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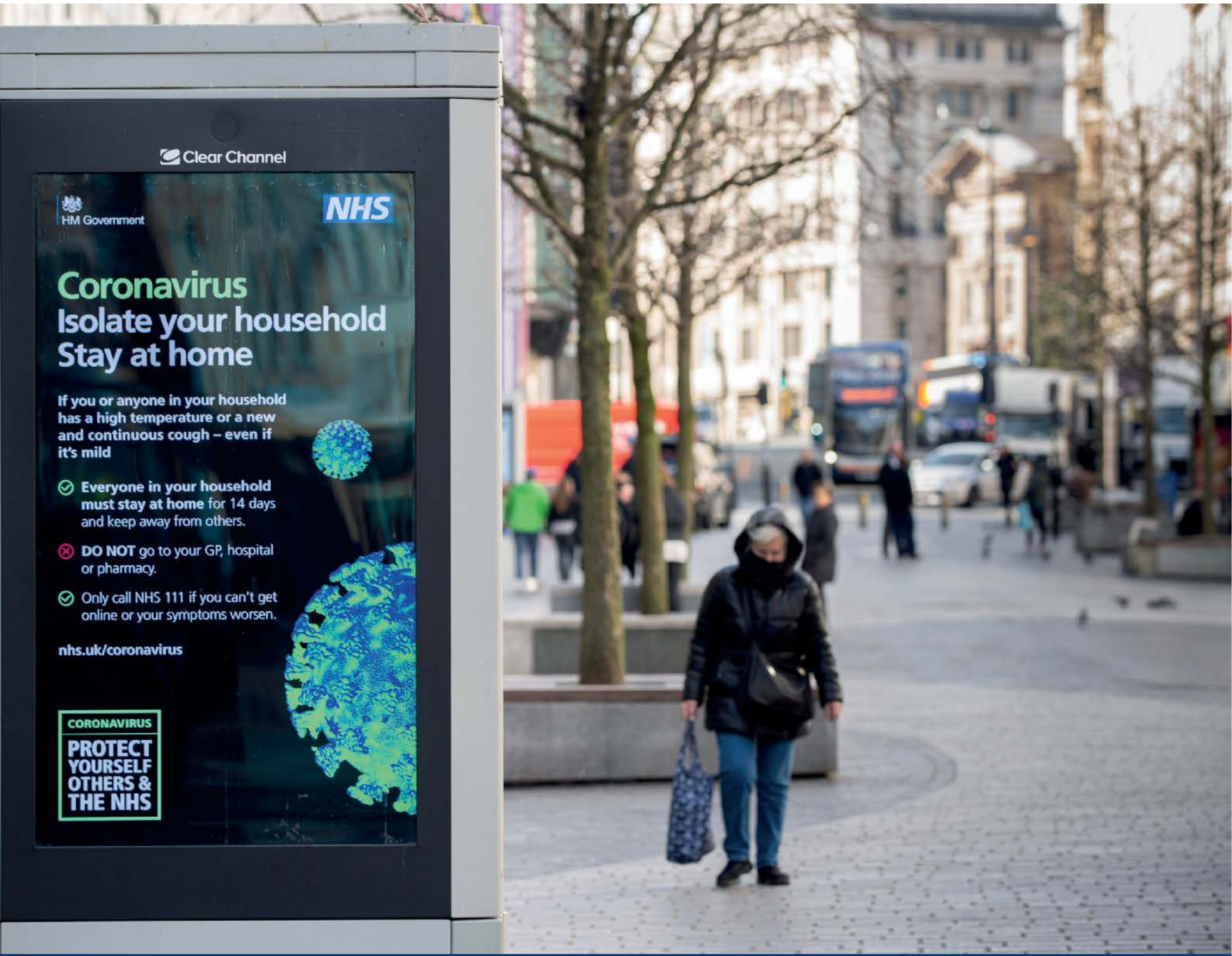

