

Polycymaking, evidence and the 'What Works' experience

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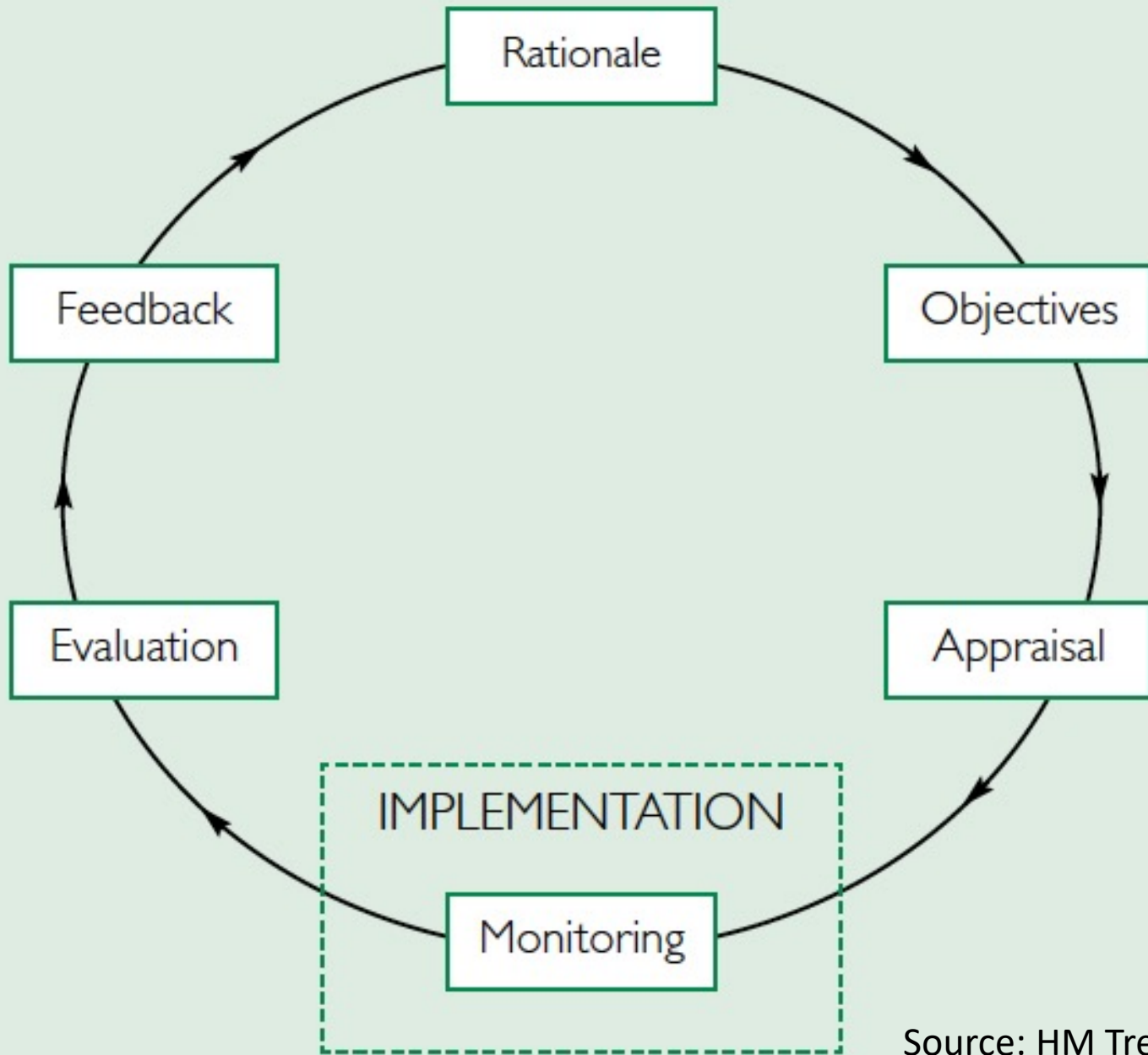
Stockholm, October 2018

Personal views, not those of the WWC or its funders

What I'm going to talk about

- What we do; what it's like doing it; what we've found
- Structure:
 - Two problems
 - The What Works approach
 - What Works Growth: key activities
 - Some of the headline findings from the Centre's work
 - Cross-cutting issues – things to think about if you're planning something similar ...

