

## Growth & the Growth Review

In November 2010, the Chancellor of the Exchequer and the Secretary of State for Business, Innovation and Skills launched the **Growth Review** to undertake a thorough assessment of how Government can help create the conditions for growth. One year on, is this programme removing barriers to growth, including on planning, regulation and access to finance? And what are the implications following the Chancellor's Autumn Statement 2011?

On Thursday 15 December 9.00-10.00am, Rose Regeneration and East Midlands Councils (EMC) hosted an online debate about the economic growth and the Growth Review. This was held on the Local Economic Growth Network (LEGN) community of practice: <http://tinyurl.com/24dxsgq>

The debate was intended to provide opportunities for Members to discuss job creation and employment, skills, rural economy and local infrastructure. Importantly, the session looked at: "is growth easy to commit to but hard to actually do?"

The debate was chaired by Professor Glyn Owen (former director of the Policy Research Centre at Sheffield Business School), with panellists including Matthew Wheatley (D2N2 Local Enterprise Partnership), Dr Gary Bosworth (Lincoln Business School) and Roger Turner (formerly the Commission for Rural Communities).

### Introductory remarks from the Chair

Since the 1930s, the UK has enjoyed consistent economic growth (with upsets - 1974, 1981, 1991) at around 2% a year, allowing for simultaneous expansion of public services and private consumption and, roughly, a doubling of living standards each generation. What interests me is whether the recent recession marks a fundamental break with the past 75 years or whether - as official forecasts suggest - it's just another recession (albeit a bad one) after which normal growth will resume? Is there a need to contingency-plan for austerity lasting decades? What would such a world look like? Do Government plans (e.g. measures contained in the Growth Review) offer a way to restore the broken growth machinery?

### Growth Machinery?

I don't remember the 1930s myself but in response to the Chair's opening comments, it does genuinely seem to me as if this marks a real long term departure. I wonder if the growth of the East is the underlying factor rather than short term capitalist greed? What I am sure of is that the Government's current eclectic response to the issues - creating strange semi-quangos and announcing one off "from nowhere" investments such as the current £500 million in the Growing Places fund doesn't seem like a well measured response

*Ivan Annibal, rural practitioner, Rose Regeneration*

Having given some thought to how we will tackle future growth needs, it seems that the traditional spatial investments will become increasingly limited as international competition and both national and international regulations make it more difficult to dictate where new job-creating industry is located. The current battle to be the centre for renewable/tidal/wind power across each of the UK estuarine regions seems to highlight the shortage of genuinely innovative sectors in which the UK can still try to claim a competitive advantage. In response to the Chair's question about "broken growth machinery", it is perhaps more a question of whether the new global economy requires new

ways of thinking about growth. I wholeheartedly agree with Ivan in that the one-off responses give the impression that there is no grand strategy for growth. I think the one-off strategies are part of a wider view that local areas are best placed to drive growth and the one common theme in all of the new funds is a need for local groups to bid for funds. As a policy for social development, this has some merits but whether this is a realistic way to deliver economic growth seems to be much more questionable. Resources will go to areas with the internal capacity to win funding which will see core regions continuing to dominate the national economic picture. This is further emphasised by funding for rural areas (most of which is simply re-packaged EU money from the RDPE and not new contribution from government) which is tokenistic and not sufficient to drive the level of growth needed to overcome the current economic crisis.

*Gary Bosworth, Reader in Enterprise and Rural Economies, University of Lincoln*

If it is a real departure, we had better start thinking what to do when real terms increases in the NHS or state pensions or education, within a fixed or slowly growing pie, mean real term decreases in private consumption. This will mean a new 'settlement' in British life, I think. Much better to get back on the growth track but I agree that the current tinkering isn't enough to do that. Gary makes a good point about the industries where we do enjoy growth opportunities and competitive advantage, yes in renewables but also in universities, science, R&D, culture and the City and all its ramifications (shipping and accountancy as well as banking). We need, I think, to protect and promote these as well as pursuing supply side change vigorously - perhaps especially in planning and in the labour market. Even so, I'm not sure it will work, hence the need for really deep thinking about how to make the UK bearable if it doesn't.

*Glyn Owen, Online Debate Chair*

## **Rural Economy**

I do wonder what participants think about the latest rural package in the growth review announcement? I am particularly interested in the idea of rural growth networks and wondered if anyone else was thinking that issue through?

