

DEMOS

# ECONOMIES OF COORDINATION

UNLOCKING GROWTH AND  
OPPORTUNITY FOR YOUNG  
PEOPLE IN BRITAIN'S LEFT-BEHIND  
NEIGHBOURHOODS

DAN GOSS  
NICOLA STOKES  
ANNA GARROD

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15 Whitehall, London, SW1A 2DD  
T: 020 3878 3955  
hello@demos.co.uk  
www.demos.co.uk

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**Dan Goss, Nicola Stokes and Anna Garrod**

**April 2026**

# ABOUT THIS REPORT

Demos is Britain's leading cross-party policy think tank. Our vision is for an upgraded democracy, powered by trusting relationships between all actors in society. We are calling for a New Deal to repair the broken systems that are undermining democracy. The New Deal asks something of us all, delivers for all citizens and is built through collaboration.

A key pillar of the New Deal is building what Demos calls a '**Citizen Economy**'. Economic policy has for too long seen individuals as simplified, passive recipients of the economic settlement. As a result, it has (1) lacked public legitimacy, and so relied on short-term tactics that avoid hard trade-offs, and (2) failed to understand the social complexity of the economy, and so relied on top-down levers. A Citizen Economy unlocks long-term strategy and system-building by instead seeing individuals as 'citizens' - complex moral agents and active contributors. It highlights the transformative potential in building economic systems that manage social complexity and have citizens' long-term interests at their heart.

The concept of 'economies of coordination' is at the core of the Citizen Economy. One small firm has, on its own, limited capacity to drive growth and opportunity for its local economy and young people. But by bringing together the active contribution of many local businesses with a shared stake in their communities - pooling data, insights, capacity and reach with other local businesses, councils and institutions - there is huge potential to transform local economies for citizens and young people long-term. This is the essence of the New Deal and a Citizen Economy.

# FOREWORD

## BY LYNNE PEABODY



All young people have the talent and potential to succeed in the workplace, but while talent is everywhere, opportunity is not. Young people growing up in low-income households are twice as likely to become NEET – not in education, employment, or training. In the UK today, nearly one million young people are NEET, and this number is expected to rise. This has significant consequences, not only for young people’s ability to access meaningful work, but also negatively impacting their mental health and wellbeing. High levels of NEET young people also exacerbate skills shortages and reduce productivity, further limiting opportunities.

It is encouraging that the policy environment shaping youth employment outcomes and social mobility is evolving rapidly, with reform across skills, careers, labour market participation, and AI adoption. But success will depend on how reforms are implemented locally, how employers engage in practice, and how effectively systems that impact a young person’s transition into work are coordinated.

At the EY Foundation, our ambition is to ensure all young people from low-income backgrounds have an employment and earnings potential that is equitable with their peers. With over ten years of working with both sides of the labour market, and through our research, we know that employers, including SMEs, who embrace inclusive recruitment and support local talent from lower socioeconomic backgrounds benefit in return. The EY Foundation is building an employer-led movement to create a more socioeconomically diverse workforce, identifying best practice and demonstrating how change can be implemented across different locations and business sizes.

This report calls for coordinated economic action, and as an organisation working to strengthen connections between employers and education institutions, we see first-hand the importance of coordinated approaches when improving careers education and supporting employers to deliver on their social value commitments. Over the last two years, EY Foundation have been working on a project in Bradford to design and deliver a modern work experience programme. Following an extensive co-design with over 100 stakeholders, including employers, schools, parents, young people and local partners, from spring 2026 we will deliver our pilot programme, Beyond Horizons. We look forward to sharing insights on how to meet growing employer appetite for place-based collaboration and deliver experiences that reflect the realities of today’s labour market. Ultimately, we hope the insight generated supports wider system-level change by helping to shape how the government’s increased commitment to work experience is implemented at a local level.

To drive systemic change, unlock economic growth, and broaden opportunity, we must establish frameworks that enable local businesses and communities to work collectively and thrive. The EY Foundation fully supports this research by Demos and is committed to taking forward its practical insights with employers across the country. We welcome the opportunity to work with partners to explore how more coordinated local economies can deliver better outcomes for young people from low-income backgrounds.

**Lynne Peabody, CEO, EY Foundation**

# EXECUTIVE SUMMARY

Young people in the UK today, and in particular those from low income backgrounds, are facing the country's dual crisis: weak economic growth and constrained opportunity. UK productivity is around 25% lower than it would have been had it continued rising at pre-2008 rates, and young people's pay has taken a big hit. Weekly pay for 22-29 year olds has, after adjusting for inflation, not risen at all above its 2008 level. For 18-21 year olds, it's down 11%.<sup>1</sup>

Poor productivity has been compounded by rising challenges for young people in accessing work. Unemployment is at a five-year high, while almost one million young people (16-24) - around one in eight - are not in education, employment or training (NEET).<sup>2,3</sup> The pressure on young people from low income backgrounds is even greater, as they are twice as likely to be NEET as those from wealthier households.<sup>4</sup> These challenges could rapidly intensify as technological change – particularly artificial intelligence – disrupts entry-level labour markets.

As one of the most regionally-unequal developed economies, Britain's economic and social stagnation is highly concentrated in 'left-behind' towns and neighbourhoods.<sup>5,6</sup> A key driver is what has been called the UK's 'long tail' of low-productivity firms, whereby a large proportion of its businesses have a productivity far below that of the more productive firms. For example, a UK firm in the 90th percentile of productivity produces about 13 times more output than a firm in the 10th percentile. By comparison, the gap is much smaller in other countries - around 5 times in France and Spain, and 7 times in Canada.<sup>7</sup>

For those in left-behind places, the resulting sense of detachment from progress fuels anger, hopelessness and mistrust in the state and democracy.<sup>8</sup> It is a catalyst for the democratic doom loop.<sup>9</sup>

1 Office for National Statistics. Earnings and hours worked, age group by industry by two-digit SIC: ASHE Table 21. 23 October 2025. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/agegroupbyindustry2digitsicshetable21>

2 Masud, F. UK unemployment hits highest rate for nearly five years. BBC. 17 February 2026. <https://www.bbc.co.uk/news/articles/c117pedyzjeo>

3 BBC. UK unemployment rate hits near five-year high as wage growth slows. 17 February 2026. <https://www.bbc.co.uk/news/live/c62756plr6t>

4 Impetus. Youth Jobs Gap: Exploring compound Disadvantage. May 2025. [https://impetus-org.files.svdcdn.com/production/assets/publications/Report/Impetus\\_YouthJobsGap\\_ExploringCompoundDisadvantage.pdf?dm=1747140359](https://impetus-org.files.svdcdn.com/production/assets/publications/Report/Impetus_YouthJobsGap_ExploringCompoundDisadvantage.pdf?dm=1747140359)

5 IPPR. Written evidence submitted by IPPR North (RDE0080). September 2019. <https://committees.parliament.uk/writtenevidence/105375/html/>

6 We define a 'left-behind' area as one that both ranks highly in indices of multiple deprivation and lacks key social infrastructure.

7 OECD. United Kingdom: Insights on productivity based on Microdata. January 2026. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/02/oecd-insights-on-productivity-country-notes\\_e66278d6/united-kingdom\\_13b35b0e/54476092-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/02/oecd-insights-on-productivity-country-notes_e66278d6/united-kingdom_13b35b0e/54476092-en.pdf)

8 McKay, L., Jennings, W., Stoker, G. Political Trust in the "Places That Don't Matter". *Frontiers in Political Science: Political Participation*, Vol 3. 26 April 2021. <https://www.frontiersin.org/journals/political-science/articles/10.3389/fpos.2021.642236/full>

9 Curtis, P. Upgrading Democracy: A new deal to repair the broken relationship between citizen and state. Demos. 2 July 2025. <https://demos.co.uk/research/upgrading-democracy-a-new-deal-to-repair-the-broken-relationship-between-citizen-and-state/>

The solution to young people’s economic and social stagnation should not rely on them having to move to places with higher productivity and employment. It demands that young people have opportunities for high paid work wherever they are. To deliver that, we need to reimagine local business ecosystems in those towns and neighbourhoods.

Drawing on a series of case studies, research with business leaders, and a survey of SMEs in March 2026, this report argues that there is substantial untapped potential in strengthening coordination between businesses, public institutions and local communities. Unlocking this potential holds the key to restoring economic growth and social opportunity for Britain’s young people.

## THE ROLE OF LOCAL GROWTH-ORIENTED BUSINESSES

Local growth-oriented businesses - local SMEs, start-ups and scale-ups with high potential for productivity growth - are central to Britain’s social and economic challenges. They play a crucial role in local job markets - with SMEs constituting 60% of employment and 37% of apprenticeship starts. They can drive innovation and growth, with scale-ups contributing £2.2 trillion to the national economy. They anchor economic opportunities in local areas, with 89% of SMEs feeling part of their local community.<sup>10</sup>

Yet, SMEs in the UK face inherent problems due to their inability to take advantage of economies of scale - the efficiency gains that businesses can benefit from as they grow in size. OECD analysis shows that scaling SMEs are particularly critical for both productivity growth and employment.<sup>11</sup> In recent decades, however, UK firms have not scaled up at a significant pace due to a lack of market pressure and barriers facing SMEs such as low access to finance.<sup>12,13</sup>

To transform young people’s local economies, new solutions are needed to (1) support more SMEs to scale up and (2) raise productivity among non-scaling SMEs.

## THE IMPORTANCE OF MARKET COORDINATION

One critical route for local growth-oriented businesses to replicate the benefits of scale (i.e. raise productivity) and simultaneously accelerate scaling is through coordination. Business coordination can generate value through:

POOLING DATA	POOLING LEARNING	POOLING CAPACITY	POOLING REACH	POOLING VOICE
Sharing intelligence about labour markets, skills needs and economic opportunities.	Spreading best practice and technological learnings between firms and institutions.	Coordinating investment, training provision or innovation activities.	Enabling businesses to reach a wider section of the local community and workforce.	Aligning public communications and advocacy to speak with a louder collective voice.

10 Aviva. New Aviva survey reveals SMEs optimistic about 2025 growth, driven by strong community connections. 10 December 2024. <https://www.aviva.com/newsroom/news-releases/2024/12/new-aviva-survey-reveals-smes-optimistic-about-2025-growth/>

11 OECD Studies on SMEs and Entrepreneurship. Unleashing SME Potential to Scale Up: Helping SMEs Scale Up. 2025. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/unleashing-sme-potential-to-scale-up\\_a7869b94/ea948a58-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/unleashing-sme-potential-to-scale-up_a7869b94/ea948a58-en.pdf)

12 Kariel, J and Savagar, A. Scale Economies and Aggregate Productivity. 12 July 2024. [https://assets.publishing.service.gov.uk/media/669a23daa3c2a28abb50d2b0/Scale\\_economies\\_and\\_aggregate\\_productivity.pdf](https://assets.publishing.service.gov.uk/media/669a23daa3c2a28abb50d2b0/Scale_economies_and_aggregate_productivity.pdf)

13 Hurley, J. Lending gap for small businesses ‘is hurting UK’s growth’. The Times. 28 April 2025. <https://www.thetimes.com/business/companies-markets/article/lending-gap-for-small-businesses-is-hurting-uks-growth-zmqzq55xm>

Various studies demonstrate the productivity and employment benefits of increased coordination between businesses, and EU countries whose SMEs co-operate more with other entities tend to have higher labour productivity and higher levels of innovation.<sup>14,15,16,17</sup> However, markets often experience 'coordination failures' - where a lack of trust or information prevents firms from coordinating with one another to take advantage of opportunities for mutual benefit. Our survey demonstrates how:

- Almost all SMEs (96%) do not coordinate with local organisations (businesses, councils, training providers, charities, or community organisations) in at least one of the following ways:
  - Sharing data and insights on local skills and employment
  - Sharing advice on local business opportunities and policy
  - Advocating around shared local needs
  - Partnering on local skills outreach
  - Collectively financing or delivering local projects
- Among those SMEs, two thirds (68%) report experiencing barriers that prevent them from engaging in the aforementioned activities, particularly:
  - Not enough budget/unable to access the necessary finance (21%)
  - Not enough staff capacity (20%)

Coordination failures mean many local growth-oriented businesses are unable to realise their full potential to drive local growth and opportunities for young people.

## **ECONOMIES OF COORDINATION: A NEW IDEA TO DRIVE LOCAL GROWTH AND OPPORTUNITY**

To address these failures, this report proposes a novel approach for strengthening local economic systems: developing not just economies of scale, but 'economies of coordination'. While traditional coordination strategies focus on geographic clustering, an 'economies of coordination' strategy focuses on building 'coordination infrastructure', i.e. systems and linkages between businesses that enable them to align their incentives and activities, and pool learning and resources. It also moves beyond standard business networks by linking businesses with the full range of local economic actors (educational institutions, community organisations, membership bodies, anchor institutions and local governments), with both horizontal integration across local economies, and vertical integration within sectors.

Drawing on the survey of SMEs, we find that better coordination among businesses would deliver substantial benefits for growth and opportunity, with particular opportunities for young people through new apprenticeships. It would deliver boosts to:

14 Audretsch, D. and Belitski M. Knowledge collaboration, firm productivity and innovation: A critical assessment. *Journal of Business Research*, Volume 172. February 2024. <https://www.sciencedirect.com/science/article/pii/S0148296323007713>

15 Vedula, S. and Kim, P. Gimme shelter or fade away: the impact of regional entrepreneurial ecosystem quality on venture survival. *Industrial and Corporate Change*, Volume 28:4. August 2019. <https://academic.oup.com/icc/article-abstract/28/4/827/5529198?redirectedFrom=fulltext>

16 National Centre for Universities and Businesses. Arresting the decline: Unlocking the potential of universitySME interaction in the UK. 2024. <https://www.ncub.co.uk/wp-content/uploads/2021/07/Arresting-the-Divide-NCUB.pdf>

17 Eurostat. Enterprises that co-operated on business activities with other entities by innovation status, NACE Rev. 2 activity and size class (CIS2022). 6 December 2024. [https://ec.europa.eu/eurostat/databrowser/view/inn\\_cis13\\_co/default/table?lang=en&category=scitech.inn.inn\\_cis13.inn\\_cis13\\_inno](https://ec.europa.eu/eurostat/databrowser/view/inn_cis13_co/default/table?lang=en&category=scitech.inn.inn_cis13.inn_cis13_inno)

- **Annual economic growth of up to £28 billion**, through generating new business partnerships with universities and up to almost two million new management apprenticeships
- **SME revenue of up to £40 billion**, through generating new management apprenticeships
- **SME productivity of up to 9%**, as 41% of SMEs would be more likely to use external business advice

## EVIDENCE FROM FOUR CASE STUDIES

To explore how economies of coordination are developed successfully, the report examines four initiatives that facilitate coordination between businesses, institutions and communities, with particular benefits for young people and their local economies:

1. **Expanding high-quality apprenticeships:** CATCH - a membership organisation and apprenticeship provider - utilises the data and insights of its members to shape its apprenticeship programmes around local skills needs and help firms manage the apprenticeship system. CATCH has a strong local reputation and supports members to pool their outreach to engage hard-to-reach groups.
2. **Improving schools' career skills and support:** Bradford SkillsHouse - a function in the Bradford Council - brings together employers, educators and local institutions in key local sectors to work in partnership to address skills shortages. It enables learning, data sharing, and partnership programmes between local schools and employers to enhance training provision and align it with labour market demand.
3. **Strengthening Business Improvement Districts (BIDs):** North Nottinghamshire BID provides shared services for local firms, runs programmes to boost the local economy and sense of pride, facilitates partnerships to reach and train local talent, and collects and disseminates data on local skills needs.
4. **Optimising and expanding social value in government procurement:** Manchester City Council creates strong, supportive relationships with local businesses and has built data platforms that can be used by local actors to better understand and standardise measurement of social value.

Across all four cases, strong coordination infrastructure enables fragmented actors to coordinate their activities, improving economic efficiency and local employment outcomes.

## A FRAMEWORK TO IMPLEMENT ECONOMICS OF COORDINATION ACROSS THE COUNTRY

The report concludes that stronger coordination systems are essential to unlocking growth and opportunity across the UK. To effectively build economies of coordination at the national scale, this report lays out how to bring coherence to UK business coordination policy through a three-pillar approach and a cross-cutting foundation. For each, it proposes enabling policies by which the government can support this agenda, and a call to action for local businesses and employers to contribute.

	<b>PILLAR 1</b> RELATIONAL PARTNERSHIPS	<b>PILLAR 2</b> SHARED PURPOSE	<b>PILLAR 3</b> RICH DATA
Description	Strong personal connections across businesses, local organisations, communities and decision-makers	A shared commitment among participating organisations to drive local prosperity and opportunity	A deep and regularly updated understanding of local needs, opportunities and resources
Role in tackling coordination failure	Enables both information sharing and trust-building	Strengthens trust	Strengthens information sharing
Enabling policies	<p><b>Vertical integration:</b> Build stronger and longer-term linkages between (1) existing coordination infrastructure at the regional level, and (2) business bodies and wider partners at the local level</p> <p><b>Horizontal integration:</b> Join-up and streamline local authority business engagement functions with a focus on building long-term, supportive relationships between local partners</p>	Build ' <b>Community Hubs</b> ' that connect local businesses with community organisations to align on local priorities and embed them into council services	Build local, digital ' <b>Social Value Portals</b> ' enabling local businesses to understand and measure social value
<b>CROSS-CUTTING FOUNDATION</b> FINANCIAL COORDINATION			
Description	A financial coordination infrastructure that is geared towards projects that tackle coordination failures and has the local networks and expertise needed to strengthen coordination		
Role in tackling coordination failure	Ensures capital flows are aligned with the business partnerships, purpose and data in local economies		
Enabling policies	<p>Direct financing vehicles to <b>harness capital towards collaborative local business projects</b></p> <p>Establish new financing institutions at the regional or local level <b>with expertise and relationships across local economies</b></p>		

## THE ROLE BUSINESSES AND EMPLOYERS CAN PLAY IN **ECONOMIES OF COORDINATION**

To contribute to the development of economies of coordination, local businesses and employers should:

- Engage with LSIPs, Business Boards and Growth Hubs to explore opportunities to build valuable local relationships and share data, learning, resources, reach and voice for mutual benefit
- Build close and long-term relationships with relevant teams in the local authority, and explore how that relationship can be used to strengthen their local networks with other partners.
- Engage with Community Hubs in local and regional authorities, contribute to and learn about local priorities, and use that understanding to effectively win and deliver contracts from local and regional governments.
- Use digital social value portals to measure and reflect their social value, for example by offering work experience or awarding apprenticeships to young people from low-income backgrounds.
- Engage with public financing vehicles with grants specifically for collaborative projects, and engage with other local businesses to explore opportunities for collaboration.
- Form strong relationships with newly established local financial institutions and develop new investable projects as a result.

By strengthening the coordination infrastructure that connects businesses, workers and communities, economies of coordination offer a pathway to stronger local economies and greater economic opportunity across the UK. This is core to the Demos vision for a New Deal between citizen and state - one which asks something of us all, delivers for all citizens and is built through collaboration.

**If the government is to deliver its missions, strengthen economic security for young people in left-behind places, and restore faith in the state, this is the way forward.**

# INTRODUCTION

## YOUNG PEOPLE'S DUAL CRISIS OF ECONOMIC & SOCIAL STAGNATION

In many of Britain's regions, towns and neighbourhoods, communities are caught in a vicious cycle of a stagnant economic and low social opportunity. They are often referred to as 'left-behind'. In these places, limited growth and productivity are restricting access to secure, well-paid work for young people, erasing their opportunities. Weak job prospects then drive unemployment and the outward migration of skilled workers, further undermining local economies and discouraging investment. The cycle has been initiated, deepened and embedded by deindustrialisation and uneven public investment in infrastructure and skills.<sup>18</sup>

The dual nature of this cycle - poor economic conditions and a lack of social opportunity for young people - is critical for understanding declining trust in democracy and the state. Research finds that trust in government is lower in deprived areas and that this results from a combination of both perceived economic deprivation and perceived social marginality (feelings that one's area is marginal to society).<sup>19</sup>

The cycle of economic and social stagnation for young people is seen in a myriad of dismal figures on productivity, unemployment and inactivity. We summarise a few below.

