



LEVELLING UP AND LONDON BUSINESSES

LEVELLING UP RESEARCH NOTE

Introduction

London is the economic powerhouse of the UK, contributing about 24% of GDP despite being home to less than a sixth of its population.¹ It serves as the UK's central financial, political, business, creative, media, and transport hub. London's role as the pre-eminent international city for business is hugely important for the wider British economy. When London succeeds, the whole of the UK benefits.

As the international gateway to the rest of the UK, London's global hub status carries goods and international visitors to destinations throughout Britain. London's transport connections to other parts of the country serve as vital economic arteries and help deliver opportunities linking global markets with every corner of Britain. Investment in London directly leads to investment in regions across the UK, creating jobs and opportunities well beyond the bounds of the M25.

Yet, the politics of the last decade – brought on largely by the austerity policies that followed the 2008 financial crisis – have been taken a divisive turn. A zero-sum lens has coloured the debate around regional inequalities with London seen as hoovering up resources at the expense of the rest of the country. Levelling up, while intended to expand opportunities to more regions, was initially framed as 'Britain vs London'. It also served as the key policy of the Johnson government, with the former Prime Minister making his pledge to distribute more evenly opportunities and wealth in the UK. This noble intention has unfortunately led to significant criticism of London, painting the city as a hoarder of wealth in the UK at the expense of other regions. Increasingly, the discussion of levelling up has been portrayed as London versus the rest of the UK.

This short research note focusses on the perceptions of levelling up by London businesses, based on polling undertaken in May 2022. The aim of the research is to identify how aware London business leaders are of levelling up, what the policy means, and whether they feel London will lose out. Importantly, we want to stress the need to get away from zero-sum framing of levelling up and make the agenda more about collaboration – not competition – between regions.

Methodology

In partnership with Savanta ComRes, LCCI surveyed a total of 510 London business leaders between 4 May and 30 May 2022. All data were weighted to be representative of all London businesses by company size and broad industry sector. Savanta ComRes is a member of the British Polling Council and abides by its rules. Full data tables are available at www.comresglobal.com.

Three categories are used for business size segmentation: micro businesses with fewer than 10 employees (including sole traders), small and medium-sized businesses with 10-249 employees, and large businesses with 250 or more employees. Any data reproduced from the report should be fully referenced.

¹ London's economic activity 1998-2019, London Datastore, July 2021, <https://data.london.gov.uk/blog/londons-economic-activity-1998-2019/>

Findings

Awareness of levelling up

Levelling up has been at the forefront of this Government's policy agenda since it was elected in December 2019. In February 2022, the Government published its paper *Levelling Up the United Kingdom*², which argued the policy was needed to correct the regional inequalities in the UK. The paper defined levelling up as “a mission to challenge, and change, that unfairness.” London Chamber of Commerce and Industry (LCCI) commissioned Savanta ComRes to poll London businesses on their awareness of levelling up as a policy and its likely impact. When asked how familiar or unfamiliar they were with the Government's 'levelling up' policy agenda, 82% of London companies reported having at least heard of levelling up. Of this proportion, 30% said they could not explain what the policy was.

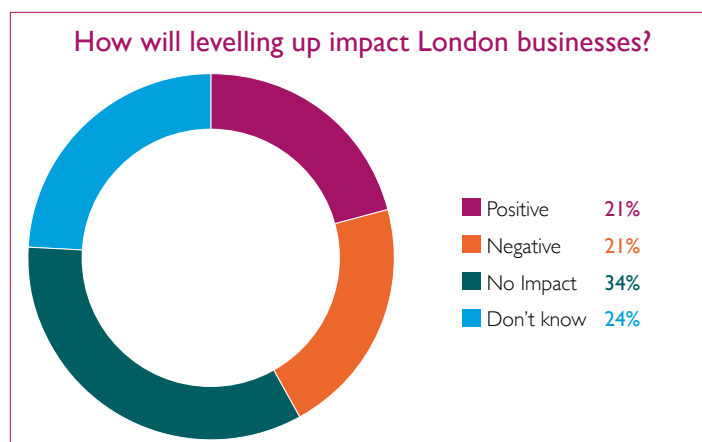
Practically all of the large companies (250 or more employees) surveyed said they had at least heard of levelling up (99%), with 9 in 10 large firms able to offer a brief explanation of the policy. By contrast, only 52% of micro firms and SMEs were able to say they could give an explanation of the policy. Looking at different sectors, the highest levels of awareness of levelling up were seen in the finance & insurance / business administration and support sectors, and in the information & communication industry (92% and 86%, respectively). Awareness of the levelling up policy agenda was consistent across different parts of the city, with at least four fifths of firms in each of the sub-regional partnership geographies saying they had heard of it.³

What impact will levelling up have on business?

