

# Articles

## **Devolved Consensus? The United Kingdom's response to COVID-19 and effects on economic and social policy**

*Sean P. Vincent\**

The past 8 years has seen one of the biggest upheavals in British political and social life. The decision by the British electorate to withdraw from the European Union (EU), and the subsequent political and social divisions which have resulted still divides the public until this day. Pressure from nationalists in Scotland and Wales, and republicans seeking to make Northern Ireland part of Ireland once again, continues to put pressure on the central UK government in Westminster. And, like the rest of the world, the UK has had to deal with the unprecedented political, economic and social effects of the Covid-19 pandemic. As of the end of May 2022, the UK suffered over 22 million cases of Covid-19, and almost 180,000 people dying with the disease. In the early days of the pandemic, the UK had some of the highest infection rates in the world and was one of the first countries to enter a period of almost total “lockdown”, in which people were unable to leave their homes<sup>1)</sup>, go to places of work, or see family and friends. Many people were left helpless as loved ones died alone in hospital. However, the UK was also one of the first countries to administer vaccinations after the successful development of the Oxford-AstraZeneca vaccine by UK researchers.

It cannot be said that the UK government was passive during the 2 years of crisis. Ordering lockdowns and other social restrictions, investing public money in vaccine research, paying the wages of people who could not work and supporting private business with what were essentially taxpayer funded bailouts; the influence of the UK government has not been as significant since the immediate aftermath of the Second World War. This article aims to explain how government policy has led to “bigger” government, not just against the backdrop of the pandemic, but also with the Brexit process which has been developing at the same time. The question of whether the UK state has gotten bigger is a nuanced one and requires looking not just at the actions of the government during the pandemic, but also the trend of

\* Lecturer, Meiji Gakuin University, and College of Law, Nihon University

1) Except for weekly food shopping or medical reasons.

government growth in the post-WW2 period. Even before the pandemic, it can be argued that the British government was much closer to the European big state model compared to advanced industrial democracies outside of Europe such as America or Japan. As this chapter will demonstrate, the combined effect of Covid-19 and Brexit have undoubtedly led to a bigger government.

At the same time, the article will also explore the effects of Covid-19 and the Brexit process on the powers and relationships of the devolved administrations in Scotland, Wales and Northern Ireland. While the UK government has retained its “big” moniker, power has been given away to national parliaments since the devolution process began in 1998. A second question to be explored in this article is what effect has Covid-19 and Brexit had on the power dynamics between the central UK government in Westminster and those in the devolved administrations? Prior to 2016, the trend had been for greater devolution of powers from the center to the periphery. With the dual “crises” Britain has experienced over the past 8 years, has this trend continued or has the central government, either by design or by necessity, strengthened its power? In the post-war era, British social policy was based on the idea of “consensus”; a support for basic social policies which all sides of the political spectrum supported. In the wake of devolution, that consensus has started to be challenged by ideologically opposed governments in Westminster and Holyrood and Cardiff. While the post-war consensus was built on political party consensus, this article examines a “new” consensus, namely the ability, or lack thereof, for devolved governments pursue common policy goals and how the powers given to devolved governments are being interpreted by central and devolved administrations. We may also ask what effect central government policy has had on the relationships between the different UK governments and what this means for the idea of a UK-wide consensus in the future.

### *A history of consensus*

Before the Second World War, Britain’s welfare system was based on a decentralized, Victorian model. The original Poor Law, established in the 17<sup>th</sup> century, gave the responsibility of financial assistance to people who were too ill or old to work to “parish” councils, who had the power to collect and spend taxes for this reason.<sup>2)</sup> The 1834 Poor Law Amendment Act was one of the first significant pieces of legislation which increased the

2) Parish councils are the lowest level of local government in the UK and still exist today.

power and responsibilities of the central government in regards to the welfare state. While this legislation gave the government greater control over welfare policy, it was actually designed to “encourage” people to work by cutting financial assistance to able-bodied people who had previously been receiving it (UK Parliament, 2022). During the First World War, millions of Britons were conscripted into military service and hundreds of thousands would suffer life changing injuries. This, combined with the effects of *demobilization*, which saw soldiers returning home to mass unemployment, caused the British government to take greater responsibility for welfare. In 1919, the modern-day Ministry of Health was established, making it the first-time public health had been organized into one, central government department. This also put administration of the Poor Law under direct government control, although many hospitals and workhouses were still administered at the local level. Despite these early reforms, until the end of the Second World War the provision of healthcare, education and culture was still mostly done at the local level and was the responsibility of a “voluntary” sector, a combination of Christian and middle-upper class organizations (Daunton, 1996). However, governments across Europe, afraid of the appeal of communism in Eastern Europe, were beginning to understand the need to provide social welfare to citizens both as a way to create greater equality and to rebuild their crippled economies. Millions of soldiers faced the same unemployment and discrimination the previous generation had faced and it was clear that the role of government would have to dramatically change in order to deal with a changing society. In short, government in Britain was about to get much bigger. Because both Labour and Conservative parties supported this increase in state intervention through the post-war era up until the first Thatcher government, this period has been known as the post-war consensus.

Like many countries in Europe, the post-Second World War period saw the role of the state get significantly bigger. The election of a first ever Labour majority government in 1945 gave the British government the mandate to make widespread changes which would define the role of the government in society until the present day. Labour's commitment to greater equality was to be achieved through revolutionary social policy, defined in the 1942 Beveridge report, which acted as the blueprint for a new “cradle to grave” welfare state. Free education for all children up to secondary level was introduced for the first time under the 1944 Education Act<sup>3</sup>). Benefits which

3) Passed during the Conservative led coalition government during the Second World War.

had been available only to the poor were extended to the whole of the population. Britain's economy transitioned to a "national" economy, with major infrastructure such as rail, communications and energy production becoming state owned (Edgerton, 2021). Perhaps the most famous and revolutionary social policy of the post-war era was the establishment of the National Health Service (NHS) in 1948. By creating a publicly funded health service, where all citizens made the same contribution through taxation and treatment incurred no extra cost to the user, the Labour government aimed to create a system of economic redistribution through public services (Hicks, 2013). In the next 30 years, successive British governments would adopt a Keynesian economic policy, where the central government would become responsible for the economic and social development of the country. While suspicious of these reforms at first, the Conservative party recognized that the bigger role of the state was popular with voters and commitment to the welfare state became a part of Conservative manifestos from 1955 onwards (Edgerton, 2021). What Labour called social democracy, the Conservatives called "The Middle Way", which could combine capitalist enterprise with a "big" state designed to protect the economy from price fluctuations (Blackburn, 2018). In short, both major parties were committed to the enlargement of the state and maintaining the post-war welfare state which had been developed under the Labour government.

