North East Local Industrial Strategy

Date: 16 July 2019

Sli.do questions

Thank you to everyone who joined us at the North East Local Industrial Strategy Summit on Tuesday 16 July.

We received over 200 questions via Sli.do. Lots of them were about similar topics, so we have collated the responses into topics below.

If you would like any further clarification or have any further questions, please email us.

Climate change and sustainability

Example questions

- All authorities in this area have declared a climate emergency. Should that be the number one priority of the Local Industrial Strategy?
- Climate emergency, so what? Do we need to change the metrix we use for valuing productivity - shift from gross value added to environmental value added?
- Is productivity and economic growth the right starting point for a sustainable future?

Our response

Government have defined that the priority focus for Local Industrial Strategies (LIS) will be productivity, and more generally alignment with the UK Industrial Strategy. They have set the lead indicator as addressing GVA per hour worked and have also referred to the 2.4% R&D uplift target.

We await further guidance from the Industrial Strategy Council on the wider performance framework. In the North East, the Local Industrial Strategy Steering Group have agreed that there should be a wider framework and have provisionally identified that this framework should include environmental and sustainability indicators.

In terms of content for the Local Industrial Strategy, work is already focused on the North East's opportunities to invest into decarbonisation and wider climate related action which can provide a strong contribution to long term sustainability, such as low carbon vehicles, renewable power and heat, water cleaning technologies, smart packaging and so on.

It will also seek further investment into public transport and to take forward environmental mitigation measures to support the economy, working with partners such as the environmental agency.

The North East Strategic Economic Plan also recognises the need to tackle climate change and promote clean growth. It highlights how the North East can contribute to new solutions that provide clean, secure and accessible energy.

Tourism and culture sector:

Example questions

- Given importance of culture, heritage and tourism in the North East LEP area and evidence provided to North East LEP for this, where will these sectors fit in the LIS?
- What role might tourism play in the LIS?
- What can we do to increase productivity in tourism and can we make tourism a priority in the LIS as it is a key sector
- What role might tourism play in the LIS?
- Tourism generated £4.5bn contribution to the NE economy, 69M tourist visits (2017). Will it be recognised as a distinctive sector with potential for growth?
- Culture is about so much more than place competitiveness. E.g. Beamish is the biggest non-public sector employer in North Durham. We must not miss a trick here
- A 1% increase in tourism productivity is worth £12 billion to the UK

Domestic overnight tourism in the North East region (including Tees Valley) grew in 2018, with an 18% increase from 2017 in the number of nights to almost 13 million. There were also 77 million domestic tourism day visits and overseas visitors spent over 4 million nights here.

The North East Strategic Economic Plan describes the importance of 'place' as part of the competitive offer of the North East for investment, skills and visitors and for building and reinforcing our sense of regional identity.

The 'Place' agenda includes the cultural life and history of the region which together with other place factors, underpin wider economic activities. Many cultural assets are also key parts of the tourism offer alongside other assets such as landscape, events and sport.

As set out in the North East Strategic Economic Plan, work will be undertaken to seek to develop mechanisms to secure investment which can enhance regional competitiveness and productivity of these sectors.

The Strategic Economic Plan has already facilitated specific investments into cultural and tourism assets like Gateshead Quays and The Sill: National Landscape Discovery Centre, and the North East LEP has delivered support for key events which attract tourism like Great Exhibition of the North and Great North Run. The Strategic Economic Plan also details some of the tourism related challenges and opportunities for improvements to transport, connectivity, investment and infrastructure in the North East. Through the Local Industrial Strategy we will be looking to identify ways in which UK Industrial Strategy programmes can be deployed in the North East to support the 'place competitiveness' of the region and to improve the productivity performance of these sectors.

One such opportunity, which has already been identified, is the opportunity of the Tourism Sector Deal where a proposal will be developed for a North East Tourism Zone. Of course, cultural organisations play wider roles in the region such as enhancing education, creating jobs, helping to project the region internationally and supporting inward investment and engagement. The North East LEP and other partners will continue to encourage engagement between regional partners with these opportunities in mind and will seek to support businesses in these sectors through the programmes developed to deliver on the foundations of productivity.

Wage levels

Example questions

- Research tells us that higher wages drive higher productivity, how will the LIS address the low wage, insecure employment challenges?
- How will the LIS raise productivity and improve conditions in the low-pay sectors that provide so much employment for our residents (care, retail etc.)?
- To what extent does the productivity gap come from the fact that wages are lower in the North East?
- How connected is the unemployment rate and GVA per job over the past 20+ years? In theory couldn't employment rise but GVA per job decline due to low pay jobs?

