



## **BEIS ECONOMIC RECOVERY WORKING GROUP HOW TO LEVEL UP ECONOMIC PERFORMANCE ACROSS THE UK BRITISH CHAMBERS OF COMMERCE SUBMISSION**

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### **ABOUT THE BCC**

The 53 Accredited Chambers which make up our network are trusted champions of businesses, places, and global trade. Together, we represent tens of thousands of businesses of all shapes and sizes, which employ almost six million people across the UK.

Working together, we help firms of all sizes to achieve more. We believe it's our relationships with others that lead us to achieve goals beyond those we could ever achieve alone. We're the only organisation that helps British businesses to build relationships on every level, in every region and nation of the UK.

Our network exists to support and connect companies, bringing together firms to build new relationships, share best practice, foster new opportunities and provide practical support to help member businesses trade locally, nationally and globally. Because we sit at the heart of local business communities in every part of the UK, we are uniquely placed to help businesses of every size and sector to thrive. This includes the active role Chambers and their members undertake to improve the local business environment and communities in which they work.

Accredited Chambers of Commerce also provide a respected voice to the business communities they represent, ensuring their priorities and concerns are heard in the corridors of power. Our opinions are regularly sought by policymakers and parliamentarians and we've been helping to shape the UK's business agenda for more than 150 years.

We have sought to provide more detail on the points made by our Director General, Dr Adam Marshall, when he attended last week's meeting on this subject. We have included feedback from across our Chamber network, but we can only give a flavour of the ingenuity, ability and drive which is out there. We would encourage Whitehall colleagues to work through us to engage with and understand local conditions and build them in to delivery plans.

### **INTRODUCTION**

Before addressing the specific questions, we make the following general observations in this area which should colour any Government approach to delivering much-needed progress:

- a) as the BRO which is truly UK-wide, with a chamber network which stretches across every part of this country, we at the BCC fully support the Government priority of levelling up. We would also argue that levelling up must look at all areas of the country, including those which currently perform above the average given how economic growth in one area can drive prosperity in another. For example, a decision to set up an HQ building in one above average area might make it more likely that additional facilities are set up in other areas;

- b) whilst it is tempting to believe that the current pandemic has fundamentally altered economic development needs, in reality the issues here have deep and long-term roots. The most significant barriers to be overcome remain human capital, including skills; infrastructure, including connectivity; and financial capital.

Whilst the pandemic may have subtly reshaped some aspects, those remain the truly key areas. For example, if there is a greater move to home-based working, then the need for a proper digital infrastructure will be greater than ever. Additionally, the reduction in effective public transport capacity (e.g. through continuing social distancing) could increase even further the need for proper transport infrastructure, such as which HS2 and an expanded Heathrow can provide;

- c) there is, however, a need for Government and local experts to come together to identify and respond in localities where the impact of the pandemic on key industries is disproportionately harmful. One example might be locations reliant upon sectors which are still barred from trading and where the recovery is particularly difficult;
- d) real tangible progress is required, not a new strategy. The need is to now move into a delivery phase with projects committed to, funded and carried out. Work must begin as soon as possible, with progress on multiple projects happening concurrently and not consecutively so that projects are started as soon as possible, rather than waiting for others further down the chain to complete. We believe the right structures and strategies are broadly in place, and the right projects identified. The need now is to commit to a package of short-, medium- and long-term delivery. Only then will we together be able to Restart, Rebuild and Renew the UK economy; and
- e) flowing from which, the right local network is already in place, including the Chambers of Commerce. The need is not to create a new framework, but to work with the strengths we have to translate national, regional and local strategies into plans that take account of local conditions. Investment and growth happen successfully where we recognise and support the strong social capital within each place.

For the purposes of this document, we have not explicitly referred to international trade (a core activity of chambers of commerce) but this will continue to remain a key driver of prosperity and economic growth.

## Questions

### 1. What are the key barriers to private sector investment and growth in the regions?

Our analysis has highlighted three main persistent barriers to investment and growth:

- a. human capital, particularly skills and education for business. Employers seek candidates with the right knowledge, skills and behaviours to help increase efficiencies and drive up productivity. They need an education and careers system that properly prepares young people for the world of work, including employability skills, digital skills and languages for export. They need a high-quality skills system that is stable, flexible and cost-effective to give them the confidence to invest in developing their adult workforce.

