

# Do Neighborhood Renewal Funds Improve Local Labor Market Outcomes? Evidence from England

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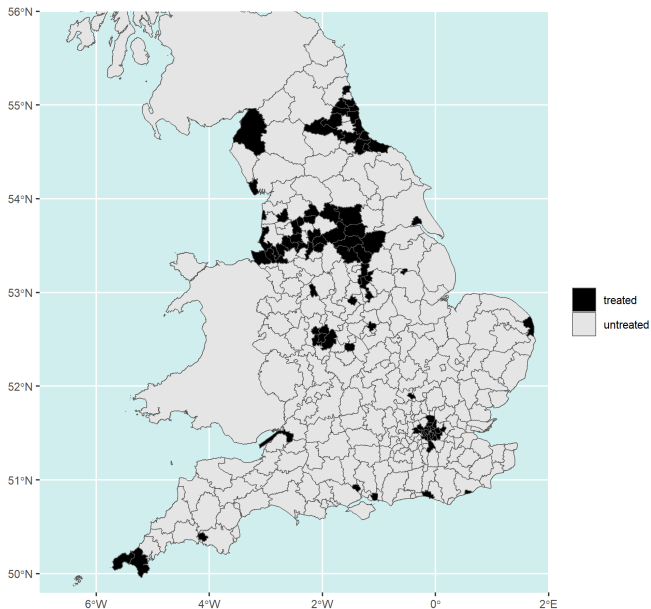
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- Background on the National Strategy for Neighbourhood Renewal and the Neighbourhood Renewal Fund
- Motivation
- Approach
- Results
- Final Thoughts

# Background on NSNR and NRF

- Launched by New Labour in 2001
- Targeted 88 of the most deprived local authority districts in England
- Goal: to improve relative outcomes in these areas with respect to health, education, crime, and employment
- Programs drawn up and implemented by Local Strategic Partnerships; NRF disbursed almost £3 billion between 2001 and 2008

# Local Authority Districts by NRF status



# Motivation: Why Are We Interested?

- U.S. state and local governments spend \$50 billion on economic development each year. . . . \$47 billion of it on tax and cash incentives for firms (Bartik, 2020)<sup>1</sup>
- Literature on place-based policies has found mixed results of effectiveness of such policies (Neumark & Simpson, 2015)<sup>2</sup>
- Bartik (2012) notes literature gap on policies that aim to improve the quality of local labor supply<sup>3</sup>

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<sup>1</sup>Bartik, T. J. (2020). Bringing Jobs To People: Improving Local Economic Development Policies. Policy Paper No. 2020-023. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

<sup>2</sup>Neumark, D., & Simpson, H. (2015). Place-based policies. Handbook of Regional and Urban Economics, Volume 5 . Elsevier.

<sup>3</sup>Bartik, T. J. (2012). The Future of State and Local Economic Development Policy: What Research Is Needed. Growth and Change, 43 (4), 545–562.

# Motivation: Question and Contribution

- How does improving the local labor supply through investments in education, environment, community safety, and workforce development affect labor market outcomes?
- We use ONS/NOMIS data on claimants (from the jobseekers allowance datasets), job counts (from the Annual Business Inquiry dataset), employment (from the local area LFS and APS datasets), and self-employment (also from the local area LFS and APS datasets)
- Our contribution is the first evaluation of the labor market effects of the NRF since the official DCLG study in 2010

# Approach: Models and Extensions

- We largely follow methodology of Alonso et al. (2019), who found that the NRF was associated with major reductions in violent and property crime<sup>4</sup>
- Using difference-in-differences, we evaluate the program's impact on local jobs, employment, self employment, and out-of-work benefit claimants
- We also extend this method using a spatial diff-in-diff model, and a set-identified diff-in-diff model that is robust biases caused by differential trends<sup>5</sup>