ECONOMIC STAGNATION	SOCIAL STAGNATION
<ul style="list-style-type: none"><li>• UK productivity was 24% lower in 2023 than it would have been had it continued rising at pre-2008 crisis rates.<sup>20</sup> It is now 20% below the US.<sup>21</sup></li><li>• Median weekly pay for full-time employees last year was 2% lower in real terms than in 2008.<sup>22</sup></li></ul>	<ul style="list-style-type: none"><li>• 4 million children are living in poverty.<sup>23</sup></li><li>• 14% of 15-29 year olds are NEET - higher than the OECD average (12.9%) and twice as high in Norway (6.2%) and the Netherlands (5.8%).<sup>24</sup></li><li>• The NEET rate is twice as high for young people from disadvantaged backgrounds than their more affluent peers.<sup>25</sup></li></ul>

18 Collier P. Left Behind: A New Economics for Neglected Places. 2024.

19 McKay, L., Jennings, W., Stoker, G. Political Trust in the "Places That Don't Matter". *Frontiers in Political Science: Political Participation*, Vol 3. 26 April 2021. <https://www.frontiersin.org/journals/political-science/articles/10.3389/fpos.2021.642236/full>

20 Kilfoyle, M. How can the UK revive its ailing productivity? *Economics Observatory*. 14 March 2024. <https://www.economicsobservatory.com/how-can-the-uk-revive-its-ailing-productivity>

21 Harari, D. Productivity: Economic Indicators. House of Commons Library. 20 February 2026. <https://commonslibrary.parliament.uk/research-briefings/sn02791/>

22 Francis-Devine, B. Average earnings by age and region. House of Commons Library. 6 November 2025. <https://commonslibrary.parliament.uk/research-briefings/cbp-8456/>

23 Save the Children. New Data Shows 4M children in poverty amid cost-of-living fears. 26 March 2026. <https://www.savethechildren.org.uk/news/media-centre/press-releases/2026/new-data-shows-4m-children-poverty-amid-cost-living-fears>

24 OECD. Youth not in employment, education or training (NEET). N.d. <https://www.oecd.org/en/data/indicators/youth-not-in-employment-education-or-training-neet.html>

25 Impetus. Youth Jobs Gap: Exploring compound Disadvantage. May 2025. [https://impetus-org.files.svdcdn.com/production/assets/publications/Report/Impetus\\_YouthJobsGap\\_ExploringCompoundDisadvantage.pdf?dm=1747140359](https://impetus-org.files.svdcdn.com/production/assets/publications/Report/Impetus_YouthJobsGap_ExploringCompoundDisadvantage.pdf?dm=1747140359)

ECONOMIC STAGNATION	SOCIAL STAGNATION
<ul style="list-style-type: none"> <li>• Weekly pay for 22-29 year olds is the same as in 2008, after adjusting for inflation. For 18-21 year olds, it's 11% lower.<sup>26</sup></li> <li>• Weekly pay in London is almost five times higher than in the North East, rising to almost six times among 22-29 year olds.<sup>27</sup></li> <li>• Apprenticeship starts for those under 19 have fallen 40% since 2015.<sup>28</sup> Across all trades, the ratio of job vacancies to apprenticeship placements is 106:1.<sup>29</sup></li> </ul>	<ul style="list-style-type: none"> <li>• One in four NEET young people have been job-hunting for over a year.<sup>30</sup></li> <li>• 62% of young people believe it has become more difficult to find a job than ten years ago.<sup>31</sup> 44% cite a lack of skills or training as the biggest barrier.</li> <li>• The proportion of A-Levels graded A or A* was 50% higher in London than the North East.</li> <li>• Four in five employers believe graduates arriving at the workplace do not have the skills needed to be work-ready.<sup>32</sup></li> </ul>
THE LINKAGES BETWEEN ECONOMIC AND SOCIAL STAGNATION	
<ul style="list-style-type: none"> <li>• A modest increase in social mobility - bringing the UK up to the western Europe average - could be associated with an annual GDP increase of approximately 2%.<sup>33</sup></li> <li>• Businesses investing significantly in the promotion of workforce social mobility could add £19 billion to GDP, adding £6.8 billion to tax revenues and £1.8bn to profits each year.<sup>34</sup></li> <li>• International evidence suggests countries with more social mobility, such as Sweden, Austria and Denmark, have better job matching and greater productivity.<sup>35</sup></li> </ul>	

## SUCCESS OF THE GROWTH AND OPPORTUNITY MISSIONS HINGES ON CHANGE IN LOCAL ECONOMIES

Britain's economic stagnation underpins the government's growth mission - "the number one mission of this government" according to the Chancellor. The social stagnation underpins the government's Opportunity Mission and what the Prime Minister has called "the pernicious idea that background equals destiny".<sup>36</sup> To deliver both the Opportunity Mission and the Growth Mission, the government has no choice but to transform the local economies where people currently lack opportunities to develop their talent and enterprise.

26 Office for National Statistics. Earnings and hours worked, age group by industry by two-digit SIC: ASHE Table 21. 23 October 2025. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/agegroupbyindustry2digitsicshetable21>

27 Office for National Statistics. Dataset: Earnings and hours worked, UK region by age group. 23 October 2025. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/earningsandhoursworkedukregionbyagegroup>

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29 DART. The UK Skills Crisis: The State of Apprenticeships in 2025. <https://www.darttoolgroup.com/the-apprenticeship-gap-2025>

30 Youth Futures Foundation. Young people not earning or learning remains stubbornly high into early 2025. 23 May 2025. <https://youthfuturesfoundation.org/news/neet-levels-remain-high/>

31 Youth Futures Foundation. One in eight young people across the UK not in work or education. 24 August 2024. <https://youthfuturesfoundation.org/news/youth-employment-2024-outlook-report/>

32 CMI. New report identifies key 'ready for hire' skills graduates need to boost employability. 28 September 2021. <https://www.managers.org.uk/about-cmi/media-centre/press-releases/new-report-identifies-key-ready-for-hire-skills-graduates-need-to-boost-employability/>

33 Jenkins, H., English, K., Hristova, O., Blankertz, A., Pham, V. and Wilson, C. Social Mobility and Economic Success: How social mobility boosts the economy. July 2017. [https://www.suttontrust.com/wp-content/uploads/2020/01/Oxera-report\\_WEB\\_FINAL.pdf](https://www.suttontrust.com/wp-content/uploads/2020/01/Oxera-report_WEB_FINAL.pdf)

34 Huband-Thompson, B. The Opportunity Effect: How Social Mobility Can Help Drive Business and the Economy Forward. October 2024. [https://demos.co.uk/wp-content/uploads/2024/10/Co-op\\_Report\\_2024\\_Oct.pdf](https://demos.co.uk/wp-content/uploads/2024/10/Co-op_Report_2024_Oct.pdf)

35 Ibid.

36 The Labour Party. Keir Starmer unveils Labour's mission to break down barriers to opportunity at every stage. 6 July 2023. <https://labour.org.uk/updates/press-releases/keir-starmer-unveils-labours-mission-to-break-down-barriers-to-opportunity-at-every-stage/>

The Independent Commission on Neighbourhoods (ICON)'s 613 mission-critical neighbourhoods across England - locations experiencing the highest levels of combined need across all areas targeted by the government's missions - reflect how socioeconomic need tends to cluster at a hyperlocal level through a negative feedback-loop. Individuals with fewer resources and less education are more likely to be stuck in deprived areas, while those with more opportunities will leave. This compounds local economic challenges. Success of the missions demands transforming these high-need places.

This report makes the case that local growth-oriented businesses hold the key to the transformation needed. Businesses are ultimately where people build skills, earn a living, and contribute to economic growth, while simultaneously playing a critical role in communities' health, sense of identity, local culture, social networks, sense of purpose and democratic inclusion. As Liam Byrne MP has demonstrated in his book, *Why Populists Are Winning and How to Beat Them*, the poor quality of local businesses and high streets is a key signal of economic decline for the public - which underpins the appeal of populist politics.<sup>37</sup> A stronger democracy demands stronger local business ecosystems.

## **THIS REPORT AND OUR METHODOLOGY**

Local growth and opportunity depend on a myriad of economic conditions and policy areas - from trade and investment to fiscal transfers - which shape the whole economy. In this report, we focus not on these macroeconomic structures or systems, but on the behaviours and practices that businesses can use to drive local growth and opportunity.

We first scoped the range of practices that businesses can undertake to help deliver local growth and opportunity. We identified four practices with the most potential to drive progress in the economy today:

1. Providing apprenticeships
2. Addressing career-specific skill gaps in schools
3. Improving local business environments
4. Delivering social value in local areas

We then identified innovative organisations for each practice, and explored their work through a series of case studies. We carried out a series of interviews with key stakeholders - from managers, to frontline staff, to clients or service users of the organisations - and analysed the organisations' impact data. In doing so, we developed the novel concept of 'economies of coordination', and analysed how to develop them successfully.

In this paper, Section 1 explores the role of business ecosystems in Britain's social and economic stagnation, and their potential to break the vicious cycle for Britain's left-behind towns and neighbourhoods. In Section 2, we make the case that breaking the cycle demands building economies of coordination. Section 3 explores the case studies, outlining the impact these practices have, and how each reflects successful examples of strong economies of coordination. Section 4 outlines our recommendations, both on how the government can lay the foundations for stronger economies of coordination at a national scale, and how employers can catalyse the change.

The report represents a bold agenda for economic progress - one which could break the cycle of stagnation for local business ecosystems in left-behind places, and transform them into sites of growth, opportunity and in turn, hope.

37 Byrne L. *Why Populists Are Winning: and How to Beat Them*. Apollo. 26 March 2026

# THE PROBLEM

## LOCAL GROWTH-ORIENTED FIRMS HOLD UNTAPPED POTENTIAL

A key factor in Britain's economic and social stagnation is a failure in local business ecosystems, particularly left-behind towns and neighbourhoods. This section highlights the specific opportunity to drive change by supporting local growth-oriented firms - SMEs, start-ups and scale ups - who have transformative potential but face important and distinct challenges.

### **THE UK ECONOMY HAS A 'LONG TAIL' OF LOW PRODUCTIVITY FIRMS, PARTICULARLY ACUTE IN DEPRIVED AREAS**

While the UK is the home of many highly-productive businesses, we face the particularly stark problem of a 'long tail' of low-productivity firms. Two-thirds (67.7%) of UK firms in 2022 had labour productivity below the mean, with these firms employing 70.9% of UK workers.<sup>38</sup> The UK faces a greater problem than many peer countries. OECD analysis finds that, between 2010-2022, a UK firm with productivity at the 90th percentile was 13 times as productive as a firm at the 10th percentile, compared to only 5 times as much in France or Spain, or 7 times in Canada.<sup>39</sup> Just 13% of UK SMEs registered any employment growth last year, while OECD analysis put the average across a selection of countries at about half.<sup>40,41</sup>

38 Office for National Statistics. Trends in UK business dynamism and productivity: 2024. 3 December 2024. <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/trendsinukbusinessdynamismandproductivity/2024>

39 OECD. United Kingdom: Insights on productivity based on Microdata. January 2026. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/02/oecd-insights-on-productivity-country-notes\\_e66278d6/united-kingdom\\_13b35b0e/54476092-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/02/oecd-insights-on-productivity-country-notes_e66278d6/united-kingdom_13b35b0e/54476092-en.pdf)

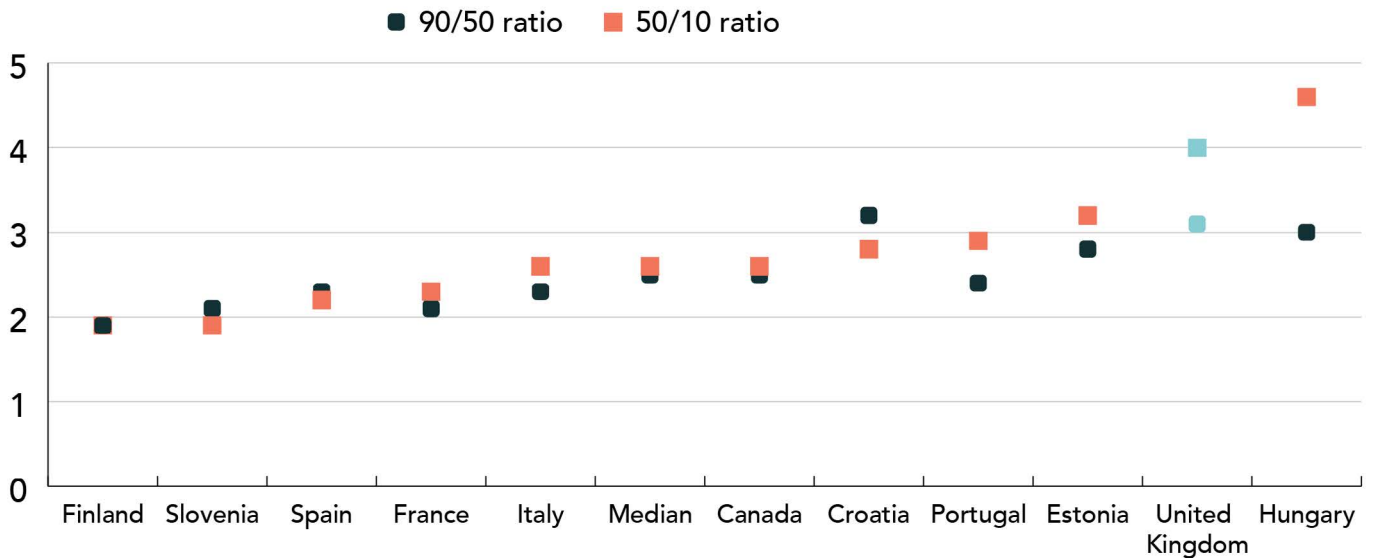
40 Department for Business & Trade. Backing your business: evidence annex. 9 January 2026. <https://www.gov.uk/government/publications/backing-your-business-our-plan-for-small-and-medium-sized-businesses/backing-your-business-evidence-annex-web-version>

41 OECD. Unleashing SME Potential to Scale Up: Helping SMEs Scale Up. 11 November 2025. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/unleashing-sme-potential-to-scale-up\\_a7869b94/ea948a58-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/unleashing-sme-potential-to-scale-up_a7869b94/ea948a58-en.pdf)

## CHART 1

The United Kingdom has among the greatest dispersions of labour productivity among other countries

Average ratio of the 50th to the 10th and the 90th to the 50th percentiles of labour productivity by country, 2010-2022

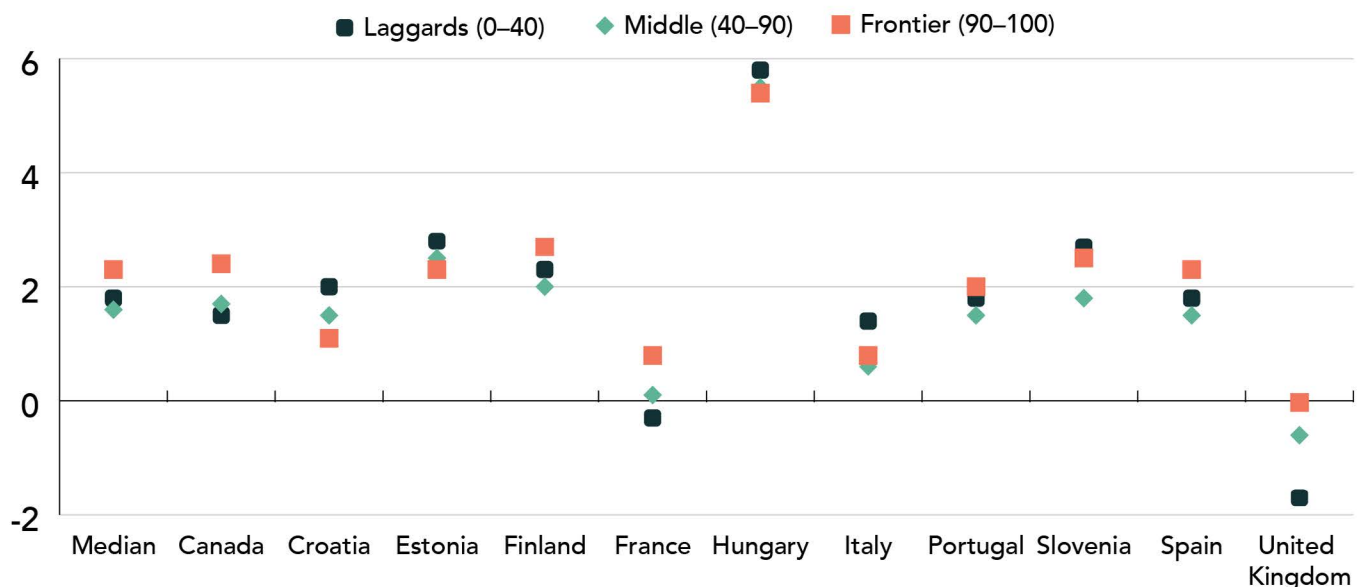


Productivity inequality in the UK is not only pronounced, but widening more rapidly than in most comparable countries. Between 2010 and 2022, firms at the top of the UK productivity distribution ('frontier firms' at the 90th percentile and above) saw effectively no growth (-0.03% annually). Yet, those in the middle experienced a modest decline (-0.5%), and firms at the bottom ('laggard firms' below the 40th percentile) saw productivity fall sharply by -1.7% per year. This contrasts with the broader international picture shown below, where most countries have not only seen positive productivity growth across all parts of the distribution, but more similar rates of growth between frontier and laggard firms. As a result, the gap between the most and least productive firms in the UK is diverging faster than our peers.

## CHART 2

Lagging firms in the UK have fallen further behind in the past decade

Annualised growth of average productivity at the top ("frontier"), middle and bottom ("laggards") of the productivity distribution, 2010-2022



The UK needs to raise the productivity growth of its 'laggard' firms. Scale-up firms are critical to that. OECD analysis finds that, across selected developed countries, 14% of all SMEs (referred to as 'scalers') accounted for 62% of the jobs created by growing SMEs from 2017 to 2020.<sup>42</sup> Without scaling firms, median productivity would be 6% lower across those countries.

Yet, Britain faces longstanding structural challenges that limit the ability of businesses to scale up and increase productivity and employment. Evidence shows how high markups in UK markets have reduced pressure on low productivity firms to scale, substantially suppressing UK productivity.<sup>43</sup> This is compounded by barriers such as the difficulties for smaller businesses accessing finance, with UK SMEs facing a finance shortfall of £90bn.<sup>44</sup> The challenges are particularly acute for businesses operating in deprived areas, due to:

- Larger skills gaps and smaller local talent pools, making it harder to recruit workers suited to growth sectors;
- Barriers to entrepreneurship, including limited access to start-up capital, mentorship and innovation ecosystems;
- Greater difficulty attracting external investment, as these local economies are often perceived as higher risk;
- Weaker local supply chains, lower consumer demand, and fragile support infrastructure that limit collaboration, information-sharing and opportunities for growth.

The UK sees stark geographical inequalities in the strength of its local business ecosystems. Measured by factors like entrepreneurialism, business survival rates, skills levels and average GVA, there is much greater concentration of low-performing business ecosystems in the Midlands and North of England than in the South East and East of England.<sup>45</sup> The response requires targeted, place-based interventions in areas where local business ecosystems are struggling most.

## **TOO MUCH DESTRUCTION, NOT ENOUGH CREATION**

Momentum has recently built around the idea that raising the productivity of UK firms demands a Schumpeterian model of 'creative destruction', where new productive firms enter the market while less productive firms fail.<sup>46</sup> Creation and destruction can contribute to one another, whereby new productive firms take away the demand from less productive firms (contributing to their failure), while the failure of less productive firms frees up workers and capital for the more productive firms.