The post-war consensus was shattered, in many ways, by the election of Margret Thatcher in 1979. While Keynesian economics had been good for Britain's economy during post-war growth, a combination of lower economic growth throughout the 1970's and a corporatist model giving a great deal of power to trade unions, stopped the government making much needed reforms and seriously affected living standards. At first, Thatcher's reforms, such as privatization of industries and severe cuts to the top rate of income tax (from 83% in 1979 to 40% in 1988) seemed like a breaking of the post-war consensus. However, while Thatcher's reforms were bitterly opposed by many, her policies did not affect the size of the state. In fact, welfare spending increased significantly in the 1980's due to the increase in unemployment caused by Thatcher's privatization reforms (Figure 1) and there was never an attempt to reverse the welfare reforms of the post-war era (Edgerton, 2021). It can be argued that under the next Labour government, led by Tony Blair, a new consensus was established, one which saw both Conservative and Labour parties committed to a British economy focused on the globalized market rather than domestic production, but still with a highly centralized, and relatively generous welfare state. Even during the Brexit referendum, one of the most talked about policy issues was funding

for the NHS, with the official Leave campaign claiming that leaving the European Union would result in an extra £350 million of funding *per week* for the NHS. Both David Cameron and Boris Johnson have, at times, identified themselves as “One Nation Conservatives”, an idea which originated in the Conservative party in the 1950’s as a way to connect Conservative policy with the kind of social equality which had been associated with Labour since its foundation. In summary, while both the Conservative and Labour parties have changed their position on many issues, there continues to be a consensus on the role of the state in British politics. The government is seen as being responsible for education, healthcare and maintaining a welfare state, and is held responsible when the economy underperforms. Therefore, when we try to assess whether COVID-19 has resulted in the British state getting “bigger”, we must remember that the role of the British state has been concretely defined since the post-war era and that the state was increasing in size, both in terms of government spending on social policy (welfare) and public sector employment, even before 2020 (see Figures 1&2). Public sector spending and employment had initially declined in the wake of the global financial crisis, and the coalition policy of austerity. However modest recovery until 2015, followed by the Brexit referendum and the expansion of central government to both prepare for withdrawal and replace existing areas of EU governance, saw a return to increasing central government employment, to higher and higher peak figures. This trend has been exacerbated in response to the COVID-19 pandemic has only increased the roles and responsibilities of the central government.

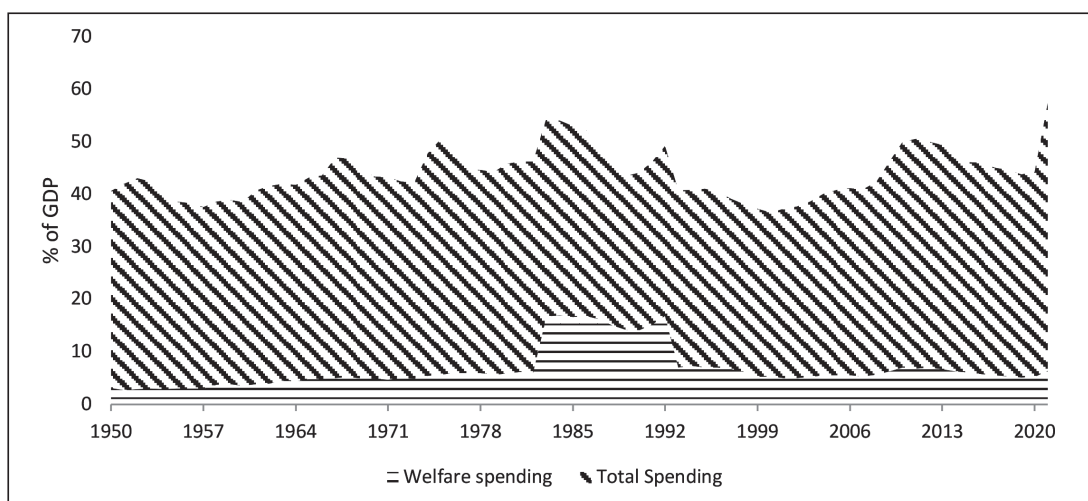


Figure 1: Total UK government spending & Welfare spending as a percentage of GDP since 1950. Source: (UK Public Spending, 2022)

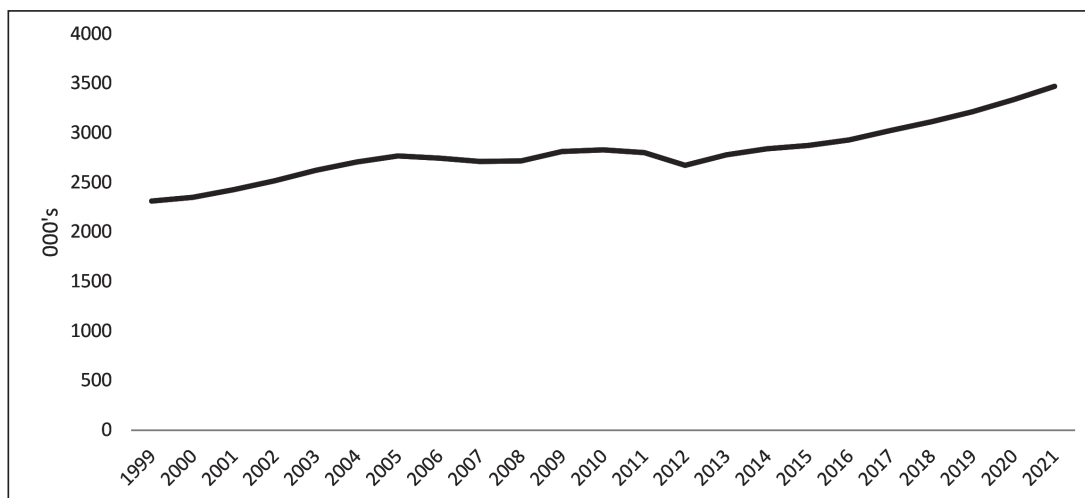


Figure 2: Number of people employed by central government 1999-2021. Source: (ONS, 2022)

