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Work Package 4
"Structural Change and Globalisation"

CASE STUDY

NORTH WEST ENGLAND (UK)

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Acronyms

BERD	Business Expenditure on R&D
DG REGIO	Directorate General for Regional Policy
DTI	Department of Trade and Industry
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FDI	Foreign Direct Investment
FEA	Fund Eligible Area
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
GERD	Gross Domestic Expenditure on R&D
GO-NW	Government Office for the North West
ICT	Information and Communication Technology
NWDA	West Development Agency
OECD	Organisation for Economic Co-operation and Development
PMC	Programme Management Committee
R&D	Research and Development
RDA	Regional Development Agency
RES	Regional Economic Strategy
RTDI	Research, Technological Development and Innovation
SME	Small and Medium Enterprise
SPD	Single Programming Document
WP	Work Package

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Executive Summary

Scope and research methods

This report has been prepared as a contribution to the DG REGIO commissioned ex post Evaluation of the cohesion policy programmes financed by the European Regional Development Fund during the period 2000-2006, Work Package 4: Structural Change and Globalisation.

The results and outcomes of the five measures funded under Priority 1 of the 2000-2006 Programme (related to SME growth and competitiveness) and one under Priority 3 (related to strategic sites and premises) considered particularly relevant in the context of structural change and adaptation to globalisation and drilled down in more detail to examine Measure 1.2.

The study is based on various information sources including: in depth semi-structured interviews with regional and sub-regional authorities (intermediary organisations financed under the selected measures, regional policymakers, Action Plan managing authorities); as well as analysis of various secondary data sources including programming and evaluation reports, statistical and monitoring data and scholarly articles (see Annex 5.2).

Key research question and hypothesis tested in the case study

The main research question addressed by the North West England case study is the extent to which regional policy measures co-financed by the ERDF in the Objective 2 programme 2000-2006, to support structural change and adaptation to globalisation have helped the innovation potential of the economic fabric of the North West England.

The assessment of the effects of the selected ERDF measures aims to highlight the contribution of the Objective 2 programme to structural change in the North West England and in doing so tests one of the working hypotheses proposed in the conceptual model developed by the study, namely that "their innovation system may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms. Especially in old-industrial areas, path-dependence from existing technological trajectories constrains product and process innovation"[1].

Regional context and key findings

The North West England is a large and complex region with varied needs and opportunities. It has a population of some 6.8 million, hence larger than that of several of the smaller Member States. The North West England is a difficult region to characterise with a diverse economy, different sub-regional specialisation and different sub-regional reposes to globalisation.

[1] CSIL, Johanneum Research & Technopolis Group (2009) "Structural Change and Globalisation" First Intermediate report to DG REGIO, Milan: Centre for Industrial Studies

It is also essential to be aware of the unique situation in the United Kingdom of the dominance of London. The extent to which London has shaped the emergence of new industries, notably in the service sector, has cast a strongly negative influence on the restructuring of the industrial base of the UK's peripheral regions.

Although the North West England has relatively high levels of business R&D, a productive manufacturing base, and a regional economy larger than many European member states[2], the particular form of globalisation pursued in the UK has played against the grain of the North West's strengths. The forces of globalisation have hollowed out and segmented the North West's economy. Its industrial engine has experienced privatisation, take-over and rationalisation from overseas businesses, whilst new local businesses have not yet emerged to a sufficient extent to ensure continued high-technology, knowledge-intensive growth[3].

The central restructuring challenge for the North West England has been for the last fifteen years or so to find a new cadre of businesses able to fill the economic space left by the restructuring and rationalisation in the region's traditional high-technology sectors.

The region has been in receipt of Objective 2 funding from 1989 onwards. Only with the creation of Regional Development Agencies in 1999 did the English regions gain a body with overall responsibility for planning economic development within the region itself. The 2000-2006 Programme was therefore the first to coincide with this new (unelected) tier of regional governance.

The key findings of this case study are:

1. The Structural Funds programmes which have been run in the region since 1989 have been important for the wider effects they have brought which go beyond immediate financial support. These include strategy development and partnership working. This needs be understood as part of an incremental long-term process rather than as the outcome of the 2000-2006 Programme.
2. The programme gave a valuable boost to the overall amount of public sector spending relating to economic development and community support.
3. However, in the North West England(as with other English regions), Structural Funds monies have since 2000 become primarily a funding stream for activity proposed in the Regional Economic Strategy and thus the influence upon the focus of public sector spending relating to economic development and community support appears to have been relatively slight.
4. Support provided under Priority 1 had the potential to contribute to structural change. Almost all outputs in Priority 1 measures have exceeded targets, in many cases by a significant margin. Of particular note is greater than anticipated number of SMEs achieving the development of new products

[2] OECD (2008) *OECD Reviews of Regional Innovation: the north of England*, Paris: Organisation for Economic Co-operation and Development.

[3] Wilson, C. & Baker, M. (2006) "The North West: Cultural Coherence and Institutional Fragmentation" in I. Hardill, P. Benneworth, M. Baker, M. & L. Budd (eds) *The rise of the English regions?*, London: Routledge

and processes. Anecdotal examples of projects funded under measure 1.2 are believed to have made a positive difference to individual firms.

5. Outputs for Measure 3.1 indicate that most investment has been in relation to the provision of new and refurbished premises over land servicing. The emphasis has been on smaller scale over more locally orientated investments rather than the more strategic infrastructural investments envisaged in the SPD.

A number of lessons have been learnt in relation to the delivery of the 2000-2006 by the North West England Development Agency (NWDA), which is the Managing Authority for the 2007-2013:

- Closer alignment between the Regional Economic Strategy Central co-ordination and assessment of projects by NWDA
- Abandonment of local Action Plans which arguably shifted allocated expenditure away from agreed large strategic investments to projects focussed on locally well identified priorities
- Greater understanding of the needs and requirements of priority sectors
- Closer working relationship between NWDA and key business leaders in the North West England
- Greater focus of planned investment on Priorities and Measures with the potential to achieve structural change
- More exacting evaluation requirements and support for larger projects 2007-2013 can be expected to increase the potential to produce more robust assessments of the effectiveness of different forms of intervention. Difficulties in assessing the counterfactual and identifying with sufficient accuracy levels of deadweight and displacement associated with different types of intervention can be expected to remain.

Main message

Despite policy makers within key partner agencies broadly understanding and agreeing what was necessary to break that path-dependence, the 2000-2006 Objective 2 Programme found difficult to provide the necessary level of concentration of resources to drive structural change.

A significant share of the ERDF investment defaulted to easy-to-provide low cost services of potentially limited value to those businesses involved[4] and generic business premises. Discussions with programme managers and various Action Plan managers revealed a combination of potential factors resulted in a significant drift away from what appeared a reasonably ambitious programme to one focussed on a multitude of locally identified needs and priorities. These factors include:

- Caution amongst programme managers and action plan managers to ensure that projects that could be sure of achieving agreed outputs were supported (tried and tested not innovative)
- Caution amongst project applicants to ensure that projects submitted for approval could be sure of achieving agreed outputs (tried and tested not innovative)

[4] Regeneris (2005) *Evaluation of enterprise in the North West region Objective 2 programme*, Manchester: GONW.

- A broad partnership approach that distributed resources to a broad range of partners down to a local level contributed to projects aiming to address locally identified needs and priorities.

As a result the case study demonstrates some of the difficulties that can be experienced in attempting to create policy to stimulate transformational activities[5]. Hypothesis n. 4 on innovation potential seems therefore to be validated.

[5] Transformational activities - Creating effective interventions which systematically change the behaviour of a group of firms encouraging firms to move between the different tiers of the regional economy

Introduction

The North West of England is a difficult region to characterise without being aware of the unique situation in the United Kingdom of the dominance of the capital city, London. The extent to which London has shaped the emergence of new industries, notably in the service sector, has cast a strongly negative influence on the restructuring of the industrial base of the UK’s peripheral regions.

The North West region therefore offers a perfect lens to explore the fourth conceptual model’s Hypothesis in this evaluation project, relating to innovation capacity. The Hypothesis states the innovation systems of Objective 2 regions “may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms. Especially in old-industrial areas, path-dependence from existing technological trajectories constrains product and process innovation”. This certainly appears to be the case in the North West, but central to this case study is the finding that despite policy makers among key partner agencies broadly understanding and agreeing what was necessary to break that path-dependence, many of the projects supported were generally less transformational.

The basis to this case study is to look at whether there has been a gulf between a high-level aspiration for encouraging the creation of new high-growth businesses, and a reversion to traditional, well-understood forms of business support, advance factories and simple business advice.

The case study examined five measures funded under Priority 1 of the 2000-2006 Programme (related to SME growth and competitiveness) and one under Priority 3 (related to strategic sites and premises) with regard to their contribution to the strengthening of the North West regional innovation system and drilled down in more detail to examine Measure 1.2. Semi-structured interviews were undertaken with individuals representing three broad groups of respondent:

- intermediary organisations financed under the selected measures;
- regional policymakers;
- Action Plan managing authorities.

Additionally secondary data sources were used including programming and evaluation reports, statistical and monitoring data and scholarly articles (see Annex 5.2).

