

## 'DIVIDE AND LEVEL UP' WON'T TRANSFORM BRITAIN

### DEMOS RESPONSE TO THE LEVELLING UP WHITE PAPER

The Levelling Up White Paper is holed below the waterline by partisan politics and Treasury penny pinching. The government's plans are ambitious, serious, and built on detailed, thoughtful analysis of the economic imbalances that have plagued our country for generations. The White Paper's approach is grounded in a rich understanding of why, where and how previous attempts to resolve our problems have failed, or stalled. And yet, the plans it sets out are just as likely to be hobbled as those which have come before.

That's because this government has missed the opportunity to build the lasting public consensus for levelling up - not as a slogan, but as a generational commitment of solidarity between our citizens. Instead they've resorted to culture war snark about richer areas, pitting Primrose Hill against Pontefract and Hampstead against Hartlepool.

When Boris Johnson won the 2019 General Election, he made a clear commitment not just to "Level Up", but to "Unite the Country". Many people think of those as separate agendas, but for Demos, they are one and the same. For levelling up to work, it has to be built on unity of purpose and identity within and between the nations of the

United Kingdom.

Most commentators have centred their criticism of the Levelling Up White Paper on its lack of fiscal commitments. Turning to the reunification of Germany as a comparable example of an attempt to rebalance an economy, they have made the case that for Levelling Up to succeed, we will need vast fiscal transfers between richer and poorer areas, for decades if not for generations. The Levelling Up White Paper's deep analysis of our problems conveys a sense that the department, at least, understands this. The scale of their ambition is great. For the first time, they seem to understand

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the way in which social and economic factors work together, and want to address deep, structural inequalities of education, skills, opportunity, health,

wellbeing and more.

But they don't admit the reality of how expensive this will be to solve. In part, this seems to be because of reluctance by the Treasury to make the necessary investments; on top of this it's likely there is a whole of government reluctance to talk about the tax bills richer families, and most people in richer areas, would have to pay if those investments were made.

In the long term, of course, we will all benefit from greater productivity across our regions. But we have seen similar political arguments about funding development aid or supporting growth in poorer EU member states fall on deaf ears. It's a story that needs to be proactively told, time and again, to persuade people to take the short term hit.

Politics cannot resolve serious, long term problems, unless our leaders are honest with us. You cannot level up the country on the cheap and we should not try. But you cannot take billions from one part of the country and send it to another without people noticing either, and we should not try. Of course, there are political risks, but there is also a remarkable opportunity for a generational consensus on this, an opportunity the government looks ready to ignore.

Different parties have different names for levelling up. But if you focus on the stated goals of the plan instead of whether it will work, you realise that the White Paper could be the start of a new, multi-decade political consensus: a recognition that place and community matters; that markets left alone lead to undesirable outcomes; and that top-down diktaks don't work. Labour agrees on all of those points. Both parties are trying to reduce inequality - between people and between places. Levelling up builds on an intellectual framework that includes community wealth building (from the left) and the new social covenant (from the right). It builds on work by the Centre for Towns (founded by Labour MP Lisa Nandy) and Onward (founded by Conservative MP Neil O'Brien). It builds on deep economic analysis from non-partisan actors like Andy Haldane, the CBI, and the Resolution Foundation.

Throwing away the opportunity for national consensus for a few cheap barbs at the opposition isn't just bad politics. It's bad policy too. Because the only way to take the political sting out of the cost of levelling up, is for our parties to work together on it. Divisive framing destroys the chances of a real conversation with the public about the long term changes we need to make, and how we, together will manage the trade-offs. Divide and Level Up won't transform Britain: it's time to get back to Unite and Level Up.

## WHAT'S GOOD IN THE WHITE PAPER?

### The ambition deserves praise

As the White Paper sets out in often graphic detail, the UK has been scarred for too long by inequalities of place. To see the government explicitly recognise the need to correct this is admirable and should be welcomed.

More specifically, we welcome defining levelling up as aspiring for people in "every place in the UK... [to] not have to leave their community to live a good life". Some will argue levelling up should be about connecting lagging places and thriving hubs; 'stay local, go far' is unrealistic and a misplaced ambition. We disagree.

Research we conducted last year shows the public is firmly on the government's side on this.<sup>1</sup> The public wants to be able to stay in our local area for work and play: almost half of those living in towns or rural areas would like to be able to work and live within their locality, without visiting a city. We also found Red Wall residents are notably less willing to travel long distances to work than residents in other parts of the country.

This suggests that merely improving connections between less productive and more productive places will not level up in the eyes of the public, particularly for those in the Red Wall. That's why 'stay local, go far' is the right goal, even if it will be difficult to achieve.

