

# POLICY INTERACTIONS AND OUTCOMES IN DEPRIVED AREAS

## FINAL REPORT

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## **Executive Summary**

A.1 The aim of this report is to interrogate the nature of the 'enterprise gap' in areas of deprivation, with a view to providing a rationale and detailed pointers for further research to help policy-makers better understand the nature of policy interaction and policy outcomes in different areas. As part of this work we have undertaken pilot research in three districts of West Yorkshire, the results of which are presented here.

A.2 While many evaluations of policy measures and area-based initiatives have been produced, none are of the form that readily addresses the questions being posed by this study. What the available academic work does do is highlight the many pitfalls awaiting the naïve evaluator. The literature review established that differing types of area of deprivation are likely to experience differing combinations of 'deprivation' problem, albeit ones that are broadly recognisable from one place to another. The implication is that enterprise policy could and should be expected to work differently in different types of areas.

A.3 The policy literature and data on the 'enterprise gap' in deprived areas provides convincing evidence that there are major differences between deprived areas and others. However, we are concerned that it is a long step from revealing statistical patterns to proving a causal link exists between levels of deprivation and levels of enterprise, particularly at very localised scales. Quite simply the data are inadequate to allow this type of claim. It is for this reason that detailed qualitative work is required of the type reported on here.

A.4 The West Yorkshire pilot work indicated the value of acquiring knowledge about local conditions, including policy histories, population dynamics, settlement patterns, local geographies of wealth and deprivation, and so forth. It is precisely this local knowledge that allowed us to begin to appreciate how and why national and regional policies have developed distinctive local manifestations.

A.5 Our findings suggest significant degrees of context dependency, influencing how and why national policies map out differently in different types of area. Key issues include access to government funding regimes which varies across areas, and levels of access to markets for enterprises themselves.

A.6 We concluded from our review of the literature that the evidence base for policy in this area could usefully be added to. We begin to explore how to do this in the current report, using case study work to reveal the potential of qualitative research to examine what effective policy looks like at the ground level. A

specific aim of this aspect of the report was to examine in detail the question of 'what works best where and why' across different types of locality.

A.7 The case study work involved exploring the working of enterprise policy at a variety of spatial scales, in a variety of locations with a cross section of policy actors. The small scale of the survey clearly limits our ability to generalise the findings – what it does do is highlight the value of a multi-scalar methodology, even for locality based work. It also sets out some important findings which merit further exploration, not least the reasons for the limited amount of policy interaction to date and the unevenness with which policy interaction is emerging across policy domains. In particular, the apparent concerns about the limited interaction between enterprise policy and learning and skills policy is a puzzling finding in light of government policy in this area.

A.8 The main findings of the case study work included:

*Policy interactions in deprived areas:*

- Questions were raised by our interviewees about the match between policy support and local needs. For areas of deprivation particular barriers to enterprise included the educational and training levels of individuals, their aspirations, and local market conditions, in terms of purchasing power in particular, but also concerns about crime, property prices and the availability of suitable premises. It is also fair to say that many argued that for businesses themselves, it was often access to finance which was their main concern.
- For those we interviewed enterprise policy is clearly not perceived to be leading the regeneration agenda in any part of the study area – indeed there were grave misgivings about enterprise policy being given such a leading role. Whilst there is clear evidence to suggest unfulfilled enterprise potential exists in these areas, it was felt unrealistic to assume that there are large numbers of people experiencing deprivation who will be best assisted by enterprise policy directly.
- We found plenty of evidence of attempts at policy integration across a small core of related policy domains, notably local economic development and area-based initiatives. Perhaps surprisingly we found little evidence of active policy integration outside this small core of related policy domains – there was little involvement with social policy actors as far as we could ascertain, and little sense that this might help.
- We encountered widespread concerns about fragmentation, confusion and poor coordination for enterprise policy itself when viewed from the local level. Where these issues were being addressed, mainly through area-based initiatives, this was perceived to make a difference. Regional and sub-regional

coordination was by contrast perceived as something of a success story in terms of clarity of purpose.

*Policy outcomes in deprived areas: the troubled metrics of enterprise and regeneration policy*

- It is difficult to provide clear evidence of the benefits of enterprise policy at the local level. At a philosophical level, every one agrees that opportunity for all was important. People had a right to be given equal access to government assistance in setting up businesses. But many people struggled with accepting that low levels of enterprise in particular areas actually reflected a failure of opportunity or policy in enterprise policy so much as a wider set of personal and institutional barriers to social inclusion.

*The difference that place makes*

- There clearly *are* important locality effects in terms of how enterprise policies are delivered. Coalfield areas clearly are distinctive for instance in terms of cultures of enterprise. So too are inner city and peripheral estate areas, not least as they have different levels of access to purchasing power, often an important issues for new businesses. We argue that it is important not to get too preoccupied solely with local issues, however, and to analyse them in terms of sub-regional and regional contexts.

*Policy disconnects*

- Given the emphasis on policy interactions, it is worth emphasising that where it worked well, regeneration and enterprise support policies could and did work together well. The main areas of policy disconnect which emerged from the case studies were, at national level, some of the policies of DWP, at the sub-regional and local levels, education and skills training in support of enterprise, and at the local level between enterprise support delivery and aspects of social support.

A.9 In the final section of the report advice is provided on how future research in this area might be structured, together with an indication of likely costs, timescales and attendant risks. A review covering each English region could cost up to £1m. Less ambitious studies could be carried out at a much reduced cost.

# Section 1 Introduction and Rationale for the Project

## Purpose and aims of this report

1.1 This project was set up to examine from a bottom up perspective 'Enterprise policy: policy interactions and policy outcomes in deprived areas', with a view to exploring how policy comes together in different types of locality. In pursuit of this goal the project had three three key strands:

- A review of the relevant academic and policy evaluation literatures.
- A review of existing secondary data.
- Development and testing of a detailed methodology for the a future larger scale evaluative project.

1.2 This report comprises eight parts:

- I. The remainder of this section, which examines the main rationales for developing further work towards a research project to examine 'Policy Interactions and Outcomes in Deprived Areas';
- II. An overview of the methodological approach undertaken for this project;
- III. An overview of policy developments in this area since 1997;
- IV. An overview of the relevant academic literature, highlighting key themes and gaps;
- V. An overview of the available secondary data relating to enterprise in deprived areas, identifying key constraints;
- VI. Results from a scoping exercise undertaken in three parts of West Yorkshire, which sought to identify the key parameters for any future research on this theme and to test the viability of asking questions in particular ways.
- VII. A summary of methodological and policy issues emerging from the research and recommendations for any future study.

1.2 In addition to the research team from University of Hull and MTL Consultants, we have been assisted by a small group of expert advisers who have made general contributions to the design and development of the study. Prof Monder Ram, Prof Colin Williams and Dr Aidan While. They have each made valuable contributions in areas such as the informal economy, Black and Minority Ethnic enterprises (BME), data collection, and urban policy.

1.3 This final report is intended to test the desirability, feasibility and viability of a larger scale research project into this area. As such it interrogates the rationales for a larger scale study, focusing on whether there is indeed a gap in policy knowledge, the methodological possibilities and constraints which would need to be addressed in any subsequent full scale research project, and recommendations on whether and how to proceed to the next stage.

## Identifying the rationales for developing research in this area

1.4 Recent policy documents have emphasised the government's intention to address the issue of 'enterprise' in areas of deprivation. This is perhaps surprisingly a fairly new direction in urban policy, as previous policy in this area has tended to focus on 'employment' and 'job creation'. So whilst the role of SMEs has been acknowledged as a part of inner city policy for some years (Lloyd and Dicken 1982; Lloyd and Dicken 1983, Lloyd and Mason, 1978, 1984), it has tended to be just one small part of the wider repertoire of policy tools. The recent emphasis on raising 'enterprise' levels in deprived areas has its roots in analysis of data relating to business levels in areas of deprivation, which reveal major disparities at various spatial scales between deprived and more prosperous areas. The underlying premise of recent policy initiatives is that this 'enterprise gap' needs to be addressed by policy makers if deprived areas are to emerge as successful, vibrant, sustainable local economies. People in areas of deprivation need to have the same opportunities for self-employment and enterprise creation as those in other areas. We look at some of the underlying issues in greater detail in Section Two of this report.

1.5 Given that policy is now turning to address this issue with some force, there is a need to ensure that money is being invested wisely and effectively. That is the essential rationale for any future research into this area. Thinking about it more broadly, the rationales for spatial policy interventions are captured in both the Green Book and the recent government advice on spatial policy interventions, relating to Regeneration, Renewal and Regional Development (ODPM 2004; also known as the '3Rs' report) These usefully outline two broad rationales for spatial policy interventions: addressing inefficiencies in markets and institutions; and, achieving equity objectives such as local regeneration. The most likely reasons for addressing inefficiencies related to market and institutional failure are said to involve: public goods, externalities, imperfect information and market power. However specifically in relation to spatial policy interventions, the government's advice highlights the importance of:

- Interactions of different types of and institutional failures behind 3R problems.
- Relationship between market and other failures and supply side effects.
- Holistic approach to the definition of regeneration (ODPM 2004, p.48).

1.5 These themes are clearly captured within the brief for the current project with its emphasis on policy interactions and outcomes. In essence this project is

explicitly about examining how policies work together in specific localities - it is not about examining single policy instruments. The project also takes as its starting point an expectation that many different policy regimes can impact on levels of enterprise, not just pure 'enterprise' policies – for instance property initiatives, support for those with dependents and so forth. More than this, the project expects the mixture of enterprise and related policies to map out in different ways in different areas, reflecting the wide range of different spatial policy initiatives and their different boundaries and the very different problems and conditions of different areas.

1.6 There has already been a number of national studies published which have examined secondary data to reveal evidence of differing levels of enterprise in different areas (see Sections Four and Five). Taking these as a starting point, our approach has been to take an essentially 'bottom-up' approach to examining how and why policies come together in different types of deprived areas (policy interactions) and how we might assess the impacts of these different local policy regimes on policy outcomes.

1.7 Given this background, broadly speaking the rationale for going ahead with this research is two-fold:

1. There is clear evidence using various indicators that there are major differences between the most deprived and least deprived areas in the country in terms of their levels of 'enterprise', but little evidence of why this should be and how important it is relative to other features of areas of deprivation.
2. There is little research evidence currently available on how the wide range of policies is actually experienced on the ground and whether such variation as there is might be a positive feature, reflecting varied local conditions and experiences, or whether it reflects sub-optimal working of policy in some areas.

1.8 In essence therefore the rationale for pursuing this research is that it is important to be able to identify which suite of policies works best for which areas: "what work best where and why."

1.9 Developing from this, we have sought to use the current research to interrogate the parameters for any future larger scale investigation:

- a. Clarifying which aspects of enterprise should be studied – new start ups, small businesses in general, the interface of the formal and informal economies, and the role of education in influencing attitudes to enterprise and so forth.
- b. Identifying the range of market and other failures in deprived areas which might be important in explaining why these areas appear to offer

fewer or poorer quality opportunities for starting businesses in. These might include poorer access to start-up capital, for instance fewer banks, less capital available for security purposes in areas with less buoyant property markets etc..

- c. Identifying for different types of area the range of possible support policies involved in promoting enterprise in deprived areas, both directly (e.g. small business advice, training) and indirectly (e.g. child support for lone parents).
- d. Identifying the range of potential differences between areas in accessing the opportunities available, given the prevailing local economic, environmental and social conditions. For instance support for identified social groups might be more important in some areas than others.
- e. Identifying the range of potential issues which may influence local enterprise activity, for instance historically low levels of entrepreneurial factors in coalfields, seasonality of work, local conditions in terms of property prices, range and condition.
- f. Identifying the range of ways for assessing qualitative issues in relation to for instance 'low market level activity', churn effects of new firms and local displacement effects.
- g. Identifying the range of ways in different policy interventions could or should be interacting at the local level.
- h. Testing a range of possible indicators for assessing both the processes and outcomes of effective policy interactions at the local level.

1.10 In summary, the aim of the current project is to interrogate in-depth the nature of the 'enterprise gap' in areas of deprivation, with a view to providing a detailed rationale for further detailed research which helps policy makers better understand the nature of policy interaction and policy outcomes in different areas. As part of this work we have undertaken pilot research into three districts of West Yorkshire, the results of which are presented here.

## **Section 2: Methodology**

2.1 This section briefly lays out our approach to the current project. The proposals for a methodology for a subsequent major research project are set out later.

### **Methodology**

2.2 The main focus of the project has been on developing a 'bottom up' approach to obtain greater insights into how policies actually work out in a range of concrete local circumstances. We started by exploring existing work in this area to ensure that we were addressing gaps in the policy evaluation and academic literature rather than simply repeating previous work. An interim report in April 2005 contained the results of this exercise, whilst shorter summaries of the main findings can be found in Sections 3,4 and 5 of the current report, covering policy literature, academic literature and secondary data sources respectively. As part of this early work we convened two expert panels, which also included members of the sponsoring departments for this work, SBS and the DTI. This proved helpful in clarifying the scope of the research and also identifying where the key gaps were in existing knowledge. Draft reports were circulated and discussed at each of these meetings

2.3 The review papers and the expert group discussions suggested that there were several large scale data collection activities relating to enterprise already in existence, however none of these lent themselves readily to the objectives of this study. The main concerns identified were whether the data sets were sufficiently large to allow meaningful analysis at small area level and also difficulties in using this type of data gathering exercise to assess the intricacies of policy interactions. A resolution was made at an early stage to steer the current project away from initiating new, large scale quantitative surveys, in favour of probing the limits of existing data sets and suggesting ways in which new data of use to policy makers concerned with enterprise in deprived areas might be delivered.

2.4 Following on from this, the work of the team was directed towards smaller scale, bottom up approaches which would tease out the nature of what policy delivery looked like on the ground to those directly involved. This would allow us to examine whether and how policy interactions occurred, which were the main policy domains involved, and how effective interaction was at the moment, and whether this resulted in discernible differences in terms of policy outcomes. The intention was quite explicitly not simply to 'map' institutional landscapes at the local level, which would almost inevitably come to the conclusion that things were complex and needed to be 'joined up. Instead we wanted to look in much more detail at how policy makers interacted, what they saw as the benefits, barriers and constraints of working in joined up ways to promote enterprise in different areas.

2.5 Whilst this suggested the importance of local case study work, from the start we were concerned about the problems in focusing solely on local areas alone. There were several reasons for this. Firstly, localised areas of deprivation can vary enormously in their physical, social and economic characteristics. A run-down area close to a more prosperous city centre has different opportunities to a peripheral public sector housing estate, in terms of access to markets, availability of cheap premises for business and so forth. Secondly, inevitably people may not simply live and work in their local area – a person from a ‘deprived’ area may set up a business in a different locality for various reasons, and likewise someone from outside an area may well choose to start a business there but not to live there. Deprived areas need to be seen in their wider local, sub-regional and indeed regional contexts. Therefore in setting about this work our objective has been to develop a multi-scalar strategy for examining how enterprise and related policies develop and iterate across governance scales, from the national to the local.

2.6 Following considerable discussion over alternative case study locations, we opted to study three contiguous districts in West Yorkshire, examining each in the context of policy frameworks at the level of Yorkshire and the Humber, the West Yorkshire sub-region, and then narrowing down to different types of area in each district, from former coalfield towns, to inner city and outer city areas of deprivation.

2.7 The three local authority districts chosen each had differing characteristics:

- Bradford – a struggling urban core, plus both problem areas (e.g. Keighley) and growth areas (Aire Valley corridor, Ilkley) outside the main city. Major concentrations of BME enterprises, also large scale problem estates both within the city and on the outskirts.
- Leeds – a prosperous regional centre, but also with major areas of inner city deprivation, and declining public sector estates both in the city centre and on the outskirts
- Wakefield – a district with a decentred settlement pattern, focused particularly on former coalfield towns and villages. Like many former coalfield districts, it is widely held to have historically had a poorly developed enterprise culture.

2.8 We undertook a statistical background study of enterprise within these areas – reported in Section 6. This was helpful both specifically in context setting and also in highlighting both the value of the existing information base and some of its limits. The statistical overview also provided a context for our choice of smaller areas of deprivation within each district for more detailed study through a programme of interviews.

2.9 Within each local authority area we sought to cover the issues raised in different types of problem area, for instance outer estates, areas with a high BME

population, and classic mixed tenure inner city problem areas. This approach was adopted so that we could directly compare the experiences of neighbouring areas and also seek out any key 'boundary' effects – for instance people close to the boundary of two local authorities with differing policy regimes, or those on the boundaries of particular targeted policy areas, such as a New Deal for Communities area – as well as picking out different qualities of experience between different types of areas, such as inner and outer city communities.

2.10 Interviews were conducted with three categories of interviewee. Firstly, those involved with funding and strategy formation at regional, sub-regional and local levels and secondly those responsible for delivering enterprise policy at the local level. In total these interviews with policy makers involved 17 interviews with 22 interviewees (some interviews involved more than one person). The third category involved a small number of the beneficiaries of enterprise support policy, involving one social enterprise and six small business owners, the latter in the form of a short 'focus group' all located in a local enterprise centre. By and large the interviews went well, generating considerable interest and a lot of insights into the issues facing those we spoke to. We did not use the full questionnaire with small business owners, as it was quickly apparent that their knowledge of the wide range of support agencies was limited – what they often knew was just one or two programmes or service deliverers in some depth, but the wider policy context was of little concern to them. This clearly has implications for the design of future research in this area – put simply, examining the complexity of multi-agency policy delivery at the local level is not something which most SME owners are likely to have much interest in or awareness of. This said, we did speak to representative organisations for small business and these were all informative and helpful.

2.11 A semi-structured questionnaire<sup>1</sup> approach was adopted, with taping of interviews with policy makers. The intention of the interviews was three-fold:

- To identify key axes of possible differences in experience across deprived areas, developing particular views of how and why policy regimes have developed differently in different areas.
- To identify the range of policy initiatives perceived by those on the ground as an essential part of the enterprise support policy regime in each area;
- Scope out the ways in which those engaged in planning, delivering and receiving policy would expect to see positive (or negative) outcomes from policy interactions.

2.12 We presented some preliminary findings at a DTI/RSA conference on *Regional entrepreneurial diversity and business-led regeneration* held in London on 27<sup>th</sup> June, which generated some useful discussion, which has helped inform this final report.

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<sup>1</sup> Included as Appendix 2

## **Section 3: Review of the policy framework for local enterprise**

3.1 Within central government, stimulating enterprise in deprived areas is a policy objective for several different departments and for a variety of different reasons. The Department of Work and Pensions (DWP) has an interest in achieving full employment. The Neighbourhood Renewal Unit (NRU) and Social Exclusion Unit (SEU) have an interest in social inclusion and community empowerment. The Department for Education and Skills (DfES) has an interest in skills and workforce development. The Office of the Deputy Prime Minister (ODPM) has an interest in sustainable communities, LABGI (local area business growth incentives scheme) and under-served markets. The Department for Trade and Industry (DTI), Small Business Service (SBS) and Social Enterprise Unit all share an interest in raising productivity and competitiveness, whilst the Treasury has an overarching interest in this area. The purpose of this section of the report is to provide a brief overview of key policy developments relating to enterprise in deprived areas, with a focus on developments since 1997.

### **Social Exclusion**

3.2 Following the election of the Labour Government in 1997, new ways of addressing the social issues facing deprived communities started to receive considerable attention. Generating more enterprise in deprived areas was initially considered by the Policy Action Team in 1998 within the then newly formed Social Exclusion Unit. Specifically, PAT 3 (SEU, 1999) was tasked with developing an action plan to encourage business start-ups and growth of existing businesses in deprived communities.

3.3 Enterprise creation and support was viewed as one of a number of tools required to tackle social exclusion in deprived neighbourhoods, which it was argued should form part of a wider regeneration agenda. The PAT3 report set out three key elements for supporting enterprise in deprived communities:

- Better access to services; particularly business support and finance
- Removing barriers to enterprise
- More effective institutions; greater recognition of shared objectives between central, regional, local government and the private sector

3.4 The Social Exclusion Unit has recently revisited the work of PAT3, resulting in the publication of *Jobs and Enterprise in Deprived Areas* (SEU, 2004a). In this report there is a new emphasis on addressing worklessness and identifying its incidence at the fine-grained level of SOAs, made possible by detailed analyses of 2001 Census data. A dominant theme in the report is the need to raise economic performance and reduce gaps between (and within) regions resulting from the incidence of worklessness. Continuing support for self-employment and

enterprise is identified as an action point, including better targeted support for under-served groups, better communication and promotion of self-employment support, and approaches to improving the provision and accessibility of small-scale finance for those entering self-employment.