The case study report is structured as follows:

1. Structural change and globalisation in perspective - a historical narrative of the socio-economic circumstances of the North West in order to explain the situation the region was in at the start of the Programme.
2. Regional policy 2000-2006: strategy and objectives. This section examines the wider regional, national and European policy context in which the Programme was developed. The Programme content is then explored in more detail, in particular relating to the measures selected for study by our national expert in consultation with officials from the regional Government Office.

3. Evidence from interviews with regional policymakers and representatives from intermediary organisations funded under the selected measures.
4. Finally, the case study assesses the key findings and main messages arising from our study in the light of the hypothesis tested.

1. Structural change and globalisation in perspective

1.1 The region at a glance

The North West England is a large and complex region with varied needs and opportunities. It has a population of some 6.8 million, hence larger than that of several of the smaller Member States. The region is difficult to characterise, with a diverse economy, different sub-regional specialisation and different sub-regional reposes to globalisation.

It is also essential to be aware of the unique situation in the United Kingdom of the dominance of London. The extent to which London has shaped the emergence of new industries, notably in the service sector, has cast a strongly negative influence on the restructuring of the industrial base of the UK's peripheral regions.

Although the North West England has relatively high levels of business R&D, a productive manufacturing base, and a regional economy larger than many European member states[6], the particular form of globalisation pursued in Britain has played against the grain of the North West's strengths. The forces of globalisation have hollowed out and segmented the North West's economy. Its industrial engine has experienced privatisation, take-over and rationalisation from overseas businesses, whilst new local businesses have not yet emerged to a sufficient extent to ensure continued high-technology, knowledge-intensive growth[7].

The central restructuring challenge for the North West England has been for the last fifteen years or so to find a new cadre of businesses able to fill the economic space left by the restructuring and rationalisation of the region's traditional high-technology sectors.

The North West England as much as all English regions experienced a recession in the early 1990s, and then from the mid-1990s, growth conditions stabilised as the economy started to move into what would turn out to be a decade of stable growth. However, within the region itself this growth was relatively unevenly distributed; the strongest growth was contained within the Manchester city-region on the back of the development of a strong knowledge-intensive business services sector, with impacts of this growth being felt most notably in the more already more successful districts and localities within the Manchester city region.

The Merseyside sub-region was starting to grow again and attract new investment after a fifteen year period of stagnation following political crisis and deadlock in the city. Growth in East Cumbria was sustained by the high through-flow of visitors to the Lake District.

[6] OECD (2008) *OECD Reviews of Regional Innovation: the north of England*, Paris: Organisation for Economic Co-operation and Development.

[7] Wilson, C. & Baker, M. (2006) "The North West: Cultural Coherence and Institutional Fragmentation" in I. Hardill, P. Benneworth, M. Baker, M. & L. Budd (eds) *The rise of the English regions?*, London: Routledge

East Merseyside and central Lancashire, experienced less eye-catching growth in this period, and problems with social exclusion starting to become more evident in some of the more deprived Lancashire hill towns. West Cumbria was suffering from the collapse of much of its manufacturing industries and the threat to its last major employers. This tourist growth did not extend to the Fylde coast, centred around the resort town of Blackpool, which appeared to face a bleak future with very limited opportunities for recovery, in common with seaside towns across Europe[8].

The North West England has been a recipient of Structural Funds since the 1989 Macsharry reforms, and in 1997, one sub-region, Merseyside, qualified for Objective 1 status, which it retained into the 2000-2006 period. In 2000-2006, the inclusion of former Objective 2 and 5b areas within Objective 2 (restructuring) meant that the North West England strategy brought together two very different kinds of locality which had previously been dealt with under different programmes which had – to some degree – reflected the different needs of those kinds of places, restructuring industrial and rural areas respectively[9]. Table 1.1 provides some basic summary data about the region highlighting the generally benign regional conditions in the decade surrounding the programming period.

Table 1.1 - Base economic data for the North West England region

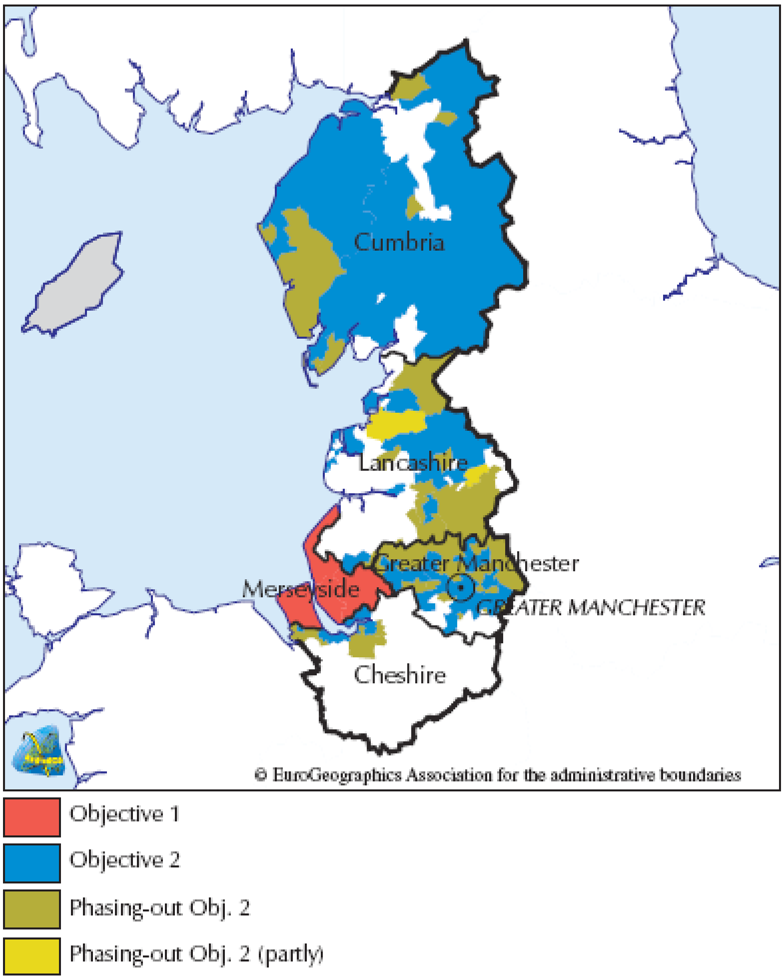
Variable	**Unit**	**North West**			
		1995	2000	2006	Δ(%)2000-2006
Population	Thousand	6,901	6,896	6,838*	-0.8
GDP per capita	Eur PPP	14,831	19,805	23,335*	17.8
Gross Value Added	MEur basic prices	82,093	138,328	155,749	12.6
Employment rate	% empd >15	n.a	56.4	57.8*	2.5
Unemployment rate	% unempd > 15	n.a	5.6	4.5*	-19.6

*Source: Core group calculations from Eurostat data. *Data for 2005*

[8] Moulaert, F. (2000) Globalization and Integrated Area Development in European Cities. Oxford University Press, Oxford.

[9] North West Programme Monitoring Committee (2004) *North West Objective 2 SPD 2000-2006*, Manchester: Government Office for the North West.

Figure 1.1 - Map of the eligible area in the North West, 2000-2006



The general economic growth of the UK, as well as the statistical effect of the planned EU enlargement, meant that there was a shrinking in the eligible areas for the 2000-2006 period, with some parts of the region moving into transition status, notably around Lancaster and East Lancashire (Figure 1.1). The transition areas within the North West England cover more than 1.3 million people spread across the four counties, in population terms in a majority around Greater Manchester, with the greatest area of newly transitional localities being found in Lancashire. Table 1.2 above is restricted to the current Objective 2 regions, and does not include the phasing out and transition regions, which account for 1.3 million of people, or around ¼ of the total regional population excluding the Objective 1 Merseyside region which accounts for 1.5 million of population.

Table 1.2 - North West England Objective 2 eligible areas (NUTS3), 2000-2006

	Pop 2004, (000s)	% pop in Obj 2	Obj 2 pop, 000s	Urban/rural*
West Cumbria	235.8	76.1	179.4	21
East Cumbria	257.8	27.8	71.6	21
Halton and Warrington	312.0	34.5	107.7	1
Cheshire CC	681.2	5.3	36.0	1
Greater Manchester South	1,361.3	62.6	851.6	1
Greater Manchester North	1,175.4	42.8	503.6	1
Blackburn with Darwen	140.5	67.3	94.6	1
Blackpool	142.8	53.6	76.6	1
Lancashire CC	1,154.3	18.9	218.6	1
East Merseyside**	327.6	0.0	0.00	1
Liverpool**	440.1	0.0	0.00	1
Sefton**	280.8	0.0	0.00	1
Wirral**	313.2	0.0	0.00	1

