

Mission Improbable:

how the cost of living crisis will affect levelling up

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About the Centre for Inequality & Levelling Up

The Centre for Inequality & Levelling Up (CEILUP) is a new research centre based at the University of West London. The centre produces policy relevant research that can shape approaches to addressing inequality in the UK. The centre focuses particularly on developing practical solutions to the challenges that face the UK in the early 21st century related to inequality in employment, education, and opportunity.

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# Executive Summary

# Background

# The recent increases in the cost of living bear down heaviest on those who should be the target of levelling up. But what will be the impact of the cost of living crisis be on levelling up? This report will bring together the best available evidence on the relationship between the 12 Levelling Up missions and the cost of living crisis before assessing the degree to which their achievement is under threat from the consequences of this crisis. To do this, a review encompassing over 100 pieces of secondary research that connected the missions with the cost of living crisis was undertaken.

# The Levelling Up Missions

# The Levelling Up White Paper released in February 2022 included 12 missions that were intended to provide a ‘*targeted, measurable and time-bound objective, or set of objectives, from which a programme of change can then be constructed or catalysed’*. They are designed to ‘*crowd-in ideas, finance and investment from the private sector and civil society, to help deliver ambitious long-term outcomes*.’ Other well-known mission-based approaches quoted in the white paper are the NASA space missions and the United Nations Sustainable Development Goals (SDGs).

# The Levelling Up missions and the cost of living

# The analysis shows that the cost of living crisis poses risks to all of the missions, to a greater or lesser degree. Our assessment of the available evidence shows as illustrated in the Levelling Up register below that 8 of the 12 missions are at high risk of not being achieved due to the cost of living crisis; 2 are at medium risk and 2 at low risk. It must be emphasised here that the analysis below refers to risks. The outcomes may well be very different depending on what happens in forthcoming years and in particular the actions of government.

# The Levelling Up register

|  |  |  |
| --- | --- | --- |
| Mission | Risk | Why risk level |
| Mission 1: By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing. | HIGH | Considerable evidence showing how sensitive productivity/employment is to recession and to poverty. Closing gaps between areas will be more challenging in periods of negative/low GDP growth. |
| Mission 2: By 2030, domestic public investment in R&D outside the Greater South East will increase by at least 40%, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth. | HIGH | Evidence shows both public and private R & D contracts in times of recession and rising inflation and when interest rates rise. |
| Mission 3: By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing. | LOW | Less evidence that directly links improvements in public transport with the cost of living crisis but government commitment to increased investment essential. |
| Mission 4: By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population. | MEDIUM | Some risks to private sector investment from cost pressures and falling consumer demand and to the value of public sector investment from inflation. |
| Mission 5: By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90% of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third. | HIGH | Over 500 pieces of evidence from different literature reviews show conclusively the impact of increased poverty on educational achievement. Evidence from 2022 also shows poverty increases affecting schooling/attainment now. |
| Mission 6: By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high-quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas. | MEDIUM | Older learners less likely to participate in training if it costs when they are under financial pressure but recession can also push people back into education. Government investment in enhancing supply of training must be maintained. |
| Mission 7: By 2030, the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest will have narrowed, and by 2035 HLE will rise by five years. | HIGH | Literature reviews including over 1000 pieces of evidence show that poverty impacts on health outcomes. Fuel/food poverty as well as increased stress make this mission very hard to achieve. |
| Mission 8: By 2030, well-being will have improved in every area of the UK, with the gap between top performing and other areas closing. | HIGH | An exploratory mission and evidence shows that well being is not solely result of economic factor but falling incomes/poverty/inequality all affect well being negatively. |
| Mission 9: By 2030, pride in place, such as people’s satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between top performing and other areas closing. | HIGH | Metrics are being developed as is the evidence base on pride of place. Evidence shows though that the drivers of pride of place i.e. physical and social infrastructure are impacted by poverty/deprivation; pressure on council budgets and falling disposable income. |
| Mission 10: By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government’s ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest-performing areas. | HIGH | Historic and contemporary evidence shows higher interest rates/reductions in disposable income/continued rise in house prices and economic uncertainty create big barriers to first time buyers. |
| Mission 11: By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst-affected areas. | HIGH | Mission covers distinct forms of offending and the relationships with poverty/recession are complex but literature reviews show poverty makes crime more likely and other evidence links inflation and recession with property crime and homicide. |
| Mission 12: By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplifed, long-term funding settlement. | LOW | Should be achievable despite the cost of living crisis even though evidence shows in times of economic crisis governments tend to centralise. Requires government commitment and funding to be maintained. |

# Key Findings

# Poverty and recession really matter

# Increased poverty makes all the missions apart from Mission 12 harder to achieve, in particular missions 5 (education), 7 (health), 8 (well being) and 11 (crime). In prioritising growth, the government understands the importance of avoiding recession which is crucial where the levelling up missions are concerned. A prolonged period of recession could have negative implications for all the missions including Mission 12 (devolution) if it limits the funds available to support devolution deals.

# Public investment is crucial

# The missions are heavily dependent on public investment. Mission 3 (transport) and 4 (connectivity) depend almost entirely on government spending. Others could conceivably be achieved without an increase in public spending, or even if it decreases, but that is unlikely.

# The missions have multiple parts and partial metrics

# Analysing the relationship between the cost-of-living crisis and the missions also provides the opportunity to reflect on the missions themselves. Each one has multiple parts where one or more parts could be achieved while others may not be. There are 10 which include specific reference to addressing inequality but also to achieving outcomes for all the population.

# Recommendations – making the missions matter

# Whether the government bolsters its commitment to levelling up or not, there are important insights to be gained for future attempts to address regional inequality from analysing the impact of the cost of living crisis on these missions. These lead to five recommendations where developing approaches to addressing regional inequality are concerned.

# Recommendation 1: Commit to a goal like levelling up and it’s missions – (or don’t)

# Ambiguity or faltering commitment from the government will not allow a mission-based approach to succeed. As we approach the committee stage for the Levelling Up and Regeneration Bill it is vital that the government either supports the levelling up missions or outlines its alternative approach to addressing regional inequality.

# Recommendation 2: Establish clear metrics for all of your missions and focus them on inequality

# The missions are intended to galvanise but to do this there needs to be a clear idea of success or at least progress where each one is concerned. There is also a contradiction in making missions universal and targeted. The missions would benefit from more explicit choice and commitment to addressing gaps rather than benefiting all.

# Recommendation 3: Make addressing increases in poverty central to the approach & produce an anti-poverty strategy

# Further action to try and lessen the impact of the cost of living crisis now is essential to avoid miring people in poverty for years to come as they are unable to take advantage of routes out of it due to their present situation. Increasing benefits in line with inflation rather than earnings is the absolute minimum here and an emergency budget to put measures in place to address poverty directly is required if the levelling up missions are to have a chance of succeeding. In the longer term any levelling up/regional inequality missions should be combined with an anti-poverty strategy.

# Recommendation 4: Define a per mission allocation and protect this investment

# A defined allocation of funding based upon the amounts quoted in the white paper relating to each mission coming from differing funding streams needs to be established and then this allocation protected. If not protected and attached closer to the missions these funding streams may fail to make the contribution to levelling up that the white paper claims they will.

# Recommendation 5: Build a coalition of support for each mission

# The levelling up advisory groups have a key role in bringing together those from the private, voluntary sectors and local government who can contribute to the success of these missions. However, addressing regional inequality through a mission approach needs a bottom-up approach that constructs and defines missions in open consultation with stakeholders so those local and regional government particularly feel ownership of them.

# Summary – a crossroads for levelling up

This report has illustrated that the missions, which are at the heart of levelling up, are extremely vulnerable to the cost-of-living crisis. Unless rapid action is taken to stop poverty increasing and the onset of recession alongside maintaining public sector investment levels then the majority of the missions are not likely to achieve their targets by 2030. Leadership on levelling up is needed now or the risk is that the cost of living crisis will further entrench regional inequality making any future attempts to address it even more challenging.

1. Introduction

The recent increases in the cost of living, set to continue despite the governments capping of energy bills, will bear down heaviest on those who should be the target of levelling up. Every week it appears there is new evidence showing that it is the areas with the greatest social and economic challenges and those from the lowest income backgrounds who are most at risk from this crisis.[[1]](#footnote-2)

But what will the impact on levelling up itself be of the cost of living crisis? Early as it is in her premiership levelling up is struggling to rise up the new Prime Ministers’ list of priorities.[[2]](#footnote-3) However, the fundamental issues underlying levelling up will not go away and there is a bill passing through parliament that includes 12 missions designed to achieve a step change in regional inequality in this country. It is these missions that will be the central concern of this report. They are ambitious and wide-ranging aiming to address the root causes of inequality. But to what extent is achieving them put at risk by the increases in cost of living? Looking at each mission in turn, the report will bring together the best available evidence on the relationship between these missions and the cost of living crisis before assessing the degree to which their achievement is under threat from the consequences of this crisis.

