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# **Between Economic Competitiveness and Social Inclusion: New Labour and the Economic Revival of Deprived Neighbourhoods**

**Syrett, Stephen and North, David J. (2010)**

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## **Abstract**

Following the election of the first New Labour government in 1997 the revitalisation of deprived neighbourhoods quickly became a central feature of the policy landscape. Motivated by the desire to tackle processes of social exclusion and find a new economic basis for these areas, an array of policy experiments and interventions emerged. An increasing focus of these was to improve the economic conditions of deprived neighbourhoods with a particular emphasis upon tackling worklessness and promoting entrepreneurial activity. Yet despite this sustained activity, 13 years later the gap between the poorest neighbourhoods and the rest persisted. This paper reflects critically upon the development of this policy agenda, its aims, outcomes and effectiveness, and identifies the factors that constrained its ability to transform the economic fortunes of England's most deprived neighbourhoods.

## **Introduction**

One of the distinctive characteristics of the New Labour period of government was its strong policy focus on what it termed 'deprived neighbourhoods'. The existence of pockets of concentrated deprivation throughout the UK's cities and regions was identified by the incoming New Labour (NL) government in 1997 as a key dimension of social exclusion and evidence of socially unacceptable differences in opportunity and wealth. Following a period of 18 years of successive Conservative governments in which social and spatial inequalities had grown and received scant policy attention, the NL government was motivated by a commitment to reverse the inheritance of: "a country where hundreds of neighbourhoods were scarred by unemployment, educational failure and crime ..... progressively cut off from the prosperity and opportunities that most of us take for granted". In the words of the Prime Minister Tony Blair, no-one should be "seriously disadvantaged by where they live" (SEU, 2001: p.5).

Yet despite this deep-seated commitment to the renewal of the most deprived neighbourhoods, sustained policy activity over a 13 year period produced little impact upon the spatial patterns of disadvantage. In practice, successive NL governments struggled both to confront the economic basis of the problems of deprived neighbourhoods and to put in place the necessary governance arrangements to tackle the problem. The result was a plethora of initiatives and an ever changing governance landscape which though it produced some significant localised impacts did not provide the basis for any widespread reversal in the economic fortunes of deprived neighbourhoods.

In this paper we review the development of policy in relation to the economic regeneration of deprived neighbourhoods under New Labour. Focusing on the two key areas of work and enterprise, we identify the rationales and nature of intervention and critically appraise the impact of policy intervention. In the final part of the paper we then identify the fundamental

constraints that limited policy impact and identify the consequences of these for future policy development.

## **The Developing Policy Context**

### *The nature of the problem*

To explain the economic basis for concentrated deprivation which the NL government sought to address, it is necessary to understand the interaction between broader structural economic changes and the operation of more localised processes of change embedded in particular contexts (Syrett and North, 2008). At the base of the problems of the UK's disadvantaged areas was the impact of long term sectoral restructuring and labour market change. The disproportionate location of deprived neighbourhoods within areas of former manufacturing and coal mining activity, inner city areas of large metropolitan cities, northern towns and cities and 'one industry' towns and outer urban areas, demonstrated the impact of deindustrialisation processes that had operated since the 1970s and were still ongoing.

The loss of jobs that had ensued was exacerbated not only by the geographical mismatch between these former sources of employment and the new sources of jobs within growth sectors, but also by the types of jobs being created within deprived areas - predominantly low paid, low skilled and insecure service sector jobs which provided limited opportunities to increase incomes and develop sustainable livelihoods. Crucially these wider structural economic changes intersected with the existing endowments of any given locality in terms of human, physical, financial and social capital, and the operation of various cycles of decline which produced and maintained localised deprivation - for example in relation to labour markets, housing markets and public and private sector services and investment.

### *Rationales for intervention*

The approach to tackling the problems of deprived neighbourhoods was rooted within the Third Way discourse that informed the development of NL's policy framework more generally. This sought to combine a neo-liberal inspired commitment to economic competitiveness within global markets with a pursuit of social justice, through commitments to equality and opportunity, and beliefs in the value of community, individual responsibility and political accountability. The inherent contradictions and tensions of such a project have been apparent within NL's responses to tackling the economic problems of deprived neighbourhoods. This was most notable in terms of a divide between the pursuit of neighbourhood level policies, focused predominantly upon promoting social inclusion and community engagement, and urban and regional economic development and regeneration policies, driven principally by a market based competitiveness agenda.

