MORE JOBS, BETTER JOBS, CLOSER TO HOME

Next steps in rebuilding the economy of Britain's older industrial towns

Industrial Communities **Alliance**

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The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales

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Summary

Britain's older industrial towns are a major part of the country, accounting for around a quarter of the total population. There has been progress in rebuilding their economies but there continues to be a fundamental imbalance in local labour markets. Too many of the new jobs that have been created are low-paid and low-productivity. Too many people have to commute to the cities for work, too many of the rest remain on benefits, and too few young people are able to fulfil their potential.

One of the handicaps that burdens older industrial towns is the emphasis in economic theory and policymaking on the role of cities. Growth in the big cities is welcome, but it is questionable whether a city-centric model of growth could ever deliver sufficient jobs and prosperity to Britain's older industrial towns.

The various levelling up funds that in recent years have targeted towns are not by themselves a solution. There are limits to what small pots of money can be expected to achieve.

- More than 15 per cent of all adults of working age in Britain's older industrial towns are out-of-work on benefits – a staggering total of nearly 1.6 million people.
- Over the last decade, job growth in older industrial towns has been much slower than in the main regional cities, and slower still than in London.
- Far from being 'post-industrial', the towns remain the heartland of British manufacturing, with a share of jobs in industry double that in the main regional cities.
- Manual work accounts for 60 per cent of jobs in the towns, a higher proportion than in the big cities.
- Median weekly earnings are 10 per cent below the national average, and much further behind the level in London.
- Reflecting slow employment growth in the towns, commuting to jobs in the big cites has been growing strongly.
- The most recent estimate puts total net commuting out of older industrial towns at just over one million.

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Delivering growth and jobs in older industrial towns requires action across a broad front. The policy proposals in the report are all rooted in experience and discussion at national and regional meetings of the Industrial Communities Alliance.

1. **A new emphasis on manufacturing.** In view of the strong and on-going dependence of Britain's older industrial towns on manufacturing, a key step government can take is to foster the growth of UK manufacturing.

2. **Regional investment aid.** This was a key tool for decades but has fallen into disuse. The UK needs to exploit its post-Brexit flexibility to incentivise businesses to invest in new products, new processes and skills, and to do so in the places like older industrial towns that need this investment most.

3. **Skills and apprenticeships.** A robust apprenticeship system is vital to economic growth, especially in older industrial towns where the economy is often weakest and the need for apprentice-level skills greatest.

4. **Connectivity.** Whilst the long-term aim must be to deliver more jobs and better jobs closer to home, many residents of older industrial towns are presently dependent on commuting into nearby cities. The transport infrastructure around many of the towns is under unacceptable strain and needs investment.

5. **Gap funding.** Low land values and property rents in older industrial towns mean that the private sector is often reluctant to invest in industrial and commercial property. This holds back local economies. The solution is gap funding.

6. **Strong targeting.** If older industrial towns are ever to catch up with the rest of the country, they need targeted support. Treating all places equally will not address the imbalances in prosperity and well-being that have for so long marred the UK.

7. **Longer-term funding.** If local partners are to deliver successful economic regeneration in older industrial towns, they need longer-term funding to support ambitious and genuinely transformational projects.

8. **Devolved delivery.** Central government should stop trying to micro-manage local economic development. Set the strategic direction and the parameters for spending, but then let local authorities and their partners get on with the job.

1. INTRODUCTION

The challenge

Britain's older industrial towns are a major part of the country, accounting for around a quarter of the total population.

It's well known that their original industries – coal, steel, textiles, shipbuilding and heavy engineering – have either disappeared or shrunk to a fraction of their former size, with the loss of countless thousands of generally well-paid jobs. Efforts to rebuild their economies are not new and there has been real progress. However, in recent years too many people in Westminster and Whitehall have been lulled into thinking the towns' problems have been solved. Even if the economy isn't exactly booming there is no longer mass unemployment and there are plenty of job vacancies, or so the narrative goes.

This rosy view of Britain's older industrial towns is misleading. Yes, there are many new jobs and there has been much physical redevelopment, removing the scars of long-gone industries. But there continues to be a fundamental imbalance in local labour markets. Too many of the new jobs that have been created are low-paid and low-productivity. Too many people have to commute to the cities for work, too many of the rest remain on benefits, and too few young people are able to fulfil their potential.

In February 2020 the Industrial Communities Alliance published *Making Places: how to rebuild the economy of Britain's older industrial towns*[1]. Within days, however, the pandemic dominated nearly all policy debate and as time ticked by some of the proposals we put forward, for example around replacing EU funding, were overtaken by events. Nevertheless, the problems of older industrial towns and smaller communities such as pit villages have not gone away. In this new report we've therefore updated the recommendations to bring them into line with the post-pandemic, post-Brexit world.

1. Industrial Communities Alliance (2020) *Making Places: how to rebuild the economy of Britain's older industrial towns*, ICA, Barnsley.

