Levelling Up:

An analysis and a set of proposals

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Contents

Table of Contents

Introduction

The term "levelling up" came to prominence during the 2019 UK general election being used by the Conservative Party under Boris Johnson. The Institute for Fiscal Studies defines "levelling up" as:

> "A 'left behind' area, in need of 'levelling up', is characterised by broad economic underperformance, which manifests itself in low pay and employment, leading to lower living standards in that area. Behind these factors lie other considerations such as poor productivity, which in turn may be associated with a low skill base. The health of the population may also be relatively poor: in some cases, this could be a legacy of deindustrialisation or long-term unemployment, as well as deep-rooted socio-economic issues."

The areas which are considered "left-behind" or in need of "levelling up" are often old industrial towns in Britain such as those below, which were strongly affected by the deindustrialisation with the number of people employed in manufacturing industries between 1979 and 1990 declining by 30 percent. In 1960 the UK had 9.5 million people employed in the industrial sector which represented 44 percent of all employees. However, by 2007 this had declined to 3.7 million which represented 15 percent of all those employed. The pace of job losses was severe between 1979 and 1983 with two million jobs lost in the industrial sector. The worst affected industry was coal mining which employed 220,000 people in 1985 falling to below 10,000 at the end of the 20th century and steel which lost 200,000 jobs.

Table 1. Districts and unitary local authorities covering Britain's older industrial towns. Source: Beatty and Fothergill (2020).

North West	Yorkshire and Humber	North East
Allerdale	Barnsley	County Durham
Barrow in Furness	Bradford	Darlington
Blackburn with Darwen	Calderdale	Gateshead
Bolton	Doncaster	Hartlepool
Burnley	Hull	Middlesbrough
Bury	Kirklees	North Tyneside
Chorley	NE Lincolnshire	Redcar and Cleveland
Copeland	North Lincolnshire	South Tyneside
Halton	Rotherham	Stockton on Tees
Hyndburn	Wakefield	Sunderland
Knowsley		
Oldham		
Pendle		
Preston		
Rochdale		
Rossendale		
Salford		
Sefton		
South Ribble		
St Helens		
Stockport		
Tameside		
Trafford		
Warrington		
Wigan		
Wirral		

Scotland
Clackmannanshire
Dundee
East Ayrshire
East Dunbartonshire
East Lothian
East Renfrewshire
Falkirk
Fife
Inverclyde
Midlothian
North Ayrshire
North Lanarkshire
Renfrewshire
South Lanarkshire
West Dunbartonshire
West Lothian

West Midlands	East Midlands	Wales
Dudley	Amber Valley	Blaenau Gwent
Newcastle under Lyme	Ashfield	Bridgend
Sandwell	Bassetlaw	Caerphilly
Stock on Trent	Bolsover	Carmarthenshire
Walsall	Chesterfield	Flintshire
Wolverhampton	Corby	Merthyr Tydfil
	Erewash	Neath Port Talbot
	Gedling	Newport
	Mansfield	Rhondda Cynon Taf
	Neward and Sherwood	Swansea
	NE Derbyshire	Torfaen
		Wrexham

Table 2 demonstrates the breakdown of the jobs in the old industrial towns of Britain during 2019. The table highlights how manufacturing which would have been the predominant employer over the previous decades has been replaced by those in education, health, public administration and also retail, distribution and hospitality which include jobs that are insecure and relatively low paid with variable hours. In contrast, the southern regions which were less reliant on these heavy industries were able to transition to the modern economy more easily and diversify into the new growth sectors of the economy that were more productive, profitable, and paid higher wages.

Table 2: Industry breakdown of jobs in older industrial towns.

	No.	%
Manufacturing, energy and water	950,000	14.7
Construction	460,000	7.1
Retail, distribution, hotels etc.	1,260,000	19.6
Transport and communications	510,000	7.9
Banking, finance and business services	810,000	12.6
Education, health and public admin	2,080,000	32.4
Other services	330,000	5.2
All jobs	6,440,000	100.0

Source: Annual Population Survey.

To address the expectations of those voters in" left behind areas in need of levelling up ". The UK government published The Levelling Up policy paper on 2 February 2022 stating levelling up will require:

1. boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging.
2. spread opportunities and improve public services, especially in those places where they are weakest.
3. restore a sense of community, local pride and belonging, especially in those places where they have been lost; and
4. empower local leaders and communities, especially in those places lacking local agency.

The document continues that there are six factors that will help drive levelling up which are

- **Physical capital** – infrastructure, machines, and housing.
- **Human capital** – the skills, health, and experience of the workforce.
- **Intangible capital** – innovation, ideas, and patents.
- **Financial capital** – resources supporting the financing of companies.
- **Social capital** – the strength of communities, relationships, and trust.
- **Institutional capital**- local leadership, capacity, and capability.

Many of those areas in need of "levelling up" voted Conservative in the 2019 general election for the first time due to the focus of the Conservative party to improve their local area and on delivering Brexit. This included constituencies such as Rother Valley which since the constituency was created in 1918 had voted Labour, Wrexham and Sedgefield which were held by Labour since 1935 and the latter was the former seat of the last Labour leader to win a UK general election. However, despite the emphasis of Boris Johnson and the Conservative party in the 2019 election to "level up" the country there continues to be no clear understanding of what “levelling up” means. This is highlighted by Conservative MP Jake Berry former Northern Powerhouse and Local Growth minister under Theresa May and Boris Johnson who commented on 10th May 2022 “No one really knows what “levelling up” means, but when we see it, we will all know”.

What has worked in the past?