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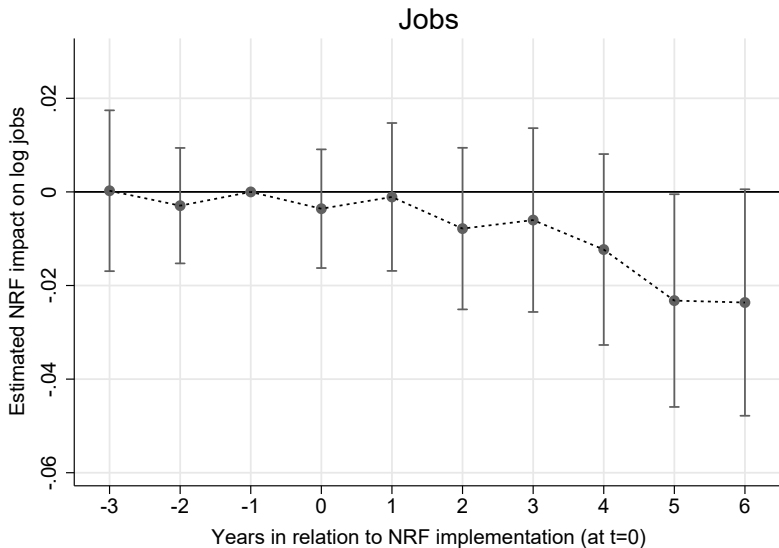
<sup>4</sup>Alonso, J., Andrew, R., & Jorda, V. (2019). Do neighbourhood renewal programs reduce crime rates? Evidence from England. *Journal of Urban Economics*, 110 (C), 51–69.

<sup>5</sup>Delgado, M. S., & Florax, R. J. (2015). Difference-in-differences techniques for spatial data: Local autocorrelation and spatial interaction. *Economics Letters*, 137 , 123–126; Rambachan, A., & Roth, J. (2020). An honest approach to parallel trends. Unpublished manuscript, Harvard University.



