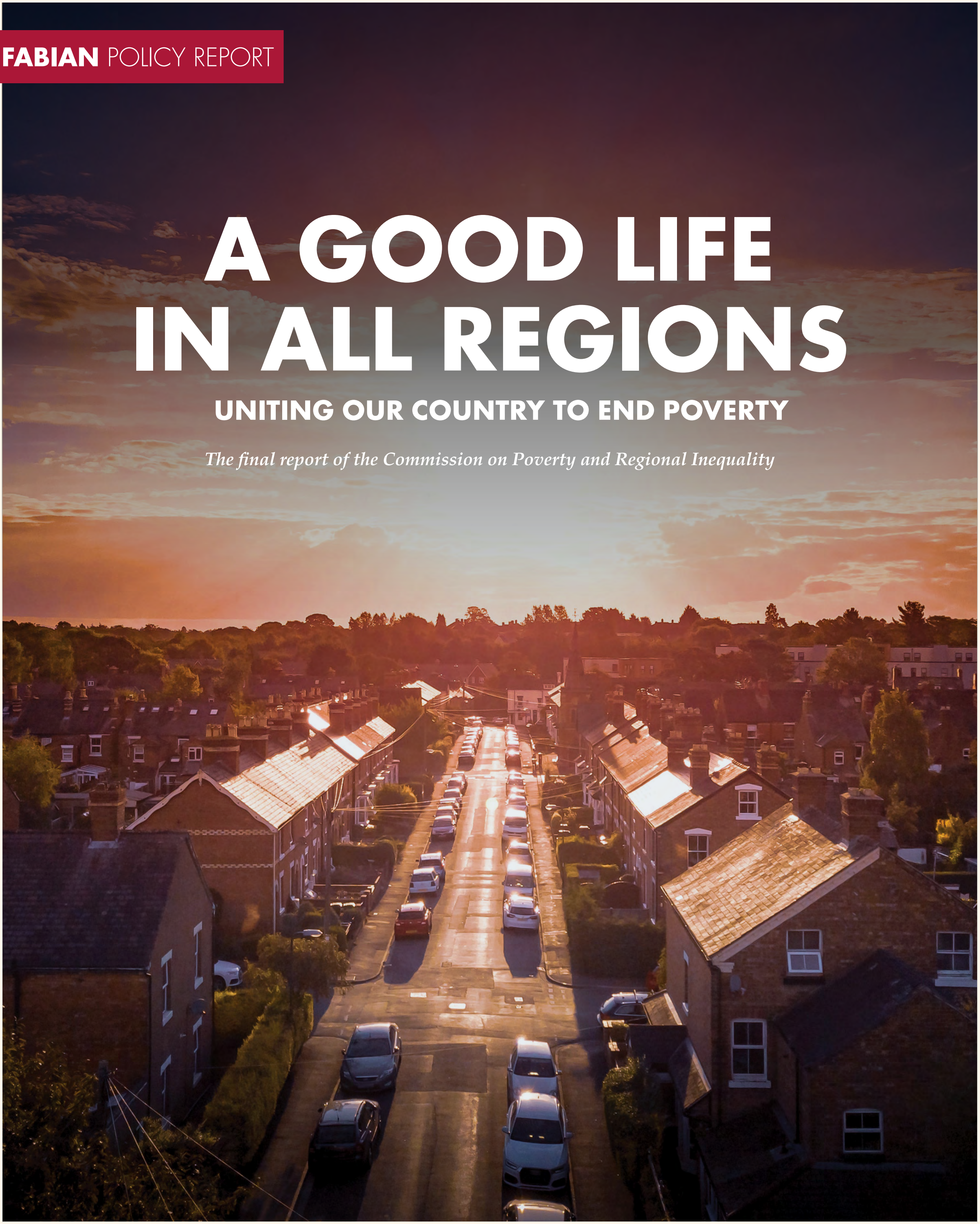
FABIAN POLICY REPORT

A GOOD LIFE IN ALL REGIONS

UNITING OUR COUNTRY TO END POVERTY

The final report of the Commission on Poverty and Regional Inequality



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This report represents the views of the commission and its authors.

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Chair's foreword

Nick Forbes

THE NORTH EAST of England, my home region, has much to be proud of. But we also have one of the highest poverty rates in England. There just aren't enough well-paid jobs to go round. And poor transport, inadequate training and costly childcare stop people accessing what opportunities do exist.

There is a root cause to our everyday challenges that many of us know deep down: our region is governed from afar, by Whitehall. We haven't had the power in our hands, in our region, to adapt to the vast, global economic changes that have buffeted our region's economy, and central government has consistently let us down by underinvesting and failing to set out the long-term industrial and regional strategies that would help us prosper once again.

But astonishingly, London's poverty is almost as high. Our supposedly prosperous and booming capital has a poverty all of its own. In that case, the main problems are high housing costs, while many of the jobs created are out of reach for its citizens. However different our problems, we share a root cause: London's mayor and its councils have also lacked the power they need to tackle the problems their city's prosperity has generated.

Poverty is inexcusable, wherever in the country it is entrenched. We cannot shrug off low regional economic growth, like that of the north east, as inevitable. And nor can we allow high regional growth to have such consequences for our poorest, as it does in London.

Together we can build a prosperous future for all our regions. A future where people, wherever they live, have access to the things they need to live a good life: well-paid, high-quality jobs, reliable buses, accessible childcare and affordable homes.

It has been my pleasure to chair this commission and I am grateful to all the commissioners and contributors who spent their time and energies helping us with this work.

The situation is urgent, and this is a time for practical action, not grandiose rhetoric. This is not just another analysis of regional inequality or hand-wringing about its consequences. We present practical solutions, big and small, to the problems we face.

North and south, city and town, all our regions have major regional economic problems. I believe we can solve them by working together. ■

Summary

Our country could be – and *should* be – a place where everyone has the means to lead a good life, wherever they live.

But we are a long way from realising that ambition. Across the country, all of our regional economies are failing to provide that good life for many, even in London and the south east.

The Commission on Poverty and Regional Inequality set out to unite England's regions around a shared agenda to reduce poverty and raise living standards. We worked with people living in poverty throughout, to understand the problems and to work on solutions together. We were focused on tackling the causes of poverty linked specifically to regional economic failure, from poor job opportunities, to high housing costs.[1]

Both 'low growth' and 'overheating' trap people in poverty

Regional economic failures compound national and global problems. The end result is poverty: people's incomes are too low, and their costs too high, to have a decent quality of life. These regional economic failures come in two broad forms – we call these 'regional poverty traps':

Low growth effects – in low-productivity, high-poverty places

Our new analysis finds economic underperformance in regions outside London and the south east, which makes the UK the most regionally unequal developed country:[2]

- Regional inequality in productivity is the highest of any major developed country and has remained high since 2010, while reducing in some other countries.
- Regional inequality in household income is again the highest of any major developed country, and has worsened significantly since 2010.
- 46 per cent of net job growth in England since 2010 was in London and the south east, while the north east only accounted for 2 per cent, and the concentration of jobs in London has risen significantly.

Overheating effects – in high-productivity, high-poverty places

But this is only part of the story: housing costs in London and other high-growth areas trap many people in poverty too:

- Around 1 million London citizens are in poverty because of the effect of housing costs.
- London has the third highest working age poverty rate of any region or nation, after housing costs.
- London is unequal, with some of the highest inequality between genders and ethnic groups, and in household wealth.

This means we are forcing a lot of people to choose: live in a low-growth area, where prospects are poor, or live in an overheating area, where living costs are high.

To improve living standards, we must address three challenges: create good jobs in all regions; enable people to take opportunities; reduce local living costs.

Centralisation, poor strategies and low investment are the root causes

People face the reality of these challenges every day, but they are rooted in who holds economic power, and how they use it.

There are three root causes that cause our regional poverty traps to be worse than in other countries:

1. Centralisation – German regional and local government is almost four times more autonomous than in the UK and France's is more than twice as autonomous.
2. Poor strategies – French and German industrial strategies last ten years; our most recent attempt lasted four.
3. Low and ineffective investment – the UK's rate of local and regional economic spending is half that of Germany and France, and we underinvest nationally, from housing to innovation and employment support.

This reflects a fundamental flaw in our approach to economic policy: the Treasury has used London as the single national 'engine' for GDP growth and tax revenue, instead of building solid foundations for sustained, balanced growth, and making sure people in all regions, including London, can live a good quality of life.

Historically, we have never developed the right governance, or deployed and sustained enough resources to match the scale of rebalancing required, unlike other countries.

Since 2017, new mayoral combined authorities have made the most of their quite limited, delegated power, and recent 'trailblazer' devolution deals to Greater Manchester and the West Midlands continue this gradual progress. But they remain small solutions to a big problem. We need a better plan.

Key recommendations

The government should:

- **Devolve economic and fiscal power to mayors and councils** – make the new 'trailblazer' devolution deals the standard across England by 2030; legislate to ringfence a devolved economic development budget; and devolve most economic development delivery by 2035, keeping only broad policy-setting, legislation and universal rights centralised.

- **Bring buses under public control** – legislate to make the 'London model' of bus franchising the law across all of England, putting councils and combined authorities in charge of bus services.

- **Devolve jobcentre employment support to councils and mayoral combined authorities** – co-commission programmes with councils or combined authorities, create a new 'CQC-style' regulator for employment support, reduce sanctions and make jobcentres more supportive; then by 2035, devolve jobcentres, with social security and regulation remaining centralised.

- **Deliver more affordable housing of all tenures** – increase social housebuilding; build mixed tenure communities on well-connected green belt and underutilised land; and turn private rented sector properties into social homes.

- **Guarantee affordable childcare in all communities** – expand access to free hours of childcare to low-income parents; give councils greater powers and funding to intervene, and eventually directly commission, in local childcare markets; and introduce an affordable childcare scheme for all parents.

SUMMARY OF ALL RECOMMENDATIONS

Reforming and enabling

Councils and mayors in England must do all they currently can to address poverty locally, despite the significant constraints they face:

1. **Mayors and councils should set out inclusive economy strategies with poverty reduction targets and policies.** They should set out local economic strategies, appoint trade unions and businesses to advisory 'local social partnerships', make poverty reduction an explicit economic development priority, and use all currently available means to that end, including local employment charters, landlord licensing, retrofit schemes and real living wage policies.

We need to change how we are governed, to enable further policies to be delivered. We recommend that, in England, the government should:

2. **Devolve economic and fiscal power to mayors and councils**
    - By 2030, devolve skills, transport, innovation, and employment support programmes to combined authorities, so that all places are offered the same powers over economic development that Greater Manchester and the West Midlands negotiated in their 'trailblazer' devolution deals.
    - Pass a new Act of Parliament, which: establishes a ringfenced economic development budget; removes 'hope value' from land compensation and implements bus regulation (recommendations 9 and 12).
    - By 2035, move to a system where the majority of economic development delivery is devolved in England, with central government setting broad policies, establishing universal rights and passing necessary legislation.

3. **Reform central government and set out strategies to embed long-term partnerships**
    - Establish a powerful industrial and regional strategy cabinet committee to coordinate devolution and economic policies across departments, with a well-resourced secretariat. It should be chaired by the prime minister, with the chancellor, and the secretaries of state representing business and regional development around the table. A First Secretary of State should be appointed with responsibility for regional development.
    - Establish a statutory Industrial and Regional Strategy Council, bringing together trade unions, businesses and regional leaders to advise on economic policy.

- Establish an independent, expert-led productivity commission to set economic development spending targets, provide independent analysis and undertake objective evaluation of spending and policy impacts.
- Set out an industrial and regional strategy, co-produced by the three bodies above.

4. **Set a long-term national mission to reach 'equal living conditions' and take action to reduce inequality in living standards**

    - Legislate to require that all strategies consider both socio-economic and geographical disadvantage, and measure this disadvantage, to inform strategies and policies.
    - Act to address poverty and poor access to services, by co-locating services in 'NeighbourHubs', eliminating the poverty premium and ensuring access to finance.

Then, in order to tackle our three challenges, we recommend that the government should:

Challenge 1: Create good jobs in all regions

5. **Deliver inclusive economic development in partnership with councils and mayors.** To make economic development effective, local and central government should collaborate as equals, so the government should work with businesses, trade unions and mayoral combined authorities to: upgrade and replace enterprise zones, free ports and investment zones into Economic Development Zones; reprofile R&D funding to prioritise regional development; and set out robust requirements for inward investors.

6. **Make the British Business Bank (BBB) more autonomous and empower regional leaders in new regional governance.** Support high-growth businesses to create good jobs, by making the BBB more independent; bring mayors and council leaders into the governance of regional funds; and create new regional funds to cover all of England.

7. **Leverage public spending to support inclusive economies.** Help create jobs in low growth regions by moving government departments and senior personnel out of London, and require all organisations funded by public money to sign-up to employment charters agreed locally, to raise the quality of work wherever public money is being spent, including in subsidies, tax breaks, R&D and other state support for business.

8. **Empower workers and enforce employment regulations.** Raise the quality of work across the board, by introducing sector level fair pay agreements, banning 'one-sided' zero hours contracts and 'fire and rehire', and giving workers a right to flexible working from day one, alongside extending statutory parental leave, including provision for the self-employed, and improving rights to carers' leave and sick pay. Tackle minimum wage and other employment rights violations by raising penalties and taking a robust and multi-pronged approach to enforcement.

Challenge 2: Enable people to take opportunities

9. **Bring buses under public control.** Connect people to opportunities, and bring our towns and cities back to life by re-regulating buses across all of England, putting councils and combined authorities in charge of bus services like the GLA is in London.

10. **Devolve jobcentre employment support to mayors and councils**

    - Between 2025 and 2030: co-commission outsourced provision with councils, reform JCP's culture to be more supportive, create a new 'CQC-style' regulator for employment support, and 'invest to save' in high-quality support, training and job guarantees.
    - Between 2030 and 2035: devolve the delivery of jobcentre employment support, with social security and regulation remaining centralised.

Challenge 3: Reduce local living costs

11. **Build more social housing and take over private rented housing stock and improve the private rented sector.** Increase social housing capital grants, introduce a locally led scheme to turn private rented homes into social homes, tightly regulate the private rented sector, and raise the local housing allowance rate to the 30th percentile of local rents.

12. **Build more affordable housing of all tenures, especially on well-connected green belt and underutilised land.** Build desirable and affordable homes at scale by reforming the Land Compensation Act to make land cheaper, and set up housing corporations to develop 2 million homes on well-connected land now classified as green belt, with at least 35 per cent for social rent.

13. **Guarantee affordable childcare in all communities.** Expand access to free hours of childcare for low-income parents, provide greater powers for councils and funding to intervene, and eventually directly commission, in local childcare markets and introduce an affordable childcare scheme for all parents. ■

Introduction

All regions **have vast potential**

Our country could be – and should be – a place where everyone has the means to lead a good life, wherever they live. All of us should be able to live in a secure home, get to work easily, care for our children or relatives, and have enough money to live well.

The Mayor of Greater Manchester once said that his city-region should be the best place to 'grow up, get on and grow old'. The Mayor of London said his city should be an 'economic powerhouse'.[3]

That regional pride and economic potential is found in all parts of England. The desire for a good life and a thriving economy – in every region – should unite us.

All regions **are currently held back**

But we are a long way from achieving our regions' potential. In all regions – including London – living standards are held down and poverty is entrenched, because people cannot access good work, or pay too much for their home or childcare.

These are regional economic problems that demand regional economic solutions. They compound those other causes of hardship, like spiralling energy costs, inadequate employment rights and miserly social security entitlements. And the UK experiences these regional effects more than other similar countries.

> "I've learnt there's lot of us out there in the same kind of situation, so we're all struggling … no matter what part of the city [or country] you are [from], there's everyone with the same kind of problem as me as well"
>
> *Nermin, Birmingham*[4]

But we are a long way from achieving our regions' potential. In all regions – including London – living standards are held down and poverty is entrenched, because people cannot access good work, or pay too much for their home or childcare.

And too often, these problems divide us. Places are forced to compete for central government cash, and to demonstrate the greatest need or the greatest potential, in order to do so.

This is now urgent. Our economy is stagnating, living costs are soaring, and the central state is overloaded and seizing up, right when we need it most. This urgency is recognised by all political parties, and there is a rare consensus that regional development is a top priority.

The public agrees. As part of a wider survey of Great Britain conducted by YouGov, we found that:

- 57 per cent of people in England think regional inequality has a negative impact on the economy of the country as a whole, with the north (61 per cent) and rural areas (62 per cent) more likely than average to say regional inequality has a negative impact.
- Even respondents in London were twice as likely to say regional inequality has a negative impact (54 per cent), than has a positive impact (22 per cent).

We must move on from a failed consensus

Some in our highest offices think addressing these problems is unrealistic. Of late, politicians have adopted a bullish, optimistic rhetoric about regions outside of London. But behind the scenes, many retain a long-held belief that only London and the south east can generate economic growth and that other regions can only ever be their dependents.

This widely held view is profoundly mistaken and is based on a casual or selective reading of the evidence. It has been the foundation of policy for decades – and it has demonstrably failed not only low-growth regions, but high-growth regions and the country as a whole. But this view also ignores the economic facts on the ground – showing that all regions can create good jobs, as they do in other countries, and that focusing only on London comes at a huge cost to Londoners themselves.

All regions can grow; living costs in London can be reduced. We can tackle these regional poverty traps together, if only we had the will to implement and sustain the right policies.

To date, we have lacked that will. For decades, politicians and officials have treated London like an engine to drive national GDP and generate tax revenue. Too often, that has meant deprioritising living standards for people across the country – including in London. And, by depending on one region and a small group of sectors, this approach has also, perversely, left us a smaller and less resilient economy, which the global financial crisis exposed. The end result – for millions of people, *in all our regions* – is poverty.

This is not inevitable. This was a choice. We cannot return to 'business as usual'.

The Commission on Poverty and Regional Inequality

The Fabian Society convened the Commission on Poverty and Regional Inequality to find a way forward together. There is an abundance of work focused either on regional inequality or on poverty.[5] But to bring regions together, we must tackle both – to address inequality between places and between people, and to focus specifically on the link between the two.

The commission is focused on **regional economic** causes of poverty. We define poverty as not having enough financial resources to meet minimum needs, caused by a combination of low incomes and high unavoidable costs. Both low incomes and high costs have international causes, like technological change or energy prices, and national causes, like social security entitlements or mortgage rates. But we are focused on the regional causes, or regional dimensions to these wider causes. These can be broadly grouped as 'low-growth' effects, which mean a region's occupation and sector mix is not providing enough good work, and 'overheating' effects, which is when a regional economy is particularly expensive – primarily because of high housing costs. The commission regards these as two different forms of 'regional poverty trap'. This is explained further in section 2 below.

As a commission, we affirm the many different perspectives on our regional divides. Not having enough money to meet essential needs is a similar experience everywhere. But it is experienced differently, by people feeling trapped in a post-industrial hometown that may have seen better days, and who reached for Brexit and 'levelling up' as a way out. By those in the midlands, or in poorer southern towns, who feel excluded by our national pre-occupation with the 'north-south divide'. By the many living in poverty in rich areas, but who aren't numerous enough to show up on a statistician's map. And by those in London, who find the rest of the country's complaints of their city's prosperity galling, when they too are excluded from the vast wealth it generates.

Our survey found that people tend to agree that tackling regional inequality is possible, though many are understandably sceptical:

- 48 per cent of people in England believed that, with the right level of investment, economic inequalities between different regions in England could be reduced, although 32 per cent of respondents in England said that regional economic inequalities were so entrenched that no level of investment would reduce these differences.
- A plurality of respondents in England (35 per cent) said that the focus should be on reducing inequality across all regions of the country at the same time, while 46 per cent of respondents in England think that raising people's living standards *outside* London and the south east of England will not harm, or will have a positive effect on, people with low incomes who live in London and the south east.

That is why the commission brought people together from across England. Between November 2021 and May 2023, we heard from experts, reviewed the evidence and analysed economic data. We brought people with a lived experience of poverty into the conversation that affects their lives throughout the project: a lived experience of poverty was shared by some of our commissioners, our evidence session witnesses, our citizens' advisory group participants and the people we surveyed. We had real, meaningful discussions, which have directly influenced our analysis and our recommendations. Throughout this report we give a flavour of those conversations. Our methodologies are set out in annex 2.

The commission is focused on solving regional economic problems in England. The Commission has prioritised issues or policies that tackle these challenges directly, or which enable them to be tackled more effectively – such as devolution and industrial strategy – and excluded most social security, as well as services like healthcare and compulsory education. Our policy recommendations are primarily for England, but we analyse UK-wide challenges and seek to learn from the devolved nations.

This report presents our findings and recommendations. We analyse the nature of poverty and regional inequality, its root causes, and the challenges that people face every day as a result. Then we make 13 practical but substantial recommendations that would make a real difference to people's lives.

The prize for getting this right is huge. A good life for all people, in all our towns and cities, and across all our regions, is an endeavour that is worth the time, investment and energy required to make it a reality. ■

Regional inequality creates poverty in all our regions

> "There are no jobs, there are no incentives, there's no training, there's nothing out there support wise."
>
> *Catherine, County Durham*

> "With the many opportunities [in London], it might be a case of quantity over quality [and] it's one thing to see the job listing, it's another thing to actually be employed because … it's so competitive."
>
> *Liam, London*

The UK is commonly understood to be regionally unequal. This section analyses the full nature of regional inequality – including its effects on both low-growth and overheating areas. We find that all regions have regional economic problems, which are more significant than in other countries.

