

ECONOMIC *Perspective*

MORE EFFECTIVE ECONOMIC DEVELOPMENT? A COMMENTARY ON THE SCOTTISH PARLIAMENT'S ENTERPRISE AND LIFELONG LEARNING COMMITTEE'S INQUIRY INTO THE DELIVERY OF LOCAL ECONOMIC DEVELOPMENT SERVICES

by Keith Hayton, Department of Environmental Planning, University of Strathclyde

INTRODUCTION

Writing in 1980, on the proliferation of small business advisory services, Nigel Waters commented that "in Glasgow...a prospective entrepreneur could seek information in at least six different offices within 200 metres of one another - the Scottish Economic Planning Department;.... the Regional Development Grant office of the Department of Industry; the government's Small Firms Information Centre; the separate Industrial Development Departments of both Strathclyde Region and Glasgow District and several different departments of the Scottish Development Agency" (Waters, 1980, p. 38). Despite the passage of time, and considerable changes in the context and structures for delivery, it would seem that little has changed judging by the conclusions of the Scottish Parliament's Enterprise and Lifelong Learning Committee's "Inquiry into the Delivery of Local Economic Development Services in Scotland" (Enterprise and Lifelong Learning Committee, 2000). The main conclusion of the Inquiry is that there "is confusion, duplication and even active competition between the many agencies involved" in delivering local economic development services in Scotland. The Committee's proposals are mainly intended to overcome these problems.

OBJECTIVES

The Inquiry was set up to look into the local level delivery of economic development, post school vocational education and training and business support services. Part of the remit was to look at the performance of the organisations delivering these

services, that is the local authorities, local enterprise companies (LECs) chambers of commerce, enterprise trusts, training providers, further education colleges and ad hoc bodies. Given the timescale of the Inquiry, which started in September 1999, this is an exceptionally ambitious remit, one moreover which seems to have been covered relatively superficially. The Committee received written and oral evidence, commissioned research and undertook four case studies. In addition the Interim conclusions were debated with an audience of business people. Although the Committee acknowledged that significant progress had been made in co-operation and partnership working it was still felt there was a need for a restructuring of public sector economic development services if "the level of rationalisation of services, cost-effectiveness and consumer focus that is desirable" was to be forthcoming. Accordingly, whilst the Inquiry has proposed a number of limited changes to current practices it places greater reliance upon the ability of new structures to overcome the problems identified.

STRUCTURES FOR CHANGE

The structures proposed are essentially top-down, with a national economic Framework setting the context for a series of local strategies whose implementation should see the Framework's aims attained. At the national level the Economic Framework for Scotland is to cover economic development and lifelong learning. It is to include the inevitable vision for the future of the Scottish economy and to outline the Executive's economic development aims. It is also to provide the context for the organisations operating in the field, specifying the contribution they are expected to make towards the attainment of these aims. The Framework is to assist in the elimination of the duplication of service provision at the local level, a concern that underpins much of the Inquiry. This is to be enforced by financial penalties on those publicly funded bodies that do not co-operate in eliminating duplication or do not get involved in the proposed system. The Executive's role in the Framework is to concentrate upon providing strategic guidance, setting targets and measurable outcomes, promoting good practice and ensuring value for money rather than itself delivering services. To this end it is to withdraw from managing business support schemes, such as SMART, which are to be taken over by Scottish and Highlands and Islands Enterprises.

The Framework is to be underpinned by a series of local economic strategies produced for the LECs' areas. The strategies are to represent the local areas' contribution to the attainment of the national Framework's aims. They are to look ahead three years and are to contain goals for such things as

business start-ups, support for existing business and skills training. The various activities are to be tied to measurable outcomes. The responsibilities and activities of each public sector economic development agency are to be outlined and there is to be a single delivery agent for each aspect of economic development. The aim is to eradicate duplication and overlap so that, in future, services will be delivered by one identifiable body rather than, as can happen at the moment, be shared between a number of players. Under this scenario no public agency will make a unilateral decision to provide an economic development service. To ensure that real progress is made towards eradicating duplication, and that the outcomes are attained, there is to be an evaluation in 2002.

Whilst much of the progress in rationalising delivery of services is to be left to the various agencies at the local level, the Inquiry is more prescriptive when it comes to business support. It is proposed that a single national branded support service be set up by merging all of the services of existing providers. Exactly how this is to come about is unclear although there are two specific suggestions. The first is that the enterprise trusts be merged with the LECs, something that was predicted in the early 1990s (Hayton, 1994) and which, given the close contractual relationships between the trusts and the LECs, is hardly radical. The second is that the local authorities withdraw from independent, direct provision of business support services, which are now to be delivered through the national service. As with many of the Committee's suggestions the implications of this, for example on the business support staff currently employed, are not dealt with.