Responding to COVID-19 in the Liverpool City Region

COVID-19, Regional Inequality and the Restated Case for Devolution

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Map of Liverpool City Region Combined Authority (LCRCA) boundary (in red) and constituent local authorities

Data sources: Westminster parliamentary constituencies (December 2018 - ONS), local authority districts (December 2018 - ONS), and combined authorities (December 2018 - ONS)

COVID-19, Regional Inequality and the Restated Case for Devolution

Key takeaways

1. Widening regional inequalities have left Liverpool City Region disproportionately vulnerable to both the economic catalysts of the COVID-19 pandemic and its economic consequences.
2. A centralised approach to national recovery that is insensitive to local needs and priorities risks intensifying these inequalities between and within regions even further.
3. Greater devolution of policy-making and funding for economic growth would help to ensure that local recovery is effective, builds future resilience, and delivers necessary transformations to local economies.
4. However, processes of devolution appear to be in retreat as government centralises resources and decision-making powers in the wake of the pandemic.
5. This trend is typified by the government's Levelling Up Fund, which fails to respond sufficiently to the local contexts of inequality that have been highlighted by the COVID-19 pandemic, and which overlooks the role that combined authorities could play in delivering the "levelling up" agenda with government.

1. Introduction

On the eve of the COVID-19 pandemic, the United Kingdom was widely considered to be among the most regionally unequal countries in the developed world, if not the most unequal (for example, see Raikes et al. 2019; McCann 2016). Growing inequality has long been a national condition in the UK; the result of an extractive and highly centralised economic system that does not, and cannot, work fairly or effectively for all people and places (McInroy and Jackson 2016).

The focus on inequality goes beyond the deep-rooted North-South divide (Hazeldine 2020). Just as important as the inequality *between* regions is the inequality *within* regions – after all, whilst the economic gap between London and the rest of the UK has been widening, some parts of the capital have also recorded the highest rates of child poverty in the country (McInroy and Jackson 2016).

This policy brief considers how a centralised approach to national recovery risks intensifying these kinds of inter and intra-regional inequalities. It makes the case for greater devolution of policy-making and funding for economic growth to the *right scale* to help ensure local recovery is effective, builds future resilience, and delivers necessary transformations to local economies. It also considers the implications for the government's "levelling up" agenda.

2. Widening regional and intra-regional inequalities

The marks of regional inequality can be seen particularly starkly in Liverpool City Region (LCR). In spite of an economic renaissance that has seen over £1bn added to the local economy in the last decade, Liverpool City Region has maintained significant productivity and prosperity gaps with national averages across a selection of indicators (Figure 1).

Figure 1. Liverpool City Region productivity and prosperity gaps

Indicator	Liverpool City Region	UK	LCR vs UK (UK = 100%)	LCR rank (out of 38 LEPs)
Real GVA per head	£20,900	£28,000	75%	28
% of jobs in higher productivity sectors	26%	29%	89%	29
Businesses per 10,000 working age population	536	752	71%	36
Employment rate	72%	75%	96%	35
NVQ4+ %	33%	39%	84%	30
No qualifications %	11%	8%	134%	36
% of LSOAs in 10% most deprived areas (overall)	34%	10%	346%	38

(Source: LCRCA analysis of English Indices of Deprivation 2019, Annual Population Survey, UK Business Counts, Business Register and Employment Survey, and ONS GVA datasets)