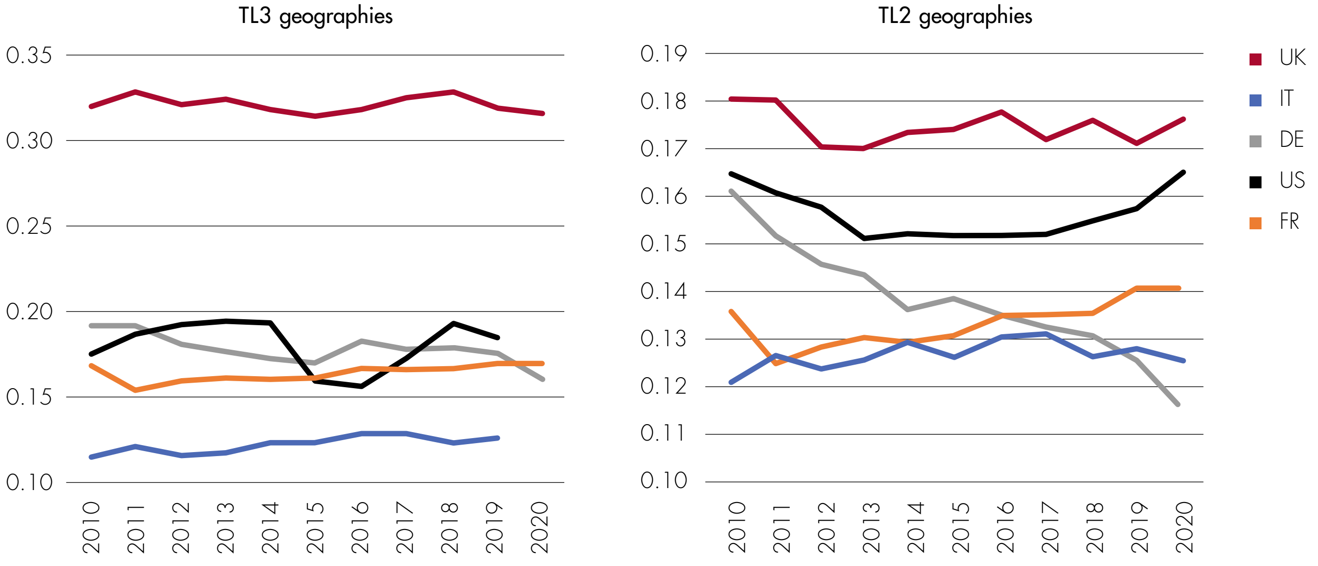
Regional inequality is bad and getting worse

UK regional inequality is without parallel in the developed world. We often think of Germany as regionally divided: indeed it was two very different countries for a large part of the 20th century. We might think of France as dominated by Paris – another world city, not unlike London in many respects. We might think of Italy as divided between an affluent north of Ferraris and high fashion, and a poorer south. But the UK is more regionally unequal than all these countries. This finding holds true across almost all inequality metrics and geographical scales.[6]

Our new analysis confirms the UK's eye-watering regional inequality in productivity. Figure 1 below shows that, since 2010, UK regional inequality in productivity has remained higher than other countries and relatively unchanged – whether that inequality is measured between larger regions (such as the north west, compared to the south east), or smaller areas (such as Darlington, compared to Luton).[7] Germany ended the 10-year period with much lower inequality between larger regions, and slightly lower inequality between smaller areas. France's level of inequality remained far lower than the UK on both measures, though it ends the period with slight increase in inequality between its larger regions. Inequality between US states is high, but remains lower than between UK regions. Analysis which just includes metropolitan regions also confirms high inequality in the UK.[8]

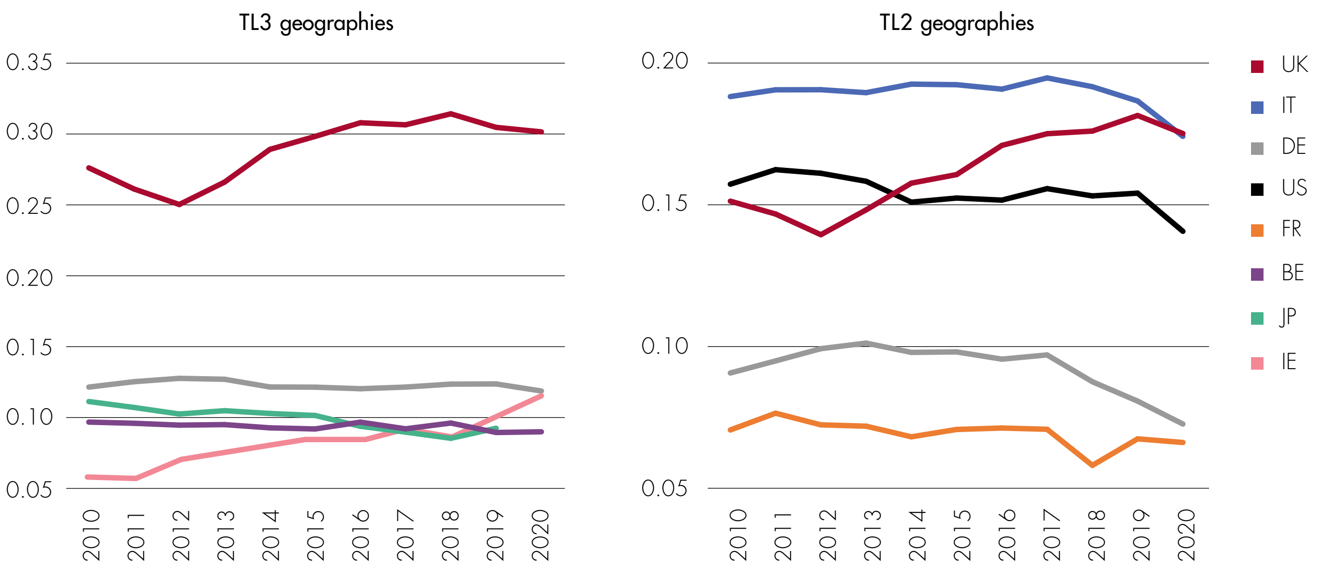
Inequality in disposable household incomes has worsened during this period. Regional inequality fell slightly between 2009 and 2011, but then rose significantly between 2011 and 2019 – with income

Figure 1: Regional inequality in productivity has remained high in the UK, while it has decreased in other countries
Coefficient of variation in regional GVA per worker, TL3 geographies (small sub-regions, eg Darlington) and TL2 geographies (large regions, e.g. north east)



Source: Analysis of OECD, Regional GVA per worker, 2023. Excludes extra territorial regions.

Figure 2: Regional inequality in disposable income per capita has risen significantly since 2011
Coefficient of variation in regional disposable household income per capita, TL3 and TL2 geographies*



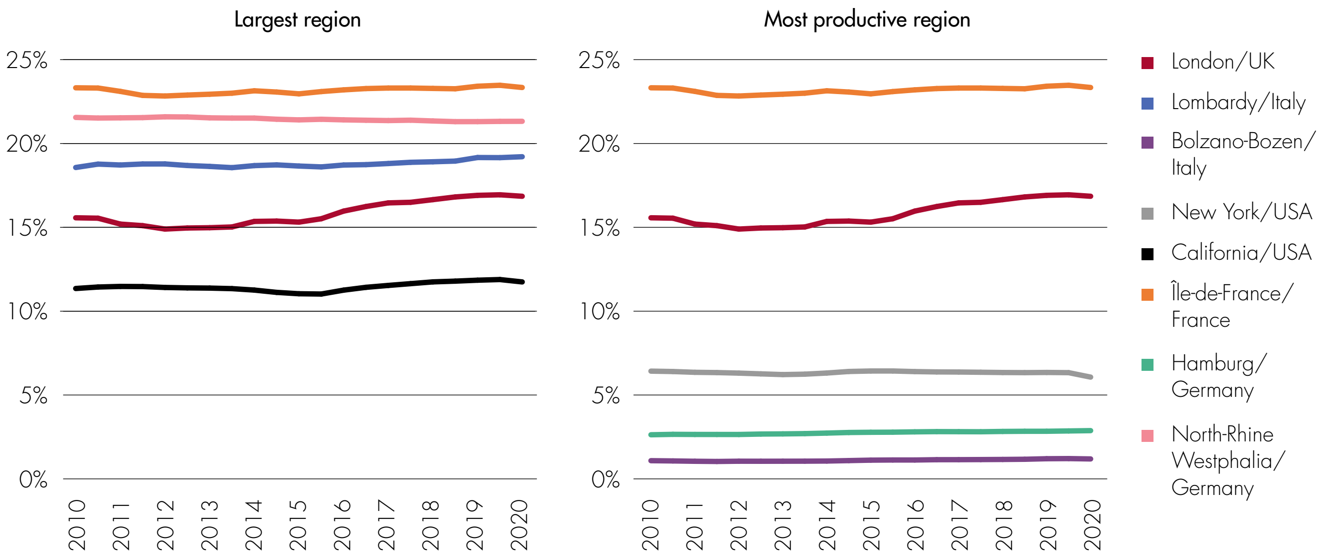
Source: Analysis of OECD, Regional income per capita, 2023. Excludes extra territorial regions.
* Comparable data is unavailable for France, the USA and Italy at TL3 level.

per capita rising more than twice as fast in many parts of London compared to places like Coventry, or some northern parts of Greater Manchester. As figure 2 shows, we started the decade with much higher regional inequality than other countries, and became significantly more unequal over the period.

Inequality in job creation is also high and getting worse. Net job growth in the UK was more regionally unequal in the decade preceding the Covid-19 pandemic, compared to the decade leading up to the 2008 recession. London accounted for 21 per cent of new jobs created between 1998 and 2008, but 31 per cent of new jobs between 2009 and 2019.[9] 46 per cent of net job growth in England between 2010 and 2023 was in London and the south east, while the north east only accounted for 2 per cent. This shifted the proportion of total UK jobs located in London from 15 per cent in 2009, to 17 per cent in 2019, where it remained into 2020.[10] This change

Figure 3: UK job creation is regionally unequal and becoming more so, in contrast to other high-income countries

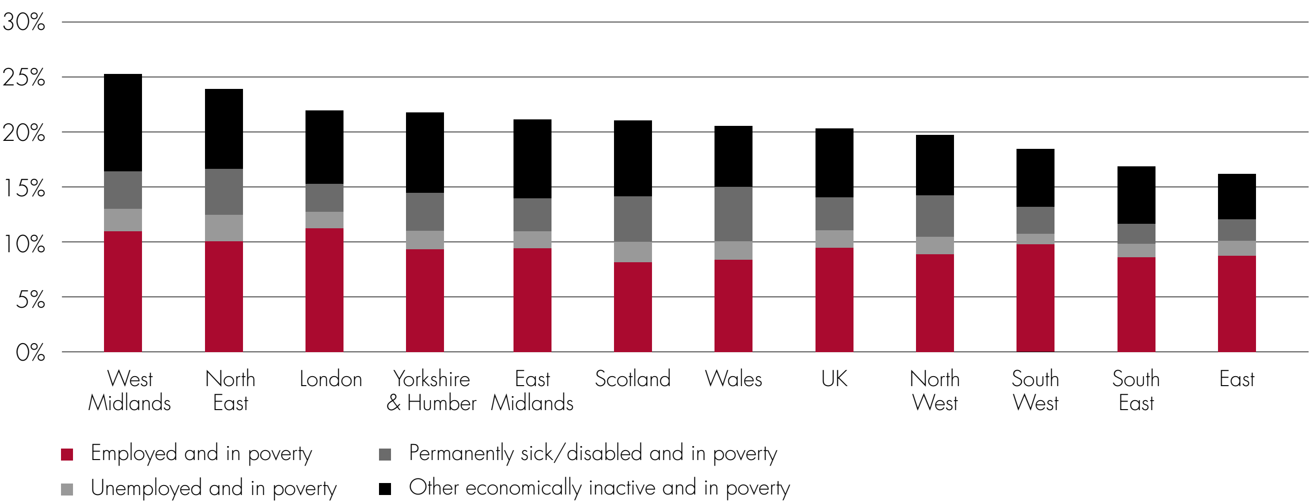
Regional share of national jobs in largest region (jobs) left, and most productive region, right



Source: OECD, Regional employment by industry, 2023.

Figure 4: Both high and low productivity regions have high poverty rates

Percentage of working-age population living in poor households, after housing costs, by ILO economic status of the adult, 2019–22



Source: ONS, Households Below Average income, 2023. Employed includes self-employed and part-time employed.

in the concentration of jobs may seem small, but is a significant change in only 10 years, given the large number of regional jobs and its tendency to only change over longer periods of time. Other countries may have regions which dominate in total jobs, but this change sets the UK apart, as figure 3 shows.

However, this is only one part of the story. Perversely, our regional inequality translates into concentrations of high poverty in all regions – even those which are most productive and have the highest incomes. As figure 4 shows, the three regions with the highest worker poverty lay bare our problem: the most deprived regions are the north east and the west midlands, relatively low-growth regions with fewer good jobs – so much so that many stop looking for work, and become 'economically inactive'. But the third most deprived region is London, a high-growth, job-creating region. We are left with the worst of all worlds: by trying to rely on productivity in only one corner of the country, we have created poverty in every region. The next section explores these two very different but related challenges, which we call 'regional poverty traps'.

We have two regional poverty traps: low growth, and overheating

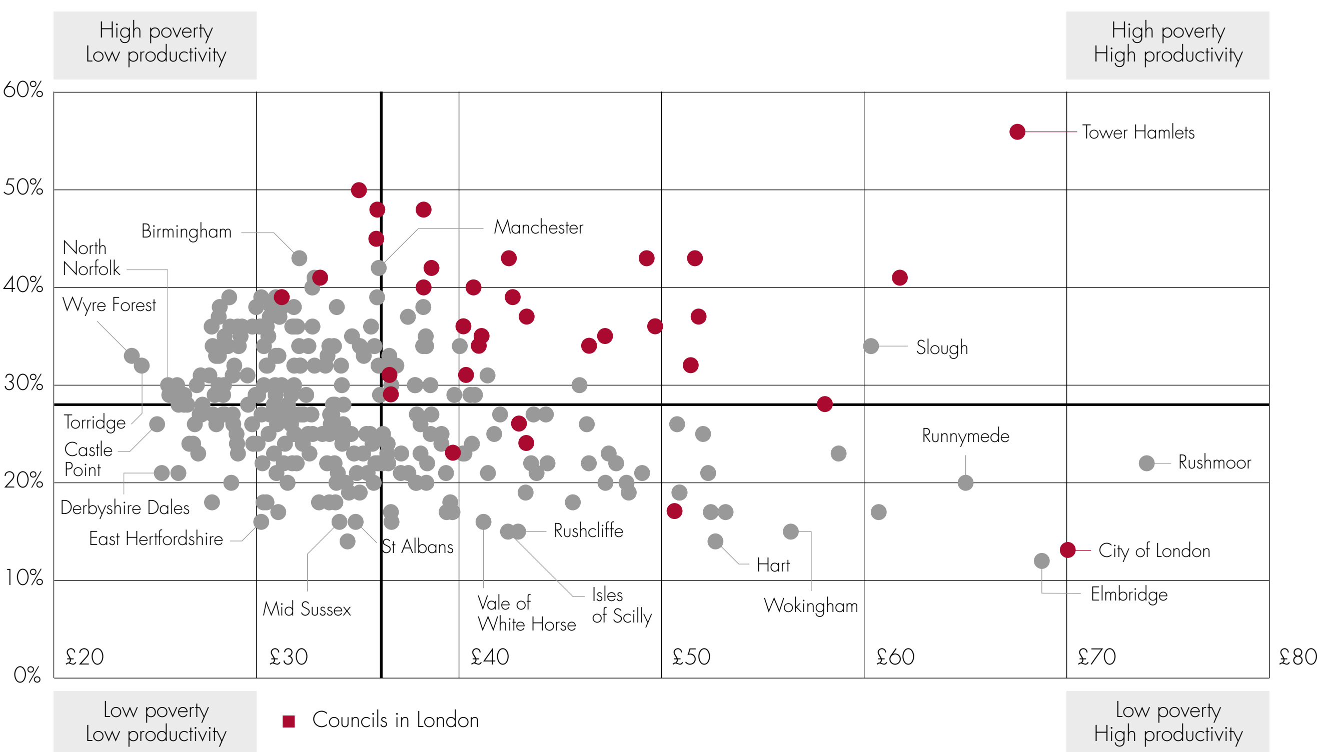
The link between regional productivity and regional poverty is crucial. As figure 5 below shows, there is a broad pattern: many high productivity places do have the low poverty rates that we would hope for, because the good jobs that productivity generates are enough to compensate for a higher cost of living. But there are important exceptions to this pattern, where high productivity areas have high poverty too. There are two broad problems we need to tackle together to resolve regional poverty traps, which follow from this analysis: first, low growth effects and second, overheating effects.

1. Low-growth effects – in low-productivity, high-poverty places

Low economic growth is closely linked to a lack of good well-paid job opportunities, even if living costs can be lower too. In practice, this translates into either low participation in work or low pay, or combinations of the two – with many people both not working enough hours, and not being paid enough for those hours. This is the leading cause of higher poverty in many parts of the country. Many low-productivity areas have high poverty, which indicates that productivity growth is necessary to address regional poverty, even if it is not sufficient. These places tend to have long-term structural problems with their economy, often because the place hasn't been supported to adapt to the deindustrialisation, globalisation or technology change of recent decades. Such places often have emerging strengths, but these remain small scale, and so the area's productivity rate is low. There are

Figure 5: Productivity is vital but not enough to tackle poverty

Productivity, £ of GVA per hour worked (x axis) vs child poverty, per cent (y axis). London districts in red. Axes cross at UK average

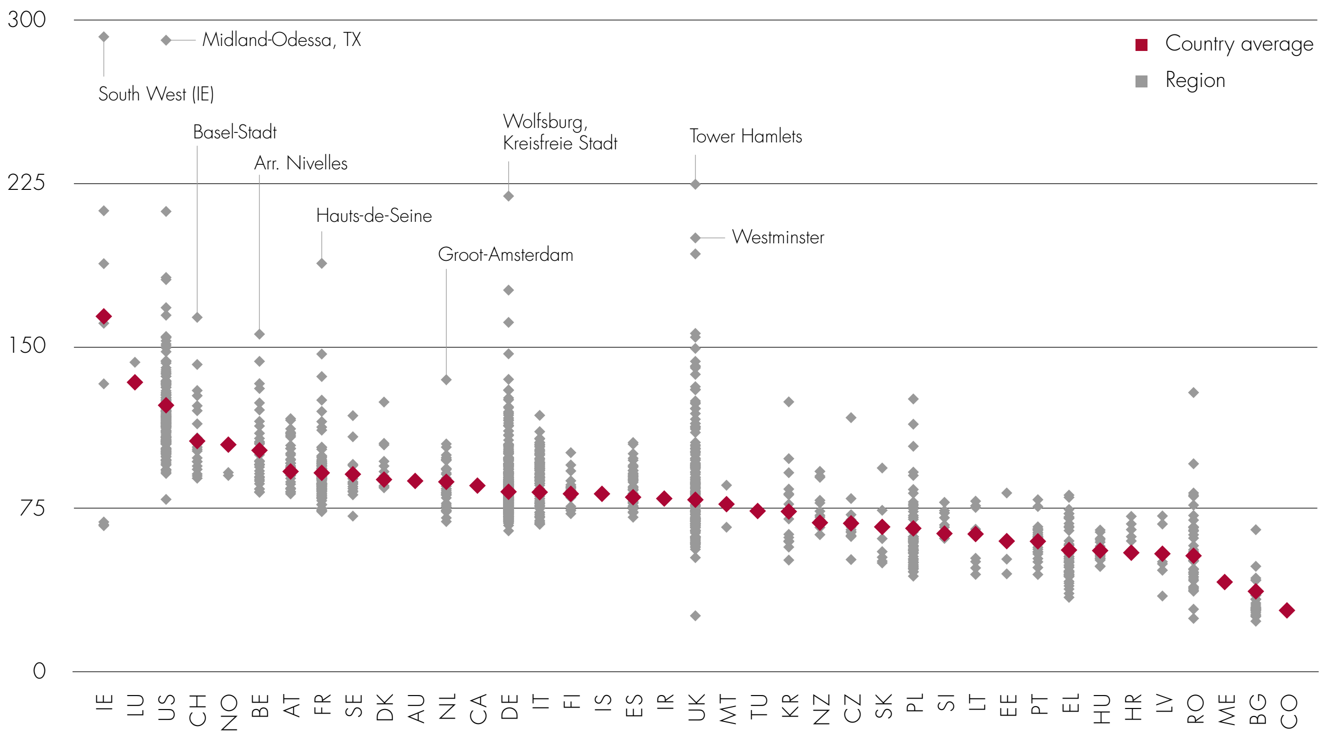


Source: Analysis of ONS, Subregional productivity in the UK: July 2022, 2022; Joseph Rowntree Foundation, Child poverty rates by local authority 2019/20, 2022.

20 million people living in such places in England, where productivity is lower than average and poverty is higher than average. This includes places like Birmingham, Torridge or Wyre Forest. There are many low-productivity, low-poverty places too, but they are often rural or in commuting distance of high productivity areas – the Derbyshire Dales, St Albans and East Hertfordshire, for example.

Other countries experience these low-growth effects, but regions outside of London and the south east are strikingly low in productivity. As figure 6 below shows, many countries have only one or a handful of high-productivity areas, some of which are more productive than London. But the UK is different because the rest of country underperforms so severely, including most of the south west, midlands and north of England, as well as parts of Scotland, Wales and Northern Ireland.[11] Productivity in these places is lower than even East Germany, and lower than most French regions too. In fact, other analysis has shown that the UK's 'non-core' regions have levels of productivity that are comparable with countries like Slovakia and Poland.[12]

Figure 6: The UK is an outlier, in having such a large swathe of the country with low productivity
Labour productivity in USD at PPP ($000), TL3 regions, 2019



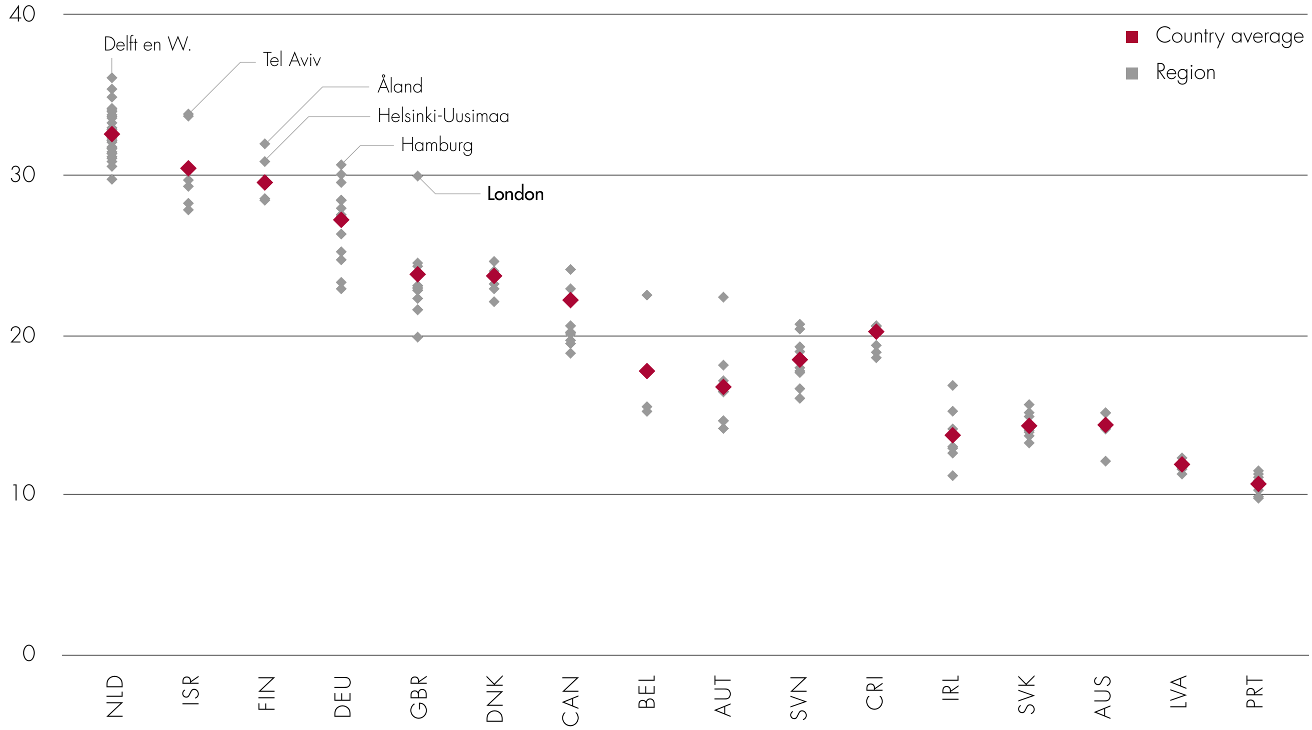
Source: OECD, Regional Database, 2023.

