

Consultation response from North East England, UK

European Commission 2020 Strategy Consultation paper

Introduction and key messages

North East England welcomes the opportunity to input into the consultation for the 2020 strategy and the future direction of the priorities of the European Union. In principle the North East strongly supports the 2020 Strategy and the thematic priorities that have been highlighted in the document. These priorities are closely aligned to the current Regional Economic Strategy and emerging priorities of the future Integrated Regional Strategy for the North East. The region supports many of the commitments in the consultation paper, including the focus on social, environmental as well as economic priorities within one single strategy for the first time, as well as the broad ranging priorities that the paper sets out.

- We ask the Commission **to be ambitious** in proposing an agenda for the EU in order to help create the conditions under which we can move out of the economic downturn but also prepare for the prospect of new employment and business opportunities that new economic conditions will provide
- We would like to see the stronger **recognition of the role of local and regional players in delivering the 2020 Strategy** and urge that the role of sub national players in delivering the strategy be **fully taken into account** in line with the principles of multi level governance and subsidiarity that are now enshrined under the Lisbon Treaty
- In line with the priorities of the Small Business Act, **the role Small and Medium Sized Enterprises** in delivering social, economic and environmental development should be **improved** in the 2020 Strategy
- The Commission should consider **greater flexibility** within priorities of the strategy to allow for countries and regions to play to their **individual strengths** in specific sectors
- **Social cohesion** and **support for employment** needs to go hand-in-hand with economic and environmental development to ensure **fully cohesive and sustainable communities** and should be seen as a key priority in improving **quality of life** following the exit from the recession
- We actively support the Commission's approach in taking a **longer term perspective** in terms of economic development, in particularly sustainable investment in renewable energy, as well as looking at the requirements in the short term in order to address the financial and economic crisis

North East England strongly supports the European priorities outlined in the '2020 Strategy' consultation paper, of a low carbon 'green' economy, the development of skills and lifelong learning for its citizens and boosting the knowledge economy through research, development and innovation. However, the document requires further expression of the priorities presented and lacks detail in how these priorities will be implemented and measured.

We recognise that the Lisbon Strategy 2000-2010, has played an important role in focusing activities and funding from Europe and individual Member States, helping to ensure that economic and social cohesion is taking place on the ground, and boosting regional and European growth and competitiveness. Due to this we believe that local and regional stakeholders should be at the heart of the development and implementation of a new 2020 Strategy.

With a series of ambitious targets for employment, and the requirement that European Structural Funds are targeted at improving growth and jobs, the strategy has an ambitious agenda for change. However as generally accepted the Lisbon Strategy didn't fully achieve what it set out to do, and in 2020 we need to learn and understand why this did not happen. In the section 'Making it happen' the Commission appears to take into consideration the failings of the

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previous strategy, and we would support a clear, focused strategy based on a limited number of priorities as well as a recognised role for sub-national delivery. Simplification, the revision of regulations, alignment of EU and domestic resources could strengthen Europe's role in supporting economic development. Greater coordination across the Commission's Directorate Generals (DG) should take place, and their respective funding mechanisms should be reformed for ease of access and usefulness for participants. Some partners within the region would specifically call on the Commission to create a mono-fund, which would make an initiative such as the 2020 Strategy easier to implement as it would only have one fund to align its priorities to, and not multiple funds operating with differing process and requirements across all the DGs.

Since the commencement of the Lisbon Strategy in 2000, we have always supported the European Commission strategically aligning the targets and goals of the Lisbon Agenda with that of the Structural Funds, and 2020 should follow the same pattern. As we have outlined in Annex 1 and 2 at the end of this document, European Regional Development Funds and Territorial Cooperation funds, contributed to delivering Lisbon on the ground.