City-led growth: a broken model

One of the handicaps that burdens older industrial towns is an emphasis on the role of cities in economic growth. Let's be absolutely clear: the Industrial Communities Alliance welcomes growth in the cities, which themselves were often blighted by economic decline in the second half of the twentieth century. However, it is questionable whether a city-centric model of growth could ever deliver sufficient jobs and prosperity to Britain's older industrial towns. It is an heroic assumption, at best, that growth in London and the major regional cities will eventually trickle out to the industrial towns of the Midlands, North, Scotland and Wales.

In a report published in 2015[2] we concluded that:

- Big cities do not have the monopoly on economic growth.
- Cities are good for some types of business but other sorts of economic activity flourish better elsewhere.
- Cities and their surrounding areas have an interdependent relationship.
- Commuting times into cities can be lengthy.

In a second report in 2018[3] we argued that towns are not just there to provide workers and consumers for the big metropolitan centres. The report highlighted the downsides of urban living such as congestion and high-cost housing and argued that the older industrial communities away from the cities have their own distinctive and attractive offer:

- Strong identities and communities
- A more spacious and cleaner living environment
- Access to the countryside
- A lower cost business environment
- Land for development
- A plentiful workforce

[2] Industrial Communities Alliance (2015) *Growth Beyond the Big Cities: the role of Britain's industrial towns in delivering jobs and prosperity*, ICA, Barnsley
[3] Centre for Towns, Coalfields Regeneration Trust, Industrial Communities Alliance and Key Cities Group (2018) *Places with Purpose: the future of industrial cities, towns and communities*, ICA, Barnsley

The fact that job growth in the cities has in recent years kept commuters from older industrial towns in work is welcome but this city-centric model of growth is unsustainable. Indeed, we may already be at limits of what it can deliver:

- **Congestion on the road and rail network.** Britain's transport network was never designed to move vast numbers in and out of the main regional cities. Away from London and the South East the rail network is skeletal at best and much of the rolling stock is unable to handle the demands placed upon it. The motorway network was built with long-distance travel in mind but around the cities it has become clogged with commuters.

- **Incompatibility with the green agenda.** The plan is to reduce CO2 emissions from transport but the growing dependence of residents of older industrial towns on jobs in cities works directly against this aspiration. It is doubly damaging because most of the commuting happens by car.

- **Social damage.** Commuting is not cheap – indeed its costs are beyond the reach of many workers on low pay – and it can be deeply draining of personal energy. Commuting is also a challenging option for those with children or other caring responsibilities.

The long-distance separation of home and workplace that is built into the city-centric model of growth makes it too difficult for many people to participate in rewarding employment. Commuting into the cities may just about work for car-owners in well-paid jobs, but not for those on lower incomes. For shift-workers and those who work outside city centres, public transport is rarely a practical option. Long-distance commuting also corrodes the strong community networks – the close bonds between workplace and home – that have traditionally been one of the best and most distinctive features of older industrial towns.

For the older industrial towns at a considerable distance from the nearest city – and there are plenty that fit this description – commuting to a city is not even an option. The travel times are simply too great.

The city-centric model of growth is also leading to polarisation. It is the young and better qualified who are the most mobile, and the combination of job growth and the expansion of higher education has drawn them into the cities in big numbers, denuding older industrial towns of successive cohorts of young, able people. The result is that the population of the towns is getting older, in absolute terms and relative to the national average.

The new focus on towns

The policy agenda has of course moved over the last five years.

In 2018, the UK government announced a *Future High Streets Fund*, designed to help England's ailing high streets and town centres. In 2019, a new *Towns Fund* targeted 100 of England's 'left behind' places. More recently, the *Levelling Up Fund* and the *UK Shared Prosperity Fund* have targeted less prosperous places across Scotland and Wales as well. Many older industrial towns benefit from these new funds.

The newest of the UK government's initiatives, launched in October 2023, is its *Long-Term Plan for Towns*. This provides funding for 55 disadvantaged towns across England, Scotland and Wales, where Town Boards will be established to draw up plans and oversee spending. The UK government is also establishing a Towns Taskforce to provide a voice in government.

These initiatives are welcome but there needs to be realism about their potential achievements. Decades of relative decline are unlikely to be turned around by modest public investment, even if additional monies can be levered in on the back of this pump-priming. The new funding for each of the 55 towns is only £20m for example. Little of the money is genuinely 'new' either: the *Towns Fund*, *High Streets Fund* and *Levelling Up Fund* have really only taken over the budget line of England's now-discontinued *Local Growth Fund*, and the *UK Shared Prosperity Fund* was from the outset intended to replace EU funding to the regions. What's more, in many cases the new funding is far less than the government funding removed during the preceding decade of austerity.

There are also limits to what small pots of money can be expected to achieve when so many of the key policy levers and really big budget lines remain in the hands of central government. The challenges facing older industrial towns are substantial and not unique to any one part of the UK. Nor are the solutions. Above all, what Britain's older industrial towns need is a lasting revival in their economy.