EU Investments

While a member of the European Union (EU) the UK received substantial funding. The total funding for research and innovation was €2.6 billion of which €1.39 billion was provided by the European Commission and €1.21 billion provided by UK government. The below diagram details how much each region received from European Regional Development Fund (EDRF) between 2014-2020. The focus of this funding was innovation and research, support for SMEs, improving digital infrastructure and decarbonising the economy. This highlights that Wales received the highest amount of funding out of the four nations in the UK and received considerably more support than other regions of the UK. The Sêr Cymru (‘Stars Wales’) programme was supported by the European Commission with the aim of strengthening the capacity of Wales’ research groups to attract talent and improve training.

Figure 3 ERDF funding for research and innovation 2014-20

Further, the EU European Social Fund (ESF) funded projects to increase labour market mobility, education and skills and enhance institutional capacity. These were allocated to regions of member states depending on their GDP per capita with the criteria below:

- Regions with GDP per capita below 75% of the EU average were designated as ‘less developed regions’ and received 52% of total structural funds in the current period covering the period 2014–2020 this includes West Wales and The Valleys.
- Regions whose GDP per capita is between 75% and 90% of the EU average are designated as ‘transition regions’ and are received 12%.
- Regions with GDP per capita above 90% of the EU average are designated as ‘more developed regions’, receiving 16%. East Wales is included in this category.

Overall, Wales received just over €5 billion in European funding between 2014 and 2020 which was targeted toward those disadvantaged regions in need of levelling up. West Wales and The Valleys received €2.01 billion. This was equivalent to €135 per person in per capita terms compared to €50 per person in East Wales while the UK average was €24 per person per year. Some of the projects which were funded by the EU to improve local areas are listed below:

- Funding for apprenticeships and traineeships, amounting to £233 million in West Wales and the Valleys and £48 million in East Wales.
- Funding for the Communities4Work, Bridges2Work and Active Inclusion Wales programmes that support the long-term unemployed into work, consisting of £45 million in West Wales and the Valleys and £9 million in East Wales.

- The Wales Business Fund which provides financial support to small and medium sized businesses (via Finance Wales), with a £75 million contribution for West Wales and the Valleys and £10 million for East Wales.
- £81 million for road and rail schemes in West Wales and the Valleys.
- £38 million for town centre regeneration in West Wales and the Valleys.
- £28 million to promote tourism by creating "must visit" destinations in West Wales and the Valleys.

Enterprise Zones

An Enterprise Zone (EZ) is a geographically defined area, hosted by Local Enterprise Partnerships in which commercial and industrial businesses can receive incentives to set up or expand.

In 2011, George Osborne announced the creation of Enterprise Zones to assist "the parts of Britain that had missed out in the last ten years." Those companies which were located at an Enterprise Zone before 31 March 2018 are entitled to a business rate discount of up to 100 percent over a five-year period and an Enhanced Capital Allowance to purchase machinery and equipment. Further Enterprise Zones were eligible to apply for Local Infrastructure Fund worth £59 million and £100 million Capital Grant Funds, eight enterprise zones were created in Wales.

In Wales, a report "Enterprise Zones: Boldy going" published in May 2018 investigated the effectiveness of the 8 EZs. Table 3 below summarises the impact of the EZs in Wales on jobs and the amount of money it cost for these jobs to be created, safeguarded, or assisted.

Table 3: All Wales Zones

Jobs Created	2998
Jobs Safeguarded	4359
Jobs Assisted	3169
Total Jobs Created, Safeguarded or Assisted	10706
Total Welsh Government expenditure	£221.1m
Cost per job created, safeguarded, or assisted	£20,655

The Port Talbot Zone's purpose is to mitigate potential job losses at Tata Steel and to diversify the local economy. In Contrast, the purpose of the Anglesey Zone is to ensure readiness for the potential development of the new Wylfa nuclear power station.

Do Enterprises Zones work? published by think tank The Work Foundation, warns that while enterprise zones, tax breaks and other localised incentives may stimulate rapid investment in the short-term, this typically lasts no more than three years before the area begins long-term reversal back into depression.

Evidence from prior schemes also indicates that up to 80 per cent of jobs "created" are in fact displaced from other areas.

Andrew Sissons, researcher, and lead author of the report says, 'Looking at enterprise zones created in the 1980s, there are serious doubts about the wisdom of bringing the policy back. Most of the areas that had such zones are still struggling today, places like Middlesbrough, Speke, Hartlepool, and Swansea. Any attempt to redesign the enterprise zones for the 21st century is likely to be equally ineffective.'

City Deals

During the Conservative-Liberal Democrat coalition government 2010-2015 it was decided to create City Deals and Growth Deals. The focus on city deals was due to cities and the surrounding areas being home to 74 percent of the population and where 78 percent of jobs were located. The first wave of city deals included the eight largest cities outside of London and was forecasted to create 175,000 jobs and 37,000 apprenticeships over the next twenty years. In the second wave of city deals, twenty cities were invited to negotiate city deals and an agreement was reached between eighteen of them. Afterwards, city deals were agreed in 2014 in Glasgow and the Clyde Valley which was the first outside England and in 2016 with Aberdeen, Cardiff, and Inverness. Subsequently, this continued with Swansea Bay area and Edinburgh and South East Scotland agreeing deals in 2017. The below image shows the investment which the Swansea Bay City Deal brought to Carmarthenshire, Neath Port Talbot, Pembrokeshire, and Swansea. The funding was provided by UK, Welsh and private sector investments totalling around £1.3 billion over the 15-year lifespan of the deal. The ambition was to create nine thousand jobs over the lifespan of the deal and boost the regional economy by £1.8 billion focusing on economic acceleration, life science and well-being, energy, smart manufacturing and digital. The Local Government Information Unit (LGIU) in 2021 reflecting on the city deals highlight that the deals provided a pathway to investment and for local authorities to drive local economic development. Also, the specific and limited meaning of these deals meant accountability and shared risk was built in. However, there was criticism that they were too limited in scope and focused too heavily on infrastructure rather than broader policy goals while leaving central government firmly in control.