### The range of objectives are complex - but that reflects reality

Last year we asked the public to define levelling up. They told us they care just as much - if not more - about 'social' outcomes - better high streets, improved schools and hospitals - as economic ones.<sup>2</sup> To that end, the broad set of missions - spanning social and economic outcomes - in the White Paper is to be welcomed.

Some will criticise this breadth as unwieldy. And yes, there remain questions about how progress against such a broad set of missions will be tracked and effectively delivered in government. Yet the range of missions and their complexity reflect the complexity of everyday life and that what we want as citizens is multifaceted. To reduce that complexity would be an oversimplification.

To give you a sense of that complexity, last year we launched a Place Satisfaction Index; a measure of the collective mismatch - if any - between the facilities,

<sup>1</sup> <https://demos.co.uk/project/all-ears-putting-the-public-at-the-heart-of-levelling-up/>  
<sup>2</sup> <https://demos.co.uk/project/all-ears-putting-the-public-at-the-heart-of-levelling-up/>

amenities, and services people want to have nearby and their perception of the actual provision that is on offer.<sup>3</sup> We found good local shops are the most important factor for people and their place. But not far behind are access to fresh air and nature, good transport services and housing; a wide range of issues that defy being put in specific boxes.

Relatedly, the mix of economic and social policy is to be welcomed. Some have already argued that credibility is being stretched when obesity and football policy is in a document also wishing to reduce productivity gaps. But this neglects the crucial fact that social and economic policy should and do work hand-in-hand; they are not at war with one another.

### The White Paper rightly recognises importance of local leadership

We have spent the last two years speaking to local policy makers across the country to understand how to level up, as part of the LIPSIT project.<sup>4</sup> We found that the existing system for managing local economic policy from the centre is highly dysfunctional.<sup>5</sup> We concluded that in the absence of change, there is zero-chance of reversing the long-term trend towards greater regional inequality that levelling up requires. That's why the recognition of the importance of local leadership in delivering levelling up is to be welcomed.

## WHAT'S MISSING FROM THE WHITE PAPER?

*The vision and analysis set out in Chapter 1 is impressive. But the policy framework and individual policies set in Chapters 2 and 3 contain some gaps.*

### Serious fiscal transfers from richer to poorer areas, largely because the ground has not been laid for these

*Despite the White Paper's many strengths, there remains a long way to go on turning that great ambition into reality.*

Levelling up as described in the White Paper will require - at minimum - large fiscal transfers from richer to poorer areas. Why? This is how levelling up happens in reality. The economic gap between West and East Germany has been significantly reduced in recent decades. As the Centre for Cities have outlined, up to €2 trillion was spent on the

reunification project in Germany between 1990 and 2014.<sup>6</sup> Yet as many commentators have outlined, the White Paper does not get close to this scale of investment.

### Serious reform of the local government funding system and serious devolution of powers, other than in selected areas

Our research with the LIPSIT project advocated the abolition of funding competitions and the proliferation of separate funding streams.<sup>7</sup> The White Paper recognises the problem with the existing system, but only promises to streamline it rather than replace it with something different. We recommended a needs-based formula system, linked to achievement of economic (and other) targets set by local government and agreed with Whitehall. The system will be a little better than it is now, but it will continue to be Whitehall led - with its national missions (good in themselves, but symptomatic of a centralising mentality), driving local economic policy.

Similarly, despite the very welcome commitment to local leadership, the actual devolution proposed is piecemeal with only a small number of authorities gaining the range of powers the White Paper itself acknowledges is needed to achieve effective policy implementation. The system of 'deals' remains in place - proper devolution across the country is not for this year or next year but for 2030!

### A serious attempt to disrupt low skills equilibria by coordinating skills supply and demand at a higher level

Our work as part of the LIPSIT project identified persistent low skills low wage equilibria across the country, but particularly in 'left behind' parts of the North and Midlands.<sup>8</sup> Disrupting these equilibria will be a central challenge of levelling up, and requires stimulating skills demand and supply in particular local areas in a coordinated way. This requires public private partnership working - which the White Paper acknowledges is needed - and place-based economic strategies led by local authorities around which these partnerships can coalesce. The policy and institutional challenges involved were not discussed in the Paper - and indeed skills demand and skills supply are dealt with in two separate missions (living standards and skills respectively).