Perhaps promisingly for proponents of creative destruction, the UK has been seeing high levels of 'destruction'. Relatively high interest rates in recent years, alongside rising energy costs and a higher minimum wage, have increasingly driven less productive firms to go bust and increased redundancies.<sup>47</sup> Government policy, including the employment rights bill and rise in employers National Insurance Contributions, has compounded those effects. We now see high rates of corporate insolvency, while job losses from exiting firms in 2024 were the highest since 2011.<sup>48</sup>

42 Ibid

43 Kariel, J and Savagar, A. Scale Economies and Aggregate Productivity. 12 July 2024. [https://assets.publishing.service.gov.uk/media/669a23daa3c2a28abb50d2b0/Scale\\_economies\\_and\\_aggregate\\_productivity.pdf](https://assets.publishing.service.gov.uk/media/669a23daa3c2a28abb50d2b0/Scale_economies_and_aggregate_productivity.pdf)

44 Hurley, J. Lending gap for small businesses 'is hurting UK's growth'. The Times. 28 April 2025. <https://www.thetimes.com/business/companies-markets/article/lending-gap-for-small-businesses-is-hurting-uks-growth-zmqzq55xm>

45 Biz Space. An Analysis of the UK's Business Landscape: Best and Worst Locations for Businesses in the UK 2024. 12 September 2024. <https://www.bizspace.co.uk/research/an-analysis-of-the-uks-business-landscape-best-and-worst-locations-for-businesses-in-the-uk-2024/>

46 Schumpeter, J. Capitalism, Socialism & Democracy. Routledge. 1943. <https://periferiaactiva.wordpress.com/wp-content/uploads/2015/08/joseph-schumpeter-capitalism-socialism-and-democracy-2006.pdf>

47 Thwaites, G. UK productivity grew more in the last year than in the previous seven combined: A breakdown of a genuinely surprising number, and what it means for the Bank of England. Resolution Foundation. 6 February 2026. <https://www.resolutionfoundation.org/comment/uk-productivity-grew-more-in-the-last-year-than-in-the-previous-seven-combined/>

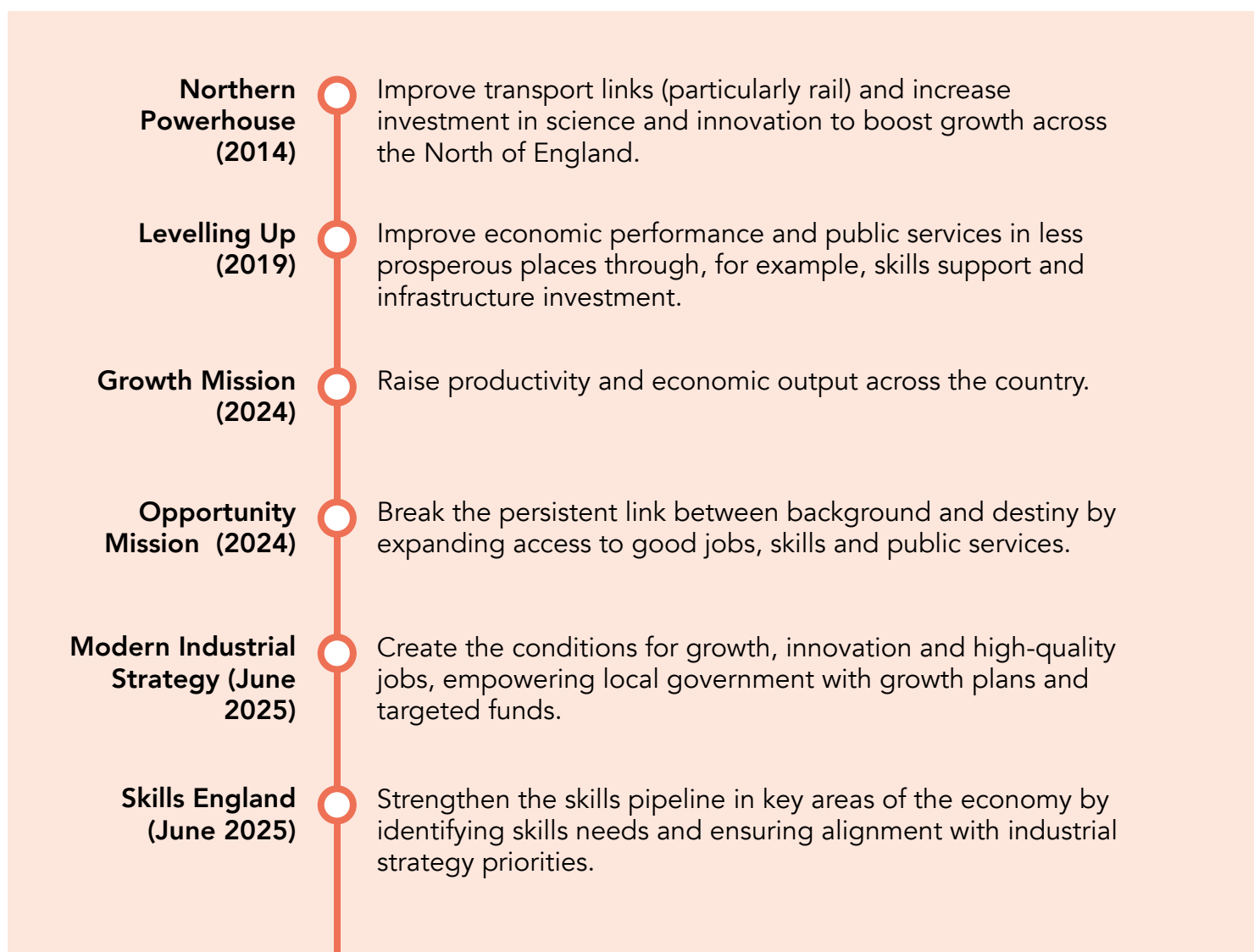
48 Ibid

Some might then expect to see a corresponding rise in high-productivity firms and job roles to absorb displaced workers.<sup>49</sup> However, this is not the case. As the Resolution Foundation identifies: “We’re not seeing a wave of new firms starting up to absorb those workers. Hiring at expanding firms isn’t (yet) big enough to pick up the slack.”<sup>50</sup> This has pushed unemployment to a decade-high outside the pandemic.

To build growth and opportunity, the UK needs more economic creation. That demands creative thinking on the supply side; supporting local business ecosystems to expand employment in high-productivity roles.

## GOVERNMENTS HAVE RESPONDED, BUT PROGRESS REMAINS SLOW

Over the past decade or so, successive governments have introduced various policies in an attempt to build up business ecosystems in left-behind areas, as well as measures specifically aimed at bridging local skills gaps. The timeline below outlines some of the most important initiatives.



49 Resolution Foundation & Centre for Economic Performance. Ending Stagnation: A New Economic Strategy for Britain. December 2023. <https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/12/Ending-stagnation-final-report.pdf>

50 Thwaites, G. UK productivity grew more in the last year than in the previous seven combined: A breakdown of a genuinely surprising number, and what it means for the Bank of England. Resolution Foundation. 6 February 2026. <https://www.resolutionfoundation.org/comment/uk-productivity-grew-more-in-the-last-year-than-in-the-previous-seven-combined/>



Through its recent policies and initiatives, this government is making a concerted effort to strengthen local leadership and drive renewal in deprived areas through aligning skills needs with relevant training. Yet, as Demos's *Mobilisation Nation* paper shows, there is a tension between nationally-set targets and the capacity of local government, with its various local partners, to deliver systems change.<sup>51</sup> Policymakers need to strengthen local networks to generate more capacity and on-the-ground change.

51 Glover, B., O'Brien, A. and Phillips, A. *Mobilisation Nation: Why the Government's Missions Need Enabling Reforms*. February 2025. [https://demos.co.uk/wp-content/uploads/2025/02/Mobilisation-Nation\\_2025\\_Feb.ac\\_.pdf](https://demos.co.uk/wp-content/uploads/2025/02/Mobilisation-Nation_2025_Feb.ac_.pdf)

## LOCAL GROWTH-ORIENTED BUSINESSES COULD CATALYSE CHANGE

For government policy to be a success - and for the local networks and support infrastructure that enables that - buy-in from local growth-oriented businesses is essential:

- Small and medium-sized enterprises employ around 60% per cent of the UK workforce and 37% of apprenticeship starts.<sup>52</sup>
- Start-ups are critical drivers of innovation, with 58% of the UK's \$1.3 trillion innovation economy generated by companies founded since 2010.<sup>53</sup>
- Scale-ups contribute £2.2 trillion to the national economy and employ 3.9 million people (and 95% of scale-ups are SMEs).<sup>54</sup> 60% of scaleups export their goods and services, outperforming large firms (50%).<sup>55</sup>

Local growth-oriented businesses are also particularly important for local economies because they:

- Are less geographically mobile and therefore have a greater stake in the long-term prosperity of their local area.<sup>56</sup>
- Hold rich place-based knowledge and insights.<sup>57</sup>
- Reinforce economic resilience in their area through local procurement and participation in supply chains.<sup>58</sup>
- Are motivated to contribute to the local community, for example through volunteering or financial support, both to support the local business environment and to make the community a better place to live.<sup>59</sup>
- Have a greater tendency to hire people who are furthest from the labour market, such as people with low levels of attainment and the long-term unemployed.<sup>60</sup>

## LOCAL GROWTH-ORIENTED BUSINESSES FACE SPECIFIC AND DISTINCT CHALLENGES

While local growth-oriented businesses are key to revitalising local areas, in many cases they may struggle to play that role. While forms of financial and advisory support are often available to them, taken alone this is often insufficient. Business leaders we engaged for this project made clear that underlying constraints on time, awareness and administrative capacity are key barriers to engagement with such support. Research has, for example, found that many small businesses

52 Department for Business & Trade. Business population estimates for the UK and regions 2025: statistical release. 2 October 2025. <https://www.gov.uk/government/statistics/business-population-estimates-2025/business-population-estimates-for-the-uk-and-regions-2025-statistical-release>

53 Finextra. UK VC investment rebounds in 2025. 15 January 2026. <https://www.finextra.com/pressarticle/108523/uk-vc-investment-rebounds-in-2025>

54 Department for Business & Trade. Backing your business: evidence annex. 9 January 2026. <https://www.gov.uk/government/publications/backing-your-business-our-plan-for-small-and-medium-sized-businesses/backing-your-business-evidence-annex-web-version>

55 Medhurst, A. ScaleUp Institute Review: Key Insights & Challenges. Inspire People. 2024. <https://www.inspirepeople.net/employer-branding-tech-recruitment-insights/scale-up-institute-review>

56 Magrinos, S., Apospori, E., Carrigan, M. and Jones, R. Is CSR the panacea for SMEs? A study of socially responsible SMEs during economic crisis. *European Management Journal*, Volume 39:2. 4 August 2020. <https://pmc.ncbi.nlm.nih.gov/articles/PMC7398866/#:~:text=Studies%20suggest%20that%20SMEs%20are%20much%20more,can%20be%20national%2C%20multinational%20or%20even%20global>

57 Howard, M., Böhm, S. and Eatherley, D. Systems resilience and SME multilevel challenges: A place-based conceptualization of the circular economy. *Journal of Business Research*, Volume 145. June 2022. <https://doi.org/10.1016/j.jbusres.2022.03.014>

58 Rubins, J. The importance of SMEs in driving the UK economy. Alternative Bridging Corporation. 12 June 2025. <https://alternativebridging.co.uk/the-importance-of-smes-in-driving-the-uk-economy/#:~:text=Local%20Economic%20Impact,social%20value%20and%20customer%20loyalty>

59 Wade, H. and Oldstone, M. Small Businesses' Contribution to the Community. NFIB Research Center. 2024. <https://www.nfib.com/wp-content/uploads/2024/11/2024-Small-Business-Contribution-to-the-Community-05.pdf>

60 Federation of Small Businesses. Scaling Up Skills: Developing education and training to help small businesses and the economy. 2 September 2022. [https://issuu.com/federationofsmallbusinesses/docs/scaling-up-skills?fr=xKAE9\\_15JNQ](https://issuu.com/federationofsmallbusinesses/docs/scaling-up-skills?fr=xKAE9_15JNQ)

struggle to run apprenticeship schemes because they have limited access to information and guidance about the schemes and limited administrative capacity to manage new apprentices.<sup>61</sup>

Small firms face particular challenges when working in siloes. The fragmentation of start-ups, scale-ups and small businesses mean that many operate without awareness of shared challenges or common goals - limiting opportunities to share knowledge, collaborate on joint solutions, or speak with a collective voice. Weak links with local authorities and other institutions can further limit pathways for resolving challenges or shaping provision in ways that reflect business demand. For example, while engagement with universities can be a critical driver of innovation and strengthen talent pipelines for smaller businesses, the number of interactions between SMEs and universities has been broadly declining since 2016, with the most common constraint cited as a lack of resources.<sup>62</sup>

## **SOLUTIONS HAVE TO BE ROOTED IN THE SPECIFIC NEEDS OF LOCAL AREAS**

Solutions must be rooted in the specific needs and assets of local areas. National policy can set direction, provide funding and remove barriers, but it cannot fully grasp or respond to the granular realities - the local labour markets, industries and communities - of every town and neighbourhood. The businesses we engaged for this project emphasised how lasting change must be locally-driven and locally-tailored.

The central question, then, is how government skills and regional economic development programmes address the barriers faced by local growth-oriented businesses, while remaining locally-driven and locally-tailored? In the next section, we propose a solution.

<sup>61</sup> Anderson, A., Keshwara, B., Hooper, D. and Crawford-Lee, M. The Future of the Apprenticeship Levy: Raising Productivity and Delivering Economic Growth. UVAC & CMI. 2022. [https://www.managers.org.uk/wp-content/uploads/2022/09/future-of-apprenticeship-levy-short-report\\_20221104-13-34-43.pdf](https://www.managers.org.uk/wp-content/uploads/2022/09/future-of-apprenticeship-levy-short-report_20221104-13-34-43.pdf)

<sup>62</sup> National Centre for Universities and Businesses. Arresting the decline: Unlocking the potential of universitySME interaction in the UK. 2024. <https://www.ncub.co.uk/wp-content/uploads/2021/07/Arresting-the-Divide-NCUB.pdf>

# THE SOLUTION

## ECONOMIES OF COORDINATION

It's clear that Britain's social and economic stagnation has been underpinned by a failure to catalyse the power of businesses across many regions of the country. Government efforts to address the problem have been hindered by bottlenecks, as local growth-oriented businesses have lacked the capacity, knowledge and networks to engage effectively. To overcome these barriers, we make the case for the government to develop 'economies of coordination' among local growth-oriented businesses and local stakeholders.

### **ECONOMIES OF COORDINATION ARE THE MISSING APPROACH FOR LOCAL GROWTH-ORIENTED BUSINESSES**

We have seen that larger businesses tend to engage more effectively with government efforts to drive local growth and opportunity. Their capacity to do so is underpinned by 'economies of scale' - the efficiency gains that businesses can benefit from as they grow in size. Economies of scale mean larger businesses have more capacity to build new data systems to understand local economies, hire specialist staff to understand government strategies, manage transition costs from adapting to new policies, and engage with external investors to raise the necessary capital. Lacking the advantages of economies of scale, local growth-oriented businesses often do not share the same options if acting alone.

The problem of 'coordination failures' among local businesses - whereby firms are unable to take advantage of opportunities for mutual benefit due to a lack of coordination - has been theorised and evidenced for decades.<sup>63,64</sup> In economic terms, this is seen when firms are unable to take advantage of 'pareto improvements' (where one firm's utility is increased without harming the utility of another), which could be achieved through better coordination.

<sup>63</sup> Rodríguez-Clare, A. Coordination Failures, Clusters, and Microeconomic Interventions. *Economia*. 2005. <https://researchonline.lse.ac.uk/id/eprint/123062/1/63ece20eb78b0.pdf>

<sup>64</sup> Ibid.

Underlying coordination failures are issues such as low trust or low information.<sup>65</sup> Markets alone are often unable to overcome these issues, as they are unable to produce the networks, shared infrastructure and trust required for sustained coordination.

‘Economies of coordination’ describe the efficiency gains that businesses can attain not through increased size as a firm, but through increased coordination. By aligning their incentives, activities and capacities, local growth-oriented businesses - alongside their supply chains, investors, anchor institutions, and local governments - can collectively minimise financial, time and administrative burdens.

AREA	UNCOORDINATED ECONOMIES	ECONOMIES OF COORDINATION APPROACHES
Data	Local growth-oriented businesses collect data individually, but are unable to collect enough data to paint a full picture of local skills gaps.	Local growth-oriented businesses input into collective data systems to collectively build a fuller picture of skills gaps in their local area.
Learning	Local growth-oriented businesses can learn about emerging technology, managerial innovations, the policy landscape and market opportunities to the extent that their individual resources and networks allow.	Local growth-oriented businesses can share learnings about emerging technology, managerial innovations, the policy landscape, and market opportunities for mutual benefit, accelerating learning and innovation.
Capacity	Local growth-oriented businesses invest in projects based on the individual returns for them, and for which they themselves have enough capital and resources.	Local growth-oriented businesses are able to capitalise on opportunities for mutual benefit by investing in projects with collective returns, by pooling their capital and resources.
Reach	Local growth-oriented businesses use their individual networks to reach a specific set of potential workers, audiences or partners.	Local growth-oriented businesses strategically share their networks for mutual benefit, enabling an expansive and efficient reach across local populations - better unlocking hard-to-reach talent (e.g. NEETs).
Voice	Local growth-oriented businesses advocate to governments about their individual needs, using their individual reputation and contacts.	Local growth-oriented businesses align on their public messaging and coordinate engagement to enable louder and more cohesive advocacy on skills gaps, partnerships and policy demands.

While direct collaboration and partnership can facilitate economies of coordination effectively, it is not a requirement. As our research shows, there are many opportunities for businesses to input into external systems in ways that drive mutual benefit.

<sup>65</sup> Mielke, J. and Steudle, G. Green Investment and Coordination Failure: An Investors’ Perspective. Ecological Economics, Volume 150, pp. 88-95. August 2018. <https://www.sciencedirect.com/science/article/pii/S0921800917311424>

FUNCTION	EXAMPLES OF PRACTICE
Pooling data	The Adult Social Care Workforce Data Set (ASC-WDS) is a national online data platform in which thousands of care providers upload information about their workforce and can then use the data to manage staff records and training needs, and support staff development. ASC-WDS then generates labour-market intelligence for councils, regulators and central government - helping coordinate training and investment across the sector.
Pooling Learning	The farming sector, typically made up by very small businesses with large assets, is fertile ground for economies of coordination. In efforts to increase the sector's profitability and sustainability, Defra has recognised how coordinating its many farmers can catalyse progress. In January 2026, it announced a £30 million Farm Collaboration Fund "to support farmer groups in growing their businesses, building partnerships and sharing best practice". <sup>66</sup>
Pooling Capacity	Business in the Community (BITC) is a business network whereby businesses pool together their resources to collectively contribute to developing the local workforce, local productivity growth, and community regeneration. BITC represents 2.6 million employees through its members. In 2024-25, it trained nearly 3,000 employees and facilitated 770 employment matches via job coaching. <sup>67</sup>
Pooling Reach	Anchor networks bring together anchor institutions in a locality. In Birmingham Anchor Network, for example, three further education providers have teamed up with local housing associations to open community learning hubs in disadvantaged areas. These are linked to a consortium of local public and private employers to match and update training to meet local employment opportunities. <sup>68</sup>
Pooling Voice	The App Association, which represents thousands of small software and app-development businesses worldwide, coordinates the advocacy of members by pooling evidence, organising consultations with policymakers, and submitting collective position papers. The organisation has achieved successes such as the inclusion of increased broadband services in the US 2021 Bipartisan Infrastructure and Jobs Act. <sup>69</sup>

<sup>66</sup> Brown, A. Help shape the Farmer Collaboration Fund. Department for Environment, Food & Rural Affairs. 17 February 2026. <https://defrafarming.blog.gov.uk/2026/02/17/help-shape-the-farmer-collaboration-fund/>

<sup>67</sup> Business in the Community. What We Do: Our Impact. 2026. <https://www.bitc.org.uk/what-we-do/#our-impact>

<sup>68</sup> Chan, O. Anchor networks – the delivery engine of Total Place 2.0? CLES. 21 May 2025. <https://cles.org.uk/blog/anchor-networks-the-delivery-engine-of-total-place-2-0/>

<sup>69</sup> ACT | The App Association. Frequently Asked Questions. N.d. <https://actonline.org/frequently-asked-questions/>

## ECONOMIES OF COORDINATION WOULD FILL A GAP FOR UK SMES

Our survey demonstrates a substantial gap in coordination activities between local businesses.<sup>70</sup> Almost all SMEs (96%) do not coordinate with local organisations (businesses, councils, training providers, charities, or community organisations) in at least one of the following ways:

- Sharing data and insights on local skills and employment
- Sharing advice on local business opportunities and policy
- Advocating around shared local needs
- Partnering on local skills outreach
- Collectively financing or delivering local projects

For each activity, a substantial proportion of SMEs either engaged with it in the past but no longer do, or have not done it before but have interest in doing so in the future. For example, a quarter of SMEs have no shared data on and insights on local skills and employment, but would like to in the future, and a further 17% have done so in the past but don't any longer.

