Delivering ‘local economic development-by-project’: The role of Human and Social Capital

Carlos Ferreira, Jennifer Ferreira, Kevin Broughton, Stewart MacNeill & Kate Broadhurst
Outline

▪ The changing context of local economic development

▪ Research framework
  ▪ The role of Human Capital and economic development
  ▪ The role of Social Capital and economic development
  ▪ Making it happen: Street-level Policy Entrepreneurship

▪ Research approach
  ▪ Context: Local economic development in England
  ▪ Methods

▪ Findings

▪ Discussion
The changing context of local economic development
Local governance is changing

- Ongoing changes to territorial governance and spatial planning systems
  - Less legal authority to plan and implement
  - Reduced funding, especially post-2008 financial crisis
  - Growing number of stakeholders (businesses, universities, NGOs, civil society groups, etc.)

- Focus on the institutional capacity to build broad circles of cooperation with diverse stakeholders

- Uncertainty about implementation of central and local economic development policy

- Practitioners working in local authorities expected to navigate and deliver economic development policy
Promoting ‘local economic development-by-project’ in English local authorities

- Governance in England is strongly centralised, despite waves of localism and devolution

- Austerity post-2008 financial crisis
  - Reduced funding, reduced internal capacity and capability

- Unstable institutional agreements
  - Weak regional governance level
  - Focus on functional geographies

- Local authorities increasingly pursuing a ‘local economic development-by-project’ model:
  - Sector-specific
  - Competitive tender-funded
  - Time-limited, no guaranteed follow-up
  - Involve unstable cooperation amongst differing groups of stakeholders
Problem, research questions, approach

▪ Research problem
  ▪ How are local authorities delivering economic development in the unstable, ‘local economic development-by-project’ model?

▪ Research questions
  ▪ How are local authorities making up for reduced financial investment?
  ▪ What is the nature of the processes involved in implementing government policies locally?
  ▪ What challenges do local authorities face in developing cooperative institutional arrangements?

▪ Approach
  ▪ Case study of how an English city’s local authority is implementing ‘local economic development-by-project’
Human Capital and economic development

▪ Human Capital (HC): Individual attributes which can be utilised as productive resources (OECD, 2001)
  ▪ Examples of attributes: Education, skills, character, personality, resilience, (tacit) knowledge

▪ HC considered a critical factor in organisational effectiveness (Agranoff, 2008)

▪ Local Authorities possessing highly educated people, who exhibit organisation-specific competencies and experience, have better financial performance than those without (Carmeli, 2004)

▪ These specific competencies cannot easily be replicated
Social Capital and economic development

- Social Capital (SC): Features of social life (networks, norms, trust…) which enable participants to act together more effectively to pursue shared objectives (Putnam, 2000)

- **Bonding SC**: Connections amongst similar types of persons
  - Individuals from the same class, ethnicity, background, or who share interests

- **Bridging SC**: Between individuals who belong to different groups
  - Links substantial separate sectors of the community and spans social cleavages

- Bridging SC enhances cooperation and trust, and is likely to be a determinant of public service performance and outcomes (Andrews and Brewer, 2010; Guiso et al., 2011; Percoco 2016; Putnam, 1995)
Making things happen: Street-Level Policy Entrepreneurship

- Policy windows are open by coupling three streams: problems, politics and policies (Kingdon, 1995)

- Policy entrepreneurs: individuals who act as facilitating agents in the coupling process and thus help to open policy windows (Exworthy, 2002)
  - Invest personal resources (time, goodwill and reputation) to advance a particular issues

- At local level, front-line (street-level) bureaucrats don’t just implement strategies; they adapt them (Lipsy, 1980; Arnold, 2015)

- Articulate strategies to enable them to build relationships with the community (Durose, 2011)
Research framework

- Social Capital
- Human Capital
- Street-Level Policy Entrepreneurship
- Local Economic Development
Research Approach
Methods

▪ Nested Case Study approach
▪ 2 automotive sector projects, part of the Coventry Future Transport Strategy
▪ Document analysis
▪ Institutional mapping
▪ 24 Stakeholder interviews
Electric Taxis

- Plan to install a number of Electric Vehicle (EV) charging points for taxis in Coventry city centre
- Competitive grant from the Office for Low Emission Vehicles: £14m
- West Midlands share: Birmingham (£2.9m), Coventry (£1.2m), Wolverhampton (£478,000)
The UK Autodrive project

- Project aims to:
  - Increase public awareness of autonomous vehicle and connected car technologies
  - Enable cities to understand how to benefit from automated transportation
- Funded by Innovate UK, match-funded by automotive industry
Making up for investment

- Deliberate policy focus on social capital to access resources, substituting for reduced financial capital
  - Networks, connections, attempts to build trust

- Stock of social capital is strongly embedded in individuals
  - Specific individuals in local authorities hold stocks of social capital through experience and trust

- Some of the social capital available is of the bonding type
  - Many of the relationships are among bureaucrats and technocrats

- Evidence of some bridging social capital as well
  - Council practitioners looks outwards, to other non-council organisations
  - It provides practitioners with access to resources otherwise not available inside their organisation

- Contrary to the research framework, the case study suggests social capital does not seem to result in policy entrepreneurship
Local implementation of government policy

- Implementation of local economic development policy has been housed in specific departments within local authorities
  - This often causes organisational silos, hinders implementation

- Specific key individuals in local authorities can ‘make things happen’
  - They can also keep the policy windows open

- Street-Level Policy Entrepreneurs look for new ways to keep connections open across and within organisations
Challenges in the development of cooperative arrangements

- Ongoing loss of human capital affects policy entrepreneurship, reduces existing stock of social capital
- Fleeting nature of ‘development by project’ provides disincentives to accumulating social capital
- Local authorities cooperate, but sometimes do not know how to capture wider strategic value for the local area
Discussion
Difficulties of the ‘local economic development-by-project’ model

- Projects sometimes driven by funders’ and industry partners’ preferences, not the local authorities’ strategic priorities for LED
- No time to develop and accumulate social capital
- Substitution of social capital for human capital made difficult by low staff retention and career progression in local authorities
- Risk that the prevalence of ‘bonding’ social capital may create blind-spots in local development policy, by focusing on the wishes of specific groups
Avenues for cooperation in the ‘local economic development-by-project’ model

- Human and social capital in local authorities are deeply connected, and embedded in a small number of individual bureaucrats
- Need for policies which promote retention and career progression of economic development bureaucrats in local authorities
- Successful cooperation should involve other groups from civil society