In looking at the evidence regarding the likelihood of each mission being achieved in this way, the report also sheds some further light on the nature of the missions themselves. While the Levelling Up White Paper was derided by some for its length this did allow the development of the innovative mission-based approach. However, while all but one of the missions did come with a broad description of the policies that would lead to it being achieved there was less detail regarding the key drivers associated with success for each one. If the government, or opposition parties, were to continue to pursue these missions (or alternative ones) then in-depth analysis at what really needs to be done to achieve them is necessary.

1. What is the cost of living crisis?

After a period of over 25 years when inflation did not rise above 2% in 2021 this began to change with the consumer price index at 10.1% by July 2022.[[3]](#footnote-4) The causes of this increase in inflation are multiple: supply chain issues associated with Brexit[[4]](#footnote-5) but also post covid labour shortages and shipping/commodity price increases; strong consumer demand post-Covid and war in the Ukraine driving rises in the wholesale price of gas and oil which have been passed onto consumers and businesses. In the year to July 2022 domestic gas prices increased by 96% and electricity prices by 54%.[[5]](#footnote-6)

In September 2022 concerned about the potential increase in the energy price cap to £3549 in October 2022 and a possible rise above £6000[[6]](#footnote-7) in 2023, the government announced that it would place a cap on the price of energy to all households in the UK of £2500 from the October 1st 2023[[7]](#footnote-8). It is predicted that this intervention will mean inflation will rise by 5% less in 2023 than was expected.[[8]](#footnote-9) Welcome as the intervention is it does not mean that cost of living pressures, in particular for those from low income backgrounds, are ameliorated. The Legatum Institute in their analysis estimate that even with the cap, there will still be an additional 1.5m people propelled into poverty compared to pre-pandemic levels.[[9]](#footnote-10) Across the population cost of living pressures have already led to people changing spending patterns. Diagram 1 draws on data below from the Office for National Statistics (ONS) survey of public opinion published in August 2022 and shows how the cost of living pressures are having an impact across a range of different areas. [[10]](#footnote-11)

Diagram 1: Reasons for increased cost of living among UK adults who reported an increase in their cost of living, 3-14 August 2022

The consequences of the cost of living crisis are being felt most acutely in the areas which have been the focus of the levelling up agenda. Diagram 2 draws upon research undertaken by the Centre for Cities comparing select areas of the north with those in the south.[[11]](#footnote-12)

Diagram 2: Cities in the north face higher inflation

|  |  |
| --- | --- |
| City | Highest inflation |
| Burnley | 11.7 |
| Blackpool | 11.2 |
| Blackburn | 11.2 |

|  |  |
| --- | --- |
| City | Lowest inflation |
| London | 9.1 |
| Cambridge | 9.2 |
| Reading | 9.7 |

Research produced by the Centre for Progressive Policy in April 2022[[12]](#footnote-13) took a more granular view on the specific impact of the cost of living crisis on different geographical areas. This work, based on an index of vulnerability that brings together data on fuel poverty, pay, food insecurity etc. shows again that parts of the North of England are at risk of experiencing the severest impact of the crisis but alongside coastal and rural communities in the South and the East of England such as Hastings, Thanet and Dover.

The evidence shows conclusively that those from low income backgrounds are suffering the most from the impacts of the crisis. They spend a higher proportion of their income on food and energy and many are already struggling to pay their energy bills. As research carried out by Oxford Consultants for Social Inclusion (OCSI) for the All-Party Parliamentary Group for “left behind” neighbourhoods as part of its inquiry into levelling up in 2022 showed, some 213 of these 225 “left behind” neighbourhoods (94.5%) have higher levels of fuel poverty than the national average.[[13]](#footnote-14) Those on the very lowest incomes are facing the biggest challenges. Research undertaken by the Trussell Trust, the biggest food bank charity in Britain in the August 2022 found that 41% of people on benefits had skipped meals over three months prior to the research being undertaken, with a further 38% claiming to have had just one meal or gone a whole day without eating because they couldn’t afford to buy enough food.[[14]](#footnote-15) For those living in social housing the picture is even grimmer, as they experienced their largest rent rise in a decade in mid 2022.[[15]](#footnote-16)

In terms of additional government support for those in areas with greater socio-economic challenges and/or on low incomes while commitments have been made, this was in the context of support for those across the income distribution. The result was a package that was described in the House of Commons Library Briefing on the cost of living crisis as only ‘broadly’ progressive.[[16]](#footnote-17) The main part of the package announced in May did relate to energy costs though, and the support offered changed in September 2022 as described above. Over 7.2 million payments of £326 – worth a total of £2.4 billion were made to low income households in July 2022.[[17]](#footnote-18) At the time of writing this report another payment of £326 is due to low income households in the Autumn of 2022 and a rebate of £150 for those in those in Council Tax bands A-D. There is also additional support being provided for pensioners and those receiving disability benefits. The package provided by the government thus far is significant but it is also temporary and misses out certain groups in particular those who are on relatively low pay but not in receipt of benefits as well as students[[18]](#footnote-19). For the latter group this represents another barrier to educational progression for those from low-income groups. The support provided is welcome but will not prevent increases in poverty nor financial stress as many groups remain worse off[[19]](#footnote-20) due to cost of living pressures.

The multi-faceted nature of the ‘cost of living crisis’, only adds to the range of existing day to day pressures facing those whom the levelling up agenda is designed to assist. However, it may have not have just direct implications in terms of everyday living costs but also propel the economy into recession and put new pressures on public spending. In August 2022 the Bank of England monetary policy Committee report forecast an entry into recession from the fourth quarter of 2022. There are other various specific forecasts of growth in Gross Domestic Product (GDP).[[20]](#footnote-21) The EY Item Club forecasts growth of 1% in 2023[[21]](#footnote-22) before an increase to 2.4% in 2024 whilst Goldman Sachs[[22]](#footnote-23) forecasts a recession until 2024. Economic forecasts should always be viewed cautiously and the recent support package for energy prices coupled with the new Prime Minister’s emphasis on stimulating economic growth may well lead to better outcomes than have recently been predicted. Nevertheless, the prospect of recession and/or a flatlining in economic growth are very real. Such a downturn in growth would inevitably pose even more problems for those from lower income communities and groups and for attempts to level up.

The final implication of the cost of living crisis where levelling up is concerned is on public spending. One of the challenges where addressing poverty, inequality and levelling up is concerned is the degree to which addressing these issues appears dependent on investment by the state. There are many who argue that the market and the individual are at the heart of the solution to these problems but state expenditure, as has been evident by the actions of the government this year will always have a key role to play. The recent capping of energy prices is likely to cost the government around £100 bn over the next year, more than the cost of the Covid furlough scheme.[[23]](#footnote-24) The present plan is to fund this by government borrowing but this may also have knock on effects for interest rates[[24]](#footnote-25) and potentially other areas of public spending further down the line. As argued below, reductions in public spending across government departments may have a major impact on the likelihood of the various missions being achieved.

1. Methodology

A rapid evidence review of research published in both peer reviewed academic journals; recognized research based organisations, administrative data and mainstream media outlets has been undertaken to assemble the evidence base relating to each mission and the cost of living crisis. Appendix 1 outlines fully the methodological approach including the exact search terms used associated with each mission’s nature and objectives. There were five main consequences of the cost of living crisis that oriented the analysis:

* increased poverty;
* the economy moving into recession;
* a reduction in public spending;
* rising inflation;
* increases in interest rates.

When analysing each mission the likely impact on its achievement of these five eventualities was assessed. The focus is on the risk posed to the mission’s success and progress. While the evidence may suggest that achieving the mission is made less likely by the cost of living crisis the missions are medium term goals to be achieved by 2030. Thus, even though the risk may be high for some missions this does not mean the mission will not be achieved. It is the *risk* to the missions that is being examined and despite what risks may be identified now some of all could still be achieved by 2030. In section 5 the level of risk attached to each mission as a result of the cost of living crisis is assessed based on the size of the evidence base linking the mission with the cost of living crisis and its implications. This formula is also outlined in Appendix 1.

1. The levelling up missions

4.1 A framework for levelling up

When the Levelling Up White Paper was released in February 2022 its mission based approach was touted as one its most distinctive features. As the white paper states *‘Missions provide a targeted, measurable and time-bound objective, or set of objectives, from which a programme of change can then be constructed or catalysed*’.[[25]](#footnote-26) They are designed to ‘*crowd-in ideas, finance and investment from the private sector and civil society, to help deliver ambitious long-term outcomes*.’ Other well known mission based approaches quoted in the white paper are the NASA space missions and the United Nations Sustainable Development Goals (SDGs). The paper describes a number of features for a mission based approach including the need to be bold and ambitious, being long term and breaking down barriers between different government departments and sectors. Levelling Up is portrayed as a challenge which is deep-rooted in terms of history, structure and culture and transcends different policy areas. It’s complexity and breadth invites the use of missions as a tool that can bring together the different actors and act as focal points for change.

