A new report lays out a plan for the UK’s post-Covid-19 recovery. By taking action on infrastructure, education, innovation, the environment and local governance, the government can boost the confidence of households and businesses, and avoid fears of an economic depression becoming a self-fulfilling reality.

Build back better: key areas for a post-pandemic recovery

The UK and the world have suffered disruption and hardship from the pandemic on an immense scale. Together with the tragic consequences of the health crisis, there is now a real risk of protracted global depression. Strong and timely action can increase confidence, steer expectations and channel productive private and public investment into a sustainable, inclusive and resilient recovery across the UK.

Such a recovery should be guided by a clear strategy involving both the public and private sectors, and it can be framed by the government’s previously stated goals of ‘levelling up’ across the UK; boosting productivity; investing in infrastructure; reaching ‘net-zero’ greenhouse gas emissions by 2050; and forging a new role for ‘Global Britain’. This should be embedded in a commitment to ‘building back better’.

Several critical actions by the government are needed to deliver a strong and sustainable recovery. They should be at the core of a coherent policy framework driving towards these goals across the entire economy. Furthermore, these priorities are key to sustainable, resilient and inclusive growth in the UK beyond the recovery over the next few decades.

First, a clear macroeconomic vision is needed to restore confidence, create jobs and grow the economy out of the Covid-19 recession and debt by supporting activity in the short term and expanding productive capacity in the medium term. There will be a need to ensure fiscal and monetary policy work together to guide liquidity and savings towards the growth of productive sectors.

Next, we need institutional reform to expand capacity, build back better, create new opportunities for all and manage long-run risks. This requires building a credible industrial strategy to drive the economy forward, rolling out new networks and ensuring all investment is compatible with a resource-efficient, low-carbon economy.

Policy reform is required, both to deal with the UK’s other pre-Covid-19 challenges, and in order to make investments as productive and sustainable as possible. Measures should cover pricing and regulation, industrial policy, innovation, labour markets, skills and education, competition policy and foreign policy. This programme of reform will also require devolution to deliver greater policy and fiscal autonomy to cities and regions, building on the Cities and Local Government Devolution Act 2016.

Finally, we need to build capacity in innovation is crucial for enabling the global community both to deal with the crisis and plot a course out of it.
There cannot be a return to austerity based on cuts in public spending and undermining the quality and resilience of public services

and resilience by investing in vital assets necessary for an innovative, prosperous and competitive economy. These are mutually enhancing and include:

**Physical capital**, boosted by leveraging private finance through creating new markets and establishing a new National Investment Bank. The Bank could crowd in private finance and bring forward sustainable infrastructure projects at scale. Strategic investments in projects, such as retrofitting buildings to make them more efficient and resilient, can create new jobs now and build capacity – for example, in broadband infrastructure – for a smart, digital future. It could be established quickly and play an important part in the extensive refinancing necessary as we move into the recovery phase.

**Human capital**, enhanced by creating the skills and jobs necessary for the 21st century. This means ‘reskilling’ workers to enable those affected by change to participate in the new economy – thereby ‘levelling up’ opportunities and regions by investing in people. This also includes avoiding labour market ‘scarring’ by providing job guarantees – including in sustainable projects – for those at risk of unemployment, alongside investment in further education and lifelong learning. A strong focus on disadvantaged students, who risk falling further behind, should be central.

**Knowledge capital and innovation**, fostered by accelerating the drive to reach a target for research and development (R&D) investment of 2.4% of GDP through a mixture of increased funding and further incentives for business innovation, including enhanced incentives for clean innovation. The government should accelerate the establishment of a clean innovation mission through a revised industrial strategy. It should also strengthen the UK’s R&D capabilities and collaboration between universities, industry and local policy-makers. The UK’s research is a vital element in its comparative advantage and future as ‘Global Britain’. It is essential to enhance R&D and take more of it through to innovation.

**Natural capital**, strengthened directly through carefully designed ecosystems creation, preservation and restoration projects. This means investing in land restoration, trees and water management and curbing pollution. This must be supported indirectly through projects such as accessible travel infrastructure that results in cleaner air, improved health and expanded green spaces. Reforms to agricultural support will play an important role.

**Social capital**, enhanced by developing a vision for an inclusive and sustainable recovery that can gain support from businesses and communities, and creates opportunities for all. There cannot be a return to austerity based on cuts in public spending and undermining the quality and resilience of public services. To achieve this, it will be important to involve local mayors and key stakeholders with local knowledge in the design of the recovery package and to use the latest innovations in public participation, such as citizens’ assemblies. Consideration must be given to embedding sustainable behaviour such as virtual working and pedestrianisation of streets.

A well-designed package for a sustainable recovery should help to redefine the UK’s place in the world. As the UK assumes the leadership of the G7 and works to deliver a successful climate change conference in 2021 (COP26), a domestic economic recovery that is sustainable, inclusive and resilient will provide added credibility to foster collaborative efforts to build global sustainability and resilience, and accelerate the transition to zero-carbon economic growth.


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