The aims of levelling up will have significant consequences for businesses in London, as the Government looks to spread opportunities more evenly across the UK. Some of these will be positive, and some will be negative for the capital's firms. LCCI asked businesses how they view the impact of levelling up policies on London's businesses.

Considering all firms, there was no obvious leaning towards either a positive or negative impact:

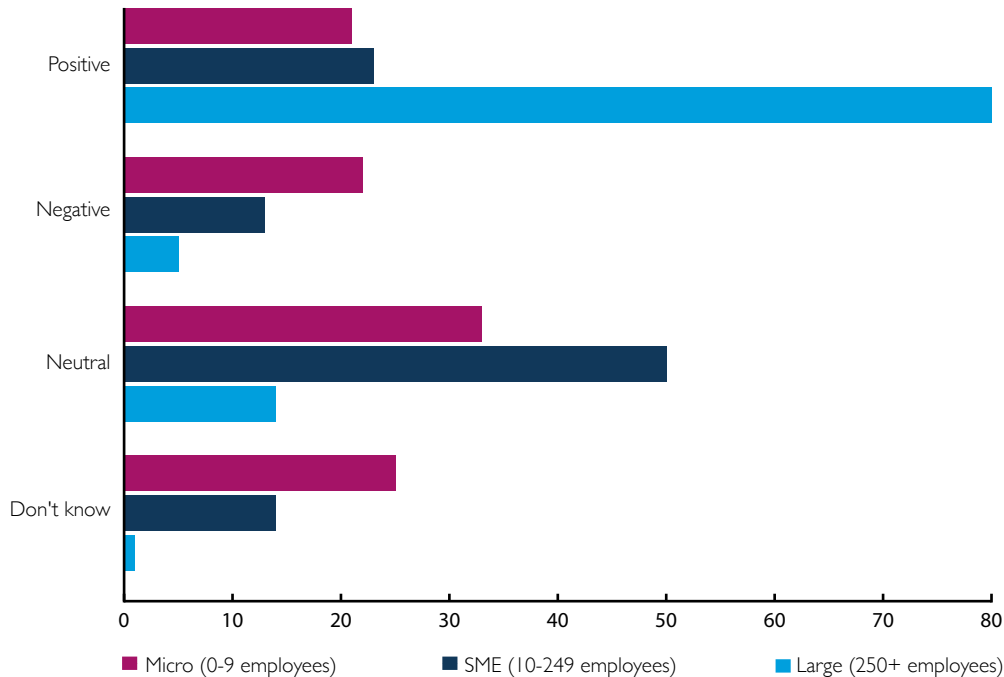
However, there is a variation in the perceived impact on London firms depending on business size. **Large companies were much more likely than their SME and micro counterparts to say the policy would be positive for London businesses in general, with only 5% expecting a negative impact:**



² Levelling Up the United Kingdom, HM Government, February 2022. <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

³ There are four sub-regional partnerships in London, covering the 32 boroughs and the City of London. These are: Central London Forward; Local London; West London Alliance; and South London Partnership

What impact will levelling up have on London businesses?



Nearly a third (30%) of London businesses that had heard of levelling up, and could explain the policy, said they thought it would have a negative impact on the capital's companies, while fewer (25%) thought it would be positive. Said differently, those who reported higher levels of understanding of levelling up were more likely to feel it would have a negative impact on London businesses. There were differences based on the geography of the business too, when considering potential impacts for London firms. Businesses in the West London Alliance, Local London, and South London Partnership areas were all more likely to say levelling up would be positive for London firms than negative. However, for businesses in Central London Forward boroughs, 25% thought levelling up would be bad for London companies, compared to 16% who thought it would be positive. These numbers seem to show an interesting central vs outer boroughs divide in attitudes to levelling up's potential impacts.

Turning to the potential impact of levelling up on UK businesses, a third (30%) of London businesses think the policy will have a positive impact: this rises to 44% of firms who said they could explain the levelling up policy. Only 10% thought it would be negative for UK firms, while 36% thought there would be no impact. This suggests that there is a recognition among London businesses that levelling up is more likely to have a positive impact for the whole of UK plc.



