

# How Labour could make devolution work

Labour calls it a “change election”. But how much difference might a Labour government make? In this [five part series](#), Gwyn Bevan, Patrick Diamond, Kate Bayliss, Stewart Lansley, and Abby Innes, set out an agenda that could take the country in a fundamentally different direction.

In this final instalment, **Gwyn Bevan** and **Patrick Diamond** argue that the devolution of powers away from London along the lines of the devolved governments of Scotland, Wales, and Northern Ireland is necessary in order to tackle the UK’s extreme geographical inequalities.

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**ELECTION**  
NIGHT 2024



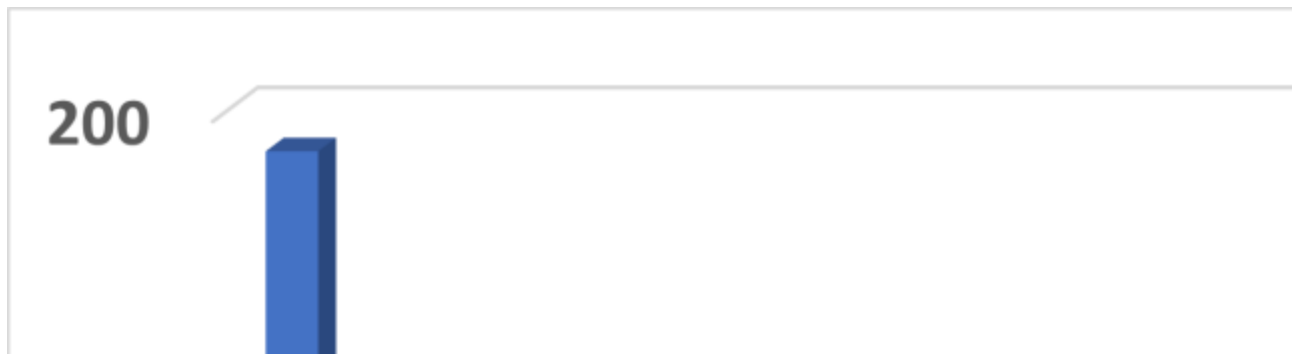
In 1994, in a de-industrialised UK, GDP per capita, in its poorest region was 50 per cent that of the [richest region](#) (£7,000 in West Wales and the Valleys vs £14,000 in London). By contrast, in 1991, after 45 years of communism, GDP per capita in East Germany was 28 per cent of that in [West Germany](#) (5,400 \$ vs 19,400 \$).

