

RURAL LENS REVIEW



Levelling Up White Paper Chapter 1

The UKs Geographical Disparities:
Drivers and Potential Policy Approaches

Published March 2022



At a glance

Rural Services Network's thoughts on **chapter 1 of the Levelling Up White Paper.**

- Very urban focused. Words such as 'local', 'place' and 'area' are made throughout but without any definition.
- All the analysis is at regional level. Sometimes the regional level data is built up from County/Unitary Council level and sometimes from District level (although the data is only given aggregated for the region).
- Nowhere is there any analysis of rural with a region reviewed.

- Data at the regional level, and even at a county level means that the data for rural areas gets masked by regional/county averages. Therefore, when policy options are developed using that data the needs and opportunities of rural areas are overlooked. Rural areas risk being even further left behind as opposed to levelled up.

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WE NEED A STRATEGY THAT RECOGNISES THE ECONOMIC AND SOCIAL BENEFITS OF DELIVERING LEVELLING UP IN RURAL AREAS: WITHOUT SUCH RECOGNITION RURAL ENGLAND WILL BE OVERLOOKED, BY-PASSED AND PUSHED DOWN FURTHER, RATHER THAN LEVELLED UP. SUCH A STRATEGY NEEDS TO BE DELIVERED ACROSS DEPARTMENTS AND FOCUSED ON GENUINELY LEVELLING UP AND REVITALISING RURAL AREAS/ECONOMIES.

INTRODUCTION

The Government published the long-awaited [Levelling Up White Paper](#). Although issued by the Department for Levelling Up, Housing and Communities (DLUHC) it is a whole of Government document. Published alongside the White Paper and integral to it the Government (again through DLUHC) published [Pre-Launch Guidance in respect of the UK Shared Prosperity Fund](#).

At over 330 pages long plus a Technical Annex on the proposed 'Missions and Metrics' The White Paper is a very long document and covers a significant number of issues. **Accordingly, the RSN has decided to carry out its Rural Lens Review across a series of separate documents.** They are:

- Rural Lens Review of Levelling Up White Paper - [CRITIQUE BY THE RSN OF OVERARCHING RURAL ISSUES AND ACTIONS PROPOSED BY THE RSN](#)
- Rural Lens Review - [UK SHARED PROSPERITY FUND PRE-LAUNCH GUIDANCE](#)
- Rural Lens Review of Levelling Up White Paper - CHAPTER 1: THE UK'S GEOGRAPHICAL DISPARITIES: DRIVERS AND POTENTIAL POLICY APPROACHES (this document).
- [Rural Lens Review of Levelling Up White Paper - CHAPTER 2: SYSTEMS REFORM](#)
- [Rural Lens Review of Levelling Up White Paper - CHAPTER 3: THE POLICY PROGRAMME AND NEXT STEPS](#)

These are far-reaching policy proposals with, at this stage, only medium-term 'missions' to 2030. **The RSN, on behalf of its members, will be keeping the issues raised under close review.**

As a starting point we must say that **there is no sign that the White Paper has been Rural Proofed** (see more in the Overarching Rural Issues and Actions Proposed by the RSN document).

AN OVERVIEW OF CHAPTER ONE AND RSN COMMENT

In reviewing Chapter 1 of the Levelling Up White Paper: *The UK's Geographical Disparities: Drivers and Potential Policy Approaches*, we look at the content of the White Paper and where we consider there is a point of significance in the rural context (in respect of what is not said as much as what is!) we include RSN comments under each such point.

Chapter 1 is split into the following Sections:

- A Brief History of Geographical Disparities
- Geographical Disparities across the UK (with 8 sub-sections)
- Explaining Economic Geographies (with 6 sub-sections)
- Future Structural Factors Driving the UK's Economic Geography (with 3 sub-sections)
- A Framework for Evaluating Geographical Disparities (with 7 sub-sections including 6 'capitals')
- Interdependence Between the Capitals
- The Role of Public Policy (with 2 sub-sections)

A Brief History of Geographical Disparities

This starts off as more of a history lesson (starting with Jericho in 7000 BC!) than policy review. It goes on to report variances in 'performance' in different parts of the UK looking at:

- Productivity (GVA)
- Earnings
- Skills
- Health (life expectancy)
- Spatial Patterns (Which places are 'most left behind')
- Cities and productivity
- Geographic differences and social mobility
- Geographic and economic clustering