3.5 Running alongside this work, the establishment of the Social Enterprise Unit, and the publication of a three year national strategy for Social Enterprise (DTI, 2002) also highlighted the importance attached by the government to alternative forms of enterprise in deprived areas as part of the social cohesion agenda. The national strategy argues that social enterprises “have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy” (p13). Whilst social enterprises are “businesses”, they are claimed to offer better employment opportunities, greater job security and are more embedded within local communities and therefore offer a higher degree of sustainability and long term capacity building within local economies.

3.6 The most recent report on this area of policy development is *Improving the prospects of people living in areas of multiple deprivation* (Strategy Unit, 2005), which usefully summarises current thinking. The report identifies the three main drivers of area deprivation as being: low levels of economic activity; poor housing/poor local environment and poor public services; and ineffective delivery of regeneration support. These are said to interact in various ways to create a cycle of decline, and it is argued that all three should be tackled together therefore. The report also argues that raising enterprise in deprived areas requires both supply and demand side intervention. Policy therefore needs to remove any barriers and disincentives which are preventing employers moving into deprived areas as well as tackling the supply side by raising skills, and so forth.

3.7 In addition to identifying the complex pattern of linkages between factors, the report also points out that the relative importance of different drivers will vary between areas and communities, thus providing a continuing rationale for area-based interventions.

3.8 One of the most important Area Based Initiatives for tackling local deprivation is the New Deal for Communities, which involves holistic approaches to local regeneration, including addressing local enterprise issues. A large scale evaluation of New Deal for Communities is currently underway. It is anticipated that this will contribute to an improved understanding of policy interaction effects at the neighbourhood level.

## **The Treasury, Enterprise Areas and Productivity**

3.9 The Treasury, working with various other departments of government, has emerged as a key player in the enterprise agenda for deprived areas, notably with the pre Budget 2002 report which announced the Government’s intention to

create Enterprise Areas in the most deprived parts of the country. The rationale for this is that running a business in deprived areas is made more difficult by the barriers faced in such areas. The Enterprise Areas cover 1,997 of the most deprived areas in the UK, bringing together benefits such as Stamp Duty exemptions in a bid to stimulate local property markets, attempts to improve access to finance through Community Investment Tax Relief and the Bridges Community Development Venture Fund, and the work of the Phoenix Development Fund (see below, plus the 2003 paper, *Enterprise Areas: tackling barriers to enterprise in our most disadvantaged communities* ([http://www.hm-treasury.gov.uk./media/C13/33/enterprise\\_areas\\_prospectus.pdf](http://www.hm-treasury.gov.uk./media/C13/33/enterprise_areas_prospectus.pdf))).

3.10 It is useful to highlight the broad policy framework for increasing productivity. The Treasury's five drivers of productivity are key to Government activities to reduce regional disparities and achieve renewal in deprived areas. As the Treasury states in *Productivity in the UK:4* the local dimension (HM Treasury, 2003, p.38), "Enterprise is central to the Government's approach to economic policy and to rebuilding local communities... SMEs form part of the bedrock of local communities, contributing to both economic prosperity and social cohesion". Using VAT registration data, the report highlights lower enterprise levels in the most deprived areas of the UK and also higher levels of turnover, arguing that increasing levels of enterprise will create desirable economic and social impacts.

3.11 The government's rationale for targeting support on deprived areas is that the barriers to enterprise are more acute in deprived areas and that everyone should have the same opportunity to start a business, regardless of their background. The document also sets out specific market failures which can act as barriers to enterprise creation. These are identified as deficiencies in: access to finance; property market failures and low levels of private sector investment, lack of suitable business premises, appropriate business support and advice, awareness of opportunities, cultural barriers; and training and skills. The analysis is rooted in market failure issues, but does reach beyond that to recognise the importance of local environment and culture. Specifically, the local productivity report argues the limitations of market driven processes alone, using this to provide a rationale for government intervention, whilst arguing that it is in the most "disadvantaged communities that the benefits of enterprise will have greatest impact" (Treasury 2003, p.47).

## **Action Plan for Small Business**

3.12 *A Government Action Plan for Small Business* (SBS, 2004a) seeks to draw together Government policy for small business and acknowledges the need for contributions from several different departments for successful implementation. The Action Plan sets out seven strategic themes which together seek to increase productivity across the total small business market and maximise opportunities for employment in small firms or through self-employment. The overarching

objectives of the Action Plan therefore are to increase productivity and employment. The key strategic theme of relevance to the current study is that of: “Encouraging more enterprise in disadvantaged communities and under-represented groups.”

3.13 The rationale for this theme is that some areas seem to be unable to overcome barriers to attracting business investment, developing local enterprise, and ensuring equality of opportunity. By supporting the small business sector in deprived communities it is hoped to capture both social and economic benefits, including a more diverse economic base, greater resilience to economic change, more employment opportunities and greater household incomes (SBS, 2004b). The document goes on to argue that particular groups, such as women and some ethnic minorities, tend to face more severe barriers and challenges to business start-up. Barriers can include low educational attainment, fragmented career history, and poor credit ratings which combine to put some people in a more disadvantaged position within the labour market. These barriers are in addition to the more general challenges associated with starting a business. Whilst ensuring equality of opportunity provides a rationale for the targeting of these groups, it is also assumed that such actions will strengthen the total small business sector.

3.14 Positive impacts that can be expected include:

- Reduction in the gap between start-up rates in the most deprived and least deprived areas
- Reduction in the gap between the self-employment rates of black (and mixed) groups and all groups
- Reduction in the gap between male and female self-employment rates.

Additional impacts could include an increase in the number of social enterprises and an increase in the take-up of business support across areas and communities.

## **Other initiatives**

### ***Phoenix Development Fund***

3.15 The Phoenix Fund was set up in response to the 1999 PAT3 report (SEU 1999), with a remit to “encourage innovative ideas to promote and support enterprise in deprived areas and in groups currently under-represented in terms of business ownership” (SBS Bidding Guidance, 2000). It can support projects involving outreach work, business incubation, setting up business centres, or support for social enterprise.

3.16 An evaluation of activities published in 2004 (SBS, 2004c) suggests that the fund has the potential to “broaden out the business support agenda to include people living in deprived areas and belonging to groups under represented in business”. The Fund had had some positive influence on mainstream organisations and contributed to the National Strategy for Neighbourhood Renewal by encouraging organisations to increase their focus on enterprise or key target groups. The types of outputs recorded included: people being encouraged to think about starting a business (with about half this number starting a business or expanding an existing business); and, employment creation, particularly through social enterprise (a high proportion of employment was part-time or unpaid). The evaluation report noted that more could be done to engage mainstream organisations in deprived neighbourhoods. Much of the activity in deprived neighbourhoods has been undertaken by existing organisations, with the funding proving less successful in stimulating new partnership working arrangements. The evaluation report also suggests that, to date, activity has been relatively isolated with links to wider regeneration activity not being made.

### ***City Growth Strategies***

3.17 The City Growth Strategy (CGS) Pilots were launched in October 2003 as part of the Phoenix Fund. They are intended to identify and enhance the assets and competitive advantage of inner city areas, using public funding as a tool to lever private sector investment and engagement. CGSs are primarily about economic rather than social development. The concept of the CGS is based on the US Competitive Inner City (CIC) model, developed in the belief that a sustainable economy in deprived areas will depend upon private business development and investment based on economic self-interest and genuine competitive advantage.

3.18 The key drivers of the CGS model are seen as: securing private sector engagement, uncovering market opportunities, strengthening existing programmes, catalysing action that produces results, and connecting strategic stakeholders. Rather than focusing on the challenges inner city and deprived areas face, the strategies focus on the opportunities and positive features which can offer a competitive advantage. Social objectives take a back-seat with for-profit business development and competitiveness the main objectives.

3.19 To date the impacts of the strategies have mainly been in relation to testing new approaches and policy development rather than delivering significant changes on the ground. The approach has been found to create new capacity within local policymaking and the strategies have provided focus, clarity and coherence to activity. Although CGSs have been launched in specific cities<sup>2</sup>,

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<sup>2</sup> Phase one pilots included St Helens, Nottingham, Plymouth and four areas within London. The second phase included Derby, Leeds, Leicester, Liverpool, Luton, Manchester, Portsmouth, Deptford/New Cross, Heart of South London and Park Royal/Wembley/White City.

activity is not geographically targeted upon deprived areas. The rationale behind the intervention is addressing disadvantage through the growth of enterprise, irrespective of geographical location within the city.

3.20 The focus within the CGS is on backing winners, building on strengths and opportunities rather than specifically seeking to address inequality in enterprise development. Social objectives are clearly secondary, with the focus more on site development, infrastructure improvements, existing business development and strengthening links to cluster activity. The SBS and Social Enterprise Unit are however responsible for the development of social enterprise in deprived areas, which could be viewed as a parallel initiative to CGS.

### ***Other enterprise initiatives***

3.21 A report by Business in the Community on behalf of the DTI sought to highlight the business benefits and opportunities (new markets, customers, suppliers etc) available in deprived areas. Rather like CGSs, the report outlines the importance of identifying the competitive advantage in under-served markets which can be exploited by investors. The report highlights a number of additional Government initiatives which have sought to exploit the opportunities within under-served markets. These include: **Business Brokers**, which support LSPs in engaging with the private sector to deliver community strategies; the **Index of Inner-City Business**, which ranks the top 100 companies in deprived areas; and the **Community Investment Tax Credit**, which provides a tax credit to investors in deprived areas. The report does however focus on under-served markets in relation to retail and commercial services.

3.22 The creation of **Enterprise Advisors** to promote enterprise in education was initially piloted on schools serving catchment areas covering deprived communities. This scheme will go universal in September 2005 and provides an example of how the themes within the SBS Action Plan could interact and weight initiatives towards deprived areas.

3.23 In March 2005 a consultation document was published by the Treasury, SBS and OPDM on proposals for a new measure, the **Local Enterprise Growth Initiative (LEGI)** (HM Treasury, 2005). This proposes to provide £50 million in 2006/07 and £150 million per year up to 2008/09 to support locally developed projects to promote, and remove barriers to, enterprise in the most deprived areas of England. The rationale for intervention is similar to that set out in support of the *Action plan for Small Business*:

- Efficiency: local economies in deprived areas suffer from market failures that mean they are less efficient and productive than they could be.

- Equity: concentrations of deprivation raise deep equity concerns in terms of sub-optimal outcomes for local people – from access to jobs, to health and crime.

3.24 The report contains a useful and detailed analysis of current government thinking. The 'enterprise gap' is identified at both regional and local scales, and is seen to involve differences in terms of stock, start-up rates and survival rates. A correlation is noted with lower levels of activity among lower income groups, raising the issue of to what extent the low levels of enterprise activity are simply a proxy for low income levels in areas of deprivation. The government's approach rests on three 'pillars' of support, at national level (strengthening the Enterprise Areas package), regional (devolving responsibilities for Business Link and the Phoenix Fund), and local, with support for the Neighbourhood Renewal Strategy and the introduction of LEGI. Most tellingly, in Chapter 3 the analysis of local problems brings together much of the analysis developed in previous government papers to provide the most rounded view of the problems faced to date. For instance there is considerable attention to the problems of accessing finance and the poorly developed relationships between banks and would-be entrepreneurs in deprived areas, with many people lacking a bank account, whilst banks and others frequently perceive businesses in deprived areas as a higher risk due to operating in fragile markets, lack of capitalisation and so forth (para 3.22). The effectiveness of current arrangements for business support is also questioned, raising issues of lack of support, communication, and clarity about what is on offer, allied to continuing confusion between agencies and dangers of entrepreneurs falling 'between the gaps' (paras 3.27-29). Enterprise culture naturally emerges once again, but so too does the quality of physical and social business environment, including vulnerability to crime and ability to find premises of an appropriate size, location or type.

3.25 Of particular relevance to the remit of this project, the report claims that 'Barriers to enterprise in deprived areas vary from one local community to another (from ex-coalfield areas, inner-city areas, coastal resorts, to peripheral estates, or rural areas). Therefore, solutions will need to be tailored to specific local priorities and needs.' (para 3.49). The report continues 'Efforts to remove barriers to, and promote enterprise will, therefore, require both a general and a specific approach.' (para 3.49)

3.26 In addition to LEGI, ODPM has also recently announced the introduction of the **Local Authority Business Growth Incentives Scheme (LABGI)**. This scheme will allow Local Authorities to retain a proportion of increases in local business rate revenues to spend on their own priorities. It is hoped that the scheme will increase the financial incentives for Local Authorities to work alongside the business community to increase economic growth.

## Concluding remarks

3.27 Government intervention to stimulate enterprise is based on statistical analysis which suggests that there are considerable geographical inequalities in enterprise levels across the UK. Intervention is therefore required to create the right environment to help businesses to thrive, and to target specific market failures such as access to finance and business advice which can hold back entrepreneurship and growth. Policy thus has the twin objectives of improving efficiency and equity.

3.28 When looking at deprived areas in greater detail however, it becomes clear that these areas face a range of complex and often inter-related problems which inhibits sustainable social and economic development. Under-development of enterprise is just one aspect of these problems. The findings of the Strategy Unit (2005) and others suggest that only by tackling the related problems facing deprived areas can sustainable regeneration be achieved. This situation has led to the complex map of policies and initiatives operating within and influencing deprived areas. The complexity of the policy landscape in turn creates challenges for policy evaluation, in identifying impacts and results on the ground.

3.29 The direction of causality between levels of deprivation and enterprise remains imputed rather than demonstrated. It is not clear for instance whether localised deprivation is an outcome of low levels of enterprise or whether low levels of enterprise are an outcome of high levels of deprivation, including low disposable incomes and so forth. It seems likely that low levels of enterprise activity in deprived areas is simply a proxy for low levels of income. Arguably the relationship is symbiotic, in which case the recent policy turn towards supporting enterprise more explicitly is an important complement to other policies to address personal and localised deprivation.

3.30 This said, government policy is clearly based on an increasingly sophisticated understanding of the nature of deprivation and the ways in which it will differ across areas. In particular, the links between enterprise levels are now being traced beyond simply issues of increasing, improving or coordinating enterprise support, to addressing how enterprise support policies necessarily intersect with other policy domains in the field of deprivation.

3.31 Although policy is being delivered at a fine grain for some types of initiative, for others it is being devised and delivered at local, sub-regional, regional and national levels. In any study of policy interactions therefore, evaluation should not become too fixated about the boundaries of particular 'deprived areas'. Deprivation does not conform to such artificial boundary constructs – deprivation, enterprise, and indeed people in general operate within, through and beyond these boundaries. It is more important to see areas of deprivation as a malleable notion through which to observe the phenomenon of localised concentrations of deprivation. Conceptually then, areas of deprivation need to be seen in relational

terms, that is in terms of their position in relation to wider flows of people, finance, business, and indeed policy ideas. They are the arenas in which all these practices, initiatives and flows come together in particular ways at particular moments of time.

3.32 Deprived areas are influenced by activities in surrounding areas and given the often stated objective of Government to “reduce the enterprise gap” then just looking for solutions internally within a deprived area would miss significant opportunities to tie into growth areas. Similarly, focusing solely on policy *within* deprived areas may miss important influences on the fortunes of deprived areas. It is critical then to highlight that the government policies for deprived areas are multi-scalar in nature, involving a mix of both general policies and the scope for specific local approaches to emerge.

## Section 4: Review of academic literature

### Introduction

4.1 There have been numerous recent overviews of regeneration policy, localised deprivation, and enterprise policy. In this section of the report we attempt to briefly review this literature. We start by examining work on conceptual questions concerning the nature of spatial concentrations of deprivation and the quality of evaluation evidence. This is to establish a common basis of understanding of the nature of the problems, the processes policy is seeking to influence and the outcomes that might be expected, as well as recognising both the strengths and limitations of the evaluation evidence which is reviewed.

### Deprived areas

4.2 To establish the context in which the impacts of enterprise policies might be considered, this section briefly reviews work on the scale and nature of deprived areas, and considers how far there is an accepted typology of deprived areas, as a basis for assessing the variable impacts of policies in different types of areas.

#### ***Nature of deprived areas***

4.3 The academic literature has long pointed to the problematic interplay of both efficiency and equity issues in targeting policies to deprived areas (Haughton 1990). There is a growing awareness that not only does area targeting not capture all of the deprived population in an area, but neither do 'deprived areas' necessarily include a majority of deprived people (Tunstall and Lupton, 2003). However, 'deprived areas' do contain a concentration of factors of disadvantage, and this concentration is the basic rationale for area-based policies (Smith, 1999). The inverse relationship between deprivation and entrepreneurship has been the subject of comment for a number of years (Lloyd and Mason, 1984) but more recently, the relatively poor performance of deprived areas on indicators of 'enterprise' has again been highlighted (Haywood and Nicholls, 2004).

4.4 Most academic analysis has been based on local authority areas and ward boundaries. The only consistent "street level" analysis can be found *Jobs and enterprise in deprived areas* (SEU, 2004a), which builds from Census Output Areas of around 125 households. However, such a small scale is rarely the basis for the operation of policy, nor is it likely to be the most appropriate area to examine the manifestation of policy impacts over time, given the tendency of people to move houses when their economic circumstances take a turn for the better. For instance, Cheshire et al (2003) argue that "if a person living in a deprived neighbourhood improves their employability and gets a job, they have a much increased probability of moving out to a better neighbourhood" (p93). They also underline the importance of the residential sorting phenomenon, in that 'replacement' in-movers were found to have a much higher unemployment rate.

4.5 The persistence of localised disadvantage had fuelled continuing debate as to whether there is an 'area effect'. Are "deprived places simply the sum of the deprived people within them" (Deas et al., p.900) or are there "any particular characteristics of the poorest neighbourhoods which make inequalities arising from other spheres worse, or slow the process of adjustment" (Atkinson and Kintrea, 2002, p152)? While evidence is somewhat equivocal, Buck (2001) found that it was more difficult for inhabitants of deprived areas to exit poverty but that such effects were comparatively modest and varied with spatial scale.

### ***Typology of areas***

4.6 There have been various attempts to create categories of area for detailed study, usually based mainly on labour market data or census data. Typologies can be based on characteristic issues or a functional basis. Characteristic data helps establish what a place is like according to certain criteria (e.g. its dominant population or economic structures), but not why nor how the area actually relates to others. Some area typologies create new boundaries, such as the CURDS functional labour market regions, whilst others focus on grouping together similar local authority districts. There are no typologies which rely solely on 'enterprise' issues, nor even on 'deprivation' issues, still less ones which combine the two. The closest is the LSE-CASE typology shown in Appendix 1, which draws on similar types of area, inner-city, outer estates, seaside records, ex-coalfield. This categorisation also appears to have been adopted by the SEU and others in their work on geographical differences across areas of deprivation.

4.7 The contention of Bradford and Robson (1995) that we do not yet understand why the same policy measure works better in one area than another probably remains broadly correct. Given this, it will be useful in any analysis of how enterprise policies work out differently in different areas to be much more specific about the type of area of deprivation being studied, rather than simply describing them individually, or assuming that similar issues confront all areas. Given the relative simplicity of the LSE approach and the limitations of the data in terms of achieving more sophisticated forms of categorisation, for the present we see merit in using these categories.

## **The nature of evaluation evidence**

### ***Methodological questions***

4.8 Evaluating the impact of area-based policy initiatives has always posed complex conceptual and methodological questions. While the quality of available evidence has improved significantly (Acs and Storey, 2004), many challenges still remain for the evaluator which generate varying degrees of ambiguity or uncertainty in assessing evaluation results. Particularly important for a study on policy interactions is how to address the long-standing debates on whether and how best to disaggregate the effects of a particular policy measure from other

influences on outcomes. It is also important in studying impacts of policies to consider carefully the timing of when to undertake evaluation, to allow for births, deaths, growth and displacement impacts of new firms (Acs and Storey, 2004; van Stel and Storey, 2004). In addition, evaluation of outcomes needs to think through issues of leakage and spillover, that is whether policies have negative or positive impacts outside the area on which they are targeted (Murtagh, 1998; Lupton and Power, 2004; Duffy et al, 2002).

### ***Evaluation evidence: quality and availability***

4.9 Much small business research is grounded on VAT registration data. As is widely reported this data source fails to capture more than half the businesses in the UK (CEEDR, 2003), though it does capture a very high proportion of employment and output since the missing firms are generally small or dormant. The result has been that in most studies of enterprise, national data bases are used to provide a broad background context, linked to considerable caveats on the quality of the data used, then supplemented by tailored empirical work of either a quantitative or qualitative nature to help fill in the picture.

