

Institute for Public Policy Research



**STATE
OF THE
NORTH
2021/22**

**POWERING NORTHERN
EXCELLENCE**

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CONTENTS

Summary	3
Introduction	5
1. Levelling up so far	7
The levelling up challenge	7
Tracking levelling up	8
Levelling up is centralised and underfunded	11
Levelling up – moving beyond our broken growth model	14
2. Strategic challenges facing the North	16
Good jobs for the North	16
A sustainable North	21
Excellent northern skills and education	25
3. Levelling up from the grassroots	30
Generating opportunities in the North: Forging ahead from the bottom up.....	30
Building a sustainable, greener North: Using the North’s assets	33
A highly skilled North: Revolutionising education and skills	35
4. From rhetoric to reality: Missions to level up the North	37
Mission 1: The North as a better economy creating prosperity, fairness and good work	38
Mission 2: The North as the engine of the UK’s net zero economy.....	39
Mission 3: The North leading on lifelong learning	40
References	42
Appendix: Job quality index methodology	47

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SUMMARY

Two years on from the UK government's promise to level up, the rhetoric has reached fever pitch, but its definition and the policies to deliver it remain elusive.

The UK is more regionally divided than ever, and we see patterns of centralisation intensifying. This benefits no region and perpetuates a highly extractive economic model.

New funds such as the Levelling Up Fund, are welcome – but they don't go far enough. The £0.5 billion so far allocated to the North from the Levelling Up Fund represents an investment of just £32 per person in the North. This compares to the £413 per person fall in annual council service spending from 2009/10 to 2019/20. Meanwhile, new funding streams continue to be competitive and controlled by the centre.

This year's *State of the North* report highlights the gap between promises and reality on levelling up. It focusses on the impact this is having in three key policy areas: jobs, net zero, and education and skills.

On jobs, we find significant gaps between productivity, earnings and access to good jobs when we compare the North to other parts of England. For every job created in the North, just under three were created in London and the 'Greater South East'.

On net zero, despite the North being home to many of the assets that are needed in order to transition to a greener and more sustainable future, the region remains held back from shaping its own net zero future. This is typified by the fact that while the North generates more than 50 per cent of England's renewable energy – with Yorkshire and the Humber alone seeing a 4,206 per cent increase in its renewable energy contribution since 2003 – the promise of widespread green jobs seems like a distant prospect in many places.

On education, we continue to see a large attainment gap between the North and the rest of England at every level of assessment, from Early Years through to GCSE level and beyond. Closing this gap and providing people with the skills they need to access productive, high-skilled jobs will be crucial if we are to address widening economic divides in the future. Across the North, the attainment gap between disadvantaged and non-disadvantaged pupils at GCSE level is 14.3, higher than the England average of 13.5.

While government policy on levelling up has remained underwhelming, we find reason for optimism. The report shows that across the North's institutions and people at all levels – combined authorities, mayors, councils and community groups – are already doing the things needed to level up. These examples of northern excellence are wide ranging and show a clear ambition to generate better economic outcomes, create a healthier low-carbon future and give people the skills they need to access new opportunities.

We need to further empower those across the North who are already levelling up for themselves, and make sure no place or community is left behind. Achieving this requires, in the first instance, a profound shift of vision on governance: broadening and deepening devolution, while also promoting a collaborative approach across all levels, from the centre down to local communities.

To underpin this objective we provide three missions for a prosperous North that offer a clear roadmap for central government, mayors, combined authorities, local government and communities to ensure levelling up succeeds, and the North can thrive:

1. building a new economy that promotes widespread prosperity
2. making the North the engine of the net zero transition
3. providing everyone with access to high-quality, life-long education.

INTRODUCTION

Levelling up is an important agenda, having the potential to address the UK's longstanding regional divides. But over two years since the government pledged to level up the country as a central plank of its election manifesto, rhetoric remains divorced from any substantive policy plan. Small pots of money from initiatives like the Towns Fund and investment in a patchwork of small-scale capital projects have been laid out. However, **without a long-term strategy, this risks becoming the beginning and end of levelling up.** In this way, government could fail to tackle regional inequalities while also undermining political trust and participation (Quilter-Pinner et al 2021).

When it comes to substantive policy to close regional inequalities – to ensure, in the words of the prime minister, that someone in Blackpool is offered the same life chances as someone in Rutland – **this year has been one of false dawns.** The case of the Integrated Rail Plan announced in November is a clear example of this: it scales back previous promises on the HS2 eastern leg and Northern Powerhouse Rail (Johns 2021) – highlighting the government's tendency to overpromise and underdeliver on levelling up.

In addition, the fact that, at the time of writing, the flagship 'Levelling Up' white paper has been delayed once again comes as a disappointment. It shows that **the government is still in the process of defining what levelling up means, and of finding a strategy that can effectively address regional divides.** Meanwhile, inequalities continue to grow and many communities in the North cannot afford to wait.

The levelling up agenda is not the first attempt at rebalancing the UK economy. For decades, successive governments of all hues have tried but failed to close regional divides. Sixteen years ago, New Labour launched the Northern Way, with the aim to make the North more prosperous, competitive and dynamic. This initiative, however, was too short lived to deliver any real impact, and was swiftly disbanded with the election of the Conservative–LibDem coalition government in 2010. As regional divides persisted, George Osborne heralded a 'revolution in the way in which the North is governed', promising the 'Northern Powerhouse'. That, however, never materialised in full.

In 2021, **the UK is still one of the most regionally unequal countries in the developed world** – but it is also still dealing with the impact of the ongoing pandemic. This is the context of the levelling up agenda. In early 2021, the success of the UK's vaccination plan allowed many of the restriction measures that had defined the past 18 months to be reduced or removed. However, the pandemic is not over, and it has grafted onto existing inequalities. Those in the North who previously faced significant obstacles in terms of accessing work, such as disabled people, have been hardest hit by the Covid-19 crisis (Roscoe et al 2021). Women living in the North have also borne the brunt of the pandemic's impact (Qureshi and Longlands 2021).

Beyond these pressing concerns, **this year has also served as a reminder of why devolution matters.** The elections in May saw existing mayors re-elected in the northern city regions of Greater Manchester, Liverpool and Tees Valley, and a new one elected in West Yorkshire – all with growing turnouts, which demonstrates that devolution is becoming more rooted in the public imagination (Giovannini 2021a). Between them, northern mayors now govern areas with a combined economy worth £227 billion GVA annually and are making a real impact in the areas they

represent (Johns 2021). All this is happening despite the North being shackled by central government's reluctance to let go of power – and show the true and still not fully unlocked potential of devolution.

Events in 2021 have continued to create turbulence in people's lives. Rising inflation and sky-rocketing energy prices over the winter have left many apprehensive about the cost of heating their homes in the year ahead. The COP26 conference in Glasgow provided a make-or-break moment for the planet. While the deal agreed made progress, much of the events in Glasgow remained divorced from the realities of climate breakdown that are affecting people's lives such as major flooding in Yorkshire earlier in 2021 and in Cumbria at the end of 2021.

This year's *State of the North* report takes stock of these experiences, and seeks to chart a path to make sure no place or community is left behind. We analyse the challenges faced by the North and showcase examples of positive action across three key policy areas:

1. economic opportunity and access to good jobs
2. a low-carbon, healthier North
3. high-quality skills and education for all northerners.

We identify these three policy areas as key to achieve the objective of creating a good life for all in the North. Of course, levelling up will have to include other policy areas too. But focussing on good jobs, decarbonisation, and high-quality education and skills are crucial for achieving prosperity in the North.

The government faces a choice. It can continue to steer economic and social development from the centre, through the same institutions and mechanisms that have time and time again failed to rebalance the economy. Or alternatively, as we suggest through our missions, it can finally let go of power to truly level up the country – building on the wealth of positive initiatives that already show how places in the North have the ambition and ingenuity to level up from the grassroots and build a fair, sustainable and prosperous future.

1.

LEVELLING UP SO FAR

The UK's deep regional divides, rooted in its centralised system of governance, are widening (Raikes, Giovannini and Getzel 2019; Johns et al 2020; Dibb et al 2021) including across:

- life expectancy and health, affecting people's ability to live long, healthy and fulfilling lives
- access to jobs and unemployment, as well as incomes and wealth, affecting social and economic justice, especially for those that also face inequalities in terms of race, gender, disability, and so on
- political participation and trust in democracy, affecting engagement, political attitudes, trust and apathy (Quilter-Pinner et al 2021, Johns et al 2020, McCann and Ortega-Argilés 2021, Jennings et al 2021)
- productivity and economic resilience, harming the UK's economic performance (IPPR North and NEFC 2012, McCann 2016, Carrascal-Incera et al 2020, Pemberton 2021).

THE LEVELLING UP CHALLENGE

State of the North 2020/21 investigated the broad dimensions of the UK's regional divides while focussing on the Covid-19 pandemic's immediate challenges. That report concluded that levelling up could be an opportunity to create good lives wherever people live (Johns et al 2020). One year later, building on this we can assess levelling up's progress to date and how it compares to the scale of creating good lives in the UK's regions, particularly in the North.

The need to 'level up the country' is a product of the UK's 'great growth divergence' (Martin et al 2021), which has seen growing inequalities at various spatial scales over at least 40 years.

The North is often at the sharp end of inequalities, but the North/South divide offers only an oversimplistic explanation of this. It describes the North as 'lagging behind', and in doing so generates a negative narrative of a 'problematic North'. It is also based on an assumption that the North is homogeneous – thereby overlooking the inequalities within and across the region. Finally, this discourse tends to ignore that the North is asset rich, holds significant latent economic potential, and local policy actors are ambitious for its future (Johns et al 2020, Giovannini and Raikes 2021, Johns 2021).

Some maintain levelling up all the UK's regions could damage London's economy or that London's economic success 'pays the way' for other areas. However, the Greater South East region¹ decoupling from the rest of the UK economically does not benefit other regions (Raikes 2019, McCann 2016, Beatty and Fothergill 2020). This view also fails to acknowledge two fundamental points (Martin et al 2021; Giovannini and Raikes 2021; and Raikes 2019):

- a more equitable geographical distribution of economic success would benefit national performance
- London's success has emerged from a (largely implicit) economic and industrial strategy that benefitted its growth – but in the most extractive forms, thereby generating problems within the capital (for instance London has the UK's highest levels of poverty).

1 London, the South East and the East of England.

Indeed, the UK's divides benefit no place entirely. Crucially, a centralised system of governance lacks capacity to respond to this. Only local actors and place-based responses can set the country towards a more convergent future, within a regional policy architecture that promotes collaboration in policy areas best delivered at that scale (Raikes 2020; Giovannini and Raikes 2021). The challenge of levelling up rests in taking this onboard: providing a clear roadmap to address divides, while acknowledging that the profound change that is needed cannot be delivered by the centre alone.

TRACKING LEVELLING UP

Despite conceding the scale of the challenge of addressing inequalities within and between the UK's regions, the government has been weak on clarity and action (Giovannini 2021b). Indeed, levelling up has been described as 'a slogan without a policy plan' and 'a modest twist in existing policies rather than anything notably new' (Tomaney and Pike 2020). It evokes and reheats many previous agendas, but remains less focussed (geographically and thematically) than its predecessors.

So far, levelling up has also been more of a political strategy than previous regional rebalancing initiatives (Giovannini and Raikes 2021). For example, concerns have been raised about funding distribution and transparency in favour of seats that could reap electoral rewards rather than demonstrating high levels of need (Jeraj and Walker 2021). Its role as a political agenda could explain the vagueness of levelling up: the lack of a clear plan allows central government to maintain a sense of progress and delivery by attaching it to a vast number of things. These often include investment in small capital projects – which, while welcome, are not enough to deliver change at the scale required. This approach thwarts the ambitions of levelling up. To illustrate this, table 1.1 tracks levelling up promises – highlighting the gap between rhetoric and practice.