In late 2017, a partnership that includes six North Wales councils, business partners, colleges, and universities, came together to form the North Wales Economic Ambition Board (NWEAB), a body which would prepare the North Wales Growth Deal. This initiative followed the Chancellor of the Exchequer stating that the UK Government looked forward to receiving the proposals for the North Wales Growth Deal in the 2017 Spring Budget.

The formal launch of the North Wales Growth Deal bid took place in February 2018 and detailed the proposed economic impact of the Deal. It stated that, with the stimulus of a Growth Deal: North Wales will become a low carbon, high-tech economy with a highquality infrastructure, a sustainable skills-base and responsive business support to host and grow businesses in globally competitive sectors. The document claimed that the proposals in the submission would enable investment of £1.3 billion in the North Wales economy from growth deal monies of £328 million capital and £55.4 million revenue, totalling £383.4 million, a return of £3.40 for every pound spent. The proposal suggested that over 5,000 new jobs could be created alongside other benefits.

Growing Mid Wales (GMW), an inclusive regional economic partnership and engagement arrangement between the public, private and third sectors, is responsible for negotiating for a Mid Wales Growth Deal. It was established in 2015 to drive forward priorities for improvements to the Mid Wales economy and to work towards a growth deal. GMW argued that a Growth Deal approach is vital for Mid Wales because of: The distinct nature of the economy in Mid Wales due to the structural dependence on agriculture, the dispersed population, the historically low rates of productivity and the high proportion of SMEs. GMW was invited to prepare a submission for a Mid Wales Growth Deal in the UK Government The 2017 Autumn Budget. GMW stated that indications from Welsh and UK Governments, as well as analysis of previous deal size per GVA and population, suggest a Growth Deal ambition of £200 million in funding is achievable.

Expanding on this figure, Councillor ap Gwynn, Chair of the Growing Mid Wales Partnership, explained that "it may be up to £200 million, so £100 million from each Government" and that this money will aim to raise GVA by 5% and create around 4,000 jobs in the region. Councillor Harris, Vice Chair of the Growing Mid Wales Partnership, added, optimistically, that "there is no limit on the amount of money we would accept." In November 2017, following evidence from GMW, the National Assembly's Economy, Infrastructure and Skills Committee, recommended that there should be a growth deal for Mid Wales. The report stated that a deal is needed: as part of a regional economic development approach, given the structural dependence on agriculture, dispersed population, historically low rates of productivity and the high proportion of SMEs in the region. This would be part of developing a cohesive nation and help to address historically low levels of investment. The 2018 Autumn Budget expressed continued support for a Mid Wales Growth Deal, stating that the UK Government would continue working with the Welsh Government, businesses, and local councillors to agree a deal.

GMW suggested that the Deal would follow the themes outlined in a report titled Strategic Economic Priorities for the Mid Wales Region completed by AECOM (a consultancy) for GMW in February 2019. This paper lists three regional economic strategy themes and eight programmes.

Why has Wales dropped behind?

Failure to address secure employment

The Living Wage Foundation in July 2021 found 3.7 million people in the UK which represented 12 percent of the UK workforce are in insecure employment and earning less than the real Living Wage of £10.85 per hour in London and £9.50 outside of London. Table 4 below shows the scale of the insecure and low paid employment problem across the UK which is holding back the UK levelling up the whole country.

Table 4: Regions of the UK by number and percentage of low paid insecure workers, in descending order, 2020:

Region	Number of workers in low paid and insecure work	Percentage of workers in low paid insecure work
London	567,100	12%
South East	475,737	11%
East of England	401,094	14%
North West	397,147	11%
South West	369,297	14%

West Midlands	292,627	12%
Scotland	282,854	11%
Yorkshire and Humberside	256,315	10%
East Midlands	246,864	11%
Wales	201,225	14%
North East	156,970	14%
Northern Ireland	101,724	12%

Sector	Number of low paid insecure workers	Percentage of workers in low paid insecure work
Wholesale, retail, repair of vehicles	524,438	14%
Health and social work	419,023	10%
Construction	416,306	19%
Accommodation and food services	338,808	22%
Transport and storage	284,109	18%
Education	280,820	8%
Admin and support services	269,425	19%
Other service activities	210,107	24%
Prof, scientific, technical	203,842	8%

The lowest percentage of workers in low-paid and insecure jobs is 10 percent of the workforce in that region with the highest number reaching 14 percent in regions such as East of England, South West, North East, and Wales. This shows that despite the high levels of employment in the UK the jobs being created are not providing people with secure work and are not paying all workers enough to live comfortably.

Table 5: Sectors by number and percentage of low paid and insecure workers, UK, 2020.

Sector	Number of low paid insecure workers	Percentage of workers in low paid insecure work
Wholesale, retail, repair of vehicles	524,438	14%
Health and social work	419,023	10%
Construction	416,306	19%
Accommodation and food services	338,808	22%
Transport and storage	284,109	18%
Education	280,820	8%
Admin and support services	269,425	19%
Other service activities	210,107	24%
Prof, scientific, technical	203,842	8%

Additionally, Table 5 shows the percentage of workers who are facing insecure and low-paid employment across the UK. As table 5 shows the sectors which are most affected include Agriculture, forestry, and fishing with 47 percent of workers. This is high due to much of the work in these sectors often being seasonal. Further, table 5 highlights the problem of low-paid and insecure work affecting those across the workforce particularly in sectors such as arts, entertainment and recreation, accommodation and food services, construction or admin and support services where employers only want workers during busy periods rather than full time.