4.10 The recent review of *Evidence on business-led regeneration in deprived areas* (CEEDR, 2003) points out that the published results from evaluations of both enterprise policies and area-based initiatives do not provide clear answers on the impact of policies. Enterprise-focused work rarely seeks to identify impacts on localised areas of deprivation, while area-based work rarely identifies fully the beneficiaries of interventions. The result is a major gap in the literature, where there is considerable work on the impacts of regeneration efforts on employment levels and so forth in deprived areas, but with little study of impacts on new enterprise formation (an exception is the work of Greene, Mole and Storey on the Tees Valley, see below, and even this is set at the sub-regional rather than neighbourhood level).

4.11 One aspect not considered by the CEEDR study was using information gathered through the monitoring and evaluation of EU regional programmes. This is perhaps because “there is a gap between geographical targeting of programmes at regional level and micro-area targeting at the neighbourhood level”. leading to data being “reported and collated at the programme level (generally NUTS2)” (ECOTEC, 2004) and therefore generally not addressing neighbourhood-level issues. However, the large-scale evaluation of NDC (CRESR, 2004) may yield some useful information which could be used in any future extension of the current project.

### **Area effects and their impacts on policy**

4.12 While much of the analysis of the impact of enterprise policies differentiates between types of businesses, this is not generally related to different types of localities. New business starts vary in their potential for growth and therefore

their potential impact on deprived areas. Policies which seek to maximise business birth rates are thought to encourage disproportionate numbers of transitory “low quality” businesses (van Stel and Storey, 2004; Greene et al., 2004). Business failure is likely to be prominent among new starts drawn from “individuals with limited human capital... being encouraged to start in business” (van Stel and Storey, 2004, p.903). In any event this group is more likely to start businesses in easy-to-enter service sectors and which do not employ others. Starting a business as a route out of unemployment is associated with these sorts of factors and represents a difficult and precarious option for what are often vulnerable groups (Kellard et al., 2002). Some recent research (Botham and Simpson, 2005) suggests a positive relationship between business starts and employment growth, pointing out that lagging regions face particular problems and “will not be readily changed” (p.iv).

4.13 It has been argued that to be more effective policies should focus on those with existing business experience and interests, as they have greater capacity to yield impacts on wealth and employment (Westhead et al., 2004). In addition, some research suggests that there are greater returns – in terms of business survival – in focusing support services on middle sized SMEs rather than smaller businesses (Wren and Storey, 2002). However, the majority of the self-employed employ few others, and the proportion of businesses that will grow to employ a significant number of others is small and hard to identify (CEEDR, 2003).

4.14 ‘Crowded platform’ (Lloyd and Dicken 1982) and ‘churn’ (van Stel and Storey 2004) effects are important issues raised within the literature. The issue here is whether increasing the number of new start businesses leads to an increase in the stock of businesses and therefore employment, or whether in static or declining markets it simply displaces an existing firm. This raises questions about the value of using public money to stimulate a new firm if it displaces another private firm. There is a strong qualitative dimension which necessarily then follows in any assessment, as churn may be productive if it leads to better quality of services to local people and businesses, better quality of jobs to those involved, and reduction in loss of income out of an area. Adding new firms could indeed increase competition in benign ways, but it could also result in competitive under-cutting, which reduces the potential for firms to reinvest or improve their workplace conditions. Inevitably, there is no straightforward answer to these kinds of issues: the point here is simply to highlight that any evaluation which simply assumes a higher level of enterprise is always and everywhere a good thing will quickly attract academic criticism.

4.15 Recognition of the complex nature of social exclusion and localised “cycles of decline” (Strategy Unit, 2005), has led to a growing emphasis on the need for “joined up” policies to address the issues faced by disadvantaged people and places. To date much of the focus of ‘attack’ on social exclusion has emphasised supply side factors. The *Breaking the Cycle* report (SEU, 2004b) emphasises the individual nature of needs and the requirement for flexible,

tailored services to meet those needs. Demand side policies emphasise the contribution to competitiveness of small businesses, through innovation and the “productive churn” effect of new entrants (HM Treasury, 2002; 2005). While studies of policy initiatives have often identified issues facing firms in deprived areas, questions about the complementarity or integration of policy instruments have frequently focused on institutional and process issues (SEU, 2004a).

## **Policy impacts on local communities and specific groups**

### ***Overview of impacts on communities and groups***

4.16 In a review of enterprise policy in industrialised countries, Nolan (2003) highlights the great emphasis given to enterprise initiatives as a means of promoting local economic development but goes on to point out that “relatively few empirical studies have systematically examined the relationship between the birth of new firms and local economic change” (p.77). He argues that “encouragement of entrepreneurship is unlikely to yield major benefits in the short run” (p.79). The temporal dimension to policy outcomes becomes immediately evident. Yet it is always problematic when local areas are the focus of studies, given that there is also likely to be a level of ‘people’ and ‘business’ churn over time, as those setting up businesses in an area decide to move either or both their home and their business location. This has significant implications for how we assemble and use evaluation evidence. In particular it has implications for identifying indicators used to identify success of enterprise policy in tackling deprivation, and for assessing when and how such evidence should be collected (van Stel and Storey, 2004; Fritsch and Mueller, 2004).

4.17 According to a recent review of the evidence, lack of selectivity and targeting in many enterprise support programmes means that “there is a high risk of displacement as well as low additionality when support is generally available to all businesses within a designated area” (CEEDR 2003, p.69). Taking this further, and of importance in relation to some of our later findings, research by Rhodes et al. (2003) suggests that whilst co-ordination of policy instruments is important: “no amount of ABIs will remove the problem unless there is a co-ordinated refocusing of mainstream expenditure onto the problem areas concerned” (p.1425). As we will see later, it was precisely where a major ABI stepped into the coordination role that it was felt that enterprise policies best integration with other regeneration initiatives (see Section 6).

4.18 Much urban policy in the 1980s and early 1990s was predicated on the notion that local employment opportunities could be boosted through property based development and inward investment. Whilst property based initiatives have been frequently evaluated, there has been less emphasis on the role of inward investment, other than as a spin off from major property initiatives, such as happened in the Urban Development Corporations. In their review of

Enterprise Zone policy, Potter and Moore (2000) suggest that inward investors can create a substantial amount of employment relatively rapidly; were as likely as other businesses to recruit local workers; and had little displacement effect on local businesses. However, they also noted that there was a risk of generating short distance transfer activity, to no net benefit to the sub-regional economy.

4.19 Recent research on the ways in which business affects the economic and social well-being of deprived areas (Trends Business Research et al., 2005) has highlighted a number of pertinent issues including: areas of poverty and prosperity continue to exist side by side, and the nature of the linkages between such areas is not well understood; a lack of identity and sense of purpose has a tendency to reinforce the cycle of poverty; the structure of existing employment in deprived areas is different from more prosperous areas and firms are less likely to be innovative or make use of services that might help them to be so. This report also noted a number of interesting methodological challenges for further research in this area, including the breadth of subject areas needing to be covered, the need for a longitudinal element in evaluation, a better understanding of causation and the need to include control groups.

### ***Social enterprise***

4.20 As we noted in the policy overview section, social enterprises and various forms of intermediate and informal labour market measures are becoming more significant as part of the policy armoury for addressing disadvantage. Again, there is a considerable literature emerging on this, some of it linking directly to the problems of measuring success when it comes to this area of policy (Haughton 1999). Measurement of the impact of such policies depends on balancing hard impacts, such as entry into employment, and softer impacts, such as “distance travelled” (Dewson et al., 2000). Compounding these difficulties, social enterprise is hard to define and consists of a wide variety of approaches (Lloyd, 2002, ECOTEC, 2003).

4.21 In the context of the current research, this area of activity is valuable because of its contribution to “entrepreneurship and jobs in areas where traditional ‘investor driven’ enterprise structures may not always be viable” (EC, 2005). However, some recent research (IFF, 2005) seeking to map the pattern of social enterprises, found that almost half were to be found in the 60% of less deprived wards. This work argued that the fact that 51% of social enterprises were to be found in deprived areas could reflect “the availability of funding streams in these areas” (p.43). Evaluations of policy initiatives in this field have found that they rarely yield quick returns in employment and income, whilst noting the risks of displacement effects (Armstrong et al., 2002; Evans, 2002; Leeming, 2002). Success is further impeded where social enterprises lack capacity or will to deal with the complex institutional structures and processes which they must face in order to attract funding (Boland, 1999; Evans, 2002,

Leeming, 2002). Positive impacts are claimed in areas such as capacity building but evidence is limited (CEEDR, 2003).

### ***The informal economy***

4.22 For many years it was assumed that the informal economy was concentrated in deprived neighbourhoods. However, empirical studies have revealed that this is not the case, with the volume of informal work actually found to be higher in more affluent localities (Williams, 2004). The result is that the informal economy reinforces, rather than reduces, spatial disparities as measured by formal employment alone.

4.23 During the past few years, a significant shift has occurred in how policy-makers conceptualise informal work. Traditionally, unregistered work was widely viewed as a 'sweatshop' realm, and the public policy response was to seek its eradication through deterrence measures. The finding that such work is not concentrated in deprived areas, however, has led to recognition that the sweatshop realm constitutes just one segment of the informal economy. It is also acknowledged that people working in this informal sphere constitute a hidden reserve of entrepreneurial talent (Copisarow, 2004; Copisarow and Barbour, 2004; Evans et al., 2004; ILO, 2002; Small Business Council, 2004; Williams, 2004, 2005).

4.24 To transfer such work into the formal economy, there is emerging recognition that deterrent policies need to be supplemented with initiatives to help businesses working informally to formalise their operations (Copisarow and Barbour, 2004; Evans et al., 2004; ILO, 2002; Small Business Council, 2004; Williams, 2004).

### ***European Union Programmes***

4.25 There are, *prima facie*, two relevant areas of EU intervention in the "enterprise" field. First, since the establishment of DG Enterprise in the 1980s, there have been a number of initiatives directly targeted at SMEs. The current *Multiannual Programme for Enterprise and Entrepreneurship 2000-2006* has three main areas of activity:

1. Policy development between the Commission and the Member States
2. The Euro Info Centre (EIC) network
3. Financial instruments, particularly the SME Guarantee facility which has assisted 178,000 businesses in the first four years of the current MAP

4.26 Evaluation suggests while these activities are valuable they are characterised as having "limited visibility" for businesses as they are usually experienced indirectly (CEC, 2004, p1). Thus impacts in deprived areas will be most likely to be identified through evaluation of the activities of intermediaries.

4.27 The second area of intervention is via the various structural fund programmes. In the 1994-1999 round of programmes around a third of funding in the UK was earmarked for SMEs, with about 40% of spending going to support training and business advice: during the six year programme, EU spending on SME promotion exceeded national spending (EC, 1999). Evaluations of EU funding generally adopt the regional or sub-regional focus of the programmes rather than the more local focus. However, many elements of these programmes have engaged with issues relevant to this research including:

- Community economic development (CED), an approach to tackling social exclusion and “reconnecting” disadvantaged communities to the economic mainstream. A review of the mid-term evaluations of the 2000-2006 programmes in England (STEER, 2004) reports a high level of activity in CED, although there is as yet little conclusive evidence of transformative impacts on communities.
- Venture capital funds, targeted at SMEs and social enterprises: generally, these have been slow to roll out in the current (2000-2006) round of programmes and therefore evidence of impact is yet to emerge.
- Horizontal priorities; monitoring data is deficient, but the horizontal priorities are addressing themes which may take a long time to register an impact.
- The Objective 3 (ESF) programme addresses the needs of those with labour market disadvantages. Positive impacts are reported for the current programme, but most result in employment rather than self-employment. These results are reported at an aggregate rather than a local level (DWP, 2004)
- Community Initiatives, while transnational in focus, do operate through projects focused at the local level. The ex post evaluation of URBAN I (GHK, 2003) identified a number of positive impacts on the local economy and local social capital. Evaluation results for the EQUAL programme are yet to emerge (<http://www.equal.ecotec.co.uk/>).

## **Women**

4.28 Low participation rates of women in business are seen to be a driver behind a focus of enterprise policy on women (Wilson et al., 2004). However, there is felt to be a dearth of reliable, particularly disaggregated, data to underpin policy on women’s enterprise. It is also unclear the extent to which any barriers to women’s entrepreneurship is structural or cultural (Wilson, et al., 2004; Deakins et al., 2004)

### ***Black and Minority Ethnic enterprise***

4.29 According to Ram and Smallbone (2003, p.162) “There is no doubt that many of the problems faced by BMEBs are particular versions of issues that face other business of a similar size” (Ram and Smallbone, 2003, p.162). This said, there are widespread concerns that ethnic minority groups are under-represented as clients of business support and finance providers (Deakins et al., 2003), and whilst constant attempts are made to improve this situations, there is as yet little agreement on which kind of approach works best where. In some areas there is widespread agreement that support should be provided within the mainstream of provision, whilst elsewhere the preferred model is of specialist providers for particular groups. The differences may reflect local policy histories, trajectories and personalities as well as differences in local needs.

4.30 It remains unclear as to how far locational factors and the sectoral structures of ethnic minority businesses shape difficulties they face in starting and developing businesses. Similarly, it is unclear to what extent the particular needs of BMEBs are cultural in construction and to what extent they are a product of economic structure. Both factors seem to be influential, but not necessarily in a uniform manner across localities.

### **Conclusions of the review of academic literature**

4.40 While many evaluations of policy measures and area-based initiatives have been produced, none are of the form that readily addresses the questions being posed by this study. What the available academic work does do is highlight the many pitfalls awaiting any naïve evaluator.

## **Section 5: Secondary data sources on enterprise**

5.1 The government objective of encouraging more enterprise in disadvantaged communities and underrepresented groups is represented by targets “.. to increase the overall rate of business start up and growth” (SBS, 2004b). The policy aim is to narrow the gap between poorly performing areas in terms of ‘enterprise’ and the average. Given this policy imperative to close the enterprise gap, it is important to examine in some detail the statistics which identify the gap, to clarify precisely what policy success is being measured and assessed against. This section also looks at a variety of data sources with a view to seeing whether any could directly inform the aims of this research project and, if not, whether we might be able to identify additional questions which might usefully be added to existing national surveys.

5.2 It is worth noting early on that there are a number of different meanings attached to the idea of “enterprise”, which gives the potential for different data sources to use different definitions. This was an important issue for us from an early stage as we sought to define our field of interest ever more sharply. Typically enterprise might be defined in some of the following ways:

- enterprise as a form of behaviour and values, compared to enterprises as an entities constituted for a trading purpose;
- business start up and business growth;
- entrepreneurial activity, encompassing concepts such as innovation and competition, which may be distinct from or interchangeable with the term ‘enterprise’;
- entrepreneurial culture, something which might be influenced by local contextual circumstances and addressed through policies such as those promoting enterprise in schools, colleges and universities.
- self-employment, which can contain an eclectic mix of activity, including forms of business from grey economy, through to very high earning portfolio workers;
- businesses as a legal entity on a single or multi-site and local units of enterprises.

5.3 This section critically examines the data available to develop and monitor policy. It first examines data used in recent ‘evidence-based’ government policy documents, before moving on to consider a wider range of potential sources then drawing some conclusions on the quality of data.

### **The evidence base in policy documents**

#### ***A Government Action Plan for Small Business***

5.4 The *Action Plan* comments on the fact that:

- regions and sub-regions differ significantly in their ability to develop local enterprise;
- gaps in rates of entrepreneurship exist between groups including: men and women; BME and within different minorities; people with disabilities and others facing labour market disadvantage.

The accompanying *Evidence base* volume identifies a number of specific barriers to enterprise formation, related both to individuals' labour market status and histories, and to a range of further difficulties experienced by many people which are specific to where they live or their personal background.

5.5 Sources of data drawn upon are: VAT registration rates, GEM sample surveys, literature reviews, Census, LFS and SBS surveys. For spatial sifting, the Index of Deprivation 2000 was used to define the 88 NRF Local Authority Districts, with seven transitional districts from the 1998 Index of Deprivation. The Enterprise Areas, of which there are 1,997, are wards identified from the 2000 Indices.

5.6 The suggested measures of progress in the *Action Plan* include monitoring

- people in the most and least deprived areas starting up in business;
- self-employment rates of black (and mixed) groups and all groups;
- male and female self-employment rates.

The first measure implies a focus on people residing in areas and starting up businesses in those areas. This is not measurable directly by VAT registrations, a point noted in the PAT3 report (SEU, 1999).

5.7 Other complementary measures where data is to be collected cover:

- people considering going into enterprise;
- numbers of social enterprises;
- businesses and people involved in enterprise awareness raising activities;
- take-up of business support;
- access to finance.

In the main, the data sources for these fields draw upon sample surveys and, for most public sector-funded business support activities, on management information systems.

### ***National Strategy for Neighbourhood Renewal and related analyses***

5.8 In early attempts to identify "deprived areas", statistics on enterprise were conspicuous by their absence. One of the broadly applicable action points in the National Strategy for Neighbourhood Renewal (NSNR) was the need for 'Better

Information', which perhaps helped stimulate the considerable progress made since 1998.

5.9 The NSNR *Action Plan* (SEU, 2001) reflected some of the PAT 18 *Better Information* (SEU, 2000) advances. It included circumstances in local economies as one of six key barriers to progress, whilst the 'business' dimension was expressed as "failure to attract business in to capitalise on the underused resources, people, buildings and land, as well as underserved consumer markets". It adopted a rather different take on enterprise in deprived areas<sup>3</sup>.

5.10 *Jobs and Enterprise in Deprived Areas* (SEU, 2004a) investigated worklessness, involving a focus on support for enterprise and self-employment. Most of its analytical approach, however, derives from spatial analyses of concentrated worklessness. It is concluded that there is more worklessness in districts that are losing workplaces than in those where the number of workplaces is increasing.

5.11 There is also a discussion of the informal economy, the difficulty of verifying its quantification and a recognition of potential sources of formal enterprise. Work by Street UK and Community Links (Copisarow and Barbour, 2004) reveal how formalisation runs into viability constraints in given market contexts.

5.12 The regularly argued critique of VAT registrations is repeated in the discussion of DTI PSA targets. The essence of this critique is that VAT data misses out exempt businesses, those below the compulsory registration threshold and local workplaces that are branches of enterprises whose VAT registration address is elsewhere. Office of National Statistics (ONS) analysis shows that non-VAT registered enterprises are numerically significant, being equivalent to the registered VAT stock, but at national level, in economic and employment terms, comparatively insignificant.

5.13 The relevant DTI PSA target, 6, is now "help to build an enterprise society in which small firms of all kinds achieve their potential with:

- an increase in the number of people considering going into business;
- an improvement in the overall productivity of small firms;
- more enterprise in deprived communities."

5.14 The increase in people considering going into business is obtained from SBS sample surveys, supported by the GEM survey. The sample is large enough to contrast deprived area results with total responses at a national level. The

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<sup>3</sup> Apart from historic approaches to locational analysis ,eg Location Quotients, and some critiques of the business clusters model, the topic of over-served markets in low cost of entry sectors resulting in sub-optimal businesses has not been tackled in policy-based ,as opposed to academic, statistical analyses. Asserting that an area has too many enterprises is more contentious than asserting it has too few. The average seems to be right and acceptable for areas with few businesses but not for those with more businesses.

productivity of small firms is obtained from the ABI and IDBR. The SME dimension is seeking to achieve a greater increase in productivity than in the total for all firms. The date to monitor the goal of increasing enterprise in deprived communities is to be derived from VAT, self-employment, SBS and LFS surveys, where 'deprived communities' are defined as the 20% most deprived wards in the Index of Deprivation 2000.

5.15 Results from the national SBS survey deal with the number of people thinking about starting a business, revealing the major barrier to be obtaining finance. SBS management information shows that Business Link caseloads are weighted towards existing firms rather than new starts (ratio 3:1). The report's consideration of 'supporting employers' focuses mostly on recruitment and employment aspects and on the role of Jobcentre Plus, rather than on business development and growth in other dimensions.