Two problems



Source: HM Treasury 2011



OMNISHAMBLES

a situation that has been comprehensively mismanaged, characterised by a string of blunders and miscalculations

Problem 1: policy cycles vs reality

- Hallsworth et al (2011): **“Virtually every interviewee dismissed policy cycles ... as being divorced from reality”**
 - Policymaking does not take place in distinct stages
 - Policies need to be designed, not just evaluated
 - Policymaking is often event-driven
 - The effects of policies are often indirect, diffuse, take time to appear
 - Policy cycles ‘abolished’ by UK Cabinet Office in 1999
- Harder for UK local government – lack of powers; austerity

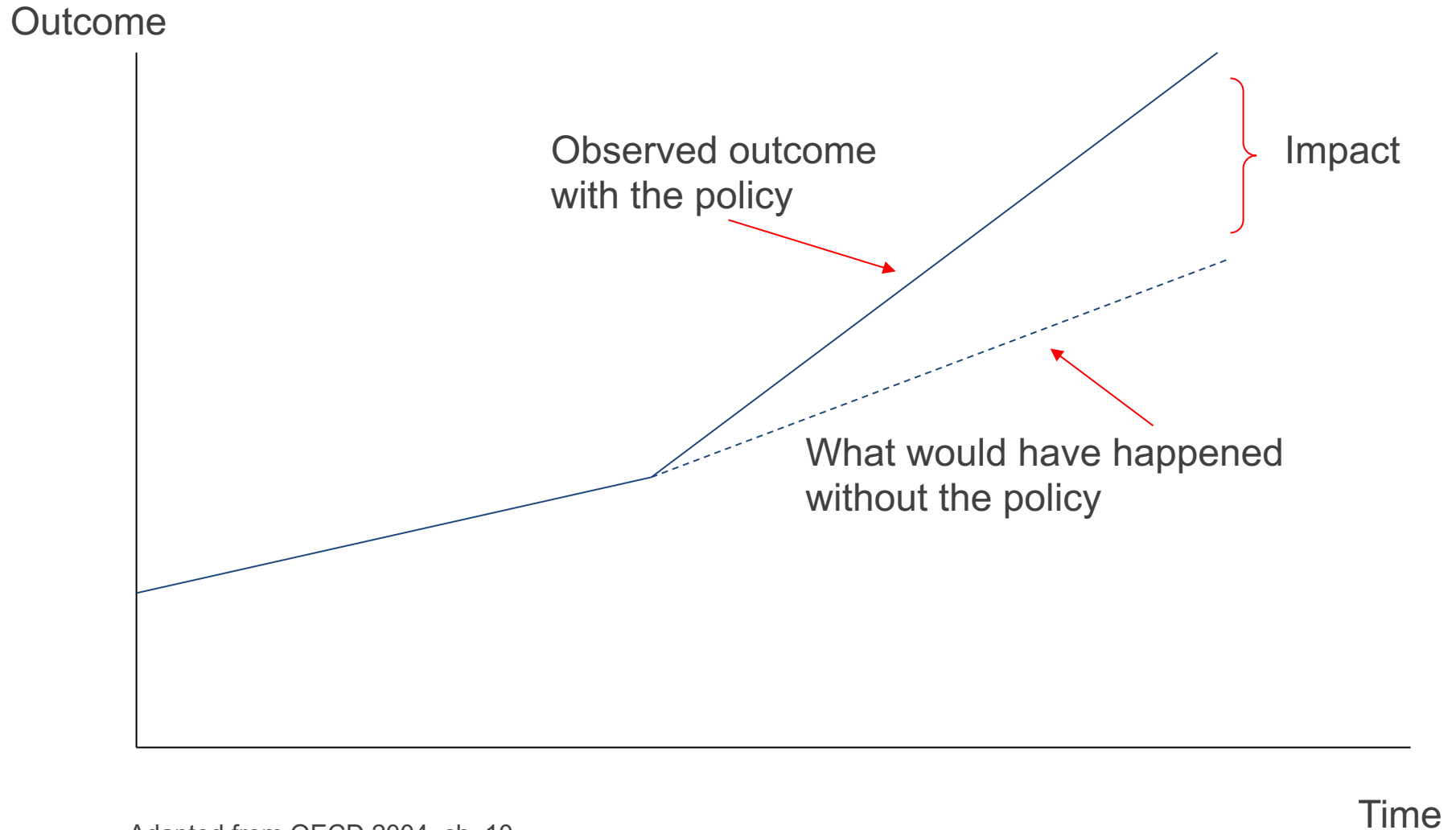
Types of evaluation

- **Impact evaluation** – two types of question
 - Ex-ante: what effect might policy X have on outcome Y?
 - Ex-post: what was the effect of policy X on outcome Y?
- **Process evaluation** – how effective was the implementation of policy X, for users and for delivery agencies?
- **Monitoring** – how's the rollout going? What are the trends?

Problem 2: incomplete evaluation

