

Evidence briefing: local growth, high streets and town centres

1. Purpose of this briefing

This briefing presents evidence-based findings and conclusions about local growth, high streets and town centres. It is designed to support people making decisions about which investments and interventions are most likely to be effective.

High streets and town centres, already a government priority, face new challenges because of Covid-19. In addition to creating an economic downturn, the pandemic has exacerbated existing problems for high streets, such as the shift towards online shopping, and has introduced new changes, such as increased working from home.

Various sources of government funding aim to support economic recovery, including the Future High Streets Fund, the Towns Fund, and the Levelling up Fund. Places will want to spend this funding on the things most likely to support sustained economic growth.

1.1. Evidence sources and further support

We use impact evaluation evidence where available. To address issues for which there is not yet high-quality evidence about real-world impact, we also draw on recent data, and economic theory.

We continue to promote using evidence of *impact* to inform policy wherever possible, and to deliver and support new evaluations to fill existing evidence gaps. Find out more online about evidence on [what works to support local economic growth](#) and the [support we can offer to local partners](#).

2. Summary

Sustained high street improvements need sufficient consumer demand. Investments in ‘supply-side’ measures, such as renovating shop fronts, are unlikely on their own to increase economic activity for a struggling high street. They need to be accompanied by investments and policies designed to increase demand.

Improving the skills of residents can help to address consumer demand. Higher-skilled residents have higher wages on average, which will increase local demand for goods and services. More generally, local skills are a key driver of economic performance. Local growth plans should always address skills and set out how improvements to the local skills profile will be achieved.

There is surprisingly little evidence that ‘anchor stores’ are more important than other shops. Overall, the available evidence does not support the idea that public sector intervention is more justified to prevent closure of anchor stores than other types of shops.

There is not much evidence yet that more working from home will significantly boost local high street retail. Proposals based on assumptions of an increase in high street retail demand in the medium term should provide robust evidence to underpin those assumptions.

More working from home could reduce demand for office space in some places. Interventions that respond to this by, for example, improving the quality of existing office space, are ‘supply side’ interventions. To be successful, they need to be accompanied by new demand. Proposals for this type of intervention should explain how new demand will be generated and where it will come from. Relocation of local public sector workers to new or newly renovated offices might help, but this will have knock-on effects for their previous locations.

More working from home will not drive large population shifts away from towns and cities. The number of people living in UK urban areas is unlikely to decrease due to people wanting ‘more space’, because supply of larger houses outside urban areas is limited, and unlikely to increase quickly. Proposals that rely on assumptions that housing supply and population density will change significantly due to Covid-19 should provide robust evidence to underpin those assumptions.

Regeneration projects designed to deliver outcomes such as improved housing quality or new community assets will not necessarily deliver local growth. Proposals should be assessed against the desired goal, which may not be economic growth. However, proposals that claim physical or cultural regeneration activities will also deliver economic growth should support these claims with high-quality evidence and be robustly scrutinised.

3. The role of high streets in economic growth

3.1 Sustained high street improvements need sufficient consumer demand

Changes in shopping practices in recent years (including online and out-of-town shopping) mean that many high streets need less retail space. Some high streets have successfully shifted from retail towards services and leisure or have changed their retail offer to remain attractive. Most local areas want to achieve a similar transition for their high street.

For such changes to be sustained, a high street needs sufficient customer demand. In places with weaker local economies this may not exist. For these places, responses that aim to revive the high street by tackling the ‘supply side’ – for example, the quality of shops (retail-led regeneration) or the availability of non-retail activities (culture-led regeneration) – are unlikely to be successful unless they can also increase demand.

In some cases, it may be possible to increase demand at the expense of other local destinations, but this will obviously have implications for neighbouring areas. In theory, demand can also be shifted from, for example, online consumption, to the high street, but achieving this requires bucking a long-term trend in the opposite direction. It is sometimes assumed that supply-side investments will deliver improvements by ‘creating’ or ‘unlocking’ new demand, but such supply-side transformation will be difficult to achieve for most declining high streets.

In general, interventions that strengthen the local economy *directly* (and in particular, increase the number of local high-skilled jobs) are more likely to create sufficient demand for a thriving high street than supply-side interventions. More local high-skilled jobs mean more residents with higher incomes, which increases local retail and leisure demand.

If this is not feasible, an alternative is to consider supply-side strategies that focus on reducing vacancies and the negative effects that arise from them (for example, through change of use).

