NEW ECONOMICS FOUNDATION

CLOSING THE DIVIDE

HOW TO REALLY LEVEL UP THE UK

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EXECUTIVE SUMMARY

Long-standing inequality between and within regions is holding back millions of households and acting as a drag on economic prosperity. The UK government is therefore right to establish levelling up as its primary mission alongside the transition to net zero.

To date, however, the government has yet to define precisely what it means by levelling up and how it would do it. Against the backdrop of over a decade of squeezed living standards, the goal of levelling up should be quite simple: to lift living standards, particularly in communities that have faced decades of deprivation and neglect. This task is not simply about tackling inequality between regions but also within regions. The challenge of levelling up is as real in Barking & Dagenham or Hackney as it is in Barrow, Darlington, or Barnsley.

To deliver on this goal, it is simply not enough to invest in places independently of the people who currently live there. Forced gentrification may improve many of the metrics of levelling up in a given area, but it pushes poorer families to move around the country to find housing and work.

The policy response required to meet this challenge will be immense. But the first step is being clear about where the greatest levelling up need is across the country. While there are many ways to measure the levelling up need, we conclude that there are three key drivers of this need: the strength of local economies, household incomes, and the social infrastructure in a place. Combining the three indicators allows us to identify two groups of areas with a high levelling up need: places that are caught in a low-productivity, low-income trap with poor social infrastructure (ie held back), and places that have comparatively high productivity but low levels of household incomes and weak social infrastructure (ie disconnected growth).

To improve living standards in communities, the old policy prescription of investing disproportionately in physical infrastructure and attracting high-value-added firms to simply boost growth within a locality will have to be rethought. Improved productivity and overall prosperity may be one way to sustain strong local economies. But the way this is done matters, and the indication from some places is that boosting growth alone is unlikely to drive up the living standards of people in these places. Put simply, targeting growth and productivity cannot be the primary aim of levelling up.

Delivering improvements in the living standards of people in places will require five major shifts in the old local economic development model. First, a shift away from central direction to local power and control. This should be underpinned by a radical shift of powers over economic and social policy from Whitehall to town halls combined with strong local plans and the open participation of communities and local businesses in economic decision-making.

Second, a shift in focus from growth to living standards. Boosting disposable incomes and access to social infrastructure will have an immediate impact on people's living standards. It will also help to stimulate local economies by increasing demand and improving labour supply, which will provide more confidence for firms to invest.

Third, a shift in focus from high-value-added sectors to the everyday economy that forms the backbone of local economies and generates the majority of jobs. Improving productivity, wages, and job creation in these foundational sectors will have a direct impact on the prospect of communities that have struggled to attract high-wage, high-productivity firms.

Fourth, a shift in focus from large businesses to the small and medium enterprises (SMEs) that form the bedrock of local economies. The vital role of SMEs in local economies is often overlooked despite their accounting for more than half of all private sector jobs. Support for SMEs through access to affordable rents, finance, and tailored business advice will be key to strengthening local economies and creating jobs.

Fifth, a major shift to green. Without a concerted effort to link levelling up to net zero, this could result in the derailment of both agendas. From the point of view of levelling up, improvement in living standards will be only short-lived if is it built on the back of energy-intensive industry that is likely to be stranded within a decade. The scale of investment that will be required to deliver net zero also creates a unique opportunity to invest in our communities to create jobs, boost industries, and remake places.

There is no silver bullet to a problem that is as complex and as difficult as closing the divide between people and places. But without a major shift in policy, levelling up will continue to elude this government.

1. IDENTIFYING WHERE TO LEVEL UP

Boris Johnson won his party's leadership election of 2019 with a promise to level up between regions. Levelling up has been described in broad terms as being:

> *...about improving living standards and growing the private sector, particularly where it is weak. It is about increasing and spreading opportunity, because while talent is evenly distributed, opportunity is not. It is about improving health, education and policing, particularly where they are not good enough. It is also about strengthening community and local leadership, restoring pride in place, and improving quality of life in ways that are not just about the economy.*[1]

The contours of an agenda that could have real impact and resonate with voters are clear. But equally clear is the lack of a defined policy prospectus to support the rhetoric.

The government is now in a race to put flesh on the bones of its levelling up agenda and to deliver against it. This task has been made harder by consecutive policy failings in response to waves of the pandemic that have widened inequality over the last two years. On average, disposable real incomes have barely risen in the North East since December 2019 (less than £20 per year, or less than 0.1%). Similarly, the North West (£80, 0.2%), Yorkshire and the Humber (£90, 0.3%), and Northern Ireland (also £90, 0.3%) have barely fared better. At the same time, disposable real incomes in London have increased by more than £600 per year (1.3%) and by more than £550 in the South East (1.1%).[2] Inequality within regions has also grown. Those families in the top 50% of disposable incomes nationally have seen their living standards improve across the board, though fastest of all in London and the South East. Meanwhile, families in the poorest 50% of the income distribution have seen their incomes fall, in real terms, everywhere except for London and eastern England.[3]

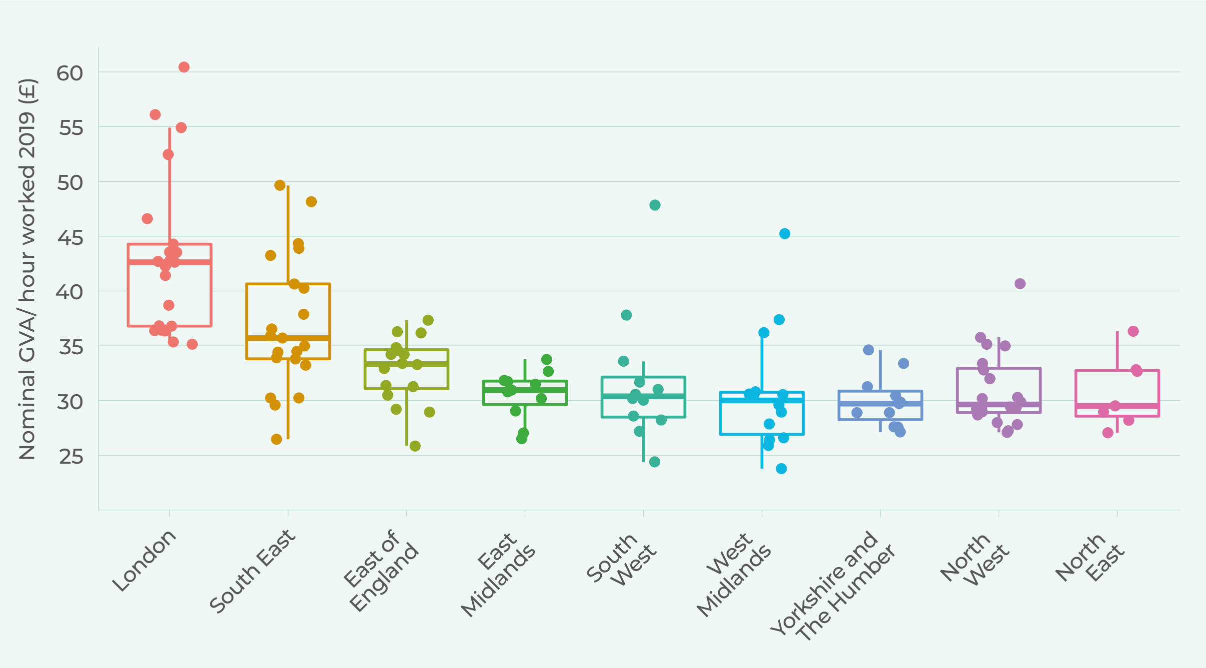
FIGURE 1: THE GAP IN INCOMES ACROSS REGIONS HAS WIDENED SINCE 2019

Change in disposable household incomes in cash (£ Dec. 2021 prices) on average and for families in the top and bottom half of the national equivalised income distribution (respectively) across regions, comparing December 2019 to December 2021.