Table 6: Rates of in-work poverty by region and nation (data is a 3-year average)

	2017/18 - 2019/20
North of England	17.7%
South of England and East	15.2%
London	21.8%
Midlands	17.6%
Wales	17.6%
Scotland	13.7%

IPPR Analysis of DWP (2020a) Households Below Average Income (HBAI) 2017/18 – 2019/20 (data refers to the number of people in working families who are in relative household poverty)

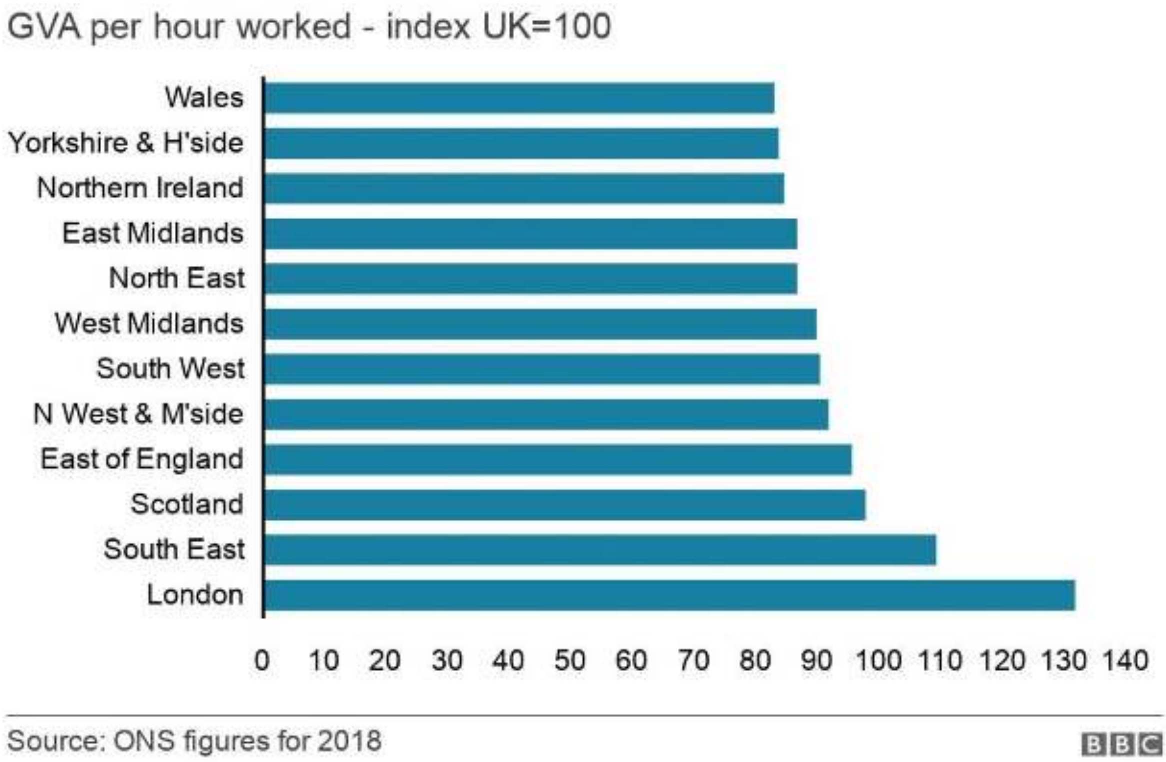
Consequently, this has led to high rates of in-work poverty across the UK with the lowest average over three years between 2017/18 – 2019-20 being 13.7 percent in Scotland and reaching 21.8 percent in London. This shows the challenge for levelling up the whole of the

UK with many workers struggling to meet ends meet and those who are affected feel the economy does not work for them.

Weak Productivity

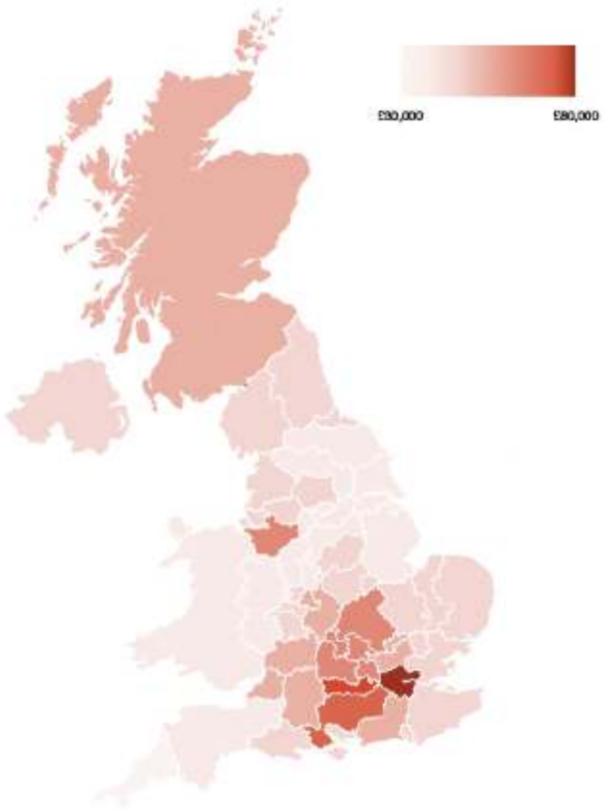
Productivity is a measure of how effectively an economy can use its resources to produce goods and services. The greater the value of outputs produced in the economy (GDP) relative to those inputs (e.g., workers' hours worked), the higher the productivity of the economy. Since the fiscal crisis of 2008 UK productivity had reduced by 15.6 percent by 2016 compared to the G7 average of 8.7 percent. The UK was 20 percent below the USA, Germany, or France in 2016 which means UK workers needed five days to produce what the previously mentioned countries could do in four. In the first three months of 2022 labour productivity decreased by 0.7 percent compared to a 1.3 percent increase in the previous quarter and 1.9 percent above pre-pandemic levels.

