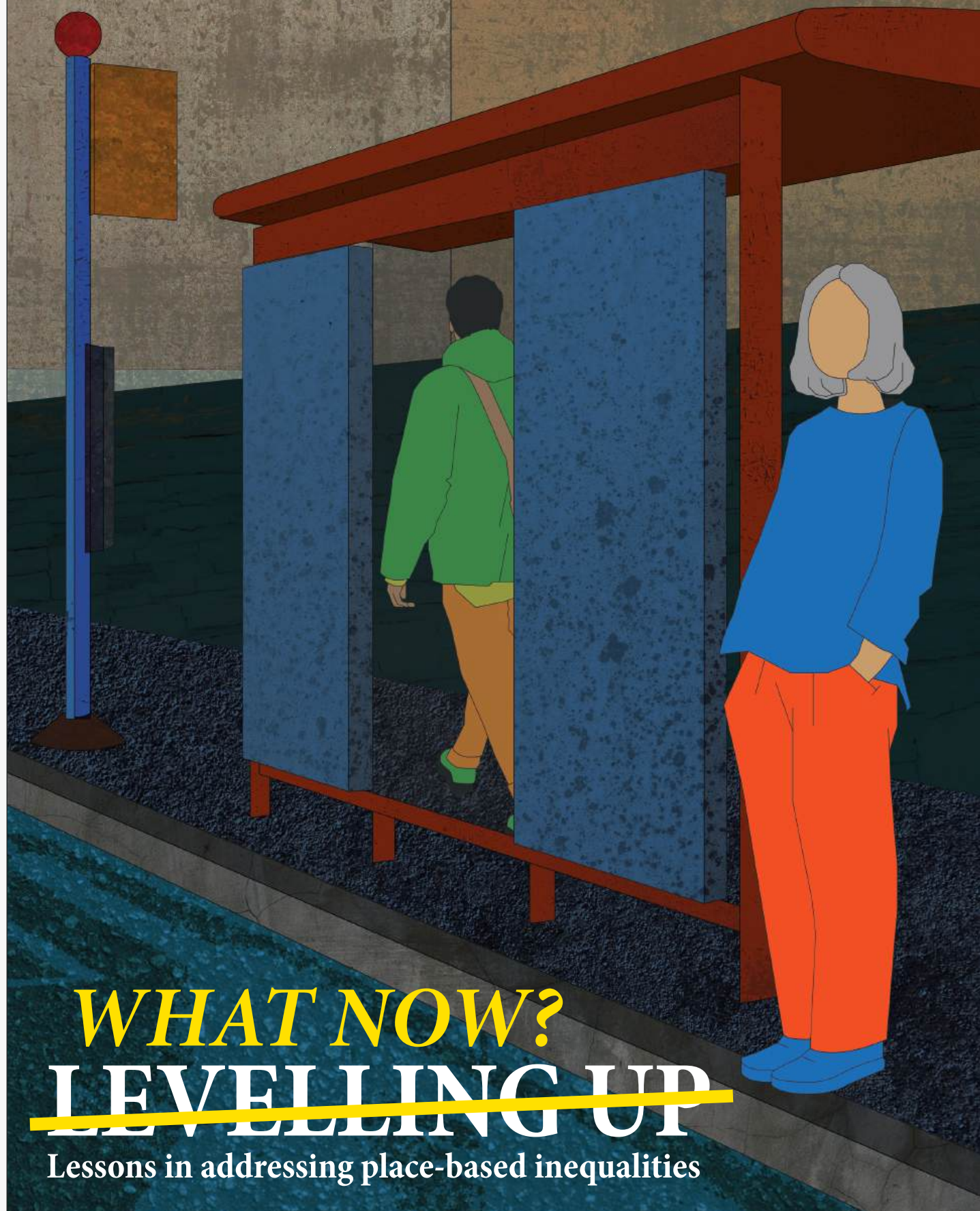


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WHAT NOW? LEVELLING UP

Lessons in addressing place-based inequalities

CONTENTS

INTRODUCTION	2
Should ‘Levelling Up’ still be a priority for the Labour Government?	
Andy Westwood	
CHAPTER 1	8
Control + Alt + Delete: governments and their problem with institutions	
Andy Westwood and Adrian Pabst	
CHAPTER 2	10
Let’s learn the right lessons about levelling up	
Alan Harding	
CHAPTER 3	14
‘Beyond levelling up: devolution and ‘left-behind places’ in North East England’	
Charlotte Carpenter and John Tomaney	
CHAPTER 4	18
How universal basic infrastructure can help support economic growth in different places	
Diane Coyle, Stella Erker and Andy Westwood	
CHAPTER 5	22
Putting connective infrastructure in its place: evidence use in regional policymaking	
Sarah Chaytor, Peter O’Brien and Andy Mycock	
CHAPTER 6	26
Letters from America (IRA, ARP, IJJA, CHIPS)	
John Austin, Jeff Anderson and Andy Westwood	
CHAPTER 7	30
Can universities help to turn around the fortunes of industrial towns and cities?	
John Morgan	
CHAPTER 8	34
The Oldham Economic Review	
Alun Francis, Marianne Sensier and Andy Westwood	
CHAPTER 9	38
Innovation, policy & social benefit: the case for technical skills	
David Gill, Tim Minshall and Bill Wicksteed	
CHAPTER 10	42
Forging a path towards equality: evidence-driven levelling up policies	
Olivia Stevenson and Siobhan Morris	
CHAPTER 11	46
Investment zones and freeports	
Jack Shaw and Andy Westwood	
CHAPTER 12	50
Mayors, devolution and why accountability matters	
Jen Williams	
CHAPTER 13	54
Accountability - rebuilding local democracy in England	
Jack Newman, Sam Warner, Mike Kenny, Andy Westwood	
<hr/>	
Sources, references and additional information	57

INTRODUCTION

SHOULD ‘LEVELLING UP’ STILL BE A PRIORITY FOR THE NEW LABOUR GOVERNMENT?

Andy Westwood

You cannot address regional inequality and improve living standards without making the economy work everywhere and for everyone... Two important beliefs underpin Labour’s economic plans – one, that economic growth must benefit every part of the country, not just London and the South East; and two, that decisions about your area are best made by people with ‘skin in the game’ – you and those in your community.’

Power and Partnership
Labour’s Plan to Power Up Britain¹

About CAPE
Capabilities in Academic Policy Engagement (CAPE) is a knowledge exchange and research project that explores how to support effective and sustained engagement between academics and policy professionals across the higher education sector.

CAPE is a partnership between UCL and the universities of Cambridge, Manchester, Northumbria and Nottingham, in collaboration with the Government Office for Science, the Parliamentary Office for Science & Technology, Nesta, and the Transforming Evidence Hub. CAPE is funded by Research England.

We believe that policy which is informed by evidence is stronger, more effective, and provides better value for public spending. By using research expertise we can make a positive difference to the UK economy, our wellbeing and to the world around us.

Prior to the General Election in July 2024, the House of Commons Public Accounts Committee found that the then Government was ‘unable to provide any compelling examples of what Levelling Up funding has delivered so far’. In their report, the Committee (PAC) ‘found that councils had been able to spend just a fraction of the Government’s promised Levelling Up funding, with only just over 10% of the funds provided to reduce inequality under the Levelling Up agenda actually spent and making a difference on the ground.’²

This was damning for three reasons. Firstly, it showed administrative and policy design problems, with DLUHC apparently unable to identify the right projects that might be expected to transform struggling places or get funding to those projects that might. Second, it had made little practical difference to the high levels of spatial inequality in England, set out in such detail in the Government’s own ‘Levelling Up’ white paper published in February 2022. Thirdly, in turn these problems added up to significant political failure and the inability to convince voters that the big promises for levelling up actually amounted to anything at all. Nevertheless Michael Gove, when still Secretary of State at the Department for Levelling Up, Housing and Communities (DLUHC) likened the ‘levelling up’ agenda to a ‘half-built cathedral’ suggesting that it couldn’t be properly evaluated until 2030,

when the white paper’s missions were due to be delivered³.

Neither the deep regional inequalities nor the political challenge to address them will go away any time soon. In the year after the General Election, these inequalities are continuing to widen and pressure is building on the Labour government with its large parliamentary majority to do something about it. The term ‘levelling up’ and its authors have been abandoned but there remains a political and economic need to find a suitable replacement.

The extent of the enduring geographical inequalities are set out in Chapter 1 by Adrian Pabst and Andy Westwood:

‘The case for levelling up the ‘left behind’ regions of the UK commands cross-party consensus, but so far there has been little progress in reducing inequalities between London and the South East, on the one hand, and the rest, as well as within some of the bigger cities or regions in England. In fact, regional inequalities are increasing: economic output in London is some 7% above its pre-pandemic level, compared with a 2% drop in the Midlands. Meanwhile, productivity in terms of real economic output per hour worked in London is forecast by NIESR to rise from £64 to £68 by the end of 2024, whereas in the West Midlands, it is projected to fall from £32 to £30’.

These differences have been increasing for over three decades, with London’s productivity now more than one and a half times the UK average. For most of the 1980s, the productivity levels of the capital’s economy were typically up to 128% of the UK average. From around 1988 onwards, these gaps have rapidly increased to the point where London’s productivity today is around 170% of the UK average.⁴ Andy Haldane, former Deputy Governor at the Bank of England, has described the UK as a ‘hub with no spokes’, with many

parts of the country lacking any genuine involvement in knowledge, innovation and R&D-related activities.⁵ And as John Burn Murdoch in the FT has concluded, without London, the UK would be poorer than Mississippi.⁶

So, while the Labour government has decided to abandon the term ‘levelling up’, it is clear that they will not be able to do the same about regional and local inequality itself. There are simply too many social, economic and political consequences if they do. But whatever any new agenda or narrative sets out, addressing local and regional inequality will remain a huge – and long term - policy challenge for any government in the UK. As Martin Wolf wrote in the FT, ‘the UK has some of the highest regional inequalities of any advanced country. Today, these are larger than those between east and west Germany and north and south Italy. New technologies, global competition, the loss of old industries — and the failure to support new ones — have all driven that divide.’⁷

This collection of essays sets out some ideas and recommendations that may help to better understand and address these challenges. They are offered not just to ministers and officials in the new Labour government in Westminster, but also to English Mayors and those in existing and emerging English Combined Authorities as well as to individual local authorities that exist either inside or outside of them. Each chapter builds on work undertaken as part of the CAPE project - funded by Research England - and including The University of Manchester, University College London, the University of Cambridge, the University of Nottingham, Northumbria University, NESTA, the Parliamentary Office for Science and Technology and the Government Office for Science⁸.

Here at The University of Manchester we concentrated on bringing academics

and policymakers closer together in order to better understand local and regional inequality and how we might find ways to tackle it. It took us to nearby places in Greater Manchester, including in the city itself and to nearby towns such as Oldham, where we helped the local council and GMCA to conduct a year long economic review (see Chapter 8)⁹. We also travelled much further afield - to the US and Germany to learn from and with colleagues facing similar challenges in post-industrial places. CAPE colleagues also worked in the North East of England, in West Yorkshire as well as in the East Midlands and Cambridge. Some of our experiences and recommendations are summarised in the chapters in this collection.

What lessons have we learned and what recommendations can we offer? Perhaps the first and most important lesson is that regional and local inequalities are not just holding local towns, cities and regions back but also the country as a whole. Low productivity and economic growth – whether measured in GDP or GDP per head – is one of the primary drivers of our poor productivity performance and our broader economic and wage stagnation. It is also a driver of political discontent and taken together, this is perhaps the UK’s biggest domestic policy challenge. But this ‘geography of discontent’ is a challenge within cities, towns and regions too and as challenging and significant for local as well as national politicians¹⁰. Neither will be fully solved during current Mayoral or Parliamentary terms but important steps must be taken in both over the short and longer term.

Whilst there may be disagreements between political parties about how this happens, there appears to be little dispute about the problem itself. The ‘Levelling Up’ white paper in 2022 made the nature and level of inequality clear as well as offering a framework

(its ‘six capitals’) through which policy solutions might be designed. Neither the white paper’s description of the levels of inequality nor this framework should be forgotten. Here there appears to be some consensus across the political spectrum with Labour voicing support for its historical account and overall analysis. Likewise, Rachel Reeves underlined the need to acknowledge and act on regional inequalities in her Mais Lecture prior to the election¹¹.

‘To grow our economy, we cannot rely on just a few pockets of the country to drive growth and productivity. First, because we have seen the political consequences – and justified anger – when deep regional inequalities are allowed to open up, opportunity allowed to wither across swathes of the country, while Westminster politics looks away. And second because we know our productivity problem is a regional problem.’

Strong local institutions and a stable, long term policy environment will be critical and Chapter 1 discusses the importance of new regional and local institutions and of building their capacity over the long term. In the Mais lecture Rachel Reeves noted the importance of strong institutions (and their long-term stability) – and this is equally true for those operating at subnational as well as national level.

‘In a world of unparalleled complexity and uncertainty, it is institutions which can provide the stability of direction, coordination, and appropriate incentives for sustained economic success. For much of our history, the strength of our institutions has bestowed credibility in international markets and underpinned our economic success. Politicians who undermine those strengths are playing a dangerous game.’

Again, this is set out in the ‘Levelling Up’ white paper’s emphasis on building institutional capital as part of its six

capitals framework. As Chapter 1 notes, institutional and policy churn has been one of the many causes of weak political and economic performance, particularly in England. In this regard, we have some reasons to be optimistic – and the previous Government some justification in claiming credit – for the emerging institutional framework at the subnational level in England. Mayoral Combined Authorities – first introduced in 2014 – have been agreed and rolled out since then. The elections in May 2024 saw ten mayors elected (nine in existing or new MCAs and one in London). More elections are due to follow in 2025 and 2026. If there is any part of the ‘levelling up’ agenda that can lay claim to be like ‘half-built cathedrals’, it is the creation of these institutions.

‘Despite the temptation, ministers – either current or future - should look to build long-term capacity and effectiveness into both national and local institutions. They should also learn to work with, and trust, institutions including city-region mayors – even if not from the same political parties, even narrower networks and like-minded cliques. This must be the politics – and economics – of long-term stability, increased capacity and sufficient resources that are required if we are to improve and grow the economy throughout the country.’
Adrian Pabst & Andy Westwood (Chapter 1)

But building institutions and partnerships in England is hard and takes time and effort, even if within the same political party. While there is apparent political consensus over the Mayoral Combined Authority model – now to be known as Strategic Authorities¹² - there is perhaps too little recognition of the importance of partnerships with other local institutions and the networks and collective capacity that will drive delivery capabilities over

the longer term. In West Yorkshire, the YPERN¹³ network has been supported first by CAPE and then by Research England to help build this capacity with a series of Mayoral Combined Authorities across Yorkshire and Humber. As Sarah Chaytor, Peter O’Brien and Andy Mycock set out in Chapter 5 this *‘connective infrastructure between research and policy, enables the better integration of research expertise in policymaking and strengthens the capacity of regional policy institutions.’*

But even if the right institutions, networks and capabilities are in place over the longer term, what should they actually try and do? This is a harder question than it might seem and one that has been difficult to answer in many places and countries, not just here in the UK. In the US for example, Jared Bernstein, adviser to then Vice President Joe Biden in 2016, asked, *‘Yes, the Rust Belt demands an answer - but does anyone know what it is?’*

Since becoming President, Biden – and Bernstein – thought they had at least some of the answers developed after the Democrats lost the 2016 Presidential Election to Donald Trump promising to ‘make America great again’. After winning the presidency in 2020, Biden, through his Infrastructure Investment & Jobs (IIJA), Chips and Science and Inflation Reduction Acts had sought to invest heavily in ‘place based’ industrial policies¹⁴.

In opposition, Labour had based their ‘securonomics’ agenda¹⁵, on a similar approach and despite the Democrats losing the 2024 US Presidential election to Trump, there remain many lessons from this suite of policies in the US and these are discussed in Chapter 6 from Jeff Anderson, John Austin and Andy Westwood. Chapter 7 from John Morgan also looks at recent local experiences in the US, focusing on how this approach has evolved in Pittsburgh, a former coal and steel manufacturing region of

Western Pennsylvania. At its heart has been new knowledge and innovation from Carnegie Mellon University and the University of Pittsburgh – supported directly with investment from Biden’s Chips and Science Act.

‘Carnegie Mellon continues to make a good living from its role as a regional economic development leader. The first tenant at Carnegie Mellon’s Mill 19 - built in a former steel mill to apply the university’s robotics, artificial intelligence and materials science expertise to advanced manufacturing - was the Advanced Robotics for Manufacturing (ARM) Institute, for which the university won \$80 million from the Department of Defense... Carnegie Mellon leads a regional collaboration that recently won federal funding from one of the Biden administration’s new place-based industrial strategy programmes, which have the twin goals of reducing US reliance on China for key technology and spreading innovation economies beyond Silicon Valley and Boston into lagging heartland regions.’
John Morgan, Chapter 7

Other chapters take lessons from closer to home and offer recommendations on what a distinctively UK approach might offer. Chapters 3 and 4 from Charlotte Carpenter and John Tomaney and from Diane Coyle, Stella Erker and Andy Westwood look closely at infrastructure – both hard and soft – and how it underpins social as well as economic activity, providing foundations on which communities are able to function and to grow. They take examples from the North East, North West and East of England – as well as from East and West Germany:

‘We know that, currently, public and private providers in many cases deploy business models that fail to adequately provide foundational goods and services for all citizens. Given that, this approach

overlooks the way that human wellbeing relies on a range of factors that the market doesn’t always provide. In contrast, the FE approach puts more emphasis on ensuring that the essential infrastructure, goods and services necessary for everyday life, are physically and financially accessible to everyone, irrespective of where their live or what their income is. These insights are especially important in ‘left-behind places’ where the prospects for growth are low and the impact of interventions in the tradeable or competitive economy are subsequently lower.’

Charlotte Carpenter and John Tomaney (Chapter 3)

The idea of a foundation of facilities and services is further explored in Chapter 4 by Diane Coyle, Stella Erker and Andy Westwood and their recommendation for a ‘Universal Basic Infrastructure’. In it the authors suggest that *‘everybody should have access to a minimum level and standard of transport and communications networks, public services and local amenities, no matter where they live.’* As with the previous chapter (3) this proposal links to the idea of a ‘foundation economy’ – which can *‘offer both a social and an economic foundation for local growth’* and an economic multiplier from which economic activity and wealth can more easily grow. Crucially this formulation applies equally in ‘left behind’ places and in those areas where new housing developments are fuelling the rapid growth of local populations. Both are important for maintaining democratic trust as well as better functioning local economies. Requiring, or maintaining, a specified level of services such as in health, education, local transport and broadband would support all communities and also reassure those that live nearby and might otherwise object to new influxes of people. Because Labour

are committed to building 1.5 million more houses over the Parliament, as well as reforming planning so they are able to do so, committing to such infrastructure and service provision is vital.

All UK political parties appear committed to further devolution and to catalysing local economic growth. Although as Labour are already finding in Government, this is rather easier to say than to deliver. An important lesson is that it will require a clear – and functioning – relationship between national government in Westminster and the places where these actions are taking place. Ideas like ‘Universal Basic Infrastructure’ as well as the co-ordination of local and national industrial strategies (as witnessed in the US) will require a level of co-ordination across these layers of government that has proved rare in England.

Furthermore, priorities will have to be set and there will need to be some thinking about how larger cities, towns and rural areas are served or prioritised in public policy. Balancing growth and fairness for an electorate where many feel they’ve been a low priority or ‘left behind’ will continue to be challenging – especially as larger city regions take on more new powers and resources.