The last five years have seen dramatic global changes take place that have affected every corner of the EU. A future development strategy needs to be flexible to adapt to any unforeseen scenarios and new challenges. This will allow regions to concentrate on their specific strengths and weaknesses, as well as addressing the still relevant global problems of climate change, energy supply, demographic change and globalisation, which should not be sidelined in the face of the economic crisis. A ten year period is a short amount of time to make such drastic changes, and given the severity of the economic downturn, Europe needs a targeted, results focused and robust strategy to take us forward into the next decade.

1. Regional delivery of growth and jobs

The 2020 Strategy would benefit from **a clearly defined role for local and regional levels in delivering a new growth and jobs agenda, as recognised by the new Lisbon Treaty**. As highlighted in Annex 1 and 2, the work being done in the regions, including the European Regional Development Fund (ERDF) and transnational funds, provide a useful mechanism to deliver this agenda on the ground. In addition to ERDF funds, **regional and local actors are responsible for large amounts of finance and resources to deliver sustainable economic growth outside of European funding, and are in a prime position to deliver a new sustainable economic, social and environmental strategy at the level where it is the most effective and most visible**. Alignment of European funding with the priorities of the regional economic strategies are essential for effective delivery and regional growth.

At this year's European Week of Regions and Cities (Open Days) opening session, Commission Barroso said "We really need the commitment of the **regional and local authorities**. We need to know your opinions so that we can take on board your positive experiences. **We are well aware that the success of the post-2010 Lisbon strategy throughout Europe will depend on you.**" The North East would encourage that the new communication due out in early 2010 takes on board this clear and explicit message from the President of the European Commission.

2. New growth sectors and traditional industries

Stakeholders in North East England support the 2020 priority areas of new growth sectors such as green and low carbon economy, digital and ICT sectors that are particularly strong in Europe. Greater support in boosting these

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sectors will give Europe a greater competitive advantage in the exit from the recession, but we also would want to build upon existing strengths as well as having the opportunity of capitalising on new sectors, such as printable electronics and Carbon Capture and Storage (CCS), as well as opportunities that will inevitably emerge in the next decade in this fast changing world.

For many local areas traditional industries, such as manufacturing and chemicals, are still big employers and contribute significantly to the local economies. Support is needed to maintain and develop these sectors in, and specifically to make them greener, which is a role that the European Union can coordinate a framework to. Traditional industries can also be seen as a way of supporting new growth areas, and new business opportunities can be made between the traditional and new growth sectors. In focussing on new sectors, we need to acknowledge that they are often underpinned by more traditional industries and sectors and we need to support them in moving towards the new agenda.

3. Investment in skills and education

The 2020 Strategy provides an opportunity to set out a comprehensive skills strategy that will incorporate national, regional and local priorities and strategic initiatives. As the economy becomes increasingly internationalised, European member states aim to compete on higher value-added goods and services, innovation, skills, knowledge and greater levels of entrepreneurialism.

The globalisation of the economy and rapidly changing technology means that the occupations profile of the region is evolving. The North East expects employment growth in managerial, senior official, professional, associated professional and technical occupations. STEM (science, technology, engineering and mathematics) skills are a key priority, these skills are required to support the predicted growth sectors and to support new technologies and the expansion of the digital infrastructure.

The region has a relatively high proportion of manufacturing which continues to adapt to new and emerging technologies for the future. The impact of lean manufacturing and business improvement techniques has led to significant GVA gains, an ongoing priority.

In this regard, we recognise the importance of the Commission's series of indicators and targets to monitor progress in ensuring Europe's citizens leave school equipped with the right basic skills, such as IT skills considering that most jobs now and in the future will demand some knowledge in this field. The decision to also monitor the number of individuals engaged in STEM subjects, and levels of proficiency in ICT and computer skills remain critical. Whilst these are set to lapse this year, we urge the Commission to view the inclusion and monitoring of these indicators in the 2010 Strategy, at all governance levels, as critical. Greater consideration and analysis needs to give way to indicators on skills that will be needed to ensure our citizens thrive in the labour market that will result from our shift to a low-carbon economy. We need to ensure today's workforce is progressively equipped to meet these future needs.