Upon coming to power in 1997, the Social Exclusion Unit (SEU), set up by the Prime Minister within the Cabinet Office, undertook a major review of the issue of social exclusion. The outcome was an approach to social exclusion that emphasised the complex and interrelated nature of problems of unemployment, poor skills, low income, poor housing, high crime, poor health and family breakdown within particular spatial contexts. This provided the basis for NL's neighbourhood renewal policy agenda, which sought to pursue social justice

through tackling social exclusion and improving public service delivery in the most disadvantaged areas, complemented by a motivation to widen and renew democracy through bringing governance closer to residents and communities.

The development of this policy agenda within England<sup>1</sup> resulted in various Area Based Initiatives (ABIs) and two major policy initiatives. First, the New Deal for Communities (NDC) programme, which commenced in 1998 and adopted a long term (10 year) community-based regeneration process targeted at 39 of the most deprived areas within England. The second, which built upon the work of 18 Policy Action Teams working on different dimensions of social exclusion, was the setting out of the *National Strategy Action Plan: A New Commitment to Neighbourhood Renewal* in 2001 (SEU, 2001). Both the NDC and Neighbourhood Renewal (NR) programmes privileged the neighbourhood as the appropriate spatial scale for seeking to tackle the problem of concentrated multiple deprivation via a holistic approach that sought to integrate policy responses across a range of domains; employment, education, health, crime, housing and the built environment. In this respect, the deprived neighbourhood was seen both as a focus of policy in itself, as a contributory source of exclusion, and as an arena for delivering and co-ordinating a range of mainstream policies to the communities and citizens who lived within them.

In contrast, the informing rationale for urban and regional economic development and regeneration had a strong market-based emphasis. This saw the pursuit of national economic competitiveness within a global economy best pursued through the development of strong city and regional economies within which the private sector took a lead role. At the regional level, the creation of the Regional Development Agencies (RDAs) in England, with their primary duty to improve regional economic competitiveness, took forward this agenda. The NL project embraced the major change in urban policy of the 1980s, away from welfarist approaches concerned with issues of social reproduction and collective consumption towards a focus upon economic regeneration and the promotion of urban competitiveness (Cochrane, 2007). Yet this acceptance of neo-liberal inspired thinking that the working of markets and private sector competition provided the best route for increased prosperity for communities, individuals and the cities they lived in, was also allied to a view that this economic role needed to be reinforced by a level of social cohesion and responsive governance (Gordon and Buck, 2005).

As these policy agendas developed, it became readily apparent that a substantial policy and governance disconnect existed between them in terms of addressing the economic problems of deprived neighbourhoods. On the one hand, neighbourhood policy became largely focused upon issues of public service delivery, dominated by state agencies with only a limited role for voluntary and community organisations and private sector stakeholders. On the other, market led regional and urban policies focused upon strengthening competitiveness and promoting policies attractive to the private sector, frequently preferring to focus upon a limited number of flagship projects relating to the development of major

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<sup>1</sup> This paper focuses upon policy developments within England. As a result of the process of devolution introduced by the NL government, policy development in Scotland, Wales and Northern Ireland proceeded somewhat differently under different governance arrangements albeit with similar approaches and policy types.

development sites and paying little or no attention to how their activities might benefit the most deprived neighbourhoods (North et al, 2007).

In response to this disjuncture, neighbourhood level policy sought to emphasise and engage with economic issues more directly, particularly through a focus on jobs and enterprise (ODPM, 2004; ; PSMU, 2005), whilst RDAs were issued guidance to refocus their role to take greater account of the needs of their most deprived areas (DTI, 2005; PMSU, 2005). At the basis of these changes was increasing recognition that the roots of the economic problems of deprived neighbourhoods lay within the wider local and regional economies within which they were embedded and hence effective policy action required integrated activity across spatial levels (CLG, 2006). Furthermore, there was also growing recognition that the existing system for the governance of economic activity had become highly complex, fragmented and often unaccountable (Fuller et al, 2004, Syrett and North, 2008).