### ***Enterprise and Economic Opportunity in Deprived Areas***

5.16 This recent consultation paper on proposals for a Local Enterprise Growth Initiative (HM Treasury, 2005) highlights the existence of an 'enterprise gap', evidenced by regional data on start-up rates and stock rates, using VAT registrations. From these data comes the statement that "low levels of enterprise are a significant cause of poor economic performance in certain regions". A discussion of barriers to enterprise in deprived areas identifies these as relative rather than absolute and, in large measure, reflects received knowledge on these issues. Within one of the six principles, dealing with effective targeting, is the acknowledgement that "indices based purely on residential measures of deprivation can present certain limitations.... as residential deprivation says little about the lack or otherwise of local business activity".

5.18 The proposal for the Local Enterprise Growth Initiative sets out a national level aim and three outcomes, with indicators being specified for each one. The national indicators seem to be reasonably robust and most can be assembled for Local Authority Districts, although few are available for sub-district level. The local indicators suggested will require considerable work on establishing baselines and, then, to tracking change.

5.19 A significant comment in the consultation paper is that "current evidence on the impact of enterprise in deprived areas is limited" and this may be reflective of both previous and partial initiatives and of unfolding policy analyses drawing on different data sources. The Local Enterprise Growth Initiative, therefore, has built within it a strong action research/action learning emphasis which may test the utility of local level data and the soundness of policy hypotheses based on these data.

### ***Reflections on meanings drawn from data***

5.20 Getting a grip on policy intentions and their significance from the above documents is made more complex by the varying terminology used, different perspectives on “areas”, and the use of a variety of indicators, not all of which can be employed at the local scale.

5.21 There are difficulties in reconciling data collected from enterprises and that collected at the level of the business unit, which make it difficult to easily make the link between levels of deprivation (using household data) and levels of enterprise (sometimes using household data, but mainly business data). The current approach to evidence-based policy makes of selective indicators, such as VAT data, self-employment data and sample surveys, with the risk of not accurately conveying the full picture. A consistent approach to the use of VAT data for stock/registration/deregistration rates is generally absent. While associations are drawn between VAT data and areas of deprivation, few analyses progress further. Quite a lot of policy and statistical attention is devoted to self-employment as a form of enterprise. This is directed at effects which are not measured, but are estimated instead by the Inter Departmental Business Register (IDBR).

5.22 As alluded to in *Enterprise and Economic Opportunity in Deprived Areas* (HM Treasury, 2005), the geography of residential-based deprivation may or may not be conducive to enterprise formation. Ward boundaries may enclose almost wholly residential areas within which comparatively few businesses will be present compared to, say, more mixed use areas in cities where the business intensity may be high despite proximity to deprived neighbourhoods. Urban form and electoral ward geographies may actually be important distorting effects then (see para 5.28 below).

### **Examining data sources**

5.23 The main official sources of relevant data about enterprise and enterprise aspirations are: the IDBR, covering VAT and PAYE sourced units; survey methods, which are largely demographic; and some other indicative sources, both ‘official’, such as floorspace statistics, and commercially provided data.

#### ***IDBR***

5.24 The Inter-Departmental Business Register, IDBR, is the base source for business information and is compiled from VAT registered traders, employers operating as PAYE registered with the Inland Revenue, and incorporated businesses registered at Companies House; ONS and other surveys supplement the Register. It provides the sampling frame for surveys and has records for some 2m businesses. Unregistered businesses are estimated to comprise a further 2m. Registered businesses are estimated by ONS to provide 97%-99%

coverage of UK economic activity. Unregistered businesses are assumed by ONS to be 'size class zero', that is having no employees.

5.25 While the terms "business", "firm" and "enterprise" may be used interchangeably in everyday language, the IDBR regards a business as a legal entity or unit. A branch outlet is not defined as a business. So, for a specified geographic area, the total number of business may normally be fewer than the total number of employing establishments in the market sector. It follows, then, that baseline data on businesses in deprived areas may under-represent the potential.

5.26 Of the 2 million IDBR Reporting Units in 2001/02, 47% had the legal status of a company, 33% as sole proprietor and 19% as a partnership. Sole proprietorships and partnerships on the IDBR comprised 1.47m self-employed people. Unregistered businesses are almost totally (92%) sole proprietorships. These and partnerships comprised 2.15m self-employed people. As yet, Agricultural Census results are not incorporated. IDBR does not contain data on the geography of business ownership and there are some questions about the reliability of the industrial classification of data. Access to IDBR data is constrained by statute and for specified purposes.

5.27 Developments are underway in the collation of business statistics and these will assist in making a better spatial analysis of the presence of business establishments in small geographies, such as ward level. They will not, however, reveal local ownership profiles and nor cover self-employment not covered by VAT registrations.

5.28 One of the limitations of using wards as base for analysis is their variable population size. For example, in Hull they range from 8,000 to 14,000 and in the East Riding from 4,500 to 15,500 (2001 Census). Their extent and land use geography will also differ. A study of a selection of wards with different characteristics in the Hull/East Riding suggests that observed statistical differences between wards may have as much to do with urban/settlement geography and land use patterns as with deprivation factors.

### ***Survey-based Sources***

5.29 Unlike IDBR-based data which records enterprises by their location, and therefore places of work, the main official sources of data on enterprise that provide records of 'proprietorship' are householder-based, and therefore produce results by place of residence. The two sets of records are thus not directly comparable when analysed for deprived and non-deprived areas.

5.30 Census of Population data is the most comprehensive, but data is only collected once every 10 years. Data on proprietorship can be inferred from the "self-employment" field, but this is clearly a partial indicator. Occupational data is

limited to the major SOC groups. SEG classifications distinguish employers from managers and data for professional workers distinguishes between self-employed and employees sub-groups. Travel-to-work tables on origins and destinations have figures on place of residence and workplace of the self-employed, but not for smaller areas. Equivalent ward and output tables do, however, cover flows by occupation. While a rich and complex source of data, capable of further specialist analysis, a key problem for small area analyses is elapsed time since Census day, especially in areas undergoing change, such as Housing Market Renewal Areas, and those which perform a transitional function in, especially, urban areas where residential churn is high. Such areas may also coincide with areas where Census under-enumeration may be above the average.

5.31 The Labour Force Survey is the largest regular household survey in the UK. As a sample survey it is subject to sampling variability which increases at lower spatial scales to the point where data is suppressed for some fields. Aggregated data for respondents in deprived/non-deprived areas is robust at national level but becomes limited at sub-regional level or below: for example, unemployment data is only available for 28 out of 408 local authority areas. As with the Census of Population, the main data field relevant to enterprise is self-employment. ONS uses LFS self-employment results for estimation purposes by reconciliation with IDBR registered businesses. LFS does not record if self-employed respondents are in a partnership or are sole traders, nor whether they are VAT or PAYE registered. Apart from economic and policy influences on self-employment, public administration and policy decisions can have an influence on the data: examples include previous encouragement to incorporation, Inland Revenue treatment of self-employed people working for a single establishment, and in some business practices people's status is shifted from employed to self-employed.

5.32 SBS household sample surveys and other commercial surveys capture quantitative and qualitative data about status, behaviour and aspirations. Their suitability for sub-national spatial analysis depends on sample size. The National Lifestyle Survey, undertaken annually by Claritas Acxiom Ltd, is used by Yorkshire Forward under license who sponsor additional survey questions. From this source, Yorkshire Forward reports annually on self-employed/business owners, picking up those who are not VAT or PAYE registered. The data can be analysed by fine-grained geographies to produce GIS maps and covers matters such as years in business, gender of owners, and people who are thinking about starting in business. National, GB, data coverage is available.

5.33 Apart from the Annual Business Inquiry (ABI) which is used to compile employment data etc., the main relevant business survey is the SBS Annual Small Business Survey. Results from 2003 show 69.5% of small (SME) businesses to have no employees, an indication of the relative economic significance of most of the stock. The sample size is large enough to draw aggregated distinctions between deprived/non-deprived areas. The survey

includes qualitative findings, covering matters such as rationale for business start up, growth orientation, experience of business support.

5.34 Potential proxy data on the presence of businesses in localities may be derivable from rateable value statistics and are published for Local Authority areas: some Councils produce further spatial analysis of this data. This becomes more significant for the administration of the Local Authority Business Growth Incentives Scheme (LABGI). Annex B to the Scheme Consultation Paper provides average growth figures in business rates revenues by Local Authorities for 1995/96-2002/03, revealing considerable variation between Local Authorities' growth rates, including within regions and where underlying explanations may reflect policy, such as growth or restraint areas, and/or comparative economic advantage.

5.35 Amongst other data sources which various analyses have drawn upon in the past are those from utility connections, such as gas, electricity, water and telephone, and commercial sources, such as Dunn and Bradstreet, banks and, to a lesser degree, various official sources, such as Inland Revenue returns. Each one has limitations in coverage, availability and currency suggesting that data mining of these sources would result in diminishing returns for the effort involved.

### ***Indices of Deprivation***

5.36 Indices of Deprivation are the means, for policy purposes, by which deprived areas are identified. The current Index of Deprivation (2004) builds upon the 2000 Index and produces results for Local Authority Districts and for SOAs. The advantages of SOAs over wards are that they are fixed and of comparable population sizes. The Indices cover specific domains of deprivation and provide a composite Index of Multiple Deprivation. The results reflect geographic concentrations of people with particular characteristics but do not imply any particular causal processes.

5.37 The 7 domains of data used in compiling the 2004 Index are:

- Income Deprivation
- Employment Deprivation
- Health Deprivation and Disability
- Education, Skills and Training Deprivation
- Barriers to Housing and Services
- Crime
- Living Environment Deprivation

5.38 Intuitively, recognising what it takes to start and to run a business, the first five of these (people-based) domains would suggest, for a highly deprived area, a probability that a significant proportion of people in the area lack what it takes to be in business or, for that matter, to be in a job. All other things being equal,

potential business start-ups looking for a suitable location – in terms of consumer markets and as sources of local labour – may regard areas showing high deprivation in these five domains as unsuitable. Unfavourable scores for the place-based domains of recorded criminal offences and of the living environment may also convey images of locations as not being conducive to enterprise formation and growth. Policy aimed at enterprise stimulation may, therefore, be obstructed or obscured by the interactions induced by a range of other factors.

### **Reflections**

5.39 While there are a variety of data sources on enterprise and deprivation, their utility in policy evaluation depends on making a carefully match to the aims of policy. Unfortunately, but perhaps inevitably, the terms used in policy and research documents gives scope for ambiguity about purpose and rationale.

5.40 There is clearly spatial variation in the intensity of businesses and enterprise activity, but what do these variations tell us? Some areas may be seen as having too many businesses, resulting in high churn rates, saturated markets and impediments to growth. Others areas may have fewer businesses but high employment rates, possibly indicating solidly established local economies. A third type of area might have a below average number of enterprises and low employment rates, but very high GVA per head made possible by labour 'importing'. In the latter case, it is not clear whether more enterprise formation would address problems with employment rates. An alternative goal might be one of competition to drive innovation and productivity. The city of Nottingham is a good example, with a GVA per head is the 7<sup>th</sup> highest in the UK, VAT stock and registration rates are low, job density is high but employment rates are very low as are earnings. Deprivation levels are amongst England's highest on the 2004 Indices. This suggests problems of economic exclusion and labour market detachment which may be barely touched by having more enterprises.

5.41 The data clearly indicates that deprived areas exhibit less enterprise activity than non-deprived areas. The Index of Deprivation 2004 shows a relative concentration of deprived SOAs in lagging regions. But, it remains unclear whether there is a causal link between high levels of deprivation and low levels of enterprise, or whether the regional context and structural conditions play the key role

### **Conclusions on data sources**

5.42 In summary, data sources for assessing levels of "enterprise" by locality are variable in their coverage and nature and in how they can be used as evidence for policy. While there are clear associations between high levels of deprivation and low levels of enterprise, evidence of links of causation are much less clear. This is one of a number of factors which point to the need for careful, locally-based research if an effective local policy approach is to be developed.

5.43 In terms of whether existing data survey instruments might be adapted to collect relevant data, overall, we conclude that VAT, IDBR, the LFS and the population Census data on self-employment maybe imperfect but they are the best we have. In terms of the impacts of the uncounted or missing enterprises on deprived areas, though such businesses will be important at the level of the individual they are unlikely to make a large impact at the district level. There are statutory constraints on being able to use Customs and Revenue data on personal characteristics of business owners, any changes to which would be sensitive in the current political climate.

5.44 Of the sample surveys, the LFS is the biggest but by the time it is disaggregated quantities are small and not statistically reliable. Boosting the sample in deprived areas may provide more reliable information on self-employment and proprietorship below regional levels, but inevitably cost considerations apply. Similar considerations apply to the SBS household (10,000 sample) and business (8,000 sample) surveys. Although generally a well-crafted survey instruments, on barrier questions, there are currently no prompts on local environment, crime, childcare etc, so these could be added. At the moment, limited sample sizes make it difficult to analyse the results below regional level. It might be possible to boost the sample, for instance to increase responses for one year in, e.g. inner-city, peripheral estates, coalfield, coastal districts or some other classification.

5.55 Using GIS we can get down to street-by-street level on deprivation and unemployment etc (see SEU reports 'Jobs and Enterprise in Deprived Areas'). However, we remain unconvinced that that the enterprise agenda translates adequately to this spatial scale. It may be that it is more meaningful to assess levels of enterprise at the level of wards, grouped wards, LADs, TTWAs, city-regions/sub-regions or standard regions.

5.56 Overall, the message is that we are perhaps best to use what we already have judiciously and to overlay it, in delivery and in evaluation, with local knowledge

## Section 6 Case Study Findings

### Profiles of the case study areas

#### Introduction

6.1 This section uses case study material to examine how enterprise policy looks at the local and regional levels. The intention is to explore how best to study the expected local variability in how enterprise policies come together at the local level. As Section 2 noted, we chose to pilot this work in three districts of West Yorkshire, involving interviews with a variety of policy makers at local, sub-regional, and regional levels, plus a small number of SMEs. The questionnaire was itself intended to be exploratory – seeking to find out what kinds of questions could usefully and meaningfully be used. The intention was not, then, to produce a definitive set of findings – it was much more exploratory. Nonetheless, we do provide some summary tables as they are helpful in structuring our commentary. We begin with a brief statistical overview, which helps clarify some of the concerns raised in Section Five of the report, but also reveals the value of some of the existing official sources.

**Table 6.1 Business and deprivation statistics, West Yorkshire and Index of Deprivation 2004 Rankings by district**

	<b>2004 Stock Rate of VAT- registered businesses</b>	<b>IMD 2000 Ranking</b>	<b>IoD 2004 Ranking of average score</b>
Bradford	293	33	30
Calderdale	385	97	86
Kirklees	338	85	77
Leeds	316	114	68
Wakefield	263	58	54
West Yorkshire	313	N/A	N/A
Y&H	323	N/A	N/A
England	386	N/A	N/A

\* per 10,000 resident adults

6.2 Table 6.1 reveals that there is no clear correlation between stock rates and indices of deprivation across the districts of West Yorkshire. Indices of deprivation for 2000 and 2004 are both included as they adopted different methodologies. The poor correlation reflects a variety of influences, many of them relating to issues in how the data are collected and assembled, plus some of interpretation. For instance:

- A low stock rate may indicate an overall shortfall in levels of enterprise activity and be associated with low employment levels;
- Alternatively a low stock rate may reflect an enterprise structure oriented towards large establishments, including the public sector and local establishments of national firms and result in high employment rates;
- A high stock rate may reflect a particular spatial, social or economic function that gives rise to a higher than normal stock of micro firms, e.g. agricultural, independent retail, lower order in urban hierarchy etc;
- As the stock rate is based on adult population, demographic features, e.g. high birth rates, high student populations, retirement age (inactive) population will have a bearing on the arithmetic ratio.

6.3 Stock rates can provide a useful proxy for local enterprise levels, but they need to be interpreted carefully in light of other local 'environmental' conditions such as economic structures and employment rates, which may also influence any apparent relationship between stock rates and deprivation. The settlement structure of each district can also be an important influence. The West Yorkshire districts, despite being metropolitan districts, include extensive areas of open countryside, small towns and suburban areas as well as their industrial cores. Their population densities are, accordingly, lower than for most metropolitan districts and some of the tightly bounded Unitary Authorities (e.g. Middlesbrough, Hull, Derby, Leicester, Nottingham, Stock, Luton, Southampton and Bristol) have very much higher population densities and constrained physical space within which to accommodate enterprise land uses<sup>4</sup>.

### ***Bradford overview***

6.4 Bradford District has a population of about 475,000, around 1 in 5 of whom are classified as BME – around four times the national average. The population is younger and faster growing than the regional average and employment rates are lower than average. The picture varies greatly across the District, about two-thirds of which could be described as rural.

6.5 Bradford District has 30 wards. The ward with the most enterprises is University (945) which is one of the most deprived in the district, but which includes part of the city centre. The next highest number of enterprises is found in the prosperous town of Ilkley (585). Bolton ward (145) has the fewest. Adult ward populations range from 9,938 (Keighley South) to 16,591 (University). Most of Bradford's wards have an adult population of around 11,000-12,000. The wards with very high stock rates include:

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<sup>4</sup> It should also be noted that when national publications present global data on enterprise to contrast activity levels between deprived and non-deprived areas, city centre wards are excluded from the deprived areas aggregated data even though their residential population characteristics may result in a high IMD ranking.

- University (570 stock rate), high proportion of Asian population and many Asian businesses, also covers part of Bradford city centre (IMD, national ward rank 104)
- Ilkley (513 stock rate): a freestanding service centre and small town (IMD rank 7627)
- Keighley South (448 stock rate): covers part of the town centre (IMD rank 538)
- Bowling (409): an inner city/edge of centre ward in Bradford, south east of the central area (IMD rank 132)

Wards with low stock rates include:

- Toller (stock rate of 127): towards the north west periphery of Bradford (IMD rank 134)
- Bradford Moor (stock rate of 129): east of the city centre (IMD rank 81)
- Heaton (130): relatively prosperous area, between city centre and Shipley north of/adjacent to Toller ward (IMD rank 672)
- Odsal (130): mixed residential area on the southern periphery of Bradford (IMD rank 1020)
- Bolton (135): mixed residential areas, with considerable council housing, close to Shipley (IMD rank 2525)
- Keighley West (137): largely urban, including inner and peripheral areas (IMD rank 1058).

6.6 At ward level, as at district level, there is not a straightforward correlation between deprivation and enterprise stock levels. For instance, the 19 most deprived wards in Bradford include six with a stock rate above the district average. Bradford wards within the worst 10% and 20% of wards nationally on IMD 2000 and their stock rates are shown in Table 6.2 below.

6.7. Bradford district has had a long history of area-based initiatives, including an Urban Task Force, City Challenge (Holme Wood), Objective 2 status [Bradford, Shipley and Keighley], SRB, NDC [Little Horton ward], and an Urban Regeneration Company. Most of these area-based initiatives have focused primarily on getting people into jobs, although enterprise policies have been addressed too, for instance with Objective 2 funding and the NDC (see below).

**Table 6.2 Ward level statistics for Bradford MBC**

	<b>IMD 2000 Ranking</b>	<b>Enterprise Stock Rates 2004*</b>
<b>Worst 10%</b>		
Little Horton	42	267
Bradford Moor	81	129
University	104	570
Bowling	132	409
Toller	134	127
Tong	247	241
Undercliffe	352	360
Keighley South	538	448
Heaton	672	130
<b>Worst 20%</b>		
Eccleshill	988	154
Shipley East	993	376
Odsal	1020	130
Keighley West	1085	137
Great Horton	1102	142
Wyke	1289	255
Keighley North	1354	314
Thornton	1436	226
Wibsey	1545	178
Clayton	1650	185

\* VAT registered enterprises per 10,000 resident adults

### ***Leeds overview***

6.8 Leeds has a population of around 715,000, which is growing at a slower rate than the regional average. The district's ethnic composition is similar to the national average as is the employment rate. Whilst widely regarded as a success in terms of the urban core, Leeds is also very much a two-speed economy, with considerable economic and social problems in parts of the city.

6.9 The city has 33 wards, with the most enterprises (2,360) being in City and Holbeck which includes the central area of the city, followed by Wetherby, a freestanding small town, with 1,080. The smallest number of enterprises (115) is in Seacroft, a peripheral residential estate of mostly social housing in Leeds. Adult ward populations are significantly larger than for other districts in the sub-region. The highest total is Headingley (24,186) and the smallest is Hunslet (12,215). Approaching two-thirds of wards have 17,000 adults or more. This larger demographic base for wards has a statistical effect on IMD 2000 ward rankings which the SOA finer grained base of IoD 2004 overcomes.