Source: NEF analysis using the IPPR tax and benefit microsimulation model, based on data from the DWP Family Resources Survey and various OBR and Bank of England forecasts data

FIGURE 2. LABOUR PRODUCTIVITY IS UNEQUAL BOTH ACROSS AND WITHIN REGIONS IN ENGLAND

Labour Productivity (GVA £ per hour worked, 2019 prices) by NUTS1 and NUTS3 geographies in England, 2019



Source: NEF analysis of ONS estimates for GVA per hour worked

There is now an urgency and an imperative for the government to act. The recent appointment of Michael Gove as Secretary of State of the Department of Levelling Up, Homes and Communities, Neil O'Brien as a junior minister in the department, and Andy Haldane as Head of the Levelling Up Taskforce has created a locus for this work.[4] A levelling up white paper, planned for early 2022, creates an opportunity to define and advance the agenda.[5]

Defining levelling up in clear terms and identifying where the need to level up is greatest is the first step in taking this agenda forward. If, as Boris Johnson says, levelling up is broadly about improving living standards of people in places,[6] three key factors together drive up levelling up need: the strength of the local economy, household incomes within a place, and the social infrastructure in that place.

1.1 MEASURING LOCAL ECONOMIES

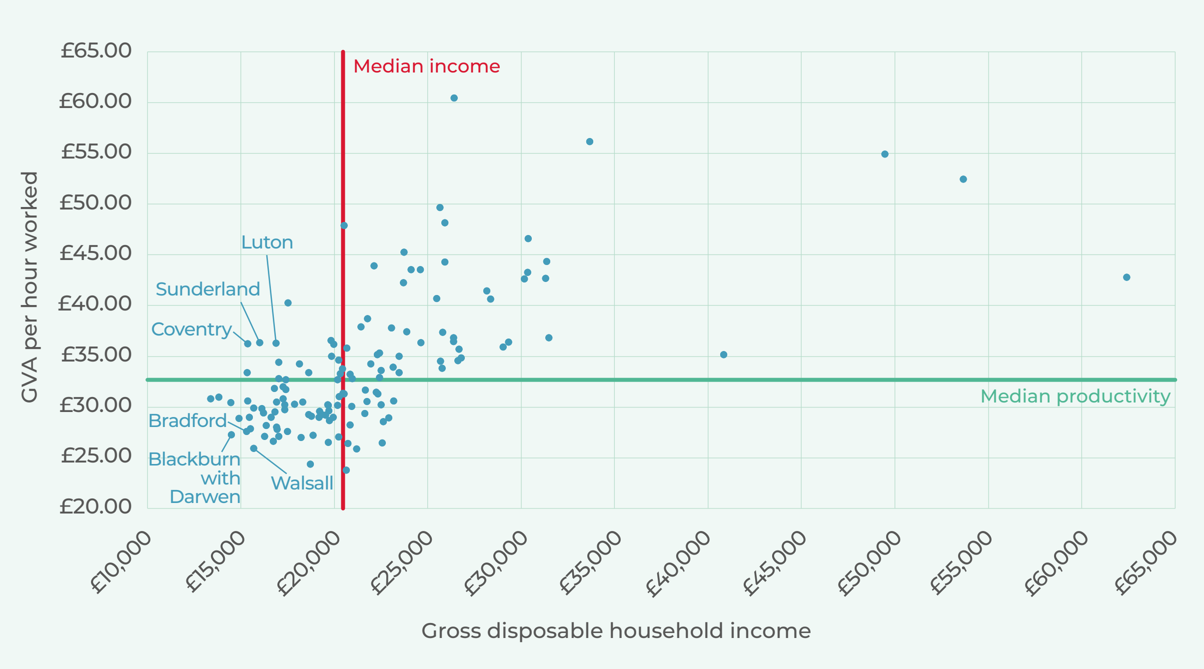
The growing literature on levelling up – from O'Brien,[7] The UK 2070 Commission,[8] the House of Commons Library,[9] the Resolution Foundation,[10] Cambridge University's Bennett Institute,[11] and The Centre for Cities[12] –points to an emerging consensus that the starting point for this agenda is the spatial inequality that exists in the UK and that recent policy interventions have largely failed to change the picture.

One of the most used measures to illustrate spatial inequality is gross value added (GVA), which is a measure of the value added by economically productive activities in a given area or region.[13] Divided per hour worked, this provides a measure of productivity across a local economy and gives us a rough guide as to the strength of a local economy.

The pattern across the country is one of higher average productivity within London and the South East, but with a high degree of variation within these two regions, and small clusters of higher productivity in certain parts of the rest of the country (Figure 2). The disparity between productivity in parts of London and the South East and the rest of the country is well-rehearsed and points to the need to rebalance economic activity across the country. But disparity within regions also points to the need for a more granular and nuanced response as well.

FIGURE 3: HIGHER THAN MEDIAN PRODUCTIVITY IS NO GUARANTEE OF HIGHER THAN MEDIAN HOUSEHOLD INCOME

Labour productivity (GVA per hour worked) compared against gross disposable household income (GDHI) per head for NUTS3 geographies in England, 2019 prices, 2019[i]



Source: NEF analysis based on ONS data for GVA per hour worked and GDHI per head

However, the strength of the local economy – as measured by GVA or productivity alone – provides a crude indication of the levelling up need. There are three reasons for this. First, the cost of living is driven in part by global prices that may be entirely detached from trends in local economic output. Local earnings can be eroded by internationally imported inflation, without a commensurate increase in local growth. This is the key reason real average weekly earnings in the UK as a whole have not kept up with real GDP per capita over the past decade. Similar issues can become magnified at a local level.[14]

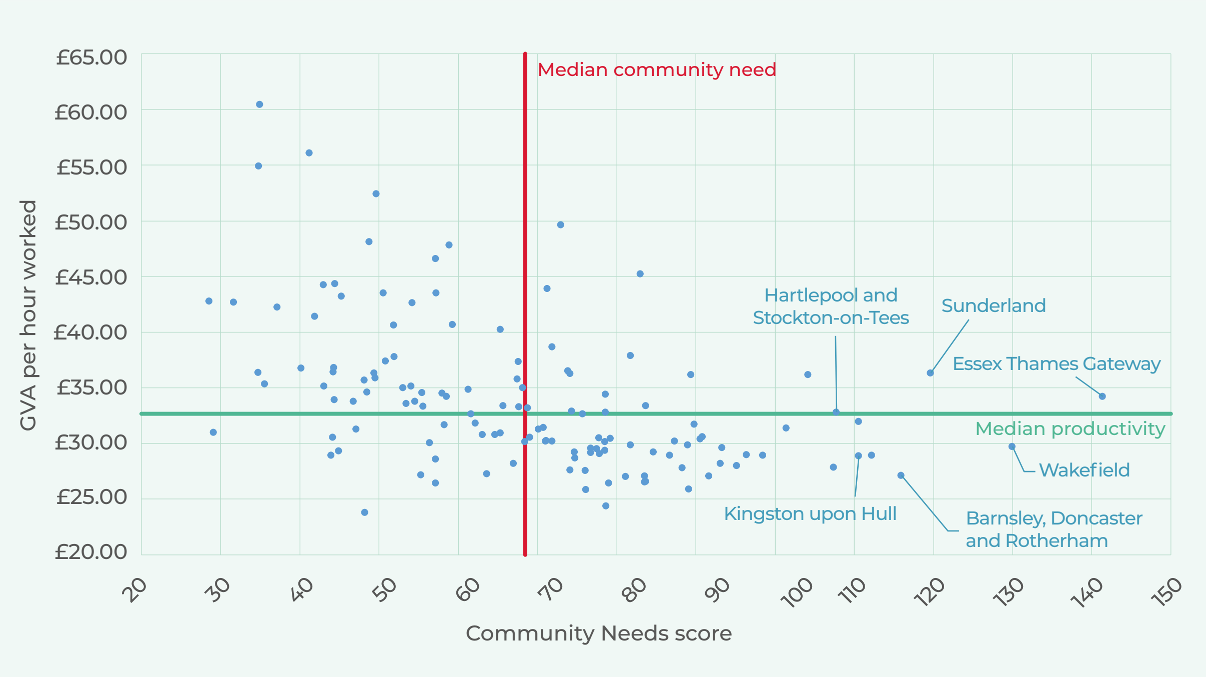
Second, people do not always work and live in the same geographies. The economic output might show the value of production in a given area, but the workers and shareholders who receive the income flow may live somewhere else. Finally, even after accounting for (global) cost-push inflation and income flowing outside of the geography where it is generated, what matters most for the lived experience of families is not growth in the aggregate remaining income but the pattern of distribution across families.

