

strategy&

Part of the PwC network

THE FUTURE OF GOVERNMENT

Levelling up the UK

**Five success
factors for
delivering a
fair recovery**



This insight is brought to you using the capability of Strategy&, PwC's global strategy house, alongside our PwC industry experts. Together, we transform organisations by developing actionable strategies that deliver results.

We are uniquely placed to combine strategy with technical, industry and execution expertise. We embed our strategy capabilities with expert teams across our PwC network, to show you where you need to go, the choices you'll need to make to get there, and how to get it right.

The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that turns vision into reality. It's strategy, made real.

www.strategyand.pwc.com/uk

Contents

Rethinking levelling up	1
Our five key success factors	3
1. Be proactive at a local level	3
2. Address wider issues that really matter to individuals	4
3. Emphasise different dimensions of inequality	6
4. Activate a bigger role for business	7
5. Target different priorities in different places	8
Conclusion: A new collaborative approach	9

Rethinking levelling up

As attention turns to the recovery from the COVID-19 pandemic, the Government has reiterated its commitment to levelling up and reducing geographical inequalities. It has also unveiled plans to publish a Levelling Up White Paper later this year, and appoint a Levelling Up adviser.

To help kick-start the levelling up process, the Government is making changes to the way it supports economic growth at a local level across the UK. These include spurring the regeneration of town centres and high streets, improving local transport links and infrastructure and investing in local culture through the Levelling Up Fund, while also giving communities a stronger role in sustaining cherished local assets. It has also set out significant **Green Book** reforms that place more emphasis on objectives including levelling up and Net Zero and increased focus on local outcomes as well as national. Alongside this it is considering governance structures at a local and regional level in England, including reviewing local enterprise partnerships.

As we look beyond the pandemic, it's critical that government and business work together to deliver a fair recovery, and a greener economy. Many people have led their lives closer to home during the pandemic and this has seen them reassess their priorities around life and work. We've also seen the pace of automation accelerating alongside increased awareness of climate issues. This combination means that some of the jobs lost to the pandemic are not returning and many of the new jobs will be in the 'greener' economy.

The pandemic has exposed three big challenges that will need a response:

- **How to catalyse the economy for fair and sustainable growth**, while also enabling it to become more digitalised to meet people's needs, and greener to help the UK meet its challenging carbon reduction targets and deliver **Net Zero**.
- **How to deal with the vulnerabilities that COVID-19 has exposed**, in areas that range from global supply chains to national borders, to the UK's care and healthcare systems.
- **How to tackle the challenge of inequality across society**, which has been both exposed and made worse by the pandemic – highlighting not only the fragility of the health and care system, but also the fragility of the UK's social cohesion.

“

As we look beyond the pandemic, it's critical that government and business work together to deliver a fair recovery.”



Drawing on the views of the public...

To investigate how these challenges can be met, PwC recently **surveyed 4,000 members of the public** across the UK, asking them about their concerns around geographical inequality and what they believe should be the priorities in the levelling up agenda. The findings provide a valuable contribution to the debate.

What did people tell us? While much of the focus of levelling up to date has been on major investments in **Real Assets**, such as transport and communications infrastructure, the public's real concerns are closer to home. When asked to rank the most important interventions the government could make to level up and reduce inequality, they opted for housing (supply and quality), jobs and vibrant town centres – and our polling reveals big gaps between importance and satisfaction.

Taken together, our findings suggest that if levelling up is to succeed, it must go deeper than tackling broad concepts such as the North-South divide, and address the inequalities that exist within regions, communities and places, not just between them. It needs to prioritise interventions that deliver levelling up alongside national challenges such as meeting the UK's Net Zero ambition. And, critically, the interventions made within places need to better respond to the public's real concerns in their daily lived experience.

...to pinpoint the key success factors for levelling up

Conducted as part of our **Future of Government** programme, our public research and polling – combined with our wider engagement including a series of national and regional roundtable events – has helped us identify five success factors that we believe are key to successfully levelling up the UK. In this report, we examine these five factors.

“
Critically, the interventions made within places need to better respond to the public's real concerns in their daily lived experience.”

Our five key success factors

1. Be proactive at a local level

During the pandemic, we've seen a growing number of local authorities and communities across the UK move proactively to **take control and responsibility** for the levelling-up agenda in their own area. The most successful are also working in new ways alongside other organisations and the wider community to build back better together. These local areas are proving that a shift in central-local relations is already possible. Rather than waiting for the Government to tell them what to do, they're taking the opportunity to engineer their own responses to COVID-19 and drive economic renewal locally.

The strong support from local communities for this proactive approach by local authorities is underlined by our **public polling**.