Interestingly, the white paper is keen to distinguish between missions and delivery targets. It states that ‘*Missions are intended to precipitate systems change through cooperation across the public, private and voluntary sectors, rather than acting as a mechanism for holding the government to account*.’ While from a theoretical perspective this distinction may be valid, it is not clear that it holds in practice. The missions are seen as the markers of success for levelling up and metrics for their achievement exist.

4.2 The missions themselves

This tension between producing goals that will galvanise long term change and producing evidence of success that will give levelling up the political capital required to sustain support for it, may account for the quite varied nature of the missions themselves. They oscillate between those that have quantitative targets embedded in them such as Mission 5, which aims for an increase of the expected standard in reading, writing and maths in primary school children by 90% and those where progress is presented in more general terms i.e. Mission 8 which stated that by 2030, well-being will have improved in every area of the UK, with the gap between top performing and other areas closing. Overall, they cover a range of areas from transport to well-being to devolution and many encompass more than one objective. They also differ in their level of ambition from aspiring to a sea change in the geographical distribution of research and development spending to a modest increase in the numbers of those with ‘high skilled’ training.

Inevitably, choices need to be made when trying to frame a mission that can both act to pull people, organisations and policymakers together whist also being directly relevant to levelling up. There are many other alternatives to the missions that the government could have selected and the analysis below points to the some of the strengths and weaknesses of the ones that were chosen. One important point that needs to be made is that the levelling up missions aim to ‘*set the medium-term ambition of the UK Government’*. This implies a level of stability to them. Hence, it was a surprise to some[[26]](#footnote-27) that the first iteration of the Levelling Up and Regeneration Bill includes in it the ability of the government to change the content of any of the missions or the date of 2030 for achieving a mission if they appear no longer appropriate. This clause suggests that potentially, any of the missions could change with relatively short notice.

# The Levelling Up missions and the cost of living

In the next section the existing levelling up missions are examined. For each mission the metrics that are presently in place to measure progress are outlined which are taken from the Levelling Up the United Kingdom: missions and metrics Technical Annex paper which was published alongside the Levelling Up White Paper in February 2022. The evidence linking the mission to the cost of living crisis is discussed.

Mission 1: By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.

Metric

*This mission will look at GVA per hour, median pay and employment rates. Measuring globally competitive cities requires capturing a range of underpinning metrics, including GVA per filled job, services trade balance, the share of Knowledge Intensive Service sectors, the percentage of 16 – 64 year olds with an NVQ4+ qualification and city density, across city regions.*

The first mission is one of several that fuses together separate goals that while connected are not co-dependent. It has 5 different parts to it – each of which could in principle be achieved separately and while some parts are co-dependent equally some may be antagonistic. Beginning with pay, the cost of living crisis is actually putting upward pressure on pay as the unionised part of the economy push for wage increases for their members.[[27]](#footnote-28) Hence, this part of the mission could well be achieved. However, increases in pay are likely to differ across areas - London median pay has increased £144 between August 2021 and August 2022, against £120 in Stoke-on-Trent and £112 in Blackpool. [[28]](#footnote-29) Thus the part of the mission associated with closing pay gaps may be less likely to come to pass.

Employment at present is holding up well but if the economy tips into recession due to the cost of living crisis and stays at a low level of trend growth then this may change. Evidence suggests that periods of recession in the past are associated with increases in unemployment, particularly in areas that have existing social and economic issues.[[29]](#footnote-30) The Bank of England in August 2022 forecast an increase in unemployment by late 2023.[[30]](#footnote-31) Looking at productivity, it is well documented that the UK has a long history of under-performance compared to its rivals.[[31]](#footnote-32) Increasing productivity, especially across all areas, will be a huge challenge. Prolonged recession will make it an even bigger one. Work by Bhaumik, looking at productivity across higher value economies showed that productivity declines during economic downturns and increases in economic upturns and is therefore pro-cyclical.[[32]](#footnote-33) Increased poverty is also harmful to productivity[[33]](#footnote-34). The Centre for Social Justice[[34]](#footnote-35) has argued poverty via its impact on places and individuals can seriously damage attempts to increase productivity.

In terms of a globally competitive city, as indicated above there are a basket of metrics to be used here. According to the Centre for Cities the UK, the UK only has one globally competitive city and defining such a city is difficult so this is a very ambitious mission anyway.[[35]](#footnote-36) Productivity is key to developing a globally competitive city,[[36]](#footnote-37) so to the extent that the cost of living crisis will damage productivity as argued above, this will hamper any progress here.

As well as increasing pay, productivity and employment for all the aspiration here is to close gaps in these metrics between areas. Setting aside the inherent difficulty here of both improving things for everyone while simultaneously improving the lot of those who perform worse, the cost of living crisis will make what is already a difficult job harder. Periods of recession appear to exacerbate productivity gaps between lower and higher income areas.[[37]](#footnote-38) This trend was again confirmed during the Covid-19 crisis, as productivity differences between regions worsened once more.[[38]](#footnote-39) The concentration of poverty in areas which are not ‘top performing’ will also present a significant issue here given the negative impact poverty has on productivity noted above.

While the different elements of this mission are distinct there are relationships between them and the cost of living crisis could trigger negative knock on effects. There is a strong link between productivity and pay for example.[[39]](#footnote-40) Increases in productivity do drive improvements in pay. The ONS has found that had productivity continued to grow at two per cent per year in the last decade, workers would have on average earned an extra £5000 per year.[[40]](#footnote-41) Increased pay can also drive productivity, but only if it leads to increases in real wages. If real wages fall then this can incite firms to use more low-income labour instead of investing in capital assets thus lowering productivity.[[41]](#footnote-42) Data from the ONS showed that a 2.8% drop in real wages from May 2021 to May 2022 – a record fall.[[42]](#footnote-43)

This is an important mission. It has multiple parts and is underpinned by productivity which drives economic growth. However, the evidence suggests that the various implications of the cost of living crisis where the economy is concerned present real risks to this mission.

Mission 2: By 2030, domestic public investment in R&D outside the Greater South East will increase by at least 40%, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth.

Metric

*This mission will primarily be measured using government statistics on R&D funding and BERD (Business Expenditure on research and development) assessed on an annual basis. At a subnational level, the government will use R&D funding statistics produced by UK Research & Innovation (UKRI).*

At present domestic public R & D spend is heavily skewed toward the south east, with more than 50% of this investment being made in this region.[[43]](#footnote-44) The government has made a commitment to increasing R & D spending by £39.8 billion for 2022-2025. In principle, this aspect of the mission should continue to be achievable if the government retains its funding commitment here. Although the estimated increases in public sector borrowing of over £400m as a result of the government’s tax cuts and energy cap may lead to constraints in spending elsewhere including R & D. Work looking at the relationship between recession and public sector R & D does show that it is strongly pro-cyclical declining during times of economic challenge.[[44]](#footnote-45) Data from the ONS shows that gross expenditure on R & D as a percentage of GDP took around 4 years to recover to the levels of 2008 after the recession of 2009.[[45]](#footnote-46)

This mission also aspires to ‘crowd in’ private sector investment as a result of government action. An even larger evidence base exists showing the potentially negative impact of a recession on private sector investment is concerned.[[46]](#footnote-47) Taking innovation as a marker of private sector R & D spend research by Roper and Turner, showed that the proportion of firms they defined as ‘innovative’ fell by around a third in the UK during the 2008 economic recession and took around four to six years to recover.[[47]](#footnote-48) Evidence from the recent economic crisis caused by the pandemic supports the view that recessions harm private sector investment: analysis by Oxford Economics found that over 55% of UK Small and Medium Enterprises (SME) R&D projects were negatively affected by the pandemic[[48]](#footnote-49).