### ***COVID-19 and Devolution***

While it can be argued that the central government has never been more powerful, over the last 25 years there has been a dual development in government in the UK, that of continuing *devolution* of powers from the UK government to its member nations, in particular Scotland and Wales. The Scotland Act, the Government of Wales Act and the Northern Ireland Act of 1998 were passed by the UK government to give greater autonomy to the member nations. This has given devolved governments powers similar to those in federal systems. As of 2021, elected regional governments in Scotland, Wales and Northern Ireland had power over Health and Education services, Housing, Transport, Economic development and Transport services, as well as limited local tax raising powers. At the same time, the Westminster government retains control over Foreign Affairs, Defence, Immigration, International Trade Agreements and the National Minimum wage (UK Civil Service, 2021). Since devolution in 1998, the general trend of British politics has been power moving away from the central government to the devolved regions, although prior to Brexit, there were two challenges to this. The first, was Brexit itself, which saw a majority of people in England and Wales voting to leave the European Union and a majority in Scotland and Northern Ireland choosing to remain. Britain's withdrawal was especially opposed in Scotland, where the Scottish National Party sits as a majority government in the devolved parliament and has argued that the split in opinion between the Scottish people and the UK government over the Brexit issue is justification for another referendum on Scottish independence (Vincent, 2021). Secondly, the devolved regions continue to

rely on funding, through national taxation, from the Westminster government through the Barnett formula. The Barnett formula calculates how much money is given from the central government to devolved administrations for the purposes of *devolved services* e.g., healthcare, education etc. When spending in public services is increased in England, the same increase is provided for by the central government to the devolved regions. This has resulted in government spending per person being higher in the devolved regions than in England. For example, in 2019, public spending per person in Northern Ireland was £11,590 compared to £9,296 in England. (BBC, 2020). Prior to the COVID-19 pandemic, around two-thirds of the Scottish budget came from central government funding (Learmouth, 2021). The result of this is that while certain powers have been devolved to regions within the UK, regional parliaments are forced to rely on the central government to balance their budgets.

The COVID-19 pandemic has put considerable pressure on both central and devolved budgets. Devolved regions have needed greater central government funding in order to deal with the financial costs. By the end of 2021, the UK government had provided an additional £12.6 billion to devolved regions for COVID-19 related spending through Barnett funding (UK Government, 2021). Responsibility for negotiating the amount and spending the additional funding is solely in the hands of the devolved administrations, which implies that the devolved regions have been given more *financial* power during the pandemic and the flexibility to decide how to spend the money (Bell, Eiser, & Phillips, 2021). However, Covid-19 related funding has been cut in the 2022/2023 budgets for devolved regions. For example, the Scottish budget will have a total of £5.2 billion Covid-19 funding removed for the 2022/2023 fiscal year. Even with the amount of money Scotland receives from the Barnett formula increasing, this will still leave the Scottish government with a £3.5 billion shortfall compared to 2021/2022 (Scottish Government, 2021). Additional funding to devolved regions has been temporary and entirely reliant on policy making in Westminster. In the short-term, devolved governments, despite still dealing with the pandemic, will have to manage a sudden decrease in their budget. In the long-term, it shows how the devolved governments, despite having the power to decide how money is spent, remain reliant on the UK-wide economic situation and decisions made by the UK government.

In addition to economic matters, the Covid-19 pandemic also demonstrated the powers and weaknesses of devolved administrations in regards to legal matters. Prior to the pandemic, there had been a clear division in

the evolution of social policy between the UK and the devolved regions. In areas where power had been devolved, such as those mentioned earlier, the Westminster government had pursued broadly market-based policies, starting with greater privatization of the NHS and the introduction of “Academy”<sup>4)</sup> schools under the Blair and Brown governments and continued by subsequent Conservative governments. The Scottish and Welsh governments pursued universalist policies in health and education. Free market competition was removed from the NHS in Scotland and Wales, initiatives such as free eyes tests for all people were initiated and in Scotland, university tuition was made free for all students, including foreign students, while tuition fees have risen from £4,000 in 2000 to up to £9,250 in the rest of the UK. This has led to standards of healthcare being relatively similar across the UK, but educational achievement in Scotland dropping behind the rest of the UK in recent years (Atkins, et al, 2021, p.6-7). These are examples of some of the powers devolved administrations had prior to the pandemic and how devolved governments were able to pursue different social policies under their devolved mandate. One important question is, how has COVID-19 affected the balance of power between the central and devolved governments?

The authority of the UK government was in some ways limited by the fact that key areas of social policy relating to the pandemic – public health, education, social care and policing and justice, fall under the authority of the devolved governments, and as such had an effect on the ability of the central government to enact policy. For example, the Coronavirus Act 2020, which finally expired in March 2022, gave devolved regions the power to close schools on the grounds of public safety and the power to place restrictions on movement of people and close businesses. In addition, the Coronavirus (Scotland) Act gave house and apartment renters more protection from eviction and powers to release non-violent prisoners from jail early in order to lessen the strain on the prison and health service (Wilkes, 2020). At the outbreak of the pandemic, the four nations had a united policy towards the pandemic and all three leaders of Scotland, Wales and Northern Ireland were invited to COBRA meetings held by the UK government and security services and there was broad agreement on the need for a national

4) Academy schools are listed as non-profit charities and are often sponsored by corporations or charitable trusts and do not have to follow the National Curriculum that state schools teach.



