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**Making the Links: Economic Deprivation, Neighbourhood Renewal
and Scales of Governance**

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Making the Links: Economic Deprivation, Neighbourhood Renewal and Scales of Governance

Abstract

A policy focus of the New Labour Government in the UK has been upon attempts to tackle problems of concentrations of deprivation at the neighbourhood scale. This paper presents evidence from five local authority districts to consider how issues of scale matter in seeking to address such problems and the institutional arrangements and policies currently in place to improve their economic prospects. The results demonstrate that for economic deprivation to be tackled more effectively requires both a clearer specification of the rationale for the kind of intervention needed and improved integration and co-ordination of strategies and actions across spatial scales.

Key words:

deprived neighbourhoods; neighbourhood policy; local economies; England; regional/sub-regional economic governance

JEL Classification: R23 R58 J48 H79

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INTRODUCTION

Since New Labour came to power in the UK in 1997, a central feature of the policy agenda has been a focus upon attempts to tackle the problems arising from intense concentrations of deprivation. Such attention to deprived neighbourhoods is neither new nor confined to the UK, with a considerable history of varied interventions evident in North America and across Europe (BRIGHT, 2003; CARS, 2000; SKIFTER-ANDERSON, 2003; WILSON, 1987); interventions often prompted by high profile urban riots, whether in Los Angeles, suburban Paris or Burnley, that graphically demonstrate the challenges to social and community cohesion presented by the linking of intense spatial and social inequalities.

In the UK context, recent targeted policies at the neighbourhood scale have sought to tackle problems of social exclusion through integrated approaches that seek to simultaneously tackle problems of crime, education, health, housing, the physical environment, and employment, most notably through the New Deal for Communities (NDC) programme and the National Strategy for Neighbourhood Renewal (AUDIT COMMISSION 2002; BURGESS *et al.* 2001; IMRIE AND RACO, 2003). Yet despite a clear recognition of the importance of economic change and employment as central to the problems of deprived neighbourhoods, in practice the economic dimension of neighbourhood renewal policies remains underdeveloped, a fact that is increasingly recognised by the Government itself (e.g. ODPM, 2004).

With regard to economic development and employment policy, a fundamental question relates to the extent to which it is meaningful to look for policy solutions at the neighbourhood scale itself rather than at higher spatial scales. The failure in practice to

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3 develop appropriate economic policy initiatives at a very localised scale reflects that only a
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5 small proportion of economic activity is organised at the neighbourhood level. The
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7 economic processes that operate to shape the future employment prospects for the
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9 residents of deprived neighbourhoods operate at higher spatial scales and interventions
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11 narrowly focused at the neighbourhood level are consequently poorly placed to deal with
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13 these. Furthermore, neighbourhood based initiatives which seek to actively involve local
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15 people in the development process perhaps unsurprisingly prioritise immediate everyday
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17 concerns such as crime and the quality of the local physical environment, where localised
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19 initiatives can produce concrete results relatively quickly. In contrast, in the face of wider
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21 structural changes impacting upon local economies, the types of economic policy initiatives
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23 which can be usefully pursued at the neighbourhood scale remain less clear.
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32 Current UK policy related to deprived neighbourhoods therefore raises two strongly
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34 interlinked issues which have been largely neglected within the current policy framework.
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36 The first, at a strategic level, concerns the rationale for interventions that seek to improve
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38 the economic and employment prospects for those living in deprived neighbourhoods and
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40 the appropriate scale for such interventions. The second, relates to the delivery of such
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42 strategies, in particular in terms of the ability to co-ordinate interventions across different
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44 scales to address the needs of deprived neighbourhoods.
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51 Strategically, the rationales for economic interventions related to deprived neighbourhoods
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53 within the UK are drawn from both arguments related to economic competitiveness and
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55 social cohesion. Yet in practice, the policy environment demonstrates considerable political
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57 and practical tensions both between the pursuit of economic growth and social justice and
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59 between supply side and demand side strategies; tensions which are often reflected in the
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positions of different government departments. Furthermore the policy focus upon ‘deprived neighbourhoods’ often remains unclear as to whether it is seeking just to target areas which have concentrations of households in the most deprived population groups (as defined by the Government’s Index of Multiple Deprivation 2004), or whether it aims to deal with issues of deprivation rooted within the neighbourhoods themselves i.e. various ‘neighbourhood effects’, such as the stigmatisation of residents through the poor reputation of a neighbourhood, post code discrimination by employers, or the poor quality of local service provision (ATKINSON and KINTREA, 2001; BUCK, 2001; McCULLOCH, 2001; LUPTON, 2003)[1]. In areas of more generalised deprivation, a focus on deprived neighbourhoods can divert attention away from broader demand side deficiencies evident in the sub-regional economy, whilst at the opposite spatial scale, the designation of deprived neighbourhoods at the ward level has made it difficult to identify very small pockets of deprivation, although this is now somewhat easier with the provision of data at the Super Output Area scale since 2004. Issues of scale in relation to understanding and identifying spatial concentrations of deprivation raise important questions regarding the most appropriate levels for intervention. Despite the preoccupation of much recent academic work with issues of changing scalar relations, the lack of careful distinction between different scales and associated economic processes of change evident in much discussion has in reality limited its ability to inform the development of policy at different spatial scales (JONES and MACLEOD, 2004).

With regard to policy delivery, although the need to promote co-ordination between national, regional, local and neighbourhood scales within England is recognised within core New Labour policy statements (e.g. the Urban White Paper (DETR, 2000a)), in practice the joining-up of economic development policy has been limited, in large part due to the nature of current governance and institutional arrangements. A surfeit of overlapping and

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3 competing organisations and initiatives has produced a system of economic governance
4 that is multi-layered, complex and often confusing (HOUSE OF COMMONS ODPM 2003;
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competing organisations and initiatives has produced a system of economic governance that is multi-layered, complex and often confusing (HOUSE OF COMMONS ODPM 2003; MCGREGOR *et al*, 2003). Furthermore, the devolution of responsibilities for economic development to new regional level agencies alongside the development of the neighbourhood renewal agenda has produced fundamental tensions rooted within the rationales driving policy (ROBSON *et al.*, 2000). Whilst strategies for the pursuit of economic development and competitiveness are primarily pursued at the regional level (via the Regional Development Agencies - RDAs), those area based policies seeking to tackle social exclusion focus primarily upon the neighbourhood scale. The resulting lack of integration between economic and social agendas and different spatial scales remains fundamental, despite attempts to promote co-ordination through the introduction of Local Strategic Partnerships (LSPs) (GOODWIN *et al.*, 2002; FULLER *et al.*, 2004; GOODWIN, 2004).