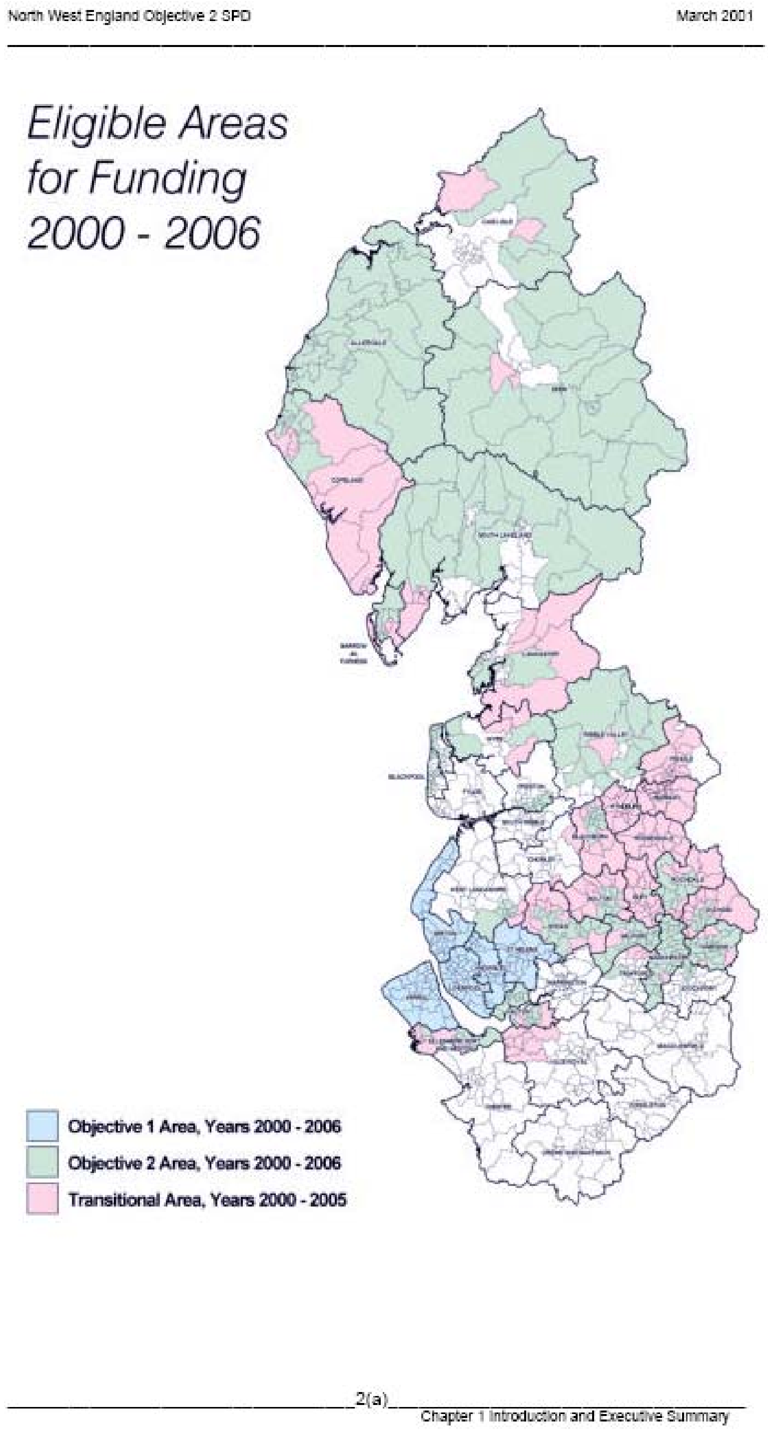
**1 = predominantly urban; 21 = intermediate rural, close to a city; 22 = intermediate rural, remote; 31 = predominantly rural, close to a city; 32 = predominantly rural, remote regions; **Ineligible Objective 1 region (Merseyside)*
Source: Applica – Ismeri – wiiw. Ex Post Evaluation of Cohesion Policy Programmes 2000-2006 financed by the European Regional Development Fund in Objective 1 and 2 Regions. WP1, Task5 Final report.
Note: Please note that Table does not include Ob.2 phasing-out regions.

Table 1.3 - Objective 2 area population by county, 2000-2006

	Population (000s)				
County	Obj 2	Transit'n	Tot eligible	Total pop	Obj 2, % all
Cumbria	251.0	83.0	334.0	492.0	67
Lancashire	390.5	385.4	775.9	1,425.0	54
G Manchester	1,377.7	760.2	2,138.0	2,563.0	83
Cheshire	143.1	76.6	219.6	982.0	27
North West England	2,162.3	1,305.2	3,467.5	5,462.0	63

Source: North West England Objective 2 SPD 2000-2006 (using data from Census of Population, GRO Estimates)

Figure 1.2 - Map of the eligible areas for funding in the North West, 2000-2006 by category of eligibility



Source: NW England Objective 2 programme 2000-2006: Final Report

In this case study, we specifically tackle the question of why, despite a solid understanding by the partnership before the start of the programming period of the key problems faced, there was only a modest emphasis placed into transformational activities. As a result there is likely to have been a limited change of the regional economic structure than if the programme had been more focussed on:

- Growth industries and ambitious businesses with significant or potentially significant market reach;
- Greater co-ordination of support;
- Transformational support.

As the following sections will show, the economy of the North West England is heavily segmented, and worryingly for the region is the fact that the impact of globalisation on the top-tier of businesses in the North West England has been predominantly negative. There has been rationalisation, retrenchment and restructuring, with relatively few businesses emerging from the lower tiers of the economy to take up their place and restore economic activity to full capacity. This specifically links to hypothesis 4 of the overall evaluation in this research programme.

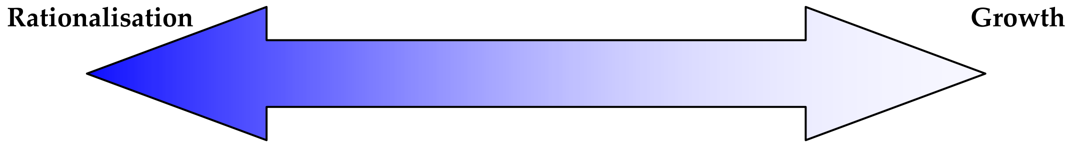
Box 1 - Hypothesis 4: Innovation potential

Apart from significant differences among Objective 2 regions in terms of institutional thickness, their innovation systems may suffer from missing innovation drivers on the demand side. Barriers to innovation are determined by a lack of absorptive capacity by local firms. Especially in old-industrial areas, path-dependence from existing technological trajectories constrains product and process innovation.[10]

In section 1.3.1 below, the North West England emerges within both a UK and OECD context as a strongly innovative region, with above average inputs to the innovation process, notably private sector R&D, as well as above average outputs in terms of productivity levels and regional GVA. However, unlike many comparable EU and indeed OECD regions, the North West England did not have at that time, a coherent decision-making structure capable of setting strong regional priorities and then focusing resources on those priorities. A schematic representation of this process is shown in Figure 1.3.

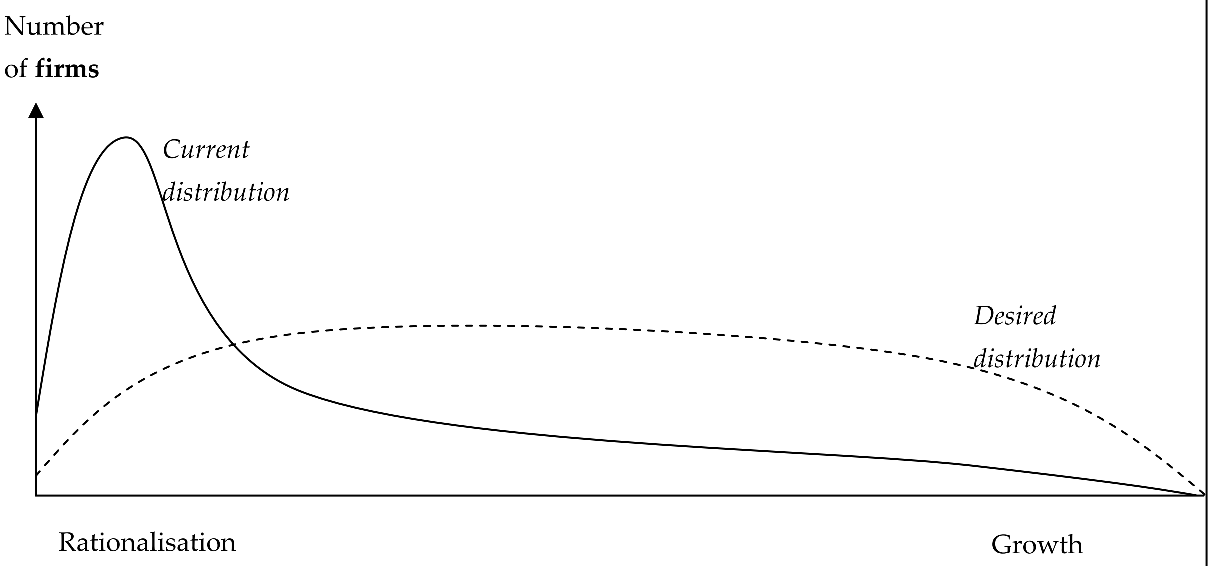
[10] CSIL *et al.* (2009) *op. cit.*

Figure 1.3 - The impacts of globalisation on business in the North West



- Reduction of overall employment
- Elimination of low-skilled positions
- Firm-level productivity growth
- Concentration around headquarters units
- Reduction of activities on site

- Increase of overall employment
- Up-skilling of low-skilled positions
- Firm-level productivity U-curve
- Expansion of outlying sites
- Increased exports, profits



Until the late 1990s there was a strong resistance within UK government to the idea of English regions developing their own strategic capacity, with a DG XVI senior Manager in Brussels pointing out that the Commission had had to threaten to withhold Objective 2 funding from England if the regions did not submit strategies which were all not obviously identical and authored from within Whitehall [11].