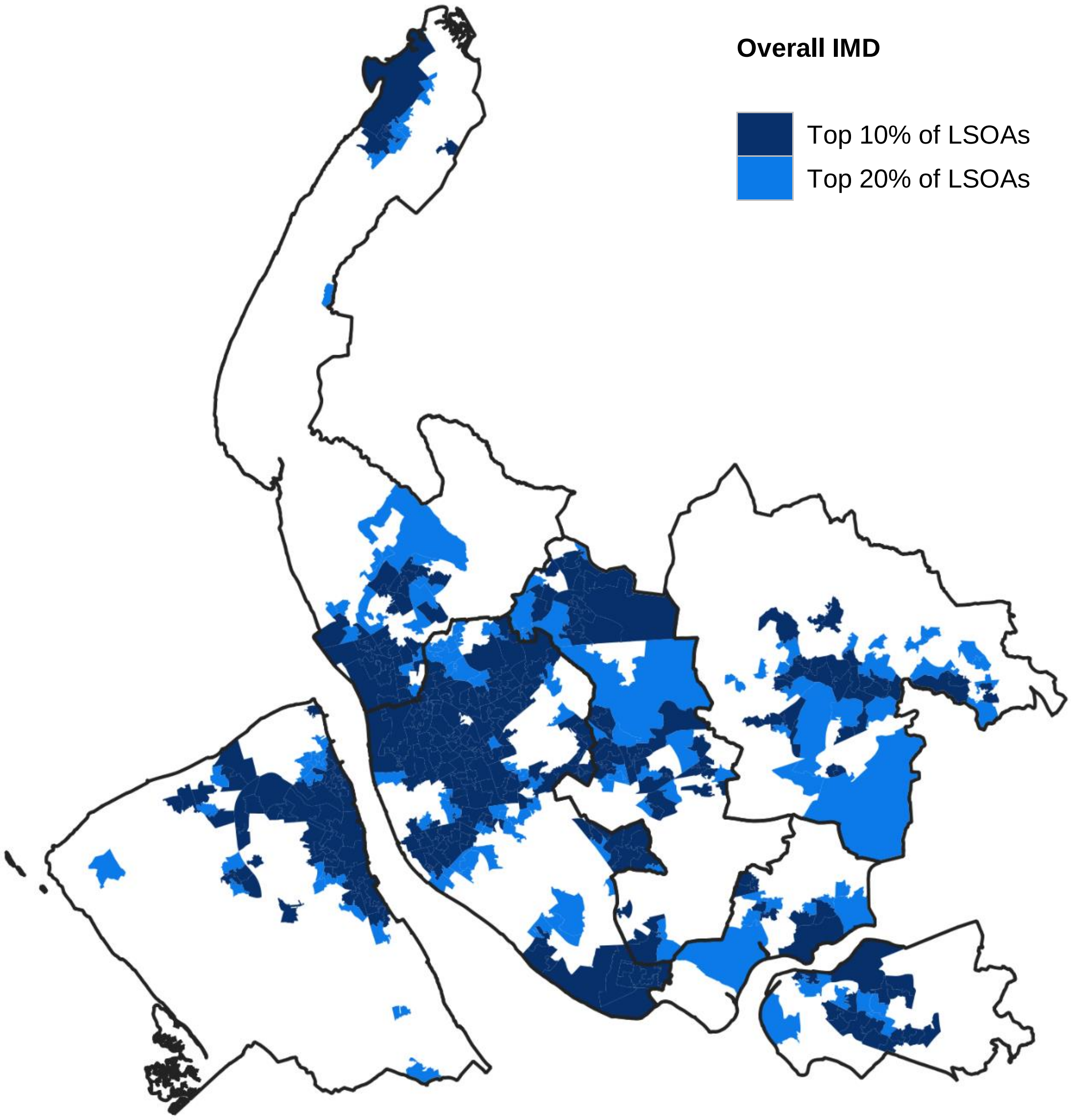
The Index of Multiple Deprivation measures deprivation across small areas and shows that around one-third of lower layer super output areas (LSOAs) in the Liverpool City Region rank among the most deprived decile in the UK (see Figure 2) – this is more than any other local economic partnership (LEP) area.

Just as important are the inequalities that exist *within* the city-region, especially as over the last decade the gaps between some of the richer and poorer parts of Liverpool City Region have not only remained intact, they have grown wider (Parkinson 2020, p. 25).