We agree with the analysis that there is a need for the delivery of 'better jobs', as we grow the overall jobs base in the region. This is one of the driving objectives of the North East Strategic Economic Plan and this aim will help frame the Local Industrial Strategy to improve the overall quality of the economy and deliver better opportunities for people and business.

The Strategic Economic Plan highlights in particular that lower levels of productivity have an impact on the potential for higher earnings for workers as well as on the competitiveness of businesses.

The North East LEP programmes of delivery include targets to enhance the skills of the North East workforce and increase innovation. This work should improve productivity and provide better-paid employment.

The Strategic Economic Plan also includes targets to reduce the gap in employment rates and the gap in productivity. It is the case that productivity could decrease as employment increases but the better jobs target in the Plan focuses on employment in occupations that tend to have higher productivity.

The vision for the Local Industrial Strategy is that through the focus on productivity we will be looking to drive a more productive and progressive economy, which delivers better jobs. However, changing the structure of the economy is not the whole story and we are also committed to developing approaches that can support opportunities for progression in the labour market, both to retain higher level skills and to ensure people at lower levels of the labour market can progress in their jobs and careers, both of which will contribute to productivity improvement.

Indeed, as one of our emerging propositions for the people foundation, we will seek to secure government support to be the UK pilot for an 'employability framework' which can deploy our experience and relationships co-ordinating significant labour market projects such as the North East Ambition programme towards this key recommendation identified in the Good Work review.

Inclusivity and diversity

Example questions

- Will the LIS focus on initiatives that will be relevant, meaningful & participatory for everyone? Enrolling & exciting people out there & not just in here!

- How do we insure the LIS is inclusive and connects with all communities?

It is an aspiration for the Local Industrial Strategy to be widely visible and engaging, and that it adopts innovative approaches to reaching out across the region and on recognition to work across our towns, cities and rural areas as acknowledgement of the diversity of our region and its needs

The diversity of the region is also one of the key considerations for the Local Industrial Strategy; recognising that it is polycentric, with a wide range of cities, towns and rural and coastal communities and that within these communities there are different needs and opportunities to improve the economy and contribute to enhanced regional productivity.

We want our Local Industrial Strategy to creatively address these issues, particularly through the People and ‘Places foundations’, with an aim to focus on improving skills and progression across the economy and supporting more productive and inclusive activity across the region respectively. Through social innovation and through supporting local business growth in these communities, the Local Industrial Strategy aims to ensure the whole region benefits.

We will also aim to connect people to where jobs are physically and digitally, aiming to improve productivity through agglomeration and boost accessibility.

It is important that despite concern about the impact of Brexit and the tone of the political environment, the North East continues to present itself as an outward looking and a friendly region that is open for business. The work the North East LEP has coordinated through the North East Brexit Group has focused on this message and has ensured that government is aware of regional concerns about constraints on the labour force mobility and the recruitment of students.

Advanced manufacturing

Example Questions

- Note that while productivity is low in manufacturing, some sectors like automotive have world class productivity

- What does manufacturing cover? Huge catch all I suspect. Surely process and automotive are better than the norm.

In the North East LEP area, manufacturing is responsible for just over 15% of GVA and 11% of employment. There is a concentration in the region of some advanced manufacturing sectors, for example, automotive and pharmaceuticals, but there is a wide range of manufacturing specialisms. The North East LEP 'Our Economy' report lists 26 subsectors with high concentrations of employment in the region (location quotients).

The North East Strategic Economic Plan has always spoken to both our key manufacturing sectors - including automotive, energy, pharmaceuticals and chemicals - and to the wider advanced manufacturing footprint, which extends into other sectors including rail and food, as well as our innovation strengths and capabilities in areas like process innovation, engineering and digitalisation.

We see no reason not to do both in the Local Industrial Strategy, not least because many sectors share challenges such as digital transformation, sustainability, business process innovation and risks to trade from Brexit. But this will not limit our interest in supporting sectors, not least in the context of Sector Deals.

The North East's story and strengths

Example questions

- Heidi's talk was fine - however the one thing missing from the NE ask is a 'narrative' which never seems to hit the mark for the region
- How distinctive can we be? Many of the regions of England are very similar with shared challenges, should we aim to be authentic?
- There is a disconnect between what the region has to offer and our current brand!!! Can we create a clear narrative & offer please?
- Germany, Austria, Poland have very strong cluster policy - the NE is home to some of the UKs strongest clusters. How will the LIS strengthen these assets?
- The North East's digital sector showed £3.1 bn GVA in 2017 - the highest % increase in England since 2010 - at 48.9% - even beating London. DCMS sector - 2nd highest

The UK Industrial Strategy wants regions to project distinctive and competitive strategies. Authenticity is an important factor to this.