[11] Meadows, G. (1998) "Comments on the UK approach to the Structural Funds" paper presented to The Future of the North of England in Europe Conference, University of Northumbria at Newcastle, Newcastle-upon-Tyne, 25 September 1998.

Although there was a history of administering the Structural Funds in the North West England preceding the 2000-2006 programming period, there had been no attempt by the region to create a strategy to solve its specific set of problems. In the absence of mechanisms to take hard decisions, there was a strong tendency within the government machine, reinforced by the RDAs' early budget allocations which were derived almost entirely from inherited physical regeneration programmes, to allocate the money to minimise intra regional political conflict, creating an artificial lowest-common-denominator consensus to ensure that all eligible actors received some funding. The 2000-2006 Objective 2 programme came into a governance arena where key actors were learning about how to build intelligence about a situation, formulate priorities, drive pilot projects and mainstream their experiments into policy practice.

1.2 Searching the roots of change: socio-economic history of the region

The North West England was one of the first regions to industrialise. Indeed, such was Manchester's pre-eminence as a global centre for textiles that it has become a by-word for the industry, with 53 textiles cities around the world styling themselves as their own Manchester, much as the way regions and cities in the 1980s and 1990s styled themselves as 'Silicon Somewheres'[12]. The textiles industry has profoundly shaped the economic geography of the region, stimulating the growth of Liverpool as a port city, Manchester's emergence as a regional merchant capital, and a proliferation of mill towns in the higher Pennines around Manchester. The only part of the region untouched by textiles' growth was West Cumbria, whose first deposits of coal and coastal location gave rise to a carboniferous industrial complex based on coal, iron and shipbuilding.

The North West region enjoyed a period of economic strength in the early decades of the 20th century, Liverpool celebrating during its seven hundredth anniversary also the position of the "Second city of Empire", after London. However, frailties resulting from persistent underinvestment and a failure to respond to overseas competition through forming industrial combines with large economies of scale soon became evident and the region was badly affected by the depression of the 1930s.

West Cumbria benefited in the 1940s from its remoteness in receiving a number of strategic chemicals plants including Glaxo's antibiotics facility at Ulverston. The post-war period was a time of regional growth, with the emergence of strong pharmaceuticals, aerospace/ electrical engineering and the nascent nuclear power clusters, nuclear power also giving a renewed impulse to.

[12] Hospers, G.J. (2006), Silicon Somewhere? Assessing the usefulness of best practices in regional policy, Policy Studies, 27; Mah, A. (2007) *City ref.*

The post-war period did produce a boom in a novel set of industries, those often stylised as the sunrise industries of the 1950s and 1960s associated with the emergence of a mass consumer economy based around Fordist mass production. The region in the post war period became home to some of the most innovative and high-technology names in British business, including ICI, British Nuclear Fuels, British Aerospace, Plessey and Ferranti. Industries including automotives, aerospace and chemicals expanded benefiting greatly from state-led demand management. State investment alone, created an entirely new industry in the region, in West Cumbria through the Windscale-Sellafield facility. In 1970 the nuclear sector was the UK's largest single investor in R&D.

As European competition policy shifted towards encouraging the rise of European champions, allied with a commitment in the 1980s to privatisation and deregulation, the leading industries of the region began both to rationalise but also to change ownership, with the locus of investment incrementally shifting overseas. At the same time this created problems for networks of local businesses reliant on those global market leaders for their global trade exposure. Since the 1980s, the region has been continually struggling to rebuild this international exposure. Only a handful of firms have made the transition into new global businesses in their own right, whilst off-shoring has hit both large businesses driving the regional economy as well as their local suppliers.

The North West England has been a significant beneficiary of the Structural Funds since the 1989 reports. In the first programming period (1989-1993), there were three programmes covering Manchester, Liverpool and the rural hinterlands. In 1994, there was an attempt to increase the scope of these programming areas, with Objective 2 programmes for the Greater Manchester city-region, industrial Cumbria as well as a rural development programme for east Cumbria and the Pennines within a larger Northern Uplands programme. In 1997, along with a raft of other poor industrial regions such as Nord-Pas-de-Calais in France and Hainault in Belgium, Liverpool acquired Objective 1 status, entitling it to far higher levels of support than previously available. The region was also eligible for a number of Community Initiatives (which were subsequently rolled into Objective 2 activities) including textiles (RETEX), defence industries (KONVER), rural development (LEADER) and fishing (PESCA).[13]

As previously noted, the period 1994-1999 was a period of very rapid learning for all those involved in European projects around funding, eligibility, accounting, audit, partnership and integration.

1.3 Regional structural change and globalisation issues in 2000-2006

1.3.1 Dimensions of structural change

The previous section dealt with the North West England as a whole, and highlighted the deep socio-economic cleavages which exist within the region. These gulfs continued into the programming period 2000-2006, and profoundly affected attempts to encourage more businesses to react positively towards globalisation, shifting from rationalisation to growth responses to market challenges.

[13] This will be deeply analysed in the section 5.1 of the North West Objective 2 programme SPD (*op. cit.*.)

Regional specialisation

The case study of the North West England highlights the difficulties of creating effective interventions which systematically change the behaviour of a group of firms encouraging firms to move between the different tiers of the regional economy. To understand the scale of that task to produce this transformation, it is necessary to understand the depth of the segmentation of the economy. It is possible to distinguish four main types of firm within the regional economy:

1. Large, research intensive, high value-added multi-nationals performing research, development and high-value added production activities within global supply chains and markets.
2. OEMs and second tier suppliers to these lead industries based in the region and feeding into these regional supply chains but also competing effectively globally on the basis of their regional activities.
3. Lower tier suppliers within global production chains primarily dependent on supplying to OEMs and lead companies within the North West, and filial of large firms located elsewhere supplying into primarily local markets[14].
4. Firms primarily producing and supplying into regional supply chains for regional and national markets, back office service functions for these firms and final consumption activities.

Whilst it can be tempting to regard this activity entirely as taking place within the manufacturing sector, it is important to stress that as with most OECD economies, the vast majority of regional economic activity takes place within the service sector. A key issue for the North West England as with all other UK peripheral companies is that in the knowledge-intensive business and technical services sector (KITBS), widely recognised as a key engine for high technology growth[15], first and second tier firms are almost exclusively located in the Golden Triangle of London-Oxford-Cambridge. This means that the majority of the growth in these sectors has come through regional filial, in firms feeding into supply chains operating from London, and through local markets. This makes it very difficult for regional firms in KIBTS to achieve the necessary critical mass to become competitive. The key challenge for the region is to find a set of policy instruments and levers that allow more localised firms to progress upwards through these different segments of the economy.

This section provides more details on the segmentation of the regional economy, the technology profile of the manufacturing base and insights into how that has changed over time. As a baseline reference, the case of the region of Piemonte, home to the city of Turin, has been used to illustrate the kinds of changes that might be expected in a similar high-technology, value added region which has not been subject to the same level of centralisation. Piemonte definitely suffers in terms of its investment in not being either Milan or Rome, the two Italian lead cities, although neither dominate the Italian economy in the sense that London dominates the English economy.

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[14] e.g. *cf.* McDonald, F. Tüselmann, H. & Heise, A (2002) "Foreign direct investment in host regions", *European Business Review* 14 (1) pp. 40-55. McDonald *et al.* argue that these filial tend to encourage export from the parent country, and therefore support large numbers of jobs outside the North West, whilst creating relatively few jobs in the North West.

[15] Wood, P. (2005) "Urban revival and knowledge-intensive services: the case of the English 'Core Cities' " Working Papers in Services, Space and Society No. 18 University of Birmingham, School of Geography and Earth Sciences.

Piemonte also boomed in the post-war period and was driven by similar sectors to the North West England– automotives, chemicals, aerospace and initially the ICT sector. It is perhaps instructive that the region also suffered from very similar problems in its 2000-2006 Objective 2 programme in failing to concentrate its resources on flagship projects, dissipating them between a range of small activities which likewise failed to achieve the desired transformation of the regional economic base[16].

To provide the context for this process, to understand the economic structure of the North West, and the challenge for the Objective 2 programme in seeking to shift this structure, it is necessary to consider three dimensions of the North West’s economy. Firstly is the overall economic structure, where although there has been a shift from manufacturing to the service sector, the process has been faster in the North West England than at either the European or UK level, and whilst the quality of manufacturing employment has definitely increased proportionally, the quality of services emerging now largely follows the UK pattern.

In terms of its innovation, although business investment in R&D is very good, against a wider basket of measures (the OECD innovation scoreboard), the region performs less well, and is comparable to the region of Piemonte. Finally, in terms of the direct impacts of internationalisation, the region has significant employment churn in terms of job creation and employment loss, whilst at the same time the North West England has significantly increased its per capita exports in the course of the programming period.

In the course of the programming period, the North West England has continued its relentless drive towards the service sector. By 2005, three-quarters of regional employment was in the service sector, a broadly comparable figure to the national level, and considerably higher than the EU average. In the last decade, there has been a significant decline in manufacturing employment in the region, and a convergence between manufacturing employment in the North West England and that of the national level as a whole. This is shown in Table 1.4 below.