TABLE 1.1

Levelling up promise tracker

Promise or pledge	Details	Status
Levelling Up Fund	£4.8 billion, worth an average of £1.2 billion a year over the next four years. This was seen as a replacement for the Local Growth Fund.	Less than the fund it replaces - This is meant to replace the local growth fund, but represents a reduction from £2bn a year to £1.2bn a year.
Community Ownership Fund	£150 million to protect vital community assets by providing funding for communities to take ownership over them.	In progress, but centrally controlled and competitive – there are eight bidding rounds in the next four years, and access to funding and advice may be available to help communities to develop viable proposals.
The Towns Fund	£3.6 billion to drive the economic regeneration of deprived towns.	In progress, but centrally controlled and competitive - the decision-making process has come under criticism for being politically motivated and opaque.

Promise or pledge	Details	Status
UK Community Renewal Fund	£220 million as a precursor to the Shared Prosperity Fund, to help the transition to the UK Shared Prosperity Fund ahead of its launch in 2022.	Delayed – there was a 3-month delay on announcing successful projects, the deadline for spending funds is now in June 2022.
Shared Prosperity Fund	£2.6 billion over the next three years to help people access new opportunities. Promises were made to match in full the EU structural fund programme, which the UK is no longer a recipient of. The UKSPF will rise to £1.5 billion a year by 2024 –25.	Watered down and less than the EU structural funds it replaces – Shared Prosperity Fund only amounts to £1.5bn a year in 2024-25 - before then it is significantly lower in 2022-23 (£0.4bn) and 2023-24 (£0.7bn). It is set to deliver a 40 per cent shortfall over 2022-2025 compared to EU structural funding.
National Skills Fund	£2.5 billion dedicated to provide matching funding for individuals and SMEs for high-quality education and training.	In progress – fund is being rolled out over the next three years.
Net Zero Strategy	Ten Point Plan and Net Zero Strategy mobilise £26bn of government capital investment in net zero transition. This investment could create hundreds of thousands of green jobs in the North.	In progress but contradictory actions – strategy document outlined. Sector plans and cluster decarbonisation approach. Unclear how transport decarbonisation strategy will be implemented in light of broken promises around transport infrastructure.
Freeports Programme	Government aims for ‘national hubs for global trade, creating hotbeds for innovation that will intensify the economic impact of our ports and generate increased economic activity’.	In progress – the first freeport to become operational was Teesside Freeport in 2021.
Civil Service relocations outside of London	The government has pledged to shift 22,000 civil service jobs out of London by the end of the decade – with a target for 25% of roles to be outside London by 2025.	In progress – one ministerial HQ has opened in Wolverhampton while Treasury North is planning to co-locate around a quarter of Treasury staff with other departments’ staff on a new multi-department ‘economic campus’.
The UK Infrastructure Bank	Finance support to local authorities and private sector infrastructure projects to help meet UK government objectives on climate change and regional economic growth. This is expected to unlock £40 billion of infrastructure investment.	In progress – the bank is open and headquartered in Leeds. It has started lending, for instance the Tees Valley Combined Authority received a £107 million loan.
Investment in R&D	Government is aiming to invest £22 billion by 2026/27 more of which is aimed to be invested outside the Greater South East.	Delayed – pushed back target date from 2024/25 to 2026/27. Government says the plan for rebalancing this investment regionally will be set out in the delayed Levelling Up White Paper.
Nationwide gigabit broadband coverage by 2025	£5 billion to invest in rollout for nationwide access.	Watered down – the pledge has gone from “nationwide gigabit broadband” to “a minimum of 85 per cent by 2025”.

Promise or pledge	Details	Status
Levelling up premium for teachers	Teacher salaries to start at £30,000.	Unclear – according to a report by the Public Accounts Committee, there is no timetable for meeting this commitment.
Establishment of 20 Institutes of Technology	£120 million capital spending provided to successful FE providers who have bid to become Institutes of Technology, focusing on closing skills gaps in STEM areas.	In progress – 12 providers were established and a further 9 were announced in December 2021.
Delivering on longstanding pledges like HS2 in full and Northern Powerhouse Rail	“And today I am going to deliver on my commitment to that vision with a pledge to fund the Leeds to Manchester route” (Prime Minister’s July 2019 speech at the Manchester Science and Industry Museum)	Broken – the Eastern Leg of HS2 has been scrapped under the Integrated Rail plan and NPR has been cancelled in favour of smaller new lines and an extension of the pre-existing Transpennine Route upgrade.

Sources: Authors’ analyses of HMT 2021, HMT, MHCLG & DfT 2021, 10 Downing St 2021, HMG 2021, Conservative Party 2019 and 10 Downing St 2019.

Note: We have removed pledges that have been referred to as ‘levelling up’ but have no clear link to regional rebalancing, such as recruiting additional police.

In the context of unfulfilled promises and the now much delayed white paper, levelling up remains as urgent a task as ever. When the white paper does arrive, it must shift the dial and begin to rebalance our economy. This will require investing in regions like the North, but also letting go of power so that key decisions that affect regional prosperity are made by local leaders (Raikes 2020). At its core, the levelling up white paper must ensure that no place or community is left behind, giving every region, town and city across the country the power to drive their own prosperous future. A clear devolution framework is essential to achieve a real power shift, and should be at the heart of the white paper. To this end, such a framework should:

- commit to letting go of power in the long term, with actions taken to devolve real power around public spending, transport and future investment during this Parliament
- be co-produced with local leaders and communities and not imposed upon them, moving away from the current approach where central government makes key decisions around levelling up, often in an opaque manner
- re-set central and local relations by replacing competition with cooperation and trust, creating a level playing field where all places have the chance to improve prosperity and bring power back to the local level (Giovannini and Johns 2021).

This framework should be underpinned by the principles of flexibility and subsidiarity (ibid). This would allow places to access devolution at their own pace, in line with their initial capacity. It would further ensure that wherever possible, policymaking should sit closest to the people that will be affected by policy decisions. A strong local state committed to empowering and working with the communities it represents will be crucial for ensuring that these principles work in practice.

LEVELLING UP IS CENTRALISED AND UNDERFUNDED

Levelling up as currently being executed by Whitehall is flawed. It is centralised and top-down, underfunded, and its underlying approach to date appears to rest on regressive assumptions.

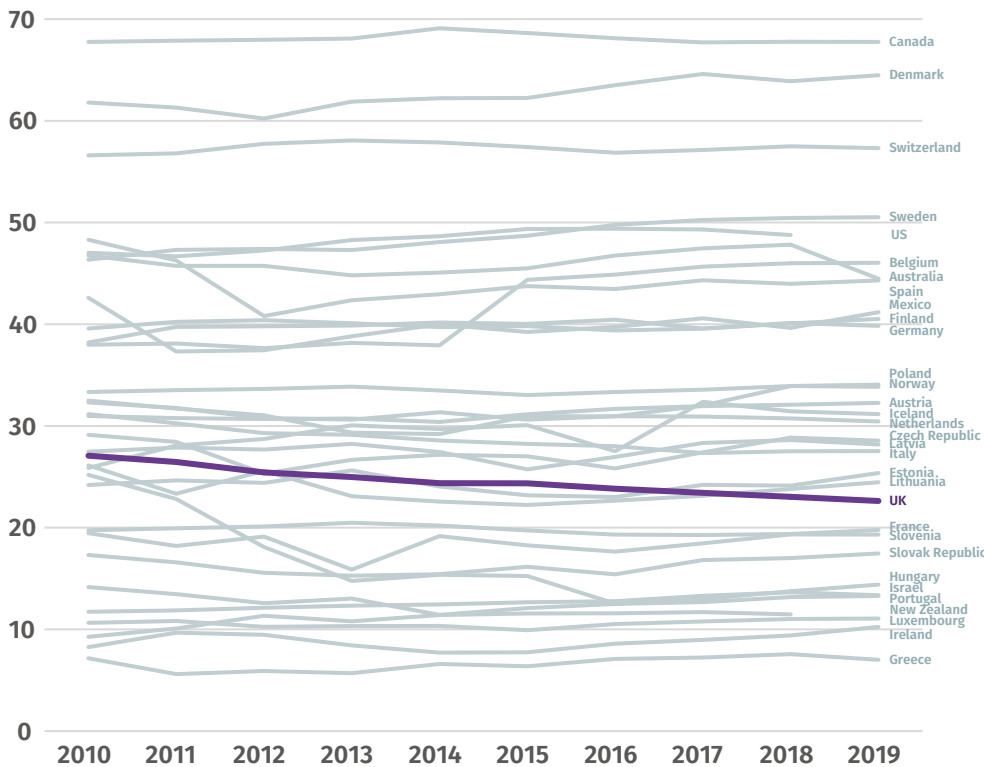
Centralised – the centralisation trap

While government has acknowledged the role of devolution in reducing inequalities, the assumption that Whitehall knows best remains deeply ingrained in the UK’s political system. Levelling up is caught in this trap, and centralisation is worsening.

In 2019, just over 22 per cent of spending happened at the subnational level: this figure includes also Scottish, Welsh and Northern Irish devolved government spending – suggesting the percentage would be substantially lower for England.

FIGURE 1.1

Since 2010, public spending has been increasingly concentrated in central government
Subnational government (including local and state governments) as a percentage of total general government expenditure among OECD nations from 2010 to 2019



Source: Authors’ analysis of OECD 2019

Of the £194.7 billion tax raised in the North in 2019/20, £186.6 billion was centralised² and only £8.1 billion stayed in the form of council tax. In 2017/18, 95p in every £1 paid in tax was taken by Whitehall compared to 65p in every £1 in Germany (Raikes et al 2019). This has worsened in the intervening years, rising to 96p in every £1 paid in tax taken by Whitehall in 2019/20.

² This analysis excludes business rate retention, as did our 2019 figures, because the policy remains in flux and the level of retention at the regional level is unclear.

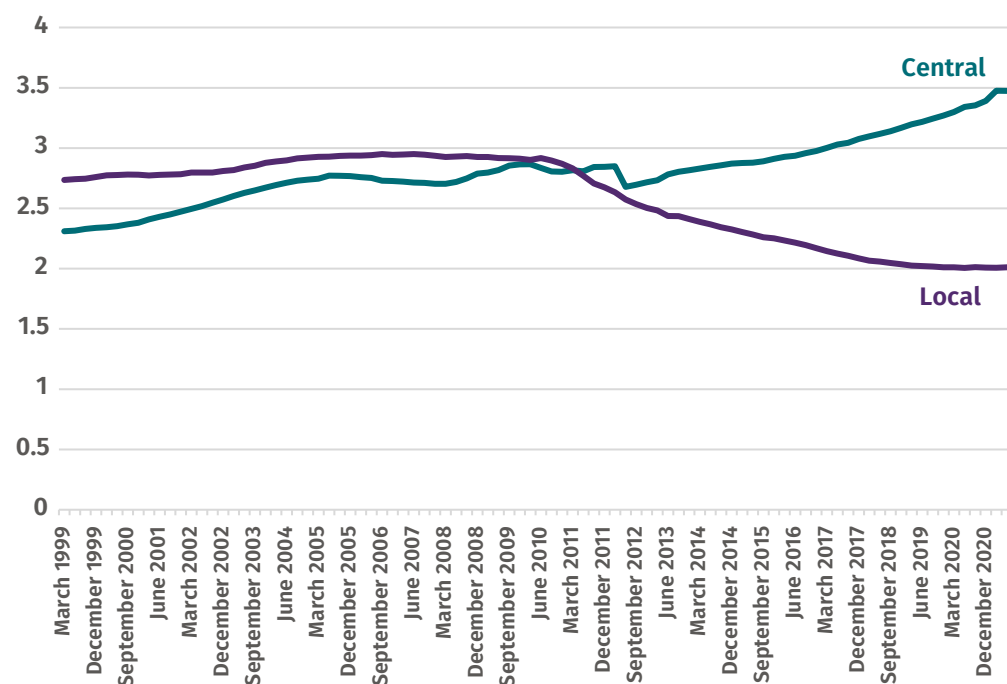
Meanwhile, large swathes of Whitehall have seen their influence increase, squeezing further the limited system of local autonomy across the country. Our analysis (see figure 1.2) shows a centralisation of government capacity in recent years. Before austerity began in 2010, local government employment tended to be marginally higher than central government employment. Since 2010, this trend has changed in the opposite direction: local government employment has fallen dramatically, while employment in central government has risen sharply.