Only 8% of people agree that central government “listens to people like me” or “takes my needs into account when making decisions”.



Local government and community groups are seen as more empathetic and approachable, with 23% and 29% of the public, respectively, agreeing that local government “represents people like me”.



21% and 22%, respectively, agreeing that it “takes my needs into account”.

The public's stronger sense of identification with local government may partly reflect the proactive steps we've highlighted above. It also reaffirms the need to start levelling up by targeting interventions at a hyper-local level, ensuring they're aligned with local communities and actors. This calls for a data-driven approach based on local knowledge, intelligence and insight rather than top-down targets – enabling the right actions to focus on specific places and communities where they are most needed and will have greatest impact.

Lessons learned from previous attempts at urban regeneration further underscore the importance of community involvement. Some initiatives may have failed to deliver the intended outcomes because they were ‘done to people’ rather than engaging them directly. The approach needs to shift towards one based on understanding what people want and how to build community resilience, and using insights to identify and embed the fabric of future success from the bottom up. Participation by local agencies is key to this: they are best placed to make interventions that reflect hyper-local diversity.

8%

of people agree that central government “listens to people like me”, compared to 23% for local government

Source: Future of Government
Rethinking levelling up polling

“

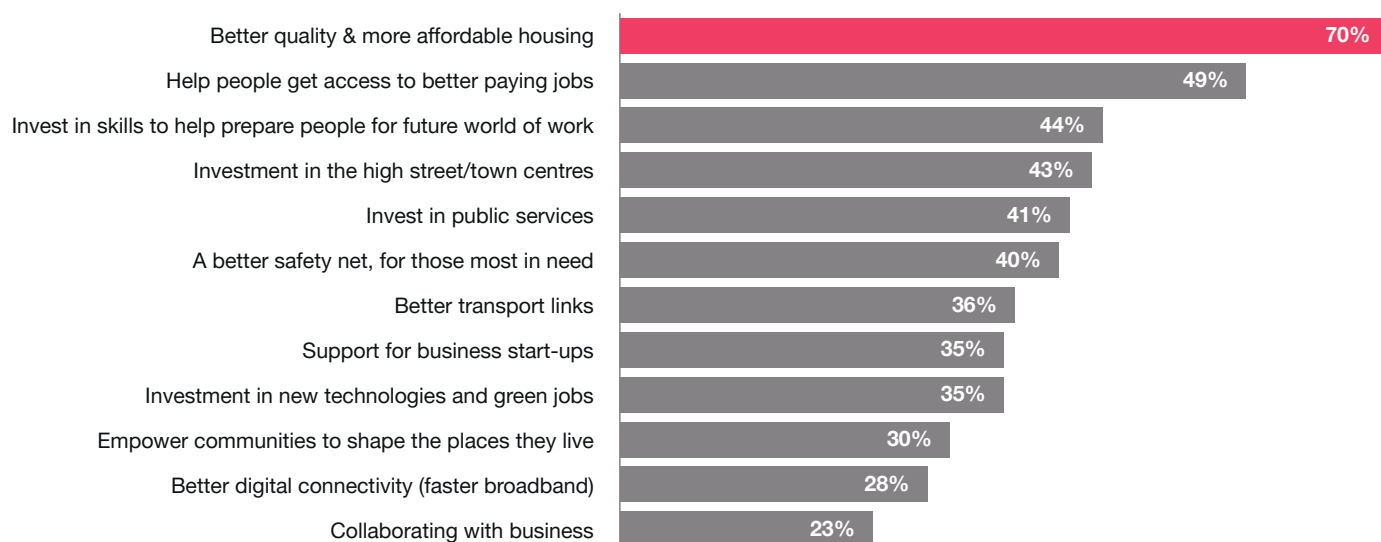
To address long term inequality challenges, the UK will need to think more broadly and deeply about what interventions will have the biggest impact on the place people live.”

2. Address wider issues that really matter to people

As we noted earlier, at the outset the Government’s levelling up agenda was largely framed around large capital projects and major investments in transport and digital infrastructure, such as high-speed rail and broadband networks. However, our **research and public polling** shows that people are most focused on priorities that impact their everyday lives, such as housing and high streets, alongside jobs and skills (see Figure 1).

Figure 1 – Levelling up priorities

What government interventions do you feel would be most effective in ‘levelling up’ the country and reducing inequality?
% selected in respondents’ top 5 interventions



Base: All respondents (4001). **Motes:** better quality & more affordable housing values are listed as ‘Net Housing’ in the Excel data.
Source: Future of Government Rethinking levelling up polling.