Improving (and monitoring) the progress of school leavers/young students will not be sufficient to meet the skills needs. About three quarters of the 2020 workforce have already left compulsory education. Consequently, there needs to be a focus on people currently in the workforce. This means stimulating the demand – individual and

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employer demand – for specific skills / higher level skills. This will mean an increasing requirement for flexible provision, including bespoke courses, part-time learning, distance learning and e-learning.

In developing measures, we encourage the Commission to be gender conscious and to offer innovative solutions to persistent challenges such as the low-uptake of high-technology and STEM subjects by women or the under-representation of men in social care. If these areas will be the sectors of the future, we need to ensure that both men and women have equal access to the new jobs in the low carbon and high-tech economy. We agree with the recent IPPR report on Jobs and in the UK Low-Carbon Transition, and recommend to the Commission that, as stated in the IPPR report, they *“include plans for bringing more women into low carbon growth industries like construction and manufacturing. Retention and recruitment strategies aimed at women, alongside better quality, gender neutral careers advice for young people and adults will be key”*.¹

In relation to the areas of focus within the skills agenda for the North East, we would support:

- In the North East, a key priority is to build a foundation of both basic and higher level skills. Basic and Level 2 targeted at those with no or low level skills and also specific rural cold-spots within the region to provide a platform for employability.
- The NE has a substantial short-fall in the numbers of businesses per capita. Whilst the number of North East business start-ups and stocks have increased at a faster rate than the national average, there needs to be further and continued improvement to make any significant inroads in closing the enterprise gap with the rest of the country. Promoting the skills to support an ‘enterprise surge’ is a priority in the North East, building on pre-19 cohort to embed enterprise skills.
- STEM skills are a key priority – these skills are required to support the predicted growth sectors..
- The NE has a relatively high proportion of manufacturing which continues to adapt to new and emerging technologies for the future. The impact of lean manufacturing and business improvement techniques has led to significant GVA gains - an ongoing priority.
- Management and leadership skills are necessary to support entrepreneurialism, increased productivity and innovation.

However, we feel there are some issues missing from the 2020 strategy, such as:

- Increased attention given to the issue of young people’s transition into working life and increasing their involvement in education, training and employment schemes
- Stimulating demand - which links to the issues of skills utilisation and productivity, as well as anticipating demand of early stage technologies and developing a skills system that can cope with this
- Recognising the potential opportunities – for both people and training providers, colleges and HEIs – to allow them to develop the strategies to respond to these opportunities
- Ensuring that non-traditional and potential learners can access training and development schemes, especially those funded with European money

¹ Institute for Public Policy Research (IPPR) ‘Jobs and in the UK Low-Carbon Transition’ 2nd November 2009
<http://www.ippr.org/publicationsandreports/publication.asp?id=712>

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The Lifelong Learning programme and European Social Funds should focus on encouraging non-typical learners and those in long term unemployment to improve their skills base, with the intentions of improving aspirations, social inclusion, motivation and self esteem. In particular the skills of younger people should be combined with the knowledge and experience of older workers, ensuring the legacy of expertise built up in the market place remains. Developing an entrepreneurial, creative, and innovative society is going to be even more critical as Europe competes on an ever more challenging global economic market. The Lifelong Learning Programme needs to have a more visible and robust funding heading to support innovative actions that embed entrepreneurship and entrepreneurial education within all levels of our schooling systems. Indicators should be given serious consideration with view of monitoring successful mainstreaming of entrepreneurship in schools. Whilst the initiatives made by DG Education and Culture and DG Enterprise in the last year offered interesting This would ensure that the measures taken offer bottom-up solutions that can be adapted to regional specificities.

4. Moving to a low carbon economy

The low carbon economy in the North East is an exceptionally important sector, and looks to be the region's key strength for the future. The sector is currently worth in excess of £10bn per annum, 25% of regional GDP, and employs over 300,000 people. This is the positive picture in the North East at present, but we know we have the potential to become a leading site and centre of excellence related to many low carbon industries. Specific and targeted opportunities at the European level will help a region that has traditionally been underperforming compared with the rest of the United Kingdom, and allows us to capitalise on our unique positioning as well as our physical and natural assets.