A comprehensive response to these issues resulted from the major Treasury led review of subnational economic development and regeneration policy (SNR) which saw a major change in the direction of policy development and governance arrangements (HM Treasury et al, 2007). In relation to deprived neighbourhoods the SNR marked a shift in the relative importance of spatial levels, away from the neighbourhood and the region, towards an emphasis upon the local and the sub-regional and a greater economic focus within neighbourhood renewal policy (CLG, 2009). One outcome of this was the introduction of the Working Neighbourhoods Fund (WNF) to replace the Neighbourhood Renewal Fund in 2008, with its central emphasis upon moving people from welfare and into work within deprived areas.

### **Tackling Worklessness: Employment as a Route out of Poverty**

Moving workless people into employment was one of the main objectives of successive NL governments. This was driven by the goal of achieving full employment, with the aim of raising the employment rate to 80 per cent (from 72.5 per cent in 1997), as well as a dominant belief that employment was the best route out of poverty. Although the number of working age people registered as unemployed fell during the first two NL administrations (from 1.9 million in 1997 to 1.4 million in 2005), this was dwarfed by the number who were economically inactive and which grew over the same period (from 7.6 million to 7.9 million). Sensitive to criticisms of the growth of 'hidden unemployment' (Beatty and Fothergill, 2002), tackling the causes of worklessness became an urgent priority of government policy during the second and subsequent NL administrations.

#### *The Nature of the Problem*

New Labour's analysis of the causes of worklessness and its tendency to be concentrated in small geographical areas centred on the barriers to work associated with various personal and household characteristics. These were seen as adversely affecting not only the employability of individuals, but also their attitudes to looking for work in the first place. A study by the Social Exclusion Unit (SEU, 2004) emphasised the multiple causes of worklessness and the interplay between different factors (e.g. lack of educational

qualifications, work experience, basic and social skills, social networks; high levels of lone parenthood) that reinforced an individual's disadvantage in the labour market.

In addition to these individual and household barriers, NL thinking was also influenced by research showing how institutional factors contributed to concentrations of worklessness. Of particular significance here was the interconnection between the housing and labour markets, as housing status was considered to be the principal factor influencing where workless people live (Cheshire et al, 2003). The operation of the benefits system was also increasingly seen as a disincentive to entering the labour market, with survey evidence indicating that many people on disability and housing benefits were concerned that if they took a job they would lose the financial security that benefits provided. Other recognised institutional barriers to work included the lack of affordable transport and childcare, the latter particularly affecting lone parents.

### *The Policy Response*

Based on this analysis of the causes of worklessness, NL governments launched a succession of welfare-to-work programmes and active labour market initiatives, as well as introducing changes to the benefits system to ensure that those recipients capable of working did seek work. Ideologically, this was consistent with the shift towards a work focused welfare state that had already been set in train by previous Conservative governments (Evans, 2001). Over the 13 year period, there was a cautious but incremental shift in NL's welfare programme towards a 'conditional' regime whereby more claimants than hitherto were required to undertake some work-related or training activity in exchange for benefits.

Informed by the assumption of a relatively tight national labour market, NL's approach to tackling worklessness comprised a number of supply-side programmes and measures aimed at overcoming the barriers that workless individuals faced in entering the labour market and at changing their attitudes towards obtaining employment. Through a combination of training and job readiness initiatives it was assumed that individuals would be in a better position to compete for jobs, whilst tackling institutional barriers such as childcare and public transport provision would facilitate better access to employment.

The centrepiece of NL's programme was the New Deal, introduced immediately upon coming to power in 1997, and comprising a suite of 'new deals' targeting specific groups (i.e. the young unemployed, the long-term unemployed aged 25 and over, those aged 50 and over, lone parents and disabled people). Whilst the evaluation of the New Deal (DWP, 2008) showed it was relatively successful for those on the margins of entering the labour market, it was less successful for those facing multiple barriers. Awareness that other kinds of interventions needed to be targeted at those furthest from entering the labour market led to a succession of area based programmes, invariably run as pilot schemes, aimed at those localities experiencing persistently high levels of worklessness (Syrett and North, 2008).

