

BUSINESS-LED REGENERATION: CASE STUDIES IN FOUR URBAN AREAS

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1. Introduction

Trends Business Research (TBR), URBED and Dr. Peter Tyler from the University of Cambridge were commissioned by the Office of the Deputy Prime Minister (ODPM)'s Neighbourhood Renewal Unit (NRU) and Small Business Service (SBS) to undertake a pilot study to examine the relationships between business and regeneration of 'deprived' neighbourhoods – wards that are Enterprise Areas (EAs).¹ The project reflects research issues that were identified in a specifically earlier study commissioned by NRU and SBS (Business Led Regeneration of Deprived Areas: A Review of the Evidence Base) but with more targeted, up-to-date evidence, enabling one to look specifically at both the economic and social impacts of different types of enterprise in deprived areas.

This has been a pilot study and a number of issues flow from this:

- First and foremost, our understanding of the complexity of research in this area has been advanced.
- Analytical techniques have been applied to identify the components of employment change in very small areas that have hitherto been applied only to regional economies.
- A range of policy areas has been suggested and are worthy of further thought based on the evidence derived from the four deprived areas studied.
- The number of areas studied was small and limited to deprived areas with no comparison with less deprived ones.
- The breadth of the task was large and consequently it was not possible to delve deeply into some areas.

In summary, this report captures

- the background to the establishment of the pilot research,
- an attempt to place the data into a coherent framework,
- some of the results obtained by the research and
- indicative conclusions – both for policy and for further research.

1.1 The overall goal of the research

The objective has been to provide evidence on the ways in which business affects the economic and social well-being of deprived areas and the sustainability of any impacts. It is then possible to assess what might be the best points of focus for those Government policies designed to enhance the process. However, the research team has also been asked to consider what the implications of the research are for the conduct of future research in this still relatively under-researched area.

Previous reports have tended to focus on one particular aspect, local economy or social regeneration, without considering the links between the two. In this exercise the focus is on the bigger picture by looking into the situation in deprived areas that have lost much of their economic base, from a number of different perspectives – those of the employer, the employee, the resident, and some other stakeholders.

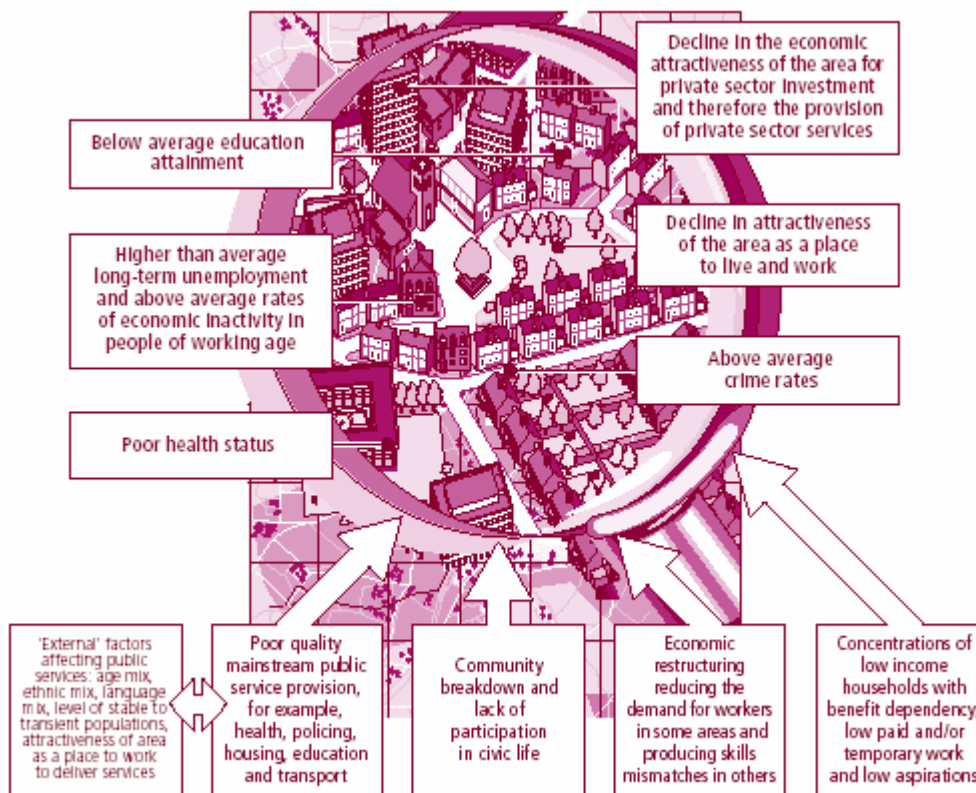
There is little doubt that the problems facing deprived areas are multi-faceted, thus it is necessary to cover economic and social impacts in the research, as shown in Figure 1

¹ The 15% most deprived wards in England on the Index of Multiple Deprivation. See HMT and ODPM (2003) Productivity in the UK: 4 – The Local Dimension, HMT and ODPM: London

below. Economic impacts include business start-up rates, direct and indirect job creation from the local area, business turnover and spending and the impact this has on other local businesses. Access to services including transport provision and accessibility, reputation, quality of life, skill development, transferable human capital and social capital (in terms of networks and trust²) are all part of social impacts.

The previous research described above had reinforced the view that the nature of business-led regeneration impacts could be expected to vary by type of company, and particularly the broad industrial sector. Two distinct types of firm were surveyed during the research: 'core' businesses (mainly larger manufacturing enterprises) and 'supporting' businesses (smaller retailing and service sector businesses). This distinction is used in this report.

Figure 1 Drivers of decline and their consequences in 'deprived' neighbourhoods



In this report, business organisations' are defined as employers that form part of the economy both in the public and private sector. For definition purposes, the public sector includes local authorities, central government departments such as NHS and schools, and state-owned enterprises like the Post Office. The private sector comprises sole traders, partnerships, companies etc. A further group that often falls into the 'private sector' but which is more appropriately described as the 'third' sector consists of voluntary and community organisations, whose ownership is not necessarily by private individuals for profit-making (economic) goals, but by trusts or other groups for 'social' gain - these can be profit or non-profit. **By looking at these sectors, one can**

² See Aldridge, S., Halpern, D. and Fitzpatrick, S. (2002) *Social Capital: A Discussion Paper*, Performance and Innovation Unit, Cabinet Office: London.

ascertain that business-led regeneration refers to the impacts of any employer in the local area.

It was also important in the research to establish how much of the relatively slow employment growth in deprived areas was the result of a lack of inward moving companies, inadequate business births relative to deaths, inadequate expansion relative to contraction and so on. Our first step was to undertake a 'components of change' analysis for a selected number of areas and compare both the new firm formation rates and the in situ expansion of companies with the position in surrounding areas.

Following on from the components of change analysis, the research has focused on the nature of the issues that work for and against businesses having a positive impact in deprived areas, by examining a number of possible key pathways. These are:

- a) Pathway 1: Business-to-business
 - Trade, competition, customers, suppliers (static and dynamic analysis)
 - Networks and collaboration
 - Innovation
 - Supporting institutions (like banks), venture capital
- b) Pathway 2: business to local resources
 - People, labour market, training, skills
 - Finance, capital investment
 - Property, land age, premises, tenure, cost
- c) Pathway 3: business to community/local residents
 - Employment patterns
 - Issues of travel to work
 - Spending patterns within the area

The impacts of each type of pathway are broken down into different types of impact. These are furthermore contributory to job creation and productivity growth: the remaining four key drivers of productivity growth are shown throughout this document in bold³ and outlined under 1.3.1

1.1.1 Report Structure

The main body of the report begins by describing the methodology that the project adopted and outlines how the study areas⁴ were chosen.

Section 3 discusses the components of change analysis and the key findings that emerged particularly in relation to how the different components of change contribute to job creation in the disadvantaged areas studied.

Section 4 then builds upon the components of change analysis further to identify what is known about the nature of enterprise creation in the disadvantaged areas.

The remaining sections of the report examine the nature of the business impacts in the case study areas according to the pathway typology described above, namely: business

³ The drivers are a key component of this study. They fall within the first two types of pathway and are not, therefore, separated out since this would jeopardise the flow of these sections.

⁴ The areas investigated in this study are not the entire local authority district (LAD), but only the EAs within it. So when we refer to Haringey it is the Haringey EAs, not Haringey LAD.

to business in section 5, business to local resources in section 6 and business to local residents and the community in section 7.

Section 8 presents the findings of stakeholder interviews. The report concludes by discussing the implications of the research for policy and the conduct of future enquiry since it is perhaps useful to reiterate again here that this study was seen as a pilot exercise designed to lay the foundations for future initiatives that might investigate both concept and policy further.

1.2 Previous research

Recent research has examined the links between enterprise creation and social exclusion.⁵ The Bank of England has published a study of self-employment in deprived areas,⁶ which showed that not only is there a shortfall of self-employed people in these areas but that household incomes are some 10% lower than the average for surrounding areas.

The business-led regeneration phase 1 report⁷ represented one of the most comprehensive reviews of policy in disadvantaged areas. This consolidation of the evidence base examined business support⁸ and area-based initiatives.⁹ The area-based initiatives included: Regional Selective Assistance; Urban Development Corporations; Enterprise Zones; Urban Programme; City Challenge; Single Regeneration Budget (SRB); and business development in the coalfields. The details of these schemes will not be restated here but there has been much policy intervention. The findings of the phase 1 study were:¹⁰

- Business development policies work best when they are clearly focused on a limited number of objectives, but at the same time complement related initiatives concerned with other aspects of regeneration.
- The evidence suggests that optimal benefit for deprived areas can be achieved through partnering 'place-based business strategies' with 'place-based people strategies'.
- Business regeneration initiatives in deprived areas have been most successful when they have been targeted and selective according to sector and business type.
- A conclusion of several studies is that solutions to the employment needs of deprived areas need to be found at the sub-regional rather than the local scale.
- The main source of future business investment is most likely to come from firms that are already located in that local or regional economy, highlighting the importance of indigenous investment and 'follow-on' investments by existing inward investors.

⁵ E.g.: Blackburn, R. and Ram, M. (2002) *Combating Social Exclusion? Contributions and Limitations of Entrepreneurship and Small Firms*, paper presented at RENT XVI conference: Barcelona.

⁶ Kempton, E. and Mackinnon, K. (2002) *Self-employment in Deprived Communities: A Report to the Bank of England*, Personal Finance Research Centre, Bank of England: London.

⁷ North, D., Smallbone, D., Lyon, F. and Potts, G. (2003) *Business-led Regeneration in Deprived Areas: A Review of the Evidence Base*, Research Report 5, Neighbourhood Renewal Unit, Office of the Deputy Prime Minister: London.

⁸ North *et al*, *op cit*, pp. 26-47, including: training, advisory and mentoring services; subsidised finance and grants; income support; managed workspace / premises; incubators; encouraging entrepreneurship; impact of support on social enterprises; BMEB support policy; supplier diversity programmes; and policy supporting business-community involvement.

⁹ North *et al*, *op cit*, pp. 48-69.

¹⁰ Reproduced verbatim from executive summary.

- Some evidence indicates that it is more difficult for entrepreneurs in deprived areas to access finance.
- Evidence from the USA suggests that inner city areas do have some important competitive advantages, which form the basis for stimulating new enterprises and small business growth.

1.3 The policy context

There has been much policy concern of late with the role of businesses in disadvantaged areas. This, however, is nothing new: the Enterprise Zones and a raft of other policy initiatives during the 1980s and 1990s signalled a shift of policy towards starting up SMEs in the areas that were suffering industrial decline. This decline seems particularly odd since some of the areas of deprivation are next to some of the most affluent areas in the country: e.g., Westminster is minutes' walk away from Southwark.¹¹ This is linked to the historical need for low-income workers for the city's large service industries (e.g. hotels, catering, retail). Deprivation is not limited to the inner cities – the Index of Multiple Deprivation contains a number of wards in parts of the rural SouthWest and other regions.

Despite decades of policy measures and special programmes, inequalities often appear to be widening. Attempts to improve the most disadvantaged residential areas will not succeed unless residents can see them as having a purpose, with accessible sources of employment/services, as well as providing a secure place to live.

1.3.1 The Treasury's key drivers

The Treasury's key drivers of economic growth are *productivity* and *enterprise* (for all). Policy instruments cross departments, including those relevant to business-led regeneration.

Enterprise for all - Employment is enabled through job creation by new business start-ups and the growth of existing firms. Enterprise Areas (15% most deprived wards) receive certain fiscal incentives, such as stamp duty exemption and renovation allowances that are designed to encourage business development in those areas. The stamp duty exemption benefits buyers and owners, rather than businesses in disadvantaged areas that lease.

Productivity - The Treasury's five drivers of productivity growth – enterprise, investment, innovation, competition and skills¹² – are key to the agenda of neighbourhood renewal in disadvantaged areas. By creating more enterprises, which invest, innovate, compete and train people in their areas these businesses can act to drive up local, regional and national productivity: a key strategic objective for SBS, for example.¹³ Entrepreneurship and the enterprise culture is considered key to the future development of these areas, and RDAs incorporate productivity and enterprise culture

¹¹ Local Government Association (2003) Tackling Pockets of Deprivation: Lessons from Local Authorities' Social Inclusion Work, LGA : London

¹² HM Treasury (2001) Productivity in the UK: The Evidence and the Government's Approach, HM Treasury: London.

¹³ SBS / HM Treasury (2002) *Enterprise Britain: Supporting Small Business, Entrepreneurship and Innovation*, SBS / HM Treasury: London.

into their regional economic strategies.¹⁴ Businesses to business pathways investigated include how much physical *investment* businesses make, whether they innovate, where their competitors are located (and whom they trade with). Business to local resources includes which staff they train and if there are difficulties recruiting staff with particular skills in their areas.

1.3.2 The National Strategy for Neighbourhood Renewal

The National Strategy for Neighbourhood Renewal¹⁵ was the outcome of the 18 Policy Action Teams (PATs), each of which focused on an essential aspect of the neighbourhood renewal agenda. The National Strategy is being co-ordinated by the Neighbourhood Renewal Unit and key stakeholders include the other Central Government Departments, the Regional Development Agencies (RDAs), Neighbourhood Renewal Teams in the Regions (based in the Government Offices), Local Strategic Partnerships (LSPs),¹⁶ and other actors. Its vision is that “within 10 to 20 years, no-one should be seriously disadvantaged by where they live” (p. 8) in terms of worklessness, crime, health, skills, housing, physical environment, and that the “gap” between deprived areas and the rest of the country will be reduced.

1.3.3 PAT3

The work of PAT3 – enterprise and social exclusion – has contributed significantly to the National Strategy.¹⁷ Its report focused on disadvantaged communities covering business support, facilitating start-ups or self-employment (as well as growth of existing firms) through removing barriers to enterprise; access to finance (e.g. microcredit), and lessons learned from previous policy interventions. PAT3 also had a specific remit on Black and Minority Ethnic (BME) businesses and social enterprise. It included consideration of improving business support through initiatives associated with Business Links, mentoring, business incubators and fostering international trade links. Overall, PAT3 can be seen to be the foundation for many of the policies that have emanated from the National Strategy, and hence from DTI, SBS, RDAs etc.

1.3.4 Strategic themes of Small Business Service

The SBS has seven strategic themes and fourteen key delivery themes (KDTs). Each strategic theme has various ‘champions’ and each KDT has a person assigned to oversee it regionally, and on the policy side of SBS. The fifth strategic theme (Encouraging more enterprise in disadvantaged communities and under-represented groups) is the one that is most directly relevant to this study. Additionally SBS is responsible for City Growth Strategies.