Table 7: Productivity across the UK



If the UK can close this productivity gap by 50 percent, it could boost GDP by £83 billion which is equivalent to nearly four percent of UK GDP.

Figure 4.3 – Heatmap of UK productivity based on output per job for LEPs in England as well as Scotland, Wales and Northern Ireland (2017)[6]



Sources: ONS, PwC analysis

The above diagram shows the heatmap of GVA across the UK and shows that London and the surrounding areas have the highest average per job. One factor which has caused this gap is due to government and universities spending more on research and development in the South East of England. To address this the government plans to increase public investment in research and development by 40 percent by 2030.

Lack of clear UK strategy

The Westminster Public Accounts Committee inquiry into Supporting local economic growth found the principles for awarding the first round of funds from the £4.8 billion Levelling Up Fund was only finalised once minsters knew who would win and some were chosen based on unrealistic claims of success rather than more realistic bids from elsewhere. Subsequently, the Public Accounts Committee chair Dame Meg Hiller commented "It's hard to avoid the appearance that government is just gambling taxpayers' money on policies and programmes that are little more than a slogan, retrofitting the criteria for success and not even bothering to evaluate if it worked."

Bias towards Conservative Seats

Among the 93 English regions of three tiers to receive money from the levelling up fund thirty-one are included despite not being ranked in the top third most deprived places by average deprivation score. Of those 31, 26 are held by Conservative MPs and the remaining five are Labour-held Tory marginals. A seat included in the uppermost level for funding despite not being ranked in the bottom third by deprivation score and among the top fifth most prosperous places in England is Richmondshire held by Rishi Sunak. This has led to criticism from MPs such as Kate Hollern, Shadow Minister for Housing, Communities and Local Government stating "After the scandalous revelations of Ministers choosing each other's seats for regeneration money, how can communities be sure that new funding will be allocated fairly, transparently and in a way that lets them have their say? And crucially, how will such small pots of piecemeal funding fix such large regional inequalities across our country?" Similarly local government leaders such as Paul Dennett, Labour mayor of Salford, has criticised the allocation of the community renewal fund stating "Salford is the 18th most deprived area in the country according to government's own index of multiple deprivation. We would have fully expected Salford to have been included in category one." Analysis by the Ben van der Merwe and Michael Goodier in the New Statesman has found that those seats with a Tory MP have received an extra per capita of £57.44 from the Town Deals, £5.32 from the Getting Building Fund and £1.55 from the Community Renewal Fund which totals more than £64 per capita compared to those from a different party in areas with similar levels of deprivation. Further, those living in seats won by the Conservatives in 2019 or subsequent by-elections have received an even higher amount per capita of £88.

<u>Focus on cities rather than towns</u>

As mentioned previously, the UK government began passing city deals with the hope of improving their regional development and helping to spread prosperity around their region. However, Lisa Nandy, Shadow Secretary of State for Communities and Local Government, in 2017 criticised the focus on cities states:

> "Cities have dominated political and economic thinking for decades. Too often, as with Brexit, cities are wrongly treated as a proxy for national opinion. City leaders have a national voice, but there is no comparable platform for civic leaders in towns. This is fuelled by an economic model that treats cities as engines of growth which, at best, drag surrounding towns along in the wake of metropolitan prosperity."

Failure to maintain full EU funding

The Welsh government has suggested the reason Wales has dropped behind is due to the failure by UK government to fully replace EU funding with the Economy Minister, Vaughan Gething on 1st February 2022 stating:

> "If the UK Government had kept its promise, Wales would have been receiving £375 million in new money each year from January 2021. Instead, Wales's share of post EU funds stands at just £46.8 million in 2021/22. Our own analysis shows that the Welsh budget will be £1 billion worse off by 2024. My message to UK Ministers is clear, respect devolution and restore the missing £1 billion promised for Wales."

This demonstrates that UK government have not been meeting their previous commitments to Wales and this has reduced the ability of the Welsh government to level up those left behind communities in old industrial towns which have not recovered from deindustrialisation.

Wales Centre for Public Policy Analysis (WCPP)

WCPP on 1st March 2022 published a report which identified three problems which need to be solved to allow Wales to successfully 'level up' the country. The first issue is the fragmentation of funding related to the replacement of EU structural funding with Levelling Up Fund, Community Renewal Fund and Shared Prosperity Fund which would be designed and controlled by UK government and risks exacerbating existing inequalities. The second problem is a lack of coordination to improve the productivity growth of all areas in Wales. To create high-quality/ skilled jobs there needs to be coordinated investment in skills, transport, R&D, working places and developing clusters with supportive supply chains rather than isolated projects. The third issue is short-termism and a long-term agreement between UK and Welsh government to drive through institutional change. These changes could threaten established interests and for Wales to revisit old debates such as around restructuring local authorities.

What Wales could be doing in the future?