Table 1.4 - Sectoral employment in the North West England compared to UK and EU levels

	Regional			National			EU15		
Sector	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005
Agriculture	0.9	0.7	-15.7	1.5	1.4	-6.7	5.6	4.6	-17.9
Industry*	27.2	22.9	-15.8	25.0	22.1	-11.6	27.9	25.1	-10.0
Services	71.9	76.3	6.2	73.5	76.5	4.1	66.5	70.3	5.7

Source: Core team processing of Eurostat data (Industry includes infrastructure provision and construction as well as manufacturing)

[16] Calderini, M. (2007) “Integrating innovation policy with knowledge transfer strategy”, paper presented to *Disseminating IP knowledge: a sensitive task for universities*, 4th Roving Workshop of the Ministry of Economic Development, Rome, Italy, 20th November 2007.

The UK is indeed an outlier in a European context in terms of the shrinkage of the manufacturing sector in recent years, and the growth of the service sector. Table 1.4 at the NUTS 1 level provides a selection of manufacturing employment levels from EU regions in 2005 along with ranking and percentile statistics. As Table 1.5 shows, the North West England is ranked 97 out of 135 NUTS 1 regions in Europe, and is in the bottom quartile for manufacturing employment, emphasising the relatively low concentration of manufacturing employment in the region. The North West England is therefore considerably less dependent on manufacturing employment than are other regions, including the East and West Midlands in the UK, and indeed Piemonte in Italy.

Table 1.5 - Concentration of manufacturing by NUTS1 region, 2005

Region	All Emp	Mnfg Emp	Mnfg %	NUTS1 Rank (/135)	% EU Mnfg	% Rank
Severovýchod (CZ)	698.8	264.8	37.9	1	0.31	0.31
Piemonte	*1,851.4*	*525.1*	*28.4*	*15*	*0.81*	*9.83*
West Midlands	2,458.8	460.9	18.7	62	1.07	55.52
East Midlands	2,078.9	376.1	18.1	69	0.91	60.29
Wales	1,308.9	198.4	15.2	91	0.57	72.88
North East	1,111.8	166.8	15.0	92	0.49	73.37
North West England	***3,104.4***	***455.8***	***14.7***	***97***	***1.36***	***76.46***
Northern Ireland	758.7	109	14.4	99	0.33	77.55
Eastern	2,700.7	368.3	13.6	103	1.18	80.03
Scotland	2,419.2	328.7	13.6	104	1.06	81.09
South West	2,443.8	328.1	13.4	106	1.07	82.72
South East	4,123.3	513.8	12.5	109	1.80	84.94
London	3,499.4	247.2	7.1	133	1.53	99.53

Source: Eurostat Database, National Expert Analysis

Given the shift towards services in the North West, it is reasonable to ask what the impact on the quality of employment has been, and in particular whether there has been a loss of highly skilled manufacturing jobs and a replacement with low-skilled service sector jobs. Table 1.6 highlights that this has not been the case. Of the 8% of manufacturing employment that have disappeared, 4.4% can be accounted for by low technology employment and medium-low technology employment. High-technology employment has remained roughly constant, whilst it has declined by more than one-third in the UK as a whole. Likewise with services, growth has not been in less knowledge intensive market and consumer services, but has been primarily in knowledge intensive services, again broadly following the national pattern (and in contrast to other peripheral regions such as the North East and Wales).

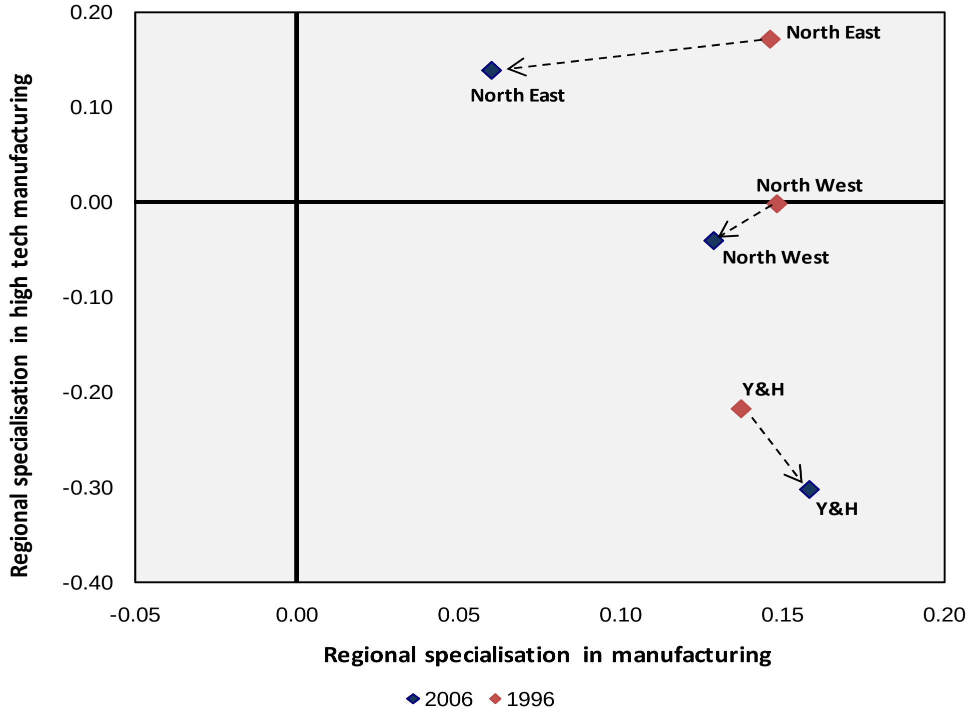
Table 1.6 - Employment changes by sector, North West England and UK, 1996-2006, %

	North West		UK	
	1996	2006	1996	2006
Manufacturing sector	22.1	14.7	19.2	13.0
High technology manufacturing sector	1.2	1.0	1.7	1.0
Medium-high-technology manufacturing sector	7.8	5.0	6.2	4.5
Medium-low technology manufacturing sector	5.0	3.8	4.3	2.9
Low technology manufacturing sector	8.1	4.9	7.1	4.6
Service sector	68.2	76.0	70.3	76.5
Knowledge-intensive high-technology services	3.0	3.3	3.4	4.2
Knowledge-intensive financial services	3.4	4.0	4.3	4.3
Knowledge-intensive market services	6.6	9.6	8.3	9.6
Other knowledge-intensive services	21.0	24.7	21.2	24.9
Less-knowledge-intensive market services	25.4	24.4	23.9	23.3
Other less-knowledge-intensive services	8.9	10.1	9.2	10.2
Primary sector + mining and quarrying	1.6	0.83	2.32	1.64
Electricity, gas, water supply and construction	7.6	8.2	7.68	8.63
Total	100	100	100	100

Source: OECD, 2008 op. cit.

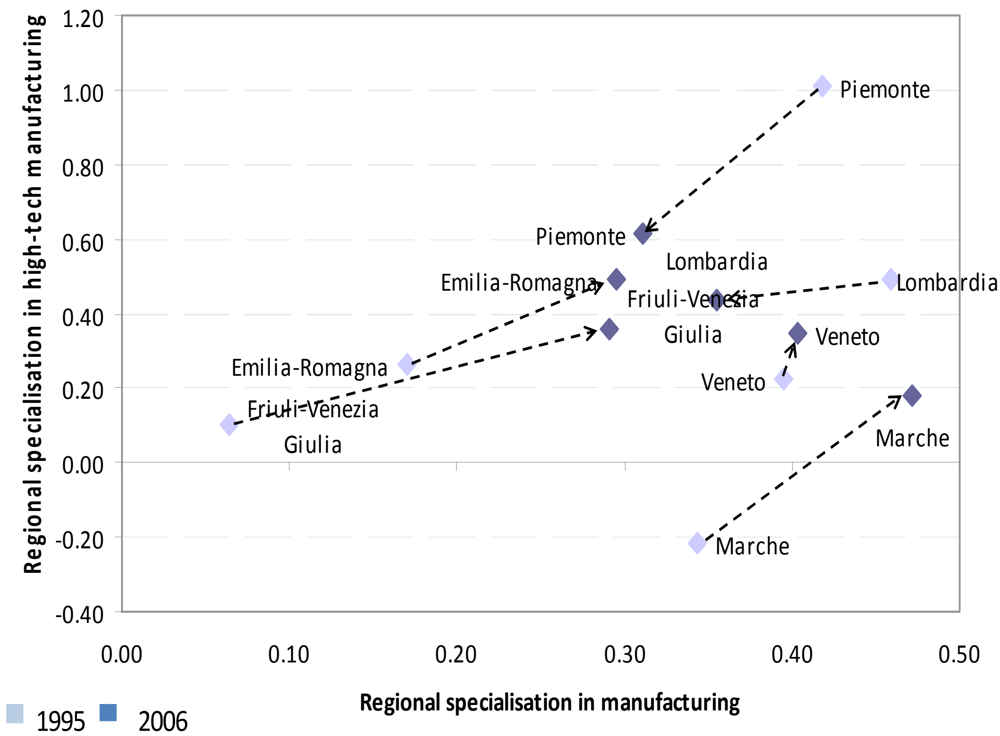
In terms of the manufacturing base, available evidence suggests that in comparison to other regions, the North West England as a whole is not particularly specialised in high-technology manufacturing industry. Figures 1.4 and 1.5 show for a selection of UK and Italian regions how the relative concentrations of industry and high-technology industry have evolved. The North West England– although still relatively specialised in manufacturing is not specialised in high-technology manufacturing. For the region of Piemonte, although the direction of travel has been comparable, with falling specialisation in industry and high-technology industry, the region remains relatively specialised in both.