“lockdown” in March 2020.<sup>5)</sup> By May of that year, differences in policy implementation were beginning to take place in the different regions. Some of these were down to regional necessity, for example, the Scottish government giving greater financial support to its fishing and agricultural sector. But around this time, communication between Westminster and the governments in Scotland and Wales began to break down, leading to Scottish First Minister Nicola Sturgeon learning of changes in the UK government's Covid-19 messaging from the UK press.<sup>6)</sup> As Evans (2021) points out, this raised constitutional issues and demonstrated that no official line of communication between governments existed during times of national crisis. In effect, the UK government did not feel the need to consult the devolved governments on policy changes. This resulted in confusion, especially for those living in border areas, where at some points during the pandemic, people living in England were banned from entering Wales, but people living in Wales were able to cross the border into England. This also created problems for businesses, which are part of a UK based economy but faced different mandates on when they could open to the public. Differences in education policy were also exposed as coordination between Westminster and the devolved regions broke down, at times creating a two-tier education system where students from England returned to school in June 2020, but students from Scotland, Wales and Northern Ireland returned more than six weeks later (Sargent, 2020). Mixed messages being sent from the central and devolved governments often left people unsure of which governmental advice to follow and was an obstacle to implementation of policies designed to limit the spread of the virus. While the pandemic, especially through the Coronavirus Act, gave the devolved regions clear and additional powers in regards to policy making, which we could expect to be repeated during any future national emergency, it is clear that the UK government puts its decision making above that of devolved regions and does not feel the need to consult and plan with regional leaders on a long-term basis.

While legislation gave greater power to devolved regions in terms of social policy making, the UK government retained control over the most important area during the pandemic – the economy. The Coronavirus Job Retention Scheme (CJRS) was introduced in March 2020 and ran, at various

5) Cabinet Office Briefing Rooms – where committees meet to discuss issues of national security for both domestic and foreign policy. Usually, only Cabinet ministers and high-level staff in the security/police service would attend these meetings.

6) From a motto of “Stay at home” to “Stay alert”, effectively giving people permission to go back out into public places.

levels of benefits, until September 2021. In terms of government spending, it was by far the most significant intervention in labour policy by any UK government since the welfare state was established in the 1940's. Initially, the scheme allowed employers to claim up to £2,500 from the government per month in order to pay employees who could not work for businesses which had been shut down. Added to this were employee benefits for National Insurance and pension contributions. It was estimated by the Office of National Statistics that the scheme cost £69 billion over an 18-month period and while economic growth dropped by nearly 10% in 2020, the scheme was successful in keeping the unemployment rate low, peaking at 5.2% in December 2020 (Narwan, 2021). Undoubtedly, the furlough scheme was a necessary and, in the short term, successful intervention by the state which helped to prevent further damage being done to the UK economy. There were seven significant changes in the CJRS scheme during 18 months which included changes in the level of government wage contributions from 80% to 60% in October 2020, returning to 80% between the end of 2020 and the summer of 2021 (Brightpay, 2021). There were two main consequences for the devolved governments. The first was that support for the workforce through the CJRS, the biggest area of COVID-19 related government spending, was entirely in the hands of the central government. With many of the highest salary jobs located in London and the South East of England, payouts of CJRS money were much higher in these areas, where more people qualified for the maximum payout of up to 80% of £2,500 (less people in Scotland, Wales and Northern Ireland were earning this amount of money). Secondly, as noted above, the devolved governments had legal power over lockdowns and business closures, but these periods did not always coincide with central government CJRS adjustments. Before October 31<sup>st</sup> 2020, it was not certain that the CJRS scheme would be extended into November and beyond. The maximum payout of 80% of salary was paid during times when the UK government ordered total lockdown, as it did, for the second time, on October 31<sup>st</sup>, 2020. However, Wales, Scotland and some cities in the north of England, most notably Manchester, had already entered lockdown one week before, at a time when the CJRS payments had been reduced to 60% of salary. This caused a great deal of uncertainty for workers in devolved regions and many employers were uncertain whether they could keep workers past the original October 31<sup>st</sup> deadline (Ferguson, 2020). The CJRS scheme was a further example of the power of central government within the UK.

The devolved regions have very different social policy challenges compared to England. The devolved regions, and the North East of England,

have higher rates of spending on healthcare, higher numbers of hospital beds and higher rates of hospital staff, per person, compared to the UK average. Much of this is because of geography, where there are more people living in rural areas in the devolved regions, who need local NHS services. Despite having the highest spending on education (per student) and the highest teacher to student ratio of all the UK regions, Scotland has seen attainment rates in science and mathematics drop significantly since the mid-2000's (Atkins, et al, 2021). The COVID-19 pandemic, in terms of government spending, has demonstrated the continued reliance of the devolved regions on central government to deal with social policy challenges. The devolved regions do not have enough tax-raising powers under the law, and very limited borrowing power, to deal with large scale national emergencies like COVID-19 and the unique social policy challenges mentioned above. In the short-term, when countries around the world are recovering from the pandemic and facing the challenges of inflation and other cost of living related economic impacts, devolved regions in the UK will not have the economic power of legal flexibility to meet social challenges without relying on UK government policy. As shall be explored in the next section, the focus of the UK government will not be strengthening the devolved governments but will be on the enlargement of the state through ambitious spending plans on social policy as a result of Britain's decision to leave the European Union in the referendum of 2016.

### ***COVID, Brexit and the Levelling-up agenda***

While most governments around the world have been dealing with the single issue of pandemic response and recovery, at the same time the UK government has been navigating the waters of the most significant political change since the end of the Cold War – its withdrawal from the European Union. The referendum of 2016 was followed by years of political and trade negotiations between the EU and Britain before its final withdrawal in January 2020. As such, the British government was already in the process of massive state intervention in social policy to amend and replace laws which had previously been introduced to Britain under EU law. The 2018 European Withdrawal Act copied many existing EU laws into British law, including those needed to comply with EU trade rules. It has been estimated that the Act covered approximately 150,000 laws which were classed as “retained law” – those that would be copied from EU to UK law (Thorndoe, 2021). Much of this was done to easily facilitate a trade deal during the withdrawal period. However, it was recognized that such arrangements would be fluid, with changes to law taking place over time. And this has

become especially true during the pandemic and looking towards future recovery. By the end of 2021, the UK government had already made changes to retained law in areas of immigration, agricultural subsidies and food production. Prime Minister Boris Johnson has stated the need to diverge further from retained EU law as the UK recovers from the pandemic and makes significant economic shifts in policy. Legal changes will focus on areas where Britain is “strong”, such as technology and financial services and amending sales tax rules in the future (BBC News, 2022). Boris Johnson became leader of the Conservative party and convincingly won a general election in 2019 largely because of his optimistic message about the post-Brexit economy and his pledge to increase government spending in areas of the UK, especially the north of England, which had not seen the economic benefits of EU membership, and globalization. This “leveling-up” agenda now forms the central part of Britain’s post pandemic economic and social policy. With such significant changes happening in Britain’s legal and political landscape, we must look at the UK government’s pandemic recovery policies as being tied to the Brexit process. The government has already enacted legislation which will see levels of government intervention and spending reach levels not seen since the post-war era. Three significant pieces of legislation/policy will be particularly important in post-pandemic Britain. The Internal Market Act, the Leveling-up agenda and the Shared Prosperity Fund.

