

September 2021

# MEMBER BRIEFING: GOVERNMENT'S LEVELLING UP COMMITMENT

WHAT YOU NEED TO KNOW AHEAD OF NEXT MONTH'S WHITE PAPER

*'Levelling up... is about improving living standards and growing the private sector, particularly where it is weak. It is about increasing and spreading opportunity, because while talent is evenly distributed, opportunity is not. It is about improving health, education and policing, particularly where they are not good enough. It is also about strengthening community and local leadership, restoring pride in place, and improving quality of life in ways that are not just about the economy.'*

– Government briefing on the Queen's Speech (May 2021)

The government was elected on a promise to address regional inequalities and to level up the country with levelling up being a key commitment made in the 2019 Conservative Party Manifesto<sup>1</sup>. Two years on from this election, the definition of levelling up and what this means for government policy remains imprecise, with the task of addressing regional inequalities made even more challenging due to the impact of coronavirus.

Next month the government will publish its Levelling Up White Paper, setting out its plan to level up the country. The levelling up agenda has been given greater momentum, with the rebranding of the Ministry of Housing, Communities and Local Government (MHCLG) as the Department for Levelling up, Housing and Communities (DLUHC) now being led by Michael Gove MP as the Secretary of State.

This briefing paper sets out the CBI's insights into the government's levelling up agenda and the business view on addressing regional inequalities. The CBI continues to represent the views of our members to government, helping to shape this crucial agenda.

## The government's levelling up agenda aims to address regional disparities in economic growth, prosperity and opportunity

The UK is one of the most geographically unequal countries in the developed world (compared with 26 other developed countries), ranking it near the top of the league table on most measures of regional economic inequality (IFS, 2021).<sup>2</sup> These divides have had an impact on the strength of local labour markets, access to talent, the strength of the consumer base, and on the attractiveness of a region as a place to invest. There are also substantial differences in health, educational attainment and social mobility across the country.

To date the government has set out its thinking on levelling up in three main ways; in its plan for growth; in the Prime Minister's speech on levelling up and in the main policies announced under this umbrella agenda.

### The plan for growth

In March 2021 the government published Build Back Better: Our Plan for Growth<sup>3</sup>, in which it states that "levelling up means tackling the economic disparities". It advocates for a new economic approach to tackling regional inequality by improving the productivity of cities, investment in public services and investment in towns to create a sense of pride of place in local communities to "enable more people to get on in life, without feeling they have to leave their local area".

### The Prime Minister's speech

Levelling up is a key objective for the government and in his first speech as Prime Minister in July 2019, Mr Johnson stated that he would "answer the plea of the forgotten people and the left behind towns" and "level up across Britain"<sup>4</sup>. The speech included a range of policy proposals to tackle regional inequality including

investment in public services; public transport; infrastructure, innovation and research; and wider investment into skills and education. In his speech the Prime Minister also emphasised that levelling up areas does not indicate a levelling down of others by taking away from areas of success and high productivity.

### The wider government agenda

The government has already announced a range of policies under the levelling up agenda. Levelling up was a key theme of the 2021 Queen's Speech, setting out the government programme over the next parliamentary session. There were three 'pillars' of investment to improve productivity set out in the speech: infrastructure (£600bn over the next 5 years); skills; and innovation (R&D). The Queen's Speech also included a total of 17 new and existing funds including the Levelling Up Fund (focused on capital investment in local infrastructure)<sup>5</sup>, a Towns Fund, the UK Community Renewal Fund and the UK Shared Prosperity Fund specifically focused on levelling up.

Alongside these announcements the government has also signalled its levelling up intentions by opening government departmental offices and the relocation of civil service jobs away from London and the south-east of England, with a target to move 22,000 jobs by 2030 across the country<sup>1</sup>. It has also signalled its levelling up intentions through the creation of eight Freeports (Low-tax and low-tariff business zones) to drive economic growth.

In May 2021, Neil O'Brien MP was appointed as the Prime Minister's Levelling Up Adviser and a Levelling Up Unit shared between Number 10 and the Cabinet Office was also established and tasked with the production of the Levelling Up White Paper. In the wide-ranging white paper, the government is expected to cover topics ranging from local leadership, growth, people, pride in place and infrastructure.