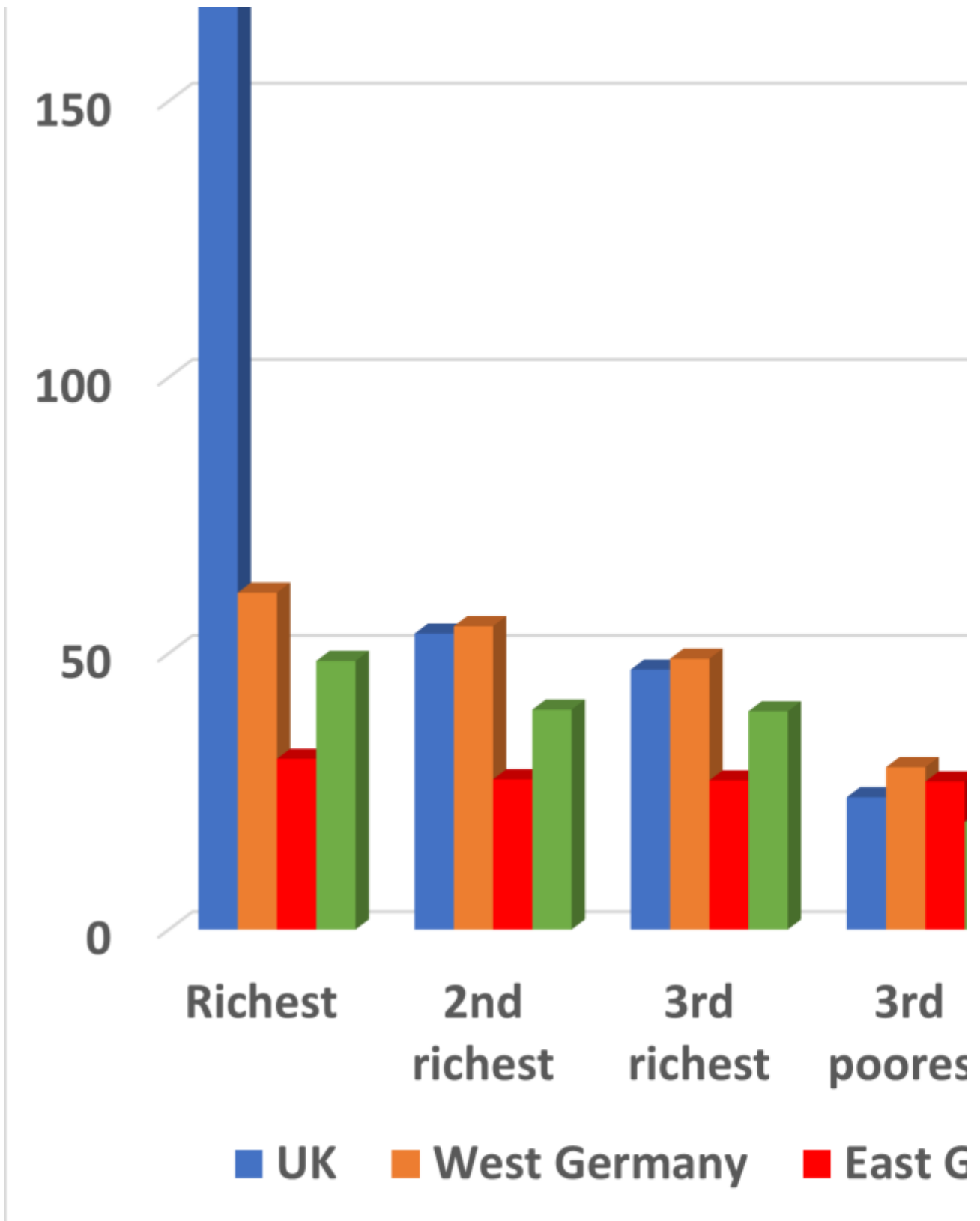
What followed in Germany’s case was the rebuilding the East programme (Aufbau Ost), which has been described as the “modern equivalent to the Marshall plan”. The government spent 1.7 trillion €, over 25 years, on infrastructure projects that have eroded the economic divide between East and West Germany. In Germany, the federal government works with its 16 regions (Laender) and the Laender by and large work cooperatively and learn from each other in their federal laboratory. [Luke Raikes](#) argued that these regional systems of governance and finance have been vital to levelling up East Germany. By contrast, the centralised systems of the UK are a serious obstacle to

reducing our regional inequalities.

Figure 1 uses data from [How Did Britain Come to This?](#) to compare regional inequalities between the three richest and poorest regions in the UK, Italy and (former) western and eastern Germany. It shows that in 2019, the regions of East Germany were richer than the three poorest regions in Britain. Italy's three poorest regions are impeded by varieties of organised crime: Campania, Sicily and Calabria. The ratios of GDP per capita of the richest to poorest regions were threefold in Italy and former West and East Germany. They were *eightfold* in the UK (between inner-London West and Tees Valley and Durham).

**Figure 1: GDP/capita richest & poorest regions: UK, Italy, West & East Germany**





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Analysis by John Burn-Murdoch in the [Financial Times](#) has estimated that the percentages of each country's GDP from its richest city were: 1 per cent for Germany (Munich), 4 per cent for the USA (San Francisco and the bay area), 5 per cent for the Netherlands (Amsterdam) and *14 per cent for the UK* (London). He also estimated that if London were excluded, the UK's GDP per capita was lower than Mississippi.

The UK's centralised systems of governance and finance have created economic fault lines greater than communism did in Germany and endemic organised crime in Italy. As [Steve Leach, John Stewart and George Jones](#) argue, "English local government is in a state of decline after 40 years of incremental but cumulative centralisation by central government". The development of the UK's overcentralised state began after the end of the second world war, with the Attlee government that nationalised the utilities (water, gas, electricity), which had previously been run by local authorities, and moved their hospitals into the NHS.