A further challenge private sector investment is the uncertainty caused by inflation. A series of studies have shown how private sector, and also public sector, investment in R & D is impacted by inflation.[[49]](#footnote-50) As Costamagna’s analysis of a sample of fifteen OECD countries during the period 1981-2008 (including the UK) showed investments in R&D deteriorate during periods of high inflation.[[50]](#footnote-51)

The issues described above look about to be accompanied by an equally significant deterrent to investment – higher interest rates. A range of analysts forecast an increase in interest rates to levels not seen since the 1990s and for many firms without sizeable cash reserves they can use for new investment this will present a big deterrent.[[51]](#footnote-52) The regional implications of the cost of living crisis for private sector investment are also likely to undermine this mission. Companies will usually prefer investing in well-established local clusters of research and innovation. This is why, for instance, levels of R & D spend in London and the West Midlands bounced back quite substantially following the recession of the late 2000s, whilst the North East and the North West have still yet to recover.[[52]](#footnote-53)

The government is not ignorant of the threats to investment described above and has proposed a bold new plan for Investment Zones in up to 38 areas.[[53]](#footnote-54) These zones, offering tax breaks and a lighter regulatory burden for investors, may help here but will also need to be accompanied by supply side reforms (such as mission 3, 4, 5 below) to create the infrastructure which makes investment in these Investment Zones a rational decision.

Whatever happens with these new Investment Zones, they will only cover certain parts of the country and heightened economic volatility, higher inflation and increased interest rates will still present major challenges to the government’s goal of increasing public sector investment & leveraging private sector investment to stimulate innovation and productivity growth.

Mission 3: By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing.

Metric

*Two headline measures will be used for this mission: usual method of travel to work by region of workplace; the average journey time to centres of employment, broken down by transport type and calculated at a local authority level. Two other supporting metrics are used, both measured at a regional level: bus punctuality and reliability, and proportion of public transport in all journeys.*

Transport has played a major role in levelling up so far. A considerable number of the projects supported via the first tranche of levelling up funding were transport related. Analysis of how funds were allocated undertaken in late 2020 by the Centre for Inequality and Levelling Up indicated that 26% of the funding (over £400m) was steered toward transport related projects.[[54]](#footnote-55)

Transport has become to an extent symbolic with levelling up.[[55]](#footnote-56) The largest single project described in the levelling up white paper was transport related – the £96bn integrated rail plan. In contrast to some of the other missions, the research linking the cost of living crisis and its implications for the mission is less voluminous. However, the metrics the government is using to measure progress here point to some connections with the cost of living crisis. These metrics emphasise changes in transport behaviour with relation to employment in particular. Given that the evidence shows that those from low-income backgrounds are more likely to use public transport success here depends on at least retaining passenger numbers from this group at their present level, and in all likelihood increasing them.[[56]](#footnote-57)

At Diagram 2 in Section 2 above illustrates the population overall (including those from low income groups) are relatively less concerned about transport costs. It was also announced in mid-2022 that rail fares will be 'temporarily frozen' until 2023 then set below the rate of inflation.[[57]](#footnote-58) This announcement is helpful even though any kind of increase will bear down on those on low incomes. However, unless they are pushed into unemployment by the broader impact of the cost of living crisis this group will continue to use public transport by necessity. Hence, from a demand side perspective, the cost of living crisis may not fundamentally hamper the achievement of this mission. But it is supply that is recognised at the major problem where transport connectivity outside London is concerned.[[58]](#footnote-59) Unlike Mission 1 there isn’t data showing a strong relationship between the economic cycle and public sector transport investment. It appears very much in the hands of central government then as to whether transport investment outside London will increase or not between now and 2030. If such investment is not forthcoming, then transport provision is not likely to increase significantly.

Investment isn’t the only factor relevant to increasing supply here though. Broader transport legislation has a role to play. Changes in how bus travel is delivered locally and attempts to bring bus travel back under public control for example, could be critical to opening up new routes and increasing usage. However, despite recent legislation that potentially allows local authorities to bring buses back under public control[[59]](#footnote-60) attempts to do this in Greater Manchester have thus far been difficult.[[60]](#footnote-61) Greater support from government to strengthen the hand of local authorities has been called for here.

In comparison to some of the other missions the cost of living crisis does not necessarily pose the same existential challenge. But it does require the government following through on its commitment to levelling up.

Mission 4: By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population.

Metric

*This mission will use OFcom’s tracking of 4G coverage across the UK, and Think BroadBand’s data on Gigabit broadband, both measured at a lower tier authority level.*

Achieving this mission is heavily dependent on the government’s £5 billion broadband infrastructure project, Project Gigabit.[[61]](#footnote-62) This project has three elements:

* series of procurements subsidising the roll-out of gigabit-capable broadband in specific areas. Broadband suppliers would bid for contracts to build in each area;
* a voucher scheme for residents and businesses in eligible rural areas to subsidise the cost of a new gigabit-capable connection. A postcode-checker on the Government’s voucher scheme website allows users to see if they are in an eligible area;
* Funding to connect public sector buildings in rural areas (called ‘hubs’).[[62]](#footnote-63)

As Diagram 3 below shows, progress required to reach nationwide gigabit broadband coverage is quite significant.[[63]](#footnote-64) The areas that need to be served to increase coverage are predominantly rural and this mission does appear the one that most specifically focuses the energies of levelling up on rural areas.

Diagram 3: 4G and Gigabit Coverage, UK, June 2017 to December 2021

There are a number of potential challenges to this mission arising from the cost of living crisis. They include any risk to the investment allocated to Project Gigabit related to greater pressures on public spending resulting from the cost of living crisis; higher inflation eroding the real value of the Project Gigabit; global supply issues affecting the telecoms industry[[64]](#footnote-65) and finally market conditions affecting the investment plans of commercial broadband providers.

Alongside the state investment provided through Project Gigabit, commercial investment has a crucial role to play in achieving this mission. Aside from the factors mitigating against such investment described under Mission 1 above, consumer behaviour may be a specific issue here. Research suggests the cost of living crisis is potentially leading to consumers retreating from the use of broadband services[[65]](#footnote-66) and that 6 million UK households are struggling to pay their mobile, landline and broadband bills.[[66]](#footnote-67) If demand for broadband was to fall and providers were unable to impose price rises to cover their costs then in this way the cost of living crisis poses a risk to the commercial element of broadband roll out investment. BT for example (who via its subsidiary - openreach are making the biggest progress in broadband roll out) has stated that it will continue with ‘above inflation’ price rises in 2023 partly to cover the increasing costs associated with broadband roll out.[[67]](#footnote-68)

Mission 5: By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90% of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third.

Metric

*This mission will use the proportion of students who reach the expected level in reading, writing and maths at stage 2 nationally and in a third of the Education Investment Areas with the lowest levels of attainment in England.*

This is one of the most easily measurable of the 12 missions. But it is also one of the most vulnerable to the cost-of-living crisis. The precise nature of the mission means it is possible to get a clear picture of the extent of the challenge it presents. As Diagram 4 below shows there is some distance to go if this mission is to be achieved by 2030.

Diagram 4: Percentage of pupils at the end of Key Stage 2 meeting the expected standards by subject, 2016-2022[[68]](#footnote-69)

The covid pandemic has significantly worsened the position here as diagram 5 above shows with declines in the percentages of students achieving the expected level at maths and writing although reading has held up well. To achieve the first part of the mission there would need to be an increase of around 20% in the percentages of pupils achieving the expected standards in maths and writing with a slightly smaller increase in reading. For the second part of the mission the challenge is also significant, Less than 5% of schools in Education Investment Areas achieved the 90% benchmark the last time SATs were used in 2019.[[69]](#footnote-70)

Any increase in poverty because of the cost-of-living crisis will make this mission even harder to achieve and there is a wealth of evidence that shows how poverty affects educational achievement. As is stated in the 2018 literature review on ‘*Key drivers of the disadvantage gap’* produced by the Education Policy Institute,[[70]](#footnote-71) which includes 140 pieces of evidence: the impact of family and community disadvantage is felt well before a child enters formal schooling and continues to weigh them down throughout the schooling years. This is just one in a line of meta reviews over many years which establishes the relationship between socio-economic background and educational attainment.[[71]](#footnote-72) They all point to a complex relationship between income, poverty and educational achievement which is refracted via gender, ethnicity and geography. There continues to be work that tries to understand better these linkages – which reiterates the difficulties in achieving this mission if poverty increases. Recent research looking specifically at material poverty at age 0-3 with a sample of over 4000 children found that difficulties in affording basic items may indirectly affect children's cognitive functioning leading to poor working memory at age 10.[[72]](#footnote-73) While a 2019 survey of 8000 teachers by the National Education Union found that nearly 80% of teachers stated their poor students had more fatigue and poorer concentration respectively.[[73]](#footnote-74)

This mission is already a challenging one – if it is to be achieved it is vital that any increases in child poverty are prevented. These increases may already be happening though. Research from summer 2022 involving over 800 schools found that 94% reported increased poverty amongst their pupils over the previous 12 months.[[74]](#footnote-75), while other work from the teaching union the NASUWT found 65% of teachers said more pupils are coming to school hungry.[[75]](#footnote-76)

Mission 6: By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high-quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas.