However, the levelling up agenda is not just about the economy and, as indicated by the Prime Minister's July levelling up speech<sup>6</sup> the scope and remit of levelling up has grown to now include rhetoric around more tangible and communicable changes to living standards for example there is a focus on health, life expectancy, obesity, educational attainment, funding per pupils and local crime data.

As the scale and scope of the levelling up agenda changed so has its position within government. In September the former Ministry for Housing, Communities and Local Government (MHCLG) was renamed Department for Levelling Up, Housing and Communities (DLUHC). Alongside this a new Secretary of State, Michael Gove MP, and ministerial team was appointed to steer the government's levelling up agenda. To date Neil O'Brien MP had been leading on this agenda advising the Prime Minister. Alongside the rebrand, the government has appointed former bank of England chief economist Andy Haldane to head up a new Levelling Up Taskforce, reporting directly to the Prime Minister and Mr Gove.



Secretary of State for  
Levelling Up, Housing and  
Communities - The Rt Hon  
Michael Gove MP



Minister of State - Kemi  
Badenoch MP



Parliamentary Under  
Secretary of State - Neil  
O'Brien MP

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<sup>1</sup> HM Treasury in Darlington, Home Office in Stoke-on-Trent and Ministry Housing Communities and Local Government MHCLG in Wolverhampton

## The business view on levelling up and future opportunities

***“Levelling up is not only vital to prosperity and opportunity in all parts of the UK, but also a core requirement for our competitiveness in the global economy...For too long, we have been so much more regionally unequal than our economic competitors. Our success in the decade ahead needs to draw on the unique talents and advantages of our regions and nations.”***

**Tony Danker, Director General, CBI**

The government’s forthcoming Levelling Up White Paper provides business with a real opportunity to shape and lead regionally thriving economies. Our ambition, as outlined in the CBI’s economic vision *Seize the Moment*<sup>7</sup> is for shared growth and shared prosperity, shifting from the cookie-cutter thinking of the past to enabling regions to build upon distinctive local strengths, with a clear and unique proposition for investment.

Promoting regional growth and tackling the longstanding regional economic disparities remain an important agenda for business and the CBI has welcomed the government’s focus on tackling the causes of inequalities and improving access to opportunities across the country. We believe that increasing opportunities everywhere is the key to promoting productivity growth outside London and the South East, however, it is not a simple case of London and the South East versus the rest: the inequalities within regions are larger than the inequalities between regions. Together, we need to empower regions and nations to find different solutions and figure out what works for them.

For levelling up to be a success we have reinforced the following three key principles:

### 1. Places must have the foundations of a strong local economy

For levelling up to take place it’s crucial that business can operate in the optimal business environment by creating resilient local labour markets, attracting and nurturing world class enterprise, and improving access to opportunities through physical and digital connectivity. The CBI’s *Reviving Regions* report<sup>8</sup> highlights the longstanding productivity and equality differences across the country and that these disparities are large, both across regions, but also within them.

**To build a strong local economy:**

- **Government must work collaboratively with business, education and local leaders to build vibrant local labour markets:** including increasing local capacity to deliver back to work programmes alongside a long-term focus on the devolution of adult skills to meet our growing upskilling and retraining gap.
- **Local leaders, working with relevant infrastructure bodies and business, need to transform local infrastructure to facilitate new ways of working:** including a focus from government on the future of rural areas, towns and cities, and a reform of regional funding mechanisms to ensure a strategic approach to future investment.
- **Places must inspire world-class, innovative businesses to invest in the regions:** including short term interventions to help businesses grow, locally designed and delivered business support with a focus on access to exporting opportunities, and interventions to close the gap in regional R&D funding.

### 2. Local and regional bodies need to be empowered and appropriately resourced to design and deliver economic growth schemes

Continuing progress on devolution in England will be key to supporting local and regional bodies in levelling up and responding to local needs. It can provide areas the accountability to make economic and social decisions as well as provide a clear point of contact for businesses. Business has widely welcomed the accountability of a figurehead across Mayoral Combined Authorities and would hope to see a similar approach for future county deals that have been proposed.