As the chart shows, more than two-thirds of people agree that a focus on affordable and **high quality housing** would be the most effective factor in levelling up the country and reducing inequality, with the most powerful lever being the creation of more well-paid jobs. Next comes investments in town centres and high streets to foster vibrant local communities. When asked to rank the most important factors for the place they actually live, the public cite the quality of healthcare, community safety and green space.

While big infrastructure, connectivity and transport links play a significant role in supporting levelling up, it's clear that these alone will not move the dial. To address long term inequality challenges, the UK will need to think more broadly and deeply about what interventions will have the biggest impact on the place people live. That means investing in social infrastructure and housing, and opening up opportunities through a focus on jobs, education and skills.



49%

of respondents feel better paying jobs would be most effective in 'levelling up' the country

Source: Future of Government Rethinking levelling up polling

“

What levelling up means to an individual depends not just on where they live, but their level of education, gender, age and ethnic background.”

3. Emphasise different dimensions of equality

There's no question that the pandemic has highlighted geographical inequalities. But it has also exposed broader social inequalities, by generation, gender, social background and ethnicity.

Of those we surveyed, 52% feel there is too much inequality in the UK. Some 47% cite the imbalance between London and other parts of the country, and 61% say COVID-19 has made social mobility more difficult. And while 38% of the citizens we polled across the UK say their local community has become more important to them during COVID-19, an even higher proportion – 44% – feel it has increased social divisions in every region.

The labour market outlook gives us some measure of why this is. One factor is age, with **figures from the Office for National Statistics** showing that of the 813,000 payrolled jobs lost in the UK in the year to March 2021, 54% were held by people aged under 25. Another is gender, where PwC's **Women in Work Index 2021** found that women in the UK were **around a third more likely** than men to work in a sector that was completely shut down during the first national lockdown, such as accommodation, food services and recreation. PwC's **Upskilling Hopes and Fears** report has also highlighted that ethnic minority employees are more likely to be concerned that their job will be made obsolete, while women feel more nervous about the future than men.

What levelling up means to an individual depends not just on where they live, but their level of education, gender, age and ethnic background. This makes it vital to adopt an all-round view that sees people as multi-dimensional individuals as opposed to a statistic on a spreadsheet. We will be exploring the wider dimensions of inequality throughout 2021 in the next phase of our Future of Government programme.



61%

say COVID-19 has made social mobility more difficult

Source: Future of Government Driving social mobility polling

4. Activate a bigger role for business

While our **research** shows that the public considers central government primarily responsible for levelling up, it also reveals that they look to business and other actors to deliver it. Some 43% of respondents trust business to deliver a fair recovery, compared to 40% who trust local government and 38% who trust central government.

Business is held primarily responsible for providing good jobs, supporting entrepreneurship and – together with local government – for creating vibrant high streets and town centres, all of which will be critical in delivering a fair recovery. Also, the second biggest responsibility for levelling up is placed upon collaborative ventures between central and local government, businesses, charities and community groups. This underlines that partnering and coordination between the private and public sectors – often including the third or non-profit sector too – is regarded as instrumental in making interventions more effective.

With 55% of people feeling they have been treated fairly by their employers during the pandemic, businesses have won the public's trust during the pandemic and now have the chance to build on it. Many businesses are already going the extra mile – such as those showcased in the **Business at its Best** campaign.

The campaign shares stories of UK businesses making a difference to their customers, communities, people and the planet. Examples include Bristol-based **Inclusive Futures CIC** and **Potential in Me CIC** in Glasgow, which run coaching for underrepresented groups, as well as **Farm Urban** in Liverpool, which educates on sustainable food, and the Kent-based freezer food company **COOK**, which provides jobs to people with barriers to employment. Such efforts should be an inspiration to everyone, in business and beyond.



55%

of people feeling
they have been
treated fairly by their
employers during
the pandemic

Source: Future of Government
Rethinking levelling up polling



5. Target different priorities in different places

When seeking to understand and meet the needs of different places in the UK, generalisations are not helpful. In the past, there's been a tendency to focus on broad regional differences such as the North-South divide, or to categorise places as urban, rural and left-behind, or as towns, villages and cities. Demarcations of this type have often been used to support crude characterisations of 'successful' and 'unsuccessful' places.

A more sophisticated approach is needed that reflects the unique and rich history and identity of each place, and targets specific local priorities. Each place has its own unique set of circumstances and needs – what works in Minehead won't necessarily work in Mansfield. What's required is an approach that takes into account the different societal, economic and environmental pressures that places face, and supports different responses in each case.

The diversity of circumstances and needs between places is underlined by the wide variations between UK cities revealed in our **Good Growth for Cities** report. Some of the cities in the lower reaches of the growth index are in the South East, which is also home to the UK's best performing cities. Even within places there are wide disparities: the inequality inside the same region is often greater than when it is compared to others.

