpreting the concept in terms of increasing regional public spending per capita to that of the capital. They concluded that a 6% rise in public spending would be required. In his thought-provoking paper [‘Brexit and the British growth model’](#) Christopher Bickerton traces the breakdown of the British socio-economic compact and asserts the need for a new social settlement in Britain. This could be taken as the underlying subject matter of a levelling up agenda.

The March budget's reference to levelling up as cited above itemises infrastructure spending of £650bn up to 2024-5 for roads, railways, communications, schools, hospitals and power networks across the UK. A close-ended infrastructure dominated commitment would clearly suit the Treasury control instincts but such investment alone is unlikely to make a significant dent in the problem.

In his recent speech to the Conservative Party conference the PM affirmed his intention 'to spread opportunity more widely and fairly'. Perhaps levelling up opportunity this is where the answer lies. But what sort of opportunity? I suggest this refers to people having an appropriate choice of work giving them the chance to earn a good living in a satisfying social and physical environment. The work depends on the individual's aspirations: something reasonable in terms of pay, security and interest. The environment clearly includes friends and neighbours, safe streets and pleasant surroundings.

Admittedly this is not graphically clear, it does not have a specific price tag, its interpretation will certainly change over time and it can never be ticked off the to-do-list. Refinement will embrace a greater diversity of employment, wider spread of earnings, higher proportion of national wealth and personal income for the regions. It is the ultimate political task of continuous engagement and interpretation with the voters judging the results. To a large extent, the environmental aspect requires familiar public services to be properly delivered but the economic aspect requires some radical new thinking. The approach must be much more diverse, agile and collaborative than hitherto.

Levelling up tools

The general election manifesto asserts the need to give the regions 'more control of how that investment is made' and 'to trust people to make decisions that are right for them'. Does the PM really wish to succeed by devolving responsibility for 'levelling-up' to local judgement on the basis that locals know best? A cursory inspection of the project will quickly find that the game is not in regional hands.

It is essential that local authorities, local businesses, local universities, local FE colleges and a plethora of regional organisations are seriously engaged. Many will have a major stake in the delivery but any plan that does not require Government to play a pivotal role in shaping and delivery has, in my opinion, no significant capacity or ambition to move the dial towards regional regeneration. How are the various bodies to be engaged if not by Government? Are Government departments not to make a significant contribution in the fields of taxation incentives, the creation and oversight of an investment vehicle, new procurement regimes and simplification of regulatory systems? The distancing of Government from regeneration is the story of repeated failure.

So what measures might a more appropriate regional revival scheme look like? The levelling up agenda could include: the use of Government procurement to promote regional economies and help develop emerging businesses (Government taking the risk of awarding high value work to the latter); a system of enterprise zones and free ports with tax incentives for business to relocate and invest; deregulation to encourage enterprise; the creation of regional investment institutions (to make good the lack of commercial appetite for regional business ventures); the introduction of integrated regional

government export advice centres; and a properly decentralised Civil Service. The Government is also the paymaster of the higher and further education sectors that have a substantial contribution to make and this must surely be designed into proposals.

Low interest rates make infrastructure a superficially attractive proposition but it must be justified in terms of its relative benefits within the entire spectrum of measures that are potentially available. Its importance must not be overrated.

This exercise is a massive and complex undertaking with diverse elements: local and national, private and public, established institutions and new ones. Government departments must be effectively engaged. Emerging businesses will require special attention. Local business services will need to be kept in touch. . Local business services will need to be kept in touch. There must be a learning system that develops knowledge of what works in what circumstances, how to roll out and revise. Predecessor programmes failed to offer a sufficiently comprehensive framework but are a starting point for such learning.

In reality this cannot mean that every town that has been hard hit by decades of decline will be comprehensively revived in these terms. It will be necessary to spread the effects of the employment regeneration into established towns that become new suburbs but with the arrival of remote working that distinction will become increasingly blurred.

A new regional geography

There is also a requirement, in my view, for the creation of large regional economic development areas to facilitate the process of regeneration. There may be a temptation to restrict attention to the midlands and the north but this will be rightly challenged by other regions facing neglect. For instance, there could be four such regions: the North from Cheshire to Cumbria and across to the east coast; the West Midlands from Shropshire to Wiltshire; the East from Lincolnshire to Suffolk; and the West from Cornwall to Wiltshire and possibly up to Gloucestershire and out to Hampshire.