- **Impact evaluation vs. process evaluation vs. monitoring**
- We need to do all three. But we often forget the first
- **Count ‘jobs created’, ‘businesses created’?**
- Important for **monitoring**
- But jobs may be diverted from nearby (‘displacement’) ...
- ... Or might have been created anyway (‘deadweight’)
- **Do user surveys, or compare outcomes for participants vs. non-participants?**
- Useful for understanding **process**
- But participants may differ from non-participants, including in ways that are hard to see (‘selection’)

What do we want to know?



A minimum standard for impact evaluation

Evaluating impact



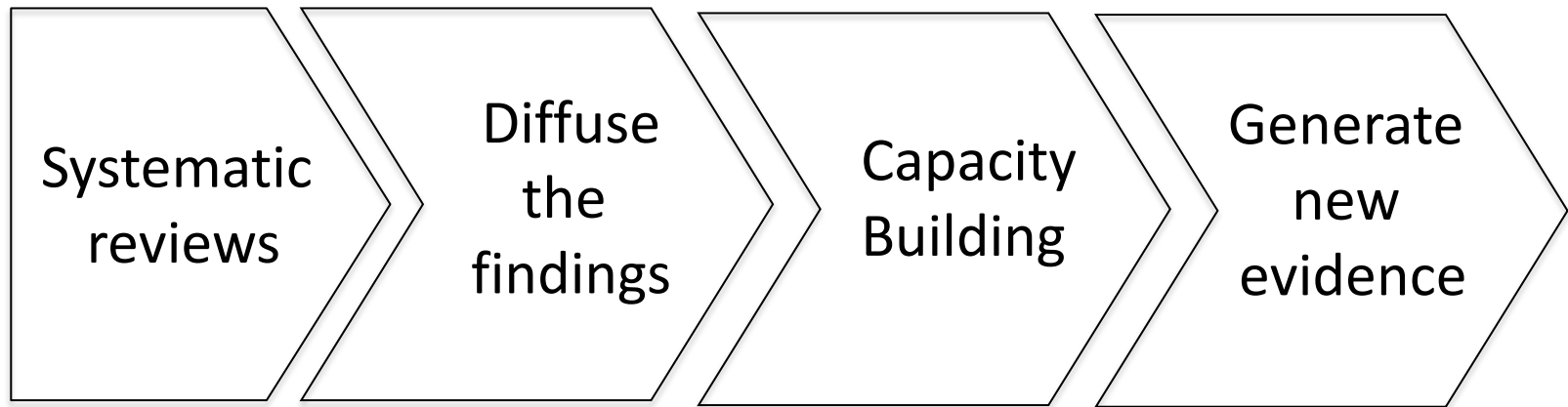
Not many evaluations do this

Policy	# Studies	SMS3	Jobs* effect	Positive
Access to Finance	1450	27	11	6
Apprenticeships	1250	27	9	7
Broadband	1000	16	10	5
Business Advice	700	23	17	8
Employment training	1000	71	65	33
Estate renewal	1050	21	5	1
Innovation	1700	63	10	6
Public realm	1140	0	0	0
Sports and culture	550	36	16	4
Transport	2300	29	6	2
ABIs (EZs and similar)	1300	30	27	15
EU Structural Funds	1300	18	11 (*GDP)	5