Not only is centralisation worsening, but levelling up’s execution is actively contributing to this problem. For the most part, the agenda has been devised and led from the top down with relatively little input from local places. A risk is that the levelling up agenda descends into a spectacle (Jennings et al 2021), for instance with central government announcing projects that would have been previously designed, managed, delivered – and generally funded – by local councils. This highlights another key gap between the rhetoric and reality: levelling up is presented as a strategy that promotes devolution, but in practice it centralises and frames activities that were previously done by local councils as a ‘gift’ from central government.

FIGURE 1.2

Local government employment has fallen by 31 per cent since 2010 while central government employment rose 23 per cent, representing a significant centralisation of governmental capacity

Seasonally adjusted central and local government employment in millions from 1999 to 2021



Source: Authors’ analysis of ONS 2021g

The 2021 autumn budget is emblematic of this. For instance, the chancellor announced £1.7 billion from the Levelling Up Fund with £0.5 billion allocated to projects in the north of England (HMT 2021). In perspective, that allocation is less than a tenth of the lost £5.16 billion in annual service spending by the North’s councils since 2009/10. That £0.5 billion is an investment of just £32 per person in the North compared to the £413 per person fall in annual council service spending from 2009/10 to 2019/20. The chancellor promised a small real terms increase for

council budgets. Yet, a week after the announcement, the government suggested that local authorities sell publicly owned assets to balance their budgets (Butler 2021) – hinting to the fact that, beyond rhetoric of local empowerment, Whitehall still conceives of local government simply as subordinate.

TABLE 1.2
Change in local government service spending from 2009/10 to 2019/20

	Total revenue service spending by local authorities per head in real terms excluding education, public health, fire and police		Change in total revenue service expenditure
	2009/10	2019/20	2009/10 to 2019/20
North East	1,780.42	1,292.74	-24%
North West	1,613.90	1,191.94	-22%
North	1,610.46	1,197.40	-22%
West Midlands	1,490.58	1,101.36	-20%
London	1,907.44	1,344.87	-20%
Yorkshire and the Humber	1,522.05	1,158.44	-19%
England	1,571.20	1,183.48	-18%
East of England	1,526.13	1,161.22	-17%
South West	1,442.19	1,115.06	-16%
East Midlands	1,433.25	1,106.28	-16%
South East	1,423.44	1,153.33	-12%

Source: Authors' analysis of MHCLG 2011, DLUHC 2021 and ONS 2020

There have been some positives. The city region sustainable transport settlements allocated £5.7 billion to eight metro mayors to invest in local transport networks using local plans. In some ways, this is devolved – although it required metro mayors to enter bids, thereby reiterating the top-down, competitive nature of funding allocations.

Indeed, most of the various funding streams linked to levelling up (such as the Local Growth Fund, Stronger Towns Fund, Enterprise Zones, Freeports, Strength in Places Fund and the Levelling Up Fund) have been centrally controlled and only locally administered (Martin et al 2021), and are often short term. Recent analysis shows that English local government receives over 200 grants each year, and around half of those are worth less than £10 million (LGA 2020). In addition, their competitive nature is resource intensive for local authorities that have seen their capacity reduced in the shadow of austerity, and presents no guarantee of success.

While the winners of the levelling up funds will undoubtedly be pleased with the additional income they have secured, these bidding processes also create 'losers', whose aspirations remain unmet. Competitive, centralised funding is an impediment to universal levelling up.

Underfunded

The scale of investment needed to address contemporary challenges and historic divergence should not be underestimated. Comparisons have been made with German reunification – including by the government. The amount of resources invested in reducing Germany’s regional divides is considerable. On average, Germany put 70 billion euros per annum into regional development, rebalancing and levelling up-type activities – including infrastructure, education and skills, and research systems – alongside building and strengthening local institutions. This contributed to Germany outstripping the UK’s productivity growth by almost 21 percentage points between 1990 and 2017 (Carrascal-Incera et al 2020).

Other comparisons have looked to London-level investment as a means to achieve levelling up. However, government investment (that is, capital expenditure) in 2019/20 saw London receive around £1,975 per person compared to the North’s £1,280 – a gap of almost £700.

This funding gap has persisted for decades, and has actually increased since the Northern Powerhouse agenda was first announced in 2014/15. In the five years to 2019/20, London received £12,148 per person, which is over £4,000 more than the £8,125 invested per person in the North. Had the North received London-level investment in that period (2014/15 to 2019/20), it would have received £61.6 billion more capital investment than it did, while England would have seen over £204.8 billion more if all regions had received London-level investment (ONS 2021h).

Whether comparing to the scale of regional rebalancing in Germany or recent London-level public investment, levelling up is missing in action. However, resolving the question of how much is not sufficient to sustain long-term impactful investment in the UK’s regions without structural change. This would demand spending taking place at a lower level, enabled through mechanisms of fiscal devolution like land value capture – as suggested by the Transport for the North’s board of northern leaders and North of Tyne mayor, Jamie Driscoll (2021).

LEVELLING UP – MOVING BEYOND OUR BROKEN GROWTH MODEL

Previous agendas have sought to boost economic growth outside of London largely by trying to re-create its economic model in the North (Giovannini and Raikes 2021). This has ignored a more holistic, long-term strategy for the North’s economy aimed at improving living standards.

Meanwhile, recent government policy has used regressive means to seek productivity growth in UK cities by cutting welfare, outsourcing public services, deregulating, and reducing local government clout (Berry et al 2021). The Treasury’s dominance exacerbates this issue. It has long prioritised aggregate growth and tax revenue over regional economic development (Dibb et al 2021), implicitly prioritising economic growth in the Greater South East to do so, as referenced above. As a result, London and the South East, while home to one-third of England’s population, accounts for 45 per cent of its economy and holds 42 per cent of total household wealth (ONS 2021a, ONS 2020, ONS 2019a).

Moreover, much policy is advanced in a ‘place-blind’ manner. The £20 cut to universal credit in 2021, rising fuel prices and continued pressure on local government services impact living standards and interact with existing social inequalities – which are unevenly distributed across the UK. Place-blind policies run the risk of negating efforts to level up regions.

Altogether, levelling up is currently designed, and constrained, by Whitehall without significant power shift to local and regional government, interacting with contradictory policies.

Levelling up provides an opportunity to develop a new economic model – but to date there has been little indication that the approach to UK economic policy is changing. Shifting the dial on the UK’s deep regional divides will require a profound rethink in how the government seeks to pursue regional economic growth.

2. STRATEGIC CHALLENGES FACING THE NORTH

The economic, environmental and education challenges that the North faces are longstanding and cannot be fixed by the small-scale interventions so far promised through the government’s levelling up policy. The focus needs to shift towards ambitious outcomes: good jobs, sustainable places and better access to opportunity for people of all ages. These outcomes align with our previous tests for levelling up (Johns et al 2020). We further analyse them in this chapter to understand in more detail how levelling up is engaging with key policy challenges, and what it needs to be effective.

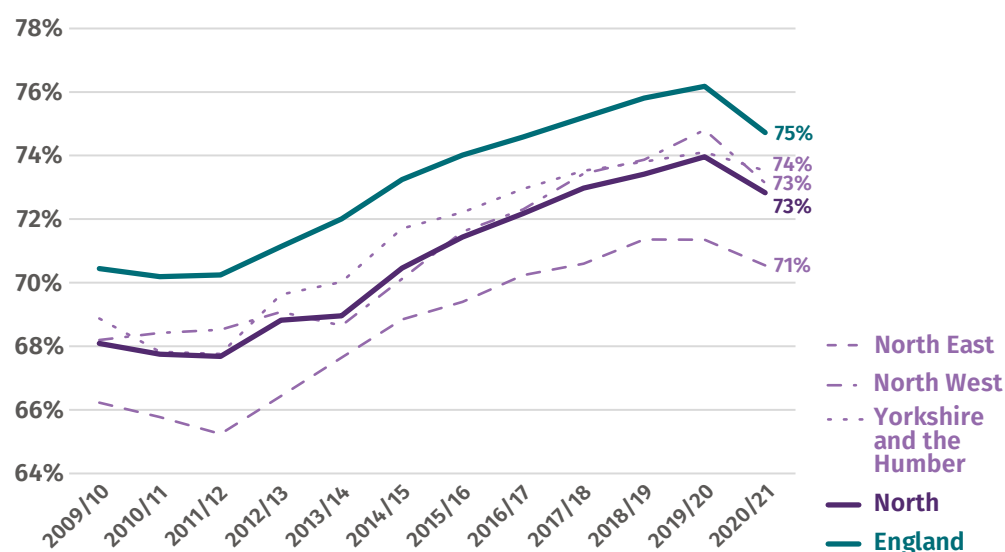
GOOD JOBS FOR THE NORTH

Access to jobs and economic opportunity are unequal within both the UK and the North (Johns et al 2020). Despite this, the North is asset-rich and evidence shows it has the capacity to thrive if empowered (Giovannini and Raikes 2021). One of the North’s principal strategic challenges as it emerges from the worst of the pandemic is to capitalise on its strengths to create good jobs.

The North is host to nearly 6.7 million jobs – some 142,000 more than in 2015 (ONS 2021a). Its economy generated £371.5 billion GVA in 2019 – 9 per cent higher than five years earlier (ONS 2021b). Yet, inequalities and poverty are growing, as northern people’s living standards are squeezed.

FIGURE 2.1

The gap between the North and England in employment outcomes has fluctuated in recent years, although the North still lags behind England
Employment rate for the working-age population (16–64)



Source: Office for National Statistics, ‘Annual population survey’ (ONS 2021c)

The North remains behind England overall across different employment metrics – namely economic activity, employment rates and unemployment rates, of which the employment rate is shown in figure 2.1. The gap between the North and England in employment outcomes has fluctuated in recent years. Though the gap has reduced marginally for the North’s employment rate – from a high of 3 percentage points in 2013/14 to 1.9 percentage points in 2020/21, the gap in economic activity (and inactivity) has held fairly constant. Overall, looking at different employment metrics from 2009/10 to 2020/21, the North is not substantially closing the gap (authors’ analysis of ONS 2021c).

From 2015 to 2020, 51 per cent of all jobs created in England were located in the Greater South East (London, the South East and East) regions (ONS 2021a), which are home to 43 per cent of the population. In comparison, the North is home to 28 per cent of England’s population (ONS 2021d) but only 18 per cent of jobs growth was located in the region. For every job created in the North, just under 3 jobs were created in the Greater South East (ONS 2021a).

Across England, the employment rate fell and unemployment increased in 2020 and 2021 due to the economic impact of the pandemic. This change was felt unequally, with particular effects in city regions and coastal towns (Johns et al 2020). Evidence to date suggests that they are likely to exacerbate pre-pandemic economic inequalities, for instance with deprived places likely to be those where new jobs are slowest to appear (Dibb et al 2021), disabled people in the North were less likely to be employed than disabled people in England overall (Roscoe et al 2021) and nearly half of working women in the North work in sectors that had the biggest negative impacts during the pandemic (Qureshi and Longlands 2021).

In England, falling unemployment pre-pandemic was accompanied by falling job quality since 2008 (Dibb et al 2021), including dramatic reductions in job security and training opportunities for workers (Johns et al 2019). Increasing real labour productivity means increasing output of work on a per hour or per worker basis, which can mean longer days for workers or being asked to deliver more in a shorter period of time while wages are held constant. This has particularly been the case since 2008, as such trends as fragmentation, flexibilisation and loss of job security have eroded workers’ job quality (Lewis 2021). Without policy focus, there is a danger that efforts to increase productivity could erode job quality.

Poor job quality is a particularly acute issue in the north of England where an estimated 21.5 per cent – 1.3 million jobs – are paid less than the real living wage (ONS 2021e, see appendix),³ and in-work poverty has accelerated. From 2009/10 to 2019/20, the number of people living in households in relative poverty has increased by 4 per cent – or 151,500 people, reaching 3.5 million, and the majority of those now living in a household in which one or more adults work. Table 2.1 further shows that in-work poverty has risen in the North.

