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**CLES Bulletin No. 35**  
**Regional Economic Strategies**

**CLES BULLETIN**





## Introduction

A key Labour Party manifesto commitment for the 1997 general election was the promise of a degree of decentralisation of responsibility away from Whitehall, to enable a greater regional focus with regards to the way in which the United Kingdom is governed (For more information please see our previous bulletin: *Economic Development Policy in the Devolved Territories and English Regions since 1997*). The Government not only saw regional government as key to increasing the identification of local people with their neighbourhoods, towns and regions and as a way to improve local democracy, but also saw regional government as key to increasing inward investment and economic development. A key part of this decentralisation process was the formation, in 1999, of Regional Development Agencies (RDAs) in eight of the English Regions<sup>1</sup>. The Regional Development Agency for London; the London Development Agency (LDA) was subsequently introduced in 2000. The nine Regional Development Agencies were given five statutory purposes:

- To further economic development and regeneration;
- To promote business efficiency, investment and competitiveness;
- To promote employment;
- To enhance the development and application of skills relevant to employment; and
- To contribute to sustainable development.

In order to meet these key statutory purposes, each Regional Development Agency, must in coordination with a series of local partners draw up a Regional Economic Strategy (RES) which sets out key challenges and economic development priorities, for their region, for a period of ten years. In order to assess changing needs and priorities RDAs must review their RES and undertake a

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<sup>1</sup> The nine RDAs are as follows: North West Development Agency (NWDA); One North East (ONE); Yorkshire Forward; Advantage West Midlands; East Midlands Development Agency (emda); East of England Development Agency (EEDA); South West of England Regional Development Agency; London Development Agency (LDA); South East England Development Agency (SEEDA).

period of consultation on related matters, every three years. Central government must then sign off the reviewed strategy. Several regions are currently consulting on their draft RES, with others due to review theirs in 2006 or 2007. The current situation is detailed below:

- **NWDA** - The draft RES for the North West is subject to consultation until 30<sup>th</sup> September 2005 with the revised RES to be launched in March 2006.
- **ONE** - The draft RES for the North East is subject to consultation until 30<sup>th</sup> August 2005 with a revised version set to be submitted to the Department of Trade and Industry for Ministerial 'sign off' in November 2005.
- **Yorkshire Forward** - The Draft RES for Yorkshire and Humber is subject to consultation until 28<sup>th</sup> September 2005 with the final draft expected to be submitted to government on 31<sup>st</sup> October 2005.
- **Advantage West Midlands** - A review of the West Midland RES is due to take place in 2006 with consultation taking place from June to September 2006, with the final strategy launched in 2007.
- **EMDA** - Consultation on a draft RES is due to take place from September-November 2005 with the reviewed RES published in April 2006.
- **EEDA** - The most recent RES in East of England was published in November 2004.
- **SWERDA** - A draft RES for consultation is due to be launched in the South West on 20<sup>th</sup> September 2005. It will be subject to a six-week consultation prior to submission to ministers in December 2005.
- **LDA** - The most recent economic development strategy for London was published in January 2005 after extensive consultation during 2004.
- **SEEDA** - The draft RES for the South East was launched on 15<sup>th</sup> July 2005.

This Bulletin will:

- Examine the background and context to the development of RESs with an emphasis on regional inequalities;
- Assess the key challenges with regard to economic development in two regions, namely the North West and Yorkshire and Humber.



- Analyse the key dimensions of the draft RESs for the North West and the Yorkshire and Humber regions, in order to consider the key challenges facing the RDAs.
- To consider the purpose of RESs and to ask a series of further questions to contribute to the current consultations on the draft RESs.

### Background and Context

Section 7(1) of the Regional Development Agencies Act 1998 requires a Regional Development Agency to formulate and keep under review a strategy in relation to its purposes and to have regard to the strategy in exercising functions. The latest round of RES reviews and consultations must take account of the key PSA agreement of the 2004 Spending Review of<sup>2</sup>:

“Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006”

This PSA recognises both the importance of sustainable regional economies and the fact that despite the work so far there is still much to do to reduce economic and social inequalities between the regions of the United Kingdom. There are key economic growth inequalities in terms of productivity and competition between the English regions. Inequalities between regions are reflected in GVA per capita in terms of productivity, employment and output of each of the regions. The figures for GVA per head, in fact, highlight a core North-South divide in regional economic prosperity. The key figures for economic output for 2003 are highlighted in figure 1.