Metric

*The primary metric will be the number of adults who have completed high-quality skills training, which involves calculating qualification-focused 19+ Further Education and skills training achievement (including apprenticeships). The government will additionally develop measures to track trends in skills training at an upper tier local authority level.*

Central to this mission is the definition of high skills training. The phrase may appear ambiguous in the narrative of the mission but the government’s levelling up metrics paper offers a more exact definition. It states that the baseline calculations for this metric include qualification-focused 19+ Further Education and skills training achievement (including apprenticeships), but not Higher Education. This paper also reveals the extent of the challenge here as there has been a decline in the numbers achieving qualifications at this level every year since 2013 with total participation halving to around 900,000.[[76]](#footnote-77) Falling participation at this level is part of a broader picture with the overall participation of adults in learning reducing by 4 million over the 2010s.

Reductions in disposable income as a result of the increased cost of living will make reversing this decline even more difficult. Adult learners are price sensitive[[77]](#footnote-78) and the lack of funding available to support participation in learning has been one of the factors leading to what some have described as a lost decade for adult learning.[[78]](#footnote-79) The restoration of public funding for adults’ first full Level 3 qualifications is welcome but it will not alone lead to the mission being achieved.[[79]](#footnote-80)  Employer support is vital to enable adults to learn and as they come under financial pressures due to the cost of living crisis then this will create a further challenge.[[80]](#footnote-81) However, even when funding was made available in the form of loans take up was extremely low.[[81]](#footnote-82) As more people get into debt and see their existing debts increase then the loan based approach to supporting adult learning as is proposed by the government looks increasingly unlikely to lead to significant increases in participation beyond Level 3 at least in the short term.

The fall in investment in adult learning[[82]](#footnote-83) of nearly 50% since 2011 has been presented as the key factor in declining participation as provision has been cut. Any pressures on public spending resulting from proposed tax cuts and/or capping of energy prices that threaten some of the proposed new investment in skills provision outlined in the white paper would jeopardise hopes of progress for this mission. The need for more greater investment is even more acute if 80,000 more people are to complete high skilled training in the lowest skilled areas – defined as the top third of upper tier local authorities where skill levels are lowest.[[83]](#footnote-84) These areas are also those with the highest levels of overall deprivation hence as illustrated above most vulnerable to the current crisis.

Given that adult learning has plummeted by millions over the last 10 years this is one of the least ambitious missions, but it is still put at risk by the cost of living crisis which will more than likely reduce demand and also threaten supply.

Mission 7: By 2030, the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest will have narrowed, and by 2035 HLE will rise by five years.

Metric

The headline metric for this mission is the ONS HLE at birth statistic. It will be measured over upper-tier local authorities in England, local authorities in Wales, council areas in Scotland, and local government districts in Northern Ireland.

The importance of this mission was vividly demonstrated during the covid-19 crisis, which brought home how considerable regional health inequalities are in the UK. For example, life expectancy in London stands at 80.7 years for males, and 84.5 for females, against 77.9 and 81.7 in the North East.[[84]](#footnote-85) In one way, the mission in its first part may be described as relatively unambitious here as it does not specify the extent to which HLE should narrow. But any kind of narrowing may be difficult to achieve if poverty levels increase between now and 2030 as there is a weight of evidence pointing to the link between poverty and ill health.[[85]](#footnote-86) Moreover, there is already significant evidence of poverty impacting on health as a direct result of the cost of living crisis. A YouGov Poll commission by the Royal college of physicians has shown that 55% of British people feel their health has been negatively affected by the rising cost of living. [[86]](#footnote-87)

Even with the government’s unprecedented intervention to halt energy inflation, many households will still suffer from fuel poverty and cold homes over this and possibly subsequent winters with an estimated £6.5 million households across the UK in fuel poverty against 4 million in October 2021.[[87]](#footnote-88) Cold homes and fuel poverty cause a plurality of health conditions: respiratory conditions, cardiovascular diseases, hyperthermia, among other conditions.[[88]](#footnote-89) They also contribute to the number of excess winter deaths: 10 per cent of excess winter deaths are directly attributable to fuel poverty and 21.5 per cent are attributable to cold homes.[[89]](#footnote-90) Food poverty is another factor leading to ill health. Over-dependence on food banks, now the new normal for an increasing number of households, can lead to malnutrition, bad diet, and as a result poorer health outcomes.[[90]](#footnote-91)

Child poverty is another central aspect of ill health and lowered life expectancy. For example, a third of the increase in infant mortality between 2000 and 2017 could be attributed to rising child poverty.[[91]](#footnote-92) But the impact of childhood deprivation can last all of one’s life: having multiple childhood experiences - more likely in areas of higher deprivation[[92]](#footnote-93) - is a major risk factor for many health conditions such as cancer, heart disease, respiratory disease and alcoholism.[[93]](#footnote-94)

The second part of this mission, increasing HLE by 5 years, is more ambitious than the first. Since 2009, life expectancy has only increased by 0.2 years for males across the population while decreasing by 0.5% for females.[[94]](#footnote-95) But, the factors described above associated with the cost of living crisis which mitigate against the closing of the HLE gap will also slow down attempts to raise HLE overall.

Mission 8: By 2030, well-being will have improved in every area of the UK, with the gap between top performing and other areas closing.

Metric

*The ONS measures of personal well-being will be used as a starter for assessing progress in this mission – it brings together four metrics: life satisfaction, feeling that things done in life are worthwhile, happiness and anxiety.*

This is the only mission which does not have a raft of different policies attached to it in the Levelling Up White Paper. Rather it is described as the “very essence of levelling up” and that as such “*it has a bearing on all four of the government’s objectives for levelling up*”.[[95]](#footnote-96) As is recognised in the technical annex to the white paper, more ongoing research therefore needs to be done connecting well-being to policy actions, otherwise there is no way of knowing whether any improvements are the results of governmental initiatives.

Accepting the rather exploratory nature of this mission there is evidence regarding what underpins improvements in well-being and it implies that well-being is not equated entirely to economic factors. It is argued that well-being plateaus after a certain level of income.[[96]](#footnote-97) Looking at data on well-being by local authority area in this country shows that it does not necessarily correlate with economic performance, posing questions regarding the relationship between this mission and others in the white paper.[[97]](#footnote-98) However, for those on low incomes and/or in poverty or without work there is significant evidence that economic factors play a major part in their wellbeing. A deterioration in income as well as increases in inequality can have a negative effect on mental health and well being.[[98]](#footnote-99) If the cost of living crisis does lead to higher unemployment and poorer health outcomes (see mission 7 above) then there is quite strong evidence that this will lead to a decline in well being.[[99]](#footnote-100) Work by the ONS looking at who has the poorest personal well-being points to those who are economically inactive and/or in ill health.[[100]](#footnote-101)

More recent evidence points directly to how the cost of living crisis may be impacting on mental health. Over the last 12 months, Mental Health UK has noted a 108% increase in calls to its services.[[101]](#footnote-102) This comes as rising inflation has brought many households into poverty, thus lowering their self-esteem and confidence.[[102]](#footnote-103) For many, visiting a food bank for the first time is likely to have a significant impact on their self-worth, often leading them to distance themselves from their friends and family.[[103]](#footnote-104)

An increasing sense of shame and mental stress is particularly acute among poorer parents, for whom providing for their children can be daily struggle. This lowers their self-worth since they sometimes feel that they are not fulfilling their parental responsibilities and trying to achieve these latter responsibilities will in turn put them under severe mental strain as they work several jobs.[[104]](#footnote-105) As a result, poorer parents have much higher levels of depression.[[105]](#footnote-106)

The cost of living crisis has already been detrimental to childrens’ mental health. A recent survey of parents by the Childhood Trust has found that 30% said their children felt stressed, 21% said their children smiled less, and, most concerning, 17% claimed their children had started self-harming.[[106]](#footnote-107) Children living in deprived households are much more likely to suffer from hyperactivity, emotional problems, behaviour issues, and peer difficulties.[[107]](#footnote-108) And the effect of the cost of living crisis on well-being is not simply short-term – childhood poverty today can predict adult psychological well-being tomorrow having implications for what is a medium term mission. Research has found that adults from low-income families suffer from the cumulative burden of chronic stress - and are more likely to suffer from “adult helplessness behaviour“. [[108]](#footnote-109)

Well-being measures are still a work in progress and the drivers of well-being are multi-faceted. Nevertheless, evidence does point to economic factors playing a key role. Thus, the cost of living crisis does pose a significant risk to this mission.

Mission 9: By 2030, pride in place, such as people’s satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between top performing and other areas closing.