Specific areas of importance include Carbon Capture and Storage (CCS), offshore wind and other low carbon energy generation, low carbon vehicles, process industries, ICT and digital and biotechnology, all of which are high-growth areas and tie in strongly to the low carbon agenda. CCS is particularly important for the North East region to retain and attract new jobs in manufacturing and process industries, and the CCS proposition for the North East will demonstrate a multi-sourced industrial project, rather than solely from energy generation. Low carbon energy generation will be essential to maintaining the competitiveness of the energy intensive industries in the Tees Valley, the UK and Europe. This includes the CCS network and offshore wind, but also includes better utilisation of heat (heat networks, district heating etc.), the development of renewables and nuclear power. In moving towards a low carbon economy, the European Union should explore opportunities from large scale industrial projects to small scale initiatives at a local and community level. Strategies, activities and funding at the European level should support both – particularly where there are opportunities to add value through industrial symbiosis. Small scale and localised activities, such as awareness raising campaigns, encouraging the everyday use of micro-generation technologies (such as solar thermal heating) can also significantly cut carbon emissions for both residents and businesses, as well as supporting the manufacturing sector and encouraging new business start ups.

Europe's citizens also need to be supported in this period of change and the transition to a low carbon economy. Associated with this is the need to develop the essential skills our workforce will need to be able to be global leaders in this field. This should be one of the first major steps and area of action before we consider developing the low carbon agenda.

5. Support to business

Supporting European SMEs should be at heart of the 2020 strategy. Where as we actively support the development of businesses in the green economy, enterprises in all sectors should have the opportunity to flourish through improved regulations and the reduction of red-tape coming from the European Union. The European Union has a key role to play in ensuring a true single market, and the EU, Member States and local and regional actors can play a role in helping European businesses, especially SMEs, internationalise and make it easier for them to do business in Europe and beyond. Greater efforts also need to be given to improving business – public – education links and improving the ‘knowledge triangle’.

As part of the new Small Business Act (SBA), we call on the Commission to provide more assistance in helping businesses take their products and services to the global market, and with an improved internal market, particularly the European market. There is a significant amount of assistance to businesses at the national and regional levels in the UK. However there is less support to move from the results of research and to take these innovative products and concepts into the marketplace. Improved links should be made between the Seventh Framework Programme for Research and Development and the European Investment Bank initiatives that assist with capitalising on research results (e.g. Risk Sharing Finance facility), making the most of existing research and patents.

Under the defined priorities identified in the Strategy, policy support for industry should be broad based and should aim to make the EU and its regions capitalise on their individual strengths, therefore allowing the market to determine which sectors will generate future growth. Any regulations in this sector should focus on addressing market failures and breaking down the barriers that businesses face in trading across Europe. Flexible State Aid over the past year has been useful in addressing such failures.

6. Technology and Information Communications Technology (ICT)

In order to respond to the future direction of the global economy, we must recognise the importance of technology and ICTs. The digital sector will not only provide a new creative and social platform for citizens, but plays a central role in the operation of businesses. Regions play an important role in supporting and developing innovation directly in the software and digital sector, but also underpinning innovation in other vertical sectors such as renewable energy, the healthcare sector and process industries.

It is vital the European Union continues to see ICT development, and the uptake of ICT, as a cross cutting theme of importance both at the level of business development, but also to ensure that all citizens have universal web access and play a part in the digital economy. This should be done through improved hi-speed broadband access in all areas, especially rural localities of which the North East is 80% rural². A long term target for the region is to have universal access to high speed broadband across the whole territory.

ICT development addresses many of the issues highlighted in this response, and is an important area of growth for North East England. From flexible working, to improved skills and learning in the development of existing and new sectors, ICT and the digital economy will continue to play an ever increasing role across all sectors.