2. THE ECONOMY OF OLDER INDUSTRIAL TOWNS

So where do Britain's older industrial towns currently stand?

The statistics we quote below are all taken from three recent studies by Sheffield Hallam University[4]. The Sheffield Hallam definition of 'older industrial towns' covers 91 unitary and district authorities covering most of the places beyond the big cities that have been hit by job losses from coal, steel, shipbuilding, heavy engineering, chemicals, ceramics and textiles. These 91 authorities have a combined population of around 17 million, or just over a quarter of the GB total. The studies also include comparative data for London and the ten main regional cities[5].

The persistence of worklessness

The biggest myth about Britain's older industrial towns is that the problem of worklessness has been solved. In reality, much of the problem has shifted from recorded unemployment into 'economic inactivity'. Across the towns as a whole:

- **More than 15 per cent of all adults of working age are out-of-work on benefits – a staggering total of nearly 1.6 million people.**

One of the defining features of Britain's older industrial towns is that as job loss kicked in the big adjustment was a withdrawal of men and women of working age from the labour market, mainly onto incapacity-related benefits. Across Britain as a whole, the numbers out-of-work on incapacity-related benefits rose from around 750,000 at the end of the 1970s to a plateau of more than 2.5 million in the early 2000s. The surge coincided almost exactly with the great wave of deindustrialisation. After then falling gradually by a few hundred thousand, the incapacity numbers have risen again recently to reach all-time highs.

Britain's older industrial towns have been at the heart of the long-term increase in incapacity numbers:

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4. C Beatty and S Fothergill (2018) *The Contemporary Labour Market in Britain's Older Industrial Towns*, CRESR, Sheffield Hallam University.
C Beatty and S Fothergill (2021) *Beyond the Pandemic: older industrial Britain in the wake of the crisis*, CRESR, Sheffield Hallam University.
C Beatty, S Fothergill and T Gore (2022) *The Real Level of Unemployment 2022: the myth of full employment across Britain*, CRESR, Sheffield Hallam University.

5. Birmingham, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle upon Tyne, Nottingham and Sheffield (all defined as their local authority district)

- **With a quarter of the GB population, older industrial towns are home to more than a third of the country's incapacity claimants.**

These are men and women whose health problems and/or disabilities entitle them to incapacity benefits rather than unemployment benefits when they are out-of-work. Ill health or disability is rarely an absolute bar to employment – official figures show that many people with long-term health problems or disabilities do hold down a job – but comparisons with the much lower claimant rates in prosperous parts of the country suggest that in older industrial towns a significant proportion of the men and women on incapacity benefits would have been in work in a fully employed economy. This conclusion holds even after adjusting for the more widespread levels of poor health in older industrial towns.

The most recent Sheffield Hallam estimates, for 2022, put the number of 'hidden unemployed' on incapacity benefits at just under 800,000 for Great Britain as a whole.

- **In many older industrial towns, the inclusion of the hidden unemployed pushes the real unemployment rate above 10 per cent.**

Despite the best efforts of government, there is also no evidence that hidden unemployment is falling.

The share of working-age adults in work – the 'employment rate' – paints a complex picture. The raw figures point to an employment rate in older industrial towns that is only a little lower than the GB average and higher than in the main regional cities, but economically inactive students distort the picture. In older industrial towns they account for just 5 per cent of all 16-64 year olds whereas in the main regional cities, where so many universities are located, they account for almost 10 per cent. Stripping out students, the employment rate in older industrial towns lags well behind the national average.

Slow job growth

In the foreword to the government's *Long-Term Plan for Towns*, Prime Minister Rishi Sunak wrote "since the financial crisis, jobs growth in towns has been half that in cities, and a quarter of that in London". He was referring to towns as a whole but his statement rings true for older industrial towns.

- **Between 2012 and 2019, the number of jobs increased by 7 per cent in older industrial towns but by 11 per cent in the main regional cities and 16 per cent in London.**

During the pandemic, employment fell and large numbers were furloughed, but as the economy re-opened the job numbers bounced back more or less to where they had started.

- **There is no evidence that the jobs gap between older industrial towns and the cities narrowed in the wake of the pandemic.**

Quite why job growth in the cities has forged ahead is unclear. It may owe something to years of public investment in the cities that is now bearing fruit in private sector job growth. It probably owes something to the expansion of city-based universities that have brought in vast numbers of students and added to local spending power. It almost certainly reflects a model of national economic growth that favours consumption over production and services over manufacturing.

Most industrial, not post-industrial

One of the striking features of Britain's older industrial towns is that they remain to an important extent industrial. The label 'post-industrial' is often applied but this is misleading – a London view, perhaps, that assumes the UK no longer produces very much and that jobs in industry are a thing of the past.

