



Alex Davenport

02 October 2020

# Levelling up: where and how?

@TheIFS



Economic  
and Social  
Research Council

- The government has promised to tackle regional inequalities and ‘level up’ left-behind areas of the UK.
- Neither the objective nor the rhetoric is new, and UK regional inequalities are deep rooted.
- ‘Real economic gain must come from a process of “levelling up” – enabling every part of the UK to develop and grow to its full potential’ (HM Treasury, 2003).
- We are still waiting on lots of the details:
  - What, where, how?

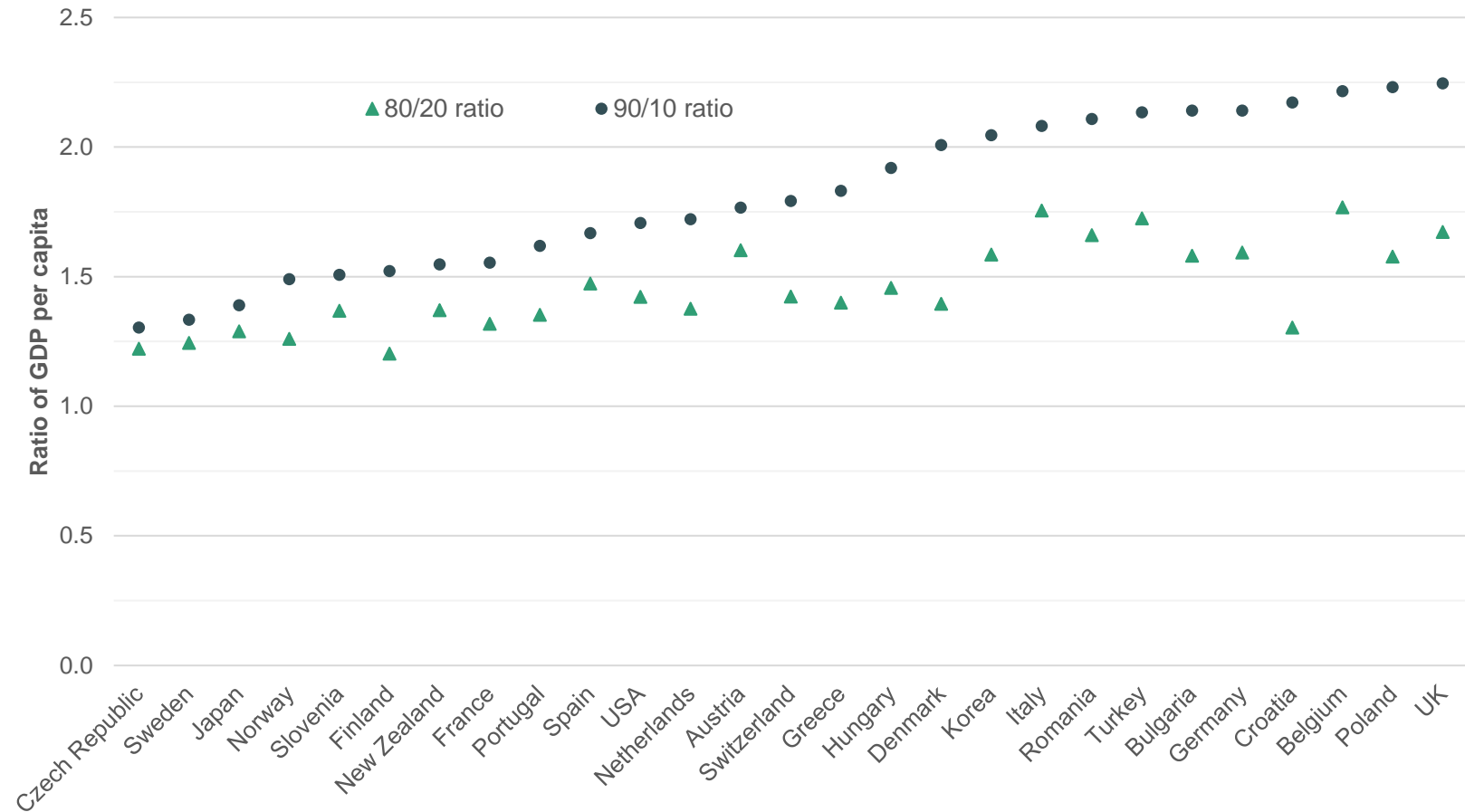


---

# How geographically unequal is the UK?

---

