MAKING ENGLISH DEVOLUTION DELIVER

By Jun Du

England is handing new responsibilities to the places that make up its economy, and that is a real opportunity. The question this series asks is what strategic authorities need to turn those responsibilities into higher productivity and good growth: growth that people notice in their jobs, wages and everyday services, and that lasts beyond the next funding round.

The responsibilities are arriving quickly. The English Devolution and Community Empowerment Act 2026 put strategic authorities on a statutory footing. Since July, local growth and devolution strategy has been run from No 10 North in Manchester. The 2026 October Budget published a fiscal devolution roadmap: business rates are to become a fully locally retained tax by the end of the decade, with mayors retaining a share from April 2027, and income tax assignment for all mayors is to begin in 2028. The government is in the final stages of agreeing ten new devolution arrangements, which would mean over 90% of England's population is covered by devolution, and it aims for full coverage by the end of 2028. This is a big shift for a country whose central government collects almost 92% of tax revenue, among the highest shares in the OECD.

Over the coming months, TPI will use this series as a place to publish evidence, compare experience and challenge arguments, in three waves. It is not a general case for decentralisation, or a platform for promoting particular places.

There are good reasons to expect devolution to pay off. In 1945 Friedrich Hayek pointed out that much of the knowledge an economy runs on is local and scattered, and never available in one place for a planner to use. Wallace Oates later turned a version of this into a principle for government: a service is best provided by the smallest jurisdiction that takes in its costs and benefits. Devolution puts decisions closer to that knowledge. The prize is larger still when local decisions add up, with each place playing to its strengths and gaining from the strengths of others. Getting there means working out which choices are best made locally, and which need to be made together across boundaries.

International experience shows that how devolution is designed matters as much as how much is devolved. Across OECD countries, decentralisation has not by itself delivered faster growth, and the OECD's handbook on decentralisation concludes that results depend greatly on design and implementation. That is why this series focuses on the conditions that make devolution work.

Why productivity, and why places

The UK's productivity problem is, to a large extent, a problem of places. Looking across 28 indicators and 30 OECD countries, Philip McCann finds the UK to be one of the most regionally unbalanced countries in the industrialised world. National programmes designed in Whitehall have often struggled to fit places with very different starting points, industries and institutions. Long-term decline in some regions has also fed political discontent, in the UK and well beyond it.

Devolution gives places the means to respond. Our starting view is that it raises productivity most when powers, money, capability and accountability are designed together, and when someone is responsible for helping local strategies add up.

Making local strategies add up

Devolution can help each place make better decisions and still leave England worse off if those decisions pull against one another. Places acting sensibly on their own terms may chase the same sectors and investors, producing what I have called "nine versions of the same economy". Fiscal incentives could sharpen this: a share of business rates may favour logistics and retail, and a share of income tax quick job gains, over clusters that take a decade to mature. These are incentives the design could create, not effects anyone has yet observed, and evidence from England's existing business rates retention scheme suggests the incentive has so far been weak. How sharp the new arrangements prove is a question we want wave three to examine.

China's push to become the world's largest shipbuilder shows what this can cost. Between 2006 and 2013, much of the support came as cheap or free coastal land to attract new shipyards. One careful estimate finds that each dollar of subsidy added only about 18 cents to the industry's lifetime profits, so most of the money never paid back, and the land giveaways were the most wasteful part.

Places can instead build on one another's strengths. In offshore wind, one region might specialise in turbine manufacturing, another in installation and a third in engineering services, each stronger because of the others. Regions tend to do well through their connections to supply chains, export markets and competition, not through assets alone. A cluster cut off from those links is a hub with no spokes.

No 10 North's stated aim is for departments, mayors, combined authorities and business to work "from a single plan rather than competing ones". A single plan need not mean a single strategy. So the questions for the series are which decisions need to be coordinated across boundaries, who should convene that work, and where places should be free to experiment.

Five questions for the series

We have asked contributors to keep five questions in mind. None is settled, and we expect some pieces to question the framing itself.

