



Spatial Economics Research Centre

Thursday, 12 April 2012

Local Economic Development in the UK

Some thoughts on LED policy in the UK following a Work Foundation event on Local Economic Development in the UK (I was on the panel, along with David Bailey from [RSA](#), Neil McInroy from [CLES](#) and Lizzie Crowley from [TWF](#)):

1. There was broad agreement, not surprisingly, that we were seeing big changes to the institutional framework but less agreement whether on balance this involved more or less localism. The new system involves more local control over housing, transport and planning but more central control over industrial and skills policy (to the extent that Regional Development Agencies were actively involved in the latter). I am not sorry to see less local industrial policy (e.g. cluster policy, complex attempts to create innovation systems, targeting particular sectors etc) because I don't think the evidence on its effectiveness is compelling. I am more ambiguous on local versus central skills policy and broadly supportive on localising housing, transport and planning
2. That said, David Bailey made the point that while the old RDAs were criticised for not matching up to 'functional economic geographies' many of the new LEPs don't do any better. Directly elected Mayors for individual LAs are set to further exacerbate that problem. This is an issue that will eventually need to be tackled if new local arrangements are to work as well as they could (there's also the question of the resourcing of LEPs which remains a significant issue).
3. Assuming there is broad agreement that skills matter (and there was yesterday) what is the appropriate policy response? I think it's helpful to think about this in terms of attracting and retaining skilled workers versus 'producing' them. In terms of attracting/retaining it's clear that London and the South East have a massive advantage (indeed, this is what drives much of their superior economic performance). Clearly a lot of what drives this concentration are the opportunities in those areas, which (partly) arise because of the geographical concentration of all those high skilled workers. These kind of self-reinforcing mechanisms are very hard to counter which is why I tend to argue that places outside London and the South East should focus much more on amenities and costs of living - areas where they have strong policy levers (e.g. through the planning system)
4. In terms of 'producing' more skilled workers, I worry that there is way too much focus on higher level skills and not enough on the basics. I personally think the evidence is clear that early years and schooling should be central to any LED policy. Not only do these policies directly target one of the central problems faced by poorer families, but good local schools also help attract and retain already educated workers.
5. Aside from these broad suggestions, I have no idea whether skills policy needs to be individualised, localised or centralised. People appear to have strong views on this and I believe that the rest of the panel yesterday would argue for localisation (as would many LAs) but I don't know that we have strong evidence to support that position.
6. Another area of disagreement concerns the localisation of broader labour market policy. Again, I think that the other panellists yesterday would favour more local policy making in this area, but I remain to be convinced. Local policies have the scope to worsen, as well as possibly improve, the flow of benefits in to work. I haven't yet heard any LA coming up with a proposal of how it would share those risks with central government. In the absence of that, I have sympathy with DWPs position on localism (given that the policy is now highly individualised anyhow).
7. Finally, I suspect that the biggest disagreement of all is that I remain convinced that the focus should be on people, not place. I would be happy with better individual outcomes even if this means larger spatial disparities. Not a view shared by many constituency based policy makers.

Posted by [Prof Henry G. Overman](#) on [Thursday, April 12, 2012](#)

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