# The UK is among the most geographically unequal developed countries



Source: Authors' calculations using OECD Stat Regional GDP



---

# Where are the 'left-behind' parts of the UK?

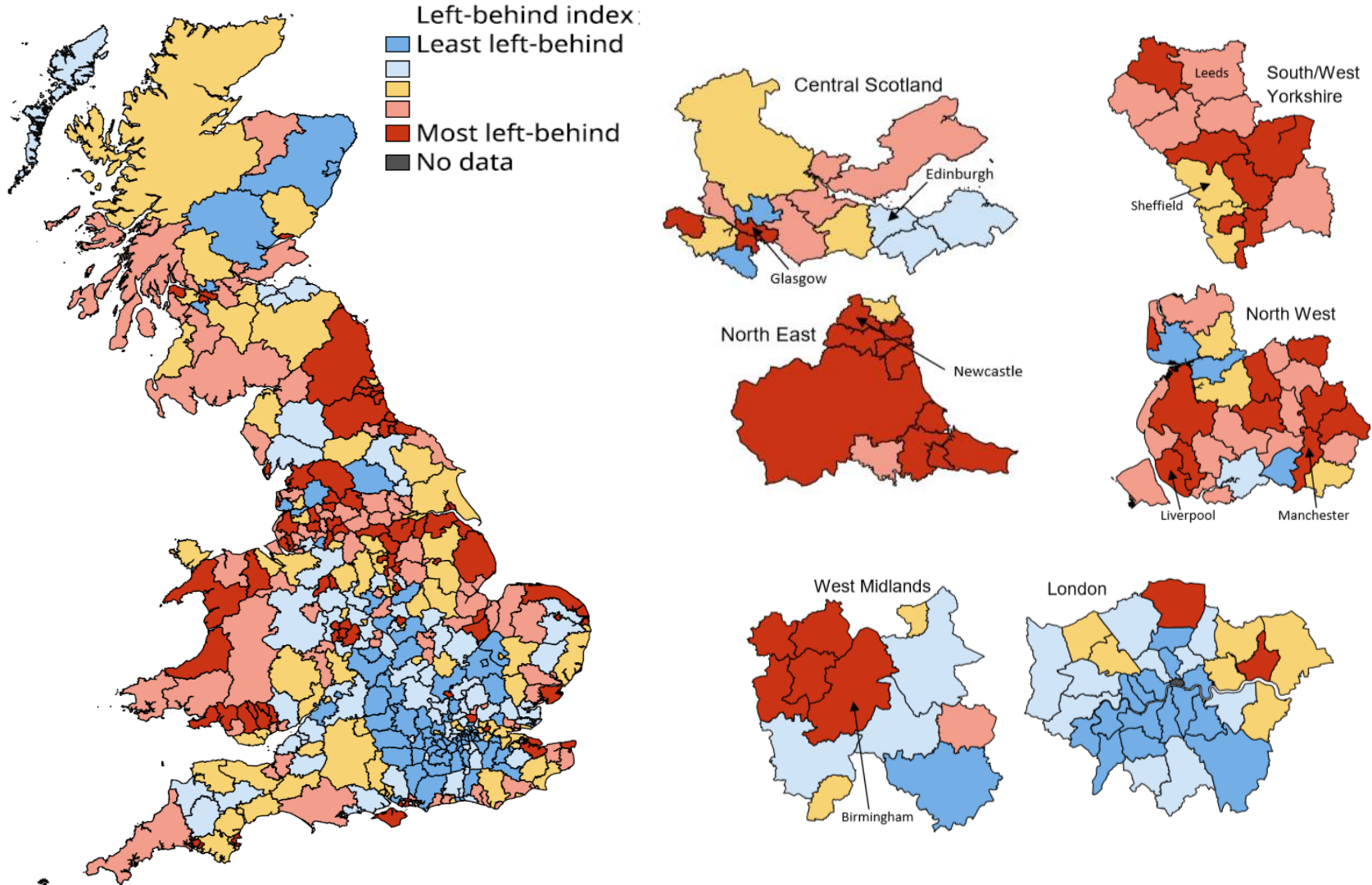
---

# Where is 'left-behind' in the UK?



- There is no single definition of being 'left-behind'
- We consider pay, degree-level qualifications, incapacity benefits and employment, and combine these into one measure.
- Local authorities are mapped by quintiles (fifths) of this index.
- These areas are found across the country but particular patterns emerge.

# Our left-behind measure



Notes and sources: see Figure 7.2 of IFS Green Budget 2020.

Levelling up: Where and how?