For these reasons, local economic productivity (as measured in terms of GVA) is not always a strong predictor for local household income (Figure 3). Examining the apparent association across local areas reveals a more nuanced story – for an illustrative analysis, in this report we use Nomenclature of Territorial Units for Statistics level 3 (NUTS3) units for geography, which correspond to counties or groups of unitary authorities. We use a regional per capita measure of income based on the household sector of GDP from national accounts data as our proxy for household income. First, we find there is a category of place – such as Blackburn with Darwen, Bradford, or Walsall – where below-median productivity is predictably matched by below-median household incomes. These places face the dual challenge of having weak economies and weak living standards and are likely to have the greatest levelling up need. Second, there is a category of place – such as Coventry, Sunderland, or Luton – that has around or above-median productivity but nevertheless has comparatively weak household income.

i. Note: The productivity measure used is Nominal smoothed GVA (B) per hour worked. GVA (B) refers to the balanced approach used by the ONS to incorporate data on both the income and production approach to estimating GDP. Data is smoothed by the ONS using a weighted 5-year average to remove volatility arising from sampling and non-sampling errors at NUTS3 level.

FIGURE 4. ECONOMIC PRODUCTIVITY IS POORLY CORRELATED WITH COMMUNITY NEED

Labour productivity (GVA per hour worked, 2019 prices) compared against OCSI's Community Needs Index across NUTS3 geographies in England, 2019[ii]



Source: NEF analysis based on ONS data for GVA per hour worked and OCSI's Community Needs Index

The living standards of people in places are not only determined by household income or by the strength of a local economy. What is often termed "social infrastructure"[15] also plays a role. Drawing on Slocock (2018), Kelsey and Kenny describe social infrastructure as containing three, key elements.[16]

- **Buildings and the built environment:** The amenities of the local built environment, including libraries, community centres, and the parks and green spaces in which people come together.
- **Services and organisations:** The key public services people use, such as adult daycare, childcare and education, and sports facilities, and organisations such as charities and housing associations.
- **Strong communities:** The extent to which an area has social cohesion, productive relationships, and shared values, and the degree to which institutions include people's participation in decision-making.

Social infrastructure provides a social wage, which supplements household income. Underinvestment in, and the decay of social infrastructure, impact lower-income households disproportionately. Landman Economics has shown that the cuts to public services over the past decade, for example, are equivalent to nearly one-fifth (18%) of the household incomes of the poorest 10% of households compared to just 0.4% for the richest.[17]

The Oxford Consultants for Social Inclusion (OCSI) Community Needs Index, produced for the Local Trust, provides a useful proxy for social infrastructure in communities. Through this index, they identify 225 left-behind neighbourhoods (LBNs).[18] At the regional level, this results in a picture like most other indicators. It shows LBNs are concentrated in the North East (45), North West (52), West Midlands (30), and Yorkshire and the Humber (26); with a few in each of the East of England, East Midlands, and South East; and a scattering in London and the South West.

ii. Note: Community Needs Index data for NUTS3 areas was calculated using an average of Community Needs scores for local authorities within each NUTS3 area, weighted by the 2019 mid-year population of those local authorities.

Plotting community need against the strength of a local economy shows a similar pattern to that seen when comparing productivity with income: local economic strength is a very weak proxy for social need. Aggregating the neighbourhood index up to local authority level allows for a comparison with productivity data (Figure 4). Again, we see the same two categories within places with high community need. There are several places – including Wakefield, Barnsley, Doncaster and Rotherham, and Kingston upon Hull – with both low productivity and high social need. However, there is a cluster of places – such as Essex Thames Gateway, Sunderland and Hartlepool, and Stockton-on-Tees – that have around or above-median productivity but also have high community need.

1.2 WHERE AND WHO TO LEVEL UP?

This brief assessment of local economic strength and living standards reinforces the story that is now well-rehearsed – namely that UK living standards are spatially unequal, with the highest incomes and lowest unmet need in London and the South East. However, this regional picture masks a more important level of the debate, in which the inequalities of place and 'geographies of discontent' are repeated within regions and across more or less all of the UK's economic geographies, including London.

Furthermore, while local economic productivity is important, there is often a disconnect between local performance on output on the one hand, and local living standards on the other – success on the former is no guarantee of the latter. It is not enough to invest in places independently of the people who currently live there. Forced gentrification may improve many of the metrics of levelling up in a given area, but it pushes poorer families to move around the country to find housing and work. If the government is serious about levelling up, it must engage with this more complex story and tailor its policy response accordingly.

The policy response required to meet this challenge is immense. The first step is being clear about where the greatest levelling up need is. While there are many ways to measure what we call levelling up need, we conclude that there are three key indicators of interest: the strength of local economies, household incomes, and the social infrastructure in a place. Based on the rough proxies already discussed for each of these indicators – GVA per hour worked, disposable household income, and the OCSI's Community Needs Index – we have established an initial framework for identifying both the nature and location of greatest levelling up need:

- **Places with relative prosperity:** These are areas where living standards are already reasonably strong, with both below-median community need *and* above-median disposable household income.
- **Places that are held back:** These areas are caught in a low-productivity, low-income trap with poor social infrastructure (high community needs). We identify these based on below-median levels of producitivity, as well as either below-median household income or above-median community need. They have a high levelling up need and require interventions to revive the local economy and create jobs as well as to boost local incomes and improve services and local amenities.
- **Places with disconnected growth:** These areas have average or above-average productivity but this has not translated into both strong household incomes and low community need. We identify them based on above-median productivity but with *either* below-median household income or above-median community need. These areas have a high levelling up need and require interventions to boost local incomes, create jobs, and improve services and local amenities, particularly in pockets of deprivation.

In theory, a simple framework of this kind could be applied at any level of geography. For illustrative purposes, we apply our framework across our NUTS3 geographies in England. Viewed through this lens, around 60% of English counties or grouped unitary authorities might be initial candidates for levelling up (Table 1).

TABLE 1: CATEGORIES FOR THINKING ABOUT LEVELLING UP NEED

Number and proportion of NUTS3 geographies in England distributed across our three categories for identifying levelling up need, 2019

	Number	Percent	Initial candidate for levelling up?
Relative prosperity	51	38%	No
Disconnected growth	26	20%	Yes
Held back	56	42%	Yes

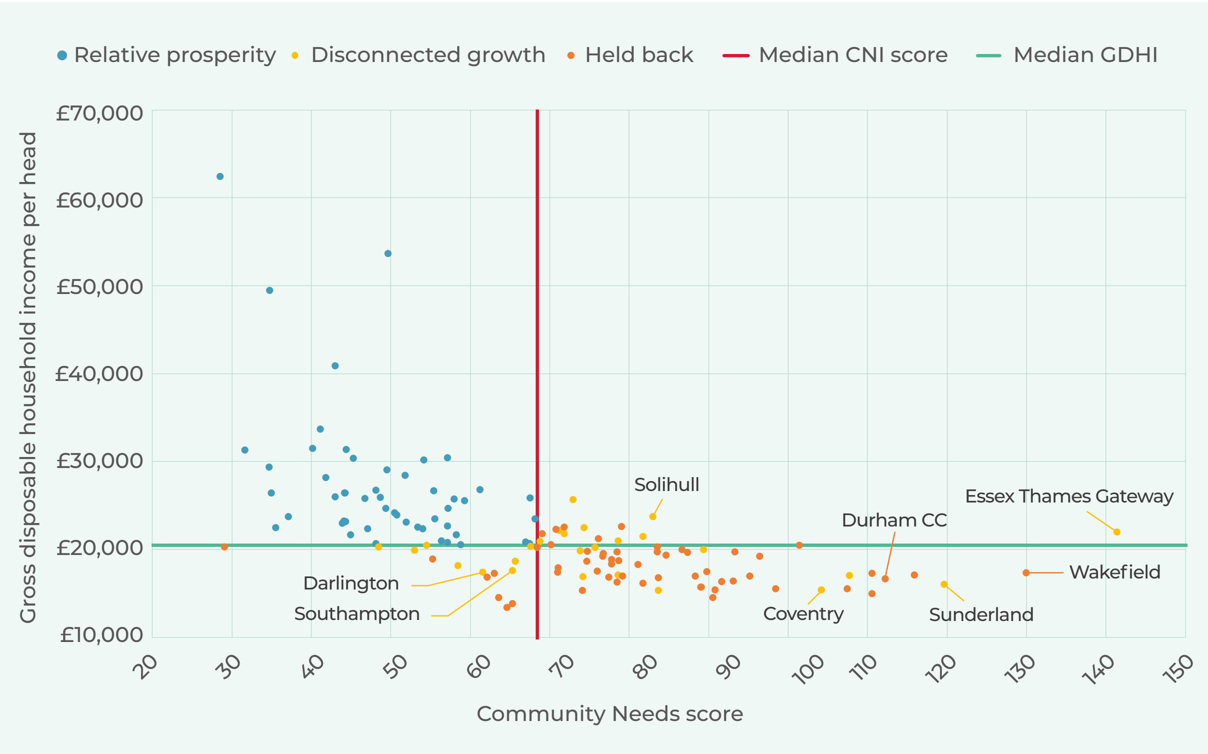
Source: NEF analysis based on ONS data for GVA per hour worked and GDHI, and OCSI's Community Need Index

Even a simple framework such as this allows for a somewhat nuanced assessment of the extent and nature of levelling up need. Figure 5 shows us that disconnected growth geographies are spread reasonably evenly across those that require a particular focus on social infrastructure (eg **Essex Thames Gateway** and **Solihull**), local household incomes (eg **Southampton** and **Darlington**), and both social infrastructure and local incomes (eg **Sunderland** and **Coventry**). Held back areas are most likely to require support for both local incomes and social infrastructure, with particular examples including **Wakefield** and **Durham**.