Apprenticeships are highly valued by firms across all sizes and sectors and robustly championed by the BCC and chamber network. But, alongside apprenticeships, access to

bite-sized accredited training would enable many more people to quickly train and upskill for new and emerging job opportunities;

- b. infrastructure gaps, including around connectivity (road, rail, air transport and digital infrastructure are all barriers to investment); and
- c. the availability of financial capital. Many areas report that they struggle to access finance and feel removed from available sources. In addition, there may be reticence amongst to seek additional finance, particularly outside of 'traditional' sources such as loans or overdrafts. That suggests there is both a supply issue within the market and a demand issue related to confidence.

There are reliable data from multiple sources which demonstrate this. The BCC's Fix the fundamentals analysis, for example, highlighted that in 2019 that nearly **three quarters** of firms reported recruitment difficulties; just over a **third** felt the UK road network met their needs, a **quarter** for the rail network; and **more than half** did not access finance.

In the shorter term, there is an immediate need to work on investor and consumer confidence in businesses as we move out of the lockdown stage. Fiscally, the opportunity is for the Government to work with private industry to rebuild demand, restart supply and restore economic resilience. Whilst necessary, these factors will not fix the long-standing problems that have blocked levelling up, and instead are a way to move the economy out of its coronavirus-related issues to prepare the foundation for better growth patterns.

For example, recapitalisation will be a major need, particularly amongst SMEs. The enhanced levels of debt which the virus has created (e.g. through CBILs) may make investing in growth difficult or impossible unless the Government acts swiftly. If firms are not recapitalised they won't have the working capital they need to trade successfully, and they won't be able to invest.

Our view is that a blended model will be required to meet this challenge, with a range of interventions depending on the nature of the business and the debt. For some in the SME sector, Government might look to create a 'student loan' type system with repayment pegged to income at a level which permits and incentivises continuing business investment.

- 2. **How can government and businesses work together to identify meaningful opportunities to invest across the whole of the UK, including in the Midlands, the North and the Devolved Nations?**  
and
- 3. **How can government work with business to strengthen local business networks and ecosystems?**

We have answered these questions together as they both concern how to translate a national-level concept – Levelling Up – into reality, which requires a nuanced perspective from the 'coalface' that shapes delivery at the right level.

To give some (very broad) travel infrastructure examples, Aberdeen is more reliant on its air transport links than similar sized cities, in the North of England there is a serious under-provision of rail capacity, requiring delivery of HS2, Northern Powerhouse Rail and focused action on east-west connectivity and broader inter- and intra-regional connectivity and in the

south of England a serious lack of air transport capacity (which means that Heathrow Expansion is required).

These differences highlight how there can be no effective 'one size fits all' model. Local partners who understand the specific strengths and requirements of their area are the most valuable resource available to this Government. We will facilitate discussions to understand exactly which 'shovel ready' projects will give the greatest benefit at the local level.

***Accredited Chambers of Commerce are the organisations to coordinate business support as they are connected with local businesses of all sizes and understand local need.***

Our members together represent businesses who together employed nearly six million colleagues, around one sixth of the entire UK workforce. These businesses are of all sizes and sectors (as well as locations), making them a uniquely valuable resource to help Government deliver real change.

Our Quarterly Economic Survey (QES) - the UK's largest independent business survey – is extremely well-regarded as a bell-weather for the UK economy. This is largely because of how well the QES sample is reflective of the UK business community as a whole. In the wake of the economic shutdown in the UK in March, we also launched a weekly Coronavirus Business Impacts Tracker to understand in real-time the immediate business conditions in the UK and to gauge the effectiveness of government interventions.

Through the pandemic, Chambers have been at the frontline of providing support to businesses struggling to survive, to adapt, and to make the best decisions for themselves and their people, under extraordinary circumstances. They have been, and will continue to be, the first responders in the business world, triaging business concerns and providing a lifeline to hundreds of thousands of businesses whose worlds have been turned upside down. Their close relationship with business communities provides them with first-hand insight into their challenges and needs.

This gives a sense of the strength, depth and breadth of the network which stands ready to work with Government. Supporting this network in a properly funded way would be an extremely cost-effective way of delivering the Levelling Up agenda.

**4. What could be the single most meaningful priority for business and government to work towards in order to level up? (e.g. skills, transport, science & innovation, net zero etc)**

We do not believe that this area permits of a single answer and applying that kind of an approach might be actively harmful. We believe the answer lies in the interaction of two overall points.