---

# The economic impact of COVID-19 and Brexit

---

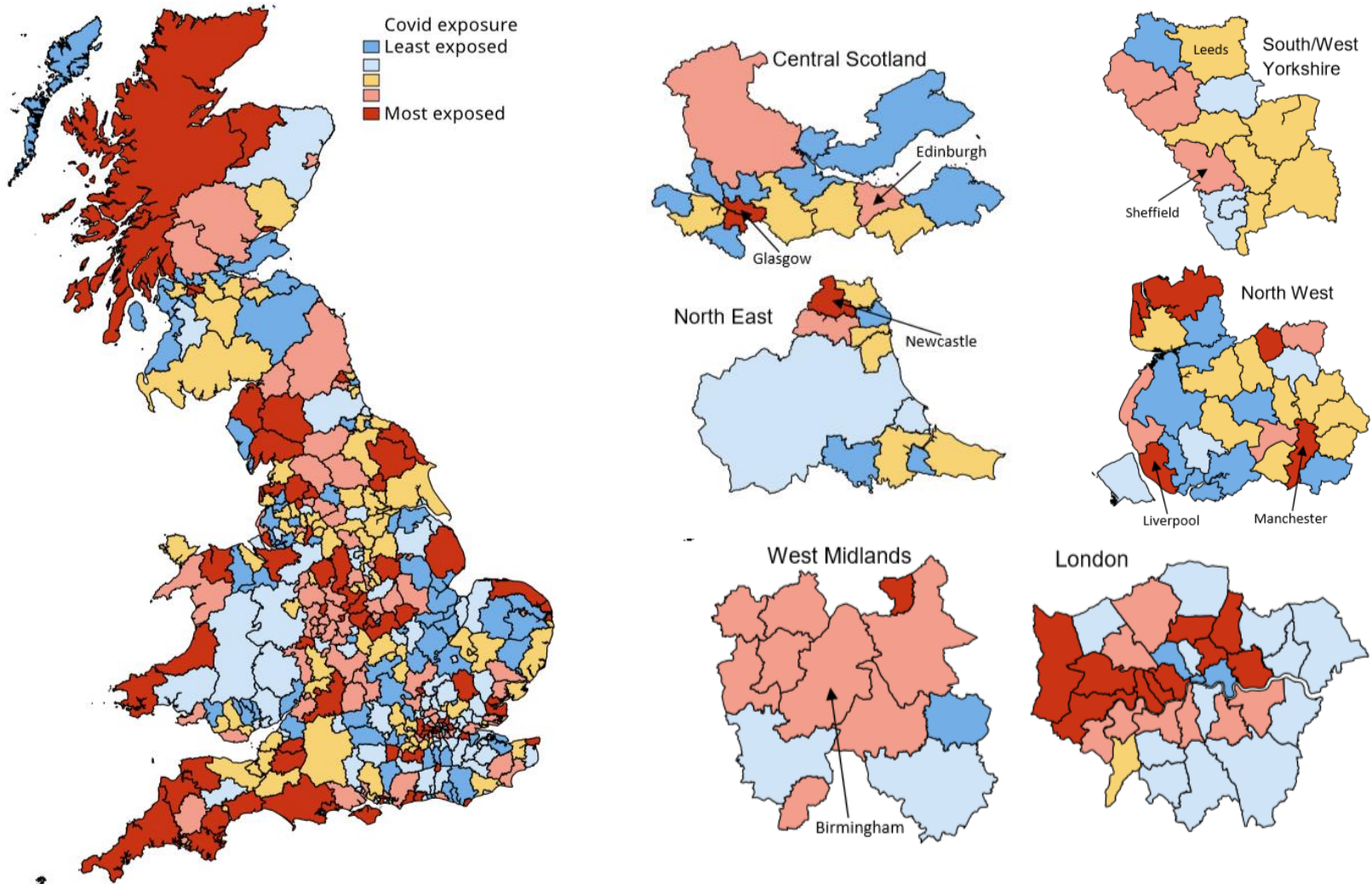


# What impact could COVID-19 have?



- The economic impacts of the pandemic will vary greatly by area
- Long-term implications are still highly uncertain
- We focus on short-term economic impact and look at:
  - The share of workers in affected industries.
  - The proportion of eligible workers ever furloughed.
  - The fall in job vacancies from April-June 2019-2020.