3 While this has fallen from 25 per cent in 2020, employment has contracted. Evidence suggests this has disproportionately impacted lower-paid jobs. Therefore, this improvement may simply capture the effect of the distribution of jobs lost rather than describing a material terms improvement for workers in the North.

TABLE 2.1

The number of individuals living in relative poverty (below 60 per cent of median net household income) after housing costs, in the north of England by household economic status

North of England	One or more working adults in household	Workless household	Total
People in 2009/10 (millions)	1.7	1.7	3.4
People in 2019/20 (millions)	2.0	1.5	3.5

Source: Authors' analysis of DWP 2021

Note: All figures are three-year averages.

Creating and sustaining good jobs

Good jobs are those jobs that help provide workers with the conditions to live a good life, meaning that they sustain good living standards – but work is about more than pay alone. Decent work in good jobs requires (Johns et al 2019):

- a voice for workers, such as through trade unions and recognition agreements
- fair and decent pay, of at least the real living wage
- regular, dependable hours
- fair treatment and respect
- healthy workplaces
- opportunities for learning and progression.

Work can be a route to a more prosperous life and better health. Work and health exist in a symbiotic relationship – where good health enables people to work, good work can enhance people's health. However, poor quality work can damage health outcomes (TUC 2021; Thomas et al 2020), largely owing to five features of poor quality work (Marmot et al 2010):

- job insecurity and instability, including the lack of regular and dependable hours
- low autonomy, or levels of control, at work
- high levels of demand – especially when accompanied with low autonomy
- lack of supervisor and peer support
- more intensive work and longer hours.

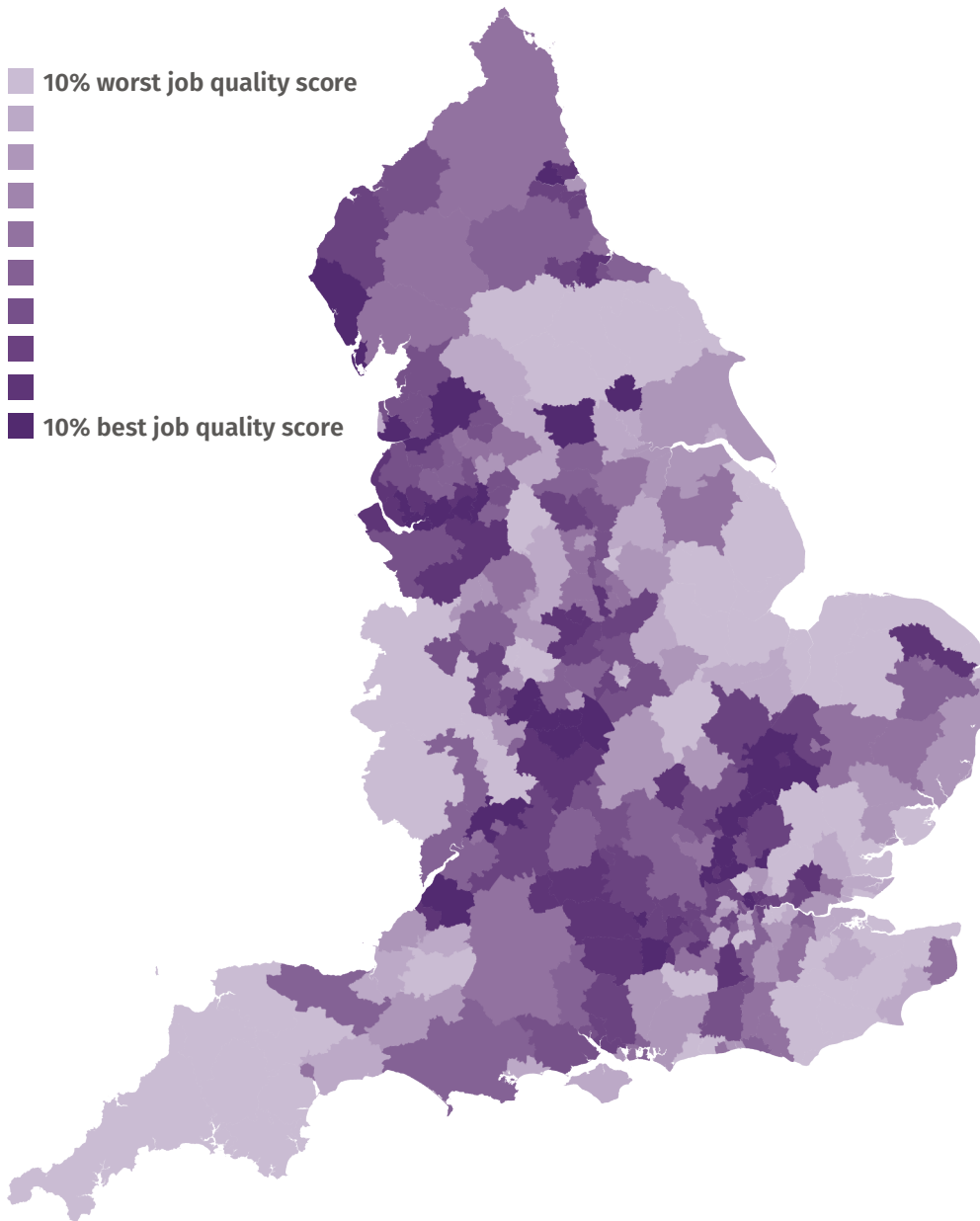
Good work and decent jobs are therefore crucial. Yet, access to good work is highly variable across the country. Figures 2.2 and 2.3 indicate job quality using a range of locally available data (see the appendix).⁴

⁴ As of 2019.

FIGURE 2.2

Good quality jobs are largely concentrated in cities and places with large and unionised industrial employers

Job quality index by local authority district



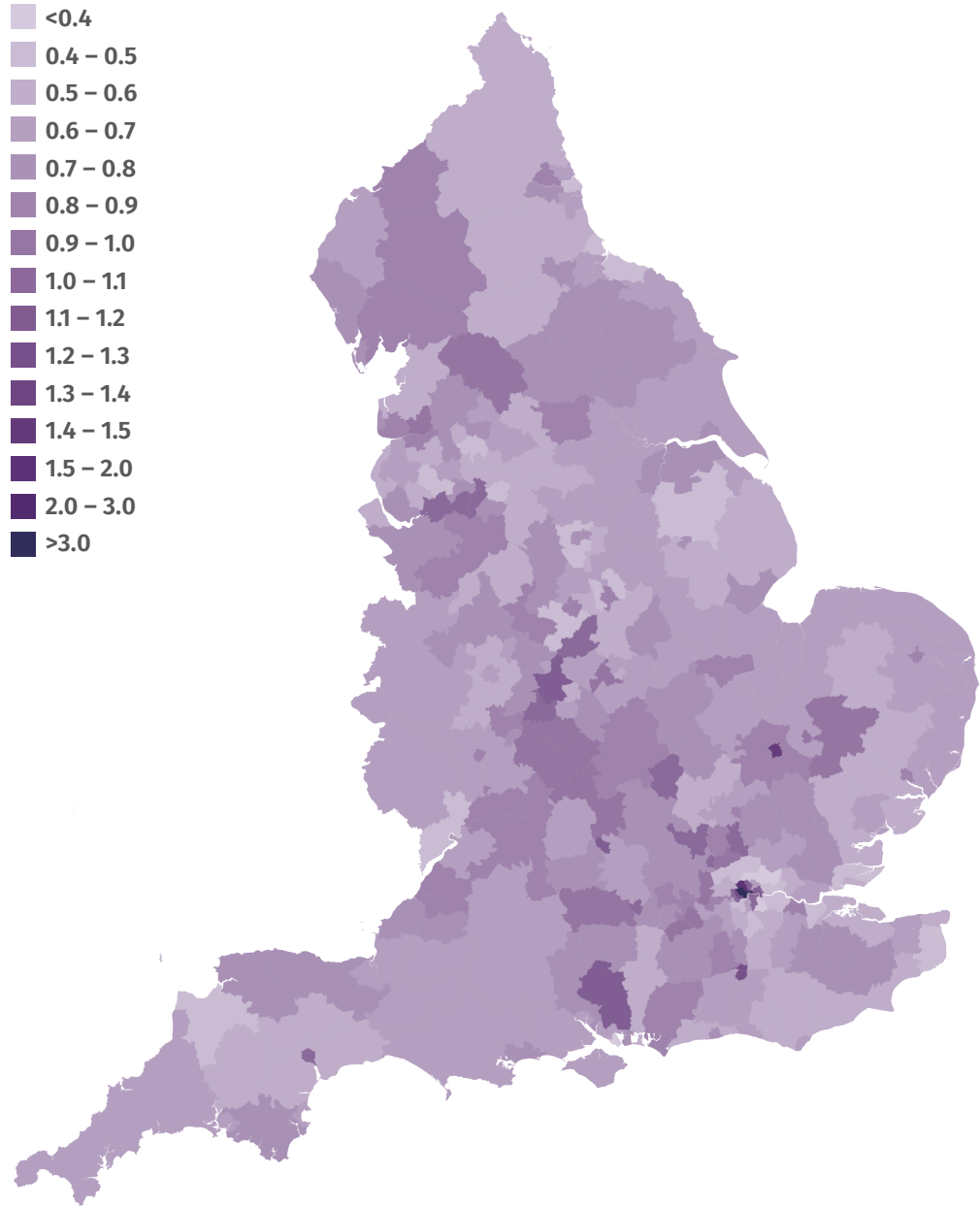
Source: Authors' analysis of ONS 2019b, 2021a, 2021e, 2021f; and Davies et al 2021

Note: Unweighted by the number of jobs; darker indicates higher score. See appendix for job quality index methodology.

FIGURE 2.3

Meanwhile, job density is largely concentrated in cities and in some places with large industrial employers. But, many places with higher job quality scores in figure 2.2 do not have a large concentration of jobs

Jobs density – the number of jobs per person aged 16–64, by local authority district



Source: Authors' analysis of ONS 2021b and 2021d

Note: Darker indicates higher jobs density

Towards more and better jobs in the North

The UK is locking the North's economy into lower productivity and low-quality work. This is because it is pursuing a centralised economic model that is: inflating asset values to fund consumption of low productivity service industries as the main source of employment growth (Berry et al 2021); concentrating growth-enabling public investment in London and the South East (see for instance IPPR North 2020, Raikes 2019); and weakening local government (Johns 2020).

The North needs to see job creation, as well as a concerted effort to ensure new jobs created are high-quality jobs, and to improve the quality of existing work across the region. This requires significant structural change in the North's economy to build a more prosperous, fairer North and close the productivity gap. In terms of GVA per hour worked, between the North and England overall, this would add £1.15 billion to the UK economy each year⁵ (authors' analysis of ONS 2021f). Closing the gap – if coupled with a strategy to improve the quality of work, increase wages and create a more inclusive northern economy – would improve living standards, bolster wellbeing, reduce inequalities, and sustain healthier high streets with stronger local incomes supporting activity.

Achieving this, requires a comprehensive industrial strategy for the North with explicit goals for improving prosperity *and* the quality of work in the North. It would demand a twin-track approach across both high-productivity sectors, such as manufacturing, and service industries – including the foundational or everyday economy in which most people in the North's economy work (Raikes 2019).

A SUSTAINABLE NORTH

The north of England faces a significant challenge to reduce its carbon emissions and build a more sustainable future. CO₂ emissions are considerably higher in the North when compared to other parts of the UK. This is partly due to the significant concentration of carbon-intensive industry in the region. However, as with other English areas, many emissions come from activities that encompass our day-to-day lives. This includes transport and travel, with many people reliant on car travel and on fossil fuels to heat their homes (BEIS 2021a, Johns and Longlands 2020).

The North's carbon-intensive economy today

The concentration and spread of emissions across different sectors highlight the challenge of the transition to a low-carbon economy. Tackling the climate crisis will require system-wide change in terms of how our economy functions and the types of activity that take place within it. At the same time, it also requires changing our individual behaviours so that we make different choices in terms of how we travel and heat our homes (CCC 2021). Success will be driven by government action at all levels, but community-led approaches will also be crucial to ensure people buy-in and can actively shape the net zero transition (Webb et al 2021).