The What Works approach

WWC Local Economic Growth: the setup

- 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



WWC aims

Significantly improve the use of evidence in the design and delivery of policies for local economic growth and employment – **leading to more effective policies and policymaking.**

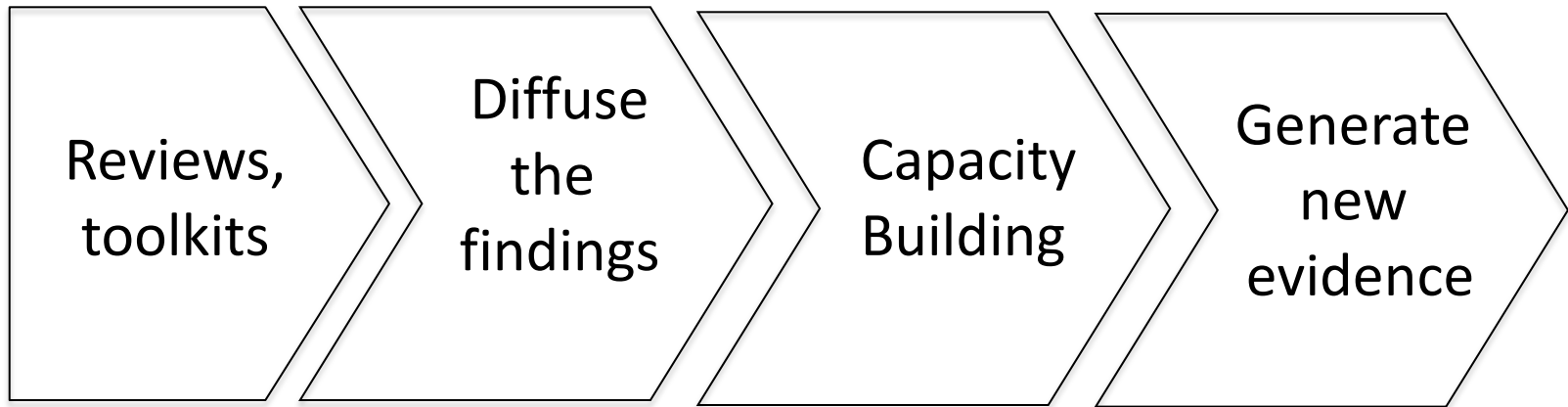
Our **main audiences** are local government, and the parts of central government that interact with them.

UK local government context

- Local government is **devolved to the countries of the Union**: Scotland, England and Wales, Northern Ireland
- The UK is **one of the most centralised countries in the OECD**
- In England, **c.70%** of local government spending comes directly from national government, through grants
- Only fully local tax is the 'Council Tax', on residential property
- **Two basic layers** in England: central + local authorities. Plus
 - Local Enterprise Partnerships (LEPs): public-private bodies that cover 1 or more local authority areas
 - Combined Authorities: city-regional bodies headed by elected Mayors

What the WWC is doing

From reviewing evidence to creating it



WWC approach

- **Focus on impact evaluation > process evaluation**
- **Why? Biggest existing knowledge gaps, policy gaps**
- **Three-stage process:**
 - **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/>

Evidence reviews and toolkits

Reviews

- Employment training
- Business advice and mentoring
- Sports & cultural events & facilities
- Access to Finance
- Estate Renewal
- Broadband
- Transport (by mode)
- R&D (grants; tax credits)
- Apprenticeships
- Area Based Growth Initiatives and EU cohesion policy