As Alan Harding, Chief Economic Adviser to GMCA says in Chapter 2, this is where the opportunity for boosting national as well as local and regional economic growth may be clearest. But investing in Manchester can bring positive effects to nearby towns like Oldham – only six miles away. That requires investment, local capacity, strong institutions and a long term approach. Even then there are many sceptical that a growing Manchester will develop a ‘fountain effect’ spreading benefits to such nearby towns. Some warn that this could be potentially more damaging although Harding is clear that, if done correctly,

this will not be the case and when asked if *‘there’s a danger that Manchester will just become the London of the North?’* His answer is, *‘let’s hope so’.*

Industrial Strategy and growth have to happen in real places – this is how it moves from an abstract, technocratic ‘mission’ or ‘priority’ to making real, tangible changes - with factories and businesses built, creating good jobs and higher wages and standards of living. This ‘place based’ focus of the IRA, ARP, Chips and IIJ Acts as captured in chapters 6 and 7 is under appreciated here in the UK. It is just as important in rapidly developing places like the so called ‘sun belt’ in the US and in places like Cambridge and the ‘Ox Cam Corridor’ here. To deliver the full economic potential of such places, the next government will need to better understand vital interrelationships between new housing and population growth, infrastructure development and active support for local innovation ecosystems. More on this can be found in Chapter 9 on the Cambridge innovation cluster from David Gill, Tim Minshall and Bill Wicksteed. They consider how better joined up policies across skills and innovation can increase ‘absorptive capacity’¹⁶ and better support local economic growth. Without better co-ordination they argue that *‘university-led innovation (will only) benefit relatively small numbers of highly-skilled employees in circumscribed geographies, with limited impact either on the wider region or spill-over/supply-chain uplift for less skilled workers. Worse, the economic success of skilled workers in an innovation region and influx of ‘creative classes’ from elsewhere typically crowd out less skilled workers, with consequential social dislocation potentially leading to economic tensions and political disengagement.’*

But taking a ‘place based’ focus also means looking at things that national

governments tend to undervalue or ignore. It also involves taking a different perspective on privately run services and organisations including on the important role of local media – see chapter 12 from Jen Williams of the Financial Times. As new powers are devolved to mayors and city regions – as well as to other types of places through the Government’s devolution framework – its important that empowered local leaders are accountable for what they do with these powers and budgets. This requires the rebuilding of local scrutiny and accountability including from local media and journalism that has been in steep recent decline. As Jen Williams asks, ‘*how can we - how should we - hold these mayors to account in between elections?*’

Chapter 13 from Jack Newman, Sam Warner, Mike Kenny and Andy Westwood offers some detailed answers and an overall framework within which we can do so. It argues that we must be go beyond the accountability of new mayors and combined authorities to Westminster and Whitehall and think about those measures and processes that consciously build local scrutiny and accountability at local levels too. This is about improving governance but also rebuilding local democracy and public trust.

Labour’s growth mission must include all types of places – as promised in their local growth plans and broader promises for devolution and ‘taking back control’. This – alongside governance – was acknowledged by Rachel Reeves, now Chancellor and leading this primary mission as well as holding the purse strings for much else:

‘Britain today has one of the most centralised political systems in the world – and some of the highest levels of geographic inequality too. That isn’t a coincidence. OECD research has consistently shown that decentralisation is strongly correlated

with better educational outcomes, higher investment, and stronger growth. As with a modern approach to industrial strategy which recognises the informational limits to government acting alone so too do we know that local and regional government often possesses better information about their local economies, and more developed capacity for working with local businesses and institutions. So the next Labour government will hand key economic powers to the regional and local leaders who know their needs, and their assets, best.’
Rachel Reeves, Mais Lecture.¹⁷

In Chapter 8 we see some thinking about where and how individual towns might fit into this emerging political, institutional and economic consensus. With CAPE funding Oldham Council, Oldham College, GMCA and UoM conducted a year long study into the town’s economic future – balancing local ambitions and needs with those of the wider city region. This exercise showed that local and regional institutions can come together to think about and address these issues, create capacity and understanding and coloniser local economic strategies that align with and reinforce those at the city region level. The recommendations of the Oldham Economic Review are set out in the final reports but are summarised in the chapter – however the upshot is that such places need strategies of their own as well as the capacity to develop and implement them. In turn that maximises the opportunities from agglomeration – whether those stemming from central Manchester or nearby areas such as Rochdale and Bury or West Yorkshire. And while Oldham’s ‘everyday economy’ should be recognised and strengthened, it is not sufficient on its own either for the town or as a contribution to the city region’s economy. These are all different approaches to local growth but that is really is the point

- whether in Cambridge, Manchester or Oldham. How the new government in Westminster treats these differences will be critical - from Treasury (and the NAO) nervously watching local spending and worrying that these aren’t the routes to increasing local growth and productivity that they’d envisaged or endorsed to new cabinet ministers wondering how their plans will be affected by relationships with more and more powerful mayors. That’s personal, cross party and departmental and effective ‘multi-level governance’ in the academic jargon, but any government seeking growth across the country will have to manage these matters optimally. That’s not something any Governments can say they’ve managed particularly well in the past few decades.

The elections have seen Labour winning most existing and new MCAs as well as London. For now at least, only Teesside will be run by a Mayor from a different political party. One might then assume that the Labour Government in Westminster will be better equipped to run local and regional policy more effectively and perhaps with a suitably dynamic and evolving, devolution offer. However, effective multi level governance will depend on much more than party or personal loyalty and successful devolution will not be achieved through either a top down or a ‘one size fits all’ process.

Overall, then, this collection of essays - on the back of several long-term projects and ideas from CAPE – come together to provide a series of policy ideas and lessons for the new Labour Government in Westminster as well as for those established and emerging mayoralities in the years ahead. All are predicated on the idea that spatial inequality is one of the UK’s biggest and most stubborn challenges and that for a range of both economic and political reasons, it must be tackled over the short and longer

term. To do so, government should pay attention to a series of issues that these essays explore and offer solutions on – from governance and accountability to basic infrastructure and local industrial policies. Our intention is that they help to inform an agenda and a focus for national and local policymakers who even if unconvinced by the term ‘levelling up’, can’t easily avoid any of the economic or political challenges that spatial inequality has created.

What exactly are these lessons? These are the main ones we have found in our individual CAPE projects and can be found in different ways in the essays here.

First - and as set out across all chapters in this collection - is acknowledging that this is a multifaceted challenge and needs a co-ordinated approach over the long term. This is true across policy areas and organisations within or serving a place and also between different levels of government too.

Second – strong local institutions really matter. Building and sustaining them – ensuring they have appropriate capacity and accountability is vital. So too is a broad definition and approach – considering both individual institutions and the network of public, private and third sector organisations coming together to make up the ‘institutional capital’ of a place.

Third – local and regional economies need rebuilding but so too do public and private services, infrastructure and local democracy. Long term rejuvenation of places requires understanding of the interdependencies – reinforcing each other and multiplying wealth of all kinds. One key element of this will be to consider how the management and delivery of infrastructure and services can

become a more central aspect of England’s devolution agenda.

Fourth – institutions and public services require adequate resources determined by need. This includes for day to day spending as well as on long term investment in infrastructure. Currently both are simply inadequate for the task - ‘Levelling Up’ (or whatever we wish to call it) will not be achieved on the cheap.

Fifth – innovation, risk and ‘difference’. There isn’t a ‘one size fits all’ approach to places or to the governance and policies that are required. Devolved institutions must be allowed to do things differently, to innovate and to take risks. Whether that’s reforming vocational training or taking over iconic local institutions, we must embrace these differences and an approach to devolution that allows this to happen. We must have faith in our systems for local and national accountability, ensuring that we rebuild local democracies as well as local economies and public services.

Andy Westwood, May 2024

CHAPTER 1

CONTROL + ALT + DELETE: GOVERNMENTS AND THEIR PROBLEM WITH INSTITUTIONS

Andy Westwood and Adrian Pabst

The case for levelling up the ‘left behind’ regions of the UK commands cross-party consensus, but so far there has been little progress in reducing inequalities between London and the South East on the one hand, and the rest, as well as within some of the bigger cities and regions in England. In fact, regional inequalities are increasing: economic output in London is some 7% above its pre-pandemic level, compared with a 2% drop in the Midlands. Meanwhile, productivity in terms of real economic output per hour worked in London is forecast by the National Institute of Economic and Social Research (NIESR) to rise from £64 to £68 by the end of 2024, whereas in the West Midlands, it is projected to fall from £32 to £30.

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Political instability, policy churn
During 2024, an election year, inequalities of income and assets grew, with little real income growth for many, low or no savings, higher debt, as well as elevated housing, energy and food costs. As economic growth and productivity are flatlining, wage growth has so far not been sufficiently strong to offset the impact of inflation on living standards. The UK’s economic woes are linked to a high level of political instability and policy churn, which has contributed to low business confidence.

This has been particularly pronounced since the 2016 EU Referendum, with the country having five prime ministers and seven chancellors of the exchequer between the vote and the 2024 General Election, including three prime ministers and four chancellors in 2022 alone. For big city regions and mayors that’s their entire period in office (the first mayoral elections were held in 2017). But it’s not only ministerial churn that characterises the recent period of government. Policies and key economic institutions have been constantly chopped and changed too. This has included a series of ever-changing growth strategies. Also, the constant reconfiguration of departments

associated with delivering them, from the Conservative/LibDem Coalition and its Departments for Business, Innovation and Skills (BIS), Energy and Climate Change (DECC) to their abolition and creation of Departments for Business, Energy and Industrial Strategy (BEIS) and International Trade (DIT), then to the establishment of a Department for Levelling Up, Housing and Communities (DLUHC) and now to the recent creation of the Departments for Science, Innovation and Technology (DSIT), Energy and Net Zero (DENZ) and Business and Trade (DBT).

Multiple strategies, ruthless shakeups
These new ministers and departments have brought new policy approaches. First an Industrial Strategy under the Coalition, then its abolition in 2015 and rebirth in 2017. There have been multiple growth plans since - strategies for ‘Fixing the Foundations’ in 2015, an Industrial Strategy with ‘five foundations’ and ‘four grand challenges’ in 2017. Under Boris Johnson there was ‘Build Back Better’ in 2021 (with five missions) and ‘Levelling Up’ in 2022 with twelve. All were abandoned under Liz Truss’s ‘Growth Plan’ in 2022 before again being replaced by Rishi Sunak and Jeremy Hunt’s five pledges, four E’s (enterprise, education, employment, everywhere) and a pledge for ‘long term decisions for a brighter future’.

Underpinning this succession of ministers and strategies has been a series of institutions at the national, local and sectoral levels that have been established and abolished at will. Local enterprise partnerships (LEPs) were established in 2010, reviewed repeatedly and then

abolished in 2023. Barely a year after the publication of a 300-page white paper and a detailed framework for 2 devolution, the prime minister was announcing a completely new series of ‘town boards’ and a ‘towns taskforce’ to boost local economic growth in ‘left behind’ towns.

Beginning in 1997 with pronounced enthusiasm for devolution - especially for Scotland and Wales and Northern Ireland – plans for England were much more muddled and subject to constant change. First creating a super Department for the Environment, Transport and

longstanding policy and organisational churn contributes to spatial inequality and to poor productivity by exacerbating uncertainty when policymaking is supposed to absorb shocks and provide some more stability. It is every bit as damaging as abandoning major

From sacking permanent secretaries and senior officials to open criticism of – amongst others – the Bank of England, the Office for Budget Responsibility, the Treasury, universities, the BBC...the desire to control the agenda of our institutions has been almost as strong as wanting to alter or delete some of them altogether.

According to Rishi Sunak, “we need to change our economic model - away from cities,” but at the same time, Investment Zones were being negotiated and rolled out across English cities, because “if Manchester succeeds, so will Bury”. And along the way, there were equally ruthless shakeups at the top of many institutions, together with direct assaults on the role and purpose of others. From sacking permanent secretaries and senior officials to open criticism of – amongst others – the Bank of England, the Office for Budget Responsibility, the Treasury, universities, the BBC and Channel 4, the Supreme Court, the Church of England and even parliament and the monarchy, the desire to control the agenda of our institutions has been almost as strong as wanting to alter or even to delete some of them altogether.

Labour both in opposition and so far in government, have also been cautious on devolution and any reconfiguration of national and local institutions. Looking back to the experiences of New Labour under Tony Blair and Gordon Brown may not provide much by way of help.

Regions (DETR), regional development agencies (RDAs) and the promise of regional assemblies and city mayors, most only to be abolished or abandoned. By 2007 DETR had been broken up and replaced with a Department for Communities and Local Government (CLG) overseeing local and (some) regional policy. RDAs by then were mainly overseen by BIS – itself a much-recast department created first from DTI and then a merger of the Departments for Innovation, Universities and Skills (DIUS) and Business, Enterprise and Regulatory Reform (BERR). Agencies and quangos in key policy areas were also opened and closed - the Learning and Skills Council (LSC) was first created in 2001, reformed in 2007 and abolished in 2008. Regional assemblies were adopted in 1998 and scrapped between 2008-10 to be replaced by leaders’ boards and then local and multi area agreements (LAAs and MAAs).

Ministers must build trust, effectiveness and long-term capacity
This long-term attitude to our institutions comes at a considerable cost. Firstly,

infrastructure projects such as HS2 or HS3 or U-turns on net zero targets and many other industrial strategies. Despite the temptation, ministers – either current or future - should resist doing such damage and instead look to build long-term capacity and effectiveness into both national and local institutions. They should also learn to work with, and trust, institutions including city-region mayors – even if not from the same political parties – and resist even narrower networks and like-minded cliques. This must be the politics – and economics – of long-term stability, increased capacity and sufficient resources that are required if we are to improve and grow the economy throughout the country. Both Labour and the Conservatives were committed to increasing rates of economic growth at the 2024 general election but they will undoubtedly fail if they do not realise the importance of policy stability and strong institutions.

CHAPTER 2

LET’S LEARN THE RIGHT LESSONS ABOUT LEVELLING UP

Alan Harding

When I was Chief Economic Adviser to the Greater Manchester Combined Authority, whenever I celebrated improvements in the Manchester city-regional economy since the dark days of the 1980s, I got one question more than any other. “This is all very well,” my inquisitor would begin, “but isn’t there a danger that Manchester will just become the London of the North?” My answer, invariably, was “let’s hope so.”

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My response was mischievous but it had a serious point. If the jobs-rich centre of the North West’s biggest conurbation had wielded more than a fraction of the economic clout of London’s over the last forty years, we wouldn’t be talking about the challenges ‘left behind’ towns face in transitioning to brighter economic futures. Greater Manchester’s Ashton-under-Lyne would function more like Acton, Bolton more like Bromley and Wigan more like Welwyn Garden City.

‘Escalator’ and ‘fountain’ effects
Theory tells us that the big employment centres in our major conurbations produce ‘escalator’ and ‘fountain’ effects. The high-quality, service sector-dominated jobs they offer give in-migrants and residents alike the chance to escalate quickly upward along their chosen career paths. Then, when things like green space, more affordable homes and good schools become more important to household plans, the fountain effect sees them migrate in search of a better trade-off between work and home life.

In London’s case, the fountain largely scatters people within an eighty-mile radius of Trafalgar Square across the greater south east. Around Manchester it serves southern city-regional towns and suburbs and leafy north Cheshire well enough but head north from Albert Square and it quickly peters out beyond Bury, the one area in northern Greater Manchester most favoured by commuters. For all its heroic job creation, the regional centre doesn’t drive prosperity across its own city-

region, let alone for the north of England. Seen like this, solving England’s ‘levelling up’ challenge in respect of regional disparities feels simple. We only need find ways of getting the same sort of comparatively modest but sustained productive public investment – in infrastructure, R&D, culture and high-level public service jobs – that London has benefited from for decades, into the Manchesters and Leeds, and they will surely begin to refresh the surrounding areas that their ‘agglomeration economies’ have yet to reach.

It is clear, though, that escalator and fountain effects don’t work for everyone. The fact that the number of areas in London that are amongst the UK’s most deprived has been declining far faster than in the rest of the country tells us that a rising tide floats many boats. Parts of Hackney are nonetheless still just as poor as Harpurhey. And even in the well-irrigated fountain land of the Home Counties, there is more than one Tendring that can match Tameside for deprivation.

Place-based challenges and the dangers of centralisation
Levelling up between people in places is way more complicated than levelling up between places and many of the challenges involved are tricky combinations of the national and the place specific. It clearly does not help, though, that we have spent forty years privatising and marketising the capacity and resources that are needed to face place-based challenges out of our public service delivery organisations. Markets work well enough for people and places with means, but hollowed-out public services mean the people with the fewest means get less, and fall further behind.

The good news for any future UK Government is that there is a playbook out there which demonstrates that better outcomes are possible. Our social science community has been painfully slow to

understand it but the current vogue for lionising Germany as a place that ‘levels up better’ demonstrates two things beyond the simple but banal observation that it has taken billions upon billions of post-reunification Euros to turn areas of former East Germany around. One is that powerful, autonomous and well-resourced subnational government, in Germany as elsewhere, is associated with more geographically balanced national economies, featuring many more thriving places than is common in countries with more centralised regimes.

The other, less remarked upon, is that a powerful system of resource redistribution between rich and poor places reduces disparities between people as well as between places. Hence federal but highly redistributive Germany, along with non-federal but similarly redistributive Scandinavian countries, are more equal than the federal US and Australia, where subnational states are forced to fend for themselves. The Brits who helped write the post-war German constitution, with its commitment to ensuring equal living conditions across all Germany’s regions, knew this, just as they appreciated the dangers of

process of building and rebuilding subnational governmental capacity and autonomy in England and strengthening the forms of fiscal redistribution that are proven to work for levelling up between people and places elsewhere? Now comes the bad news. UK Governments of all recent stripes have excelled in their rhetoric; today’s ‘levelling up’ follows in the wake of George Osborne’s ‘rebalancing’ and the Blair Governments’ ‘reducing regional disparities’. They’ve been good, too, at setting long-term targets they won’t be around to be judged against. But all of them have been miserably poor at short term delivery and there is little, bar the choice of language, to choose between the vague commitments that the major political parties have to devolution in England. Gordon Brown’s commission report of late 2022 offered a decent starting point for debate but with party manifestos already at final draft stage it is far too late to start trying to convince a beleaguered British public about the merits of further constitutional change now.

In these circumstances, and given the tsunami of national and international challenges the new Government will

Manchester, is in many respects the archetypal ‘left behind’ town. Buffeted by long term deindustrialisation which denuded it of much of its private sector strength and disproportionately affected by austerity, which stripped it of public sector jobs and investment, the borough is afflicted by a particularly poisonous brand of populist local politics which has resulted in the council leader losing their seat in three successive sets of bad-tempered local elections.

Against this unpromising backdrop, however, a coalition comprising the local council’s senior political leadership, local anchor institutions, local private and voluntary sector representatives, Greater Manchester institutions (the Combined Authority and the Chamber of Commerce) and the University of Manchester came together, in 2021-22, to run the Oldham Economic Review. The Review, organised as a series of Select Committee-style meetings that took evidence from local, regional and national stakeholders and experts, set itself the task of defining a new economic purpose for Oldham which could take full advantage of the Borough’s position within the wider Greater Manchester conurbation.

If the next national regime is interested in grappling with the vexed issue of the relationship between towns and cities outside the London super-region, it could do worse than to look at the recent experience of Oldham.

centralisation. But even though post-war UK Governments were guided by the same decentralising spirit and presided over a unique thirty-year period in which regional disparities declined as sub-national governing capacity was expanded, when the going got tough in the 1970s we forgot all about the design principles we foisted on others and had nothing to protect us from the decades of misguided centralisation that followed. **Moving beyond rhetoric**
What chance, then, that a future UK Government will start the long overdue

face, we are probably better looking to localities than to the centre and the metropolitan bubble for signs of innovation that might be built upon. If the next national regime is interested in grappling with the vexed issue of the relationship between towns and cities outside the London super-region, it could do worse than to look at the recent experience of Oldham.

Ambition, collaboration and progress in Oldham
Oldham, in North West Greater

The Review’s report ‘Levelling up Oldham’ provided a route map for a broader and better-supported approach to economic prosperity for Oldham and its residents. As an independent evaluation of the Review process noted, the fusing together of a variety of stakeholders at the deliberation stage of the policy process made the definition of a shared approach easier whilst at the same time binding in future commitments to agreed, independent activities which would otherwise have been difficult to align. This was not an easy trick to pull off. All

three of the principal figures involved in enabling the process and driving it forward – the Council leader, the Principal of a local further education college and a senior academic at a university that had previously had little to do with Oldham – needed to take their organisations with them to some degree when they could easily have shrugged their shoulders and said, ‘not my problem’. In so doing, they started to chip away at organisational incentive systems that make some narrow sense to remote, national paymasters but do not lead naturally to collaborative, place-shaping behaviours.

The more detailed definition and delivery of the Review’s ambitious objectives has presented acute challenges to the local council and its partners in highly constrained circumstances but encouraging signs of progress on the agenda it set out are starting to emerge, including the recent announcement of a major mixed-use town centre regeneration scheme designed, in part, to take advantage of the desire of households to move out of the conurbation core.

In assuming the role of joint stewards for future change, organisational leaders in and for Oldham have begun to absorb the lessons that decades of bottom-up institutional innovation at the broader Greater Manchester scale have taught whilst at the same time deepening them and extending their reach. These are all the more powerful for being simple. Change needs to come from within; it cannot be willed into existence from without. Institutional leaders need to believe in the gains that collaborative approaches can bring and to empower the people within their respective spheres that can make them happen. They need to be prepared to align existing resources behind a small but constantly evolving set of achievable priorities that make sense to participants and demonstrate positive change to the sceptics within local publics and Whitehall departments. And they

need to be in it for the long haul. Barriers are as plentiful as plans and they take time and determination to overcome.

We fool ourselves if we think that another round of centralism, even if more enlightened this time, is going to theorise and micro-manage the UK out of the imbalanced economic mess it has got itself into. Whitehall and Westminster are neither clever enough nor connected enough to do the right thing by all places and we have not got to our current stage of asymmetric devolution in the UK because of benign centralism. Devolution, to be meaningful, needs to be won, not awarded. Gains that are not valued are easily lost.