- **Britain's older industrial towns are home to nearly a million manufacturing jobs across a wide range of industries.**

- **Manufacturing accounts for 15 per cent of jobs in the towns, and many more through local supply chains and consumer spending.**

By contrast, manufacturing accounts for a far smaller proportion of jobs in the main regional cities (8 per cent) and London (4 per cent).

Britain's older industrial towns remain the heartland of British industry. The industry that survives is also by no means just 'metal bashing' – indeed, the widespread use of the term betrays a misunderstanding of what actually goes on in modern manufacturing. Metal goods are an important part of the total but there is plenty of employment in newer industries and much of the remaining older industry is in its own way 'high tech', increasingly green, and has had to invest in new products and processes in order to survive.

There is also no reason to suppose that manufacturing in older industrial towns is any less efficient than manufacturing in South East England or the big cities. Figures on the wide disparities across the UK in gross value added (GVA) per head are widely quoted and often used to point to low productivity in less prosperous parts of the country. However, the headline figures are a poor guide. Adjusting for factors such as commuting (production is recorded in cities even if workers live in neighbouring areas), employment rates, industry mix and occupational structure, there little evidence in the GVA data that the efficiency of production varies much across the country[6].

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6. C Beatty and S Fothergill (2019) *Local Productivity: the real differences across UK cities and regions*, CRESR, Sheffield Hallam University.

Poor quality jobs

Manufacturing has traditionally been a source of skilled jobs and decent pay. This has not changed, but the positive influence of manufacturing on the overall labour market in industrial towns is increasingly swamped by large numbers of poor-quality jobs in other sectors and by the absence of many of the higher-grade, higher-wage jobs found in big cities.

- **Manual jobs account for 60 per cent of employment in older industrial towns.**

In contrast, manual jobs account for only 50 per cent of all employment in the main regional cities and 40 per cent in London.

In line with these figures, the proportion of residents with degree-level qualifications is much lower in older industrial towns – just over 30 per cent, compared to just over 40 per cent in the main regional cities and over 50 per cent in London.

There are issues here of cause-and-effect. One interpretation could be that white-collar jobs follow the location of highly educated workers. There will always be cases that fit this model. The more likely explanation is that the composition of the workforce in older industrial towns reflects the nature of the jobs on offer and that highly educated workers move to the cities where they are more likely to find appropriate employment. Some of this occurs as school-leavers from the towns move to university, mostly in the cities, and then never return.

Jobs in the old industries – coal, steel and the like – were hardly wonderful and working conditions could be harsh, but they did generally provide stability, a decent wage, and trade union recognition. The newer jobs can too often feel insecure, short-term and involve debased forms of self-employment, for example among delivery workers and taxi drivers. Zero-hours contracts, diminished employment rights and an absence of trade unions now characterise many workers' experiences.

If there is a single sector that typifies much of the new employment it is warehousing. In the former coalfields, for example, warehousing has often replaced jobs in the mines, even on the same sites. To put the numbers into perspective, the most recent *State of the Coalfields* report[7] found that warehousing in the former coalfields employed only 90,000 fewer than the coal industry itself at the time of the 1984/5 miners strike.

Jobs in warehousing are not necessarily all poor quality but there is competitive pressure on employers to keep down costs and retain business. In a largely non-unionised environment the consequences can be low pay, irregular shift-working and an intense and inexorable pressure on employees. Many employers have turned to migrant workers from the EU and further afield as local residents shun the unsatisfactory working conditions.

7. C Beatty, S Fothergill and T Gore (2019) *The State of the Coalfields 2019: economic and social conditions in the former coalfields of England, Scotland and Wales*, CRESR, Sheffield Hallam University

Low pay

Pay in Britain's older industrial towns lags behind the national average and behind the most prosperous parts of the country.

- **Median weekly earnings in jobs in older industrial towns are 10 per cent below the national average.**

Median earnings in jobs in London are 45 per cent higher than in older industrial towns.

One of the consequences of low pay in older industrial towns is a financial burden on the Exchequer. This occurs because the UK tax and benefit system operates to prop up household incomes not just for those out-of-work but also, via Universal Credit, for those in low-paid employment.

More commuting

In a physically small country such as the UK, the labour markets of many older industrial towns are inevitably intertwined with nearby cities.

- **The most recent estimate puts total net commuting out of older industrial towns at just over one million.**

This figure is a *net flow* – the daily flow outwards will be larger, offset in part by in-commuting. Looking at the flows from the other direction, at the same point in time the ten main regional cities had a net in-flow of just under one million commuters. The evidence is clear: a significant proportion of residents of older industrial towns rely on jobs in the big cities. What's also striking is that out-commuting from older industrial towns is rising:

- **Between 2010 and 2019 net out-commuting from Britain's older industrial towns rose by 200,000.**

These figures point to a shift in the role of Britain's older industrial towns. Increasingly, they are becoming places where people live but work elsewhere. This is very different from their original role. What we are observing, in effect, is the consequence of the faster employment growth in the cities. Other things being equal, faster growth in job opportunities always attracts more commuters from surrounding areas and as the growth trajectories of the cities and older industrial towns have diverged this is exactly what has been happening.