Appendix 1 sets out the full results of this approach across all NUTS3 geographies in England. The remainder of this report sets out an initial menu of policy options for addressing levelling up need. But we argue that the blend and emphasis of policy response would need to vary considerably from place to place depending on the extent and nature of local need.

FIGURE 5: WITHIN TARGET AREAS, THERE IS CONSIDERABLE VARIATION IN THE NATURE AND EXTENT OF LEVELLING UP NEED

Gross disposable household income (GDHI) per head compared against OCSI's Community Needs Index across NUTS3 geographies in England, 2019



2. POLICY RESPONSE

Identifying where to level up is the first step. Working out how to respond to a problem that is multifaceted, longstanding, and complex is the next. While there is no silver bullet for levelling up, two things are clear. First, the policy prescriptions to level up will vary from place to place. This will require tailored interventions designed from the bottom up and almost certainly better, more localised data. A one-size-fits-all prospectus designed and dictated from the centre is, as the Institute for Community Studies highlights,[19] likely to repeat the mistakes of the past.

Second, the old policy prescription of investing in physical infrastructure and attracting high-value-added firms to simply boost growth will have to be rethought. The Institute for Community Studies,[20] looking back on decades of local economic development policy, reveals that over 20 years of policy, more than £50bn of investment has yielded precisely 0% change in the most deprived local authority areas.

Of course, actions to strengthen the local economy and improve productivity are a necessary ingredient for levelling up. But pursuing GVA growth alone is not sufficient for improving the living standards of residents in a community in any reasonable timescale. Put simply, targeting growth and productivity cannot be the primary aim of levelling up. Delivering improvements in the living standards of people in places will require a major revision of the economic development model that has been tried and tested. This will mean five big shifts in local economic development policy.

2.1 SHIFT 1: LEVELLING UP THROUGH LOCAL POWER

Levelling up is a highly distributed problem, with some generalised characteristics, but also with specific features from place to place. The set of interventions needed in held-back places will be different to those disconnected growth areas. Moreover, the specific challenges that will need to be tackled from firm-level productivity to the foundational economy will require local knowledge, understanding, and networks that simply cannot be marshalled from Whitehall. There is now an emerging and broad consensus that levelling up cannot be achieved without the devolution of powers and resources to enable local leaders to respond to the specific challenges in their places.[21,22,23]

However, to exploit the benefits of further devolution, a stronger institutional architecture will need to be created in places. Currently, there is a mix of districts, counties, metropolitan boroughs, combined authorities, and local enterprise partnerships (LEPs) all seeking to steward local economic development policies. This has created a patchwork of institutions across the country with varying success. Creating a clear locus for local economic strategies at a geography that makes economic sense will be critical to the success of this agenda.

We recommend that this institutional structure be created at the city- and county-region levels that reflect natural local economic boundaries. This functional geography represents the most appropriate level to drive economic development policy. The recent creation of Mayoral Combined Authorities (MCAs) at the city-region level, therefore, provides a model that can be built on.[24] Combined authorities are statutory bodies that enable local authority leaders, acting collectively over a city or county region, to take direct responsibility for transport and other economic functions, on a similar basis to the Mayor of London. The Greater Manchester Combined Authority was the first such authority and the first to adopt a directly elected mayor. Following subsequent rounds of devolution deals, eight more city regions have adopted MCAs.[25] The establishment of further combined authorities, covering city and county regions, should be strongly encouraged as part of the levelling up agenda to create this regional architecture across the country. LEPs, which do not always represent functional geographies, should be redrawn to operate across the same regional geography as existing and new combined authorities. MCAs and LEPs should together take responsibility for driving forward local economic strategies that can level up places.

Powers over economic development should be devolved to regional authorities. This should include full control over multi-year budgets for transport, housing, green infrastructure, social infrastructure, local services, business support, adult skills provision, and employment support. This should also include **fiscal devolution with control over a reformed property tax system in which business rates are abolished and replaced by a new system of split-rate land and property tax**. Under this system proposed by NEF,[26] the existing business rates base would be regularly revalued, and property and land would be split and taxed under separate schedules – with property taxes fully retained locally and land taxes redistributed according to need.

In return for further devolution, places will have the responsibility to distribute power in the community as well as leverage local institutions to invest in the community and drive improvements in living standards. Regional authorities must commit to working with anchor institutions, such as health trusts and housing associations, to pool investment and use their commissioning and procurement power to support the creation of local jobs, boost local supply chains, and build and distribute wealth across their local economy.

2.2 SHIFT 2: FROM GROWTH TO LOCAL LIVING STANDARDS

Levelling up will require a comprehensive package of reforms to regear and rebuild local economies. But these interventions will yield results in the medium to long term. Structural reforms of local economies should be combined with short-term interventions that directly impact the incomes of people in places with a high levelling up need. This would not only provide a significant boost to living standards within these communities but would also create a significant stimulus to local economies, many struggling with the aftershock of the pandemic. Households on lower incomes are more likely to spend, raising demand in the local economy with a knock-on impact on investment.[27] This would, in turn, create a much-needed boost to these local economies as they seek to catch up in the recovery.[28]

We recommend two interventions that together would achieve this. First, building on the recent increase of the National Living Wage to £9.50 hour, **the Low Pay Commission should be given a new mandate to increase National Living Wage so that it matches real living wage levels, which reflect the true cost of living, by 2023 (subject to employment effects)**. Alongside interventions to increase wages in the labour market, **mayors and combined authorities in areas with a high levelling up need should be given funding to roll out minimum income guarantee schemes in their most deprived communities**, providing top-up cash payments to households that are currently falling furthest behind their minimum income standard, as defined by the Joseph Rowntree Foundation and the Centre for Research in Social Policy (eg £227 per week before housing costs for a single adult without children).

In a similar vein, we propose strengthening local living standards through investment in social infrastructure delivered through the public sector, such as childcare and social care. This will not only improve the quality of life locally directly but will also free up disposable income otherwise spent on private service provision, while also strengthening labour force participation from people who otherwise have to provide informal care, especially women.

Previous NEF analysis has shown how **£15bn to £20bn could be invested in expanding public sector jobs, training, and pay across 11 key occupations – covering areas such as care workers, nursing assistants, and teaching assistants – where there is a current need and capacity to fill positions from the existing labour market across an 18-month period.**[29] We propose that this investment starts immediately, **with 50% devolved to regional authorities to be deployed in line with local priorities**.

A proportion of social infrastructure investment should also be pushed down to the community level to allow community groups to come together to design local schemes to improve the look and feel of their places. **A £3bn Community Wealth Fund should be created to support place-shaping as well as bring communities together to actively plan and steward the regeneration and revival of their places.**

BOX 1: THE FOUNDATIONAL ECONOMY

The foundational economy is made up of three types of sectors:

- Core infrastructure that connects households to daily essentials (material): utilities, transport, post, food, retail banking.
- Public services (providential): public provision of universal services and welfare to households.
- Essential goods and services that are consumed occasionally (overlooked): retail, leisure, and hospitality.

These sectors exist in every community and are the foundations of local economies but are too often overlooked by policymakers.

Source: https://foundationaleconomy.com/activity-classification/

2.3 SHIFT 3: FOCUS ON THE EVERYDAY ECONOMY

Immediate improvements in the incomes of low-income households should be combined with policies to drive medium-term structural change to increase productivity and wages across the local economy. But local economic development policies have traditionally sought to deliver productivity growth by attracting inward investment, supporting single industrial sites, such as automotive plants, or building high-value sectors in a place. While this approach has had an impact on GVA growth, it has often failed to deliver productivity improvements in parts of the local economy that are foundational and where the majority of local people are employed. Sectors such as retail, hospitality, care, and other public services – the foundational or everyday economy (Box 1) [30] – exist in every place.