Time will tell if the Oldham Economic Review has helped Greater Manchester find the missing piece that more securely links the needs of what are currently peripheral places into the emerging experiment that is the Combined Authority movement. Finding ways to support similarly locally driven, practical and evidence-based initiatives will, however, offer a much more promising prospect for building pragmatic support for the next phase of English devolution than any number of government white papers and beauty competitions for the rights to build municipal toilets are ever likely to achieve. And it might just help make things better for people as well as places.

See Chapter 8 for further information and analysis of the Oldham Economic Review project.



‘BEYOND LEVELLING UP: DEVOLUTION AND ‘LEFT-BEHIND PLACES’ IN NORTH EAST ENGLAND’

Charlotte Carpenter and John Tomaney

Visitors to Newcastle over recent years have become accustomed to cranes on the skyline as new commercial and residential developments appear. National newspapers and international magazines laud the city’s restaurant scene and the attractions of places like Whitley Bay, a Tyne and Wear Metro journey away from the city centre, with its artisan bakeries, coffee shops and bookstores. But another side of North East England also attracts attention.

Most households in the region have experienced declining real wages, which translates into poverty for many – ‘destitution’ in the word of the Joseph Rowntree Foundation. The most recent detailed estimates for child poverty levels after housing costs in the North East, published in June 2023, showed that in 2021/22, almost 190,000 (35%) babies, children and young people across the North East were living below the poverty line – an increase of around 51,000 since 2014/15, the steepest rise in the UK. Twenty-one of the North East’s 29 Westminster constituencies have more than one in three children living below the poverty line. High levels of poverty exist alongside accumulating health problems. There are many ways to demonstrate these problems, but one telling ONS statistic is that the North East has the highest suicide rate in the UK – twice the rate of London - a barely spoken about public health crisis that leaves untold devastation. The North East contains more than its fair share of places ‘left behind’ by decades of deindustrialisation and globalisation.

Devolution, opportunities and challenges

It is in this context that the new North East Devolution Deal will be expected to deliver significant improvements to people’s lives. While it devolves a

modest set of powers and resources, its main consequence is that it creates a new North East Mayoral Combined Authority (NEMCA), that includes an area south of the Tyne. This replaces the current North of Tyne Mayoral Combined Authority (NoTMCA), which never made any sense as a jurisdiction, creating as it did a political boundary between the commercial centre of Newcastle and areas south of the Tyne – Gateshead, South Tyneside, Sunderland and County Durham – which rely on it for jobs and services. The boundaries of the new MCA make much more sense. A population of about one million people will be added to the existing NoT population of 800,000. But this expansion brings both opportunities and big challenges for any prospective mayor of the new authority. Among the notable new facts of political geography, is the inclusion of many former mining communities across County Durham, but also in Sunderland, South Tyneside and Gateshead, which often exhibit high levels of disadvantage. Social and economic disadvantage has been accumulating in the North East for generations. Since the 1930s, waves of policies and agencies have come and gone with, at best, limited sustained success.

Similar patterns of polarisation are visible elsewhere in the UK, along with increasing levels of destitution. The previous Conservative UK government’s levelling up agenda – ‘a moral, social and economic programme for the whole of government’ – was meant to address, what it called, the problems of ‘left-behind places’. But, despite the publication of a white paper in early 2022, the policy was soon in disarray, with even Andy Haldane, its chief architect, expressing his disappointment about its progress. The government’s white paper, *Levelling Up the United Kingdom*, set out ambitions

to boost productivity, improve public services, restore a sense of community, local pride and belonging, and empower local leaders and communities. But there was a lack of meaningful details on how these objectives would be delivered. Existing initiatives are piecemeal and patchy. Moreover, a central element of the framework on which the white paper rests, is an emphasis of the importance of urban agglomerations as centres of innovation that propel growth, with the apparent assumption that this will trickle down to disadvantaged communities. So what does the Labour Government need to consider and what does the experience of the North East tell us?

A growing gap between places

There is increasing recognition that the relationship between growth, jobs, prosperity and wellbeing has broken down. Indeed, future increases in

drivers of productivity to increase GDP, the gap between places is growing, so a fixation on agglomeration presents more threats than opportunities for ‘left-behind places’. A policy agenda that enables growth in the urban core but neglects disadvantaged communities will not solve the problems of a region like the North East. The NoTMCA has a formal commitment to an ‘inclusive economy’ but much more needs to be done to make this a reality. Although the levelling up white paper talks about restoring ‘pride in place’, this is the least convincing part of its analysis and where policy proposals are weakest. But, as the now former MP for Sedgefield, Paul Howell, noted, many villages in County Durham ‘need investment in their social fabric’ and ‘resources to nurture and develop the type of relationships that underpin the health and wellbeing of communities’. Recent data from the Centre for Cities

we need will require a radically different approach. In our view, the incoming mayor should look closely at the emerging concept of the foundational economy (FE) to guide their thinking.

The FE refers to the infrastructure, goods, and services required for everyday life, irrespective of where someone lives or what their income is. The thinking behind the concept of the FE views the economy as several changeable economic zones comprising: the tradeable or competitive economy (including hi-tech and commercial property); the foundational economy (such as utilities and schools, and also including the overlooked economy (such as hairdressers and cafes that add to the quality of life); and the core economy of family and community (which is what life is about, for most people).

Economic and industrial policy has tended to be fixated on the tradeable zone

There is increasing recognition that the relationship the between growth, jobs, prosperity and wellbeing has broken down.

productivity growth might threaten employment; while productivity growth no longer necessarily feeds through to increased wages. Where a focus on the drivers of productivity to achieve growth has raised Gross Value Added (GVA)/ Gross Domestic Product (GDP), this has not ‘trickled down’ to all places and people – rather the gaps have widened, leaving many ‘left behind’, with the UK being one of the most spatially unequal economies in the developed world. More fundamentally, GDP is a poor measure of human wellbeing because as Robert F. Kennedy put it in a speech in 1968, “it fails adequately to measure the things that make life worthwhile.”

Despite (or maybe because of?) decades of focusing on harnessing the

has emphasised the growing gap between Newcastle and other towns in the North East, even Newcastle continues to grow at a rate below the national average.

The foundational economy approach

An incoming mayor of the North East faces the twin challenges of seeking to close the gap between the region and the more prosperous parts of the UK while developing a policy for ‘left-behind places’ that goes beyond the limitations of the levelling-up agenda. Where might he or she look for ideas? The NoTMCA’s Wellbeing Framework is a very welcome attempt to broaden the lens through which policies are made and their impact measured. But given the intractability of the challenge to date, progress at the scale

and the glamour of hi-tech and high-value property development. Policies and interventions aimed at driving improvements in economic productivity clearly have an important role to play in driving international competitiveness. However, the vital role played by the other economic zones in supporting broader wellbeing has tended to be neglected.

Focusing only on the tradeable zone assumes that everyone’s economic welfare depends primarily on individual income that sustains private spending in the market. We know that, currently, public and private providers in many cases deploy business models that fail to adequately provide foundational goods and services for all citizens. Given that, this approach overlooks the way that

human wellbeing relies on a range of factors that the market doesn't always provide. In contrast, the FE approach puts more emphasis on ensuring that the essential infrastructure, goods and services necessary for everyday life, are physically and financially accessible to everyone, irrespective of where they live or what their income is. These insights are especially important in 'left-behind places' where the prospects for growth are low and the impact of interventions in the tradeable or competitive economy are subsequently lower.

An agenda for an incoming mayor of the North East

Drawing on recent work by Karbon Homes which sets out a new approach to the problems of 'left-behind places' based on FE ideas – Fair Foundations – and its 'case for place', and on work by UCL on social infrastructure in County Durham, we outline an agenda for an incoming mayor of the North East. This agenda recognises the limits of powers and resources of the MCA so, in addition to identifying issues for the mayor to tackle directly, we also urge an incoming mayor to use their convening power, to bring other organisations such as universities, the NHS and private utilities behind a common agenda focused on rebuilding the foundational economy and restoring pride in our communities. First, a mayor should commit to the kind vision that lies behind the Welsh Wellbeing of Future Generations Act, that goes beyond a focus on growth to target improvements in community wealth, health and sustainability. A mayor should commit to making the biggest improvements to wellbeing in the more 'left-behind' places. To do this, the mayor should focus on improving the level of residual household income rather than merely GVA or business productivity.

Within this framework a set of practical policies are possible. A new mayor should:

Employment

- target extra support towards those who are long-term economically inactive to get into work, building on programmes such as Karbon Homes 'New Start'
- build community enterprises, such as Woodshed Workshop in Sacriston, which teaches woodworking skills to young people who face challenges in the school system

Connectivity

- deliver and build upon the North East Bus Improvement Plan to better connect villages to centres of employment and services

Industry

- promote public/third sector procurement that supports the FE in the North East
- develop a plan for a 'green industrial revolution' that prioritises retrofit of the existing housing stock, utilising the SME supply chain and local skills and creating employment opportunities

Social infrastructure

- invest in local youth and children's projects, such as Sacriston Youth Project, that provide out-of-hours and out-of-term childcare to families that otherwise cannot afford it, to enable parents to participate in the labour market
- create a high streets fund that focuses on rebuilding social infrastructure, exemplified by the work of the Chopwell Regeneration Trust

This list is illustrative rather than exhaustive of the kinds of priorities a new mayor should adopt to signal serious intent in tackling the problems of 'left-behind places'. More work is needed to flesh out, not just a strategy, but a new approach. The measure of success should be how far wellbeing is improved in the most disadvantaged places. The mayor will need to work with central and local government and the private and voluntary sector to meet these objectives. As part of this they will need to embrace the power of bottom-up action, an approach which harnesses community power and community voice and allows space for experiment. Tackling these problems will take longer than a single mayoralty. Above all, the mayor will need to lead a radical reset of economic policy, creating consensus around a long-term approach to the North East economy and developing institutions to deliver it. Rebuilding our communities urgently needs new thinking and political leadership - the North East devolution deal gives the mayor and the region an opportunity to seize that challenge. Let's seize it.



HOW UNIVERSAL BASIC INFRASTRUCTURE CAN HELP SUPPORT ECONOMIC GROWTH IN DIFFERENT PLACES

Diane Coyle, Stella Erker and Andy Westwood

Recent elections in Europe and the US demonstrate that voters in places ‘left behind’ during decades of industrial and technological change are continuing to express discontent with the resulting large spatial inequalities. As the economic geographer Andrés Rodriquez Pose says in his article *The Revenge of the Places that Don’t Matter*, “there are consequences at the ballot box when populist politicians trade on such disconnection and resentment.”

In many such communities the impacts of Covid-19 and now the cost-of-living crisis are making inequalities even worse. More places in England are falling still further behind the richest areas – not just so-called ‘red wall’ towns in the Midlands and the North, but many places in Southern and Eastern England too. Many policies developed and implemented in England during the last two decades have largely failed to narrow the geographic gaps. So what else might be done to support struggling communities?

Moving from abstract to specific in the levelling-up agenda

First, it is important to recognise that fixing spatial inequalities and tackling national policy priorities such as health, crime, and education are not mutually incompatible. Indeed, national challenges play out in places. It is possible both to address regional and local inequalities and help improve productivity and growth across the whole country. In the UK the ‘levelling-up’ agenda set out in the white paper *Levelling Up the United Kingdom* in early 2022 goes part way toward this approach. It recognises the value of long-term investments in human capital, infrastructure and investment in R&D across the board alongside the importance of improving social

infrastructure and boosting ‘civic pride’. It uses the ‘six capitals’ framework to help identify the institutions and assets characterising thriving places, and sets out a framework for supporting other communities. But the white paper stops short of identifying specific institutions and services places need if they are to turn around their fortunes.

How then might a coordinated policy effort to improve life chances, standards of living and pride in place move from the abstract to the specific? What are the public and private sector infrastructure, activities and services that make a place tick? How can government – local or national – best identify and then support them? And what are the likely multipliers or spillovers that will make policy choices and public spending as effective as possible?

A universal basic infrastructure

We recently proposed a minimum offer of public and social infrastructure to every place – universal basic infrastructure (UBI). Everybody should have access to a minimum level and standard of transport and communications networks, public services and local amenities, no matter where they live.

A universal basic infrastructure would require a per capita formula below which services may not fall: core local services and facilities could not be closed or reduced below minimum standards in national or regional decision making. For instance, this would involve a minimum number of GPs and health centres, given population. Likewise it would mean preserving or restoring a local police station (and a specified number of local police officers). There should be adequate childcare, schools, a post office, a library and a further education college if the area is of a sufficient size. Private sector institutions should also be included – banks and post offices (for

example Financial Conduct Authority powers are currently being used to maintain access to cash points and deposit facilities). Connectivity through broadband infrastructure is essential, and Ofcom should upgrade the minimum standards it sets and enforce affordable access. Public transport will also be critical – with specified and affordable local bus and rail services, likely requiring further moves on franchising powers such as those begun in Greater Manchester.

There is of course sometimes a trade-off between universality and economic efficiency. In public service, NHS trusts or police forces are set efficiency targets. While value for money and effectiveness are obviously important, the balance needs to tilt towards ensuring

economic foundation for local growth. They require effort, investment and coordination – but also offer connections, networks, income and services that will then support other business activity, wealth creation and social infrastructure. In other words, there is a social and economic multiplier around the immediate benefits. In many places there has been a downward spiral, but investment could turn this dynamic around.

What’s more, in the light of more recent discussions about the supply of housing in England and the inability of successive governments to set and meet the needed high housebuilding targets, we can see how this idea might also apply in higher performing local areas where the population is increasing. Often, such places face limitations on their potential

to development are driven by the fear of putting additional pressure on local services, then an automatic guarantee of additional infrastructure or capacity may be enough to shift local opinions from ‘nimby’ to ‘yimby’.

Weakening local services

In areas like the OxCam Arc, for example, we have seen smaller towns like Leighton Buzzard and Bedford grow rapidly over recent census years with further population growth expected and planned in the coming decade. In the 2021 census Leighton Buzzard had grown by some 16% and Bedford by nearly 18% in the previous decade - around three times the national average and double that in the East of England region. But at the same

There is of course sometimes a trade-off between universality and economic efficiency...While value for money and effectiveness are obviously important, the balance needs to tilt...public services and infrastructure must serve all of the public even if a strict Treasury efficiency calculus argues against it.

universal adequacy; public services and infrastructure must serve all of the public even if a strict Treasury efficiency calculus argues against it. Private companies providing utility-type services such as transport or broadband similarly should deliver minimum universal standards as part of their social licence to operate. School multi-academy trusts and merged FE college groups might need to be required to take a ‘place first’ approach based on a certain level of provision in any given location.

This proposal links to the idea of a foundation economy – routine jobs and services often in undervalued sectors – that are essential everywhere as the supporting infrastructure for other economic and social activity. Community assets can form part of an infrastructure as well as an income base around which other economic activities can develop. They offer both a social and an

growth. So the idea of a universal basic infrastructure can complement centrally driven targets - such as Labour’s manifesto pledge to build 300,000 new homes every year - not least because some of these services must be guaranteed by central government departments such as the Home Office (police stations and officers) and Health (numbers of local GP surgeries or pharmacies).

This combination of local and national government, working alongside private developers, can help build (or preserve) services, infrastructure and communities, and enable economic growth too. If, following a clear formula, it may also incentivise local communities to support more housebuilding, if new developments took a town or suburb over a population threshold that triggered the building of a new GP surgery, a local police station or a new school. If at least some objections

time a range of local services have become weaker - GP surgeries with increasing workloads, fewer local police stations and the disappearance of local post offices, banks and bus services.

According to a recent report in The Times, 6th April 2023, Bedfordshire has the lowest rate of police officers attending burglaries in England (38.4%) with 77% of cases unresolved (3rd lowest) and Cambridgeshire had the third lowest rate of attendance at 46.6% and the second lowest rate for unresolved burglaries (78.5%). The House of Commons library estimates suggest that around 600 police stations across England and Wales were shut between 2010 and 2018.

According to Sky News (26th May 2023) one in five GP Practices in England and Wales has closed since 2013. Over the whole of March, the local GP practices for more than three in five people living in

England’s most deprived neighbourhoods (62%) saw over 25 patients per day on average, while the nearest practice of over a quarter (28%) saw more than 35 - almost twice the rate across England as a whole (16%).

The average GP is now responsible for 2,337 patients - up from 2,014 in 2015. Sky News analysis has found that the average local GP serving people living in the most deprived 10% of neighbourhoods is even more stretched, with 3,453 patients on their list and on average a caseload some 61% higher than the average in the wealthiest areas. In Leighton Buzzard, four out of five GP surgeries had an above average caseload with the busiest caseload over 6,000 patients and in Bedford 16 out of 18 surgeries had an above average caseload with the highest two at 10,002 and 8,964.

In the case both of struggling places needing levelling up, and those needing additional services and infrastructure because of growth, the provision and co-ordination of services is best met by local government with adequate resources, powers and capacity. Local authorities understand their high streets and town centres as well as the needs of local businesses and people; national agencies and departments cannot possibly have such detailed information. Local authorities are also better placed to coordinate and convene efforts at a local level.

But it will take time to rebuild the capacity and resources available to local government and in any case change will require an active and supportive central government too; departments of state will always oversee at least some aspects of education and schools, health services and GPs, R&D, benefits and more. A universal basic infrastructure or any service guarantee will therefore require effective co-ordination between national and local levels of government. It is more than

reasonable for local councils enacting centrally determined housebuilding targets or planning reforms to expect national government and its departments and agencies to play their part and for UBI to be seen as an opportunity to codify that partnership. In the academic jargon, this is how ‘multi-level governance’ should work and how the relationships and partnerships in other countries such as in France and Germany already do.

The need for a shift in the way we think
Finally, it is worth reiterating why these suggestions deliberately take a place-based – rather than an individual – approach. An adequate level of individual benefits – especially Universal Credit – is absolutely vital, but individuals will benefit from a community approach to local infrastructure and the services and institutions that help support it. Universal Credit (or even a universal basic income) will not help people access a decent education system or a functional bus network. Effective policy for places requires a much richer understanding of the links between public and private sectors, civic institutions and the value of the networks in communities.

If we are going to successfully address the stubbornly high levels of local and regional inequality in England as well as the needs of rapidly growing places elsewhere, we must think of the basic services and institutions that all places - and the people in them – need. These are the foundations on which people can build livelihoods and local economies can grow. But it demands a shift in the way we think about infrastructure, institutions and people and about the government’s role in supporting them.



PUTTING CONNECTIVE INFRASTRUCTURE IN ITS PLACE: EVIDENCE USE IN REGIONAL POLICYMAKING

Sarah Chaytor, Peter O’Brien and Andy Mycock

As all civil engineers know, infrastructure matters. Just as transport infrastructure connects different places, knowledge infrastructure connects people and ideas. Such connective knowledge infrastructure has a crucial role in strengthening regional policymaking: ensuring that policy is informed by the best available evidence and expertise.

The ‘polycrisis’ which now seems to pervade almost every aspect of policymaking in the UK has challenged policymakers at all levels of government to address the many complex, generational challenges that have profound implications for the fabric of our society. Universities are recognised as playing a key role in supporting policymaking capacity to address these challenges through the provision of evidence and expertise that can illuminate and inform holistic decision-making.

Evidence-based policymaking and regional government

Since the late 1990s, the concept of evidence-based policymaking has become well established at UK and devolved national government levels. There has, however, been much less focus on the use of research evidence and expertise in regional government in England. This matters because complex policy challenges are often felt most acutely at the level of regional and local government. The potential for publicly funded research to inform and enrich regional policymaking is significant, yet greater devolution of government has not been matched by greater capacity to connect research and policy at the regional level.

Presently, regional policy engagement occurs through a bespoke, patchy, and somewhat invisible infrastructure of individual and networked relationships involving higher education institutions, researchers, and policymakers. This reflects the piecemeal and asymmetric devolution across the regions of England, meaning the type and extent of powers devolved and the scales of spatial framework differ from region to region. It is noteworthy that the planned extension of regional devolution in England will see only about half its population and a third of its territory covered by May 2024. Regional devolution in England has also proven to be driven by politics as much as a desire to devolve power in a coherent and strategic manner that improves policy outcomes. Universities and researchers have had to engage with a process that is highly susceptible to political change in Westminster.

It is somewhat surprising, given their contribution to economic and social development, that universities have had limited engagement in shaping devolution or emergent regional policymaking thus far. Instead, the lack of a clear, strategic, and coherent vision for English regional devolution has meant there are considerable differences in the extent to which policy stakeholders and those working in higher education have prioritised or incentivised devolved regional policy engagement. A situation exists whereby goodwill and serendipity, rather than comprehensive, sustainable, and systemic infrastructure and capacities, define such activities. Although there are significant opportunities to consider how regional policymaking can be better informed by research expertise, recent experiences indicate it will not happen automatically.