2. Overheating effects – in high-productivity, high-poverty places

High economic growth can result in an 'overheating' effect of higher property prices and exclusive labour markets.[13] This, in turn, creates poverty for many of the people living in such places, even if they appear prosperous and wealthy on aggregate. Rising property prices often reflect the success of economic development – many parts of the country would see this as a 'good problem to have'. But if this growth is mismanaged it can cause severe poverty and deteriorating quality of life. It creates particular problems with higher housing costs, and stratified or exclusive labour markets. There are 11 million people living in such high-productivity, high-poverty places in England, especially in and around London, but also Worcester.

Other countries also experience these 'overheating' effects. As figure 7 below shows, there are many cities in other countries where housing costs, relative to incomes, are higher than in London, including large swathes of the Netherlands, Israel, Finland and Germany. What sets the UK apart is that it has one, large region, where housing costs exceed the national average by so much. While comparable data isn't available for France, house prices (note, not all housing costs) in Paris, relative to the national average, are high too – the most recent data shows Paris overtaking London in this regard between 2017 and 2019.[14] London's high average incomes make these housing affordability measures appear better than they really are for low-income households, and further analysis shows that the UK has a particular problem with the cost of renting

Figure 7: The UK is unique in having one large region with such an extreme problem of housing costs
Cost of housing as a share of disposable income, large regions (TL2)



Source: OECD, Regions and cities at a glance, 2022.

among people on low incomes: 53 per cent of low-income private tenants spend more than 40 per cent of their income on rent, compared to 29 per cent in France and just 15 per cent in Germany.[15]

This housing problem combines with London's dominance in job creation, discussed above, in a way which creates poverty. What makes the UK different is that we are forcing a lot of people to choose: live in a low-growth area, where prospects are poor, or live in an overheating area, where living costs are high. This is a regional economic problem that must be tackled both in the immediate term, to reduce poverty in areas that are currently overheating. But it is also a vital consideration for places that we want to grow in future – we have to ensure they do not grow in such a way that entrenches poverty, because it merely changes the kind of poverty a regional economy generates, from one caused by low growth to one caused by high living costs.

All parts of the country experience regional poverty traps

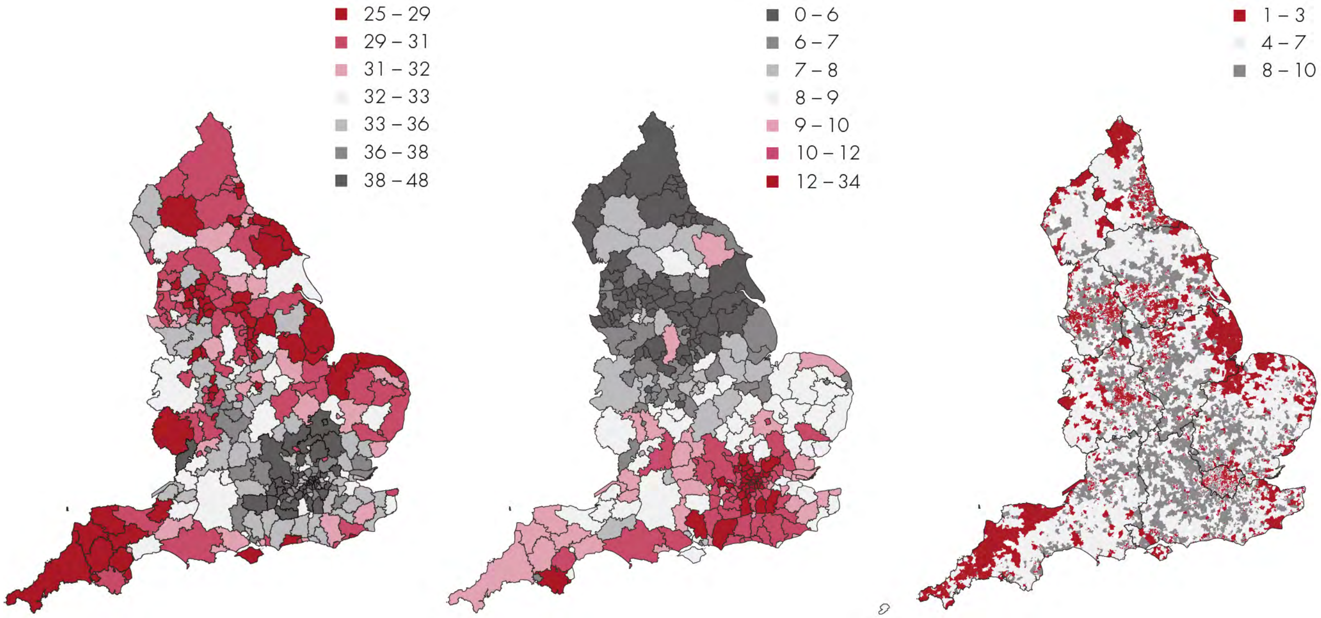
"I thought the north-south divide [meant] if you lived down south, you were better off. If you lived up north, you weren't, but it turns out there are people down there that are in the same situation as me."

Ryan, Blackpool

As the three maps in figure 8 below show, these regional poverty traps are prevalent in all regions. High housing costs, relative to incomes, are a major problem concentrated in London and the south east. Low incomes affect a large swathe of the country, including parts of the east, and south west, but especially in the midlands and the north. IMD deprivation is broader, and includes a range of metrics related to people's living conditions – including housing affordability, alongside income, employment, health, education, crime and the living environment. This reveals a pattern of poverty at small areas in all regions of the country, including high concentrations in major cities but also significant pockets of deprivation in otherwise wealthy, rural areas.

Poverty has many overlapping causes. 3.5 million people are in work, but still in a poor household, because the combination of hours worked and hourly pay isn't enough. 630,000 people are unemployed in poor households, and 3.8 million people are inactive and in poor households, including 1.3 million who are

Figure 8: Housing costs, low income and poverty combine in different ways across the country
Workplace earnings, £000 (left); housing costs relative to incomes (centre); IMD (right)



Source: ONS, Housing Affordability in England and Wales, 2002; MHCLG English Indices of Deprivation, 2019.

permanently sick. Accounting for housing costs increases the number of people living in poverty by 3 million.[16] In this sense, almost all working age poverty has a strong regional dimension, because it has a strong relationship with a regional labour market or housing market.

Different places experience different combinations of these effects. Places have been overlooked and badly served for decades, trapped in a vicious cycle of low public and private investment. But where there is currently poverty, there is also great potential:

- **Along our coasts.** Our maritime economy already supports 1 million jobs. It is 45 per cent more productive than the UK average, 30 per cent better paid and contributes £49bn to national economic output.[17] Our overlooked coastal industries are actually vital for energy security, the natural environment, tackling climate change, food security, and tourism. The UK government has failed to adapt, renew and reinvent coastal economies, and this has contributed to their severe and unnecessary industrial decline which traps people in unemployment, or low paid and seasonal jobs. In our survey, just 15 per cent of those who live in a group of English coastal town constituencies, or the 'Sea Wall', thought job prospects and economic opportunities in their local area had improved in the past five years.

- **In our countryside.** The countryside offers a quality of life that many yearn for and often people in their 30s tend to leave cities to live in more rural areas. Many areas which are partly rural are part of, or close to, very productive economies, like Cheshire, or Hampshire and Isle of Wight and others demonstrate the fastest productivity growth in the country – places like Lancaster and Wyre, and Calderdale and Kirklees, where productivity growth outstripped many parts of London in the last decade.[18] But sparsity is a major productivity challenge.[19] Small businesses are restricted by the lack of finance, digital connectivity and workspace availability, while declining bus services leave people disconnected. Wealthy rural economies are often highly unequal, with extremely poor working conditions and low-pay, and seasonal work in agriculture, tourism and hospitality industries.[20] Some rural communities are verging on unsustainable, as more young people leave than move in, and empty second homes threaten to create ghost towns for most of the year. In our survey, just 14 per cent of those who live in English rural communities thought job prospects and economic opportunities in their local area had improved in the past five years.

- **In our towns.** Towns in the south of England often have the most prosperous economies in the country – and there are a small number of similar towns dotted across the north and midlands.[21] Across the high-income countries of the OECD, intermediate economies – often towns on the periphery of cities – often grow more than urban areas.[22] Such places provide a good base for industries that require both space and regional connectivity, and can offer high quality of life to a skilled workforce. But UK governments have failed to develop the regional and industrial policies that make good use of this untapped potential, and left post-industrial northern and midlands towns disconnected. Meanwhile high housing costs in those more prosperous towns trap low-income residents in poverty. In our survey, just 13 per cent who live in English 'town and fringe' communities thought job prospects and economic opportunities in their local area had improved in the past five years.

- **In our major cities.** Cities including Newcastle, Manchester, Birmingham and Leeds have truly come to life in the last two decades, with private investment in thriving city centres, pragmatic civic leadership and now a national profile in their metro mayors. But such 'mid-tier' cities in other high-income countries are at the heart of both their region and their national economy. Despite recent progress, our city regions remain relatively powerless, unable to realise the economies that rely on good connectivity within their area and their wider region, and woefully let down by poor UK economic policymaking – particularly on transport infrastructure – whether that be HS2 and Northern Powerhouse Rail, West Yorkshire Mass Transit or bus regulation. Weak regional partnerships have failed to harness the value of connectivity between cities, or with the towns and communities in their hinterlands. As a result, they are far from reaching their economic potential, and people are disconnected from job opportunities that should be much more accessible. The result is poverty and increasing inequality. In our survey, just 16 per cent of those who live in English urban communities (including London) thought job prospects and economic opportunities in their local area had improved in the past five years.

- **In our capital.** London is one of a handful of true world cities, attracting private investment from across the planet, with thriving knowledge intensive business services that make inner London one of the most economically productive areas on the planet. Central government has invested in London, but the Treasury has often treated the capital only as an engine for growth, trade surpluses and tax revenue, rather than asking how to make it a sustainable economy, and an affordable place to live and work for its 9 million residents. The result is a stratified and exclusive labour market, where two-thirds of new jobs created in the last decade were managers, directors or senior officials; gender pay gaps and ethnicity pay gaps that are among the highest; housing costs that pull around 1 million people into poverty; and cost pressures and a poor quality of life offer that sees more of the UK's population leaving than moving in each year. Our survey found that more people in London (32 per cent) than any other English region thought job prospects and economic opportunities had got better over the last five years, but this is still less than the combined proportion saying there had been no change (17 per cent) or that things had got worse (34 per cent).

Different problems require different solutions. But only together can we solve this national problem of regional inequality. ■

Centralisation, poor strategies and low investment are the root causes

“It should be the MPs and the local council [making decisions] and not the government because they don’t know what’s going on in your area, it’s the local council that knows what’s going on and what’s happening.”

Nermin, Birmingham

Centralisation, poor industrial and regional strategies, and low investment – these are commonly understood to be the root causes of higher regional inequality in the UK compared to other countries.[23] Here we outline their relationship with both low growth and overheating, and the poverty that results.

1. Centralisation

Inclusive regional economies require governance at the appropriate geographical scale. In any country of significant size, overcentralisation is an obstacle to good economic policy. Centralisation often results in:

- **Poor intelligence and feedback loops.** Central government cannot monitor existing and emerging economic strengths and challenges in every part of the country, so it is bad at supporting the creation of good jobs, enabling people to access these jobs and intervening to keep essential living costs low.[24]
- **Lack of integration and coordination.** Centralisation means that the functions of government that should work together – like housing, transport, training provision and job creation – instead operate in departmental ‘silos’, delivering separate projects and programmes, to conflicting objectives and targets, often via their own arm’s-length agencies or local branches.[25]
- **Low and ineffective investment.** Centralisation creates a bottleneck of decision-making, reducing investment from central government, preventing places from either raising their own funds to invest, or marshalling resources from the private and voluntary, community and social enterprise (VCSE) sectors.[26]

The value of decentralised economic development is clear across the developed world. Devolved power can be linked to ‘inclusive growth’, and with the growth in good jobs, if it is done well – although it should be acknowledged that it is not a panacea, and the quality of devolved governance and institutions is vital to enable this effect.[27]

This is especially true in the countries that are otherwise very similar to us: Germany and France. Both countries have their own regional challenges, but, as section 2 showed, their regional inequality is lower. Figure 9 below shows that if we aggregate a measure of regional ‘autonomy’ using a number of detailed metrics, we find German ‘sub-central’ government is almost four times more autonomous than in the UK, and France's sub-central government is more than twice as autonomous. England is even more centralised than these numbers suggest, as Scotland, Wales and Northern Ireland all have a high degree of devolution that has been denied to places in England. German regional governments (Länder) have been essential in narrowing regional divides in the very challenging circumstances of post-1990 reunification and have also weathered deindustrialisation and the global financial crisis more successfully.[28] French regional and local governments have the powers, strategies and financial resources to support places to restructure their economies.[29]

Fiscal devolution is especially important to reduce concentrations of poverty and develop regional economies. Fiscal devolution means giving councils, mayors or devolved governments the power to raise or retain taxes from within their area. Some in the UK fear that fiscal devolution will result in entrenched funding inequalities, tax competition and postcode lotteries. But other countries act to prevent these effects, with tax harmonisation across regions and high levels of redistribution between them. If implemented properly, localised fiscal power results in a 'race to the top' – higher equality, stronger growth, inclusion, resilience and less regional inequality.[30]

Fiscal power is highly centralised in the UK. Only 5p in every £1 of tax is raised by local government, and even powers over council tax are highly restricted. In Germany 31p in every £1 of tax raising is decentralised and in France 13p is decentralised. The Nordic countries also have a high level of fiscal power devolved. Again, the real-world effect is clear: most UK cities conspicuously lack the transport infrastructure, like metros or light rail, that thread together the communities of German and French cities. These are often financed locally, with local multiplier taxes in Germany, and Versement Mobilite (a local payroll tax) in France.[31]

Figure 9: The UK is more centralised than any comparable country

Various measures of centralisation and autonomy

Country	Sub-national tax as a per cent of total tax	Sub-national spending as a per cent of total	Sub-national economic affairs spending as a per cent of GDP	Regional autonomy
United Kingdom	4.9	24.8	1.0	9.6
France	13.2	20.0	2.2	21.8
Germany	30.9	39.7	2.5	37.7
Netherlands	3.7	30.9	2.0	17.5
Belgium	11.7	40.4	4.3	33.9
Ireland	2.8	8.4	0.5	11.0
Switzerland	39.7	58.1	2.7	26.5
Finland	23.3	40.1	1.6	7.1
Norway	14.2	33.2	1.6	12.1
Sweden	36.4	48.5	1.5	12.0
Denmark	26.4	62.0	1.3	7.3
Italy	16.1	28.2	1.9	26.0
Portugal	7.1	12.3	1.1	9.5
Spain	24.6	42.7	2.5	35.6
United States	34.2	47.8	2.6	29.6

Source: OECD, Fiscal Decentralisation Database, 2023; Hooghe, L, and Marks, G, Regional Authority Index (RAI) – Country, 2021.

2. Poor industrial and regional strategies

Economic development requires government to have long-term objectives (or 'missions'), industrial strategies, regional strategies and spatial plans. These goals, strategies and plans provide purpose and certainty for public bodies, businesses and partners to act and invest. They provide a point of reference for policymaking, helping to coordinate diverse policy strands toward shared goals. They also embed collaboration, both in the coming together to draw up such strategies, and in their delivery.

Other countries have long-term plans and effective policies. In Germany, the constitution (Basic Law) sets the long-term ambition, a touchstone for policymaking across all tiers of government: 'establishing equal living conditions in all parts of Germany'. State and federal ministers meet to agree an approach to spatial development (Leitbilder) and industrial strategy is also long-term and collaborative – in 2019, the 2030 framework was set out. This also unlocks major, sometimes 20-year spending programmes.[32] German regions (Länder) are charged with economic development and these often have their own industrial strategies.[33] France also has a long-term industrial strategy, France 2030, and its regions, though far less powerful than Germany's, also develop industrial or economic development strategies.[34]

The UK has no such long-term plans. National government not only hoards power in the centre, it uses this power poorly. It might be expected that working nationally would bring benefits of scale and greater expertise, but decades of experience have found the opposite to be true.

Many of the UK's problems are exacerbated by the concentration of economic policy making within national government – in the Treasury. No other comparable country has one such department responsible for four crucial functions: raising tax; setting and monitoring departments' budgets; regulating financial markets; and undertaking economic development. This leaves the Treasury spread too thin, trying to do too much, micromanaging, undertaking tasks that it was never designed to undertake, and duplicating the work of better placed policy specialists in other departments. This hinders long-term planning in other departments, and the Treasury also fails to make such long-term plans itself.

This structural problem has held back governments of all political parties:

- Between 1997 and 2007, Labour invested in many regions outside London, as well as in the capital itself, and all UK regions grew quickly by OECD standards.[35] Regional development agencies (RDAs) had a positive impact on some regional economies, particularly in the north, and had a high return on investment.[36] But their investment didn't match other countries' more successful rebalancing drives, their boundaries didn't align with functional economic areas, and they were central agencies without roots in local governance.[37] Further, the UK's wider economic policy framework prioritised growth in property, hydrocarbons and London's financial and professional services industries. Industrial strategy was neglected until 2009, the very end of the Labour administration.

- Between 2010 and 2016 regional policy went through major changes. The global financial crisis caused further divergence in UK regional growth – with many regions' GDP per capita essentially flatlining for a decade.[38] First, RDAs were wiped out without much thought, which left a major gap in policymaking and squandered built-up expertise and institutional knowledge. They were replaced with far weaker local enterprise partnerships in smaller areas. Then, more positively, in 2014, George Osborne introduced the Northern Powerhouse agenda, and devolution to metro mayors, followed by the Midlands Engine.

- 2016–2019 saw a slump in interest in the Northern Powerhouse and devolution, even though the first mayors took up their posts in 2017 elections. Industrial strategy became the focus, with a new Business, Energy and Industrial Strategy (BEIS) department, an industrial strategy council, and local industrial strategies rolled out – notably co-produced between central government and the mayoral combined authorities in Greater Manchester and the West Midlands.

- 2019 onward has seen the introduction of 'levelling up' – a boosterist slogan for an agenda which then took three years to make it even to White Paper status – slow progress, even against the backdrop of a pandemic. Nonetheless, devolution to city-regions continued and was rolled out more widely. The 2023 'trailblazer' deals in Greater Manchester and the West Midlands deepen devolution further.

In the UK, several features define central government's strategic shortcomings with regard to regional growth and poverty. These are well-established problems, which the government's Levelling Up Bill and White Paper, and Labour's Commission on the UK's Future have acknowledged and set out to tackle. To date, however, such plans have not been enacted. These features are:

- **A focus on the wrong outcomes.** The Treasury's focus is on GDP growth and tax take, not on household living standards and poverty. In a sense, this is understandable: growing the national economy and balancing the books are both critical and urgent tasks of national government. But they are both means to an end: higher living standards. Too often, the Treasury has perversely sacrificed living standards to try and raise GDP and tax take – by concentrating growth in a handful of high-growth sectors concentrated in London and the south east.

- **Short-termism and lack of institutional longevity.** Long-term policies and structures are essential to address poverty and regional inequality. But in the UK, new agendas emerge before the last one has had much impact: in less than 10 years we have had Osborne's Northern Powerhouse, Theresa May's industrial strategy, and Johnson's levelling up. These are just the broad programmes, and there is a proliferation of small, short-term schemes that waste central and local capacity, and ultimately add up to less than the sum of their parts. [39]

- **Lack of *strategic* focus on the right sectors.** The UK has pretended to be either a practitioner of laissez faire, or of 'horizontal' (ie non-sector specific), industrial or economic strategy. But this is not, in practice, what government has done. In effect, a swathe of government policy has had sector specific effects, even if those weren't explicit or 'strategic'. The sectors which have overwhelmingly benefited from government policy are finance, business services, and property.[40] There have also been sector-specific, or even firm-specific initiatives on an ad-hoc, non-strategic basis – for major automotive manufacturers, steel, or life sciences companies for example. The UK government clearly does intervene in a way which benefits particular industries – directly and indirectly, deliberately or inadvertently. What it does not do, to our detriment, is intervene strategically, and in a sustained or long-term way, which would likely be more successful.

- **Lack of *strategic* focus on the right places.** Many governments have purported to have a 'place-blind' growth strategy for the whole of the UK, rather than any specific region. And they have had separate regional strategies, usually poorly funded and not sustained, which aim to grow specific regions. But in practice, supposedly UK-wide policy has benefited a small group of places. And such regional policy initiatives fail to undo the colossal damage done to regional economies by unnecessarily rapid deindustrialisation in previous decades. That has led to the situation we currently have, with high growth in London and the south east – albeit, as discussed, not to the benefit of many people actually living there.

Political ideology has clearly played a major part, but there is an additional structural problem which reinforces this approach: the Treasury makes often poor assessments about what is best for short-term, national GDP and tax revenue, instead of prioritising long-term, resilient growth that improves living standards in all regions.

3. Low and ineffective investment

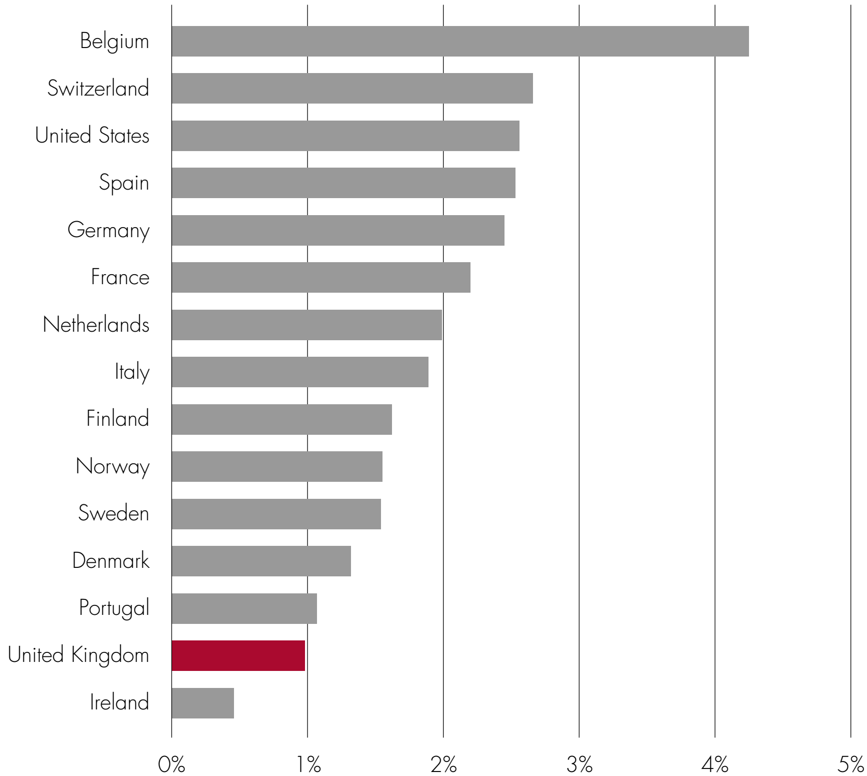
Regional economies need to grow in order to improve living standards – especially for the poorest, who suffer most from stagnation and decline. There is broad agreement on these 'drivers of growth', which the OECD summarises as: infrastructure, human capital, labour market, innovation, agglomeration and connectivity.[41] The wider welfare state, our social infrastructure – which ranges from health and education through to social security – is essential for a functioning market economy, and has been degraded severely since 2010, with dire social and economic consequences.[42] We also acknowledge that compulsory education is major contributor to human capital, and that health and work are closely related (discussed in section 4 below). The commission's focus, however, is on the OECD's list above – areas of policy which have the primary purpose of regional economic development.