Metric

*The government intends to carry out further work to identify and develop the most appropriate measures of pride in place.*

Despite being one of the 4 facets of levelling up as laid out by Michael Gove in early 2022, improving pride in place and measuring such improvement is still, as outlined above, an “exploratory” undertaking. The levelling up metrics paper includes data from the Department for Digital, Culture, Media & Sport Community Life Survey[[109]](#footnote-110) although this information is not used as metric as it remains limited by the large spatial units it currently uses. Given though that one aspect of this mission is to improve pride in place in every area it is not apparent immediately why it could not be a metric at the national level. In terms of content though it does though include detailed information on different facets of community life across time e.g. the number of times people meet with friends, or the number of times people volunteer a month etc. What the data does show though is significant fluctuations between areas over time and gaps between areas oscillating between 10 to 20% as Diagram 6 below shows.

Diagram 5: Percentage of adults who are satisfied with their local area as a place to live[[110]](#footnote-111)

To stress again this is not the official metric but looking at the variations in local area satisfaction over recent years as shown in the diagram does suggest that it may be possible to improve pride in place across every areas and even close gaps at the regional level.

But this remains a complex area and as with well being not necessarily linked to economic factors. As the review by the Bennett Institute of the literature on pride in place published in 2002 states: ‘*some of the places with high levels of local pride are among the more deprived areas in the country’.* [[111]](#footnote-112) However, as with well being there is evidence to suggest that economic factors play can play a large part in understanding pride of place. The drivers of ‘pride in place’ which can be categorized as either tangible or intangible. Tangible drivers of pride in place are the physical building and spaces where people meet (high street businesses, community centres, public parks) or the infrastructure that facilitate connection (public transport, digital connectivity, walkable areas).[[112]](#footnote-113) Where high streets are concerned research undertaken by the charity Power for Change suggests that 69 per cent of people believe that the decline of their high streets will adversely affect their own pride in their local area’.[[113]](#footnote-114) In this regard, the cost of living crisis could have a detrimental impact here. The Federation of Small Businesses recently revealed that 53% of small businesses expect ‘*no or negative growth’* in the next year, with 15% predict they will have to close their businesses.[[114]](#footnote-115) The cost of living crisis is also impacting councils’ ability to fund community centres, parks, or libraries.[[115]](#footnote-116) At the individual level, financial and social worries discourage people from investing their time and energy in their community.[[116]](#footnote-117) As explored in the analysis of mission 8, deprivation can lead people to isolate themselves from friends and neighbours – either due to the nefarious impact it has on their self-worth or because they are focusing on staying afloat.[[117]](#footnote-118)

It is harder to evaluate the impact the cost of living crisis will have on Intangible drivers, defined as connection with place, a sense of belonging, subjective levels of satisfaction. Indeed, a crisis can often fuel a sense of pride in communities; Environmental psychologist Harold Phroshanky called this our ‘anxiety and defensive function’ - which becomes acute when our place-based identity is under threat.[[118]](#footnote-119) The rise of mutual aids group during the pandemic exemplifies this phenomenon.[[119]](#footnote-120) Similarly, the cost-of-living crisis has meant some communities rely more on local charities and volunteers, thus increasing local solidarity and engagement.[[120]](#footnote-121) However, economic downturns can also negatively affect social capital as research exploring the ramifications of the recession of the late 2000s shows.[[121]](#footnote-122) One of the primary ways to increase intangible attachment to a place is through homeownership.[[122]](#footnote-123) However, as is explored in the analysis of mission 7, the cost of living crisis is making it harder for an increasing number of people to own a home. But the crisis may also bring people together in new ways as the pandemic did. Certainly, it appears the case that pride in place cannot be reduced to economic regeneration alone and an attachment to physical infrastructure but economic factors do matter – such as the existence of local facilities and anchor institutions such as particular shops, community centres, pubs and historical buildings etc,[[123]](#footnote-124) Hence, achieving the mission will in all likelihood be more difficult if the cost of living crisis forces such organisations out of business. There is considerable evidence pointing to the impact of previous economic downturns on the high street in particular.[[124]](#footnote-125)

The nuanced relationship between pride of place and economic change means that care needs to be taken in judging the likely impact of the cost of living crisis on this mission. But there is enough evidence to support the view that the crisis will lead to risks in achieving the mission.

Mission 10: By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government’s ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest-performing areas.

Metric

First-time buyers' data will be the primary metric for this mission. However, due to a lack of official statistics on first-time buyers at a regional level, the government will use data produced by the English Housing Survey.

As with other of the government’s missions, this one has several parts. The first one, to increase the numbers of first time buyers nationally, is certainly under threat in the short term. Data emerging in mid to late 2022 is showing how the cost of living crisis is making it more difficult for potential first time buyers and also putting new pressure on home owners.[[125]](#footnote-126) According to Nationwide Building Society, 70% of those planning to become first time buyers are choosing to delay purchases by an average of nearly two years due to cost pressures. Pressures on household budgets are having an impact both on the ability of prospective first time buyers to save sufficient deposits and manage repayments. The research from Nationwide found that 88% of prospective first-time buyers felt that living costs are harming efforts to save deposits; 48% were reducing the amount they save towards a deposit and 38% repurposing monies earmarked for their house deposit to meet other requirements.[[126]](#footnote-127)

Further work from Shoffman showed that, based on average revenue and mortgage increases, first-time buyers are now facing up to a nine-year wait to save enough for a deposit.[[127]](#footnote-128) Such a long wait poses not just a challenge to increasing the number of first time buyers in the short term but the medium term as well. The findings of this recent research are consistent with prior work on the effects of economic shocks on home ownership. Evidence shows clearly that economic uncertainty tends to discourage potential buyers (especially younger buyers) from taking the risk of investing their savings in a house.[[128]](#footnote-129) Increasing interest rates will also act as a major deterrent to personal investment in housing, as it does to business investment as described above.[[129]](#footnote-130) Interest rates have risen significantly in mid 2022 and are predicted to remain high relative to recent UK history until at least 2024.[[130]](#footnote-131)

Reducing the number of non decent homes should be more immune from the effects of the cost of living crisis. Aside from the crisis addressing the issue of sub-standard accommodation is challenging. At the present rate of progress, there would only be a reduction of 10% in such homes by 2030.[[131]](#footnote-132) Local authorities have a key role to play here. The government is reviewing the Decent Homes Standard and looking to ensure it is applied across all forms of rented accommodation. However, the implementation of any revised standard would be the responsibility of local authorities who have to enforce regulations in these areas. Evidence shows that such enforcement is variable across areas, partly due to pressures on resources.[[132]](#footnote-133) As with many of the other missions, adequate levels of public investment are crucial. Rising inflation in an environment where central government spending may come under pressure as a result of increased government borrowing may further constrain the ability of local authorities to enforce regulations here thus posing a threat to the success of this mission.[[133]](#footnote-134)

Mission 11: By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst-affected areas.

Metric

*The headline metrics for this mission are homicides (using police recorded data), serious violence (using NHS hospital admissions data for under 25s), and neighbourhood crime (using the Crime survey data). The first two datasets are available at the police force area level.*

The drivers of these three (different) types of offence are multi-faceted. Progress in addressing them also appears to differ. Levels of homicide and serious crime levels have fluctuated over recent years while, neighbourhood crime has fallen overall. The evidence shows though that these forms of crime are concentrated in more deprived areas.[[134]](#footnote-135) This link between poverty and crime is well documented.[[135]](#footnote-136) A meta review of over 173 articles published between 1980 and 2013 focused on the link between crime and poverty in Western countries concluded that ‘*poverty generates conditions that make delinquent and criminal ‘solutions’ more likely than would otherwise be the case’*.[[136]](#footnote-137) This link between poverty and economic deprivation and crime is complex though as they often emerge together and inter-link. It may be stronger for certain forms of crime than for others – for example work in the US covering a 50 year period found that while poverty was related to property crime, unemployment was not.[[137]](#footnote-138)

It is also important to avoid labelling those on low incomes or in low-income areas as criminals or with a greater predilection for crime. Nevertheless, the conditions of poverty, social dislocation, entrenched unemployment, family instability create an environment in which certain forms of crime may be more likely to occur.[[138]](#footnote-139) The weight of evidence does point then to a clear risk to achieving the mission if poverty increases as a cause of the cost of living crisis.

The other main consequences of the cost of living crisis examined in this report – inflation and economic recession are also, evidence suggests related to crime. Bringing together data for homicide, robbery and burglary from 1981 to 2010 in the US and 13 other European nations (including England and Wales) Rosenfeld (2014) found that inflation may be connected to crime through the dynamics of markets for stolen goods.[[139]](#footnote-140) As prices rise, the demand for cheap stolen goods grows and property crime rates may increase.