Enhancing regional academic policy engagement

There are, however, promising developments enhancing engagement between policy professionals and university researchers within the wider policy ecosystem. The University Policy Engagement Network (UPEN) provides a national platform to connect academic research to policymaking and draws on the experiences and expertise of its members across the UK and internationally to promote good practice. The Civic University Network has motivated civic agreements between universities, local and regional policymakers, and other stakeholders to support and enhance research-based policymaking. National research funders have funded policy engagement initiatives to strengthen infrastructure, capacity, and modes of activity. Increasingly, universities are investing in specialist policy impact units, knowledge brokers, and training and development for researchers. Many universities have extended their existing local government relationships to regional policymakers and elected representatives in response to emerging regional polities.

Over the past three years, the Capabilities in Academic Policy Engagement (CAPE) project, funded by Research England, has also explored how to strengthen connections between academic research and policymaking at different levels of government. CAPE’s interventions have sought to mobilise academic research and expertise to address specific local and regional policy challenges whilst also enabling future interactions between researchers and policy professionals in preparation for the future development of regional policy architecture. Co-created activities have

responded to specific regional contexts, dynamics, and existing networks. For example, CAPE academic policy fellows are collaborating with policy colleagues from the North of Tyne Combined Authority to develop a new knowledge exchange strategy and articulation of strategic policy-orientated research, and with the University of London, the Greater London Authority and London Councils to establish the new London Research and Policy Partnership.

As the academic policy ecosystem has evolved in recent years, the need for connective infrastructure which goes beyond bilateral relationships is increasingly apparent. Collaborative networks are emerging between multiple higher education institutions working with local and regional government, public sector, and business partners, stimulating new forms of multi-institutional policy-focused collaboration. CAPE has worked with one such network in Yorkshire.

Place-based academic policy engagement in Yorkshire

Yorkshire Universities (YU) is a regional partnership of 12 higher education institutions committed to improving the economic, social, and civic wellbeing of people and places in Yorkshire. In 2020, in response to the COVID-19 pandemic, YU helped to form the Place-based Economic Recovery Network (PERN), which sought to better connect the academic policy engagement capacity of West Yorkshire’s universities with the West Yorkshire Combined Authority (WYCA). PERN supported the development of the West Yorkshire Economic Recovery Plan and worked with policymakers in West Yorkshire to make more effective use of evidence to inform policies to attract capital investment through co-development of project and programme business cases.

PERN also collated existing research activity and engagement to support policy development and implementation to boost policymaking capacity in readiness

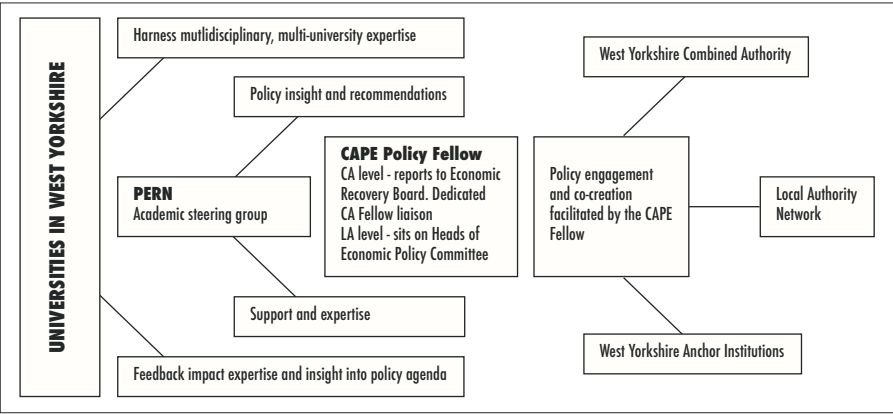


Figure 1: The ‘PERN’ Model of Academic Policy Engagement
Source: Whittle, R. (2022) Proposal to Research England to fund the Yorkshire and Humber Policy Engagement and Research Network, University of Leeds; Leeds.

Sarah Chaytor is Director of Research Strategy and Policy at UCL, Peter O’Brien is Executive Director of Yorkshire Universities and Andy Mycock is Chief Policy Fellow of YPERN.

for devolution and the election of a regional mayor in West Yorkshire. In 2021, YU and PERN developed a pilot project with CAPE – supported by WYCA and with match funding from West Yorkshire member universities – centred on an academic Policy Fellowship to build academic-policy engagement capacity in West Yorkshire. This delivered a wide range of activities with regional and local policymakers in West Yorkshire, and enabled the co-creation of an innovative, novel, and inclusive ‘PERN model’ of academic policy engagement (Figure 1). PERN quickly demonstrated real impact with WYCA, convening research and analyses to influence key economic, business, social, and cultural policy priorities.

With no sign that the challenges facing regional policymakers are set to diminish, one option is for every combined authority to have its own academic or scientific advisor, helping to establish regional research needs and interests to which academic communities can respond.

Building on the success of PERN model, there was a growing appetite to see if a similar approach could gain traction elsewhere in Yorkshire. This required navigating the complexities of regional devolution in Yorkshire – one of the few regions in England that maintains regional-level institutional and organisational working, sitting alongside emerging geographies of devolution framed around city/sub-regions, such as combined authorities in South Yorkshire and West Yorkshire.

In July 2021, YU signed a Memorandum of Understanding (MoU) with Yorkshire and Humber Councils (YHC,) which committed the twelve members of YU, and fifteen local authorities, and two mayoral combined

authorities, to work together. Significantly, the MoU identified that research and evidence should drive joint advocacy between YU and YHC. The MoU underpins the latest, and most significant, example to date of academic policy engagement in the region – the Yorkshire and Humber Policy Engagement and Research Network (Y-PERN), funded by a £3.9m grant from the Research England Development (RED) Fund and launched in October 2022.

Y-PERN has adopted and scaled up elements of the West Yorkshire CAPE pilot within and across all four sub-regions in Yorkshire - Hull and East Yorkshire; South Yorkshire; West Yorkshire; York and North Yorkshire. With the endorsement of university,

political and executive leaders, Y-PERN is designed to mobilise academic research capacity across the whole of Yorkshire, complementing and supporting the research and analytical capability of policymakers, particularly in local government and devolved institutions. Demonstrating the benefits of a place-based network approach, Y-PERN utilises academic-led ‘communities of practice’ across the region. At its heart, drawing upon the lessons of ‘what has worked’ in West Yorkshire, is the recruitment of nine policy fellows, overseen by a region-wide academic steering group comprising senior academics. The ambition is that this collaborative, multi-institutional, academic-policy network will be sustained beyond the duration of the

initial three-year programme of work, which will conclude in August 2025.

Where next for regional academic policy engagement?

The activities of CAPE, PERN, Y-PERN and other academic-policy engagement initiatives have highlighted both the scarcity and heterogeneity of capability and expertise in higher education institutions and local and regional government in England. Significant limits to the absorptive capacity of regional and local policymakers exacerbate ongoing challenges of the value and contribution of academic-policy engagement gaining appropriate traction. The existence of ‘hot’ and ‘cold’ spots of academic-policy engagement reflects the incomplete

development of regional devolution in England; an issue which national, regional, and local government, public sector, and business stakeholders must address urgently.

Universities can play a much greater role in helping to shape future regional devolution agendas by embedding connective infrastructures to support the use of academic evidence in policymaking. Put simply, regional, and local policymakers need to access academic expertise easily and efficiently at the point at which they need it. This will require enhanced investment in developing structures, capacity, and expertise to ensure that institutions and both professional and academic staff understand the contribution and value

of regional policy engagement. There is also a need to co-invest in dedicated roles which provide an interface point and act as ‘brokers’ between academic and policy communities to facilitate sustained, ongoing engagement.

The appetite for collaboration within and across different regional contexts on cross-cutting challenges is also clear. With no sign that the challenges facing regional policymakers are set to diminish, one option is for every combined authority to have its own academic or scientific advisor, helping to establish regional research needs and interests to which academic communities can respond. This could provide a key element of the connective infrastructure between research and policy which enables the better integration of research expertise in policymaking and strengthens the capacity of regional policy institutions.

Policy ideas and recommendations:

- Our experience of regional academic policy engagement networks suggests that all types of university can and are contributing towards this agenda. Multi and cross-disciplinary research is adopting a systems approach to generate evidence for policymakers to develop and take actions to address complex, interconnected problems and realise new opportunities.
- We need to reduce institutional competition in local government and higher education. Universities should be better incentivised not only to support academic-policy engagement, but also to do so collaboratively. Part of that is ensuring the local/regional policy buy-in and signalling of demand – providing the demand-pull to enable universities to do more collaborative supply-push.
- Genuine added value is being placed on the existence of regional HE associations or networks, such as YU, for providing neutral, independent spaces to convene universities and the HE sector in regions, and to provide strategic points of contact for public, private and community sectors.
- Each such initiative needs to fit its place – there is no one-size-fits-all model. It is important that universities act as a collective whole-region asset able to reach and connect beyond their immediate ‘patch’ where there is policy demand or to overcome ‘HE cold spots’. The national (English) HE system and individual institutions should do more to provide incentives and mechanisms that encourage, enable and reward academics for working in the policy engagement space.
- Place-based academic engagement funding from UKRI could be better co-ordinated and more time set aside to support capacity building for regional networks to be developed and established.
- Central Government Departments looking to establish regional policymaking hubs, such as the Sheffield Policy Campus and Leeds Health and Care Hub, should work with regional academic policy engagement networks, such as Y-PERN.
- The expertise and of evidence associated with universities means that they should be embedded in the process of developing current and future devolution deals, working in partnership with Westminster,

Whitehall and regional and local governments.

- There is a need to significantly increase collaborative initiatives, underpinned by co-funding from local authorities, universities and researcher funders, that support the interchange of people and ideas in order to strengthen evidence use in policymaking.
- We would recommend regional chief scientific advisors (with the ‘science’ broadly defined) and/or chief policy fellows to connect local government (including mayoral combined authorities) to academia, alongside the development of regional areas of research interest/statements of research needs to which universities and funders can then better respond. With a clear understanding of current (and future) needs, we could leverage Research England quality-related funding (QR), High Education Innovation Funds (HEIF) and Impact Acceleration Accounts funding (IAA), thus increasing and strengthening capacity, scale and impact.

LETTERS FROM AMERICA: (IRA, ARP, IIJA,CHIPS)

Jeff Anderson, John Austin and Andy Westwood

Labour is promising an industrial strategy based on ‘securonomics’ and a mission for achieving the fastest growth in the G7. Critically, this underpins everything else that Labour wants to achieve with its other missions and Keir Starmer’s planned ‘decade of national renewal’. But other than a few headline details, including a ‘speeded-up’ transition to ‘net zero’ spending of some £28 billion a year – eventually creating a national wealth fund and Great British Energy and restoring the Industrial Strategy Council – there’s not an awful lot to go on. At least not yet.

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Andy Westwood is professor of government practice at the University of Manchester in the UK and a director of the Productivity Institute.

More reassuring, then, is that there is much to learn from other countries that have been taking such an approach for some time, but perhaps most enthusiastically the United States (US), with the following acts being introduced during President Biden’s first term in office: the CHIPS and Science Act, the Infrastructure, Investment and Jobs Act (IIJA), the American Rescue Plan Act (ARP) and the Inflation Reduction Act (IRA). Variouslly described by former US Treasury Secretary, Janet Yellen, as “modern supply side” economics and by economist and Havard Professor Dani Rodrik as “productivism”, the US approach has balanced markets and competition with a strong, strategic state, investing in key sectors and place-based policies at scale. This is underpinned by a strategic assessment of which industries – such as energy, manufacturing, science and technology – also enable the US to be more self-sufficient and less reliant on vulnerable supply chains in hostile countries – or what former national security advisor, Jake Sullivan, describes as a “small yard, high fence” strategy. For the UK’s Chancellor, Rachel Reeves, this is also one part of her ‘securonomics’ agenda but coupled with greater security and control for people in their day-to-day lives.

Place-based industrial policy and struggling US ‘heartlands’

During her visit to the US in May 2023, Reeves set out her support of Biden and

Sullivan’s ‘new Washington consensus’ – echoing their focus on creating good, local jobs through the rebuilding of strategic industrial and technological capacity in the domestic economy. For Reeves and Labour, it offered a convenient framework into which their then commitment to spend £28 billion annually on ‘net zero’ (later scaled back to some £20 billion in total by the end of the parliament) might fit. And just like Inflation Reduction Act and CHIPS and Science investment in the US heartlands, allowed labour to target parts of the North of England and the Midlands in the last general election.

Collectively worth some \$3.8 trillion, the Inflation Reduction Act, the Infrastructure, Investment and Jobs Act, the American Rescue Plan Act and the CHIPS and Science Act have been described by Mark Muro and colleagues at the Brookings Institution in the US as doubly remarkable – not just for the eye-watering level of investment, but also because the money is largely being spent on place-based industrial policy. As Muro says, these are “direct investments in underdeveloped places and regions” while at the same time seeking “to advance national goals such as strengthening domestic supply chains, promoting international economic competitiveness, and mitigating the impacts of climate change”. Thus, US policy is explicitly linking national economic success with the revival of struggling ‘heartland’ communities. The Inflation Reduction Act targets spending on so-called ‘energy communities’, defined as those with significant brownfield sites, coalfield communities, high fossil-fuel employment and higher than average unemployment rates’. In a similar way, the regional tech hub competition – part of the CHIPS and

Science Act – is looking to allocate new research and development (R&D) funds to regional centres away from the superstar cities on the east and west coasts of the US. As Janet Yellen said in Dearborn, Michigan, “we expect to see dollars catalyze innovative investments across cities and towns that haven’t seen such investment in years”.

Capacity and delivery: learning from the US experience

On the ground, it is clear as you travel through the US’s Midwest, that regeneration is going to take exactly the kinds of long-term investment and strategic federal intervention that programmes like the American Rescue Plan, the Inflation Reduction Act and CHIPS are designed to deliver.

In the UK, Labour will need to think and act in similar ways:

- First, this requires a better, strategic relationship with mayors and with local government.
- Second, this new economy has to be created somewhere - it cannot be abstract if it is to improve lives, communities and local economies – it has to be developed in real places.
- Third, building capacity and resource into local and regional government must allow national funds and ambitions to be linked with complementary local and regional strategies.

As in the US, this requires capacity and delivery at both local and national levels and building effective ways of

working together. But by learning from the US experience, this capacity and understanding can start to be built now.

So, what else does the US experience really offer Labour as specific policy lessons for the UK? Many US communities – such as those in the Midwest – have a similar economic trajectory to former industrial regions in the UK and they also share many common assets and issues.

The lessons of Pittsburgh and Syracuse

Pittsburgh is already widely studied in how to turn around the fortunes of a declining industrial city. Central to this has been the role of the city’s two main universities: Carnegie Mellon University and the University of Pittsburgh. One specific example of this can be seen at the

and places that lost out under the old economic-policy consensus ... The old order had too little use for too many places. We may be witnessing the birth of a new one that spreads possibility and meaning across more of America.”

Pittsburgh and Syracuse offer Labour several lessons. First, that size matters – these are investments at scale, rather than small pots or pilots. Second, that efficient ‘multi-level governance’ is essential – place-based policy can’t just be centrally driven and instead relies on local institutions and strategic capacity. Third, that other non-governmental organisations will be crucial partners. Labour will need to properly align its higher and further education policies with its industrial and regional strategies. For investment to really take root, it will

need not just R&D but also the ‘absorptive capacity’ that colleges and universities will also provide. Pledges to create ‘technical excellence’ colleges can be one important aspect of this.

As John Morgan has written in the Times Higher Education supplement, Mill 19 in Pittsburgh feels a lot like the Advanced Manufacturing Research Centre (AMRC) in Sheffield. While there’s no doubt that the scale of federal support for R&D and for firms engaging in new/ green technologies, building factories and creating ‘non-college’ jobs is now on a completely different scale in the US, models like the AMRC or Mill 19 are still essential to make the investment work and to translate it into firms and jobs. As UK Urban Futures Commission member Bruce Katz observed, in Cincinnati they

are developing facilities modelled on Sheffield's AMRC. If Labour is true to its ambitions, there will be more investment in facilities like these, as it targets green investment in regions like south Yorkshire.

Scepticism, protectionism and 'places that don't matter'

But there also needs to be a greater degree of drive from national politicians than we've seen from current ministers who instead have been quicker to find ideological faults with such an approach. In 2023, then trade minister Kemi Badenoch described the Inflation Reduction Act as likely to "harm multiple economies across the world and impact global supply chains in batteries, electric vehicles and wider renewables". Chancellor Jeremy Hunt was even more critical, claiming that the UK should take a different tack. In his words, "Our approach will be different – and better. We are not going 'toe to toe' with our friends and allies in some distortive global subsidy race. With the threat of protectionism creeping its way back into the world economy, the long-term solution is not subsidy but security."

Keir Starmer, Rachel Reeves, Jonathan Reynolds (now Secretary of State for Business and Trade) and others must not fall into the same trap – either because they become uncomfortable with the coordination and long-term investment required or because they are sceptical about devolution and the importance of building power and capacity among local institutions and their leaders. Rishi Sunak, Hunt and Badenoch might not have been particularly enthusiastic about industrial strategy nor about the protectionism and subsidy that they saw as central to the US approach. Neither did they seem particularly committed to devolution

or 'levelling up', preferring a more traditional model of centralised powers and control. But perhaps more surprising is that neither Conservative nor Labour ministers have fully recognised that one of the key elements of the previous Biden administration's strategy has been its 'place-based' focus and the targeting of 'heartland' economies, otherwise likely to succumb to the populist pull of Trump. Until these interventions, these have been – in the words of Andrés Rodríguez-Pose at the London School of Economics and Political Science – "the places that don't matter".

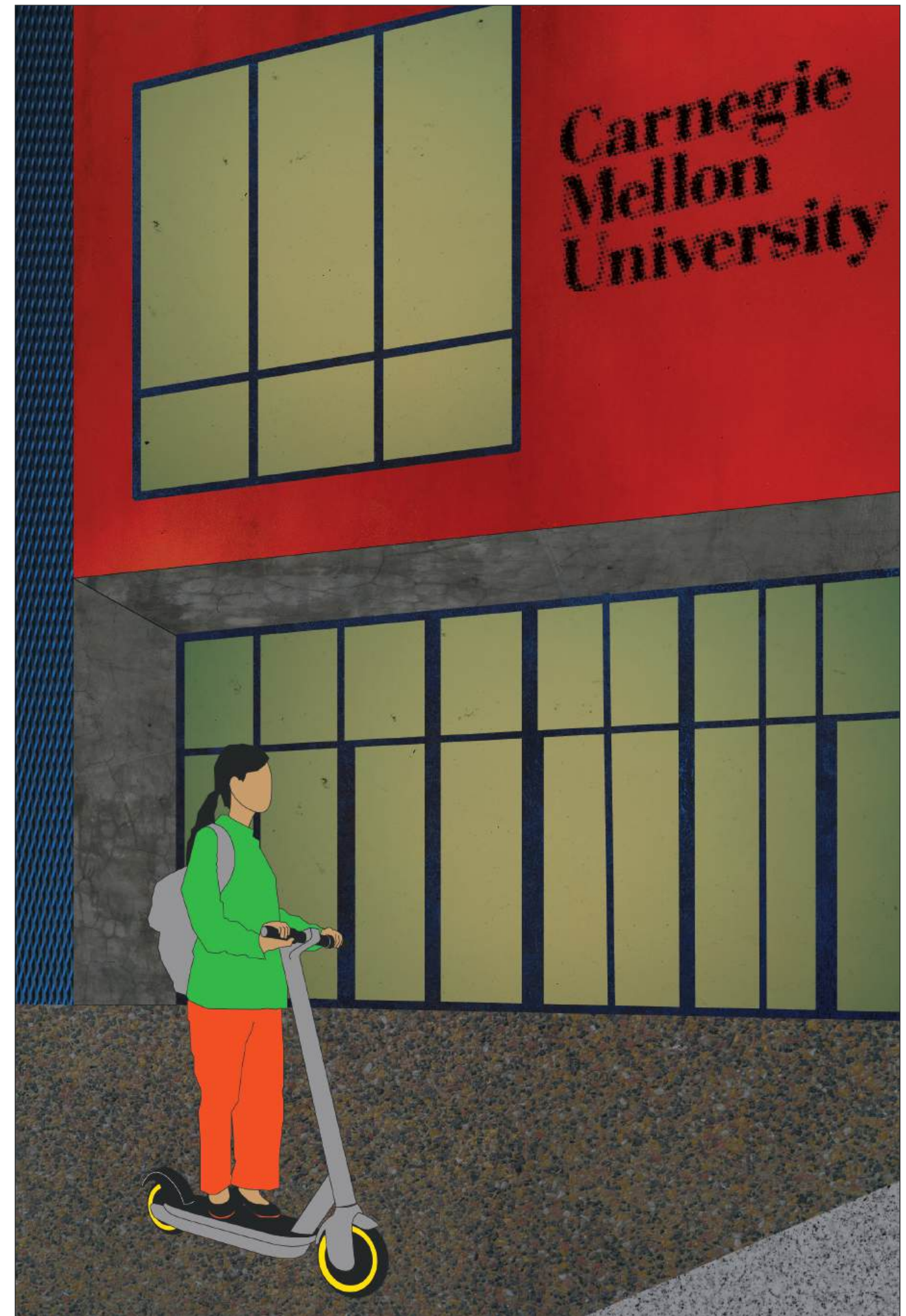
This has even been underplayed during the levelling-up agenda when Boris Johnson was prime minister, even though it had been a key element of his Atlantic Charter agreed with Biden: "our commitment to spur economic regeneration and build back better in a way that benefits all communities that have experienced the pain of economic change and advances equality for all – not just in cities, but also small towns and post-industrial areas".