For example, the 'Action Team for Jobs' initiative (2000 - 2006) aimed to increase employment rates among disadvantaged groups in deprived areas, based on outreach work in local communities and the involvement of community and voluntary organisations as well as employers. The 'Working Neighbourhoods Pilot' initiative (2004 – 2006) aimed to counter localised 'cultures of worklessness' through providing intensive support to help people find

work and incentivise them to stay in work through retention payments. The increased focus on Incapacity Benefit (IB) claimants resulted in the launch of the 'Pathways to Work' programme in 2004 which provided a wide range of personalised support, including that of health practitioners, to help people manage their health in a working environment. A more devolved and locally-managed approach to tackling high levels of economic inactivity within the major cities was announced in 2006, with the intention of empowering local institutions to develop local solutions. This involved awarding City Strategy Pathfinder status to fifteen cities and city regions with the aim of pooling the resources and funding streams of a range of public sector organisations to achieve improvements in local employment rates over a two year period.

### *Assessing the Achievements*

According to the Government's own figures, nationally there were 2.6 million more people in work in 2007 than ten years earlier, with the employment rate amongst lone parents increasing by 12 percentage points, that of people with a health condition or disability by 9 percentage points, and that of ethnic minority groups by 4.5 percentage points (DWP, 2007). In contrast, analysis of spatially disaggregated evidence relating to changes in the number of people in receipt of out-of-work benefits (based on DWP longitudinal data) demonstrates that the gap between the most deprived areas (defined as the 10 per cent of Super Output Areas with the highest concentration of claimants) and the rest of England (50 per cent of SOAs with the lowest concentrations of claimants) remained largely unchanged between 2000-2008, indicating the lack of success of NL's policies in this respect (The Poverty Site, 2010). In terms of the impact of the recession, Tunstall (2009) demonstrates through analysis of Job Seeker's Analysis (JSA) data how the 10 per cent of areas with the highest JSA claimant rates saw a greater absolute increase in claim rates from 7 per cent to 9 per cent in the 2005-09 period whilst areas with the lowest rates saw an increase from 1 per cent to 2 per cent.

Although NL mainstream 'person-targeted' programmes showed an inability to get those most distant from the labour market into work, there is some evidence to support the relative effectiveness of place-targeted initiatives aimed at similar groups in terms of outcomes achieved (Griggs et al, 2008). Place based programmes proved better able to provide the outreach and more intensive levels of personalised and holistic support required by those people facing the most severe and multiple barriers to employment. Certainly, one outcome of the NL period has been a better practical understanding of 'what works' in tackling worklessness (Sanderson, 2006; Meadows, 2008). Factors here include the importance of the role of the personal adviser, the need for actions that enhance self-esteem and provide positive role models, and the importance of continuing support once an individual has entered work. Moreover, one of the main achievements of the City Strategy Pathfinders was to raise the prominence given to employability and worklessness in policy debates at the local and subregional levels as a result of closer partnership working across different policy domains (Green et al, 2010).

For NL, the primary factors limiting the labour market integration of disadvantaged groups and those living in disadvantaged areas related to the supply side of the labour market. In consequence, the vast majority of policy activity targeted at worklessness had a narrow supply-side focus, with very few interventions relating to demand-side factors. NL



governments consistently maintained that employment growth in the national economy meant that there was no shortage of job opportunities in most places. Yet this ran counter to research evidence (e.g. Webster, 2000; Coombes and Raybould, 2004) showing that there continued to be insufficient jobs within commutable distances in areas with the highest levels of worklessness, especially in those areas that had borne the brunt of de-industrialisation.

Where there had been at least a modest growth in the numbers of jobs (such as in low value added services), the sustainability of these jobs was often questionable. Frequently these jobs were not sufficiently well paid or attractive in terms of hours, security and future prospects to make movement off welfare benefits a rational choice (Beatty et al, 2009). The ability of job seekers to compete for jobs was also affected by the competition that they faced from in-migrant workers, particularly the A8 countries, as it was found that employers often preferred workers from elsewhere in the EU because they were perceived to have a stronger work ethic (Green, 2007). Furthermore, the focus of policy exclusively on formal employment meant that little attention was paid to work outside employment, despite its considerable importance within deprived areas, whether in terms of cash-in-hand activity or work undertaken for mutual benefit or associated with self-provisioning.