### CHART 3

#### Very few businesses have no interest in coordinating their activities more with local partners

Percentage of SMEs reporting engagement with local coordination activities

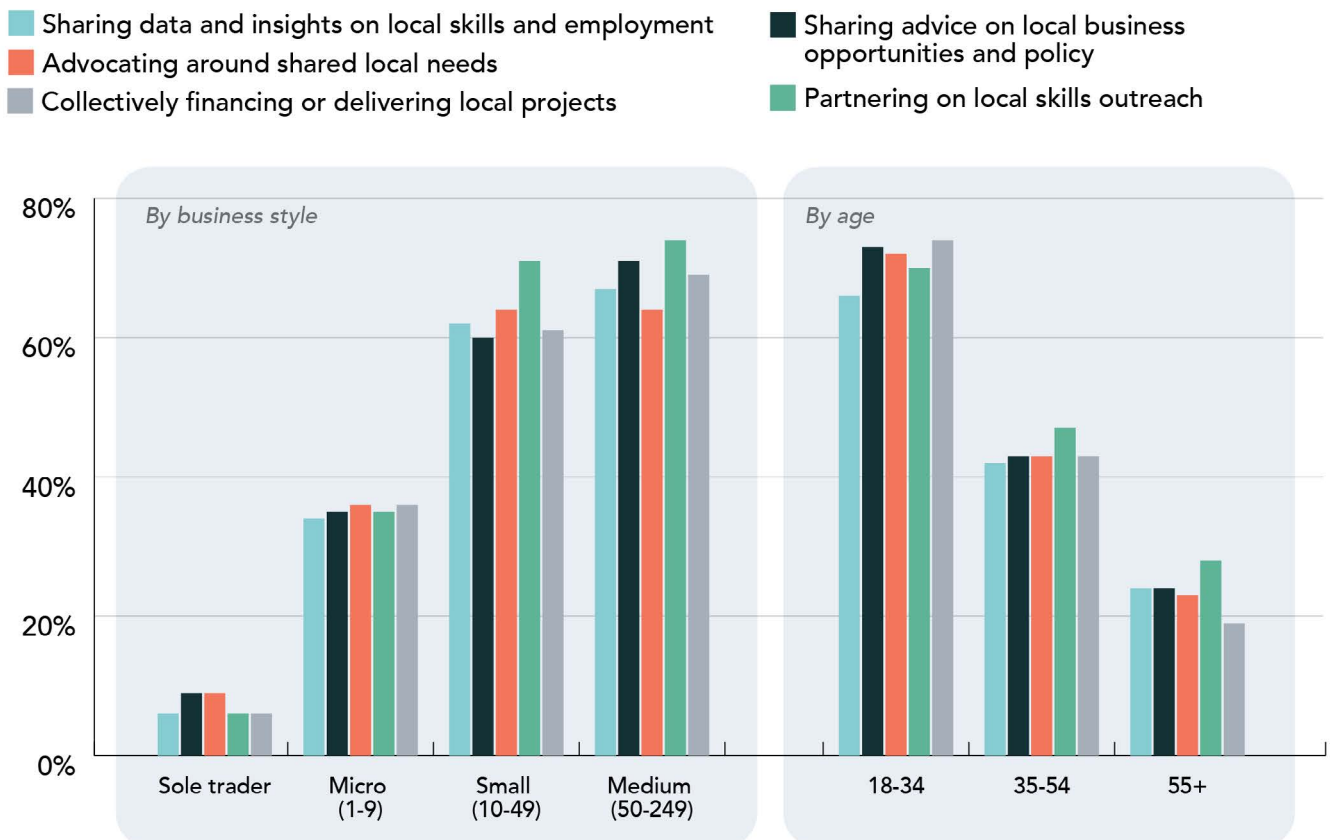


<sup>70</sup> There were 500 businesses that took part in our survey, with an equal four-way split between micro, small, and medium businesses and sole traders. Of these, 87 businesses (17%) were based in London, 140 (28%) in the South, 90 (18%) in the Midlands, 123 (25%) in the North and 60 (12%) in the rest of the UK.

Problems of a lack of coordination are particularly concentrated among smaller businesses (particularly sole traders and micro businesses) and businesses run by older people. For example, while three quarters of medium-sized businesses partner with others on local skills outreach, and 71% of small businesses do, just 35% of micro businesses and 6% of sole traders do the same. While three quarters of 18-34 year old business owners collectively finance or deliver local projects, just one in five of those aged over 55 do.

#### CHART 4

SME coordination activity is lower among sole traders and micro businesses, and among businesses run by older people



Among those SMEs who do not engage in any of the aforementioned coordination activities, two thirds (68%) report experiencing barriers that prevent them from doing so. The most widespread barriers are:

- Not enough budget/unable to access the necessary finance (21%)
- Not enough staff capacity (20%)
- Too many regulations (18%)
- Not aware of the opportunities available (18%)
- Insufficient support from central government (15%)
- Insufficient support from local/regional government (15%)

An economies of coordination approach would aim to address these barriers by providing the means for local businesses to pool together their resources to access investors or collectively fund capacity. It would also drive greater support from both central and local/regional governments to enable this coordination.

## CHART 5

### SMEs struggle to engage with coordination activities due to a lack of funding, staff capacity, regulations and lack of awareness

Percentage of SMEs reporting barrier to engaging with coordination activities



## ECONOMIES OF COORDINATION WOULD CATALYSE LOCAL GROWTH AND OPPORTUNITY

Evidence from past policy interventions suggests that facilitating networks, knowledge collaboration and coordination infrastructure can significantly raise innovation. This can be seen in large-scale academic studies:

- **Knowledge collaboration and innovation**

A study of 17,859 innovative firms in the United Kingdom from 2002–2014 found that knowledge collaboration with partners nationally increases a firm's innovation sales and propensity to innovate in both the least productive firms (by 9.36 percentage points) and most productive firms (13.03 percentage points).<sup>71</sup> Knowledge collaboration at the regional level also increased innovation sales among the least productive firms, but the effect disappeared for the most productive firms.<sup>72</sup>

71 Audretsch, D. and Belitski M. Knowledge collaboration, firm productivity and innovation: A critical assessment. Journal of Business Research, Volume 172. February 2024. <https://www.sciencedirect.com/science/article/pii/S0148296323007713>

72 Ibid.

- **Entrepreneurial ecosystem quality and the survival of entrepreneurial ventures**

A study of regional entrepreneurial ecosystem quality (based on entrepreneurial culture, access to finance, availability of human capital, innovation capacity and formal support organisations) across the US found that higher-quality ecosystems are associated with higher rates of survival for entrepreneurial ventures.<sup>73</sup> A venture in the strongest ecosystem in the sample had a 29.1% lower probability of business closure than a comparable venture in the weakest ecosystem.

We also see the value of coordination infrastructure on employment and productivity in specific policy interventions:

- **The European Regional Development Fund (ERDF)** - which invested £3.7 billion in the UK between 2014 and 2020, explicitly supporting collaboration between firms, universities and innovation institutions.<sup>74</sup> Evaluations show strong multiplier effects: every £1 of ERDF funding generated between £3.50 and £7.50 in income from knowledge exchange activities, including consultancy and shared use of facilities.
- **Norwegian Centres of Expertise (NCE)** - which promote collaboration between firms within regional clusters. An evaluation found that around half of participating firms reported turnover growth attributable to cluster activities, ranging from 1-4%. Participating firms widely reported that the programme helped create (1) increased mutual trust and greater synergies and (2) greater visibility and status, raising attractiveness for potential investors, partners and employees.
- **Germany's Steinbeis system** - a network of knowledge and technology transfer centers, research and innovation centers and consulting centers, bringing together thousands of businesses with hundreds of academic professors.<sup>75</sup> The centres have a strong track record of supporting SME to gain funding and develop entrepreneurial skills.<sup>76</sup>

Taken together, these studies and examples highlight a consistent pattern: when firms' activities are well-coordinated - through clusters, supply-chain networks, shared research partnerships, or local innovation ecosystems - mutual benefits can be realised. We see this reflected in national data, whereby both business linkages or innovative SME collaboration are strongly associated with labour productivity.

73 Vedula, S. and Kim, P. Gimme shelter or fade away: the impact of regional entrepreneurial ecosystem quality on venture survival. *Industrial and Corporate Change*, Volume 28:4. August 2019. <https://academic.oup.com/icc/article-abstract/28/4/827/5529198?redirectedFrom=fulltext>

74 National Centre for Universities and Businesses. *Arresting the decline: Unlocking the potential of universitySME interaction in the UK*. 2024. <https://www.ncub.co.uk/wp-content/uploads/2021/07/Arresting-the-Divide-NCUB.pdf>

75 Steinbeis. *The Steinbeis network in figures*. <https://www.steinbeis.de/en/foundation/facts-and-figures/>

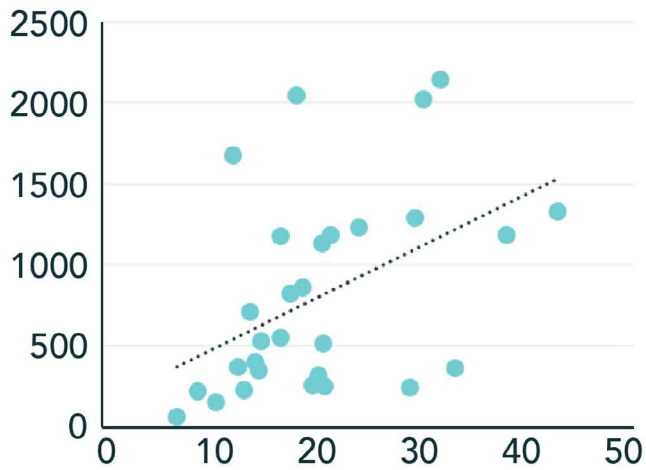
76 Sbarbati et al. *Enhancing and Facilitating Funding Evaluation and data Collection Techniques focused on Start-up/SME support programmes*. March 2022. [https://steinbeis-europa.de/files/steinbeis/dist/img/Projekte/Projekte/EFFECT-SME\\_Design\\_Option\\_Paper\\_Final.pdf](https://steinbeis-europa.de/files/steinbeis/dist/img/Projekte/Projekte/EFFECT-SME_Design_Option_Paper_Final.pdf)

## CHART 6

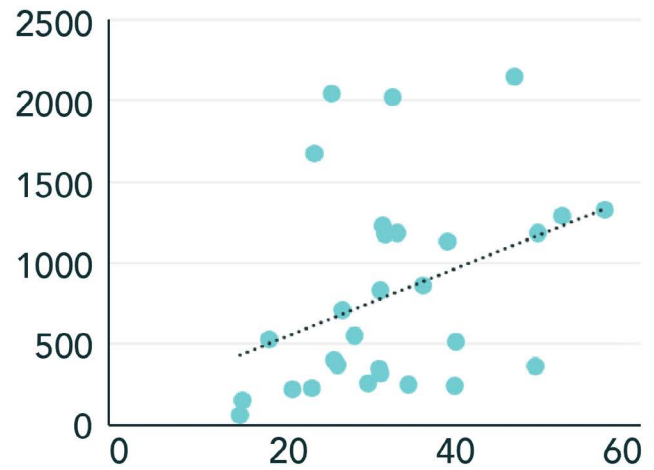
EU countries whose SMEs co-operate more with other entities tend to have higher labour productivity

Enterprises that co-operated on business activities vs labour productivity, by EU country

Small enterprises



Medium-sized enterprises



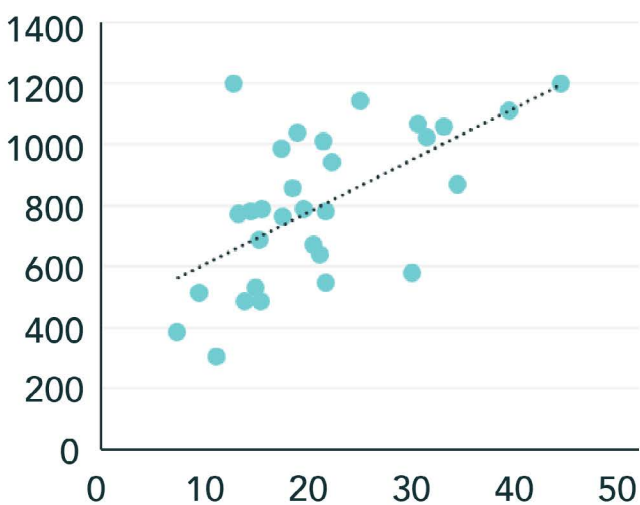
Source: [https://ec.europa.eu/eurostat/databrowser/view/inn\\_cis13\\_co/default/table?lang=en&category=scitech.inn.inn\\_cis13.inn\\_cis13\\_inno](https://ec.europa.eu/eurostat/databrowser/view/inn_cis13_co/default/table?lang=en&category=scitech.inn.inn_cis13.inn_cis13_inno)

## CHART 7

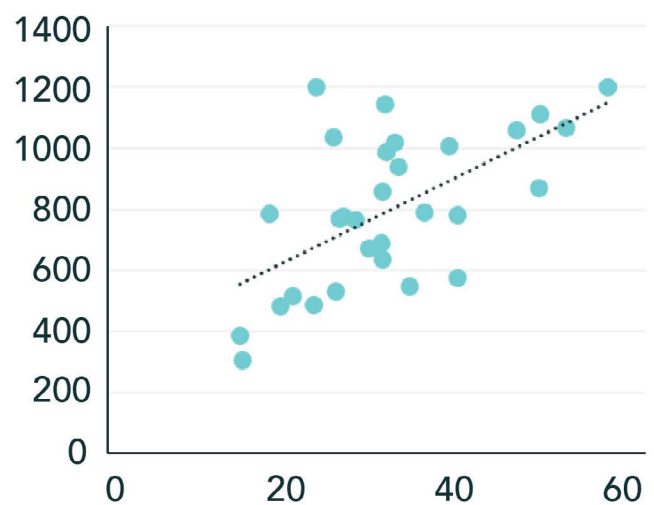
EU countries whose SMEs co-operate more with other entities tend to have higher levels of innovation

Enterprises that co-operated on business activities vs innovation index, by EU country

Small enterprises



Medium-sized enterprises



Source: [https://ec.europa.eu/eurostat/databrowser/view/inn\\_cis13\\_co/default/table?lang=en&category=scitech.inn.inn\\_cis13.inn\\_cis13\\_inno](https://ec.europa.eu/eurostat/databrowser/view/inn_cis13_co/default/table?lang=en&category=scitech.inn.inn_cis13.inn_cis13_inno)

## **ECONOMIES OF COORDINATION BUILD UPON CLUSTER MODELS AND COMPOUND THE VALUE OF SOCIAL CAPITAL**

An economies of coordination framework builds on traditional business cluster strategies, which involve concentrating related firms, suppliers, and institutions in specific locations to boost productivity, innovation, and competitiveness. Economies of coordination shift the emphasis from shaping the economic geography (attracting firms into designated zones to benefit from proximity) to strengthening connections between existing businesses within a local economy. The goal is not simply co-location, but the creation of shared coordination infrastructure - such as collective data platforms, knowledge-sharing networks, pooled outreach, and coordinated investment.

Economies of coordination also build upon 'social capital' - the networks and trust that exist between people and which add economic value. As Demos research shows, this is an important task, as social capital's contribution to economic growth is well-evidenced. For example, Sztudynger et al. (2022) created a measure of 'cooperation capital' based on social trust, helpfulness and fairness across European countries. Accounting for confounding variables or reverse causality, they found that an eighth of economic growth could be ascribed to "an increase in cooperation capital".<sup>77</sup>

Economies of coordination are an important extension to social capital. It is only by forming relationships and partnerships that businesses can coordinate their resources with other businesses for mutual benefit. But once economies of coordination develop, businesses will (1) have new opportunities to develop relationships and partnerships, strengthening social capital, (2) be directed to realise the mutual benefits that their new relationships could offer (e.g. use their trusted realisation to pool capacity for mutual economic gain), and (3) use their social capital to realise mutual benefits even through indirect relationships (e.g. where two different businesses develop a relationship with a third-party organisation, which then pools both their data for mutual benefit).

<sup>77</sup> Sztudynger, J., Ambroziak, E. and Starosta, P. Generalized Trust, Helpfulness, Fairness and Growth in European Countries: A Revised Analysis. *Comparative Economic Research. Central and Eastern Europe*, Volume 25:3. 2022. <https://doi.org/10.18778/1508-2008.25.25>

## AN ECONOMIES OF COORDINATION FRAMEWORK WOULD BUILD UPON THE STRENGTHS AND ADDRESS THE GAPS IN PREVIOUS GOVERNMENT INTERVENTIONS

The government has recognised the importance of economies of coordination, but it lacks the theoretical foundation and resulting coherence. OECD analysis shows that the UK has a greater number of different policies aimed at encouraging businesses into networks than any other developed country - which is highly chaotic for businesses to navigate.<sup>78</sup>

EXAMPLES OF POLICIES DEVELOPING ECONOMIES OF COORDINATION	
POLICY	DESCRIPTION
Training and enterprise councils (TECs).	TECs were local bodies (operating as private companies, reporting to a regional government office) established in the early 1990s to administer publicly-funded training programmes and promote training and business enterprise with local organisations.
Regional development agencies (RDAs)	RDAs were non-departmental public bodies, working closely with local authorities, universities and businesses, established to support business growth, attract investment, improve skills, and coordinate regional economic strategies. They were abolished in 2012 and replaced by Local Enterprise Partnerships.
Local Enterprise Partnerships (LEPs)	LEPs worked with the central government to set local investment priorities and with local employers and job centres to help people back to work and support local businesses. They were later given responsibility for managing 'enterprise zones' - areas where businesses receive incentives to set up or expand, and then involved in the formulation and delivery of local industrial strategies.
Business Board Network	The Business Board Network connects and supports local Business Boards - groups of private-sector leaders that advise combined authorities and local authorities on growth. It acts as a national platform linking these boards together, sharing best practice, and representing the business voice in government strategies (e.g. Local Growth Plans).
Local Skills Improvement Plans (LSIPs)	LSIPs are designed to align post-16 education with employer needs. Using 38 Employer Representative Bodies (ERBs), they consider the current and future local skills needs and outline what employers, training providers and stakeholders can do locally to support the delivery of training that meets those future skills needs. While initially led by bodies such as Chambers of Commerce, recent policy changes linked to the English Devolution White Paper are moving them toward a joint ownership model, in which employer bodies work alongside combined authorities and local government to shape local skills strategies.
Growth Hub and the Growth Hub Network	Growth Hubs are bodies managed by combined authorities or local authorities to provide local businesses with access to tailored advice, online resources and routes to funding, acting as a single contact point. The Growth Hub Network brings together the 41 Growth Hubs to improve business performance.

78 OECD Studies on SMEs and Entrepreneurship. Unleashing SME Potential to Scale Up: Helping SMEs Scale Up. 2025. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/unleashing-sme-potential-to-scale-up\\_a7869b94/ea948a58-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/unleashing-sme-potential-to-scale-up_a7869b94/ea948a58-en.pdf)

These bodies and institutions have played an important role in strengthening relationships between businesses and local partners and generating economic value. LSIPs have been reported as supporting genuine and effective partners between businesses and education providers.<sup>79</sup> Evaluations of Growth Hubs show that businesses engaging with a hub saw an average employment increase of 14% after one year and 22% after five years (compared to no change among a control group) and a 19% increase in turnover (compared to 7% among the control group).<sup>80</sup>

However, the initiatives have often been held back by a relatively narrow conception of coordination, focussing for example on:

1. Developing forums and channels for communication, sometimes at a single point in time, rather than broader coordination infrastructure such as data sharing platforms that remain long-term and enable continual coordination over time.
2. A relatively small number of senior business leaders, rather than the full range of local economic actors, including educational institutions, voluntary and community sector organisations (VCSOs), membership organisations, anchor institutions and public bodies.

Some Growth Hubs have worked to deliver broader coordination in local economies, for example by connecting businesses with a wider range of stakeholders such as universities. However, these functions have been limited. An evaluation drawing on the perspective of 31 regional stakeholders finds that Growth Hubs are most likely to be described as “a signposting service for businesses to appropriate support” (54%) and “providers of independent advice, expertise, and/or guidance” (42%). Less common were Growth Hubs seen as “encouraging the development of a relationship between businesses and education providers (schools, colleges, and universities)” (17%) or “as a policy voice, either synthesising national level information to make it useable to the grass roots level, or to feeding information from the grass roots level up to policy makers” (13%).<sup>81</sup> This highlights the gap that needs to be filled.