For example, the successful implementation of the UK government's net zero strategy and industrial decarbonisation strategy could significantly reduce emissions from heavy industry if they are implemented in full (CCC 2021). However, other actions such as the retrofitting of homes cannot feasibly be steered from the centre. Decarbonising our homes will require increasing both the power and resources of local government to audit and help coordinate retrofit activity, while also providing individual households with direct financial assistance where necessary (Johns and Longlands 2020, Webb et al 2020).

Two out of the top three most carbon-intensive regions in England are in the North. Repeated underinvestment in initiatives to increase the energy efficiency of homes,

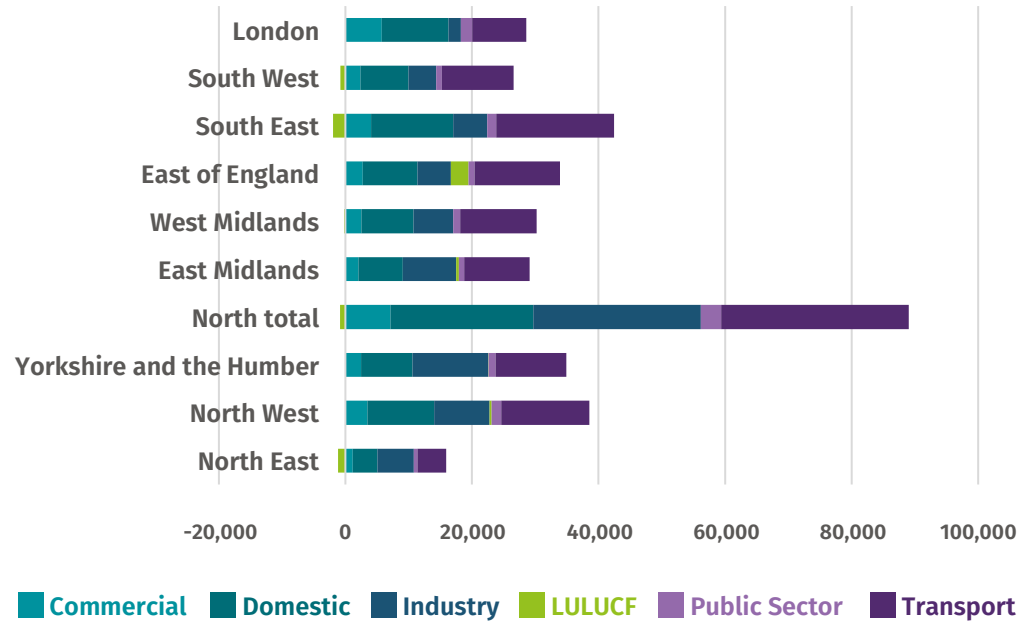
5 direct GVA contribution only using data for 2019

decarbonise industry activity or provide credible public transport options like Northern Powerhouse Rail all contribute to the North’s high levels of emissions.

FIGURE 2.4

The north has an additional challenge in that it has the highest amount of industry emissions across its regions

Sectoral emissions by English region (kt CO₂)



Source: Authors’ analysis of Department for Business, Energy and Industrial Strategy, ‘UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2019’ (BEIS 2021a)

The extent of the challenge in the North is further highlighted when we consider the relationship between population and emissions. Adjusting emissions to the population of England’s regions show us that northern regions tend to produce more emissions per capita, when compared to other English regions. This is an outcome of high car use, some of the least energy efficient housing stock in the UK and a significant concentration of carbon-intensive industries.

TABLE 2.2

Emissions per person (tCO₂) by English region

North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East of England	London	South East	South West
5.5 tCO ₂	5.3 tCO ₂	6.3 tCO ₂	6 tCO ₂	5.1 tCO ₂	5.4 tCO ₂	3.2 tCO ₂	4.4 tCO ₂	4.6 tCO ₂

Source: Department for Business, Energy and Industrial Strategy, ‘UK local authority and regional carbon dioxide emissions national statistics: 2005 to 2019’ (BEIS 2021a)

A centralised decarbonisation strategy

The patchwork nature of devolution in the North means some places can better respond to the climate crisis than others. In fact, some of the most carbon-intensive places in the North do not currently benefit from a devolution deal. As a result, they are often left waiting on central government policies to determine and shape the pace at which they can reduce local emissions (IPPR EJC 2021).

Early signs suggest that the UK government's flagship policies for reaching net zero remain unbalanced – both in terms of their prioritisation of certain sectors over others and in their focus on certain places. The government's document, *Net Zero Strategy: Build Back Greener*, highlights how current investment is focussed largely on renewable energy opportunities, hydrogen production, and carbon capture and storage (HMG 2021). However, without industry-specific planning, existing industries that employ tens of thousands of people in the North, such as the steel industry, risk being left behind as part of this transition (Webb 2021).

Much of the shortcomings with the government's approach stem from its failure to devise a net zero strategy that delivers for all places. While its cluster approach to decarbonisation will help harness future industry on Teesside and the Humber, areas with significant industries that need decarbonising, such as South Yorkshire, remain in a far more difficult position to transition to net zero because they're not directly located in a cluster. This creates net zero 'winners and losers' in places across the North. A better approach would enable all places in the North to share in the opportunities that net zero presents. A fair allocation of funding and an inclusive system of devolution that allows local leaders to better shape future green industrial policies will be crucial to this.

The North's untapped potential

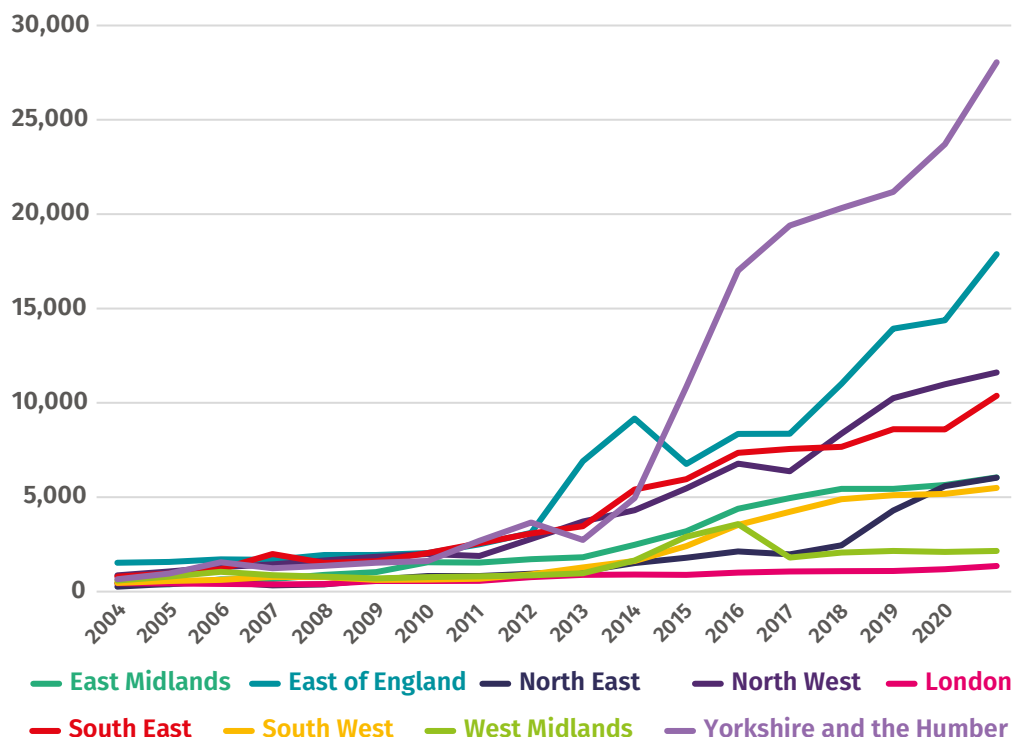
Reducing carbon emissions is vital to generate a more sustainable and healthier future for the North's communities. By creating places that are free from carbon, significant physical and mental health benefits can be delivered to people across the North – improving overall quality of life (IPPR EJC 2021).

There is significant economic opportunity to be gained from developing the North's green economy. While home to many of the UK's most carbon-intensive industries, the North also has the potential to lead the transition to a more sustainable economy, creating new green industries.

Much of the northern coast such as the North Sea and Irish Sea are already being harnessed to cultivate renewable energy and will be vital for ensuring the whole country can achieve its energy transition. Three out of the five biggest offshore wind farms are currently located in the North (Murray 2020). The latest data suggests that as of 2020, The North accounts for 51 per cent of England's total renewable energy generation and over one-third of the UK total (BEIS 2021b). Its regions drive growth in the renewables sector, with Yorkshire and the Humber alone seeing a 4,206 per cent increase in its renewable energy contribution since 2003 (ibid).

FIGURE 2.5

The North generates more than 50 per cent of England's renewable energy
Renewable energy generation by English region (GWh)



Source: Authors' analysis of BEIS 2021b

Alongside new energy assets, the North also has significant natural assets that will need to be harnessed and protected to realise a more sustainable future for its people and places. Reversing underinvestment and undervaluation of nature will be crucial for creating a stronger and greener northern economy (Hunter 2020). If we don't address the nature crisis alongside the climate crisis, many of the North's natural assets will be lost for future generations.

Despite its potential, there remains a real risk that the North will not benefit fairly from the transition to net zero. Without further powers and resources, the North's mayors will be unable to implement the radical solutions needed to reduce emissions from people's homes and develop a sustainable transport system. Currently, the North is starting from a position of underinvestment. For example, the North received £515 less per person than London over the last decade in transport spending (Johns and Giovannini 2021). This is reflected in worse public transport options and greater car use.

Without delivering promised investment on Northern Powerhouse Rail and leaving only £40 billion in new investment for both the North and Midlands, the UK government's Integrated Rail Plan will deliver slim economic and environmental benefits (ibid). This means the North will have to tackle the climate crisis on uneven footing when compared to those parts of England that have received better investment in their transport infrastructure.

This lack of fairness and the need to address it cuts to the core of the government's levelling up agenda. The green transition in the North will only work if there is a concerted effort to ensure decarbonisation occurs in tandem with improved

life outcomes for people across the whole of the North. This will be the only real measure of both the government's levelling up agenda and of a just transition to a more sustainable and equitable economy in the north of England.

EXCELLENT NORTHERN SKILLS AND EDUCATION

For young people, formal school education often forms the basis of some of the most significant decisions of their lives relating to post-16 study and their future career path. Currently, just over one in six people aged 16–64 in the North hold at most a level 1 qualification,⁶ compared to just over one in seven in England as a whole (ONS 2021c). Yet a skilled population is crucial to economic growth across the North (Clifton et al 2016, Round 2018). Education brings with it a range of economic advantages, as well as improved social and health benefits. Good education correlates with better social connections, the ability to access good work, feelings of higher self-worth and empowerment, and the development of other useful skills such as problem-solving skills (Health Foundation 2019). Therefore, education needs to be front and centre of any attempts to level up, not only to see the immediate economic benefits but also for young northerners' futures.

The regional attainment gap and the impact of the pandemic

From a very early age, differences in attainment can be seen between the North and England as a whole, with differences emerging in the number of five-year-olds achieving a good level of development. The data suggests that children in the North seem to catch up to their peers briefly at key stage two, but then fall behind again from age 16 and beyond. Figures 2.6 and 2.7 offer the most recent comparisons for educational attainment between English regions at different levels. They mask huge variation within regions and the country as a whole, with London often pulling the England average up. It is promising to see the North East faring above average at early years foundation stage (EYFS) – although this does not track through to GCSE results, possibly due to external factors such as social context. In fact, regions in the North consistently see lower than average Attainment 8 scores at GCSE level.⁷ Overall, the North is faring worse than England at both the start and end of formal education.