This paper focuses attention on the missing links between the realities of change in local and regional economies in which deprived neighbourhoods are embedded and the policy responses and institutional arrangements which are currently in place to improve the economic livelihoods of those who reside in concentrated areas of deprivation. It draws upon research from five case study locations which analysed the relationship between local and regional economic development and deprived neighbourhoods, as well as the manner in which policies and institutions interacted in delivering economic development strategies and employment initiatives to these neighbourhoods [2]. The selected case studies analysed processes of economic change at the local authority district scale and were chosen to cover a range of deprived area types - inner city, coastal, coalfield, manufacturing - within different regional contexts ranging from the high growth London and

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South East region, to lower growth areas in Northern England. All were ranked within the Government's 88 most deprived local authority districts in 2004 and included localised concentrations of deprivation (see Table 1) [3]. The focus on the local authority district scale reflected the past and ongoing importance of local economic development policy at this governance level as well as the availability of economic performance statistics at this level. Such local authority areas clearly do not constitute coherent local economies, rather different aspects of economic development are manifest at different spatial scales. The local authority scale provides important insights into many of these in relation to deprived neighbourhoods, although analysis at other spatial levels (e.g. Travel to Work Areas, sub-regions, city-regions) provides additional insights.

(insert Table 1)

The next two sections of the paper analyse the wider economic contexts of deprived neighbourhoods and the various processes contributing to localised concentrations of working age people experiencing exclusion from the formal economy. This leads onto a consideration of the kinds of economic strategies and initiatives being undertaken at various levels of governance and the extent to which they address the economic needs of those living in deprived neighbourhoods, before addressing the degree of integration and co-ordination between the policy levels in the final section. The paper argues that tackling the economic problems of deprived neighbourhoods requires both a clearer conception of what economic interventions at different scales are seeking and able to achieve in relation to deprived neighbourhoods, as well as improved integration and co-ordination of strategies and actions at various spatial scales. This is needed to ensure that economic development

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3 strategies developed at regional and sub-regional levels are developed and implemented in
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5 a manner that benefits those living in deprived neighbourhoods.
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10 **PLACING DEPRIVED NEIGHBOURHOODS WITHIN THEIR WIDER ECONOMIC** 11 **CONTEXTS** 12 13

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17 One of the conclusions of the Social Exclusion Unit's study of jobs and enterprise in
18 deprived areas was the existence of a limited understanding of the economic and labour
19 market contexts in which concentrations of worklessness exist (ODPM, 2004). In terms of
20 specific contexts this may be true, although it is generally accepted amongst academic
21 researchers that the problems which beset deprived areas are rooted within economic
22 restructuring processes operating at wider sub-regional, regional, national and global scales,
23 particularly the job losses arising from the continuing process of deindustrialisation on the
24 one hand, and the increased segmentation of the labour market associated with service
25 sector led job growth on the other. The impacts of these processes are spatially uneven,
26 giving rise to localised concentrations of unemployment and economic inactivity that have
27 become entrenched among certain groups (particularly older men, single parents, and
28 ethnic minorities) and in certain areas, particularly towns and cities in northern Britain and
29 inner London, as well as former coalfield areas and some seaside towns (GREEN and
30 OWEN, 1998; BEATTY and FOTHERGILL, 1996; BEATTY *et al.*, 2000; BEATTY and
31 FOTHERGILL 2004; TUROK and EDGE, 1999; WEBSTER, 2000).
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55 In the case of the older industrial northern towns and many coalfield areas a lack of jobs
56 arising from weak labour demand remains a central explanation for the persistence of
57 localised concentrations of worklessness and other forms of deprivation, despite a long
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period of falling unemployment nationally (TUROK and EDGE, 1999; BEATTY and FOTHERGILL, 1996; ADAMS, 2005). GORDON and TUROK (2005) argue that the growth in the UK economy has not been sufficient to remove the slack in these local labour markets by using evidence from GREGG and WADSWORTH's (2003) study, which showed no change in the employment rate for men with low qualifications between 1993 and 2002 in several northern conurbations. Moreover, whilst the problems of unemployment and economic inactivity are most manifest at a localised scale, their origins relate to the structural weaknesses that are still found at the regional and sub-regional scales within these former industrial and coalfield regions.

The ongoing consequences of the long-term decline of mining and manufacturing over the last thirty years or so are central to understanding the current economic problems facing deprived neighbourhoods within the five case study areas analysed here. The decline of manufacturing continues to lie at the heart of the job losses being experienced by these deprived areas (see Table 2). For example, four of the five largest declining sectors in absolute terms in both Oldham and Sunderland over the 1997-2004 period were manufacturing sectors; in fact, manufacturing employment declined by 32.7 per cent (8223 jobs) in Oldham and 28 per cent (7410 jobs) in Sunderland over this seven year period. Similarly, in Mansfield all five of the largest declining sectors were in manufacturing, resulting in the loss of a third of its manufacturing employment.

(insert Table 2)

Despite the continued decline of these key manufacturing sectors, all five case study areas achieved net job growth over the 1997-2004 period, although the rate of growth varied

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3 widely from 15 per cent in the case of Brighton and Hove to 8 per cent in the cases of
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5 Mansfield and Oldham. Employment rates for those of working age similarly vary between
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7 the local economies (see Table 3) from rates above the national average in 2004/05 in
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9 Brighton and Hove (76 per cent) through to rates significantly below in Newham (56 per
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11 cent) and Sunderland (69 per cent). The bulk of new employment opportunities were found
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13 within various service sectors and especially within consumer and public services rather
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15 than in business and producer services. Table 4 ranks the top five largest employment
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17 creation sectors in absolute terms in each case study area and highlights the importance of
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19 both the retail and wholesale trade sectors on the one hand, and public service employment
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21 on the other, to job growth within these local economies.
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29 (insert Tables 3 and 4).
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34 A defining feature of this service sector growth has been the increasing polarisation
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36 between relatively well paid and high skilled professionals working in the 'knowledge-based'
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38 sectors on the one hand and the growth of a flexible workforce, including many low paid
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40 workers in insecure and low grade service sector employment, on the other. One of the
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42 consequences of the loss of semi-skilled and skilled jobs in manufacturing has been the
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44 disappearance of the kinds of jobs that had previously occupied the middle ground in local
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46 labour markets. This division of the labour market has become most marked within the
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48 more successful city-regions where deprived neighbourhoods provide sources of cheap,
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50 flexible, non-unionised and often immigrant labour as required by the growing personal and
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52 consumer service sectors (BODDY, 2002; POTTS, 2002). As such, this can be interpreted
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54 as a continuation of the historic role of such neighbourhoods in the production and
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reproduction of low cost labour to provide cheap services to businesses and residents within cities (FAINSTEIN *et al*, 1993; SASSEN, 2001).