Meanwhile, Liverpool City Region has been disproportionately impacted by a decade of government-led austerity, with LCR local authorities losing over 28% of their funding over the period 2010-20. This equates to a cut of £336 for every resident, almost twice the England average of £188 per person – mounting pressure on vital public services and eroding local resilience (LCRCA analysis). The introduction of Universal Credit has further impacted the LCR, inflicting a real-terms benefit cut for many residents who were already struggling to make ends meet (Gardiner and Finch 2020). This has served to intensify existing inequalities and entrench them more deeply.

Simply put, whilst our recent economic successes certainly should not be underplayed, it is evident that too many people and places in Liverpool City Region still do not have equal access to the opportunities, or the resources, that they need to thrive.

Figure 2. Most deprived areas in the Liverpool City Region



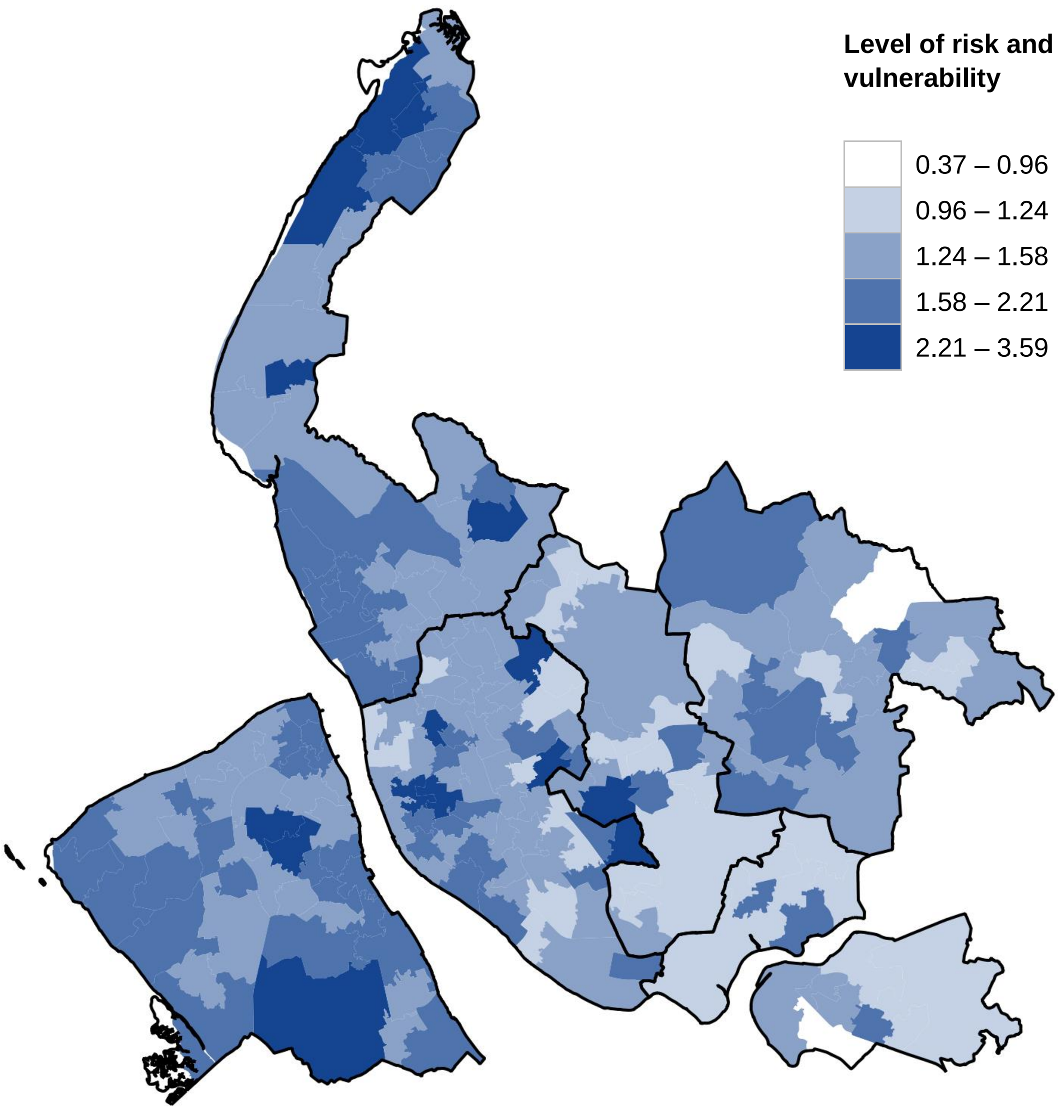
(Source: Ministry of Housing, Communities and Local Government Index of Multiple Deprivation 2019)