An economies of coordination approach would build on previous initiatives through a more systemic model of coordination. It emphasises the creation of a broader coordination infrastructure that links businesses with the full range of local economic actors. This includes sharing or collaborating on insights, data, resources to support local economies, and skills outreach. Coordination would occur both horizontally, between firms and sectors within local economies, and vertically, connecting local actors with regional and national institutions. Local authorities and anchor institutions then move beyond their traditional convening role to act as system orchestrators, supporting shared data infrastructure, joint outreach and engagement platforms, collaborative training provision, and coordinated investment strategies.

However, the examples cited so far are often isolated and fragmented. The question remains, what does this look like at a larger, even national scale? And what impact could that have?

## **COORDINATION AT A NATIONAL SCALE: JAPAN, TAIWAN AND SOUTH KOREA**

At different points in the 20th century, Japan, Taiwan, and South Korea each achieved extremely high rates of economic growth.<sup>82</sup> Living standards soared while economic security strengthened, and rates of unemployment were extremely low. In each, the transformation was catalysed by a form of ‘social coalition’ between the government and business, geared towards

79 Association of Colleges. Local skills improvement plans: a review of their impact and opportunities for the future. June 2024. <https://feweeek.co.uk/wp-content/uploads/2024/06/AoC-LSIPs-report.pdf>

80 Department for Business, Energy and Industrial Strategy., Evaluation of the Growth Hubs, 2015-2020 Final report. April 2022. <https://assets.publishing.service.gov.uk/media/64b53a0c71749c000d89ec80/evaluation-of-the-growth-hubs.pdf>

81 Ibid.

82 World Bank. The East Asian Miracle: Economic Growth and Public Policy. 1993. <https://documents1.worldbank.org/curated/en/975081468244550798/pdf/multi-page.pdf>

economic development, with workers mobilised around a sense of national mission.<sup>83</sup> While these economies are different to the UK and do not wholly reflect the idea of economies of coordination outlined in this paper - with more of a focus on industrial coordination than local place-based coordination - they nonetheless highlight the possibility of successful economic coordination at the national scale and the value it generates.

In Japan's post-war economy, economic ministries such as the Ministry of International Trade and Industry coordinated closely with industry through a system of relational networks.<sup>84</sup> Firms were organised into 'keiretsu' groups - bank-centred corporate networks reinforced with regular consultation with government officials.<sup>85</sup> Networks then extended far beyond large corporations. Many industries operated through multi-tier supplier systems, in which thousands of small- and medium-sized firms were integrated into vertical production networks linked to major manufacturers.<sup>86</sup> These arrangements provided SMEs with stable demand, finance and technology transfer. Research on Japanese production networks shows that dense supplier relationships connected vast numbers of firms - often forming localised clusters where smaller firms primarily traded with partners inside the same network.

A similar logic shaped industrialisation in South Korea and Taiwan from the 1960s onwards. Governments created powerful coordinating bodies - such as the Economic Planning Board in South Korea and Taiwan's Economic Planning Council - to align private investment with national development strategies and export targets, while building strong partnerships between businesses and government. While the South Korean model centered primarily on large, family-controlled conglomerates, in Taiwan there is evidence that SMEs have played a key role in technology assimilation and advancements through entrepreneurialism.<sup>87</sup>

Across these economies, the key insight was that growth emerged not simply from markets or government acting alone, but from structured coordination between the two - networks of firms, suppliers, financiers and public institutions aligned around a shared national project of development and export-led growth.

For Britain, the lesson is to recognise the power of coordinated economic networks, and apply this to the economy we have. But we don't have to look so far to learn that lesson.

## **ECONOMIES OF COORDINATION IN BRITAIN'S POST-WAR CONSENSUS**

While Japan, Taiwan, and South Korea may have typified economies-of-coordination-style thinking at a national scale, we can also see success closer to home. Britain's post-war economy built broad and deep coordination infrastructure - albeit focussed again more on industrial coordination than place-based coordination - and in turn saw the highest rates of per capita GDP growth of any time in the 20th century (2.8% per year between 1950 and 1973) and some extremely low rates of unemployment (1.6% from 1950-1976, compared to 13.4% from 1921-1938 and 6.7% from 1970-1993).<sup>88,89</sup>

83 Woo, M. The Developmental State. In: Han, J., Pardo, R. and Cho, Y. (eds), *The Oxford Handbook of South Korean Politics*. Oxford Handbooks. 2023. <https://academic.oup.com/edited-volume/37082/chapter-abstract/337871299>

84 Hatch, W. Regionalizing the State: Japanese Administrative and Financial Guidance for Asia. *Social Science Japan Journal*, Volume 5:2, pp. 179-197. 2002. [https://web.colby.edu/walterhatch/files/2022/03/Hatch\\_regionalizing-the-state\\_ssjj-5.2.pdf](https://web.colby.edu/walterhatch/files/2022/03/Hatch_regionalizing-the-state_ssjj-5.2.pdf)

85 Witt M. Coordinating networks in the Japanese business system. In: *Changing Japanese Capitalism: Societal Coordination and Institutional Adjustment*. Cambridge University Press. 2006. <https://www.cambridge.org/core/books/abs/changing-japanese-capitalism/coordinating-networks-in-the-japanese-business-system/4C38B3E0107DC5B047383ECA49B2DBFA>

86 Watanabe H. The Structure of the Japanese Economy. *World Economies*. Agenda Publishing. 2020. <https://www.cambridge.org/core/books/abs/japanese-economy/structure-of-the-japanese-economy/0A302F4D592F593C1AE804862F26C8E2>

87 Veselka, M. Taiwan's Economic Development: The Role of Small and Medium-Sized Enterprises Beyond the Statistics. SSRN. April 2005. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=872387](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=872387)

88 Thomas, M. Back to the 1970s. 16 June 2022. We are the 99%. <https://99-percent.org/back-to-the-1970s/>

89 Sloman, J., Garratt, D., and Wride, A. *Economics*. Pearson Education Limited. 6 January 2015

Sectoral development councils established under the Industrial Organisation and Development Act 1947 organised collective research, export promotion and restructuring across industries dominated by smaller firms. Industry research associations pooled funding from companies to provide shared R&D and testing facilities, lowering innovation costs for smaller manufacturers.<sup>90</sup> Meanwhile, regional industrial policy coordinated investment and factory location, helping redirect manufacturing capacity into economically weaker regions and supporting employment in areas facing industrial decline.

We see the logic of economies of coordination reflected in the defence of the bill at the time.

*The decay which took place in so many of our great industries in the years between the two wars... was beyond the power of any single industrialist to do anything about it. It is precisely because we realise that in a great number of cases a single industrialist, particularly a small industrialist, will be unable to do anything about it, that we want development councils which will make it possible for him to combine with others like himself to do this very necessary job.*

**– John Belcher, Parliamentary Secretary to the Board of Trade, second reading of the Industrial Organisation Act, 1947<sup>91</sup>**

By the early 1960s, over 50 industry research associations were operating in Britain, covering around 60% of the productive industry of Britain.<sup>92</sup> Public institutions such as the National Economic Development Council (NEDC) – established in 1962 – brought together ministers, business leaders and trade unions to coordinate national economic strategy and sector-specific “little NEDDY” councils that addressed productivity challenges within particular industries.<sup>93</sup>

There are many lessons to learn from this history. But economies of coordination will need to be built around what works for Britain’s economy today. In the next section, we use a series of case studies to explore in more depth how to build economies of coordination at a local level in the modern economy.

90 Edgerton, D. *Warfare State: Britain, 1920–1970*. Cambridge University Press. December 2005

91 Industrial Organisation Bill. Hansard. 13 February 1947. <https://api.parliament.uk/historic-hansard/commons/1947/feb/13/industrial-organisation-bill>

92 Research in Industry. *Nature*. 31 March 1962. <https://doi.org/10.1038/1931246a0>

93 Edmund, D. *The Chancellors: A History of the Chancellors of the Exchequer*. 1997

# CASE STUDIES

## SUCCESSFUL ECONOMIES OF COORDINATION

The importance of economies of coordination became clear across the project's case studies. After identifying practices by which businesses could best drive local growth and opportunity, we selected organisations across the UK innovating within these practices. Underlying their success was their development of economies of coordination.

### FOCUS AREA 1

#### APPRENTICESHIPS

With substantial benefits for both businesses and young people, apprenticeships are key drivers of local growth and opportunity. Apprenticeships in England are expected to generate around £25 billion in economic growth over the lifetime of current apprentices, while apprentices see higher wages and lower risk of subsequent unemployment.<sup>94,95</sup>

Apprenticeships are particularly important for people from deprived backgrounds. Apprentices are twice as likely to live in a high-deprivation area than higher education students, and almost 50% more likely to have been eligible for free school meals.<sup>96</sup> The benefits of apprenticeship then tend to be greater for those groups. For example, while non-disadvantaged women see a 10% wage premium from an intermediate apprenticeship by age 28, the wage premium is 16% for disadvantaged women.<sup>97</sup>

94 What works centre for local economic growth. Evidence topic: Apprenticeships. 1 November 2022. <https://whatworksgrowth.org/resource-library/apprenticeships/>

95 Department for Education. Apprenticeship reforms set to turbocharge economic growth. 14 February 2025. <https://www.gov.uk/government/news/apprenticeship-reforms-set-to-turbocharge-economic-growth>

96 QA. The Social Mobility Impact of Apprenticeships. September 2019. <https://www.qa.com/media/13940/qa-the-social-mobility-impact-of-apprenticeships-full-report.pdf>

97 Social Mobility Commission. Apprenticeships and social mobility: fulfilling potential. 24 June 2020. <https://www.gov.uk/government/publications/apprenticeships-and-social-mobility-fulfilling-potential/apprenticeships-and-social-mobility-fulfilling-potential>

Apprentices are critical to the development of local growth-oriented businesses. Almost all SMEs (96%) report that hiring an apprentice has benefitted their business, with three-quarters saying that having an apprentice has led to increased productivity.<sup>98</sup> Nine in ten (90%) SMEs say that apprenticeships should form at least part of the solution to the problem of the widening skills gap in the UK.<sup>99</sup>

However, apprenticeship starts for those under 19 have fallen 40% since 2015.<sup>100</sup> In particular, while SMEs are more likely to hire young apprentices (69% of SME apprentices are 25 or under, compared to 39% in large businesses), their rates of apprenticeship starts have fallen much quicker (a 48% decline between 2016/17 and 2022/23, compared to 2% among large employers).<sup>101</sup> Our case study, **CATCH**, helps businesses overcome those barriers.

Several recent government efforts have attempted to improve the quality and quantity of apprenticeship schemes available. In December 2025, the government announced that it will cover the cost of SME apprenticeships for under-25s, and support Mayors to connect young people with apprenticeships at local employers.<sup>102</sup> The replacement of the Apprenticeship Levy with the Growth and Skills Levy in April 2026 will then expand funding eligibility to include a wider range of courses (e.g. apprenticeship units and bootcamps) providing more flexibility for employers to adapt to local needs.<sup>103</sup>

While ongoing reforms are welcome, the increased flexibility could compound complexity, administrative requirements and regulations, which local growth-oriented businesses can struggle to navigate.

98 Department for Education. DfE encourages more businesses to offer apprenticeships. 23 February 2017. <https://www.gov.uk/government/news/dfe-encourages-more-businesses-to-offer-apprenticeships>

99 Close Brothers. UK's SMEs believe apprenticeships are the solution to the UK's skills gap crisis. 5 February 2024. <https://www.closeassetfinance.co.uk/s/insights/businessbarometer/uk-s-smes-believe-apprentices-are-solution-to-uk-s-skills-gap-crisis-MCOVGYOPI2U5CQDLR5DRM7Y7PQI4>

100 May, C. The graduate crisis: hundreds of thousands sign on to welfare. City AM. 26 January 2026. <https://www.cityam.com/the-graduate-jobs-crisis-hundreds-of-thousands-sign-on-to-welfare/>

101 Youth Futures Foundation. Youth Employment 2025 Outlook. November 2025. [https://youthfuturesfoundation.org/wp-content/uploads/2026/02/Report\\_Youth-Employment-2025-Outlook\\_Youth-Futures-Foundation\\_November-2025-FINAL.pdf](https://youthfuturesfoundation.org/wp-content/uploads/2026/02/Report_Youth-Employment-2025-Outlook_Youth-Futures-Foundation_November-2025-FINAL.pdf)

102 Department for Work and Pensions. 50,000 more young people to benefit from apprenticeships as Government unveils new skills reforms to get Britain working. 7 December 2025. [workinghttps://www.gov.uk/government/news/50000-more-young-people-to-benefit-from-apprenticeships-as-government-unveils-new-skills-reforms-to-get-britain-working](https://www.gov.uk/government/news/50000-more-young-people-to-benefit-from-apprenticeships-as-government-unveils-new-skills-reforms-to-get-britain-working)

103 Department for Education. How are apprenticeships funded and what is the apprenticeship levy? 7 August 2025. <https://educationhub.gov.uk/2025/08/how-are-apprenticeships-funded-and-what-is-the-apprenticeship-levy/>



# CASE STUDY

## CATCH

### BACKGROUND

**CATCH** is an independent apprenticeship training provider located in Grimsby. It uses a membership-model, with members including many of the area's large manufacturers and energy producers, as well as a few smaller companies, educational institutions and local authorities from the Humber region. They also have a supply chain membership which includes around 22 of the region's SMEs. CATCH's strategy and delivery is led by the needs of its members, who feed directly into the training that CATCH offers.

This work is particularly important in this area, since the Humber is a region of the UK that has experienced particularly high levels of deprivation. Almost a fifth (18.5%) of neighbourhoods in Yorkshire and the Humber are highly-deprived, including 42% in Hull.<sup>104</sup> Kingston-upon-Hull, Great Grimsby and Cleethorpes collectively contain 36 mission-critical neighbourhoods (6% of all mission-critical neighbourhoods).<sup>105</sup> The area has a deep-rooted industrial history but saw substantial job losses through deindustrialisation, with Brexit compounding harm to these export-heavy sectors.<sup>106</sup> Yet, this industrial base provides substantial opportunities to boost growth and productivity as the region looks to lead the national shift towards clean energy and support high-growth sectors like agri-tech and digital industries.<sup>107</sup>

### IMPACT

#### Impact on Small Businesses

CATCH talks to individual employers about their specific policies and practices, from sickness policies to weekly fire drills, and ensures that these are incorporated in apprentices' training. Apprentices arrive on site ready to enter not just the workplace more generally, but the specific workplace they are employed in.

<sup>104</sup> Jeavans, C and Leake, P. England's most deprived areas named - see how your area is affected. 30 October 2025. <https://www.bbc.co.uk/news/articles/cly137089yyo>

<sup>105</sup> Independent Commission on Neighbourhoods. Mission Critical Neighbourhoods Map. 2026. <https://www.neighbourhoodscommission.org.uk/mission-critical-map/>

<sup>106</sup> The Productivity Institute. The Yorkshire and The Humber and North East Productivity Challenge. March 2023. <https://www.productivity.ac.uk/wp-content/uploads/2023/06/Briefing-Yorks-Humber-North-East-10-2023-interactive.pdf>

<sup>107</sup> Future Humber. Clean Energy Transition. 2023. <https://investhumber.com/why-humber/clean-energy-transition/>

*"By being part of CATCH's apprenticeship scheme, we've been able to get a young generation picking up the skills and the knowledge of the older generation who are ready to leave."*

**- Small business member of CATCH**

Being a member of CATCH and participating in its outreach events has given smaller businesses a platform that they would otherwise lack - providing greater visibility among both the general public (enabling more and better-suited apprentice applications) and larger businesses in the area (enabling new contracts and partnership).

*"CATCH has definitely helped us, because our name's got out there now and people are talking about us."*

**- Small business member of CATCH**

### **Impact on Apprentices**

CATCH has taken on 430 apprentices in total across nine different courses. Apprentices view a CATCH apprenticeship as the best means to a respected, high-paying job in the local area, while higher education is associated with careers that involve moving elsewhere. Apprentices at CATCH value the site's fully-functioning process plant that mimics the workings of a large industrial plant, which allows young people to learn specific trade skills in a safe environment.

*"I came here because it was the best apprenticeship site around."*

**- CATCH apprentice**

### **Impact on Local Area**

CATCH adapts to the economic challenges of the Humber by tailoring its outreach work, often targeting schools in more economically-deprived areas near large industries, without broad industrial employment. 90% of learners are recruited from areas of high social deprivation. CATCH's outreach work also aims to get young people interested in the local economy by introducing students to key local industries. To tackle barriers to representation, they target SEND schools and under-represented groups and provide additional application support if students need.

Partners credit CATCH with helping to address and find solutions to the strategic issues that businesses face across the region. For example, CATCH has hosted decarbonisation events to discuss common problems and solutions, before advocating to government actors.

## ENABLERS - LESSONS FOR ECONOMIES OF COORDINATION

### Adapting to employers' specific training needs

A key factor behind CATCH's success is its membership model, which creates a direct feedback loop for identifying and addressing the training needs of local employers. Members decide which courses CATCH offers and what they include, helping minimise the gap between local business skill needs and training provision. CATCH also holds several industry-specific employer meetings each year to gather feedback and improve apprenticeship content.

CATCH responds to the needs of individual companies by providing bespoke training where possible. By using trainers who previously worked in industry - with direct insight into the environments apprentices will enter - CATCH ensures training is relevant and specific.

*"We make a point of asking [employers] questions. How can we help you? How can we do this? How can we do that? And they seem to value that."*

**- CATCH employee**

### Directly supporting small employers

CATCH not only helps businesses meet their training needs, but supports employers with the administrative and bureaucratic demands of apprenticeships, from recruitment to updates on learning. To disseminate insights, CATCH coordinates employer groups to discuss regulatory developments and funding rule changes - which is particularly valuable for smaller businesses with limited staff capacity.

*"We just find them really helpful and supportive. If everyone had any questions or anything like that, there's always someone at the end of an email or a phone call"*

**- Small business member of CATCH**

Membership benefits also extend beyond apprenticeships. CATCH organises outreach and engagement activities, such as promoting businesses locally or helping employers connect with schools - particularly beneficial for small businesses without dedicated outreach functions.

*"It was just a great way to meet other businesses going through the same experience as you"*

**- Small business member of CATCH**

## Strong partnerships

CATCH has built strong partnerships across the public sector. Its board includes representatives from local councils and education institutions, alongside businesses in the Humber region, and CATCH is represented on multiple regional bodies. For example:

- CATCH CEO David Talbot has contributed to shaping the North East Lincolnshire Council Skills Strategy
- CATCH and Hull College have hosted joint visits from ministers and officials
- CATCH has convened roundtables with Skills England involving colleges, training providers and industry representatives.

## Shared sense of local purpose

A key factor behind CATCH's cross-regional partnerships is the shared vision stakeholders have for the Humber region: a more connected and prosperous area that fully realises its potential for industrial growth. This vision is underpinned by strong regional pride and an awareness of the area's economic challenges, creating a shared sense of responsibility.

