LSE Works: What Works Centre for Local Economic Growth

Local Economic Growth: do we know (or care) what works?

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EVENTS

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LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

The challenge

Place	Region	Growth (%)	
		1991-2001	2001-2011
Great Britain		4.1	7.5
London	London	7.2	13.1
Birmingham	W. Midlands	0.5	7.9
Stoke	W. Midlands	-0.1	3.2
Manchester	North West	-1.0	9.3
Liverpool	North West	-2.1	1.4
Newcastle	North East	-0.2	4.4
Sunderland	North East	-3.5	-1.3

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Do we know (or care) what works?
The big picture

Uneven development: Economic drivers

Industry Group	Agglomeration
Average *all* manufacturing	0.077
Publishing, printing, repro of media	0.105
Advertising	0.137
Average *all* services	0.197
Motion picture, video and TV	0.222
Hotels and restaurants	0.224
Finance and insurance	0.251
Public services	0.292
Business and man. consultancy	0.298
Transport services	0.325
Manufacture radio, TV and comms	0.382

City	Working age pop %NVQ4+ (2010)
Oxford	53.7
Cambridge	50.7
Edinburgh	47.4
Brighton	44.1
Aberdeen	43.5
London	40.9
York	39.9
Cardiff	39.8
Reading	39.6
Dundee	36.5

Scatter plot with x-axis labeled "Individual Observables + Fixed Effect (Averaged 1998-2008)" ranging from -.2 to .2, and y-axis labeled "Area Effect" ranging from -.1 to .1. Labeled points include London, Slough, Reading, Guildford, Luton, Crawley, Keynes, Swindon, Birmingham, Stirling, Burnley, Edinburgh, Cambridge, Rugby, Warwck, Brighton, Staffrd, and others.
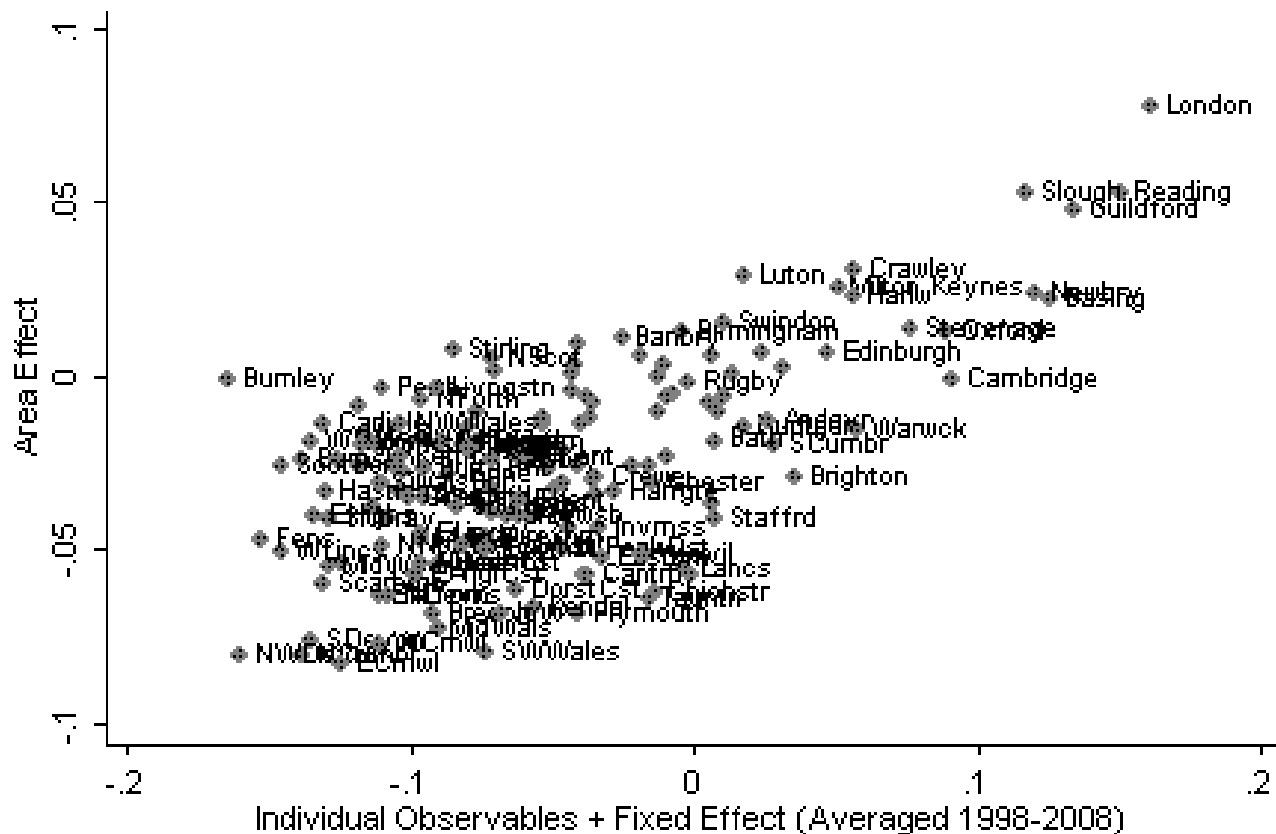
Uneven development