The Welsh government should continue to support the relocation of civil service jobs from London to the different regions of the UK. As of March 2021 484, 880 people were employed in the home civil service, across the UK and overseas. Of those, 101,930 (21 %) were based in London- an increase of almost 10,000 since March 2020 compared to 36,090 civil servants who work in Wales. The median pay across the whole of the civil service was £28,180, for senior civil servants, it was £81,440, and for administration officers, £20,500. The primary income per head in Wales was £17,972 in 2019 which shows that these jobs would be paying higher than the average primary income. However, the decision about where to relocate civil service jobs must be based on the skills of the local economy. The decision to relocate the ONS to Newport in 2006 caused problems due to only 12 percent of jobs being 'knowledge based' placing it forty-seven out of sixty-two cities and there was difficulty filling the nine hundred positions. In contrast, the BBC in Salford was able to draw on a large highly skilled student population interested in media and related industries. The benefit of relocating public sector jobs to new areas is it creates around 0.25 and 0.37 additional jobs in the private sector of the area. UK government has announced plans to reduce civil service numbers by 91,000 to the pre- Brexit headcount of 384,000 staff over the next three years with the aim of saving £3.5 billion. Therefore, Welsh government should continue to consult with UK government and oppose any potential job losses which bring higher average income per head jobs to Wales.

The Welsh government should continue to push for tidal lagoon projects to be approved by UK government. The UK has around half the potential wave and tidal resources of Europe and could have met around 20 percent of the UK's electricity demand in 2018. There was potential for six tidal lagoons to be built around the coast of Wales, Somerset and Cumbria at Swansea, Newport, Colwyn Bay, Cardiff, Bridgwater Bay, and West Cumbria.

A report conducted by Charles Hendry into "The Role of Tidal Lagoons" published in December 2016 shows below the number of jobs which would have been created by the projects and the location of the companies which are expressed interest in supplying parts and skills to the project:

	Manufacturing and Assembly Jobs (direct FTEs)	Construction Jobs (peak direct FTEs)	O&M Jobs (direct FTEs)	Jobs Total
Tidal Lagoon Swansea Bay	1,197	1,035	28	**2,260**
Tidal Lagoon Cardiff	8,143	3,150	189	**11,482**
Tidal Lagoon Colwyn Bay	9,924	3,770	224	**13,918**
Tidal Lagoon Newport	3,582	2,720	84	**6,386**

Table 5: Numbers of jobs that tidal lagoons could support

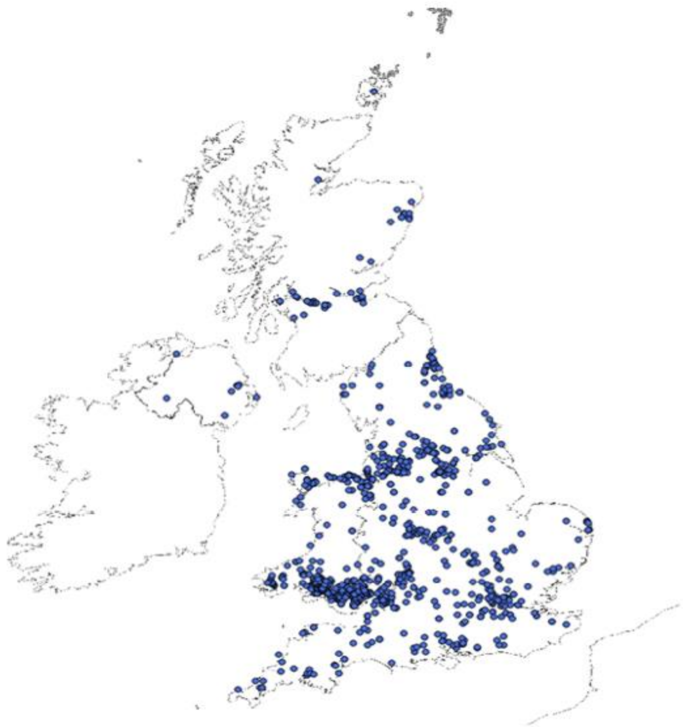


Figure 2: UK businesses TLP claim have registered an interest in supplying parts and skills
Source: TLP

This would have created 34,046 jobs in Wales alone and would have had the potential to level up regions throughout the UK by involving companies in the different regions. However, in 2018 the UK government refused to back the Swansea Bay tidal lagoon due to the electricity costing £20 billion by 2050 an average of £700 per British household between 2031-2051. The project would have created two thousand jobs in construction and manufacturing while potentially attracting 100,000 visitors to Swansea Bay annually. However, the developers Tidal Lagoon Power (TLP) were asking for a 90-year contract with a starting price for electricity at £123 per megawatt-hour in the first year before reducing. The current energy price crisis shows the UK government missed an opportunity to improve energy supply and help consumers as even if UK government had accepted the original offer by TLP it would have been cheaper than the price of electricity currently which is £162.00 per megawatt-hour on 13 June 2022 and estimated to reach £216.63 per megawatt-hour in the year ahead.

The Centre for Cities has recommended that the UK government increase spending on adult education from five to seven percent of GDP. This should be spent on a voucher for adults with few or no qualifications to use for courses, more money for colleges and flexible courses. The CBI in October 2020 estimated that by 2030 over thirty million people- equivalent to 90 percent of the current workforce will need to be retrained of which 25.5 million will require upskilling as their role evolves and five million will experience radical job change. A report by the Wales Centre for Public Policy found that basic skills among adults in Wales compared poorly to the rest of the UK with nearly a quarter of adults without a level two qualification equivalent to a GCSE A*-C and over half do not have the essential digital skills needed for work. Dr Helen Tilley, Senior Research Fellow at the WCPP commented "Technological advances in AI and automation, as well as longer working lives among the general population, mean there is a greater need for retraining as people's skills become outdated."

The Times Education Commission published a report on 15 June 2022 with a 12-point plan to improve the education system in England which could be examined by Welsh government to consider what could be adapted for Wales. This report includes the suggestion to provide a laptop or tablet to every child to personalise learning which is already being carried out in Welsh schools. A suggestion Wales could consider would be the idea of new high education campuses in “cold spots” including satellite wings in further education colleges and a transferrable credit system between universities and colleges to boost productivity. The university sector in Wales 2019/20 contributed more than £5 billion to the Welsh economy of which £1.6 billion was through direct activities and £3.6 billion through the purchase of goods and services through staff and student spending power. Further, 22,000 international students came to Wales in 2019/20 generating £661 million for the Welsh economy almost 12 percent of Welsh service export earnings and generating one job for every two international students who came to Wales.