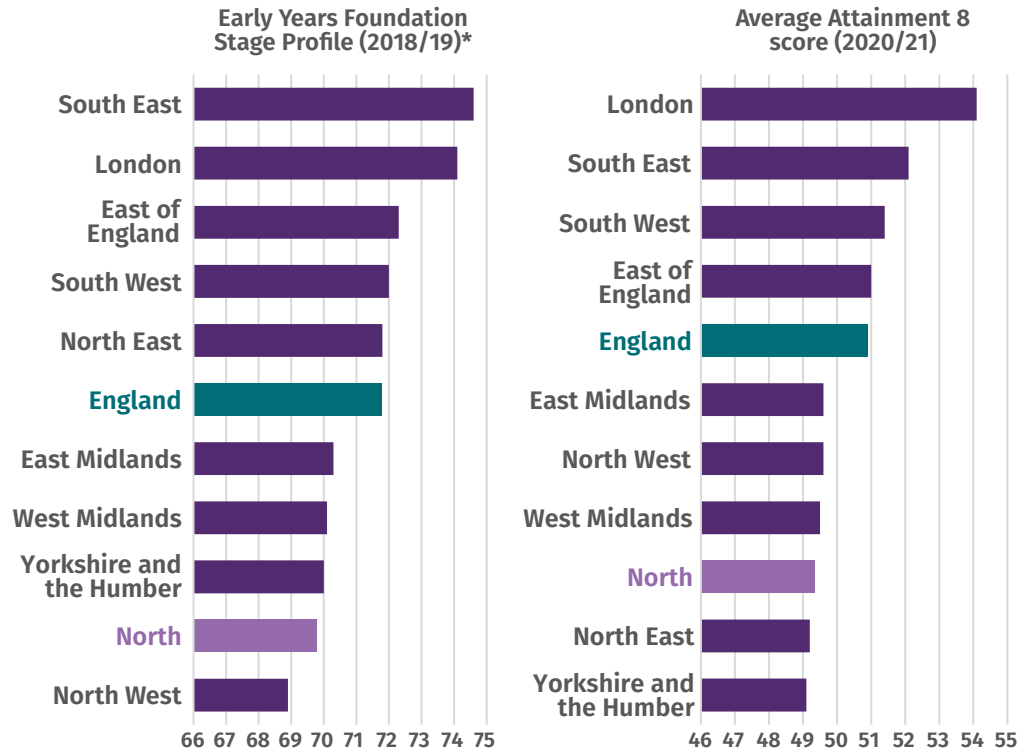
6 Level 1 is equivalent to 1–4 GCSEs (any grades), entry level, foundation diploma, NVQ level 1, foundation GNVQ, basic/essential skills.

7 Calculated as the average score obtained by a student across their eight best GCSE results.

FIGURE 2.6

At the start and end of formal education, pupils in the North fare worse than the English average

Attainment at EYFS, measured as the number of children achieving a 'good level of development' and average Attainment 8 score by English region



Source: Authors' analysis of DfE 2019 and DfE 2021

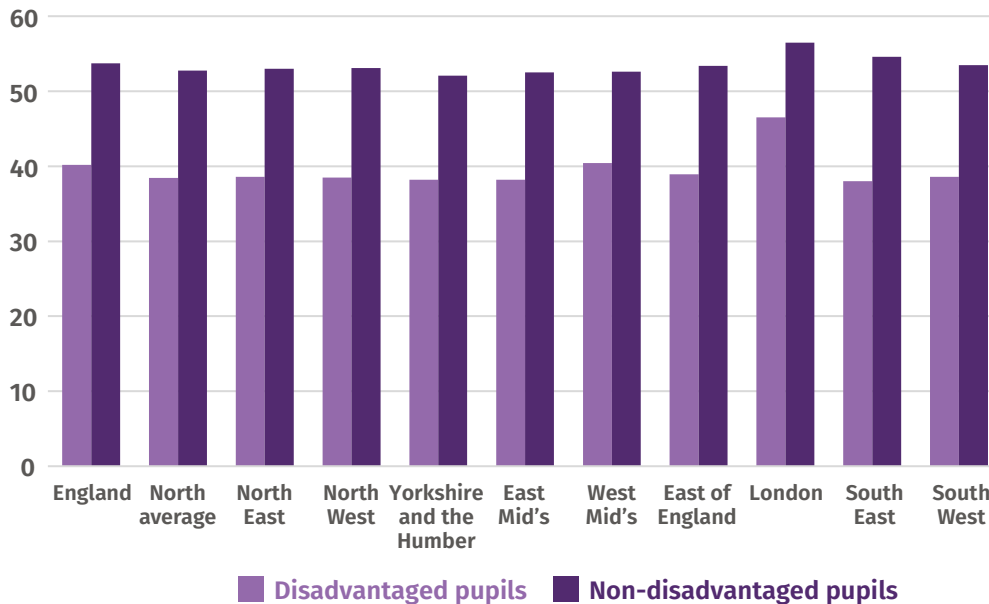
* Assessments not carried out in 2019/20 or 2020/21 for EYFS.

The reasons for these disparities are complex, but there is a correlation between educational attainment and deprivation (Cooper et al 2003, Emery and Dawes 2021). London does well at addressing the attainment gap between disadvantaged and non-disadvantaged students, but the picture is much more mixed elsewhere and there are areas where the disadvantage gap is stubborn at all educational stages, including large parts of the North (Hutchinson et al 2020). Round and Longlands (2020) indicate the need to take measures to 'poverty proof' the school day, along with other recommendations such as supporting parents into good-quality work and putting child poverty at the heart of devolution deals, in order to help to address these disadvantage gaps across the region.

FIGURE 2.7

The disadvantage gap across the North is higher than the England average

Attainment 8 score for disadvantaged and non-disadvantaged students by English region



Source: Authors' analysis of DfE 2021

It would be remiss not to highlight the challenges to education in the North brought about by the pandemic, not least because of the impact this has had on children's learning throughout the initial 18 months of the pandemic, but also because of the likely lag effects that we might see if children do not get the opportunities they need to catch up in the longer term.

During the 2020/21 school year, school bubbles were introduced to limit the spread of the virus, resulting in the need for classroom groups to isolate upon confirmation of cases within that group. The higher rates across the North meant that this policy had a disproportionate impact on school learners across the region, leading to consistently lower attendance rates during the autumn and spring terms.

The North West experienced the most severe issues with attendance during the autumn term just before the half term break. This is unsurprising given that the region has been the worst affected by cases and deaths, linked to the social determinants of health, as well as lockdown restrictions, which when compounded have had a disproportionate impact on the region. For example, in the week of 8 October, eight of the 10 local authorities with the lowest attendance rates were located in the North West, with Knowsley, St Helens, Rochdale, Oldham and Liverpool all experiencing attendance rates below 80 per cent. Burgess et al (2020) suggest that factors such as deprivation levels were crucial and contributed to the variation within regions.

Green (2020) further identifies the discrepancies by region during the first lockdown; notably that children across the North East were, on average, spending less time on schoolwork compared to children across the rest of the country. Just 14 per cent of pupils in the North East and North West, and 13 per cent of pupils in Yorkshire and the Humber spent four or more hours per day on schoolwork during the first lockdown. This compared to 22 per cent of pupils in London, and 24 per

cent of pupils in the South East and South West. While research into the impact of the pandemic on education is still at an early stage, initial findings include the concerning observation that the pandemic has widened existing inequalities in education (NFER 2021, Howard et al 2021).

Skills for life and for work

Improving education and skills in the North has an economic and social value, and should be prioritised. While formal education responsibilities are largely held at a national level, it is possible to achieve impact using levers available at a regional level. Throughout formal education, many young people have the opportunity to partake in extra-curricular activities, enabling them to develop soft skills such as communication, teamwork and problem-solving, which can in turn potentially support their formal education (Donnelly et al 2019), as well as equip them with essential skills for later life.

TABLE 2.3

Participation in extra-curricular activities by English region

Region	Participation in at least one extra-curricular activity (%)
North East	74.63
North West	71.74
Yorkshire	73.57
East Midlands	69.63
West Midlands	76.37
East of England	75.21
London	76.76
South East	75.23
South West	83.23

Source: Donnelly et al, *An unequal playing field: Extra-curricular activities, soft skills and social mobility* (Donnelly et al 2019)

As would be expected, extra-curricular opportunities and participation are not distributed equally: opportunities are often linked to household income, school attended, gender, ethnicity and geography (ibid). This should be considered in the context of austerity measures which has resulted in the closure of many facilities such as youth centres, libraries and leisure centres where extra-curricular provision may be provided (Hastings et al 2015). Participation tends to be lower in the North than it is elsewhere in England, with the exception of the East Midlands. Fewer than 40 per cent of young people attended youth clubs such as scouts, girl guides and the like in the North East and North West, compared to highs of 46 per cent in the West Midlands.

If the North is to capitalise on the strengths it has and create good jobs across the region following the pandemic, then it is essential that employers develop strong relationships with skills providers. Through devolution of the adult education budget it is possible to take a more strategic approach to solving this problem, although significantly reduced funding means much of this is spent on statutory adult skills provision and higher-level skills are prioritised meaning those with no or low qualifications (who are more likely to be unemployed and more adversely affected by the impacts of the pandemic) are more likely to miss out.

Metro mayors have the convening capacity to work with employers, unions, growth hubs, skills providers and other operators to assess the skills gaps in their regions. Through the development of these relationships, employers can also be supported to strategically develop their businesses and their workforce, creating realistic progression routes that benefit the organisation and the workforce. Round (2018) highlights the ambition and the potential of further devolution of skills policy, as well as a 'Skills for the North' body to coordinate, manage and administer funding on a larger geographical footprint.

3.

LEVELLING UP FROM THE GRASSROOTS

Levelling up cannot be delivered from the top down. The work of metro mayors, combined authorities, local councils, businesses and community groups must be part and parcel of the agenda. This chapter demonstrates how the North is levelling up for itself: providing economic opportunities and access to good jobs, pressing ahead with the green agenda, and delivering high-quality skills and education for all people across the region. An ambitious levelling up agenda could push this action even further.

GENERATING OPPORTUNITIES IN THE NORTH: FORGING AHEAD FROM THE BOTTOM UP

Despite its limits (Tomaney 2016), devolution has opened new opportunities in the North. Metro mayors have been at the forefront of this process. Starting off with limited powers and resources, they have increasingly shown what is possible when leadership is locally rooted, making use of their formal levers while also harnessing the power of place (Giovannini 2021a). Through their individual and collective actions and ambitions, they are leading the North into a new era (Johns 2021), changing the political, economic and social landscape of the region.

The Covid-19 pandemic saw a rapid increase in government intervention in the economy worldwide, but there are signs that a more permanent shift towards a more active state in the economy is taking place, especially in relation to how economic policy interacts with inequality (see for example Sandbu 2021). While somewhat new internationally, this has long been the case at the local level in the North. Over recent years this kind of policymaking has been undergoing a renaissance within the North, such as through the (re)municipalisation movement (Tomaney and Pike 2020).

This active 'local state' approach in local economies is being deepened by metro mayors and devolution. Using their powers, mayoral combined authorities (MCAs) are growing into their ability to shape local economies in a fairer way. Taken together, Northern MCAs will have at their disposal £4.4 billion in 2021/22 (Johns 2021). This spending gives them the ability to develop transformative initiatives that make a real difference in the daily lives of the people they serve.

The Liverpool City Region Land Commission and the Liverpool City Region Town Centres Commission are examples of this. Both helped convene key policy actors to shape policy direction, exploration of the use of direct powers, spending power to invest in and directly change places, and cooperation with constituent authorities to leverage their powers and resources. Combining these different types of power under goals to create prosperous and more inclusive places can shape local economies and help deliver better jobs – in the vein of northern employment charters as described in the boxes below.

Mayors' employment charters across the North

Employment charters are an example of how MCAs are combining multiple policy levers to effect change in local economies. In Greater Manchester, the Good Employment Charter was created through a tripartite model involving businesses, trade unions and the MCA as equals. A co-design method was a particular strength, ensuring it was impactful and workable at launch. The charter's interim evaluation (Lupton et al 2021) highlighted important lessons and concluded it was functioning well. As of November 2021 (GC 2021), it had secured circa 400 supporters and 43 members – covering more than 250,000 employees in Greater Manchester, and more than 800 local employers had been engaged as part of the charter's work.

Nonetheless, work around the charter is already progressing into areas like racial equality at work (ibid).