Hybrid working – 'working from home' – will have shifted the more recent numbers, reducing commuting flows among some groups of workers. But so long as employment opportunities grow more quickly in the cities than in surrounding towns we can expect the commuting flows to resume their upward trajectory.

Commuting is at best a partial response to the shortcomings of the economy in older industrial towns. A very real problem is the distance and time involved. In the places where rail services are an option, the travel times between town and city are only part of the issue. Add in waiting times, the fitful reliability of services and the time taken to get to a station and then on to the workplace and the total travel-to-work time is often well in excess of an hour. And the services may not be very frequent either – just once an hour, for example, on the new line from Ebbw Vale to Cardiff.

The handy, fast and frequent rail services that serve commuters in and around London simply don't exist in most of the rest of the country. Bus services – the fall-back public transport option – are usually much slower and because of peak-hour road congestion the typical travel-to-work time by car is often little better.

For the residents of some older industrial towns – Barrow, Whitehaven and Workington in Cumbria are examples but they are not alone – the distances and times are simply so great that commuting into the nearest big city simply isn't an option. Even with improvements in roads and in bus and rail services this is would not change.

Assessment

The evidence can be distilled down to two key observations:

- **The economy of older industrial towns remains weak.** The towns continue to depend heavily on manufacturing, which should be positive, but this sector has struggled in the UK. Older industrial towns entered the pandemic lagging behind on a range of social and economic issues, were hit hard and emerged still lagging behind. Job growth is slow, earnings below par, there are too many low-grade jobs, and worklessness is still a problem.

- **Older industrial towns rely increasingly on jobs in neighbouring cities.** Commuting from older industrial towns has surged as the growth in job opportunities in the cities outstrips the job growth in towns. What were once vibrant centres of industry and employment in their own right are increasingly becoming dormitories for men and women working elsewhere – with all the attendant stresses and costs of commuting.

Britain's older industrial towns need a new model of growth that delivers more jobs and better jobs, closer to home.

3. THE POLICIES WE NEED

Delivering growth and jobs in less prosperous parts of the country, such as older industrial towns, requires action across a broad front. There has never been a single 'silver bullet' that will deliver local and regional economic development; rather, the UK's long experience demonstrates that success requires a toolkit of policies targeting different elements of the overall jigsaw. It is the combined effect of several interventions, working together, that nearly always produces the best results.

The policy proposals set out below are all rooted in experience and discussion at national and regional meetings of the Industrial Communities Alliance.

1. A new emphasis on manufacturing

A distinctive feature of Britain's older industrial towns is that they remain strongly dependent on manufacturing. Far from being 'post-industrial', these towns are actually the heartland of British industry. A key step government can take to raise the towns' prosperity is to foster the growth of UK manufacturing.

This is an ambitious target, requiring action across a range of departments and tiers of government. To deliver a successful and growing manufacturing sector the UK government needs to get the economic context right:

- **A business environment that encourages investment**. Low interest rates are helpful, but banks need to invest on a longer-term basis than has generally been the case in the UK.
- **A competitive exchange rate** to encourage exports and help businesses compete against imports. The Bank of England's monetary policy has the potential to be a helpful influence here.
- **A budget strategy that sustains aggregate demand**. The Treasury has a key role in ensuring that economic growth is not held back by over-zealous deficit reduction.
- **Easy access to international markets**. The EU remains by far the UK's biggest export market.

- **Protection from unfair foreign competition**. The UK government needs to ensure British businesses are not damaged by subsidised or dumped products from abroad.

A commitment to an **Industrial Strategy** would be helpful, but the strategy needs to be of the right kind. In its last iteration under Theresa May, the government's industrial strategy prioritised a narrow range of sectors and funding was targeted at leading-edge technologies – fine for the research laboratories of Oxford, Cambridge and a handful of other places but less immediately helpful to the businesses that make up the bulk of manufacturing in older industrial towns. The support for manufacturing in any future industrial strategy needs to be broader based.

Energy intensive industries are in an especially exposed position. They face the challenges of high energy prices, carbon charges and the drive to net zero. The risk is that production will be shifted out of the UK with no net reduction in global emissions. A '**carbon border**' – tariffs on goods that continue to be produced in other countries by polluting methods – is an integral part of the solution.

The transition to a low-carbon economy provides opportunities. However, there should be no complacency that the UK will be a world-leader, nor that if new jobs and businesses are created they will necessarily be in the older industrial towns where they are needed most. Government has a key role to play in making sure that a green industrial revolution delivers for the places in need of jobs and growth.