RSN COMMENT – CHAPTER ONE CONTENT

- It is all very urban focused. Words such as 'local', 'place' and 'area' are made throughout but without any definition.
- All analysis is at regional level. Sometimes the regional level data is built up from County/Unitary Council level and sometimes from District level (although the data is only given aggregated for the region).
- Nowhere is there any analysis of rural with a region reviewed.
- Data at the regional level, and even at a county level means that the data for rural areas gets masked by regional/county averages. Therefore, when policy options are developed using that data the needs and opportunities of rural areas are overlooked and consequently being even further left behind as opposed to levelled up.
- In fairness the White Paper acknowledges that it is not as simple as urban/rural or North/South and that the *differences within* regions or cities are larger than differences between regions on most performance metrics. It also acknowledges that the differences are large even within a restricted geographic area such as a borough or district. Having acknowledged these points, the White Paper then goes on to ignore them in developing policy responses
- Life expectancy data for a rural area as a whole will mask the differences between residents who have moved into the area from elsewhere or who live in a rural area but earn their incomes in urban locations. The granularity of data is essential to proportionate decision making.

Explaining Economic Geographies

In paragraph 1.3 the White Paper explains Economic Geographies. It sets out economic growth theory, new economic geography, social geography and infrastructure, institutional capital and leadership, complex adoptive systems (systems of many moving, interacting parts – workers, businesses and civil society), synthesising the approaches (explaining the UK’s economic and social geography).

Future Structural Factors Driving the UK’s Economic Geography

Paragraph 1.4 considers future structural factors driving the UK’s economic geography (including several paragraphs on: the transition to net zero, departure from the EU, the effects of covid and the effects of automation).

RSN COMMENT – FUTURE STRUCTURAL FACTORS

- This too is all very urban focussed
- Again, nowhere is there any analysis of rural with a region reviewed.
- When considering future structural factors driving the UK economic geography why was there no analysis in the rural context? Rural businesses and communities will be/have been very differently affected (and have very different opportunities arising) by Net Zero transition, departure from the EU and the effects of COVID – those differences must be reflected and different policy/procedural responses developed fit for purpose in a rural context.

A Framework for Evaluating Geographical Disparities

Paragraph 1.5 develops what is termed “A Framework for Evaluating Geographical Disparities’.

This develops the Government’s proposed framework ‘to capture the key drivers of geographical disparities. Central, are a set of “capitals”. Each is individually important as a driver of growth, but it is their inter-dependence as part of a mutually reinforcing system which is essential. **The six capitals of the framework are:**

1. Physical
2. Intangible
3. Human
4. Financial
5. Social
6. Institutional

In paragraph 1.5 maps of the key drivers are produced 'to help pinpoint where further investment is needed'.

The White Paper makes the point that *“local geographies are often distinctive, with different blends of strengths and weakness across the six capitals”*. Does 'local' mean region? There is no definition and no clarity on the level(s) at which delivery of activity is to take place. As the only substantial reference to rural in Chapter 1 it is important to note that the White Paper acknowledges that *“pattern that emerges is a clear urban/rural divide, at least along some dimensions. This shows up in the distribution of demographics, digital and transport infrastructures and subjective measures of social capital. There is a collection of older, rural communities where local belonging and social connectedness is high, but connectivity, skills and productive capital is low. The opposite is true in some large city-regions.”*

Another pattern referred to is that *“levels of social and institutional capital – and hence local agency, capacity and capability – differ significantly across the UK. Strong civic institutions provide the foundations for effective local leadership, decision-making, cooperation and trust among partners. The weakness of these institutions in some places is both a reflection of, and a contributor towards, their poor economic and social performance”*.

The White Paper comments that *“Work is a key driver of where people live. Workers sort between jobs based on their qualifications and job preferences. An agile workforce is important for the strength of the economy overall because it helps match workers' skills to business needs. Labour mobility is particularly important at the beginning of a career when workers are gaining new experiences and developing new skills”*. This is true in the rural context too – but the White Paper makes little mention of barriers in the rural context, and reference to qualified young people leaving rural areas would have been relevant at this point in the WP.

The White Paper also reflects that *“non-wage factors play an important role in explaining where high skilled workers live, such as standard of living considerations and housing costs. For example, graduates over 30 with children tend to move away from city centres to suburbs due to the cost, size and type of housing, in order to be close to good schools and because of the improved safety and security of the neighbourhood.*

Incentives to move are, by contrast, weaker for lower skilled people. Non-graduates who move earn no more than those who do not move. Wages in the lower part of the pay distribution are much more alike across regions than those at the top, in part the result of pay compression due to the minimum wage. The absence of a wage premium for lower skilled workers leads to lower financial incentives to move location and is exacerbated by higher housing costs in more productive areas.

But for lower skilled workers the decision not to move is often about more pay. They also have fewer resources to manage the uncertainty associated with moving and often have stronger ties to the area in which they grew up”.

