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Spatial Economics Research Centre

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Regional Growth Fund Round 1

The government has [announced the first round of projects](#) that will be supported by the Regional Growth Fund. We are told that: "The government will invest £450m RGF support in 50 successful bids to lever in £2.5bn in private sector investment that will create or safeguard over 27,000 direct jobs and close to a further 100,000 indirect jobs."

With the details provided (severely curtailed by confidentiality requirements) it is essentially impossible to provide any analysis of whether it will achieve this on the basis of the list of schemes agreed.

Instead, it's worth thinking about the implied cost effectiveness of these grants. Writing in 2005, SERC affiliate Colin Wren reviewed the available evidence on [the impact of Regional Selective Assistance](#) (a competitive scheme for allocating money to firms in depressed areas). The estimated cost per job ranged from £8,000-£21,000 (in 1995 prices). If the RGF of £450m delivers 127,000 *additional* jobs that suggests a cost per job 'created' by the government of just over £3,500. In short, if these numbers played out, this would be a remarkably effective intervention relative to existing schemes. Of course, there is another more depressing possibility ...

All of this ignores the issue of whether these jobs are truly additional as well as the fact that government funds the RGF through taxes on other firms and consumers or through borrowing (thus "destroying jobs"). In short, for many reasons, governments ([and not just this one](#)) find themselves on tricky ground when they try to talk about the way in which government expenditure "creates jobs".

Finally, a little exam question (*not* to be taken seriously): If the coalition spending plans differ from labour's by £2bn (or £5bn or £40bn - [take your pick](#)) how many jobs would spending this through the RGF "create"?

Posted by [Prof Henry G. Overman](#) on [Tuesday, April 12, 2011](#)

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