The persistence of localised concentrations of worklessness in these more successful regions reflects in part the types of jobs being created and the inability of the most socially excluded to compete effectively for them (GORDON, 2003). Thus much of London’s recent job growth has been met at the top end by drawing upon the national and international labour market and by commuters in the middle skill range (KLEINMAN, 1998). However, the lack of participation in formal employment also reflects the poor quality of the jobs available as the low skill, low paid jobs which are on offer hold little attraction to individuals and communities who have been marginalised from the labour market over a long period of time, and provide few incentives to move off state benefits (see also RHODES *et al*. 2002 in relation to Single Regeneration Budget case study areas). The persistence of deprived neighbourhoods within Newham and Brighton, despite labour market shortages within the London and South East economy illustrates these processes. In Newham, unemployment and economic inactivity remain stubbornly high in some of the borough’s most deprived neighbourhoods. With additional problems of discrimination and lower female participation rates resulting from Newham’s highly ethnically diverse population, the result is an employment rate considerably below the national average (see Table 3). Such concentrated deprivation within areas of economic growth demonstrates the need to understand the work experiences, skills, and job expectations of those living in deprived neighbourhoods within the context of wider labour market changes and to reject any reliance upon processes of employment trickle-down to eliminate such spatial inequalities (BODDY AND PARKINSON, 2004).

PROCESSES LEADING TO CONCENTRATIONS OF ECONOMIC DEPRIVATION

The manner in which the wider economic context interacts with a variety of other processes to provide particular concentrations of economic deprivation is central to understanding differences between deprived neighbourhoods and the problems that they face. The importance of these differences is recognised by a number of authors in the development and delivery of policy (e.g. MCGREGOR and McCONNACIE, 1995; SEU, 1999; MACLENNAN, 2000; BUCK, 2001; LUPTON, 2003). In areas where labour market problems are rooted within a lack of labour demand coupled with supply side problems, the extent of deprived areas are more generalised with a large number of total wards classified as deprived (for example Sunderland), and this contrasts significantly with the pockets of deprivation found in more affluent areas (for example Brighton).

Whilst the underlying causes of deprivation are rooted within economic restructuring, the operation of housing markets and residential sorting mechanisms, both in the private and social housing sectors play a central role in creating highly localised concentrations of deprivation (ATKINSON and KINTREA, 2000; MACLENNAN, 2000; CHESHIRE *et al.*, 2003). In private sector markets, falling market values often result in properties being bought up for use as low grade rented accommodation, with a subsequent lack of investment by exploitative and often absentee landlords. Hathershaw ward in Oldham and Northfield in Mansfield similarly demonstrate a process whereby private landlords have bought up properties that have subsequently become empty and boarded up, or let on a short term basis and without exercising any control over the nature of the tenants. Public housing allocation policies also tend to concentrate the most disadvantaged in estates with

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poor images, reputation, and where demand is low (BRENNAN *et al.*, 2000). In the case of North Moulsecoomb ward in East Brighton, what is now the city's second most deprived ward was originally built as a large council housing estate to house the workforce of two large manufacturing plants that have subsequently closed.

Residential sorting mechanisms necessarily have a major impact upon population composition and labour market characteristics which can vary significantly even between deprived neighbourhoods within the same local authority. For example in East Brighton, the North Moulsecoomb ward on the outskirts of the city has a relatively stable population, living mainly in social housing, many of whom have experienced several generations of unemployment and low levels of educational attainment. In contrast, the Saunders Park ward, which is closer to the city centre, has a more transient and diverse population including a high proportion of single parents. The transient nature of this area's population means that there is little wealth retention and limited commitment to the neighbourhood given that the majority of residents expect to move at the earliest opportunity. This produces quite different policy challenges compared to those areas where stable populations are locked into neighbourhoods over long time periods. The process of 'get on and get out' by the more financially successful residents, a feature evident to varying degrees across all deprived neighbourhoods (see BRENNAN *et al.* 2000 in relation to Single Regeneration Budget case study areas) also removes local connections to the worlds of work and education as well as potential role models and contact with more aspirational behaviour. Paradoxically, policy initiatives that may be effective in improving employability and access to jobs of those living within a deprived neighbourhood can actually lead to the most able leaving, even leading to deterioration in the unemployment rate of current neighbourhood residents (CHESHIRE *et al.*, 2003).

Interactions between housing markets, population characteristics and social histories arising from economic integration within deprived neighbourhoods create particular labour market characteristics, attitudes towards work and job seeking behaviours. For example in Mansfield, the complex of social relations and work culture that is associated with the coal mining industry remains central to understanding attitudes towards work, including the lack of a culture of enterprise and self-employment and an expectation that employment needs to be located close to the place of residence. In contrast, Newham provides a radically different set of population and labour market characteristics. Here the ethnically diverse local population (61 per cent non-white in 2001) is relatively young, giving the borough one of the fastest growing populations within England (15 per cent from 1991 – 2001 compared with 4.4 per cent in England as a whole). Whilst there is still a link between the high level of economic inactivity on sickness and health grounds and the closure of the docklands more than 25 years ago in some deprived neighbourhoods (e.g. in the Canning Town and Beckton wards), in other parts of the Borough the factors contributing to high levels of economic inactivity include barriers to employment and different patterns of female working within ethnic groups. Barriers include discrimination and low levels of educational attainment and English language difficulties which contribute to Newham's very low employment rate, as does the fact that the borough has the highest proportion of lone parent households with dependent children in England.

Localised concentrations of deprivation are further exacerbated by 'neighbourhood effects'. Although these are marginal relative to the importance of factors related to individuals and households in understanding processes of labour market exclusion (BUCK, 2001; BUCK and GORDON, 2004), the existence of localised concentrations of deprivation can

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accentuate various barriers of entry to formal employment leading to the development of a local culture characterised by a loose sense of attachment to the mainstream labour market. Within the case study deprived neighbourhoods, low expectations and aspirations emanating from limited experience of employment extending across generations, and an acceptance of the need to ‘get by’ on the basis of state benefits supplemented by various forms of paid and unpaid informal work, produced particular ‘cultures of worklessness’. Importantly, such attitudes and expectations do not pervade all residents of deprived neighbourhoods, nor are they confined only to these areas. Rather they are different by degree, reinforced by the material circumstances of residents and their more restricted social networks. In terms of employment limited social networks not only reduce the likelihood of integration into the informal recruitment networks (WATT, 2003), but also their highly localised nature tends to limit the knowledge and perception of job opportunities in the wider labour market (ATKINSON and KINTREA, 2001; McQUAID and LINDSAY, 2002). Access to formal employment also reflects practical problems relating to limited flexibility and high transport costs in relation to low wages, which result from lower levels of car ownership and the absence in some deprived areas of good, reliable and affordable public transport (DETR, 2000b).