A greater focus on community businesses/ owned spaces. The number of community businesses has more than doubled from almost 4,500 in 2014 to more than 11,300 at the latest count. A progressive Britain report published in May 2022 highlights that community-owned spaces contribute £220 million to the UK economy and for every £1 spent 56p stays in the local economy compared to 40p for large private firms. The benefit of this policy is it allows a greater amount of money spent to remain in the local community and helps keep businesses open which provide jobs/ services to residents. The policy would have the greatest impact in areas where residents are more able to spend in these shops and therefore have a greater impact on the wider local community.

The role of universities in developing the economy

Welsh Universities The Economic Impact of Higher Education in Wales report produced in 2013 provided the following information "The sector directly provided 16,241 full time equivalent (FTE) jobs across a wide range of occupations. Unsurprisingly, academic professions (Professors, Lecturers, and researchers) are the largest single type of occupation. However, jobs are provided across a very wide range of occupations, including a range of skilled and semi-skilled jobs. This reflects the need to maintain significant university estates including lecture halls, laboratories, offices as well as halls of residence, cafeteria, and related facilities for students such as sports facilities. The university sector is a major source of employment in Wales and the employment opportunities it offers are an important element of its role in the Welsh economy." "Welsh university expenditure, together with the expenditure of university staff and students generates economic activity through secondary or 'knock-on' effects. In 2011- 2012 the HESA data shows a total expenditure (including staff salaries) of £1.2 billion" Economic benefits come "through the universities buying goods and services from a wide range of suppliers (from books and stationery to legal services, laboratory equipment to catering supplies). The suppliers also have to make purchases in order to fulfil the university orders and their suppliers in turn make other purchases and so on, rippling through the economy. Through the universities paying wages to their employees, who in turn spend their salaries on housing, food and other consumer goods and services. "Swansea retailers say the city's students are proving to be a valuable support system for their businesses, and they are welcoming the new development that is going on throughout the City Centre to accommodate the influx of young people. In 2018 Swansea's annual Student Shopping Event, organised by Swansea BID (Business Improvement District) and the Quadrant Shopping Centre, saw more than 6,000 young people flock to the City Centre to take advantage of special deals and discounts laid on by the businesses. "This study highlights that while the sector is of considerable importance to Wales in supporting economic development through education and research it is also a major economic actor and industry in itself, generating output, jobs and GVA, supporting communities across Wales. The results clearly demonstrate that, irrespective of any wider impact generated by the nature of higher education activities, higher education institutional expenditure and that of higher education staff and students have an immediate positive economic impact and this impact is significant for Wales, The Universities are major employers and suppliers of the skilled workforce in Wales. More than 10,000 students from Welsh universities entered employment in Wales within six months of leaving in 2011/12 (i.e., around 62% of the 16,200 known to have entered employment across the UK).

Universities also play an extremely important role in leveraging additional resource into Wales, currently earning over £400m in much-needed export earnings through overseas revenue and international students coming to study in Wales.

With a total turnover of over £1.3bn, universities have an estimated impact of almost £2.6bn on Wales‟ economy, with this figure reaching £3.6bn once total off-campus spending by students is taken into account. Based purely on patterns of expenditure, for every £100m that is invested in higher education £103m is generated to the Welsh economy (a high „multiplier effect‟).4 3.3. There is a wide range of evidence to suggest that investment in universities will have an impact on the economic growth and international competitiveness of Wales as a whole. Countries with high levels of innovation on average tend to have a stronger track record of investment in higher education and higher proportions of graduates in their populations.5 Long-run economic growth is above all determined by knowledge accumulation and technological progress.6 There are few sectors of the Welsh economy with the capacity or scope to grow and generate export earnings as well as higher education. As recognised by the Welsh Government the alternative economic levers at its disposal are comparatively limited.

Role of fast-growing companies

In Swansea we have a number of fast-growing local companies Cyden designs and manufactures IPL (intense pulsed light) hair removal products. Home-use beauty devices are a high growth category and Cyden has made great progress in addressing these global markets and winning a Queens ward for exporting. From launching the first IPL hair removal device in the UK with the retailer Boots, the company now distributes its products to eleven international markets and has recently opened its first overseas office in Tokyo. Cyden is unique in combining technological innovation with clinical understanding of skinlight interaction. The potential for home-use devices is huge and as well as hair removal there are opportunities to expand the use of the technology into skin rejuvenation, acne treatment and other beauty applications.

Character.com is the UK’s largest independent online retailer of licensed clothing and accessories for children and adults. It produces an exclusive range of nightwear, clothing and accessories featuring characters from the worlds of TV, film, and books with a focus on great quality, great value and fantastic customer service.

Mitour is a tour operator and event organiser working solely in the sports market. It provides land and air packages to sporting groups of all ages across the world. It also organises several mini and junior rugby festivals across the UK, and an international youth football tournament in London.

Coatings and Blastings Services (CABS) offers the construction and commercial industry a range of on- and off-site painting, fire protection, shot blasting and renovation services. It also provides industrial blasting and coating services, including fire protection to steelworks and is able to cover the whole of the UK. The firm also provides a range of Giromax, PPG and other market-leading products to overcoat and refurbish steel and aluminium roof sheets and profile guttering, while enhancing their life expectancy.

Vizolution provides SaaS solutions which help to streamline difficult customer journeys across store, telephony, and digital channels. Its digital solutions enable agents and customers to show, share and sign documents offering all the benefits of a face-to-face interaction without the high cost.