Figure 1.4 - Specialisation by technology level of manufacturing 1996-2006, Selected UK regions



Source: OECD, 2008, op. cit.

Figure 1.5 - Specialisation by technology level of manufacturing 1996-2006, Selected Italian regions



Source: OECD, 2009, op. cit.

Innovation potential

The second dimension of key structural evolution in the North West England region has been the developments within its regional innovation system. The regional innovation system in the North West England has long been acknowledged as being one of the strongest in the UK outside London and the Golden Triangle. The region is home to a significant number of universities (11) and other higher education institutions, and has some government R&D activity. Where the real strength of the regional innovation system lies however is in the strength of business enterprise expenditure on R&D (BERD).

The standard measure for R&D is to express it as a percentage of GDP (the Lisbon agenda has set a target for all European regions to hit 3% Gross Expenditure in R&D as a percentage of GDP by 2010). Table 1.7 shows the North West England has an extremely high level of BERD in GDP (1.5%) in a European context, although relatively low levels of expenditure in the university, government and not-for-profit sectors mean that its overall R&D performance lies below that of the EU as a whole. However, at a time when UK investments in R&D have been slipping, the North West England has been characterised by cautious levels of growth.

Table 1.7 - Innovation potential (NUTS1)

Indicator	Regional				National			EU15		
	1995	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006
BERD in GDP	1.4	1.5	1.5*	0	1.2	1.1	-8.3	1.1	1.3	18.2
GERD in GDP	1.8	1.9**	n.a	-	1.9	1.8	-5.3	1.8	2.0	11.1
High-tech emp as %	n.a	5.1	4.3	-15.7	5.8	5.2	-10.3	4.7	4.6	-2.1

** data for 2005, ** data for 1999*
Source: Core team processing of Eurostat data

Although measuring R&D expenditure is a commonly used proxy for innovation activity, it is a very partial measure, and in particular only captures inputs to the innovation process. An increasingly common way of measuring regional innovation performance has been developed by the OECD in terms of their Innovation Scoreboard which uses a suite of indicators, and places a region in its national and OECD context to understand its relative performance and productivity in terms of innovation activity. Figures 1.6 and 1.7 present the Innovation Scoreboard performance for the North West England and Piemonte respectively (the performance is indicated as dots on the graphs).

Figure 1.6 - North West England on the OECD innovation scoreboard

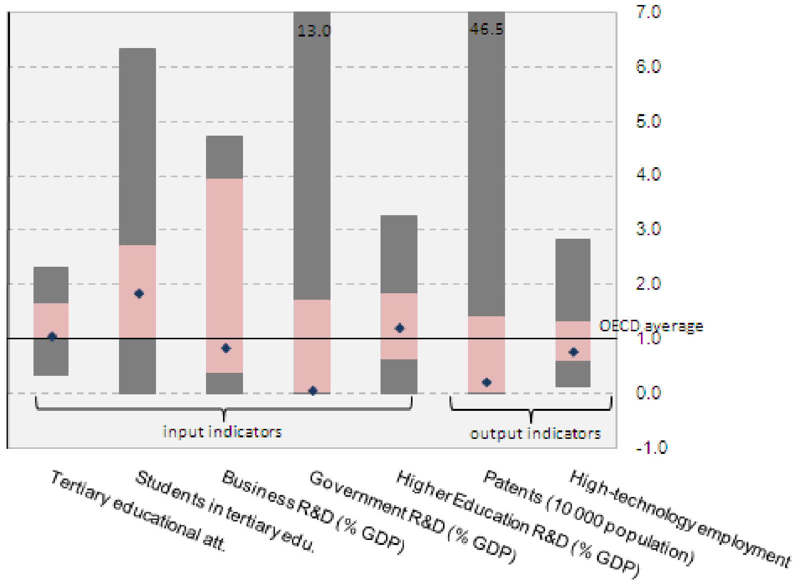
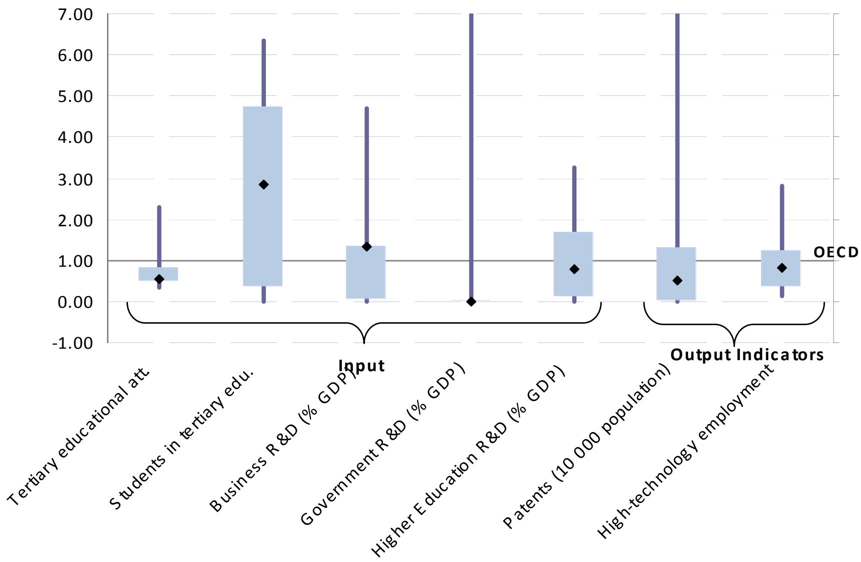


Figure 1.7 - Piemonte on the OECD innovation scoreboard



With the exception of the BERD figure (distorted in the case of the UK by a real outlier in the East of England, home to Cambridge and several major corporate R&D centres including those of Glaxo and BT), these two innovation scoreboard profiles are remarkable similar. Differences in the percentage of students in tertiary education can be attributed to far lower participation rates in HE in Italy, which despite reforms in 2001 are only on target to reach 25% of cohort by 2020, whilst in the UK, HE participation is already at around 40% of cohort. Both regions suffer from extremely low investment in R&D by the government and university sectors, certainly relative to their business R&D efforts, and both have relatively low patent and high-technology employment levels.

This scoreboard points to the 'second city' syndrome; that is that manufacturing regions have been increasingly left behind as policy-makers have sought to invest in the knowledge economy. By concentrating their investments in excellent regions (the Golden Triangle in the UK and Milan & Rome in Italy), those regions on the brink of excellence have suffered from a "double whammy" of public disinvestment, and the reduced critical mass for private sector R&D (in both regions very high) that this disinvestment engenders.

The North West's regional innovation should demonstrate a high degree of absorptive capacity for public sector investments, given the high levels of business investment in R&D and the high and growing levels of exports from the region. However, that strength appears to be undermined by a national innovation system which systematically favours 'core' regions, London, the South East and the East of England. Public investment in R&D by government and the HEI sector appears to reduce the opportunity for local interactions and development of critical mass through clustering, creating new innovative businesses and sectors in the North West.

Relocation strategies and internationalisation

The North West, in line with general practice, has for decades been active in encouraging inward investment to locate in the region to replace the jobs that have been lost steadily with the declining competitiveness of the traditional industries. One of the greatest concerns with this Foreign Direct Investment is that it is primarily supporting sales from companies located elsewhere, and therefore contributes very little to the employment situation in the region[17]. Although the North West England has had an inward investment agency for several decades, there has long been a concern that in comparison with the better resourced Welsh Development Agency and Scottish Enterprise, there has been an absence of a strategic body able to win large inward investment projects for the region. As highlighted by one of the region's parliamentary representatives in a debate just before the start of the programming period, concerns exist over the quality and the contribution of the newly created employment from inward investment to improving the globalisation of the North West's economic structure:

> *"The figures on inward investment provided by the House of Commons Library show that the north-west of England, together with some other English regions, has not gained any of the large-scale inward investment projects since 1993. In 1996–97, we had 40 projects, just short of Wales's total of 45; and the investment in those projects safeguarded 2,256 jobs in Wales and 1,929 jobs in the north-west, so the figures are similar. However, there is a crucial difference in the outcomes in the two regions. In Wales, the investment led to nearly 10,397 new jobs, but in the north-west it brought only 1,402. It is the quality and not the volume of inward investment projects that is vital to the development and re-skilling of our industries and our work force."* [18]

[17] McDonald *et al.*, 2002, *op. cit.*

[18] Hansard Debate "inward investment policy", 3rd December 1997, Col 297-303.

However, more recently, it appears that inward investment has been of a higher quality. Box 2 reproduces the rubric from the "Invest in England's North West", part of the institutional effort attempting to bring inward investors to the region. The figures presented in this box, representing the sixth year of the programming period (2005) argue that there have been 112 publicly-supported inward investment projects creating/ safeguarding 6803 jobs. At an average of 60 jobs safeguarded and created per project, this implies that public support for inward investment has become more geared towards growth companies than attracting sales operations for manufacturing activities supporting substantial employment elsewhere.