*"We can also support the public-private sector work that's going on to develop the region as well. We've got a part to play that's more than just a training provider."*

**- David Talbot, CATCH CEO**

# FOCUS AREA 2

## CAREER SKILLS DEVELOPMENT IN SCHOOLS

Career skills education and development in schools plays a central role in shaping students' opportunities and the workforce available to local economies. For example:

- Schools achieving all eight Gatsby Benchmarks (criteria for a good career guidance service) have students 8% less likely to become NEET at age 16 or 18 compared with schools with low careers provision.<sup>108</sup> In disadvantaged schools, the reduction can be as high as 20%.
- Evidence from 2012 found that 26.1% of young people with no employer contact in school became NEET, compared with 4.3% of those with four or more employer encounters.<sup>109</sup>
- UK Government reviews estimate career interventions in schools can increase wages by up to 20% relative to control groups - while other studies find a 0.8% wage premium for each career talk with someone outside the school.<sup>110</sup>

Yet historically, the relationship between schools and businesses in the UK has been relatively limited. While 98% of students now have at least one employer encounter during school, the depth and consistency of these interactions varies widely, and many schools still fall short.<sup>111</sup> For example, only around 19% of schools and colleges were meeting all eight Gatsby benchmarks for high-quality careers guidance as of 2022–23.<sup>112</sup> In practice, this means that careers education is often delivered without sustained input from local businesses. As engagement often occurs through structured outreach activities by larger businesses, the issue is particularly acute for smaller businesses:

- A UK employer survey found that 91% of firms with 250+ employees had links with schools or colleges, compared with 62% of firms with fewer than 50 employees.<sup>113</sup>
- Just 17% of small businesses engaged with schools and or colleges in 2022.<sup>114</sup>

A more coordinated approach can help teachers understand emerging skill needs while giving students clearer pathways into local industries. Bradford is a leading city for this activity. The *Beyond Horizons* programme, a pilot coordinated by EY Foundation and co-designed with over 100 local stakeholders in Bradford including businesses and schools, is aiming to reimagine workplace experiences for young people. It will support students with insights into the careers and industries in Bradford, simulated workplace challenges, and support to help students map out their next steps and ambitions. One organisation which contributed to that co-design programme, **Bradford SkillsHouse**, is the focus of our case study.

108 Cremona, R. New national data reinforces the impact of the Gatsby Benchmarks on young people's futures. Gatsby. 13 March 2024. <https://www.gatsby.org.uk/education/updates/new-national-data-reinforces-the-impact-of-the-gatsby-benchmarks-on-young-peoples-futures/>

109 Education and Employers. Education and Employers give evidence to the Education Select Committee. 11 January 2023. <https://www.educationandemployers.org/education-and-employers-give-evidence-at-the-education-select-committee>

110 Kashefpakdel, E. and Percy, C. 'Career education that works: an economic analysis using the British Cohort Study'. Education and Employers. 2016. <https://www.educationandemployers.org/research/career-education-that-works-an-economic-analysis-using-the-british-cohort-study/>

111 The Careers & Enterprise Company. Insight Briefing: Gatsby Benchmark results for 2024/25. 2025. <https://www.careersandenterprise.co.uk/media/1dwfw4g/insight-briefing-gatsby-benchmark-results-for-2024-25-for-publication.pdf>

112 Dyson, J. More schools meet careers benchmarks, but most still miss target. Schools Week. 4 March 2024. <https://schoolsweek.co.uk/more-schools-meet-careers-benchmarks-but-most-still-miss-target>

113 Confederation of British Industry. Inspiring Growth: CBI/Pearson Education and Skills Survey 2015. [https://www.skillsforemployment.org/sites/default/files/2024-01/wcmstest4\\_180489.pdf](https://www.skillsforemployment.org/sites/default/files/2024-01/wcmstest4_180489.pdf)

114 The Federation of Small Businesses. Written evidence from The Federation of Small Businesses (FSB) (SFF0078) RE: House of Lords Industry and Regulators Committee Call for Evidence: Skills for the future: apprenticeships and training. Industry and Regulators Committee. 27 September 2024. <https://committees.parliament.uk/writtenevidence/130788/html/>



Image from Bradford SkillsHouse

# CASE STUDY

## BRADFORD SKILLSHOUSE

### BACKGROUND

Bradford SkillsHouse – based within Bradford Council’s Employment and Skills Service – has developed a distinctive model for aligning education, training providers, and employers around shared local priorities. Core to this model is the Careers and Technical Education (CTE) service, which works across schools, further education colleges, the University of Bradford and local employers, supporting students from early years through to post-16 pathways and employment.

SkillsHouse organises the local economy into 15 sector pathways. It regularly convenes dedicated sector boards (e.g. computing, science and environmental technologies), bringing together educators and employers to shape curriculum, identify emerging skills needs and coordinate interventions.

Unlike more traditional careers provision, SkillsHouse moves beyond careers advice into actively coordinating relationships between actors who would otherwise struggle to connect. This includes:

- Supporting local businesses to engage with schools through flexible, low-burden opportunities (e.g. talks, mentoring, placements)
- Enabling educators to co-design curriculum with employers
- Connecting outreach activity across partners to better reach disadvantaged groups, including NEET young people

### IMPACT

#### Impact on local young people

Through activities ranging from career fairs to targeted support programmes, SkillsHouse has delivered substantial reach and engagement across Bradford’s young population. In 2023/24 alone, the SkillsHouse:

- Engaged with 53,521 people
- Supported 7,146 school leavers
- Coordinated 3,853 work experience placements
- Coordinated 2,831 people registering for employment support

The model is particularly effective at reaching disadvantaged groups, as SkillsHouse coordinates tailored outreach and support for NEET young people and SEND students. Bradford’s NEET rate has recently fallen below the national average for the first time, with SkillsHouse interventions seen as a contributing factor.

*“All the good work intervening with educators around their sector employers... [is] helping to reduce those NEET figures.”*

**– Daniel Furniss, Bradford SkillsHouse Careers & Technical Education Lead**

SkillsHouse also supports young people by improving education in schools and colleges. Services range from reviewing a school’s curriculum and identifying relevant careers and technical education opportunities, to supporting careers services to achieve the Gatsby Benchmarks.

### Impact on Local Businesses

SkillsHouse has significantly lowered barriers for local businesses to engage with education and skills provision. Through the CTE, it proactively reaches out to firms and offers flexible ways to get involved – ranging from one-off school talks to deeper involvement in sector boards. SkillsHouse engaged with 3,070 businesses in 2023/24, enabling a better coordinated system, whereby:

- Businesses gain access to better-prepared local talent
- Education providers gain insight into evolving industry needs and adapt to that
- Local businesses feel a stronger sense of ownership and pride in local skills development

*“Businesses feel proud of being on a CTE board.”*

**– Daniel Furniss, Bradford SkillsHouse Careers & Technical Education Lead**

### Impact on the Local Economy

By aligning skills provision with employer demand, SkillsHouse is helping to address coordination failures in the local labour market. Sector boards provide a mechanism for real-time feedback loops between employers and educators, whereby businesses identify emerging needs (e.g. AI skills, cybersecurity roles) and training providers integrate that into teaching and careers education.

*“Businesses will say ‘we really need pen testers’... and then we run programmes with schools or universities on exactly that.”*

**– Tim Rogers, Director of Future Transformations (Bradford-based Social Enterprise that aims to support tech skills)**

A key element of this is raising aspirations locally – demonstrating to young people that high-quality careers are available within Bradford itself, rather than requiring relocation.

*“The work lets students know that it’s possible to work in Bradford... they don’t need to move to London to get good work.”*

**– Daniel Furniss, Bradford SkillsHouse Careers & Technical Education Lead**

SkillsHouse runs tailored outreach for specific local needs. For example, Bradford’s National Science & Media Museum ran a major recruitment campaign in 2025, and the SkillsHouse identified a range of suitable candidates, ran a recruitment workshop with them, and secured multiple employment positions.

## **ENABLERS - LESSONS FOR ECONOMIES OF COORDINATION**

### **Strong Relational Partnerships**

Relationships are central to the SkillsHouse model. The council acts as a system convenor, with a focus on fostering strong, personal relationships through regular meetings between the council, employers and training providers. SkillsHouse proactively seeks to expand the network, attending industry events and engaging closely with actors such as The British Chambers of Commerce.

### **Embedding a Strong Sense of Local Purpose**

SkillsHouse has successfully fostered a shared sense of purpose across partners – centred on supporting Bradford’s young people and reflecting the city’s diversity. This is reinforced through:

- A clear focus on raising aspirations and preventing NEET outcomes
- Strong representation of Bradford’s diverse communities within the council and its partnerships
- Consistent messaging about local opportunity and pride in place

*“People are talking to people from their own communities... and that helps get buy-in.”*

**– Tim Rogers, Director of Future Transformations**

## Rich Data and Information Sharing

A critical enabler for SkillsHouse is its integrated data infrastructure. The council maintains a central Customer Relationship Management (CRM) system that captures both quantitative and qualitative data on all interventions, including:

- Young people engaged
- Types of activities delivered
- Sector interests and progression pathways
- Longitudinal tracking of outcomes

*"We track all our interventions... and can track scores of young people over long periods of time."*

**– Daniel Furniss, Bradford SkillsHouse Careers & Technical Education Lead**

This is complemented by wider local data on local skills needs, providing a holistic picture which individual schools or providers could not achieve alone:

- Destination data from schools and colleges
- Feedback loops from further education providers on recruitment outcomes
- Qualitative case studies capturing impact

*"Schools and colleges left to themselves wouldn't have that seamless transition of data."*

**– Daniel Furniss, Bradford SkillsHouse Careers & Technical Education Lead**

This allows SkillsHouse to identify gaps and target interventions, coordinate activity across partners and continuously refine provision based on evidence.

# FOCUS AREA 3

## BUSINESS IMPROVEMENT DISTRICTS

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Business Improvement Districts (BIDs) are organisations that enable a business-led response to the needs of a defined area. BIDs are elected by local commercial ratepayers for five-year terms. They collect mandatory levies from these businesses to fund initiatives aimed at improving the economic prosperity of their local area. Through BIDs, businesses have a direct say in local strategies on, for example, commerce, security and sustainability, but also benefit from business network connections and representation with councils and other public bodies.

Since the first BID was set up in 2005, at least 340 others have been created.<sup>115,116</sup> While the majority are based in town and city centres, they can consist of commercial, industrial or mixed-use areas. They vary in size and income (from approximately £14,000 per annum to over £4 million).<sup>117</sup>

BID spending priorities include crime reduction, regeneration projects, cultural events and policy advocacy. They benefit from relatively stable funding (so can support local authorities if their budgets are shrinking) and flexible funding (so can invest in new, innovative programmes).<sup>118</sup> Evaluations of their impact suggests that the existence of BIDs tends to reduce crime, with benefits for businesses and economic growth.<sup>119</sup>

115 Kingston First. About Kingston First. 2020. <https://www.kingstonfirst.co.uk/about-kingston-first/>

116 Turner, C. and Stanford, L. Spring Report Business Improvement Districts in the British Isles. British BIDs. April 2025. <https://british-bids.files.svdcn.com/production/publications/British-BIDs-Spring-Report-April-2025.pdf?dm=1744704347>

117 Turner, C. British Improvement Districts in the British Isles: The 18th Annual BID Survey and Report 2024. British BIDs. 2024. <https://british-bids.files.svdcn.com/production/publications/Annual-BID-Survey-and-Report-2024.pdf?dm=1731601188>

118 Future of London & Rocket Science. The Evolution of London's Business Improvement Districts. March 2016. [https://www.london.gov.uk/sites/default/files/evolution\\_of\\_londons\\_bids\\_march2016\\_web\\_020316.pdf](https://www.london.gov.uk/sites/default/files/evolution_of_londons_bids_march2016_web_020316.pdf)

119 Moir, E., Cairns, N., Prenzler, T. and Rayment-McHugh, S. A review of the impacts of Business Improvement Districts on crime and disorder. Crime Prevention and Community Safety, Volume 26. 9 August 2024. <https://doi.org/10.1057/s41300-024-00214-7>

# NORTH NOTTS BID

BUILDING A BETTER FUTURE

Image from North Notts BID

## CASE STUDY NORTH NOTTS BID

### BACKGROUND

**North Notts BID** supports around 1,200 companies in Bassetlaw, North Nottinghamshire. Businesses with a rateable value over £12,000 are automatically members and pay a 1% levy, while smaller businesses can join voluntarily for £100, receiving full benefits except voting rights or board membership. Over the past nine years, the BID has delivered widespread benefits for local businesses and communities, from CCTV on industrial sites to deploying 'Night Angel' volunteers to many public events.

The BID operates in a region where young people often struggle to find suitable employment. Bassetlaw's economy was historically reliant on coal mining, and the industry's decline in the 1980s and 1990s led to widespread unemployment. Today, the local economy is centered around manufacturing, with SMEs supporting large companies like Rolls Royce and Laing O'Rourke. However, substantial skills gaps remain, and many young people leave to train or work elsewhere. Worksop - a mission-critical neighbourhood in the area - has a commercial vacancy rate 75% above the national average, with less than half of working-age adults holding level 3 qualifications or higher.<sup>120</sup>

Despite the challenges, North Nottinghamshire is seeing exciting opportunities for growth. For example, the UK's first prototype commercial nuclear fusion reactor is planned for West Burton, expected to create thousands of construction jobs and long-term, highly skilled positions, while stimulating local supply chains and economic development. We explore how the BID helps expand and build upon such opportunities across the area.

### IMPACT

North Notts BID delivers its impact by funding, planning and running several activities in Bassetlaw that aim to reduce the local skills gap by up-skilling company staff or ensuring the skills needs of local businesses are heard and acted upon, including:

<sup>120</sup> Ministry of Housing, Communities & Local Government. Workshop - Local data profile. July 2025. <https://assets.publishing.service.gov.uk/media/6878b9ada52cca025ef5bd8f/Worksop.pdf>

- **What Next:** The What Next careers event, fully funded and partly organised by North Notts BID provides a platform for 30–40 local employers to connect with education providers and around 1,800 local students - with participating employers reporting a steady increase in the number of 'work-ready' students.

*"We have [joined the What Next event] annually since 2019 and that just grows and goes from strength to strength."*

**- Staff member of Bassetlaw District Council**

- **Bassetlaw Skills Summit and Skills Audit:** North Notts BID supported the first two Bassetlaw Skills Summits. This led to a Skills Audit, which the BID supported, whereby an external team surveyed local businesses and ran thematic focus groups to identify skills needs and opportunities. The council is using the research to develop a revised skills delivery strategy.

*"It's helping to facilitate that immediate need of finding out what are the current skill shortages ... and how can the supply chain for training organizations fulfill that."*

**- Local employer and BID member**

- **Online and in-person training courses:** North Notts BID runs a wide range of courses for members, covering topics such as mental health first aid and fire marshal training - with many developed by a local SME with BID funding.
- **Fusion Energy Cafe:** In the regeneration of a building in Worksop, North Notts BID proposed creating a community asset, which then developed into the Fusion Energy Cafe - a cafe and hub for educating the community about developments at nearby West Burton power station. The cafe encourages interest in nuclear fusion and science, while events and a dedicated Outreach Officer engage local schools to raise awareness of career opportunities. The cafe also offers supported internships.

*"It's really raising the profile of fusion energy, and it's been really nice to have that extra layer of local engagement as well. That was possible through the support of the BID."*

**- Staff member of Bassetlaw District Council**

- **Supporting local SMEs:** North Notts BID supports SMEs through, for example:
  - The North Notts Business Expo, where local businesses can exhibit and promote their work to other regional companies.
  - Promoting their activities and events on its social media channels, significantly extending their online reach.

- Networking with smaller firms in the region, with the chairs of Bassetlaw business forums representing smaller businesses on the BID's board
- Allowing smaller firms to become voluntary members and receive most BID benefits for a modest fee.

*"I think now what they do is priceless. They promote local businesses."*

**- SME employer and BID member**

## **ENABLERS - LESSONS FOR ECONOMIES OF COORDINATION**

### **Strong partnerships with local businesses**

North Notts BID is able to deliver effective programmes for local businesses because it maintains regular engagement with its members and has a strong understanding of their needs. The BID runs periodic member surveys and gathers feedback at local events to identify concerns and opportunities where it can provide support.

Close communication allows the BID to effectively represent the interests of local SMEs to other stakeholders. For example, it helps Bassetlaw District Council ensure its programmes and funding applications are aligned with local business needs. Partners recognise the BID as a trusted collective voice for small businesses, while the organisation keeps members informed about relevant local and regional decisions.

*"The BID champions those smaller voices, the challenges that they're facing, the opportunities also that they're bringing in and some unsung heroes as well."*

**- Local employer and BID member**

### **Ability to work flexibly with local partners**

Much of North Notts BID's work is delivered through partnerships with local organisations, where its understanding of the local business environment make it a valuable contributor. Operationally, the BID and the council work collaboratively together - a partnership strengthened by their aligned geographic boundaries and closely located offices.

Partners recognise the BID's distinct role within this network. Its independence and stable levy funding allow it to fill gaps that other organisations cannot, particularly when engaging businesses that feel less comfortable working directly with local authorities.

*"We can complement each other's activities and ensure there's no duplication, but really add value across the board."*

**- Staff member of Bassetlaw District Council**

## A joint aim to close the local skills gap

North Notts BID's partnerships are strengthened by a shared focus on closing the local skills gap. Many BID projects aim to retain local talent by encouraging young people from Bassetlaw to seek employment in the area. The BID acts as a bridge between local colleges and member businesses, helping colleges align training with the skills employers need. Public bodies across Bassetlaw widely recognised that this shared ambition with the BID was essential for collaboration on addressing skills gaps.

*"So we are constantly working with the colleges here, with local universities, with the council, to actually up the skills."*

**- North Notts BID employee**

## Creating a positive feedback loop of local pride

Interviewees noted that North Notts BID events and activities have helped restore local pride in Bassetlaw for both businesses and the wider public. Its town-centre events provide affordable, enjoyable experiences for families and attract visitors from outside the area, fostering community cohesion – especially important in deprived areas like Worksop. Increased pride and a sense of belonging encourage greater engagement in BID-led activities, reinforcing positive community sentiment.

*"When there's a public activity that brings people together, nine times out of ten, you can see the BID logo ... and those activities and bringing people together is what helps build pride in where you live or work."*

**- Jo White, MP for Bassetlaw**

# FOCUS AREA 4

## SOCIAL VALUE PROCUREMENT INNOVATION

Procurement from the private sector is a huge tool of influence for the government. In 2023/24, central and local governments spent £341 billion on goods or services from the private sector (worth 12.5% of GDP).<sup>121</sup> Across most of history, this tool was used in limited ways - framed simply around efficiently delivering a good or service to the government.

The approach has dramatically shifted in the past 15 years, with public procurement increasingly used as a tool to drive local growth, good jobs and wider social outcomes. The Public Services (Social Value) Act 2012 accelerated this shift by requiring public bodies to consider the wider economic, social and environmental value created through their contracts.<sup>122</sup> Many councils now embed social value criteria into tenders - weighting bids partly on commitments such as hiring local workers or low carbon practices.

Social value procurement can drive substantial dividends for growth and opportunity in local areas. The most prominent UK example is the 'Preston Model', whereby Preston City Council worked with local anchor institutions to redirect procurement spending into the local economy. Procurement spending in Preston and Lancashire rose from 5% and 39% respectively to around 18% and nearly 80%.<sup>123</sup> By comparing Preston to similar local authorities, the impact is clear: Preston's employment rate grew by 4 points more than would be expected if it hadn't adopted the initiative, with a greater effect among people with disabilities, minority ethnic groups and those with lower levels of education.<sup>124</sup>

Longitudinal studies have worked to quantify the effects of locally-directed procurement. An analysis of English local authorities found that for every additional £100 per capita increase in annual local spending, the employment rate increased by an additional 0.2 percentage points, while wages at the 20th percentile would be expected to increase by £0.9 per week.<sup>125</sup> If every council emulated Preston's achievement (£513 extra spending per capita), that would represent a 1 percentage point increase in the employment rate and a £240 annual wage increase at the 20th percentile (i.e. a 1.3% wage increase).<sup>126</sup>

Meanwhile, analysis by Social Enterprise UK suggests that if social value policies had been implemented universally across the public sector from day one of the Social Value Act, the government would have delivered over £760bn of social, environmental and economic value between 2010 and 2020.<sup>127</sup>

Yet, social value procurement has to be managed carefully. It may come at a cost to the primary delivery of goods or services - to varying degrees - and so it is imperative that the social value is understood, optimised and clearly outweighs the associated costs.<sup>128</sup> This demands managing key risks:

121 Booth, L. Procurement statistics: a short guide. House of Commons Library. 28 July 2025. <https://commonslibrary.parliament.uk/research-briefings/cbp-9317>

122 Public Services (Social Value) Act 2012. 2012 Chapter 3. <https://www.legislation.gov.uk/ukpga/2012/3>

123 Whyman, P.B., Wright, A., Lawler, M. and Petrescu, A. Driving local growth: Lessons from the Preston Model. Preston: University of Central Lancashire. 13 July 2021. [https://pec.ac.uk/policy\\_briefing\\_entr/stimulating-local-growth-through-procurement-lessons-from-the-preston-model/](https://pec.ac.uk/policy_briefing_entr/stimulating-local-growth-through-procurement-lessons-from-the-preston-model/)

124 Rose T.C., Daras K., McKeown M., et al. Understanding the differential effects on employment of a community wealth building programme in England: a difference-in-differences study. *J Epidemiol Community Health*. 14 April 2025. doi:10.1136/jech-2024-223499

125 Rose T.C., McKeown M., Daras K. et al. Relationships between local public spending, employment and wages within local authorities in England - a longitudinal ecological analysis. *NIHR Open Res* 2025, Volume 5:89. 1 October 2025. <https://doi.org/10.3310/nihropenres.14069.1> <https://openresearch.nihr.ac.uk/articles/5-89>

126 HM Revenue & Customs. Table 3.1a Percentile points from 1 to 99 for total income before and after tax. 12 March 2025. <https://www.gov.uk/government/statistics/percentile-points-from-1-to-99-for-total-income-before-and-after-tax>

127 Social Enterprise UK, 2022. <https://www.socialenterprise.org.uk/app/uploads/2022/05/Social-Value-2032-Creating-a-Social-Value-Economycompressed.pdf>

128 Hill, J. Everythingism: An Essay: The pathology holding back the State. *Re:State*. March 2025. <https://re-state.co.uk/publications/everythingism-an-essay/>

- Social value can add administrative burdens to contracting processes - an issue which can create particular challenges for smaller businesses. TechUK found that 73% of SMEs feel it is difficult to formulate commitments to social value in government tenders, while 76% said that it was an administrative burden.<sup>129</sup>
- Measurement and understanding of social value outcomes is not easy, in which case the process risks becoming a box ticking exercise rather than a genuine delivery of social value.<sup>130</sup> Experts we spoke to warned of the particular challenges for smaller businesses, which have less capacity to manage box ticking exercises.

