planning and job creation – alternatives to the standard menu

Planners and planning consultants can play a constructive role in employment creation, but fine-grained and low-profile approaches are more likely to offer better value for money than some of the standard approaches taken in the recent past, often underpinned by little knowledge of what might work where and why, says Michael Beaman

I am not a planner. Rather, I have been involved in physical regeneration in one form or another for over 25 years, as a corporate developer, running public agencies, and most recently as a consultant. During that time the emphasis has shifted from public housing to jobs to 'urban renaissance' and latterly to housing growth. Now unemployment is rising up the priority list once again – which is good: regeneration should focus on deprivation, and it is clear that getting a job is the best way out of poverty while losing a job is the quickest way into it. But public funding for tackling joblessness now looks even more constrained than it was in the Thatcher era. There is a real need to do more with less. How well do local planning authorities acquit themselves in this respect?

The menu of policies that crop up most frequently in local visions, masterplans and economic development strategies includes clusters, science parks, high-tech schemes, and innovation and business centres. Yet there is little objective evidence that these schemes should be relied on to provide extra jobs in proportion to the sums invested in them. The Regional Development Agencies (RDAs) and now the Local Enterprise Partnerships (LEPs) provide (or provided) a counterbalance of sorts, but while the former were certainly more strategically sophisticated this did not always manifest itself in a thorough search for value for money in their investments in development schemes.

Part of the problem arises from a tendency towards confirmation bias in an arena in which propaganda and hype, posturing as good practice guidance, are endemic, while little effort is made to study genuine research – which is, in any event, difficult to access, thanks in part to the wiles of the academic publishers. Even the terminology is unhelpful. It is reported that jobs are 'created'. In truth, they are usually just moved around.

> **'There is little objective evidence that these schemes should be relied on to provide extra jobs in proportion to the sums invested in them'**

Planning consultants do not seem to do much better, often lazily fishing from the same pool of hackneyed project ideas. I recall a scheme for a major urban extension in Northern England which it was proposed should be underpinned by the 'creation' of over 1,000 new jobs. The masterplan designated a 'science and high-tech park', notwithstanding the fact that the area was a commercial research and technology desert with no supporting soft infrastructure. As an alternative a supposed expert from one of the major surveying practices could only suggest a farmers' market.

In all likelihood the truth was that the difficulty in creating jobs meant that the houses should not be built there in the first place. But if that was a done deal, then in the absence of massive public sector support for economic development, the most effective form of employment creation might well have been simply selling serviced sites for peanuts; thus solving the local problem by using public money to bribe employers to invest there rather than in some other – and perhaps equally needy – location. Where is the strategy there?

Let's look at a bit of the detail of the standard menu, starting with the small-scale stuff.

Economic development strategies seem to have a fetish for workspace and, at the glamorous end of spectrum, for innovation centres. I wonder how much innovation goes on in the latter that would not have happened without them? I don't know – but, sadly, having trawled the research, I suspect that no-one does. So investing in them requires a leap of faith. While it is clear that real cutting-edge stuff goes on in some innovation centres, and particularly in those associated with a top university, in others most of the occupants seem to be involved in quotidian activities. Maybe that is OK, and of course innovation can be about the way business is done as well as inventing gismos. But is that the point?

Above

The Whitelakes innovation centre, Whitehaven

The policy logic of investing in space for small businesses is usually either that the small firms might grow or that there will be 'trickle down' or 'spin off' or something equally vague. Believe it if you will. But I have found that the idea that such spaces have any wider impact on local unemployment, either directly or indirectly, represents a triumph of hope over experience. I have unsuccessfully looked for research that convincingly contradicts this view, and wish I could claim the opposite for my own schemes, but I cannot. In any event, what is the strategic basis for prioritising subsidy for firms that need cheap high-quality floorspace over those that do not? Most small business do not need or use space in new business or innovation centres. There are a myriad other ways of accommodating their needs.