POLICY INTERVENTIONS TO ADDRESS THE ECONOMIC NEEDS OF DEPRIVED NEIGHBOURHOODS

The wider processes of economic change in which deprived neighbourhoods are embedded combined with the particular processes producing differentiated neighbourhood contexts provides a considerable challenge for policy interventions across different spatial

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3 levels. In the UK, the development of a multi-layered governance structure and a range of
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5 public and quasi-public organisations has ensured that the issue of different levels of
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7 governance and their responsibility for economic development policy has become a central
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9 concern, not least within central government itself. This involves not only identifying the
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11 most appropriate level at which to formulate and deliver various economic development
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13 functions, but also clarifying what organisations at each level are seeking to achieve in
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15 terms of tackling the economic problems of deprived neighbourhoods as well as their
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17 means of achieving it. Figure 1 demonstrates the complex scalar relationships between
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19 various spatial levels of governance and the main agencies, programmes and policies
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21 relating to economic development and neighbourhood renewal. In this section we draw
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23 upon evidence from the five case study areas to discuss the kinds of economic strategies
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25 and initiatives being undertaken at various levels of governance and the extent to which
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27 they address the economic needs of deprived neighbourhoods [4].
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41 *Neighbourhood and local level interventions* 42 43 44 45

46 For the majority of local economic development activity the neighbourhood scale has not
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48 been a significant scale of intervention. In the five case study areas there are relatively few
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50 economic and employment policy initiatives operating at this scale. The priorities of LSPs
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52 and neighbourhood renewal strategies are predominantly focused upon 'liveability issues'
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54 such as ameliorating the poor environmental conditions and tackling problems of crime and
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56 anti-social behaviour that beset deprived neighbourhoods. LSPs have a poor record with
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58 respect to addressing the problems of worklessness in deprived neighbourhoods, partly
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because of their lack of engagement with employment and enterprise organisations such as Jobcentre Plus and Business Link (ODPM, 2004). Moreover, the strong emphasis within the government's current policy agenda upon formal employment, self-employment, and enterprise formation as the route out of poverty has led to a relative neglect of a range of community based economic initiatives (e.g. credit unions, time banks, community enterprises, and intermediate labour markets). Yet the rationale for these kinds of initiatives is not only the creation of employment and additional income, but critically also about building social capital, encouraging local participation and developing community and individual capacities in communities where long-term unemployment and worklessness have become entrenched (MAYO *et al.*, 2003; BURNS *et al.*, 2004; EVANS *et al.*, 2004). In this view, mainstream economic development initiatives, such as the provision of small business workspace or providing job recruitment centres, are unlikely to succeed on their own within these communities and alternative approaches are needed. Sunderland was the one case study where a significant number of community economic development and intermediate labour market initiatives, targeted at the most deprived neighbourhoods within the city, did exist. However, the future of these initiatives is uncertain given their dependence upon Single Regeneration Budget (SRB) and EU Objective 2 (priority 4) funding, both of which are being phased out after 2006.

Prior to the arrival of New Labour in 1997, the local district scale was the principal focus for much local economic policy in the UK, largely because the local authority had a key role in delivering central government regeneration programmes (notably City Challenge and the SRB) and a statutory responsibility during the 1990s to produce local economic development strategies. Local economic policy consequently embraced a wide range of activities (AUDIT COMMISSION, 1999). The legacy of past practice is reflected in the

current role of local authorities in local economic development in the five case studies. This varies from Oldham Metropolitan Borough Council which has a 'hands on' approach, directly responsible for some forms of business support, industrial estates, and town centre improvements, to Brighton and Hove District Council which has been moving towards a more facilitating approach, working with a range of partner organisations responsible for the delivery of economic development services.

With regard to deprived neighbourhoods, the current emphasis of local policies variously sponsored by local authorities and regeneration programmes such as New Deal for Communities (NDCs) is principally in terms of getting residents into formal employment within the wider labour market. Although there is some attention to issues of labour demand through various business led initiatives such as the Government's City Growth Strategy and its initiatives to stimulate investment in under-served markets (HM Treasury, 2005), the predominantly supply-side approach assumes that localised concentrations of unemployment and worklessness are not the result of a lack of jobs within commuting distance of deprived neighbourhoods, but rather the result of a number of individual and institutional barriers preventing people accessing the jobs that are to be found. As such, it is closely associated with the welfare-to-work thinking of New Labour, as represented by its range of New Deal for the Unemployed programmes (PECK, 1999) and other employment initiatives targeted at the most deprived neighbourhoods, such as 'the Action Teams for Jobs' and the 'Working Neighbourhoods Pilots' run by Jobcentre Plus.

Interestingly, this supply-side orientation was as evident in the case studies from the former industrial northern regions as those from the more 'jobs rich' southern regions and took on various forms. Firstly, a number of supply-side measures focus upon improving

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employability and seeking to better equip local residents to compete for jobs where these are available. This involves the development of ‘soft skills’ (e.g. presentation, time-keeping, interview preparation), basic skills training, language training, and actions that seek to remove local barriers to work and improve access to jobs in the wider labour market, such as support for childcare provision. Examples of such initiatives can be found in both the ‘EB4U’ NDC programme in East Brighton and the West Ham and Plaistow NDC programme in Newham. Secondly, there are schemes that seek to actively link residents of deprived areas to new job opportunities in order to try to ensure that the benefits of employment growth flow to deprived neighbourhoods. These may involve local employers in job brokerage schemes, such as the Job Linkage programme run by Sunderland City Council, focused on the hardest to help such as the long-term unemployed and those on incapacity benefit. In a number of instances under such schemes local employers work with Jobcentre Plus and other local agencies to offer subsidised public transport travel and childcare costs and or agreements whereby residents from certain neighbourhoods are guaranteed job interviews. Thirdly, there are examples of sector specific schemes that seek to develop skills in areas of employment growth, such as in Oldham and Brighton where agreements have been drawn up with local construction companies to take a quota of recruits from deprived neighbourhoods. As is also evident from the evaluation of the national level NDC programme (CRESR, 2005), much of the thrust of recent local level economic initiatives has been on assisting those from deprived neighbourhoods to access jobs within the wider labour market, often requiring personalised, one-to-one outreach and delivery methods at the neighbourhood scale to stand any chance of being effective.

Regional and sub-regional interventions

With a strengthened tier of regional governance after 1997, and the formation of the RDAs in particular, economic interventions at the regional and sub-regional scales have become more important. This scale is seen as more appropriate to a number of areas of intervention, notably in relation to innovation and technological development, the attraction of inward investment, and the development and co-ordination of large scale physical investments (e.g. major business parks and transport infrastructure). Moreover, the sub-regional or city-wide level is commonly identified as the most appropriate in terms of addressing many labour market demand and supply issues relating to shifts in sectoral employment and changing skills needs. In particular, initiatives directed at influencing labour demand are best addressed at this level given that when generating new employment opportunities there is little evidence to support the case for targeting job creation specifically at the neighbourhood or local scales. This is because of the difficulties in attracting businesses to deprived areas as well as the problems of 'leakage' effects due to migration and commuting (NORTH *et al.*, 2003; GORDON, 2000).