3. The unequal impact of COVID-19

COVID-19 has exploited and exacerbated these pre-existing inequalities. The Institute of Health Equity has found that there is a strong relationship between deprivation and healthy life expectancy at birth: "the poorer the area, the worse the health" (Marmot et al. 2020, p.13). COVID-19 appears to have followed these socio-economic trajectories, disproportionately affecting those with pre-existing poor health, and thriving as a result of the rapidly widening inequalities seen since 2010. For an area like Liverpool City Region where almost half (47%) of its LSOAs are in the top 10% most health deprived in the country, the unequal impact of COVID-19 is apparent.

Researchers at the University of Liverpool have developed a [Small Area Vulnerability Index (SAVI)]() that establishes statistically the relationship between COVID-19 mortality and four risk factors relating to population characteristics: namely, (i) the proportion of the population from Black, Asian and Minority Ethnic (BAME) backgrounds, (ii) the prevalence of long-term health conditions, (iii) the proportion of the population living in care homes, and (iv) the proportion of the population living in overcrowded housing. They found that vulnerability to COVID-19 is noticeably higher in the North West, West Midlands and North East regions of England. The clustering of community-level vulnerability for Liverpool City Region is illustrated in Figure 3 below. Overall, 86% of the LCR population resides in areas with above average levels of risk and vulnerability to COVID-19.

Figure 3. COVID-19 Small Area Vulnerability Index (SAVI): Liverpool City Region



(Source: Place-based Longitudinal Data Resource 2020)

Note: SAVI is a measure of COVID-19 vulnerability for each Middle Layer Super Output Area (MSOA) in England. The index is adjusted for the age profile of each area and accounts for the regional spread and duration of the epidemic. The mean score for all MSOAs in England is 1.24, with higher scores denoting higher levels of risk and vulnerability.

Public health and the economy are intimately linked, and as the pandemic has hit, Liverpool City Region has also been exposed to its worst economic impacts.

Since the Coronavirus Job Retention Scheme (commonly known as furlough) was introduced, 28.1% of employees in Liverpool City Region have been on the scheme at some point. This is lower than the national average of 29.7%, suggesting a higher proportion of employees here have continued working to some extent through the pandemic (LCRCA, n.d.). We know that not everyone is able to work from home or without coming into close proximity with others – increasing their risk of exposure to the virus. Liverpool City Region's economy has a greater proportion of lower paid roles compared to the national average, and a higher percentage of LCR's total workforce are employed in the health and care sector (18%) compared to Great Britain as a whole (13%) (Office for National Statistics 2019).

Liverpool City Region entered the pandemic with the lowest business density of all LEP areas, and an (albeit narrowing) employment gap with the rest of the UK. Liverpool City Region simply cannot afford to lose good jobs and the businesses that create them as a result of the pandemic. However, a high proportion of local firms trade within the most at-risk sectors such as retail and personal service activities (LCRCA 2019, p.16), raising concerns around how many pre-pandemic jobs will still exist once the economy fully reopens.

The claimant count stood at 7.4% in Liverpool City Region in January 2021 (up from 4.1% the year before), compared to 6.3% in England as a whole (LCRCA n.d.). However, the peak of COVID-related unemployment – projected to be 6.5% in England at the end of 2021 by the Office for Budget Responsibility (2021, p. 5) – may still remain ahead of us, particularly as government support measures are tapered off and removed over the coming months and the full impact of the virus on the economy is understood.