From a developer's point of view, building space for small firms is a nightmare. Compared with a standard scheme, you need more circulation and communal space along with more partitions, individual utility connections and services. These are provided to firms that are less reliable rent-payers. You are often competing in a market in which publicly subsidised competition reduces rents and in which a limited number of investors want a premium return to take on a management-intensive role. The result is that they are often worth less than they cost.

'The policy logic of investing in space for small businesses is usually either that the small firms might grow or that there will be 'trickle down' or 'spin off' or something equally vague... The idea that such spaces have any wider impact on local unemployment, either directly or indirectly, represents a triumph of hope over experience'

Most of the grant-funded business centres are relatively small-scale freehold schemes offering a wide menu of facilities and services. It is instructive to compare this approach with the business models used by private operators. The biggest of them focus on buildings converted to a basic specification (for example Workspace Group, with 5 million square feet or more of property) or higher-quality leased buildings with a much more flexible arrangement of space (for example Regus, with 34,000+ 'workstations' in the UK). In both cases, the average property size is larger than the publicly funded equivalent so there are economies of scale. The menu of facilities and services is more finely judged.

Moving up the project size scale, you encounter aspirations for science, high-tech and other themed large-scale developments. It is very difficult to pin down exactly what these terms mean in practice. For instance, what is a high-tech scheme? Does it comprise high-tech companies or high-tech activities? There is a big difference. Many 'high-tech companies' operate screwdriver plants or 'back office' operations, while some logistics or sunset industries will use sophisticated robotic equipment to compete. How many strategies recognise that?

Science parks seem to attract suitable occupiers willing to pay a sensible price where they are associated with a world-class research facility. Elsewhere, the adoption of the label presumably means turning away potential employers in pursuit of an unrealistic idea of the value attributed by business to the potential of what goes on in the local higher-education institution. In this connection, it is frequently suggested that a specialised development scheme should add value for the developer, but in fact this is rarely true. Anything that shrinks the potential market for the buildings increases the letting risks for both the developer and subsequent investor. And if special features are added there is the added risk that they will not be used and will prove to be a waste of money.

My own experience is that investors seldom reward you adequately for building in flexibility to buildings. You might think that is short-sighted of them, but in this arena it is their money, so they make the rules.

Some research confirms my own experience that while technology companies need the right building, most do not need it to be on a special development. They might benefit from connections with a research establishment, but this does not imply walking distance! In fact there aren't many firms who need specialised but speculatively built premises (there are exceptions, and Cambridge has a sub-market for laboratory space). While any sizeable firm will contribute some jobs to the local employment pool, incomers will need to attract and retain key people. But how many masterplans and policies have focused on providing the type of housing and amenities wanted by highly paid employees of potential inward investors?

An aspiration for these specialised developments sometimes springs up as a cornerstone of a plan to create a business cluster. This too is problematic. It is clear that businesses sometimes find it beneficial to locate alongside their peers. But, while acknowledging the role of local advantages, many of the 'cluster' strategies that I have seen in recent years make the huge jump to assuming that clustering works on any scale and for all sorts of businesses in all sorts of places.

Wolverhampton City Council

Above

Buildings within Wolverhampton Science Park

There is serious research on this topic. It suggests that clusters can form at national, regional or local levels depending on the sector; that the benefits of clustering are specific to certain activities; that companies in some spheres of activity can be negatively affected by proximity to peers; and that others are 'clustered' internationally around linked airports. For many others it simply does not matter. In particular, many aspirational cluster policies ignore the importance of established support networks, or at least assume that in this respect the cart can precede the horse. All of this suggests that clusters cannot be willed into existence by a planners' fiat.

The 1999 Sainsbury Report on Biotechnology Clusters[1] provides some interesting insights. It points to all manner of potentially positive public interventions, some of which seem to have been taken on board by the RDAs, but it primarily views local planning as a constraint. (Ask yourself what role planners played in the creation of the 'Cambridge Phenomenon' or, more recently, the East London 'Tech City' based around Old Street Roundabout; some of the creative industries clusters appear to have grown up precisely where prescriptive planning policies are least evident.)