Figure 1

|  | Productivity (GVA per | Employment (seasonally | Output (GVA per head 2003, |
|--|-----------------------|------------------------|----------------------------|
|  |                       |                        |                            |

<sup>2</sup> Department of Trade and Industry (2005) *Guidance to RDAs on Regional Strategies*. Available at: ([www.consumer.gov.uk/rda/info/res.htm](http://www.consumer.gov.uk/rda/info/res.htm))

|                      | hour worked 2003) | adjusted as a percentage of all people of working age 2003 | residence based) |
|----------------------|-------------------|--|------------------|
| North East           | 95.1              | 91.3   | 79.7             |
| Yorkshire and Humber | 93.7              | 99.2   | 89.0             |
| North West           | 94.4              | 98.1   | 89.8             |
| East Midlands        | 96.9              | 101.9  | 90.8             |
| West Midlands        | 94.6              | 99.1   | 91.0             |
| South West           | 95.4              | 105.2  | 94.1             |
| East                 | 97.1              | 105.1  | 109.2            |
| South East           | 106.5             | 106.2  | 115.2            |
| London               | 115.4             | 94.1   | 131.3            |
| UK                   | 100               | 100  | 100              |

While London, the South East and East of England have levels of economic output above the UK average, other regions such as the North East, North West and Yorkshire and Humber fall way below the UK average. A number of reasons can be put forward to explain these key inequalities. First, owing to economic restructuring in the 1970s the North of England has lost much of its industrial heritage as well as primary manufacturing industries. Whilst the South also lost some industries it has been able to respond far quicker to this economic change by enhancing its service-based industry. Second, variation in employment levels as a result of a reduced industrial sector and a lack of skills for new industries have also contributed to unequal economic growth between the South and North. Third, inward investment from abroad and inter-regionally has tended to favour the South as a result of established economic activity. The Government saw these inequalities as not only leading to deprivation, unemployment, and poor health in certain regions, but also as contributing to the productivity gap between the United Kingdom and leading international competitors such as the USA, France and Germany. The establishment of RDAs sought to sustain economic growth in Southern regions and to improve levels of economic development and inward investment in the North. Thus, ensuring a reduction in the inequality gap and an improvement of the UK’s competitiveness and productivity.



RESs seek to meet these key Governmental priorities regionally and have a number of key roles to play in reducing inequality and improving competitiveness. The fundamental purpose of the RES is to improve economic performance and enhance the region's competitiveness by addressing market failures that prevent sustainable economic development, regeneration and business growth. Therefore the RES must promote increased economic performance through: greater innovation, enhanced skills, increased enterprise, higher levels of investment and improved competition. However, the RES must also address barriers to economic growth including: unemployment, low skills levels, social exclusion, physical decay and access to services.

RESs are not just the work of the Regional Development Agencies, but need to be all encompassing, involving key statutory bodies, service providers, businesses and communities. RESs also need to contribute to and take note of the priorities of other thematic strategies within the region, which have major implications for economic development, such as the Regional Housing Strategy (RHS), the Regional Transport Strategy (RTS) and the Regional Spatial Strategy (RSS). As well as the focus on the regional level there also needs to be an emphasis, in the RES, on the varying economies of certain localities and particularly the rural economy.

RESs also sit within a much wider policy context at the European and national levels. The RES needs to play its part in delivering the 'Lisbon Agenda' which is focusing on the creation of more and better jobs, greater social cohesion and sustainable economic growth across the EU. Nationally, the RES sits with many key Government policies such as the Northern Way Growth Strategy and a focus on City Regions as key drivers of regional economic growth. The RES also fully supports key government policies with regard to: sustainable communities, the UK Sustainable Development Strategy, devolved decision making, the Skills White Paper and the Rural Strategy.

## Key Challenges of the Regional Economic Strategy

### England's Northwest Regional Economic Strategy- Consultation Draft 2005<sup>3</sup>

The Northwest is a £98billion economy with approximately 6.8 million people and 230,000 firms. It is a large area with both a diverse economy and population. In recent years, particularly in large metropolitan areas such as Liverpool and Manchester, the economy has been growing quicker than the rest of England as a whole, which goes against the traditional view that it is an under performing regional economy. In recent years for example there has been:

- 18% GVA growth (16% in England);
- 5% growth in number of firms (3% in England);
- 5% growth in number of employees (2% in England);
- 3% growth in employment rate (0% in England).