### **Enterprise: Competitiveness and Inclusion**

The promotion of enterprise in deprived neighbourhoods appeared to unite New Labour's goals of economic competitiveness, social inclusion and neighbourhood renewal. A Policy Action Team report in 1999 stated: "promoting enterprise to expand employment opportunities can build confidence and capacity and offer a route out of exclusion through economic opportunity – enterprise development should therefore be an important indicator of the success or failure of neighbourhood renewal" (H.M. Treasury, 1999, p.6). Successive NL governments were committed to unlocking the enterprise potential of deprived communities and to removing the barriers that stood in the way of people going into self-employment or starting a new business venture. The agendas of enterprise development and social inclusion therefore became inextricably linked under New Labour (Blackburn and Ram, 2006).

#### *The Nature of the Problem*

At the core of the economic rationale for stimulating enterprise in deprived neighbourhoods was the need to close the gap between enterprise formation in the least and most deprived areas. Government data showed an inverse relationship between the level of deprivation (based on the Index of Multiple Deprivation) and the rate of new business formation (as measured by VAT registration data) (HM Treasury, 2005).<sup>2</sup> The 'enterprise deficit' was seen

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<sup>2</sup> For example, in 2000 the 20 per cent most deprived Super Output Areas in England had 25 businesses registering for VAT per 10,000 resident adults compared with 43 in the 20 per cent least deprived.

to contribute to the relative poor economic performance of certain regional and local economies and to act as a constraint on improving national economic growth. Not only were fewer enterprises being set up in the most deprived areas, but those that were established had lower chances of survival, leading to concerns about their marginality and lack of competitiveness. Levels of self-employment were also shown to be particularly low: 1 in 20 of the working age population in the most deprived wards were self-employed in 2001 compared to 1 in 12 in England as a whole (SEU, 2004).

Much of the explanation for the apparent low level of enterprise activity in deprived areas was attributed to their lack of an enterprise and self-employment culture. This applied particularly to those regions (such as the North East and Yorkshire and Humberside) where there was a legacy of a dependence on a small number of large employers and therefore the absence of a tradition of people making a living by setting up their own business ventures. The social rationale for stimulating enterprise in deprived neighbourhoods centred on its role in contributing to greater social cohesion and generating social capital, whilst for individuals, enterprise activity built self-confidence, skills acquisition and a sense of purpose. As with the active labour market policies already discussed, the focus of attention was upon ways of overcoming the various barriers that prevented those groups, who were under-represented in enterprise creation, from starting their own businesses.

### *The Policy Response*

New Labour's thinking was greatly influenced by the writings of Michael Porter on inner city competitiveness in the USA which chimed with their essentially market-based approach to the pursuit of competitive advantage within local economies (Porter, 1995). Porter's main contention was that enterprise can flourish in inner cities, thereby creating wealth for inner city residents, and that business interests needed to be at the heart of economic regeneration. To demonstrate that this was not just a US phenomenon, the NL government launched its own Inner City 100 initiative in 2000 with the clear political purpose of presenting evidence to support the argument that successful, growing businesses were to be found in inner city locations and these had a beneficial impact on inner city economies and communities (NEF, 2004). Two policy initiatives linked directly to Porter's thesis - the City Growth Strategy (CGS) and the Under-Served Markets (USM) project - were launched in 2000 and 2002 respectively, and sought to build upon the inherent competitive strengths of local economies through developing partnerships between the private sector and public and voluntary sector organisations to produce business-led strategies, both to build local businesses and attract inward investment.

The aspiration 'to create more enterprise in deprived areas' led to 1,997 of the most deprived wards being designated as 'Enterprise Areas' in 2002. As such they were eligible for various incentives to encourage enterprise, notably exemptions from Stamp Duty to stimulate local property markets and the Community Investment Tax Relief to improve access to finance. A more specific focus upon the social dimension was apparent in the creation of the Phoenix Development Fund (PDF) in 1999, which aimed to encourage innovative ideas to promote and support enterprise among disadvantaged groups and deprived areas. The PDF, which

ran until 2006, led to projects that involved 'outreach' to BME groups, mentoring and coaching, networking, training and the formation of social enterprises. A further element of the PDF was support for Community Development Finance Institutions (CDFIs) concerned with addressing gaps in the provision of finance to new and existing enterprises, particularly those run by people from disadvantaged groups.