The link between recession and crime is more ambiguous. To the surprise of many sociologists, in the recession of 2008 crime rates did not increase.[[140]](#footnote-141) Some took this as evidence that crime and recession is not linked, however Rosenfeld’s work described above argued that it was the lower levels of inflation during this recession that may have ameliorated some of the impacts of the recession. Other work looking at recessions prior to 2008 and over a longer time frame argues that recessions can foster greater crime – in particular property crime but also homicide.[[141]](#footnote-142) Work on homicide trends done in 2008[[142]](#footnote-143) illustrated that the 1981 recession had a significant and lasting impact. Young men in particular who entered the jobs market in the early 1980s, when unemployment was high experienced an elevated risk of homicide victimisation that was still measurable in the late 1990s.

There has been a range of reports in recent weeks that have looked to connect the cost of living crisis with present or potential future increases in crime rates. Insurance claim payouts due to the theft of farmers' livestock, vehicles and fuel has increased by over 40% between between January and March 2022 (as compared to the same period in 2021) with the increase attributed to the cost of living crisis.[[143]](#footnote-144) Police forces have also been apparently been preparing for increases in crime and civil unrest this winter as the crisis may worsen.[[144]](#footnote-145) The link to insurance payouts needs further exploration and any future increases in crime are at this point speculative.

The analysis above shows that exploring the relationship between homicide, serious violence and neighbourhood crime and the cost of living crisis has to be done carefully. Nevertheless, achieving a mission like this will, on balance, be more difficult as a result of the cost of living crisis.

Mission 12: By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplifed, long-term funding settlement.

Metric

*This mission will primarily look into the proportion of the population living in an area with the highest level of local devolution in England, but will also bring in subjective metrics such as people’s feeling of involvement in decision-making.*

In principle, this mission should remain relatively unaffected by the cost of living crisis – devolution plans should be able to be arranged whatever the economic context. Looking at the evidence on the percentage of the population who live in an area covered by a devolution this mission shows it does represent a significant challenge. Only 41% of the English population are covered by a devolution deal, and London, Greater Manchester and the West Midlands are responsible for almost two-thirds of this coverage.[[145]](#footnote-146) There are 12 county/Metropolitan Combined Authority (MCA) devolution deals outlined in the Levelling Up White Paper as well as trailblazer deals with the West Midlands and Greater Manchester, which are described as ‘*the blueprint for other MCAs to follow’*.[[146]](#footnote-147) Progress in the delivery of these deals, as far as it can be established, is variable at present.

There is concern that due to a combination of the differing approach of this government and pressures on government time and resources due to the cost of living crisis progress on some/all of these deals, and a commitment to future ones may stall.[[147]](#footnote-148) But unlike the majority of the other missions there is little literature that specifically links devolution with the consequences of the cost of living crisis. What literature does exist suggests that economic shocks/crises can lead to governments retaining/gathering resources at the central level.[[148]](#footnote-149) Using data from 75 countries Canavire et al (2021) found that inflation and banking crises can have especially negative effects on fiscal decentralization.

The approach to devolution being taken is to develop deals that ‘fit’ with the nature of the area/locality and thus what is being devolved differs across the country.[[149]](#footnote-150) This may, if the commitment to devolution remains strong from the government, enable devolution deals to survive as they can be amended in a more flexible way to reflect the pressures the cost of living crisis is placing on both central government and regional/local areas. However, it may also make such deals more difficult as MCAs/local authorities face considerable negative impacts to their finances due to inflation[[150]](#footnote-151) and the increased borrowing commitments the government faces in the light of their recent economic policy decisions may also lead them to seek cost cutting options in other areas – for example devolution deals.

This mission should be the one that the government can achieve regardless of the cost of living crisis - if it can maintain its commitment to devolution.

1. The missions and the future for levelling up

The analysis shows that the cost of living crisis poses risks to *all* of the missions, to a greater or lesser degree. Our assessment of the available evidence based on the formula outlined in Appendix 1 shows, as illustrated in Diagram 7, that 8 of the 12 missions are at high risk of not being achieved due to the cost of living crisis; 2 are at medium risk and 2 at low risk. It must be emphasised here that the analysis below refers to *risks.* The outcomes may well be very different depending on what happens in forthcoming years and in particular the actions of government.

Diagram 7: The Levelling Up Risk Register

|  |  |  |
| --- | --- | --- |
| Mission | Risk | Why risk level |
| Mission 1: By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, with the gap between the top performing and other areas closing. | HIGH | Considerable evidence showing how sensitive productivity/employment is to recession and also to poverty. Closing gaps between areas will be more challenging when |
| Mission 2: By 2030, domestic public investment in R&D outside the Greater South East will increase by at least 40%, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth. | HIGH | Evidence shows both public and private R & D contracts in times of recession and rising inflation and when interest rates rise. |
| Mission 3: By 2030, local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing. | LOW | Less evidence that directly links improvements in public transport with the cost of living crisis but government commitment to increased investment essential. |
| Mission 4: By 2030, the UK will have nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population. | MEDIUM | Some risks to private sector investment from cost pressures and falling consumer demand and to public sector investment value from inflation |
| Mission 5: By 2030, the number of primary school children achieving the expected standard in reading, writing and maths will have significantly increased. In England, this will mean 90% of children will achieve the expected standard, and the percentage of children meeting the expected standard in the worst performing areas will have increased by over a third. | HIGH | Over x pieces of evidence from different literature reviews show conclusively the impact of increased poverty on educational achievement. Evidence from 2022 also shows poverty increases affecting schooling/attainment now. |
| Mission 6: By 2030, the number of people successfully completing high-quality skills training will have significantly increased in every area of the UK. In England, this will lead to 200,000 more people successfully completing high-quality skills training annually, driven by 80,000 more people completing courses in the lowest skilled areas. | MEDIUM | Older learners less likely to participate in training if it costs when they are under financial pressure but recession can also push people back into education. Government investment in enhancing supply of training must be maintained. |
| Mission 7: By 2030, the gap in Healthy Life Expectancy (HLE) between local areas where it is highest and lowest will have narrowed, and by 2035 HLE will rise by five years. | HIGH | Literature reviews including over x pieces of evidence show that poverty impacts on health outcomes. Fuel/food poverty as well as increased stress make this mission very hard to achieve. |
| Mission 8: By 2030, well-being will have improved in every area of the UK, with the gap between top performing and other areas closing. | HIGH | A more exploratory mission and evidence shows that well being is not solely result of economic factors but falling incomes/poverty/inequality all affect well being negatively. |
| Mission 9: By 2030, pride in place, such as people’s satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between top performing and other areas closing. | HIGH | Metrics are being developed as is the evidence base on pride of place. Evidence shows though that the drivers of pride of place i.e. physical and social infrastructure are impacted by poverty/deprivation; pressure on council budgets and falling disposable income. |
| Mission 10: By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government’s ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest-performing areas | HIGH | Historic and contemporary evidence shows higher interest rates/reductions in disposable income/continued rise in house prices and economic uncertainty create big barriers to first time buyers. |
| Mission 11: By 2030, homicide, serious violence and neighbourhood crime will have fallen, focused on the worst-affected areas | HIGH | Mission covers distinct forms of offending and relationships with poverty/recession complex but literature reviews show poverty makes crime more likely and other evidence links inflation and recession with property crime and homicide. |
| Mission 12: By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplifed, long-term funding settlement. | LOW | Should be achievable despite the cost of living crisis even though evidence shows in times of economic crisis governments tend to centralise. Requires government commitment and funding to be maintained. |

1. Key findings

As the Levelling Up and Regeneration Bill approaches the committee stage the future of levelling up looks uncertain. The bill may be heavily amended to reflect the views of the present administration, the missions may be changed and the mission-based approach could be shelved entirely. Whatever the outcome, the analysis above shows that the cost of living crisis will have a major impact on many of the factors which define the economic and social lives of those individuals and communities with the lowest incomes. It sheds light on how addressing inequality by tackling its *long term* drivers is heavily dependent on ensuring that in the *short term* poverty does not increase, recession is avoided, inflation controlled and public sector investment levels maintained.

* 1. Poverty and recession really matter

To an extent, increased poverty could make all the missions apart from Mission 12 harder to achieve. In particular it will impact on missions 5 (education),7 (health), 8 (well being) and 11 (crime). Having a medium/long-term focus on improving the social and economic factors which underpin inequality is a laudable aim but any progress in addressing these factors is dependent on stemming any increases in poverty in the short term. As it is presently framed levelling up can only have a limited impact on inequality while on a day-to-day basis so many people at whom the initiative is targeted are struggling to make ends meet. The government’s new approach to economic policy must be able to deliver on poverty reduction in the short term if the medium-term missions are to be achieved Any alternative approach to levelling up or reducing place based and other forms of inequality if the phrase does not fit any more, pursued by a political party needs to have an explicit focus on poverty levels within it.