Box 2 Opportunities Unlimited

<< England's Northwest goes from success to success. In 2005 alone, the NWDA helped attract 112 investment projects which created and safeguarded 6803 regional jobs. Our recent successes include:

- **JP Morgan** opening their new arm JP Morgan INVEST, creating 450 new jobs in Merseyside.
- The **Bank of New York** expanding their operation in Manchester to 800 employees
- The launching of **Prinovis Liverpool Gravure Printing Facility**, a £115 million investment, initially creating over 400 jobs
- The **Bill and Melinda Gates Foundation** announcing a grant of £29 million for the Liverpool School of Tropical Medicine to continue its malaria research programme
- The flagship **Nuclear Decommissioning Authority** in West Cumbria overseeing the government's £48 billion nuclear clean-up programme >>.

Source: http://www.englandsnorthwest.com/invest/how-we-can-help-you.html

Table 1.8 below presents harmonised data on the most significant business expansions in the region, accounting for 4,100 new jobs in the top ten expansion projects. The relative diversity of the sectors within which these expansions are taking place reflects the underlying sectoral shift towards the service sector, and also highlights the fact that the North West England is seeing substantial growth in knowledge-intensive services, infrastructure businesses (including mobile telephony and gas, although the jobs created are largely back-office functions) and high-technology engineering (BAe Systems). This Table, which is by no means exhaustive of all the employment creation expansions in the region, underscores the fact that globalisation in the region is not all about rationalisation, and there are signs both that inward investment is driving growth, and that this growth is creating business opportunities for companies in the supply chain of these system integrator and OEM businesses.

Table 1.8 - Major job creation projects through business expansion in the North West England in the study period

Company name	Province	Sector	Job Growth
Ryanair	Liverpool	Transport and storage	1,000
BAE Systems	Lancashire CC	Metal and machinery	950
mmO2	Lancashire	Post and telecommunications	800
Arvato	Liverpool	Construction and woodworking	400
Centrica	Greater Manchester	Energy	300
Liberata	Cumbria	Consultancy business services	250
Eastman Chemical Company	West Cumbria	Chemical	125
Daisy Communications	Lancashire CC	Consultancy business services	120
Bentley	Cheshire CC	Motor retail & distribution	100
Walkers	Liverpool	Food, beverage and tobacco	100

Source: European Foundation for the Improvement of Living and Working Conditions (www.eurofound.europa.eu)

A question remains over the sustainability of these newly created positions, and the durability of those created. Data from the same database on inward investment projects (the European Restructuring Monitor) highlights that there are in fact far more jobs under threat than being created during the same period. The firms which are affected are in activities similar to those in which new employment is being created and in some cases even the same business, reflecting the fact that many large employer sites in the North West England operate within multi-national production chains and have very limited relationship with their other filial within the region. More encouraging is the fact that only a limited amount of the employment effect appears to be through 'off shoring' of jobs, and the changes appear to be part of cyclical shifts in employment levels rather than structural adjustments in overall employment levels.

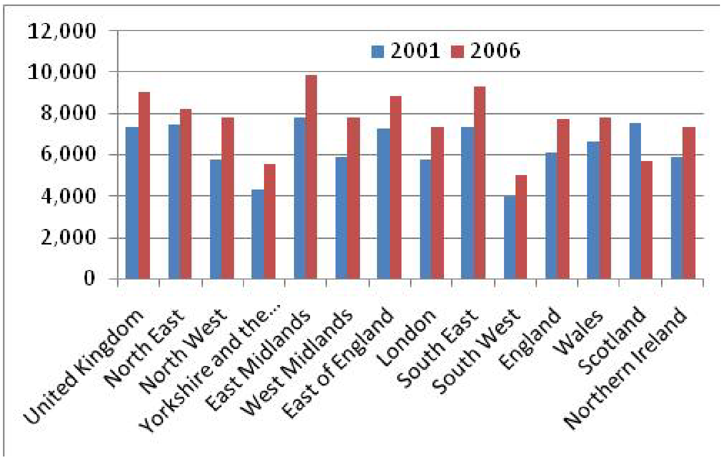
Table 1.9 - Major job losses and prospective losses in the North West England in the study period

Company name	Province/ Commune	Total Empt	Sector	Type of restructuring	Employment effects
Nuclear Decommissioning Authority (NDA)	West Cumbria	12,000	Energy	Internal restructuring	4,000 at risk
BAE Systems	Lancashire	n.a.	Transport, storage	Internal restructuring	1,000 at risk
Experian	Ukd	n.a.	Commerce	Off shoring/ Delocalisation	850 at risk
Vauxhall	Cheshire CC	3,000	Motor	Internal restructuring	879 at risk
Pennine Acute NHS Trust	Greater Manchester	9,000	Health, social work	Internal restructuring	800 at risk
BAE Systems	West Cumbria	n.a.	Transport, storage	Internal restructuring	760 at risk
Northern Foods	Greater Manchester	690	Food, drink, tobacco	Bankruptcy/ Closure	690 at risk
Co-op	Greater Manchester	n.a.	Commerce	Internal restructuring	600 at risk
Littlewoods'	Liverpool	n.a.	Commerce	Relocation	600 at risk
BNFL	West Cumbria	10,000	Chemical	Internal restructuring	500 at risk

Source: European Foundation for the Improvement of Living and Working Conditions (www.eurofound.europa.eu)

A final notable indicator of internationalisation can be seen in the value of export goods per employee, given in Figure 1.8 below. This Figure shows that across the UK as a whole, exports per employee have increased by around 20% , from an average of £6,000 to £7,800, with the North West' s performance closely following this pattern.

Figure 1.8 - Value of export of goods 2001 and 2006, GBP per employee



Source: OECD, 2008 op. cit.

The evidence from firm investment and disinvestment decisions highlight the fact that impact of globalisation has seen the region caught between the dual poles of 'rationalisation' and 'growth'. On the one hand, the region has seen a steady inflow of new inward investment, and there is evidence that this investment is creating new jobs and generating exports from the region, contributing to regional growth. On the other hand, there is evidence of significant 'churn' in investment projects, creating uncertainty and volatility for those regional suppliers and FDI filial dependent on lead manufacturers and OEMs for their presence in the region.

1.3.2 Understanding the geography of structural change

The North West England economy is as a large, diverse economy characterised by strong sub-regional divisions, with differing regional specialisations, with as a result, a different pattern of sub-regional responses to globalisation. The economic centres of the region are the two cities Liverpool and Manchester, along with the chemicals agglomeration on the Mersey in North Cheshire (Runcorn-Widnes). The two main cities each support relatively prosperous hinterlands, although the hinterlands of Manchester are markedly more prosperous than those of Liverpool (Table 1.10). The remote county of Cumbria is relatively poor, being as it is dependent on the volatile tourism and agriculture sectors, as well as some declining heavy industry and engineering. Blackpool is also somewhat poorer than the regional average, being rather less successful than Cumbria in maintaining its international profile as a tourist destination.

Table 1.10 - Key sub-regional economic data on the North West England(including Merseyside)

Region	GVA pc (PPP)			Unemployment		
	2000	2005	Δ (%)	2000	2006	Δ (%)
UKD11 West Cumbria	16,212	16,964	4.6	6.8	n.a.	-
UKD12 East Cumbria	16,212	16,965	4.6	n.a.	n.a.	-
UKD21 Halton and Warrington	24,478	31,650	29.3	4.1	4.5	9.8
UKD22 Cheshire CC	24,144	28,874	19.6	4.0	3.2	-20.0
UKD31 G M'cr South	26,075	30,094	15.4	5.6	5.3	-5.4
UKD32 G M'cr North	15,708	18,310	16.6	5.2	5.4	3.8
UKD41 Blackburn with Darwen	18,542	20,734	11.8	n.,a	n.a.	-
UKD42 Blackpool	16,100	17,513	8.8	n.a.	n.a.	-
UKD43 Lancashire CC	19,049	22,413	17.7	3.9	4.6	17.9
UKD51 East Merseyside	*14,798*	*17,863*	*20.7*	7.8	6.0	-23.1
UKD52 Liverpool	*20,530*	*24,612*	*19.9*	10.8	8.3	-23.1
UKD53 Sefton	*14,164*	*16,051*	*13.3*	6.0	5.5	-8.3
UKD54 Wirral	*13,287*	*14,928*	*12.4*	8.8	5.1	-42.0

Source: Core team processing of Eurostat data

This macro-pattern is produced by a sub-regional pattern of clusters and their supporting infrastructure. The most export intensive and innovative clusters in the North West England are the financial services sectors in Manchester, Cheshire and Liverpool. Other notable regional clusters which contribute to the export performance of the region, and promotion of regional growth, are the chemicals sector in Cheshire, the tourist sector in Cumbria, business services in Manchester, Merseyside and Lancaster, and transportation activities across the region. This data is presented in Table 1.11 below.