Impact on investment

As a policy concept, levelling up first entered the public discourse in 2019, although it is largely a rebranding of policy initiatives from previous political manifestos and government policies.

The Government's long-awaited release of the Levelling Up White Paper⁴ finally provided clarity on what the policy agenda would look like in practice. LCCI put the following question to London businesses: over the next 12 months, how, if at all, would the release of the Government's levelling up white paper impact your organisation's plans for investment? This could include any investment, including new staff, equipment, acquisitions or similar.

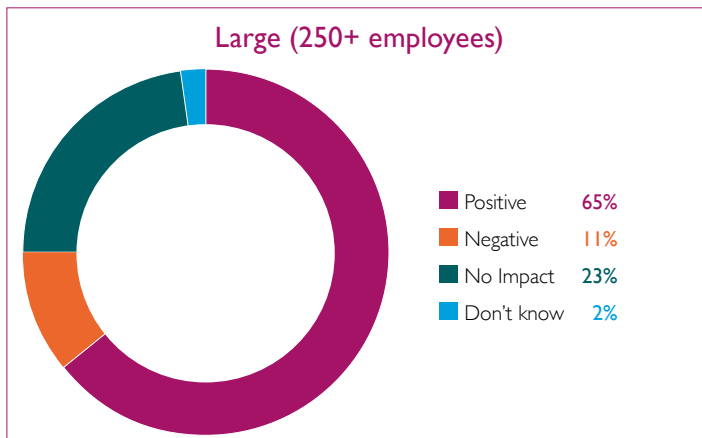
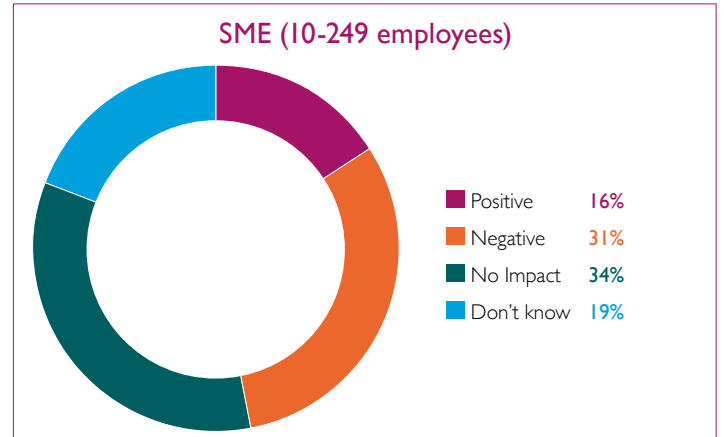
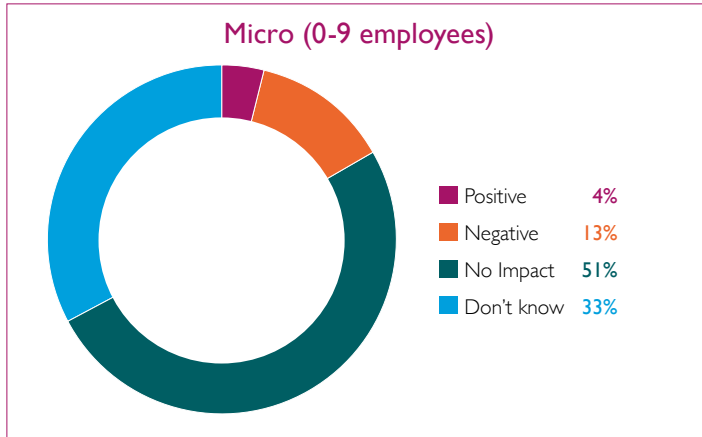
Generally, the release of the White Paper was not expected to have any impact on businesses' investment plans, with 49% saying there would be no impact. Of those who felt there would be an impact, 5% said the release of the white paper was positive for investment while 14% said it was negative (23% said they did not know).

Responses diverged largely along the lines of business size. For most micro firms (51%), the release of the white paper was not expected to have an impact on investment plans: 4% think it will be positive, while 13% anticipate a negative impact (24% did not know). By contrast, 65% of large businesses think the release of the white paper will be positive for investment plans in the coming 12 months, with 11% saying it would be negative and only 8% saying there would be no impact.