In an effort to stimulate greater commitment to supporting enterprise by local authorities and other local stakeholders, the 'Local Enterprise Growth Initiative' (LEGI) was launched in 2005. This aimed to release: "the productivity and economic potential of our most deprived local areas and their inhabitants through enterprise and investment – thereby boosting local incomes and employment opportunities" (HM Treasury, 2005, p.47). A key assumption underpinning LEGI was the existence of a significant untapped entrepreneurial talent within communities that have traditionally experienced deprivation which local interventions could release (Convery, 2006). Local authorities successful in the competitive bidding process were encouraged to use LEGI funds for initiatives aimed at developing enterprise awareness and education, improving access to finance and business premises, as well as assisting underrepresented groups such as women, young people, or various ethnic minority groups to start their own businesses.

### *Assessing the Achievements*

At present there is only partial evidence to assess the effectiveness of NL's enterprise policies with respect to deprived areas. This is partly because the initial enthusiasm for a number of the policy initiatives (such as CGS and USM) did not advance beyond the pilot stage, whereas the evaluations of more recent initiatives (such as LEGI) are still awaited. There are a number of reasons why several of these initiatives seemed to fizzle out within a few years of being launched. First, there were all too frequent ministerial changes in key government departments, with each new minister wanting to make their mark by introducing a new initiative. Second, a lack of commitment to the initiatives was sometimes apparent across government. Although the Treasury was the brainchild of most of these initiatives, it was largely left to other departments working to their own policy agendas and priorities to implement them. Third, with the possible exception of a few well publicised projects involving leading retail companies, it proved difficult to involve the broader private sector (and especially SMEs) in the process of producing business-led strategies and in taking an active interest in economic regeneration more generally. And fourth, there was a growing realisation within government that intervening to stimulate enterprise development in deprived areas was far more challenging than originally thought.

In terms of tackling the enterprise deficit between the most and least deprived areas, the available evidence indicates that, if anything, the trend has been in the opposite direction. According to two recent NEF studies (2008, 2010), the most deprived local authorities experienced a fall in their share of enterprises relative to England as a whole between 2002 and 2009, while the share of the least deprived local authorities rose. Although the 20 per cent most deprived areas experienced a greater increase in the numbers of new businesses than the 20 per cent least deprived areas, they also experienced a significantly greater number of business failures, resulting in a net increase of 4.7 per cent compared to 28.5 per cent in the least deprived areas. Further analysis showed that these differences are tied to longer-term structural trends, since the most deprived areas are suffering disproportionately

from manufacturing decline and the loss of retail enterprises whereas the least deprived areas are benefiting most from the creation of micro enterprises in the expanding business and professional service sectors. On this evidence therefore, NL's policies for stimulating enterprise in deprived areas would appear to have had little success in counteracting the strong shift of enterprise activity away from the most deprived areas.

The other main reason for the stubbornness of the enterprise deficit is the low business survival rates found in the most deprived areas, reflecting the poor quality of many of the new businesses. Increasing the rate of new firm formation in these areas can too easily result in high rates of churn and displacement as low value-added, marginal businesses compete with each other in overcrowded local markets. A longitudinal study of business formation in a disadvantaged sub-regional economy concluded that:

“seeking to raise new firm formation rates in an area where one in four new business starts are in motors, hairdressing or beauty seems unlikely to enhance substantively employment, productivity, or the welfare of that area” (Greene et al, 2004, p.1223).

Increased enterprise activity in deprived neighbourhoods can exacerbate social problems, through the provision of low quality goods, services and working conditions, as well as the negative impacts on confidence and income of business failure. Improving the quality of enterprises therefore requires making improvements in educational attainment, skill development and encouraging greater entrepreneurial awareness and ambition. In this respect, successful enterprise development in deprived localities cannot be divorced from other aspects of neighbourhood renewal policy.