Public investment is crucial, both in providing common infrastructure and resources, and in encouraging private sector investment. From a living standards perspective, transport and skills are the top priority, as they have a direct impact on both people's living standards and the economy. Innovation, trade and investment, digital connectivity and business support also have an impact, albeit longer term and more indirect.

Germany and France spend significantly more public money on economic development, and they tend to do so effectively. For example, in both Germany and France active labour market policy spending tends to be far higher than in the UK, and government spending on R&D is also higher[43,44] Since the 1950s, both Germany and France have invested far more in housing – especially publicly funded housing.[45] And the UK's rate of local economic development spending is 1 per cent of GDP, less than half that of Germany (2.5 per cent) and France (2.2 per cent), as figure 10 below shows.[46]

Figure 10: The UK's local spending on economic affairs is less than half that of France and Germany, and lower than all other high-income countries, except Ireland

Sub-national economic affairs spending as a per cent of GDP



Source: OECD, Consolidated expenditure by government function, 2023.

The UK doesn't just spend too little on economic development, it often spends wastefully or fails to deliver:

- First, centralised economic development spending is concentrated on a handful of areas. This isn't to say that those regions should get less – rather, it reflects underinvestment outside of those regions, which is part of the UK's general problem of underinvestment discussed above. For example, public investment in transport is far lower outside of London – spending is twice as high in London than the national average. [47] Almost half of all government R&D spending goes to London, the east and south east – predominantly just small pockets of London, alongside Oxford and Cambridge.[48] This is not just unfair, it is inefficient: research shows that there is greater 'bang for buck' for much of this spending in places that are lower growth, and in the more 'applied' areas of R&D that tend to have better regional representation and more of a direct economic impact.[49]

- Second, central government has a poor record of actually delivering key economic development projects. Politicians often set ambitious targets and plans and then costs spiral out of control and delivery is delayed or cancelled, from HS2 and rail improvements in the north and south west, to broadband rollout.[50]

Generally, the type of private finance that generates productivity growth, namely foreign direct investment and venture capital, tends to flow into regions and sectors that are already growing, or that get the most government attention and public money.[51,52] This creates a virtuous cycle, or 'Matthew effect' – the economic growth this generates means more money flows in, while low growth (but often high-potential) areas like parts of the north or south west get less and less. Governments have a major role to play in this. Private investment is attracted by effective public investment in the 'drivers of growth' outlined above. And, in practice, proactive national or sub-national governments, often strike deals and back projects with their own money or complementary activities, like land assembly, infrastructure, or streamlined planning consents. Development banks are a crucial tool, but these are also underdeveloped in the UK, which we discuss alongside recommendation 6.

Governments often seek to bring in foreign direct investment (FDI), but the UK is also weak compared to other countries. Germany is a world leader in FDI, and has seen a surge of new EV battery and energy investments in the former East German states, including major developments in smaller cities and towns including Jena, Ingolstadt, Rostock, Dresden and Leipzig.[53] France has high rates of FDI and, again, this seems to benefit towns too – 43 per cent of investments, and 74 per cent of industrial investments, were made in towns with fewer than 20,000 inhabitants.[54] This is not zero-sum between capital and country: Paris is also a leading FDI location.[55]

In the UK, support for FDI is again mostly centralised. We have a patchy covering of local inward investment agencies with inadequate money and power, and then some central government initiatives with a regional footprint – like the Northern Powerhouse and Midlands Engine. These can be successful – indeed, the north's share of national FDI rose from 19 per cent in 2012–16 to 33 per cent in 2017–21 – a period when the Northern Powerhouse has been a major, albeit inconsistent, government focus.[56]

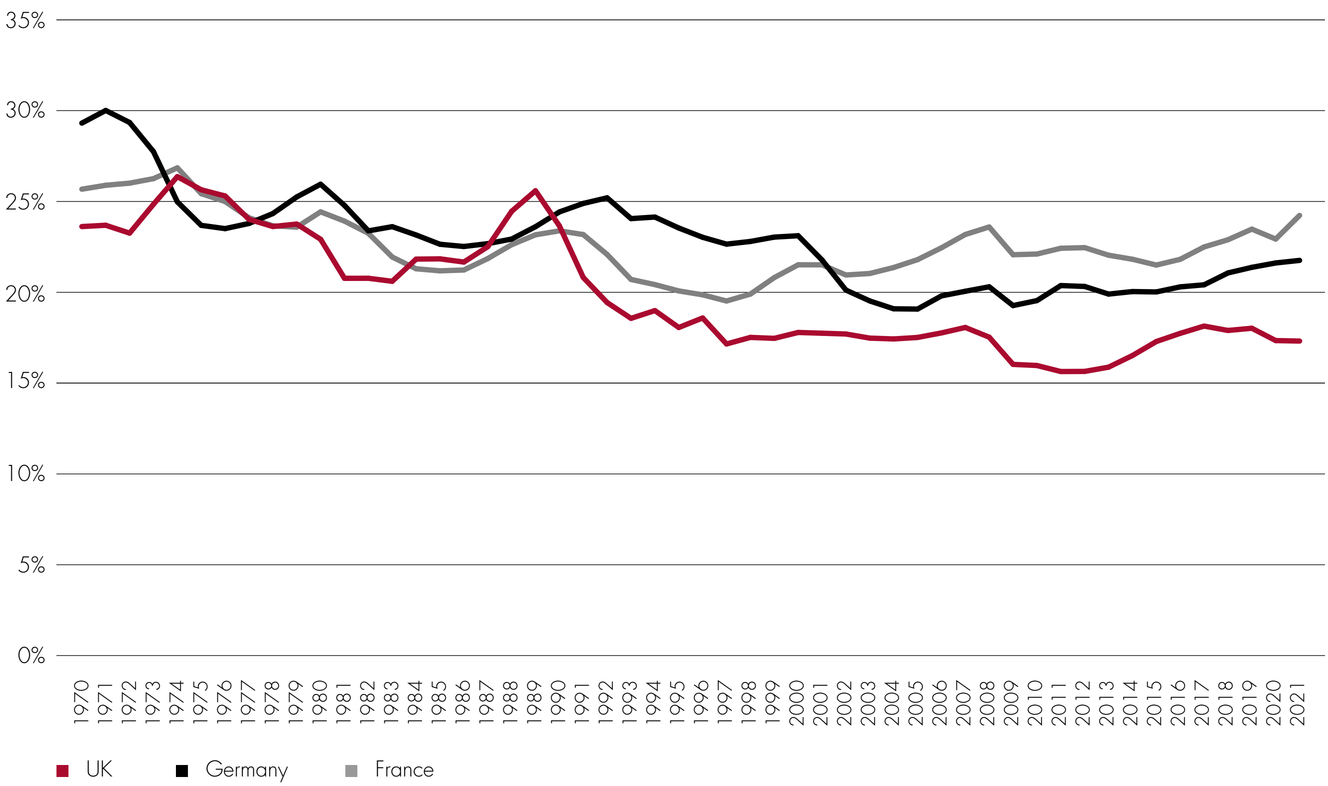
Overall, capital investment, from both public and private sources, is lagging further and further behind that of France and Germany. As figure 11 below shows, we are failing to invest in the required capital, be that housing in and around overheating areas, or transport infrastructure within and between low growth areas.

These major economic policy failures may feel very distant from poverty on the ground in our villages, towns, cities and in our capital. But they are directly connected. Across the country, businesses, councils, colleges, charities, all have to wait in line for someone in Whitehall to give them the permission, or the funding, that they need to improve people's lives. That centralised decision is often not linked to any long-term plan, and that funding is often scarce or misdirected.

The end result, for people in all regions, is poverty. It means people looking for work in Harpurhey, Manchester, can not get a bus to the new sites around the airport, where new jobs are being created, because central government made local government deregulate buses. It means a family trapped in temporary accommodation in London, can not get social housing, because the government has enabled the mass sell-off of council homes and has failed to fund replacements. ■

Figure 11: UK capital investment has long trailed France and Germany but has diverged further since 2008

Gross fixed capital formation as a per cent of GDP



Source: OECD, Investment (GFCF), 2023.

Three challenges

We now turn to three specific challenges we must tackle, to make our country a place where people can enjoy a good life, wherever they live. Economic development has often focused on creating jobs in struggling regions, and more recently on skills. Here we look more broadly at the barriers people face, and incorporate essential living costs into a more comprehensive economic development agenda.

Challenge 1: Create good jobs in all regions

“It’s a lot of call centres up here … and … there’s no-one to have your back. It’s you against the company. You’re just a minion.”

Catherine, County Durham

“There’ll be a lot of times when you’re at work and you have to leave early because something’s happened to your child … or you have to phone in last minute … not a lot of companies are lenient with that.”

Diana, London

Good, well-paid jobs are the best route out of poverty, and productivity growth in a region’s economy is necessary to create these jobs – though it is not enough on its own (as discussed above). Here, we first make the case for improving the quality of work generally, before focusing on high-growth sectors, and analysing the potential for all regions to create jobs in those sectors.

Job quality is vital for regional development

The UK has created a large quantity of jobs, but there are three problems that contribute to regional poverty:

- Falling average real pay – pay has fallen in real terms since 2010, for the first time on record, in all regions.[57]
- Very low pay – poor minimum wage enforcement leaves 400,000 earning below this legal pay floor, and 3.7 million people earn less than a real living wage.[58,59]
- Poor job quality and little progress on new employment rights – employment regulations are often not enforced, in sectors such as agriculture and textiles, and we have failed to keep up with other countries’ advances – for example, Ireland’s 2018 employment bill clamped down on zero hours contracts, while France has granted workers the ‘right to disconnect’.

UK-wide employment policies have a regional impact. Historically, evidence shows that the national minimum wage ameliorated regional inequalities, for example.[60] Poor quality work is unevenly distributed across the country, therefore measures to improve job quality have a different impact on different regions. This pattern is not simple: low pay is often a feature of low-growth regions, but the 'gig' economy, which is often linked to poor employment practices, is disproportionately concentrated in London.[61]

All regions can create 'new economy' jobs

'New economy' jobs are vital for regional economic development and poverty reduction. New economy jobs are widely regarded as those which add most economic value, especially by trading internationally, and are growing in high-income countries. Knowledge-intensive services (KIBS) and high-tech are two vital sector groupings.[62] Such jobs tend to be better paid, but the wealth they bring into communities has a far wider impact too.[63] These sectors do not exist in isolation – they rely on each other, and a wider supply chain of complementary services and manufacturing businesses. These are all essential for translating growth in high productivity sectors into local prosperity and quality of life improvements. They often benefit from close integration with universities, and draw on the assets of different places – like access to the coast for off-shore wind, or proximity to motorways for logistics.[64]

Our analysis finds thriving 'new economy' jobs in many parts of the country. A 'shift share' analysis shows how competitive an industry is in a particular place. It does so by calculating how much growth would be expected in an industry within a place, based on national and industrial trends. This expectation is compared to the real jobs growth, and the difference between expectation and reality indicates the disproportionate change in employment, or the 'competitive effect'. Our findings are summarised in figure 12 below. This shows that a variety of places can create good jobs and many of these places have high rates of poverty, where that growth is needed:

- KIBS are growing strongly in South Yorkshire and Warrington, as well as Greater Manchester, Bedfordshire and Hertfordshire.
- High-tech employment has risen significantly in Cornwall and the Isles of Scilly, East Anglia, Shropshire and Staffordshire, West Yorkshire and South Yorkshire, and the West Midlands.

This pattern may be surprising to those who only focus on where jobs are currently concentrated, as opposed to where they are growing. That analysis of relative job concentration, also presented below, shows that KIBS and high-tech jobs are disproportionately concentrated primarily in a small number of either affluent areas, or productive but unequal cities like London and Greater Manchester. The lesson is that both high concentration and disproportionate growth are important considerations for economic policy.

Figure 12: Many places have seen disproportionate jobs growth in 'new economy' sectors

Location quotient, showing relative concentration of jobs (x axis) vs 'competitive effect', showing disproportionate growth in these sectors in that region 2015–2021 (y axis)[65]

Source: ONS, Business Register and Employment Survey, Nomis, 2022.

* By high competitive effect we mean a higher than trend increase in jobs over the 6-year period, after accounting for patterns in industrial and national job growth.

Clearly there is more to the UK's economic potential than London, or mid-tier cities like Birmingham and Manchester. These cities are absolutely vital, but non-metropolitan places also have potential too, and we need our towns and cities to work together, across regions, to grow our national economy and reduce poverty. This broader conception of which places can grow is discussed in box 1 below.

BOX 1: CITIES, TOWNS AND REGIONAL GROWTH

Towns and cities are sometimes pitted against one another. There is a vibrant debate and a great deal of analysis underpinning it, but this supposed conflict can be resolved with a more comprehensive analysis of how towns, cities and regions work together:[66]

- Connectivity is vital, not density alone. Policymakers often focus on cities as places where density generates additional productivity growth, and therefore where public money can be concentrated to have the most efficient effect on national economic growth. This is one conception of the economies of 'agglomeration'. But the evidence shows that connectivity is what brings that additional value – and the UK's poorly connected cities lag behind their peers overseas because they are so poorly connected, despite having similar densities.[67] By emphasising connectivity as the crucial concept, connectivity between cities and towns becomes more important, as well as connectivity within cities.

- Cities are important – but they are part of a region, not high-density 'islands' detached from their surroundings. Policymakers must also recognise that goods, services and people continually flow between cities and their wider region. And relatedly, when policymakers casually refer to 'cities', they are usually referring to city-regions that incorporate many towns. For example, what people refer to as Manchester is usually Greater Manchester – an economically diverse conurbation, including many towns. Half of its area is green belt. The cities themselves often highlight their interconnectivity and work across boundaries and regions.[68]

- Cities benefit towns and towns benefit cities. Cities benefit their adjacent towns – for example, by providing high concentrations of better paid job opportunities for towns' residents, or a large labour force for towns' businesses.[69] But, by definition, this is a two-way street – towns benefit cities too, by providing the space that both people and businesses want. Evidence confirms the value of other assets, such as ports, airports and universities – and of space, alongside connectivity.[70] That is why internal migration patterns consistently show people in their 30s moving from cities to nearby towns, and some of our most productive areas are actually just outside our cities or city-regions – such as Cheshire or the M4 corridor.[71] This mutual benefit may be obvious, but it is rarely made explicit.

These three points lead to a distinct policy agenda. If regional economies are misunderstood, as they often are, then policymakers will focus on densifying the cores of these cities even further, and improving their internal connectivity alone. But this is only part of the necessary policy agenda: they should also deliver inter-city transport connections and infrastructure-led housing development in well-connected towns and green belt land, and market well-connected areas adjacent to cities for inward investment, for example.

Challenge 2: Enable people to take opportunities

> "Bus services are not the best in Chesterfield. The main jobs are in Sheffield … and it's just obviously the timing to get a bus to get to the job and then home and everything. Sometimes, it's just not feasible"
>
> *Stella, Chesterfield*

There are barriers to employment in both high-growth and low-growth regions. Below, we identify five major barriers. In line with the scope of the commission, these are the barriers with a regional economic dimension – it is not an exhaustive list all of barriers people face. These are often failures of national systems and policies, but their failure has a strong regional dimension.

Training, skills and employment support

Training and progression are vital to address poverty, but the UK suffers from underspending and wider policy failures. Preparing people for work, or training them once in work, is a prerequisite for recruitment, retention and progression and helps people move out of poverty.[72] But employment support services are held back by a culture of monitoring and compliance, which tends to push people to take jobs as soon as possible, and these jobs are not always appropriate or sustainable.[73] As noted above, in both Germany and France, the rate of spending on active labour market policy tends to be far higher, both countries invest more in training, and France spends far more on direct job creation.[74] Adult skills spending has also collapsed: between 2009/10 and 2017/18, total government funding for adult education fell by 45 per cent in real terms, alongside a decline in learner numbers, which also fell by around 48 per cent.[75,76]

Employers' spending on training per employee also dropped in real terms from £1,710 in 2011 to £1,530 in 2019 (2019 prices).[77] A university education is often essential for a well-paid professional career, and regional mobility, but people from poor backgrounds are under-represented at universities, even those who do well at school.[78] The system is failing the economy too: overall, UK workers are notably underqualified compared to other high-income countries and we have significant skills gaps and skills shortages.[79,80]

Regional inequality and poverty result from these national failures. Higher skills tend to mean higher productivity, but they also tend to correlate with population moves to already productive areas. This means that areas that are already productive tend to attract more productive workers. This contributes to both forms of regional poverty trap: low growth, in places where people with good skills are most likely to leave; and overheating, as already productive areas become more crowded and expensive due to pressures on housing costs.

Transport

Transport is vital to address poverty, but we are failing to provide it. Transport networks sustain local and regional economies and connect people homes with essential work and training opportunities. But we have systematically failed to invest in transport outside of the capital and centralisation means places do not have the powers to manage their own transport networks – notably bus regulation, discussed alongside recommendation 9, in box 5.

These failures once again enable regional inequality and poverty to proliferate. Transport-related social exclusion describes how people can be made poor simply by lacking adequate connectivity. Research shows that, outside of London, whole swathes of the country are disconnected, with the north east and south west the worst affected.[81] Access to transport and the cost of transport are related, but cost is discussed under challenge 3 below.

Structural inequality

Structural inequality and discrimination are major causes of poverty. The overall poverty rate in the UK is 20 per cent. But poverty rates are far higher for all minority ethnic groups, particularly Bangladeshi (51 per cent), Pakistani (44 per cent), and Black/African/Caribbean/Black British people (42 per cent). Poverty rates are higher for people who are disabled (29 per cent) and informal carers (29 per cent) and half of all those in poverty are either disabled themselves, or live with someone who is disabled.[82] Women working full-time earn, on average, 8.3 per cent less than men, and 43 per cent of single mothers are in poverty.[83,84]

These inequalities have a strong relationship with regional economies, which is often overlooked: many of the best paid industries, from finance, to energy and manufacturing, are heavily dominated by white non-disabled men. Conversely, sectors with the lowest pay and greatest precarity tend to have disproportionate representation of women, ethnic minorities and non-UK citizens, while many disabled people are excluded from the labour market altogether.

The statistics reveal stark differences across the UK:

- The gender pay gap is actually highest in some of our most affluent regions: the south east (12.5 per cent), the east midlands (11.6 per cent) and London (11.2 per cent) – this gender pay gap has shrunk in all regions, but the regional variations in the gender pay gap have grown.[85]

- The ethnicity pay gap is higher in London, at 23.8 per cent, whereas in Wales it is only 1.4 per cent. This pattern holds even when adjusting for age.[86]

- The disability employment gap was 29.8 percentage points in summer of 2022, with the gap higher in Northern Ireland, Scotland, Wales, the north west and north east.[87,88]

This exclusion isn't just a feature of labour markets, it also intersects with related policy areas, notably transport – transport networks are set up to serve office job commuters, but shut out many disabled people, and many poorer people, women and people from ethnic minorities, who tend to disproportionately work irregular hours or have varied and dispersed travel to work patterns, like social care workers.[89]

Health and mental health

Poor health is a leading cause, and effect, of poverty. Work does not accommodate people living with health conditions and there has been a significant increase in the prevalence of long-term health conditions that are preventing people from working.[90] People in the bottom 40 per cent of the income distribution are almost twice as likely to report poor health than those in the top 20 per cent.[91] Seven in 10 families on low incomes have reported a somewhat or very negative impact on their mental health from the cost of living crisis.[92]

There is again a strong regional dimension. First, local economies affect people's health.[93] The UK has the highest regional health inequality of any comparable country (though France does not produce comparable data).[94] The local availability of good, well-paid jobs is closely linked to health: the long shadow of industrial decline is still felt across many communities, and inequality has opened up as people have aged through stagnant local labour markets, leading to poor health, homelessness, addiction and so-called 'deaths of despair'. The map of anti-depressant prescribing closely aligns to patterns of industrial decline.[95,96] Second, people are prevented from working by the poor availability of local health, public health and mental health services, and the lack of good support for people with health conditions to gain useful non-segregated skills and employment. There has also been a growth in economic inactivity that is most notable among women, people with mental health and musculoskeletal problems.[97] There are many places where these two challenges coincide: where high levels of illness and low provision condemn people to live in poverty, and sometimes destitution, due to their mental and physical health.

Caring responsibilities

Caring responsibilities, and a lack of support to combine caring with work, are a significant challenge for low-income families.

- For working-age people who care for and support other adults, a lack of support means they are much more likely to be out of work and poor. Almost two-thirds of unpaid carers reduce their hours or give up work altogether, and 600 people a day leave work in order to care.[98]

28 per cent of women and 34 per cent of men who are working age, informal carers live in poverty.[99] This care is rarely recognised by policy makers, and neither care provision, nor employment rights are configured to ensure informal carers can stay in employment. Social care reform is beyond the remit of the commission, but the Fabian Society recently published a roadmap for a National Care Service which would help address these challenges.[100]

- For parents of young children, there is a demand for childcare that is affordable, flexible and available locally – yet many face a trade-off between those three priorities.[101] Clearly, the priority for childcare policy is the good, healthy development and education of our youngest children, but it affects parental employment in a major and unequal way. A lack of flexible childcare means parents, mainly mothers, working fewer paid hours than they would like. In 2021, three in 10 mothers (30.8 per cent) in the UK with a child aged one worked full-time.[102] Single mothers with children often face a particular difficulty: it can make financial sense to move into work for one or two days a week, but every extra day lowers their expendable income as they are spending more on childcare. They become 'trapped' on part-time work as a result.[103] For many parents with one and and two-year-olds, there is no free childcare at all. This is a major problem and, as a result, just 47.8 per cent of lone mothers in the UK with a child between birth and the age of two were employed, either part-time or full-time.[104] More flexible work could help balance caring responsibilities with well-paid jobs. However, women are currently more likely than men to take on flexible work that result in a loss of hours and pay.[105]

The availability of flexible work and childcare varies across England. We have a highly centralised, wasteful and fragmented system of childcare provision, with significant variation between areas. Just 48 per cent of local authorities in England have enough childcare for parents working full-time, ranging from 80 per cent in the north east to 21 per cent in the south west.[106] There are particular challenges for those who work 'atypical' hours, have disabled children, or live in the most disadvantaged areas. Rural areas have seen a larger fall in the number of providers than urban areas in recent years, resulting in even more limited provision and longer journey times to access it.[107] The quality of early years provision varies significantly too: a child qualifying for free school meals in London is 30 per cent more likely to be at the expected standard at the end of reception than a child in the Leeds City Region, Greater Manchester or on Merseyside.[108]

Challenge 3: Reduce local living costs

> "All the new places that they're building, it's like luxury one-bedroom, two, three-bedroom apartments … out of probably about 300 of them, I would say about 60 of them were council [housing], and for a one-bedroom, it's more or less almost double what I'm paying now for where I'm living."
>
> *Diana, London*

Concerns about living costs currently dominate our politics, but our problems predate the current price shocks. For many years, regional and national living costs have trapped people in poverty. Our survey found that 12 per cent of respondents in England would not be able to meet a household emergency that costs £300, including 20 per cent of those who are limited a lot by a disability and 17 per cent of parents.