*Ivan Annibal, rural practitioner, Rose Regeneration*

I agree with previous assessment and comments that new approaches and not just repackaged and token gestures are needed, as has been made in much of the Rural Economies Growth Review. Following that theme, I would like to suggest we need very new approaches to recruitment - shared perhaps not just treating it as one employer takes on one employee approach. Policy makers at national level at least are focusing on private sector job creation as THE measure of successful growth, yet responses to survey after survey and commentaries from many firms, indicate that micro businesses are reluctant to take on staff, even if they are planning to grow. We also have a sizeable generation of graduates now in the market unable to find graduate level jobs, so our young unemployed are not just unskilled, poorly qualified, unambitious. Don't we need new strategy, new thinking about how to help micro-firms to recruit and retain ---- is it time to revisit recruitment firms and agencies that micro firms use to have extra staff without the hassle and help employees become portfolio employees? Is it time to explore shared apprenticeships and similar so that young people can gain work and skills, not dependant on one very small employer alone?

*Roger Turner (formerly the Commission for Rural Communities)*

I'd be interested to go into that idea in more detail. With your rural hat on Roger, is it a model that could work in a rural as well as urban setting? On the issue of young people being poorly qualified or unambitious, how can those of us lucky enough to be in employment help bring them on?

*Will Morlidge, Assistant Director East Midlands, BIS*

Yes Will it can work in rural areas indeed the Scottish Government's rural employability network is currently considering a proposal I made to bring more of this into being. They have been paying employers to take on young people longer than the UK Government have) but an example of how it will work was presented at the Skills Olympic I think this year by the Carmarthenshire Construction training group, who have over the last three years successfully coordinated about 30+ apprentices working across about 50 local employers, with input from the local FE college and the Welsh Government. I believe that you can take it to several very small employers in very small communities and create shared work plans for new recruits who build upon their skills by working for several firms - under a plan that these employers create and with external co-ordination that helps both employers and workers.

*Roger Turner (formerly the Commission for Rural Communities)*

Roger that sounds an interesting model. Thinking about funding outside the devolved administrations I wonder if any of our LEPs is thinking in terms of using projects supported via GPF to provide this kind of opportunity? Or am I running before I can walk?

*Will Morlidge, Assistant Director East Midlands, BIS*

Roger is surely right to say we need new thinking about helping micro firms to recruit and retain. Question is whether to go the supply side route (bonfire of employment rights, restrictions at least at the margins on minimum wage), which may be harsh but effective, or the intervention route, at which Roger seems to hint, which will not be harsh but may be less effective.

*Glyn Owen, Online Debate Chair*

The striking thing about the rural growth review generally was that it is just tinkering at the edges...e.g. £2m for women-led enterprises is great for diversity of rural economies, social and community sustainability etc but it will not create the jobs needed to overcome the bigger economic issues. In a time of economic prosperity, the rural growth review would look great for providing a boost to rural areas but with low demand, high unemployment, high inflation etc, community groups and volunteer organisations need to see a strong macroeconomic policy to give them the confidence to act. Very good point Roger about the need to look at existing firms. It is so easy to try and focus policy on new firm creation, new employment land etc but overlook the firms that are fighting for survival and would like to recruit people with a fraction of the support that new start-ups might receive. Talking to regeneration policy officers in Gainsborough yesterday, they are on the ball in recognising that as a growth point, new job creation has to build on what they already have and to get the buy in of local people and local firms, this must involve the support for existing firms. One big problem in smaller towns though is the motivation of the workforce, or at least the perception of employers that they have low-skilled and unmotivated local workers. How can this be tackled?

*Gary Bosworth, Reader in Enterprise and Rural Economies, University of Lincoln*

## **Local versus Regional?**

I agree that the lack of 'predictable' funding from government for local economic growth is a real challenge for everyone working in this area. (The point about Growing Places Fund underlines this.) What it does mean is that local areas (through their LEPs) need to be very focussed about their priorities and have their planning in place to utilise any funds that do come their way quickly and efficiently. In term of the underlying trend and whether we ever see growth like we have done in the past, increasingly I have been seen people pointing to Japan as a model of 'managed growth decline.' Not cheerful - but at least a start?

*Maria Lyle, Assistant Director, BIS East Midlands*

Maria, I do agree about the need to be quick off the mark. I did eventually get bogged down by the previous deterministic approach to regeneration which put everything in its place, measured it and hypothecated funding based on "fair shares". I know I could be accused of "wanting my cake and eat it" but I wonder if we have gone too far the other way now and the lack of regional organisation, collaborative planning and joint working in terms of economic development activities which has been replaced by something of a competition culture is not in its own way just as bad? I am sure people can still collaborate if they wish but it is harder in this new almost "no rules" culture?

*Ivan Annibal, rural practitioner, Rose Regeneration*

I think the recent apprenticeship announcements have sought to support SMEs, however I take that point that they would still not be enough for many micro-firms.