There is however some recent evidence of the wider social and community benefits that flow from enterprise and entrepreneurial activity which narrow policy evaluations frequently fail to capture. Some attempt was made in the recent evaluation of CDFIs (GHK, 2010) to assess the social impacts associated with enterprise support. The results confirmed the attitudinal effects on the beneficiaries of financial support, particularly in terms of confidence building and enabling beneficiaries to have a greater sense of control over their lives. Moreover, the social impacts were found to be greatest for those CDFI supported businesses located in the most deprived neighbourhoods. There are clear parallels here between initiatives concerned with taking the enterprise agenda to 'hard to reach' individuals and the labour market initiatives already discussed, with the more successful initiatives showing the importance of having high calibre, community based business advisors working alongside other community organisations to win the necessary trust and confidence of individuals.

### **The Limitations of the NL Agenda**

Making any overall assessment of the impact of different area based strategies to tackle concentrated deprivation presents many difficulties, not least the problem of establishing the counterfactual (i.e. what would have happened in the absence of particular programmes) (Lawless, 2010). Yet taking a broader perspective, what is apparent is that despite the extensive range of policy activity by the NL government directed at spatial inequalities over a 13 year period, the gaps between the richest and poorest neighbourhoods, cities and regions persist. As the recent report of the National Equality Panel stated:

“the differences between people living in the poorest and richest areas are some of the most dramatic our work reveals” (National Equality Panel, 2010: p.249)

This is not to suggest that the considerable activity and energy aimed at tackling the economic difficulties of deprived neighbourhoods did not produce positive outcomes. Perhaps foremost among these is a much greater understanding and evidence base of what does (or doesn't) work in practice in relation to deprived areas, whether this relates to providing support to businesses or to individuals to enter the labour market. Moreover, these initiatives have contributed to a greater sensitivity towards place-based difference within the policy and governance process across a range of spatial scales.

However, to explain the persistence of the gap between the poorest areas and the rest a number of fundamental constraints upon the impact of the policies pursued by NL can be identified:

#### *The scale of the problem*

The cause of severe area deprivation lies within deep-seated and long term processes of structural economic adjustment which are still ongoing. Given the scale of deindustrialisation processes and the concomitant labour market restructuring, the relatively low levels of spending involved across regeneration and renewal programmes and the limited power of various governance agencies were never likely to effect major reversals in the fortunes of deprived areas.

#### *Rising inequality*

The significant rise in social inequality that took place in the 1980s under the Thatcher government was in fact sustained in the period of NL government, despite its commitment to social justice (National Equality Panel, 2010). Although the NL project was keen to stress the positive synergies between the pursuit of economic competitiveness and social inclusion, it was less willing to confront the evident contradictions between the emergence of increasingly liberalised market based city economies and rising levels of social and spatial inequality. Ultimately to tackle spatial inequality requires tackling the wider social inequality in which it is rooted and which it partially constitutes, and this was a wider failure of the NL project.

#### *People or place*

Throughout the development of NL policies targeted at concentrated deprivation a tension was evident as to whether deprived neighbourhoods should be seen as a problem in their own right, or in terms of a concentration of 'people' based disadvantage (e.g. high levels of worklessness, low levels of education etc), or indeed a mixture of both. This debate as to whether the primary focus of policy should be 'people' or 'place' is particularly pertinent in relation to the shift towards a strong focus on the economic problems of deprived neighbourhoods. As the evaluation of the NDC programme demonstrated, ABIs were more effective in improving places (e.g. the environment, attitudes towards the area) than the life chances of the people who reside within them (Lawless, 2007). Within the NDC programme there was no evidence of positive improvement in relation to worklessness and education. Thus although the NL government placed an increasing emphasis upon regeneration policy

achieving employment and economic development objectives, as Lawless (2010: 25) points out: “those goals are better suited to interventions at city-regional and national scales” and people based change is best left largely to existing agencies.