² According to the North East Regional Information Partnership (NERIP) <http://www.nerip.com/>

7. Poverty and Social Exclusion

The issue of poverty and social exclusion is still a problem in the North East, and the consequences of the recession and job losses have exacerbated this situation. We agree that having a job is probably the best safeguard against poverty and social exclusion however note that having a job alone does not secure reductions in poverty levels or increase social inclusion. Poverty and social exclusion is not just a consequence of unemployment, but can be associated with low paid and precarious employment. Labour market weaknesses such as low paid jobs and jobs with poorer working conditions are becoming more evident in the recession. Therefore the up-skilling of people in employment, and tackling these market weaknesses should not be justified simply through productivity gains, but also through wider social inclusion ramifications. Whilst supporting the principles of flexicurity as a critical component of the European labour market's transformation to better respond to the quick pace changes resulting from the shift to a knowledge-based economic model, the Commission needs to champion a more comprehensive approach to stem market over-reliance on temporary, short-term work that ultimately short circuit individuals' security and sustainable growth.

More than half of the children living in poverty in the North East have at least one parent in work. Although the document acknowledges that having a job is not enough, we cannot rely solely on social security and state pension provision to fill the gap. Whilst a robust safety net for the unemployed, and financial provision for the elderly, are the hallmarks of a European social model, we need to better meet the needs of low paid workers and their families living in poverty. Arguably, a more sustainable proposition is to increase the availability of good quality employment, characterised by decent pay, training, career progression, job security, work life balance, pension provision and safe, inclusive working environments. The EU has a responsibility to create the conditions in which sustainable policy development can flourish by setting a regulatory framework conducive to tackling rising levels of income inequality, work life balance issues, as well as insecure, vulnerable forms of employment. Not only is such an approach good for society, it makes financial sense by preventing problems and increasing the productive potential of national economies, thereby raising additional revenue for public policy spending in the future. Deteriorating working conditions should not be treated as an inexorable consequence of economic restructuring caused by the crisis. Therefore, the reference to better jobs should feature more prominently and the Commission should elaborate its meaning.

The Commission should look to improve the interlinks between the different funding mechanisms at its disposal dealing with education, employment, and social affairs. We would like to see the more resources allocated to the PROGRESS funding programme in order to meet the challenges it is being asked to address. Additionally, the funding programme is difficult to access and provides little opportunity to really address local and regional challenges. There needs to be greater consideration in terms of the funding framework of PROGRESS, ESF, and the Lifelong Learning Programme to ensure that they are complementary and are equally accessible to local and regional actors. This will ensure that in the future, the 2020 Strategy is owned by all levels of governance and that concrete action is taken from the onset to meet the goals and objectives set at the European level ensuring that the Strategy delivers on European citizens' hopes and dreams.

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Annex 1: Outline of North East European Regional Development Fund (ERDF) projects in line with the growth and jobs agenda

The aim of this section is to highlight the excellent work being done within the European Regional Development Funds highlighting the added value of work being done that tie in closely with Lisbon related activities. The ERDF 2007-13 programme is bringing over £300m into North East England to support innovation, enterprise and business support. It will help create and safeguard 28,000 new jobs, start 3,000 new businesses and increase the region's productivity by £1.1bn per annum.

1. **Coaching for High Growth** – this is an innovative business support project with intensive, specialised coaching assistance to fast track the performance and growth of over 150 local enterprises with high growth potential. High growth companies suitable for support will be filtered for entry into the programme and access to a host of organisations and individuals capable of supplying mentoring and coaching activities, business support and training.

Appointed client managers will help structure, shape and facilitate future growth plans whilst company managers continue to juggle their day to day operational duties.