Across all local authority areas, on average the foundational economy makes up 63% of all jobs, with public services accounting for more than one-quarter of all jobs. At the regional (NUTS1) level, while around half (52%) of jobs in London are in the foundational economy, in all other regions the proportion is more than 60%, with the North East (68.3%), Yorkshire and the Humber (66.9%), and the South West (66.6%) having the highest proportion of foundational economy jobs.

In the borough of Neath Port Talbot, near Swansea in South Wales, around 4,000 people are employed in the famous steelworks, which remains the largest single employer (and will, of course, be associated with many supply chain jobs), and around 7,500 work in health, social care, and child care.[31] Similarly, around 6,000 people are employed at Nissan in Sunderland and a further 4,000 in the automotive sector in the area[32] compared to almost 79,000 in the foundational economy as a whole. Or in North Lincolnshire, in which the British Steel plant in Scunthorpe employs 3,000 people compared to 53,000 in the foundational economy.

In local authority areas that rank as highly deprived in the Indices of Deprivation (IoD), such as Stoke-on-Trent, Sandwell in the West Midlands, Oldham, Barnsley, Doncaster, Hartlepool, and Ashfield, the foundational economy makes up more than two-thirds of all employment. For instance, in Hartlepool (ranked the 25th most deprived area in England), almost 73% of all jobs are in the foundational economy and in Stoke-on-Trent (ranked 15th), more than 70% of jobs are foundational.

The everyday economy provides the majority of jobs in most places, but weekly wages in foundational sectors are, on average, lower than those in non-foundational sectors. For instance, April 2021 weekly earnings in the basic metals manufacturing industrial codes, which include steel production, averaged £615 and in the industrial codes that include automotive, averaged £731. By contrast, in health and social work industrial codes, which include public and private sectors, April 2021 average weekly earnings were £485. In each of Sunderland, Barnsley, Doncaster, and Stoke-on-Trent there are between 4,000 and 4,500 jobs in general retail – a core, overlooked foundational sector – which in April 2021 earned a national average weekly wage of £355, the lowest national sectoral average.[iii]

iii. See ONS average weekly earnings by industrial sector https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsbyindustryearn03. Totals for April 2021 are provisional.

iv. See Good Business Charter

Foundational sectors are indispensable; they are a source of employment and income for areas that may otherwise have few employment opportunities. But low pay and low productivity remain an ongoing challenge for these sectors.[33] New approaches for driving up productivity, the quality of jobs, and pay in the foundational economy must be a core plank of any strategy to level up in an area. Support to improve management practices and quality, digital technology adoption, skills utilisation, and job quality at the firm level will be important.[34]

Equally important will be policies that seek to create a minimum standard for 'good jobs'. To deliver this, we recommend that the government introduces a 'fair for all' guarantee in the Employment Bill that would require all businesses to pay the national living wage, provide living hours, and sign up to the Good Business Charter[iv] or locally run employment charters.

In parts of the foundational economy that are public sector funded or provided, for example, social and childcare, minimum standards should be combined with a deliberate attempt to build community wealth through these sectors. Enabling the growth of community, co-operative, and social enterprises will be key to this. The social economy – community, co-operative, and social enterprises – is small and currently largely static, but offers huge potential in terms of higher profitability, higher wages, higher productivity, and improved levels of employee wellbeing compared to the wider UK private sector. Rooted in communities, with a strong community stake, such businesses can share and distribute wealth as well as drive up pay and job quality in these sectors.[35]

Several local authorities are already adopting community wealth-building approaches.[36] There is both a need and an opportunity to amplify the scale and reach of this work and bring it together as part of an overarching regional strategy to level up. This approach is based on anchor organisations – large employers with a strong local presence in an area – working together to exert sizable influence through their commissioning and purchasing of goods and services, their employment capacity, and by the creative use of their facilities and land assets. Anchors can be combined authorities, local councils, universities, colleges, housing associations, NHS health boards, or large local private sector employers.

By **mobilising local spending and investment power, anchor institutions can seek to pump prime the social economy by gearing a proportion of the goods and services they procure from foundational sectors to mutuals, co-operatives, social enterprises, and community businesses that are owned and run in the interest of the local community.** This should be matched by tailored business support (technical and financial) to support business growth and enable the conversion of existing businesses to these alternative models of ownership at the point of business transition (eg owners retiring, owners selling, takeover).

2.4 SHIFT 4: BACK SMALL AND MEDIUM ENTERPRISES

Alongside a focus on foundational sectors, SMEs should be supported across the board. SMEs make up the vast majority of total enterprises across the entire country, but particularly outside of London and the Southeast. For instance, of the estimated 163,200 private firms in the North East of England, 162,900 are SMEs.[v] SMEs also account for more than half of all private sector jobs, but in regions with a lower private sector density and fewer large firms, SMEs are even more important as employers. In the North East and North West of England, almost two-thirds of private sector jobs are provided by SMEs, whereas in London and the South East, around half of private sector jobs are provided by larger firms.[vi]

The strength of the local economy is dependent on the performance of the SME sector, while company ownership and company workforces are more likely to remain more local than with larger enterprises.[37] Yet there is little focus at the national or local level on enhancing productivity or building up the firms that are the bedrock of local economies. Supporting SMEs to not just survive but thrive –

v. In BEIS 2020, tabs 11–19, small enterprises are broken down into five subcategories by numbers of employees. Discounting the single-employee category, the percentage ranges reflect the range of proportion of employees in each region that are employed in firms that have 2–4, 5–9, 10–19, and 20–49 employees. https://www.gov.uk/government/statistics/business-population-estimates-2020/business-population-estimates-for-the-uk-and-regions-2020-statistical-release-html#composition-of-the-2020-business-population

vi. Ibid.

particularly as many continue to battle the impacts of the pandemic – must form a key strand of any action plan to level up. Three areas stand out for intervention: access to affordable rents, finance, and tailored business support.

Commercial rents can account for a significant proportion of an SME's turnover each year, using up funds that would be better spent supporting the local economy through wages, supply chain expenditure, and productive investment. Evidence collected from SME organisations in London found that rent made up approximately 15% of costs for SMEs on average and can act as a barrier to growth for many.[vii] This rent burden has increased throughout the pandemic with reduced turnover, accumulated rent arrears, and limited ability to make full use of commercial spaces.[38] **We recommend that mayors and regional combined authorities are given new powers to introduce a 'Working Rent' system for SMEs. This would enable them to set rent requirements on commercial landlords to provide security of tenure and inflation-linked rent rises, capped at 10% of turnover.**[39]

Similarly, access to finance continues to be an ongoing challenge for SMEs. Only 2%–5% of bank lending ahead of the pandemic went to SMEs, despite their huge importance to local economies. The set-up of the current financial system is not geared towards providing the vital patient strategic finance needed to support these businesses, and in turn, for local economies to thrive.[40]

To address this, at the national level NEF has previously called for the Bank of England to actively increase the level of bank lending directed towards SMEs, particularly in low-carbon sectors, by introducing credit guidance to banks to increase their lending operations to the SME sector.[41] Alongside this, **a network of regional community banks should be created across the country to service areas where the traditional banking sector is withdrawing**. These could offer a range of products targeted at SME lending in low-carbon sectors and would plug in a tier of regional banking that exists in every other country but is notably absent in the UK.[42,43] **To initially capitalise these, part of the proceeds from the Covid Corporate Financing Facility (CCFF) – an emergency pandemic lending scheme to help businesses across 18 sectors to manage Covid-related disruptions – could be directed at this.** Overall, the CCFF lent over £37bn to 107 different companies between March 2020 and March 2021, with a peak issuance of over £20bn in May 2020. As of 26 May 2021, the outstanding volume of loans yet to be repaid was £4.58bn.[44] Even with potential defaults, the facility provides a huge opportunity to recycle repayments into a regional banking architecture that could work alongside a National Infrastructure Bank to invest in local economies as they seek to level up.