As Manchester City Council’s social value policy demonstrates, developing strong economies of coordination can help mitigate these risks.



# CASE STUDY

## MANCHESTER CITY COUNCIL

### BACKGROUND

**Manchester City Council (MCC)** has been at the forefront of using procurement as a tool to drive local economic and social outcomes. While procurement was historically treated as a compliance and cost-saving function, MCC began to shift its approach in the early 2000s by centralising procurement and analysing its spending patterns. This enabled the Council to better understand where money was flowing and how it could be leveraged to support local businesses and communities.

*“Social value has always been important to Manchester because it puts residents first. We ensure there is strong cross-Council leadership so we can maximise the benefits it brings to the city.”*

**- Cllr Angela Moran, Deputy Executive Member for Resources and Governance, and Chair of the Manchester Social Value Governance Board.**

129 techUK, Navigating Social Value: Challenges Facing Tech SMEs in Government Procurement. 24 April 2025. <https://www.techuk.org/asset/58658E42%2DD32A%2D4665%2DB138841545CD1EF2/>

130 Jaffer, S. A Framework for Place-Based Social Value Delivery. 2 December 2025. <https://golab.bsg.ox.ac.uk/community/blogs/a-framework-for-place-based-social-value-delivery/>

Over time, MCC's approach has evolved, from introducing a sustainable procurement policy in 2007 and playing a leading role in the development of Greater Manchester's 2014 social value framework, to more recent developments such as:

1. Increasing the weighting of social value in tenders from 10% to 20%, and applying it to all contract opportunities (regardless of size)
2. Adding an additional 10% score weighting for zero carbon
3. Requiring all Council suppliers to pay at least the Real Living Wage
4. Accounting for 'inherent social value' - the "intrinsic benefit to society that is present within the design of some services and organisations", such as in local SMEs or voluntary sector providers.<sup>131</sup>

MCC stands out for its ability to innovate its social value procurement policy and management.

## IMPACT

### Impact on Small Businesses

MCC's social value procurement approach has contributed to a significant shift in procurement patterns, with benefits for local small businesses. Spend with Manchester-based suppliers rose from 51.5% in 2008/09 to 69.9% in 2018/19, while spend with SMEs increased from 47% in 2014/15 to 62% in 2017/18.<sup>132,133</sup> Through long-term social value support, MCC has also shifted SMEs from seeing social value as a compliance exercise to embedding it within their business models, driving a cultural shift among suppliers and within their own organisation.

*"Suppliers come back with ideas. They feel good for doing something on social value, and this embeds purpose into organisations"*

**– Jade Tonge, Manchester City Council, Strategic Programme Manager - Highways**

*"People know it's something we take seriously... it's a matter of business now"*

**– Angela Harrington, Manchester City Council, Director of Inclusive Economy**

### Impact on the local economy and communities

MCC's procurement model has generated substantial social outcomes for the local economy and communities. In North Manchester, for example, the council developed a hyper-local social value framework based on detailed neighbourhood-level data and community consultation, and delivered widespread benefits for jobseekers and communities. Partners worked across regeneration on Victoria North, North Manchester General Hospital, and with other anchor institutions to align social value ambitions and investment. Over £6bn is collectively going into the area and the benefits to residents must be maximised:

<sup>131</sup> Manchester City Council. Report for Resolution. 14 March 2025. <https://democracy.manchester.gov.uk/documents/s53276/Social+Value+Policy+Report.pdf>

<sup>132</sup> Local Government Association. Inclusive economies: Manchester City Council considering social value in procurement. 23 June 2020. <https://www.local.gov.uk/case-studies/inclusive-economies-manchester-city-council-considering-social-value-procurement>

<sup>133</sup> Manchester City Council spend is building local wealth. Centre for Local Economic Strategies. 12 December 2019. <https://cles.org.uk/news-events/manchester-city-council-spend-is-building-local-wealth/>

- 5,087 sustained or new jobs created
- 35% of jobs taken by hyper-local and local residents (hyper-local 12% North Manchester and 23% from the catchment area of North Manchester General Hospital)
- 7,624 young people involved in career development
- Over 5,000 volunteer hours donated to local charities

The work in North Manchester was the first time MCC took such a systemic approach with partners. The model has been successful and is being rolled out elsewhere across the city. The council also aligns procurement with broader strategies such as skills development and net zero targets, ensuring that different actors contribute towards shared city-wide goals.

## **ENABLERS - AND LESSONS FOR ECONOMIES OF COORDINATION**

### **Rich data and measurement systems**

A central pillar of MCC's approach is its investment in data collection and analysis, which enables more effective coordination and accountability. The Council has progressively improved its ability to track procurement spending and outcomes, moving from basic spend analysis to more sophisticated tools and management systems.

*"Data on spend was really useful for reviewing and optimising who we were spending with. We are starting to monitor the diversity of our suppliers too - in line with our equalities goals"*

**- Peter Schofield, Manchester City Council, Assistant Director for Integrated Commissioning and Procurement**

MCC uses both public consultation and highly granular data - down to Lower Super Output Area (LSOA) level - to identify local needs and target interventions. They also use insight from their Neighbourhoods Teams and undertake ongoing consultation to understand the 'live' needs of the community.

*"We went into the community to find out what was important to them... We used really strategic LSOA data down to the hyper local level and built the social value framework from that data"*

**- Angela Harrington, Manchester City Council, Director of Inclusive Economy**

### **Embedding purpose**

MCC has been highly effective in embedding a strong sense of purpose within its supplier base, aligning businesses with the city's long-term goals. This is achieved through clear strategic framing (via the Our Manchester Strategy), consistent policy signals (such as increasing social value weightings), and practical mechanisms such as the Real Living Wage accreditation. Rather than treating social value as an add-on, MCC is working to make it a core component

of delivery. This has led to a gradual culture shift, with suppliers increasingly internalising social value principles and integrating them into their operations.

*“We want to move from social value being an additional extra to it being seen as a core part of delivery”*

**– Dee Lowry, Manchester City Council, Social Value Programme Lead**

*“Contractors have become attuned to it, where earlier they didn’t take it seriously”*

**– Angela Harrington, Manchester City Council, Director of Inclusive Economy**

### Strong Relational Partnerships

Another distinctive feature of MCC’s approach is its emphasis on relationships - both with suppliers and within the wider local ecosystem. The Council invests heavily in engagement, including supplier events, workshops and ongoing contract management interactions. These relationships are used not only to monitor performance but to support and develop suppliers. This relational approach is particularly important for SMEs, who often lack the capacity to navigate complex procurement processes.

*“Normally we sit down with SMEs and VCFSEs to talk them through social value and give them examples and very close-knit direct support.”*

**– Jade Tonge, Manchester City Council, Strategic Programme Manager - Highways**

MCC’s relationships extend beyond individual contracts, forming networks that enable coordination across the local economy. For example, social value networks and social economy alliances bring together contractors to share best practice, identify gaps and collaborate on delivery. MCC also plays a brokerage role, connecting suppliers with community organisations and opportunities to deliver social value.

*“We get requests from the local community and can signpost to suppliers”*

**– Jade Tonge, Manchester City Council, Strategic Programme Manager - Highways**

*“Businesses often come together to skills-share and talk about upcoming opportunities to see where there might be gaps.”*

**– Angela Harrington, Manchester City Council, Director of Inclusive Economy**

# RECOMMENDATIONS

## WAYS TO DEVELOP ECONOMIES OF COORDINATION NATIONALLY

Across our case studies, the coordination which successfully drove growth and opportunity for young people in local economies shared a common set of characteristics:

- **Pillar 1:** Relational partnerships
- **Pillar 2:** Shared purpose
- **Pillar 3:** Rich data

Together, these pillars tackle the drivers of coordination failure - low information and low trust - and form the foundations of economies of coordination. To build and strengthen them, financial resources are key. We therefore propose an additional cross-cutting foundation: financial coordination. This section outlines the pillars and cross-cutting foundation, and recommended policy approaches to develop these at the national scale.

Policy approaches must recognise the constraints that local growth-oriented businesses face on their time, resources and administrative capacity. Initiatives that impose heavy administrative burdens or financial costs will struggle to attract sustained participation from small businesses. To build the three pillars effectively within local business ecosystems, interventions must prioritise three practical principles:

- **Cost minimisation:** Participation should not impose significant financial burdens on small businesses, with shared infrastructure reducing costs.
- **Bureaucratic ease:** Administrative processes must be simple and accessible. Local businesses should be able to engage quickly without navigating complex procedures.
- **Clear systems:** Coordination works best when participation mechanisms are transparent and predictable, allowing businesses to engage with confidence.

These principles are embedded across our recommendations.

# RELATIONAL PARTNERSHIPS

Coordination depends fundamentally on strong relationships. Businesses and local partners must know and understand each other to sufficiently share information on local skills gaps, explore collaborative opportunities to tackle those and align their activities to realise that potential. The relational aspect of partnership - personal understanding and rapport - ensures that trust is developed over time. This empowers organisations to take risks in the ways they coordinate and expand the opportunities available.

Across our case studies - from CATCH and Manchester City Council's two-way relationships with its business partners to Bradford SkillHouse and North Notts BID's work to foster local partnerships between businesses - we saw that relational partnerships between different organisations were a bedrock underlying the business contribution to local growth and opportunity.

As our section on *The Solution: Economies of Coordination* demonstrates, there is a wide range of valuable coordination infrastructure that aims to strengthen coordination nationally, from LSIPs and Business Boards to Growth Hubs. To spread this success across the economy, and optimise the connections with local partners, policymakers must deepen and streamline the coordination infrastructure - both vertically within sectors and horizontally across sectors - to strengthen relational partnerships. Two approaches are key:

## RECOMMENDATION 1

**Vertical coordination:** Build stronger and longer-term linkages between (1) existing coordination infrastructure at the regional level, and (2) business bodies, education providers, and wider partners at the local and hyper-local level.

LSIPs, Business Boards and Growth Hubs are positioned largely at the regional level. That is important. Businesses are often networked across broad areas beyond their immediate neighbourhood or locality, and putting coordinating bodies at the regional level enables strategic thinking and relationship-building across that area. The bodies then play a key role in connecting regional and national strategy.

However, as we have seen in our case studies, local businesses have a rich set of relationships, and a diverse range of subsequent coordination activities, that exist at the local or hyper-local level. From the relationships that Bradford SkillsHouse builds between local SMEs and local education providers, to CATCH's close, two-way relationships with local employers, to North Notts BID supporting the Fusion Energy Cafe to support employment in West Burton power station, we see highly valuable coordination activities that require highly local relationships.

The government must ensure that local and hyper-local relationships between businesses, councils, education providers, community organisations, memberships bodies such as BIDs of apprenticeship brokerages, and anchor institutions are effectively nurtured, optimised and

aligned with regional and national strategies. To avoid adding complexity for businesses, this activity should work within the existing coordination bodies. The government must support LSIPs, Business Boards and Growth Hubs to, consistently across the country:

1. Engage a broad range of local businesses and partners and connect them with one another, with coordination organised into specific sectors where relevant.
2. Ensure continual engagement over time, with a focus on building long-term two-way, trusted relationships between local and hyper-local partners.
3. Support local partners to explore opportunities to share data, learning, resources, reach and voice for mutual benefit, and to help build the coordination infrastructure to enable that.
4. Build channels of communication between local and hyper-local coordinating bodies and regional and national strategies to ensure long-term alignment.

## THE ROLE THAT LOCAL BUSINESSES AND ORGANISATIONS SHOULD PLAY

- Local businesses should engage with LSIPs, Business Boards and Growth Hubs to explore opportunities to build valuable local relationships and share data, learning, resources, reach and voice for mutual benefit
- Local training providers should use existing coordination infrastructure to share information about local skills, gather insights from businesses to feed into their training, and build partnerships with local employers.

## RECOMMENDATION 2

**Horizontal coordination:** Join-up and streamline local authority business engagement functions with a focus on building close, long-term and supportive relationships between local partners.

By establishing a single digital platform for businesses to engage, the Business Growth Service launched last year has taken important steps to streamline the government's support services to smaller businesses. Yet, our case studies demonstrate the breadth and diversity of engagements between businesses and local authorities - including engagements in Bradford through the SkillsHouse sector boards, with the Manchester City Council social value team, via BIDs. These engagements with local authorities play a critical role in strengthening local partnerships and coordination. In particular, they conveyed the importance of personal and social relationships, which underpin trust and collaboration.

Evidence has suggested that, in councils where business engagement services are spread across many different departments, systems are not necessarily well-aligned and teams do not always communicate with each other effectively.<sup>134</sup> The proportion of businesses seeking support has almost halved over the past decade or so, from 49% in 2010 to 26% in 2023, with 43% of national stakeholders pointing out that the complicated support landscape could be a barrier reducing uptake.<sup>135</sup>

Local authorities explore opportunities to join-up and streamline their business engagement functions across departments. Different teams should explore ways to share data and insights on the local business ecosystem, streamline data collection mechanisms and policy frameworks, and where relevant, work towards a one-stop shop style model, with a single public-facing team who can triage businesses to more specialised engagement services as needed. All business engagement teams should focus on fostering close, personal and supportive relationships with and between local businesses, with regular human presence and contact across business networks.

Join-up and streamlined business support services would be mutually beneficial for both partners - strengthening the council's expertise and resources on the local business environment while simplifying engagement from the business perspective.

## **THE ROLE THAT LOCAL BUSINESSES AND ORGANISATIONS SHOULD PLAY**

- Local businesses should build close and long-term relationships with relevant teams in the local authority, and explore how that relationship can be used to strengthen their local networks with other partners.

<sup>134</sup> Local Government Association. Supporting councils with business engagement. 15 December 2021. <https://www.local.gov.uk/publications/supporting-councils-business-engagement>

<sup>135</sup> Department for Business & Trade. Backing your business: evidence annex. 9 January 2026. <https://www.gov.uk/government/publications/backing-your-business-our-plan-for-small-and-medium-sized-businesses/backing-your-business-evidence-annex-web-version>

Tackling coordination failures in local economies relies on trust between local businesses and organisations. Trust will arise in part through relational partnerships, but is catalysed by a shared sense of purpose. A common cause to rally around has been shown to be a key factor contributing to the success of collaborative partnerships.<sup>136</sup> Where organisations recognise that their long-term success is tied to the prosperity of the local economy, and understand that shared opportunities can lead to mutual benefit, transactional short-termist relationships can become collaborative and long-term. Evidence on clusters demonstrates the potential for this.<sup>137</sup>

In our case studies, we saw how a sense of shared and embedded purpose was the driver behind many of the coordination activities taking place. With CATCH, for example, the determination to contribute to a more prosperous Humber region was the glue that kept partnerships together and provided the motivation for their collaboration. The sense of local pride that North Notts BID encouraged in both the Bassetlaw area and in local businesses helped to increase business and public engagement with the BID and BID-supported events.

### RECOMMENDATION 3

**Build 'Community Hubs' that connect local businesses with community organisations to align on local priorities and embed them into council services**

Local and regional governments should build 'Community Hubs' - teams that connect local businesses with VCSOs and anchor institutions, in order to build a common understanding of the social challenges and priorities locally. Where valuable, the Hub should also explore direct engagement with communities. The Hub should then develop a register of those local priorities (such as engaging with local NEETs or high street regeneration). After evaluating which council procurement contracts could best support each local priority, the Hub should match priorities with relevant contracts and integrate the priorities into social value criteria. It should then engage with contract monitoring teams to ensure continual compliance, and key VCSOs who were involved in the process should then report on the outcome - on the extent to which the priority was delivered upon.

The process serves multiple functions:

- 1. It embeds an understanding of local priorities.** By supporting relationships between local businesses and VCSOs, the process would generate a shared understanding of local challenges and priorities. Businesses are incentivised to engage because the agreed local priorities are integrated into council contracts.

<sup>136</sup> Bagnall, A.M. A shared sense of purpose drives successful multisector collaboration – lessons from the COVID-19 pandemic. Wales Centre for Public Policy. N.d. <https://wcpp.org.uk/blog-posts/a-shared-sense-of-purpose-drives-successful-multisector-collaboration-lessons-from-the-covid-19-pandemic/>

<sup>137</sup> Martinidis G., Adamseged M.E., Dyjakon A., Fallas Y., Foutri A., Grundmann P., Hamann K., Minta S., Ntavos N., Råberg T., et al. How Clusters Create Shared Value in Rural Areas: An Examination of Six Case Studies. *Sustainability*, Volume 13:8. 20 April 2021. <https://doi.org/10.3390/su13084578https://www.mdpi.com/2071-1050/13/8/4578>

- 2. It improves value-add.** The process ensures the council's understanding of social value is an accurate reflection of local need. By then using a team to strategically match specific local priorities with specific council contracts, it ensures the contract's social value criteria provides genuine value-add. For example, a requirement to recruit local young NEETs may not be suited to a contract involving highly specialised, low-supply skills, but would be better matched with services engaging young people, whereby local young NEETs could strengthen community connections.
- 3. It strengthens compliance.** The process strengthens the credibility of social value criteria by demonstrating that they have been developed by local actors - which would improve compliance. Through continual engagement with contracting monitoring teams, and by asking relevant VCISOs to report on the outcome, the process also strengthens accountability for the delivery of social value - improving compliance and demonstrating that social value delivers tangible benefits rather than just being a box to tick.

Local and regional governments can learn from the Community Benefits Hub in Denbighshire County Council.<sup>138</sup> The Hub is a specialist team within the council which engages with community organisations, listens to and captures their local needs, and embed that into the councils' local procurement processes, contract management and business advice. The aim is then to embed, over time, an understanding and concern for local needs into the local businesses who seek or hold procurement contracts.

As we saw in our Manchester City Council case study, when local businesses develop strong connections to councils' social value teams, community organisations and local social outcomes, this embeds the understanding of social value into business models and operations over time. In time, the shared sense of purpose will enable local businesses and other local partners to better coordinate with one another to realise mutual benefits and improve local economies.

## **THE ROLE THAT LOCAL BUSINESSES AND ORGANISATIONS SHOULD PLAY**

- Local businesses should engage with the Community Hubs, contribute to and learn about local priorities, and use that understanding to effectively win and deliver contracts from local and regional governments.

138 Millthorne L et al. Public Money, Public Purpose. Centre for Local Economies. <https://publication.cles.org.uk/publicvalue/#case-studies-6>

## PILLAR 3

# RICH DATA

Coordination failures often result from information failure - as businesses lack the information to sufficiently understand or have confidence in opportunities for mutual benefit. Effective coordination requires a clear and continually updated understanding of local economic conditions. Businesses, educators and decision-makers must be able to identify skills gaps, emerging sectors of growth, and barriers to opportunity. Doing so requires a rich foundation of data, on which business can align.