- Tech change and globalisation
    - Shift towards services that benefit from agglomeration
    - Uneven development

- Reinforced by two factors
    - Concentration of skilled workers
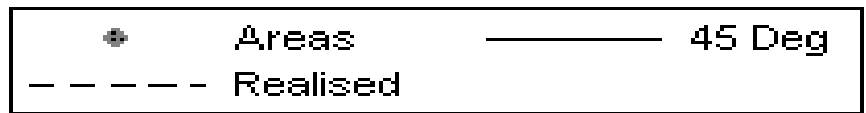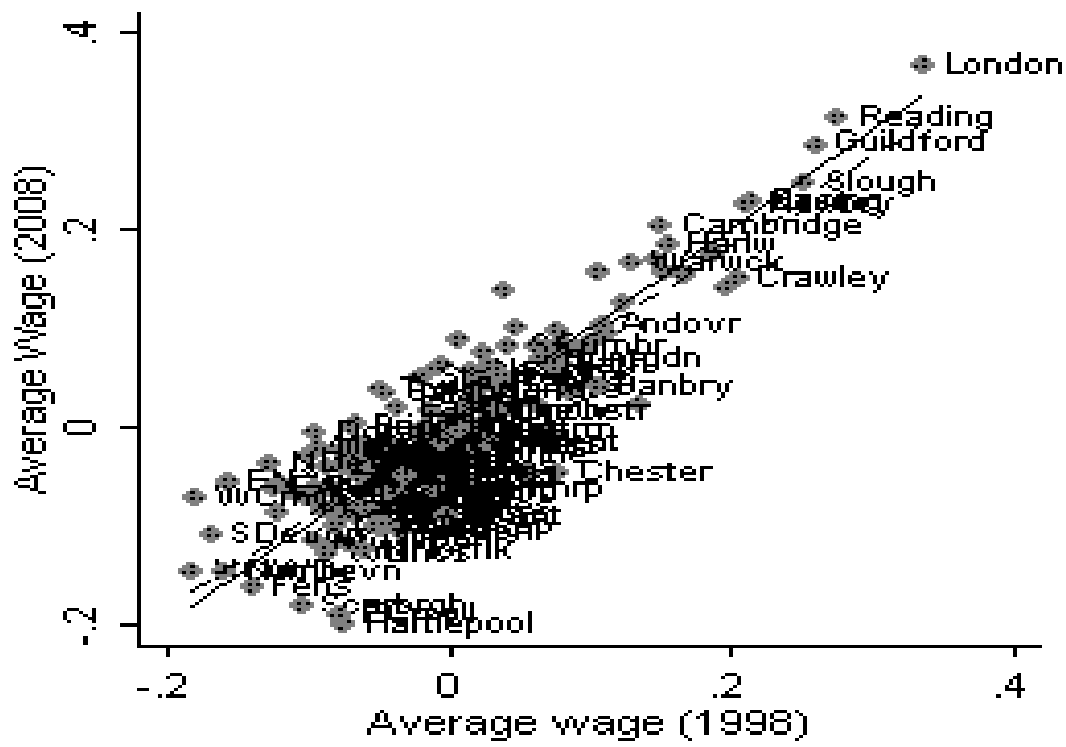   - (Potential) link between concentration skilled workers and strength of agglomeration economies

Understanding uneven economic performance

People versus place

	Max/Min	p90/p10	p75/p25
Raw	67%	26%	11%
Full controls	16%	7%	4%

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Persistence

Average Wage (2008) *(y-axis)*

Average wage (1998) *(x-axis)*

Labels visible on scatter plot: London, Reading, Guildford, Slough, Cambridge, Harlw, Warwick, Crawley, Andovr, Danbry, Chester, S Devon, Felix, Hartlepool

Legend:
Areas — Areas
——— 45 Deg
— — — Realised

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Do we know what works?