During the drafting of the levelling-up white paper, the then Secretary of State at the Department for Levelling Up, Housing and Communities, Michael Gove, had even hoped to set out an accompanying manufacturing strategy but was ultimately vetoed by the Treasury. But there's now every reason why such a transatlantic agenda should be renewed. Not least as it's likely that Treasury officials may also be lukewarm about elements of 'securonomics' as they have been in the past about industrial strategy. Likewise, they must overcome Treasury preferences for over-centralised control of regional institutions and strategies and its lack of interest in long-term place-based policies.

But of course, these aren't the traps

that Labour and Starmer or Reeves are most concerned about. As seen during the General Election campaign, instead it is the danger of being characterised by opponents as a party perennially committed to high borrowing, taxation and spending. This has made sticking to tight fiscal rules – largely set by the Conservatives – as a centrepiece of their manifesto and electoral strategy. Here they are much more likely to find common cause with Treasury orthodoxy. That might appear, on the face of it, to rule out an approach based on 'securonomics', or at least a version that seeks to offer some of the same levels of ambition or scope currently seen in the US.

However, the commitment to spending £20 billion over the next parliament – even if scaled back from a larger amount each year – in addition to the pledge to match current government commitments on science investment (£20 billion annually), suggests that there is rather more potential to follow the US model than they might let on. Furthermore, they will also recognise that many elements of 'Bidenomics' rest not just on government spending today, but also on tax incentives and credits that get cashed in only as new factories are built and jobs created. This means that it is still possible – should they wish – to put together a package of similar place-based investment and incentives that could transform regional and national economic performance, but still do so while meeting fiscal rules and avoiding accusations of high rates of borrowing and spending.



CAN UNIVERSITIES HELP TO TURN AROUND THE FORTUNES OF INDUSTRIAL TOWNS AND CITIES?

John Morgan

On a train journey into Sheffield, you might catch a brief glimpse of the hulking black sheds of Sheffield Forgemasters, the city’s largest remaining steel firm. But the unmissable thing you’ll see on stepping out of the station are the branded towers of Sheffield Hallam University: the building work on a ‘city centre gateway’ development to house its business school, the Centre for Regional Economic and Social Research and a new Institute of Technology.

Just outside the city at Orgreave, site of British mass industrial employment’s loudest death rattle of the miners’ strike, is the University of Sheffield’s Advanced Manufacturing Research Centre, which turns university research and expertise into innovation for companies, attracting Boeing and McLaren to open factories at its site. A sense of crisis in university funding (Sheffield Hallam has been criticised by unions for spending on new buildings then planning to cut academic jobs) takes on wider significance given universities’ growing importance as economic actors in their cities and regions.

From steelworkers to students: a new innovation economy
In 1960s Sheffield, there were around 60,000 people working in the city’s steel industry and around 5,000 higher education students. Today, there are fewer than 3,000 steelworkers left in the city – but there are 63,000 students.

Those numbers (cited by the former Sheffield Hallam vice-chancellor, Sir Chris Husbands) are a modern economic history of the nation, in abbreviation. In one sense, they show how the shift to a ‘knowledge economy’ proceeded alongside breakneck-speed deindustrialisation and job destruction for many – a failure still shaping our economy, society and politics today.

But the figures might also tell a more optimistic story about the future: one where the growing power of universities, research and innovation is better harnessed in industrial heartland regions, helping create good jobs and build better places to live.

Elsewhere in the West, there are industrial heartland regions already working on making that vision a reality at scale, from Pittsburgh in the US to Germany’s Ruhr. UK regions should be learning from their successes, and from their struggles to spread the benefits of an innovation economy to all parts of society.

After the total collapse of its steel industry in the 1980s, Pittsburgh is now lionised as the US’ ultimate ‘Rust Belt rebound’ city. The Pennsylvania city has gone some of the way towards finding a new economy, centred around University of Pittsburgh Medical Center hospitals and life sciences and Carnegie Mellon University’s computing and robotics research and graduates. The latter has been the ground in which a Pittsburgh tech sector has grown, including: Duolingo (a start-up founded by a Carnegie Mellon professor); a Google office, home to the company’s shopping operations team; and a cluster of autonomous vehicles firms.

University research as a basis for economic transformation
That process began by strategy. At Pittsburgh’s economic nadir in the 80s, it faced a “no guts, no glory, take-no-prisoners moment – we needed a shift to reimagine Pittsburgh,” the city’s former Mayor, Tom Murphy, told me. From the mid-80s onwards, mayor, local government and the presidents of the two universities worked together on plans to use university research as a basis for economic transformation. That followed on from Carnegie Mellon winning major

federal funding to create a Software Engineering Institute, which showed the university it could win investment if that money was seen as helping turn around the Pittsburgh economy. Carnegie Mellon turned from “a typical academic institution that is mostly unconcerned with local economic development into a local economic development leader,” in the words of one academic who has studied its role in the Pittsburgh economy.

The Pennsylvania state government weighed in behind the universities by creating the Ben Franklin Partnership, providing funding and expertise to early-stage technology companies in the state - and by passing legislation allowing state pension assets to be invested in venture capital funds that opened offices in Pennsylvania – helping attract the finance needed to create science and technology companies locally.

Carnegie Mellon continues to make a good living from its role as a regional

leading regional economic development: the Ruhr University Alliance in Germany, awarded €75 million of funding by the state government of North Rhine-Westphalia (NRW). Germany’s most populous state includes the Ruhr, a multi-city metropolis of five million that was once the nation’s industrial powerhouse in coal and steel. The Ruhr University Alliance grew out of the NRW government’s wider Ruhr Conference, started ahead of the final phase of planned withdrawal from coal mining in the Ruhr in 2018 and aimed at finding new ideas for the future and image of a region often wrongly seen as a forlorn ‘Rust Belt’ by outsiders.

The funding has gone to three universities – Ruhr University Bochum, TU Dortmund and the University of Duisburg-Essen – to create four joint interdisciplinary research centres in health, sustainability, digitalisation and energy, via the creation of 50 new professorships and 500 researcher posts.

The lessons from Pittsburgh and the Ruhr are that when it comes to trying to ensure university research stimulates productivity and jobs in the private sector – and ensuring those benefits stick in the region around that university – collaboration and strategy count.

economic development leader. The first tenant at Carnegie Mellon’s Mill 19 - built in a former steel mill to apply the university’s robotics, artificial intelligence and materials science expertise to advanced manufacturing - was the Advanced Robotics for Manufacturing (ARM) Institute, for which the university won \$80 million from the Department of Defense. ARM aims to help ‘reshore’ manufacturing, showing, for example, how robotic sewing on jeans can bring clothing manufacture back to the US, thus creating American jobs in programming and maintaining the robots.

There’s also political weight behind another important example of universities

The driving principle was that the Ruhr’s shift to a more modern economy “will only work if new industry will settle there; and that this new industry in most cases is based on scientific excellence,” according to Martin Stratmann, one of the most influential figures in German science as President of the Max Planck Society, the nation’s premier research organisation, who helped set in motion the project.

For example, the new Research Centre Future Energy Materials and Systems builds on Ruhr research strength in new materials and hydrogen technology. The Ruhr still has a regional steel industry and the new research centre addresses a critical need for that industry: how to create green

hydrogen without using expensive rare metals. Ruhr steel firms “need innovation, otherwise they will no longer be able to run businesses in Germany,” one Duisburg-Essen professor told me.

Lessons in strategy and collaboration
This is all hugely relevant to the UK. As the then shadow chancellor Rachel Reeves pointed out in her recent Mais lecture, stalling productivity – and specifically lagging regional productivity – is at the heart of the UK’s economic and political problems. Investment in R&D, particularly in the private sector, is one way to drive productivity growth as it stimulates innovation – new products and services that boost productivity in firms – Richard Jones, the University of Manchester’s vice-president for regional innovation and civic engagement, one of leading voices in this field, has explained.

The lessons from Pittsburgh and the Ruhr are that when it comes to trying

to ensure university research stimulates productivity and jobs in the private sector – and ensuring those benefits stick in the region around that university – collaboration and strategy count. In Pittsburgh, the universities have long worked closely with the state government, with the Allegheny Conference business group, with the charitable foundations endowed by the tycoons of the city’s industrial heyday and with the Regional Industrial Development Corporation (RIDC) that owns or manages many of the city’s former industrial sites, like Mill 19. In the Ruhr, three universities are working jointly with each other to create new research centres – rather

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than competing against each other – and working with the state government.

In the UK, new thinking and structures for collaboration are starting to emerge. The universities of Leeds, Manchester and Sheffield have created Northern Gritstone, an investment company funding science and technology companies linked to their research, learning from Oxford’s success in financing spin-out companies.

Innovation Greater Manchester, the ‘blueprint for translational innovation’ aiming to create 100,000 jobs that won funding as one of three UK ‘innovation accelerators’ in the levelling up white paper, is a new organisation that aims to get universities, private sector, local and regional government working together to spin research into jobs across Greater Manchester, not just the city centre.

Making innovation more inclusive

Innovation Greater Manchester recognises the huge challenge of building inclusive innovation. As economies come to centre more on R&D and knowledge-driven industries, without a plan to spread access to the higher levels of skills needed to work in those industries, or to shape the kind of innovation and kinds of jobs being created, the result will be deepening inequality.

Again, learning from what’s happening internationally is crucial for the UK. In Pittsburgh, there’s a realisation that while “it’s great that we have 800 or 1,000 Google jobs” in the city, there’s “really little connect to our outlying former industrial towns throughout the region,” as Tim White, senior vice-president of the region’s RIDC, told me.

A regional collaboration led by Carnegie Mellon won \$62 million from the Biden administration’s Build Back Better Regional Challenge, one of the federal government’s new place-based industrial strategy programmes aimed at spreading innovation economies to

the US heartland. The South Western Pennsylvania plan aims to “supercharge” the region’s “globally recognized robotics and autonomy cluster and ensure that its economic benefits equitably reach rural and coal-impacted communities”. Plans include a hub at Mill 19 to help small and medium-sized businesses benefit from new technology, plus training in community colleges to help non-graduates “participate in robotics and autonomy careers”.

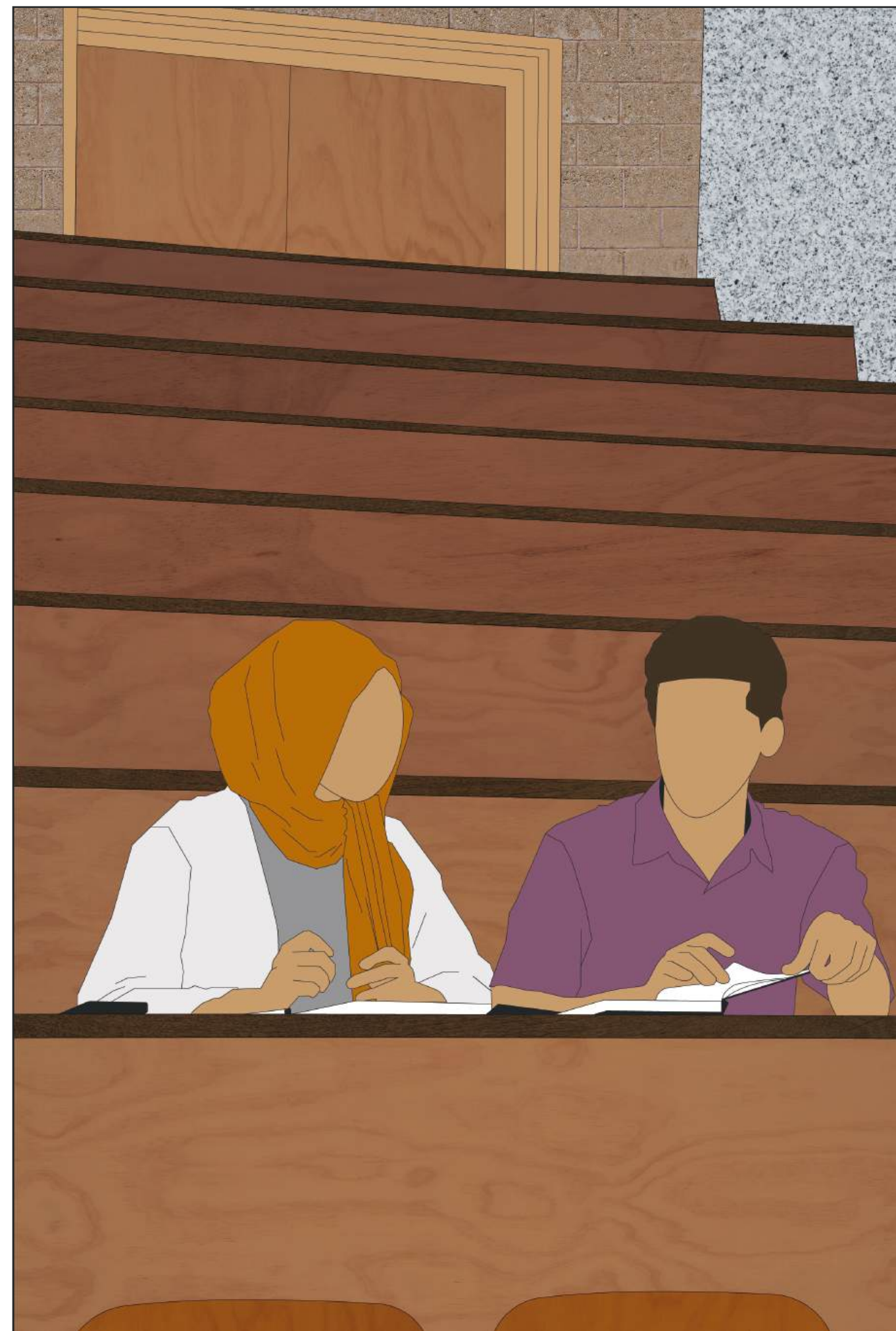
Meanwhile, the RIDC wants to make the Pittsburgh region a hotspot for autonomous vehicle testing and prototyping, or for the manufacturing of components such as sensor boxes. That might be a way to spin different kinds of jobs out of Carnegie Mellon’s robotics research so it’s not just PhD graduates who benefit; a way to spread Pittsburgh’s innovation economy into more accessible manufacturing jobs, reaching beyond the city’s bustling university district to former steel suburbs and towns.

In his book *Innovation in Real Places: Strategies for Prosperity in an Unforgiving World*, University of Toronto innovation expert Dan Breznitz has urged regional policymakers to shun the Silicon Valley model of tech start-up innovation that breeds colossal inequality, to look beyond that to “innovation-based growth models that supply vast quantities of good jobs to people with multiple skills backgrounds, instead of a few fabulous jobs that are available only to the graduates of the world’s elite universities”.

Aspirations to build 150,000 more homes in Cambridge – already the nation’s fastest-growing city – recognise the power of R&D and innovation to fuel the national economy. But ministers’ talk of making Cambridge the ‘Silicon Valley of Europe’ suggests a dearth of thinking about the big choices here: about what kinds of jobs might be created through

innovation, whereabouts in the country, and for whom.

Most UK regions are still recovering from decades in which central government largely opted out of managing deindustrialisation and left structural change to the market. The UK’s industrial heartland regions may need a new level of collaboration between universities, private sector, local, regional and national government to start planning to ensure the mistakes of the deindustrialisation era are not repeated in the innovation era.



THE OLDHAM ECONOMIC REVIEW

Alun Francis, Marianne Sensier and Andy Westwood

Much has been said and written about communities feeling ‘left behind’ since the 2016 EU Referendum and the 2019 General Election. This so-called ‘geography of discontent’ has been driven by spatial inequality and exacerbated by political resentment - both translating to the ballot box. The low growth in ‘left behind’ places since the financial crisis has been accompanied with a rise in populist voting habits – “the revenge of the places that don’t matter” (Rodríguez-Pose, 2018). Whilst this is far from being just a UK phenomenon, discussions here have often focused on the specific issues of post-industrial towns where economic decline has been relatively steep.

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Social and economic challenges, turbulent politics

Oldham is one such place - an industrial town in Greater Manchester (GM) with a challenging recent history of economic, social and political change. Often picked out as a place performing poorly against a number of indicators, in 2016 the BBC, based on data from the ONS, declared it the ‘most deprived town in England’ . In the 2019 Index of Multiple Deprivation, Oldham has four areas within the Borough which are among the top 1% of the nation’s most deprived areas - most centred in and around Oldham’s town centre. On average, life expectancy is 2.2-2.6 years less than national average and the median household annual income in 2021 was £25,357, significantly lower than the GM (£28,078) and UK (£32,736) averages. In 2021, only 28.3% of residents had a higher education qualification, compared to 39.2% in GM and 42.8% in England.

Oldham also has the third highest number of adults with no qualifications at all – one in 10 adults, compared with one in 25 in Trafford. Oldham has also been hit hard by austerity and the pandemic. According to the Institute for Fiscal Studies (IFS), local council budget cuts

equated to -42% between 2009/10 and 2016/17. The Borough was hit by longer periods of lockdown than most other areas during the Covid-19 pandemic in 2020 as shown by Timms et al, (2020), with the tightest restrictions of all GM’s boroughs from August-October. Against these wider social and economic conditions, the politics of Oldham have been turbulent. There was a strong Brexit vote in Oldham with 60.9% voting to leave the EU and in local elections there have been four different council leaders in five years – as described by Daniel Timms in The Manchester Mill.

A plan for a brighter future

The Oldham Economic Review (OER) was established by Arooj Shah, Leader of Oldham Borough Council, in 2021, who approached Alun Francis, Principal at Oldham College, to chair a review and ‘help plot a brighter economic future for the borough.’ Together they appointed a board of commissioners from the public, private and voluntary sectors in Oldham, from Greater Manchester Combined Authority (GMCA) and the University of Manchester, supported by a secretariat of academic and council staff.

The *Levelling Up in the United Kingdom* white paper was being drafted as the OER Board (OERB) began its work, offering a useful structure, based on the Bennett Institute’s wealth economy and adapted into a ‘six capitals’ framework by the then Department of Levelling Up, Housing and Communities (DLUHC). This sets out the need for

different strengths and assets to help places ‘level up’ and thrive (physical, human, intangible, financial, social and institutional capitals). Using this approach, it’s clear that Oldham has both assets and opportunities, including a sizeable manufacturing sector employing over 10,000 people (12% of the workforce, compared to the national average of 7.6% and a larger share of value-added output at 15.3%), reflecting a long heritage of cotton and engineering - including defence manufacturing. However, today the economy is more dominated by the ‘foundational’ or ‘everyday’ economy with some 70%

seen as a metaphor for Oldham’s links to the city region, is often criticised for taking people out, rather than bringing opportunity in.

Vision, purpose and ambition for a new economy

The Review recommended that Oldham must establish a clear and shared sense of its longer-term aims and ambitions as a place. These needed to drive public, private and voluntary/community activity in Oldham itself, and also provide the basis on which Oldham engages productively with neighbouring places, as well as with the Greater Manchester

economy dominated by services, rather than manufacturing. While it remains important to acknowledge the importance of the ‘foundational economy’, and to improve conditions, the disproportionate reliance on public-sector funding, either through services, grants or central government, as well as on wealth transfers and welfare payments, is problematic. It is impractical to rely on these sectors to drive the economy or to create wealth. Neither can strategies to maximise the social economy or the benefits from local procurement, key to the idea of ‘community wealth building’, transform the economy at sufficient scale. When the

In simple terms this meant that Oldham had to stand on its own two feet and drive this vision, co-ordinating local strategies and institutions and not relying on those outside to do so. Without this strong sense of its own purpose, the town had no basis on which to engage productively with policy, within the city region or nationally.

employed in public services of health, education, care, police and private sector jobs like utilities, transport systems, food production, retail, hairdressing, tourism and hospitality. A significant amount of employment is low paid, and there is a high degree of welfare dependency among the ‘working poor’. Increasingly, those seeking better paid employment must look beyond the Borough – to neighbouring authorities, or to Manchester. However, it has not been clear that the benefits presented by Manchester’s transformation have yet spread to Oldham. The Metrolink tram, which arrived in 2012 and can be

city-region and with the Government and its agencies at a national level. In simple terms this meant that Oldham had to stand on its own two feet and drive this vision, co-ordinating local strategies and institutions and not relying on those outside to do so. Without this strong sense of its own purpose, the town had no basis on which to engage productively with policy, within the city region or nationally. And it is clear that this purpose must address private sector wealth creation.