In prioritising growth, the government understands the importance of avoiding recession which is crucial where the levelling up missions are concerned. A prolonged period of recession could have negative implications for all the missions including Mission 12 if it limits the funds available to support devolution deals. The longer-term impacts of recession should also not be under-estimated. As outlined under mission 1 (pay, employment & productivity) the impact of the 2008 recession was still being felt now. The missions have a time frame of 2030. Recent history suggests that a recession in 2022 or 2023 may hamper progress across the decade.

* 1. Public investment is crucial

The missions are heavily dependent on public investment. Mission 3 (transport) and 4 (connectivity) depend almost entirely on government spending. Others could conceivably be achieved without an increase in public spending, or even if it decreases, but that is unlikely. The section of the levelling up white paper that outlines how each mission will be achieved includes over 120 different policies. It frames levelling up firmly as a public investment exercise but not one driven in the main by a bespoke funding stream. There is the levelling up fund but it is not explicitly connected to the missions. The missions will be achieved via a range of other funding streams which relate in differing degrees to the missions themselves but not specifically levelling up. These funding streams add up to over £250bn so there is in principle a big investment in levelling up. However, the number of these funding streams and their span across government open up many more ways in which the cost of living crisis could impact on levelling up than could be documented in this report. If these funding streams are not protected then the risks across all missions could be magnified.

* 1. The missions have multiple parts and partial metrics

Analysing the relationship between the cost-of-living crisis and the missions also provides the opportunity to reflect on the missions themselves. Every one has multiple parts where one or more parts could be achieved while others may not be. There are 10 which include specific reference to addressing inequality but also to achieving outcomes for all the population. It is clear the missions have been carefully considered and the Levelling Up paper includes valuable details regarding how progress should be measured. It is also important to recall as stated above that the missions are intended to galvanise and are not necessarily achieve outcomes. Yet the majority are framed in explicit quantitative terms and where they are not it appears because adequate metrics to measure progress are not deemed to exist. Any formulation of a mission that relates to these 12 areas of focus would be open to criticism. But it would be valuable to have further discussion surrounding the missions that exist. What is the value for example of having universal missions when the focus is on addressing inequality? How have the numerical targets been arrived at – some appear hugely ambitious while others really modest? Why have particular indicators related to a thematic area been chosen e.g. skills training while others such as higher education participation have not?

1. Recommendations – making the missions matter

Whether or not the government bolsters its commitment to levelling up or not, there are important insights to be gained for all policymakers from analysing the impact of the cost of living crisis on these missions. These lead to five recommendations where developing approaches to addressing regional inequality are concerned.

Recommendation 1: Commit to a goal like levelling up and it’s missions – (or don’t)

Ambiguity or faltering commitment from the government will not allow a mission-based approach to succeed. As we approach the committee stage for the Levelling Up and Regeneration Bill it is vital that the government either gives its public backing to the levelling up missions or outlines its alternative approach to addressing regional inequality. The missions depend on action from government departments but also from a plethora of stakeholders from across the public, private and third sectors. They need a clear message that these missions are in place and government sees them as a priority alongside demonstrable commitment to longevity. If the government has another perspective on levelling up or addressing inequality, which may be equally valid, then it should outline this.

Recommendation 2: Establish clear metrics for all of your missions and focus them on inequality

There are significant variations across the missions in the nature of the metrics being used to measure progress. While for some missions there are clear metrics which relate closely to how the mission is framed for others no metrics exist or the metrics outlined don’t relate as closely to how the mission is framed as you would expect. It should be possible to formulate metrics for all missions – even for Mission 9 as there is data available at regional level from the DCMS Community Life Survey. The missions are intended to galvanise but to do this there needs to be a clear idea of success or at least progress where each one is concerned. There is also a contradiction in making missions universal and targeted. The missions would benefit from more explicit choice and commitment to addressing gaps rather than benefiting all.

Recommendation 3: Make addressing increases in poverty central to the approach & produce an anti-poverty strategy

Regardless of the government’s position on levelling up and its missions, the aspirations they embody are clearly vital for addressing the challenges facing those in lower income communities. This report has illustrated the detrimental impact that poverty will have on attempts to increase productivity; address educational inequality; reduce crime, improve health outcomes etc. Further action to try and lessen the impact of the cost of living crisis now is essential to avoid miring people in poverty for years to come as they are unable to take advantage of routes out of it due to their present situation. Increasing benefits in line with inflation rather than earnings is the absolute minimum here and an emergency budget to put measures in place to address poverty directly is required if the levelling up missions are to have a chance of succeeding. In the longer term levelling up/regional inequality missions should be combined with an anti-poverty strategy.[[151]](#footnote-152)

Recommendation 4: Define a per mission allocation and protect this investment

The commitment outlined in the Levelling Up White Paper to the missions is substantial. It could be argued that by being spread across so many funding streams and departments this commitment is more sustainable than one creating one specific levelling up pot which is easier to cut when government wants to. But the analysis above shows how important this investment is. To support the achievement of them, a defined allocation of funding based upon the amounts quoted in the white paper relating to each mission coming from differing funding streams needs to be established and then this allocation protected. If not protected and attached closer to the missions these funding streams may fail to make the contribution to levelling up that the white paper claims they will.

Recommendation 5: Build a coalition of support for each mission

The missions depend heavily on public spending but their aspirations can only be realised with the combined efforts of those from all sectors. The white paper mentions levelling up advisory groups to support the delivery of the missions. They have a key role in bringing together those from the private, voluntary sectors and local government who can contribute to the success of these missions. However, far more could be done here. Addressing regional inequality through a mission approach needs a bottom-up approach that constructs and defines missions in open consultation with stakeholders so in local and regional government particularly feel ownership of them.

1. Summary – a crossroads for levelling up

Already at a relatively early stage in its life, levelling up feels like its at a crossroads. Will the new government throw its weight behind levelling up placing it central to its attempts to address the cost of living crisis or take a quite different direction? And will opposition parties use levelling up as their frame for combating regional inequality or choose their own language and policy approach? This report has illustrated that the missions, which are at the heart of levelling up, are extremely vulnerable to the cost-of-living crisis. Unless rapid action is taken to stop poverty increasing and the onset of recession and public sector investment levels are maintained then the majority of the missions are not likely to achieve their targets by 2030. Leadership on levelling up is needed now or the risk is that the cost of living crisis will further entrench regional inequality making any future attempts to address it even more challenging.

Appendix 1: Detailed methodology note

**Background**

This paper set out to assess the cost of living crisis’s impact on 12 missions outlined in the Levelling Up White Paper published in February 2022. This was done by a rapid review of the available secondary evidence regarding the missions and the cost of living undertaken between the 5th September and the 9th October 2022.

**Search terms**

A number of general search terms were used to connect the cost of living crisis to each mission: i.e. cost of living, inflation, recession, poverty and interest rates.  With regard to each mission the search terms below were used. Hence for Mission 1 for example, we searched for sources that displayed a link between pay, employment, productivity and cost of living, inflation, recession, poverty and interest rates.

* Mission 1: Pay, employment, productivity.
* Mission 2: R&D, Innovation.
* Mission 3: Transport connectivity, transport, transport infrastructure.
* Mission 4: Digital connectivity.
* Mission 5: Education, illiteracy, innumeracy.
* Mission 6: Skills, Training.
* Mission 7: Health, life expectancy.
* Mission 8: Well-being, mental health.
* Mission 9: Communities, regeneration, pride in place, social capital.
* Mission 10: Home ownership, housing quality.
* Mission 11: Crime, violence.
* Mission 12: Devolution, local leadership.

**Search fields**

First, we used conventional evidence review methods, focusing on peer reviewed academic papers published with reference to the UK in the last 10 years. During the process of our research, we found articles beyond our initial remit (studies conducted at a global level, or in specific countries like the USA) which we used only if we deemed them to be particularly pertinent to our analysis. The following academic databases were used: Academic Search Comprehensive and JSTOR.

Second, we looked for reports that were published by established UK research organizations that published their materials with ISBN registration or UK governmental departments.

Thirdly, data collected by non-research based organisations but where evidence of primary research had been undertaken was included where search terms were identified.

**Evidence gathered**

Over 150 pieces of evidence were examined and of these pieces of evidence over 100 pointed to a link between one of the levelling up missions and the cost of living crisis.

**Establishing the risk to the mission from the cost of living crisis.**

To establish the level of risk to each mission from the cost of living crisis we used the following formula:

|  |  |
| --- | --- |
| Level of risk | Evidence |
| HIGH | 10 or more pieces of evidence showing how the cost of living crisis presents risk to achieving the mission |
| MEDIUM | 5-9 pieces of evidence |
| LOW | Less than 5 pieces of evidence |

We considered using a formula that gave weighting to more recent evidence and also that which had been peer reviewed. On balance it was decided that a simple formula would be the most accessible. We have applied close scrutiny as outlined above to the evidence used in order to ensure that it is relevant to the achievement of the mission as well as the cost of living crisis.

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