Some Priorities for the 'Levelling up' agenda

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Since the 2019 General Election, 'levelling up' has been a consistent theme employed by government minsters and MPs, keen to emphasise a new commitment to 'level up' and boost the prosperity of so-called 'left behind' places. Such talk plays well with the government's new supporters in the 'Red Wall' constituencies won over in 2019. Yet, while the government has recently appointed a 'Levelling up' advisor – Neil O'Brien MP – and has promised a White Paper (due in the next few weeks), so far, there is no clear 'levelling up' policy agenda. Moreover, the Conservatives' much vaunted 'industrial strategy' – which emphasised new 'local industrial strategies' – seems to have been quietly ditched.

So how might 'levelling up' become more than just another slogan (in a long line of empty promises that have been exploited by politicians)? First, it is important to note that 'levelling up' is not easy to do. The UK has a higher level of regional inequality than other advanced nations – and these are long standing, going back at least to the 1850s. Previous governments, including New Labour (2007-2010) have tried to address these regional imbalances, but with only limited success. 'Levelling up' is a challenging and multi-faceted process that will need further devolution, new forms of governance, and partnership working between private and public sectors.

Below, we highlight three inter-linked challenges and opportunities – green transition, industry 4.0 and skills – which government could prioritise to promote more balanced growth, and which build on elements of the government's previous industrial strategy.

The Green Challenge

First, the green transition and the commitment to net zero offers new opportunities for more balanced regional growth. Green sectors are expected to grow by 11% per annum by 2030, and total employment in the green economy is expected to increase from 185,000 today to 694,000 by 2030 and 1.18 million by 2050. The majority of these new jobs are anticipated to be created in the North and some of the other 'left behind' regions of the UK. Moreover, the UK already has significant expertise in green technologies – the north of England is noted for its expertise and capabilities in generation, storage and low-carbon technologies and processes, especially in nuclear and offshore wind.

Future progress will depend upon a massive investment in low carbon infrastructures, including electric vehicle infrastructure, high-speed broadband and hydrogen technology. Despite much fanfare around the UK's green future, the Green Alliance think tank has estimated that current low carbon infrastructure investment falls significantly short of what is required – by around £14.1 billion to 2023.

Many green projects can be devolved to local authorities, Local Enterprise Partnerships (LEPs) and Combined Authorities (CAs) and coordinated via an overarching strategy – from Whitehall – setting out a clear direction of travel. This will help to underpin business confidence and new investment. Moreover, so called 'shovel ready' low-carbon projects – such as heat pump installations, public transport improvements and improving 'green' public spaces – can be accelerated to boost local economic growth.

Moreover, public procurement and demonstrations of low carbon technologies could also boost consumer confidence and drive 'take up'. The West Midlands CABLED project in which local

authorities trialled electric vehicles across public services is a positive example of such projects in action.

The Fourth Industrial Revolution (Industry 4.0)

Second, accompanying the green transition will be the wide adoption and application of Industry 4.0 cross-cutting and platform technologies (e.g., the internet of things, digitalization, artificial intelligence and robotics) that play an enabling role across services and manufacturing. These technologies will be disruptive and spur fundamental changes in the organisation of production within and across firms, especially in the workplace, the physical environment as well as lifestyles. For instance, new digital platforms and enhanced data exchange should improve efficiencies across the private and public sectors, while simultaneously having the potential to reduce some of the disadvantages associated with being located in remote and 'left behind' regions. New opportunities may also open up for producer–consumer collaboration, stimulating entirely new business ventures or transforming existing ones via big data analytics and the new digital platforms.

Yet, in order to realise these opportunities, the UK will require significant investment in new digital and broadband infrastructure. Indeed, the emergence of regional 'digital divides' – in terms of capacity, digital capabilities and broadband speeds – has so far undermined the ability of the UK to 'level up' its industrial base and rebalance its economy. In many 'left behind' regions, knowledge and application of new I4.0 technologies remains quite limited – not being able to embark upon the transformations required by I4.0 will entrench regional imbalances.

In this regard, a key aim of policy should be to nurture and promote business collaborations and synergies, especially between firms using traditional production techniques and the new I4.0 technologies. Policy platforms for facilitating learning between firms across different sectors and sharing knowledge bases has been particularly effective. Moreover, public procurement might be deliberately targeted to foster such productive collaborations. This could be aligned with support for entrepreneurship programmes, staff exchanges, research collaboration and facilitating enhanced labour mobility between sectors.

In short, transformative and holistic industrial policies are required to address existing failures and obstacles and hitherto strengthen of the whole regional ecosystem. This requires a multidimensional approach, and not one purely focused upon specific instruments targeted at particular sectors. The 'Made Smarter' programme ' is welcome start in this direction, but policy needs to go much further.

Skills Policy

Third, skills will be critical to meeting the challenges of both net zero and I4.0. Even before Covid-19, there has been a shift to more non-routine and interpersonal style jobs that require more technological interaction and digital skills. Today's school/college leavers and graduates are expected to undertake several career changes throughout their working lives. Policy needs to play an active role to support workers to ensure they are best equipped to cope with the disruptive challenges and exploit the new opportunities unleashed by technological change.

It is therefore critical to rethink skills and education policy, along the lines of lifelong learning. The recently announced a Lifetime Skills Guarantee, geared towards providing UK adults access to flexible finance to access new training throughout their working lives, and seeks a greater role for employers in the design of publicly funded training programmes. Yet, success will ultimately depend upon uptake – a loan-based scheme may not be particularly attractive to mid-career/changing career workers, with families to support. Denmark's flexicurity model is worth considering – it is a

generous state backed scheme that encourages continuous learning and facilitates retraining in a flexible labour market. Similarly, Louisville's 'cradle to career' programme offers residents lifelong support to be active in the labour market.

Of course, skills and re-training polices will tend to increase labour mobility which will have implications for 'levelling up'. Generally, more skilled workers seek better opportunities in 'employment hotspots' and so called 'left behind' places have suffered long-term outmigration of highly qualified workers. Local Skills Advisory Panels (SAPs) will therefore need to work closely with local employers and training providers to ensure better provision of post-16 education and skills that is tailored to local industry needs. Such bodies need to anticipate future local employment and technology trends.

Moreover, if the transition to net zero is to be realised, significant skills gaps will need addressing (for example training heat pump installers); SAPs, local authorities and Local Enterprise Partnerships will need to work with skills providers to diversify into low carbon sectors, and to identify and provide pathways for careers in green sectors. Kent County Council has been active in funding skills providers who deliver training for construction to shift training support into the delivery of skills for offshore wind.

To sum up, if 'levelling up' is to become more than just another slogan and provide the foundations for reducing the UK's wide and historic regional imbalances, then the forthcoming white paper needs to embrace the challenges and opportunities of the green transition, Industry 4.0, and skilling and reskilling workers for very different jobs throughout their lives. It also needs to put in place a substantive public finance package to support any measures introduced.