6.10 The wards with an enterprise stock rate which is notably above the average for Leeds include:

- City and Holbeck (stock rate of 1,450): city centre and industrial inner area to south undergoing renaissance (IMD rank 378)
- Wetherby (501): market/commuter town on A1/M1 including large (Boston Spa) Trading Estate (IMD rank 7497)
- Otley and Wharfedale (422): small town and commuter villages/rural (IMD rank 6807)
- University (395): inner area, north of city centre (IMD rank 666)
- Horsforth (360): absorbed suburb/commuter area, north west of city (IMD rank 7502).

Wards with low stock rates include:

- Seacroft (89): large post-war social housing estates (IMD rank 388)
- Headingley (101): blend of inner city, 'boho chic' and inter-war suburb (IMD rank 4388)
- Burmantofts (106): east Leeds with 'problem estates' (IMD rank 444)
- Middleton (135): peripheral municipal housing south of Leeds, adjacent to M1/M62 (IMD rank 1339)
- Kirkstall (148): long thin radial ward of mixed residential characteristics (IMD rank 2089)
- Whinmoor (152): peripheral 1960s municipal housing, adjacent to Seacroft (IMD rank 1948)
- Harehills (170): inner city area with a much higher than average BME population (IMD rank 429)
- Cookridge (170): peripheral suburb/commuter area north of Leeds (IMD rank 5672)
- Rothwell (175): small town south east of Leeds in commuter belt (IMD rank 4224)
- Moortown (176): northern suburb in Leeds (IMD rank 4296)
- Halton (181): residential area to eastern perimeter of Leeds (IMD rank 6126)
- Chapel Allerton (190): mixed residential area including Chapeltown – multicultural especially African/Caribbean – and more 'suburban' districts (IMD rank 962)
- Bramley (198): western perimeter of Leeds – mixed residential character (IMD rank 1494)

These 13 wards have stock rates below 60% of the Leeds average. It is notable that 25 of the 33 Leeds wards have stock rates which are less than the Leeds average. The 15 Leeds wards in the lower half of the IMD ranking are, with the exception of Headingley, located around the Leeds Outer Ring Road or beyond: nine of these wards have stock rates below the city average. Leeds' wards within

the worst 10% and 20% nationally on IMD 2000 and their stock rates are listed in Table 6.3 below:

**Table 6.3 Key statistics for Leeds CC**

	<b>IMD 2000 Ranking</b>	<b>Enterprise Stock Rates 2004*</b>
<b>Worst 10%</b>		
City and Holbeck	378	1450
Seacroft	388	89
Harehills	429	170
Burmantofts	444	107
Richmond Hill	484	218
Hunslet	656	274
University	666	395
<b>Worst 20%</b>		
Chapel Allerton	962	190
Middleton	1339	135
Wortley	1814	235
* per 10,000 resident adults		

6.11 Leeds has had a sequence of types of area-based initiative including an inner city Task Force, City Action Team (with Bradford), 'mini' UDC, SRB, URBAN and, for 2000-06, Objective 2 (inner Leeds wards). Leeds is also one of the City Growth Strategies pilot authorities.

### ***Wakefield overview***

6.12 The Wakefield district has a population of about 320,000. It is growing at a slower rate than the average for the region and is predominantly white with a below average representation of other ethnic groups. As was pointed out in Section 2, it has a decentralised settlement pattern, with a large number of former coalfield villages.

6.13 The District has 21 wards. Osset, a freestanding small town, has the most enterprises (505), followed by Wakefield East (485). Castleford Ferry Fryston in the middle of the former coalfield area (85) has the fewest. Adult ward populations range from 9,714 (Castleford Ferry Fryston) to 15,225 (Stanley and Wrenthorpe) which is at the north western edge of the district, adjacent to the M1/M62. Most Wakefield wards have an adult population of 10,000-12,000.

6.14 The wards with a stock rate significantly above the Wakefield average include:

- Castleford Whitwood (435): includes the town centre and the large expanse of industrial development at Wakefield Europort and Normanton on the M62 (IMD rank 1045)
- Osset (394) to the west of the district and including a large industrial estate (IMD rank 4063)
- Wakefield East (390): in the town of Wakefield (IMD rank 503)
- Wakefield North (311) (IMD rank 1136)
- Horbury (308): adjacent to Osset, west of M1 (IMD rank 3931)

Wards with low stock rates include:

- Castleford Ferry Fryston (88): an area including a coalfired power station and, until recently, a large working colliery (IMD rank 399)
- South Kirkby (142): former coalfield area in south east Wakefield district (IMD rank 493)
- Pontefract South (166): mixed residential and rural (IMD rank 2709)
- Hemsworth (174): former coalfield area, just north of South Kirkby (IMD rank 337)
- Stanley and Altofts (189): between Wakefield and Normanton, mostly rural (IMD rank 4157)
- Featherstone (189): expansive rural area with the former coalfield town of Featherstone at the centre (IMD rank 1124)
- Wakefield South (191): suburban and extensive rural (IMD rank 4185)
- Normanton and Sharlston (196): covering most of the town of Normanton and countryside extending west (to Wakefield) and south (IMD rank 1038)

There is only one Wakefield ward in the lower half of the IMD ranking, Wakefield Rural where the stock rate (260) is close to the district average. Wakefield's wards within the worst 10% and 20% nationally on IMD 2000 and their stock rates are listed in Table 6.4.

6.15 A consistent but not universal feature of the district is low stock rates overall, especially in former coalfield areas in the Five Towns and south east of the district. Wakefield has long benefited from Assisted Area status, Enterprise Zone support (south east of the district), Objective 2 coverage, SRB, attention from English Partnerships and coalfield regeneration initiatives. We were told by some of our interviewees that in the coalfield areas of Wakefield and east Leeds, particular issues affecting enterprise are the dispersed settlement pattern and the small size of some towns (offering only limited markets), plus low levels of consumer disposable income and traditions of living and working in the same pit village, where there is still an aversion to travelling long distances to work.

**Table 6.4 Key statistics for Wakefield MDC**

	IMD 2000 Ranking	Enterprise Stock Rate 2004*
<b>Worst 10%</b>		
Hemsworth	337	174
Castleford Ferry	399	88
Fryston		
South Kirkby	493	142
Wakefield East	503	390
South Elmsall	824	205
<b>Worst 20%</b>		
Wakefield Central	898	288
Normanton	1038	196
Castleford Whitwood	1045	435
Knottingley	1077	207
Featherstone	1124	189
Wakefield North	1136	311
Castleford	1145	224
Glasshoughton		
Pontefract North	1385	267

\* per 10,000 resident adults

### ***Overview of the three districts***

6.16 This brief analysis of secondary data begins to reveal the complexity of the relationship between areas of deprivation and their enterprise levels. In particular, the importance of filling out the statistics with a little local knowledge becomes evident, helping to explain the lack of clear correlation between levels of deprivation and enterprise at ward level. We reveal that high levels of enterprise stocks can be found in both areas of deprivation and in salubrious suburbs. Likewise, low levels of enterprise stock can be found in all types of areas, rich and poor. We can also begin to highlight some of the key intricacies and differences across the areas. For instance, proportions of BME population represent a poor proxy for propensity for enterprise, with different groups having different cultural traditions of enterprise and employment. Unemployment too is a poor proxy for deprivation. Bradford has the highest proportion of its population in long-term unemployment and on Income Support. However, looking at 'worklessness', Wakefield fares worst, suggesting that the coalfield/long term sickness effect is locally important. These background issues are not always easy to link to the evidence provided below, but they provide a useful feel for the local contexts which have shaped the evolution of policy in each area.

## **Institutional and policy context**

### **Regional and sub-regional Policy and Strategy Themes relating to Enterprise**

6.17 There are various regional agencies and strategies which we could include here. In the interests of brevity we introduce only those which attracted most comment from our interviewees.

#### ***Regional Economic Strategy***

6.18 The main regional economic agency is Yorkshire Forward, the RDA for the region. It is responsible for producing and implementing a Regional Economic Strategy (RES), the current version of which includes as one of its six objectives the ambition to achieve higher business birth and survival rates. Within this objective are five thematic intentions (culture, support services, skills, finance and clusters). Specific actions relevant to this research study include those to “promote enterprise by women, black and minority communities and in deprived wards”.

6.19 Of the strategy’s six cross-cutting themes, two are particularly relevant. These are ‘geographic adaptation’, that is, flexible delivery customised to circumstances of places and ‘social inclusion and diversity’, that is, taking account of and benefiting, in particular, disadvantaged and excluded people. Relevant 10 year targets are: to double the business start-up rate and to halve the number of deprived wards, that is, in the most deprived 10% of the Index of Deprivation. The work of Yorkshire Forward is subject to formal scrutiny by the Regional Assembly, including its work on enterprise issues.

#### ***Business Birth Rate Strategy***

6.20 To implement the RES objective, Yorkshire Forward RDA, prepared a Business Birth Rate Strategy (BBRS) in 2000 and then an Action Plan in 2001. This was the subject of the Regional Assembly’s first scrutiny enquiry which gave rise to a further Yorkshire Forward Action Plan.

6.21 The BBRS repeated the five thematic *intentions* in the RES objective and re-titled them as *objectives*. For each one a reasoned justification preceded the itemisation of programmes, which came to 25 in total. Each programme deals with a specific dimension of business birth rate services, none being solely dedicated to enterprise in deprived areas. Instead inclusion and targeting considerations are embedded in the narrative and descriptions.

6.22 The BBRS Action Plan carried forward the structure of objectives and programmes and elaborated on programmes by specifying actions – 68 in all, partners, time scales and targets. By marshalling resources from many separate

funding streams, a costed programme worth £32m over three years was identified.

6.23 The scrutiny enquiry established that the BBRS had effectively identified key priorities and had initiated programmes and projects delivering excellent results. The Panel considered that some aspects needing further attention, pointing to the following matters which were relevant to this research:

- BME consultation and participation;
- Regional diversity (this being a reference to geographic diversity and sub-regional agendas);
- Further consideration to tackling social exclusion issues;
- Difficulties in measuring and assessing outputs, outcomes and impacts;

6.24 Yorkshire Forward's response came in the form of an action plan which itemised, amongst other actions, specific initiatives relating to businesses run by people from BME communities and support for local social and community enterprises. Also, through sub-regional action (now investment) plans, funding would be available tailored to the different needs of local areas.

### ***Enterprise Shows***

6.24 A particular feature of Yorkshire Forward's lead role in BBRS has been its approach to Enterprise Shows, which aim to promote opportunities for enterprise. Yorkshire Forward has drawn upon lifestyle data to assist the spatial targeting of these shows and their marketing. This data source lends itself to fine grained spatial analysis to identify areas where there are high or low proportions of households who are enterprise proprietors and areas where there are high proportions of people who thought about starting their own business.

6.26 The lifestyle data tends to show that the areas with highest proportions of proprietors in Yorkshire and the Humber are the suburban and rural districts of the region. Wards within the 20% most deprived areas in England have business ownership levels that are 74% below the regional average. These wards have 29% of the region's business owners but 40% of all businesses and 52% of all employees.

6.27 The lifestyle data also covers households where someone is thinking of starting their own business. Benchmarked against GB = 100, this varies by district between 42 (Craven and Ryedale) to 114 for Bradford. Comparable figures for remaining West Yorkshire districts are Calderdale (88), Kirklees (110), Leeds (87) and Wakefield (73). Across the region's urban areas, where levels of deprivation are usually highest, index values on this indicator are as variable as they are in non-deprived areas but tend to be low, with occasional exceptions like Bradford and Kirklees.

6.28 Equipped with this intelligence, the Enterprise Shows across the region run by Yorkshire have been able to include appropriate blends of forms of support for the respective target markets. The elapsed time between promotional events, beneficiaries starting as enterprises or as self-employed and VAT registration rates has meant that evidence of outcomes is not yet apparent. However, feedback from our interviews was largely positive.

### ***Objective 2 Programme***

6.29 Parts of each district are eligible for EU Objective 2 funding. The eligible areas are defined by reference to a range of employment and resident-based indicators and covering most of the main areas of urban deprivation. The programme architecture includes business support and community economic development measures.

6.30 Delivery of the business support priorities is directed through sub-regionally based Objective 2 business support strategies prepared by partnerships and led by the respective Business Links. Programme objectives and criteria, and the delivery arrangements give due consideration to and opportunity for stimulating enterprise in Objective 2 deprived areas, subject to ERDF regulations.

6.31 Typically, securing match funding for EU programmes can be difficult, but in Yorkshire and the Humber the RDA, Yorkshire Forward, played a critically important leadership role by preparing a multi-measure match funded ERDF application. This involved the creation of a funding mechanism worth some £60m over a three year period, making a substantial proportion of these resources available to the newly created sub-regional Business Links.

### ***Business Link West Yorkshire***

6.32 The main support structure at sub-regional level is Business Link West Yorkshire. Also potentially important is the local Learning and Skills Council (LSC) for the sub-region, although as we will see this was perceived by some as less of a major player than it could be. Business Link West Yorkshire (BLWY) is a membership company and has operated on the broker model rather than being a direct deliverer to a greater degree and for a longer period than many other Business Links. Through branded concessions, BLWY has retained both a strategic and sub-regional identity and localised services, reflecting the original vision of the founding members; these included three Chambers of Commerce, five Local Authorities and four Universities.

6.33 A West Yorkshire Enterprise Partnership has grown out of this vision and includes: Business Link; Learndirect; International Trade; Education Business Links; Social Enterprise Link; and Incubation Link. Additional members now are independent SME representatives and Local Learning Partnerships. The partnership has prepared a strategy developed out of four themes covering:

- Increasing levels of enterprise;
- Improving competitiveness;
- Raising workforce skills;
- Promoting inclusion.

6.34 This strategy is anchored into all the other relevant policy and research contexts. Its strategic objective on promoting an inclusive society reflects on:

- BME dimensions;
- Urban deprivation;
- Community cohesion;
- Rural isolation (including former coalfield areas);
- Female participation.

These in turn lead to strategic actions covering:

- Service take up by under-represented groups;
- Access to support in disadvantaged areas;
- Equality and diversity awareness.

6.35 Key measures for 2004-07 are itemised. Resourcing over this period for this objective amounts to £7m out of £74m. The other objectives and their resources are:

- Increase enterprise £30m;
- Improve competitiveness £14m;
- Raise workforce skills £23m.

6.36 Within the framework of the strategy, there is a family of plans including Enterprise Action Plans for each of the five districts of West Yorkshire, a Social Enterprise Strategy and delivery plans for other services.

6.37 It is important then to recognise that the core funding of Business Link is but a small part of its total budget, much of which comes from other sources, not least EU structural funds and the RDA. BLWY, the West Yorkshire LSC and DWP have also worked very closely together on organising strategic approaches to the use and deployment of ESF funding from Objective 2 and 3 Programmes, which include measures supporting entrepreneurship and SMEs. The RDA/Objective 2/BLWY developments come together in a West Yorkshire Social Inclusion Programme, using the RDA's match funded ERDF resources and amounting to £2.7m for 2002-05. This programme focuses on individuals or SMEs experiencing barriers associated with: gender; ethnicity; geography – deprived areas and remote areas. This work is clearly valued by those directly involved, but for reasons not entirely clear to us, it was not sufficient to deflect

criticisms from some local delivery agencies of sub-regional approaches to engaging with particular 'hard to reach' target groups.

### ***Other frameworks***

6.38 Two further significant management and operational developments in the region have been particularly important. These are:

- Sub-regional investment planning where partners, including the RDA, carry out strategic economic assessments, resource mapping and prioritisation, within which Single Pot resources are deployed to add value or to fill gaps. This approach breaks from a grants bidding and projects-based approach.
- Better Deal for Business, where a framework is agreed amongst the RDA, four Business Links, four LSCs and GOYH to make business support 'fit for purpose'. It includes the 'customer first' principle, a protocol/quality standard which providers of public sector funded business support services must meet and the 'no wrong door' principle offering a seamless 'front of house' service.

6.39 This summary provides clear evidence of the concerted efforts to maximise the alignments of different policy regimes at the regional level in order to maximise resources and improve policy coordination. A theme running through these initiatives is the need to focus on disadvantaged sectors of the community and areas of deprivation. Many of these funding initiatives are either being evaluated or close to final evaluation as they approach their conclusion.

### **Local level infrastructures for enterprise delivery**

6.40 There was considerable difference across the three districts in the models for delivering enterprise support. In Bradford for instance, there are believed to be around 35 agencies engaged in publicly-funded enterprise support, including, a Chamber of Commerce delivery vehicle for Business Link, various area-based initiatives and agencies targeted at particular sectors of the community. Until recently the local authority had responded to the wealth of delivery agencies by taking a back seat role in enterprise support, but was now beginning to rethink its role as government policies changed. By contrast the local authority in Wakefield has retained a strong coordinating and delivery role in enterprise policy, not least through its property related initiatives, backed by various regeneration initiatives including ones specifically for coalfield areas.

6.41 In Leeds the local authority and the Leeds Initiative have worked closely in providing a broad strategic framework, but local level delivery across the city remains uneven and something of an unknown quantity. One key actor argued strongly to us that:

It might be bringing things together at a macro scale... but certainly not at a micro scale... it doesn't come into the equation at the micro level! If you talk to people on the street, they're not bothered... the policies are not getting down to where it matters. (Business Support Agency 2, Leeds)

### **Perceptions of the regional, sub-regional and local support infrastructures**

6.42 Inevitably perceptions of the regional support infrastructure for enterprise varied across our interviewees. We will return to some of their comments later in this chapter, but in summary there was wide acceptance that a greater coherence at the regional and sub-regional strategic level had been introduced by Yorkshire Forward and West Yorkshire Business Link. In addition Yorkshire Forward were perceived to have played an important role in making sure that those agencies looking to attract EU structural funds had been able to do so with fewer problems than in the past, through its arrangements for providing matched funding. There were some major concerns however, including

- the knock-on effects of the regional strategy's strong emphasis on identifying and supporting growth sectors and implicitly growth oriented businesses. Though understandable as a policy goal, there was a perceived mismatch between this and the aspiration of using enterprise policy as a tool for turning round areas of deprivation.
- There were concerns among some local actors that the switch to a sub-regional model for Business Links, alongside the increased use of a contracting model, was creating a growing distance and even dissonance between local and sub-regional aspirations for enterprise support.
- A concern among some local agencies that strong regional agendas were insensitive to local contexts and driving through policy approaches which were not necessarily well-suited to deprived areas.
- Sub-regional target setting was felt to be encouraging some agencies to chase 'easy' target groups, such as those in prosperous suburbs, rather than difficult to reach inner city residents facing greater problems of enterprise creation and survival.
- Lack of awareness of the true costs of individual initiatives, not least given that many programmes were the result of stitching together complex funding packages. This is said to lead to a culture of under-estimating the true costs and over-estimating the benefits, which was leading to unrealistically costed competitive funding bids.

6.43 At the local level, there was a widespread, but not universal, view that enterprise policies were essential to achieving regeneration in deprived areas and that the current suite of policies, were in principle ones which should work. However, there were concerns on a number of fronts:

- Fragmentation and incoherence among delivery agencies
- Target chasing was leading to a culture of ‘touch... and go’ that is having one-off short contacts with many firms, rather than sustained help whilst a firm developed.
- Some concerns that many ‘mainstream’ advisors were not necessarily well-suited to meet the needs of residents in deprived areas, in terms of knowledge, attitudes, age, gender, language, etc..
- A feeling that enterprise policy detached from wider policies to improve areas resulted only in helping individuals who could move away, not adding much in terms of the overall well-being of an area: in other words providing an escape route from an area’s problems rather than being part of their solution.

## **Barriers to enterprise in deprived areas**

6.44 Through the semi-structured interviews we examined three key themes:

- Interviewees’ perceptions of the barriers to enterprise.
- Differences between localities, both in the way barriers are experienced and in the way that policy measures operate.
- How relevant ‘enterprise’ policies were seen to be in tackling the problems of deprived areas.

A broad summary of the most important barriers as perceived by our respondents is provided in Table 6.5. We provided a broad list and asked respondents to suggest others, if they felt them appropriate.

6.45 **Local social and cultural issues** were clearly important, notably those linked to levels of education, skills and work experience. Also important was lack of an “enterprise culture”: however, whether deprived areas did lack an enterprise culture was not always seen as clear cut. There have been interesting projects funded under both the Phoenix Fund and the NRF which have looked at these issues in the region. For instance one NRF project through intensive work with hard-to-reach groups, unearthed a surprising level of enterprise, while in the view of local agency:

“There’s a lot of enterprise in Bradford, but some of it may be in low value or even dodgy areas, so this needs to be diverted into more useful areas.” (regeneration agency 2, Bradford).