The challenges which Oldham faces are many but have their origins in structural changes in the economy, brought about by deindustrialisation and the shift to a new

private sector is weak, there is simply too much for the public and voluntary sectors to do on their own.

Alongside many of its conclusion and recommendations, the OERB noted that the formation of successive strategies has inevitably been led and shaped by the push/pull of multiple central government funding initiatives. It is likely to be more beneficial to the long-term future of the town, if these are better co-ordinated and resourced within a single longer-term vision - aiming to build a diverse economy - including support for the foundational and ‘everyday’ economy and for innovation and improved productivity

in a growing private sector. Alongside strong local institutions in the public, private and voluntary sector, this can help improve wealth in Oldham and create better paying jobs, good businesses and improve standards of living for residents. It is also important to acknowledge the importance of preserving institutions and symbols of identity that generate local pride, including those in sports, heritage and culture, as well as local businesses such as pubs, historic shops and facilities and local papers. These are institutions that help build and retain a strong social fabric and they are extremely important in shaping local perceptions.

Restoration, opportunities and networks

Places like Oldham also need to see the restoration of higher levels of local government funding and better resources for other key local services and institutions including for the council, the college and for vital local services including the police. In turn, this will rebuild and strengthen institutional capacity within the town. Reversing cuts and austerity is vital in both senses. But it is also clear – as found in the OERB – that restoring budgets and improving local institutions in the public sector can only take towns like Oldham so far. It is also vital that places like Oldham develop other complementary economic strategies too. It will not be enough for Oldham to concentrate on just these sectors, organisations and jobs to the exclusion of others. In this regard, Oldham, like many other towns, needs to aim to create better jobs and more

innovative and productive firms so that levels of wealth and standards of living can be improved for all - a ‘local good-jobs agenda’ that must be a crucial part of any long-term policy approach. The Review asked whether it was realistic to expect this to happen within Oldham itself, or whether the future strength of the town will depend on its relationship with neighbouring boroughs. And it concluded that it was the opportunities presented within the city-region which were most likely to bring future prosperity – not just with Manchester, but with neighbouring boroughs of a similar type to Oldham. The embryo of the ‘Atom Valley’ Investment Zone initiative across north-east Greater Manchester was emerging, as the Review drew to a close.

What other lessons can we draw from our work in Oldham? Firstly, perhaps that it shows the importance of institutions working together to understand the challenges and opportunities for a place - notably the Council, the College and the Combined Authority and nearby university but also the NHS trust, the Chamber of commerce and a major housing association. In short - the levelling up white paper was right that institutional capital, capacity and effective local networks between them, really matter. This ‘working together’ doesn’t happen as routinely as it might and in this case it took Capabilities in Academic Policy Engagement (CAPE) funding to make it happen. Nevertheless, the benefits for all those involved have been significant – further education providers, local

councils and employers working together to better understand the local economy and labour market, the Combined Authority working with the council in an outlying town and the city region’s major research university offering its capacity and expertise to better understand and support a nearby place. The process and findings have also been the subject of major discussions at a national level - with political parties, government departments such as the DLUHC, Treasury and Department for Education and with influential national think tanks and policy bodies such as Onward, Public First, the Centre for Cities and Metro Dynamics.

When all of these organisations come together it is good for places and for each of them and it should be more systematic but for lots of reasons it isn’t. That’s about public funding, institutional strategies, siloed thinking and a lack of incentives. As the institutional dimension of the six capitals framework sets out, all of these must be overcome if places are to work in such a way.

But too often (mostly) they aren’t and they need to be.

The full Oldham Economic Review Report is available to download at oerb.org.uk



INNOVATION, POLICY & SOCIAL BENEFIT: THE CASE FOR TECHNICAL SKILLS

David Gill, Tim Minshall and Bill Wicksteed

The Cambridge region presents an acute instance of two challenges confronting innovation policy, especially in developed countries:

First, research-intensive universities have been at the centre of numerous regional regeneration initiatives around the world aimed at replacing jobs and prosperity lost from declining industries (coal, steel, generic manufacturing) through innovation-led new business creation. However, university-led innovation tends to benefit relatively small numbers of highly skilled employees in circumscribed geographies, with limited impact either on the wider region or spill-over/supply-chain uplift for less skilled workers. Worse, the

Since at least the mid-nineteenth century, the UK has suffered from inadequate systemic commitment to education and training for non-graduate employees - from high-skill apprenticeships to life-long learning...

economic success of skilled workers in an innovation region and influx of ‘creative classes’ from elsewhere, typically crowd out less skilled workers born in the region, with consequential social dislocation potentially leading to economic tensions and political disengagement (the ‘concentration challenge’).

Second, policy emphasis (and therefore investment) in innovation regions has tended to focus on ‘high end’ hard or soft infrastructure (laboratories, science parks, venture funds). In the UK particularly, far

less practical consideration has been given to developing and sustaining a dynamic cadre of skilled technical employees able to support the conversion of innovation into products and services on an industrial scale in the extended region surrounding the research hub. Since at least the mid-nineteenth century, the UK has suffered from inadequate systemic commitment to education and training for non-graduate employees - from high-skill apprenticeships to life-long learning (the ‘skills challenge’).

Building greater equality of opportunity
These two problems can become mutually reinforcing: lack of sustained evidence-driven policy for the ‘technical’ skills agenda has significantly hampered greater equality for all within regions, while ‘on average’, innovation clusters produce high per capita GDP, the ‘flaw of averages’ applies as an outcome of consistently

higher returns for a small minority of highly qualified founders, external senior hires and financial investors. Thus university-led innovation without complementary policy intervention is unlikely to generate a wide range of mid-skilled jobs through an extended regional supply chain.

Worse, government and investor focus on maximising short-term returns from research rather than developing a supporting ecosystem of skilled manufacturing creates an economy in

which design or intellectual property-based business models are privileged over developing a broader nexus of development and manufacturing. Absent corrective action to address the worsening technical skills gap in the UK and investment in high-skill infrastructure will likely experience diminishing returns: the technology firms of tomorrow will not be able to reach their full potential without a supportive base of suppliers staffed by a motivated technical work force benefiting from continuing professional development. For example, the focus on investments in physical lab space by policymakers has not been linked to activities to ensure the availability of the required pool of appropriately skilled support staff.

Concentration and the skills gap: lessons from Cambridge
Around Cambridge, both challenges coalesce in acute form. Cambridge University’s net total economic impact on the UK economy is nearly £30bn annually, including supporting more than 86,000 jobs nationally, of which 52,000 are in the East of England, but these benefits originate from a small population base (146,000 in the City of Cambridge, 162,000 in South Cambridgeshire). Between 2011 and 2021, the population density of the city grew from 407 to 434 residents per square kilometre and Cambridge rose from being the 174th to 149th largest local authority in England & Wales. Numerous efforts to, in the words of Matthew Bullock, founder and Honorary Vice Chair of Cambridge Ahead, “move the burning bonfire” i.e. restricting investment in Cambridge,

encouraging growth companies to relocate to other towns in the region through public policy initiatives (Regional Development Agency, Local Enterprise Partnership, Combined Authority) – have had minimal success. Neither in Cambridge nor in other towns in the sub-region – Ely, Newmarket, St Neots – is there an adequate supply of technically-skilled workers. This is already a problem for the research community and discourages the emergence of manufacturing capacity. Investment in a high value manufacturing base in the local area, adjacent to where research-intensive activities originate, is essential to maximise returns from innovation; scaling up manufacturing more widely across the UK cannot be achieved until the prototyping phase has been perfected through regular – often informal – interaction between local manufacturers and the research base. Both local prototyping and later manufacturing at scale will enable the economic benefits of university-based innovation to be spread more widely, both geographically and across socio-economic bands. But the persistent lack of investment in technical training has prevented broader economic development that could be enabled through specialist and flexible supply chains. The issue has been well analysed over many years, including international comparison with manufacturing powerhouses such as Germany, but funding has consistently fallen short of what is needed. The interlocking impact of the ‘concentration’ and ‘skills challenges’ on the Cambridge tech cluster highlights how crucial waning availability of skilled technical staff has become. If unchecked,

such shortages may soon hamper both university research and commercial development. **Strategic planning and natural geographies**
The Cambridge subregion provides a prima facie case for the theory that successful clusters have a natural tendency to congest. For some thirty years, both local authorities and pressure groups have advocated maintaining a civilised quality of ‘place’, which requires infrastructure investment to support (better: anticipate) the growth pressures arising from the congestion tendency. Regrettably, the institutional capacity to shape and implement a forward-looking investment strategy was materially weakened with the closure of Cambridgeshire Horizons (CH) and of the Regional Development Agency (RDA). Belatedly, partially and after a long hiatus, there are signs of a more integrated approach to supporting long-term economic and social development across and beyond Cambridge. The formation of Innovate Cambridge is a potentially important step to bringing a sense of vision back to the regional development debate. And the Greater Cambridge Partnership (GCP) is now addressing some of the crux issues – notably transport. Its spatial reach is, however, narrower than either the (sub-regional) CH or the RDA, a pivotal actor across the wider region. The case for planning across an extended geography comes into stark focus now that significant water shortages have led to development applications being put on hold, disrupting

the finalisation of the local plan for Cambridge and South Cambridgeshire, which has possibly the most acute demand for both housing and laboratory space in the UK. There is currently now talk of a further concern that growth could be hampered by insufficient capacity in the electricity grid.

Problems stemming from high housing costs are not unique to Cambridge, but it is a hot spot in national terms. Several imaginative responses have been developed, including Cambridge University's new city district (Eddington). However, the challenge may be damaging the essence of the cluster in its impact on the recruitment and retention of technicians. Inability to provide housing for technical staff is now also impacting adversely university teaching and research - and the experience of other stakeholders in the cluster (spin-outs, scale-ups) is currently being investigated.

But we do see examples of manufacturing firms that have demonstrated how the appropriate skills can be accessed to allow the production of high-tech goods locally. Domino Printing Sciences have long and deep manufacturing roots in Cambridge; CMR Surgical are a newer arrival but similarly demonstrate that high value manufacturing can thrive locally despite the challenges. Both companies' manufacturing facilities are located at the outer fringe of Cambridge – one eight miles to the west, the other sixteen miles to the north. The question remains whether, in the medium to long-term, there is sufficient capacity of technicians to attract and enable the sustained growth of more firms like Domino and CMR Surgical.

The long-overdue recognition of technician roles in a technologically sophisticated economy has prompted considerable and constructive national attention to enhancing their standing and improving both training and subsequent career progression. But immediate practical issues are important in a high cost, congested city such as Cambridge where travel and housing weigh most heavily on those who need to work for specified hours in central locations and for whom working from home is not an option.

Policy implications

Lessons from the UK experience stretching back over several decades provide both national and regional insights:

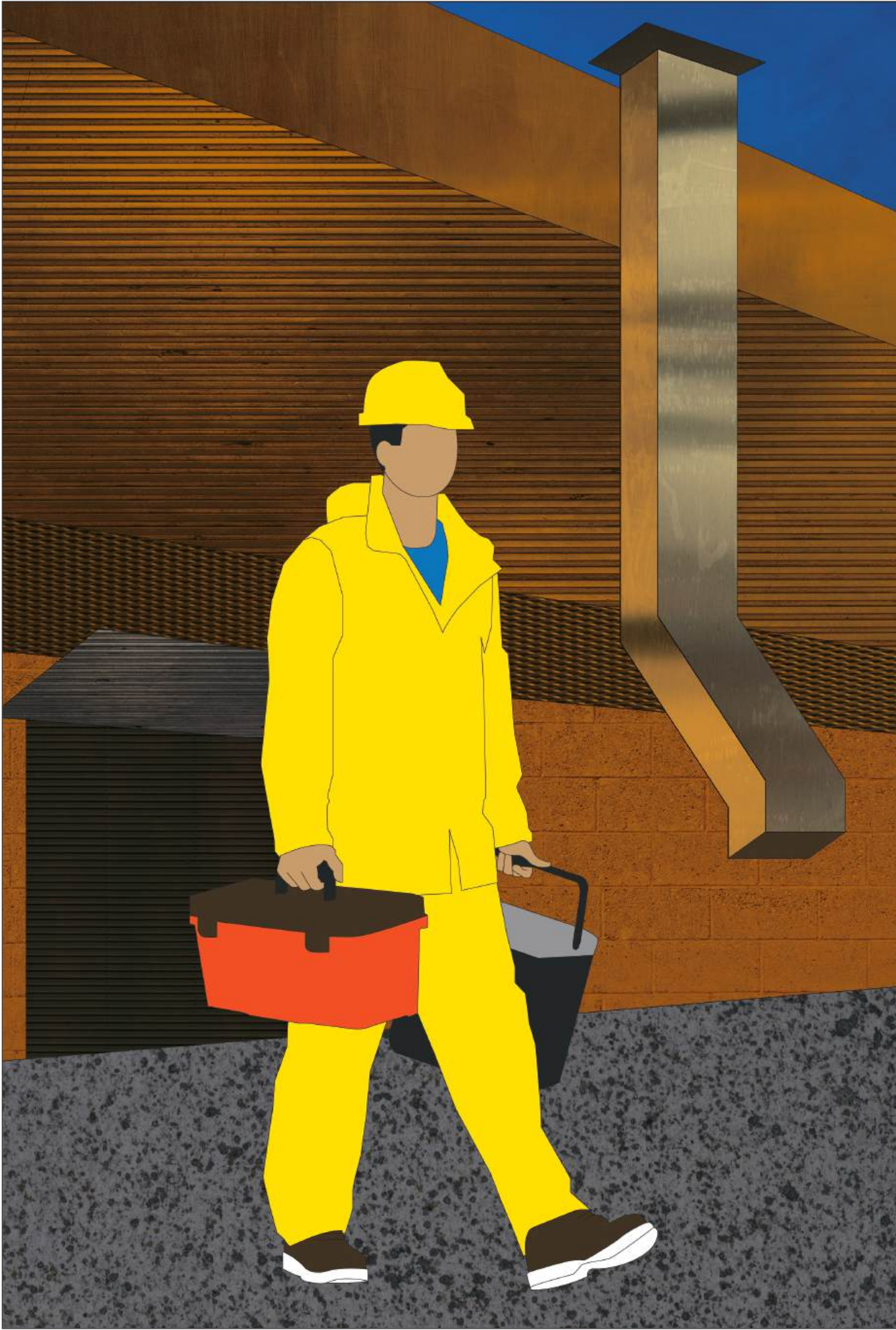
National

- 1. The push in 1992 to reclassify institutions of higher education as universities ignored the distinct and valuable contribution made by the former polytechnics to vocational and applied training, often in close collaboration with employers. The economy has suffered as a result, as have the career chances of many students.
- 2. Under-investment in infrastructure has been exacerbated by ignoring warnings emerging from a growing body of evidence. Long term neglect, unsurprisingly, did not allow problems in housing, transport, water or electricity supply to fade away. As one example among many, privatisation of the water industry, combined with short-termism in the regulator's priorities, will likely

hamper development of research and high-value manufacturing resources in regions of the country with the greatest demand, including the East of England.

Local/regional

- 3. Regional/sub-regional strategic planning is required, sufficiently well-resourced to be undertaken thoroughly and consistently.
- 4. Strategic planning must be complemented by an implementation agency, with democratic oversight, but not fine-tuning by politicians, whose horizons are understandably short-term.
- 5. Fast-growing areas face issues that are different from areas which have suffered economic decline and may need to experiment/innovate in developing responses to them.
- 6. To provide finance that can be deployed flexibly by those with the greatest local knowledge, greater fiscal autonomy to raise and retain money at sub-regional level is required.



FORGING A PATH TOWARDS EQUALITY: EVIDENCE-DRIVEN LEVELLING UP POLICIES

Olivia Stevenson and Siobhan Morris

In the UK, research has shown that alarming growth in societal inequalities is deeply rooted and pervasive. Decades of economic and social policies have aimed to bridge the gaps between regions and place-based inequalities in health, housing, education, and employment. Under the Conservatives, the UK Government’s levelling up white paper of 2022 set ambitious goals across twelve policy areas to be reached by 2030. Based on spreading opportunities more equally across the UK through unlocking human capital – rather than dismantling structural inequalities – at its core, the goals were to draw a connection between ‘people’, ‘place’ and ‘improving outcomes’.

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At the heart of this endeavour lies the need for robust evidence and data-driven policy decisions. However, discussions on levelling up have often overlooked the crucial role of data, its challenges, and its potential to bring about equitable change. We seek to directly address this absence and propose several points of focus needed for ensuring data underpinning this broad social agenda, irrespective of party politics, is examined and itself ‘levelled up’ to reduce inequities and ensure effective evidence-based public policy.

So much data, but important gaps remain
In today’s digital age, policymakers have access to an abundance of different types, sources, and sets of data to draw upon. The UK Government has been proactive in embracing data openness, leading to numerous ‘open data’ initiatives and strategies. Alongside this there has been a proliferation of taskforces, programmes and strategies all aimed at developing frameworks for action and data standards for government to help deliver better decision making and citizen outcomes. This includes the Inclusive Data Taskforce (Office of National Statistics,

2021), Equality Data Programme (Gov. uk, 2023) and the publication of the National Data Strategy (Cabinet Office, 2022). However, significant evidence gaps persist. The types and standards of data used, and by extension how the discourse underpinning and narrating UK levelling up agendas links to data and its presentation, are areas rarely discussed. The relationship between what data is considered and what is not captured requires careful examination. With the growing emphasis on local government and decentralization, the need for comprehensive qualitative data is evident, but often goes unmet.

As noted in the levelling up white paper, metrics to be explored include “restoring a sense of community, local pride and belonging, and empowering local leaders and communities”. Yet, evidence-based policymaking in this regard is hampered by a lack of qualitative data collected at large-scale levels. To address national evidence gaps, polling often becomes a crucial source of public opinion for understanding and delivering on promises for greater equality. Indeed, national polling organisations frequently conduct polls that feed into policy development or public attitudes for the UK Government to draw upon. When it comes to the ‘mission’ of civic pride, using data and developing appropriate metrics is challenging and pride at different scales hard to quantify. Polling can therefore be valuable in establishing a ‘baseline’, assessing impact, and tracking change. And polls can provide a powerful snapshot of a place and illustration of feelings about it, such as “69 per cent of people believe that the decline of their

high streets will adversely affect their own pride in their local area” (Power to Change, 2022 quoted in research by Shaw et al, 2022).

Reliance of polling and the need to widen the ‘public’ view
Relying on national polling, while informative, can also lead to incomplete insights into local realities. It does not necessarily provide a full picture of community-level feelings about the fortunes and values of a place. To do so well, the focus needs to shift to discussions of who is being polled and if this is representative of entire communities. Initiatives like the Inclusive Data Taskforce aim to ensure that everyone’s experiences

UK society and take steps to address missing sections of the ‘public’ view. Public opinion must mean and actively include all segments of society, not only certain groups. This includes addressing the lack of neighbourhood-level and local authority level data and a careful consideration of whether current proxy measures used to track progress of interventions do more harm than good. Policy needs to be evidence led, incorporating both quantitative and qualitative evidence to provide a local-level picture that captures facts, feelings and other values. To do so, data must also be drawn from more representative samples of the population and policy informed by public opinion data needs

has significant and real impacts. Policy actors, and datasets, cannot ‘speak’ across departments and agendas if the language that structures them and terms used are not well understood nor standardised. Recognition, across all parts of the policy and evidence landscape, of the importance of language in, unintentionally or otherwise, creating evidence and data gaps is much needed. For example, much has been written about how the term ‘left behind’ is contested and controversial, as it groups together different types of disadvantaged areas and people under one phase and one overall narrative. Yet, such critical examination of the data underpinning narratives, and of the language used

Relying on national polling, while informative, can also lead to incomplete insights into local realities. It does not necessarily provide a full picture of community-level feelings about the fortunes and values of a place.

count, and ‘no one is forgotten’. Whilst this marks a welcome move to start representing the diversity of the UK population, the Taskforce found that trust is a barrier to participation in data collection across all its consultation activities. Critical engagement in refining how public opinion is collected, interpreted and represented to understand the diverse (and qualitative) impacts of place-based inequalities on different population groups and datasets is urgently needed.
If national polling continues to grow in importance, then greater emphasis in discussions on ‘public perceptions’ and their informing of the equality of opportunity agenda and its policy priorities, must consider data representation from all segments of

to be examined, interrogated, and reported in all its intersectional diversity. Therefore, it is crucial that the evidence underpinning and informing the policy is itself scrutinised and ‘levelled up’.
Language and terminology
Language plays a crucial role in data gathering. Indeed, inconsistencies in language can undermine data-driven evidence-led policymaking in the long term (for example, ‘left-behind places’, ‘levelling up’, ‘social mobility’, ‘disadvantaged communities’, ‘equalities’, etc). The phrase ‘levelling up’ itself appears to have been abandoned by the Labour UK Government of 2024 and new terminology is emerging. The changing phrases and flip-flopping of policies and strategies at national government level,

within these agendas, has not yet been undertaken. Improved awareness, and increasingly, levels of action to address and move toward harmonisation of approaches, will enable a plugging of data gaps and intersectional analysis to be more readily undertaken.
Consideration should be given to the effects of using different terms without explanation or common conception on the UK’s ability to measure and assess policy outcomes – specifically if there is duplication of effort as a result or an undermining of policies and their intended outcomes. Whilst understanding the effect could be slow to evidence, the importance of monitoring this over the long-term must remain at the forefront of the minds of those in

political and policy offices.