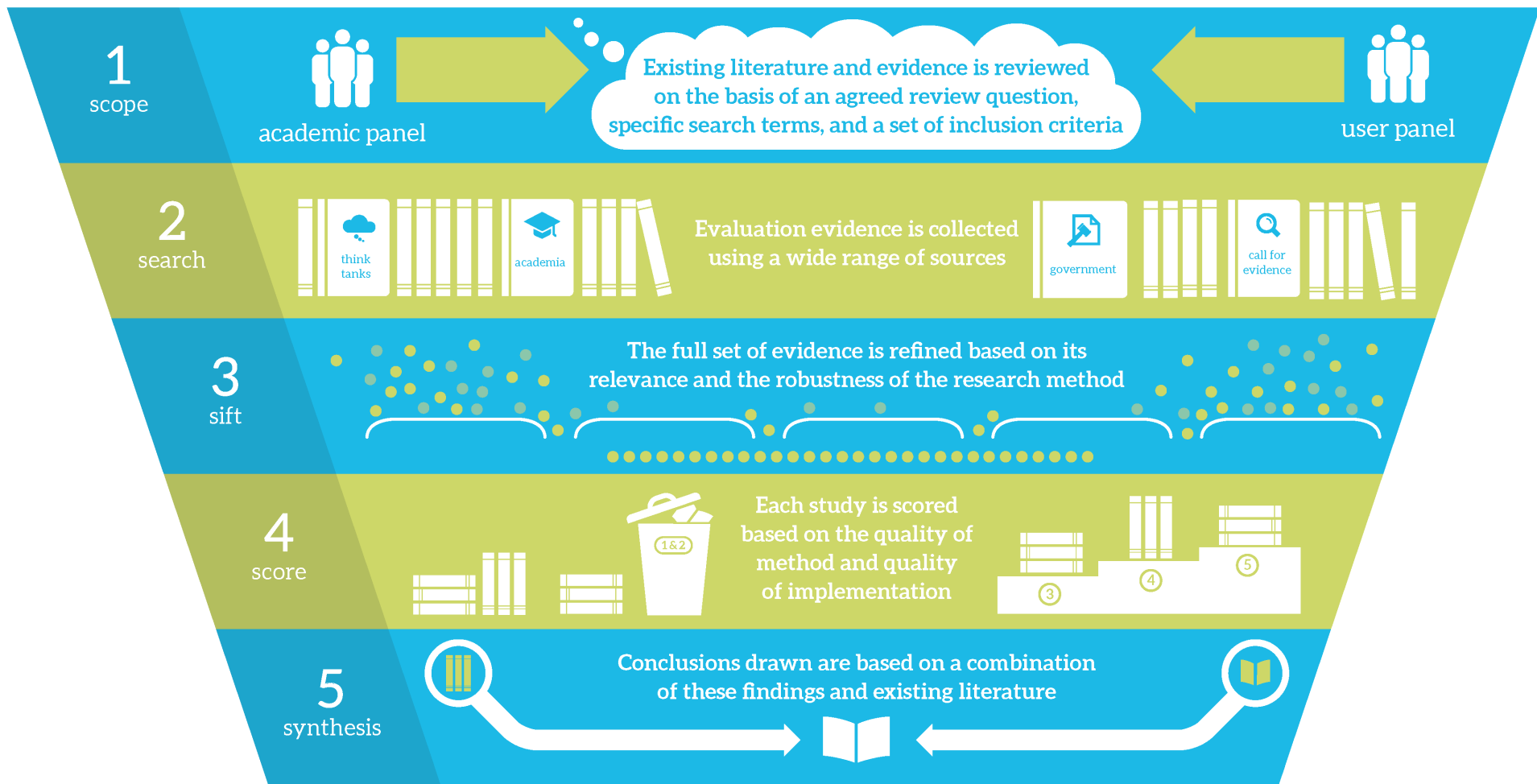
Toolkits

- Training
- Business support
- Transport
- Major economic shocks
- Apprenticeships
- Broadband
- Accelerators and incubators
- Researcher co-location
- *More to come*

Review and toolkit methodology

To identify what works, each policy review finds and evaluates the evidence which is robust and demonstrates clear outcomes in a 5 stage process

To identify what works, each evidence review sifts and assesses the evidence to find evaluations which are robust and clearly identify policy impact. We do this using a 5 stage process.




Example 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? 

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.

Capacity-building: 'How to evaluate' guide



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

Capacity-building offer

- 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: <https://bit.ly/2NvGiNf>

- **Demonstrators:** ≥ 8 local pilots, another 5 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

- **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)

Local industrial strategies: design guide

1. What is the state of the local economy? [sectors, data tools ...]
2. How is the economy evolving? [scenario planning ...]
3. Supply side or demand side?
4. ID market and co-ordination failures; ID winners and losers
5. Impact on competition: pros / cons of shifting market outcomes
6. Do more policy experimentation
7. Use independent experts
8. Share the risk with the private sector
9. Do impact evaluations, create feedback loops
10. Co-ordinate across stakeholders, sectors, spatial borders

