Local institutions and local economic growth: the state of the LEPs in England

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Introduction

Institutions and local economic growth

The state of the LEPs in England

Conclusions
What do we mean by institutions?

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“Formal regulations, legislation, and economic systems as well as informal societal norms that regulate the behaviour of economic actors: firms, managers, investors, workers…Collectively, they define the system of rules that shape the attitudes, values, and expectations of individual economic actors. Institutions are also responsible for producing and reproducing the conventions, routines, habits, and ‘settled habits of thought’ that, together with attitudes, values, and expectations, influence actors’ economic decisions. ... Although these institutionally shaped attitudes, values, and conventions influence choices and constrain decisions regarding practices, they do not wholly determine them. There is still a major role here for individual agency to produce a variety of responses within the same sector, region, and nation-state.”

Levels of economic institutions

L4: Neo-classical Economics, agency theory

L3: Transactions costs economics

L2: Political economy and property rights

L1: Social theory

Resource allocation and employment (prices) (Continuous)

Governance, institutional arrangements (contracts) (1 to 10 years)

Institutional environment, formal rules of the game (10 to 100 years)

Embeddedness: customs, traditions, norms (100 to 1000 years)

Institutions and economic growth

“institutions affect the incentives to reorganize production and distribution in order to exploit new opportunities, and the incentives to accumulate physical and human capital. For these reasons institutions are more fundamental determinants of economic growth than R&D or capital accumulation, human or physical.”

Institutions and regional economic growth

“Institutional factors are also critical. Formal and informal institutions that facilitate negotiation and dialogue among key actors in order to mobilise and integrate them into the development process are vital, as are those that enhance policy continuity. At times, the challenge is to create institutions that strengthen the region’s ‘voice’ in dealing with other regions and countries and those that foster linkages among the private, public and education sectors.”

Decentralisation

Powers

Centre

Reserved

Shared

Decentralised

Resources

Central control

Negotiated

Local discretion

Local institutions and local economic growth: analytical themes

Formulating strategy, priorities and appraisal of local assets

Providing organisational and co-ordination capacity

Mobilising actors and fostering linkages between public, private and civic sectors

Setting the framework and incentives for economic actors and activities

Generating and pooling resources

Providing voice in multi-level and multi-actor systems of government and governance
“...to invite local groups of councils and business leaders to come together to consider how you wish to form local enterprise partnerships” (29 June 2010: 1)
‘LEP-land’

31 London
32 Heart of the South West
33 Lancashire
34 Gloucestershire
35 Humber
36 Dorset
37 Swindon and Wiltshire
38 Northamptonshire
GVA per capita (£) by LEP area, 2011

Source: Calculated from ONS
National Survey Study: Aim and method

Aim: To examine the current position and prospects of the 39 LEPs in England

Methods:
• Survey interviews (between December 2012 and February 2013) with 39 LEPs (100% response rate) of Chairs and/or Chief/Senior Officers - 13 (33%) face-to-face
• Review of secondary sources (e.g. LEP websites, LEP Network reports, Government documents and independent studies)
• Follow-up exercise to gather additional technical data
• Academic and practitioner seminar, March 2013
Formulating strategy, priorities and appraisal of local assets?

Vision(s)

Different kinds of strategy

Varied prioritisation approaches

Uneven utilisation of evidence base and analysis

Varied consultation practices
Providing organisational and co-ordination capacity?

Emergent organisational models

Modifying existing or building new partnerships

Unsettled governance and accountability

Culture concerns
Emergent organisational models

Legal Status

Incorporation (with single (i.e. LA) or multiple shareholders)

Unincorporated partnerships

Part of broader Local Authority or City Region/Mayoral strategic governance arrangements (e.g. Combined Authority, Greater London Authority/Mayor)

Modi operandi

LA Leaders Boards

Board leads (public and private)

Standing sub-groups

‘Task and finish’ groups

Delivery Partners

Business Membership body support arrangements
Board size and membership by LEP area

Source: National LEP survey
Population per Board Member by LEP area

Source: National LEP survey
Generating and pooling resources?

Variation in staffing

Chairs

Boards

Variation in financing

Level, flexibility, sustainability…
Estimated direct staff by LEP area

Source: National LEP survey
RGF Allocated to LEPs by Per Capita (£)

Source: Calculated from BIS data; Excludes the £125m national Advanced Manufacturing Supply Chain Initiative (AMSCI)
EUSIF Allocations to LEPs per Capita

Source: Calculated from BIS data
GPF allocations per capita by LEP area, 2012

Source: Authors’ calculations from CLG data
## Total resources under the strategic influence of LEPs and City Deals 2012-13 to 2020-21

<table>
<thead>
<tr>
<th>Resources already announced</th>
<th>Amount (£m)</th>
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<tbody>
<tr>
<td>Growing Places Fund</td>
<td>730</td>
</tr>
<tr>
<td>Regional Growth Fund</td>
<td>380</td>
</tr>
<tr>
<td>City Deals</td>
<td>489</td>
</tr>
<tr>
<td>Public Loan Works Board</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,099</strong></td>
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<table>
<thead>
<tr>
<th>Additional resources announced in the Spending Review</th>
<th>Amount (£m)</th>
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<tbody>
<tr>
<td>Single Local Growth Fund</td>
<td>12,114</td>
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<tr>
<td>EU Structural &amp; Investment Funds</td>
<td>5,300</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONAL RESOURCES</strong></td>
<td><strong>17,414</strong></td>
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**AGGREGATE TOTAL**  
20,513

Mobilising actors and fostering linkages between public, private and civic sectors?

Seeking to add value

Direct local-central connections

LEP-BIS Locals

Uneven LEP relations with other centralised functions

LEP-Local Authority relations

Gaining and sustaining business engagement
Conclusions I

Fragmented and shifting institutional landscape of economic development governance

Diversity and variety

Longer term vision, plan, role…?

- Centralism and/or localism
- Competitors and/or collaborators
- Agility and/or “bureaucratisation”
- Limited capacity and resources

“LEP family” collective voice and advocacy

Inability to exert substantive influence on local economic growth
Conclusions II

Identification and examination of analytical themes concerning local institutions and local economic growth

The limits of localism in the “austerity state” (Shäfer and Streeck 2012: 19)

Endemic institutional churn and disruption problematic (historically acute in England)

Appropriate type, scale and nature of institutions?

Some institutional capacity better than none?
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