Here we discuss the four living cost pressures which have a strong regional dimension.

> "I was paying more for childcare than I was actually earning … I had to share it out [between family members], and then I would always take unpaid leave, … so I could spend some of the six weeks holiday with them, because I couldn't afford to do it all."
>
> *Meredith, Eastbourne.*

Housing costs

The cost of housing is responsible for pushing 3.7 million private and social renters into poverty across the UK.[109] Around 3.4 million English households in the bottom 40 per cent of household incomes spent 30 per cent or more of their income on housing costs.[110] For private renters, more than two-thirds (71 per cent) spent more than 30 per cent of their income on housing.[111] This is largely why the waiting lists for social housing are so high, with a million household on the waiting list and 95,000 people living in temporary accommodation.[112,113] High costs also affect the quality of homes people can afford – 3.6 million households in England live in poor quality homes, while 739,000 live in overcrowded homes.[114]

Housing costs differ significantly by region. Londoners are affected more than most: the cost of renting in London is twice as high as the national average – about £1,500 per month compared to £825 per month nationally.[115] One poll in January 2023 found 80 per cent of London's tenants are struggling to pay their rent due to the cost of living crisis.[116] Buying a home is beyond the imagination of young people in the capital without significant parental financial assistance the average first-time buyer needs a deposit of over £125,000, and faces house prices that are 13.5 times the annual pay.[117] In many London neighbourhoods, even very high incomes are not enough to afford a deposit and a mortgage – especially on one income.[118] But housing costs are also high in other communities, especially rural areas and coastal areas – where the quality of housing is also often poor. In 2021, rural areas saw average house prices rise by over 12 per cent and rents rose four times faster than those in cities.[119]

Transport costs

As noted above, the absence or expense of transport is itself a barrier to work. But, assuming people pay for transport, it then acts as a living cost, which many can't afford.

Transport cost also varies by region in a way that exacerbates poverty. First, transport is more costly in certain areas: since 2010, bus fares have risen 3 per cent above inflation in London, but 8 per cent in English metropolitan areas, and 18 per cent in English non-metropolitan areas. This means that, while poverty in London is severe, its people are less likely to be socially excluded because of transport costs. Second, when there is no feasible, reliable and cost-effective public transport option, people have to drive, and this is more expensive – as well as contributing to congestion and damaging the environment. Poorer people in poorer regions are affected most of all by both of these issues: the north east and south west have particularly acute rates of transport-related social exclusion, as noted above.[120]

Caring costs

Care is costly, whether that care is for other adults or children:

- Care and support for adults. The high costs of support and care prevents those who need it from working, often trapping them in poverty – and forces individuals to rely on unpaid carers who themselves are frequently forced to give up work and end up trapped in poverty. Most people pay a contribution towards their own social care and support, but there are no precise figures on what people spend.[121]

- Childcare. Despite spending billions of pounds on supporting parents to access childcare, costs account for around 17 per cent of household income for those with childcare needs in the bottom income quintile.[122] The average price in England for 50 hours a week of childcare in either a nursery or with childminder for a child under the age of three is often higher than average housing costs. A private renter in England would pay, on average, over £80 a week more for their 18-month-old child to attend nursery than they would pay for housing.[123] Indeed, the bill for 50 hours a week for a child under two (£274) would cost more than half of the minimum required for a family not to live in poverty. Childcare costs vary substantially across England. Parents in inner London pay 54 per cent more for 25 hours a week childcare for children aged two than parents in Yorkshire and Humber, which is especially an issue for parents of children aged from birth to two.[124] These costs clearly make for lower living standards for millions of people, especially those on low incomes.

Energy costs

International factors are driving higher energy prices – although the UK also failed to prepare for the current situation. This increased expense has made many families either poorer, colder or a combination of the two: JRF found that more than three million low-income households said they have not been able to keep their home warm because they can not afford it.[125]

Energy has an overlooked regional dimension. Unit prices of energy vary between regions in response to market forces – for example, one kWh of electricity is currently more expensive in London than it is in Yorkshire.[126] But the quality of insulation also has an effect on people's bills, and more of the housing stock in towns and cities outside of London is poorly insulated: 54 per cent of London's dwellings are energy inefficient (rated D or below in energy performance certificate (EPC), but this rises to 64 per cent in Yorkshire and the Humber, followed by 63 per cent in the West Midlands.[127] ■

Conclusions and recommendations

This commission has found that centralisation, poor strategies and underinvestment have created severe and inexcusable poverty in all regions of England. The actions of central government have meant underdevelopment for regions outside London and the south east, while simultaneously overheating the capital. The end result is poverty in all regions that is higher than it would otherwise be. This failure sets us apart from other countries and it is getting worse.

The commission believes, based on this evidence, that the fates of people living in all of our regions are bound together. And that all regions and nations must therefore unite to free people from these regional poverty traps. We make 13 recommendations that would turn this situation around.

Recommendations

The commission believes that we can make measurable change to the underlying regional causes of poverty within one parliament, and that governments should not continue to delay action simply because the scale of the challenge is so daunting. Other countries have succeeded. Now, it's time for us to take this seriously.

REFORMING AND ENABLING

Our evidence shows that we need to change who holds power and how they use it to address regional poverty traps. Our first set of recommendations covers governance at the local and national levels.

1. Mayors and councils should set out inclusive economy strategies with poverty reduction targets and policies

Councils and mayors play a major leadership role in their local economy. The rest of this report deals with what central government needs to do directly, or devolve, in order to address poverty – and in such a centralised country, the onus is on central government to act. But local authorities and mayors can make a difference with the powers they already have, and some already are, despite 13 years of difficult financial circumstances. And such policies should no longer be the preserve of innovative or pioneer councils. This should be the standard, mainstream approach across the country.

1.1 Set out local long-term economic plans with poverty reduction targets

Each combined authority, council and the mayor of London should develop a long-term economic plan, focused on improving living standards and reducing poverty.[128] This would build on their existing and predecessor plans and maintain a focus on long-term productivity growth. But these new plans should give higher priority to living standards and poverty reduction. Economic development should incorporate not only economic growth, job creation and physical regeneration, but also policies which enable people to take up work, and those which reduce their living costs – including buses, employment support, childcare and housing costs. Places should particularly ensure that living costs for their poorest residents don't suffer as they develop over time and become more productive. All mayors and councils should act as if the socio-economic duty in the Equality Act applies – it states that public authorities' strategies should work 'to reduce the inequalities of outcome which result from socio-economic disadvantage' (the government should also implement this Act in England – see recommendation 4 below).[129] Each plan should set out concrete targets for delivery, and monitor poverty rates, inequality rates, and progress against other related outcomes.

Plans should be developed in partnership. The plans of the combined authorities and mayor of London should be co-produced with central government, as were the previous local industrial strategies of West Midlands and Greater Manchester, and council plans should integrate with mayoral and combined authority plans. These economic plans should shape the local plans that councils are already required to have under the national planning policy framework (NPPF), transport plans and others. Plans at all tiers should be developed with the meaningful involvement of people living in poverty, as well as trade unions, local businesses (large and small), and the VCSE sector. They should learn from the work of poverty truth commissions (PTCs), and places should consider a PTC to inform a strategy, if they have not already.

1.2 Deliver local economic inclusion policies

All local government organisations should:

- Become 'living wage places' and 'living hours' employers and adopt local employment charters – this would mean all councils, mayors and local 'anchor institutions' working together so that they, those they contract, and those in their supply chain pay the real living wage, offer enough hours of work, train staff, create apprentices, and recruit from disadvantaged communities.[130]

- Maximise take-up of national social security entitlements, hardship schemes and access to food, by promoting them through all their channels, and lobbying for all new discretionary welfare schemes to be devolved by default.

- Improve the accessibility of debt reduction and income maximisation services – they should be located alongside other, easily accessible public services such as schools, job centres and the NHS – learning from reforms by Newcastle and Bristol city councils. Central government should provide grants to councils, to help these services cope with an increase in demand for their support (see recommendation 10).

- Have easily accessible local government hardship funds and welfare schemes, that are 'cash first' (rather than vouchers) and non-stigmatising (recommendation 10 discusses reforms to these schemes)

- Establish a scheme that allows those who are homeless or facing homelessness to maintain a secure and free postal address to access the services and support they need, working with organisations such as ProxyAddress, housing associations and housing developers to do so.

- Provide a payroll scheme to make it easier for their employees to save or take out an affordable loan with their local credit union.

1.3 Establish inclusive local governance

Mayoral combined authorities and the mayor of London should appoint new tripartite local social partnerships (LSPs) as stakeholder sounding boards to advise on economic development and formally advise on local economic plans. Local enterprise partnerships will rightly be phased out by the current government, but it is good practice to have advisory stakeholder boards at a sub-regional level – for example Greater Manchester had a business leadership council long before it had a LEP. These new partnerships would include representatives of trade unions, people with lived experience of low income and those who work with people living in poverty, and businesses on their boards. They would feed into local economic plans (above) and provide advice and input into economic policy-making. Places should look to preserve cross-boundary working while this governance is settled, even if informally, as history suggests it can be a good foundation for future governance.[131]

2. Devolve economic and fiscal power to mayors and councils

The UK is held back bycentralisation in Whitehall and in the Treasury. Currently, the Treasury is essentially in charge of all policyforregionaleconomicdevelopmentand poverty reduction. This has sometimes had benefits: under Gordon Brown, the Treasury worked hard to reduce poverty with tax credits and pension credit; under George Osborne, the Treasury drove devolution and the Northern Powerhouse agenda in the face of resistance from other departments. But these successes hide a long-term structural weakness: having one department in charge of government expenditure, tax policy, financial regulation and economic development creates tensions and conflicts which constrain the good intentions of politicians and civil servants. The Treasury tries to do too much, is stretched too thin, and ends up firefighting a never-ending storm of short-term, urgent, fiscal and debt management problems, which then get worse and worse over time, because the long-term task of economic development has been neglected. Regional development is a major casualty of the Treasury's current overextension, and this affects household poverty and national growth too.

There is strong public support for devolution of economic powers. Our survey found that 70 per cent of people in England thought that their councils should have a fair amount or a great deal of influence over their area's economy, and 58 per cent of those in England who said they lived in an area represented by a directly elected metro mayor thought their metro mayor should have a fair amount, or a great deal of influence, over their area's economy. This is corroborated by many such surveys.[132] Box 2 below describes devolution to date and its shortcomings.

BOX 2: DEVOLUTION AND TRAILBLAZER DEALS

The current model of English devolution is better than total centralisation, but it is far from reaching its true potential. Real devolution would mean that public money and policies are coordinated and integrated so that they are greater than the sum of their parts. But the devolution that we have had to date is minimal, and can be described as 'contractual' devolution, whereby mayoral combined authorities are project managed by the departments that have supposedly devolved power to them, which diminishes this effect.[133]

The 2023 trailblazer deals for Greater Manchester and the West Midlands are the most extensive devolution settlements to date.[134] The key element of these is a single funding pot for each area, to be agreed with the Treasury every spending review. There are also reforms to local and national accountability, alongside many loose or contingent commitments from central government. In many ways, this is a good step forward, but it raises three challenges that now need to be resolved.

1. **Centralisation and accountability.** The trade-off for a single funding pot is to treat mayoral combined authorities more like central government departments, strengthening their accountability to central government, albeit alongside enhanced local checks and balances. The proposal is to have mayors answer to House of Commons select committees and play a far more substantial role in spending reviews than they currently do. This is in contrast to a different form of central government accountability, which they currently come under (which also governs councils) and parts of the non-trailblazer devolution deals, which also incorporate funds with a looser form of central accountability (mayoral investment funds, for example). But local government is fundamentally different to government departments, and this proposal interferes with well-established, robust arrangements which already reconcile local government accountability, in a system where councils are elected to make decisions, can raise taxes and must balance budgets, but also receive a large transfer of non-ringfenced funding from central government.[135]

2. **Scalability.** Combined authorities already play a small role in spending reviews, but having their budgets essentially set by a spending review – as if they were a government department – introduces new challenges, particularly if this were to be upscaled to more than two places. Spending reviews are a complex and drawn-out process set up to settle central government departmental budgets, not those of individual local government bodies. It is unlikely that settling two mayoral combined authority budgets in this way will work well, but settling this individually for several mayors across England will be totally impractical. Mayors of a political party which is not in government might also struggle to be prioritised, in a zero-sum competitive process involving secretaries of state from the same party as government. Likewise, having mayors attend select committees once a year may work for two mayors, but will not work if there are many more of them. In this sense, so-called trailblazers do not blaze a trail at all.

3. **Fiscal devolution.** The deals do not allow places to unlock land value or pursue innovative project funding mechanisms, which will hold back transport and housing developments across the country. And, as they are bespoke funding arrangements for the two areas, they do not set out a framework for regional redistribution of economic development funding.

Trailblazer deals do show the way forward, albeit perhaps not in the way intended. Below we show how they can be built on between 2025 and 2035.

The government should devolve economic and fiscal power to mayors and councils.

2025–2030: Delivering 'trailblazer' devolution across England

2.1 Enhance existing sub-regional governance and allow formal pan-regional collaboration

Economic development in England should mostly work within current governance structures. Councils remain the fundamental building block for all sub-national economic power, and this role should be recognised and protected. But this is enhanced significantly by working together as combined authorities, which cover functional 'travel to work' economic geographies and can take on powers from central government. London should keep its current governance structures, while outside London a combination of mayoral combined authorities, combined authorities and combined county authorities provides enough flexibility for sub-regional economic devolution tailored to England's different geographies. However, four minor changes are required. Legislation should be amended and new devolution and accountability frameworks should reflect these changes. The government should seek explicit commitment between political parties to keep these frameworks broadly stable for the next 10 years at least. These changes are:

- Resolve accountability issues. Mayors should not be treated like government departments, required to attend select committees, and engaging in department-style spending review settlements. There is already a well-established model for local government accountability for non-ringfenced funding transfers from central government, which currently governs councils and combined authorities, and which is very different from departmental settlements – for good reason.[136] Mayoral investment funds also have a form of accountability, whereby they receive a 30-year funding stream, but must prove it has been spent well every five years. Either of these provides a basis for a single funding pot, but treating mayoral combined authorities like government departments, as currently proposed, is not likely to be fruitful.

- Enable locally led regional combined authorities – to formalise, enhance and protect pan-regional collaboration, like Transport for the North or Midlands Connect, and allow Yorkshire to come together as a single entity.[137] These combined authorities should be accountable to their constituent mayors and councils, not central government, and only exercise powers that require pan-regional collaboration.

- Scrap the proposal for panels of MPs to scrutinise mayors – parliament should not set up dozens of new panels covering each community in England, they have no statutory role and this is a confused solution to the accountability question (even if it serves the incidental purpose of familiarising MPs with devolution).

- Enable places with 'level 2 devolution' to have an investment fund, to replace competitive bidding processes (see below).[138]

2.2 Devolve a new 30-year investment fund

From 2025 onward, additional economic development funding from central government should be structured to have maximum impact on poverty and living standards. The equivalents of the levelling up fund and shared prosperity fund should not be distributed by competitive bidding, but nor should they be distributed by formula alone. The aim is to ensure economic development spending not only goes to areas where it is needed, but that it is actually put to good use. Neither bidding, nor formulas alone achieve that. Therefore, we propose adapting the existing mayoral investment funds framework:

- Combined authorities and the mayor of London should produce economic plans which have a focus on poverty and living standards (recommendation 1).

- Places should be awarded funding from a new, 30-year investment fund which incorporates the shared prosperity fund, levelling up fund, and their successor funds. Their allocation should be based primarily on their population level and poverty rate.[139]

- Accountability should be on a similar basis as existing mayoral investment funds. Every five years there should be an independent gateway review, where they must prove to an independent commission how places have invested that 30-year investment fund pot toward addressing the problems identified in those plans – with a focus on poverty and living standards.[140]

This would mean, for example, London would have to prove this spending had been spent primarily on social housing, as housing is such a major cause of poverty in the capital. We could expect city regions like Greater Manchester to focus on new bus connectivity or job creation activities.

Existing mayoral investment funds would be unaffected and places which already have full business rate retention should not be disadvantaged by this arrangement, but the revenue would be replaced by this funding stream.[141] As proposed above, this investment fund should be open to all places with level 2 devolution – ie they would not require a mayor.[142]

2.3 Build capacity in partnership

The government should partner with councils to ramp up economic development capacity and political leadership in local government. Capacity is a recurring concern in devolution discussions: combined authorities are often underfunded and, after 13 years of cuts, many councils do not have the people, skills or resources to prioritise economic development, even though it often makes financial sense to do so. For at least a five-year period, the government should work closely with the LGA to develop a programme of recruitment and training of economic development professionals, and transfer and retrain personnel from central to local government. Councils could choose to combine these resources at combined authority level, either formally (as combined authority staff) or informally (as networks, or with secondments).[143] They should particularly ensure that there is local capacity to engage with the UK infrastructure bank, as many places could benefit from its support. They could learn from Wales and Scotland's drives to increase capacity.[144] Independent panels should determine the remuneration of councillors, council leaders and council mayors who take on additional responsibilities.[145]

2.4 Deliver maximum devolution within the current framework

The government should push forward with a five-year 'devolution parliament' from 2025. By 2030, every area of England should have level 2 devolution, and be offered the new 'trailblazer' level of devolution, supported by appropriate capacity and funding. This means all areas could have what Greater Manchester and the West Midlands negotiated and announced in March 2023. This should include delivery on the vague commitments contained in the deal documents. This England-wide devolution should cover local transport (including rail), skills, employment support, housing, trade, inward investment, innovation, and business support.

2.5 Enable councils to unlock economic development with new levies and charges

Councils should have the power to unlock funding for economic development – from high streets and the public realm, to housing and transport projects – without any interference or permission from ministers or parliament. To do this they should have the ability to implement the following: tourism (or hotel bed) levies; higher council tax on second and empty homes; workplace parking levies; road user pricing; congestion charges; business rate premiums; and land value capture schemes.

2.6 Pass an Act of Parliament to enable major devolution post-2030

A new Act of Parliament should enable devolved economic development in England. Previous primary legislation enables the transfer of powers from departments or councils to combined authorities, but long-term funding needs to be resolved, and specific powers need further legislation. The government currently has a 'Levelling Up Bill' before parliament, but this doesn't go far enough, meanwhile the opposition has proposed a 'Take Back Control Act', with details currently unclear. This legislation should:

- Create a ring-fenced UK economic development budget, with the majority of this devolved. The Act should set a duty on government to meet a defined minimum level of spending on each of the key economic development areas – transport, innovation, skills, employment support and housing. It should also require that this is mostly devolved in England before the spending review process of setting departmental spending is started (other UK nations would receive the Barnett consequentials). This is discussed further in box 3 below.
- Re-regulate buses, and reform the land compensation act to eliminate 'hope value' (recommendation 9 and recommendation 12)

2030–2035: Delivering full economic devolution across England

2.7 Deliver real devolution

The government should deliver real devolution for economic development in England from 2030–35.[146] This would mean that, by 2035, on all major areas of economic development policy Westminster would still pass the necessary legislation, establish universal rights, set regulations and broad policies; but decisions about how to deliver would mostly be made by mayors and councils. We propose this model for economic development – skills, transport, employment support, housing and innovation. It will also be viable for other public services that are not so closely related to the economy, that are often regional or local responsibilities in other countries, but are beyond the scope of this commission.

BOX 3: SETTING AND DEVOLVING THE ECONOMIC DEVELOPMENT BUDGET

An England-wide, devolved economic development budget is supported by three arguments:

1. England's local government needs long-term, devolved economic development budgets to tackle low growth, overheating, and the poverty that results.

2. The 'trailblazer' deals, writ-large, suggest a natural evolution to an England-wide economic development budget – because, as discussed above, involving several mayoral combined authorities of different political parties in spending reviews is impractical.

3. Fiscal devolution must reconcile local empowerment with equality between places. The best role for fiscal devolution is to enable better economic development spending, by having larger, more stable, more diverse funding streams. An England-wide economic development budget that is linked to total tax take would be a good, fair, efficient and simple way of doing this – at least as a stepping stone to a more complex system.

These arguments all point to the logical solution of an England-wide, devolved economic development budget. This would include almost all government spending on transport, housing, innovation (applied, but not basic R&D), skills, employment support and business support. Additional central government funds, such as levelling up and shared prosperity funds, would continue to operate as recommended above – so there would be two different funding settlements: one, which reflects the 'core' functions of devolved economic development; and another, 30-year investment fund, as described above, geared primarily toward addressing poverty.

UK-wide spending levels should be advised by a new productivity commission and decided by a new industrial and regional strategy cabinet committee (see recommendation 3 below for details of each of these). The productivity commission would determine a level of spending across each of the broad economic development themes (such as housing, or transport) which would draw lessons from international comparators' spending levels, but be tailored to the UK. This approach is preferable to benchmarking spending against other countries as a percentage of GDP, because other countries change how much they spend on such things; rates are affected by their denominator (eg if their GDP falls, a rate based on it could go up); and it might not be possible or desireable to match other countries' spending levels. The productivity commission would be supported in this by the national infrastructure commission and the Climate Change Committee.

Spending should be stable but responsive to downturns and reward local government collectively for inclusive growth. Economic development spending must be kept relatively stable, establishing a minimum floor for as long as possible – 10 years, at least. This timeframe has a precedent – Transport for London has had a 10-year budget settlement, for example. During recessions, additional funding should be rapidly deployed or frontloaded, to stimulate a return to growth in the most effective way possible to avoid long-term damage to regional economies and public finances. Further, to incentivise inclusive regional development and collaboration, if national receipts for taxes like income tax, VAT and national insurance rise more than expected, then a share of this should be devolved. This would replace the current approach to fiscal devolution, which supposedly 'rewards growth' but does nothing of the sort.[147]

Most of this funding would then be devolved to local government in England, with departmental budget settlements resolved via spending reviews after. For example, the Department for Education's adult education budget wouldn't include any provider funding, because in future this will all have been devolved. Departments' capital budgets would, between 2025 and 2035, mostly transfer to local government – or regional combined authorities, in the case of pan-regional transport projects, like Northern Powerhouse Rail. There would need to be national frameworks, strategies and safeguards, and agencies like the Education and Skills Funding Agency, Highways England and Network Rail would have a coordinating or regulatory role. An England-wide project like HS2 would also remain under the Department for Transport. There would remain significant scope for policy to be set at the England and UK level, even with devolved delivery – this is similar to highly decentralised countries such as Germany. In practice, good economic development means working as partners between different tiers of government, with each tier undertaking a role to which they are best suited.[148]

This funding should be distributed on the basis of a formula specified by local government collectively. Central government should set out a set of broad priorities or 'missions': reducing poverty would be one of these, alongside decarbonisation and productivity growth. They should also specify a minimum floor of spending for every council area, and how much of that fund should be allocated to each thematic area of policy, such as 'housing' or 'transport'. But local government should specify the weighting of different factors in each thematic allocation, such as population, sustainability, housing need, transport connectivity and poverty rates. This is likely to be a challenging negotiation, but is preferable to the current system. It also has the potential to be more sustainable once settled. There is some precedent for local government coming together to negotiate challenging settlements – such as in the specification for northern rail services and investment as part of Rail North and Transport for the North. There is also precedent for this in other countries – for example Germany's primary economic development fund (GRW) which has lasted 50 years. If local government fails to come to agreement, then central government should decide based on transparent criteria. This process should be repeated every 10 years.