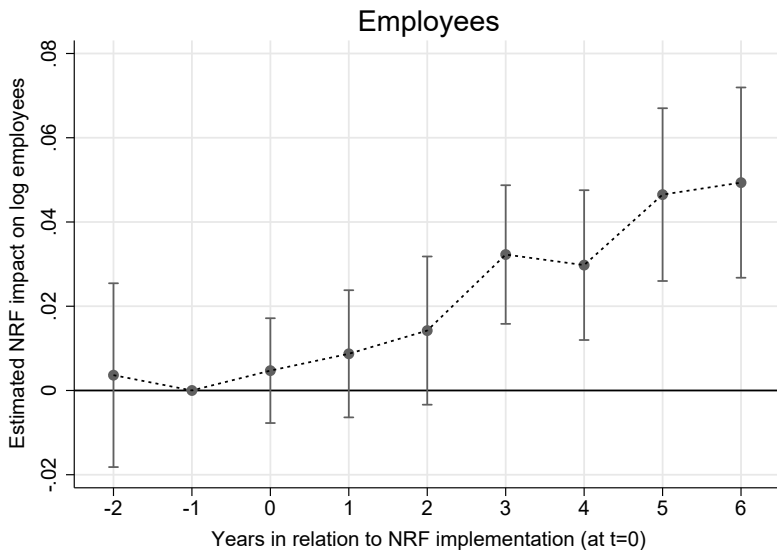
# Primary Results

Static diff-in-diff = -0.010



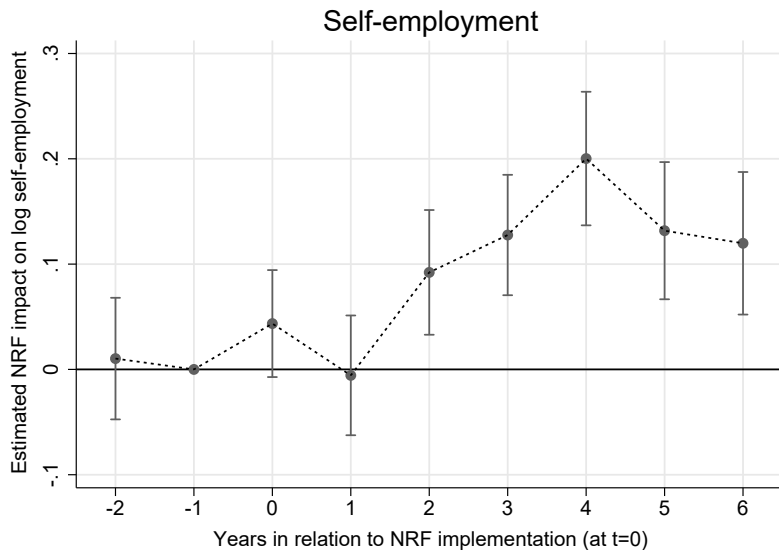
# Primary Results

Static diff-in-diff = 0.025\*\*



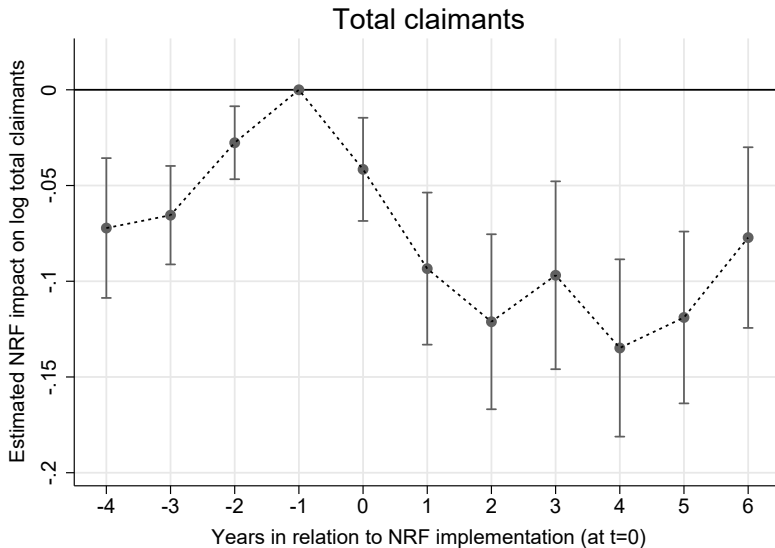
# Primary Results

Static diff-in-diff = 0.098\*\*\*

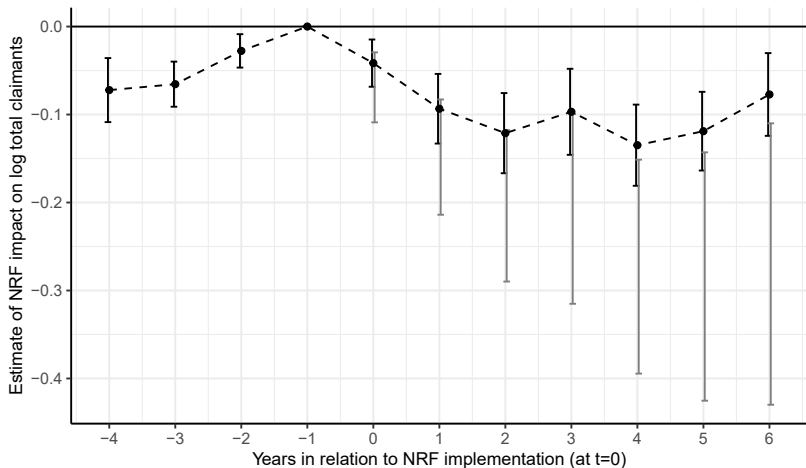


# Primary Results

Static diff-in-diff = -0.056\*\*



# Sensitivity to Differential Trends



# Results: Summary

- The NRF appears to have had no effect on job creation, but total employment in the median NRF district increased by around 3,000 persons as a result of the policy, suggesting that jobs were being found elsewhere
- Controlling for differential trends, out-of-work benefit claimants decreased by somewhere between 1,000 and 2,000 persons as a result of the policy
- These effect sizes are higher than the official evaluation. Self-employment within targeted groups was an unexpected benefit of the NRF, consistent with an interim evaluation<sup>6</sup>

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<sup>6</sup>Dept. for Com. and Local Gov't (2010). Evaluation of the National Strategy for Neighbourhood Renewal. Tech. rep., Department for Communities and Local Government; Cowen, G., Wilton, M., Russell, G., & Stowe, P. (2008). Impacts and Outcomes of the Neighbourhood Renewal Fund. Tech. rep., Department for Communities and Local Government.

# Further Results and Robustness

- The effect on claimants is particularly pronounced for younger claimants
- Using a spatial difference-in-differences model, we find direct treatment effects for employees (1.7% increase) and self-employment (6.9% increase), and both direct and indirect treatment effects for claimants
- Our results are robust to the inclusion of a New Deal for Communities treatment dummy, and there is some evidence of a compound effect of both policies on employment

# Final Thoughts

- Goal: Improve relative outcomes of deprived areas (health, education, crime, and employment)
- Results suggest that the NRF increases local labor supply:
  - Local claimant counts decreased, consistent with . . .
  - Increases in local employee and self-employment counts . . .
  - But local job counts did not increase
- Implications for levelling up!



# Thank you

And apropos of nothing: if anyone knows anything of the whereabouts of the old Employment Record II data, I would greatly appreciate the intel! You can contact me at:

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