

# What Works Centre for Local Economic Growth

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what works centre for  
local economic growth

# What I'm going to talk about

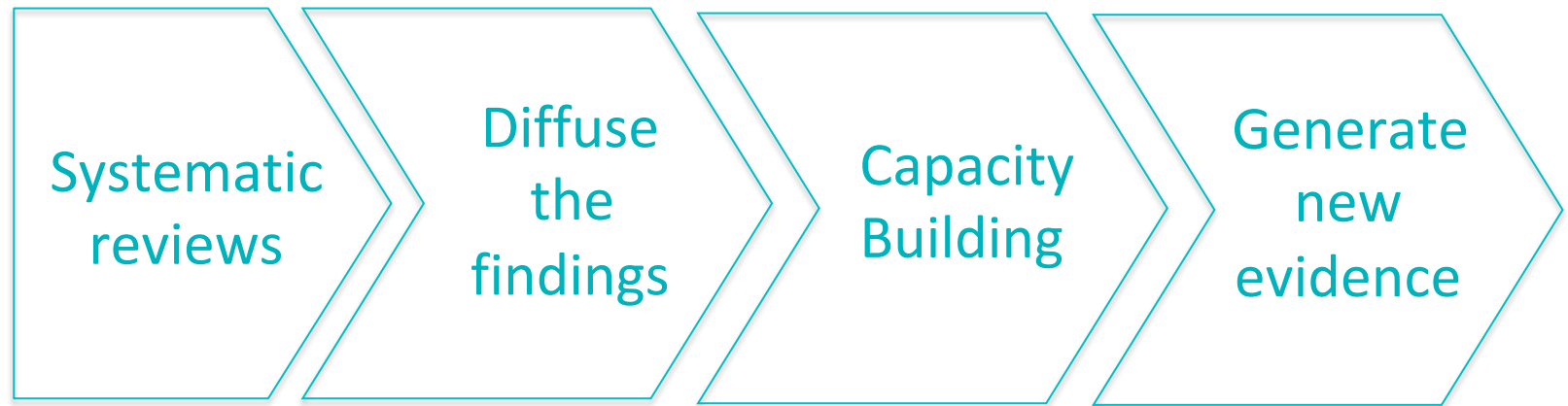
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- WWC background and basics
- Approach to policy evaluation
- The WWC offer
- Example: Tech accelerator impact evaluation

# WWC Local Economic Growth: the setup

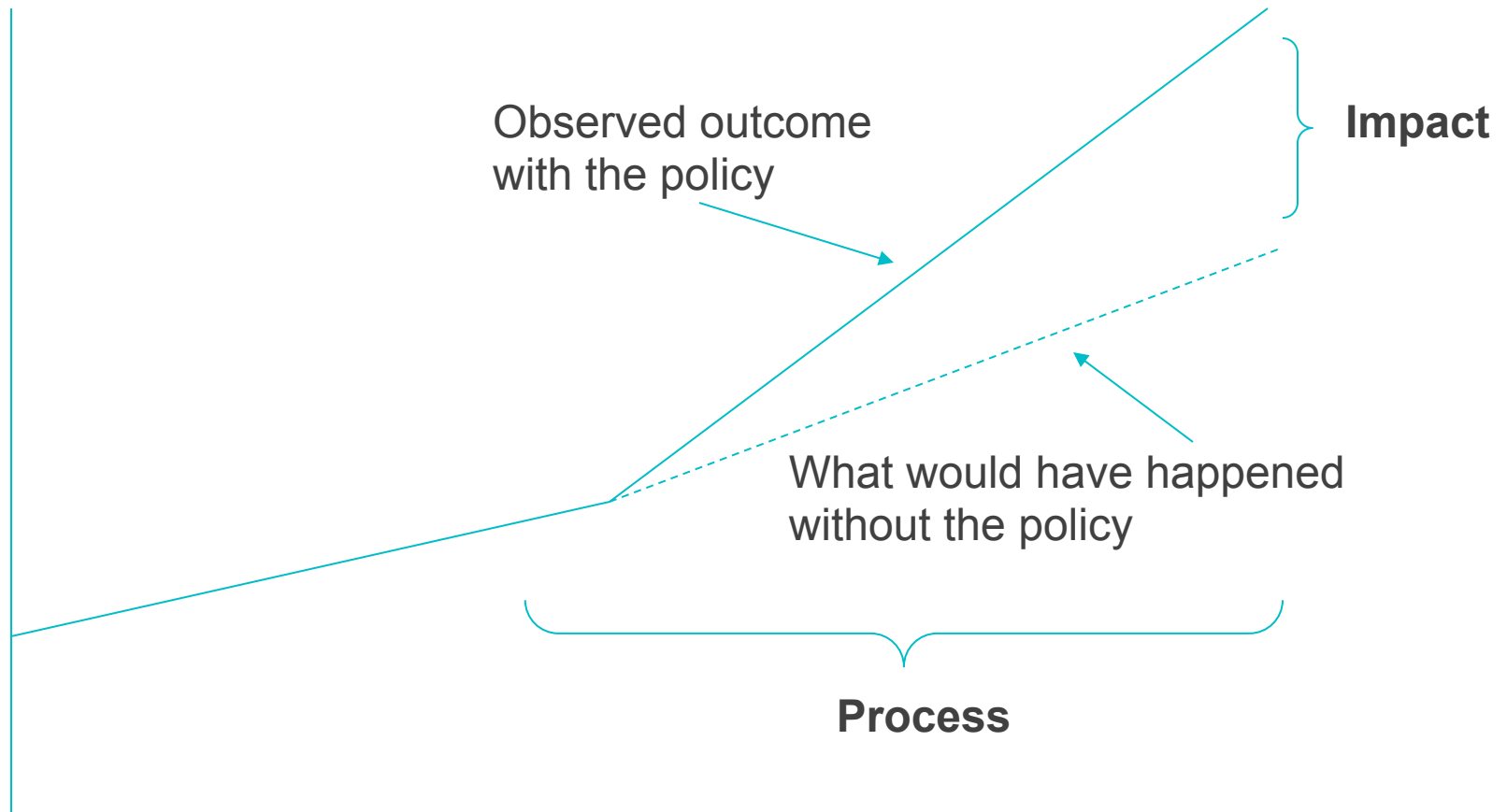
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- Part of the What Works Network, established 2013
- Seven centres: Health, education, crime, ageing, wellbeing, early intervention, local economic growth
- Affiliate centres in Scotland and Wales