Examination of the language used, the situational context of language use, and how different terminology is deployed by different policy actors underneath the heading of ‘levelling up’ or ‘powering up’ provides opportunity to address the methodological and evidence gaps within the current system. Understanding why and how language matters in the drive for a fairer society and the data collection and use it determines, requires cooperation between evidence collection, academia, research funders, and policy actors. By mainstreaming this focus on language, we can ensure more effective policies and address evidence and knowledge gaps. Ensuring qualitative evidence holds equal weight to quantitative data collection can also reveal new insights and understandings of people, places, and communities.

Acknowledging the limitations of modelling for a fairer society is essential. Policymakers must integrate technical and social aspects to create more comprehensive scenarios, rather than focus upon modelling alone. Standardised consideration of how terminology affects data collection and usage is necessary to articulate the lived experiences of citizens and address multiple disadvantages and inequities. This requires local government to be equipped with sufficient capacity to undertake data collection and analysis, which currently is severely lacking and consequently hampering this important work. Moreover, policymakers at both local and national levels must be mindful of language changes’ effects on policy formulation and evaluation, with multiple or changing terminologies resulting

in a lack of consistency, difficulty in evaluating policies, impacts, and accurate measurement of policy outcomes.

Addressing inequalities and achieving meaningful change requires a holistic approach that considers both people and places. Current terms to collect evidence do not go far enough to understand and articulate the lived experience of citizens and are therefore insufficient for discussing the intersections and cumulative effects of multiple disadvantages and inequities. Granular and targeted data, ensuring that ‘public opinion’ reflects all within communities, play a pivotal role in shaping effective policies. By investing in inclusive data and recognising its impact, we can ask the right questions, track policy effectiveness, and promote evidence-driven decision-making.

Devolving powers to local governments is a crucial step in the right direction, but without a robust evidence agenda and capacity-building to enable this, local government cannot single-handedly achieve the desired results. To make true progress, there must be urgent investment in local and sub-regional governments capacity to collect and analyse data at granular level, develop proxy measures that work for their geographies, and build in-house data capability, whilst simultaneously embracing an equitable landscape for data collection, interpretation, and evidence-driven policy. Only by investing in improving the data and underpinning evidence, will Deputy Prime Minister Angela Rayner’s agenda to “power up Britain and deliver growth in every corner of the country” be equipped and enabled to build a more equal and thriving society.



CHAPTER 11

INVESTMENT ZONES AND FREEPORTS

Jack Shaw and Andy Westwood

In the March 2021 Budget, the Government abolished the Industrial Strategy Council at the same time as announcing the creation of eight freeports in England. These “special areas designated by the Government to become ‘dynamic hubs’ for industry and growth” formed part of its commitment to tackling the spatial inequalities that had helped drive the vote to leave the European Union in 2016. Both were post-Brexit inventions though very different in nature – highlighting the internal contradictions in the Government’s thinking since the Referendum.

The idea of freeports first surfaced during the Brexit campaign as a more traditional free market, tax cutting model designed to drive regional economic growth – with the detail fleshed out in a policy proposal by then Conservative backbencher Rishi Sunak. On the other hand, the Industrial Strategy Council was introduced under Theresa May’s premiership and signalled a more interventionist approach.

When Boris Johnson entered Downing Street, tackling spatial inequalities was given new meaning, but the publication of the white paper Levelling Up the United Kingdom in 2022 highlighted how each of these approaches – interventionist versus deregulatory laissez-faire - co-existed. During the Conservative leadership campaign to succeed Johnson, Liz Truss pledged a series of ‘low tax’ Investment Zones – in her words, “full fat freeports” – to drive growth throughout the country. And though Truss was replaced by Rishi Sunak shortly afterwards, both freeports and investment zones remain – with the latter remodelled with a focus on research and development.

Promoting regional regeneration and driving growth

Despite the political and policy churn that has characterised regional economic policy in recent years, a dozen freeports and a dozen investment zones are still in place. Two-thirds of these were in England and the remaining third in Scotland, Wales and Northern Ireland. Their aims were to create “hotbeds of innovation” and promote regeneration in “communities that need it the most” in order to drive economic growth across the country and support the creation of good-quality, high skilled employment. Elected officials frequently referred to

these policies as essential in order to take advantage of ‘Brexit freedoms’. What, then, are the prospects of the (now Labour) Government meeting these objectives and how will the two interventions operate in parallel? And following the UK General Election, is there a prospect of them continuing in their current form – perhaps as central elements to a revived Industrial Strategy or to mandatory ‘Local Growth Plans’ or will they be relegated to the dustbin alongside an ever-growing number of failed regional policy initiatives?

In an international context, the importance of industrial and regional economic policy has been gaining greater traction amongst western governments especially after Covid-19, the war in Ukraine and ongoing tensions with China. Coupled with supply-chain disruption and domestic political turbulence fuelled by economic decline, especially in places with rich industrial histories, this geopolitical uncertainty is reshaping governmental attitudes to the local and global economy. The United States has adopted an ambitious approach to boost domestic industrial production through its CHIPS and Science Act and Inflation Reduction Act, and the EU is now following a similar strategy. These offer a range of tax incentives and subsidies – alongside investment in research and development as well as innovation capabilities – to increase the number of firms and good-quality jobs, especially in places that have been suffering from long-term economic decline and from the political unrest that has tended to follow.

Turning to the detail of Freeports, the previous Government had allocated each Freeport £25 million of seed capital to provide a range of incentives, including “tax reliefs, customs, business rates retention, planning, regeneration, innovation and trade and investment support”. Local authorities where Freeport sites are located would also retain 100 per cent of business rates growth over a 25-year period, giving them greater certainty over borrowing and an ability to invest in regeneration to support growth.

Challenges and concerns: the freeports policy

This is welcome, though there remain several challenges with the freeports policy which the now Labour Government will want to consider. First, international evidence from similar policies suggest that the risk of ‘deadweight’ and ‘displacement’ is significant. The former relates to activity that would have taken place in the absence of incentives, and the latter to activity already taking place elsewhere but simply relocating in order to benefit from more generous subsidies. Measuring these contortions is difficult, meaning without further analysis, nuanced conclusions must be drawn about the £2.9 billion of investment Freeports have attracted, and the 6,000 jobs they’ve created. Indeed the then Government in the published Freeports Programme: monitoring and evaluation strategy, 2022 described “low confidence” that deadweight and displacement can be adequately minimised, even if it has introduced a ‘displacement test’.

One reason for this is because of the scale of some of the freeport locations, which can stretch 45 kilometres in

diameter. Teesworks, for example, is the size of 2,550 football pitches, with some sites ten miles from one another. Meanwhile, the Thames Freeport is made up of sites in Dagenham, Tilbury and London Gateway, with nearly twenty miles between them.

Given that the prevailing evidence suggests that proximity is a key ingredient for innovation, the distances within freeports and between the sites they oversee (each freeport is allowed three tax sites, for example) may also undermine their prospect for innovation. And the Government’s focus on undeveloped or under-developed areas which require significant remediation and do not have a base of ‘innovation assets’ suggests that innovation was not a significant driving factor in its locational decision-making. The tax allowances available to freeports, which apply to manufacturing but not to additional investment for research and development or skills, provides further evidence.

Meanwhile, the evaluation of freeports in France – known as Zones Franches Urbaines – suggests that similar

incentives in less disadvantaged areas are not always effective at supporting existing residents and instead attract a higher-skilled labour force from further afield – which poses wider questions about whether place-based approaches should be complemented with incentives that target people, which France piloted in 2013.

None of this suggests that the Government was wrong to locate Freeports in disadvantaged communities, but rather that there is a clear tension with its stated objective to support the most disadvantaged communities and the ability of freeports to accelerate innovation. In light of these challenges, the additionality of freeports remains contested.

Poor governance also warrants attention, given it risks undermining the legitimacy of Freeports. Following the Teesworks review, which – among a litany of concerns – could not “evidence value for money”, a wider political debate has ensued about whether freeports are an appropriate policy instrument for economic growth. For example, there has been some concern

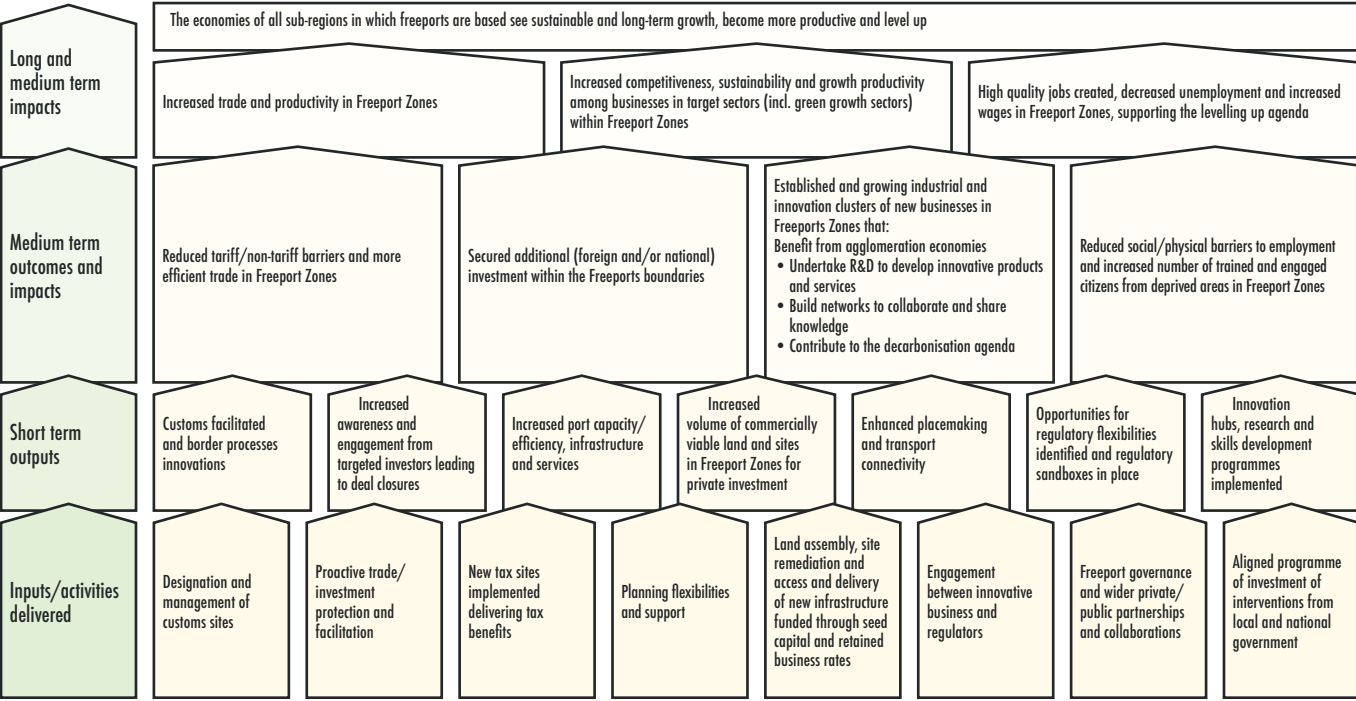


Figure 1: A logic model for the Freeports Programme
Source: Department for Levelling Up, Housing & Communities. An alternative logic model exists in HM Treasury and Department for Levelling Up, Housing & Communities: Freeports Bidding Prospectus, 2020.

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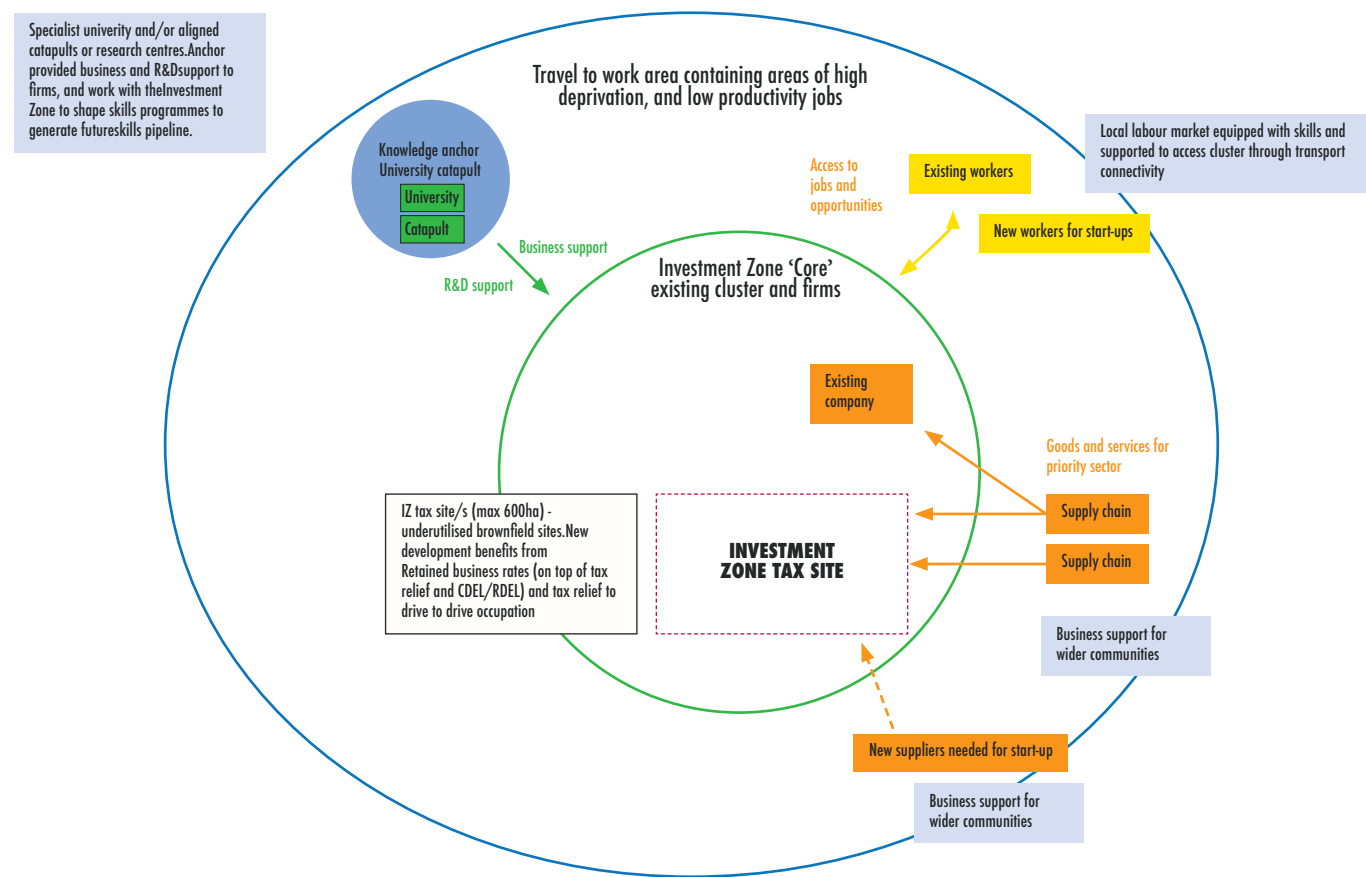


Figure 2: Illustrative diagram of an investment zone

Source: HM Treasury and the Department for Levelling Up, Housing & Communities, Investment Zone policy prospectus, 2023.

that combined authorities are not designed to oversee complex financial and governance arrangements with multiple tax regimes.

Investment zones and the ‘geography of innovation’

Leaving the issue of governance to one side, the Government’s Investment Zones policy provides a more coherent direction of travel. These are more recent policy instruments, first announced at the Autumn Statement 2022. For the purposes of this analysis, given they did not come to fruition, we ignore their previous incarnation under Liz Truss’ premiership.

Their objective is two-fold. Similar to freeports, investment zones seek to grow priority sectors and address inter- and intra-regional inequalities. Though there are important similarities between them, the investment zones have a stronger claim to both.

In line with freeports, investment zones can benefit from the same tax incentives and local authorities will benefit from 100 per cent business rate retention over a 25-year period. Both are eligible for up to three tax sites and

in theory their geographies can overlap. The Government holds the view that investment zones can provide “freeport-style benefits” which address different barriers to productivity across different typologies of place: freeports are primarily located in port areas and their hinterlands whereas the focus for investment zones are emerging clusters of similar or complementary industries, typically in larger city regions. Despite these prima facie complementarities, investment zones are not temporally aligned with freeports: the Government expected to announce them all by summer 2024, but the early election meant a delay.

Drawing on the experience of innovation districts in the United States also suggests that maximising the ‘geography of innovation’ requires a foundation of assets which employers can draw on. Investment zones are likely to be drawn across smaller geographies and contain different incentives for catalysing or supporting innovation activities, such as spending on high level skills in order to improve the ‘absorptive capacity’ of firms and their workforces. In this and other regards, the new policy model for

investment zones builds on previous initiatives such as innovation accelerators and university enterprise zones more so than previously envisaged under Truss.

There remain further significant differences between freeports and investment zones. Authorities have greater flexibility over how they spend the £160 million funding envelope allocated to investment zones over a 10-year period, which includes investment on research and development. Their focus is also more sectorally driven, with priority given to digital technologies, green and creative industries, advanced manufacturing and life sciences. This deliberate design is more likely to be co-ordinated with other policy interventions such as transport, skills and local industrial and economic strategies and therefore more likely to maximise economic potential and reduce regional inequalities.

At 600 hectares, the maximum size of an investment zone is also in the region of a third of the size of the current Teesworks site, which is salient given the benefits of co-location recede as distance between sites increase. Proximity is not the only locational concern, however, and

where investment zones take shape will influence their performance.

Further, investment zones are driven by a clear economic rationale, with a focus on a spatial core where tax site(s) are located, surrounded by a functional economic geography. Investment zones are more attentive to their spatial geography and therefore their potential to impact disadvantaged communities is greater. For example, there is an expectation that they will be integrated with Local Skills Improvement Plans (LSIP) and wider place-based economic strategies.

And early signals from investment zones suggest this to be the case. The advanced manufacturing investment zone in South Yorkshire – in partnership with the University of Sheffield, Boeing and Spirit AeroSystems – will draw on the sub-regions competitive advantage in aviation research, development and manufacturing in order to reach ‘jet zero’. It will support the economies of Barnsley and Rotherham, two of England’s most disadvantaged communities. Similarly, Liverpool City Region will invest 5 percent of its Gross Value Added (GVA) into research and development – which is more ambitious than the Government’s current target of 2.4 percent of Gross Domestic Product (GDP) – which will be distributed across Liverpool’s most deprived towns such as St Helens, Runcorn and Prescot.

Strong local leadership, research and the role of universities

The Government has been explicit that it expects their spatial focus to be complemented by strong local leadership and research excellence – with universities required to co-sign investment zones submissions – and there is a recognition of the importance of the wider ecosystem of an investment zone cluster to ensure that investment and employment opportunities are equitably distributed.

Previous experience from the United Kingdom and beyond suggests that the central role of universities in investment zones will be a determining factor in their additionality. Established in 2014, for every £1 of funding, university enterprise zone pilots generated £4.50 in return.

Leveraging existing university assets and wider pools of university investment can increase the scope for knowledge transfer and deeper collaboration, higher firm-level patents and the number of start-ups – though the additionality of this may be mitigated if institutions are bringing forward investment to benefit from the temporary nature of incentives, providing a shorter-term boost at the expense of a longer-term focus. In the US, the synergy between the University of Pittsburgh and Carnegie Mellon University on the one hand and the Pittsburgh Innovation District on the other provides the city with competitive advantages in robotics and immunology. This is boosted further by additional investment at the national and federal level and underpinned by recent legislation.

Conclusions

While investment zones appear to be the better model for targeted industrial policy than freeports, to have any significant success, both will need to sit within a broader, longer-term approach to economic policymaking, involving co-ordinated partnerships between national departments and agencies and strong local institutions. Though the Conservative government published an Advanced Manufacturing Plan and a UK Battery Strategy, a broader framework for industrial policy has long been absent in the UK context, and has been exacerbated by ongoing policy churn, with more than 55 policies targeting local economic growth in England since 1975 alone according to the National Audit Office.

With both investment zones and freeports there are risks that nearby activity – especially from firms already involved in research and development or claiming tax credits – will simply move in order to benefit from more favourable conditions, but this may be minimised if part of a more strategic and better co-ordinated approach to boost innovation, re-skill and upskill disadvantaged communities and improve the absorptive capacity of employers.