**Table 6.5 Barriers to enterprise**

Type of Barrier	Score	Rank
Lack of training/skills	1.92	1
Low educational attainment	2.00	2
Complexity of policies and processes	2.14	3
Problems in managing the transition from benefits	2.25	4
Low capital base/Poor credit ratings	2.29	5
Lack of enterprise culture	2.33	6
Lack of work experience	2.43	7
Lack of awareness of business advice services	2.46	8
Poor area image for business investors	2.50	9
Community safety and crime	2.61	10
Underperforming institutions	2.65	11
Lack of suitable business premises	2.73	12
Low use of business advice services	2.77	13
Lack of informal support networks	2.86	14
Poor signposting to business advice services	2.89	15
Red-lining by financial institutions	2.92	16
Local market conditions	2.93	17
Limited grant support for start-ups	3.12	18
Poor access to banking/financial support	3.14	19
Poor access to private sector networks	3.15	20
Lack of childcare and care for other dependents	3.17	21
Local cost barriers e.g. high insurance costs	3.27	22
Poor communication/promotion of enterprise advice	3.29	23
Lack of targeted support for under-served groups (women, BME)	3.57	24
Planning considerations	4.00	25

N = 15 Scores are on scale of 1-5, where 1=major, 5=v.minor

6.46 Other **local contextual issues** were also perceived as having adverse impacts on enterprise, with some factors like poor community safety and high crime rates adding both to operating difficulties and business costs. Area image was also important, with factors like dereliction and a poor reputation making it hard to attract customers and good staff from outside the area. One feature which was seen to inhibit development of a business once established was a lack of premises to “move on” to from business incubator schemes. Often this meant that businesses produced in the locality were lost to the area when they had to move elsewhere to find premises to accommodate their expansion.

6.47 In terms of the **public sector policy context**, barriers which scored highly included: the complexity of policies and processes and weaknesses in routing customers to the service they needed. Key contributors to the complexity of services included issues such as the number of initiatives. As two of our respondents put it:

The [SME support] network is confused about what initiatives are available! The situation on the ground amongst clients is more confusing than it has been for at least ten years. There are a lot of initiatives that no-

one is aware of... I'm not aware of them. Because we've built in lots of complexity and layers... local delivery... sub-regional delivery... regional delivery... we've got clusters, sectors, and so the list goes on and on. You could probably say that at the regional level comprehensive support is available, but there's little that integrates it all into a coherent package... Certainly not on the ground locally... (regeneration agency 1, Leeds)

"There are too many initiatives, and we are embarking on more. There's confusion over whose responsibility it is to do what. There are about 35 organisations in Bradford delivering enterprise support – this is too many. You have to tailor services to meet the needs of specific groups but do you need a new organisation to do this?" (regeneration agency 2, Bradford).

6.48 The large number of funding programmes was a continuing concern, though signposting was generally working. However some respondents argued that getting the customer to the right service was inhibited by a reluctance on the part of some agencies to refer people on to other providers. Also important was the attitudes to risk of public sector funding bodies, at regional and local levels, with many examples given to us of policy distortions brought about by risk-averse attitudes, sometimes related to target-chasing, in the process stultifying policy innovation. The other risk issue which emerged was the transfer of risk away from public bodies to their client groups.

"You can't achieve an entrepreneurial culture in a risk-averse environment." (business support agency 1, Bradford)

6.49 Alternatively, some of the commissioners of delivery agency activity worried that programmes were being tailored in ways which suited the needs of the suppliers rather more than the customers. As one leading player admitted to us:

"I think there's a disconnect between what the demand is from entrepreneurs out there and what the supply side says they can provide, and more particularly the linkages between the supply side...we should be listening more to what the entrepreneur actually needs.... This [one to one support] is by exception for a fixed time for a fixed issue over a fixed term – this requires a huge change from the business support network, ourselves included" (regional support agency 2).

6.50 It is worth noting too that one of the leading bodies in West Yorkshire representing SMEs felt strongly that that for new starts emanating from within deprived areas, finding out about specific regulatory standards and compliance was a priority need. This said to typically involve a huge learning curve and was not covered by government business support services. They argued that this issue was more important than consultancy or training support as it exercises

disproportionate impact on behaviour (some examples of success on this front are cited below).

6.51 Two aspects of the **private sector context** stand out: the lack of access to finance, either because of the lack of ownership of a personal asset base from which to develop a business venture or a perception of negative discrimination by financial institutions. Another important barrier was said to be weak connection to private sector networks. Though this does not rank highly in Table 6.5, a number of respondents argued that for them, this was the most important factor. These people saw networks as important because they offer a route to work and business development. These come with an employment record, and in part from operating in the right context: neither is likely to be available to the disadvantaged person in a disadvantaged community:

“Networks are of great significance, as a lot of businesses are run off personal contacts and if you live in a deprived area you don’t have those contacts. Typical successful entrepreneurs are 40+, good educational background, employed in an area/sector, and launches off usually on the basis of work from friends and contacts. Take someone off the street in a deprived area and they don’t have any of these.” (regeneration agency 2, Bradford).

6.52 Though there were similar comments from other interviewees, one did sound a note of caution, arguing that whilst for certain minority ethnic groups, personal networks were a key asset, but they could also become a constraint on development, narrowing horizons rather than broadening them.

6.53 Barriers to enterprise are much researched and this study did little to broaden our general awareness of what the barriers are, other than provide some greater knowledge of how they map out for deprived areas in particular. This said, what emerges most starkly from this analysis is the breadth of factors which were perceived to be operating as barriers to enterprise, from those relating to the individual to those linked to institutional failures in both public and private sectors. In addition there were various barriers specifically linked to local conditions, for instance the buoyancy of the local market, availability of suitable premises, access to credit and insurance and so forth. It is impossible to say that one group of factors stood above another – the important issue is that they are all likely to be concerns in areas of deprivation, albeit coming together in different ways in different areas. Realistically, this aspect of our study leads us to conclude that further work on identifying different types or combinations of barriers in deprived areas is unlikely to yield much additional understanding for policy makers.

## Differences between areas

6.54 We have already remarked upon differences in local support infrastructures and their perceived effectiveness. In addition, it quickly emerged that local settlement patterns and their related market potential were perceived as important by some of our respondents. For instance, the Wakefield coalfield area is a collection of small, essentially rural settlements, many of which have lost their main employer, the former coal mine. In most ex-mining villages, business is not very visible, whilst poor communications infrastructure is still perceived as an impediment to new enterprises tapping into neighbouring, more prosperous areas. It is certainly noticeable that it is the wards which have experienced colliery closures which have the lowest business stock levels within the Wakefield district, whilst those closest to the urban core of Wakefield itself have considerably higher levels. Wakefield also had a particular inheritance from its coal mining past of few industrial estates and a lot of derelict land, leading it to develop a strong premises-slant to its approach, which resulted in a strong infrastructure of business support centres across the district.

6.55 By contrast those setting up businesses from areas of deprivation in inner Leeds and Bradford have fairly ready access to relatively prosperous city centres. Again, this is evident in the stock levels in wards closest to the city centre. In both cities attention was drawn to the difference between inner and outer areas/estates:

“Inner city wards have a market for goods and services; there’s more of a problem in smaller towns and peripheral estates – massive housing developments with not much else there, and what is there is declining.”  
(Regeneration agency 2, Bradford).

6.56 In the case of Leeds, three of the respondents commented on differences between outer estates and inner city areas. It was generally felt that barriers in outer-estates would be more about dependency culture, lack of enterprise culture, lack of opportunities for premises and markets because these areas are not mixed-use. As one person noted,

Well, we get a lot of enquiries from inner city areas... but we don’t get many from East Leeds [a large area of mainly social housing]... so there probably are differences (business support agency 2, Leeds)

There aren’t the obvious opportunities there are in inner city areas... there aren’t the business premises – not much mixed use, which you have in inner city areas (Regeneration agency 1, Leeds).

6.57 The premises issue was a recurring one in our interviews. Even where low cost premises could be found locally, sometimes they were of poor quality and not conducive to supporting an enterprise through its early years. Interestingly,

some regeneration agencies recognise this issue and are seeking to address it more creatively than in the past:

“...issue in this area is business space – the lack of it. We do have some assets we rent out but there is not a lot of space for rent. We don’t even have a set of business incubators. There is a business park being looked at just on the other side of the boundary of [area]. The alternative is to help people who live in the area to develop their business elsewhere. You’re helping that person, helping expand income coming into the area, but you are not developing enterprise in the area itself (regeneration agency 1, Bradford).

6.58 Areas with different ethnic compositions were also seen as having qualitatively different issues to face. Our attention was drawn to the differences between the predominantly Asian area of Manningham in Bradford, and Chapeltown in Leeds which had a much more diverse population, including various Asian groups, Afro-Caribbean, and others. The Manningham area was felt to have the advantage of particularly strong community networks, with an attendant danger of narrow horizons. By contrast some of the ethnic communities in Chapeltown were argued to be outward-looking, with less reliance on internal trading. These are, of course, difficult to prove assertions, but they do come from those working in the areas.

6.59 Policies aimed at reducing the barriers to enterprise were widely held to work best in neighbourhoods covered by well-resourced area-based initiatives (ABIs). In particular NDC in Bradford was seen as positive, which was ascribed to both the high level of resources they had at their disposal and the flexibility they have shown in the way they work:

“Bradford Trident is doing a good job, because they are addressing the whole range of issues – they have a ‘joined up’ programme. This has a positive impact across a range of issues – house conditions and values, environmental conditions, commercial premises and businesses, educational attainment, etc.” (Business support agency 1, Bradford).

### **What do enterprise policies contribute?**

6.60 Though there was general agreement that there was potential for promoting more enterprise evident in most deprived areas, the consensus was that such enterprise policies needed to fit in with other regeneration initiatives if they were to make an impact. It was frequently argued that enterprise policy in areas of deprivation should focus on the promotion of economic and social well-being in general with enterprise as part of this, but not necessarily as a lead policy. Indeed several people argued that there were potential pitfalls in policies which indirectly encouraged the establishment of low value added, marginal businesses, both for the individuals concerned and the communities in which

they operated. This was seen as government loading risk on to the most vulnerable in society, justifying this with abstract economic notions such as competition, choice and desirable 'churn'. For these kinds of reasons, some of our respondents felt that for unemployed people in particular, enterprise should be seen as very much a secondary option relative to more general employment support policy, as it was once in work that people would be best able to develop the skills, experience, contacts, assets and personal resource from which an enterprise may be created.

6.61 Several interviewees were positive about the role of social enterprise in helping turn around deprived areas, with the sub-region felt to have several good examples. As with general enterprise policy, a particular difficulty was said to be the complexities of dealing with the benefits system during a period of personal transition, which was in effect part of the risk transfer noted above. We will return to perceptions of the DWP later as it was frequently cited as a department which provided more impediments than solutions in promoting enterprise in deprived areas.

## **Interactions between policies**

6.62 A key theme of this work was to explore the ways in which different policy domains could or should operate in support of enterprise policies. This was addressed by asking respondents to score a range of interactions between enterprise policies and other policy streams on a scale of 1-5.

6.63 There was a clear disjuncture in responses to this set of issues between those interviewees operating in the realm of 'strategy' and those involved with delivery. In general, strategic bodies were all for greater integration across policy domains, especially in deprived areas. For those involved with delivering policy at the local level, there was less understanding and sympathy. Driven by 'enterprise' targets, awareness of what others were doing and how it might help deliver enterprise objectives was sometimes patchy, or the issues were deemed worthy but either 'too difficult' or 'too remote.' Certainly not all interviewees found this issue easy to grapple with, particularly those closest to the delivery of policy, many of whom felt they did not really need, and therefore did not possess, a broad overview of the possible range of policy measures. In contrast, some interviewees had a broad strategic view of how policy should operate, but little sense of what integrated policy looked like on the ground:

"Bearing in mind I'm a service provider in these areas – I don't deal with individuals – it's pretty hard for me to have a view.... I haven't got a clue about policies to do with child care." (Business support agency 1, Bradford)

6.64 Looking at our list of policy sectors and initiatives they might be expected to interact with, one agency told us

....these are all important but, apart from what we can do with SRB, getting deep interactions on these is just too hard. District, sub-regional and regional wide initiatives don't reach out here well. It's lip service. Outputs are easier to get elsewhere. That said, the national economic climate has improved and the area's picked up. It's now a nice place to live; developers are queuing up to build houses. This will help with bringing in consumer expenditure that, in turn, helps enterprise. So the agenda now is total regeneration/sustainable communities. (regeneration agency 1, Wakefield)

6.65 Generally enterprise policies were *not* perceived to be interacting particularly well with other policy streams (Table 6.6), with only four policy streams achieving a marginally better than average score (3, on a scale of 1-5, where 1 is good and 5 is bad). The four high scoring policy domains were: small business policies, neighbourhood initiatives, EU funds and programmes, and policies addressing worklessness. Disappointingly, one of the policy streams deemed to interact least satisfactorily was that for learning and skills. It is difficult to know whether this was purely a West Yorkshire issue or whether it reflects a broader national policy disconnect. Either way, further work on this issue is necessary.

**Table 6.6: How well does enterprise policy interact with other policy streams?**

Policy Stream	Score	Rank
Small Business	2.27	1
Neighbourhood regeneration (e.g. NDC)	2.75	2=
EU structural Programmes	2.75	2=
Worklessness	3.19	4
Community safety	3.50	5
Social exclusion	3.54	6
Housing renewal	3.60	7
Environmental improvement	3.73	8
Regional policy	3.80	9
Productivity and competitiveness	4.18	10
Learning and skills	4.00	11
Health	4.38	12
<b>Average</b>	<b>3.84</b>	

**Score 1=good integration 5=v.poor**

6.66 When asked about which policy streams *should* interact best with enterprise policies, four were identified as “very important” (Table 6.7): policies for worklessness, small business policies, policies for learning and skills and EU programmes. Table 6.8 provides a comparison of the scores for actual levels of interaction and the importance attached to interaction for each policy domain. This starkly reveals the disjuncture between the importance attached to

interactions with learning and skills policy and actual interaction. It is also worth noting that area-based initiatives (neighbourhood regeneration, EU structural funding) are clearly seen to be important and to be relatively effective in achieving policy integration.

**Table 6.7: How important is it that enterprise policy interacts with other policy streams?**

<b>Policy Stream</b>	<b>Score</b>	<b>Rank</b>
Small Business	1.55	1
Learning and skills	1.58	2
Worklessness	1.61	3
EU structural Programmes	2.08	4
Social exclusion	2.15	5
Neighbourhood regeneration (e.g. NDC)	2.25	6
Productivity and competitiveness	2.55	7
Environmental improvement	2.64	8=
Housing renewal	2.64	8=
Community safety	2.75	10
Health	2.89	11
Regional policy	3.40	12
<b>Average</b>	<b>2.12</b>	

N = 13 Score 1= V.important 5=not important

**Table 6.8: Comparing the ranked importance and the reality of policy Interactions with major themes**

<b>Policy Stream (12 cases)</b>	<b>Importance (rank)</b>	<b>Interacts well (rank)</b>
Small business	1	1
Learning & skills	2	11
Worklessness	3	4
EU Structural Programmes	4	2=
Social exclusion	5	6
Neighbourhood regeneration	6	2=

6.67 The view of most respondents was that problems experienced with co-ordination of policy streams was more to do with delivery arrangements than structural faults with the policies themselves. All was not gloom on this front. In particular several examples were cited of good co-ordination, most of which can be traced to the quality of individual initiatives, including those focused on delivering co-ordinated approaches to regeneration.

6.68 Particularly when seen from the bottom-up, the complexity of delivery arrangements was often cited as an impediment to integrated policy. One critical issue raised was the impact of the different spatial scales at which policy was planned, managed and delivered. Some respondents argued that the current delivery arrangements were problematic, with enterprise policy delivery split between regional (Yorkshire Forward), sub-regional (West Yorkshire Business link) and local scales (local authorities). This was further complicated in some local authority areas by the devolution to area management teams or the existence of area-based approaches, though as we have already intimated, in some cases these local approaches were actually the key to successful integration.

6.69 The main disjuncture it seems was between the increasingly empowered regional and sub-regional agencies, which brought the benefits of clear strategic direction, but which lacked local responsiveness and ownership:

We went from the situation of having local Business Link, which was responsive to local conditions to having a delivery mechanism which is sub-regional and remote... even from the city [-wide] perspective, never mind the deprived area perspective. So at the moment I would say that we don't have a local enterprise policy, because all the enterprise policies are being driven through by whatever Yorkshire Forward's perceptions are of the issues.... So a city like Leeds thinks it's not getting a fair share of resources... and we are getting solutions imposed on us without consultation (regeneration agency 1, Leeds).

6.70 This lack of integration across policy scales was felt by some to be compounded by poor cross sectoral coordination, even in the field of regeneration:

Because enterprise policies are being driven at a regional and sub-regional level, this does not fit in very well with the government's regeneration agenda, which increasingly is more locally based. In West Yorkshire we have area-based initiatives which are locally based... driven locally and often championed through the local authorities and with various partnerships to support that. ... We have a business support strand driven sub-regionally by Business Link... and the two don't talk to one another... in effect. So... there's nothing in the business support criteria in assessing bids that refers to Yorkshire Forward's Renaissance Regeneration Areas.... They are not even stated as priorities. If they are not priorities, how are you going to ensure integrated policy delivery in those regeneration areas. If you have a policy that's about enterprise culture and enterprise support in schools... where are you going to go? You are not going to go to Chapeltown, you'll go to Wetherby because you'll get more support from parents etc.. It's much easier to achieve your outputs in a leafy suburb than it is in a deprived area. (regeneration agency 1, Leeds)

6.71 The lack of integration between enterprise and regeneration policies is also evident at the regional level, where

There's a lot of resource attached to different things within disadvantaged communities, but ...the joining up doesn't seem to have been completed, or even thought about. I think we've missed a trick. I think we've got a lot of the ingredients, we're not just mixing them particularly correctly (regional strategic agency)

6.72 In general policy was felt to have become more coherent and consistent at the regional and sub-regional where there is now greater clarity about responsibilities. It was also felt to be helpful that many funding regimes now require evidence of linkages in applications. The practice, inevitably, is a little different when seen from those at the grass roots level, where ticking a box is not the same as actively buying in to a policy agenda. There was little disagreement however in the belief that the involvement of the RDA in the delivery of business support was starting to iron out some of the problems which local agencies experienced from having to blend several sources of limited life funding streams. In essence, from the top-down, things were becoming increasingly clear at a strategic level, in terms of priorities and strategy, but from the bottom up things look rather less clearly focused and well linked to local priorities and needs.

6.73 The number of agencies and policy streams then created some confusion at the local level about who is responsible for what. For some respondents this was linked to an apparent policy preference for continuous creation of new agencies and policies, linked to a feeling that needs of specific groups had to be met by dedicated agencies, and an antipathy to working with and growing existing organisations:

“There is a tendency to almost avoid working with successful organisations, with a preference to start something new. For enterprises, this means that more attention is given to setting up new businesses and then forgetting about them, whereas existing new businesses often have growth potential which needs nurturing. For business support organisations, a similar approach seems to apply.” (Business support agency 2, Bradford)

6.74 Even where interaction was generally good, as between enterprise and regeneration agencies, problems existed in terms of different cultures and priorities, where ‘We don't speak the same language and we come at things differently... I don't know what all the priorities are’ (Business support agency 1, Leeds). The overall effect of the multiplicity of agencies and policies, and the seeming continuous entry of new agencies and policies, is confusion at all levels:

“Confusion stems from competing government initiatives: if I’m confused.... The DTI says these are our priorities for business support, the RDA says something a little bit different and then the next thing you know the Treasury is running something else over there: what the heck’s going on? And what’s that got to do with what we thought the plot’s all about?” (Business support agency 1, Bradford)

It depends whether you are in an SRB area... or a SureStart area.... So it is quite difficult to get them together There is just so much around. They are trying to get information out, but it is not reaching the right people in deprived areas. (Business support agency 2, Leeds).