Regional and sub-regional economic strategies within the case study areas all focus, to a greater or lesser degree, upon the development of a higher skill and higher wage economy, this being the route to improving regional economic performance and prosperity favoured by the RDAs. Typical of this is the regional economic strategy of the North East region's RDA ('One North East') which aims to create what it calls a 'knowledge intensive economy' through moving towards a 'high skills equilibrium', developing a number of globally competitive business clusters, and establishing a new entrepreneurial culture within the region. To quote from an interviewed One North East officer, "the thing the RDA can do with

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its limited resources is to get more jobs, more businesses, and more economic activity into the region, letting somebody else worry about who benefits from that and all the social issues.” However, such strategies prioritise the generation of the kind of jobs that those living in the region’s most deprived neighbourhoods are unlikely to be able to successfully compete for (i.e. in terms of qualifications, experience, social networks etc.), whilst geographically they are likely to be difficult to access from deprived neighbourhoods given preferred locations on business parks on the outer fringes of the urban area. These strategies have little or nothing to say about the need also to target some lower skilled and lower paid employment in some localities, despite their importance to residents of deprived neighbourhoods. This results in an evident lack of attention being paid at the regional and sub-regional scales to the kinds of jobs most appropriate to the needs of those living in deprived neighbourhoods, including consideration of how disadvantaged groups might gain access to the ‘better quality’ low and semi-skilled jobs in service sectors, such as those resulting from the expansion of public service employment (e.g. the non-professional grades in the health and social care sector).

Although one of the original objectives of the RDAs was to reduce economic disparities within their regions (Robson et al, 2000), their overriding concern has been the improvement of the region’s economic performance relative to European league tables. Various concerns have been expressed about the lack of commitment RDAs have shown to tackling the problems facing deprived areas. For example, the HOUSE OF COMMONS TRADE AND INDUSTRY SELECT COMMITTEE in 2003-04, noted that one effect of the replacement of the SRB by ‘Single Pot’ funding was to increase the RDAs’ commitment to business development at the expense of regeneration related activities. Similarly, a report by the National Association of Councils for Voluntary Service (LUCAS, 2004) claimed that

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3 most RDAs are focusing on economic issues to the detriment of both social regeneration
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5 and a more joined-up approach, whilst a report from the Cabinet Office recorded the lack of
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7 commitment shown by RDAs in promoting enterprise in deprived areas (CABINET OFFICE,
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9 2005). There is some indication that the RDAs are being pressurised by central government
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11 to give more attention to the needs of deprived areas; for example, to quote from
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13 Government guidance concerning revisions to Regional Economic Strategies, the strategies
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15 “should identify areas or communities with significant problems such as deprivation,
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17 inequalities and social exclusion and identify the main social, environmental and economic
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19 factors which underlie these issues” (DTI 2005: p.7).
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27 In terms of policy agendas there is thus clear evidence of differences in both the rationale
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29 and focus of policy interventions relating to economic development at the various spatial
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31 scales. A division of labour between an economic focus at the regional level and a social
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33 focus at the neighbourhood level is seen by some commentators as entirely appropriate, on
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35 the basis that local labour market adjustment occurs through job vacancies rippling through
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37 the regional labour market, and hence the neighbourhood focus should be on raising skills
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39 to make residents of deprived areas better able to compete for these jobs (CHESHIRE *et al*,
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41 2004; GORDON 1999). However, the persistence of pockets of deprivation in fast growing
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43 regions such as London and the South East suggests that the sectoral and occupation
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45 structure of much of the growth by-passes those living within deprived neighbourhoods.
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47 This suggests the need for a greater local economic development role to address demand
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49 side issues including job creation measures targeted at appropriate sectors and
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51 occupations within locations reasonably accessible to deprived neighbourhoods (TUROK
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53 and EDGE, 1999; TUROK *et al*, 2004).
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In policy practice, the difference in scalar focus is largely attributable to tensions and contradictions between the different policy agendas within central government, responsibility for which is variably devolved to different levels of governance. The Department of Work and Pensions remains heavily focused on a national supply side agenda and has moved only slowly towards a more decentralised approach partly through the need for the local delivery of welfare-to-work programmes. The regional tier relates particularly to the national economic competitiveness, growth agenda (principally driven by the Department of Trade and Industry), with greater emphasis upon demand-side factors, whereas the local and neighbourhood tiers relate principally to the social cohesion and neighbourhood renewal agendas (principally via the Department for Communities and Local Government) (see Figure 1). What this means in practice is that the economic needs of deprived localities and residents receive little attention at higher spatial scales where economic strategy development occurs and decisions about resource allocation are increasingly concentrated.

CO-ORDINATING AND INTEGRATING INTERVENTION BOTH ACROSS SCALES AND WITHIN LOCAL AREAS

Through analysis of the economic problems of deprived neighbourhoods within their wider local contexts, this paper contends that tackling the economic and employment problems of deprived neighbourhoods needs to be much better linked into wider local, sub-regional and regional economic development programmes than it is at present. Although strategies relating to the interrelationship between economic activities and labour markets are best conceived at the regional and sub-regional scales, more attention needs to be given in

these strategies to addressing the varied economic problems facing deprived neighbourhoods rather than assuming that the benefits of stimulating new business investment and creating new job opportunities will somehow automatically trickle down to residents of deprived localities. Successive evaluations of major regeneration projects demonstrate the limited economic and employment benefits that flow to residents of adjacent deprived neighbourhoods, in large part due to the failure of such schemes from the outset to identify and implement mechanisms that would achieve the often stated objective of benefiting deprived communities and neighbourhoods (LAWLESS, 1995; NEVIN, 1998; GORDON, 2000). Responding to such repeated failure indicates the importance of closer integration and co-ordination between the kinds of economic development functions carried out at different spatial scales as well as between supply and demand measures, strategic policies and effective delivery mechanisms.