1.3.5 Under-served retail markets

The authors of the phase 1 study found that “Many deprived areas, particularly those in rural areas and outside inner city areas, suffer from poor service provision. Here, small firms can provide vital services, particularly in retailing and personal services, where a lack of local provision can contribute to the exclusion of some social groups. There is a

¹⁴ See, for example, One NorthEast (2002) *Realising Our Potential: The Regional Economic Strategy for the North East of England*, One NorthEast: Newcastle.

¹⁵ Social Exclusion Unit (2001) *A New Commitment to Neighbourhood Renewal: National Strategy Action Plan*, SEU: London. Also SEU (1998) *Bringing Britain Together*, SEU: London.

¹⁶ LSPs are representative of their local area and are a localised National Strategy steering group.

¹⁷ HM Treasury (1999) *Enterprise and Social Exclusion, National Strategy for Neighbourhood Renewal: Policy Action Team 3*, HM Treasury: London

range of other issues with implications for retail – the impact of large stores, for example, and the importance of town centres in providing premises for a high proportion of SMEs. There is also a real difference between family businesses (which often are shops), and other forms of enterprise, as it affects their prospects for employment growth e.g. small, independent, familial businesses vs. large, possible quoted multiples. Some of the successful examples of business-led regeneration in areas of socio-economic disadvantage include New York City's Harlem and Bronx areas. The architect of those schemes, Bill Boler, has been commissioned by the Office of the Deputy Prime Minister as an advisor on how these achievements can be replicated in the UK.

1.3.6 Urban renaissance

The idea of 'urban renaissance', of creating places where people want to live out of choice not necessity, cannot be achieved without providing young people in particular with employment prospects, and without creating the pride of place and harmonious communities on which people's quality of life depends. However, not only are there major planning and development issues over whether former industrial sites should be redeveloped for housing or other uses such as retail, but there are major concerns over the future of many town centres, large and small. There are also issues in reducing congestion and the pollution caused by cars, and dealing with waste, and dereliction.

2. Methodology

2.1 Key principles of analysis

The central focus of the study was to assess the economic, social and physical impacts of businesses on less advantaged areas. Specifically, it was concerned to understand more about:

- **The economic effects.** These take a number of different forms and one is employment. The direct effects of employment relate to the volume and type of employment that the business has and how many of the jobs are taken by workers who live in the area and how many are taken by commuters – a phenomenon often referred to as ‘leakage’ in the regeneration literature. The indirect effects of employment arise as a result of the local income multiplier effects, as well as through purchases from other companies in the area (and thus linkage effects). Other economic impacts arise through the interactions that the business has with business in and around the area concerned, including collaboration and networking. It should also be recognised that the business will make decisions that affect local land and property markets and also capital markets – these are derived market impacts. Economic effects will also have a dynamic component in the sense that the company will make investment decisions that will affect the scale and location of its operations. In some cases, companies may be considering relocation and it is desirable to ascertain the reasons behind this.
- **The social impacts.** Businesses have a range of social impacts in local areas through the impact that they have on people's income and general well-being. Most of these effects originate in labour market experience and it is thus important to assess a range of issues relating to skills / employability, training, job security and career progression. Businesses also have the capacity to shape image and perceptions in an area and these can be powerful factors in people's and companies' decisions to locate, remain and invest.¹⁸ Historically in many inner city locations in the United Kingdom, workers lived very close to large industrial employers and in these circumstances, local companies dominated many aspects of an individual's life including a range of social aspects. The decline of the traditional industrial sector has often left something of a gap and it is desirable in the study to gauge what is the existing position.
- **The physical impacts.** Businesses have a significant impact on the shape and form of the built environment. Besides the impact on land and property markets there are also environmental effects. Businesses also have a range of infrastructure requirements, particularly in relation to access and communications. It is important to understand what are the needs of modern industry in the areas concerned, the nature of the shortfalls that may exist and what might be done about them.
- **The institutional impacts.** A further major area of enquiry relates to the interactions that companies have with the key institutions in the area concerned, including local and central government, business and other organisations including those with a financial background and knowledge based institutions like universities. Work being

¹⁸ This relates to the notion of ‘investability’ – “conditions that are conducive to a higher level of investment and refers principally to the business environment in which economic agents operate.” Begg, I. (2000) *‘Investability’ – the Key to Competitive Cities?*, South Bank University: London.

undertaken at Cambridge University into what makes for Enterprising Places as part of the Cambridge CMI/MIT initiative funded by HM Government is pointing to the importance of understanding how business relate to knowledge based institutions through a variety of partnership formats.¹⁹

The impacts were studied according to a number of different pathways, namely:

- Business to Business (impacts of businesses on each other),²⁰
- Business to Local Resources (property and also labour, e.g. jobs, social capital and social inclusion) and
- Business to Local Residents and the Community (local area impacts, e.g. improving the image, services and built environment of an area).

It was recognised from the outset that if the study was to achieve its objectives then it was necessary to consider how the underlying characteristics of the businesses affect the scale and the nature of the impact. These characteristics take a number of different forms with the key ones being:

- size (often measured in terms of employment and sales)
- age
- sector
- where established
- ownership; and
- characteristics of the owner(s) / founder(s) (including factors like ethnicity, birth place, occupational background etc).

The period 2000-2003 was considered and evidence was sought concerning how various economic 'actors' – employees (whether living in the area or elsewhere) and residents (whatever their economic activity status) had moved.

2.2 Description of research methodology

Broadly, the study moved along a quantitative to qualitative path. Quantitatively, the components of employment change in each area, by comparison with the home region were identified. This set a backdrop against which ranges of qualitative inputs were set. These inputs were derived from six primary research exercises: of businesses (supporting businesses such as retailers, core businesses from the fundamental sectoral base and migrated businesses – those that had left the study areas), employees, residents and finally other stakeholders such as the police and local authorities.

2.2.1 Components of employment change

Underlying the crude net job generation and destruction statistics (e.g. XXXX jobs gained or lost) are a set of components that can be crudely grouped into pairs – churn (births, deaths), size-change (expansions, contractions) and migration (in-moves, out-moves). Components of change analysis involves taking two snapshots – in this case 2000 and 2003 – and determining each component of change by area.

2.2.2 Core businesses

One survey (approximately 50 firms in each area) involved interviewing core businesses, which are responsible for direct job creation and other spill-over benefits and multipliers in the area history (to understand context), supply chain, neighbourhood involvement

¹⁹ Creating Enterprising Places. Rethinking the Regions and Regional Competitiveness Conference, 16-17 June 2003. Cambridge. PR23@cam.ac.uk

²⁰ The study does not seek to address the impact of the 'informal' economy, which is notoriously difficult to assess. See Thomas, J. (1999) *Quantifying the Black Economy: 'Measurement without Theory' Yet Again?*, *The Economic Journal*, 109: 381-389.

(e.g. sponsorship), and occupational mix by residence and type. The critical issue is that the extent of any spill-over benefits – indirect job creation as a result of local sourcing – has been measured by enquiring about trade linkages of individual businesses.

2.2.3 Existing business employees

A group discussion held in each area, focused upon the social impact of the core businesses by examining issues around the workers' employment history, and experience of living (if appropriate) and working in the area. The analysis of the data from a survey of participants comprised consideration of employment histories, changes in life styles and current issues (especially burning issues that are particularly topical). In other words, the social impact (akin to economic impact analysis but perhaps less tangible and more difficult to quantify) has been appraised. This impact has enabled us to draw conclusions about skills and quality of life issues.

2.2.4 Supporting businesses

This survey (40 firms per area) focused upon the impact upon supporting businesses. The 'main' businesses within the area are influencing the growth or decline of the 'supporting' businesses; the consumer spending (in retail / personal services) of the employees of the 'main' firms on the one hand, and the local sourcing / outsourcing (from business services, for example) by the core businesses on the other. As well as issues around why the businesses are located there, this survey examined the impact of these supporting businesses in terms of: footfall (customers entering their shops/businesses), spending patterns, changing customers (e.g. as new firms – and potentially new employees – come into the area) and perceptions of the area.

2.2.5 Residents

This survey related to the impact of businesses upon residents, and the topics included employment patterns, issues of travel to work, and the spending patterns within the area. Employment patterns within the area enabled us to analyse the detailed composition of the jobs that have been created (or indeed lost and/or been replaced by other businesses) in the area. Issues of travel to work are also important, for example, it is important to know how many employees in the businesses actually live in an area and how many workers commute from outside the area. The spending patterns recorded were considered indicative of the economic impact of businesses in the study areas. Workshops with residents addressed qualitative issues associated with businesses located (or not) in the area.

2.2.6 Migrated businesses

A further survey focused upon the extent and reasons for business migration by investigating reasons why businesses moved, and the possible motivators for remaining in the area. However, the number of migrated businesses has been modest (20 firms).

2.2.7 Stakeholder Interviews

These interviews were the last of the interview programmes so that the discussion with stakeholders was informed by the initial results of the analysis of earlier interview programmes.

2.3 A note on the tables

Key tables are included in this report as Appendix 1.

3. Business and employment in the four areas

3.1 Area selection

The area selection was based upon a number of criteria including that the area be a series of urban wards that were contiguous and showed evidence of:

- Being deprived – with a significant proportion of wards included in the Government's Enterprise Areas (disadvantaged 2000 wards eligible for stamp duty relief), which equate to England's 15% most deprived wards on the Index of Multiple Deprivation (IMD).²¹ There is also the issue that, in some cases, there are 'pockets' of deprivation adjacent to relatively affluent areas.²²
- Being comprised of deprived **urban** wards that are contiguous on a map to ensure that they are probably interdependent and related, rather than separate entities.
- Having an ethnic mix, where there is likely to be a significant number of black and minority ethnic businesses, as well as areas that are predominantly white.
- Possessing a significant stock of businesses/employers – including public services.
- Showing at least some evidence of entrepreneurship (evidenced by the start-up rate).

The choice was key to what this report could say about business-led regeneration. After discussion with a steering group for this work, four areas emerged as satisfying a number of the criteria and being in different parts of the country: Haringey (London), Gateshead (North East), Sheffield (Yorkshire & the Humber), and Leicester (East Midlands). These areas formed the basis for the data analysis, business surveys, employee discussion groups and citizens' workshops that have been undertaken in each area. As well as issues within these four areas, this analysis explores the distinctions between them. There were a limited number of study areas and it was decided not to set up a control group. Detail in relation to each area is contained in Annex 1.

This section details the job creation performance of the four study areas by comparison with their home regions and with each other and reviews the industrial complexions of the study areas and how businesses were initially established. The starting point was to build on an exercise undertaken for the Small Business Service²³ that explored the job creation activity of firms in the UK during the period 1995-99. This exercise was updated specifically relating to the four study areas using:

1. **Trends Central Database (TCD)** - This is a company database derived initially from Dun & Bradstreet (D&B) data. The database captures around 2 million records and is a distorted sample of the population in that it captures a virtual census of companies in the UK and an incomplete sample of unincorporated businesses. Although TCD is a sample, it is used because 'official' data: a) is not available as a time series, (b) does not reveal all new firm creation, (c) does not

²¹ Department of Environment, Transport and the Regions (2000) *Indices of Deprivation*, DETR: London.

²² Local Government Association (2003) *Tackling Pockets of Deprivation: Lessons from Local Authorities' Social Inclusion Work*, Local Government Association: London.

²³ Trends Business Research (2000) *Job Generation in the UK – How the 1995 Firm Population Became the 1999 Population*, report to the Small Business Service, Trends Business Research: Newcastle.

reveal sector detail below 4 digit SIC and (d) does not show firm activity by size later than 2001.

2. **The Inter Departmental Business Register (IDBR)** - This is the database, owned and managed by ONS, that represents the 'population' of businesses. There are around 3.2 million records.
3. **The Annual Business Inquiry (ABI)** - This is a survey from which the results are grossed.²⁴ The sample is drawn from IDBR. The surveys underlying ABI have changed over the period covered by this work.
4. **Small Firms Statistics** - The Small Business Service creates these summary statistics annually. They are derived directly from IDBR but are not uniformly presented. Regional data is presented for some years but not others; sector data is similarly not always available.

3.2 Significant DATA issues

To 'gross-up' the data it was necessary to deal with a range of issues, but two in particular are significant. The first is the relationship of newly released official data to that which covered the initial period reviewed (1995-99). The second is the impact of resolving a range of issues associated with the use of IDBR. These are not detailed here but serve as signals to those undertaking similar analysis.

3.3 The findings

The study areas are deprived areas. It would have been gratifying to discover significant business led regeneration in this data analysis – but we did not. Although the picture is not one of unremitting gloom – the areas are creating firms and jobs – they are not doing so in sufficient numbers to bring them close to their home regions' performance.

3.4 Business characteristics of the four areas 1995-99

In the four areas studied – Gateshead, Haringey, Leicester and Sheffield, SMEs account for around 55 to 60% of the corporate workforce. The basic description of the areas suggests that Haringey is somewhat different to the other three as it has fewer large firms accounting for a smaller proportion of the corporate stock although it is located in a region in which large businesses account for more jobs than elsewhere.

Considering key changes in the four areas (1995-99); the following points are relevant:
Leicester - There has been the highest job creation via new businesses and expansion accompanied by large-scale job losses via closure. Net growth was still impressive.

Haringey – There has been little change in Haringey with the area and the lowest level of job creation of the four areas.

Gateshead and Sheffield – Substantial decline in both areas and net job creation lagged behind the regional average and in general are performing relatively poorly.

Leicester, Gateshead and Sheffield all exceed the regional average of new firm job creation although each area loses many more jobs than the regional average from closures.

²⁴ In other words, the sample must be multiplied by factors in order to become the same size as the population. In practice, there is a different grossing factor for each of a number of size bands of firm. Grossing is an established statistical technique.

For statistical graphs on components of change by area, see **figure 3.3.2** on Appendix 2.

3.5 The updated picture to 2003

This section presents more recent data (2000-2003) in order to provide up-to-date information on the job creation picture in each area.²⁵

Economies acknowledged as 'healthy' have large number of firms per head of population. The strongest UK economy being London with over 800 firms per ten thousand people, whereas the North East, one of the weakest regional economies, has a little over half this figure. Although Leicester, Gateshead²⁶ and Sheffield have significantly fewer firms than London, the difference between the study areas and their region is not meaningful. In healthy regional economies, the difference between deprived areas in those economies and the larger entity is usually greater than in less healthy regional economies. It may be that 'embedding' business is more difficult where the contrasts are starker.

3.5.1 Where are the 'density gaps'?

With the exception of Gateshead, the business density gap in the studied areas is explained by a severe shortage of the very smallest firms. Haringey has 250 fewer firms per 10,000 people in the 1 to 4 employees cohort than its region. The low density of the very smallest firms in the study areas suggests that a key issue is that of entrepreneurship – starting a business. The areas have more manufacturing firms per 10,000 people than London generally. They have been losing out on the growth in service sector businesses, as they are clearly reliant on manufacturing and wholesale/retail.

3.5.2 Sector impact

The evidence suggests that manufacturing is more important in the study areas than in their regions. It was of interest to examine whether the pattern of manufacturing in each study area matched that of its region. There were a number of ways to consider this question. It could be considered in terms of the density of manufacturing – are there the same numbers of firms per head of population? It was also possible to consider the percentage distributions in the area and in its region – by firm and population.