Both the Strategic Economic Plan and the forthcoming Local Industrial Strategy have adopted focus on key areas of activity within the region that are distinctive, including industrial sectors and clusters of assets.

This focus is driving attention from across programmes to support these areas of strategic importance including identification of key Enterprise Zone sites, active inward investment work, skills programme development, development of supply chain programmes and creation of new innovation facilities and programmes related to industry challenges.

We are also aware of the economic geography of some of the key sectors and clusters in the UK and are working collaboratively with other LEPs where this makes sense, for example, with Tees Valley LEP on the creation of a shared approach to the Offshore Sector Deal.

We also recognise the importance of the digital sector to the North East by defining it as one of four areas of strategic importance. It details digital specialisms and opportunities.

National and international links

Summary in response to the below questions:

- How will you ensure the North East LIS is distinctive but also link to other LIS being created in Yorkshire and Humber
- We've heard about the 2 combined authorities working together. Can and should we expect the same from our NE & Tees LEPs, if we want a truly productive region?
- How does the centralisation of economic policy-making in the UK compare to other European countries?
- What actions are being taken to influence the design of the UK Shared Prosperity Fund? Are there specific messages you want put forward in the consultation?
- How does our GVA compare with other countries?

Being outward looking is one of the principles guiding the approach to the North East Local Industrial Strategy.

We are in regular contact with Tees Valley Combined about the development of the two Local Industrial Strategies and there are four areas – offshore energy, digitalisation of manufacturing, work with Durham University and partners on issues like chemicals and process industries and North South Transport, in particular East Coast main line - where it has been agreed that the aim should be for the two strategies to feature shared proposals.

More broadly, we have discussed proposals to engage actively outside the LEP geography where the economic or sector geography made sense. To give a few examples, to play a role as one of six key clusters in the Offshore Wind Sector Deal, on joint work with the other Northern Powerhouse LEP's on East West transport and to work with the Borderlands Partnership which extends to the North West and Scotland on rural development.

We are also taking into consideration the multiple sources of academic and policy evidence that explore the issues of centralisation of economic policy-making in the UK compared to other European countries. Joaquim Oliveira Martins from the OECD explored some of these issues at the summit and the benefits and consequences**.**

The North East Brexit Group has also undertaken significant work to develop an evidence base about the contribution of previous EU and other sources of public funding on the region. This has informed a position paper about future regional funding including the UKSPF which was adopted by the North East LEP Board with support from the North East Combined Authority in July 2018. This is available on our website (https://www.nelep.co.uk/wp-content/uploads/2018/07/july-agenda-and-papers.pdf) in the Board papers section. The North East LEP and other partners have been active in pre-consultation activities about the UKSPF and will respond to the green paper when it is published.

GDP is the equivalent of GVA at a national level. In comparison with other countries, according to the OECD, the value of the UK GDP per head is similar to the OECD average and about 4% higher than that of the EU as a whole.

Compared to other EU nations, the latest figure is lower than that of Germany, Belgium and the Netherlands and higher than that of France (slightly), Italy and Spain.

The importance of global 5G standards

Example questions

- Looking outwards - standards are important - do we understand how important global 5G standards might be?

Traditionally, standardisation has made an important contribution to enabling export-oriented businesses prove their compatibility and suitability for use in foreign marketplaces. This will also be the case for products and solutions built to follow the global standardisation effort that is 5G.

We already know a vast amount about 5G. It is ten times faster, which is vital to advance and use autonomous vehicles and some robotics. There are less tangible benefits too. 5G provides a platform that brings together other network channels (e.g. WiFi, LPWAN, FTTH/P, 3/4G) and the already virtualised world of cloud computing. This technology will enable business value chain relationships to be reworked to optimise their trade in global markets.

We are working with partners to understand how we can work with the public and private sector to accelerate 5G within the region.

Skills

Example questions

- Inclusivity will be dependent on cultural change amongst those in society that don't engage in education. How do we change this culture?

- How can we encourage businesses to review productivity improvements and support skills development to maintain a workforce to compete at a world level?

Our aim is that inclusive growth is a key outcome of the North East Local Industrial Strategy despite an apparent mismatch between an Industrial Strategy (focus on high value, high productivity sectors) and inclusive growth, therefore it is important that improving skills equates to improved standards of living shared across the whole population and this is a key measure.

We also have a collective responsibility to advocate the benefits of productivity improvements and skills development across the North East business base, and through the North East Strategic Economic Plan work with partners, to deliver a range of interconnected programmes which support productivity improvements and skills development. The North East Growth Hub provides information on business support and access to finance and insights to productivity and skills development.

