Levelling Up is So Very Hard to Do

By Vicky Pryce

The government's ambitions for 'levelling up' are laudable. Last week's long awaited eponymous White Paper [i]featured 12 national missions that will be enshrined in law and with an number of targets to be met by 2030. It also included analysis of the challenges by Andy Haldane, the ex- chief economist of the Bank of England and now head of the RSA , who was seconded to the Cabinet office for this purpose.

There is no doubt of the need for renewed emphasis on this. The inequalities are considerable, not just between but also within regions- e.g in London. There are , as the paper acknowledges ,many areas in the UK which have simply been 'left behind'. There is an economic as well as a political imperative to action. Promises are not enough if the results don't match the rhetoric.

Much of the reaction to the plans centres on concerns that the funding allocation, for the moment at any rate, isn't large enough to do the job [ii]. What most places need is for productivity to rise and for all to benefit from it. It has been tried and failed many times before. And the period set for achieving this change, in eight years time, is simply too short.

The first point to make is that productivity differences are hard to shift. Sectors differ significantly – manufacturing is in general more productive than services for example . This is mainly because manufacturing products tend to be more exportable and subjected to greater competition forcing the need for greater investment and innovation.

But manufacturing is only a small and shrinking part of the economy, now accounting for less than 10% of GDP[iii]. Moreover the regions in which they operate have not diversified significantly into new and productive sectors to make up for falling manufacturing employment .

The result has been that many regions where manufacturing dominates are in fact the most disadvantaged regions in the UK. And moreover they are the ones that have been hardest hit by Brexit as David Bailey and Ivan Rajic explained in their blog for BCU last week[iv]. And Covid has hit them additionally with the result that the cost of levelling up, including reversing widening health inequalities[v] is if anything going up[vi].

The second point to make is that levelling up must not require any levelling down of other towns/cities/regions. It is interesting that despite periods when London seemed to suffer disproportionately compared with the rest of the UK- such as during the 2008/09 financial crisis and then also during Covid, it remains the case that the capital city and the South East are the only areas of above average productivity in the UK. It is not coincidental therefore that those are also the only two regions, with some small additional help from the East of England, that contribute positively to public finances . All other regions receive more funds than they pay back to the Exchequer .

But in the end, although sectoral differences matter, productivity variance reflects mostly differences in infrastructure, including transport and digital, and in skills . It is true that London, which has a much more mixed economy than other parts of the UK, has been able to attract the bulk of the available talent both from within the UK and from overseas. It also has seen more investment in transport per head than other parts of the UK. In some cases twice as much. And wealth also seems to be concentrated disproportionately in the South. But spreading this more equally without killing the golden goose will be difficult. It requires good planning and coordination, sufficient funding and long term determination which is not normally aligned to most electoral cycles.

And this is where history may have something to offer. When I worked for the government in the 2000s , 'performance management' was key. During the Labour third term in particular the series of targets known as Public Service Agreements (PSAs), publicised as government commitments, had been reduced to a manageable 30 or so cross-cutting PSAs, translating the overall policy objectives into quantifiable and measurable targets. The whole set up was run by a Delivery Unit, jointly run by the Treasury and No 10. And each of the PSAs had a Senior Responsible Official (SRO) with a delivery board they chaired made up of senior officials, usually at Director General(DG) level from other departments which was given the task to push the right measures across necessary for progress towards the targets to be made[vii].

The no 1 cross-cutting Agreement, PSA1, was the Productivity one. I was its SRO. In my experience the PSAs main accomplishment was to force cooperation and if necessary compromises where needed while working for a common goal. But it needed all of the Cabinet to embrace these aims, and forcing Secretaries of State and their officials to work together irrespective of narrow departmental interests. That cross departmental and cross regional- and also cross local- cooperation will be key for the Levelling Up White Paper to succeed at all. But it may prove an uphill struggle given the rebuilding of trust that will need to be done at all levels. Worth pointing out that the PSAs were abolished by the Coalition in 2010 and the silo mentality in government has been very much in evidence since.

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[i] https://www.gov.uk/government/news/government-unveils-levelling-up-plan-that-will-transform-uk

[ii] https://www.centreforcities.org/blog/does-the-levelling-up-white-paper-measure-up/

[iii] https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=GB

[iv] https://centreforbrexitstudiesblog.wordpress.com/2022/01/31/manufacturing-after-brexit/

[v] https://www.rcn.org.uk/magazines/people/2021/september/professor-sir-michael-marmot-health-equity-keynote-speech

[vi] https://www.theguardian.com/politics/2021/aug/15/the-cost-of-boris-johnsons-levelling-up-2tn-says-uk-thinktank

[vii] https://www.instituteforgovernment.org.uk/sites/default/files/case%20study%20psas.pdf