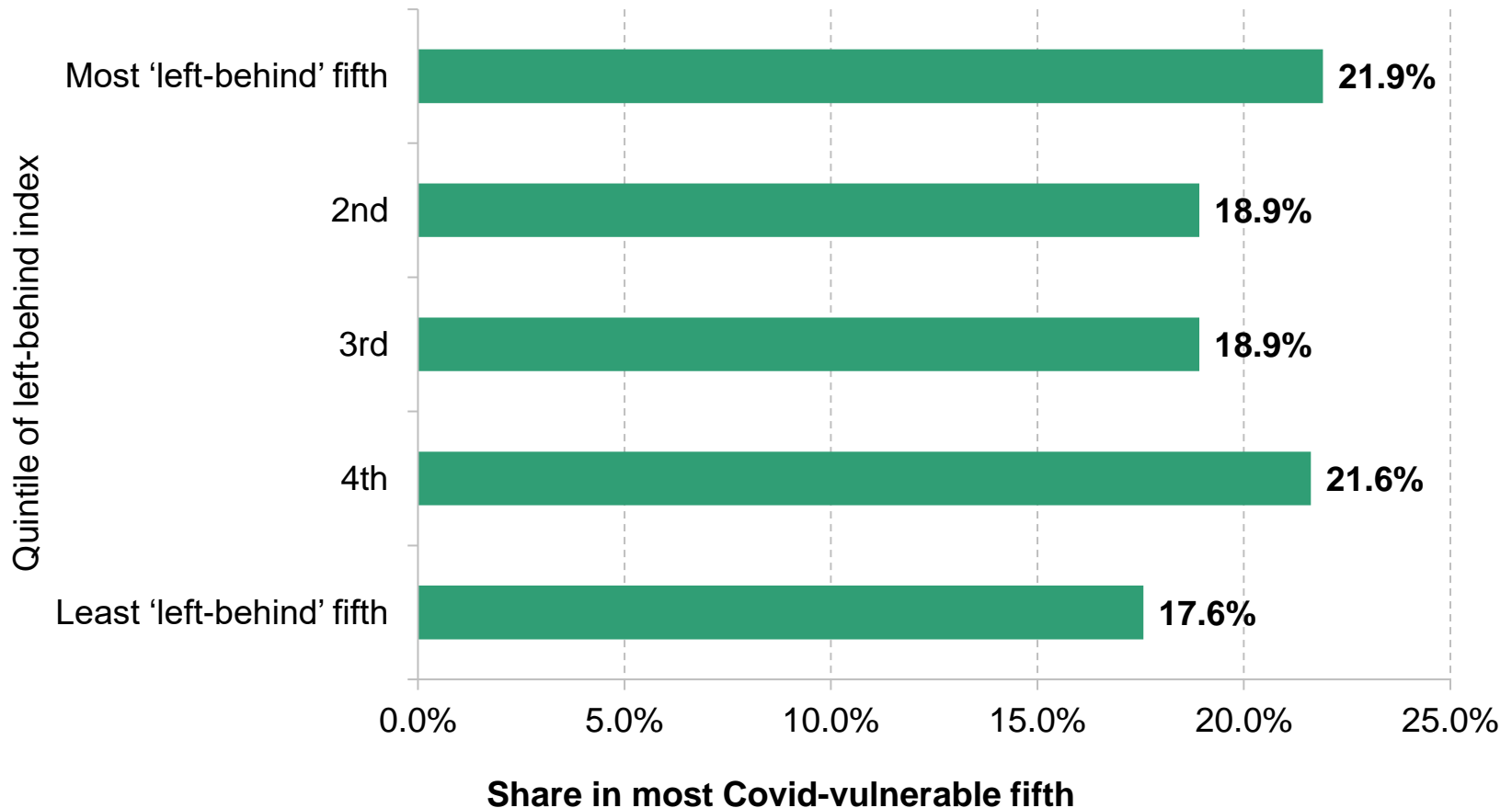
# Our measure of COVID-19 economic impact



Notes and sources: see Figure 7.3 of IFS Green Budget 2020.