<http://www.whatworksgrowth.org/resources/developing-an-effective-local-industrial-strategy/>

Responding to Brexit

- **Quant analysis:** predicting economic impacts on local areas in hard and soft Brexit scenarios
- **Working with local partners:** Birmingham, West of England LEP, Cambridge, Enterprise M3 LEP, Hull, Leeds, North East LEP, Peterborough, Preston, and Sheffield
- Workshops
- Building on our evidence base
- Helping partners develop local responses

**Some of the
findings so far**

People-based policies

- **Active labour market programmes (ALMP)**
- Shorter (<6 months): best for less formal training
- Longer programmes: should be skill-intensive
- In firm > on the job. Co-design programmes with employers

- **Apprenticeships**
- Higher-level apprenticeships deliver the biggest gains
- More effective for employment than ALMP
- Little evidence on benefits/costs to firms

Policies for young firms

- **Incubators and accelerators**
- Clear positive impacts on employment
- Accelerators raise chances of getting external finance
- Mixed results for survival - likely to kill bad ideas
- For accelerators, urban location may amplifies effects

- **Export promotion and credit agencies**
- Positive effects on exports – ECAs have higher success rate and are cheaper
- For EPAs, light touch > more intensive support
- Biggest effects may be on firms that are already exporting

Other firm-based policies

- **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**
- Positive impacts on productivity / wages / jobs in 50% of cases
- Effective at dealing with credit constraints
- But loan guarantees increase default risk

Other firm-based policies

- **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

Area-based policies

- **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

- **Enterprise Zones (economic ABIs)**
- Just over 50% success rate for employment, wages
- Best design – US Empowerment Zones, which have a local employment requirement
- Where we test for displacement, we generally find it

What have we learned?

- **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?

- **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?

- **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 (e.g. estate renewal, sports and culture).
- Similarly, broadband is an economic development tool – but isn't it also a public utility?

What else?
Challenges and opportunities
in the What Works approach

Big issues: institutional setting

- **Not all What Works Centres / EBP organisations are the same.** Substantive differences within the UK (and internationally) :
 - Resources, timeframes
 - Number and types of users
 - User resources and capacity
 - Power relation to users
 - Available bodies of evidence and quality of these
- **Hierarchical delivery system** and/or statutory function, *versus* **diffuse system**, few or no direct levers of influence

Big issues: bodies of evidence

- **Complex nature** of cities, towns and spatial economies
- ‘Local economic growth’ is at the intersection of disciplines
- Researchers looking at local economic development topics work with quite diverse techniques, analytical lenses
- **Not possible to do formal meta-analysis => rather, structured synthesis and interpretation**

Big issues: from evidence to decisions

- **Randomised Control Trials (RCTs) are the ‘gold standard’:** but don’t always work for local economic growth evaluations
- Don’t randomise capital spend: rail, roads, airports, housing
- Realistic RCTs = **‘what works better’**
- **Sometimes better to go with the grain of policy** – this usually means using **quasi-experiments**
 - **Example: funds awarded via a competition** => compare outcomes for winners with those for losing bidders
 - **Example: piloting a policy:** compare early pilots with later pilots, or compare pilots with full rollout

Big issues: political economy of evaluation

- **Interests of policymakers and evaluators aren't identical.** Not everyone wants to know if a policy works
- **Quality / relevance tradeoff** – academic evaluators use robust techniques, but often ignore relevant policy detail. Commissioned evaluations 'work to the policy', but may use less robust techniques
- Our work is an **input into decision-making**, not the decision
 - Need impact evidence + **process evidence** + **local context**
 - We focus on **measures of economic welfare**. Real-world policy decisions aren't always made on this basis
 - We often **strip away specious economic arguments** for policy X

Big issues: institutional/cultural change

- The What Works concept is **about cultural and institutional change**, just as much as about the evidence base
- Example: shifting from the traditional policy cycle towards a **test-learn-adapt approach**
- **UK structural conditions:** long term disempowerment of local government; short term austerity and cuts
- Think of a What Works Centre as a **minimum 5 year commitment**, probably 10 years plus !

Thanks.

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Responding to Brexit: findings

- **Quant analysis:**