The five case studies reveal a number of ways in which the current arrangements for achieving vertical and horizontal linkages between different levels of governance are deficient and limited in their effectiveness, although there are admittedly differences between them, relating to the role of local institutional arrangements and key local actors, as well as some examples where initiatives are being taken to achieve better joint working between different organisations. Firstly, there is an evident limited ability of neighbourhood based organisations to communicate their needs upwards. In all of the case studies, neighbourhood based organisations complained that they felt marginalised and distant from strategy formulation and decision making. A common complaint from community level organisations is a feeling their actions are peripheral and undervalued within the wider local economic strategies being pursued by local and sub-regional authorities. This was particularly evident with respect to some of the NDCs. For example, in Oldham the lack of a

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local economic strategy group as part of the LSP meant that neighbourhood level organisations had no wider strategy with which to articulate their activities. For their part, the local authority and LSP viewed the NDC as being ‘out on a limb’ and insufficiently integrated into local governance and management structures.

Secondly, particular weaknesses exist in terms of the structures at the sub-regional level, despite the sub-region arguably being the best spatial scale for bringing together those policies concerned with the demand side and the supply side agendas. Whilst the RDAs and the LSPs are now well established, sub-regional level organisations are more variable in the scope of their activity and their level of institutional development (FULLER *et al*, 2004). The weakness of the sub-regional level within the current institutional framework is a particular concern with regard to labour market policy, given that local labour markets largely operate at a scale above that of the local authority district and below that of the region. Thus for example in Mansfield, although the RDA (East Midlands Development Agency) established seven business-led sub-regional partnerships, the underdeveloped nature of the ‘Alliance Sub-Regional Strategic Partnership’ covering North Derbyshire and North Nottinghamshire limited its ability to take forward a sub-regional strategy. Consequently Mansfield District Council and the Mansfield Area Strategic Partnership (the LSP) were largely unable to link their actions into any clearly articulated sub-regional strategy. This is of some importance given the significance of the sub-regional level for key economic development issues, particularly those related to sites of future employment, enterprise growth and the improvement of skills and levels of productivity.

In contrast, a distinctive feature of the Sunderland case study was the existence of a well established sub-regional level partnership in the form of the five local authorities which

made up the Tyne and Wear Strategic Partnership (TWSP). Here, good levels of co-operation between the Tyne and Wear local authorities developed out of past actions related to EU programmes and inward investment attraction. This was built upon by the RDA through the adoption of a sub-regional model of organisation which devolved 75 per cent of its funds to four sub-regions, although this has been subsequently reduced. Whilst this sub-regional level of economic governance suits organisations like the Learning and Skills Council and Business Link which operate at this scale anyway, it does not fit well with the localised scale at which the voluntary and community sector operates. This sector lacks an infrastructure suitable for engaging at this scale and such uneven institutional capacities reinforce the lack of integration between economic development and social inclusion objectives at the sub-regional level.

Thirdly, a central government driven policy agenda means that key local delivery agents, such as Jobcentre Plus or Local Business Links, are focused on the delivery of centrally derived policies and targets, a system that provides limited ability, resource and motivation for such agencies to adapt to local circumstances. In all five case studies there was criticism of Jobcentre Plus for its seeming reluctance to become actively involved in regeneration partnerships and the inflexible way its services were being delivered, despite being the government's main agency for the delivery of welfare to work and other employment programmes targeted at the most disadvantaged in local labour markets. Whilst the economic needs of deprived neighbourhoods need to be given more prominence in the economic development strategies at the regional and sub-regional scales, evidence suggests that such strategies are only likely to be effective if they are rooted within an understanding of the particularities of deprived neighbourhoods and are owned and

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delivered by trusted actors based within the locality and operating with a degree of flexibility to adapt to specific local conditions.

Where greater integration and co-ordination has been achieved, evidence from a number of project evaluations indicates that residents of deprived neighbourhoods do benefit, particularly with regard to getting individuals living in deprived neighbourhoods who are out of the labour market into employment. Evidence from the major national evaluation of NDCs (CRESR, 2005) demonstrates that the requirement for Jobcentre Plus to be directly involved in NDCs has had positive results in getting people back into the labour market through promoting better linkages between national programmes and local populations and circumstances. In the case study areas too, more effective policy delivery was apparent where effective neighbourhood based organisations that were trusted by the local population were involved in delivery, and where central government services were developing 'outreach' activities. For example in Mansfield and Newham, there was evidence that Jobcentre Plus had become more involved in partnership working and in developing ways of delivering its services to deprived communities more effectively, alongside increased recognition of the need for employment advisers to work more closely with the residents of deprived neighbourhoods to develop appropriate employment skills, provide reassurance over fears relating to coming off benefits, and to ensure awareness of job and training opportunities. In seeking to encourage marginalised groups to engage with formal employment, therefore, delivery needs to be highly sensitive to local particularities, flexible, in order to adjust to these, and delivered by individuals and organisations which have a degree of trust and credibility.

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3 In their evaluation of employment strategies in Newham and Hull NDCs, SANDERSON *et al*
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5 (2005) identified greater effectiveness where the needs and aspirations of the local
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7 community, the expertise and interest of local agencies and evidence of local
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9 circumstances are brought together to make informed judgements about what is
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11 appropriate for the local community. Good relations and a consistency of strategy between
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13 the NDCs and the local authority is a key element here. However this evidence also
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15 suggests that developing such relationship and blending the interests of different
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17 stakeholders and deliverers of mainstream services, particularly with regard to bodies with
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19 a wider spatial remit, such as the LSCs and RDAs, remains a constraint on current strategy
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21 development. However there are examples where greater integration across spatial levels
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23 has been achieved to produce improved performance, often where strong partnership
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25 working and leadership comes together around larger, sub-regional regeneration projects.
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36 CONCLUSIONS

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41 This paper has argued that deprived neighbourhoods are part of the wider economic
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43 system and any dealing with them in isolation from this broader economic context risks mis-
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45 specifying their problems. Given that the economic problems manifested in deprived
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47 neighbourhoods are the result of processes of change taking place at higher spatial scales,
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49 policy interventions focused solely at the local scale, such as many of those pursued under
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51 the Neighbourhood Renewal agenda, are liable to be inappropriate and ineffective.
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53 Therefore, fundamental to tackling the economic and employment needs of those living in
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55 deprived neighbourhoods is to ensure that their needs and how to address them are
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57 incorporated into regional, sub-regional and local economic development strategies. This
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also requires addressing the current divide between strategy, which often deals at the spatial level of the region or sub-region, and local delivery, to ensure that those working in deprived neighbourhoods can incorporate the specificities of their areas within the strategy and policy development process.

