



Henry Overman

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## Why the government's levelling-up plans need a reality check

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*The government has made tackling the UK's persistent spatial inequalities one of its top priorities, an objective which enjoys broad political consensus. Yet progress has been slow or absent, because of insufficient investment, an underestimation of the scale of the challenge, and a paucity of evidence. Henry Overman discusses these failings and how to remedy them.*

It has been a little over a year since the government published its White Paper on Levelling-Up, and while, to put it mildly, a lot has changed since then, we are told that the government remains committed to it. If there were to be a change of government at the next election, the Labour Party would have similar objectives, regardless of the almost inevitable re-branding that seems to come with every new government. Put simply, the view that action needs to be taken to address the UK's spatial disparities looks set to endure.

In my [last piece](#) for this blog, I wrote that countering the economic forces behind these spatial disparities requires addressing multiple barriers and allowing differing approaches, and argued that the funds committed did not appear to be proportionate to the scale of the challenge. On this front, I think it would be fair to say that nothing much has changed.

If anything, the research that we've undertaken for [Economy 2030](#) – a joint project between the LSE's Centre for Economic Performance and the Resolution Foundation – has convinced me that both central and local governments continue to underestimate the extent of the changes necessary. Closing the gap between other parts of the UK economy and London will require large increases in public and private investment and changes in where our graduates live and work. If we want these changes to bring more inclusive growth, we will also need to focus on improving public services, increasing skills for those who do not go to university, and expanding housing supply to avoid problems with affordability as places grow.

## Pitfalls and opportunities lie ahead

None of these changes will be easy. The sluggish performance of the UK economy and the cost-of-living crisis provide considerable headwinds. And the UK obsession with avoiding postcode lotteries pushes against a policy response that allows for different responses in different places – which is unfortunate as this is precisely the kind of approach that is needed here.



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## *extent of the economic changes needed to address them.*



While this sounds a little pessimistic, it reflects my experience of the last two decades trying to help different governments think about economic policy in this space. As we argue in our [Bridging the Gap](#) report, there's a lack of realism in the UK debate about the strength of the market forces polarising the UK and about the extent of the economic changes that will be needed to address them.

But this doesn't mean that there is no cause for optimism. Other countries, facing similar market forces, manage to achieve higher incomes and lower inequalities – both individual and spatial. The second phase of our Economy 2030 project, now underway, aims to outline a strategy for the UK economy that could help us move closer to replicating these economies.

I think there is also cause for optimism in the slow drip, drip, drip of progress on devolving more powers from central to local government. While I don't think this is the silver bullet suggested by some, some transfer of powers will need to underpin any strategy for the UK economy. Both the main political parties now seem to accept this, and the current government is making slow but steady progress in devolving more powers.

### Evidence is key

Alongside this, although less visible, is an ongoing effort on behalf of central and local government to engage more seriously and more critically with the evidence used to underpin local economic policy. If we are to have effective policy, then this must in part be based on a strong evidence base, and a careful interpretation of that evidence base which acknowledges the challenges that come with pursuing growth.



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Over the last decade, in addition to research on the broader economic forces, I have worked with the team at [The What Works Centre for Local Economic Growth](#) to try to help with this evidence agenda. For 10 years we have been systematically reviewing and summarising the findings from evaluations and the wider evidence base to help governments understand what we know about the effectiveness of different policies.

Just as with the broader devolution debate, it would be fair to say that progress has been slow, but it has been steady. As I noted in a [blog](#) written to mark the 10<sup>th</sup> Anniversary of the What Works Network, great steps have been taken from both central and local government to introduce more frequent and rigorous evaluation of policy interventions.

Despite this great work, in a lot of important areas of local economic development, we still don't have enough high-quality evidence to guide policymaking, and what evidence there is, is too often ignored. Policy without good evidence puts us at risk of ineffective interventions that either don't achieve anything, or achieve something we don't really want. At best, this is a waste of public money. At worst, unintended consequences involve outcomes that harm some communities, and reduce trust in the political system.

Addressing this limited evidence requires two things. In the short term, it means being careful about the evidence used to justify interventions. It helps to think clearly about what an intervention aims to achieve, and whether we

have good evidence that it can do that, ideally including from impact evaluation.

Longer term, it means doing more to build up that evidence base through robust impact evaluations of policies once in place. This will help broaden understanding of the effectiveness of different interventions for the outcomes governments care about.

## Incentivising evaluation

To build on progress to date, there needs to be stronger incentives for local authorities to take part in future evaluation exercises. While rigorously evaluating a programme need not be complex and resource intensive, local authorities face political and budget pressures that mean evaluation can understandably fall by the wayside. Competitive bidding for pots of funding from central government exacerbates these problems if it makes areas worry about the implications of evaluating their programmes only to find they haven't worked as well as hoped.

Ensuring that, when appropriate, all funding streams from central government for local economic development include clear, accessible, and financially well-supported evaluation components would be one way of reducing disincentives. And as we move to increasing local control over funding, there should be steps to ensure requirements for local areas to consider and fund evaluation remain.

All of this still leaves open the question of how to make sure that central and local government use the evidence that is available to them. Progress here is also difficult, but even more important. Addressing this challenge is going to be a central component of the next phase of our work at What Works Growth.

Addressing UK spatial disparities is difficult. As we have shown through Economy 2030, there is still a long way to go in terms of grappling with the scale of change that is needed. And from my work with the What Works Centre, it is clear that in many areas there is much to be done on getting a clearer understanding of the interventions needed to achieve those changes.

However, in both these streams of work, I have seen that the appetite and drive to meet these challenges exists.

We have had great engagement with our 2030 project from policymakers curious about these issues. And a decade of collaboration between What Works Growth and central and local government to improve evaluation and the use of evidence shows that, on that front too, there is the commitment to make real progress. These are baby steps, I admit, but something to build on as we continue to grapple with the challenges created by the large and persistent disparities experienced in the UK.

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Image credit: Benjamin Elliott via [Unsplash](#).

### About the author



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