The **steel industry** looks set to be a test case. Though much diminished over the years, steel remains a major employer in several places, just about all in the less prosperous half of the country, where the industry provides a much-needed source of well-paid skilled jobs. Abandoning traditional blast furnaces in favour of electric-arc furnaces (the UK government's present approach) may reduce carbon emissions if the electricity comes from renewable sources but it also destroys large numbers of jobs – possibly two-thirds of the 4,000 jobs at the Port Talbot works in South Wales for example. The new electric-arc furnaces are good for recycling scrap but they are incapable of producing the new primary steel necessary for many key uses, so there are major issues too about the UK's long-term industrial capability.

The UK's steel industry, nor indeed any other industry, should not be sacrificed in a headlong pursuit of a green agenda that simply opens the door to imports. There needs to be a balanced approach involving a mix of technology that reduces carbon emissions, maintains production and retains jobs.

For too long, manufacturing has been undervalued. This needs to change. By investing in and protecting what older industrial towns make and sell, the economies of these left-behind places can become more self-sustaining and contribute to the economic wealth of the nation.

2. Regional investment aid

Regional investment aid was a key tool for decades but has fallen into disuse. The UK needs to exploit its post-Brexit flexibility to incentivise businesses to invest in new products, new processes and skills, and to do so in the places that need this investment most.

Regional investment aid is the financial support the public sector offers to private sector investment in the regions. In most cases the aid takes the form of a capital grant making up a proportion of the project cost but in others it can be a loan at a discounted rate of interest. When managed properly – and the UK has long experience in this regard – the aid is given only to projects that would not otherwise have gone ahead in the same place, on the same scale, or on the same timescale. In other words, it results in additional investment.

For many years, aid of this kind was vital in delivering inward investment and in securing re-investment in existing sites. It helped deliver many thousands of new jobs in the places that needed them most.

Regional investment aid used to be regulated by EU State Aid rules that allowed higher rates of financial support in what were called 'Assisted Areas' – the less prosperous parts of the country, covering around a quarter of the UK population including most older industrial towns. Inexplicably, when the UK government designed its new system of Subsidy Control it failed to make any provision for Assisted Areas. The new system requires financial support to businesses to be consistent with a set of principles but it treats all parts of the country equally, so there is no longer any discrimination in favour of less prosperous places.

- **The UK government should bring back an Assisted Area map**, defining the places where higher rates of financial support are available to businesses. This would send a clear signal to investors.

- **The highest rates of assistance should be available in the most disadvantaged places** – a feature of both the EU and earlier UK rules.

- **The coverage of a new Assisted Area map should be generous**. There is no need to be tightly constrained by the population ceilings once set by EU rules.

There is no doubt that a new Assisted Area map, driven by statistics on economic disadvantage, would strongly target older industrial towns. This proposal doesn't mean higher spending. There are plenty of existing budget lines for business support, mostly managed by the UK departments for Business and for Energy, that could be brought to bear to support investment in the regions.

3. Skills and apprenticeships

A robust apprenticeship system is vital to economic growth, especially in Britain's older industrial towns where the economy is often weakest and the need for apprentice-level skills greatest.

Britain has fewer adults with intermediate-level qualifications than comparable economies, and participation in government-funded skills training almost halved between 2010 and 2020. Compared to the rest of the country, older industrial towns have more jobs in manufacturing and a higher proportion of residents work in manual jobs that are more likely to require the skills learned through apprenticeships.

The present apprenticeship system is flawed. It disincentivises some businesses, inhibits smaller firms from recruiting and training, provides qualifications that are not always well understood, and lacks capacity. Reforms are needed, for the benefit of older industrial towns and the UK as a whole:

- **'Vocation, vocation, vocation'** – apprenticeships and vocational training should be placed on an equal footing with academic qualifications.
- **Establish a national partnership** bringing together employers, unions and government (including the devolved administrations) to provide oversight on skills.
- **Remodel the Apprenticeship Levy** as a skills fund to give employers flexibility on how Levy funds are spent, allowing the reskilling of existing employees as well as the creation of apprenticeships.
- **Reserve the 'apprenticeship' label** for higher-level training. There's been dilution, eroding the mark of quality that the apprenticeship label used to provide.
- **Devolve FE and skills funding in England**, initially to combined authorities, whose geographical remit is sufficiently wide to cover most of their local labour market.
- **Establish an expert body** to oversee investment in skills. This would sit alongside and support the national partnership between employers, unions and government.

Investment is required to establish a greater number of high-quality technical training institutions with the freedoms and prestige afforded to universities. At the highest level, ministers need to signal that the era of more and more graduates is over, and that a wider range of high-quality skills and training is now the priority.

4. Connectivity

Whilst the long-term aim must be to deliver more jobs and better jobs closer to home, the dependence on commuting into nearby cities has been growing. The transport infrastructure around many of Britain's older industrial towns is under unacceptable strain and needs investment.

Older industrial towns were once well served by rail and many retain railway infrastructure that with the right investment could provide access to job opportunities locally and in nearby cities. This should include:

- **Introducing passenger services** on lines that are presently used only for freight.
- **Reopening closed lines**, including some that fell foul of the Beeching cuts.
- **Incremental improvements** to increase network capacity or allow new routes.
- **New stations on existing lines** where communities are presently by-passed.
- **New rolling stock** to speed journeys and ease overcrowding.