Such developments reinforce the need to put people in each place at the centre of levelling up. This means valuing and treating local communities as an asset, listening to people's priorities, and engaging with them to understand their lived experience and build their confidence and capacity. **If done well** this can help to reinvent and restore a sense of place-based purpose and identity, which many communities have lost.

Further light is cast on this opportunity by PwC's exploration of **what the public wants from its local high streets**, and our work with the **High Streets Task Force** to support the recovery and the transformation of high streets across the UK. People's enthusiasm for changes such as having more independent shops and restaurants on their high streets underscores the potential for creative local solutions tailored to each place.

Conclusion: A new collaborative approach

The extent to which the UK Government is successful in levelling up the UK and tackling inequalities in the wake of the pandemic will play a major role in determining what kind of nation we will be in the future. Key to this will be taking a broader approach to growth, including creating vibrant places for people to live, work and fulfil their potential, focusing on affordable and quality housing, and investing in upskilling and job creation, including ensuring investment in large scale infrastructure delivers its potential in terms of jobs.

To get this right, a new collaborative approach is needed across the board. We see this as having the following elements:

- **A rebalancing between local and national**

A better balance is needed between central, devolved and local government, where local actors – public, private and third sector, and communities themselves – are empowered to deliver levelling up. Just as the pandemic has forced us all to stay local, government should adopt a ‘think local, act local’ approach to make levelling up more than a slogan.

Local engagement and involvement in decision-making is vital to levelling up, but must also happen in a context that’s aligned to national objectives set centrally. Central government can take the opportunity of moving civil service jobs outside of London to reset how it engages locally and sets national policy objectives.

“
Local engagement
and involvement
in decision-making
is vital to levelling
up, but must also
happen in a context
that’s aligned to
national objectives
set centrally.”



- **Active involvement from business**

Government – national and local – must also engage business, and business must step up and play its part in delivering a fair recovery across the UK, with a particular focus on reskilling and upskilling to ensure people are equipped with the skills they need for future jobs.

- **Public and community engagement**

Finally, the public and communities themselves must be engaged and valued as an important asset in levelling up. Building local resilience, confidence and capacity will be key to restoring a new sense of purpose in cities, towns and regions across the UK and ensure that communities are at the heart of building back better together. All interested actors – including communities – need to engage to align behind a shared agenda and collaborative action.

By taking an approach combining these elements, we can work together to level up the UK and deliver a fair recovery for all. **The time to start is now.**

“
Finally, the public
and communities
themselves must
be engaged and
valued as an
important asset
in levelling up.”

Get in touch

Authors

**Dan Burke**

Partner, Strategy&

+44 (0) 7764 661 609
daniel.burke@pwc.com

**Ben Pykett**

Director, PwC

+44 (0) 7841 786 900
ben.pykett@pwc.com

Contacts

**Quentin Cole**

Leader of Industry for Government and Health Industries

+44 (0) 7770 303 846
quentin.r.cole@pwc.com

**Dr David Armstrong**

International Development Leader

+44 (0) 7713 680 266
david.m.armstrong@pwc.com

**Lynne Baber**

Public Sector Defence Leader and Social Value Lead

+44 (0) 7809 756 065
lynne.r.baber@pwc.com

**Karen Finlayson**

Regional Lead for Government

+44 (0) 7881 805 552
karen.finlayson@pwc.com

**Jamie Houghton**

Public Sector Transport Leader

+44 (0) 7718 339 732
daniel.burke@pwc.com

**Jonathan House**

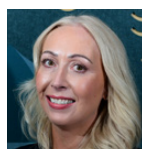
Devolved and Local Government Leader

+44 (0) 7791 114 593
jonathan.r.house@pwc.com

**Andy Key**

Home Affairs Leader

+44 (0) 7720 270 761
andy.key@pwc.com

**Caitroina McCusker**

Education Leader

+44 (0) 7764 331 623
caitroina.mccusker@pwc.com

**David Morris**

Health Services Sectors Leader

+44 (0) 7841 784 180
david.x.morris@pwc.com

**Aidan Sutton**

Charities Leader

+44 (0) 7841 490 881
aidan.j.sutton@pwc.com

**Rachel Taylor**

Economics and Business Affairs Leader

+44 (0) 7841 783 022
rachel.z.taylor@pwc.com



Future of Government

How can government and business work together to address inequality – by geography, generation, gender and race – and deliver a fair recovery from COVID-19? Drawing on new public research and convening across business, the public sector and civil society, PwC will explore these questions as part of our 2021 Future of Government research programme.

www.pwc.co.uk/futureofgovernment
#FutureOfGov