Finally, r**egional business hubs should scale up their support services for SMEs to provide wrap-around advice, mentoring, and training with a strong focus on leadership, management, and organisational development.**[45] **SME Growth Units should be created within these to work with key institutions across the region to promote procurement and the commissioning of contracts to achieve a target of 25% of public sector contracts within an area going to SMEs in the local economy.**

2.5: SHIFT 5: GO GREEN

Levelling up and the net zero transition must go hand in hand. Unless there is a concerted effort to link levelling up to net zero, the government risks derailing both of its two main political agendas. From the point of view of levelling up, improvement in living standards will be only short-lived if is it built on the back of energy-intensive industry that is likely to become stranded within a decade. A technological, market-focused approach to achieving net zero – such as that seemingly being pursued by the current government – risks stranding traditional industries without a plan for just transition for affected workers. Meanwhile, the path of least resistance to levelling up, involving the expansion of industries already important in otherwise low-income, high-community-need areas, will inevitably see an expansion in airports and coal mines. On the flip side, the scale of investment that will be required to deliver net zero also creates a unique opportunity to invest in our communities to create jobs, boost industries, and remake places.

vii. NEF conducted a survey of 75 small businesses in East London between November 2017 and February 2018, in which the questions included estimating their major cost categories relative to turnover.

In its *Build Back Better: A Plan for Growth*, the government links levelling up explicitly with achieving net zero, saying "We see real opportunities to boost our economic performance while levelling up across the UK and in a way that contributes to reaching net zero emissions."[46] The government is completely right that the two are intrinsically linked. This is in part because the scale of investment required to transition to net zero creates a unique opportunity to invest in and revive our communities. But it is also because some of the areas of the country with the highest levelling up need also have the largest clusters of high-carbon industries. Conversely, failing to link the two holds great risk. Pushing towards net zero based on technological fixes and with limited consideration for the social impacts will expose entire workforces in traditional industries, located disproportionately outside London and the South East.[47] Following the path of least resistance to levelling up through GVA growth alone will likely imply the expansion of local airports and carbon-intensive energy plants.

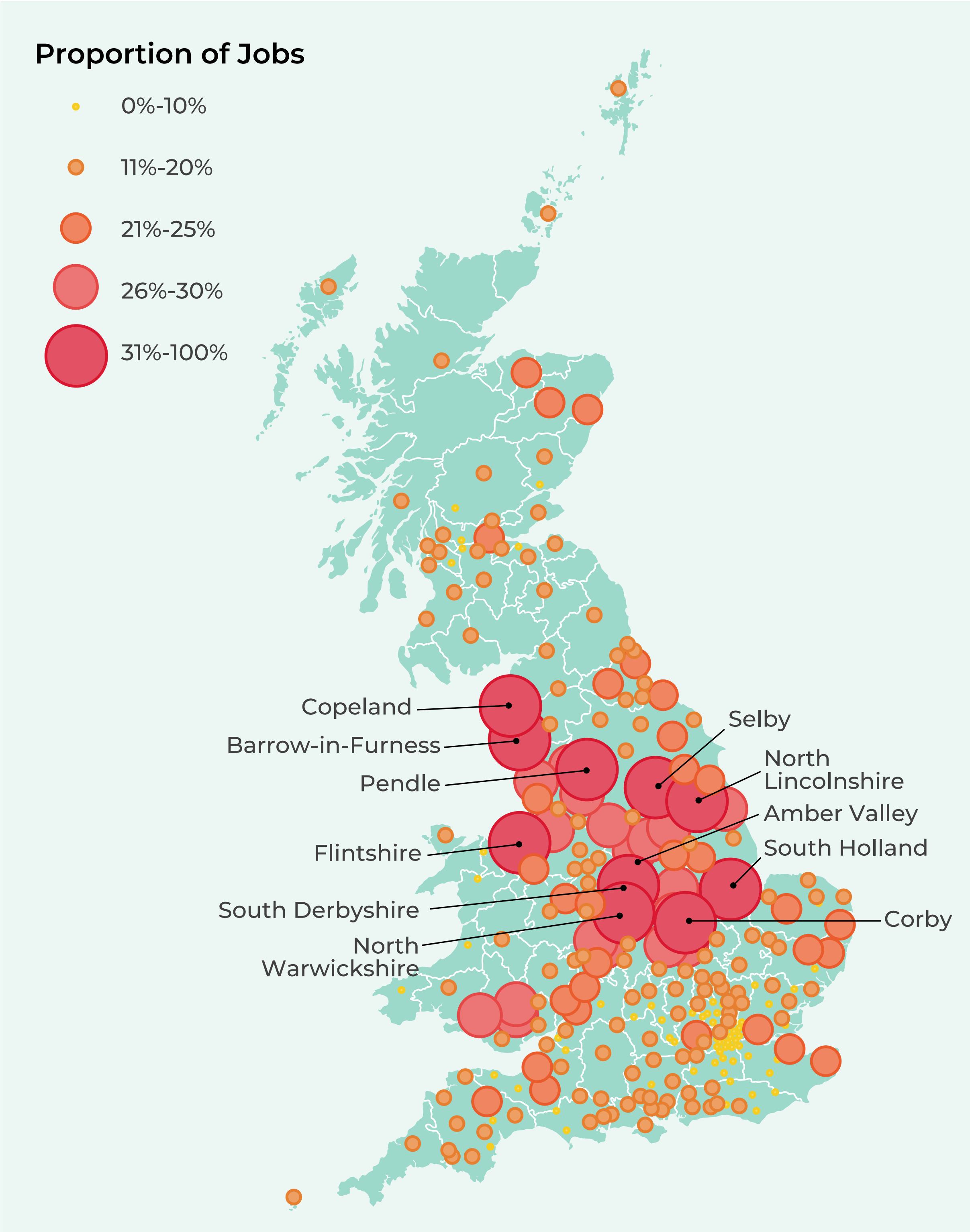
There are roughly 4 million jobs in the UK that are directly critical to climate stability. These are not evenly distributed; there are around 40 local authority areas in which at least one-quarter of all jobs are in this category. As Figure 6 illustrates, the vast majority of these jobs are highly concentrated in specific areas, primarily in the East Midlands, West Midlands, and Yorkshire and the Humber. Most employment in these areas comes from either manufacturing (eg Copeland: 36% of all jobs) or transportation (eg Bromsgrove: 25% of all jobs), or a mix of transportation and manufacturing (eg 30%: North Warwickshire). These three regions of England have the highest proportions of jobs that could be most at risk from the transition. The North of England – home to the majority of English coal and power stations – could see approximately 28,000 direct job losses by 2030. Looking at just one region, Yorkshire and the Humber, gives an illustration of the extent of clustering. It contains major power plants like Drax, as well as steel, cement, and chemical works, glass manufacturers, and heavy energy users in brewing and food manufacture. Approximately 28,000 people work in these major plants and three or four times as many in their supply chains.[48]

As a result, the very areas with the highest levelling up need could be impacted negatively by the transition to net zero if this is not managed in a way that is just. Yet one of the defining features of UK policy in the past decades is the absence of attempts to manage the economic, employment, and social aspects of industrial change. While leaving change to the market constitutes a strategy, it is not an industrial policy in any real sense and has left the UK with deep economic scars in the places in which transition has happened.[49] A comparison with other places such as the Basque region of Spain, Eindhoven in the Netherlands, or a post-financial-crisis Iceland, shows us that managed industrial transition is possible. But this requires deliberate industrial strategy and close collaboration between the government, businesses, and trade unions.[50]

Managing the transition to net zero to support levelling will be critical to the success of the agenda. But this will not happen without large-scale green investment and deliberate policies to enable a just transition. NEF has previously **recommended that the government should be investing £28bn over 18 months in priority green infrastructure jobs.**[51] **Fifty per cent of this investment should be devolved to regional authorities to invest in the green infrastructure and services they need. This should be matched by regional carbon budgets, binding targets for net zero, and a statutory duty to develop green industrial strategies with just transition plans for their area**. The process of developing and implementing these strategies should explicitly involve affected communities, workers and their unions, firms, and elected representatives.

Industrial strategies should identify a pipeline of future jobs in sectors that are likely to grow with high job density, such as retrofit, low-carbon construction, green energy, and nature conservation as well as foundational sectors where there is growing demand in communities such as health, social care, or childcare. Building up the skills base in an area to enable residents to access jobs that will be created must be a key plank of local industrial strategies. To enable this, **we recommend full devolution of the adult education budget, the life-long learning loan scheme, and all**

FIGURE 6: REGIONAL RELIANCE ON HIGH-CARBON EMPLOYMENT IN THE UK



From Trust in Transition (https://neweconomics.org/uploads/files/NEF_trust-in-transition.pdf)

underspent apprenticeship levies to combined authorities to build their skills system and make it responsive to future needs of the local economy. This should be combined with an uplift in local apprenticeships and Job Guarantee schemes targeted at deprived groups to increase access to in-work training and create routes for progression.