3 <https://demos.co.uk/project/everyday-places-creating-strong-locations-to-support-daily-life-in-britain/>

4 <https://lipsit.ac.uk/>

5 <https://demos.co.uk/project/achieving-levelling-up-the-structures-and-processes-needed/>

6 <https://www.centreforcities.org/blog/what-can-german-reunification-teach-the-uk-about-levelling-up/>

7 <https://demos.co.uk/project/delivering-levelling-up-dont-turn-on-the-taps-without-fixing-the-pipes/>

8 <https://demos.co.uk/wp-content/uploads/2020/11/Achieving-Levelling-Up-Report.pdf>

## If the “devolution revolution” is to live up to its name, power must be shared with communities

Devolution to local government is important and to be welcomed. But power cannot stop there: councils must share power with communities.

That’s because the public craves this; by a margin of two-to-one, we found in a survey last year that the public would rather have more say over spending than more money for their local area.<sup>9</sup> It’s also needed because much of the public is divided over exactly what levelling up should look like for their area.<sup>10</sup> Bringing residents together to build consensus has to be a key part of levelling up.

This is a significant challenge. Engagement with councils is generally low. In a recent survey we found that roughly one in ten of the public have ever responded to a council consultation or spoken to our local councillor.<sup>11</sup> Little surprise then that fewer than a quarter of the public say they feel listened to “a great deal” by their council.<sup>12</sup>

Given the scale of the challenge here, it’s disappointing to see so little on the need for local participation in shaping levelling up. Devolving to councils without steps to properly involve the public in councils’ decisions about levelling up - a ‘double devolution’ - risks replacing one system of top down leadership with another.

## Remote working can aid levelling up - but it’s nowhere to be seen

The shift to remote working is perhaps the enduring economic shift of the pandemic. Yet it barely features in the White Paper; no doubt driven by the government’s relentless, maddening war against homeworking.

Given the role remote working could play in boosting the places that the government is aiming to help, this is a mistake. Embracing remote working at a national level could ensure those living away from metropolitan centres can access jobs that are currently centred there. We will be exploring in the coming months how this can be delivered in practice.

It could also boost the economies of places beyond employment hotspots. In a survey of 20,000 people last year, we found that a third of the public want to spend more money locally - something that greater

remote working would only strengthen.<sup>13</sup>

## MAKING IT STICK

Perhaps the most welcome aspect of today’s White Paper is its long-termism. But a change of government - which given the Prime Minister’s travails is not unlikely - could cause this agenda to be junked, perhaps within months. Indeed, the half-life of policy initiatives in the UK appears to be falling; witness the rapid rise and fall of the Big Society, Northern Powerhouse and Industrial Strategy over the last decade. The government must act now to avoid this fate.

First, ditch the levelling up culture war. Stop banging on about “London elites”, “Islingtonia” and “Primrose Hill”. Not only does this undermine the solidarity needed for serious economic transformation, it makes it harder for other parties - which might be on the other side of the culture war trenches - to sign up to your agenda. Get back to Unite and Level Up, not Divide and Level Up - the government’s current approach.

Second, make a bold, open and genuine offer to Labour. Join us in our mission. Sign up to our aims, even if you can’t endorse our policies. If they refuse, ask difficult questions. If you focus on the stated goals of the plan, there is little between the two parties.

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Both are now seeking to reduce inequality - between people and between places. Levelling up builds on intellectual foundations that span community wealth building on the left to a new interest in communitarianism and social covenants on the right. In terms of philosophy at least, there is enormous overlap.

Third, see the White Paper as a springboard. The Prime Minister, assuming he survives, must recognise - at least privately - there isn’t enough money in it. Work your hardest to persuade the Chancellor that the next election will be a levelling up election, as More in Common have convincingly argued,<sup>14</sup> and that - as a result - his future depends on it. Then announce real, proper funding at a Spring Statement

9 <https://demos.co.uk/project/all-ears-putting-the-public-at-the-heart-of-levelling-up/>

10 <https://demos.co.uk/project/the-future-of-towns/>

11 <https://demos.co.uk/project/locating-authority-a-vision-for-relational-local-government/>

12 <https://demos.co.uk/project/locating-authority-a-vision-for-relational-local-government/>

13 <https://demos.co.uk/project/post-pandemic-places/>

14 <https://www.moreincommon.org.uk/our-work/research/everyday-levelling-up/>

designed to reboot your agenda. This should take the air out of Labour's criticisms of the White Paper and could soften their opposition.

This might sound utopian thinking; some of it probably is. But such steps are needed to cement the new cross-party consensus on the importance of place and community; on the need for locally-led not top-down change; and on the legitimate use of state power to correct undesirable market outcomes. A consensus necessary for the White Paper to genuinely transform Britain in the long run - not to wither on the vine like too many other recent attempts to level up.

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