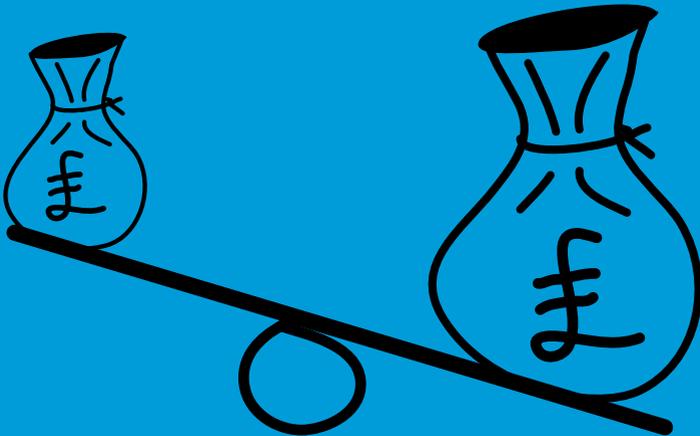




Centre for Local Economic Strategies



# **Big productive society: Making deprived areas strong again**

*CLEES and Furness Enterprise*

## About CLES

The Centre for Local Economic Strategies (CLES) is the leading membership based organisation in the UK dedicated to economic development, regeneration and local governance. Founded in 1986, CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also manages the monthly New Start online magazine through its new CLES Online service which provides comprehensive analysis and commentary on current policy and good practice. In all of CLES' work, the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme. For more information visit [www.cles.org.uk](http://www.cles.org.uk).

### Centre for Local Economic Strategies

Express Networks, 1 George Leigh Street, Manchester M4 5DL  
tel: 0161 236 7036                      fax: 0161 236 1891  
info@cles.org.uk                      www.cles.org.uk

CLES is a registered charity no. 1089503.  
Company limited by guarantee no. 4242937    vat no. 451 4033 86.  
CLES Consulting is the training arm of CLES European Research  
Company limited by guarantee no. 2467769    vat no. 519 493 812

### Furness Enterprise Ltd

Waterside House, Waterside Business Park, Bridge Approach,  
Barrow-in-Furness, Cumbria LA14 2HE  
tel: +44 (0)1229 820611              fax: +44 (0)1229 827226  
info@furnessenterprise.co.uk  
Registration number: 2622441

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# Big productive society: Making deprived areas strong again

The Big Society is about connecting up society in new, different ways; this offers an opportunity to question the current structure of local economies and the future development of place. To make some of the more deprived areas productive again, we need to connect up the various components of these places in new ways. For us a big, new, productive society for our deprived places is dependent upon a range of approaches, policies and ways of working, which we outline in this paper.

The economy is currently unbalanced both geographically and between sectors, with an over reliance on financial and professional services based in the South East. Clearly, this needs to be addressed and this paper states the case for locally tailored, Assisted Area policy being an important tool in achieving this.

As localism has moved up the agenda, enterprise policy has moved in the opposite direction. Approaches that offer individual, tailored interventions, such as Grants for Business Investment (GBI), are to be cancelled as the Government considers a new slim lined business support portfolio.

The evidence presented in this paper shows that Assisted Area policy delivers the objectives of the new government, as well as making economic and social sense. Highly focused and targeted assistance can help create new jobs and 'quick wins' for both government and local communities, and help build the Big Society through increasing social capital.

Continuing Assisted Area funding, together with other targeted interventions will also tackle entrenched problems and ongoing market failures in struggling places, developing their ability to be self-sustaining.

Sustainable economic growth in Assisted Areas, and the social benefits this brings, is unlikely to occur if unassisted by public resource. If specific support is not available, it is unreasonable to expect anything but decline, particularly in areas impacted by public sector cuts. Such resource must be more than that provided by the Regional Growth Fund, which on its own will not solve the issues of areas with weak local economies.

## **The myths about Assisted Areas**

### ***The Assisted Area funding programme props up failing places and would be better spent elsewhere***

Evidence suggests otherwise. Incentives such as GBI have proven to be important for increasing levels of business investment in the UK and in creating and safeguarding jobs across the country – a cost effective solution to creating significant levels of private sector jobs, and there are numerous examples of the return on public investment of funding.