3.5.2.1 Manufacturing density

If the study area mirrored that of its region, it would be expected to house exactly the same number of firms per 10,000 people and that by subtracting one density ratio from the other would give us an answer of zero. With some exceptions, the study shows that the areas' manufacturing base largely mirrors that of their region. Where the area is weaker, the difference is greater for employment than firm density. This means that in these cases the firms in the study areas are smaller. There seems to be some similarity

²⁵ Given that the 1995-99 data was already validated by region for the SBS study cited earlier, it was not possible to validate regional data for this business-led regeneration study. However, the regional comparisons for 1995-99 are recent enough to be robust: we would not expect huge differences in the regional comparisons for 2000-2003 – were they to be attempted.

²⁶ Gateshead captures the largest trading estate in Europe, so it may not be surprising that there are more firms here per head of population than in the region as a whole.

between the sector complexion in the study areas and the region. This is the case in many manufacturing sectors – examples include textiles in Haringey, Sheffield and Leicester; Food manufacture in Leicester and Sheffield; metal manufacture in Sheffield. It might be expected that the study areas should benefit from this relationship – the cluster effect. However, the companies are generally smaller and these companies have not grown in the way that one might have expected them to had they benefited from the cluster effect.

3.5.3 The firm birth rate

It is important to emphasise that the data presented from this point onwards should be interpreted comparatively, not absolutely. In other words, the absolute numbers that are shown should be taken as indicators of the complete business trend and are likely to underestimate them. This is because the data has not been grossed up. This is not the case with the data presented earlier (which were grossed as part of the SBS job creation study).

The firm birth rate is a key indicator of health and ‘drive’ in an economy. The areas were chosen on the basis of displaying some measure of entrepreneurship, so it is unsurprising that the birth rate as percentage of stock in the areas is greater than that for their home regions. However, an area with a low firm density has to work much harder to correct that – in other words, its firm birth rate **MUST** be high in order to close the density deficiency.

For example, London has 575 firms per 10,000 people and Haringey has 350 firms per 10,000 people. If both London and Haringey had the same birth rate (and let us assume here that it is 10% per annum), the relative position of the two areas actually will deteriorate over time because London will add more firms annually than Haringey. Even to play ‘catch up’, disadvantaged areas have to do appreciably better than the benchmark! See **figure 3.5** on Appendix 2 in Section 8 for firm birth rate vs. firm stock.

3.5.4 The death rate

In healthy economies, one can expect to see a high birth rate accompanied by a high death rate. In our study, Haringey stands out as different to the other three areas. It is apparently an area struggling economically in the most dynamic regional economy. For comparison purposes, London has the highest level of firm birth and death, whilst its deprived sub-economy has a level of churn little different from the other study areas. There appears to be very little ‘rub off’ from the London economy.

3.5.5 The source of growth by size

It has been necessary to ignore the contribution of the very largest firms (employing more than 500) because it is difficult to be certain that their employee numbers are actually in the study areas. Companies of this size are often headquarters with employment distributed across the UK and identifying the precise numbers in the study areas is a complicated task. This is not, however, a significant problem because the key issues for the study areas are in companies smaller than the very largest.

As already noted, job creation in the study comes from the very smallest firms and it is job loss in the larger firms that contributes to the overall level of job loss. The job creation activity of the very smallest firms in the study areas is encouraging but it is important to remember that the stock of these firms is very small indeed by comparison with the home region. This means that the job creating firms will never contribute large numbers of jobs unless their numbers can be increased substantially. It is important to note that the four areas studied are in line with the UK economy where more jobs are created from firm birth rather than firm growth, whereas the USA is vice-versa.

3.5.6 Source of growth by sector

As noted earlier, the study areas are more manufacturing orientated than their regions. This dependency has serious consequences when it comes to job creation and loss. The public sector has a positive impact in creating significant numbers of jobs in Leicester, Haringey and Sheffield although all four areas studied appear relatively insulated from the growth in services. See **figure 3.8** on Appendix 2 for details.

3.5.7 Which sectors deliver growth in the areas?

Four sectors deliver growth for all four of the study areas. They are:

- Manufacture of food & beverages
- Computer & related services
- Education
- Sale of motor vehicles and automotive fuel

Of these, the manufacture of food and beverages is by far the most significant creator of jobs. This is a regional strength in three of the four regions ²⁷ (except the NorthEast) and in two of the three cases, it may be related to a growth in BME food manufacture.

The job creation potential of food manufacture in deprived areas should be the subject of a separate more detailed study. This sector stands out as a significant job creator in each of the four deprived study areas.

Computer and related services shows only very modest growth amongst surviving firms. Although the very largest firms have been removed from this study, it can be seen that small firms (particularly outside Central London) largely populate this sector and the overall picture is clearly problematic. In fact, total job creation in this sector in three of the four areas is very small and statistically insignificant. This means that the areas have largely been insulated from the growth in this sector that much of the UK has enjoyed.

This issue is particularly stark in Haringey because of London's ICT strength. Additionally, Haringey is the only area to have lost jobs in 'Other Business Activities', again a significant London strength. It is difficult to escape the conclusion from the data that Haringey not only fails to benefit from its London base – it may suffer from it.

What is clear is that Gateshead and Leicester have enjoyed considerable job growth from construction. Haringey and Sheffield suffered modest job loss in this sector. The construction sector normally feeds off local demand and this suggests that in some

²⁷ Our assessment of 'regional strength' is based on "Business Clusters in the UK: A First Assessment". Trends Business Research, for DTI, 2001.

places it is embedded more closely than others are. The retail sector has grown in three areas but not in Leicester. This is surprising and particularly so given the strong clothing-manufacturing base in that city.

3.6 Sector

The industrial structure of each study area closely mirrors that of its region.²⁸ The areas are significantly manufacturing oriented and the type of manufacturing reflects that of the region. All the areas have a significant proportion of food manufacture, a sector that is expanding in all areas. BME businesses in the areas are generally concentrated in the manufacture of textiles and textile products. There are few service sector businesses, especially information and communications technology (ICT). *60% of supporting businesses are wholesale & retail with a further 24% real estate, renting and business services (although the latter is underrepresented in Leicester).* Wholesale and retail dominates supporting businesses in this survey. These are the type of businesses that one might expect to be impacted upon by trend changes in the core businesses in any area, never mind a disadvantaged one. Wholesale is specifically business-to-business trade (whereas retailers sell to businesses, residents and employees of businesses).²⁹ Clothing retail and wholesale is important in these areas. There are also food related activities and various other business-to-business activities, e.g. accountancy and consultancy. One difference between areas is that Leicester is short on real estate. It should be noted that there is some overlap in core and supporting businesses within these broad sector groups (because SIC codes are narrower).

3.7 Ethnicity

The study areas were chosen in part to reflect ethnic mix in their population. Haringey's supporting businesses are the only surveyed businesses in which black entrepreneurs were found. All surveys had examples of South Asian and European (e.g. Turkish/Greek) business owners. Most ME businesses were found in Leicester (with the strong Indian ethnic identification, as well as Punjabi and Sikh identification) – this group has been termed 'South Asian', although there are sensitivities amongst respondents about how they identify themselves.³⁰ For this reason, the exact wording of their ethnic description is used. Haringey is ethnically diverse, with Greek/Cypriot and other European groups, as well as some South Asian entrepreneurs. Interestingly, no one identified themselves as 'black', 'African', etc, although some may be masked by the term 'British' but it is not clear if this is the case. Although 20% of Haringey's resident population are 'black or Black British' (and some of the EAs in this study area have even higher percentages),³¹ manufacturing is not a sector with a high representation of black entrepreneurs – whereas retailing, for example, is more likely to include businesses owned by people who are black. **Table 1** on Appendix 1 shows that, while the majority of owners of supporting businesses surveyed are white, there are also a number of BME businesses. These include not just South Asian (in Leicester and Haringey) and black entrepreneurs (in Haringey), but also Greek and Turkish business owners in Haringey.

²⁸ These sectors *exclude* certain SICs allocated to 'supporting' businesses (e.g. retail).

²⁹ Wholesale and retail are two quite different activities. They have, however, been grouped together in the sector definition (SIC code group) that is in standard usage. The vast majority in the group are retail in the four study areas and so this sector group is not at all skewed to wholesale.

³⁰ For example in Gateshead, which is 97% white, there was particular sensitivity to this question (although the question was about the ethnicity of the *owner*, not whether the business was an 'equal opportunities' employer), but in the other areas respondents were more relaxed about this question.

³¹ Source: ONS Census, 2001. Using the *new* ward boundaries, 35.4% of residents in Bruce Grove are black / black British and 37.9% in Northumberland Park, compared to 5.7% in Crouch End ward. Black / black British refers to West Indians, Africans etc, and not to Asians, in the census definition.

3.8 Where founded, the origin and residence of founder/owner

Historically, inner city areas grew up to serve the needs of industry and commerce with people living near to work. Public housing estates grew up and acted as seedbeds for new enterprise. However, rising mobility coupled with urban exodus and the collapse of industrial sites and structures of employment, have fundamentally changed the geography of work. Areas of growth are on the edges where access by road is easier, and manufacturing employment has grown in rural or urban fringe areas, where the highest business formation rates are to be found. Victorian areas have become gentrified, where some 20th century suburbs are now seen as deprived but hardly inner city. Access varies as to who you are and where you live. There are huge differences between the dynamics of the main metropolitan or core cities, with universities and offices, and the surrounding industrial towns; between areas where immigrants have settled and the rest. These factors make generalisation dangerous and inflexible policies ineffective. (**Table 4** on Appendix 1)

3.8.1 Core businesses

75% of businesses in the four areas were established in either the local area or other parts of the town/city. The rest were mainly founded elsewhere in the UK, with almost half as many in other parts of the regions.

Understanding embeddedness of indigenous businesses in deprived areas requires some recognition of the origin of the founder and where the current owner lives. Many live in the local area near their businesses (the deprived wards) but almost as many live in the rest of the town or city; a significant number live outside – less so in Leicester where the Asian community has fewer people moving away.

Residence of founders is split between in and outside of the local area at the time the business was established. In Gateshead and Sheffield it is an even split; in Leicester three times as many founders lived in the area; in Haringey more than twice as many did not live in the area as did. The low level of job creation in firm births in Haringey may be related to entrepreneurs not wanting to live there or the founders having moved out to Essex or Milton Keynes.

3.9 Employment Level

Core businesses in Leicester are more likely to grow (in employment terms) than in the other deprived areas surveyed and they are larger. In Haringey and Gateshead they have predominantly 5-9 employees whereas Leicester and Sheffield businesses have 10-49. Supporting businesses in deprived areas are considerably smaller than core businesses, especially in Haringey. There are no supporting businesses with more than 250 employees: larger businesses would be more insulated from changes in other businesses – assuming a larger market share outside the local area and indeed the town/city – and could be said to be ‘core’ businesses in their own right. The surveyed businesses in Sheffield have a lower number of supporting business that are ‘micro enterprises’ (less than 5 employees) and those with more than 50 employees, which is made up for in the 5-9 and 10-40 size cohorts. There are also some differences amongst the other areas’ size bands. (**Table 11** on Appendix 1)

4. The business to business pathway

4.1 Banks and institutions

The local area is the predominant location for the bank used by businesses in our case studies, with the rest of the town/city a less likely location. Haringey has more than half the core businesses' banks in the local area and Gateshead is the odd one out with almost half the banks spread evenly between the local area and the rest of the town and the region.

4.2 Solicitors and accountants

There are considerably fewer solicitors and accountants in the local area. In Haringey and Gateshead around a quarter of the businesses' solicitors are located in other areas as far away as other parts of the region and elsewhere in the UK. Gateshead has a higher number of accountants in the region and Haringey has a higher level of accountant in the rest of the town/city.

4.3 Low take-up of business support

Views were also sought on why businesses in the four study areas seemed to have a low take up of public sector business support. In general, stakeholders confirmed anecdotally that this was the case (corroborating findings in our surveys). The major factor which is acting as a hindrance in the view of stakeholders – and this included some councils, Government Offices and not just Chambers of Commerce – was that there was simply too much paperwork and bureaucracy involved. This bureaucracy was causing confusion. In addition, it was felt that there was some stigma attached to receiving business support, which needed to be dealt with. Support should also be more physically accessible to businesses in more deprived areas: in other words, business owners should be able to walk in to a local office and talk to someone who can give them advice and support. One of the Business Links believed that micro-enterprises showed a good take-up rate of business support, whereas businesses with more than 10 employees had a low take-up rate.

4.4 PUBLIC SECTOR SUPPORT

Although 'public sector support' captures a broad cross section of activity, in total, a high proportion of companies stated that they did not use public sector support. One company was involved with the Sheffield Development Corporation, and another with social services. These were in the local area.

4.5 Networks, collaboration and innovation

Perhaps surprisingly, a significant minority of the businesses in this pilot study are members of their local Chamber of Commerce. The following explains how businesses tend to meet their suppliers rather more than their customers – which suggests a weak market focus and that innovation in these businesses is weak.

4.5.1 Membership of networks

Around one in five of core businesses are members of their local Chamber of Commerce, and most of these businesses occasionally attend events run by their Chamber. Core businesses have little involvement with local trade associations or local

formal networking associations. A small number of core businesses have received help from the local financial communities (e.g. angel and venture capitalists). Half of these are in Gateshead, which has a history of regional assistance. Virtually no core business has received help from local business mentoring programmes and this would seem a disappointing result given the importance of encouraging indigenous business development in deprived areas.

4.5.2 Social enterprises

Almost all stakeholders in the four areas were aware of social enterprises in their areas; indeed, some organisations had good links with these. But there was not a lot of detail provided on social enterprises: it seems that the stakeholders, while being perfectly aware that there are social enterprises in their area, cannot actually quantify them and are not *au fait* with how they differ from conventional businesses, aside from thinking that they are not for profit.³² This may be because the social enterprise agenda is relatively new – for example, the bill to enable the creation of Community Interest Companies (CICs) to put social enterprises on a better footing in raising finance is very recent – and appears not fully absorbed by stakeholders yet.

4.5.3 Collaboration

Core businesses in deprived inner city areas collaborate most with their local suppliers / sub-contractors. Core businesses are three times more likely to meet their suppliers than their customers – an apparent focus more on cost than markets. The key benefits of collaboration to core businesses are considered to be shared research and development costs (quarter of firms) and accessing people with specific skills (one in eight). (Table 19 on Appendix 1)

4.5.4 Innovation

Innovation is the second of HM Treasury's key drivers of productivity growth. However, care was taken in the question to core businesses to avoid the explicit use of the word 'innovation' (they were asked whether they had made changes to their product or services or the way they produce them) as the term can be over-used. Only 15% of core businesses in the deprived areas believed that they made significantly innovative changes to their products but there was considerable variation between the study areas: the proportion is very low in Haringey (4%) and Sheffield (10%). The figures are much higher in Gateshead (20%) and Leicester (26%). It is significant that the highest figure is in Leicester, the more successful case study area in terms of 'positive' components of change.

Stakeholders were asked for their views on the causes of low levels of innovation, as well as how it could be alleviated. The key reasons for lower levels of innovation in the disadvantaged areas, in the view of stakeholder organisations, were: being too busy and having no time to be innovative; lacking knowledge and awareness; having low skills; and not receiving enough support or funding. One other perspective was that innovation is unnecessary if the product or service 'works'.

In terms of what could be done to increase levels of innovation in the study areas, changing the 'mindset' of business owners and providing more support are the two

³² See, for example, DTI (2002) *Social Enterprise: A Strategy for Success*, DTI: London. The definition used is: "A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."

predominant actions respondents suggested. Other suggestions included advice; graduate schemes, funding, education and IT provision.