These four regions would form a powerful arc around London and the South East. There would be no intention to redraw local government boundaries to achieve this. Each economic development region would be an amalgam of its various regional institutions. It would be designed to explore and refine the key development levers made available to it. It would provide the basis for the development of a country that is much more robust and interconnected than it is today.

Timescale

The displacement effects of Covid-19 and, to a lesser extent, Brexit are enormous. There is not the financial or organisational capacity to complete the levelling up process and other key Government commitments in the course of a single Parliament. This is a programme for the next decade. Nevertheless, this is the time to articulate the broad vision and present an outline programme of measures to give it effect. Early decisions must be taken on the first tranche of

initiatives linked to the vision. Perhaps initial proposals for the current Parliament could be developed for announcement alongside the postponed autumn budget if this were scheduled for the spring.

The rumoured relocation of a substantial proportion of the Treasury to Leeds could offer evidence of intent for an extensive programme of departmental relocations. Such a programme would be more about a shift in departmental attention to the regions than the regionalisation of public spending.

Future domestic issues

Of course there are many other related issues requiring attention: NHS management and the reform of social care; the allocation of responsibilities within the state schooling system given the decreasing role of local education authorities; the modernisation of the Civil Service and Cabinet Government; the future role of the armed services; and devolution within the UK. All these issues and more are important to the nation's development but they are inevitably subservient to the blue print for economic recovery and its key theme of levelling up opportunity.

Conclusion

In his recent speech to the Conservative Party conference the PM affirmed his intention 'to spread opportunity more widely and fairly'. It could be said that 'levelling up opportunity' is his key commitment to the country.

If this is the task then measures taken by Government must go far beyond a programme of infrastructure development since that cannot begin to have the impact required. The real task requires Government to take a major role, contributing muscle and breadth of attack.

The concept of levelling up opportunity must now be supported by a clearly articulated vision and an outline of the mechanisms for delivery and subsequent refinement over the next decade. This must constitute a key element of the early post-Covid economic revival. There may never be a better chance to put this vision into effect.

(1) David Fellows has worked extensively in UK local government and in the Cabinet Office as an advisor on local government reform. He is a director of PFMConnect, a public financial management consultancy:
david.fellows@pfmconnect.com

(2) A short video discussing the issues raised in this blog is available [here](#).

Rebalancing Britain – shaping the future



by David Fellows (1)

Governments like to deal with issues one at a time. It makes the narrative easier to handle. The problem for the current Government is that it faces a landscape of interconnected challenges. As a result, the big picture is getting lost.

The opposition, political and media, are playing a fairly simple game. They cry 'chaos' at practically every decision made by Government. In practice people seem to understand the difficulties of holding an unbending line when faced with a non-compliant world. The background noise, however, tends to create distractions from the big picture.

The three key challenges

I refer to the need for Government to focus on three critical challenges: Brexit, the economic and social effects of C-19, and their 'levelling-up' commitment. They are immense, complex, interrelated and unavoidable. The consequent fiscal implications and overseas trade negotiations add to the burden of this core subject matter. Knee jerk reactions by Government seeking to restore the status quo in London supply worrying evidence of the big picture getting lost.

C-19 has accelerated the extent of online home working that has been taking root over the past decade, relieving many administrative staff from the daily commuter grind. For many this is an irreversible process benefiting employer and employee. Office space is, therefore, becoming less necessary together with commuter transport and other office-related services. In addition, the trend to online shopping is being reinforced reducing demand for local transport. It seems inevitable that redundant shops and offices will be replaced by apartments. The absence of tourism compounds the reduction in city centre footfall. There is greater general acceptance of change than the government seems to appreciate.

EU nations will stick together to save themselves (the Euro, the carnage to the Mediterranean economies, the perilous position of German manufacturing). Despite a trade deal being in their best interests it has become clear that they have little scope for division over Brexit. Doing a deal in name only was tried and failed miserably. Apart from side matters of common interest, such as air traffic and security, it must be assumed that nothing else is available. Put it to the test. End the negotiations now, claim bad faith, refuse to pay, give businesses and the public extra time to ready themselves. Government may now be preparing to do this.

To-date 'levelling -up every part of the UK', as referred to in the Conservative manifesto 2019, has been little more than a slogan attached to haphazard regional spending. The manifesto acknowledges that the regions feel abandoned. I suggest that this is now more important than short-term GDP considerations and that yesterday's substantial gainers must make way to some extent.