What this means for local decision makers: investments in supply-side measures on the high street are unlikely to deliver sustained high street improvements if they are not underpinned by investments and policies designed to increase demand.

3.2 Improving the skills of residents is one way to address local demand

Higher-skilled residents have higher wages on average, which will increase local demand for goods and services.

Improving the skills of residents is also essential for addressing local economic performance more broadly. Higher-skilled workers are more productive, and having more high-skilled residents will increase the ability of a place to attract new businesses, particularly those in higher-skilled and more productive sectors.

Improving the ‘skills composition’ of a place can be done by improving the skills of the people already living there, or by attracting more high-skilled people from other places. The evidence on which of these approaches is most effective is limited, but the following points are relevant for decision makers:

- Improving people’s skills requires interventions to improve educational outcomes or raise adult skills. Attracting skilled people requires place-based interventions that will attract high-skilled workers and firms. The empirical evidence on how to improve educational outcomes and skills is relatively well-developed. The empirical evidence on how to attract high-skilled workers and firms to struggling places is far more limited.¹

¹ For example, the [Education Endowment Foundation Toolkit](#) pulls together results from thousands of education studies, and the [What Works Growth Employment Training Evidence Review](#) found a relatively large number of high quality evaluations compared to reviews of other local growth interventions.

- If a place improves its skills composition by attracting high-skilled workers, this means they have moved from somewhere else, with potential negative consequences there. In contrast, improving the skills of current residents should have an **overall** benefit, because it is creating new skills rather than simply moving skilled people around.
- It is possible that people will leave an area after they have improved their skills, if there are insufficient high-skilled jobs available (although evidence suggests that around 40 per cent of people with a degree only ever work while living in the area where they are born, so it is important not to exaggerate the likelihood of this).²
- Attracting new higher-skilled residents can bring benefits for existing residents in terms of ‘multiplier effects’ on jobs (for example in retail). However, this can be offset by increases in rents, and reduced access to public services.³

What this means for local decision makers: local skills are a key driver of economic performance. Local growth plans should always address skills and set out how changes in local skills composition will be achieved.

3.3 The high street can contribute to growth, but is unlikely to drive it

Local growth requires either higher local employment or higher local productivity, or both.

To understand the extent to which improving the high street can drive local growth, it is useful to make a distinction between tradable jobs and non-tradable jobs. Non-tradable jobs are those that need to be done locally, such as jobs in health care, hospitality, education and personal services. The jobs generated by traditional high streets are predominately non-tradable.

It is tradable jobs, however, in sectors such as manufacturing, consulting, and finance, that tend to be more important for driving growth for two reasons. First, tradable jobs have higher ‘multiplier effects’ on local employment,⁴ and second, productivity increases over time tend to be higher for tradable jobs.⁵ For these reasons, jobs in tradable sectors are usually more important for driving local economic growth than a thriving traditional high street (creating mainly non-tradable jobs), although a thriving high street might be an *indicator* of a strong local economy.

What this means for local decision makers: although some places benefit from a thriving local economy driven by non-tradable sectors such as retail, tourism or culture, generating the demand for this is challenging. Local decision-makers should ensure that any plans to deliver local growth by improving the high street are clear about how increased demand will be created and where it will come from.

2 Bosquet, C. and Overman, H. G. (2019) Why does birthplace matter so much? *Journal of Urban Economics*, 110. pp. 26-34. (<http://eprints.lse.ac.uk/100201/>)

3 A multiplier effect occurs when new local jobs have indirect effects on local employment. See: https://whatworksgrowth.org/public/files/Toolkits/Multipliers_Toolkit.pdf

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5 For example see <https://www.imf.org/external/pubs/ft/wp/2015/wp1548.pdf>

3.4 There is surprisingly little evidence that 'anchor stores' are more important than other shops

It is argued that 'anchor stores' – for example, the main department store in a town centre – require particular protection to prevent high street decline, because they attract shoppers who then use other nearby shops and services.

The available evidence suggests that there are measurable benefits to concentrating shops in a particular place.⁶ Shops benefit (on average) from having other shops nearby, and nearby vacancies have a negative impact (on average). Accordingly, closures of large stores or anchor stores appear to have negative impacts such as closures of other nearby stores, and reductions in local retail rents.

However, this is true for most stores and, on balance, the evidence does not strongly support public sector intervention to help anchor stores in particular, for two primary reasons:

1. There is limited evidence to suggest that the closure of anchor stores has a *disproportionate* impact, compared to the closure of other stores. One study finds no relationship between size of store and impact, and another finds that, where there are multiple anchor stores, the benefits to businesses of this concentration can be outweighed by the negative effects of competition.
2. The closure of a large store will affect nearby shops in different ways, depending on whether they sell 'complementary' or 'competitor' goods. This means public sector intervention will deliver losers as well as winners, in a way that may be difficult to predict or manage.