⁴ Levelling Up the United Kingdom, HM Government, February 2022, <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>



What impact has the release of the Government's levelling up white paper had on your business's investment plans for the coming 12 months?



Note: figures do not sum to 100 due to rounding



Will London lose out?

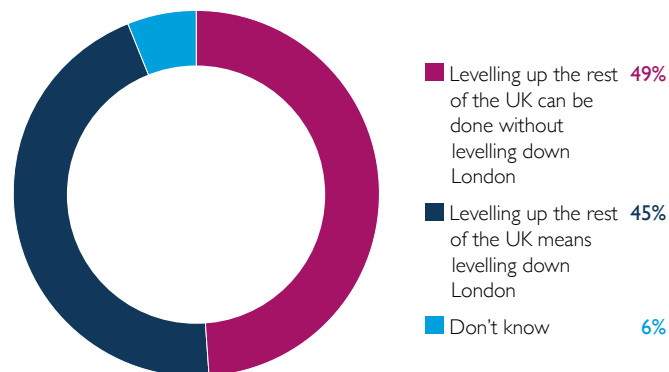
Since the 2019 general election, the political framing of levelling up has been adversarial. Communications around the policy agenda has pitted London and the Southeast against the rest of the country. As a result, London businesses, residents, policy makers, and civil society groups have understandably expressed concerns that levelling up policies will simply 'level down' the capital. To get an up-to-date view of this from businesses in London, our survey asked whether respondents felt 'levelling down' was a real risk.

Encouragingly, almost half (45%) of London firms felt that the aims of levelling up could be achieved without levelling down London. This was consistent for micro companies and SMEs, and rose to 58% of large businesses. However, a third (32%) of all businesses still felt that London was at risk of being levelled down as part of the policy agenda.

Awareness of levelling up also had an impact on concerns over London's fate. **For businesses who said they knew what levelling up was and could explain it succinctly, there was a near even split:**

Unsurprisingly, firms who think London businesses will be negatively impacted by levelling up were also largely expecting the capital in general to lose out: 62% think levelling up the UK will mean levelling down London, compared to 37% who thought there was no risk of London losing out.

Impact on London (firms who know what levelling up is)





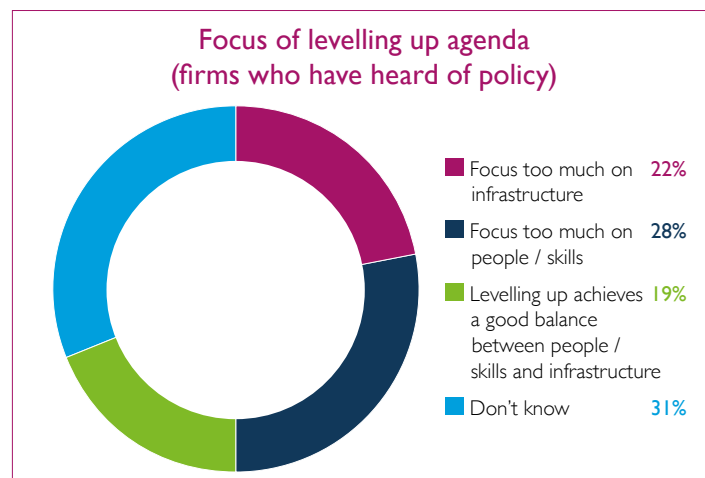
Achieving the right balance

The Levelling Up White Paper set out several missions by which the success of the policy will be judged, ranging from enhancing access to digital and physical infrastructure, to boosting attainment of high-quality skills and reducing regional disparities in life expectancy.