Accountability for central government funds would be maintained, in a better balance with the empowerment needed to deliver economic policies. Almost all economic development funding would be devolved, funded from general taxation, and with some regions gaining more than others. That requires a level of accountability to central government, to ensure it matches the spending levels and priorities decided nationally. Each combined authority or the Greater London Authority would receive a long-term settlement allocated to a broad theme. Places would be barred from deviating too far from the thematic allocations. These would also be subject to five-yearly gateway reviews to maintain accountability to central government.

These thematic allocations will also help move beyond 'zero sum' competitions between places – for example, in simple terms we would expect London and parts of the south to get far more funding for housing, but the north and midlands to receive far more for transport. In practice, good schemes will cross themes, and this should be encouraged, not prevented.

3. Reform central government and set out strategies to embed long-term partnerships

The UK economy suffers from significant institutional and policy uncertainty. At the national level, we have had a number of shortlived advisory bodies, most recently the industrial strategy council. And we have had a constant churn of government programmes and policies and the funding associated with them – on top of the uncertainty councils already face with their budgets. This uncertainty and short-termism means that a huge amount of public sector energy is spent at central and local levels simply reinventing the wheel or reapplying for funding. It means revenue streams can not be guaranteed or infrastructure plans can not be developed. And ultimately it means that businesses do not have the certainty with which to plan, and create jobs. Other countries do this differently: they have long-term plans or industrial strategies, and established institutions and organisations. There is a clear 'dividend' simply from having long-term certainty in economic policy.

The government should reform central government and set out strategies to embed long-term partnerships.

3.1 Establish an industrial and regional strategy Cabinet committee

The government should set up a new industrial and regional strategy Cabinet committee to make key decisions and oversee delivery. A strategic Cabinet committee would meet monthly, it would be chaired by the prime minister, and attended by the chancellor and the two secretaries of state representing business and regions (currently business and trade, and DLUHC). This would oversee another, operational committee which would meet weekly, and would be chaired by one of the other three politicians.[149] Other secretaries of state and ministers would attend as needed (including those responsible for climate change, innovation, employment, education, transport and housing). They would make executive decisions about economic policy interventions, drive devolution through the machinery of Whitehall, monitor and coordinate the pipeline of major projects at all tiers of government, and collaborate on legislation, to ensure strategic alignment. An economic delivery unit should be developed within the Cabinet Office, to form a dedicated secretariat, and become specialised in ensuring delivery and coordination across government.

3.3 Establish an industrial and regional strategy council to provide advice

The government should set up a statutory, cross-party, tripartite and geographically representative industrial and regional strategy council. Leaders from the devolved nations and local areas in England should be represented on the council, alongside businesses (large and small) and trade unions. They should ensure the government's industrial and regional strategy, and all economic policies, are built on comprehensive understanding of the economy, in terms of region, industrial sector, business and trade union voices.

3.3 Establish an independent, expert-led productivity commission to advise on spending and conduct inquiries

The government should set up an independent, expert-led productivity commission. This would provide expert, objective advice. Its primary role would be to make recommendations on long-term levels of economic development spending, as discussed in recommendation 2. It would also conduct inquiries, and hold public hearings. It would be independent of government and could draw from international examples, such as New Zealand, Australia and the Netherlands, or from UK examples in other fields, such as the OBR or the Climate Change Committee.[150] The commission would set out its own, independent targets for delivery and outcomes, advise on the development of the industrial and regional strategy, as well as other economic strategies, and objectively appraise government progress. It would need to collaborate closely with the Low Pay Commission, Climate Change Committee and National Infrastructure Commission.

3.4 Appoint a First Secretary of State for Regional Development

Regional development in England needs a powerful voice. This long neglected but vital area of policy needs strong representation in Cabinet. There is a long precedent for first secretaries of state holding an regional economic development brief – for example, Michael Heseltine and John Prescott. They should lead on regional development for central government, but in close collaboration with mayors and councils in England, and the devolved nations. Their department should work closely with the Cabinet Office and across other departments to manage the process of devolution and coordinate between tiers of government.

3.5 Set out a long-term industrial and regional strategy and keep structures stable

These new structures should together co-produce the industrial and regional strategy. They each have a complementary role to play, providing expert advice from businesses, unions, regions, academia and government. And their buy-in will be essential to ensure the delivery of the strategy's objectives.

The government should 'future proof' industrial strategy as far as possible. They should commit to hold the new structures and strategies steady for at least 10 years, with only minor 'refreshes' to account for any unforeseen events. They should seek explicit cross-party buy-in to the broader, less ideological elements of economic policy – such as its objectives, the economic strengths and weaknesses of UK sectors and regions, and even a baseline package of support. These are things which political parties mostly already agree on. Future governments would still be free to deviate, but should aim to provide as much stability and certainty to business as possible.

3.6 Investigate options for structural and constitutional reforms

Other options for economic governance could be considered for implementation after 2030. There is a case for breaking out the Treasury's responsibility for economic policy, merging departments or otherwise changing the machinery of government, but this is likely to be complex and has the downside of disruption and removing those departments' specialisms. Locating the 'economic delivery unit' in Number 10 also has some merit, though the risk is that Downing Street ends up overburdened.[151] The questions of economic governance and our wider constitutional settlement are also inseparable, and the role of the House of Lords must be a part of that conversation.[152] These long-term proposals should be developed, but they should not hold back the other reforms we recommend.

4. Set a long-term national mission to reach 'equal living conditions' and take action to reduce inequality in living standards

England has a 'postcode lottery' in living standards that results from both geography and income levels. Many people lack the services they need to live a decent quality of life, and this is often concentrated in particular places. Companies and public bodies have rationalised their provision in a way that especially disadvantages areas that have lower population density or lower transport connectivity. As a result, whether in rural communities, coastal areas and post-industrial towns or even neighbourhoods within cities, people don't have access to the things we all need to live a decent life. Essential private sector services such as the bank, post office, pharmacies or shops selling affordable and healthy food are often not within walking distance. For example, between 2012 and 2022, the number of bank and building society branches in England fell by 41 per cent.[153] Nearly half (45 per cent) of neighbourhoods in the north east have poor access to cheap, fresh and healthy food, compared to 37 per cent in Yorkshire and the Humber and just 4 per cent of neighbourhoods in London.[154] This affects those on low incomes the most, as they are least able to afford the travel costs to access faraway services. To resolve these inequalities, we need to combine national policies and laws, with local delivery to realise these in practice. As discussed above, this is similar to how Germany's Basic Law frames their policy making at federal, regional and local levels.

The government should set a long-term national mission to reach 'equal living conditions' and take action to reduce inequality in access to crucial services.

4.1 Set a national mission to reach equal living conditions and implement the socio-economic duty of the Equality Act

The government should:

- Set out a long-term mission for all citizens to have 'equal living conditions' in all parts of the country. This should be written into legislation –

in Germany, it is part of the constitution.[155] This would be a reference point for all government strategies, requiring public bodies to consider the regional impact of their decisions. It could be linked to the social and economic rights proposed by the Commission on the UK's Future.[156]

- Implement the socio-economic duty of the 2010 Equality Act, which states that: "An authority to which this section applies must, when making decisions of a strategic nature about how to exercise its functions, have due regard to the desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage."[157] This hasn't been implemented in England – though its equivalent was implemented in Scotland in 2018, and in Wales in 2021.

Both should be a consideration in central and local government policy making, so that all strategies consider both regional inequality and socio-economic disadvantage.

4.2 Specify which public and private services people should have easy access to by right

The government should set out a national ambition that everyone should have their essential needs met within, for example, 20 minutes' walk, cycle or bus. This standard should indicate the range of amenities and services that are the minimum needed to live a decent life. It should cover essential services provided by both the public and private sector. The standard should be co-produced with people on low incomes from different communities. This should be analysed, monitored and used to inform policy making, in support of the legislative requirements specified above.

4.3 Co-locate services to make universal access a reality

The government should support local authorities to establish 'NeighbourHubs' to practically deliver on the ambitions of these national missions. They should bring together essential public and private services in a single location – utilising empty buildings on the high street or in other convenient locations. This model is already in place in some communities, but should be scaled up. There should an online option for NeighbourHubs, jobcentre and GP services in disconnected, rural and remote communities – alongside access to superfast broadband, digital devices and skills training for those who need it. People with lived experience of poverty should be recruited to continuously advise councils on which services should be prioritised and how they can be delivered in the hubs. While central government could set out a 'menu' of public and private sector services, the exact provision should be decided between councils and local people who experience disadvantages. Neighbourhoods that are both poor and lack essential services should be prioritised for the rollout of NeighbourHubs.

4.4 Eliminate the poverty premium and establish social tariffs for utilities and financial services

Regulators should be required to use their powers to intervene to eliminate the poverty premium and ensure people pay a fair price for essential services, including financial services, food and energy.[158] For example, Fair by Design has recommended the Financial Conduct Authority prevent insurers from charging more to customers who pay monthly for their insurance, and Ofgem prevent energy companies charging more for those who do not use direct debits – especially pre-payment meters.[159] The government should introduce social tariffs for low-income households (not limited to those in receipt of means tested benefits), including broadband and energy – and automatically enrol people onto them.[160]

4.5 Guarantee universal access to a basic package of affordable banking services

The government should support financial resilience and inclusion, by guaranteeing universal access to a basic package of affordable banking services for every adult and business, including a savings scheme, free access to cash, access to credit and credit unions, independent money management advice, and face-to-face financial services. A new 'duty to serve' for UK banks should be introduced requiring them to show how they are serving individuals and SMEs of all backgrounds – especially low-income households and SMEs in deprived communities.

CHALLENGE 1: CREATE GOOD JOBS IN ALL REGIONS

In all of England's regions, there simply aren't enough good jobs. The result is poverty, for people in poor quality work and people who can not find work at all.

It is possible to change this situation by increasing levels of employment in every part of the country, improving pay and conditions, and growing the number of high-pay, high-productivity jobs. Other countries have managed to do so.

But this is hard, and long-term, structural problems need long-term, structural solutions – not a series of tokenistic, small-scale initiatives that we have seen in recent years. Here we present four such solutions.

5. Deliver inclusive economic development in partnership with councils and mayors

The UK government has a dire record of delivering economic development. Governments have consistently failed to deliver essential infrastructure and programmes to grow the economy and reduce regional poverty. The foundations of good economic development policy already exist, but they are currently too centralised, too small-scale, or focused on generating an exclusive form of economic growth. But complete devolution will not solve all of these problems, and central government often needs to play a complementary role – this is the case even in highly decentralised countries such as Germany.

The government should deliver economic development in partnership with councils and mayors.

There are three areas where integration between central and local government is crucial:

5.1 Economic development zones

The government should work with mayors and councils to jointly specify 'zones' where they will coordinate their policies. This would include innovation funding, inward investment activity, land assembly, infrastructure and training provision. They should harness the potential of universities, ports, airports and renewable energy as catalysts for inclusive growth. Their governance and financial arrangements should be transparent and accountable to local councils. Existing enterprise zones, free ports and investment zones should be robustly audited, evaluated for their additional economic, social and environmental impact, and then replaced or converted into this new model.

5.2 Innovation partnerships

The government should prioritise regional economic development in R&D funding, by shifting the profile of spending toward 'applied' R&D, commercialisation, and 'strength in places' funding, which builds up capacity. As discussed in recommendation 2, the majority of applied R&D funding would then be devolved. The government should set regional 'floor' targets for public R&D funding in every region, as part of the funding settlement proposed in recommendation 2.[161] Any form of public support for R&D, whether a grant, loan or tax relief, should come with conditions attached, for example to evidence the creation of high-quality jobs (in line with recommendation 7 below).

5.3 Trade and inward investment

The government should embed good work principles in trade and inward investment. They should work with trade unions to set out a robust and enforceable UK-wide framework that prioritises employment and employment rights for both trade and inward investment.[162] And the government should work with mayors and councils (and the devolved nations) to align these requirements with long-term economic plans, local employment charters and other devolved priorities (recommendation 1).

6. Make the British Business Bank more autonomous and empower regional leaders in new regional governance

Entrepreneurialism in high-growth firms or ones which export often creates jobs, and many governments provide finance for business start-ups, scale-ups and spin-outs. This tends to bring more money into struggling local economies than non-traded or 'everyday economy' businesses. This has a wider social and economic impact, which raises productivity, jobs and pay and therefore helps reduce poverty.[163] Other countries have far more effective development banks for this purpose, whereas the UK's system is currently lagging and underdeveloped, as discussed in box 4.

BOX 4: DEVELOPMENT BANKS AND REGIONAL INVESTMENT

Development banks are a very common and important way in which governments direct private finance. These banks use various 'financial instruments' to support start-ups and spin-outs, including lending, taking equity shares or underwriting risks.[164] These banks vary in form, but there are common strands: they are orientated toward a public purpose, and this is set out legally and formally; they often support government 'missions' or priority sectors, aligned with industrial strategy; some perform a counter-cyclical role, supporting businesses through downturns, but can also take a 'venture capitalist' model whereby they benefit from their equity investments. Most lend to start-ups or 'spin-outs' from universities, and many also lend to support public infrastructure. Their success varies significantly between countries and different types of support.

Crucially, these banks often have a strong, formal regional development focus, built into their governance or constitution: for example, 20 per cent of the German national bank, KfW, is owned by the Länder, while Landesbanken and Sparkassen have regional and local footprints respectively. Ninety per cent of BPI France's decisions are made at the regional level.[165]

In the UK, public financing for businesses is too small, too centralised, and exacerbates regional inequality. The British Business Bank (BBB) is the most recent iteration of this – following the privatisation of the Green Investment Bank, now the Green Investment Group. Founded in 2014, the BBB has had some positive impact on regional growth: it has separate funds focused on the Northern Powerhouse, Midlands Engine, and Cornwall and the Isles of Scilly. The Northern Powerhouse investment fund has achieved significant impacts on employment and turnover, with a benefit cost ratio of £4.20 for every £1 spent.[166] There are also development banks in Wales and Scotland. These banks are part of a large 'ecosystem' of finance and business support. This includes the UK Infrastructure Bank – which was set up more recently to invest in infrastructure – and growth hubs in England, some small local banks and locally delivered business support schemes; and funds such as the Key Fund, which focus on social investment.

This UK system has several shortcomings. First, it is relatively young, compared to well-established banks and systems overseas – this underlines the need to maintain some institutional continuity, while not shying away from reforms where they are needed. Second, it remains too centralised and has arguably widened regional inequalities as a result: more than twice as much funding has gone to London as the north (a region with almost twice the population).[167] Moreover, the British Business Bank lacks the autonomy it needs to do its job properly.[168]

The government should make the British Business Bank more autonomous and empower regional leaders in its regional funds.

6.1 Maintain stability for the British Business Bank

The government should reform the current British Business Bank, rather than starting from scratch. Erratic and frequent policy change is a major problem in its own right: expertise can be lost, it can take years to set up wholly new institutions, and businesses benefit from continuity and deepening of relationships. The broad role and remit of the BBB should remain the same: it should primarily address market failure for SME lending in high-growth-potential firms and support regional economic development.

6.2 Make the British Business Bank more autonomous, responsive and better coordinated

The BBB itself should become more independent from government and have more stable funding streams.[169] Stability and autonomy attract more funding from the private sector. So, funding should be sustained permanently and in real terms, with the autonomy of the banks subject to five-yearly independent process of evaluation.

During recessions, or periods when businesses can not access the credit they need, the BBB should receive a short-term injection to engage in counter-cyclical lending, to ensure high-potential businesses can still borrow.

The different stages of publicly funded research and commercialisation need to be better coordinated and have to move faster, in order to maximise impact and appropriate demand for the bank's funds. As a first step, the government should commission a review of high-growth business financing to make recommendations that improve the complementarity of all government and non-government actors, from UKRI, Innovate UK and the BBB to universities and venture capital.

6.3 Bring regional leaders into regional fund governance, to cover all of England

The BBB's regional funds should, over a single parliament, come under the strategic oversight of regional leaders, while remaining part of a new overarching British Business Bank. Greater Manchester's trailblazer deal proposed 'a new role for GMCA [Greater Manchester Combined Authority] in the governance of the next generation of British Business Bank UK funds'. This should mean mayors are represented on regional boards governing funds such as the Northern Powerhouse investment fund and its equivalents in other regions. The regional board should set out a strategy which ensures these funds build on the region's strengths, and also reduce poverty in the long-term by creating good jobs and supporting wider economic development. Regional BBB funds should usually cover large regions, such as the north of England and they should be extended across all regions of England.[170] There should be no involvement of regional leaders in operational or commercial decisions.

6.4 Explore further regional autonomy in the long term

More regional autonomy should be explored after 2030. The current BBB and its Northern Powerhouse investment fund are both working well, so the model proposed above should enable the best of both worlds: on the one hand, regional knowledge and responsiveness; and on the other, risk pooling and economies of scale. But this may not always be the case – centralised initiatives have tended to fail in the past, as discussed above. The devolved nations have development banks which work at a smaller geography than most English regions, and regional autonomy is common in other countries. Policymakers should ensure that governance structures continue to ensure a healthy supply of funding to the regions. More autonomous regional banks could, in some circumstances, be the best way of doing so.

6.5 Stimulate demand for funds

Demand and uptake often needs to be encouraged, particularly in low-growth regions. This should be done in a number of ways:

- Increasing the resources and remit of regional fund managers.
- Requiring all business-facing publicly funded agencies, such as growth hubs, Innovate UK and UK Research and Innovation (UKRI) to signpost and handover relationships.
- Aligning with local and regional economic strategies, to ensure that the specific missing financial 'ingredients' in each place are provided by the regional bank fund.
- Aligning with Economic Development Zones (see recommendation 5).

6.6 Support social outcomes

The BBB and its regional funds should support social outcomes in several ways. They should:

- Require recipients to evidence their direct, indirect and supply chain impact on sustained, good quality jobs – aligned with 'fair work' principles, for example those outlined by the TUC, and aligned with local employment charters (in line with the Scottish National Investment Bank, see recommendation 7 below).
- Break down equalities barriers to accessing finance – Scottish National Investment Bank's equalities impact assessment, for example, found ethnicity and gender to be barriers to accessing finance.
- Ensure geographical location is not a hindrance to accessing finance, by regularly monitoring the distribution of funds, investigating any shortfalls, then acting to address them promptly.
- Work to enhance or expand the offer from existing non-profit community development financial institutions (CDFI) funds, like the Key Fund, that provide finance for underserved businesses.

7. Leverage public spending to support inclusive economies

The state itself is a major presence in any local economy, but many public organisations do not pull their weight to address poverty. There are a number of ways in which government departments, agencies, quangos, hospital trusts, colleges, councils and other branches of the public and para-public sector can improve employment locally. There is already good practice, of councils and government agencies paying a real living wage and contracting locally. But this is the exception and not the rule. In addition, government departments and agencies are overly concentrated in London, often unnecessarily. This contributes to an overheating in property prices in the capital, while missing an opportunity to stimulate inclusive growth in other parts of the country where spending is sorely needed. And when businesses benefit from tax breaks and subsidies, their resultant growth is too rarely directed toward public benefit.

The government should leverage public spending to support inclusive economies:

7.1 Move government and its agencies' staff out of London

Government departments, quangos and publicly owned organisations should be outside London by default – the presumption should be that only those who need to be in a London office full-time work there, and individual teams should have to argue their case to remain. Where organisations commission most of their work externally, such as Channel 4, targets should be set for work being commissioned outside of London too. Flexible and hybrid working should also be the default, allowing people to live and work in different parts of the country.

7.2 Require all public sector organisations to meet high employment standards

All organisations that are either part of the state, or rely predominantly on the state or public funding should be required to maximise their impact on poverty in the community they are based in. This should primarily be via higher employment standards, both for those they directly employ and those they contract to deliver services. The organisations affected would include government departments, councils, combined authorities and quangos, but also education and training providers, universities, hospitals, pharmacies and housing associations. All should be required to meet a higher national standard for employment as a baseline, and required to meet the terms of local employment charters. Higher employment standards would include living wage, living hours, and living pension policies, as well as trade union recognition and access to workplaces. These standards would also require the hiring of women, ethnic minorities, disabled people, LGBTQ+ people and refugees.

7.3 Require businesses in receipt of government support to meet higher employment standards

High-growth businesses should be supported, but with specific conditions to ensure they improve living standards. Business support loans and grants, challenge funds, R&D funding and loans from regional banks should come with conditions – as in other countries, including Scotland.[171] These conditions should also cover beneficiaries of tax breaks, such as the patent box or capital allowances. The government should make this process easy for businesses, but must ensure it is enforceable.

8. Empower workers and enforce employment regulations

Low pay and poor job quality is endemic in particular sectors. Our employment regulations are not set at a high enough standard, but some employers do not even meet these – practices are in breach of the law, and sometimes dangerous. Poor job quality is geographically widespread, but there are particularly high concentrations of 'gig economy' workers in London and there are high concentrations of seasonal, short-term, low-paid work in tourist hotspots and in industries like textiles, farming and food processing. Even in today's reportedly 'tighter' labour market, these problems remain. Minimum wage violations are surprisingly widespread: workers are often unaware that they are underpaid or unwilling to speak out because they fear losing their job and few are represented by trade unions. Enforcement has received a welcome recent boost in funding, but it is unlikely tackle the scale of the problem and our penalties are far too low to have a meaningful deterrent effect, and far lower than in other similar countries.[172]

The government should empower workers and raise employment standards.

8.1 Empower workers with fair pay agreements

Fair pay agreements should be agreed sector by sector, bringing unions and employer representatives together to agree minimum pay, terms and conditions. Sectors with the most severe challenges such as agriculture, social care, textiles and food processing should be prioritised.

8.2 Roll out new employment rights

The government should roll out new employment rights. They should:

- Give workers the power request a minimum hours contract, while allowing them to opt in to zero hours contracts should they want one.[173]
- Give workers a right to flexible working from day one, that goes beyond just when people work, to include where and how they work – which will especially help those with caring responsibilities.
- Ban 'fire and rehire' practices designed to slash pay, terms and conditions.
- Grant paid carer's leave, and extend statutory parental leave, including provision for the self-employed.