Despite the positive achievements of the last three years, there is still a key productivity and employment gap between the North West and the average for England. Key gaps include:

- Despite the Northwest having created 150,000 net additional new jobs in the last four years, many of these have been low paid, often part-time jobs.
- The GVA, despite increases in recent years, is still 12% lower than that of England as a whole resulting in an economic output gap of £13 billion. £10 billion of this output gap is a result of lower productivity, with the remainder a result of less people of working age and fewer people working in the region.
- There is a core gap in the service sector, especially business and professional services.
- There are substantial sub regional variations in economic performance with recent resurgence of the Manchester economy accounting for 40% of the total GVA of the Northwest. Liverpool is

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<sup>3</sup> Northwest Regional Development Agency (2005) *Regional Economic Strategy Consultation Draft*. Available at: ([www.nwda.co.uk/strategy](http://www.nwda.co.uk/strategy))



also a significant contributor. There are significant areas of economic decline, including Barrow-in-Furness and parts of East Lancashire.

- Only 16% of the Northwest economy is made up of direct foreign investment.
- There are 120,000 more people with few or no skills, compared to the English average.
- Worklessness appears to be concentrated in certain localities with 90% of all workless people living in Manchester, Liverpool, Knowsley, Halton, Salford and Barrow.

#### Regional Economic Strategy for Yorkshire and Humber-Consultation Draft 2005<sup>4</sup>

The Yorkshire and Humber economy is one in transition, with the continuation of a move from an economy that relied on large scale heavy industry, manufacturing, textiles and agriculture to a more diverse market. Manufacturing and other traditional industries are still important for the region but the numbers employed in this sector continue to fall. Yorkshire and Humber is a large region with a population of around five million people and an economy worth £72billion. In recent years the economy of Yorkshire and Humber has grown in certain sectors, highlighting that it is beginning to adapt to a new economic environment:

- The region's GDP has grown by 12% since 2001;
- The region now has lower unemployment with claimant count in the 20% most deprived wards falling by 20% in the last five years;
- The region has gained around 1000 extra businesses;
- There have been key increases in innovation, research and development in the region since 2001;
- There is evidence of a reversal of urban decline in the region's key cities of Leeds, Bradford, Sheffield, York and Hull.
- Leeds has become an increased driver of economic growth with over £3billion of private investment and the creation of 47,000 jobs in the past ten years.

Despite improvements in recent years, Yorkshire and Humber have recognised that there is still much work to do, primarily because the world economy and the rest of the UK has continued to grow, with the gap between the English regions continuing to widen. Yorkshire and Humber has recognised that serious challenges remain with regard to the following issues:

- Transport – enhanced investment is needed to improve linkages between regions and within.
- Skills - there remains a lack of key skills in certain sectors of the region. The retention of graduates in the region and spend on research and development are low compared to other regions.
- There needs to be greater levels of enterprise, innovation, investment, skills and employment if Yorkshire and Humber is maintain economic growth and compete with other English regions, European nations and international competitors.

#### **Proposals of Regional Economic Strategies**

##### The North West

The draft RES for the North West sets out its vision to:

“Transform England's Northwest through sustainable economic development into a competitive, high added value, knowledge based inclusive economy.”

This vision is underpinned by two core aims. Firstly, the region needs to build on its areas of success and its particular assets to increase productivity or GVA per person employed. Secondly, the region needs to increase the number of working people and specifically encourage all forms of economic activity in the most deprived areas and in the most disadvantaged communities. The RES looks to achieve these aims with regard to improvements of five key themes of economic development. This bulletin will concentrate on two of these, namely business and regeneration, however the other three themes of skills and employment, infrastructure and quality of life are

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<sup>4</sup> Yorkshire Forward (2005) *Regional Economic Strategy Consultation Draft*. Available at: (<http://www.yorkshire-forward.com/view.asp?id=3275&pw=>)





discussed in detail in the draft consultation document.

In terms of business the RES will look to reduce the variations and concentrations in economic development, geographically, sectorally and within communities across the region. There are four key objectives of the business section of the RES:

- **Encourage higher value added activity through innovation and the application of science.** For example, the RES will look to improve the links and collaboration between business and the Higher Education sector in the region. It will look to ensure North West science and engineering graduates receive the support in enterprise to lead to new knowledge based business starts.
- **Encouraging higher added value activity through internationalisation.** For example, work needs to be undertaken to ensure North West firms know of the opportunities, benefits and risks associated with foreign investment. Also, there needs to be an emphasis on sustaining key business clusters through focusing inward investment and domestic relocation activity to support these clusters.
- **Developing an enterprise culture and job growth especially in under-performing locations and communities.** This objective looks to target both localities and groups for business support to increase economic development. For example, target support including entrepreneurship amongst females, some BME communities, areas of multiple deprivation and areas of low job creation.
- **Developing Sectors.** The draft RES has commented on several business sectors that could add higher value to the North West economy including Food & Drink and the Digital and Media sectors.