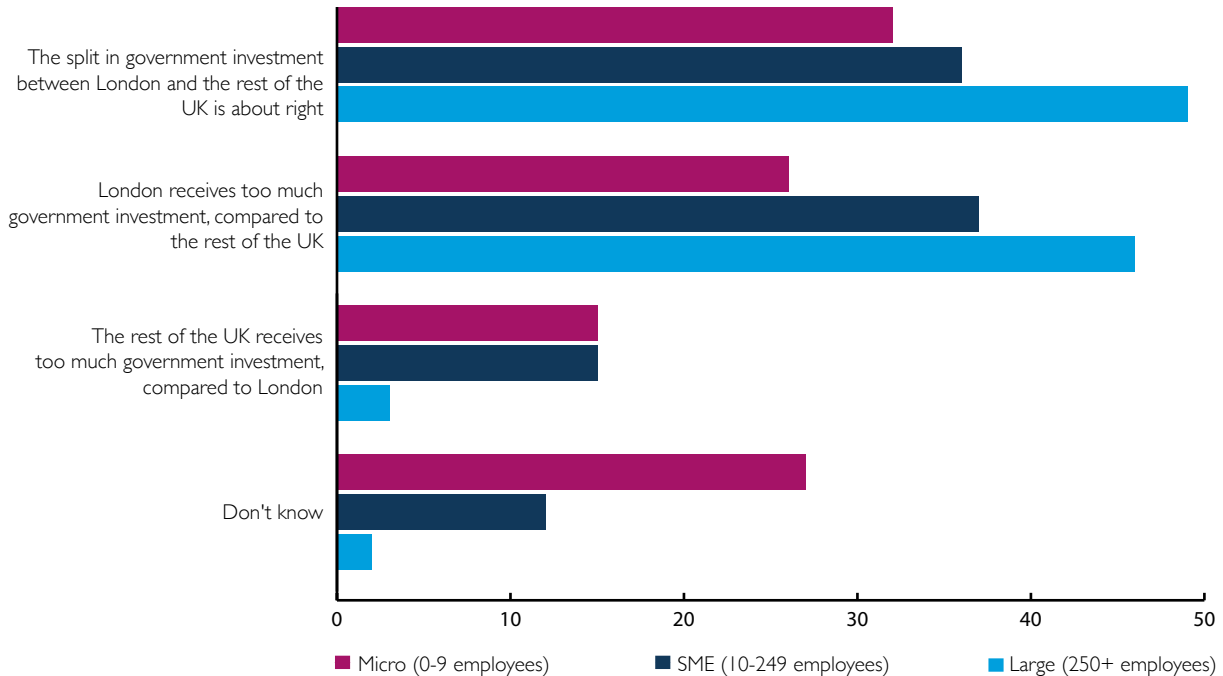
London businesses were asked if they feel that the levelling up policy agenda, in its current form, achieves a good balance between investment in infrastructure and people and skills. For half (48%) of firms, they were unable to say whether the policy strikes a good balance or not. Past knowledge of levelling up does help to draw more opinions out: of those firms who said they knew what levelling up was and could explain it briefly, 22% said there was too much focus on infrastructure, 28% felt there was too much focus on people / skills, and 19% felt the policy struck a good balance. However, a third (31%) still did not know whether the balance was correct.

One of the stated aims of levelling up is to correct what is perceived to be an imbalance in investment in different regions of the UK, with London winning out against others. There is a perception that London receives an outsized share of investment from government, as seen in the recent changes to the planned High Speed Rail 2 project where a previously planned connection across northern regions has been scrapped.

Firms in London were asked about their views on this issue. What is clear from the results is that the proportion who feel London receives too little in the way of government investment is small (15%). A third (32%) of firms said they think the split in government investment in London and the rest of the UK is about right, while 27% felt London receives too much investment: 25% of firms said they did not know.



Business opinion on balance of government investment



Relationship between London and the rest of the UK

One of the key arguments against the zero-sum framing and idea of 'levelling down' London is the fact that London is a generator of wealth for the whole country, and the supply chains of London companies across the UK ensures that investment in London benefits the UK.

In an effort to illustrate the relationship between London firms and their counterparts in the rest of the country, LCCI asked businesses in the capital for their views on what they thought would happen if they could not work with other businesses in the UK outside of London.

Half (50%) of all London businesses said that they would face at least minor difficulties if they were not able to work with other UK based companies, rising to 76% of larger (250+ employees) businesses.

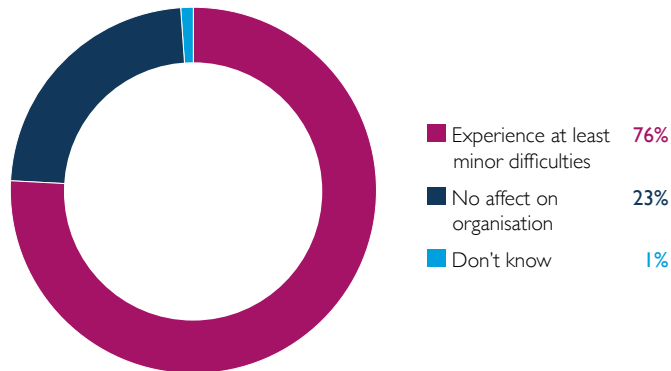


The importance of the domestic supply chain is seen particularly in the manufacturing sector, with 74% saying they would see difficulties if they could not work with non-London UK firms.