4.6 Competition, trade and linkages

Businesses in the study areas trade most extensively within the local area but they are by no means parochial. A proportion trade nationally and a minority export – perhaps reflecting the fact that the areas house a significant number of manufacturers. Supporting businesses were conceived to be highly dependent on local markets and they are, although they are largely unaware of the impact of core businesses on their own.

4.6.1 Impact of growth/decline of local competitors on supporting business

When local competitors grow, supporting businesses' footfall³³ / demand tends to decrease – only slightly. When they decline, there's a slight increase in some cases but mostly a slight decrease is evident: if local competitors' sales are declining, then so too will be local demand of the supporting businesses. The decline of competitors benefits some business in terms of their ability to pick up trade from these dying (or dead) businesses. But also it is clear that where a business is co-located with competitors, there is actually passing footfall from which that business benefits (e.g. the case of Tesco moving in one example).

Competition certainly has an impact upon local customers (and this often comes from larger businesses e.g. supermarkets in the case of small independent retailers). There is also evidence of a squeeze on prices (and, therefore, profit) resulting from the intensity of the competition – which can be particularly damaging to 'marginal' businesses operating in disadvantaged areas.

4.6.2 Impact of growth / decline of local customers

There can be nothing more clear-cut than the relationship between the growth / decline of local customers on one hand, and that of demand for the supporting businesses on the other. There is an obvious relationship between decline of local customers and decreased footfall / demand, but the magnitude of the decrease of supporting businesses' demand / footfall resulting from the decline of local customers tends to be slight, as opposed to large, decrease. The net result of decreasing demand is a reduction in the number of employees in supporting businesses. There are mainly slight increases in footfall result from a mix of new and existing customers and other factors including reputation. Other barriers impact upon whether local customers trade with these businesses, including the 'image' of the area (which can be negative, particularly in Haringey and certain parts of the other areas) and the poorly thought out local provision, e.g. parking.

4.6.3 Impact of growth / decline of local suppliers

Increasing demand for the products or services of supporting businesses means that they need to source more supplies and, therefore, local suppliers benefit and grow. This cause and effect pattern fits in neatly with cluster theory, i.e. local demand leading to more local supplies, although for some respondents the cause and affect was reversed in their minds.

³³ Footfall is the number of people entering shops and other such 'walk-in' premises – whereas demand reflects footfall, it is the only appropriate descriptor for non-retail / wholesale businesses.

4.6.4 Awareness of the low firm stock

All of the stakeholders were aware of the low numbers of businesses in their areas. A contact at Business Link for London, for example, observed that the low number of new firms is characteristic of the North London sub-region as a whole. Indeed, the London Development Agency (LDA) is undertaking work on the Upper Lee Valley area (part of which is Haringey) and will provide support for growth and inward investment. A contact at the neighbourhood renewal team at Government Office London pointed out that areas such as Haringey seem to lack large enterprises but do have many micro-enterprises (although our data suggests there is still a shortfall of these).

A representative from South Yorkshire police observed that an increase of businesses in an area can lead to higher levels of certain criminal activities and behaviour (for example, litter around takeaways and anti-social behaviour³⁴ near public houses), although the obvious benefit of businesses is the increased local income. The contact from Leicestershire Constabulary, however, stated that lack of businesses and, therefore work, means a lower standard of living, which in turn contributes to creation of crime.

4.6.5 Sales turnover and labour costs

The majority of the core businesses in the study areas have a sales turnover of between £100,000 and £5 million. Just under half of businesses refused to disclose sales turnover. Core businesses tend to spend up to a quarter of their turnover on labour. Haringey's supporting businesses are more likely to spend more of their turnover on labour. Haringey is significantly different from the other three areas in this respect. It demonstrates the extraordinary effects that can occur within a disadvantaged area that is located in a booming regional economy. The majority of supporting businesses in Gateshead, Leicester and Sheffield spend up to a quarter of turnover of labour. (**Table 21** on Appendix 1)

4.6.6 Geography of trade – main businesses

Trade is an important element as it enables us to estimate local multiplier effects as well as competition, which is the third HMT key driver of growth to be considered in this study.

Core businesses in deprived areas mostly trade locally. Around a quarter of sales and purchases are made locally and a further two fifths are made outside the locality, but close by and in the region. One in ten of businesses in deprived areas export and import to the EU and outside it.

Core businesses believe that around one in five of their competitors are local and a further quarter national. In total between two thirds and three quarters of competitors are thought to be local or close by. Around one in ten of businesses thought that they had competitors overseas. The proportion of business purchases made locally and the presence of at least some local competition in the deprived areas studied has tended to be fairly stable through time with, if anything, a slight decrease.

In the last three years the status quo has largely prevailed, although a number of businesses report sales in the local area have increased more than they have declined. Competition was felt to have increased considerably (especially in Leicester).

³⁴ See Field, F. (2003) *Neighbours from Hell: The Politics of Behaviour*, Politicos: London.

4.6.7 Views on support for businesses in the areas

Each stakeholder was consulted on their views as to what sort of business support their organisation (or others) could offer to address the problem of a low firm stock and low business birth rate. The potential business support initiatives suggested might be categorised into four groups:

- Stimulating more start-ups in the area.
- Encouraging more local people to start businesses.
- Helping businesses to grow.
- Identifying sectors with most potential.

4.6.7.1 Stimulating more start-ups in the area

Gateshead related organisations³⁵ identified working with schools (enterprise education), advice and raising awareness of entrepreneurship as ways of stimulating more start-ups in the area. Other aspects included finance and working with the communities to encourage people to go into business. Leicester stakeholders suggested improving available space, preventing crime, improving accessibility, collaboration and encouraging innovation. The police in Leicester were also undertaking a study of crime in and around businesses in these disadvantaged areas – so they are well aware that this is a major concern locally. The stakeholders related to Haringey considered raising awareness, funding, improving premises, advice and networking as the best ways of stimulating start-ups in Haringey's EAs. The contact at Business Link for London suggested business support provision could be more co-ordinated, and that the new inward investment vehicle for North London was one means of encouraging new businesses into the area.

In Gateshead, two organisations suggested there was a need for a sea change in the culture towards starting a business – this would involve education to create an 'enterprise culture'. Sheffield related organisations considered this to include changing the culture (creating a more enterprising culture) as well as improving people's awareness of the option of self-employment and starting a business. In addition, funding, support (e.g. tailored to certain ethnic communities) and skills are other aspects that are viewed as important. In Leicester, enterprise awareness and culture were again the most prominent suggestions. Early stage funding and tax and financial incentives are the other possibilities that these organisations suggested. Mentoring, providing information in minority languages (as well as specific support tailored to BME groups) and teaching enterprise in schools were amongst some of the key actions that stakeholders in Haringey suggested. In addition, pre-start support was seen as key to ensuring sustainable and competitive businesses.

- Gateshead stakeholders suggest legislation, quality advice, grants, transport and guidance.
- Sheffield organizations suggest resources, reducing 'red tape' / bureaucracy, and enabling advice, training and collaboration. Another suggestion was tailoring support to individual businesses.
- In Leicester, advice, training, IT support (e.g. on broadband), financial support and 'signposting' to the most relevant agency were considered sensible options.
- Improving access to finance and training were seen as relevant for Haringey. Developing clusters and supporting local supply chains (i.e. 'keeping the wealth

³⁵ We use the term '[area name] related organisations' loosely to refer to stakeholders with fair knowledge of the area, be they based within that LAD or within the region. We have emphasised that we are interested in the *Enterprise Areas*, not the more broad LAD.

in the community') through City Growth Strategies were seen as very important to help local businesses grow.

4.6.7.2 Identifying sectors with most potential

- The stakeholders' perceptions of the highest potential contributors to new business formation seem somewhat at odds with what we have identified from our analysis of the components of change. This suggests that they are basing their assumptions upon conventional wisdom, and do not realise the potential of existing clusters of manufacturing in these areas.
- Overwhelmingly, Gateshead stakeholders see the services sector as one that shows the most potential for expansion. One North East and Government Office NorthEast prioritise the service sector but feel that manufacturing also has potential. The Gateshead Chamber of Commerce contact suggested manufacturing or services potential needs to be balanced with actual closures in manufacturing and call centres.
- In Sheffield, three organisations see both manufacturing and services as having potential to expand, while for the Yorkshire Forward contact it is services and for Business Link South Yorkshire it is manufacturing – differing views from the regional development agency and the contractors for central government.
- Just over half of Leicester stakeholders regard services as having the greatest potential, while under half of organisations consider both to have equal potential.
- In Haringey, there is a focus on services, but the Chamber of Commerce in Haringey saw innovative manufacturing as having potential. Business Link for London was interesting in that its sectors were very specific: creative industries, hospitality / sports and leisure, retail, financial services, production industries and green industries – mainly services with some manufacturing.

4.6.8 How do main businesses impact upon supporting businesses?

Many regional economies in declining industrial areas have been negatively impacted, not just because of direct job losses but the supply chain linkages have been cut and small and medium-sized enterprises that depended upon the main businesses for their lifeblood have been choked.

The supporting businesses clearly rely upon their local area and the rest of the town/city for sales. This confirms their status as businesses that would be impacted upon by changes in main businesses, although purchases are less localised. Supporting businesses, in effect, need main businesses more than main businesses need them.

Competition is important for productive churn, where weak firms are replaced with more efficient ones. However, there is potential for the arrival of large-scale retailing enterprises to displace small local retailers – particular in scenarios where the new retailing developments are out of town, diverting trade from local and district centres such as high streets. There is significant local competition within all four study areas but the region and other parts of the UK figure to a lesser extent.

4.6.9 Awareness of new businesses

Supporting businesses were asked if they were aware of any new businesses starting in their area. In Haringey and Leicester, twice as many were unaware of such new businesses as those who were, whereas in the other two areas this was reversed.

In many cases, new businesses are thought to have either have no impact or have a positive influence in terms of image, new trade etc. There were a number of cases cited of new businesses having an adverse effect on trade, i.e. they are competitors. An example of this mixed picture is the regeneration impact of the Baltic Arts Centre in Gateshead, in contrast to the withdrawal of Siemens from another part of the NorthEast. (Table 22 on Appendix 1)

4.7 Migrated businesses

A key issue is the retention of existing businesses within deprived areas. In practice, businesses tend not to move so it proved difficult to identify a significant number of migrating businesses and only 20 businesses were surveyed, who had left the four areas for property related reasons.

4.7.1 Date established & when moved into premises

Most of the surveyed migrated businesses were established in the 1990s. This could be connected to the stage of growth of the business being such that it has grown (or other factors have intervened), and a change of premises have been necessary. Older businesses may be more 'embedded' and may have settled in their current premises some time ago and may not need or choose to move.

4.7.2 New location

In most cases, the migrated businesses have moved within the same region. Former Gateshead EA businesses are now in Durham, Jarrow, Newcastle-upon-Tyne, Sunderland and Washington, Tyne & Wear. Former Haringey businesses are in other parts of London (Edmonton, Enfield, Islington and Shoreditch) and one has moved to Southampton. As well as five former Sheffield EA businesses moving to non-EAs, two have moved to Rotherham and one to Barnsley (all in South Yorkshire).

Most of the current owners of migrated businesses live in the area their business has moved to. Almost half were also born there. None of the owners of migrated businesses were born in the previous location. It is clear from the research that, when moving premises, somewhere near where the owner lives has been chosen (or they may have moved since). This suggests that, again associated with the concept of embeddedness, an entrepreneur born in an area is highly unlikely to move his / her business out of that area (due perhaps to emotional ties). He/she does not necessarily have to live in that particular location.

4.7.3 Legal status, ownership and size

Almost all migrated businesses are independents and they will be more influenced by autonomous owner-managers and may be considerably more footloose³⁶ than other types of businesses. One business in Haringey was started as an independent but was bought out. Apart from that, the way in which the businesses were started was

³⁶ In locational geography, 'footloose' refers to a business that is not tied to a location the presence by local resources and may, therefore, move to another location without any major disruption (assuming that hiring employees is a non-disruptive activity, which it was to some extent in the past). 'Footloose' is used in a different context above.

consistent for all migrated businesses. The migrated businesses are relatively small (over 50% are less than 10 employees, and only one is medium-sized). This, coupled with their status as independents, suggests particularly mobile businesses. Nearly all surveyed businesses have only one site in the local area.

4.7.4 Reasons for moving

The results of our research suggest that the main reasons businesses leave deprived areas are property related (cost and size). This finding has been repeated in many surveys over the years and reinforces the need to consider premises and business based support as an integral part of business support for deprived inner city areas. Expansion drives the migration of businesses. Availability of suitable premises and cost of premises, as well as good transport links, are critical.

Other factors of importance include the image of the new area, quality and availability of the local labour force, access to a quality living and working environment, crime or fear of crime and location of the founders' / directors' home and proximity to customers and clients.

4.7.5 Change of sales and employees since they moved

An increase in employees is a predominant consequence of the business migrations we considered. Although, to a lesser extent there was evidence of static employment and some decrease. This is consistent with growing businesses needing larger premises. Notably, the decrease is concerned almost entirely in businesses that have moved out of Haringey.

In terms of understanding how certain job types have changed, our research shows that decrease is concentrated on managers/professionals, while increase is specific to admin/clerical and semi-skilled manual.

4.8 Black and Minority Ethnic (BME) businesses³⁷

In Gateshead it was recognised that there was only a small number of black and minority ethnic (BME) businesses but at the same time these were considered important and it was acknowledged that they were focused on success and high profit. Two stakeholders observed that BME businesses have their own networks and so can operate 'outside' the public sector support bodies in the area.

Sheffield too has a relatively low number of BME residents (not as low as Gateshead). Again, there was awareness of the important of engaging them. One stakeholder referred to a report by Sheffield City Council that found that BME communities had 20% higher start-up rates than other groups. The local Chamber of Commerce is also closely involved with BME groups and, indeed, they have started a forum that aims to encourage BME groups to engage with the wider business sector.

Stakeholders in Leicester observed that a key strength of the area was its BME businesses. A contact at Leicester City Council summed up this type of business thus: "They have businesses which are family and finance focused. This is why they thrive and are also better structured. They also have a brilliant network system which works for

³⁷ A report published by SBS provides some excellent background on support for BME businesses: Ram, M. and Smallbone, D. (2001) *Ethnic Minority Enterprise: Policy in Practice*, SBS: Sheffield

them.” The Leicestershire Asian Business Association (LABA), for example, is an important element of the networking within Leicester.

One Haringey stakeholder estimated that between 40-50% of businesses in their deprived areas are owned by BMEs. Another organisation commented on the extent of networking but criticised BME businesses for tending not to “let outsiders in too much.” Business Link for London pointed out that there are large numbers of BME businesses in the Upper Lee Valley, proportionately higher than in any other area, and that many of these are micro businesses. They referred to an apparent high business birth rate and a high failure rate amongst BME businesses.

4.9 Employing more local people

Local businesses were cultured by a number of stakeholders criticised for not employing enough local people. Our evidence is that they do employ many locals, but more needs to be done to make more locals ‘employable’? In Gateshead, for example, it is the overwhelming view of stakeholders that the key is education and skills development and training of local people. In Sheffield, stakeholders have more varied views (although education does play an important role), in that they consider other aspects including guidance, job match and local advertising to be crucial: i.e. as much on the recruitment (business), rather than the application (resident), side. Again, in Leicester and Haringey, most stakeholders also consider improving local people’s skills to be a vital action. Business Link for London, for example, suggests liaising with larger businesses to evaluate the skills shortages and up-skill the local residents accordingly. However, they do caution that the fact that local people are not skilled enough is a major impediment to inward investment and the relocation of new companies to the Haringey study area to other parts of London.