Efforts to manage the transition of communities as places decarbonise should be supported by policies at the national level to manage the transition of workers from sectors that are declining to sectors that are growing. In *Upskilling Britain for a High Wage Future*, NEF recommends that the government follow in the footsteps of many European nations and establish a new, permanent, short-time working scheme.[52] Like the furlough scheme, **this Future Skills Scheme would allow firms experiencing economic difficulties to temporarily reduce the hours worked while providing their employees with income support from the government. Workers would use their subsidised non-working hours to retrain or upskill for jobs in sectors that are growing.**

3. CONCLUSION

Levelling up is currently an aspiration without a clear agenda. However, it has t he potential to be transformative for millions of people in communities that have, through no fault of their own, been poorly served by economic development strategies that have failed to raise their living standards.

There is no silver bullet to a problem that is as complex and as difficult as closing the regional divide. But without a major shift in the policy framework, levelling up will continue to elude governments.

There is a unique window in the aftermath of the pandemic for the government to use both its recovery response and the imperative to invest in the transition to net zero to deliver a major shift in policy that could offer a new deal for communities.

TABLE 2: SUMMARY OF RECOMMENDATIONS

	Key recommendations
Shift from central to local	• Create city and county Mayoral Combined Authorities (MCAs) across functional economic areas with responsibility for economic development and net zero transition. • Devolve powers over economic development policies to regional authorities, including full control over multi-year budgets for transport, housing, green infrastructure, social infrastructure, local services, business support, and employment support. • Fully devolve the adult education budget, the life-long learning loan scheme, and all underspent apprenticeship levy to combined authorities to build skills systems and training offers that are responsive to local needs. Scale up local apprenticeships and Job Guarantee schemes targeted at deprived groups to increase access to in-work training and create routes for progression. • Ensure fiscal devolution with control over a reformed property tax system in which business rates are abolished and replaced with a new split rate land and property tax. Under this system, all commercial dwellings would be regularly revalued, and property and land would be split and taxed under separate schedules – with property taxes fully retained locally and land taxes redistributed according to need.
Shift to local living standards	• Give the Low Pay Commission a new mandate to increase the National Living Wage so that it matches real living wage levels, which reflect the true cost of living - by 2023. • Fund MCAs in areas with a high levelling up need to roll out minimum income guarantee schemes in their most deprived communities, providing top-up cash payments to households that are currently falling further behind their minimum income standard, as defined by the Joseph Rowntree Foundation and the Centre for Research in Social Policy (eg £227 per week before housing costs for a single).

	Key recommendations
	• Create a £15bn to £20bn social infrastructure fund for public sector jobs, training, and pay across 11 key occupations – covering areas such as care workers, nursing assistants, and teaching assistants – over an 18-month period and with 50% devolved to regional authorities. • Ringfence £3bn of this investment for a Community Wealth Fund and devolve to community level to support neighbourhoods to improve the look and feel of their places.
Focus on the everyday economy	• Create a minimum standard for 'good jobs' in the specific sectors that make up the everyday economy, by legislating for a 'fair for all' guarantee that would require all businesses to pay the real living wage, provide living hours, and sign up to the Good Business Charter or locally run employment charters. • Build community wealth through the everyday economy by gearing a proportion of the goods and services procured or commissioned locally to mutuals, co-operatives, social enterprises, and community businesses that are owned and run in the interest of the local community.
Back SMEs	• Give MCAs new powers to introduce a 'Working Rent' system for SMEs to set rent requirements on commercial landlords to provide security of tenure and Retail Price Index-linked rent rises, capped at 10% of turnover. • Create a network of regional community banks across the country to service areas where the traditional banking sector is withdrawing, capitalised with the proceeds from repayments of the CCFF. • Scale up regional business hubs to support SMEs and provide wrap-around advice, mentoring, and training with a strong focus on leadership, management, and organisational development. • Create regional SME Growth Units to work with local anchors to ensure a minimum of 25% of all public sector contracts are commissioned from the local economy.
Go Green	• Invest £28 billion a year in the green transition over the next five years and devolve 50% of this funding to regional authorities to invest in the green infrastructure and services they need. • Introduce regional carbon budgets, binding targets for net zero and a statutory duty to develop green industrial strategies with just transition plans for their area. • Introduce a Future Skills Scheme that would allow firms experiencing economic difficulties to temporarily reduce the hours worked while providing their employees with income support from the government. Workers would use their subsidised non-working hours to retrain or upskill for jobs in low carbon sectors that are growing.

APPENDIX 1: LEVELLING UP METRICS BY PLACE

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Tower Hamlets	London	£60.46	£26,404	35.0	Relative prosperity
Hounslow and Richmond upon Thames	London	£56.13	£33,655	41.2	Relative prosperity
Camden and City of London	London	£54.92	£49,467	34.8	Relative prosperity
Westminster	London	£52.46	£53,670	49.7	Relative prosperity
North Hampshire	South East	£49.64	£25,636	73.0	Disconnected growth
Berkshire	South East	£48.15	£25,912	48.8	Relative prosperity
Swindon	South West	£47.86	£20,516	58.9	Relative prosperity
Lambeth	London	£46.60	£30,386	57.2	Relative prosperity
Solihull	West Midlands	£45.24	£23,722	83.0	Disconnected growth
West Surrey	South East	£44.35	£31,349	44.4	Relative prosperity
Harrow and Hillingdon	London	£44.28	£25,916	43.0	Relative prosperity
Milton Keynes	South East	£43.90	£22,116	71.3	Disconnected growth
Bexley and Greenwich	London	£43.55	£24,099	50.5	Relative prosperity
Croydon	London	£43.53	£24,603	57.2	Relative prosperity
East Surrey	South East	£43.26	£30,334	45.3	Relative prosperity

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Kensington & Chelsea and Hammersmith & Fulham	London	£42.78	£62,408	28.6	Relative prosperity
Haringey and Islington	London	£42.70	£31,295	31.7	Relative prosperity
Bromley	London	£42.63	£30,157	54.2	Relative prosperity
Enfield	London	£42.25	£23,710	37.2	Relative prosperity
Ealing	London	£41.42	£28,155	41.9	Relative prosperity
Cheshire East	North West	£40.67	£25,486	59.3	Relative prosperity
West Kent	South East	£40.65	£28,370	51.9	Relative prosperity
Southampton	South East	£40.27	£17,529	65.4	Disconnected growth
Barking & Dagenham and Havering	London	£38.69	£21,763	71.9	Disconnected growth
South Hampshire	South East	£37.89	£21,416	81.8	Disconnected growth
Bath and North East Somerset, North Somerset and South Gloucestershire	South West	£37.80	£23,065	52.0	Relative prosperity
Warwickshire	West Midlands	£37.39	£23,867	50.8	Relative prosperity
Heart of Essex	East of England	£37.34	£25,809	67.6	Relative prosperity
Brent	London	£36.82	£26,376	44.3	Relative prosperity
Barnet	London	£36.80	£31,489	40.2	Relative prosperity
Medway	South East	£36.55	£19,814	73.9	Disconnected growth
Lewisham and Southwark	London	£36.42	£26,375	44.3	Relative prosperity
Merton, Kingston upon Thames and Sutton	London	£36.38	£29,309	34.7	Relative prosperity
Redbridge and Waltham Forest	London	£36.35	£24,633	49.4	Relative prosperity