Institutionally, such an approach requires a stronger orientation of local levels of governance (such as the LSPs), towards economic development issues, the development of stronger sub-regional, city-wide or regeneration project related partnerships and strategies that incorporate a clear focus upon the economic needs of deprived communities, alongside improved co-ordination and integration between a wide range of partners [5]. Yet the case studies demonstrate that the sub-regional level remains the least developed within the scalar development of New Labour's policies, even though it is arguably the optimal scale for economic management from a labour market perspective. The sub-regional scale provides the best chance to join up those agencies and policy initiatives operating at the local and neighbourhood scales concerned with tackling the problems of economic and social exclusion with those operating at the regional and sub-regional scales that are primarily concerned with the economic growth and competitiveness agenda. It is also the most appropriate scale for achieving effective co-ordination and integration between those responsible for strategy development and those responsible for making policy work at the local and neighbourhood scales. However producing more effective partnership working at this scale clearly represents a major challenge, not only because of the relative lack of strong institutional structures, but also because of the problems of getting a wide range of partners genuinely committed to delivering partnership objectives towards deprived neighbourhoods and communities rather than their own more narrowly focused organisational objectives.

As well as the need to address these weak links in the current governance structures, this paper has illustrated the tensions between current demand and supply side approaches and the need for a better balance between such interventions and more consistent policy measures across spatial scales. This is particularly evident with regard to the gap between the jobs that are currently being created and the employment needs of those living in deprived neighbourhoods. Notwithstanding the question of there still being insufficient numbers of jobs in many former industrial and coalfield areas, there is also the issue of the quality and suitability of many of the new jobs that are being generated within commuting distances of deprived neighbourhoods. Whilst capital is relatively mobile, labour is much less so, restricted by housing costs, transport and existing social networks. In terms of getting residents from deprived neighbourhoods into employment, greater attention needs to be given to the types of employment that are being created within the local economy. Residents from such areas are unlikely to be able to compete for the more highly skilled jobs typically prioritised by regional economic strategies. Conversely, very low wage and unstable employment in many of the low value added services reinforce low expectations and aspirations and provide little or no incentive for the unemployed and economically inactive to move off of benefits. Therefore, a key issue for policy development is how to generate a wider range of jobs, particularly semi-skilled jobs, including working more closely with employers to reduce discrimination and provide greater opportunities for training and career progression within different service sectors and public sector organisations. This needs to be addressed both in terms of national level labour market policies and more centrally within regional and sub-regional economic development strategies than it has been hitherto.

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NOTES

- [1] In this paper the term deprived neighbourhoods is used in line with current English government definitions where such areas were defined initially at ward, and latterly at Super Output Area, on the basis of the Index of Multiple Deprivation (2004). This is based on the measurement of seven dimensions of deprivation, namely: income; employment; education, skills and training; housing and services; crime; and living environment.
- [2] Results reported in this paper are taken from research completed in 2004 for the Government’s Neighbourhood Renewal Unit entitled ‘The Dynamics of Local Economies and Deprived Neighbourhoods’ (NORTH and SYRETT, 2006). The views expressed in this paper are those of the authors and are not necessarily those of the Government.
- [3] For each case study location the research combined a review of the existing literature and evidence base with primary research on the relationship between local economic development and neighbourhood renewal. As well as analysing changes at the district scale, the research focused on two of the most deprived wards in each case study area in order to highlight the specificities of deprived neighbourhoods and differences between them in terms of their economic contexts (e.g. city centre fringe locations compared to outer housing estates) and their spatial dynamics (e.g. changes in local economic structures and local housing markets). The deprived neighbourhoods selected comprised: for Mansfield:

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3 Northfield and West Titchfield; Sunderland: Hendon and East End; Oldham: Hathershaw
4 and Fitton Hill; Brighton and Hove: East Brighton specifically Saunders Park and North
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6 Moulsecoomb and Newham: Beckton and Green Street.
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12 [4] Results presented in the following sections draw upon the analysis of economic
13 development and neighbourhood renewal strategies and policies and semi-structured, face-
14 to-face interviews with a number of 'key actors'. These interviews provided insights into the
15 workings of governance arrangements at various spatial levels with regard to the economic
16 aspects of neighbourhood renewal. The selection of key actors was specific to each case
17 study, but included: those with responsibility for economic development at the regional, sub-
18 regional and local levels (i.e. within RDAs, sub-regional partnerships, and local authorities);
19 members of local strategic partnerships; representatives of private sector organisations;
20 representatives of key public sector organisations (e.g. Learning and Skills Councils;
21 Business Link Operators; Jobcentre Plus); neighbourhood managers and community
22 workers; and other key local stakeholders.
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41 [5] The authors are currently conducting research (funded by the Joseph Rowntree
42 Foundation) which considers how emerging governance structures at the regional and sub-
43 regional scales are impacting on the economic and employment needs of those living in the
44 most deprived areas. This involves identifying effective partnership working across various
45 spatial levels of governance as well as effective integration between the pursuit of improved
46 economic performance and greater economic inclusion.
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Table 1: Rankings of five case study local authority districts on index of multiple deprivation within England (2004)

LOCATION (REGION)	AREA TYPE	LOCAL AUTHORITY DISTRICT SCORE (Worst SOA* within district))	LOCAL AUTHORITY DISTRICT RANK (OUT OF 354 NATIONALLY) (Worst SOA rank out of 32,482 nationally)
Brighton & Hove (South East)	Coastal	25.68 (64.53)	83 (569)
Mansfield (East Midlands)	former coalmining /manufacturing	32.53 (72.14)	33 (213)
Newham (London)	inner city	40.41 (66.94)	11 (433)
Oldham (North West)	manufacturing	30.73 (78.88)	43 (37)
Sunderland (North East)	former coalmining /manufacturing,	34.24 (76.34)	22 (98)

*From 2004 the IMD was published for Super Output Areas which are aggregates of Census Output Areas. The data relates to the lower size of SOAs which have an average of 1,500 people.

Source: ONS

Table 2: Sectors experiencing the largest employment decline in case study areas, 1997-2004

Sectors ranked by absolute decline with percentage decline in parenthesis

BRIGHTON	MANSFIELD	NEWHAM	OLDHAM	SUNDERLAND
Post & telecommunications -1,766 (-52.3%)	Manufacture of textiles -710 (-66.5%)	Financial intermediation -1,612 (-87%)	Manufacture of machinery and equipment -1,414 (-48.2%)	Manufacture of wearing apparel -1,747 (-89.5%)
Insurance & pension funding -1,685 (-46.5%)	Manufacturing of food & beverages -630 (-81.4%)	Computer and related activities -601 (-55.1%)	Manufacture of textiles -1,408 (-55%)	Manufacture of machinery and equipment -1,624 (-61%)
Financial intermediation -806 (-14.1%)	Manufacture of furniture -547 (-60.7%)	Manufacturing of food and beverages -466 (-22.7%)	Hotels and restaurants -1,381 (-26%)	Manufacture of radio, television and communication -1,290 (-78.8%)
Sewage & refuse disposal -641 (-84.1%)	Tanning and dressing of leather -414 (-99%)	Manufacture of wearing apparel -440 (-64%)	Manufacture of medical instruments -1,061 (-69.4%)	Manufacturing of food and beverages -1,060 (-56.4%)
Construction -541 (-18.7%)	Manufacture of fabricated metal products -393 (-40.3%)	Post and telecommunications -426 (-20.1%)	Manufacture of other non-metallic mineral products -751 (-90.6%)	Land transport; transport via pipelines -987 (-33.6%)