The Internal Market Act (IMA) has been perhaps the most significant single piece of legislation which has given the British state more power than at any time over the past 30 years, although this must be seen as a strengthening of the state in relation to the EU, rather than in relation to private business or individuals domestically. Prior to the withdrawal of the UK from the EU, trading standards and the movement of goods and services were governed by EU regulation. All devolved regions, and regions within England, had clear and transparent rules regarding trade with the rest of the EU member states. Exports from the UK to the EU accounted for 42% of all UK exports in 2020, while EU imports accounted for 50% of all imports to the UK (Ward, 2021). As a result, the UK economy, at the national and regional level, was highly dependent on laws made by the EU. The IMA was the legislation used by the UK government to establish trading laws within the UK which had been originally governed by EU laws. The IMA was a controversial part of UK-EU relations during the withdrawal period, as it remains to this day. Throughout 2020, when the UK had officially already left the EU, retained laws kept trade rules the same in the UK. The most difficult part of post-Brexit negotiations has been over Northern Ire-

land. There was a possibility of a “hard border” being established between Northern Ireland and Ireland caused by the need for customs checks on imported and exported goods if a final trade agreement could not be made between the UK and EU. With Northern Ireland’s long history of sectarian divide and violence, it was believed that a hard border would lead to a breakdown of the 1998 Good Friday Agreement and a return to violence by republican forces. The eventual compromise, known as the Northern Ireland Protocol, put special measures in place in Northern Ireland which makes it unique, it is the only region of the UK which essentially still operates under EU law. It is unlikely this arrangement will last. During the trade agreements, the UK government threatened more than once to change drafts of the IMA to allow UK ministers to abandon the Protocol in the future. This was viewed as potentially breaking international law and in the end, the IMA came into law with the protocol intact. However, it should be recognized that the protocol is a temporary measure, made for diplomatic rather than practical reasons. Arguments over the protocol are likely to happen again in the future. Northern Ireland is an unusual example of the UK government not reasserting its authority over the rest of the UK. In general, the IMA is viewed as weakening the devolved regions in relation to the central government. It is true that under the IMA, some powers from the EU will be transferred to the devolved governments, such as subsidies for farmers, food standards and energy efficiency. However, under the IMA, devolved regions will be forced to accept goods and services from other parts of the UK, even if they do not meet internal standards the devolved regions are able to set themselves. As a result, the devolved regions of the UK could develop a variety of different rules on trade standards which are not actually enforceable. This is especially concerning for the devolved regions as the UK government retains control over international trade agreements and could allow goods and services which do not meet the new standards made by the devolved governments to enter the UK marketplace. The devolved leaders, especially Nicola Sturgeon, have argued that all powers which used to be under EU mandate, none of which relate to foreign affairs or national security, should become the responsibility of the devolved governments (Sim, 2020). A report by the Center for Constitutional Change highlights that this situation will reduce the ability for devolved governments to make targeted social and economic policy (Dougan *et al.*, 2020). As the English market is the driving force behind the UK economy, and laws regulating trading standards in England are made by the UK government, this will lead to English standards becoming *de facto* across the UK and putting the power of social and economic policy making in the hands of the UK government. In 2021, the Scottish parliament passed legislation to ban the

use of 8 different types of single use plastics. Scotland is the only region in the UK to ban this many different products. In England, only plastic straws and stirrers are banned under law. Under the IMA, the Scottish legislation is essentially useless, as single use plastic products produced in other parts of the UK *must* be legal to sell in Scotland (Scottish Parliament, 2022). The overall impact of the IMA has been to reduce the level of trust between the central and devolved governments. The report by the Center for Constitutional Change describes the making of the IMA a top-down process, with the devolved regions having no input into the process. Extensive powers are given to the Secretary of State for Business to amend the rules without consultation with the devolved governments and there is no sign that the central government is willing to collaborate with devolved governments on future trade standards.. The report summarizes by stating:

”We have never known relations between the Welsh and Scottish Governments on the one hand, and the UK Government on the other, to be as poor as they are today. (p.11)”

The phrase “Leveling up” was first used in the Conservative party’s 2019 election manifesto. In addition to “Getting Brexit done”, the Johnson government promised to increase government spending in areas which had been economically less developed during the period the UK was a member of the EU. Many of these areas were in the north of England, known politically as the Red Wall – constituencies which had voted Labour for generations but where votes for Conservative candidates had been growing in previous elections and were seen as becoming politically distant from the increasingly metropolitan focused Labour party. This manifesto pledge was very successful in breaking the Red Wall. The Conservatives were able to make a net gain of 48 seats in England, while Labour made a net loss of 47, giving the Conservatives their biggest majority since Margret Thatcher and a clear mandate for Brexit and their manifesto policies. The promises of 2019 have been put into practice via the Leveling-up White Paper published in February 2022. In total, the government plans to make £4.8 billion available for local authorities with the goal of decreasing economic disparity between regions in the UK. The North East of England and Wales had areas where unemployment was up to 10% higher than the rest of the UK during 2020. Life expectancy in Scotland (81) is lower than in London and the South East of England (84.5). The UK’s core cities<sup>7)</sup>, outside of London,

7) The UK’s Core cities, outside of London, are defined as Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham, and Sheffield. None of these cities are in the South East of England which is the richest area of the country

are less productive than non-capital cities across much of Europe and East Asia, implying that years of underinvestment in these areas has wasted the potential for economic growth in the UK (UK Government, 2022, p.31-33). A pilot scheme for the Leveling-up agenda – the Community Renewal Fund (CRF) gives some indication of which areas the government is planning to target with future spending. The CRF was a £220 million fund designed to bridge the gap between the end of EU funding and the start of the new UK government funded Shared Prosperity Fund. Local authorities were able to bid for funding and receive money for local projects aimed at improving job skills, business enterprise and employment (UK Treasury, 2021).