The finding is that migration has adversely affected few firms’ employees in the previous location. It is mainly better as, for many, the location is closer to their homes, i.e. many are not from that location. Some businesses lost employees from their previous location but in most cases the move is regarded as being beneficial.

Sales, purchases and competition in the original location have all increased since the business moved. Although for the vast majority it has stayed the same and, for some businesses, sales and purchases has actually declined. While there has been a rise in sales and purchases at the current location, competition is not increasing for many. See table 68 on Appendix 1.

5. Business to local resources pathway

In this section, findings associated with access to local resources including property and labour are reported.

5.1 Property and physical investment

Property is a fundamental issue for the businesses surveyed. The businesses tend to inhabit older premises, which around half of them have invested in during the past three years.

5.1.1 Covered floorspace

Covered floorspace varies. Only 17 businesses in total changed their covered floorspace, and this was concentrated in Leicester and Sheffield – ranging from two reducing covered floorspace and varied kinds of increases. The supporting businesses tend to have relatively small levels of covered floorspace. This has changed in some cases, but on the whole the change has been fairly limited. (**Table 35** on Appendix 1)

5.1.2 Age of premises

The premises of these businesses are by and large mature. Just over a quarter of the premises were constructed in the last 30 years. This is not necessarily a problem for businesses, if premises have been modernised. (**Table 38** on Appendix 1 has more detail)

5.1.3 Tenure

Core businesses in the deprived areas are more likely to have a freehold rather than a leasehold tenure in the deprived area and this is particularly true of manufacturers. Supporting businesses have predominantly leasehold premises. Of the deprived areas examined, Gateshead has the highest proportion of leasehold tenures whereas Sheffield and Haringey have the highest level of freehold tenure. The majority (75%) of core businesses that have leasehold tenure have a full repairing lease, which tends to exceed £20K per month. (**Table 38** on Appendix 1 provides more detail.)

5.1.5 Property: an important factor in their future?

Issues relating to the quality and availability of premises are of significance³⁸ to most of core businesses. Half of core businesses have invested in their premises in the last three years. (**Table 41** on Appendix 1.) All of these results reinforce the importance of property-related factors in the retention and growth of businesses in deprived areas. Good transport links are also a key influence on core businesses' location. Core businesses seeking to expand intend to do so on their existing sites. The surveys in the deprived areas indicated that many plan to move to another site to expand but that this would be in the local area.

Supporting businesses regard good transport links, cost and availability of premises, and proximity to customers / clients as the most important location factors. The least important include proximity to research institutions, presence of similar companies for

³⁸ In other words, these businesses answered 'critical', 'very important' or 'quite important' to the relevant question in the survey.

collaborations and technology spillovers and availability of specialised finance. This may reflect views of the current situation, rather than the potential benefits of these other factors.

5.2 Skills and labour

Skills is the fifth of HM Treasury's key drivers of productivity growth to be considered in this study. The surveyed businesses do not by and large recruit locally. There are recruitment difficulties, but these are not as extensive as might be imagined. This could be due to the fact that few of the surveyed businesses are growing.

5.2.1 Source of employees

For core businesses the 'local area' (the deprived wards) is not the main source of recruitment for highly educated employees, such as managers and technologists, but is for more 'routine' and unskilled jobs such as admin and manual. However, even then, other parts of the town / city or region are major sources of all employees. This is a finding that one might expect from areas with deprived residents alongside thriving businesses.

The four areas do differ in where they recruit from. Leicester has a remarkably high level of semi-skilled manual recruits from the local area. Haringey has twice as many manager/professionals from other parts of the town. Conversely, Haringey has higher levels of admin/clerical and skilled manual /technical in the local area. (More details are in **Table 42** on Appendix 1)

5.2.2 Difficulties recruiting staff

Difficulties in recruiting were felt most in terms of skilled manual / technical, specialists / technologists, semi-skilled manual, managers / professional, unskilled and admin/clerical.

Table 34 on Appendix 1, shows the types of recruitment difficulties experienced – in all employment types. These are not total numbers of firms; i.e. they include firms stating more than one type of difficulty from the six categories of employee type.³⁹ A total of 52 did have difficulties. Others were specific in terms of the types of employees that they had difficulties recruiting. The main difficulties are with 'caring professions' such as nursing and teaching, but also with specialist manufacturing / machining.

The picture varies a lot across the four areas. Gateshead has some of the most recruitment difficulties with specialists/technologists, while in Haringey there seems to be no difficulty. Haringey does, however, share the shortage of skilled/manual technical with other areas. Leicester has the most cases of shortages of semi-skilled manual. Haringey have no difficulties with managers while Gateshead have the highest level of difficulty.

5.2.3 Training

Training is largely done in-house. Very little data was provided by surveyed businesses on spend, but there is evidence that Haringey is the one area in which businesses do scant training.

³⁹ The 'others' are: apprentices, chemists, crane drivers, decorators, designers, doctors, Electrical, fitters, funding advisers, glaziers, installers, instructors, nurses, operators, Opticians, piano trade, printers, production people, QA specialists, receptionist, road operatives, skilled labour, software / hardware engineers, general staff retention, support staff, and tradesmen.

5.2.4 Transferability of skills

In terms of how transferable to other businesses or industries are the skills needed in core businesses two thirds of surveyed companies regarded these skills as 'highly', 'easily' or 'very' transferable (**Table 43** on Appendix 1). However, a significant minority stated that skills are limited to their industry and, in the view of less than 10% of core businesses, skills were not transferable.

5.2.5 Investors in People

Only around one in seven of surveyed core businesses have Investors in People (IiP) accreditation and an additional one in twenty are working towards IiP. In Haringey and Leicester there are fewer core businesses with IiP than the other two areas studied, but only slightly. (**Table 44** on Appendix 1.)

5.3 Views of employees on the area, business and skills

This section commences with summaries for each area and then proceeds an overall conclusion of three different elements for each of the four areas. The elements are:

- What are employees' experiences of working in the area?
- What can they tell us about new businesses? (And impact of business in general?)
- What about local people: are they skilled? Are there job opportunities?

5.3.1 Haringey at a glance

It is possible to draw the following tentative conclusions:

- People who work in the area have little sense of the 'complexion' of the business community. In some places, this represents a shift away from a coherent image / identity of the area that might have accompanied the presence of large-scale, often industrial enterprises.
- Respondents gave a picture of areas lacking identity, contributing to a sense of normlessness.
- People believe that there is not enough business in the area. Especially absent are restaurants and retailers and other supporting businesses were missing or of low quality. Most people appeared to have a sense of what a vibrant and attractive area would contain.
- A more optimistic view is held in Leicester where people believe that the decline of old industries is being balanced by new businesses starting.
- Crime, and drugs in particular, produces an adverse image of the areas. People believe there to be a relationship between youth crime, poverty and impact on business.
- Many local employees are convinced of the need for local businesses to consider how their work practices impact on employability and particularly the need for 'family friendly' work patterns. A finding addressed at some length in other reports for NRU.⁴⁰

Experience of working in the area:

- Crime - gun crime and murder are big problems.
- Recruitment difficulties - many people do not wish to work in Haringey and the people who do struggle to get jobs as they have a poor track record.

⁴⁰ Although for a cautionary note on family-friendly working, see Lea, R. (2004) *Personal View: Work-life Campaigners are Misguided Social Engineers*, [The Daily Telegraph](#), 12 January 2004.

- Skills shortages - due to poor education outcomes.
- Lack of youth clubs and community centres – most of these have closed and the problem is the negative attitude of the younger generation and their involvement in violence and drugs.
- Concerns about illegal immigrants - one discussant reckons that Haringey has between one quarter and one third higher population than official figures suggest.
- Evidence of regeneration - such as the Tottenham NDC, e.g. cleaning up the area, improving schools, better health provision etc. However, it is improving from a low base.
- Cost of housing - even though the area is considered 'unappealing' by many, the cost of housing is high – because of the London factor.
- Poor local service provision – services were considered sub-standard in terms of refuse removal, public transport and parking.
- High levels of traffic – employees drive to and from work as a 'security' measure against becoming a victim of crime and murder.
- Child friendly businesses – there is a need for more childcare to help parents into jobs.

5.3.2 Leicester at a glance

Experience of working in the area.

- Transport is *the* problem in Leicester – traffic congestion is considered chronic and this results in problems with getting to and from work or meetings. Many residents park in the street outside terraced houses.
- Public transport services - these are considered poor, and it is difficult for employees to get to their businesses.
- Business regeneration – it was suggested that businesses should try to connect with locals, as should local authorities and other stakeholders in regeneration.
- Training – regarded as crucial due to local skills shortages.

Aside from the issue of transport, all the discussion groups in Leicester showed a mostly positive assessment of its location.

5.3.3 Sheffield at a glance

Experience of working in the area.

- Crime – generally is considered a major problem in the deprived areas in which the discussants worked.
- Area image - the area is regarded as run-down and, particularly, potential customers are discouraged by the area's appearance.
- Training. - there is little evidence of training among the local businesses' employees, but when it does happen, it is not for local people.
- Public transport - the cost of transport is a barrier to people on low incomes finding work and they have to take a bus to the town centre and then out again.
- Few places to eat lunch - there are no eating places in the trading estates and in certain housing areas so the employees must go to town or to the retail park.

5.3.4 Gateshead

Experience of working in the area.

- Recruitment - Team Valley Trading Estate is one of the main areas of employment and has a large catchment area for its workers. The estate has ample space so the employees are not hemmed in and there is ample car parking space available.
- Public services – there is poor public transport and a severe lack of catering/retail outlets.
- Regeneration schemes - Bottle Bank, once the centre of Gateshead, dilapidated Victorian properties were demolished and the Gateshead Hilton⁴¹ is being built there.
- Deprivation – there is a cycle of deprivation as the families living here have few aspirations.
- Crime - there is evidence of public disorder and crime although violent crime was not considered an issue.
- Childcare – a key business in this area with the vast majority of clients being private, but there are 10% who are through social services and have child protection issues.
- Property speculation - a business that is ‘taking off’ in the borough.
- Living and working locally - none of the discussants actually live in any of the EAs. One problem for businesses in the area is that many graduates simply do not wish to work in the area due to its negative image.
- Training - many local people are perceived as having low skills but many have been sent on courses that they are not suited to, and this is: “just to get a tick in the right box”. The colleges are under pressure to fill courses – rather than trying to find suitable candidates.

⁴¹ Although rumour has it that it will be called the *Hilton Newcastle Gateshead*, which arouses locals' ire! Although the website) describes it as the *Tyne Bridge Hilton International* – basically it is named after the bridge and a parliamentary constituency (comprising three of Newcastle's West End wards and Gateshead's Bede, Bensham, Deckham, Dunston, Saltwell and Teams wards – all but 4 of the EAs, although Dunston is not an EA). The demolition of Bottle Bank in 2001 is chronicled in the following website: http://www.vision.pwp.blueyonder.co.uk/pictures/bottle_bank/index.html.

6. Business to local residents and the community pathway

As well as looking at the direct impacts that businesses may have on their local economies, the research also investigated the views of people who lived in the deprived areas in question. What impacts did they think that local business had on their areas, and how did these contribute towards the regeneration of those areas? Was business-led regeneration apparent and how relevant was it to the residents of the deprived areas? In order to obtain the views of residents, Citizens' Workshops were held in each area. This section covers:

- The purpose of the citizens workshops
- The overall perspective from the residents point of view
- Key points from the four areas

6.1 Purpose of citizens' workshops

The citizen workshops aimed to explore local residents' views and perceptions of the impact that local businesses had on:

- The area's image and identity
- Employment, training and enterprise (including social enterprise)
- The local environment
- The community

Seven workshops took place, two each in Gateshead, Leicester, Haringey and one in Sheffield. Each workshop was divided into two groups (based on age of participants), and facilitated by URBED, with extensive notes taken of the discussions. An informal atmosphere encouraged participants to be open in their contribution, and an opening exercise filling in a brief questionnaire acted as an icebreaker and introduced the topics to be discussed. Haringey and Sheffield it was necessary to pay a recruitment fee. Participants were recruited in different ways.

6.2 The overall residents' perspective

The views of the residents of deprived areas are important because they are the people that regeneration, including 'business-led regeneration', is in the end meant to help. The views expressed in the Citizens' Workshops are necessarily anecdotal, and not everyone agreed with all the points made. However, while there were differences of emphasis between the findings in each area (see next section), the participants had a remarkably consistent point of view. Residents have a very different perspective from businesses – although their views have much in common with those of the employees (reported in the previous section).

First and foremost, the participants in the Citizens' Workshops judged their areas principally in terms of environmental and social ("quality of life") factors, not the economy. The days when a single industry defined the area are long gone. Indeed (like the employees), many of the residents had only a hazy idea about the local economy and all but the most obvious employers. There seemed little contact between the business community and local residents.

Secondly, even though participants were drawn from quite small areas (usually one or two local authority wards), living conditions – and hence ‘deprivation’ – varied greatly between local neighbourhoods. Everyone could identify nearby ‘pockets’ of deprivation and social problems such as crime and drugs, but they also complained that outsiders (and particularly the local press) wrongly tarred a much larger area with the same brush. Thus a much wider area got (and kept) a bad image.

With the exception of the residents of Tottenham in Haringey, most participants were keen to sing the praises of their locality and few wanted to leave it – although they did want improvements to be made. By contrast, when thinking about employment most people thought it reasonable to be prepared to travel for half-an-hour to get to work (and some even more). Thus [with the possible exception of single parents with dependent children] people thought about employment on a totally different geographical scale (almost sub-regional) to that on which they thought about ever moving to live (very local). They also recognised that outsiders were prepared to travel long distances to work and were competing for potentially ‘local’ jobs.

The local residents saw the availability of jobs as very important for the regeneration of an area – but not the low-paid, unskilled jobs with no prospects that were most usually on offer. These might suit some people at certain times, but many (especially younger people) now had greater aspirations. Employers were seen as regarding unskilled people as suitable only for unskilled jobs and not being as interested in training them as they might have been in the past. Most training was now college-based and did not necessarily lead to a specific job. It was also agreed that in any deprived area there were some people who, because of their attitude, were virtually unemployable and these needed to be dealt with in some way. Nevertheless, the greater problem was that there were only limited, low paid opportunities for many who did want to work.

Respondents considered that some regard needs to be given to the quality of the jobs that are created and to how more of the people from areas in need of regeneration can get ‘jobs with prospects’. This is a very different view from the one that sees full employment⁴² as the key to regeneration and the solution to deprivation – and one where what really matters is increasing productivity (output per head). Poorly paid jobs by themselves do not offer a way out of deprivation, and many people in deprived areas see ‘living on benefit’ as an acceptable alternative, although this does not solve the problem either. The possible effects of the ‘working tax credit’ which aims to boost the earnings of working people on low incomes, and so discourage benefit dependency, were not raised in any of the workshops. Furthermore, many people who live in deprived areas are not economically active at all (e.g. those who are elderly or in poor health).

Working participants also stressed that one very damaging effect of people, particularly young people; not being motivated to work is that it often leads to vandalism and anti-social behaviour. It takes only a few bored youngsters, hanging about in groups, to blight an area – discouraging others from using its public spaces, damaging the environment, and encouraging further rowdiness and crime. In all the workshops, participants complained that there were not enough facilities for young people, and how this could easily lead to serious social and environmental problems, which lowered the quality of life in the neighbourhood and ensured that its deprivation continued. They also thought that there was a need to improve basic standards of education.