Which failures should devolution fix? Highly centralised states tend to lack the local knowledge Hayek wrote about, and find coordination and delivery hard from a distance. We ask each piece to say which of these problems it addresses.

Which tier should act? Competitive research funding and redistribution seem to need national scale. Technology adoption, skills, land and transport may work better close to firms and labour markets. Oates's principle cuts both ways. Where effects spill across boundaries, authorities may need to act jointly or decide at a wider scale.

When does investment in one place raise productivity elsewhere? Gains in leading regions may spread further when other places can absorb new technology and ideas, and we want to know what gets in the way. At the same time, current arrangements may hold the strongest places back. How far each is true in England is still open.

How can the centre and places learn as they go? Powers will be renegotiated over time, and the arrangements for doing so matter as much as the powers. In 1932 the US Supreme Court justice Louis Brandeis described the American states as laboratories that could try new policies "without risk to the rest of the country". A laboratory teaches only if someone records the results. Diane Coyle and Adam Muhtar show that UK industrial policy has a long record of churn, with weak feedback from outcomes to policy.

How should models differ where capability differs? Greater Manchester's model cannot simply be copied within one or two election cycles. Rural, peripheral and newer authorities start with different anchor institutions, skills and governance, and need routes that fit.

How the series is built

Each wave asks its own question.

Wave one, starting now: where is England starting from? We begin with the basics, and the six pieces work best read in pairs.

- **Kate Penney** explains who holds which powers under the 2026 Act, and **Nathan Mckeogh** and **William Sarsfield**, from TPI's Productivity Lab, map where each part of England stands and what the productivity data can, and cannot yet, tell us.
- **Nigel Driffield, Sumon Bhaumik, Greg Clark** and **Saul Estrin** argue that the kind of investment a place attracts matters as much as the amount. Marianne Sensier turns to the foundational economy: the care, transport, housing and local services that shape everyday life. Both ask, from different directions, what should count as productivity success for a place.
- **Joe Peck** argues that places should be supported when the evidence shows their strengths lie outside the national priority sectors. **Rupert Greenhalgh**, drawing on long experience in Greater Manchester, argues that power is not the same as capability. One asks what places should build on, the other whether they have the institutions to do it.

The authors do not all agree, and we think good ideas often come out of disagreement.

Wave two, in January 2027: where can devolved policy improve outcomes, and which tier should act? This wave goes deeper into specific policy areas, because devolving one part of economic policy raises different questions from devolving another. Research and development funding gains from national scale, while support for technology adoption may work better close to firms. Skills are tied to local labour markets, but qualifications must carry weight nationally. For each area we ask what should be devolved, what the evidence says, and how best to do it. The wave also includes a piece on policy experimentation and a case from outside the UK.

Wave three, just after Easter 2027: what does it take to make devolved powers work over time?
We will look at how funding shapes local choices, how places work together when decisions cross boundaries, and how strategic authorities and Whitehall use evidence from delivery to decide what to keep, change or stop.

Across all three waves we want to widen the lens in two directions. One is comparative. Other countries have answered the question of who decides what in very different ways: German federalism, Swedish and Danish municipalities that levy their own income taxes, and China, where much of the reform era's experimentation was led by local governments. Scotland, Wales and Northern Ireland, with more than 25 years of devolved government, offer lessons closer to home. The other is local, looking at particular towns, cities and rural areas, and the people making devolution work on the ground. Comparison tells us what is possible, and local detail tells us what will actually fit.

An open invitation

We see this series as a conversation. We welcome evidence from researchers, practitioners and policymakers that helps answer these questions, challenges how we have framed them, or brings to light a practical problem that research could help solve. Some of the most useful work starts with a good question from someone trying to make policy work.

To contribute, or to suggest a question, please contact theproductivityinstitute@manchester.ac.uk.

Biography

Jun Du
Jun is Managing Director of The Productivity Institute, where she leads the Institute's research, policy engagement and impact. Jun is an applied economist whose main research interest is to understand the driving forces and impediments of productivity enhancement and economic growth, from multi-level dimensions of individuals, firms, industries, regions, governments, and their interplays, in both developed and emerging economic contexts.