LOCAL ECONOMIC FORUMS

Responsibility for producing and delivering the local strategies, and eliminating duplication and overlap, is to be given to new organisations, local economic forums. Membership is to be drawn, at a minimum, from the local authorities, the LECs, the chambers of commerce (where these exist), the area tourist board and the higher and further education institutions. Beyond stating that there is a need to keep the membership "tight" no size is specified and it is said that in some areas membership could be expanded to include other bodies, for example third sector agencies and the employment service. If the forums are to be effective in producing deliverable strategies there is a need for membership to be restricted. Yet what seems to be lost sight of is that the "mandatory" members proposed by the Inquiry are increasingly enablers rather than direct service providers. The danger with a forum composed mainly of agencies that do not interface directly with the client is that there is

limited first hand knowledge of what is actually needed.

The gap between the rhetoric of the Inquiry, with its talk about economic development having a clear consumer focus and the reality of the proposals is even more apparent when the membership of the forums is considered. The majority of the members are drawn from the supply side of the economic development industry. The only mandatory representatives from the demand side are the chambers of commerce. However they do not exist in all areas and even when they do exist their validity as representative organisations can be questioned. The Inquiry also acknowledges that chambers may themselves be service providers, causing conflicts of interest if they are contracting with public agencies to provide services whilst also purporting to represent business interests. However, as in several other places, the Inquiry raises a significant issue but fails to address it. The problem reflects the fact that business interests in Scotland have no single body that can claim to be representative. One would have hoped for some more radical proposal, for example making membership of a local chamber compulsory as is the case in some European countries. Were this to happen then not only might there be less demand for public sector economic development services but the services provided could more closely meet the needs of the clients rather than, as may happen at the moment, the needs of the provider.

The exact status of the forums is an important issue that is not addressed. The Committee treads a well-worn path in suggesting that the LECs become more transparent and widen their board memberships. However it seems to ignore the fact that the forums are another non-governmental organisation: "an additional layer of bureaucracy" which is at one removed from the electorate. No indication is given as to how the forums are to relate to service users or to the electorate. Neither is it clear how they will operate. Are they to be staffed by secondees, to have boards or is it assumed that they will work because all involved want them to? As with many seemingly simple proposals the detail will determine if they are effective. At the moment this detail is lacking. There are also interesting issues surrounding the mandatory members. Some, for example the local authorities, have a democratic mandate, others such as the LECs have a vague legitimacy arising from the fact that they are responsible to Scottish or Highlands Enterprise and through them to the Parliament. Others, such as the chambers, have no such democratic mandate being representative of factional interests. Given this diversity it is unclear what legitimacy the strategies will have.

It is also unclear if the multiplicity of ad-hoc initiatives that deliver many of the economic development activities on behalf of the LECs and local authorities will have a say in strategy formulation. The Inquiry indicates that there are many such initiatives. For example thirty-six are identified that are involved in lifelong learning in Forth Valley. In a City such as Glasgow there are probably well over two hundred with some form of economic remit, many working in very specialised niche markets in which they often have unique expertise and knowledge of client needs. Any strategy needs to tap this expertise if there is to be closer tailoring of services to meet the needs of the consumer. How this is to be done is unclear although the limited suggestions for widening forum membership seem to indicate that the Committee did not recognise the importance of these players.

THE BOUNDARIES OF THE STRATEGIES

The strategies, whilst produced for the areas of the LECs, are, it is stressed, to be the strategies for all of the forum's partners. In the absence of any proposals for the reform of administrative boundaries the use of those of the LECs may seem sensible. However in many areas, especially in the West of Scotland, these boundaries bear little relationship to labour market reality. An alternative approach might have been to propose that the forums be set up for sub-regional areas, perhaps using similar boundaries to those being used for the production of structure plans. Using a new set of boundaries that are not associated with any specific member of the forum would also mean that the perhaps naive aspirations of the Inquiry, for example that "there should be parity of esteem between the bodies involved" could be met. The danger is that for those areas where more than one local authority is involved in the forum the LEC will be the only body able to take an overview. It may then be placed in a position of considerable influence over the other members so that the strategy becomes more a reflection of its priorities than of the wider forum. However, as with many other issues, the Committee has avoided making any radical solution albeit that the solution that it has proposed may ultimately prove to cause more problems than it solves.