As a member of the EU, the United Kingdom received financial grants for areas of economic, social and cultural development. In reality, these grants were paid for by the UK taxpayer; paid to the EU by the UK government through taxes and then redistributed by the EU to UK regions as a part of EU Structural Funds. One of the arguments of the Leave campaign was that the money sent to the EU could now be directly invested by the UK government, essentially cutting out the middleman. To put this into practice, the government has established the Shared Prosperity Fund (SPF). The SPF will essentially replace the CRF, which was designed as a temporary measure during the UK's transition away from the EU. The SPF has been established with 3 key areas of focus:

1. Building local community pride and improving safety; for example, through community infrastructure projects such as local “green” spaces.
2. Supporting local businesses; for example, through more private sector investment in the leisure and hospitality sector.
3. Investing in “People and Skills”; for example, through education and reducing the number of people who are “economically inactive” (unemployed).

The SPF has a total value of £2.6 billion and is a direct replacement for EU Structural Funds given in the past. Under the plan, regions in the UK have been split into a mix of large, middle and local sized authorities, each of which has been allocated a set budget for a 3-year period between 2022 and 2025, ranging from approx. £280 million for the Cardiff area, to £1 million for local areas in wealthy parts of England such as Windsor and Oxford in England. In fact, the highest regional allocations have been made mostly in areas where economic growth has been much slower over the last 30

years, with major regions in Wales being allocated approx. £485 million<sup>8)</sup> and regions such as Greater Manchester, the Midlands and West Yorkshire receiving significantly more funding than wealthier parts of England (UK Government, 2022). The SPF shows a clear attempt at increasing spending in economically underdeveloped regions within the UK. The government argues that a layer of bureaucracy has been removed from the process of applying for and distributing funds. One advantage of leaving the EU, is that the UK does not need to contribute to the EU budget, estimated at approx. £9.4 billion (net) in 2019. Where financial allocations for regional development were made in Brussels, they can now be made closer to home, in Westminster. This would imply that the organisation now responsible for structural funds, in the case of the SPF – the newly formed Department for Leveling Up, Housing and Communities (DLHC) will have a better understanding of the needs of the UK's different regions and be able to allocate funds in a more efficient way. However, questions can be asked about how this control of the SPF strengthens the authority of the UK government in relation to the devolved regions and whether the regions will in fact be better off than under the EU Structural fund model.

Prior to Brexit, the UK government entered into a “Partnership agreement” with the EU in relation to EU structural funding. The UK would be responsible for negotiating Britain's budget contributions and how much would be given by the EU in structural funds. However, the decision making on how to award funds at the local level was the responsibility of the devolved governments; with the UK government only being responsible for England. That has now changed with the UK's withdrawal from the EU and the establishment of the SPF. Now, all funding decisions i.e., what projects are awarded funding, are made by the central government, not the devolved administrations. This has taken a significant degree of financial power away from the devolved administrations and into the hands of the central government – in particular the DLHC. The DLHC has existed since 2001, when it was known as the Deputy Prime Ministers Office and had evolved since then to take over the responsibilities of housing and local government prior to its latest renaming in September 2021, when it was also given responsibility for the Conservative's Leveling-up agenda and Michael Gove, one of the most senior members of the Conservative cabinet was made Secretary of State. As mentioned before, the UK government argues that Westminster control over structural funding will be more effi-

8) Not including further local authority funding



cient, more quickly delivered and better aligned with national development priorities – such as recovery from the economic impact of COVID-19, than that of the EU. However, the end result is that billions of pounds of spending power has been taken away from the devolved governments and given to the central government. Concerns have been raised that the SPF is being used as a political ploy to strengthen the Union by improving the image of the UK government in the minds of Scottish and Northern Irish voters. The Scottish National Party continue to hold a majority in the Scottish parliament and are pushing for another independence referendum. Sinn Fein, the Irish Republican party, were the biggest party coming out of the May 2022 Northern Ireland Assembly elections with 27 seats. In addition, it is possible that the SPF will not be as efficient in reality as the government hopes. Local authorities could receive funding both from the DLCH and devolved administrations, creating an overlap in funding and creating confusion as to who is accountable for individual projects (Nice, *et al*, 2021). Differences in levels of funding could also create an unbalanced system. Under current plans, Wales is going to receive more funding per person than Scotland or Northern Ireland, which could have the opposite effect of creating more divided feelings amongst members of the devolved nations and tensions between the Westminster and devolved national governments. Regardless of results, it is clear that the SPF has given the UK government, specifically ministers within the DLCH who are responsible for awarding funding, greater power at the expense of the EU-devolved government partnership under the old model. This has also added to the idea that the UK government is moving further towards a “big government” model.

<b>Region</b>	Estimated UKSPF totals for 2022-2025 (£ millions)	Hypothetical EURDF & ESF totals for 2022-2025 (£ millions)
Scotland	212	372
Wales	585	1,029
Northern Ireland	127	222
England	1,566	2,988
<i>Total</i>	2,490	4,611

Table 1: Comparison of SPF and EU (*hypothetical*) funding models for UK regions from 2022-2025. Source (DLHC, 2022).

It may also be of value to briefly analyse the potential overall effect of the SPF and how spending by the DLCH will compare to that of EU structural funding. Table 1 compares spending over a 3-year period based on

SPF and *hypothetical*<sup>9)</sup> EU Structural Fund and EU Regional Development funding, which the SPF is intended to replace. While the SPF is guaranteed to match EU investment levels by the 2024-2025 fiscal year, in the 2022-2023 & 2023-2024 fiscal years SPF funding will be considerably lower, which explains the difference between the 3-year totals in Table 1. What this means is that not only has the power for funding decisions been taken away from the devolved regions, but the amount of money they will receive for structural investment projects is going to be considerably less over a short-term period.