6.75 A related problem for local agencies involved in trying to reconcile their different sources of funding, each with slightly different targets, delivery timescales and strategic priorities. Over and above this, some delivery agencies argued that the amount of detailed targets and related auditing impeded service delivery, inhibiting flexibility and responsiveness:

“They [private sector] just see things much simpler; you see something that needs to be done and you do it, whereas the public sector mentality is ‘are we allowed to do it’ or ‘am I going to get the sack if it goes wrong’. Taking a step out of the council has added a different mentality to my work.” (Regeneration agency 2, Bradford)

“Too many targets, which take too much time to measure; combined with [inadequate] levels of resourcing, this leads to a “touch and go” approach by the business advisors when what is needed is more sustained support, tailored to individual needs.” (Business support agency 1, Bradford)

“The bureaucracy has stifled everything... you cannot deliver the things that are needed because you can’t meet the rules.” (Business support agency 1, Leeds)

6.76 The need for greater consistency and continuity in funding identified in the literature was echoed in our case studies. The nature of the problems being addressed meant that solutions would require long-term intervention. However, too many initiatives were seen as being relatively short-term. The time taken to set up an initiative – with or without the need to successfully integrate it with other policy streams – often absorbed a significant proportion of the life of the programme, with the consequence that effective delivery did not start until perhaps a year after inception. This led to delivery being rushed, sometimes resulting in inappropriate or sub-optimal spending decisions, exacerbated by a tendency for staff to leave as the project – and their job – neared its end.

6.77 As we noted earlier, generally things were felt to be working best in areas where there was an area-based initiative. This was principally because they had

the purpose of bringing things together and – in the case of the NDCs – they had the longer time frame, more generous level of resources, and relative freedom of action to blend initiatives together to meet defined local needs. In particular NDC was seen as an advance on the approach taken under SRB, in that it was delivering real integration and doing so in a more responsive manner.

“They’re [Bradford NDC] doing a good job and not wallowing in bureaucracy: they’re able to be more confident, more quick, more nimble and so on – autonomous and make decisions for themselves, because they’re not hidebound by local authority rules.” (regeneration agency 2, Bradford).

6.78 One interviewee felt that by contrast an SRB scheme he was familiar with created an illusion of working together, when in reality the funds simply allowed organisations to more quickly implement bits of their own programmes.

“What I’m saying is that people were not working together, they were working for themselves.” (Business support agency 2, Bradford)

6.79 Before getting too over-enthusiastic about area-based initiatives, it is as well to point out their limits, not least in terms of inter-area rivalries. In Leeds for instance, it was claimed by one of our interviewees that the Aire Valley industrial zone, supported in part by SRB, was:

bribing people to move their businesses in by offering grants for relocation. What does that do for regeneration in Leeds which if you a business in the deprived part of Chapeltown you know you can get a grant to relocate in the Aire Valley. It may do a great deal for Aire Valley but not much for the area the business is in – it’s just moving around the problem. (Business support agency 1 Leeds)

6.80 Local Strategic Partnerships were seen as making a useful contribution to integration, and were seen as making a valuable contribution in establishing links to the business community, but their achievement of greater effectiveness was perhaps being inhibited by some inter-departmental tensions. There were doubts too about whether these city wide attempts at coordination really mattered when it came to delivery at the local level, as we saw earlier (para 6.43).

6.81 Echoing the results in the tables above, the most frequently identified area where there is a failure to properly integrate with enterprise policy is in training and skills. The reasons cited for this were the perception that the department (DWP) was not ‘plugged in’ to Government Offices in the way that other departments are, and the perverse effects of the performance measures which guide activity:

“Take the New Deal self-employment option. Advisors tend to think they’ll get better PI outcomes by directing people into training or work than risky self-employment which will only see them back at JC+ again in some month’s time.” (regional support agency 1)

6.82 There was also a lack of ‘follow on’ for those participating in (separate and different) business start-up programmes through DWP programmes and advice and assistance elsewhere:

“Look at the contrasts between Job Centre Plus input for job seekers [over 6 months, over 25] on business start-up through work-based learning; it’s a 54 hour training programme while that which Business Link offers is 18 hours. There’s no co-ordination nationally or locally over these programmes. Should not BL track and pick up those going through the JCP route?” (Business support agency 1, Bradford).

6.83 Whether fair criticism or not, we found that DWP was the most widely cited government department perceived to be out of sync with the emerging ‘enterprise in deprived area agenda. Given that DWP staff do work with others at the strategic level, the main problem appears to be the ways in which some national policies are not always able to be adapted to meet local aspirations and needs. One regeneration agency for instance in commenting on the difficulties they had in achieving locally integrated policy told us of their perceptions:

Enterprise policy is a minefield, which is why it is so hard to get agencies working together. The policies don’t fit together at all and DWP policies don’t fit with anything – their agenda doesn’t relate well to enterprise, it’s more concerned with getting people off benefits. Maybe you need to decide to go along one route, just concentrate on what you need for your project, you might stand a chance of understanding that. You don’t have time to understand everything, so lack of knowledge means that things don’t get ‘joined up’. Policy needs to be more localised, less from the top, based on area partnerships. Problem of separate and different contracts makes it difficult also (Regeneration agency 1, Bradford).

6.84 Our interviews coincided with the period of consultation over LEGI, which inspired a significant amount of comment, with perspectives varying between levels of governance. Generally, local government was enthusiastic about the prospect – indeed, we were often asked “is this something to do with LEGI?” when setting up our interviews – while some regional and sub-regional bodies were less enthusiastic. Local government liked the idea because it offered them an opportunity to continue to find a local dimension to enterprise policy, while higher tier bodies feared that LEGI will undermine strategic sub-regional approaches.

6.85 To summarise, there was considerable belief that integrated policy ought to work to improve deprived areas and that enterprise policy had a role within this, not least as a means of achieving truly 'sustainable' regeneration:

there is the thing that we all fear... of when people become successful they move out resulting in a widening of the gap... and this is why Leeds is adopting an holistic approach to improving areas... so that the whole area improves... the whole environment... the whole community benefits. Not just one or two people who move out of disadvantage and move on. And again this is the reason for not seeing enterprise in isolation from what is happening in the local schools... from where mixed housing is going in... trying to create the conditions to provide people with jobs or self employment... we need all of the different policy drivers to be coming together to support local communities. We do work quite hard in seeing the world in a joined-up way... whole packages together that are multi-agency and multi-policy. Whatever DTI does in this regard needs to be connected to what ODPM is doing... and what the Department of Health is doing in terms of tackling inequality... and DfES in terms of enterprise in schools. No community enterprise scheme is going to play its part unless it connects in with whatever else is being done. (regeneration agency 2, Leeds)

6.86 This quote captures very well why most of our interviewees were so keen on the notion of integration. But as we have seen, despite some in-roads in this direction, there is a widespread feeling that there remains considerable room for improvement.

## **Measuring policy outcomes**

6.87 Reflecting the project's concerns with policy outcomes we sought respondents' views on how we might best measure progress in deprived areas. Drawing from the literature review we suggested a range of existing indicators and invited interviewees to reflect on other potential indicators we might add.

6.88 To an extent, interviewee responses tended to reflect their personal or institutional priorities for policy. Those agencies focused on enterprise and the economy tended to see the use of various measures of business and employment development as most appropriate. Alternatively for agencies focused more on tackling deprivation and community regeneration another set of priorities emerged. The low importance attached to equality indicators, running contrary to national policy incidentally, was something of a surprise and there may be a need for further research into this policy disjuncture. We were surprised at how few interviewees felt drawn to comment on related social support issues, such as crèche provision.

6.89 Overall, few people were satisfied with the way in which policy outcomes were currently measured, but there were few alternatives suggested. The results presented in the table tend to give some emphasis to more visible or immediate indicators, and additional indicators that were suggested tended to build from these – for example, improving perception of an area.

**Table 6.9 Outcomes – ranking of potential indicators**

Criteria	Score	Rank
Diversification of the economic base	2.09	1
New businesses moving into the area	2.11	2
New/refurbished accommodation available for small business use	2.15	3
More employment opportunities/jobs	2.30	4
Greater stability amongst businesses	2.40	5
Greater resilience in the local economy	2.44	6
A reducing gap between start-up rates in the most deprived and least deprived areas	2.58	7
Increasing stock levels	2.67	8=
Fewer people on benefits	2.67	8=
Higher household incomes	2.78	10
Banks willing to invest in local businesses	2.90	11=
Lowering insurance levels	2.90	11=
Better/cheaper services for local people	3.10	13
A reducing gap between self employment rates of BME groups and the national average	3.22	14=
A reducing gap between self employment rates of young people and all groups	3.22	14=
A reducing gap between self employment rates of men and women	3.44	16
<i>Other items mentioned:</i>		
Perception of the area		
Changing attitudes to enterprise		
Longer survival rates		
Earnings from work		

N=13

6.90 One regional agency provided us with a succinct summary that “Success in deprived communities is about companies which are in existence three years down the line”, before outlining a number of additional outcomes which might be used, usefully making a direct connection to social enterprise in the process:

- How many people are moving off of unemployment into employment?
- How many young people are taught enterprise or given better ideas of business?
- Number of young people participating in business programmes.
- Interaction between the community and businesses located in them.
- The number of social enterprises that are starting to serve the needs of the community.

- The number of companies already in existence which are looking to expand what they do.
- How many business advice or business support networks do you see springing up from those communities?

6.91 Another regional agency told us that currently unit costs per business start seem to be the main indicator, whilst a key secondary selector one is high growth businesses. They then went on to argue that there was a preoccupation with volumes and a rush to spend up money in financial years, whilst little was known of the actual costs and true range of financial and other benefits of different types of intervention, by types (e.g. social enterprise) or social characteristics (e.g. gender).

6.92 It is perhaps worth noting that interviewees tended to share the concerns raised in Sections 4, 5 and 6 about the limited value of some of the “standard” indicators for enterprise policies:

“VAT registrations as a measure of enterprise is little use, as most firms starting up in these areas in particular are nowhere near the VAT threshold, and if you’re smart you’ll stay that way” (Regeneration agency 2 Bradford)

6.93 The difficulty of accounting for the ‘churn’ which can take place in deprived areas was also highlighted:

“Deprived areas are not static. Take the example of Holmewood – population is churning at 20% per year. If you improve enterprises in such areas, what do they do? So, how do you measure what you’ve done? We’ve had 20 years experience of area-based initiatives: on one level, areas which have been assisted are no better on IMD than areas that did not get any money. But that’s not to say that a great deal of good was not done in those areas but perhaps the people who benefited don’t live there any more.” (Regeneration agency 2, Bradford)

6.94 The ‘churn’ effect was also noted in relation to businesses, with examples being given of the success of efforts to regenerate inner area wards leading to changes in the character of an area and increasing property prices:

“A negative is the flagship Waterfront Scheme with a new art gallery. Wonderful for profile, image, land values. All the SMEs in this area then become unwanted neighbours and get cleared out, losing enterprises in deprived areas and replaced by town centre apartments. May be fine in the long run, but is a short run negative unless we can help the SMEs concerned.” (Regeneration agency 2, Wakefield)

**What has worked well and what has not?**

6.95 There was a surprising resistance to claiming substantial success in this area, relating to concerns about national, regional and local aspects of policy. In particular there was a strong disbelief that local success in enterprise support was appreciated or supported by national departments. We even had one major regional body rhetorically challenge us to provide an example of where government had delivered on its promise to 'mainstream' a successful pilot project or scheme. Local agencies argued that too often success tended to be 'punished' by national funding bodies, on the basis that when funding came up for renewal funders seemed to prefer to back new agencies, new programmes or new areas. This is the downside of the government's rhetoric of 'exit strategies' and mainstreaming policies, leaving agencies spending considerable amounts of time seeking to plug funding gaps without letting down their client base. The argument is that the policy gaze is selective and fast moving, so that success did not necessarily bring institutional sustainability, rather the instinct was to move on and develop aspects of this 'good practice' elsewhere. This is a probably a national issue – where it varies in deprived areas was with the feeling that some of the more successful long-term area based regeneration agencies showed it was possible to provide long term support, risk taking and non-conventional approaches to locally integrated policy delivery.

6.96 Despite many claims of individual project successes, overall, the research yielded only limited indications of success in enterprise policies turning around deprived areas, and some negative comments:

“We have a great story to tell in terms of enterprise in its broadest sense but there haven't been the funds... or possibly the will to use enterprise opportunities to turn areas around.” (Regeneration agency 2, Leeds)

“Non-growth companies receive minimal support – just information and some training... some events and that's about it unless you are in a growth category you don't get it anymore.” (Regeneration agency 1, Leeds)

6.97 This lukewarm response may be partly explained by of a lack of clarity over what counts as “success” – there is success against achieving targets as against success in making a difference to a locality or a business, and the two are not always the same thing.

6.98 Successes in policy interaction were mentioned to us on many occasions, involving both individual business support projects and local neighbourhood projects. One business representative agency for West Yorkshire put forward several examples, for instance: 1. Wakefield MDC Environmental Health Officers provide advice and guidance as a support service which is good for standards/compliance and avoids enforcement. 2. HM Revenue and Customs's separate team (from Collection) help firms put right their systems, which has

been a well received service. 3. Within West Yorkshire, but not in one of our study areas, Kirklees Business Partnership is said to work across regulatory bodies to help firms with compliance and to ensure that advice from one body (e.g. fire) is not contradicted by for instance building control or the HSE.. 4. Leeds Ahead, a Business in the Community initiative links business with social enterprise for mentoring and with communities: "Truly joined up."

6.99 Generally, managed workspace/incubator units were seen as a very effective way of establishing new enterprises in disadvantaged communities. Their benefits include jobs for local people and income for the local community, and we were given examples by managers and tenants of such centres of how the existence of successful business ventures brought outside organisations and individuals into the area for the first time, how the success cascaded out to other property and businesses, and how successful businesses contributed to changing the perception of a locality, both internally and externally. An important issue raised by several respondents concerned the provision of suitable local premises for businesses to move to once they had outgrown their incubator unit.

6.100 Long-term area-based initiatives such as SRB and NDC were seen as being best placed to achieve positive outcomes, especially where these lay in someway outside the controls of local authority or central government strictures, allowing greater flexibility.

6.101 The role of the RDA in shaping the delivery of business advice was generally welcomed, insofar as it had brought some stability to the system and had drawn together a number of sources of funding to enable a more uniform pattern of delivery across an area, easing the task for delivery agencies. There was some concern however that the advantages of this were countered by the overwhelming regional focus of business on support on 'growth sector' firms, few of which would be found in the areas of deprivation. In effect, central government concern on social exclusion was seen to be essential in ensuring that the RDA also remained focused at least in part on the issue of enterprise in disadvantaged areas.

6.102 Business advice was the subject of some criticism, both generally and specifically in relation to BME enterprises. At the general level, there was a feeling that enterprise agencies were not always strong on marketing themselves to the diverse client groups of deprived areas, tended to spend time chasing targets for 'assists', and were risk averse, leading them to focus on those client groups with which they felt most comfortable. In addition, there was a perceived mismatch between what many enterprises wanted, which was a combination of financial assistance and individually tailored and sustained support. Instead what was on offer was several times described to us as "touch and go", when what was felt to be needed was a more sustained form of support, tailored to individual needs.

I think the Government has the right policies for SMEs, it's the delivery mechanisms which need to be looked at. (Business support agency 2, Bradford)

6.103 This view was in part reflected in the views on support for BME enterprises, which fell into two camps, summarised by a business advisor as:

“For every one person from a BME group who says he/she is not provided for, there is one who says just treat me as a businessperson – no more/no less.” (regional support agency, 2)

6.104 However, there was something of a consensus that publicly funded services were not providing what was wanted by BMEs. This was a flexible and sustained form of business support, provided by someone with sensitivity to cultural differences:

“...there's not a meeting of minds – business advisors don't meet them half way, nor do potential businesses explain themselves properly. You need enterprise advisors who have an awareness of culture and customs: this is an essential basis for building a relationship in which advisory services will work effectively. But, the result is that local people turn to their solicitor or accountant: while they may not always be qualified to give the advice sought, they are accessible and have respect for their judgement.” (Business support agency 2, Bradford)

6.105 Few ideas were forthcoming on what had worked in assisting the transition from the informal to the formal economy. While people were able to give examples of how businesses had moved on with the help of enterprise support of various sorts, this was not related to any particular policy initiative. In fact it seemed in spite of rather than because of any policy measures. The importance of a vibrant local economy to support enterprise of any sort – formal or informal – was recognised, with the absence of prosperity potentially contributing to the informal economy taking on a different mantle in West Yorkshire:

Think about it. The informal economy in London reflects high house prices, social housing, housing benefits etc so hidden work is done for Islington middle classes and it is a cosy conspiracy. We had the Enterprise Agency do a project in SE Wakefield (with Phoenix money) on this. It was tricky, to the point of dangerous because the informal economy there is not Islington. It is illegal cigs, booze, culled meat off farms, nicked stuff in car boot sales and the cross-over to fencing, drugs, extortion is a very fine line (regeneration agency 2, Wakefield)

## Conclusions

### *Policy interactions in deprived areas:*

6.106 Enterprise policies were clearly rising up the agenda for agencies charged with regenerating areas of deprivation and similarly the specific needs of areas of deprivation were starting to rise up the agenda for agencies charged with delivering enterprise support policy. At the moment the main types of enterprise support involve advice and guidance about various issues, from funding support to regulatory demands. Questions were raised by our interviewees about the match between policy support and local needs. For areas of deprivation particular barriers to enterprise included the educational and training levels of individuals, their aspirations, and local market conditions, in terms of purchasing power in particular, but also concerns about crime, property prices and the availability of suitable premises. It is also fair to say that many argued that for businesses themselves, it was often access to finance which was their main concern.

6.107 Among policy makers, enterprise policy is clearly not perceived to be leading the regeneration agenda in any part of the study area – indeed there were grave misgivings about enterprise policy being given such a leading role. Clearly there is unfulfilled enterprise potential in these areas, but it is unrealistic to assume that there are large numbers of people experiencing deprivation who will be best assisted by enterprise policy directly. This said, those not willing or suited to setting up businesses can benefit from those who do set up in business locally, through employment, better local services and so forth.

6.108 We found plenty of evidence of attempts at policy integration across a small core of related policy domains, notably local economic development and area-based initiatives. Perhaps surprisingly we found little evidence of active policy integration outside a small core of related policy domains – there was little involvement with social policy actors as far as we could ascertain, and little sense that this might help. Except as a product of area-based regeneration initiatives local crime initiatives and environmental improvements were also not well integrated with enterprise policy.

6.109 We also encountered widespread concerns about fragmentation, confusion and poor coordination for enterprise policy itself when viewed from the local level. Where these issues were being addressed, mainly through area-based initiatives, this was perceived to make a difference. Regional and sub-regional coordination was by contrast perceived as something of a success story in terms of clarity of purpose.

*Policy outcomes in deprived areas: the troubled metrics of enterprise and regeneration policy*

6.110 It is difficult to provide clear evidence of the benefits of enterprise policy at the local level. At a philosophical level, every one agrees that opportunity for all was important. People had a right to be given equal access to government assistance in setting up businesses. But many people struggled with accepting that low levels of enterprise in particular areas actually reflected a failure of opportunity or policy in enterprise policy so much as a wider set of personal and institutional barriers to social inclusion. This was a particular issue when it came to measuring the nature of the problem and also in measuring the impacts of policy. If a person in a deprived area set up a business in an adjacent prosperous area this would be count as a success for measures based on residence (such as population census based data), but not necessarily for area initiatives seeking to measure new businesses in their area. And it would not show up in VAT-registered businesses. In other words, going down to fine-grained analyses of data comparing deprivation and enterprise levels is more problematic for the local delivers of policy than it appears to be for the national architects of policy.

*The difference that place makes*

6.111 There clearly *are* important locality effects in terms of how enterprise policies are delivered. Coalfield areas clearly are distinctive for instance in terms of cultures of enterprise. So too are inner city and peripheral estate areas, not least as they have different levels of access to purchasing power, often an important issues for new businesses. We have argued here that it is important not to get too preoccupied solely with local issues, however, and to analyse them in terms of sub-regional and regional contexts: for instance both Bradford and Leeds have more prosperous suburban hinterlands which are important in shaping the market opportunities for potential entrepreneurs.

*Policy disconnects*

6.112 Given the emphasis on policy interactions, it is worth emphasising that where it worked well, regeneration and enterprise support policies could and did work together well. The main areas of perceived and apparent policy disconnect which emerged from the case studies were, at national level, some of the policies of DWP, at the sub-regional and local levels, education and skills training in support of enterprise, and at the local level between enterprise support delivery and aspects of social support.