What this means for local decision makers: overall, the available evidence does not support the idea that public sector intervention is more justified to prevent the closure of anchor stores than other types of stores.

⁶ Studies used for this section were identified through a search on Google Scholar and Econpapers for papers providing evidence on the effect of openings or closings of anchor stores or big-box retail chains, and the effect of footfall or concentration of stores/shops on rental income or vacancy rates. Only studies assessed as meeting level 3 or above of the [Maryland Scientific Methods Scale](#) were used. One level 2 study was also used.

4. Implications of Covid-19 for high streets and town centres

During the pandemic, working and travel patterns have changed dramatically. Decision makers want to know whether trends such as more working from home, and less travel to city centres will continue, and what the implications are for high street investment and renewal.

4.1 There is not much evidence yet that more working from home will significantly boost high street retail

(This section assumes that vaccine roll-out will mean travel and work restrictions due to Covid-19 will be largely removed by the end of 2021.)⁷

There is evidence that retail spend has moved from city centre shops to (non-city centre) local high street shops during the pandemic.⁸ This could be due to two trends:

1. People not wishing to travel to shop in city centres.
2. People shopping locally because they are working from home.

Our rapid evidence review on public transport disruptions, while based on limited evidence, found that ridership usually rebounds in the medium term after a significant disruption, even when fear plays a role in the short term.⁹ This gives us some reason to believe that concerns about travelling for shopping could disappear relatively quickly, reversing trend 1.

On trend 2, survey evidence suggests that, in the medium term, more people may be working from home at least part of the time, and so some of this shift in spending might be sustained.¹⁰

However, the pandemic has also accelerated the pre-pandemic trend for spending moving online. While some of the shift experienced during lockdown may be reversed, there is no reason to think that the long-term trend will not continue or even accelerate.

The data is not available yet to measure exactly how these effects – the shift from city centre to local high streets, and the shift from bricks and mortar to online – offset one other or will do so in the future.

What this means for local decision makers: overall, there is little evidence so far to suggest a medium-term increase in high street retail demand due to more people working from home. Any proposals based on assumptions of an increase should provide robust evidence to underpin those assumptions.

4.2 More working from home could reduce demand for office space in some places

Survey evidence suggests that, in the medium term, more people may be working from home at least part of the time, and business are expecting to need less office space.¹¹ The extent to which this will affect demand for office space in and around high streets is difficult to predict. Demand may fall everywhere, or the falls in demand may be concentrated in some places as firms re-organise and, for example, concentrate their office space in fewer locations.

This is particularly challenging for struggling places because office jobs – unlike retail jobs – are more likely to be the type of high-skilled tradable jobs that places need to thrive and grow. These jobs

7 This paper by Max Nathan and Professor Henry Overman (drafted before any findings on Covid-19 vaccine effectiveness had been released) examines a number of different scenarios for 'exiting' the pandemic: <https://www.coronavirusandtheeconomy.com/question/will-coronavirus-cause-big-city-exodus>

8 Research by Centre for Cities; data source: Beauclair.

9 <https://whatworksgrowth.org/resources/covid-19-public-transport-disruptions-and-behaviour-change/>

10 For example, <https://docs.cdn.yougov.com/scv897c678/YouGov%20-%20Working%20from%20home%20COVID.pdf>

11 For example: <https://www.pwc.co.uk/industries/financial-services/insights/cbi-pwc-financial-services-survey.html#re>

have higher ‘multiplier effects’: they create additional non-tradable jobs, including locally (in this case, because these employees use the shops and services in the high street and town centre), and they create additional tradable jobs, which contribute to local growth. (For more detail on tradable and non-tradable jobs see section 3.3 and for more detail on multiplier effects, see the What Works Growth Local Multipliers Toolkit.)¹²

Because of this, loss of local office employment may be a bigger concern than loss of high street retail employment. Public sector intervention might in principle be more justified as a result. However, whether intervention will work depends on the place. Investment in the quality of office space, for example, is unlikely to create new demand on its own, but might be effective if accompanied by other interventions and investment well-designed to attract new office-based employers. However, as with retail demand, this could have implications for neighbouring areas if employers are moving from other sites nearby.