Short-term job risk is highly correlated with level of education. Compared to other LEP areas LCR has a lower proportion of workers qualified at and above NVQ Level 4 and a higher proportion of residents with no skills (see Figure 1). If higher unemployment persists, we may see greater competition for work as the economy recovers and those with lower education levels may find it difficult to secure good quality employment.

The pandemic has also had a detrimental impact on the life chances of young people, with the closure of schools during lockdowns likely to have widened performance gaps between low and high achievers, and between students from disadvantaged and more affluent backgrounds (see for example Renaissance Learning and Education Policy Institute 2021). On average, Liverpool City Region pupils leave primary and secondary education with worse attainment compared to English pupils, which then follows through into higher levels of not in education, employment or training. We also have a high proportion of pupils coming from disadvantaged backgrounds, as evidenced by high rates of claiming free school meals, and must ensure they are not left behind.

4. Devolution and making recovery local

The pandemic has emphasised the urgent need to tackle inequalities at the root, and meaningfully "build back better". Whitehall will never have the bandwidth, flexibility, or local knowledge to respond sufficiently to the particular socio-economic challenges and opportunities that different communities face. Local leaders, on the other hand, have the capacity to act on local intelligence, to co-create effective solutions with local stakeholders, and to commit to long-term local economic strategies. For example, LCR's Economic Recovery Plan outlined how £1.4bn in investment could unlock £8.8bn of projects, creating 94,000 permanent jobs, with a further 28,000 jobs in construction.

Government should be embracing the potential created by English devolution to empower places with the policy tools and fiscal levers required to deliver and manage local recovery in a way that proactively redresses regional inequalities (e.g., Stern et al. 2020). The recent report of the All Party Parliamentary Group (APPG) Levelling up Devo suggests that devolving power to local people to make decisions about their area is key to delivering on the government's ambitions to "level up" regions.

And yet, at a time when devolution has so much to offer, signals from government suggest that the appetite for further, deeper devolution of power and resources to local places has stalled, and may even be in retreat. The sub-national devolution agenda risks the threat of irrelevance as government grapples with COVID-19 and its consequences. This is typified by the recent Budget, which contained no new devolved funding or powers to English city-regions, and offered no detail on the role local leaders operating across the functional economic area can play in driving recovery and long-term prosperity.

Major new funding streams, such as the £4.6bn Levelling Up Fund, offered an ideal opportunity for government to reaffirm its long-term commitment to the principles and potential of devolution by enabling local places to control a guaranteed portion of the new funds in line with locally-identified, strategic priorities. But the prospectus published alongside the Budget confirmed that this funding stream will, ultimately, be controlled at the discretion of central government, and on a competitive basis (HM Treasury 2021).

The methodology used to prioritise places for the Levelling Up Fund has been criticised because it excludes measures of poverty such as the Index of Multiple Deprivation which take account of income levels, educational attainment and health inequalities. This means areas of LCR such as Sefton and Wirral are ranked lower in terms of priority than Liverpool, Knowsley, and St Helens despite all of the areas containing neighbourhoods that rank among the most deprived in the country.

A focus on small scale regeneration projects (town centres, repurposing brownfield sites, improving local transport connectivity, and cultural, heritage and civic assets) means this fund will be a drop in the ocean unless it is accompanied by a long-term, sustainable approach to funding for those people and communities that need to benefit most from levelling up.

5. Conclusion

There is no single driver of regional inequality, and no simple solution; levelling up will require long-term investment, at scale, in infrastructure and crucially people. Inequalities that were evident before the COVID-19 pandemic have been amplified in this past year and the fragility of local economies exposed. A centralised approach to recovery risks intensifying the socio-economic inequalities between and within regions even further. Greater devolution of policy-making and funding for economic growth would help to ensure that local recovery is effective, builds future resilience, and delivers necessary transformations to level up regions. What we appear to have instead is a preference for silo-based, intra-regional competitive bidding for resources that places funding decisions with Whitehall at the centre.

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