8.3 Clamp down on employment rights and minimum wage violations

The government should take five steps to clamp down on employment rights and minimum wage violations, and wider employment rights breaches. It should:

- Increase funding for HMRC's minimum wage enforcement activities, and for the Health and Safety Executive (HSE), the Employment Agency Standards Inspectorate (EAS), the Gangmasters and Labour Abuse Authority (GLAA).
- Establish trade union representation and other third parties in sectors and places where violations tend to be widespread.
- Work to raise the rate of workers reporting violations with targeted public information campaigns.
- Make larger contractors legally accountable for the workforce of their supply chains[174]
- Increase the maximum penalty to a level judged to be an effective deterrent, and use fine income to fund increased capacity.[175]

CHALLENGE 2: ENABLE PEOPLE TO TAKE OPPORTUNITIES

In too many communities, people are unable to access work. This affects both low-growth areas and high-growth areas in different ways, as discussed in section 4.

The services that help people access work need to be more effective. Here we present three solutions.

9. Bring buses under public control

Bus services are essential for people on low incomes: more people travel to work by bus than by all other forms of public transport combined.[176] They bring customers to the doors of small businesses, in towns and city centres across the country and they help people on low incomes to live their lives – to see friends and relatives, or get to the shops, hospitals and schools. Buses account for more than twice as many journeys as trains in England. A quarter of people use a bus at least once per week. More people travel to work by bus than by all other forms of public transport combined. Two and a half million jobs are accessed by bus every day. Bus services are particularly important to people on low incomes: jobseekers are more than twice as likely to use buses as the rest of the population; and 58 per cent of unemployed people relied on the bus when they were last in work.[177] The government found that bus schemes deliver benefits worth more than four times their cost.

But buses are in decline across the country. Bus patronage is down, especially outside London – though even the capital struggles to maintain patronage. This is especially challenging for people living in towns and villages, where routes are less economical because of disconnected and sparser populations.

There is clear support for a different way of providing bus services: our survey found that 33 per cent of people in England thought that local authorities should run their own bus services, and 30 per cent of people in England thought that they should be run by local authorities regulating the services and private sector companies operating them (ie the London franchising model). Box 5 below discusses how buses currently work across England.

BOX 5: HOW BUSES CURRENTLY (DON'T) WORK

In London, Transport for London manages the bus network – the accountable transport authority specifies, tenders and manages contracts for companies to deliver. This is a major reason why the capital's transport network works so well – it enables caps on fares, proper multi-modal smart ticketing, reinvestment of fare revenue, better performance management and integration with other modes of transport. This is how transport networks should be run, and indeed how they usually work in other countries too.

But outside London, it is a free for all. Outside of London, the bus network is a free market, governed by competition law. But there is almost no actual competition, bus companies have monopolies and then run the routes that make them the most money. No local transport authority has the power to design an integrated system that suits bus passengers; collaborating on fares and tickets is illegal (collusion); and profit is taken out of the area, rather than reinvested. They often do what they can to innovate, but are held back by current legislation.

This is a long-term problem, resulting from the deregulation of bus services in 1985 and low investment for decades. But this has also become significantly worse since 2010, as subsidies have been cut, and then since 2020, when the pandemic hit bus patronage. Annual bus mileage outside London has fallen by a quarter since 2009/10, which includes a 15 per cent fall between 2009/10 and 2018/19, and a further 12 per cent fall between 2018/19 and 2021/22.[178]

The Bus Services Act 2017 has allowed some places to implement a London-style 'franchised' or regulated network, as described above. But the current situation is not good enough:

- Places still have to follow an arduous, risky and expensive process – the government has effectively burdened mayors with the job of fixing a colossal 40-year-long central government mistake.
- Places must either have a mayor or central government's permission.
- Councils are banned from setting up their own bus companies, even though many already do have them, with relative success.

In contrast, the Welsh Government is now proposing to work with councils to re-regulate buses across Wales. [179]

The government should work with combined authorities and councils, to bring buses under public control.

9.1 Make bus regulation the law in all of England

The government should pass legislation to make bus franchising the law across all of England, as it is in London. This means combined authorities, councils or groups of councils would contract private bus companies, public sector operators or non-profit operators to deliver bus services, specifying and managing the contract to ensure good performance. This would put public authorities in charge of planning and managing local bus networks, instead of private bus companies. The government should be pragmatic, and could use secondary legislation, amend primary legislation or set out new primary legislation to meet this end. Compulsory purchase order (CPO) powers will enable combined authorities and groups of councils to purchase bus depots, which they will need to do in order to manage a franchised system.

This plan would go much further than the 2017 Bus Services Act, which requires places to have a mayor or government permission, and pursue a long, risky and expensive process. It also goes further than proposals to just remove some of the remaining barriers in that Act, by making regulation the law everywhere in England. This approach would empower local government, by taking power from the private sector and giving it to them, despite it being a central government decision to regulate. While local decisions tend to be better, asking local government to use political capital and institutional capacity to clear up 40 years of mess created by central government deregulation is not in the spirit of devolution. The decision whether or not to have a regulated bus system has little value in being devolved, given regulation is by far the better option. Once in place, local authorities would be free to manage their bus network as they see fit. By contrast, the alternative 'removing barriers' approach is destined to have low uptake, especially in places that need regulation most, because they often lack the capacity and funding to take the first steps.

9.2 Allow municipal bus companies to form

Councils should be permitted to set up their own bus companies and encourage the establishment of local co-operative and charity/community-owned bus operators. Many places had their own companies before the 1985 Transport Act required them to transfer their municipally owned bus services to separate companies, and only a few locally owned bus companies now remain. As it stands, the Bus Services Act prohibits new ones from being formed, which effectively reduces competition and constrains councils' options for when commercial operators fail to perform or go out of business. Publicly owned bus companies should be able to compete for publicly tendered contracts, not least as an 'operator of last resort' to secure good value bids from commercial operators. Further, transport authorities should be able to suspend the market entirely and run services directly, if they have the capacity and desire to do so to a high standard. These changes would require first, the Bus Services Act 2017 to either be amended, or superseded by a new Act and second, the Procurement Bill currently going through parliament to be amended, to allow farebox revenue to return to the franchising authority (to be reinvested) – as is the case in many other European countries.

9.3 Build local franchising capacity in partnership

Capacity should be built up in partnership between central and local government. A nationwide support team should be established as a partnership between the department for transport and those transport authorities that already franchise, including TfL. This could expand as franchising rolls out, learning dynamically from the process.

9.4 Develop sustainable bus services, as part of an inclusive transport network

The government should:

- Reform bus subsidies to support the bus network. Buses are likely to always need some public subsidy, as in other European countries. The bus service operator grant is currently under review, and it should be reformed and combined with other subsidies and economic development funding to sustain and expand bus networks.

- Support local government to develop integrated public transport networks. Transport funding for other modes should also be devolved (see recommendation 2) and combined authorities or councils should have the powers they need to manage a whole transport network: ownership of local railway stations; funding to support tram and metro services; and rail franchising powers. All areas should have a partnership agreement with Great British Railways by 2030, to enable them to run an integrated network, reflect local needs in rail service specifications and have powers over local fares and ticketing. Modern, sustainable 'demand-responsive transport', should be explored – particularly in sparser areas.[180]

- Develop sustainable concessionary fares. These should be tailored to local need, but could be targeted and promoted to people who claim universal credit for example. It should be noted however that these can cost more than people recognise, because a regular income from fare revenues enables much larger investment over time.

- Recruit a transport advisory group from the general public to advise on priorities and decisions. They should represent people living in poverty, as well as being gender balanced and inclusive.

10. Devolve jobcentre employment support to mayors and councils

Jobcentre Plus (JCP) needs fundamental reform. The national employment service run by DWP divides opinion among its users. While some are satisfied with the services they receive, a large minority are unsatisfied, and a small but sizeable minority are very unsatisfied with negative views specifically of the help they receive to prepare for and find work.[181] Our survey found that 77 per cent per cent of people in England thought that jobcentres should prioritise information about local job opportunities, with 79 per cent saying they should prioritise access to skills and training, 65 per cent saying prioritise general careers advice, and 57 per cent saying prioritise help to tackle health problems which may be keeping them out of work. Our survey also found that 74 per cent of people in England support "a new government programme using public funds to create and provide jobs for people who have been unemployed and looking for work for more than six months"– with London the most supportive region (84 per cent).

There are four, interconnected problems that reform needs to tackle. JCP is currently:

- Too focused on policing behaviour, and applies sanctions far too readily, which sets up an antagonistic, transactional relationship, preventing work coaches from establishing supportive relationships with the people they serve and pushes people further away from the labour market.
- Overly centralised and siloed, which makes it unresponsive to local labour market needs, and cut off from complementary local services. Devolved employment support pilots have proven more successful.[182]
- Prioritising 'work first' over skills and sustainable employment, while supported employment or intermediate labour market placements are too rare.
- Failing to provide intensive, tailored support that some jobseekers need.

Together, these problems have created a system which is far removed from the positive purpose jobcentres could, and should, play in a labour market. It means they cannot properly function as a labour exchange, which serves both jobseekers and employers, by bringing them together. And it means they cannot properly address jobseekers needs, to train or access the health and mental health support.

The government should devolve jobcentre employment support to mayors and councils.

2025–2030: Co-commissioned employment support programmes

10.1 Co-commission employment support programmes

By 2030, all contracted employment support programmes should be co-commissioned with councils. This would include programmes such as Kickstart, Restart and the Work and Health Programme. Councils could collaborate across combined authority areas on the commissioning process, as is the case with the work and health programme in Greater Manchester and other parts of the country. Places could opt out if they feel unable to take on this responsibility, but should be closely involved in the commissioning of such programmes. The government should enable VCSE organisations to have a major role in delivery.

10.2 Make JCP employment support more integrated, supportive and effective

JCP would retain responsibility for people not referred to such programmes during this period, but the service should be configured to support people who are out of work to have sustainable employment, financial stability, job progression, health and wellbeing. The government should:

1. Integrate – require jobcentres to collaborate with other local services more closely, including adult skills provision and mental health services.
2. Support – scrap the 'way to work' conditionality requirements, which require people to take jobs that are often unsuitable and unsustainable. Transform jobcentre culture to prioritise support, not sanctioning, of jobseekers, across all business planning and performance management. Improve accessibility to courses for people with poor physical or mental health. Offer those unable to work the support they need to live a good life, and the chance to contribute in ways that work for them, without fear of sanction, including community work, volunteering and education.
3. Improve – improve the quality of advice by offering higher quality professional development for work coaches and developing advanced labour market information systems. Give work coaches more discretion to refer people to 'job guarantee' or intermediate labour market programmes, training courses and mental health support, even if jobseekers do not technically meet the requirements. Develop a new triage tool, with broad national parameters and best practice sharing, but local specifications.[183]

10.3 Offer job guarantees and 'work and train' options to the long-term unemployed

The government should offer a 'work and train' option. This would combine a 'job guarantee' with a training course linked to their longer-term career goals, to people who are either long-term workless, or cycle in and out of low-paid work without progressing. It should remove restrictions on claiming UC while training to enable people to train to level 3 as part of the 'lifetime skills guarantee'.

10.4 Establish a new employment support regulator

A new regulator, the Employment Support Performance Office, should regulate performance of both jobcentres and devolved programmes, with a remit equivalent to the CQC. Employment support is one of few areas of public services that are not regulated in this way, since they were removed from Ofsted's remit in 2010. Services would be assessed based on a range of measures, including sustained, well-paid job outcomes and progression;

intermediate outcomes; the quality of advice and local labour market information; the health and wellbeing of all clients, and of specific groups; and client satisfaction ratings.

10.5 Make sanctions the exception, not the rule

Sanctions would be the exception, not the rule. The current system relies on the routine and widespread use of sanctions as a matter of course rather than a last resort. This has proven ineffective and counterproductive, in either helping someone find work or protecting social security spending, as discussed above.[184] A sanction should be a last resort. Decisions should take full account of people's circumstances, such as caring responsibilities and mental health conditions. Every decision should be systematically reviewed and treated with the judiciousness that matches its real-life consequences. High sanction rates are a sign of service failure: they should prompt investigation by the ESPO of work coaches, decision makers and jobcentres.

10.6 Make JCP a supportive and accessible environment

Jobcentre premises and services should be an 'open house' – welcoming, supportive and configured to meet local need. Support should be accessible at least 12 hours a day, so that people in work can access services too. There should be a digital offer, with online appointments a standard option for those who find them more convenient, alongside a non-digital offer of support over the phone or in-person. In a small village, that might mean offering support in-person one day per week within easy travel distance; in a major city, this could be seven days a week, on the high street, close to transport connections. This should be part of the universal services offer described in recommendation 4.

10.7 Undertake 'invest to save' pilots to fund more expensive interventions

Councils or combined authorities should lead 'invest to save' pilots in employment support. Securing someone a sustainable job saves in universal credit payments and can increase tax revenue. These are highly 'cashable' and tangible savings, unlike in other 'invest to save' initiatives.[185] That potential cash saving can justify an upfront investment in employment support if the success rate of a programme is high enough. This would be an 'invest to save' or 'welfare earnback' approach to commissioning support – ie spending to support people into work because it saves public money.[186]

This logic underpinned the 'DEL/AME' switch that funded the coalition's Work Programme and also devolved pilots, such as Working Well. This means the government justifies spending upfront on a programme (so-called DEL spending), based on the reduction in benefits spending that results (so-called AME spending).[187] But the government should learn from these, and avoid being too high level (as the DEL/AME switch was) or too complex and contractual (as in the devolved pilots). Instead, places should consider setting up local multi-agency public sector companies, with councils, DWP, DoH, and HM Treasury as shareholders, based on the savings they gain from moving someone into work.[188]

10.8 Devolve a single pot for local welfare schemes

There should be a longer term settlement of greater funding for local welfare schemes from central government to local authorities. Since 2010, a lack of specific funding, and austerity towards local government, has resulted in cuts to many local welfare schemes.[189] Councils should be able to bring this funding with all existing discretionary funding into a single 'pot', reducing the complex and time consuming burdens that many low income people face in accessing support, and avoiding the need for individuals to make multiple applications to different funds. Local welfare assistance should be extended, and any new funds to support hardship (but not core welfare benefits) should automatically be devolved to local councils. The government should clarify that councils can support people with no recourse to public funds immigration status.

10.9 Support incomes while workers train

The government should support people's incomes while they participate in high quality employment-related training, whether they are in work or out of work. They should extend the right to request training leave to all workplaces after six months of employment (this right currently only applies to workplaces of 250 employees or more).[190]

2030–2035: Devolved employment support

10.10 Devolve all employment support to councils

By 2035, the UK should aim to have all jobcentre-delivered employment support accountable to councils, while keeping social security in central government, and with a national framework of rights and core service guarantees. Any councils which still felt unable to take on such responsibilities by 2035 would be able to opt out, partner with a neighbouring authority, or co-commission with central government until they have the required level of capability. They would be encouraged but not required to work together as combined authorities. The budget for such services should be recommended by the productivity commission in consultation with other stakeholders. It should reflect the numbers of clients and their different needs, which can change over time, especially during recessions. This funding should then be devolved, as described in recommendation 2.

Much employment support policy would remain centralised. A UK-wide mission to raise the employment rate in every region should underpin the primary role of employment support. Benefits administration would remain with DWP, and the department should determine a national minimum guarantee that all employment support services must deliver. Staff terms and conditions should be protected if personnel are transferred across to councils.

But places should be free to commission or deliver whatever additional employment support their residents need, provided they meet the goal of raising the employment rate and the broad framework set nationally.

10.11 Separate support from sanction

Jobcentres would be much more supportive places and advisors' roles would be clear: to provide support, not to police the benefit system. Employment services would be institutionally separated from politically driven, top-down targets. The agencies responsible for sanctioning and for supporting would be set apart, and their day-to-day operations would be accountable to different tiers of government. Councils should work with jobcentre clients, trade unions, businesses and charities to design a 'work and skills hub' service which is accessible to all – including those in work. They should partner at the strategic level with organisations led by or involving people who face barriers, including people with mental and physical health conditions, caring responsibilities, refugees and low qualifications.

Sanctions would be rare and function as they do in Northern Ireland. Just as proposed for the 2025-2030 period, sanctions would remain the exception not the rule. But on the rare occasion when a sanction might be necessary, Northern Ireland shows how this can work in practice when the departments and tiers of government that support clients are different from those responsible for paying their benefits.

CHALLENGE 3: REDUCE LOCAL LIVING COSTS

Local living costs are compounding the more recent challenges families face. Before recent energy and food prices rose, essential living costs were far too high – particularly for housing and childcare. And these relate closely to local economies.

Local living costs can be tackled, although this often takes time. Here we present three solutions.

11. Build more social housing, take over private rented housing stock and improve the private rented sector

Many people simply can not afford to pay for the roof over their head, trapping people in poverty across all regions. The number of homes that are genuinely affordable has declined significantly over decades: right to buy has led to the sale of hundreds of thousands of council homes and they have not been replaced. In spite of some limited funding, neither councils nor housing associations have been able to build at sustained levels: just 7,644 social homes, with rents linked to local incomes, were built in 2021 – 22, compared to 37,677 a decade earlier – and far below the 90,000 a year that is needed.[191] Since 2013 alone, there has been a 5 per cent fall in the number of homes for social rent.[192] Between 1991 and 2011, there was a greater decline in the number of people renting from a social housing provider in the north of England than elsewhere.[193] The current drive to build housing, especially at the high end of the price spectrum, and hope that this will create a trickle-down effect on prices across the board is not working. Large swathes of the population have been completely priced out of the housing market: average monthly rent in England (£825) is now higher than any other recorded point, while local housing allowance has been frozen since April 2020 – despite rapid increases in the cost of renting. In 2022, just 6 per cent of English local authorities had an average property price that was less than five times average household incomes; in 1997, it was 87 per cent of councils.[194] Nearly 4.2 million people are in need of social housing and trapped in unsuitable accommodation.[195] This is especially the case in London, with nearly 1 million people pushed into poverty because of housing costs.[196]

Our survey found that nearly two-thirds (63 per cent) of people in England strongly support or tend to support a large increase in the amount of new social housing being built in Britain, with support strongest in London (76 per cent), the North (67 per cent), and coastal towns in England (67 per cent). People likely to be in poverty were also more likely to support a large increase in social housing (66 per cent), as were those who are limited a lot by a disability (79 per cent).

The government should work with councils to Build more social housing, take over private rented housing stock and improve the private rented sector.

11.1 Increase capital grants to local authorities and housing associations

The government should increase capital grants to local authorities and housing associations to build more socially rented homes. Estimates in 2020 suggested that around £12.8bn a year is needed to deliver 90,000 social homes– around £10bn a year more than is currently spent on affordable housebuilding programmes.[197] Land value reform (see below) could cut the cost of a social housebuilding programme by up to 40 per cent or £136,000 per home, with substantial savings in London and the south east.[198] This investment programme should be counted as capital investment, rather than day-to-day spending as it currently is.[199]

11.2 Devolve right to buy decisions

Councils should decide what to do with right to buy. They would have discretion over the level of discount they offer to tenants, and be able to restrict lettings by the purchaser if they see fit – for example, by requiring local authority consent to let the property out in the private rented sector. Local authorities would be allowed to retain all of the receipts from the sale of social housing under right to buy to use within five years, and would have the flexibility to combine this with revenue from other sources. If councils wish to continue with right to buy, they should be required to replace all sold homes on a like-for-like basis.

11.3 Introduce a locally-led scheme to purchase private rented sector properties

The government should introduce a locally led scheme to purchase private rented homes and turn them into social rented homes. The government should provide £15bn over 10 years to local councils and housing associations to purchase around 500,000 private rented homes from landlords who no longer wish to keep the property.[200] Restrictions on using Homes England funds for acquisitions should be removed, opening up existing funding for purchasing private rented homes. This scheme should largely focus on purchasing homes that are empty, non-decent or energy inefficient (ie below EPC C). Local authorities and housing associations should have the right of first refusal to purchase any houses of multiple occupancy or ex-council houses sold under right to buy when they are being sold. The government should consider reforming tax reliefs or exemptions to encourage the sale of properties to local authorities and housing associations under this scheme, and to make it cheaper to refurbish these properties for example by removing or reducing VAT on energy efficiency improvements, for example.

11.4 Enable councils to lease private rented sector properties and rent to vulnerable groups

The government should roll out a private rented leasing scheme, similar to the Leasing Scheme Wales or London's guaranteed rent scheme.[201] Funding would be provided to enable the lease of residential properties from private landlords to local authorities for a minimum fixed duration of five years. It would improve access to affordable and good quality homes in the private rented sector, particularly for those in receipt of benefits, who are vulnerable, or at risk of homelessness. Risk for the landlord would be reduced as management of the properties would be put in the hands of local authorities which would also be responsible for providing additional tailored support and advice. Rent would be guaranteed for the landlord and payable at the level of the local area's local housing allowance (LHA) rate (see recommendation 11.6) – with a management fee deducted which would be shared by the authorities involved.

11.5 Deliver strong protections and security of tenure for private tenants

The government should substantially increase regulation of the private rented sector (PRS), delivering stronger renter protections and greater security of tenure.

The government should:

- Introduce a national landlords register that covers the PRS (as well as holiday lets and AirBnBs). This would build on current proposals for a property portal, announced in June 2022, and existing local authority licensing schemes. It should include all necessary information that allows tenants to know the property is safe and meets national standards, including past rent levels. Charges from the national landlord register should be returned to local authorities to fund stronger enforcement in the local area – with support from national government to improve the use of existing powers.

- Abolish 'no fault' evictions and move to periodic tenancies with limited grounds for repossession. Landlords should be prevented from being able to use an eviction notice for at least the first year of a tenancy, in the case of repossession for selling or occupying the property. The notice period for evictions should be increased to four months, and a permanent ban on winter evictions should be legislated for. This would extend protections currently contained within the Renters Reform Bill before parliament.

- Require landlords to make a 'relocation payment' for tenants forced to move if a landlord wishes to sell the property, move themselves or close family into the property, or if they wish to increase rents above a certain percentage determined by the government and tenants decide not to pay the new rate.[202] These payments should be worth at least two months' rent. Relocation payments will shift power to tenants, protecting them from landlords seeking to exploit unaffordable rent increases to circumvent security for tenants.

11.6 Increase local housing allowance to the 30th percentile

The government should increase LHA to the 30th percentile of the broad rental market (BRMAs) area and redraw BRMAs to reflect local travel and work patterns. There should be an annual uprating of LHA with the 30th percentile of rents, rather than freezing it or lifting it by inflation.[203] The Institute for Fiscal Studies estimated the initial cost of raising LHA and linking it with 2022 rents would cost £650m.[204] The government should review whether LHA should be aligned with the 50th percentile of market rents, as it was before 2010.[205] Redrawing BRMAs and increasing the number will ensure that LHA rates better reflect local housing markets, influenced by local travel and work patterns, and the variations in rental prices – particularly in London.