These are interventions that would deliver real benefits to older industrial towns by easing existing commuting and opening up new job opportunities. By raising connectivity, they would also make the towns more attractive locations for new employers. Now that both northern legs of HS2 have been cancelled there should be more than enough money to fund a wide range of rail investments.

Bus services can suffer from a bad reputation but still provide the vital link between many communities and the jobs in city and town centres and on peripheral trading estates. Some companies have been upgrading their fleets with modern buses, free Wi-Fi, USB charging and contactless payment. But in too many areas the experience of catching the bus has remained unchanged for decades – if you're lucky a draughty bus shelter, no real-time information, and few services after dark or at weekends.

For many on low incomes, bus travel is something that constrains rather than enables access to work. The transport authorities covering Britain's older industrial towns need proper capital and revenue funding to make a success out of their powers over bus services.

5. Gap funding

Low land values and property rents in older industrial towns mean that the private sector is often reluctant to invest in industrial and commercial property. This holds back local economies. The solution is gap funding.

These days most businesses, especially smaller firms, either rent the buildings they occupy or buy property that is already on the market. Building their own premises from scratch simply takes too long. A healthy flow of property to rent or buy is therefore important to accommodate new and growing firms.

Unfortunately, whilst developers are willing to invest in large 'sheds' on the outskirts of towns, often with a specific occupier signed up from the outset, in many older industrial towns they rarely if ever invest in speculatively built space for SMEs, in incubator units or in high-quality office space. In their eyes, the returns are too low or too uncertain.

The problem is worst on brownfield sites. Many of the largest have thankfully been cleaned up as a result of public sector intervention but there are still plenty for which a solution remains to be found. The problem is negative land values – the cost of cleaning up and site preparation exceeds the value of the completed development-ready site. This is classic 'market failure', remediable by gap funding to make it worthwhile for the private sector to invest in sites that are often of strategic importance to the regeneration of communities.

Gap funding is also needed to assist in the re-use of historic and architecturally important buildings. In areas with a strong economy the market generally works to re-purpose these but in older industrial towns they too often face a sad decline, with commercial rates of return unable to justify investment to change their use or even keep them in a fit state of repair.

At one time, local authorities were in a financial position to develop and build industrial units and workspaces for small firms, and central government played a key role through agencies such as English Estates and more recently English Partnerships. Their successor – Homes England – has largely shunned investment in industrial and commercial property.

- **A plentiful supply of gap funding** is needed to unlock land and property development where the private sector is reluctant to invest by itself.

- **Grants not loans** are likely to be the key to shifting the economics of development projects.

- **Sharing the burden of risk**. There needs to be a mechanism to share the risk where local authorities make investments in the best interests of the local economy.

6. Strong targeting

If older industrial towns are ever to catch up with the rest of the country, they need targeted support. Treating all places equally will not address the imbalances in prosperity and well-being that have for so long marred the UK.

Taken as a whole, the present levelling up funds have allocated more on a per capita basis to the less prosperous regions and nations of the UK. This is welcome. However, fund by fund and authority by authority the picture is more complex and less convincing.

The allocation of the *Towns Fund* for example is widely seen to have been influenced by electoral expediency. The *Levelling Up Fund*, based on competitive bidding, has created 'winners' and 'losers' amongst otherwise similar and neighbouring authorities. Indeed, the process of competitive bidding is widely seen as wasteful and has been roundly condemned by local authorities. Only the *UK Shared Prosperity Fund* has integrated systematic local targeting, though this has not been without its shortcomings.

Strong targeting points to the need for:

- **Formula driven allocation**. If the primary aim is to narrow gaps in prosperity, the indicators need to measure economic and labour market well-being at the sub-regional scale at which most local economies operate.

- **Scrutiny prior to implementation**. The UK government's identification of priority areas for the *Levelling Up Fund*, for example, committed statistical 'howlers' resulting in serious anomalies. (In Yorkshire for instance, the inclusion of Richmond but the omission of Barnsley). Such mistakes can be avoided by proper consultation.

- **A second tranche of the *UK Shared Prosperity Fund***. Of all the levelling up funds, the UKSPF – the successor to EU funding to the regions – has been the one most strongly targeted at less prosperous parts of the country. The first tranche, due to end in March 2025, nevertheless falls far short of the funding that would have been tabled by the EU.

- **Funding beyond the Barnett Formula**. This is particularly important for older industrial towns in Wales, one of the poorest parts of the UK, which presently receives higher per capita funding than the rest of the country, especially from the UKSPF. Wales would lose out badly if its allocation was determined by the Barnett Formula.

7. Longer-term funding

If local partners are to deliver successful economic regeneration in older industrial towns they need longer-term funding to support ambitious and genuinely transformational projects.

