Clustering of AI firms in south and east of England will foil levelling up – report

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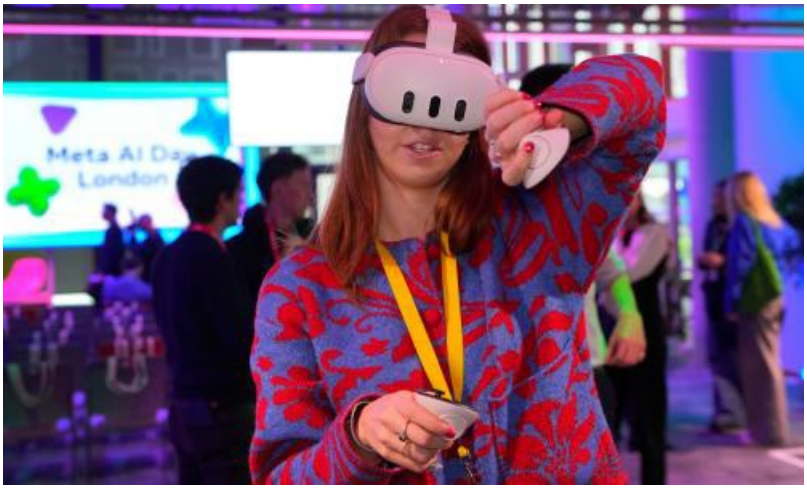

Investments in new technologies such as artificial intelligence (AI) are “profoundly skewed” towards the “golden triangle” of Oxford, Cambridge and London, and risk deepening existing regional inequalities in England, according to research. Ministers have promised to level up the country, narrowing the gap between the best- and worst-performing areas, but the rapid rollout of generative AI and automation could cut against that aspiration, according to the Institute for the Future of Work (IFOW). A new “disruption index”, developed by the thinktank, finds that funds for hi-tech innovation in England have been funnelled into a narrow area, in the south and east. “When hi-tech investments are made, their concentration into a few small geographic areas is so pronounced that they impact the prospects for the remaining large parts of the country,” the report says. The authors find that both public and private sector investment has tended to follow a similar pattern – and the geographically concentrated nature of it had “tightened,” over the period they studied. The lead author, Bertha Rohenkohl, said: “When you hear in the news that the UK has the highest levels of hi-tech investment in Europe and this sort of thing, maybe with a national average that might be true, but we know that these are only going to two, three, four places.” These include inner London, the home counties of Berkshire, Buckinghamshire and Oxfordshire, and East Anglia – home to the hi-tech hub of the University of Cambridge. From autonomous delivery robots bringing home shopping, to AI tools helping lawyers sift through reams of case law, automation and large language models such as Chat GPT are already transforming many roles. Some economists believe these developments may be “general purpose technologies” likely to have widespread effects on the economy, comparable to the discovery of electricity or the arrival of train travel. Prof Philip McCann of the Productivity Institute at Manchester University said the research underlined the importance of government intervention to ensure that the benefits of this transformation were fairly shared. He suggested the concentration of political power in the UK was partly to blame for the skewed pattern of investment. “The UK is still extraordinarily centralised, and has been becoming more centralised over the last 40 years, whereas the rest of the industrialised world has been doing precisely the opposite,” said McCann, who collaborates with IFOW. “Part of the problem is that all the signals in the state – institutionally, politically, legally, public policy and so on – have all been saying: ‘Well, this is where you put your money, put it here’ – and you get a cumulative process.” He urged the government to devolve skills and employment policy to local level, to allow regional economies to ready themselves for new technologies. The researchers collated information about the location of investment, including venture capital, research and development, and new patents. The full picture is only available up to 2020 – but Rohenkohl said more recent data for some factors confirmed the skew they identified. “I expect from the patterns we are seeing that we will

see even more inequality in more recent years," she said. The report also includes a "readiness index", aimed at identifying which areas have the conditions – including skills and infrastructure – to support hi-tech investment. The findings show regional inequalities here are less marked – suggesting the existing pattern of investment may not be inevitable. The Labour party has promised to make AI "work for everybody" if it wins the general election, though it is still working on a detailed strategy. The shadow secretary of state for science, innovation and technology, Peter Kyle, told techUK's policy conference last month that "new technology could strengthen our democracy, if we use it wisely. The wealth and jobs generated by advancement in scientific and computing power could tackle regional inequality, if we make it so."