⁴² See, for example, Adams, J. and Robinson, P. (2002) *A New Regional Policy for the United Kingdom: Interim Report*, Institute for Public Policy Research: London. The report’s authors: “stress the need for full employment in all UK regions” (page iv).

Business-led regeneration

To the residents, what really mattered was their quality of life, and businesses were seen as having little direct effect on this. Significantly, it was widely noted that the decline of heavy industry had reduced pollution and made the area much nicer to live in. In all cases but one, local shops and services had declined, for the fundamental reason that local purchasing power had declined, and people on low incomes needed to shop at supermarkets where prices were low. With the exception of Beaumont Leys, which had a 24-hour Tesco Extra, which attracted shoppers in from surrounding areas, the main supermarkets were not located in the local areas.

Residents saw this shift in retail provision as another trap that helped perpetuate deprivation. They could not afford to support the small shops, cafes, restaurants and entertainment facilities that were contributing to renaissance elsewhere. Therefore, their areas were falling behind. While there were a few newcomers with higher incomes, who were attracted by the relatively good value of houses in the areas, there was little prospect of them transforming the whole area in the short term.

Overall, the residents who attended the citizens' workshops felt that their areas were misunderstood, or even 'neglected' by those that could help them. They did not see any easy way out of their decline. Many individuals had thought about starting a business, but this was seen as complicated and risky and requiring resources to which they did not have access. They were just 'ordinary people'. Except in a few cases, setting up a business was not seen as a realistic option. Social enterprise is not seen as a major contributor either. It was both small scale and often on a voluntary basis.

Only in Beaumont Leys in Leicester where a group of residents had formed a local forum under the auspices of an SRB programme did there appear to be signs of local people taking a proactive role. The forum explores ways in which local businesses and the local community could benefit each other, and it was noticeable that there was much more optimism that local people could make a real contribution to the regeneration of their area, and to the casting-off of its outdated image as a problem place.

7. Implications of these findings

We noted at the outset the pilot nature of the research reported here. With the exception of the components of change analysis, the findings are indicative and although we might draw out some implications, further research may be necessary to build a more robust evidence base for policy making.

7.1 Emerging themes

The differences between the best and the worst parts of British cities and regions are bound up with the way industry has grown and declined over many years. The four areas studied during the research, while very different, have all suffered from economic decline and restructuring over many decades. It is not surprising therefore that they suffer from concentrations of deprivation.

What is of concern, however, is the different rate in which they appear to regenerate themselves. Of the four areas considered, Leicester shows some promising signs in relation to enterprise creation whilst an area like Tottenham, which is part of one of the most prosperous cities in Western Europe, seems almost pinned back. Given the roots of the problem, we should not expect there to be a magic elixir that produces an instant transformation. However, the variations found in this research suggest that a key theme for policy is the need to target activity rather more than has perhaps been the case hitherto.

The research revealed great variations in both the business and resident characteristics of the areas examined. The nature of business success in areas that could be encouraged further by policy varied considerably. However, in all cases it seemed relevant for policy initiatives to help to remove general barriers within an area that are holding back the natural processes of regeneration.

The different surveys reinforced a number of important issues for national policy:

- Even in relatively strong regional economies, like London, areas of extreme poverty can lie next to very prosperous areas, and fail to benefit from any 'trickle down' from economic growth. Considerable wealth may pass through an area without rubbing off on its residents.
- The economy is not just more complex than it was fifty years ago. Many people are using cars to get to work and to shop. Many former industrial areas have lost their identity, their residents have lost confidence in their future, and links between business and the community have broken down, leading to low or unrealistic expectations and social malaise, which is passed on from one generation to the next.
- The lack of identity and sense of purpose brought out in both the citizens' workshops and employee focus groups reinforces the poverty cycle of poor health, low levels of attainment, and erratic employment. A sense of purpose is essential to self-respect as well as neighbourhood pride.
- Securing business led regeneration is Key to achieving the goals of either neighbourhood renewal, productivity growth or sustainable communities. However issues associated with the decline of industries and neighbourhoods can work against the very social and economic investment that may serve them.

7.2 A brief statement of key findings

From such a broad body of work, it is difficult to focus on only a small number of key findings, but a number do stand out as being of particular importance. The following findings were consistent across the areas studied:

- Deprived areas appear to have too few firms and raising the firm birth rate in them to the regional average is an insufficiently ambitious target to address this.
- The areas are more manufacturing oriented than the UK generally and conversely, the service sector is poorly represented.
- Businesses (in deprived areas) are not parochial, they do trade (often internationally).
- Businesses (in deprived areas) do not appear to innovate enough and they are not involved sufficiently with organisations that might help them do so.
- Property related factors are of central importance in improving the business performance in deprived areas.
- Deprived areas do not tend to house enough support agencies: Business Link, Job Centres, Centres of Manufacturing Excellence.
- Businesses (in deprived areas) are often involved with their communities to some extent but they often appear to recruit their employees from adjoining areas.
- People who live and work in deprived areas appear to have little sense of the industrial structure or business strengths of the area.

The links between businesses and the other key players in their local area (including local authorities but also the full range of business related support agencies and Local Strategic Partnerships) is often very weak. There would appear to be a need for a step-change in this respect. The United Kingdom needs to be more in line with experience in the United States and across Europe. More can be done building upon a range of existing initiatives around.

7.3 Issues relating to the conduct of future research

As noted earlier, this research has been a pilot exercise and it has revealed a number of lessons for future research.

Firstly, and most crucially, there is an urgent need to undertake some longitudinal analysis. The tracking of job creation and growth, and entrepreneurial activity generally, is rather sporadic. Studies of job creation and new firm creation have been conducted in the UK since the early 1980's but the commissioning of them has been irregular. The result is that the matching of data sets is re-created unnecessarily anew on each occasion. Proxy measures such as that from Global Entrepreneurship Monitor (GEM) which measures attitudes to entrepreneurship ("do you intend to start a business?") are not a substitute for real data that measures real firms starting. Robust time series would enable findings from the current research and data from elsewhere to provide a benchmark from which change could be assessed.

A longitudinal data set that operates at sufficiently detailed geography and sector is perfectly feasible – it has been shown to be so in this research. Without it, the impact of policy is almost impossible to measure accurately. With it, impact measurement becomes almost routine.

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Secondly, the areas chosen for this study did not capture a control group. The pilot did not compare deprived areas with less deprived ones. On every measure that is discussed in this report – for example, property, recruitment difficulty, networking, and innovation – there is no evidence to support the assertion that the findings are fundamentally related to the deprived environment in which the businesses are located.

Thirdly, the methodology identified for this pilot was broad and topics were covered in insufficient depth. Consequently, only indicative policy conclusions are drawn. Further research should focus on business led impacts in more targeted ways.

Finally, more research appears needed to be done into the main pathways by which people from deprived areas actually do succeed in improving their lot, what support mechanisms are most effective in helping them to do so, and how they can be encouraged to stay and work in their neighbourhood. This would require following people from deprived backgrounds over time and understanding the strategies, personal or institutional, that help them succeed (or developing case studies by looking back at the history of successful people).

8. Tables

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Table 1 - Ethnicity of owners of core businesses (Section 3, - 3.2)

Ethnicity	Gateshead	Haringey	Leicester	Sheffield	All areas
Asian			6.4		1.7
British Asian		2.1			0.6
East African Asian			2.1		0.6
Hindu		2.1			0.6
Indian	2.6	8.5	21.3		8.4
Pakistani	2.6			2.2	1.1
Punjabi			6.4		1.7
Sikh			8.5		2.2
<i>South Asian Total</i>	<i>5.1</i>	<i>12.8</i>	<i>44.7</i>	<i>2.2</i>	<i>16.9</i>
British		4.3			1.1
British - Greek Nationality		2.1			0.6
British European	20.5	4.3	2.1		6.2
British Italian		2.1			0.6
British White	23.1	36.2	14.9	48.9	30.9
British White European	7.7		12.8		5.1
Church of England - White				2.2	0.6
Cypriot		2.1			0.6
English White		8.5	4.3	4.4	4.5
Greek		6.4			1.7
Greek Cypriot		8.5			2.2
Greek Cypriot born in Britain		2.1			0.6
Irish		2.1			0.6
Jewish	2.6				0.6
South African - White				2.2	0.6

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South American		2.1			0.6
Turkish Cypriot		2.1			0.6
White	41.0	4.3	21.3	40.0	25.8
<i>White / European Total</i>	<i>94.9</i>	<i>87.2</i>	<i>55.3</i>	<i>97.8</i>	<i>83.1</i>
n (=100%)	39	47	47	45	178

Source: Trends Business Research; W2/S17

Table 2 - Ethnicity of owners of supporting businesses (Section 3, - 3.3.1)

Ethnicity	Gateshead	Haringey	Leicester	Sheffield	All areas
South Asian	4.9	25.0	22.5		13.7
Black		12.5	2.5	2.5	4.3
White / European	95.1	52.5	72.5	92.5	78.3
Mixed race		2.5	2.5	5.0	2.5
Other		5.0			1.2
n (=100%)	41	40	40	40	161

Source: Trends Business Research; W3/S8

Table 3 - How core businesses were started (Section 3)

How started	Gateshead	Haringey	Leicester	Sheffield	All areas
Branch of existing company	11.8		8.0	14.0	8.4
Franchise	2.0				0.5
Independent business/organisation	70.6	92.2	86.0	78.0	81.7
Subsidiary/inward investment by parent co.	11.8	2.0	4.0	4.0	5.4
Don't know	3.9	5.9	2.0	4.0	4.0
n (=100%)	51	51	50	50	202

Source: Trends Business Research; W0/S4

Table 4 - Whether the founder lived in the local area when each main business was established (Section 3)

Founder live in local area when founded?	Gateshead	Haringe y	Leiceste r	Sheffiel d	All areas
No	44.4	70.2	23.3	46.2	46.7
Yes	50.0	27.7	72.1	46.2	48.5
Don't Know	5.6	2.1	4.7	7.7	4.8
n (=100%)	36	47	43	39	165

Source: Trends Business Research; W0/S6

Table 5 - How supporting businesses were founded (Section 3)

How founded	Gateshead	Haringe y	Leicester	Sheffield	All areas
Branch of existing company	4.8	12.2	5.1	12.5	8.6
Franchise				2.5	0.6
Independent business – since bought out		2.4			0.6
Independent business/organisation	92.9	82.9	94.9	85.0	88.9
Subsidiary/investment by parent company	2.4	2.4			1.2
n (=100%)	42	41	39	40	162

Source: Trends Business Research; W3/S33

Table 6 - Whether the founder lived in local area when supporting businesses established (Section 3)

Founder live in local area when founded	Gateshead	Haringe y	Leicester	Sheffield	All areas
No	38.5	62.9	24.3	54.3	44.5
Yes	59.0	37.1	70.3	42.9	52.7
Don't Know	2.6		5.4	2.9	2.7
n (=100%)	39	35	37	35	146

Source: Trends Business Research; W3/S18

Table 7 - Whether the founder of each supporting business was born in the local area (Section 3)

Founder born in local area	Gateshead	Haringey	Leicester	Sheffield	All areas
No	33.3	80.0	40.5	54.3	51.4
Yes	61.5	20.0	51.4	42.9	44.5
Don't Know	5.1	0.0	8.1	2.9	4.1
n (=100%)	39	35	37	35	146

Source: Trends Business Research; W3/S19

Table 8 - Legal status of core businesses (Section 3)

Legal status	Gateshead	Haringey	Leicester	Sheffield	All areas
Sole Proprietor	11.4	17.0	16.3	7.1	13.1
Private Limited Company (Ltd)	70.5	68.1	65.1	78.6	70.5
Public Company (PLC)	4.5				1.1
Limited Partnership		4.3	2.3		1.7
Private Unlimited Company	2.3				0.6
Partnership	9.1	8.5	14.0	11.9	10.8
Company Limited by Guarantee		2.1	2.3	2.4	1.7
Friendly Society	2.3				0.6
n (=100%)	44	47	43	42	176

Source: Trends Business Research; W0/S17

Table 9 - Legal status of supporting businesses (Section 3)

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Legal status	Gateshead	Haringey	Leicester	Sheffield	All areas
Co-operative	5.0			2.5	1.9
Limited Partnership	2.5				0.6
Partnership	15.0	10.5	15.4	20.0	15.3
Private Limited Company (Ltd)	47.5	42.1	53.8	52.5	49.0
Public Company (PLC)		5.3	2.6		1.9
Sole Proprietor	30.0	42.1	28.2	25.0	31.2
n (=100%)	40	38	39	40	157

Source: Trends Business Research; W3/S5

Table 10 - Ownership of supporting businesses (Section 3)

Ownership	Gateshead	Haringey	Leicester	Sheffield	All areas
Branch	14.3	7.3	7.5	15.0	11.0
HQ	7.1	9.8	2.5	5.0	6.1
Single site	78.6	82.9	90.0	80.0	82.8
n (=100%)	42	41	40	40	163

Source: Trends Business Research; W3/S32

Table 11 - Employment level in core businesses (Section 3, - 3.3)

Emp band	Gateshead	Haringey	Leicester	Sheffield	All areas
Less than 5	0	8.2	4.1	0	3.1
5-9	29.2	36.7	2.0	10.2	19.5
10-49	47.9	46.9	81.6	71.4	62.1
50-249	14.6	8.2	12.2	14.3	12.3
250 +	8.3	0	0	4.1	3.1
n (=100%)	48	49	49	49	195

Source: Trends Business Research; W0/S18

Table 12 - Employment level in supporting businesses (Section 3)

Emp, 2003	Gateshead	Haringey	Leicester	Sheffield	All areas
Less than 5	26.2	41.5	27.5	10.0	26.4
5-9	28.6	26.8	35.0	47.5	34.4
10-49	38.1	22.0	27.5	40.0	31.9
50-249	7.1	9.8	10.0	2.5	7.4

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n (=100%)	42	41	40	40	163
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Source: Trends Business Research; W3/S9

Table 13 - Number of premises in local area of core businesses

Number of premises in local area	Gateshead	Haringey	Leicester	Sheffield	All areas
0	2.0	0.0	0.0	0.0	0.5
1	86.3	92.2	78.0	83.0	84.9
2	9.8	2.0	16.0	12.8	10.1
3 or more	2.0	5.9	6.0	4.3	4.5
n (=100%)	51	51	50	47	199

Source: Trends Business Research; W0/S9

Table 14- Number of premises in local area of supporting businesses (Section 4)

Premises	Gateshead	Haringey	Leicester	Sheffield	All areas
1	85.7	92.7	72.5	80.0	82.8
2	4.8	7.3	20.0	12.5	11.0
3 or more	9.5		7.5	7.5	6.1
n (=100%)	42	41	40	40	163

Source: Trends Business Research; W3/S20

Table 15 - Location of supporting businesses' solicitors (Section 4, - 4.2)

Location	Gateshead	Haringey	Leicester	Sheffield	All areas
Don't have or use	4.8	7.5	5.0		4.3
Elsewhere in UK	9.5		10.0	17.5	9.3
In house	2.4	2.5	2.5	2.5	2.5
In local area	40.5	37.5	50.0	37.5	41.4
In Region	11.9	2.5	5.0	10.0	7.4
In rest of Town/City	31.0	50.0	27.5	32.5	35.2
n (=100%)	42	40	40	40	162