All these types of initiative crop up over and over again in plans and strategies. While I do not claim that every one of these projects is a waste of money, I do believe that there are grounds for scepticism about whether they are cost-effective panaceas. It sometimes looks as if they are the employment creation tools of last resort, rolled out

Above

The garage from which Apple first started out

when no better idea is at hand. An equally big worry is that they distort planning by pretending that, in our market economy, there are solutions to some spatial problems when in fact there are none; with the result that resources (such as those to support housing growth) are misaligned.

So what are the alternatives? When money is tight it has to be used carefully rather than in pursuit of wild-eyed visions, so I suggest a return to boring, fine-grained and low-profile approaches.

First, understand that private sector development is based on a calculation of risk and timing as well as profit. In uncertain times the sites that will yield new employment opportunities are those that can be developed quickly. So focus on de-risking sites

'Focus on de-risking sites by making sure that planning requirements are practical, clear and known to the market in advance of any specific proposal. Use any public money for assembling and servicing more challenging sites with the explicit aim of investing in situations where you can be reasonably sure of getting the money back'

by making sure that planning requirements are practical, clear and known to the market in advance of any specific proposal. Use any public money for assembling and servicing more challenging sites with the explicit aim of investing in situations where you can be reasonably sure of getting the money back. Local authorities are well placed to do that thanks to their planning and compulsory purchase powers and the competitive borrowing rates they enjoy.

If it really is imperative to guide the form that commercial development takes and there is the means to do so, it is better to define as tightly as possible what is *unacceptable* rather than to focus on vaguely defined aspirations (for example 'high tech', 'growth sectors' or 'innovation').

When considering the needs of small business, start by identifying real rather than imagined needs and see if they can be met without spending any money; perhaps in empty fringe retail units or through relaxing policies which constrict home-working. Many of the big US technology companies, including Apple, Google and Hewlett-Packard, started in a garage, and Microsoft's first major project was undertaken in a motel room.

If you still want a business centre, think about whether the owners of larger unlet units could be induced to convert them or consider leasing a building that can be fitted out cheaply. That cuts the initial capital cost and thus the initial cost per job. With any older building, please, please pick a building that lends itself to the purpose. Better a use looking for a building than a building looking for a use: the latter are often money sponges.

I know many local authorities who would gain by re-establishing the role of the 'Borough Valuer', not in the old-fashioned sense but rather as someone who can provide technical support to the planning and other departments and guide a rolling and self-funding programme of site purchase and sale. Think of all the consultants' fees you could save!

Nurture your local commercial developers. There is plenty of evidence that the industry as a whole is overly focused on the major centres, particularly in the South East, and blind to opportunities elsewhere. Local developers provide a useful counterbalance to this. There is a great piece of research on this by John Henneberry and Simon Guy.[2]

These might not be welcome or exciting ideas, and there might well be better ones out there somewhere. The point is that they do suggest that there is a real and constructive role that planners and planning consultants can play in employment creation. But at a time when funding is constrained, it cannot be the one that they have played in the past, based upon a mouldering catalogue of expensive projects and little knowledge of what might work where and why.

● ***Michael Beaman*** *runs an urban regeneration and growth areas consultancy, Michael Beaman Ltd (see www.regenerate.co.uk). The views expressed are personal.*

Notes

1 *Biotechnology Clusters. Report of a Team Led by Lord Sainsbury, Minister for Science*. Department of Trade and Industry, 1999. www.bis.gov.uk/files/file28706.pdf

2 S. Guy, J. Henneberry and S. Rowley: *Property and Urban Regeneration: Competing Cultures of Development*. RICS Research Foundation Cutting Edge Series Paper. Royal Institution of Chartered Surveyors, 2000. www.rics.org/site/download_feed.aspx?fileID=1759&fileExtension=PDF (also available through the author's website at www.regenerate.co.uk/links.htm)