

Levelling Up, Local Growth & Productivity in England

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Ahead of the publication of the Government's 'Levelling Up' white paper, The Productivity Institute reviews the current role of institutions and governance structures across English regions in tackling spatial inequality and low productivity.

Policy recommendations

1. A stable institutional landscape is critical to productivity – this has been missing for decades in England
2. A clear devolution and decentralisation strategy based on coherent city region economic geographies at a scale that make a difference
3. Coordination between institutions at all levels (and different functions – transport & infrastructure, education, business support, research and development) is vital for this to work and succeed

Key insights

Despite a devolution of political powers to Northern Ireland, Scotland and Wales as well as several city-regions in England, Britain remains a unitary state that is overcentralised compared to other countries. At the same time Britain's institutional ecology at national as well as at the local and regional level can be weak, fragmented or poorly co-ordinated.

The three policy areas most important for boosting productivity and reducing disparities across regions are also subject to continuous chopping and changing including regional policy, industrial strategy and vocational education

There is a lack of spatial consistency and continuous churning within and between government reforms. For example, in England and Wales there were 19 Training and Enterprise Councils (TECs) created in 1990 looking after various economic and training schemes. These were replaced by nine Regional Development Agencies and 47 local Learning and Skills Councils. By 2010 both sets of organisations were abolished and replaced with 39 Local Enterprise Partnerships. Alongside there was the creation of several Combined Authorities (now 9 in England) as well as the 'Northern Powerhouse' and 'Midlands Engine' brands. Very few follow the same geographical boundaries or follow a consistent or coherent geographical or spatial framework. This is not a way to encourage private investment.



Successive British governments also have a poor track record of effective cross-departmental coordination, as highlighted not just during the Covid-19 emergency but also in relation to the repeated failure to put in place a robust industrial policy. For example, new Whitehall departments have been created and renamed, and industrial strategy recalibrated with every new incumbent in No 10.

Reducing high levels of regional inequality requires a more optimal balance between local and national fiscal powers, with more flowing to the former. However, it is likely that achieving this will require a period of strengthening capacity in local and regional institutions and of continuing fiscal transfer as gaps remain wide.