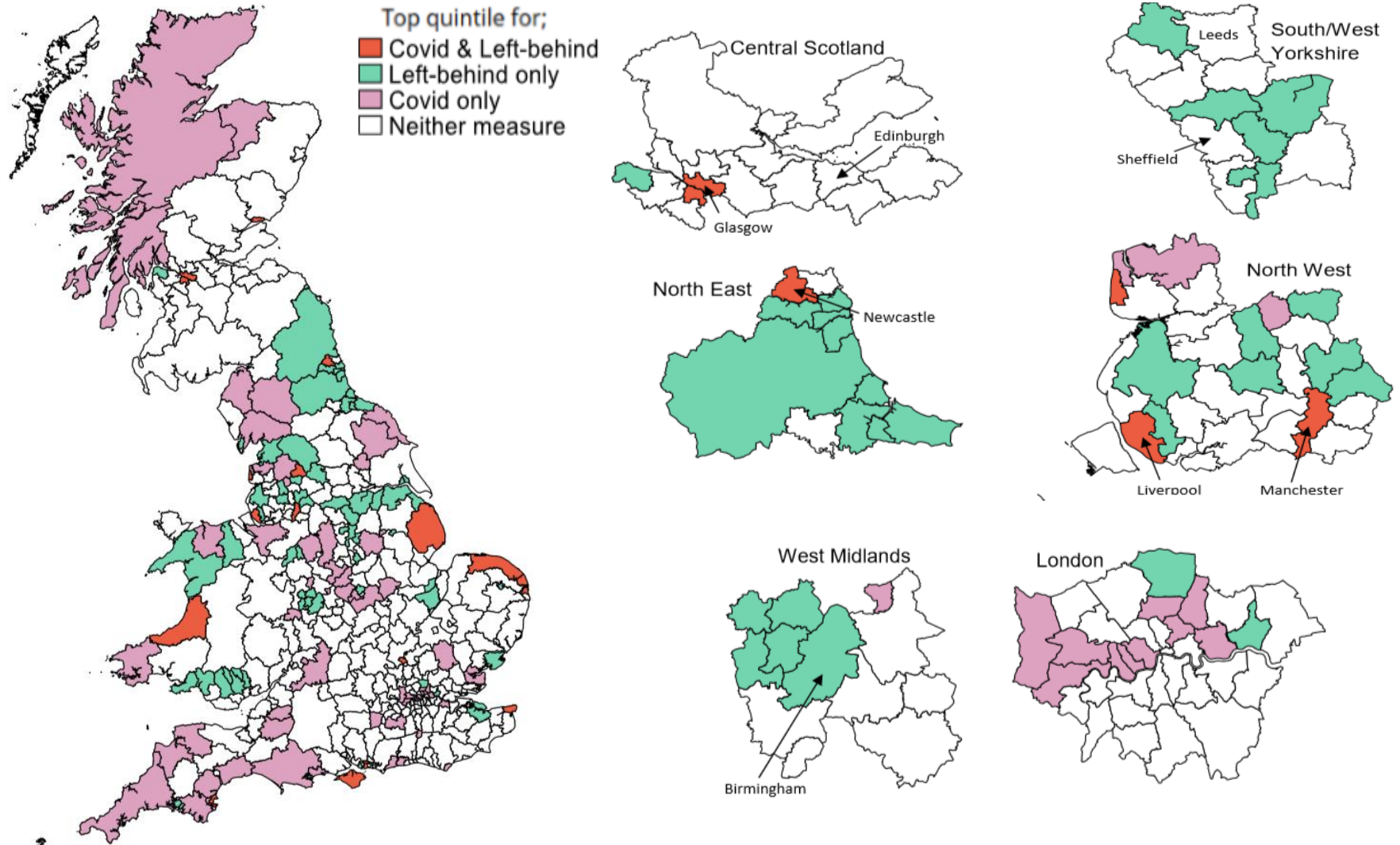
Levelling up: Where and how?

# No systematic relationship between the two measures



Notes and sources: see Figure 7.5 of IFS Green Budget 2020.

# But some areas look vulnerable on both fronts



Notes and sources: see Figure 7.4 of IFS Green Budget 2020.

# Brexit could have an impact too



- Huge uncertainty around post-Brexit UK-EU relationship
- Studies on the impact of Brexit consistently find that those hardest hit will be:
  - Workers with lower levels of formal qualification
  - Workers in manufacturing industries
- These workers are concentrated in left-behind areas
  - North East, South Wales, West Midlands
- Likely to make 'levelling up' more difficult



---

# Issues for the government to consider

---

# Issues for the government to consider...

- What is 'levelling up' trying to achieve? Which areas are to be targeted?
- Length of funding cycles
- Local flexibility will be key
  - No one-size-fits-all policy solution
  - More transport investment not always the answer
  - Both capital and revenue funding
  - Important role for local government
- Don't reinvent the wheel: build on and rationalize existing schemes
  - Already at least eight place-based schemes in England alone

# In conclusion...

- This is a deep rooted, long-term and complex problem, and solutions will be equally long-term and complex.
- A carefully planned agenda encompassing a broader range of policy areas beyond just spending is needed.