Levelling-up should form the central plank of these three

issues. Economic activity must be more widely distributed. Brexit offers greater freedom to act. The impetus in online working resulting from C-19 has made us more flexible in geography and life style. Why not give a clear commitment to stimulate the UK economy in the regions by: reshoring production; incentivising investment and HQ co-location; regionalising government departments; creating a regional development bank; encouraging regional remote working. Government departments must be harassed into buying British with a substantial proportion of orders going to SMEs, including start-ups. Such policies should be directed at high value manufactures, administration, consultancy and food. Business must be fully engaged.

This agenda must be supported by reform of the spatial planning system and dysfunctional house building sector. It would be too easy to assume the status quo and attempt to build more housing in London to satisfy demand that would, in practice, compound the skewed nature of opportunity within the country and heighten the problems of life within the capital, particularly for the less wealthy. Policy must be consistent.

Future domestic issues

Of course there are other related issues requiring attention: NHS management and the reform of social care; the allocation of responsibilities within the state schooling system given the decreasing role of local education authorities and the inadequacy of further education with respect to vocational development; the modernisation of the Civil Service and Cabinet Government; and devolution within the UK. All of these issues and more are important to the nation's development but they are subservient to the preparation of an

initial response to the three critical challenges.

Time to explain the plan

It is time for the Government to present that response at a credible level of detail. The PM must explain his intentions and his reasoning convincingly both to the people as a whole and to his parliamentary colleagues. It must be a bold yet feasible plan. This is a time for public engagement, for shaping the future.

(1) David Fellows has worked extensively in UK local government and in the Cabinet Office as an advisor on local government reform. He is a director of PFMConnect, a public financial management consultancy:
david.fellows@pfmconnect.com



Towards A New Normal



by David Fellows [\[1\]](#)

Things are not going back to normal. Things were changing anyway and they have now been given a good push. There has also been an enormous economic and fiscal shock arising from C-19 that adds a terrible seriousness to the situation. We must now look towards a new normal not try to reinvent the past. So how should Government help shape that future?

The inevitability of change

Digital communication has changed the options quite radically but old practices die hard. Even so, working at home had gradually become widespread at least for several days a week. The move to home-office has accelerated with C-19 but the advantages of this change will remain, including cost savings for businesses and households and an improved quality of life for the family.

C-19 has now put retail banking staff at home able to access secure information to deal directly with customers. Video conferencing also offers face to face meetings with colleagues and business partners with added opportunities for fitting in

the odd Pilates session on Zoom. Some firms have already banned long journeys as a normal practice going forward, saving time and expense.

When social distancing is no longer necessary the demand for office space could diminish. Inevitably the hospitality industry in city centres will contract with fewer office workers. Long distance passenger travel operators could take quite a blow from a reduction in business travel and less commuting could hit urban transport operators. Travel infrastructure strategy will need revisiting.

Online shopping was already hitting the high street and out of town shopping malls. It is time to repurpose retail space into homes and improve the quality of local cafes and restaurants to secure potential new custom.

There will be a tendency for families to drift away from central areas, possibly far away, leaving those that remain with lower cost housing, more choice and a better life.

New attitudes

Complex international supply chains are now seen as risk-prone and dangerous to national security in times of crisis. There is a growing concern about China's role as de facto supplier of cheap garments and technology as a consequence of the state's behaviour towards its own people and its predatory intentions towards other nations. The EU seems likely to prove aggressive if the UK does not accede to demands that would equate to Brexit in name only, a position repeatedly rejected

by Parliament and decisively voted against at the last general election. For the present, a greater degree of national self-sufficiency seems to offer some safeguards in a diversely problematic situation and it would help answer growing concerns about the scale of the balance of payments deficit in such uncertain times.

Apart from these considerations, people are asking why more things cannot be produced in the UK. They can appreciate that prices may increase but they are concerned about an economy becoming too specialised in City and hospitality trades. They see a sizable population with diverse talents and inclinations but a narrowing range of employment options for the next generation. It is often said that the pandemic has made people more concerned for others, so what are our plans for improved inclusivity? In past decades when youth unemployment spiked, the answer came in the form of youth training schemes that, in practice, offered limited training and little opportunity. The tokenism of this approach was not lost on the youths in question and must not be repeated.

We are global traders. The UK is the largest net exporter of world class financial services. A reverse flow of goods must be embraced and allows for global trade efficiencies. We need this system. I suggest, however, that for social, economic and security reasons the imbalance in traded goods has gone too far. It has become an issue of serious neglect.