Close to half (47%) of service sector businesses would face difficulties, with firms in the broad 'motor trades / wholesale / retail / transport & storage / accommodation & food services' and 'Finance & insurance / business administration and support' industries saying they would be the most affected.

There was a higher proportion of firms in outer London (55%) who said they would see difficulties if they could not work with non-London businesses, compared to companies 46% of inner London businesses who said the same.

Impact on large businesses (250+ employees) if they could not work with UK firms based outside of London

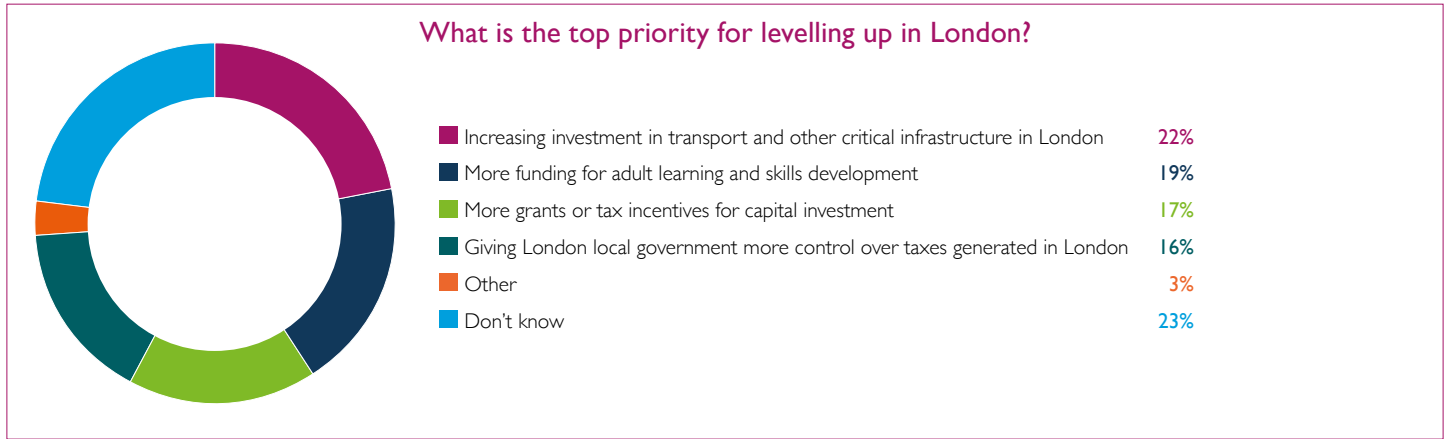


How should London be levelled up?

Assuming that the levelling up policy agenda is continued under the new Prime Minister, there does need to be a consideration of where levelling up can best serve the capital. **London businesses were asked which of the following was the biggest priority for levelling up in the capital over the coming years:**

- Increasing investment in transport and other critical infrastructure in London
- More funding for adult learning and skills development
- More grants or tax incentives for capital investment
- Giving London local government more control over taxes generated in London
- Other

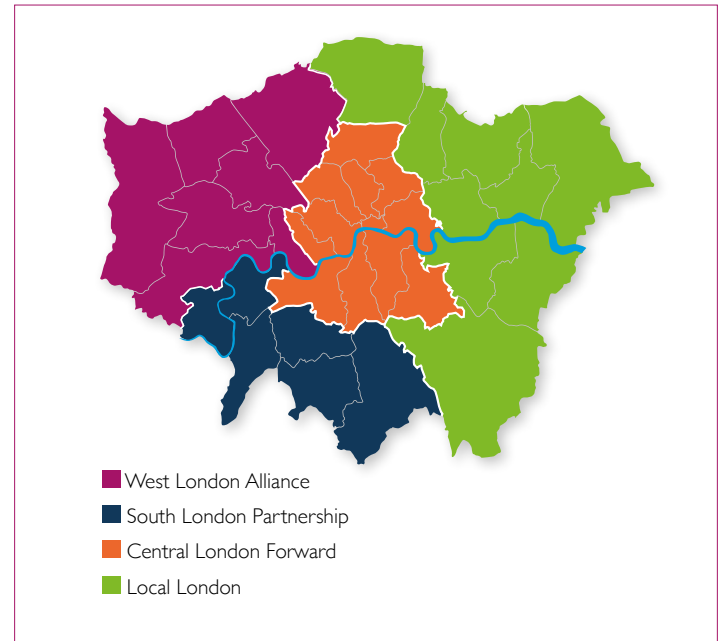
Of the options listed above (which are by no means exhaustive), there was no clear area that London firms think is most in need of prioritising for levelling up:



The top priorities varied based on the size of the business. For micro firms, raised investment in transport was identified as the main priority. For SMEs and large businesses, additional grants and / or tax incentives for capital investment was chosen as the main area for prioritisation.

Geography played a role too:

- West London Alliance - More funding for adult learning and skills development
- Central London Forward - Increasing investment in transport and other critical infrastructure in London
- Local London - Giving London local government more control over taxes generated in London
- South London Partnership - Increasing investment in transport and other critical infrastructure in London





Implications of levelling up for London

Levelling up has been reported as the key aim of the current Government. However, with a new Prime Minister incoming, there is a question about whether the policy will retain the same status. There is goodwill from London businesses to see opportunities improve for other parts of the UK. There is awareness and a belief that London has at the very least not lost out in terms of public sector investment. It is clear from the data that there are real concerns about what levelling up's continuation will mean for London businesses and the capital's economy.

London cannot be levelled down in the efforts to level up the country. There was no single area of investment that businesses felt need prioritising as part of levelling up London, but that speaks volumes too: London cannot be excluded from the levelling up process. Opportunities in the capital are not spread evenly, and businesses feel that there is a need for investment in skills and infrastructure, and for more favourable business conditions.

From the data gathered, it would appear that there are concerns that levelling up in its current form puts too much focus on skills, and not enough on infrastructure. Achieving the right balance between the different missions is going to be important for the Government (should it carry on with levelling up), and the public sector investment that will be forthcoming must give due consideration to the various aims of the policy. A recent report from Institute for Government found that the focus on transport infrastructure in the levelling up white paper will make significant in-roads into meeting the aims of the policy.⁵ LCCI was disappointed by the decision to remove the Leeds section of the HS2 railway project, with the decision representing a significant blow to the Government's levelling up plans.⁶

One of the overarching takeaways from the findings is that levelling up is still poorly understood by many London businesses. If the new government intends to take the policy forward, it must make additional efforts to move away from soundbites and consider how to define the policy in real terms. London can and should play an important role in the delivery of levelling up, and future governments will receive more support from businesses in the capital if they know what the policy is, what it is looking to achieve, and how they might be able to help progress the agenda.

⁵ Levelling up and infrastructure policy: How connecting the UK's cities could be the key to boosting productivity, Institute for Government, July 2022, https://www.instituteforgovernment.org.uk/sites/default/files/publications_Levelling-up-and-infrastructure-policy.pdf

⁶ LCCI responds to the Department for Transport's Integrated Rail Plan, LCCI, November 2021, <https://www.londonchamber.co.uk/news-and-insights/news/press-releases/lcci-responds-to-the-department-for-transport-s-in/>

Forward look for LCCI

London has a key role to play in shaping and delivering the levelling up agenda. It is a policy that will impact the capital directly. London consistently features as the benchmark for other areas of the UK to meet, be that in transport, skills or education.

Levelling up should not be seen as a zero-sum game. Whilst London may have received more than other regions of the UK in certain areas, it is also true that within London, there are vast disparities between different parts of the city.

LCCI's research has shown that there are concerns around London being levelled down as a result of the levelling up policy agenda. There are three conclusions to make from the research:

The next government needs to address the framing of the levelling up agenda. There must be a move beyond zero-sum and the threat of levelling down London. It should be about collaboration and cooperation so London and other parts of the country can level up the country together.

The way to do this is to emphasise connectivity between regions – particularly London to the rest of the country. Create more opportunities for more regions of the country to benefit from the outsized impact of London on economic growth and prosperity.

Productivity growth is one of the UK's major economic challenges. The next government needs to put productivity growth at the heart of levelling up, which means finding the right balance between infrastructure that delivers connectivity and skills investment.

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