12. Build more affordable housing of all tenures, especially on well-connected green belt and underutilised land

Building new homes, especially for public bodies, is difficult and expensive. The cost of purchasing and assembling land is one of the biggest barriers to delivering more social and affordable housing, even with increased grant funding.[206] The current land compensation framework favours landowners over local communities and those who need affordable housing – particularly in London and the south east.[207] The green belt has effectively frozen the supply of land for housing since 1955.[208] By protecting areas that are often not environmentally noteworthy or publicly accessible, land (and with it, house) prices have sky-rocketed – and people are forced to rent longer and not buy when they want, especially if they have a low or average income. Housing schemes developed through permitted development rights, which allow planning permissions and regulations to be bypassed, do not have to make any affordable housing contributions – resulting in more than 18,000 affordable homes being 'lost' according to the LGA.[209] Local authorities also lack the powers and resources to be able to shape their local communities and housing markets, especially to tackle the proliferation of second homes and holiday lets, land banking, and opposition to much-needed housebuilding.

Our survey found 58 per cent of respondents in England support planning permission being available at least some of the time for affordable housebuilding on open areas surrounding towns and cities, where the building of new homes is currently prohibited or restricted (ie green belt). The proportion of respondents saying this was notably higher in London (74 per cent).

However, building on the green belt is an argument that is far from won.

Our survey asked another group of voters an almost identical question that specifically mentioned the green belt. Support for at least sometimes giving planning permission for affordable housing dropped to 42 per cent, and opponents outweighed those who would consider new development, with 46 per cent saying planning permission should almost never be given.

The government should support combined authorities, the mayor of London and councils to build more affordable housing of all tenures on well-connected green belt and under-utilised land.

12.1 Reduce land costs for homes, by eliminating 'hope value'

The government should reform the Land Compensation Act 1961 to eliminate 'hope value' entirely. While the government plans to reform the Land Compensation Act will reduce 'hope value', it does not eliminate it – compulsory purchase costs will remain far higher than the should be.[210] There should be a new compensation framework for the public sector to purchase private land, combining existing use value of the land plus a low proportional uplift to compensate landowners and to allow them to partially capture the increases in land value.

12.2 Build 2 million new homes on well-connected green belt land

The government should support the building of 2 million new homes on well-connected parts of the green belt, agricultural land and golf courses.[211] Green belt land and agricultural land within 800 metres of any train station with services of 45 minutes of less to London or a city covered by a combined authority, as well as all golf courses, would be released for development. Urban and suburban land, as well as land that has amenity or environmental value, would be excluded from development. This includes national parks, areas of outstanding nature beauty, sites of special scientific interest, or public recreational areas. Housing corporations, set up by the mayor of London or combined authorities and relevant local councils which have land covered by the corporation within their boundaries would receive sole development rights and planning powers over the land released for development. Some grant funding would be required to kick-start development and to attract private financing. In return, the government should require at least 35 per cent of homes built by these housing corporations to be for social rent, linked to local incomes, and 10 per cent of the released land should be devoted to publicly accessible green spaces.

12.3 Require at least 35 per cent of homes in developments to be affordable or social rent

The government should require a minimum number of affordable homes for renting or buying that must be delivered by all developments over three units.[212] Local authorities should be responsible for determining an upfront target in their local plans; but where they fail to do so or no plan can be agreed, a default target of 35 per cent should be applied – with a minimum number of homes for social rent specifically. Permitted development rights, which allow commercial buildings to be converted into homes without planning permission, should be reversed handing powers back to local authorities to maximise the number of affordable and high-quality homes.

12.4 Empower and resource planning authorities

The government should empower and adequately resource local planning authorities to work with communities and enable more affordable homes to be built. Councils should set planning application fees freely to invest in capacity building for planners to work with local communities and developers. The government should reform accountability metrics, to deter planning authorities from using fees to stop affordable housing developments, and ensure funding improves planning department effectiveness. Potential metrics could include how much they cut local waiting lists for social housing, reductions of people in temporary accommodation and who are rough sleeping, as well as the number of affordable homes they deliver.

12.5 Give councils property tax and land value capture powers

Councils should have new property tax and land value capture powers. Local authorities with responsibility for planning should have the freedom to impose a modest tax on site value on sites that have received planning permission or identified for housing in a local plan, but has not yet been fully developed after five years. The government should lift restrictions on the planned council tax premium on second homes and holiday lets, allowing local authorities to increase it to whatever percentage they wish – with guidance to set this at at least 300 per cent as has been taken forward in Wales.[213] Similar restrictions on the empty home premium should be lifted, while a council tax premium should be extended to properties owned by those who are not resident in the UK.

12.6 Set out a new standard for all homes

The government should set out a new comprehensive standard for all homes – and support developers, homeowners, housing associations and private landlords to meet it and strengthen tenant voice in holding landlords (social and private) to account.

The government should:

- Implement the future homes standard and bring forward proposed changes to the building regulations on step-free access.
- Keep the decent homes standard under review.
- Consider re-introducing the zero carbon homes standard, and ensure that all new homes are adaptable for the future.
- Maintain requirements to make energy efficiency improvements to PRS properties to be EPC C by 2025 – and consider further improvements (to EPC B).
- Review the need for minimum efficiency standards to be introduced for owner-occupied properties, with sufficient time and financial support to secure improvements.

13. Guarantee affordable childcare in all communities

Accessing affordable childcare is a major challenge. From 2025, the government will be spending billions of pounds to support children from the age of nine months to access 30 hours free childcare. But public money is spent on a system that worsens access for low-income families, and is creating childcare 'deserts' where provision simply does not exist. Current childcare policy acts as a barrier for low-income parents, especially women – whether to return to work, take on more hours, or start a new job entirely. Improving the childcare system could help tackle poverty and increase earnings by directly reducing costs and enabling people to access work or training.[214] Box 6 discusses the shortcomings of current childcare policies.

Our survey found that 75 per cent of people thought that their local council should be given a lot or a fair amount of responsibility for planning and delivering childcare services in their local community, with 77 per cent of parents thinking the same and 77 per cent of those living in the north.

The government should work with councils to guarantee affordable childcare in all communities, especially for low-income families.

13.1 Ensure government-funded childcare benefits low income parents

The government should ensure childcare entitlements prioritise low-income parents by expanding access to free hours and eliminating the funding shortfall. They should reprioritise funding to families with the lowest incomes, addressing the barriers they face getting into work as a result, tackling poverty, and maximising impact of public investment in childcare.

The government should:

- For three- and four-year-olds, enable low-income parents to access the current 30 hours of free childcare a week, regardless of number of hours worked or employment status. This could cost around £250m.[225]
- For children aged nine to 36 months, extend the new 30 hours free childcare entitlement for children to all low-income parents, regardless of number of hours worked or employment status.

Both entitlements should be available for 48 weeks of the year. Parents should be able to utilise free childcare from the day their child reaches the required age, rather than waiting for the start of the following term.

All hours should be properly funded, with the largest additional spend needed for 3- and 4-year-olds. This package of reform could largely be paid for by scrapping tax-free childcare, repurposing around £1bn of predicted spend for 2022–23, and lowering the upper income threshold for 15 hours' additional free childcare, currently for working parents (while maintaining the universal 15 hours free childcare).[226,227] Over time, as the public finances improves, the government could consider making

BOX 6: CURRENT CHILDCARE POLICIES AND THE CHALLENGES THEY POSE

The government's current childcare policies pose three challenges:

- Cost – for those in the bottom income quintile, childcare costs account for around 17 per cent of household income.[215] These costs are high, in part, because the government under-funds providers for the free hour of childcare that parents access – requiring deposits, top-up fees or additional charges.[216] Evidence suggests these charges can deter families from taking up free hours, never mind extra hours on top of their entitlement. The government's announcement to expand free childcare to children from the age of nine months will worsen affordability, as estimates suggest it is underfunded by up to £5.2bn a year.[217]
- Inequality between people – an estimated 70 per cent of those eligible for the 30 hours free childcare entitlement for three- and four-year olds are in the top half of the earnings distribution.[218] IFS analysis of the government's proposed expansion of free childcare found just a fifth of households earning less than £20,000 a year will benefit – compared to 80 per cent of those earning more than £45,000. but they could also end up facing higher charges and top-up fees – or just not accessing childcare at all. Because childcare has a role in supporting early educational outcomes, locking low-income families out of provision risks worsening the attainment gap and will have a lifelong impact on individuals – including when they join the labour market.[219]
- Inequality between places – some might expect such a centralised system of childcare funding to create more equality between places, but there is significant variation. Average costs are highest in inner London, with parents paying 54 per cent more for 25 hours of nursery a week for children aged two compared to parents in Yorkshire and Humber.[220] Just 48 per cent of local authorities have enough childcare for parents working full-time, ranging from 80 per cent in the north east to 21 per cent in the South West.[221] And just 18 per cent of local authorities have enough childcare for disabled children.[222] In disadvantaged areas, childcare provision is struggling to be viable. Rural areas have seen a larger fall in the number of providers than urban areas in recent years, resulting in half of local authorities not having enough childcare for all children.[223] Local authorities have a duty to shape local childcare markets and secure places, yet lack the powers and resources to do so effectively and comprehensively.[224]

the 30 hours free childcare universal for all parents, which would mean removing the upper threshold entirely.

13.2 Give councils powers and funding to intervene in childcare markets

In the short term, councils should have greater powers and funding to intervene in local childcare markets. Councils should be given additional powers and funding because childcare markets are hyper-local and fragmented with 62 per cent of the market delivered by single site nurseries. Shaping the market and delivering the best results for parents and children requires an understanding at a local level that councils can best provide. Access is also often influenced by other community infrastructure such as housing and transport, which councils have responsibilities over and can effectively integrate childcare provision into.

The government should:

- Lift restrictions on local authorities' ability to directly provide childcare through maintained nurseries and to support other high-quality provision. Local authorities should have a right to buy existing nurseries, businesses and buildings, at the point of sale before other organisations (to run directly, transfer to non-profits or establish new co-operative provision).

- Review and extend the 'sufficiency duty' in the Childcare Act 2006, particularly to provide greater options for those who work 'atypical hours' and need flexible childcare, and to require greater childcare choice for parents with disabled children.

- Allow local authorities to hold back more early years funding – rather than just 5 per cent as they are currently entitled to – in order to support more high quality provision, develop greater capacity to shape the local childcare market.

- Introduce accountability measures, following changes to allow councils to hold back more early years funding, to ensure enough funding is reaching the providers to deliver high-quality childcare for all.

- Enable not-for-profits, co-operative provision, and local childminding agencies to access to capital grants, publicly-owned land, or the right to buy appropriate community assets that can be turned into new provision – with local councils facilitating this. This should be targeted towards existing high-quality providers who wish to expand, especially into the most disadvantaged areas, which are most likely to face childcare deserts.

13.3 Enable councils to commission childcare provision

Within fiveyears, local authorities should be responsible for commissioning the provision of nationally determined childcare entitlements. The existing funding formula should be replaced by a system led by local authorities that provides the basis of government funding of childcare entitlement. Putting responsibility to commission childcare with councils avoids the need for new bureaucracies, and ensures decisions are informed by local knowledge, skills and expertise. If local authorities wish to pool resources and commissioning power, they should be able to do so.

The government should:

- Set out the key features of high-quality provision in collaboration with councils and providers, including a sector minimum wage, staff qualifications, and caps on profits to maximise value for public money.

- Initiate a review to determine the fair costs of accessible high-quality childcare at each stage from the end of parental leave to the start of school. The key features of high-quality provision should be set out by central government in collaboration with councils and providers, including a sector minimum wage, staff qualifications, and caps on profits to maximise value for public money. This review should establish a per hour or per day cost of provision, reflecting the differences between places, different age groups, and additional support needs. Councils would then undertake a review every few years to ensure the fair cost kept up with the reality of provision, with funding between reviews linked to sector wage increases.

- Fund all childcare entitlements at the fair cost of care, combining these funding streams into a single unrestricted local grant, so council can freely commission providers to deliver high-quality childcare – and determine the mix between public, non-profit, and private provision. Commissioning should result in low barriers to entry and expansion for high-quality providers to enter the market or expand into different types of provision.

- Allow parents to access this fair cost of childcare for hours outside of the free entitlement (above) and affordable childcare scheme (see below), thereby eliminating the cross-subsidy model.

13.4 Introduce a new affordable childcare scheme for all parents

The government should introduce a new affordable childcare scheme for all parents with young children. There should be a percentage discount on childcare costs for all parents. It would cover the gap between the number of free hours parents are entitled to and what parents need – up to a limit of 48 hours for 48 weeks of the year. Low-income parents should pay nothing for childcare under this scheme, and the percentage discount should decrease as household income increases. Support must be provided up-front, not in arrears. This scheme could partially be paid for through the scrapping of the childcare element of universal credit, reallocating £657m – as those currently claiming it would be reimbursed under this new scheme.[228] For those who want more hours of childcare than provided under free hours or the affordable childcare scheme, they would still pay the fair cost of childcare rate. As every hour of childcare would be properly funded, top-up fees would be eliminated – and consideration should be given to a full ban of all additional charges, so parents pay one predictable price. Depending on take-up rates, this affordable childcare scheme could cost between around £5bn and £8bn. ■

Annexes

ANNEX 1: COMMISSIONERS

Nick Forbes

Commission Chair, former leader of Newcastle City Council, and former senior vice-chair of the Local Government Association

Nick Forbes is a Labour politician and was leader of Newcastle City Council between 2011 and 2022. Nick made economic growth a key feature of his council, securing new financial powers by negotiating one of the first round of city deals with government and was instrumental in securing a devolution deal for the North of Tyne combined authority. He played a leading role in raising the profile of local government in a time of austerity and has been involved in national lobbying efforts for successive local government finance settlements. He served as business competitiveness portfolio holder for the North of Tyne combined authority and as chair of Core Cities UK. At a national level, Nick was the leader of Labour in local government, heading up the Local Government Association (LGA) Labour group, representing the views of more than 6,000 Labour councillors in Westminster. When Keir Starmer was elected as Leader of the Labour Party, he invited Nick to attend Shadow Cabinet meetings as the national voice of local government. Nick was also a member of Labour's ruling National Executive Committee.

Anela Anwar

Chief executive, Zacchaeus 2000 Trust

Anela is the chief executive of the Zacchaeus 2000 Trust (Z2K), a charity addressing poverty in London caused by unfairness in the legal, social security and housing systems. Anela was previously head of programmes and partnerships (domestic poverty) at Oxfam GB, working on economic inequality, women's economic empowerment and decent work.

Anela graduated with an honours degree in law, after which she worked in the third sector on a diverse range of issues such as violence against women and girls, community development, youth empowerment and participation. She is a dedicated intersectional feminist and is passionate about ensuring experts by experience are at the heart of decision-making.

Stef Benstead,

Researcher in social policy and disability

Stef Benstead is an independent researcher in social policy and disability. Her background in research started at the University of Cambridge, where she took her undergraduate degree and started a PhD. Her interest in social policy and disability stems from her own energy-limiting chronic illness, which forced her to withdraw from her PhD. Since then she was worked with a number of organisations including the Spartacus Network, Ekklesia, Centre for Welfare Reform, Chronic Illness Inclusion and the University of Leeds. In 2019 Stef released a book, Second Class Citizens, detailing the treatment of sick and disabled people in the UK and in particular the impact of narratives of welfare dependency, neoliberalism and austerity.

Gary Ellis,

Chief Executive, Coalfields Regeneration Trust

Having started his career with British Coal where he gained his professional qualification as an accountant, Gary has worked in the public, private and third sector where he has gained extensive experience in change management, governance and organisational development. Gary took up the position of chief executive in November 2010 and with the Board of Trustees and senior management team led the trust through a transformational programme that resulted in it becoming a financially self-sustaining organisation. The health and wellbeing inequalities for former mining communities are well-documented and the recent pandemic has exacerbated these further and underlined the need to address the root causes.

Anand Menon

Professor of European Politics and Foreign Affairs, Kings College London

Anand Menon is professor of European politics and foreign affairs at Kings College London. He also directs the UK in a Changing Europe project (www.ukandeu.ac.uk). His areas of research interest include the policies and institutions of the European Union, European security, and British politics. He contributes regularly to both print and broadcast media. He is co-editor of the Oxford Handbook of the European Union (OUP, 2012), and co-author of Brexit and British Politics (Polity 2018). He is a trustee of Full Fact, a member of the Strategic Council of the European Policy Centre, a council member of the European Council on Foreign Relations and an associate fellow of Chatham House.

Nick Phillips

Former coordinator, London Unemployed Strategies

Nick has been a youth and community worker for 40 years, managing community centres and doing group work in deprived inner-city areas all over London. He also made films with and for community groups for several years on topics such as looked-after young people, BAME carers and a trilogy on BAME young people, the police and race relations in Stonebridge (London), Paris and New York. Afte reight years, Nick stepped down as coordinator of London Unemployed Strategies (LUS), a project funded by the London, east and south east region of the TUC, Trust for London and the Joseph Rowntree Foundation. LUS develops claimants' peer support groups. It also campaigns to give a voice to unemployed people in London and works with the DWP, Citizens Advice and other agencies to provide more help and less harassment for the unemployed.

Andrés Rodríguez-Pose,

Princesa de Asturias chair and professor of economic geography, LSE

Andrés Rodríguez-Pose holds the Princesa de Asturias chair and a professorship of economic geography at the London School of Economics (LSE), where he has taught since 1995. He also holds a visiting chair in innovation at the University of Stavanger, Norway. At the LSE he was director of the department of geography and environment. He has also been president and vice-president of the Regional Science Association International (RSAI) and Vice President and Secretary of the European Regional Science

Association (ERSA). He is a recipient of numerous international awards, such as the ERSA Regional Science Award (considered the highest award in its field), the Royal Society-Wolfson Research Merit Award or the Philip Leverhulme Award and was a holder of an European Research Council (ERC) advanced grant. He is Doctor Honoris Causa by the universities of Utrecht (Netherlands) and Jönköping (Sweden).

Liz Sayce

Visiting senior fellow, LSE

Liz Sayce is a visiting senior fellow at the London School of Economics and was chief executive of Disability Rights UK (and its legacy charity Radar) from 2007 to 2017, where she led work for equal participation for all, through programmes on independent living, career opportunities and shifts in cultural attitudes and behaviour. She chaired the Commission for Equality in Mental Health, hosted by the Centre for Mental Health, 2019–21. She is a trustee of ADD (Action on Disability and Development). Previous roles include policy director at the Disability Rights Commission and at Mind. She led an independent review into disability employment programmes for government in 2011 and has published widely on mental health, disability and social participation. She undertook a Harkness Fellowship in the USA resulting in a book (From Psychiatric Patient to Citizen, 2000 – updated in 2016).

Katie Schmuecker,

Principal policy adviser, Joseph Roundtree Foundation

Katie is principal policy adviser at the Joseph Rowntree Foundation (JRF), where she leads the organisation's work on destitution and deep poverty. She is one of the authors of JRF's We Can Solve Poverty report and her expertise spans work, poverty, income adequacy; welfare to work and the cost of living. She is a regular commentator in the media, through blogs, articles and broadcast appearances. She is also a member of the Scottish Poverty and Inequality Commission. Prior to joining JRF Katie was associate director at the Institute for Public Policy Research North (IPPR North) where she carried out research and authored reports on regional economic development, neighbourhood renewal and UK devolution. She has also worked for the Campaign for the English Regions, the Yes campaign for an elected North East Regional Assembly and for an MP.

Reverend Andrew Yates

Social responsibility officer, diocese of Truro and Priest, Penlee cluster of churches

Andrew has worked as the social responsibility officer for the church in Cornwall for 18 years. Cornwall is a place full of contrasts. Alongside the holiday image of beautiful beaches, there is much hidden poverty. Significant factors are a low-wage hospitality economy, high housing costs and rural isolation. He is co-chair of the Cornwall Independent Poverty Forum, which aims to raise awareness around issues of social exclusion, support projects working to reduce poverty and challenge the structures that keep people there. The parishes where he ministers include communities amongst the highest deprivation in Cornwall and he is also involved in the Cornwall Food Access Alliance which brings together the key organisations partnering to tackle the scandal of food poverty.

ANNEX 2: METHODOLOGIES

Polling

The opinion survey was conducted by YouGov on behalf of the Fabian Society. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,087 adults. Fieldwork was undertaken between 11th–12th May 2023. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

We defined 'people likely to be in poverty' as those who fall into one of these groups: a lone parent living with children and with an income after housing costs of less than £1,611 a month; a couple with children and with income after housing costs of less than £2,171 a month; a adult with no children and with an income after housing costs of £777 a month; or, a couple with no children and with income after housing costs of £1,342 a month. Housing costs were a self-reported measure via a question in the survey, while YouGov previously asked respondents about their income and family status.

Citizens advisory group

Between 14 July and 4 August 2022, the Fabian Society convened a group of 10 people living on a low income from different regions of England. This 'advisory group' was gender balanced and diverse. It also represented different regions and types of place.

We discussed:

1. The challenges of living on a low income where they live.
2. The challenges of living on a low income in other parts of the country (where they don't live).
3. Our emerging recommendations – offering them opportunities to discuss our ideas and contribute their own.

Evidence sessions

Evidence session 1

- Helen Evans, chief executive, Network Homes
- Alicia Kennedy, former director, Generation Rent
- Loretta Lees, former chair, the London Housing Panel
- Debbie Weekes-Bernard, deputy London mayor for communities and social justice
- Zainab Mohammed, London Unemployed Strategies
- Nick Bowes, chief executive, Centre for London

Evidence session 2

- Nigel Costley, former regional secretary, TUC South West
- Jane Streather, former chair, North East Child Poverty Commission
- Jacqui Oughton, former managing director, education and skills, Shaw Trust
- Brian Trundley, Leeds Poverty Truth Commission

Evidence session 3

- Ben Murray, former chief executive, Maritime UK
- Andrea Mennell, chief executive officer, Goodwin Development Trust
- Ellie Law, policy advisor, LGA
- Jane Atterton, manager and policy researcher, Rural Policy Centre
- Graham Biggs, former chief executive, Rural Services Network
- Beverley Parker, chief executive officer, Rural Action Derbyshire

Site visits

Visit to Birmingham

- Service users and staff, Birmingham Work and Health Programme Hub, Shaw Trust
- Richard Brooks, director of strategy, equality and partnerships, Birmingham City Council
- Staff including apprentices, HS2

Visit to South Yorkshire

- Matt Smith, chief executive officer; Dave Thornett, business development manager; Anabel Butler, policy advisor, Key Fund
- Jennifer Dean, regional organiser and Community union reps at Liberty Steel
- Councillor Stephen Houghton, council leader, and Sarah Norman, Chief Executive, Barnsley Council ■

ENDNOTES

1. Nationwide policies that will reduce poverty in all four nations of the UK were beyond our remit. As this Commission is England-only, we have not made any recommendations for Wales, Scotland and Northern Ireland. We have sought to learn from the devolved governments in those three countries, and our recommendations may be applicable to those three countries.
2. This finding broadly holds for comparisons across different sized areas and measures of inequality. See: McCann, P, Perceptions of Regional Inequality and the Geography of Discontent: Insights from the UK, Regional Studies,; 2019. Raikes, L, Giovannini, A, and Getzel, B, Divided and Connected: Regional Inequalities in the North, the UK and the Developed World – State of the North 2019, IPPR North, 2019; Johns, M, and Hutt, H, State of the North 2023: Looking Out to Level up How the North and the UK Measure up, IPPR North, 2023
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