The CBI's Powering Up Places report<sup>9</sup> highlights recommendations the government should take to maximise the potential of English regions.

**To empower local and regional bodies government must:**

- **Provide more detail and clarity on future devolution models such as county deals.** Use the Levelling Up White Paper to provide additional clarity on the future of Local Enterprise Partnerships (LEPs) emerging from the LEP Review.
- **Optimise Westminster and Whitehall for devolution including prioritising regional growth within Cabinet.** Develop new ways of working between Whitehall, regional government offices<sup>2</sup> and local leaders/Metro Mayors.
- **Continue at pace to deliver new devolution deals covering 60% of the population by 2025, using devolution as an opportunity to streamline local government** thereby simplifying the collaboration between business and local government.

### **3. Economic clusters can unlock a new, business-led approach to levelling up in a way that empowers regions and nations to play to their strengths**

Business can serve as a driving force behind the UK's levelling-up aspirations by harnessing local strengths to propel regional economies through recovery towards enduring prosperity. CBI research suggests there are at least 96 areas of high productivity and high concentration in the UK, of which around 50 can be considered clusters. Economic clusters make up 6% of employment but 11% of UK GVA. The CBI is committed to working with partners to identify what makes good clusters great world-leading clusters – starting with strong business leadership.

**To put the voice of business at the centre of the levelling up agenda government should:**

- **Provide a formal commission for the CBI to write the clusters playbook within the Levelling Up White Paper.** This should recognise that clusters are one solution of many when it comes to levelling up but provides a clear signal to all departments of this government's commitment to supporting a business-led approach to levelling up.
- **Commit to taking part in high quality engagement both nationally and locally.** This includes senior government officials sitting as representatives on a national and potentially regional/sectoral level board to help shape the work and support in delivering a joined-up approach.
- **Work with the CBI to test emerging ideas to the business-led demands, providing an adaptive and highly responsive environment for a cluster to thrive.** This should be seen as a co-ordinated package of support which brings together the key features which make cluster initiatives effective.

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<sup>2</sup> HM Treasury in Darlington, Home Office in Stoke-on-Trent and Ministry Housing Communities and Local Government MHCLG in Wolverhampton

## Don't miss out on sharing what your business is already doing and shaping the government's flagship priority

- **Showcase what your business is doing to level up.** For example, this could be expanding your regional operations, investing in local apprenticeship programmes or working with local leaders to deliver regional growth.
- **Share your views and insights with us** to inform our engagement and response to the Levelling Up White Paper expected to be published in October.
- **Take part in our CBI@10 webinar on economic clusters on 29 September** focusing on how economic clusters can drive regional growth post pandemic.
- **Catch up on the CBI@10 webinar on levelling up** to gain insights from leading government civil servants on the levelling up agenda and what it means for your business.
- **Visit the Regional Policy page on My CBI** for the latest insights on levelling up and economic clusters.

**For further details, or to discuss our work on levelling up please contact:**

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<sup>1</sup> Conservative and Unionist Party Manifesto, "Get Brexit Done Unleash Britain's Potential", 2019.

<sup>2</sup> Institute for Fiscal Studies, "Levelling up: where and how?", October 2020.

<sup>3</sup> HM Government, "*Build Back Better: Our Plan for Growth*", March 2021

<sup>4</sup> "Boris Johnson First Speech as Prime Minister" Downing Street press release, 24 July 2019

<sup>5</sup> HM Treasury, Ministry of Housing, Communities & Local Government, Department for Transport, *Levelling Up Fund: Prospectus*, March 2021

<sup>6</sup> HM Government Press Release, "*PM sets out new 'County Deal's to devolve power to local communities in Levelling UP Speech'*", July 2021 h

<sup>7</sup> CBI, "*Seize the Moment How can business transform the UK economy*", May, 2021

<sup>8</sup> CBI, "*Reviving Regions*", November 2021

<sup>9</sup> CBI, "*Powering Up Places*", October 2019