Where devolution deals have given mayors limited autonomy, they have used their soft powers, generating strong local networks and collaborations while also engaging in bargaining with local and national stakeholders (Giovannini 2021a). They have also been bold, experimenting with and innovating through new forms of participatory democracy, including around local economic and environment policymaking like the North of Tyne Combined Authority's Climate Change Citizen's Assembly (Johns 2021). The growing success of devolution in England lies in part in how the institutions created – particularly MCAs – are building confidence to push the frontier of what they are doing beyond what their devolution deals define. Metro mayors have also been successful in bringing politics closer to the people: developing a profile as leaders that are close to, care and advocate for their areas, while also restoring pride in local communities and place (Giovannini 2021a).

A more active local state extends also to councils. Local authorities have long been key players in their local economies – using their procurement spending power to create good jobs (Johns et al 2019), supporting land assembly to build homes, and building and leveraging infrastructure. These policy agendas often sit within plans to create more inclusive economies.

Councils have further undertaken highly interventionist measures such as investing directly in businesses or purchasing strategic infrastructure. Legally, local government is not prohibited from a number of direct interventions (Giovannini and Raikes 2021), though this has sparked backlash with some political actors trying to limit local authorities' ability to shape local economies (see for instance LGA 2020).

Creating more inclusive economies and good jobs, as well as pivoting to more generative⁸ rather than extractive economies, are goals guiding activities of councils and combined authorities (LGA 2020, Tomaney and Pike 2020).

8 That is to say local economies which seek to create the conditions for a good life by creating and retaining economic value for this purpose, rather than as an end in itself or for financial extraction for other actors.

Investing in leading edge health innovation in Manchester

In 2018, Manchester City Council invested £21 million in purchasing shares in life-sciences business Qiagen, underwritten by local business rates. This resulted in the creation of a new genomics campus in Manchester alongside Health Innovation Manchester – an academic health science centre integrated into local government and healthcare institutions in Greater Manchester.

This investment attracted high-value businesses in a frontier industry into a developing innovation hub in the city, which is driven by a public-private partnership to attract and grow innovation into the city region. This investment aligned with local policy frameworks, and it explicitly aimed to shape the city's economy. Its wider benefits include aiding the integration of innovative technology with existing partnership to ensure local people could benefit from the medical innovations as they advanced (MCC 2018).

More recently, policymakers across Greater Manchester have built on this work through proposals for Innovation Greater Manchester. This plan aims to boost economic growth across the conurbation through research and innovation, connecting scientific excellence into the wider business base.

At the same time, communities are also actively levelling up for themselves through collaboration and more progressive economic activity, such as social enterprises, cooperatives, and community businesses. This is reflected in the so-called 'Preston Model', in emerging 'community wealth building' practices, and in other places pursuing more progressive local economic development. Local councils and combined authorities can, and do, work with communities and in the most successful cases, supporting them as part of their wider mission to build fairer local economies. This often has impactful results. For instance, the community and social sector is estimated to support 50,000 jobs in the Liverpool city region (LCR), where there is active support from the combined authority and local councils for the sector (LCRCA 2021). This has led to the realisation of projects like Kindred, a social investment vehicle that is led by Socially Trading Organisations that were supported by a £5.5m venture between LCR and Power to Change.⁹

⁹ See: <https://kindred-lcr.co.uk/about-us>

Building community resources from the ground up in Hartlepool

The Wharton Trust is a charity based in an estate in North Hartlepool that is ranked within the top 2 per cent of deprived wards in the UK. Local residents experience high levels of unemployment, low levels of educational attainment and high levels of health inequalities. The Wharton Trust holds relationships with approximately 12 per cent of the local sector and provides a voice for local people across a wide range of policy issues.

Support provided by the trust to residents has included:

- support to access employment, training advice and opportunities
- exercise classes and nutritional advice
- a community library and community-based Wi-Fi scheme.

It has also acquired a community shop and founded the 'Annexe Housing Cooperative' to address the significant housing issues in their communities. By 2022, the Wharton Trust intends to expand its asset base and generate new income sources. This will allow the trust to grow more sustainably, foster more opportunities for community entrepreneurship, and empower local people.

BUILDING A SUSTAINABLE, GREENER NORTH: USING THE NORTH'S ASSETS

Examples of action to decarbonise activity and restore nature are visible across every level of government in the North. Some of the most ambitious and innovative initiatives, however, are taken by communities themselves, enabled by strong partnership working between community businesses, cooperatives and charities with local government.

Combined authorities in the North have developed large-scale and holistic decarbonisation programmes. Every northern mayor has made net zero a policy priority, but these policies look different across combined authorities, with a distinct focus aligned with local priorities. For example, the drive to net zero on Teesside has concentrated on creating new green industry jobs focussed on carbon capture and storage (CCS), as well as the development of vast offshore wind arrays. With the latter, a sophisticated range of policies including enhanced capital allowance sites and business rate relief sites have helped steer major investment into the industry (TVCA 2018). This has the potential to create more than 5,000 jobs across the combined authority area by 2050 in the offshore wind industry (LG Inform 2021).

In contrast to this focus on industry, Greater Manchester Combined Authority (GMCA) have made transport a lynchpin of its net zero strategy, with a focus on reducing emissions and improving the quality of life for local communities. The Bee Network, an integrated London-style transport system, will help deliver frequent and more affordable public transport to the people of Greater Manchester, while also increasing the ease of transport use by implementing bus franchising and other schemes that allow GMCA far greater control over its transport affairs (GMCA 2021). Just as importantly, the transport plans will promote greater active travel and public transport use (TFGM 2021). This will decrease people's reliance on cars, reducing emissions and creating new opportunities for giving space back to pedestrians and nature (ibid).

Free bus Sunday in West Yorkshire

On 31 October 2021, West Yorkshire Combined Authority made all bus travel in the combined authority area free for the day. This initiative was designed to coincide with the COP26 climate change conference in Glasgow, and was promoted at the behest of the mayor, who was responding to climate change as one of her 10 pledges to West Yorkshire.

The initiative itself serves as an example of what mayors can do with the soft powers that they have. It was co-funded by the combined authority and bus operators and shows how the mayor of West Yorkshire has gone beyond her formal powers to showcase radical solutions to the climate crisis. The initiative contrasts with central government policy, which has prioritised electric vehicle use for decarbonising transport.

Despite a systemic hoarding of power in Westminster and a decade of austerity, there are positive examples of ambitious climate action by local government in the North. For instance, the UK100 initiative has seen 93 locally elected leaders – including councils from every region in the North – come together to accelerate climate action (UK100 2021a). Through joint working, UK100 has allowed greater knowledge-sharing between local authorities, and the establishment of initiatives such as the Countryside Climate Network, which have led to the development of shared ambitions (UK100 2021b).

At the individual local authority level, there are strong examples of councils developing innovations to reach net zero. Newcastle City Council as a Cycle Ambition City has secured £16.3 million to invest in walking and cycling infrastructure (NCC 2021). Meanwhile, Calderdale Council has developed a £1 million Climate Emergency Fund, together with the Community Foundation for Calderdale, to help community-led projects tackle climate change (Calderdale Council 2021). In terms of nature, Doncaster Council's Climate and Biodiversity Commission has recommended that nature be at the heart of its local response to the climate crisis (Doncaster Council 2020). The evidence from local authorities in the North suggests a willingness and capacity to go further on climate action and is further evidence that local authorities could be at the forefront of a truly transformative climate action agenda.

Leeds Climate Innovation District

Leeds' Climate Innovation District is a zero carbon development located on a former brownfield site in the South Bank area of the city. The ethos so far has been one of collaboration. Citu, the property developer behind the initiative, has built homes in the district that can use heat recovery systems and solar panels to generate much more of their own energy, while the homes use low-carbon building materials that sequester carbon, such as timber. In addition, emphasis has been placed on creating a development that can be car free. The outcome is one of the UK's most pioneering net zero developments.

The ability for Citu to pioneer this development has been unlocked by the forward-thinking ambition of Leeds City Council. As well as promoting the Climate Innovation District through its statutory planning powers, the council also plans to develop its own climate action plan. This plan has been informed by the work of the Leeds Climate Commission. As a result, alongside its promotion of climate innovation, the council plans to reduce its own emissions by 50 per cent by 2025.

Local government can play a key role in empowering communities and finding ways to give them a say in decision-making processes (Hunter and Longlands 2016). This is crucial for developing place-based solutions to the climate crisis.

Communities are already undertaking action across a range of sectors to tackle the climate crisis (Webb et al 2021). In many cases, taking climate action is often not the primary goal but is instead a consequence of their desire to build healthier communities where people have better access to opportunity (ibid). However, for community climate action to become the norm, more devolution is needed. Currently, limited powers and resources prevent local government from being able to more extensively collaborate with communities.

Across the North, many examples of community action are focussed on nature preservation, restoration and rewilding projects across different types of areas. For example, in Liverpool city region, the Mersey Forrest initiative has seen a network of community groups volunteer to transform derelict industrial land into a community garden (ibid). Meanwhile, the North East Rewilding Network has coordinated local action to help protect, enhance and reintroduce wildlife to large parts of north east England.¹⁰

Carbon Co-op

Carbon Co-op is a community energy organisation based in Greater Manchester. Its mission is to help people and the community save on energy costs. This translates into not only advocacy work, but also the provision of energy services across local communities.

Carbon Co-op has helped give people a voice on the future of their energy system through its Oldham Energy Futures programme. At the same time, the People Powered Retrofit programme provides householders with the information, financial support and contacts they need to retrofit their homes and make them more energy efficient.

A HIGHLY SKILLED NORTH: REVOLUTIONISING EDUCATION AND SKILLS

Across the North there are countless initiatives aimed at improving not only the attainment but also the opportunities available to young people. Formal education is inevitably at the heart of education and skills provision and equal per pupil funding is needed, at the very least, in order to truly address the attainment gap.

Much of this local work is being done to plug gaps left by austerity and school funding cuts. Nonetheless, it is providing individuals, from early years children and their parents or carers right through to individuals looking to get back into work, with valuable and life improving experiences across the region.

As shown in chapter 2, early years attainment levels are lower across the North and are linked to deprivation. Local support for families is therefore essential to give children the right start in life.

10 For further information see: <https://www.rewildingbritain.org.uk/local-network/northumberland-rewilding-network>

Me, You and Science Too, Battle Hill Primary School, North Tyneside, SHINE Trust

Partnering with NUSTEM at Northumbria University – an initiative aimed at encouraging children, families and teachers to see a potential pathway into careers in STEM subjects – Battle Hill Primary School in North Tyneside developed a programme of work to integrate this at an early age through early reading. This programme comprised workshops for parents and children, following which, every participant received their own copy of the STEM-based storybook used in the session, encouraging them to develop their own home library. During the first year, this project reached 88 children and 77 parents and carers.

Since 2010, local authority cuts and decreases in school funding have seen reductions in extra-curricular activities for children and young people. However, many schools have been keen to do what they can to facilitate these kinds of activities in alternative formats and offer pupils a well-rounded learning experience. Ultimately, increased funding at a national level is needed to help to re-incorporate these kinds of activities into the school system, so that every child gets these kinds of opportunities. The ongoing activities among schools, as well as national programmes such as Artsmark that promote cultural education both inside and outside the classroom, offer a good basis for rebuilding extra-curricular activity into the school remit.

Much of the support available to jobseekers is criticised for not being suited to the varied needs of people in difficult situations. Often this can have detrimental effects, causing more stress as individuals are encouraged to apply for jobs that they don't want to do. Taking a more person-centred or community-led approach allows individuals to be supported through some of the additional challenges they might face which act as barriers to them getting into employment (Power to Change 2020).

Moving On Tyne & Wear

Funded by the European Social Fund and The National Lottery Community Fund, and running until March 2023, this programme aims to support people living in Tyne & Wear who are unemployed and suffering from a health issue or an additional learning need move closer to work. The programme provides one-to-one advice and offers health and wellbeing support, disability support, and access to education, training and volunteering, as well as identifying links to broader suitable community support. By incorporating support for broader barriers such as mental health, financial and digital exclusion, participants are able to get the most out of the programme and ultimately move towards employment.