# What do we want to know?

Outcome



Time

# Our approach

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- **Focus on impact evaluation > process evaluation**
- Why? Biggest existing **knowledge gaps, policy gaps**
- For example, challenges in **innovation policy**: selection, unobservables, additionality, feedback, wider policy mix ...
- Three-stage process, from 2013-2017
  - **Evidence reviews**: focus on aggregate impacts [what]
  - **Toolkits**: focus on detail of policy design [how/who]
  - **Pilots**: design, deliver best-fit for a local policy [all of above]

<http://www.whatworksgrowth.org/policy-reviews/>

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# Standards of (impact evaluation) evidence

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- Use the **Maryland Scientific Methods Scale (SMS)**
- Scores from 1-5. 1 = basic cross-section or before / after. 5 = RCT.
- **Evidence reviews:** robust studies score SMS3 or above [*diff in diff or panel data*]
- **Toolkits:** robust studies score SMS2 or above [*cross-section or before/after with controls*]
- **Pilots:** aim for the best feasible design for the policy [*typically SMS3 or above is achievable*]

<http://www.whatworksgrowth.org/resources/scoring-guide>

# Policy instruments for innovation

Policy instrument	WWC coverage
R&D grants, loans, guarantees	Yes
Block grants	Yes
R&D tax incentives / credits	Yes
Training & co-ordination	Yes
Access to / provision of research infrastructure	Ongoing
Prizes	Ongoing
Policy mix	Ongoing
Scholarships	No
Norms, standards, regulation	No

# Reviews and toolkits: innovation

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- **Evidence reviews**
  - R&D grants and loans
  - R&D tax credits
  - Broadband
- **Toolkits**
  - Incubators, accelerators
  - Mentoring, consulting, training
  - Ongoing: mission-focused R&D, entrepreneur training, scientific infrastructure, university third mission, support for high-growth firms ...

<http://www.whatworksgrowth.org/policy-reviews/>

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# Toolkit infographics: innovation

## Accelerators

Accelerators are business support programmes that provide short term, intensive packages of support to startups. Programme entry is highly competitive

What do they aim to do?

Help startups and young firms grow through short term, intensive support provided on a competitive basis'

How secure is the evidence?



How much do they cost?



How effective are they?



## Incubators

Incubators are business support programmes that provide co-working plus business support to startups. Firms typically pay to join.

What do they aim to do?

Help startups and young firms grow through co-working plus business support, provided on a rolling basis.

How secure is the evidence?



How much do they cost?



How effective are they?



## Subsidised Consultancy

Subsidised consultancy programmes provide grants or vouchers to firms or entrepreneurs that cover all or part of the costs of private consultancy services

What does it aim to do?

Improve firm performance and increase number of start-ups

How secure is the evidence?



How much does it cost?



How effective is it?