- Strong market forces driving uneven development

- Can use government policy to reinforce or counter these market forces

Do we care what works?

- Need realism on policy effectiveness and extent to which we can 're-balance'

- Difficult for constituency politicians

- (Incoming) governments fail to recognise underlying economic factors and extent of the challenge

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Do we know (or care) what works?
The detailed picture

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What Works Centre
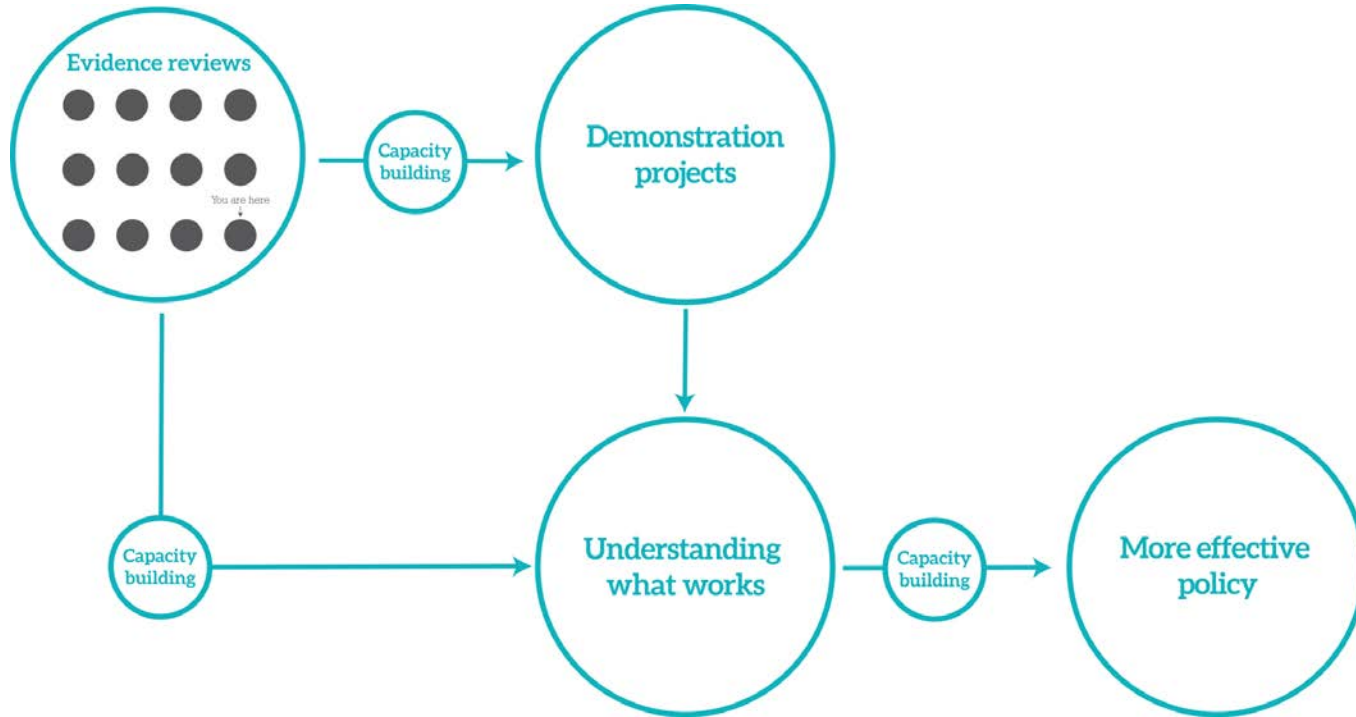
Impact evaluation

Evaluating impact

Evidence

Policy	# Studies	SMS3	Emp.	Positive
Access to Finance	1450	27	11	6
Apprenticeships	1250	27	9	7
Broadband	1000	16	10	5
Business Advice	700	23	17	8
Employment training	1000	71	65	33
Estate renewal	1050	21	5	1
Innovation	1700	63	10	6
Public realm	1140	0	0	0
Sports and culture	550	36	16	4
Transport	2300	29	6	2
EZ/EmpZ	1300	30	27	15
EU SF	1300	18	11 (GDP)	5