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That government gave local authorities new responsibilities for building council houses at scale, and providing education (except for the universities that then educated only 5 per cent of the population). These responsibilities were then removed by the Thatcher government, and so began the demise of social housing, markets for schools with independent academies, and the removal of polytechnics as part of the folding of all higher education institutions into universities. Moreover, the 2010 Coalition government's programme of austerity had a devastating and lasting impact on councils' capacity to run their reduced range of services.

It's hard to see how the UK's extreme geographical inequalities can be tackled without devolving government away from London to the regions of the UK. But devolution in UK politics remains problematic. A [review](#) of devolution in Manchester found that it had resulted in "very little local autonomy, major areas not devolved and hardly any tax

raising powers". Although the [Levelling Up White Paper](#) emphasised the importance of devolving power, its constant refrain was that "*the UK government will*" (a phrase repeated nearly 200 times).

An objection to creating regional governments is that it merely adds another level of bureaucracy. But we see devolution on a regional scale as vital for economic growth and spatial development. That would mean bringing together several of the city-region combined authorities in England with directly elected mayors into a single, greater regional unit for effective planning.

To narrow the regional economic divide, we recommend devolved powers comparable to the national devolved governments within the UK, Wales, Northern Ireland and Scotland to include health care alongside education (other than for internationally competitive research intensive universities); housing; and transport.

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Another objection to devolution is that the limited evidence from more than 20 years of UK-wide devolution has shown the devolved governments to be vulnerable to producer capture. Although [comparing NHS performance](#) over time has become increasingly difficult, the devolved countries have tended to perform worse on the limited comparisons that can be made. For schools, the OECD's Programme for International Student Assessment ([PISA](#)) assessments also show that performance of 15-year olds (in mathematics, reading and science) is best in England. A crucial advantage of federal arrangements is that they provide a laboratory to experiment with different types of policies to enable learning about what works. Since devolution in 1999, we have had "natural experiments" with different systems in the countries of the UK. But, without federal institution to negotiate arrangements for reporting performance across the countries, we are handicapped in our capability to learn from these experiments, and our citizens lack the information they need to put pressure on governments to remedy their shortcomings.

So, a federal laboratory would require each devolved government to collect basic data and follow common definitions, ensuring that performance can be compared and lessons learnt. That does not constrain the different parts of the UK from having different

priorities or pursuing divergent policies. The development of performance monitoring at the national and regional level in [Italy](#) offers a good model for a UK constitutional settlement. This arrangement assumes full devolution to the regions within England combined with effective scrutiny of their use of public money and their performance in running services.

An example to draw on is the [performance agreements](#) linked to funding for government departments, implemented by the Treasury under Gordon Brown in the Blair government in the early 2000s. In a new constitutional settlement, the Treasury would report to citizens on how effectively their taxes are being used by the devolved countries and English regions. And these bodies would develop their own systems of comparing performance of local providers of public services, developing collegial competition between them. Regions would seek to develop means of better use of our resources along the pathways of healthcare and education over a lifetime.

Making devolved regions accountable for local services and economies, and reorganising central government to deliver missions that span current Whitehall Departments, would have long-term transformative implications.

Effective devolution can replace silo working locally, as in Chris Naylor's account of the transformation he led as Chief Executive of the [London Borough of Barking and Dagenham](#) (from 2014 to 2021). They moved from a traditional welfare model of silo working (professional experts formulating solutions to needs) to a holistic preventative model (designed to meet the aspirations of individuals). Regional government has the potential to develop place-based systems of governance by integrating health and social care and developing post-compulsory education as central to economic development.

The [Financial Times](#), has reported that the Labour Party aims to tackle silo working in Whitehall with a radical reorganisation to deliver five long-term missions: "driving economic growth, green energy investment, rebooting the NHS, creating safer streets, and delivering "opportunity for all" through a new skills agenda". This approach combines two tested and successful innovations in governance. One is Michael Barber's [Prime Minister's delivery unit](#), which, from 2000 to 2005, reduced NHS waiting times, crime rates, and road congestion; and improved rates of health outcomes, literacy and numeracy, and rail punctuality. The other is New Zealand's [Better Results programme](#), which inspired government departments to deliver targets that required innovative

collaboration.

Making devolved regions accountable for local services and economies, and reorganising central government to deliver missions that span current Whitehall Departments would have long-term transformative implications. These include moving staff from working for Ministers with limited tenure on traditional department functions in Whitehall, to the devolved regions with accountability to make place-based governance work for their electorates.

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