Source: Trends Business Research; W4/S3

Table 16 - Location of supporting businesses' accountants (Section 4,- 4.2)

Location	Gateshead	Haringey	Leicester	Sheffield	All areas
Don't have or use	0.0	5.0	2.5	2.5	2.5
Elsewhere in UK	14.3	0.0	10.0	17.5	10.5

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In house	0.0	2.5	5.0	5.0	3.1
In local area	54.8	30.0	47.5	32.5	41.4
In Region	4.8	0.0	12.5	12.5	7.4
In rest of Town/City	26.2	62.5	22.5	30.0	35.2
n (=100%)	42	40	40	40	162

Source: Trends Business Research; W4/S4

Table 17 - Core businesses that have received help from local financial communities (Section 4, - 4.3)

Usage	Haringe				All areas
	Gateshead	y Leicester	Sheffield		
Offered & received help	4.0	2.0	2.1	2.0	
Received help	22.0	7.8	2.0	6.3	
Would like to have received help	4.0	9.8	8.0	4.2	
Neither received nor offered help	70.0	82.4	88.0	87.5	
n (=100%)	50	51	50	48	

Source: Trends Business Research; W0/S13a

Table 18 - Core businesses that have received help from local business mentoring programmes (Section 4)

Usage	Haringe				All areas
	Gateshead	y Leicester	Sheffield		
Offered & received help		2.0	2.0	4.2	
Offered help	2.2			0.5	
Received help	2.2		2.0	1.0	
Would like to have received help		5.9	4.0	2.6	
Neither received nor offered help	95.6	92.2	92.0	95.8	
n (=100%)	45	51	50	48	

Source: Trends Business Research; W0/S13b

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Table 19 - Core businesses and collaboration (Section 4, - 4.4.2)

		N/A Simply buying/ calling	Meet informa	Joint	Joint prods & Joint Mking & Sharing equipm ent & Sitting on board of				
Local research institutions	Gateshead	64.7	5.9	2.0	13.7	2.0	7.8	2.0	
	Haringey	47.1							
	Leicester	62.0	6.0	2.0	6.0	2.0	4.0	2.0	
	Sheffield	42.0	6.0	10.0	12.0	2.0	8.0	4.0	
	All areas	53.9	4.5	3.5	7.9	1.5	5.0	2.0	
Previous local employers and employees	Gateshead	74.5		2.0		2.0			
	Haringey	47.1							
	Leicester	58.0	10.0	4.0					
	Sheffield	52.0	4.0						
	All areas	57.9	3.5	1.5		0.5			
Local multinational s	Gateshead	66.7	19.6		2.0				
	Haringey	45.1							
	Leicester	62.0	16.0	2.0					
	Sheffield	54.0	2.0						
	All areas	56.9	9.4	0.5	0.5				
Local customers	Gateshead	43.1	51.0		3.9				
	Haringey	15.7	82.4						
	Leicester	36.0	48.0	8.0					
	Sheffield	8.0	76.0	2.0	2.0				
	All areas	25.7	64.3	2.5	1.5				
Local suppliers/ subcontractor s	Gateshead	54.9	37.3			3.9	2.0		
	Haringey	5.9	88.2						
	Leicester	32.0	38.0	18.0	2.0	2.0			
	Sheffield	22.0	68.0	10.0	2.0	2.0	2.0	2.0	
	All areas	28.7	57.9	7.0	1.0	2.0	1.0	0.5	
Other local companies	Gateshead	41.2	23.5	7.8	11.8	5.9	7.8	5.9	3.9
	Haringey	41.2	2.0	2.0					
	Leicester	36.0	18.0	24.0	4.0		6.0	4.0	
	Sheffield	30.0	20.0	12.0	4.0	6.0	2.0	4.0	4.0
	All areas	37.1	15.9	11.5	4.9	3.0	4.0	3.5	2.0

Source: Trends Business Research; W0/S25

Table 20 - Turnover of core businesses (Section 4)

Turnover	Gateshead	Haringey	Leicester	Sheffield	All areas
< £100,000	6.1	8.8	10.3	7.7	8.3
£100,000 - 499,999	24.2	29.4	31.0	38.5	29.4
£500,000 - 999,999	18.2	35.3	20.7	15.4	23.9
£1,000,000 - 4,999,999	24.2	20.6	37.9	15.4	25.7
£5,000,000 - 9,999,999	12.1			15.4	5.5
> £10,000,000	15.2	5.9		7.7	7.3
n (=100%)	33	34	29	13	109

Source: Trends Business Research; W0/S13

Table 21 - Sales turnover of supporting business (Section 4, - 4.5.1)

Turnover	Gateshead	Haringey	Leicester	Sheffield	All areas
2003					
< £100,000	21.9	17.4	19.4	12.1	17.6
£100,000 - 499,999	31.3	26.1	22.6	27.3	26.9
£500,000 - 999,999	18.8	13.0	22.6	12.1	16.8
£1,000,000 - £4,999,999	21.9	17.4	35.5	42.4	30.3
£5,000,000 - £9,999,999	0.0	13.0	0.0	0.0	2.5
> £10,000,000	6.3	13.0	0.0	6.1	5.9
n (=100%)	32	23	31	33	119

Source: Trends Business Research; W4/S16-17

Table 22 - Supporting businesses' awareness of new businesses in the local area (Section 4, - 4.5.4)

Aware?	Gateshead	Haringey	Leicester	Sheffield	All areas
No	20	27	31	22	100
Yes	17	9	8	17	51
Don't Know	5	5	1	1	12
n (=100%)	42	41	40	40	163

Source: Trends Business Research; W4/S8

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Table 23 - Employment level in migrated businesses (Section 4)

2003	Gateshead	Haringey	Leicester	Sheffield	All areas
Less than 5		80.0		50.0	44.4
5-9	50.0	20.0			16.7
10-49	50.0			50.0	33.3
50-249			100.0		5.6
n (=100%)	4	5	1	8	18

Source: Trends Business Research; W5/S2

Table 24 - Expansion plans of migrated businesses (Section 4, - 4.6)

	Local ly	Regional ly	National ly	International ly	Total
Maintain the existing size of the company ⁱ	-	-	-	-	50.0
Reduce the size of the company	5.0	0.0	0.0	0.0	5.0
Expand operations	40.0	20.0	20.0	5.0	85.0
Move to larger premises in the area	30.0	10.0	0.0	0.0	40.0
Move to larger premises outside the area	5.0	15.0	10.0	0.0	30.0
Open another branch	5.0	10.0	5.0	0.0	20.0

Source: Trends Business Research; W5/S22

Note: (i) The first category was not broken down geographically, and simply required a tick: this is shown only as a total for this reason.

Table 25 - If location factors change, would they move? (Number of migrated businesses) (Section 4)

No	Factor	Gateshead 1	Haringey	Leicester	Sheffield	Total
1	Quality and availability of the local labour force			1		1
2	Convenience to your existing employees	2			1	3
3	Availability of suitable premises (e.g. purpose built for your company's needs)		3		3	6
4	Availability of premises for manufacturing					
5	Cost of premises (e.g. low and affordable rents/purchase prices)	4	2	1	3	10
6	Access to a quality living and working environment					
7	Image/"right address"				1	1
8	Crime or fear of crime				1	1
9	Location of the founders'/directors' home	1			2	3
10	Proximity to colleagues working in the area (i.e. other branches of business)					
11	Presence of local contacts and networks	3				3
12	Presence of similar companies for collaborations and technology spillovers					
13	Good transport links (e.g. roads, rail and airports)		4			4
14	Proximity to customers and clients for your products/services	4	1		1	6
15	Proximity to key suppliers and sub-contractors					
16	Availability of specialist business support services (e.g. accounting, legal)					
17	Location of the company with which your company merged (if applicable)	1				1
18	Supportive land-use planning policies and procedures					
19	Supportive national regulatory framework – standards, laws and regulations					
20	Local taxation rates (e.g. Local Business Rates)	2			1	3
21	Availability of specialised finance					
22	Availability of area targeted government assistance (e.g. regional grants)					

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23	Proximity to research institutions		
24	Access to IT services and support (e.g. broadband)	1	1

Source: Trends Business Research; W5/S21

Table 26 - Change in job types in migrated firms (Section 4)

Types	Did not answer	Large decrease	Slight decrease	No change	Slight increase	Large increase
Managers/professionals	20.0	5.0	25.0	50.0		
Specialists/technologists	65.0		5.0	25.0	5.0	
Admin/clerical	40.0	5.0		30.0	25.0	
Skilled manual/technical	55.0	5.0		20.0	15.0	5.0
Semi-skilled manual	60.0			15.0	25.0	0.0
Unskilled	75.0			10.0	15.0	0.0

Source: Trends Business Research; W5/S29

Table 27 - Change of migrated businesses' employees since they moved (Section 4, - 4.6.8)

Change	Gateshead	Haringey	Leicester	Sheffield	All areas
Slight Decrease	16.7	40.0		12.5	20.0
Large Decrease		20.0			5.0
No Change	33.3		100.0	37.5	30.0
Slight Increase	33.3	40.0		25.0	30.0
Large Increase	16.7			25.0	15.0
n (=100%)	6	5	1	8	20

Source: Trends Business Research; W5/S27

Table 28 - Changes in sales, purchases and competition in original and current location (Section 4)

% of all businesses	Increased	Decreased	About the same	No data
Original location				
Sales	35.0	15.0	45.0	5.0

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Purchases	35.0	20.0	40.0	5.0
Competition	30.0	5.0	60.0	5.0
Current location				
Sales	75.0	10.0	10.0	5.0
Purchases	65.0	15.0	15.0	5.0
Competition	25.0	10.0	55.0	5.0

Source: Trends Business Research; W5/S31

Table 29 Future plans: expansion or moving? (Section 4, - 4.6.7)

n = 202	Increase Production	Other reasons	No
DO YOU INTEND TO:			
Expand the existing premises at this site	33.2	7.9	59.4
Move to larger premises locally (rest of the Town/City)	32.2	9.4	60.9
Move to larger premises elsewhere in the region	7.9	5.4	86.6
Move to larger premises outside the region	1.5	3.5	95.0
Deliberately not expand		2.0	98.0

Source: Trends Business Research; W2/S15 NB: Several companies answered both options.

Table 30 - Supporting businesses: area perceptions (index of rating of factors in their areas) (Section 4, - 4.6.4)

	Gateshead	Haringey	Leicester	Sheffield	Total
Good transport links (e.g. roads, rail and airports)	51	52	36	30	169
Cost of premises (e.g. low and affordable rents/purchase prices)	46	30	30	17	123
Availability of suitable premises (e.g. purpose built for your company's needs)	26	26	37	19	108
Proximity to customers and clients for your products/services	26	35	34	12	107
Quality and availability of the local labour force	30	10	35	16	91
Access to employees	33	8	29	13	83
Crime or fear of crime	21	17	28	11	77
Access to a quality living and working environment	30	2	27	14	73
Local taxation rates (e.g. Local Business Rates)	9	32	14	-5	50
Image/"right address"	12	-10	23	-10	15
Presence of local contacts and networks	18	0	-5	-17	-4
Proximity to key suppliers and sub-contractors	-10	5	-7	-9	-21
Location of the founders'/directors' home	-13	-31	0	-3	-47
Availability of specialist business support services (e.g. accounting, legal)	-12	-23	-9	-23	-67
Supportive national regulatory framework – standards, laws and regulations	-24	-5	-22	-22	-73
Location of the company with which your company merged (if applicable)	-12	-35	-13	-30	-90
Access to IT services and support (e.g. broadband)	-13	-37	-15	-31	-96
Supportive land-use planning policies and procedures	-29	-16	-25	-29	-99
Proximity to colleagues working in the area (i.e. other branches of business)	-13	-43	-8	-37	-101
Availability of area targeted government assistance (e.g. regional grants)	-18	-31	-12	-45	-106
Availability of specialised finance	-12	-48	-14	-46	-120
Presence of similar companies for collaborations and technology spillovers	-20	-44	-18	-44	-126
Proximity to research institutions	-35	-61	-27	-46	-169

Business-led regeneration

Source: Trends Business Research; W3/S27

Table 31 - Training undertaken by core businesses

		Gateshead	Haringey	Leicester	Sheffield	All areas
1) Managers / Professionals	In-house	66.7	19.6	44.0	58.0	47.0
	External	49.0	13.7	30.0	46.0	34.7
2) Specialists / Technologists	In-house	35.3	25.5	16.0	44.0	30.2
	External	23.5	17.6	14.0	34.0	22.3
3) Admin / clerical	In-house	5.9	5.9	32.0	32.0	18.8
	External	2.0	2.0	16.0	22.0	10.4
4) Skilled manual / Technical	In-house	54.9	31.4	36.0	38.0	40.1
	External	31.4	19.6	26.0	28.0	26.2
5) Semi-skilled manual	In-house	27.5	5.9	34.0	20.0	21.8
	External	21.6	2.0	12.0	12.0	11.9
6) Unskilled	In-house	25.5	2.0	24.0	10.0	15.3
	External	9.8	0.0	2.0	2.0	3.5
	<i>No training</i>	<i>13.7</i>	<i>54.9</i>	<i>32.0</i>	<i>30.0</i>	<i>32.7</i>
n (= 100%)		51	51	50	50	202

Source: Trends Business Research; W1/S10 Note: Does not total due to multiple responses

Table 32 - Recruitment difficulties of core businesses

Difficulties	Gateshead	Haringey	Leicester	Sheffield	All areas
Yes	33.3	11.8	34.0	24.0	25.7
Drivers	2.0	5.9		6.0	3.5
Care assistants	3.9			8.0	3.0
Manufacturers	3.9		2.0	4.0	2.5
Machinists		2.0	2.0	4.0	2.0
Engineers			2.0	4.0	1.5
Nursery nurses	2.0			4.0	1.5
Teachers	2.0	3.9			1.5
Textile			6.0		1.5
Sales			2.0	2.0	1.0
Dental	2.0	2.0			1.0
Other	7.8	13.7	18.0	12.0	12.9

Source: Trends Business Research; W1/S12

Table 33 - Types of recruitment difficulties of core businesses: proportion in each area

What type	Gateshead	Haringey	Leicester	Sheffield	All areas
Skilled manual / technical	27.6	55.0	42.4	38.2	39.7
Specialists / technologists	37.9	20.0	21.2	26.5	26.7
Semi-skilled manual	6.9	10.0	27.3	8.8	13.8
Managers / professionals	17.2	0	6.1	5.9	7.8
Unskilled	3.4	15.0	3.0	8.8	6.9
Admin / clerical	6.9			11.8	5.2
N (=100%)	29	20	33	34	116

Source: Trends Business Research; W1/S16

Table 34 - Recruitment difficulties in supporting businesses

Recruitment difficulties	Gateshead	Haringey	Leicester	Sheffield	All areas
Managers / professionals	7.1	2.4	5.0		3.7
Specialists / technologists:	11.9	9.8	17.5	5.0	11.7
Engineers	2.4	2.4	5.0	5.0	3.7
Sales	2.4		5.0		1.8
Surveyors		2.4			0.6
Unspecific	9.5	4.9	7.5		5.5
Admin / clerical	4.8	2.4	2.5	12.5	5.5
Skilled manual / technical:	7.1	2.4		5.0	3.7
Apprentices	2.4			2.5	1.2
Chefs				2.5	0.6
Technicians		2.4			0.6
Unspecific	4.8				1.2
Semi-skilled manual:	7.1	9.8	2.5	15.0	8.6
Bakers				2.5	0.6
Drivers	2.4	2.4		5.0	2.5
Dry cleaning				2.5	0.6
Juniors				2.5	0.6
Labourers	2.4	2.4			1.2
Receptionists	2.4				0.6
Transporters		2.4			0.6
Travel industry			2.5		0.6
Unspecific		2.4		2.5	1.2
Unskilled:	4.8	4.9	7.5	5.0	5.5
Cleaners	2.4				0.6
Sales		2.4			0.6
Unspecific	2.4	2.4	7.5	5.0	4.3
n (=100%)	42	41	40	40	163