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Sunderland	North East	£36.33	£16,011	119.7	Disconnected growth
Luton	East of England	£36.29	£16,873	74.2	Disconnected growth
Coventry	West Midlands	£36.21	£15,350	104.2	Disconnected growth
Thurrock	East of England	£36.18	£19,951	89.4	Disconnected growth
Buckinghamshire CC	South East	£35.91	£29,044	49.6	Relative prosperity
Greater Manchester South West	North West	£35.78	£20,651	67.5	Relative prosperity
Central Hampshire	South East	£35.70	£26,679	48.2	Relative prosperity
Hackney and Newham	London	£35.34	£22,423	35.6	Relative prosperity
Wandsworth	London	£35.15	£40,851	43.1	Relative prosperity
Cheshire West and Chester	North West	£35.15	£22,301	54.1	Relative prosperity
Mid Lancashire	North West	£35.01	£19,849	53.0	Disconnected growth
West Sussex (South West)	South East	£35.00	£23,470	68.2	Relative prosperity
Hertfordshire	East of England	£34.85	£26,790	61.3	Relative prosperity
York	Yorkshire and the Humber	£34.64	£20,216	48.5	Disconnected growth
West Essex	East of England	£34.58	£26,626	55.5	Relative prosperity
West Sussex (North East)	South East	£34.50	£25,689	58.0	Relative prosperity
Portsmouth	South East	£34.41	£17,028	78.7	Disconnected growth
Essex Thames Gateway	East of England	£34.23	£21,949	141.4	Disconnected growth
Peterborough	East of England	£34.22	£18,124	58.5	Disconnected growth
Brighton and Hove	South East	£33.92	£23,142	44.4	Relative prosperity
Oxfordshire	South East	£33.81	£25,779	46.8	Relative prosperity
South Nottinghamshire	East Midlands	£33.77	£20,432	54.6	Disconnected growth

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Gloucestershire	South West	£33.58	£22,516	53.4	Relative prosperity
Manchester	North West	£33.40	£15,322	83.7	Disconnected growth
Leeds	Yorkshire and the Humber	£33.39	£18,634	65.7	Disconnected growth
Cambridgeshire CC	East of England	£33.37	£23,458	55.6	Relative prosperity
Suffolk	East of England	£33.29	£20,323	67.7	Disconnected growth
Kent Thames Gateway	South East	£33.22	£20,841	68.8	Disconnected growth
Central Bedfordshire	East of England	£32.92	£22,419	74.4	Disconnected growth
Hartlepool and Stockton-on-Tees	North East	£32.81	£17,017	107.8	Disconnected growth
Warrington	North West	£32.80	£20,946	78.6	Disconnected growth
Darlington	North East	£32.68	£17,391	61.7	Disconnected growth
Leicestershire CC and Rutland	East Midlands	£32.68	£20,162	75.7	Disconnected growth
East Merseyside	North West	£31.98	£17,260	110.6	Held back
Derby	East Midlands	£31.82	£16,793	62.2	Held back
East Derbyshire	East Midlands	£31.74	£17,405	89.8	Held back
Bournemouth and Poole*	South West	£31.67	£21,652	58.3	Relative prosperity
West Northamptonshire	East Midlands	£31.46	£22,227	70.8	Held back
Essex Haven Gateway	East of England	£31.37	£20,457	101.4	Held back
Bedford	East of England	£31.28	£22,321	47.1	Relative prosperity
East Riding of Yorkshire	Yorkshire and the Humber	£31.27	£20,516	70.2	Held back
Bristol, City of	South West	£31.01	£20,249	29.2	Held back
Leicester	East Midlands	£30.96	£13,802	65.3	Held back
Telford and Wrekin	West Midlands	£30.81	£17,250	63.1	Held back
Nottingham	East Midlands	£30.81	£13,381	64.7	Held back
Birmingham	West Midlands	£30.62	£15,368	90.8	Held back

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Wiltshire	South West	£30.58	£23,179	44.2	Relative prosperity
Worcestershire	West Midlands	£30.56	£21,755	69.1	Held back
Norwich and East Norfolk	East of England	£30.51	£18,294	77.8	Held back
North and North East Lincolnshire	Yorkshire and the Humber	£30.46	£16,906	79.2	Held back
Sandwell	West Midlands	£30.41	£14,454	90.6	Held back
Lancaster and Wyre	North West	£30.28	£17,879	71.1	Held back
Mid Kent	South East	£30.24	£22,491	71.9	Held back
East Kent	South East	£30.23	£19,635	87.4	Held back
Plymouth	South West	£30.20	£17,343	71.1	Held back
South and West Derbyshire	East Midlands	£30.19	£20,158	68.5	Held back
Greater Manchester South East	North West	£30.18	£19,680	78.5	Held back
Devon CC	South West	£30.05	£20,924	56.4	Relative prosperity
Liverpool	North West	£29.89	£15,673	89.0	Held back
Sheffield	Yorkshire and the Humber	£29.85	£16,131	81.8	Held back
Wakefield	Yorkshire and the Humber	£29.72	£17,329	130.0	Held back
Staffordshire CC	West Midlands	£29.61	£19,692	93.4	Held back
Isle of Wight	South East	£29.60	£19,211	76.7	Held back
Tyneside	North East	£29.51	£16,803	77.5	Held back
East Lancashire	North West	£29.40	£16,212	78.5	Held back
East Cumbria	North West	£29.35	£21,626	45.0	Relative prosperity
West Cumbria	North West	£29.26	£18,634	74.7	Held back
Sefton	North West	£29.24	£19,325	84.7	Held back
Breckland and South Norfolk	East of England	£29.20	£19,516	76.8	Held back
Lincolnshire	East Midlands	£29.07	£18,783	77.9	Held back
Wirral	North West	£28.98	£19,175	96.5	Held back
North and West Norfolk	East of England	£28.96	£19,938	86.7	Held back

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Stoke-on-Trent	West Midlands	£28.96	£15,455	98.5	Held back
Durham CC	North East	£28.96	£16,617	112.2	Held back
North Yorkshire CC	Yorkshire and the Humber	£28.92	£22,915	44.0	Relative prosperity
Kingston upon Hull, City of	Yorkshire and the Humber	£28.90	£14,908	110.6	Held back
Chorley and West Lancashire	North West	£28.68	£19,729	74.8	Held back
Dorset CC	South West	£28.58	£22,613	57.2	Relative prosperity
Somerset	South West	£28.23	£20,827	67.0	Relative prosperity
South Teesside	North East	£28.20	£16,351	93.1	Held back
Greater Manchester North West	North West	£28.00	£16,910	95.2	Held back
Wolverhampton	West Midlands	£27.86	£15,500	107.5	Held back
Greater Manchester North East	North West	£27.80	£16,929	88.3	Held back
Bradford	Yorkshire and the Humber	£27.61	£15,308	74.2	Held back
Calderdale and Kirklees	Yorkshire and the Humber	£27.58	£17,480	76.1	Held back
Blackburn with Darwen	North West	£27.26	£14,484	63.6	Held back
Cornwall and Isles of Scilly	South West	£27.20	£18,869	55.3	Held back
Barnsley, Doncaster and Rotherham	Yorkshire and the Humber	£27.12	£17,023	115.9	Held back
Blackpool	North West	£27.10	£16,276	91.7	Held back
Northumberland	North East	£27.06	£20,216	83.6	Held back
North Nottinghamshire	East Midlands	£27.02	£18,225	81.2	Held back
Dudley	West Midlands	£26.60	£16,735	83.7	Held back
North Northamptonshire	East Midlands	£26.54	£19,666	83.6	Held back
East Sussex CC	South East	£26.47	£22,572	79.0	Held back
Shropshire CC	West Midlands	£26.43	£20,732	57.2	Relative prosperity

NUTS3 area	NUTS1 region	GVA per hour worked (2019)	Gross Disposable Household Income per person (2019, provisional)	Community Needs score (2019)	Category
Walsall	West Midlands	£25.92	£15,694	89.1	Held back
Southend-on-Sea	East of England	£25.87	£21,187	76.2	Held back
Torbay	South West	£24.39	£18,698	78.7	Held back
Herefordshire, County of	West Midlands	£23.79	£20,631	48.2	Relative prosperity
Median of all NUTS3 areas		**£32.68**	**£20,457**	**68.5**	

Notes:

GVA metric (ONS): Nominal (smoothed) GVA (B) per hour worked 2019 (£)

GDHI metric (ONS): Nominal Gross Disposable Household Income (GDHI) per person 2019 provisional (£). This is a simple average of the NUTS3 area's income divided by population. It is not directly indicative of actual earnings of workers in that area, but instead constitutes an average net amount flowing into incomes across the population as a whole (including from labour and non-labour income, taxes, benefits, and transfers)

Community Needs (OCSI): Average Community Needs score for local authorities within each NUTS3 area (weighted by local authority populations within the NUTS3 area), 2019. A higher score indicates more severe need.

* Due to boundary changes in 2019, GVA and GDHI data are for Bournemouth, Christchurch and Poole and Community Needs data are for Bournemouth and Poole.

ENDNOTES

1 Prime Minister's Office. (2021). The Queen's Speech. Retrieved from https://www.gov.uk/government/publications/queens-speech-2021-background-briefing-notes

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