What effect will COVID-19 have on the government's Leveling-up scheme? While the Levelling-up agenda was part of the government's plans before the pandemic, it is possible that Covid-19 will have a positive effect on the scheme in some ways. One aim of the scheme was to encourage greater economic growth *outside* of London and the South East. It has been wealthier regions in the UK, in the metropolitan areas and in areas which benefit from tourism i.e., very often regions in the south of the country, which have been the most affected by Covid-19. Lockdowns and a shift to more online working mean that many people have moved away from the cities. Younger workers, who before 2020 could not afford to live in London and the other big cities now have the option of living in more low-cost areas – Core cities and rural areas which the Levelling-up agenda aims to revitalize. More than half of British workers have said they would like to continue to work, at least part of the week, from home (Kirk, 2022). While the government has encouraged people to return to their workplaces and there is a concern that working from home may decrease company productivity in the long-term, there is likely to be a fundamental shift in the way people work in the future. This has the potential to contribute to the economic revitalization of Britain's less developed regions.

However, Covid-19 is also likely to have a negative effect on the UK government's post Brexit social policy. In 2020 alone the GDP of the UK declined by nearly 10% and the government was forced to spend billions to keep the economy running during the lockdown periods. This will have had a significant effect on how much money is available for future social policy spending. This can already be seen in the short-term decline of SPF spending compared to EU spending of the past. Put simply, the Conserva-

9) The *hypothetical* funding model is based on DLHC calculations of what EU funding to the UK would have been for the period 2022-2025 if it had not left the EU. Source: (DLHC, 2022)

tive government planned to make public spending in the post-Brexit era the biggest since the end of World War 2 and focus on investing in areas which had been neglected by public funding for decades. There is no doubt that the economic impact of Covid-19 has affected its ability to do that. As explained above, tensions with the devolved governments have already been increased due to the increased *legislative* power COVID-19 rules have given the central government. These tensions are replicated in the IMA and the SPF, which gives the central government greater *legislative* and *economic* power. This is also true when considering *government accountability*. During the height of the pandemic, the British public were receiving mixed messages about social distancing, travel and lockdown rules from the devolved and central governments. Individuals were often confused about which rules they should follow. There was also the creation of a two-tier system, where policy made by the central government could supersede that of the regional administrations. Again, this can also be seen in the central government's post-Brexit infrastructure plans, particularly the IMA. Not only do devolved regions have less spending power, but accountability for local projects may become unclear and administration and funding may become duplicated through the SPF. Again, this adds to the possibility of disagreements between central and devolved governments. Finally, it can be argued that the implementation of the IMA, the SPF and the Leveling-up agenda have added to division within the UK at a time when its governments need to act together. During the early days of the pandemic, the country rallied around national institutions such as the NHS and the experience was compared to living through the "Blitz"<sup>10</sup>). However, this soon ended as old arguments about Brexit and differences in the post-Brexit direction of the country started to be talked about again.

### ***The UK as a "Big" state***

This article has attempted to answer 2 questions related public policy which have come to the forefront of British politics in recent years. The first question to consider is the effect of the Covid-19 pandemic on the size of the UK state. Can it be concluded that the policies of the UK government have led to an increase in the size of the state? This is a difficult question to answer. Firstly, from the historical perspective, it can be argued that the UK state has been increasing steadily since the end of WW2, when the UK entered the period known as the post-war consensus. Even considering the

10) The nightly bombing of British cities by German forces during World War 2.

privatization reforms introduced by Margaret Thatcher in the 1980's and continued by the Blair government, spending and centralized government employment have continued to increase. The Covid-19 pandemic caused the government to make unprecedented policy intervention to protect the economy, such as the job retention scheme, and public health i.e., national lockdowns. But as has been shown, the most significant policy making during the pandemic era has not been related to the pandemic but has in fact been in response to Brexit. Even before the pandemic in 2020, the Conservative government had made plans to create the "Leveling-up" agenda and significantly increase spending on social policy through direct central government funding. It is impossible to separate the long-term effects of Covid-19 on social policy without considering Brexit-related legislation such as the Internal Market Act and the Shared Prosperity Fund.

At the same time, the new consensus which had been built through the devolution of powers to the national governments in Scotland, Wales and Northern Ireland has also been challenged. While political parties themselves still have broad agreements on the role of national institutions, such as the NHS, there is clearly a divide between both policy making and the interpretation of powers afforded to the devolved governments. These have only been increased through natural ideological division between the Conservative run central government, which took direct control over policy making during the pandemic, and SNP run Scottish government. There is clear evidence to suggest that the central UK government has increased its power at the expense of the devolved governments during the pandemic. One way this has been done is through the post-Brexit legislation mentioned above. Spending power that used to be distributed to the devolved governments by the EU will now be spent by the central government. The pandemic also highlighted the limitations of devolved governments' power during times of both national emergency and great political change. Despite early attempts at creating a consensus on public health response, the central government quickly took sole control of social policy in the summer of 2020, meaning devolved governments were forced to *react* to policy decisions in Westminster rather than be a part of them. In addition, as the driver of the UK economy, legislation such as the Internal Market Act demonstrated that regardless of what standards and practices devolved governments planned to put in place in the post-Brexit era, policy making in Westminster will always supersede devolved legislation. This is true in both economic and health policy. The strength of the UK, as a political union, was put to the test during the dual events of the Covid-19 pandemic and the creation of the post-Brexit order. The UK government responded to

both events by strengthening its own policy making powers at the expense of the devolved administrations. While Covid-19 briefly took discussion about independence off the table, the recent electoral successes of Sinn Fein in Northern Ireland and the continued dominance of the SNP in Scotland mean the Union is likely to be under pressure again very soon. Now the UK government has taken direct responsibility for economic recovery and social policy making post-pandemic/Brexit, it will need to deliver results. If it does not, the new “consensus” of the devolved UK political system may be broken.