### ***Assisted Area funding has not been effective in boosting struggling economies***

The impact of Assisted Area status and funding should be judged relative to what would have been the case if the support had not been provided. Area assistance has had a positive impact and helped areas move forward, creating jobs and investment to a value that far exceeds the level of support given.

### ***Assisted Areas will have to be funded indefinitely***

There is no suggestion that places with Assisted Area status will always have a need for specific funding, for example GBI. The current Assisted Area funding regime can be central to the Government's aim in spatially rebalancing the economy. Area assistance should help places become self-reliant, with the support carefully withdrawn as this becomes evident; however the Government must ensure that Assisted Areas are supported as they continue to enhance their economic vitality.

## **Considerations in the design of economic policy**

There are a number of considerations which the Government needs to address in the design and delivery of its emerging economic development policies.

### ***Targeting public resources***

Evidence suggests that the most effective use of resources would be to target individual businesses to create the highest return on public investment. Assisted Area funding has provided incentives for individual businesses to invest and helped areas which are not economic growth nodes to markedly increase their resilience, providing considerable value for money.

### ***Rebalancing the economy***

If local support is not available to Assisted Areas then decline will be at a heavy cost, particularly in terms of public resources. It will also mean that we are further than ever from a sustainable and balanced economy. Rebalancing the economy also requires increasing manufacturing activity;

the Government should harness the legacy in manufacturing that is within many areas with Assisted Area status.

### *Creating sustainable growth*

There is a need for places lacking a strong private sector to diversify and build a solid footing in other industries, particularly in the post-recession environment. Targeted assistance and funding through GBI could help break into new markets and ensure that Assisted Areas are more resilient in the face of future economic shocks through developing and strengthening a range of sectors. Such policy will trigger transformation from state dependency to self-sufficiency.

### *Developing a skilled workforce*

Both upgrading local skills and addressing the jobs gap must be addressed together. To be efficient and cost effective, training opportunities need to be tied into local job opportunities where possible. Simultaneously targeting the jobs and skills gaps in Assisted Areas is crucial for their economic future, helping to attract further investment and helping such places become self-reliant.

### *Big Society*

Assisted Area policy will be important in helping the Government achieve its objectives of Big Society. The Government states that it must help build up the Big Society, and support for Assisted Areas is exactly the help that such places need before they can create an activist civil society and enhance social capital – if the support is not available then the ability for communities to become the focus of Big Society activism is eroded as they are left to decline.

## **What might a future area based policy look like?**

The key elements of a targeted area policy in the future could include:

- **retention of GBI** – retention of GBI will provide sustainable job creation in qualifying areas and open doors to new and emerging markets through increased levels of business investment and expanding horizons in terms of demand;
- **acknowledging the jobs gap and acting on it** – ensure active engagement and support to help stimulate private sector job creation. This would be through both grant aid to attract investment and providing a stimulus for organic growth and new starts;
- **addressing skills issues to complement actions in tackling the jobs gap** – this will ensure that we are not wasting existing

(and latent) talent and helping raise aspirations of young people to gain higher level vocational qualifications which are linked to local job creation programmes. A key element of this policy ambition is to ensure that jobs being created through new business investment are able to be taken up by the local population;

- **further diversification of the economy and increasing capacity for the business base to innovate** – continuing to provide support mechanisms for the development of a broad and diverse local business base, an environment conducive to innovation, ensuring opportunities for all local people;
  - **a locally led approach** – All of this would be done with a firm understanding of the local context, and using delivery bodies relevant to the nature of the support, which would help focus resources appropriately. This will ensure efficiency and value for money through highly focused policy being targeted on specific industries, firms and individuals.
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**For a copy of the full report, please visit CLES' website:**

**[www.cles.org.uk](http://www.cles.org.uk)**



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Express Networks • 1 George Leigh Street  
Manchester M4 5DL

tel 0161 236 7036 fax 0161 236 1891  
info@cles.org.uk www.cles.org.uk

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