# Capacity-building: How to evaluate guide

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## START EARLY

Evaluation is cheaper and more effective if it is intergrated into project design



## DEFINE SUCCESS

Employment and productivity are good measures of local economic growth



## WHAT TO EVALUATE?

Do you want to focus on overall effects or on what works better



## FIND A CONTROL GROUP

Demonstrate your project's impact by comparing participants with similar groups that have not been involved



## COLLECT DATA

Keep track of who participates and what happened to them before and after participating



## HOW LONG?

Short evaluations won't capture all the effects, but longer ones are more expensive



## PLAGIARISE!

Use previous evaluations as templates



## GET EVERYONE ONBOARD

Give delivery partners clear instructions about what type of evaluation is acceptable

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# Capacity-building offer

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- Evidence scoring guide: <http://bit.ly/1ZW2BXL>
- Case studies: <http://bit.ly/2D5Jlqo>
- 'How to evaluate' 8-point guide: <http://bit.ly/1IXdX0d>
  
- Design and evaluation workshops: <http://bit.ly/2FvZFio>
- Brexit project: <http://bit.ly/2DqLPgA> and <http://bit.ly/2AThrJ6>
- Industrial strategy support, including BBC Manchester study
  
- **Demonstrators:** ≥ 6 local pilots, another 11 being developed
  - Help local actors design, deliver, evaluate new policies
  - Learn from local interventions
  - Details: <http://www.whatworksgrowth.org/about-us/pilot-projects/>

# Pilot: Tech accelerator evaluation

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- **Why?** Popular form of business support. Big policy interest, especially from local government and universities
  - **Description:** impact evaluation of a leading UK accelerator programme. Applicants are assigned scores by industry experts, best firms are selected
  - **Design:** RDD, comparing outcomes for firms just above / below the cutoff to ensure like-for-like comparison
  - **Findings so far:** treated firms are younger and poorer; participation raises chances of getting external finance, £ amount, # investors
  - **Issues:** need to match data from provider, administrative sources (Companies House), web (Crunchbase, LinkedIn)
  - Next steps:
    - Add more cohorts
    - Look at other outcomes
    - Look at why / how / who (programme elements, different firm types)
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# Questions for discussion [PC]

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- 1) Do different policy areas generate a demand for different evaluative approaches? Is there a generic set of methodologies that are more appropriate for certain policy areas rather than others? Is there really such a thing as an evaluation toolkit?
- 2) Has there been any evidence of learning between the evaluation activities of different policy areas?
- 3) Is there consistency in the way impact is defined across different policy tools and evaluations, or is there a focus on short-term performance metrics (uptake, programme management, user-satisfaction) rather than longer term economic and socio-economic outcomes?
- 4) Is the work exploring the effect of various instruments on a single type of actor (for example, a start-up, a medium-sized enterprise or a large company), or on actors from a specific sector (e.g. high-tech manufacturing, services, etc.)?
- 5) What new approaches have been generated at the local level?
- 6) What lessons have been learned about policy design or the use of big data approaches?

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# Extras

# Events and Contacts

## Government

20 departments, agencies, and networks

## Private sector

49 companies

## Councils

95 authorities, plus LGA, Core Cities, County Councils Network

## Think tanks & civil society

46 organisations

## LEPs

38 out of 39, plus LEP Network and LEP Chairs

## Academics

20 Universities



The Centre has had personal contact (which we define one-to-one briefings, presentations to groups, or attendance at one of our events) with over 300 professionals representing our target audience: Local Authorities, LEPs, government, academics, and those who advise them.



# Firm-based policies

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- **R&D grants and loans**
- Stronger impacts on reported innovation than on patents
- 7/16 studies find positive effects on wider firm performance
- Impacts stronger for SMEs, and for programmes that emphasise collaboration (e.g. FP7)
  
- **R&D tax credits**
- Very effective at raising R&D spend
- Little evidence on downstream economic impacts (as yet)
- Impacts stronger for SMEs

# Firm-based policies

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- **Business advice**
- More consistent effects on productivity than jobs
- Hands-on / face to face > light touch / online
- But we don't have decent info on value for money
  
- **Access to business finance**
- Impacts on productivity / wages / jobs in 50% of cases
- Effective at dealing with credit constraints
- But loan guarantees increase default risk

# Area-based policies

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- **Broadband (fixed line, not mobile)**
- Positive economic effects in 14/16 cases
- But targeted on services, skilled workers, urban places
- Important that firms combine IT with management changes
  
- **Transport**
- Economic gains from road and rail projects
- Productivity effects and property price gains
- Lack of good evidence on light rail, cycling, walking

# What have we learned?

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- **Overall success rate = 50%**
- **Effect sizes aren't always very large**
- This isn't surprising when we think about what local economic growth policies are trying to do
- **Example:** active labour market programmes are often working with 'hard to help' clients
- **Example:** the majority of firms do not use state business advice programmes; they ask friends, family, colleagues and e.g. accountants for advice (CEEDR 2011)

# What have we learned?

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- **Success rates vary on key outcomes** like employment
- Active labour market programmes and apprenticeships are pretty good for raising employment.
- Firm-focused programmes, not so much. But firm-focused policies can help raise innovation, sales & profits
- **Why does this matter?** Many policies have multiple objectives (e.g. 'raising our game'). We need more clarity on what programmes want to achieve, and how

# What have we learned?

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- **Targeting matters.** For example: broadband's economic impacts are higher for SMEs; skilled workers; urban areas
- On the other hand, targeted business advice programmes do no better than generalist programmes
- **Economic vs social rationales.** Some programmes are pitched as economic wins, but actually deliver social wins (estate renewal, sports and culture). Broadband is an economic development tool – but isn't it also a public utility?