First, that the long-term barriers to economic growth are human capital, infrastructure and financial capital. Simply improving one might yield a small improvement, but the much greater prize is coherently improving each.

Second, that the approach must take full account of local factors wherever it is being applied. This means that exactly the right combination of the three main factors will depend on local circumstances and plans.

Given these, it is clear that the most meaningful single intervention will be to quickly work through established structures to begin delivering the projects within each area that will contribute most to sustained economic growth for all areas. But in our view, all areas require coherence over how their needs are addressed rooted in real local conditions.

**5. How can Government target skills and employment support to best aid economic recovery and drive progression and productivity, and which interventions should we prioritise?**

As sectors of the UK economy are reshaped, and in some cases are smaller in size as a consequence of the pandemic, there will inevitably be people who lose their jobs. It is crucial to the recovery that we can get them back into work as quickly as possible.

As part of the recovery, the government will need to be more active in the labour market, helping workers and firms to find each other more easily and providing incentives to encourage hiring and support upskilling and reskilling.

Avoid the complexity and confusion of introducing multiple and competing schemes. Many of the existing programmes are working. They need to be enhanced and expanded. We would also encourage government to look at reintroducing 'Future Jobs Fund' type schemes that provide work experience.

Job centres should play a central co-ordinating role and link to chambers of commerce. Place-based stakeholders should be involved in the planning and delivery of new and existing schemes to ensure funding and provision is flexible and targeted to local needs.

In order to further support those who have lost their jobs as a consequence of the changing economy post-COVID, the government could support firms in pivoting, whilst building economic resilience, to manufacturing new products e.g. ventilators/PPE or supporting public infrastructure schemes, to ensure people's high level skills are utilised.

Prior to the pandemic, businesses across the country reported worsening skills shortages. At the same time, low levels of productivity, increasing automation and an ageing workforce presented significant challenges for employers in planning and developing their workforce. This highlights the continued importance of ensuring the skills system meets the needs of employers, workers and apprentices as the economy restarts. The government should encourage greater take up of technical and vocational learning among adults and young people and ensure high quality, effective careers information, advice and guidance is universally available

Drawing on the interim findings and recommendations of the BCC's Workplace Training and Development Commission, there must be continued focus on maintaining a quality, stable and coherent skills system to give businesses the confidence to invest for the long-term.

There should be greater financial incentives for employers to recruit and retain apprenticeships and provide T-level industry placements. For example, by reforming the levy to afford greater flexibility, removing the SME co-investment requirement and providing a wage subsidy. The Annual Investment Allowance should be broadened to include investment in training.

The Commission's research also highlighted the need for more flexible, bite-sized forms of training that complement formal qualifications and help people to quickly upskill and reskill as the workplace evolves.

6. **How can government strengthen the support provided by publicly funded economic development institutions?** (e.g. the role of Mayor led Combined Authorities)

All accredited Chambers of Commerce are the organisations to identify local business demands and needs and, in many cases, are best placed to coordinate and deliver business support because of their connection with local businesses of all sizes and understanding of local need. In general, our view is that the structures in place are broadly correct, or at least the pressing need is not for further system re-engineering, and the risk of looking to spend too long in revising existing structures is delay and lost opportunity. Businesses will need ongoing, intensive support for the foreseeable future and the government needs to invest in provision which is delivered locally and personalised to local need locally to ensure companies can survive and thrive.

But there are some areas where Chambers advocate for improvement. Several Chambers argue that there is a continuing case for strengthening the power of elected mayors, for example the West Midlands Combined Authority.

Beyond those cases, the key requirement is for clarity over roles and responsibilities, creating impetus to deliver and empowering local experts to shape that delivery so that it is effective within the relevant local situation. The challenge is one of creating and supporting momentum, rather than looking to further Machinery of Government changes.

In addition, H.M. Government has rightly recognised that EU Structural Funds must be replaced by a flexible and reactive approach once the transition period for the UK's exit from the EU is complete. Replacing that funding with the 'Shared Prosperity Fund' has been the Government's agreed policy since just after the 2017 election. However, more than 3 years later the Government has not consulted on the fund and there is no clarity about when and how it will operate. This is unacceptable to businesses and a real barrier to investors having the confidence to fund the projects necessary to 'level up' areas of the UK. Progress and clarity on this is needed as a matter of the utmost urgency.