What is interesting about this group of companies is that they cover the whole of the economy Cyden is a manufacturing company, Character is a retailer, Mitour is tourism, CABS is a construction support company and vizolution is technology company.

Technology and the economy

Whilst the following parts of England have chosen technology as the engine to drive their economy, many in Wales see economic success coming from the support economy, tourism, and agriculture.

Looking at successful areas in England:

The Oxford Science Park is a science and technology park located on the southern edge of the city of Oxford and is owned by Magdalen College, Oxford. The park maintains strong links with the University of Oxford and currently contains over 60 companies including Sharp Laboratories of Europe and trip advisor. From start-ups to multinationals, from drugs for cancer to devices for kidney disease and artificial intelligence for drug discovery, there is a vibrant R&D and commercial ecosystem at The Oxford Science Park.

The eastern end of the M4 corridor is home to a large number of technology companies, particularly in Berkshire, Swindon and the Thames Valley. Reading is home to many information technology and financial services businesses, including Cisco, Microsoft, ING Direct, Oracle, Prudential, Yell Group and Ericsson. Vodafone has a major corporate campus in Newbury, Maidenhead is the home of Hutchison 3G UK's headquarters and Tesla Motors' UK head office.

Silicon Fen, also called the Cambridge cluster, is the area around Cambridge focussing on software, electronics, and biotechnology. More than one thousand high-technology companies established offices in the area during the five years preceding 1998. Successful businesses include Advanced RISC Machines and Cambridge Display Technology. In 2004, 24% of all UK venture capital was received by Silicon Fen companies.

This has given rise to start-up companies in a town previously only having a little light industry in the electrical sector and is usually dated to the founding of the Cambridge Science Park, an initiative of Trinity College, Cambridge University and moved away from a traditional low-development policy for Cambridge.

Silicon Gorge is a region in South West England in which several high-tech and research companies are based, specifically in the triangle of Bristol, Swindon and Gloucester. The Bristol and Bath region is acclaimed as one of the liveliest technology hubs in the UK. The area with a strong tradition in aerospace and the creative industries, is now known as a hotbed of digital talent. They have four universities that churn out a continuous stream of graduates. Major technological companies including KETS quantum security, Trackener, open bionics and brightpearl are based here.

East London Tech City is the term used for a technology cluster of high-tech companies located in East London. Its main area lies broadly between St Luke's and Hackney Road, with an accelerator space for spinout companies at the Queen Elizabeth Olympic Park.

A cluster of web businesses initially developed around the Old Street Roundabout in 2008. From 2010, as the cluster developed, both local and national government supported its growth, Cisco, Facebook, Google, Intel, McKinsey & Company and Microsoft are among the companies that have invested in the area.

Leamington Spa and the surrounding area, known as Silicon Spa, is a significant global centre for the video game industry, with a higher than average proportion of digital media companies involved in games development, digital design and publishing, and over a thousand employed directly in game development. Companies based in or around the town include Third Kind Games, Super Spline Studios, Lab42, DNA Interactive, Fish in a Bottle, Ubisoft Leamington, Pixel Toys, Supersonic Software and Midoki. Codemasters are based in the countryside outside Leamington and were the initial impetus behind the cluster, providing many of the staff for the companies that have developed. In 2013, Sega's mobile platform studio Hardlight Studio set up in Leamington, and Exient opened a satellite studio.

Each of these areas are different but they all have the following characteristics which lead to their success.

· High quality universities

· A ready supply of new graduates

· A critical mass of technology companies

· R+D taking place.

· Large number of start-up companies

We know that high technology including bio sciences and ICT pay well above median salaries for the UK. We know that Wales has high quality universities and a ready supply of new graduates. If Bristol, Reading and Leamington Spa can be successful in creating the environment for technology companies including many start-up companies there is no reason why this cannot be replicated in parts of Wales.

What has previously worked

Regional policy has existed in Great Britain for over 90 years. There have been lots of programmes with variable success. Regional policy successes have been the relocation of Government offices from London to Wales such as the DVLA, companies house and the royal mint; the creation of new towns and in the short-term inward investment via the WDA.

Wales has been converting from an economy built on coal, metal manufacturing and processing and agriculture to a modern economy.

The challenge is to create employment that will last. Many inward investment schemes have not lasted including car parts maker Bosch which arrived in Wales in 1991 with high hopes but closed its south Wales plant with the loss of 900 jobs in 2011.

Perhaps the biggest disappointment was LG which was greeted with great enthusiasm when they announced in 1996 that they would be coming to Newport. Then Welsh Secretary William Hague said that more than 6,000 jobs would be created in a £1.7bn investment.

But the hopes raised so high were soon cruelly dashed. LG made a variety of products on the site, including cathode ray tubes and LCD screens, but a semiconductor operation never opened .

The plant finally closed its doors at the end of 2006.

Conclusion

If levelling up was simple Governments would have done it many years ago. Whilst the calling for it is easy finding and funding solutions is a lot more difficult

Below is a series of actions that I believe will improve the relative economic position of Wales.

1) Replace the EU funding without taking into account funding that is allocated but unspent from previous rounds of European funding
2) Relocate more civil service jobs from London and the south east to Wales
3) Support the tidal lagoons across Wales starting in Swansea
4) Increase spending on schools. colleges and adult education to increase educational attainment
5) Treat Universities as hubs for economic growth
6) Create science parks in collaboration with the Universities but crucially led by the universities
7) Create schools of entrepreneurship in universities available to everyone
8) Support fast growing industries that are not location dependent such as ICT and life sciences
9) End Enterprise zones except for Port Talbot
10) Support fast growing companies