Toolkits: employment training

Policy Design Tool	What does it aim to do?	How secure is the evidence?	How much does it cost?	How effective is it?
Careers Counselling helps individuals choose appropriate training	Improve take-up and completion of training	🔓🔒🔒	£££	●●○
Financial incentives are payments offered before, during or after training	Improve take-up and completion of training	🔓🔓🔒	£££	●●○
Pre-qualification courses are a pathway to further education or training	Improve performance and completion of training	🔓🔒🔒	£££	●●○
Reminders provide people with information about their training by text or email	Improve attendance to training programmes	🔓🔒🔒	£££	●●●

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Toolkits: business advice

Policy Design Tool	What does it aim to do?	How secure is the evidence?	How much does it cost?	How effective is it?
Mentors are experienced business professionals who provide advice to SMEs	Improve firm performance and increase number of start-ups	🔒🔓🔓	£££	●●○
Public advisors offer advice on starting up or running a business		🔒🔒🔒	£££	●●○
Subsidised consultancy programmes provide grants or vouchers for firms or entrepreneurs that cover all or part of the costs of private consultancy services		🔒🔒🔓	£££	●●○
Tailored support provides advice tailored to the requirements of a business		🔒🔒🔓	£££	●●○
Training involves publicly funded courses for existing firms or for individuals aiming to start a business		🔒🔒🔓	£££	●●○

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Do we know what works?
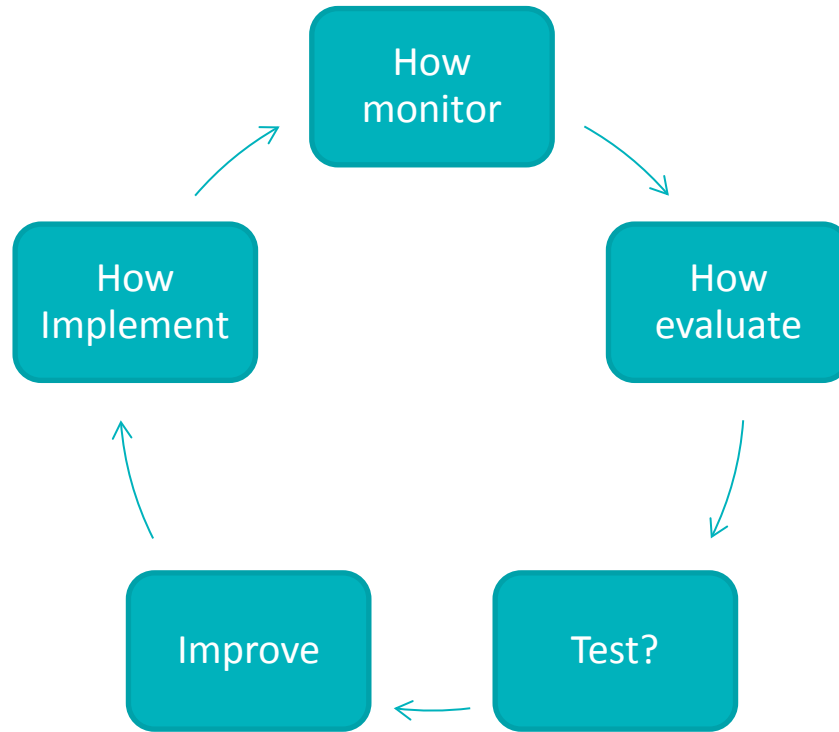
Know more than we used to:

- Relative effectiveness of different policies
  - Employment training vs sports and culture
- Relative effectiveness for different objectives
  - Innovation grants and loans (R&D or employment?)
- Relative effectiveness for different areas
  - Broadband (urban or rural; services or manufacturing)
- What determines effectiveness
  - In-work component of employment training
  - Selectiveness of area-based initiatives

But not as much as we'd like ...

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Learning from local interventions

Do we care what works?

- Understanding evidence and embedding in policy design is difficult – especially when goes against strong prior beliefs

- There are capacity and resource constraints

- Robust evaluation can be high risk / low benefit from a government perspective

- Centralisers vs localisers
  - Strong views not supported by evidence
  - No systematic pattern national/local effectiveness emerge (emp. training, business advice / finance)

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Do we know what works?

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So what works?

What works: The big picture

- Realism about underlying market forces
- Invest in infrastructure in areas where likely to increase productivity and generate jobs
  - Manchester/Leeds as heart of the Northern Powerhouse?
- Make sure people have the skills they need to access new jobs
  - Start early (Education Endowment Foundation)
- To improve outcomes for disadvantaged people, focus support on them don't rely on 'trickle-down'

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What works: The detailed picture