What this means for local decision makers: as for high street renewal in general, proposals that involve supply-side intervention for office space, such as refurbishment, should explain how increased demand will be generated and where it will come from.

4.3 Relocation of local public sector workers might help, but it is a limited and short-term solution

In places where demand for town centre office space is low, decision makers could consider the relocation of public sector workers. More public sector workers located on the high street increases demand for local retail. Unfortunately, for most local authorities, this will result in falling demand in the place from which the jobs are relocated. Proposals should address this and estimate whether the benefits to the high street will outweigh any negative impacts elsewhere.

For areas looking to create new high-quality office space in and around the high street, in order to attract more private sector office workers, public sector tenancies are a way to ensure offices are occupied during a transition phase. However, any proposal of this nature should recognise that moving public sector employment creates empty offices elsewhere in the local area and, as discussed in 4.2, quality office space alone is unlikely to attract new private sector tenants.

4.4 More working from home will not drive large population shifts away from towns and cities, in the UK

Sufficient data is not yet available to see if recent trends in house moves and housing vacancies will be sustained and whether they will differ across areas. News stories based on property website data have suggested that larger homes with gardens, outside urban areas, are in greater demand than before the pandemic. However, in most areas, supply of this type of housing is limited. Unless there is a significant increase in housing supply in these non-urban areas, increased demand is likely to lead to increases in price for this type of housing, rather than an increased number of people living outside urban areas. Wealthier households, which can absorb the increased cost of larger non-urban housing, may be more likely to move out, changing the demographics of the people who remain.

What this means for local decision makers: the number of people living in urban areas is unlikely to decrease due to people wanting ‘more space’, and it is too early to reliably predict longer term compositional changes. Proposals that rely on assumptions that housing supply and population density will change significantly due to Covid-19 should provide robust evidence to underpin those assumptions.

¹² https://whatworksgrowth.org/public/files/Toolkits/Multipliers_Toolkit.pdf

5. Regeneration and growth

5.1 Regeneration projects will not necessarily create local growth, although they can deliver other important outcomes

To achieve local growth, regeneration needs to create jobs or increase productivity (or wages). However, many 'regeneration' projects are designed not to directly affect growth, but to deliver wider improvements in a place, such as:

- Renewal or refurbishment of public spaces or housing
- Improved digital infrastructure
- Improved pride in place, social capital or sense of community
- Improved public or community spaces and services
- Improved arts and cultural offerings

It should not be assumed that interventions that successfully deliver these wider improvements will subsequently deliver local growth. It may seem intuitively true that a place that is nicer to live in will do better economically, but the evidence shows the causation is complex. For example:

- On average, estate renewal interventions have minimal impact on employment in the local area.¹³
- The employment effects of sporting and cultural interventions in a place (beyond any directly created jobs) tend not to be large and are more often zero.¹⁴
- There is limited evidence that estate renewal and 'mixed community' interventions bring economic benefit to residents, and in some cases they can lead to renters being priced out.¹⁵
- There is limited evidence that interventions to increase social capital, or improve community spirit or pride in place, deliver local growth. (Pride in place and social support are often already high in places with weak economies).¹⁶
- In general, improving physical spaces cannot be assumed to improve outcomes for those using them: for example, improvements in school buildings do not appear to be linked to improved outcomes for pupils.¹⁷

All the interventions listed above can be successful, if designed in the right way, and deliver important wider outcomes. But they are not good bets as stand-alone interventions if the desired outcome is local growth.

What this means for local decision makers: regeneration projects designed to deliver outcomes such as improved housing quality or new community assets will not necessarily deliver local growth as well. Proposals should be assessed against the desired goal, which may not be economic growth. However, proposals that claim physical or cultural regeneration activities will also deliver economic growth should support these claims with high-quality evidence and be robustly scrutinised.

13 <https://whatworksgrowth.org/policy-reviews/estate-renewal/evidence-review/>

14 <https://whatworksgrowth.org/policy-reviews/sports-and-culture/evidence-review/>

15 <https://whatworksgrowth.org/policy-reviews/estate-renewal/evidence-review;>
<https://whatworksgrowth.org/policy-reviews/public-realm/>

16 Matthews, P. & Besemer, K. (2015) Social networks, social capital and poverty: panacea or placebo? *Journal of Poverty and Social Justice*, vol 23, no 3 pp 189–201. <https://core.ac.uk/download/pdf/143898286.pdf>

17 <https://educationendowmentfoundation.org.uk/evidence-summaries/teaching-learning-toolkit/built-environment/>

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