More can be done through devolved powers to address educational challenges specific to different places. If government is serious about levelling up, it needs to be open to exploring different options to address educational inequalities, recognising that initiatives need time to embed and that outcomes will not be seen overnight but are more likely over a longer time period. The links between deprivation and educational attainment must be recognised and addressed in future devolution deals. A culture of learning from provision already in place and the added value that this provision brings with it must be embedded, at both a national and local level.

4.

FROM RHETORIC TO REALITY: MISSIONS TO LEVEL UP THE NORTH

The UK's regional inequalities affect people's lives. Fixing these divides requires a levelling up strategy that builds on northern excellence and places the resources of the UK state behind local power, rather than subordinating local places to top-down national decisions.

Creating conditions for a good life means reshaping the North's economy, capturing the opportunities of a just and healthy transition to net zero, and providing people with the education and skills to thrive.

The radical change we advocate in this year's *State of the North* report requires first and foremost a profound shift of vision, based on the following three key pillars.

- **Deepening devolution** financially and institutionally. First, by providing local places with fiscal powers within a fair funding framework to raise investment, make transformational change locally and capture the benefits to reinvest. Second, passing real powers and competencies on areas like education, skills, transport, innovation and decarbonisation to local, democratic institutions such as combined authorities and councils. These would be further supported by a locally-led regional tier of government to foster strategic collaboration. As part of this shift, stronger relationships between local government and communities should be formed through new community partnerships.
- **Broadening devolution** by committing to an approach that offers a route for all places to shape their own destinies. From large cities to small towns, all areas must be able to benefit from devolution: no place or communities should be left behind. By moving power from the centre to the local areas across the North, new opportunities can be unlocked to give communities a say and directly do more.
- **Recasting the foundations of central–local relations**, breaking the consensus that Whitehall knows best and resetting relationships, communication and dynamics – so that central and local government can work as equal partners on the basis of mutual trust, respect and cooperation. This shift in the mindset of how the UK is governed will help support policymaking that is anchored in the interests of local communities, as opposed to being determined by central government.

This would represent a real transformation in the way England is governed, bringing power closer to people. To be successful, this strategy requires all levels of government – central, regional, subregional and local – to work as a team: moving past competition and embracing an ethos of collaboration that starts from the centre and delivers all the way down to communities. This is key to giving people the power to shape their lives.

To this end, drawing on the opportunities and challenges identified in this report, we set out three strategic missions for the North in the 2020s.

MISSION 1: THE NORTH AS A BETTER ECONOMY CREATING PROSPERITY, FAIRNESS AND GOOD WORK

The North can close its gaps in economy and employment outcomes, and thereby foster an economy whose benefits are shared more equally – generating and retaining wealth across the region and providing fulfilling, good jobs.

The rhetoric of levelling up and recent commitments indicate a renewed confidence in the ability of the state to intervene in the economy – even if delivery falls short. To be successful, levelling up needs an empowered local state to intervene and build local economies that generate wealth, and see it retained and more evenly shared, with the end goal of improving living standards for all.

Achieving this requires actors at all levels of government and across local communities to play a part in delivering bottom-up solutions that combine to push the North's economy in this more progressive direction.

Central government

The UK should aim for 50 per cent of capital investment and spending on economic affairs to be spent at the subnational level. Whitehall can and should invest in transformational change, enabling investment to deliver on strategic and locally or regionally supported long-term plans – such as the full extent of Northern Powerhouse Rail – by working with local and regional partners. But ultimately, real levelling up of local and regional economies across the country requires central government to let go of economic power and support local government in pursuing a mission for better local economies, including investment.

Combined authorities

Northern mayors should collaborate and build on existing partnerships to create a shared mission for the North's economy to close the gap in a more inclusive, generative way – and use their levers to support this. They should intervene in local economies through their ability to convene local partners around shared goals, their annual spending power across revenue and investment streams, their devolved powers such as land and housing policy areas, and in areas that draw different levers together, such as the manner in which combined authorities have developed employment charters and their role in spending decisions.

Local councils

Local authorities across the North should also collaborate and build on partnerships to add their voice and contribution to a shared mission. Local councils can use their own spending power (again across revenue, capital, and ability to borrow and invest), their regulatory functions like land use planning, the assets that they own or control, the ways they influence residents' quality of life such as housing and culture policies, the services they provide such as employment support schemes, and their own ability to convene local actors behind shared goals.

Communities and people

Power should be moved closer to local places so that communities have direct access to it and can make direct contributions to local decision-making. Empowered mayors, combined authorities and councils should support this process, facilitating wealth generation from the grassroots. Communities play a pivotal role in stimulating collaborations across groups in local areas, work with businesses and experiment with innovations that nurture local economies. Initiatives like community improvement districts could further support this.

Business

Businesses should recognise their own role in contribution to this economic mission as the principal providers of jobs and economic activity. They should support this by harnessing further their link to local places, and opening up meaningful collaborations with communities, councils and combined authorities – identifying in concert how they can better contribute to the mission that improves local living standards.

MISSION 2: THE NORTH AS THE ENGINE OF THE UK'S NET ZERO ECONOMY

The North's strong mix of assets can make it the engine of the UK's net zero economy. However, regional and local institutions currently play a limited role in shaping policy. This means that net zero policies often only consider how many emissions will be reduced, not the wider benefits that could be delivered by achieving a just transition to a green economy.

Giving mayors, local leaders and communities a greater say in policy design would not only reduce carbon emissions, it would also provide a better future for the North. Places in the North have bold proposals for how they can create happier, healthier communities, while also ensuring that local people benefit directly from new green jobs. To realise this sustainable and more prosperous North, we need action at and cooperation across all levels of government.

Central government

Central government should ensure its net zero policies deliver wider societal benefits by design. This requires an ambitious investment programme from the centre that recognises the scale of the commitment needed to deliver a just transition (IPPR EJC 2021). We need to develop a new net zero approach where the optimal outcome isn't the most cost-effective or the easiest route to reduce emissions. So ensuring this transition is redistributive – both by embracing models like citizens' assemblies to consult widely with the public and by ensuring net zero solutions are designed to benefit those places left behind by previous transitions such as deindustrialisation.

Combined authorities

Combined authorities should be able to develop comprehensive and binding Climate Action Plans. These plans should at a minimum align with national objectives on reducing emissions. However, they would allow combined authorities to go further by enabling them to draw upon a readily accessible pot of funding to deliver more ambitious net zero policies. For example, it would allow northern mayors to deliver low-carbon integrated transport infrastructure, without waiting on central government policymakers to award funding on a case-by-case basis.

Local councils

New council–community intervention approaches should be developed to drive net zero excellence locally. Local authorities should be given a new role to pioneer directly the climate interventions needed in their area, in partnership with communities. The role of local government is crucial – from retrofitting homes to designing low-carbon communities. We cannot expect to create opportunity across the North without giving local government the powers and resources it needs to coordinate and deliver on net zero.

Communities and people

Community covenants should be developed to drive climate action. The collective success of net zero requires putting people at the heart of the transition (ibid). By giving the local level more fiscal powers, a new framework of collaboration between

local government and communities can be created – enabling communities to play an active role in local decision-making. In this way, communities could lead on major climate initiatives like designing low-carbon neighbourhoods and promoting more sustainable forms of transport. Community covenants would allow – alongside the broader shift to more inclusive local economies – communities to muster and gain a greater stake in the new economic opportunities and assets created by net zero.

Business

Business must play its role, alongside government, by investing in the North's net zero transition. Alongside capital investment, businesses should ensure that any future opportunities created by the net zero transition support local economic growth and prosperity. A concerted effort from businesses to ensure that, during this net zero transition, they recruit locally and provide opportunities for the communities in which their businesses are based, can help deliver more inclusive growth across the North.

MISSION 3: THE NORTH LEADING ON LIFELONG LEARNING

There is huge potential to develop educational and training provision across the North. It is important to acknowledge that the foundation for education for many is the formal education they receive up to age 16. With this in mind, the focal point for national government must be to identify how to raise attainment levels across the region.

At a regional and local level more can be done to support existing formal provision available for children and young people. This could be supported through the provision of extra-curricular activity which equips students with softer skills that support their education and, in the longer term, potential employment. This is also likely to increase confidence among young people and give them a more well-rounded educational experience.

In terms of skills, more wraparound work could be provided to support careers advice and development as well as non-academic skills such as digital skills. Employers must also play their part and be supported to do so by central and local government. Ensuring that progression routes in work align with local skills provision would help overcome the under-utilisation of skills and promote life-long learning.

Central government

All children must have the same high-quality start to life regardless of where they live, through equal funding across the country and additional investment in areas where necessary – akin to the pupil premium payment – in order to raise standards to match the highest national levels. Government must also be more open to experiment to address the attainment gap across the country, allowing local actors with greater insight of the challenges faced in different places the freedom to try new things with the aim of raising standards.

Combined authorities

Using the devolved adult education budget, combined authorities can work as they are with local businesses, skills providers and growth hubs to ensure that skills provision meets employer demand and that individuals fully understand what training, employment and progression opportunities are available to them at a local level. Working across a relatively large geographical footprint allows for maximum joining up of skills provision, job opportunities and careers advice.

Local government

Local government has extensive reach to local schools and community groups. This could be used to develop stronger links both within schools and between schools and suitable community groups, and to facilitate the development of partnerships, with support for funding (either through direct funding or support to tap into external funding opportunities) to underpin collaborative activities. This is likely to be working well in some areas already. But since it would be a relatively low-cost intervention for local authorities in their role as convenor, it should be promoted across *all* areas. This would enable schools to draw on a rich resource of community support and enhance their extra-curricular offer, supporting children's wellbeing and wider development.

Communities and people

Linked to the recommendation for local government, community groups should consider how to scale up and adapt their offer to local schools. Given the importance of extra-curricular activity to young people, community groups offer an opportunity to provide this in collaboration with schools. Inevitably, local schools and community groups are likely to already have strong links, since both are ultimately community resources. However, working with local authorities would offer scope to further develop local relationships on a larger geographical footprint. While this may require scaling up the work of the community groups to offer support to more individuals, existing infrastructure means that community groups are likely best placed to provide this resource, with the support of local schools.

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APPENDIX: JOB QUALITY INDEX METHODOLOGY

The job quality index was developed by mapping out a range of indicators of good employment (as discussed in chapter 2) and matching this to the data available at the local authority district level. This resulted in the creation of five domains, containing 10 indicators. Within each domain, indicators were ranked, standardised, weighted and combined to create scores for each domain by local authority district. Domain scores were then altered using an exponential transformation method, before being weighted, and combined to provide a final job quality index score. This limited cancellation. All local authority districts were ranked and split into deciles according to the final job quality index score.

TABLE A.1
Domains, indicators, weights and sources of the job quality index

Domain	Weight	Data	Data source	What direction is indicative of 'good'	Indicator and its weight within domain
Pay	30%	Median hourly wages	ONS 2021e	Higher	Indexed to England average
		Real terms wage growth	ONS 2021e	Higher	Ten-year growth rate indexed to England growth rate
		Proportion workers paid below living wage	IPPR North analysis of ONS 2021e	Lower	Estimate workers paid below living wage and divide by total working population
		Gender pay gap	ONS 2021e	Lower	Percentage pay gap between men and women at median level
Union density	15%	Union density	Davies et al 2021	Higher	Expressed as a percentage of workforce
Productivity	20%	GVA per worker	ONS 2021f	Higher	Indexed to England
		Local wage share of income	ONS 2021f	Higher	Expressed as a percentage of annual GVA
Security of work and hours	20%	Proportion of workers with 'desired contract and satisfactory hours'	ONS 2019	Higher	Expressed as a percentage of the workforce
Sectors of employment/ High-skilled work	15%	Sectoral diversity in the local economy, using employment	ONS 2021a	Higher	Herfindahl-Hirschman Index
		Proportion of employment in KIBS*	ONS 2021a	Higher	Expressed as a percentage of the workforce
		Proportion of employment in 'high-tech employment**	ONS 2021a	Higher	Expressed as a percentage of the workforce

* The definition of KIBS (knowledge-intensive business services) and high-tech employment are drawn from Cox et al (2016).



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