CONCLUSION

The rise of local economic development as a recognised public sector activity over the last thirty years has been, for the majority of this time, undertaken without any coherent strategies to guide what has been done. Indeed economic development was, and often still is, an activity that develops in response to a number of stimuli. For example projects are set up as a consequence of funding

being available, because of political pressure to do something, regardless of demand, or because of grass roots pressures to respond to locally identified needs. All of these factors were responsible for Scotland being at the forefront of pioneering local initiatives that are now part of the economic development orthodoxy. One can identify such initiatives as managed workspaces, community business, intermediate labour market schemes and a plethora of initiatives that targeted particular groups with special needs who were neglected by mainstream organisations. What local economic development was able to do in the late 1970s and 1980s was to stimulate creativity and innovation in the public and community sectors at a time when many mainstream public sector services were under attack and morale was very low. What the Committee is now proposing is to superimpose upon these essentially bottom up activities a series of top down strategies. The danger must be that this results in initiative and innovation being stifled and the very factors that have made Scottish local economic development a world leader being lost.

In essence what is being proposed is a very centralised approach to an activity that succeeds because of its diversity and lack of central control. The Committee talks about not wanting to "stifle local discretion". Yet when examples of local discretion are highlighted in the existing structures, for example the differing approaches that the LECs take to various projects, these are described as "inconsistencies". If local solutions are wanted to local problems then such "inconsistencies" have to be accepted. The alternative, which is what the Committee may want, is a return to the days before Scottish Enterprise when, for example, training programmes were devised in Sheffield and imposed across the United Kingdom with little variation to meet local needs. What is being proposed is exceptionally constrained local discretion which may result in a similar uniformity of approach.

Related to this is the danger that under the guise of removing overlap and duplication there will now be one economic strategy for each area which will be determined by the forums in a way that is still to be explained. This loss of diversity and local autonomy could mean that in future some types of initiative might be denied support. It may also pose more longer-term dangers, as all an area's economic development eggs will now be placed in one basket. If the forum picks, not the winners, but the losers then the local economy may suffer. There is less chance of this happening at the moment when there is a diversity of players working to different agendas and priorities. Whilst this may cause some duplication and overlap it is far from clear that this is an ineffective use of resources given, as the Committee acknowledges, the size of the economic development market. What exists at the

moment is a diversity of sellers. What is being proposed is a monopoly with all of the potential detrimental consequences that this type of provision can cause.

The lack of any radical suggestions and the move towards a monopoly may reflect the problems inherent in this type of Inquiry. Much of the evidence is taken from organisations who are self selected whilst many, if not all, of the participants have a vested interest in the continuation of the economic development industry. There may be disagreement about what is done and by which organisations yet there is little questioning of the need for what is now a very extensive and expensive economic development support infrastructure. For example the Inquiry quotes evidence that local authorities in Scotland spend an average of £18.12 a head on economic development, over four times more than the average for English authorities. This begs the question: with unemployment at levels which are historically very low is all of this expenditure justified? Might there not be an argument both for a reduction of activity and far greater targeting at those groups and areas where market failures still seem to exist? These issues are barely touched upon and only then in an attempt to justify the proposal that local authorities withdraw from the provision of business support services. That this is the case probably reflects the inevitable difficulty that organisations, especially in the public sector, have in withdrawing from activities. The activity becomes an end in itself. This seems to be the trap into which the Committee has fallen.

In conclusion the Inquiry says little that is new. The issues it raises have been well publicised in the past. The difference now is that some action may be taken. However there seems a rather naive belief that the problems of duplication can be overcome by imposing new centralised structures. The Inquiry seems to represent a compromise: the evidence from many of the providers is that any problems can be overcome through partnership working: many of the consumers want more radical change. The Committee has tended to steer a middle course. There is an unwillingness to go for the clean sheet approach or to suggest replacement structures. Instead what is proposed is a hybrid; retaining the existing agencies and setting up new structures which are intended to make them work more effectively. It remains to be seen if this will overcome the problems that the Committee identified whilst retaining the factors that make local economic development effective and innovative. It is a pity that the Committee did not feel that it could explore some of the more innovative suggestions made to it, for example merging the LECs and the local authorities to form local development companies. Instead what is

proposed is something that looks very like a centralist, uniform approach to delivery, something that is anathema to the whole theoretical and practical underpinning of effective economic development.

REFERENCES

Enterprise and Lifelong: Learning Committee, 2000, *Inquiry into the Delivery of Local Economic Development Services in Scotland: Final report: Volume 1. Conclusions*, Scottish Parliamentary Corporate Body, The Stationery Office.

Hayton, K. 1992, *The decline of Public-Private Partnerships: the Fate of the Scottish Enterprise Trusts under Scottish Enterprise*, Regional Studies, Vol. 26 No. 7.

Waters, N. S., 1980, A review and critique of the role of Scottish local authorities in economic development, pp. 35-45, in *Employment and Economic Development, Proceedings of Seminar D, Volume P189*, PTRC Education and Research Services, London, July.