Source: Annual Business Inquiry

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Table 3: Employment rates for those of working age in case study areas, 1997-2002

	2000/01	2001/02	2002/03	2003/04	2004/05	Average
Brighton and Hove	71.3%	75.1%	76.8%	78.1%	75.9%	75.4%
Mansfield	68.0%	71.3%	68.5%	64.9%	72.7%	69.1%
Newham	50.5%	54.0%	52.7%	52.4%	55.6%	53.0%
Oldham	68.6%	72.2%	73.5%	73.4%	71.9%	71.9%
Sunderland	65.8%	65.9%	67.0%	66.0%	68.5%	66.6%
England	75.2%	75.1%	75.0%	75.0%	74.8%	75.0%

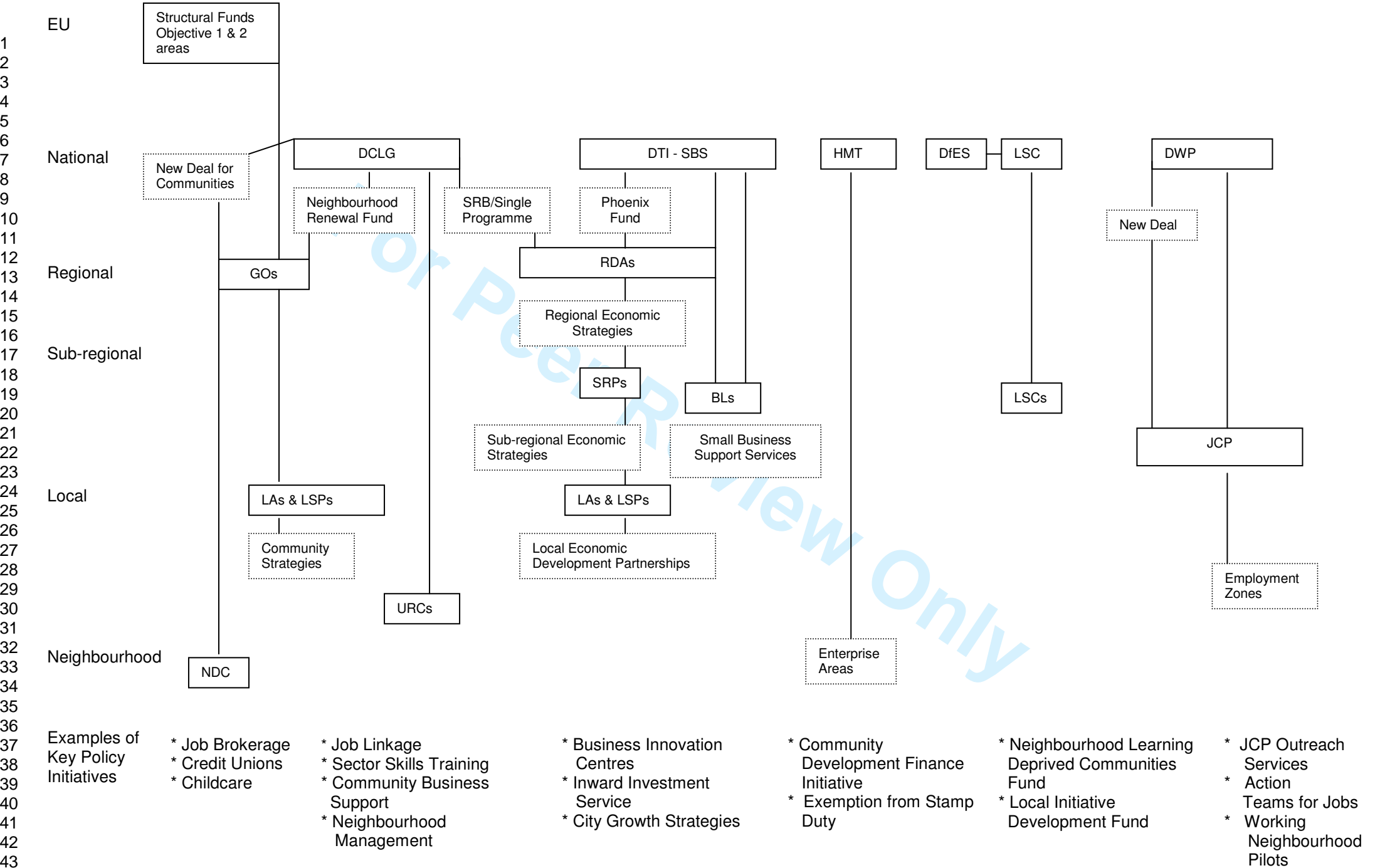
Source: DWP

Table 4: Sectors experiencing the largest employment growth in case study areas, 1997-2004

Sectors ranked by absolute growth with percentage growth in parenthesis

BRIGHTON	MANSFIELD	NEWHAM	OLDHAM	SUNDERLAND
Other business activity 4,786 (39%)	Retail trade 1,630 (34.1%)	Other business activity 3,847 (84.3%)	Retail trade 5,501 (67.9%)	Public administration and defence 3,739 (73%)
Retail trade 3,259 (28.1%)	Other business activity 863 (35.2%)	Retail trade 2,401 (36.1%)	Health and social work 3,175 (52.5%)	Retail trade 2,797 (25.8%)
Hotels and restaurants 3,109 (37.6%)	Construction 766 (35.6%)	Education 2,249 (44.2%)	Other business activity 2,973 (92.8%)	Other business activity 2,207 (27.1%)
Education 3,026 (26.1%)	Public administration and defence 546 (29.9%)	Public administration and defence 2,000 (59%)	Construction 816 (19.8%)	Education 2,117 (26.3%)
Health and social work 2,715 (20.2%)	Education 369 (11.2%)	Construction 988 (46.5%)	Education 744 (10.7%)	Health and social work 1,633 (12.7%)

Source: Annual Business Inquiry



Abbreviations for Figure 1

BL	Business Link
DCLG	Department for Communities and Local Government
DfES	Department for Education and Skills
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
GO	Government Office
HMT	Her Majesty's Treasury
JCP	Job Centre Plus
LA	Local Authority
LSC	Learning and Skills Council
LSP	Local Strategic Partnership
NDC	New Deal for Communities
RDA	Regional Development Agency
SBS	Small Business Service
SRP	Sub Regional Partnership
URC	Urban Regeneration Company

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Figures

Figure 1: Levels of Governance relating to Economic Development and Neighbourhood
Renewal in England

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