*Maria Lyle, Assistant Director, BIS East Midlands*

As Maria says, Japan is a good parallel, especially as one can pinpoint almost to the day (well, year) when the post-war Japanese miracle ended. I sense that our debate is going two ways - the grand prospect, and what can be done locally/regionally and on the latter, especially if growth continues to be weak, surely the focus should be on things e.g. planning reform that don't cost much, but can have a major impact (?)

*Glyn Owen, Online Debate Chair*

I think the hope is that joint working and collaboration will emerge as working relationships mature. The challenge of course is whether LEPs have the capacity to look outward to develop these networks, given that most of them are so lean in terms of staffing. A competition culture can obviously be a good thing; however we are also overtly seeking to rebalance the economy from south to north and from public to private, so pure competition as the only force may make it difficult to do that. It is this problem - how we in government understand it and mitigate it - that occupies some thoughts at the moment.

*Maria Lyle, Assistant Director, BIS East Midlands*

Maria, I agree with your concerns about lean LEPs and other bodies looking outwards and sharing ...and could one suggest that this is an ideal role of central and regional government: to be the eyes, ears and voice that looks out for new and working approaches and makes them known - whether from Japan to Wales, or Northumberland to Peak District. After all different departments have their LEP/ LAs networks and routes of communication!

*Roger Turner (formerly the Commission for Rural Communities)*

I agree things are just bedding down, but in many cases it is the same faces running the things with new names - and they should still remember how to collaborate! On a more positive note, the removal of the regional default position does mean that people can find areas of common spatial interest across England in relation to issues such as coastal development etc. Coming back to the growth review announcements - is much work being done at a regional level to promote engagement from LEPs and more interestingly still - directly from local authorities?

*Ivan Annibal, rural practitioner, Rose Regeneration*

Is there a sense among LAs and LEPs that there is a greater emphasis on competing for funding and investment to stimulate any growth, or is competition encouraging a focus on the core strengths of a local area to maximise growth that will be sustainable? I fear the latter may not be happening in the fight to draw in whatever funding opportunities still exist.

*Gary Bosworth, Reader in Enterprise and Rural Economies, University of Lincoln*

I think Govt Departments are all starting to do exactly what you say and engage with LEPs over their agendas. This can be a problem in itself, as in my experience most LEPs do not have the capacity to engage with multiple Departments - and don't want to. Part of what Will and I do is to try and work with other colleagues in government to help them understand what the priority sectors are for each LEP and therefore what Departments should be engaging with them. The BCC lead LEP network should also be picking up some of the 'eye, ears and voice' as you describe it. In government we can be guilty of seeing only departmental agendas, and not 'places' - the Network should be ensuring that working approaches are made known to all LEPs. I should say, of course, that BIS has elected to have teams across the country precisely to add 'place' to its policy making. I am not saying that it has succeeded yet - but we are trying!

*Maria Lyle, Assistant Director, BIS East Midlands*

I know EMC is planning to do some work with DCLG to help ensure LEP and private sector engagement on ERDF. Most of our LEPs are at least talking to their neighbours on things like GPF and RGF. I've not got much intelligence yet on how LEPs and others are planning to take advantage of the skills-focused GIF funding. In terms of regional coordination, I think BIS and other Government colleagues are ready to help, but in the new landscape and localism, it really is for the local areas to decide if some help on the bigger than local level would be helpful.

*Will Morlidge, Assistant Director East Midlands, BIS*

What are the challenges for enabling growth at the local level and the balance between 'crisis management' and long-term fundamentals?

*Matthew Wheatley, D2N2 Local Enterprise Partnership*

Some very good and interesting ideas here about making best use of diminishing funding, and achieving incremental change, but does anyone get the sense that we need some new thinking about the overall development of regional and local economies - a la John Birt blue sky thinking, to take a desperately unfashionable conjunction of name and phrase?

*Glyn Owen, Online Debate Chair*

## **Planning Reform**

Glynn - What would be your wish list for the planning changes?

*Maria Lyle, Assistant Director, BIS East Midlands*

Maria, I think we are too precious and far, far too slow with planning. A permissive approach under which the presumption is that property owners can do as they wish is needed, yes, indeed, protect the Lake District and prohibit soap boiling in residential areas, but accept that much of England is not of high amenity or agricultural value and is suitable for development: Why are house prices prohibitively high for the young and in rural areas? Why does development cost so much? Ultimately it is because the supply of land is restricted by planning rules and this surely needs to change.