Our Growth Hub Connectors provide one-to-one support and managed introductions to relevant business support and finance providers that can help individual businesses to realise their growth potential through help with making productivity improvements, skills retention and development or other growth-oriented actions. They provide independent and impartial insight to the various support and funding schemes available to help businesses grow in the North East.

Through our Growth Hub content, we encourage businesses to review productivity improvements and support skills development as featured in our toolkits and insight pieces which showcase real business stories and interviews with experts. We have complementary programmes that encourage productivity and skills development, such as Growth through Mentoring, Supply Chain North East and Scaleup North East. See www.northeastgrowthhub.co.uk

Automation does not necessarily lead to a loss of jobs. Creative disruption, which can be through automation, can lead to new business models and the creation of new markets for goods and services that can bring about positive growth opportunities for companies.

Governance

Summary in response to the below question:

- Does the North East LEP currently have the right mix of powers and funding levers devolved from Government to effectively implement a Local Industrial Strategy?

Key parts of the delivery framework supporting the Local Industrial Strategy remains to be confirmed, particularly future regional funding and governance around this. Part of the purpose of the work we are doing on the Local Industrial Strategy is to set out a stall for a future regional policy environment and we believe that the opportunity to co-create the strategy with government could offer opportunities for innovation in this respect.

North East challenges

Summary in response to the below questions*:*

- Should we also be looking at gva per person (i.e. include those not on work) We perform less well. To increase productivity - do we need more people in jobs

- Is productivity improvement linked to more jobs? i.e. modular building is safer and better quality and better productivity but is a reduction in those required

- Is the reason we have a low business base and low start up a result of a having such a large public sector base. Fewer opportunities for companies.

- Do businesses make people redundant when they automate jobs? Or do they re-purpose those people within the business? Automation / productivity doesn't = job loss

Productivity:

The North East LEP Our Economy report and the North East Data Hub both include GVA per head, the usual description of GVA per person. This is generally used to compare the economic output of different-sized areas rather than as a measure of productivity.
In the North East LEP area, this GVA per head is 84% of the figure for England excluding London. However, the gap has closed in recent years. We will continue to monitor this measure.

The North East LEP Strategic Economic Plan (SEP) includes targets for more and better jobs and for improved employment and economic activity rates.

The relatively small size of the North East's economy is linked to a combination of a lower employment rate with a lower level of productivity of people in employment.
The Strategic Economic Plan includes targets to increase employment and to increase productivity. The better jobs target focuses on employment in occupations that tend to have higher productivity.

Business base:

Across the region, our historic dependency on the public sector and on major employers is a contributing factor to low business base and low start up. The reasons for the low business base and low start-up rate are more complex. Through the North East Strategic Economic Plan we have identified a need to understand better why we lag behind other areas of the country with respect to our private sector business base and our start-up rate.

We are preparing research proposals to gain insight to business start-up, growth and scaleup ambition and will use this to inform our strategy. Imperfect information may be a contributing factor, the business support landscape can be confusing and support services need to be designed and delivered such that they meet the needs of businesses at different stages of growth, as well as businesses with specific barriers to engagement.

The North East Growth Hub provides simplified access to business support and finance required to start-up, grow and scale. We are also working with partners to identify and fill gaps in provision and raise the quality of provision. We are also supporting start-ups through the North East Growth Hub. People with ideas for a new business that could achieve rapid growth should visit www.highgrowthstartups.co.uk to find out more.

Loss of jobs:

Loss of jobs through business redundancy and automation, does not necessarily lead to a loss of jobs. Creative disruption, which can be through automation, can lead to new business models and the creation of new markets for goods and services that can bring about positive growth opportunities for companies.

LIS process and summit

Summary in response to the below questions:

- What is the schedule for publishing the LIS?
- Fantastic presentation slides from Joaquim. Are the slides going to be circulated?
- What definition of Productivity is being used (and are all partners / stakeholders using the same definition)?

We will continue to develop the North East Local Industrial Strategy during the summer with a view that publication will be in Autumn 2019.

Copies of the presentations given by the speakers at the summit have been circulated to those attended and can be found **here**.

The Strategic Economic Plan target is to reduce the gap in GVA per hour worked and this is also used in the UK Industrial Strategy. An alternative measure is GVA per full time equivalent job but there have been changes to the underlying data so the time series is not consistent.

Although we will use the per hour figure as our headline measure, we will also include per job figures in the Our Economy publication and on the North East Data Hub. We have also undertaken analysis using alternative measures of productivity as part of the development of the evidence