2. **Codeworks Evaluation Vehicle (DEV) programme** – this is a new cost-effective service to open up commercial opportunities and product development in digital innovation, increase economic growth and create new businesses and jobs. A new software prototyping service for North East England's digital sector will accelerate the creation of high growth software companies in the region. The initiative will focus on technical analysis and development requirements for software enterprises. It aims to lower a significant barrier to innovation by adding a low risk, tangible demonstration facility for initial ideas, essential in attracting and securing finance for software product development.
3. **New and Renewable Energy Centre (NaREC) Incubation and Inward Investment project**- NaREC is the UK's lead centre for the testing and development of renewable energy technology and provides a wide range of specialist consultancy to encourage early stage companies and university spin-outs to enter the market. Narec) is involved in a project benefiting from additional investment to fund its Incubation & Inward Investment project, supporting the development of technology based businesses and their products. Narec will provide niche technology business support, signposting clients where appropriate and providing direct services where specialist expertise is not available elsewhere. Services will include access to testing and prototyping space and technology development advice.
4. **Innovation, Advice and Guidance - Developing SME Expertise project** – this is a dedicated business support project is to help over 90 small and medium sized businesses (SMEs) in North East England weather the economic downturn and prepare for recovery over the next two years. The project will put in place a matching service and public subsidy to give SMEs and social enterprises access to expert advisors to help develop new products, processes and services. It will also help regional companies retain their skilled staff with a view to driving forward a new phase of economic growth once the recession is over. The innovative project will help address the current economic conditions affecting businesses in two ways. Companies with people who might be at risk of redundancy or on short time working will be encouraged to release them for an agreed time to work on a seconded basis in other SMEs and social enterprises in the region.

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Annex 2: Outline of North East territorial cooperation projects in line with the growth and jobs agenda

The aim of this section is to highlight the excellent work being done within the transnational strands of structural funds, highlighting the added value of work being done that tie in closely with Lisbon related activities.

1. **Creating value by basing growth on knowledge** – the importance of innovation to both products and processes is highlighted by this priority.

The European Regions of Innovative Productivity (ERIP) project, led by One North East and funded by the North Sea Interreg Programme, provides a good example of this. ERIP is jointly developing and testing the principles of lean manufacturing and how it can improve the competitiveness of SMEs by achieving significant savings through productivity improvements. ERIP will deliver a transferable lean change methodology which will build upon the ERDF funded North East Productivity Alliance at regional level.

The RunUp project, funded under the URBACT Programme is addressing the issue of competitiveness by making best use of existing University knowledge and competencies to support economic development and encourage entrepreneurship and innovation competence.

The REDIS project also funded under URBACT is focused on how cities can re-shape districts into science quarters considering that science and R&D are essential for growth and employment throughout the EU. REDIS focuses on the interface between scientific promotion and urban development to ensure sustainable development.

2. **Empowering people in inclusive societies** – recognises the challenges presented by European demography and the integration of an increasing immigrant population.

Through the Changing People ESF project (transnational and innovation strand) One is working with Bilbao and Groningen to test and deliver solutions to the employment and skills issues facing the region as population trends change. The project will identify effective methods for re-engaging older workers with innovative training to update their qualifications and skills, extend careers and embrace entrepreneurship. The project will also work with employers to change workplace cultures and provide flexibility for older workers. The project will also develop and pilot innovative ways of matching the skills of migrant workers with the needs of regional employers to harness the benefits of inward migration and talent attraction.

3. **Creating a competitive, connected and greener economy** – the lower and more efficient consumption of non-renewable energy and resources to meet environmental goals is highlighted under this priority.

The Enevale project, funded under the North West Europe Interreg Programme will enable cooperation and collaboration to accelerate the introduction and growth of the market for electric vehicles (EV) which represent a major economic opportunity, but are also crucial in realising carbon reduction benefits in road transport and the transition to low-carbon mobility. The EV agenda is a rapidly developing and significant area of regional policy across the EU and global competition is high. The Enevale project will provide valuable insight and recommendations into the opportunities and challenges all regions will have to meet on both a practical and regional policy level through the introduction of EV.

** All the above projects involve a wide cross-sector of regional partners including Local Authorities, Universities, sector specific organisations such as Age Concern and the North East Strategic Migration Partnership and a range of relevant national policy organisations.*