*Glyn Owen, Online Debate Chair*

Maria, my first wish list for the planning framework, is that we refocus the debate away from grand housing schemes, and demonstrate the intention of the presumption in favour of sustainable development in terms of enabling (for example) rural and other firms to expand on their site without being (repeatedly told in some authorities) that their type of business activity is "inappropriate for a rural area" or out of keeping with sites now surrounded by housing, when they were there long before the housing....and that we look at using it - again in new ways in smaller settlements to link

expansion of the existing firms, with small housing developments that provide for the workforce that the firm can't retain in the local area because the workforce can't afford the local house prices. The debate is being hijacked and we need to bring it back with real examples of what it will mean for many!

*Roger Turner (formerly the Commission for Rural Communities)*

## **Private Sector Jobs**

We are investigating the US Economic Gardening model, which is focused on local solutions and high growth businesses- regardless of sector. Some useful summaries at

[http://growinglocaleconomies.com/economic\\_gardening](http://growinglocaleconomies.com/economic_gardening)

<http://www.kauffman.org/advancing-innovation/economic-gardening.aspx>

I wonder if people have any views on this, particularly given the potential changes to the provision of local business link services.

*James Cushing, Head of Economic Policy, Central Bedfordshire Council*

I like the economic gardening idea...although it will depend on the infrastructure and wider economic conditions as well as on the local capacity. Along with former colleagues at the Centre for Rural Economy (Newcastle University) we have been banging on about neo-endogenous development which basically means doing things as locally as possible but recognising the importance of using extra-local connections. With the strategically advantageous location of Bedford, I can imagine economic gardening being a useful model but take East Lincolnshire, the potential for a firm to expand may still be hindered by the lack of connectedness beyond the local area.

*Gary Bosworth, Reader in Enterprise and Rural Economies, University of Lincoln*

## **Social Enterprises and other models for growth?**

I'm interested in how we make better use of existing resources, and growth involving social enterprises and other models that increase social and environmental value as well as economic. At the very least that partnerships can add value to quality of life, without the growth always being economic. In particular, as a charity that specialises in allowing young people and graduates to contribute to sustainability through working and learning, I'm keen to know what the panel think about both the need to engage NEETs and graduates, and how to make best use of their skills, knowledge and passion, and provide with them with tools to be social entrepreneurs?

I've been talking to people like Enabling Enterprise, Young Foundation, Commonground, Livity and so on and there are some great nebulous ideas out there. How can we support the innovation and schemes and start to make new economic models that do not rely on simply creating more products people cannot afford to buy during a period of recession. Saving money on what we currently do and need and re-investing seems a better way to kick-start local economies and growth, as does providing tools for young people to be creative, entrepreneurial, employable and confident active citizens.

We currently run a not-for-profit paid placement system where we charge for recruitment, training and support and place graduates in a number of sustainability roles in the private and public sector, providing the client with talented people, and the graduates with vital experience, employability training and support. But this reaches only about 1% of the people registered with us, and with our supported volunteering schemes, still only around 2%.

In rural areas, there is even more of a challenge due to the extra mobility costs and difficulty in getting affordable housing, not to mention new jobs. There are a lot of sources of funding to

radically alter how communities source food and energy, adapt to climate change, and increase resilience, and I think it's a really opportunity to engage those young people and graduates. If you are interested in talking to us, please contact [jonathanward@changeagents.org.uk](mailto:jonathanward@changeagents.org.uk)  
*Jonathan Ward, Change Partnerships Senior Coordinator, StudentForce for Sustainability*

Jonathan, you might want to talk to the regional lead on Big Society and VCS issues, [alison.adams@cabinet-office.gsi.gov.uk](mailto:alison.adams@cabinet-office.gsi.gov.uk) Northampton University is doing some interesting work on social enterprise spin-outs, and no doubt our other universities are too.  
*Will Morlidge, Assistant Director East Midlands, BIS*

I wonder what interesting thinking is emerging in those EU economies which have been bailed out about new micro bottom up approaches in the view of the loss of any medium term macro economic development in their own terms. I was chatting to someone from Ireland a month or so ago who said there had been a big upsurge of interest in alternate economic development approaches based on mutualism and activities outside of the traditional economy. Food for local thought?  
*Ivan Annibal, rural practitioner, Rose Regeneration*

## **Closing Remarks from the Panel**

My departing thought, particularly following Jonathon's excellent exhortation to think about growth that is not just create more produce and services, but grows people and communities in more holistic ways and through different routes, is that the New Way for local and regional economies is to rule nothing out and everything in. Don't let economies be bound by traditional thinking, but we do need to assemble many new pieces of these jigsaws in different ways, using skills and ideas, to form new economies and communities.  
*Roger Turner (formerly the Commission for Rural Communities)*