Opportunities for goods and services

There are potential avenues that could help ensure the diversification of employment and repatriation of some trade in goods lost overseas. For instance, manufacturing offers a

range of distinctly different skill requirements from those found amongst the service industries. The sector has suffered serious decline but the UK still has many manufacturing sites throughout the country some of them operating at highly advanced levels; there are still major engineering departments in UK universities and skill training in local colleges; the green agenda leads to a whole series of new industries; computer aided design expertise offers support for improvements in the efficiency of manufacturing processes to offset the potentially higher costs of repatriated production. Similar arguments could be made for the relevance and development of domestic agriculture.

Even in the services field there are new opportunities. Digital technology appeals to large numbers of the younger generation and start-ups abound. The deficiency here is in the availability of experiential and financial support to help them to move to the next level.

Levelling-up potential

The Government's *levelling-up* agenda for the regions is highly relevant to a shared national response to the C-19 crisis and Brexit. It could provide the serious economic resurgence in the regions that has been lacking for decades, it could offer a programme of inclusivity in deprived areas.

This could involve the relocation of Government administration, expansion of regional businesses, business relocations and the creation of new businesses. The Government has many options to facilitate this including: the use of public sector procurement; the creation of enterprise zones, free ports and regional investment institutions; deregulation;

and the effective mobilisation of potentially supportive institutions including universities, colleges and multi-agency business advice services. Targeted incentives could be offered for the deployment of new technology and skill development. Government has recognised the need for transport and broadband infrastructure improvements. These must be prioritised against the options for business support.

John Mills argues, most recently in *The Road to Recovery* [\[21\]](#), that the pound sterling should be pegged at approximately 20% below its current level to encourage capital investment, subject to a more amenable banking sector, to facilitate competitive pricing for UK manufactures.

This potentially radical levelling-up agenda with all its facets could serve the current economic and social imperatives as outlined. It could provide a programme primarily directed at the regions but with numerous spill-over advantaged from its components that it would provide consequential benefits for London and surrounding areas in the South East. Indeed, the opportunity could be taken to define London's primary national role as distinct from the regions, enabling its emergence as a more liveable environment.

Messaging

The C-19 crisis has seen the Government explain itself directly to the public through nightly news conferences. Although not always fully realised, these broadcasts required Government to develop an outline plan, prioritise its actions and make staged advances. At every step it needed to maintain engage the public through briefings pitched at the right level to minimise subsequent revision.

This daunting task became harder as opponents in the media, politics and other institutions worked tirelessly to undermine the success of the project by disrupting public confidence, offering advice that could never be executed, or using hindsight to condemn decisions that were accepted as good practice when they were originally taken.

The experience of this tragedy offers numerous lessons for public messaging of the recovery programme. Consistency from all voices, confronting false perceptions offered by others and timing the release of detail with certainty of follow-through are clearly important. In terms of the platforms chosen, the Government could decide to present its proposals and report progress in a programme of video recordings and public appearances around the country. Whatever its choices it must assume that in seeking to win public confidence and support it is on its own.

Conclusion

We are not a country that looks for economic planning on a grand scale, neither do we tend to celebrate entrepreneurialism, perhaps being diffident towards its often obsessive traits. Even so, it is in all our interests to foster entrepreneurialism at this time if we are to respond effectively to our changing circumstances, especially the economic and social needs arising from them. By fostering I mean using the power of the state to work with the people, business and other institutions to achieve a rejuvenation of the commercial environment with an emphasis on the regions.

Our situation arises from the combination of things: Brexit, C-19, the commitment to tackle regional disparities, cultural

changes based on new technology and the housing crisis. We are at a point of departure that should be treated as an opportunity that will not occur again this century. It is a situation that must be worked through with relentless determination over the course of several parliaments. There is no quick fix. It is time to make a sober and clearly articulated commitment to this enormous venture.

©

[1] David Fellows is an accountant having worked extensively in UK local government, the Cabinet Office as an advisor on local government reform and as an international advisor to the South African National Treasury. He was a leader in the application of digital communication to UK public sector service delivery. He is a director of PFMConnect, a public financial management consultancy:
david.fellows@pfmconnect.com

[2]
<https://instituteforprosperity.org.uk/admin/resources/reports/2451-a-the-road-to-recovery-ppi-58-web.pdf>