## References

- Atkins, G., Dalton, G., Philips, A., & Stojanovic, A. (2021). *Devolved public services The NHS, schools and social care in the four nations*. Institute for Government.
- BBC News. (2020). *Barnett formula: Which parts of the UK have the most money spent on them?* Retrieved from BBC news: <https://www.bbc.com/news/uk-northern-ireland-38077948>
- BBC News. (2022). *Brexit: EU laws overhaul will boost growth, vows Boris Johnson*. Retrieved from BBC News: <https://www.bbc.com/news/uk-politics-60191402>
- Bell, D., Eiser, D., & Phillips, D. (2021). *Designing and funding the devolved nations' policy responses to COVID-19*. University of Strathclyde.
- Blackburn, D. (2018). Reassessing Britain's 'Post-war consensus': the politics of reason 1945–1979. *British Politics*, 13(2), 195-214.
- Brightpay. (2021). *CJRS Flexible Furlough Scheme - Timetable of Changes*. Retrieved from Brightpay.co.uk: <https://www.brightpay.co.uk/docs/21-22/coronavirus-covid-19-guidance-for-brightpay-users/cjrs-flexible-furlough-scheme-effective-from-1st-july-2020/cjrs-flexible-furlough-scheme-timetable-of-changes/>
- Daunton, M. J. (1996). Payment and Participation: Welfare and State-Formation in Britain 1900-1951. *Past & Present*, No. 150, 169-216.
- Department for Leveling Up, Housing and Communities. (2022). *UK Shared Prosperity Fund allocations: methodology note*. UK Government.
- Dougan, M. (2020). *UK Internal Market Bill, Devolution and the Union*. Centre on Constitutional Change.
- Edgerton, D. (2021). What came between new liberalism and neoliberalism? Rethinking Keynesianism, the welfare state and social democracy. In B. J.-B. Aled Davies, *The Neo-liberal Age?: Britain since the 1970's* (pp. 30-51). UCL Press. (2021).
- Evans, G. (2021). Devolution and Covid-19: Towards a 'New Normal in the Territorial Constitution? *Public Law Issue 1*, 19-27.
- Ferguson, D. (2020). *Extending furlough via the Coronavirus Job Retention Scheme*. Retrieved from House of Commons Library: <https://commonslibrary.parliament.uk/extending-furlough-via-the-coronavirus-job-retention-scheme/>
- Hicks, T. (2013). Partisan Strategy and Path Dependence: The Post-War Emergence of Health Systems in the UK and Sweden. *Comparative Politics*, Vol. 45, No. 2, 207-226.
- Kirk, I. (2022). *How has the Covid-19 pandemic changed attitudes to working from home across the world?* Retrieved from YouGov: <https://yougov.co.uk/topics/international/articles-reports/2022/02/24/how-has-covid-19-pandemic-changed-attitudes-workin>
- Learmouth, A. (2021). *Spending in Scotland 30 per cent higher per person than in England because of Barnett formula, says IFS*. Retrieved from Holyrood: <https://www.holyrood.com/news/view,ifs-say-barnett-formula-leaves-spending-in-scotland-30-higher-per-person-than-in-england>
- Narwan, G. (2021). *Furlough, the biggest UK peacetime intervention in the jobs market, cost taxpayers £69bn*. Retrieved from The Times of London: <https://www.thetimes.co.uk/>

- article/furlough-scheme-was-biggest-peacetime-intervention-in-the-uk-jobs-market-sgvpdf3h6
- Nice, A., Paun, A., & Hall, D. (2021). *The UK Shared Prosperity Fund: Strengthening the union or undermining devolution?* Institute for Government.
- Office of National Statistics. (2022, March). *Public Sector Employment by Sector*. Retrieved from Office of National Statistics data: <https://www.ons.gov.uk/employmentandlabour-market/peopleinwork/publicsectorpersonnel/timeseries/g6nq/pse>
- Parliament, UK. (2022). *Poor Law Reform*. Retrieved from UK Parliament: <https://www.parliament.uk/about/living-heritage/transformingsociety/livinglearning/19thcentury/overview/poorlaw/>
- Sargent, J. (2020). *Coordination and divergence: Devolution and Coronavirus*. Institute for Government.
- Scottish Government. (2021). *Scottish Budget 2022 to 2023*. Retrieved from Scottish Government: <https://www.gov.scot/publications/scottish-budget-2022-23/pages/15/>
- Scottish Parliament. (2022). *UK Internal Market Inquiry*. Scottish government report: <https://sp-bpr-en-prod-cdnep.azureedge.net/published/CEEAC/2022/2/22/73682bfb-fb43-47e5-b206-b79ec5e28262-2/CEEACS052022R1.pdf>
- Sim, P. (2020). *What is the row over UK 'internal markets' all about?* Retrieved from BBC News: <https://www.bbc.com/news/uk-scotland-54065391>
- Thorneloe, D. (2021). *Retained EU law in the UK after Brexit*. Retrieved from Pinsent Masons: <https://www.pinsentmasons.com/out-law/guides/retained-eu-law-uk-after-brex-it#:~:text=From%202018%20to%202020%20the,amendments%20to%20retained%20EU%20law.>
- UK Civil Service. (2021). *Introduction to Devolution*. Retrieved from UK Civil Service: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/770300/IntroductionToDevolution.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/770300/IntroductionToDevolution.pdf)
- UK Government. (2021). *UK Government doubles funding for Devolved Administrations to tackle Covid*. Retrieved from GOV.UK: <https://www.gov.uk/government/news/uk-government-doubles-funding-for-devolved-administrations-to-tackle-covid>
- UK Government. (2022). *Levelling up the United Kingdom*. UK Parliament.
- UK Government. (2022). *UK Shared Prosperity Fund: prospectus*. Retrieved from Department for Levelling Up, Housing and Communities: <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus>
- UK Public Spending. (2022, March). *UK Public spending since 1950*. Retrieved from ukpublicspending.co.uk: [https://www.ukpublicspending.co.uk/spending\\_chart\\_1950\\_2021UKp\\_17c1li01ltn\\_F0t40t](https://www.ukpublicspending.co.uk/spending_chart_1950_2021UKp_17c1li01ltn_F0t40t)
- UK Treasury Department. (2021). *The Leveling Up Fund*. Department of Treasury report: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/966138/Levelling\\_Up\\_prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966138/Levelling_Up_prospectus.pdf)
- Vincent, S. (2021). Explaining third party success: Analysing the Japanese Innovation Party in the context of greater regionalism. *Nihon University Journal of Comparative Law*, 47-63.
- Ward, M. (2021). *Statistics on UK-EU trade*. House of Commons Library.
- Wilkes, G. (2020). *Coronavirus and devolution*. Retrieved from Institute for Government: <https://www.instituteforgovernment.org.uk/explainers/coronavirus-and-devolution>