### *The role of mainstream policies*

Although much of the NL activity towards deprived neighbourhoods was focused through the development of various ABIs, a major part of the Neighbourhood Renewal agenda aimed to make the delivery of mainstream services more focused on the needs of these areas – the so-called ‘bending the spend’. However across most central government departments there was only limited progress in aligning their policy development and delivery towards the needs of deprived areas. This was certainly the case with regard to key departments operating in the area of economic development, such as the Department of Trade and Industry (and its later incarnations) and the Department of Work and Pensions, which have traditionally lacked much in the way of ‘spatial imagination’. That this should be the case is in no sense surprising; historically mainstream policies delivered by the highly centralised UK state have found it difficult to address effectively the problems of residents concentrated in deprived neighbourhoods - one reason in fact for the creation of ABIs.

### *The governance system*

Even before NL came to power the governance of the development and delivery of subnational economic development and regeneration activity in the UK was highly complex and short termist. The NL programme of devolution and administrative decentralisation, in conjunction with an array of policy ABIs, reinforced this complexity by developing additional spatial scales of operation at the regional, sub-regional and neighbourhood levels and creating an environment in which constant change in institutions, policies and governance arrangements was the norm. Within these governance arrangements, the necessary co-ordination and integration of policy development and delivery within and across spatial scales to tackle the economic problems of deprived neighbourhoods was necessarily problematic (Syrett and North, 2008). Attempts to think more clearly about the appropriate spatial levels for intervention for regeneration and economic development activity in relation to deprived areas were apparent in NL’s latter years (CLG, 2008). Yet the increased emphasis upon the sub-regional level as an appropriate scale for intervention, as apparent in the City Strategies and the development of Multi Area Agreements, was limited in scope given the existing weak and unevenly developed sub-regional governance level (Syrett et al, 2008).

## **Conclusion: the Death of Neighbourhood Regeneration Policy?**

The fundamental difference between the arrival of the Conservative-Liberal Democrat Coalition government of 2010 and that of New Labour in 1997 was the wider economic climate. Whilst NL on the back of a strong and growing economy launched an ambitious programme of policies to seek to tackle the economic problems of deprived neighbourhoods, the incoming Coalition government in 2010 has an agenda of deep public sector funding

cuts and is likely to fund little, if anything, in the way of regeneration programmes. Notably the first publication of the new Coalition government in relation to poverty and worklessness paid only passing attention to the issue of spatially concentrated disadvantage (HM Government, 2010).

In the absence of the regeneration funding streams that sponsored much past activity, any future policy activity focused upon the needs of the least prosperous neighbourhoods will be necessarily dependent upon targeting mainstream resources to these areas. Whilst a greater focus on the role of mainstream resources is in line with some of the lessons learnt during the NL period, given the intended scale of cuts in public expenditure and the lack of success during the NL era of 'bending' mainstream spending towards deprived areas, it is difficult to be optimistic about any significant redistribution of resources in favour of these areas.

Similarly, although local authorities have been given a higher profile role in relation to local economic development, given the lack of resources available to take forward this area, it is likely to remain only a marginal element of their activity. It is possible that the very lack of resources might lead to a clearer prioritisation of activity. Stripping away past complexity, duplication and fragmentation and focusing attention on the critical issue of education and skills might produce significant outcomes for individuals living within poor neighbourhoods, but critically this will not significantly reduce the gap between the least prosperous neighbourhoods and the rest.

Yet to ignore the issues of concentrated deprivation is not only socially unjust but also politically dangerous. The recession to date has impacted most harshly upon those on the margins of the labour market whilst in the poorest areas the public sector, about to enter a period of major cuts, is normally the mainstay of the local economy. The expectation would be therefore for gaps in spatial inequality to widen yet further, with all that this implies for processes of social exclusion and community cohesion. Against this background and given current governance arrangements, the need for central government policies sensitive to the needs of those living and working in deprived areas – for example in relation to jobs and incomes at the lower end of the labour market (e.g. the minimum wage, working conditions, job security, the relationship between paid employment and welfare benefits) - becomes absolutely essential. In contrast, a descent into localism in the current economic climate and on the basis of extensive public funding cuts could have potentially disastrous impacts, given the limited resources and political will in many local areas to prioritise the needs of their most deprived neighbourhoods and communities. In this respect any move towards a more localist agenda should not ignore a central lesson of the NL years; that of the need to link deprived neighbourhoods into wider local, city and sub-regional economies and avoid narrowly localist approaches to their economic problems.

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