

Budget 2011: New Enterprise Zones have potential, but without more widespread economic growth they may be dead in the water

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Wednesday's Budget saw the introduction of 21 'Enterprise Zones', aimed to revive the economies of struggling areas. According to [Jenni Viitanen](#) of the Institute for Public Policy Research, with proper coordination, these new zones have the potential to promote investment and employment in depressed areas, though they may be undermined by poor economic growth across the UK.

The Chancellor announced the budget on Wednesday and boldly claimed that the government is now able to "set off on the route from rescue to reform, and reform to recovery" and that this budget would indeed create jobs and "put fuel into the tank of the British economy". To match the rhetoric in reality would indeed be nothing less than turning the supertanker around, given that the big news of the day was that the growth forecast had been downgraded to 1.7 per cent for 2011. With youth unemployment at a new high, nearly one million or one in five 16-24 year olds out of work, job creation must be a priority for this government.

One measure designed to do just this is the much-vaunted creation of 21 Enterprise Zones (EZ), the first ones being handed to the Local Enterprise Partnerships (LEPs) in Birmingham and Solihull, Sheffield, Leeds, Liverpool, London, Manchester, Bristol, the Black Country, Derby and Nottingham, Teesside and the North East. Four of the LEPs have already announced the exact location of their new zones which are a mixture of science, sea and air: Boots campus in Nottingham, Wirral Waters, the Royal Docks in London and Manchester Airport. What all of these sites have in common is a major corporate presence: Boots, Peel Holdings, Manchester Airport and City Airport. The job of boosting growth while being "the greenest government ever" is proving to be a difficult task.

There is an air of retrofitting around the EZs however, and they have been received with mixed blessings. One positive is the announcement that LEPs will be able to keep any increase in business rates gained from the EZs for 25 years. This will provide a revenue stream with longevity, or perhaps a trickle at least, to LEPs, which otherwise have few resources other than the ability to bid to the over-subscribed Regional Growth Fund. Simply put, without new business growth, the LEPs will not accrue any money in their coffers. But the downside is that the economy being weak, new growth would need substantial investment in skills and infrastructure, as well as an injection of capital.

Some of the commentary in the press indicates cautious optimism that the government is trying to avoid a scenario where the mistakes of the 1980's EZs would be repeated. One of the main problems is rivalry between the EZs as a business destination. Coordination and collaboration between the LEPs should be encouraged particularly in the North, rather than just unabated trawling in what is a limited pool of enterprises. Especially under the current economic climate, it is unlikely that EZs will create the new jobs that the economically lagging areas of the North really need. The key question is to what extent will existing businesses relocate to the newly founded tax havens that EZs can temporarily offer, or to what extent can the EZs generate new growth? The former equates to reshuffling the deck chairs, the latter would actually do something about the iceberg of unemployment.

We need to decide what kind of economy we want in the North of England. We need to better understand the innovation 'ecosystem' and the relationship between private sector, state and citizens/consumers. For the North of England to finally emerge from our post-industrial legacy requires long-term commitment, investment and a spirit of collaboration. We also need to be open to new ideas and learn from similar 'lagging regions' elsewhere in the world – in particular, we need

to recognise the importance of stable sub-national institutions and investment frameworks.