Just as rich data enables effective coordination, so too does effective coordination enable richer data - generating a virtuous cycle. Individual SMEs have limited capacity to generate insights about the state of the local economy. Equally, local government bodies or anchor institutions will struggle to attain accurate information without close collaboration with local businesses. When all organisations work together to contribute to shared data systems, a much richer picture of the local economy can emerge.

In Manchester City Council, we saw the importance of strong data infrastructure, including on hyper-local need, in developing their social value framework, which was used to coordinate social value across the council's procurement. In Bradford SkillsHouse, we saw how their CRM system, capturing data on their engagement with young people, progression pathways and longitudinal outcomes to better target interventions and inform their engagement with businesses.

### RECOMMENDATION 4

**Build digital 'social value portals' enabling local businesses to understand and measure social value**

We have seen that social value can add administrative burdens to contracting processes, while challenges in measuring and understanding social value outcomes can limit the real-world impact of social value policies. Problems are particularly acute for smaller local businesses, which tend to have less capacity to manage the complexity.

The supportive and relational partnerships recommended in this paper would ease the administrative burdens for businesses, while the Community Hubs would improve local understanding of social value outcomes. Yet, further action is needed to support easier measurement.

Local authorities should build digital 'social value portals' - digital portals open to all that enable businesses and local partners to measure the social value of a range of activities for their local area. The portals would quantify the social value in, for example, hiring a local young NEET person, partnering with a local community organisation or supporting particular outcomes in a local growth plan. Following the example of Manchester City Council, this could also include 'inherent social value', such as in local SMEs or voluntary sector providers.

Through a digital social value portal, businesses could better understand how to maximise their social value, enabling smaller firms to more easily meet social value criteria. It would enable businesses to communicate their social value to local partners and contractors, embedding an understanding of social value within local networks and disseminating social value practices. Lastly, it would provide a clear and consistent measurement, ensuring businesses better understand how local authorities are measuring social value, and that those measurements are reflective of real, quantifiable impacts.

Such platforms already exist in the private sector. Social Value Portal, a private business, provides a digital social value measurement service, and has supported three million apprenticeship or training weeks and £28 million in local SME spending.<sup>139</sup> To ensure all local partners have access to such information, and that the measurement is aligned with local priorities, a comparable service should be developed by local authorities, open to all, free-of-charge, and reflective of local priorities.

The greater transparency of a council's social value criteria would make the system more open to gaming, as businesses could understand how to design their tender proposals to maximise social value scores. The reform must therefore come with an assurance of compliance.

Collectively, these changes would highlight opportunities for different local businesses and organisations to work together for the benefit of the local economy - strengthening local coordination.

## **THE ROLE THAT LOCAL BUSINESSES AND ORGANISATIONS SHOULD PLAY**

- Local businesses should use social value portals to measure and reflect their social value, for example by offering work experience or awarding apprenticeships to young people from low income backgrounds.
- Anchor institutions and skills institutions, including local membership organisations and BIDs, should use the portal to effectively measure their local social value and demonstrate their impact for local businesses.

139 Social Value Portal. Who we are. <https://www.socialvalueportal.com/who-we-are>

## CROSS-CUTTING FOUNDATION

# FINANCIAL COORDINATION

Even where businesses, institutions and communities have strong partnerships, a shared purpose and rich data, coordinated action will struggle to take hold if capital flows remain misaligned with local priorities. Finance determines which projects move forward, which firms are able to scale, and whether collaborative initiatives can secure the resources they need to succeed.

Yet, attracting finance requires businesses to engage with the relevant financial institutions and provide sufficient data and information to make a business case. The UK's financial system, highly centralised compared to international peers, means institutions rely less on data specific to local contexts and more on standardised figures that can be applied across large regions.<sup>140</sup> This exacerbates challenges for:

1. Local growth-oriented businesses - which tend to have less comprehensive data collection systems than larger businesses.<sup>141</sup>
2. Projects that involve coordination or collaboration between firms - where inputs to a project (which a financial institution would assess) are more varied than a single business's balance sheet.<sup>142</sup>
3. Projects that deliver wider social and economic benefits - where the returns to businesses may be indirect and longer-term.

Strengthening the financial coordination infrastructure therefore needs to focus on gearing the current system towards projects that tackle coordination failures, and building new financial institutions with the local networks and expertise to strengthen coordination.

### RECOMMENDATION 5

**Direct public financing vehicles to harness their capital towards projects that tackle coordination failures.**

There are a myriad of successful examples of financial institutions targeting investment towards collaborative projects, where multiple local businesses and organisations work together to deliver a programme. Such projects can help crowd-in additional local investment, and create local multiplier effects which increase the returns on investment. For example, the Local Innovation Partnerships Fund (£500m) required collaboration between local businesses and institutions for its investments, and is expected to crowd in £1bn of additional private investment and generate £700m in local economic value.<sup>143</sup>

140 Daams, M., Mayer, C. and McCann, P. Regions, cities and finance: the role of capital shocks and banking reforms in shaping the UK geography of prosperity. Fiscal Studies. May 2025. <https://ora.ox.ac.uk/objects/uuid%3A886612ce-e50b-4760-9df7-a6c1414a7754/files/rq237ht715>

141 Alessandro, A., Jess, B., Bazzi, M. et al. Categorising SME Bank Transactions with Machine Learning and Synthetic Data Generation. 7 August 2025. <https://arxiv.org/abs/2508.05425>

142 Wilson, J., Wise, E. & Smith, M. Evidencing the benefits of cluster policies: towards a generalised framework of effects. Policy Sciences, Volume 55. 21 May 2022. <https://doi.org/10.1007/s11077-022-09460-8>

143 UK Research and Innovation. New fund will focus research investment on local priorities. 9 June 2025. <https://www.ukri.org/news/new-fund-will-focus-research-investment-on-local-priorities/>

The government should direct financing vehicles (e.g. the British Business Bank, the Office of the Impact Economy, and local authority procurement) to harness capital towards collaborative projects among different local businesses and other local organisations. Some of this funding should be ringfenced for collaborative projects between businesses and local partners.

Focusing public funding on tackling coordination failures would strengthen:

- **Relational partnerships:** Small local businesses are often competing with each other for small pots of funding, spending excessive resources when their capacity is already limited. Putting aside funding for collaborative projects would enable businesses to pool their resources when writing bids, as well as ensure long-term collaboration throughout the duration of joint-funded projects, strengthening relationships.
- **Shared purpose:** Providing a funding enabler for start-ups, scale-ups and small businesses to get involved in local growth and opportunity projects would help employers to develop a joint vision of how they want to see their local area develop, and enable them to progress towards this vision together.

## THE ROLE THAT LOCAL BUSINESSES AND ORGANISATIONS SHOULD PLAY

- Local businesses should engage with public financing vehicles with grants specifically for collaborative projects, and engage with other local businesses to explore opportunities for collaboration.
- BIDs should help to connect local businesses with similar aims who they think might benefit from working together on joint funding ventures, as well as promoting funding successes within the local area.

## RECOMMENDATION 6

Establish new financing institutions at the regional or local level, with expertise and relationships across local economies.

Research shows SME development, particularly in less developed regions within a country, is dependent on strong long-term relationships between banks and their borrowers, based on soft and tacit information with local context, alongside quantifiable, codified information.<sup>144</sup> The UK's highly centralised banking system has compounded regional disparities. Evidence from the US shows that a stronger presence of community banks boosts employment growth in towns and rural areas, and was associated with smaller declines in employment growth and new firm births during the recession.<sup>145</sup>

Establishing regional or local financing institutions with strong knowledge of local economies could play a crucial role in building economies of coordination between businesses, investors and public institutions.

<sup>144</sup> Mayer, C., McCann, P., Schumacher, J. The structure and relations of banking systems: the UK experience and the challenges of 'levelling-up'. Oxford Review of Economic Policy, Volume 37:1. 5 April 2021. <https://doi.org/10.1093/oxrep/graa061>

<sup>145</sup> Petach, L., Weiler, S. and Conroy, T. It's a wonderful loan: local financial composition, community banks, and economic resilience. Journal of Banking & Finance, Elsevier, vol. 126:C. 2021. <https://ideas.repec.org/a/eee/jbfin/v126y2021ics0378426621000352.html>

Germany's financial system reflects the success of this. The KfW (a state-owned investment and development bank), alongside the network of regional development banks and savings banks (Sparkassen), are embedded in local economies and maintain long-term relationships with businesses, particularly SMEs.<sup>146</sup> Research shows this decentralised banking model supports local investment, innovation and resilience by maintaining credit supply during downturns and facilitating knowledge exchange between banks and smaller firms.<sup>147</sup> The local resilience of the KfW was apparent in the pandemic, where research found that its "70-year legacy of accumulated institutional capacity, knowledge, networks, and relationships" allowed it to deploy substantial financial resources "at the scale, pace, and terms appropriate to responding to the pandemic".<sup>148</sup>

The UK has attempted similar approaches, but without the same institutional depth. The British Business Bank provides capital to Community Development Financial Institutions, which focus on financing smaller businesses outside London, but the amount of capital is small.<sup>149</sup> The 2022 collapse of Bank North - a regional bank for northern SMEs - after it struggled to secure stable long-term funding further illustrates the challenge.<sup>150</sup>

A new model could address these failures by operating within the framework of the British Business Bank, combining national capital backing with locally-embedded lending teams, with local networks and expertise - ranging from local business clusters, skills gaps and patterns of local demand.

## THE ROLE THAT LOCAL BUSINESSES AND ORGANISATIONS SHOULD PLAY

- Local businesses should form strong relationships with newly established local financial institutions and develop new investable projects as a result.
- Anchor institutions, skills organisations and business networks should facilitate relationships between their local partners and newly established local financial institutions.

146 Daams, M., Mayer, C. and McCann, P. Regions, cities and finance: the role of capital shocks and banking reforms in shaping the UK geography of prosperity. *Fiscal Studies*. May 2025. <https://ora.ox.ac.uk/objects/uuid%3A886612ce-e50b-4760-9df7-a6c1414a7754/files/rq237ht715>

147 Ibid.

148 Marois, T. Public Development Banks as Essential Infrastructure: Covid, the KfW, and Public Purpose. *Review of Political Economy*, Volume 37:3. 13 February 2024. <https://doi.org/10.1080/09538259.2023.2298739>

149 British Business Bank. British Business Bank announces Community ENABLE Funding programme to increase the availability of funding to social impact sector lenders. 27 November 2024. <https://www.british-business-bank.co.uk/news-and-events/news/british-business-bank-announces-community-enable-funding-programme-increase>

150 Collier, P. *Left Behind: A New Economics for Neglected Places*. Penguin Random House UK. 2024

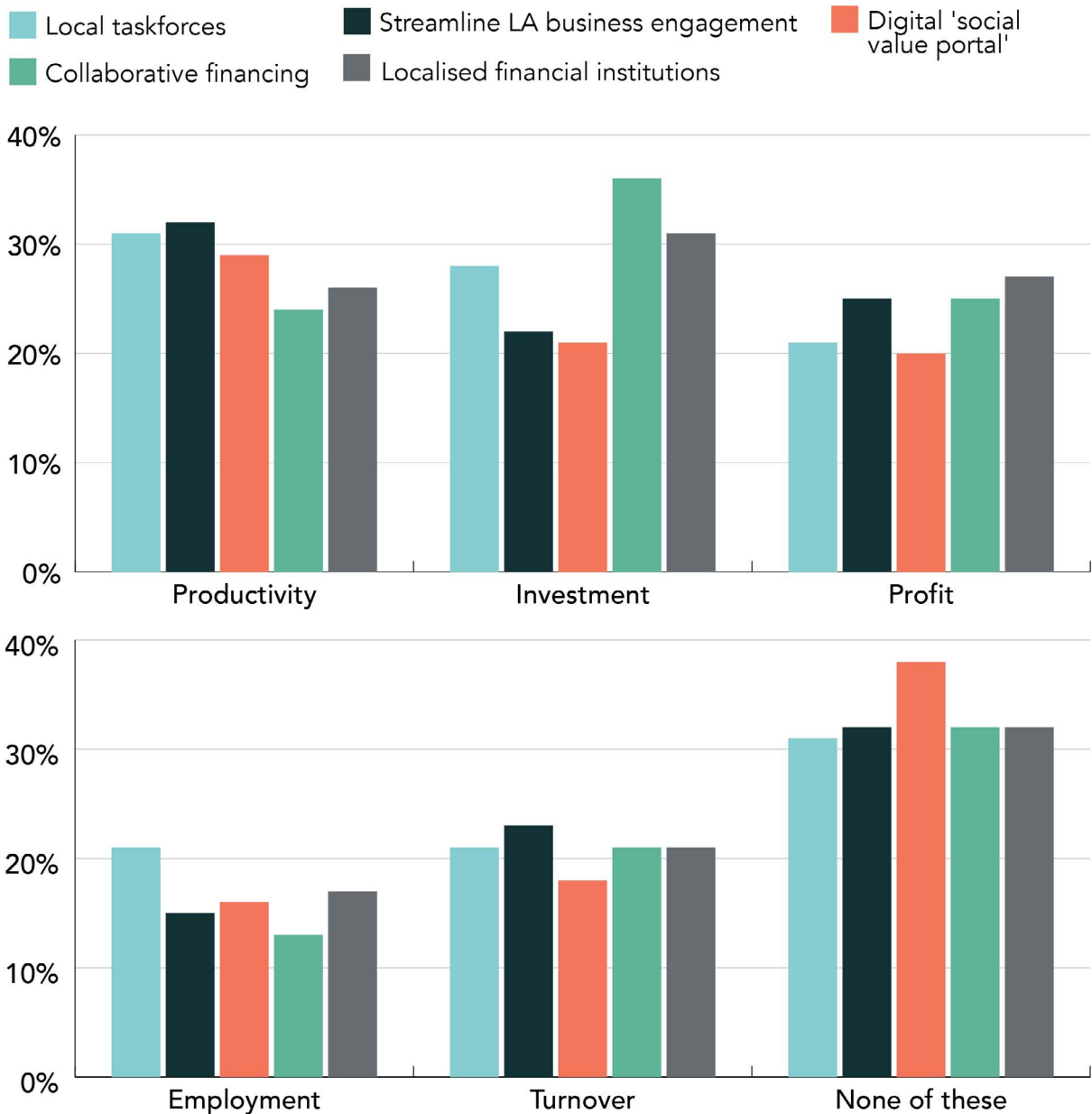
# IMPACT

SMEs report that they would expect widespread benefits from our recommended policies. In our survey of UK SMEs, 31% of firms say that streamlined LA business engagement would raise their productivity, while 32% say the same for local taskforces with linkages to national taskforces. Investment responses are similarly strong, with 36% saying that a policy directing vehicles towards financing collaborative projects would raise investment for them, and 31% saying more localised financial institutions would. Employment growth is also notable, with between 13% and 21% of firms expecting to raise headcount depending on the intervention. Benefits to turnover and profit are also substantial. Across all policies, a minority (28–31%) report no expected impact. These results indicate that SMEs do not view these policies as marginal improvements, but as meaningful levers to expand capacity and scale operations.

## CHART 8

Between a quarter and a third of SMEs report that economies of coordination policies would raise their productivity

Percentage of SMEs agreeing "This policy would help my business to raise..."



## Growth impacts

By analysing how SMEs would expect to respond to stronger economies of coordination, and combining that with data on the economic impact of such responses, we can develop a broad indication of the value of economies of coordination.

Analysis shows that each partnership with a university creates £5,065 of added value for the economy.<sup>151</sup> In our survey, 37% of SMEs say that stronger economies of coordination in their area would make them more likely to partner with a university.<sup>152</sup> If we assume all of these would then develop that partnership (208,000 SMEs), that would represent a £10.5 billion boost to the economy. If we assume just those who say it would make them much more likely to develop a partnership would do so (14%, or 78,000 SMEs), the figure would be £4.0 billion.

Alongside this, 34% of SMEs say stronger economies of coordination would make them more likely to hire a management apprentice, and 14% say it would make them much more likely. With analysis showing that taking on a management apprentice adds £8,900 to growth per year on average, if all SMEs who would be more likely to hire a management apprentice did so, that would represent 1.93 million additional apprentices and a £17.2 billion annual addition to growth.<sup>153</sup> If management apprentices were only taken on by those businesses saying they would be much more likely to do so, the addition would be 773,000 additional apprentices and a £6.9 billion annual addition to growth.

Combining these two effects together, we see a boost to growth of between £10.8 billion and £27.7 billion.

## Business revenue impacts

Analysis shows that hiring a management apprentice boosts a business's revenue by £20,900 on average per year. Applying this to the 34% of SMEs who say stronger economies of coordination would make them more likely to hire a management apprentice would mean a £40 billion boost to business revenues per year - or £16.2 billion if we only take those SMEs who say they are much more likely to hire a management apprentice.

## Productivity and revenue impacts

Analysis shows that businesses accessing external advice see a 22% increase in productivity. With our survey data showing that 41% of SMEs would be more likely to access business advice if economies of coordination were strengthened, that would represent a 9% total increase in productivity across SMEs as a whole, or 3% if we just take those saying they would be much more likely to access external advice.

151 National Centre for Universities and Business. State of the Relationship 2024: Analysing trends in UK business-university collaboration. 5 December 2024. <https://www.ncub.co.uk/wp-content/uploads/2021/07/State-of-the-Relationship-2024.pdf>

152 We asked "Imagine there was closer coordination between the businesses, local authority, community organisations, education providers, and financial institutions in your local area - for example with regular forums for communication vertically within sectors and horizontally across sectors, and rich, open data on local skills. To what extent do you think you would be more likely to do the following:"

153 CMI. UK businesses unlock £106 million in revenue by investing in management apprenticeships, according to new economic analysis. 11 February 2025. <https://www.managers.org.uk/about-cmi/media-centre/press-releases/uk-businesses-unlock-106-million-in-revenue-by-investing-in-management-apprenticeships-according-to-a-new-economic-analysis/>

# CONCLUSION

Young people in the UK today are facing a long and deep crisis of stagnant growth and opportunity, a crisis which is even more acute for those from low income backgrounds. Productivity has stalled, young people's pay has fallen sharply since 2008, and nearly one in eight are now NEET. These challenges are not isolated: they are concentrated in the same places, reinforcing social disconnection and accelerating the democratic doom loop.

But the evidence in this report points to a way forward. Rather than being short on economic potential, the UK is short on coordination. The UK's long tail of productive firms has significant potential to drive local growth and opportunity for young people in left-behind towns and neighbourhoods. What those firms lack is the infrastructure to act together to realise that potential, due to weak connections and fragmented policy programmes. Our survey findings bring this into focus:

- 96% of SMEs are not engaging in at least one form of local coordination activity – from sharing data to collaborating on skills or co-investing in local priorities.
- At least two-thirds of SMEs face barriers to coordination, most commonly a lack of time, capacity and finance.

To better coordinate the UK's millions of local businesses, this calls on the government to treat coordination infrastructure as a core economic foundation. Doing so demands strengthening economies of coordination: investing in shared local data systems, empowering institutions to convene and align actors, simplifying access to support, and targeting finance towards collaborative activity. At a national scale, it demands strong relational partnerships, shared purpose and rich data, with a foundation of financial coordination.

For employers, the implication is clear. The smaller firms that will succeed in left-behind places will not be those that act alone, but those that are able to pool their resources and insights to improve their local economies - building skills and productivity across the local workforce, in a collaborative effort. The prize for fixing this is substantial, with our survey indicating:

- Up to **£28 billion** in additional economic growth
- Up to **£40 billion** increase in SME revenues
- An increase in productivity for UK SMEs of up to **9%**

The UK cannot rely on isolated actors to deliver systemic change. If we are serious about unlocking growth and widening opportunity, we must develop the structures that allow local businesses and communities to act together.

**For the future of Britain's young people, now is the time to build economies of coordination.**

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# DEMOS

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At a crossroads in Britain's history, we need ideas for renewal, reconnection and the restoration of hope. Challenges from populism to climate change remain unsolved, and a technological revolution dawns, but the centre of politics has been intellectually paralysed. Demos will change that. We can counter the impossible promises of the political extremes, and challenge despair – by bringing to life an aspirational narrative about the future of Britain that is rooted in the hopes and ambitions of people from across our country.

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© DEMOS. SOME RIGHTS RESERVED.  
15 WHITEHALL, LONDON, SW1A 2DD  
T: 020 3878 3955  
HELLO@DEMOS.CO.UK  
WWW.DEMOS.CO.UK