RSN COMMENT – GEOGRAPHICAL DISPARITIES

- All of this assessment – including maps in paragraph 1.5 of the key drivers introduced ‘to help pinpoint where further investment is needed’ is assessed at the regional level. This thinking will exclude the needs and opportunities of rural areas
- The White Paper acknowledges a ‘clear urban/rural divide’ and then proceeds to ignore it in its thinking and policy formation.
- The references to non-wage factors to explain where workers live are very partial. Affordable rural housing, access to services (physical and ‘digitally’), health care factors, education and skills (not just for the workers referred to but also for their families), cost of living and vibrant town centres all play an important role in rural areas individually and collectively.

The Role of Public Policy

Paragraph 1.7 reflects on the Role of Public Policy. It states that the previously outlined framework suggests **four high-level objectives for public policy**:

1. Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging
2. Spread opportunities and improve public services, especially in those places where they are weakest
3. Restore a sense of community, local pride and belonging, especially in those places where they have been lost; and
4. Empower local leaders and communities, especially in those places lacking local agency.

The White Paper states to be effective in achieving these objectives, public policy needs to satisfy two key criteria. First, it needs to be desirable from an economic and social perspective. That is, it needs to correct well-defined market failures, or unlock clear opportunities, to boost growth, jobs and life satisfaction. Second, policy action needs to be feasible from a design and delivery perspective, using the tools available, nationally and locally.

It includes, as an illustrative example, that if the performance of the bottom-performing quarter of places by productivity were to be “levelled-up” to the median, the boost to productivity would be equivalent to a pay rise of around £2,300 for individuals in the poorest areas. For the UK economy as a whole, this would deliver a GVA gain of around £150bn per year.

When it comes to the feasibility of local growth policy in delivering these gains the White Paper reflects that targeted public policies to boost local growth can and have been successful in a number of places, if by no means all, provided the right strategy is put in place.

Case studies in the White Paper suggest **five generic lessons for successful local growth policy**, they are as follows:

1. **Longevity and policy sufficiency:** Spatial disparities are long-lasting and history-dependent. So, reversing history requires long-lived, sustained and consistent policy efforts that are commensurate with the scale of disparity. This is a key lesson from international experience, where successful programmes have often spanned decades and have had clear and consistent medium-term objectives.
2. **Policy and delivery coordination:** As an economic ecosystem, successful local growth policy requires strategic coordination across the different arms of policy, including transport, skills, health, business, finance, education and infrastructure. It also requires strategic coordination across the different sectors responsible for delivering growth: public, private and voluntary.

3. **Local empowerment:** Whilst local devolution is no panacea, local decision- making has tended to generate better local economic performance, as local policies are tailored to local needs. There is an empirical correlation between the degree of decentralisation of decision-making and spatial disparities in economic performance, perhaps reflecting this fact.
4. **Evidence, monitoring and evaluation:** The geographical allocation, and economic impact, of government spending and policy has the potential to either mitigate or amplify agglomeration effects. Rigorous evaluation of government spending and policy intervention is needed to understand what is working and the contribution policy is making to closing spatial differences.
5. **Transparency and accountability:** Clear accountability for outcomes, at both a national and local level, is also critical to successfully addressing spatial disparities.

The White Paper suggests that, in the **UK all five of the foundations for a successful local growth strategy have tended, historically, to be relatively weak.**

RSN COMMENTS – ROLE OF PUBLIC POLICY

- This is a very important section. In effect it takes the previous analyses etc. from the earlier parts of this Chapter and translates it into the Framework for Levelling-Up policy.
- It all but ignores rural (except through some fine words but without action) by just focusing on regional analysis.
- The above having been said, there are some potential ‘hooks’ here that could work for rural. The objective about spreading opportunities and improving public services is one. The generic lesson about geographic allocations and economic impact of Government spending is another – but only if subsequent analysis, allocations, policies and delivery are truly local.
- The words ‘local’ and ‘left behind or lagging places’ are not translated to local in any rural sense. Local may mean Regional in that regard.

NEXT STEPS

The RSN will comment further on the points made in this Rural Lens Review of Chapter one of the Levelling Up White Paper in its Reviews of Chapters 2 & 3 and in its document “OVERARCHING RURAL ISSUES AND ACTIONS PROPOSED BY THE RSN”. For now, we can only draw one conclusion:

WE NEED A STRATEGY THAT RECOGNISES THE ECONOMIC AND SOCIAL BENEFITS OF DELIVERING LEVELLING UP IN RURAL AREAS: WITHOUT SUCH RECOGNITION RURAL ENGLAND WILL BE OVERLOOKED, BY-PASSED AND PUSHED DOWN FURTHER, RATHER THAN LEVELLED UP. SUCH A STRATEGY NEEDS TO BE DELIVERED ACROSS DEPARTMENTS AND FOCUSED ON GENUINELY LEVELLING UP AND REVITALISING RURAL AREAS/ECONOMIES.