## **Section 7: Issues Emerging for Future Research.**

### **Introduction**

7.1 Policy for enterprise in deprived areas is driven by the need to promote 'opportunity for all'. This policy goal is being delivered by a range of different policy regimes, enterprise policy, regeneration policies, and also other supportive policy regimes, ranging from childcare to crime prevention. Supportive policies are being developed at various levels of government, although the regional level is increasingly the principal conduit for the funding of enterprise policy. Each individual set of measures is inevitably shaped by a distinctive range of factors including pilots, rules and regulations, subsidies, criteria, services and targets, all of which affect the level of local discretion available and the ultimate nature of the local 'product'.

7.2 As work on the National Strategy for Neighbourhood Renewal highlights, a range of social, economic, environmental and governance factors can combine to shape – for good or ill – local outcomes. Delivery mechanisms for regeneration initiatives tend to have both a broader and deeper focus than may be the case for policy in the field of enterprise, in that a wide range of issues is being addressed at the level of small geographic localities. By contrast, enterprise policy has tended to work much more in a 'policy silo' until recent years. Given this and the continuing insertion of new policy regimes to support enterprise policy, it is perhaps not surprising that when we sought to get people to reflect on enterprise in areas of deprivation, some readily acknowledged their limited awareness of the policy environment in which they are meant to operate. It is probably fair to say that no interviewee knew of all the programmes we wished to raise with them, such as City Growth Strategies, LEGI, Business Brokers, Underserved Markets, Working Neighbourhoods, and Enterprise in Education.

7.3 Our research and the piloting of a particular method has been a form of meta-evaluation, that is evaluating how we evaluate, but more importantly, how we evaluate multiple policy streams as they come together to support enterprise in differing types of areas of deprivation. As a form of deliberation, it inevitably draws on how different mediators of policy interpret and apply values, which is both a source of richness in the information we gathered, but also a source of potential distortion.

### **Pointers for policy**

7.4 Summarising some of our main findings:

- Currently the most effective forms of interaction across policy domains are those involving enterprise support policy and area based initiatives

- Levels of interaction with other policy domains are often either poor, superficial, or non-existent. Given that this flies in the face of government policy there is therefore a case for further work to explore why this should be and to find out where and why policy interaction currently is working best.
- For all the good intentions of policy makers nationally, there is a large gap between them and local practitioners in terms of perceptions of the nature of the enterprise gap in deprived areas and what the best solutions to it should be.
- Regional and sub-regional frameworks appear to be accepted as useful in terms of providing clarity to what policies are intended to do, but add a de-sensitising layer when it comes to devising and delivering locally appropriate forms of deprivation. Where the truth lies between these two positions is unclear and needs to be further explored.
- There are important differences in what is needed of enterprise support policies between different types of deprived area. We have begun to explore aspects of these here, notably drawing attention to the difference that proximity to buoyant city centre or other markets can make.
- There are some important areas of perceived policy disconnect which need to be further considered, involving at national level some of the policies of DWP, at the sub-regional and local levels, education and skills training in support of enterprise, and at the local level between enterprise support delivery and aspects of social support.

## **Methodological challenges**

7.5 If this research was to be replicated or extended, there are a number of issues which have emerged which would need to be resolved, including:

- The need to cover a wider variety of types of area of deprivation, including more than one example of each. Depending on the resources available, this could involve trying to identify similar types of problem area in each region. This would have the added advantage of allowing research into the relative effectiveness of the different regional and sub-regional infrastructures across England. A lower cost approach would be to focus on just two regions, plus Greater London, then identifying matched areas of each type of deprivation (where possible) across these regions.
- There is a strong case for adopting or adapting the CASE typologies in choosing the areas of deprivation for further study, involving additional desk-based research.
- We are clear that getting overly fixated with the boundaries of areas of deprivation is a potential red herring – one which we spend a lot of time chasing ourselves. The key issue which needs to be explored in

comparative research on enterprise in deprived areas is not how a deprived area operates as a self-contained area, but rather how it operates in terms of the sub-region it is part of.

- Dealing with the complexity and fluidity of policy. As we have highlighted, no single person can be a repository of all knowledge. The need therefore is for a sampling approach which is wide enough to capture a range of people who can between them cover a wide range of policy domains and allow some form of triangulation.
- The consumers of enterprise policy, that is small business owners, who we talked to in this work had at best a very partial view of policy. On many key areas of enquiry they had little knowledge to contribute, not least when it came to policy interactions. We are not convinced that a large scale survey of businesses is therefore appropriate for this area of research, despite its emphasis on 'policy outcomes'. Quite simply, the recipients of policy appear to be unable to respond to the kinds of questions raised by this study in a way which would be sufficiently robust to allow analysis. The problem with this, however, is that the research findings may become dominated by the views of a range of "usual suspects" – business advisers and strategists.
- This said, there may well be a case for 'unrepresentative' detailed case studies of enterprises operating in deprived areas, to study their motivations, their modus operandi, perceptions of barriers and so forth. This would certainly add colour to any larger study.
- The research attempted to develop a robust element to its findings by requiring interviewees to make quantified judgments on a number of key issues. These certainly helped in giving a sharper focus to the treatment of some key questions – and usually prompted great debate over the significance of particular issues. However, they did not generate statistically valid responses, nor would they if repeated in a large scale survey. What they do is provide a provide a broad overview, which makes sense only when read alongside detailed explanatory text.
- Along with every other user of secondary data on enterprises, we have some misgivings. Nonetheless, there is a body of data out there which is actually very useful in exploring the ways in which enterprise and deprivation work together at local level. Whilst national data revealed a clear broad pattern in linking low levels of enterprise with high levels of localised deprivation, the more detailed analysis of the data revealed the complexity of what this looks like within individual localities, which was some way from the broad pattern.

- In essence, we are left with imperfect secondary data, which is nonetheless useful in establishing broad patterns, plus a growing awareness of the imperfections which would necessarily pervade any qualitative data collection. Working with the two in tandem is useful in many ways, helping to fill out some of the gaps in our knowledge.

## **Taking the research forward: some preliminary suggestions**

7.6 The research question which guides any future work in this area should be:

Policy outcomes are always shaped by policy interactions across a wide range of policy domains. This is clearly the case in terms of how enterprise policy maps out in areas of deprivation, where business support activities will also rely on policies to address property market failures, crime, local environmental conditions, and childcare, to name but a few. We already know there are major gaps in enterprise between areas of deprivation and other areas, and that there are major differences between different areas of deprivation. The aim of this research to examine how policies to support enterprise work in different areas, with a view to understanding ‘what works best where and why?’

7.7 We propose a methodology which would have the following components.

1. Choose six matched local areas of deprivation within given standard regions. This could involve all nine English regions, including Greater London, although we are unconvinced that this is actually necessary. A viable alternative might be to examine just three regions. If this approach is adopted we would recommend these include a) a relatively prosperous region with islands of deprivation, for instance the south west; b) one of the more problematic northern regions or the West Midlands; and c) Greater London, given its unique conditions.
2. The local areas of deprivation should be picked using a refined version of the CASE typology, sensitised to local conditions, such as whether the nearest city centre is deemed relatively prosperous or not. Similarly, it will be important to take into account whether there is a major area-based initiative or not, given that a key finding of this pilot work was that they played an important coordination role. Ideally we would like to see a matched pair of areas of deprivation in each region, which pick out, for instance a peripheral estate with an NDC and one without.
3. In each case study locality, a multi-scalar approach is essential. It is imperative that an area of deprivation is studied in relationship to its neighbouring districts, sub-region and regional conditions.
4. This approach would generate 6 ‘enterprise governance lines’ in each region, stretching from the neighbourhood level up to the regional level.

5. For each local area, a detailed statistical profile needs to be built, drawing on existing secondary data sources.
6. We are unconvinced that commissioning new surveys of business will yield data which directly answers questions on policy outcomes and interactions in any meaningful way.
7. However, consideration should be given to commissioning a boosted sample from the national SBS household and business surveys in each of these areas for one year, to obtain more detailed information on local enterprise/household characteristics. It may be possible to insert one or two additional questions too, though both survey instruments are already long – and internally coherent – so there are dangers in this. If the decision was to proceed with this, it would need to be separately costed and funded from within government.
8. If three regions were chosen, then for each of the 18 case study areas it is envisaged that there will need to be up to 15 interviews with a range of key actors (250-270 interviews). In addition, for each of the three regions interviews there would need to be around 10 interview with regional and sub-regional actors (an additional 30 interviews). Total, 300 interviews. In essence, this suggests 100 interviews per region.
9. The questionnaire used in the pilot could form a basis for the survey instrument, with particular attention to dealing with the questions which seek to calibrate responses.
10. We would also suggest interviewing an exemplar or emblematic small business from each local area studies, to add texture and understanding to the overall results. This would involve six enterprises in each region.
11. The main outcome of this project would be a much clearer understanding of what it takes to bring together policy domains effectively to support enterprise in areas of deprivation.
12. In addition to the national report it would be possible to deliver tailored reports for each region to help regional and sub-regional actors in particular. It may also be desirable to produce 18 separate locality reports.
13. With the advent of LEGI with its emphasis on obtaining consistent baselines, there will be a need to ensure that overlap between this work and the LEGI inspired work is kept to a minimum.
14. Policy on/policy off controls. We are unconvinced that this would work well in this type of research, given the ways in which policies are so different across areas – and the fact that there is no such thing as a substantial ‘policy-off’ area of deprivation in England. It would be possible to compare deprived areas with non-deprived areas in the same, city but our methodology is premised on the notion that the two are already both sides of the same coin at the level. It is redundant to compare a non-deprived area from a prosperous region with a deprived area – it would largely state the obvious and be a waste of money. It may be of some interest to policy makers to choose areas chosen for LEGI with those not – this could actually be woven into the existing proposed methodology, or alternatively, at extra cost, woven on top of it.

15. Longitudinal dimension. Given the introduction of LEGI there may be a desire to see whether this shapes how policy unfolds over the next 3-5 years in both LEGI and non-LEGI areas. However, our assumption is that if this is what is wanted it would be part of a separate evaluation exercise. This said, a longitudinal dimension to the proposed study as it stands has its attractions, but also its costs
16. Costs: our provisional estimate is that a large scale survey of this kind with its multiple outputs would cost about £100,000 per region chosen, plus any costs related to boosting the SBS sample frames in selected areas to allow the gathering of statistically valid levels of local information. Scaling up from this, studying three regions implies a cost of c.£300,000, whilst covering each English region would cost around £900,000.

## **Skeleton of a Draft Proposal for further research**

### **Aims**

The aim of this research to examine how policies to support enterprise work in different areas, with a view to understanding 'what works best where and why?'

### **Methods**

The chosen methods will be for the tendering organisation to propose, but consideration should be given to the attached report recently done for DTI/SBS which outlines various methodological considerations which tendering organisations might want to bear in mind. It is expected that the main area of investigation will involve those responsible for strategy preparation, funding distribution, delivering enterprise policy, those delivering related policies, those representing the recipients of enterprise policy and also a small number of enterprises.

It is expected that the research will focus on three English regions, with detailed case studies in a number of different types of deprived areas. Careful attention should be paid to how to categorise these different types of deprivation. The successful tenderer is likely to engage with a mixture of both quantitative and qualitative research. Care should be taken not to replicate existing data collection. In particular care will be needed in relation to the evaluation likely to be commissioned as part of the LEGI initiative, which the present research is intended to complement rather than replicate. The research would take 182-24 months to complete.

### **Outputs.**

Interim reports would be expected very six months and a final national report plus three regional reports at the end of the project. The national report will include a user friendly executive summary suitable for dissemination in a variety of

formats. In addition the results will need to be presented to the project steering group and also a wider workshop for dissemination across government departments and beyond. Recommendations should be included for improving policy delivery at all levels of government. The regional reports should be shorter and aimed mainly at regional, sub-regional and local stakeholders to help them reflect on their practices.

### **Costs.**

These are likely to be in the order of up to £400,000.

## **Risks and associated issues**

The main risks associated with this project are:

1. Overlap and duplication with any LEGI evaluation work.
2. Survey fatigue among programme deliverers
3. Relying on secondary data sources and possibly a boosted SBS sampling frame still does not reliably get at the issue of policy outcomes in a clear quantifiable way which is traditionally expected of evaluation study.
4. The related risk which comes from the point above, is that this proposed study will only please some policy makers, not others.

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## Appendix 1: Components in analysis for CASE area types

ONS Region	District	Area	Clump	No clump	Also a average owner occ for pov. wards	Also a average social housing for pov. wards	Also a average private renting for pov. wards (3%)	Mainly terraced (30%+)	Mainly flats (30%+)	Significant ethnic population (15%+)	Mainly white	Very high unemployment (30%+)	Very high lone parents (30%+)	inner	outer	Other	Total of characteristics out of 8
Inner London	Hackney	Shoreditch	✓			✓			✓	✓			✓	✓			6
	Newham	Beckton/Ordance	✓			✓			✓	✓			✓	✓			6
Areas with Inner City Characteristics	Knowsley	North Huyton	✓			✓		✓			✓	✓			✓		6
	Manchester*	Cheetham	✓		✓		✓			✓		✓		✓			7
Coastal Industry	Newcastle	East End	✓			✓		✓			✓	✓	✓	✓			7
	Sheffield	Burngreave	✓		✓		✓			✓				✓			5
Manufacturing	Blackburn	Higher Croft/Shadsworth/Queens Park		✓		✓		✓			✓		✓		✓		6
	Birmingham	Sparkbrook	✓		✓		✓	✓		✓		✓		✓			7
Coalfields	Caerphilly	Upper Rhymney Valley	✓		✓			✓			✓					✓	5
	Redcar and Cleveland	Grangetown, South Bank, Eston	✓			✓		✓			✓	✓	✓			✓	7
Other	Leeds	Seacroft		✓		✓					✓			✓			4
	Thanet	Margate		✓		✓	✓				✓		✓			✓	6
Total number of areas with characteristics			9	3	4	8	4	7	2	5	7	5	6	7	2	3	

Source: Glennerster et al (1999)

## Appendix 2: Discussion Guide

The same discussion guide was used for each interview, but it had to be applied with some flexibility, to accommodate the different perspectives of interviewees with different backgrounds and levels of knowledge and experience of issues and policies.

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### Policy interactions and outcomes in deprived areas

## Interview Guide

The Centre for City and Regional Studies at the University of Hull and MTL Consultants are undertaking research for the Small Business Service and Department of Trade and Industry into the interactions between, and outcomes of enterprise policies in deprived areas in England. A series of interviews is being held with labour market intermediaries at the regional, sub-regional and local scales to explore the effectiveness of current policy initiatives and identify the key barriers that are restricting the growth of businesses in deprived areas and within particular deprived groups.

These interviews form part of a scoping study, focusing on the Bradford, Leeds, and Wakefield districts in West Yorkshire, to identify key issues relating to the performance of enterprise policies in deprived areas. Enterprise is broadly defined to include, for example, the transition from unemployment to self employment, business start-ups and expansions, social enterprises, ILMs.

Interview with:	
Organisation:	
Interviewee's role:	

### Part 1: barriers to enterprise in deprived areas

1.1 Starting with the premise that levels of enterprise tend to be lower in most deprived areas than in affluent areas, what do you think are the main barriers to enterprise in deprived areas (please indicate the importance of the following barriers on a scale of 1-5 where 1 is most important and 5 least important)?

Barrier	Score (1-5)
Underperforming institutions	
Complexity of policies and processes	

Lack of targeted support for under-served groups (women, BME)	
Poor communication/promotion of self-employment advice	
Poor signposting to business advice services	
Low use of business advice services	
Lack of awareness of business advice services	
Lack of childcare and care for other dependents	
Limited grant support for start-ups	
Poor access to banking/financial support	
Poor access to private sector networks	
Red-lining by financial institutions	
Low capital base/Poor credit ratings	
Lack of training/skills	
Lack of enterprise culture	
Low educational attainment	
Lack of informal support networks	
Lack of work experience	
Problems in managing the transition from benefits	
Lack of suitable business premises	
Local market conditions	
Local cost barriers e.g. high insurance costs	
Planning considerations	
Community safety and crime	
Poor image for business investors	
Other (please name and score)	

**1.2** Are these barriers distinct to particular localities or types of deprived area, i.e. inner areas and outer areas, coalfields etc. and do you have any examples of areas where they are particularly severe?

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**1.3** Where do policies aimed at addressing these barriers appear to be working best (i.e. which local authority areas, neighbourhoods, targeted areas [e.g. an NDC area]), for which types of enterprise, and why do you think this is the case? (If respondents say they work best in areas outside the present study areas please follow this up and ask where and why). Are there particular areas where there is enterprise potential e.g. areas of cultural diversity?

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**1.4** How important/useful do you think policies to promote enterprise are in tackling the problems of deprived areas?

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**Part 2: Interactions between policies**

**2.1** How effectively do enterprise policies interact with each other in deprived areas and which particular policies come together best where and why? (Prompt using the following range of enterprise policies: City Growth Strategies, Phoenix Fund, Business Brokers, Community Investment Tax Credit, Enterprise Advisors, Prince’s Fund, Enterprise in Schools, Enterprise Areas, plus others. Also prompt about the interaction with non-enterprise policies initiatives i.e. Surestart, NDC, Coalfield Regeneration Fund)?

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**2.2** How do enterprise policies interact with other government policy streams in deprived areas in West Yorkshire? Please score each of the following policy streams from 1-5 according to how well it interacts with enterprise policies. Also how important is it that these policy streams do interact with enterprise policies in deprived areas (score 1 for very important, 3 of average importance, and 5 for not at all important)?

<b>Policy stream</b>	<b>How well it interacts (1-5)</b>	<b>How important is interaction (1-5)</b>
Social exclusion		
Worklessness		
Productivity and competitiveness		
Small Business		
Learning and skills		
Neighbourhood regeneration (e.g. NDC)		
Housing renewal		
Community safety		
Environmental improvement		
Regional policy		
EU structural Programmes		
Health		
Other (please name separately and score)		

**2.3** Are there differences in the way policies come together in different types of deprived areas – inner city, outer city, coalfields – and in different localities within the interviewee’s area? Are there some areas underprovided with assistance and

others which are saturated? Also are there groups which are underprovided and others which are saturated? If so, does it make a difference and how?

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**2.4** Are there particular characteristics of areas (micro-institutional politics for example or particular governance issues – Corporate Performance Assessments, Beacon Status) which influence how policies come together, and does it make a difference? Where and how does place make a difference to how policies come together?

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**2.5** Are there particular inter-agency approaches which have different results for enterprise and what types of local area do they address? Are there any particularly good examples that we could follow-up?

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**2.6** Within the body of enterprise policies, how important are those addressing deprived areas and groups (prompt – i.e. are they more or less important than policies on clusters, inward investment, SME growth)? Also how important are enterprise policies in relation to the range of regeneration policies – use the list in 2.2 as a prompt)?

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### **Part 3: Policy outcomes**

**3.1** Which, if any, enterprise policies appear to be operating most effectively in disadvantaged areas across West Yorkshire and in which types of area and in which ways (the transition from unemployment to self employment, business start-ups, expansion)? Are there any examples of particularly positive outcomes in your area?

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**3.2** Are the needs of particular disadvantaged groups being met through current enterprise policies – BME, women, long-term unemployed – and if not why not? Do they make use of the support available and are there alternative informal avenues available to these groups?

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**3.3** Which policies if any are helping the transfer from informal to formal economy?  
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**3.4** How do you know whether policies are working – what criteria should be used to measure the outcomes of enterprise policies in deprived areas? What would an improving economy look like? Please score each of the following from 1-5 according to which you think are most important (score those you think most important as 1 and least as 5).

<b>Criteria</b>	<b>Score (1-5)</b>
A reducing gap between start-up rates in the most deprived and least deprived areas	
A reducing gap between self employment rates of black (and mixed) and all groups	
A reducing gap between self employment rates of men and women	
A reducing gap between self employment rates of young people and all groups	
Increasing stock levels	
Greater stability amongst businesses	
New businesses moving into the area	
Diversification of the economic base	
More employment opportunities/jobs	
Fewer people on benefits	
Higher household incomes	
Greater resilience in the local economy	
New/refurbished accommodation available for small business use	
Banks willing to invest in local businesses	
Lowering insurance levels	
Better/cheaper services for local people	
Other (please name and score separately)	

**3.5** What benefits are enterprise policies bringing to disadvantaged communities in the area, and are you aware of any negative effects (for example do successful businesses move out, do rising property prices squeeze out indigenous companies)?

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**Part 4: Any other comments**

**4.1** Have you any further comment on the operation of enterprise policies in deprived areas in West Yorkshire?

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**4.2** We hope to arrange a few discussion groups of intermediaries and of small business people in West Yorkshire. Have you any suggestions for who we might invite?

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