In terms of regeneration, the RES will focus primarily on ensuring that the conditions for economic growth, investment and sustainable communities are in place. The RES will look to build on the successes of parts of Manchester, Liverpool and Central Lancashire, but also to address problems of worklessness, deprivation and poor economic drivers in other areas.

The RES highlights five key objectives and activities for the regeneration sector:

- **Realising the full urban renaissance potential of the City Regions of Manchester, Liverpool and Central Lancashire.** This objective focuses on renewing the emphasis on the City Region Development Programmes to facilitate economic growth. It also states that there needs to be greater evidence-based understanding of the policy barriers to accelerating growth across the city regions.
- **Tackling worklessness and unemployment in deprived areas within and close to areas of economic growth by linking people, jobs and training.** There is a need, for example, to align the strategies, investment plans and services of the Learning & Skills Council and Jobcentre Plus to focus on residents and areas with the greatest employment gaps.
- **Creating the conditions for sustainable growth in urban areas with few economic drivers.** This objective aims to tackle worklessness and exploit assets in areas of relatively small economic growth such as Barrow. The objective also aims to support regeneration in Blackpool through the opportunities offered by proposed casinos.
- **Creating the conditions for sustainable growth in rural areas.** For example focusing support on the rural districts with the consistently worst economic performance.
- **Joining up responses and increased capacity to deliver sustainable economic growth.** This objective looks for example to better align strategies, public investment plans and mainstream services at appropriate spatial levels to tackle strategic regeneration priorities such as health inequalities and equality and diversity.

#### Yorkshire and Humber

The draft RES for Yorkshire and Humber sets out their visions of:

“a world class, prosperous and sustainable region.”



In order to meet this vision, Yorkshire and Humber's RES has three core aims:

- Enhancing and realising the potential of all Yorkshire and Humber's people to achieve a healthy learning region and ensure social inclusion.
- Growing existing and new businesses to achieve high and stable levels of economic growth and jobs.
- Utilising the full potential of Yorkshire and Humber's physical and cultural assets and conserving and enhancing its environment to achieve an integrated sustainable economy.

The RES looks to achieve these aims with regard to six key themes. This bulletin will concentrate on two of these namely connecting people to good jobs, transport, infrastructure and the environment. The other four themes of more businesses that last, competitive businesses, skilled people benefiting business and stronger cities, towns and rural communities are discussed in further detail in the draft RES document.

In terms of connecting people with good jobs the focus is very much facilitating opportunity so that they can make the most of life and contribute positively to their local and regional economy. It is about making sure that people are not displaced from job opportunities through incapacity, lack of skills, and other barriers such as poor transport links and lack of affordable childcare. For example, the RES will look to develop programmes and projects to tackle worklessness and get more people into good jobs.

In terms of transport, infrastructure and environment, the onus is on delivering transport infrastructure that enables business success and improves quality of life and the environment. In terms of making a stronger case for and then delivering commitment to long term regional transport priorities, the onus is on improving connectivity to areas within the region and nationally. For example, the RES focuses better, faster rail services between Leeds, Sheffield and Manchester and also between the Yorkshire and

Humber region and London and the wider South East region.

## Conclusion

There are key inequalities in the economic performance and growth of England's nine regions. Whilst London, the South East and the East of England have economic growth above the English average and the best performing regions of Europe, the economic gap between these and certain Northern regions continues to widen. Productivity, employment and economic output in the North West, North East and Yorkshire and Humber are far lower than the Southern regions. Regional Development Agencies are required to prepare Regional Economic Strategies, every three years, to set out how they intend to foster economic growth and address the challenges facing their region. The Regional Economic Strategies for the North West, North East and Yorkshire and Humber are currently under a period of consultation. The Centre for Local Economic Strategies intends to prepare a consultation response to the draft RES for both the North West and Yorkshire and Humber regions. If you have any comments to the following questions please forward them onto us and we will include them in our response.

1. Do you agree with the vision of the RES?
2. Do you agree with the aims of each of the themes of the RES?
3. Should there be any further themes involved in the RES?
4. Are there any further regional or local issues you would like to see addressed in the RES?
5. Is the RES likely to lead to a narrowing of the economic development gap between yours and other regions?
6. Should the Government be assisting Northern regions further in economic development activities?



To respond to any of these questions or for further information on Regional Economic Strategies please contact:

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