However, as the approach in the US demonstrates, industrial policy – and its focus on research and development,

green investment and new employment – has also been designed to be place-based. In President Biden’s first term in office, new legislation has placed an emphasis on increasing jobs and growth in specific places (towns, cities, regions) and reinforcing the need for strong institutions able to win and deploy major federal investment at that level. Building the capability and capacity of institutions in the UK is therefore of central importance as is ensuring that robust place-making strategies are in place.

Further, the Government should look to provide clarity on the core rationale that underpins these interventions, given the significant evidence gaps in the impact they have on, for example, improving incomes and reducing poverty, which might suggest that their ability to tackle regional inequality is limited. This is why place-based interventions – though important in themselves – should still benefit from the overall direction and resources of a co-ordinated national approach. In the US and the EU the focus on tackling climate change, investment in the semi-conductor industry and on research and development more broadly, plugs that gap - while the UK remains, despite recent progress, broadly suspicious of this approach and is increasingly an international outlier. For the Government, that might mean embracing a more interventionist state and situating freeports and investment zones within a wider industrial strategy. For the Labour Government that might mean more closely aligning freeports and investment zones with its mission to become a “green energy superpower” with the highest growth in the G7.

And lastly, ensuring that regional economic policy is underpinned by a broad cross-party consensus is crucial for the durability of economic growth. This is important so that both employers and communities have a level of certainty that wholesale reform is not on the cards after each election cycle. With some sensible reforms and a coherent overarching strategy, there is a good case for the new Labour Government to retain both freeports and investment zones.

MAYORS, DEVOLUTION AND WHY ACCOUNTABILITY MATTERS

Jen Williams

Ask anyone in England, outside London, about mayors and a decade ago they would have conjured up images of ceremonial robes, chains and ribbon-cutting at the summer fete - the placid, centuries-old activities of the traditional lord mayor.

For many, that will still be the case. But increasingly people are also likely to picture Andy Burnham railing at the government from the steps of Manchester's Central Library, or Ben Houchen promising to revive steel-making on Teesside. Metro mayors are, seemingly, not only here to stay but about to proliferate in numbers, as new figureheads have been elected in North Yorkshire, the East Midlands and the North East, while other areas such as Humberside look to follow suit.

Yet there is a genuine weakness, one which will only come more into focus as further powers are handed out, in our ability to clearly identify what mayors are actually doing or delivering.

With that comes all the complexities of building new institutions, plus altered political dynamics locally and with the centre. But it also prompts a fundamental question: how can we - how should we - hold these mayors to account, in between elections?

Extra devolution, extra scrutiny

That question has been on my mind ever since the ground zero of metro mayor events, Greater Manchester's 2014 devolution deal. It has more recently been on the government's mind, too. The announcement of 'trailblazer' devolution deals for Andy Burnham and his counterpart in the West Midlands, Andy Street, came with the promise of a 'single pot' of funding for functions including skills and transport, as well as the ability to borrow against business rates in the long term. Financial autonomy is the holy grail for those looking to take long

term transformative decisions locally. But with those powers now comes an explicit requirement from the centre: with extra devolution must come extra scrutiny.

As a result, there was wrangling with government ahead of, for example, November 2023's autumn statement, over what precisely that scrutiny should look like. Thanks to the lobbying of Conservative MPs on Burnham's patch, deeply unhappy about the Labour politician repeatedly throwing rocks at them from their own back yard, Parliamentarians will be involved in the process one way or the other, almost certainly in some kind of select committee scenario carried out jointly with local councillors.

It is the start of a more formalised structure of scrutiny intended to recognise that, increasingly, these mayors oversee considerable levels of taxpayer expenditure, have their own borrowing and - albeit

very limited - tax-raising powers and in some cases oversee police forces, vast regeneration projects and large urban transport networks.

You can debate the merits of Westminster politicians being the ones to carry out that scrutiny process, which at face value seems the antithesis of devolution. Meanwhile Whitehall is pathologically disinclined to ever let go, so there is always a risk that over-burdensome questions from the centre also negate the point of the exercise.

Yet there is a genuine weakness, one which will only come more into focus as further powers are handed out, in our ability to clearly identify what mayors are actually doing, or delivering. Westminster has centuries-old parliamentary processes designed to provide checks and balances to the executive, as well as an army of lobby journalists following every utterance of every minister. Nowhere outside of London has

anything approaching those two things. And if I'm honest, my observation of existing scrutiny structures in devolved mayoralities has not always inspired much confidence.

Manchester and Teesside

In Greater Manchester, the scrutiny apparatus intended to hold the mayor to account for policing felt insipid during the time I was following it closely. The police force had been steadily falling over for a number of years, but you would not have known that from watching those meetings. It took the policing watchdog to slam it into special measures for the failures to finally be acknowledged, even though cops, criminals and councillors across the conurbation knew full well what a mess the force was in.

In Teesside, Mayor Ben Houchen's Teesworks project, designed to regenerate Redcar's huge former steelworks, has secured hundreds of millions of pounds worth of state support. Yet councillors rarely elicit much in the way of clear answers about it during their scrutiny sessions. Most of the detail about Teesworks is hidden, either by claims of commercial confidentiality or behind the veil of the mayor's development corporation, an entity with significant powers and taxpayer resources but one that publishes little intelligible information.

The Middlesbrough Development Corporation and its parent organisation, the Tees Valley Combined Authority, have (as at time of publication) been refusing to answer any of my questions about Teesworks since the Government launched an inquiry into its governance in June 2023, claiming it could prejudice that inquiry. Even after the publication of the final report in January 2024, it remains difficult to get answers to the most basic of queries, such as "how much have you borrowed?". Notably the project has been more than happy to break its own code of silence over the past few months when it has had good news to announce.

Journalism, democracy and the need for questions

Mayoral scrutiny, of course, relies on people

like me asking those questions in the first place. Alongside scrutiny structures and elections themselves, journalism is the other crucial dimension to this process; even the physical act of being in the back of a local authority meeting as a reporter often changes the dynamic of what is said. Politicians behave differently when they know they are being watched.

I won't rehearse all of what has happened to local news in the last decade. But its diminishing capability as the internet has disrupted its business model has, tragically for communities up and down the country, played out in exact parallel to the waning powers of local government. As newspapers have lost journalists, councils have lost funding, the local government sector has become a less attractive place to work, major financial mistakes have been made in the name of budget-balancing and the market that supposedly audits their accounts has all but collapsed.

So the local state has fallen to its knees at the exact time the journalistic eco-system that used to question it has perilously weakened. That is particularly the case outside of big cities, where it is harder to make the finances of a newsroom stack up. And mayors are increasingly being created in exactly those places.

The good local politicians mourn the loss of journalistic questioning, because they understand it is integral to them making their arguments. The bad ones celebrate it, revelling in the ability to hoodwink a time-pressured or inexperienced reporter, or simply say anything they like on social media without consequence.

I should add, here, that the national press is sometimes not much better. One national article I read about a mayoral endeavour was riddled with inaccuracies and 'facts' that appeared to have been uncritically repeated. Compare that, say, to the kinds of questions that will be asked of prospective ministers at the next general election, particularly around tax and spend. They will be relentlessly pushed on how they will pay for things. Mayors, conversely, are far more likely to be able to bandy about numbers without fear of too much challenge.

All of which sounds very gloomy. But it doesn't have to be this way. There could and should be a reckoning for our local news landscape, one that recognises that its broken business model is the precursor to broken democracy. If ministers believe in what they're doing - which is always up for debate, but assuming they do - in creating an entirely new layer of English governance, then perhaps they could turn their attention to how media scrutiny works in less centralised countries. The BBC already has its Local Democracy Service, effectively a taxpayer-supported journalism endeavour, so interventions in this space are not unprecedented.

Equally, mayors and proponents of devolution need to not shy away from inevitable weaknesses in what is an evolving and iterative new tier of government. If you believe decisions really are better taken locally then presumably you have sufficient courage in your convictions to answer questions about them. Building strong new institutions will take time, but we've done it before and there's nothing etched in stone that says we can't do it again.

Local government, of course, is an old institution that needs rebuilding. Although ministers like to talk up mayoral devolution as a separate dimension to local government, in reality the two are intertwined. The quality of councillors, the strength of local leadership and the experience of council officers is all crucial to good decision-making by mayors. But it becomes much harder when the sector has been starved and infantilised over an extended period.

If none of those arguments pass muster in central government, then perhaps ministers could consider this: mayoral scrutiny is in their own interests, as the financial chaos in local authorities such as Birmingham and Thurrock has demonstrated. Whitehall did not sit up and pay attention to what was happening in these places - and in some cases appears to have not known at all - until it was too late. It is a salient and timely lesson in why all of this matters, as we enter a new chapter in English devolution.

ACCOUNTABILITY: REBUILDING LOCAL DEMOCRACY IN ENGLAND

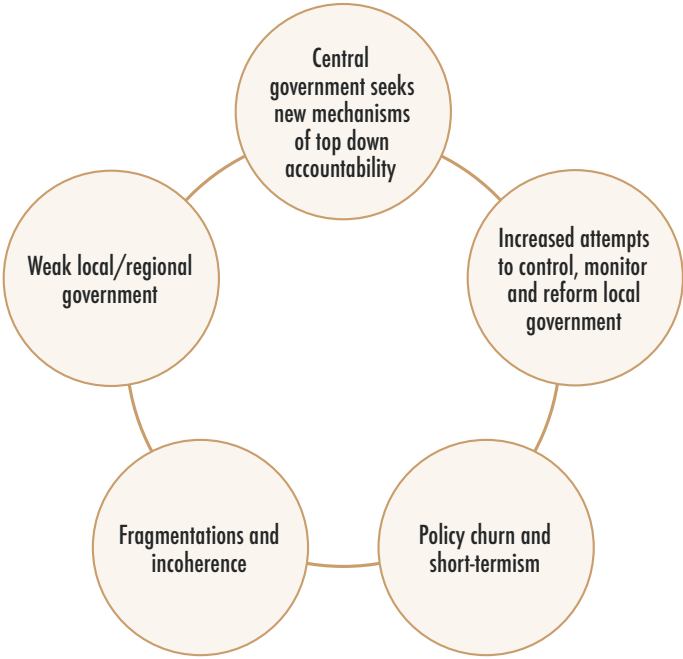
Jack Newman, Sam Warner, Michael Kenny and Andy Westwood

The local elections in May 2024 saw the latest wave of mayors take their place in the burgeoning English devolution landscape. There seems to be an emerging cross-party consensus that the metro mayor model is the way forward and it is rolling out at pace. Since York and North Yorkshire, the East Midlands and the re-configured North East Mayoral Combined Authorities held mayoral elections on 2nd May, 50 per cent of the English population, some 34 million people, now live in an area with a mayoral devolution deal.

Despite this dramatic rollout, English devolution is, at best, half finished. An unfinished map is a pressing problem, especially given that the easier deals have been struck, but it is far from the only English devolution challenge facing our new government. It is striking that amidst the necessary debates about funding, geography, tiers, power and partnerships, the question of accountability has been neglected.

Rebuilding local democracy

In our report Rebuilding local democracy: the accountability challenge in English devolution, published as part of The Productivity Institute’s work on how institutions and governance can support regional economic growth, we address this omission. Accountability is the wiring that makes the whole system work – it determines who makes decisions and who bears the responsibility. Yet, with the roll out of English devolution, the accountability ecosystem has not kept pace. Old habits associated with Whitehall-driven ‘top-down’ accountability remain. This model has weakened local government over decades. And the Treasury-led ‘contract model’ of English devolution has too often clipped the wings of the new institutions it has created.



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Source: Jack Newman, Sam Warner, Michael Kenny, Andy Westwood and the Productivity Institute.

Our central argument is that accountability is conceived too narrowly. This in part reflects traditional ‘top-down’ accountability mechanisms designed to ensure accountability for public money to Parliament. This can be constraining for local actors and even counterproductive to the process of English devolution itself. We need to systematically reimagine accountability in ways that help to build strong and legitimate local and regional institutions. Ones that look outward to the communities they serve and inward to scrutinise and evaluate their own performance, and don’t always look up to Whitehall. This is vital as we rebuild local economies, improve productivity and place civic pride at the heart of devolution.

A longer-term shift away from top-down accountability, and away from over-centralisation, cannot be achieved in isolation. Our model favours – and seeks to build on – a greater emphasis on bottom-up accountability, through which mayors have begun to challenge central decisions that directly affect their communities. But this is still ad hoc and currently it risks exacerbating disparities between regions, with the political clout of mayors like mayor Andy Burnham and former mayor Andy Street dwarfing their lesser-known and less-connected counterparts. In the years to come, it will

be crucial to build capacity in areas with local weaker policymaking infrastructure and to formalise central-local relations.

Scrutiny and democratic accountability

This broader shift to bottom-up accountability can only be achieved in a meaningful way if we first address inward and outward accountability. The former relates to the internal scrutiny processes of local institutions. This is how mayors, council leaders and scrutiny committees hold each other to account. Accusations of corruption against the Tees Valley mayor, Ben Houchen, highlight the importance of a robust inward accountability arrangement. Michael Gove’s in-house review may not have found evidence to support this claim, but it is quite clear that accountability arrangements were found wanting.

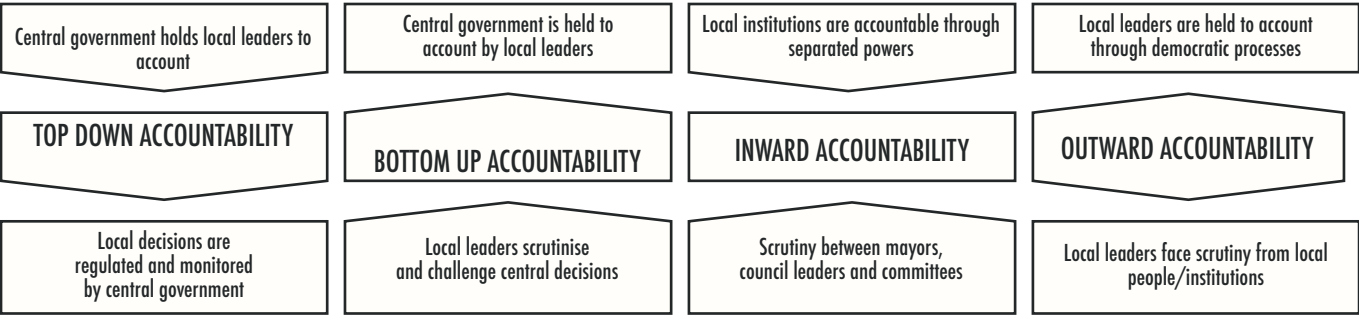
Perhaps of even greater importance is the need to promote outward accountability, through which local leaders are held to account by local people. This link is currently not working as it should. This is, in part, a reflection of long-standing low turnouts at local elections. But there are more recent and largely unreported trends at play too. The decline in local media, for example, is having a profound effect on the local accountability system. In Chapter 12 of this publication, Jen Williams notes the potent effect of simply having a reporter in

a council meeting. With a diminishing, less well-resourced local media, we have lost a major source of local scrutiny. Our report highlights that this loss is also unevenly distributed across the country, with some communities – including those that are at the heart of the latest wave of devolution – living in ‘news deserts’ with an inadequate local news scrutiny function.

We support the rollout of English devolution and welcome the ambition of mayors and other actors who are determined to make the most of their new powers. But the model will be undermined – perhaps irreversibly – if local actors themselves do not get a grip on accountability. This involves understanding the benefits they will reap if they are publicly accountable. Otherwise, a top-down model will continue to be imposed by Whitehall. This would undermine much of the hard-won gains. Responsibility for facing-up to existing failings in inward and outward accountability is shared between central and local actors.

Our recommendations

Our report is intended to act as the catalyst for a long overdue conversation about revitalising local democracy. We want this, not a top-down system of performance oversight, to drive the English devolution agenda forwards. It



Source: Jack Newman, Sam Warner, Michael Kenny, Andy Westwood and the Productivity Institute.

should be rooted in local communities, answerable to local people, and responsive to the needs of local places. We make four proposals through which such a model could emerge:

First, we see a need to re-design the scrutiny function in combined authorities, creating directly-elected scrutiny committees where there are more advanced devolution deals. We do not deny a role for central government here, but it should be focused on stipulating

include representation from local authorities. But different places will need different executive arrangements. Some innovations have been made in the most recent wave of devolution, with local leaders nominating extra members of the combined authority board, but further innovation is possible and will be necessary given that most places do not fit the Greater Manchester mould. The menu of options available should offer various ways of selecting combined authority

Conclusion

The process of English devolution is taking place against a backdrop of financial crisis and dramatic decline in local government. Our report makes the case for an approach to public accountability steeped in democratic engagement as a key component of the rebuilding process. English devolution will remain unfinished if we do not embed accountability into everyday practices. Its long-term sustainability necessitates a rebalancing

The process of English devolution is taking place against a backdrop of financial crisis and dramatic decline in local government. Our report makes the case for an approach to public accountability steeped in democratic engagement as a key component of the rebuilding process.

statutory minimum standards, not day-to-day meddling. Dedicated directly elected scrutiny committees, elected on four or five-year terms and with dedicated resources, would be a truly place-based alternative. This model, or something like it, is now vital as Level 4 ‘trailblazer’ devolution deals become embedded across the country. For areas in the early stages of devolution, where directly elected scrutiny committees are perhaps not suitable, we argue that more thought needs to go into the selection of committee members, and these members should have full buy-out from other duties. There is also no reason to assume they need all be local councillors. We envisage expanded research capacity and a public engagement ethos for places on all rungs of the devolution ladder.

Second, we think it is now necessary to publish an explicit menu of governance options for mayoral combined authorities and set out a democratic process for choosing and changing models of leadership. On balance, we believe that all options should include a directly elected leader and all should

boards and different roles for the mayor within them.

Third, if we are serious about revitalising local democracy, it will be important to change the mayoral voting system back to the supplementary vote model. This move is widely understood to have been driven by short-term political expediency, not local accountability concerns. It is important, therefore, that the Electoral Commission oversees any future changes. The recent move towards first-past-the-post is a step backwards in terms of local accountability.

Fourth, at the heart of any attempt to decentralise power in England should be a clear strategy to revitalise local media as an anchor for public accountability and democratic life. There is no time to lose in taking forward and building on the recommendations of numerous reports advocating adequate, targeted and long-term funding mechanisms to facilitate and support the inevitable transformation of the sector. To this we add addressing existing geographical inequalities in local media access and quality.

away from Whitehall-centric, top-down accountability mechanisms and toward an approach to bottom-up accountability that has local communities at the heart. Central government can support – but not supplant – this reorientation.

Labour in government will need to grasp the local accountability nettle. Otherwise, the latest wave of English devolution will be unable to support the realisation of national policy missions, unable to reconnect with disillusioned local people, and is unlikely to survive in the long term. Labour has offered few concrete proposals to enhance the local accountability ecosystem. There are no quick fixes but Labour would do well to remember that English devolution is the route to both economic growth and placed-based community revival. From redesigning local planning to supporting preventive public health, Labour’s mission driven government cannot be delivered without effective and accountable local leadership.

See Chapter 12, for further information and analysis of Mayors, devolution and why accountability matters.



SOURCES, REFERENCES AND ADDITIONAL INFORMATION

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CHAPTER 2
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CAPE (the Capabilities in Academic Policy Engagement project) is led by University College London (UCL) in partnership with the Universities of Cambridge, Manchester, Northumbria, and Nottingham, and in collaboration with the Government Office for Science, the Parliamentary Office for Science & Technology, Nesta and Transforming Evidence www.cape.ac.uk

The local and regional authority academic advisers’ network which CAPE has co-convened with the Chief Scientific Adviser at the Department of Levelling Up, Housing & Communities has highlighted both the value and the scarcity of possible academic or scientific advisors in local and regional government. Report forthcoming (as at Sept 2024).

“...*one option is for every combined authority to have its own academic or scientific advisor including helping to establish regional research needs and interests to which academic communities can respond...*” This could adapt the model of Areas of Research Interest which are now published by UK Government departments and Select Committees in the UK Parliament and the Senedd.

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Levelling Up What now? Lessons in addressing place-based inequalities is a collaboration between CAPE (Capabilities in Academic Policy Engagement) and The University of Manchester.

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CAPE is a knowledge exchange and research project that explores how to support effective and sustained engagement between academics and policy professionals across the higher education sector. It is a partnership between UCL and the universities of Cambridge, Manchester, Northumbria and Nottingham in collaboration with the Government Office for Science, the Parliamentary Office for Science & Technology , Nesta and the Transforming Evidence Hub. CAPE is funded by Research England.

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The opinions and views expressed in this publication are those of the respective authors and do not necessarily reflect the views of CAPE or The University of Manchester.

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Autumn 2025

Concept and editor : Andy Westwood, Professor of Government Practice at The University of Manchester
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