Source: Trends Business Research; W4/S31

Table 35 - Core businesses' covered floorspace (square feet) 2003 (Section 5, - 5.1)

	Gateshead	Haringey	Leicester	Sheffield	All areas
< 1,000	31.4	15.7	14.0	30.0	22.8
1,000 - 4,999	11.8	49.0	14.0	16.0	22.8
5,000 - 9,999	11.8	9.8	26.0	30.0	19.3
10,000 - 19,999	13.7	17.6	22.0	12.0	16.3
20,000 - 29,999	15.7	0.0	2.0	4.0	5.4
> 30,000	15.7	7.8	22.0	8.0	13.4
n (=100%)	51	51	50	50	202

Business-led regeneration

Source: Trends Business Research; W2/S3

Table 36 - Supporting businesses' covered floorspace (square feet) 2003 (Section 5)

Floorspace	Gateshead	Haringey	Leicester	Sheffield	All areas
1,000-4,999	48.5	33.3	37.5	56.8	43.8
100-999	30.3	22.2	30.0	8.1	22.6
5,000-9,999	9.1	16.7	20.0	8.1	13.7
> 20,000	6.1	19.4	5.0	16.2	11.6
10,000-19,999	6.1	5.6	5.0	10.8	6.8
<100		2.8	2.5	0.0	1.4
n (=100%)	33	36	40	37	146

Source: Trends Business Research; W3/S21

Table 37 - Age of supporting businesses' premises (Section 5)

Age	Gateshead	Haringey	Leicester	Sheffield	All areas
< 10	9.5		5.0		3.7
10-19	11.9	4.9	7.5	17.5	10.4
20-29	19.0	9.8	7.5	10.0	11.7
30-39	11.9	7.3	7.5	2.5	7.4
40-49	11.9	2.4	12.5	5.0	8.0
50-59	11.9	36.6	10.0	20.0	19.6
60-69	4.8	2.4	5.0	12.5	6.1
70-79		4.9	5.0	2.5	3.1
> 80	19.0	31.7	40.0	30.0	30.1
Grand total	42	41	40	40	163

Source: Trends Business Research; W3/S23

Table 38 - Tenure of core businesses (Section 5, 5.1.3)

Tenure	Gateshead	Haringey	Leicester	Sheffield	All areas
All freehold	41.2	58.8	48.0	62.0	52.5
All leasehold	51.0	41.2	52.0	34.0	44.6
Buildings freehold and land leasehold	3.9				1.0
No data	3.9			4.0	2.0
n (=100%)	51	51	50	50	202

Source: Trends Business Research; W2/S7

Table 39 - Tenure of supporting businesses (Section 5, - 5.1.3)

Tenure	Gateshead	Haringey	Leicester	Sheffield	All areas
All freehold	14.3	46.3	60.0	57.5	44.2
All leasehold	85.7	48.8	40.0	40.0	54.0
Buildings freehold and land leasehold				2.5	0.6
Buildings leasehold and land freehold		4.9			1.2
n (=100%)	42	41	40	40	163

Source: Trends Business Research; W3/S24

Table 40 - Lease: full repairing or not? (Section 5, - 5.1.3)

Lease	Gateshead	Haringey	Leicester	Sheffield	All areas
Yes	59.3	81.8	83.3	86.7	76.1
No	40.7	18.2	16.7	13.3	25.0
n (=100%)	27	22	24	15	88

Source: Trends Business Research; W2/S9

Table 41 - Capital investment in core businesses (Section 5, - 5.1.4)

Investment?	Gateshead	Haringey	Leicester	Sheffield	All areas
No	34.0	58.8	61.2	50.0	51.0
Yes	66.0	41.2	38.8	50.0	49.0
n (=100%)	50	51	49	50	200

Source: Trends Business Research; W2/S12

Business-led regeneration

Table 42 - Where core businesses recruit (Section 5, - 5.2.1)

		Local	Rest of town/city	Region	UK	n (= 100%)
Managers/professional	Gateshead	58.7	63.0	41.3	2.2	46
	Haringey	29.4	60.8	43.1	9.8	51
	Leicester	57.4	44.7	42.6	6.4	47
	Sheffield	47.9	68.8	39.6	6.3	48
	All areas	47.9	59.4	41.7	6.3	192
Specialists/technologists	Gateshead	32.6	39.1	15.2		46
	Haringey	29.4	25.5	15.7		51
	Leicester	14.9	34.0	23.4	4.3	47
	Sheffield	45.8	52.1	33.3	2.1	48
	All areas	30.7	37.5	21.9	1.6	192
Admin/clerical	Gateshead	78.3	45.7	19.6	2.2	46
	Haringey	49.0	35.3	15.7		51
	Leicester	48.9	40.4	29.8		47
	Sheffield	50.0	52.1	27.1		48
	All areas	56.3	43.2	22.9	0.5	192
Skilled manual/technical	Gateshead	63.0	39.1	17.4	2.2	46
	Haringey	62.7	45.1	21.6		51
	Leicester	53.2	36.2	21.3	2.1	47
	Sheffield	47.9	35.4	18.8		48
	All areas	56.8	39.1	19.8	1.0	192
Semi-skilled manual	Gateshead	32.6	23.9	13.0	2.2	46
	Haringey	43.1	29.4	15.7		51
	Leicester	44.7	21.3	4.3		47
	Sheffield	41.7	29.2	12.5		48
	All areas	40.6	26.0	11.5	0.5	192
Unskilled	Gateshead	41.3	13.0	4.3		46
	Haringey	13.7	3.9			51
	Leicester	29.8	8.5	2.1		47
	Sheffield	27.1	20.8	6.3		48
	All areas	27.6	11.5	3.1		192

Source: Trends Business Research; W1/S5 NB: Does not total due to multiple responses

Table 43 - How transferable are employees' skills in core businesses? (Section 5, - 5.2.3)

Transferability	Gateshead	Haringey	Leicester	Sheffield	All areas
Yes - highly / easily / very	80.4	54.9	64.0	58.0	64.4
Limited to this industry	13.7	33.3	30.0	30.0	26.7
No	5.9	11.8	4.0	8.0	7.4
Varies				4.0	1.0
Some			2.0		0.5
n (=100%)	51	51	50	50	202

Source: Trends Business Research; W1/S11

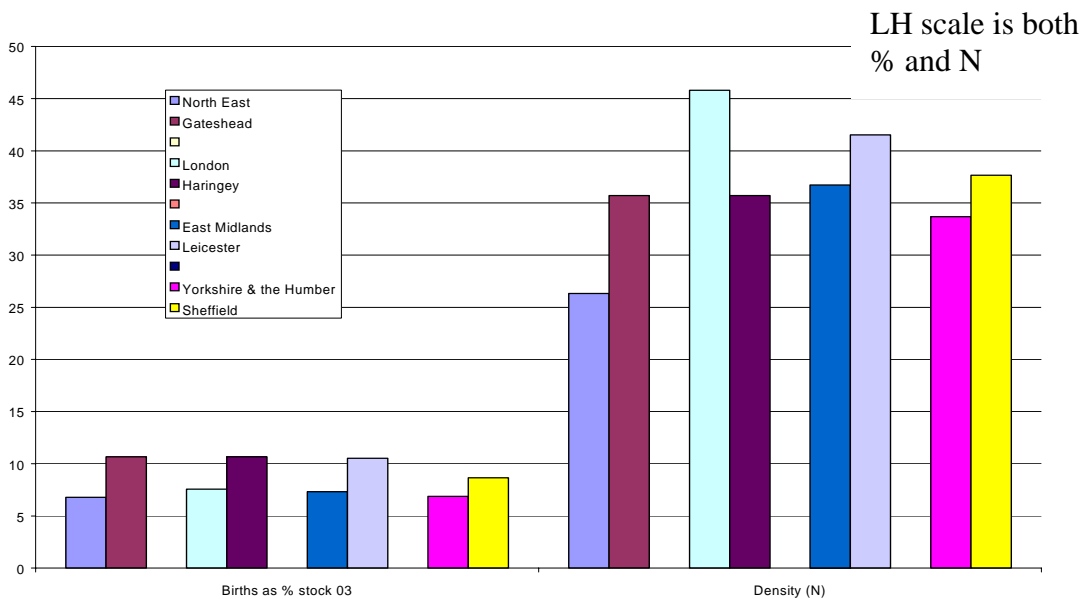
Table 44 - Core businesses and Investors in People (Section 5, - 5.2.5)

IiP status	Gateshead	Haringey	Leicester	Sheffield	All areas
No	71.4	90.2	82.0	72.0	79.0
Yes	22.4	7.8	12.0	22.0	16.0
Working Towards	6.1	2.0	6.0	6.0	5.0
n (=100%)	49	51	50	50	200

Source: Trends Business Research; W0/S10

8.2 APPENDIX 2

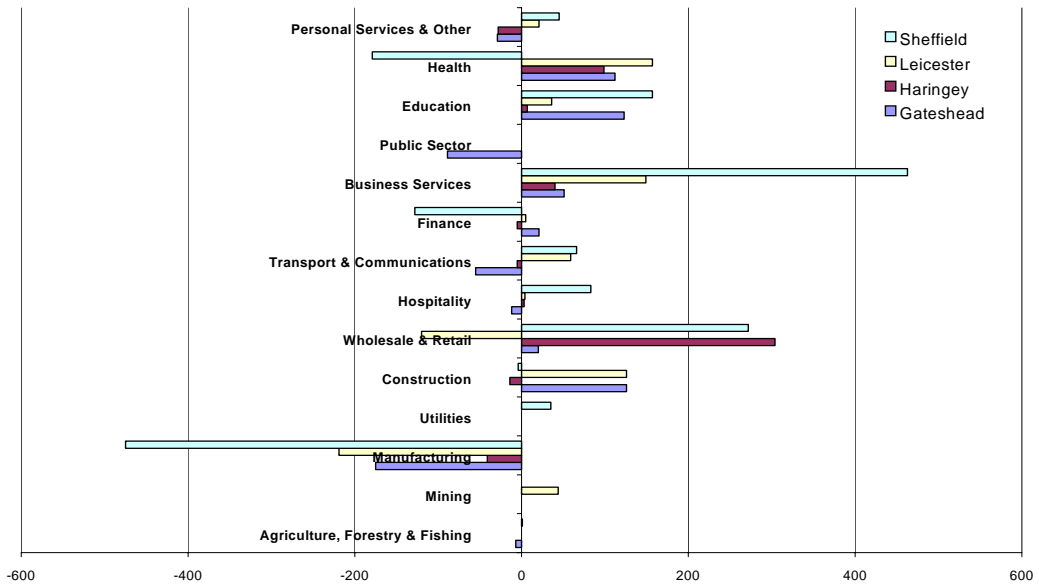
FIGURE O: 1 FIRM BIRTH RATE VS FIRM STOCK



Source: Trends Business Research
Tables_5A_IDBR.xls/c3

Business-led regeneration

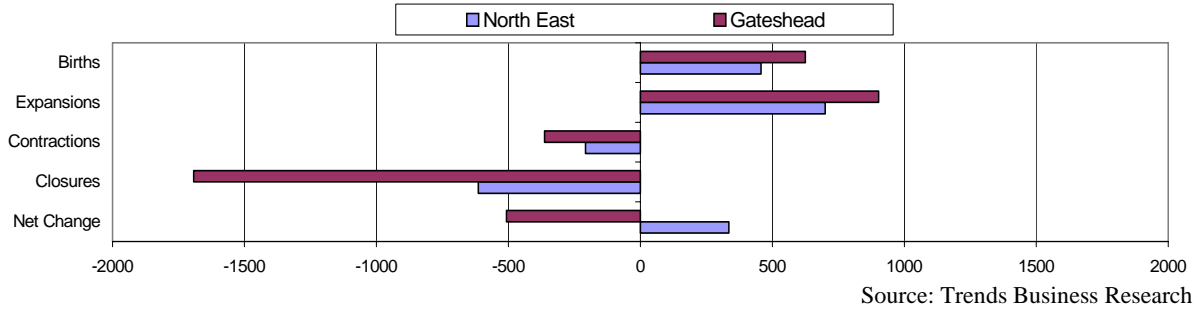
FIGURE O:2 MANUFACTURING LOSES JOBS: JOB CREATION / LOSS BY BROAD SECTOR 2000 - 03



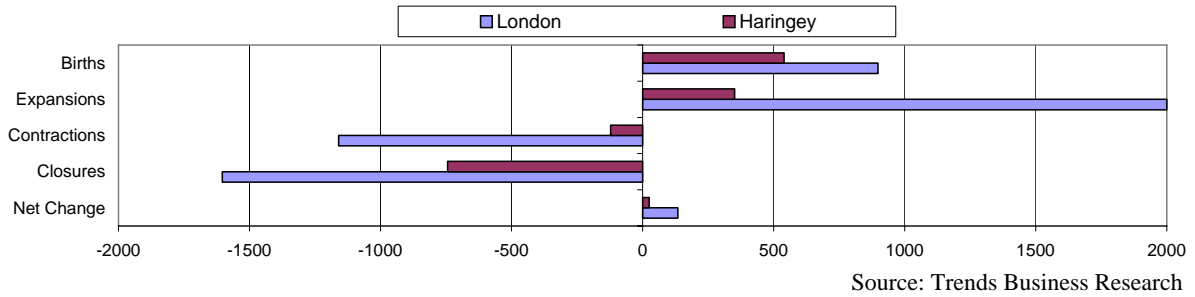
Business-led regeneration

FIGURE 3.3.2 - COMPONENTS OF EMPLOYMENT CHANGE COMPARISON WITH THE REGIONAL AVERAGE

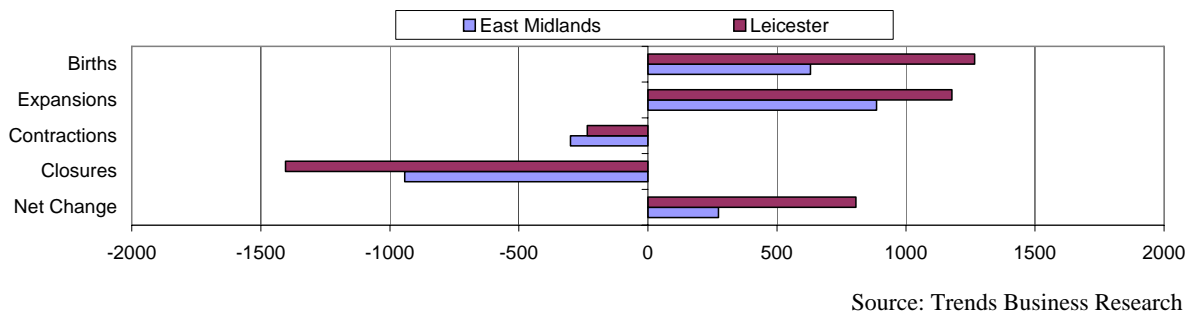
Gateshead



Haringey



Leicester



Sheffield