Under the present system, the principal funding for local and regional development is only made available for the duration of a Spending Round – typically three years, and it can be well into the first year before the government has put the funding architecture is in place, reducing the duration of spending to little more than two years. A specific sum is also set for each financial year, with limited provision for transfers between years.

This system has profound disadvantages. It presents an obstacle to long-term, transformative projects, in particular capital projects requiring significant lead-in time. It undermines revenue-funded schemes, as job security for staff is not guaranteed. It requires local spending plans to be rushed to satisfy deadlines, often with inadequate input from stakeholders. These arrangements fail to deliver best value for money and favour 'shovel-ready' projects rather than schemes with potentially greater impact.

At the heart of the problem lies the financial rules operated by the Treasury. A pragmatic compromise is required:

- **Commit a portion of planned spending beyond the end of each Spending Round**. This would not be additional expenditure. At the following Spending Round the allocation for additional in-round spending would correspondingly be lower, though there would also be an allocation for roll-on expenditure into the next Round.

- **Remove constraints on spending in any given financial year**. In practice this might to push a proportion of spending away in time – a one-off reduction that the Treasury would be likely to welcome – but it would make operational sense to partners on the ground.

Named spending programmes come and go but the underlying departmental budget lines tend to be carried forward from one Spending Round to the next. Moving to a system of longer-term funding would acknowledge this reality. It would also place spending on local and regional development on a similar footing to many other spheres of public spending – major infrastructure projects and defence procurement for example. The bonus for ministers, local partners and taxpayers would be better value-for-money.

8. Devolved delivery

Central government should stop trying to micro-manage local economic development. Set the strategic direction and the parameters for spending, but then let local authorities and their partners get on with the job.

There is growing recognition that the devolution of powers and responsibilities makes sense, especially in promoting growth and jobs. In England, a number of sub-regions now have Combined Authorities and Elected Mayors with new responsibilities. In England, Scotland and Wales, City Deals have shifted responsibility for spending from Whitehall to local players. This direction of travel is welcome – and necessary if local players are to have the ability to intervene in local economies and bring to bear their distinctive local knowledge.

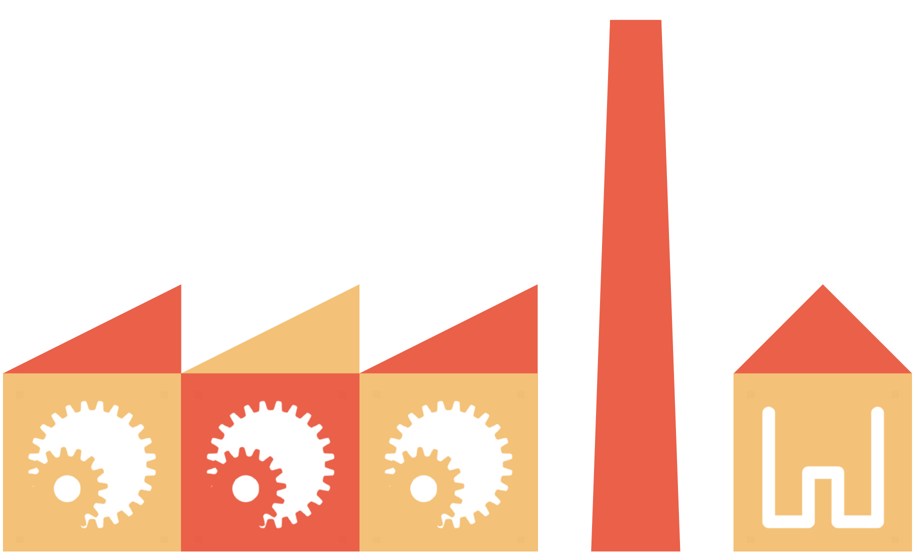
Four principles need to be the basis of a further devolution of powers and budgets to local partners:

- **The restoration of trust**. All too often, central government behaves as if local authorities cannot be trusted to take sensible decisions about what is right for their local area. Too much detail has to be signed-off by government, even after tight guidelines have been issued. There needs to be a cultural shift. Down at the local level it's generally the local players who know best.

- **Devolution for all, not just the few**. The present patchwork of devolution in England reflects the evolution of administrative structures rather than competence, which is far more widely spread across local government. The presence of an Elected Mayor is a poor basis for selecting where to devolve powers and budget lines.

- **A weaker local tax base should not create disadvantage**. This is a particular worry for older industrial towns, where the stock of businesses and high-value property is less than in the big cities and the dependence on government funding therefore greater.

- **Move away from competitive bidding**. Experience with the *Levelling Up Fund* has highlighted the failings of competitive bidding. It has resulted in wasted effort among local partners, a lot more work for Whitehall, and inevitable delays in getting money out-of-the door and projects underway. The only real winners are the consultants hired to work up glossy bids. It is not at all clear that the final outcomes are any better.



Industrial Communities **Alliance**

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales

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