Table 1.11 - Sub-regional distribution of key clusters by county, North West,

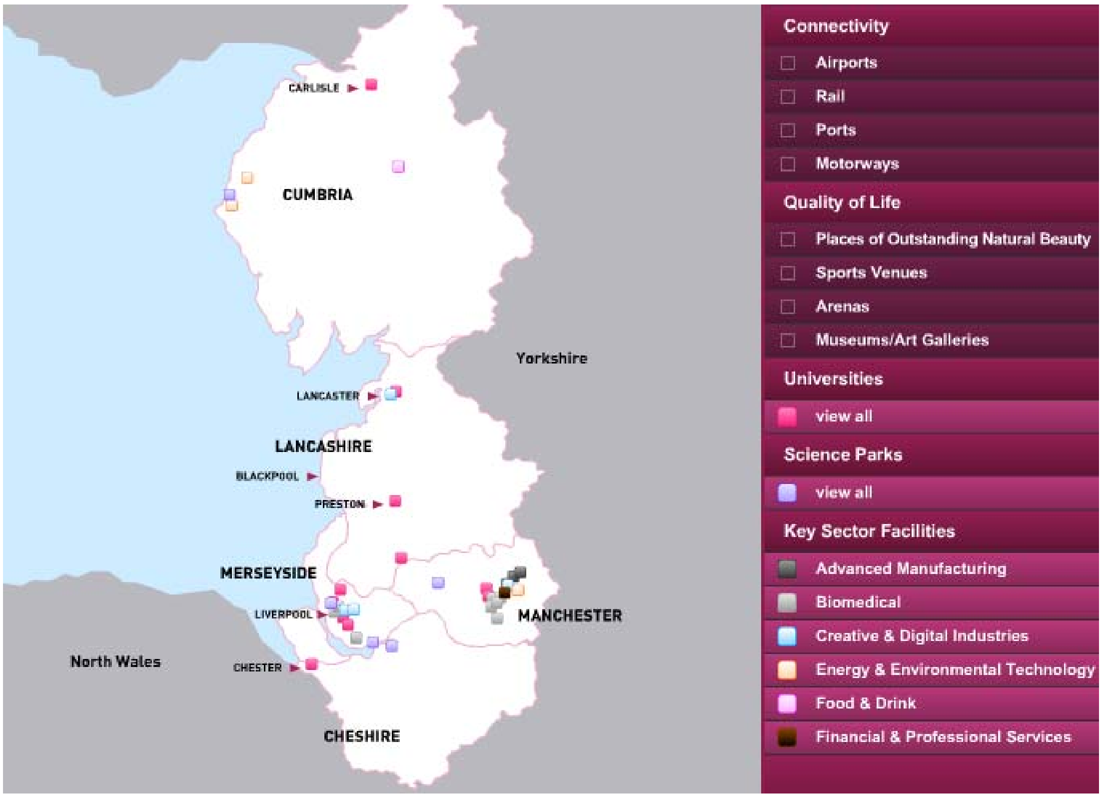
Cluster category	Region	Employees	Size (%)	Special'n	Focus (%)	Innov	Exports
Business Services	Cheshire	29,140	0.67	2.65	6.23	High	Strong
Chemical	Cheshire	9,108	0.95	3.72	1.95	High	Strong
Finance	Cheshire	19,117	0.27	1.06	4.09	High	Very strong
Transportation	Cheshire	15,370	0.25	0.98	3.29	High	Strong
Construction	Cheshire	13,089	0.20	0.79	2.80	High	n.a.
Hospitality	Cumbria	11,273	0.31	3.14	6.25	High	Strong
Construction	Cumbria	5,901	0.09	0.92	3.27	High	n.a.
Transportation	Cumbria	5,152	0.08	0.85	2.86	High	Strong
Business Services	G M'cr	54,394	1.26	2.00	4.69	High	Strong
Education	G M'cr	34,187	0.96	1.53	2.95	High	n.a.
Distribution	G M'cr	20,907	1.28	2.03	1.80	High	n.a.

Cluster category	Region	Employees	Size (%)	Special'n	Focus (%)	Innov	Exports
Finance	G M'cr	47,104	0.66	1.05	4.06	High	Very strong
Transportation	G M'cr	42,847	0.70	1.10	3.70	High	Strong
Construction	G M'cr	30,771	0.47	0.75	2.66	High	n.a.
Finance	Merseyside	22,047	0.31	1.07	4.12	High	Very strong
Education	Merseyside	19,870	0.56	1.92	3.71	High	n.a.
Transportation	Merseyside	17,990	0.29	1.00	3.36	High	Strong
Business Services	Merseyside	15,392	0.36	1.22	2.87	High	Strong
Aerospace	Lancashire	14,806	4.09	12.72	2.50	High	Weak
Construction	Lancashire	19,140	0.29	0.91	3.24	High	n.a.
Education	Lancashire	18,148	0.51	1.59	3.07	High	n.a.
Business Services	Lancashire	17,895	0.41	1.29	3.03	High	Strong

**clusters in the fields of finance and construction have not been considered as not strictly relevant to the scope of the study.*
Size: Share of total European employment, within the same cluster category, in terms of the number of employees.
Specialisation: if a region is more specialised in a specific cluster category than the overall economy across all regions, this is likely to be an indication that the economic effects of the regional cluster have been strong enough to attract related economic activity from other regions to this location, and that spill-overs and linkages will be stronger. The 'specialisation' measure compares the proportion of employment in a cluster category in a region over the total employment in the same region, to the proportion of total European employment in that cluster category over total European employment:
(Employment in a region in a category / Total employment in a region)(Total employment in Europe / Total employment in a category in Europe)*
Focus: if a cluster accounts for a larger share of a region's overall employment, it is more likely that spill-over effects and linkages will actually occur instead of being drowned in the economic interaction of other parts of the regional economy. The 'focus' measure shows the extent to which the regional economy is focused upon the industries comprising the cluster category. This measure relates employment in the cluster to total employment in the region.
Innovation: Data is for region, regardless of cluster category. Based on 2006 European Regional Innovation Scoreboard, MERIT
Exports: Data is national export data for the cluster category, regardless of region. Based on International Cluster Competitiveness Project, ISC at HBS
Source: www.clusterobservatory.eu

This cluster geography is also backed up with a strong infrastructure supporting the business base and which has been intimately involved in its transformation. Figure 1.9 below shows the provision of key supporting infrastructure in the North West, and shows that there is a concentration of economic activity towards the south of the region, along the Liverpool-Manchester Axis, focused around the two city centres, with an outlying cluster of activity in north Cheshire, related to the chemicals industry.

Figure 1.9 - Provision of infrastructure supporting key sectors and clusters in the North West England



Source: http://www.englandsnorthwest.com/invest/interactive-map.html

In 1999, the newly created North West England Development Agency was tasked with the authoring of a regional economic strategy, and part of that strategy included the identification of a number of key sectors. Subsequent to that, NWDA has made funding available to a set of cluster organisations, which are tasked with the promotion of the interests of those sectors in the region (Table 1.12). These cluster organisations have been able to access a mix of ERDF and NWDA funding to encourage collaborative various activities, and to help consortia of firms work together collectively to develop new technologies and diversity into new areas. A good example of this is the textiles cluster "NW Textiles" which has subsequently repositioned as a cluster organisation around advanced flexible materials, reflecting changes in the market areas of the region's main textile firms and innovators.

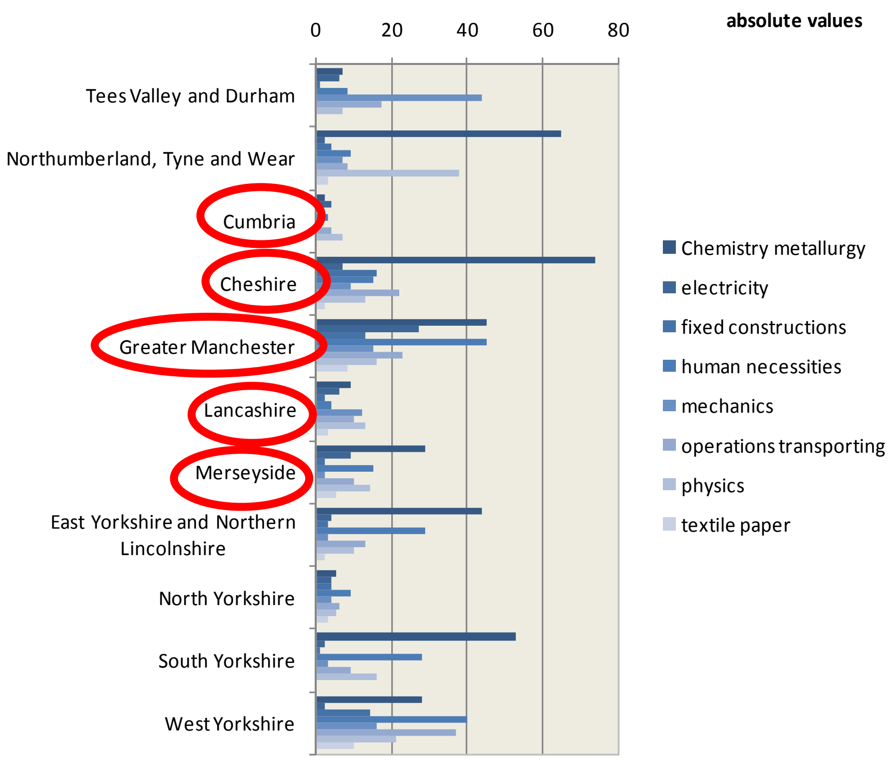
A final indicator of the sub-regional geography of the North West's economy can be seen in the sub-regional patenting patterns, as presented in the OECD review of the North of England (Figure 1.10). This data highlights the importance and innovativeness of the chemicals sector across the North West, the relatively low level of patenting activity in Cumbria (reflecting an absence of the kinds of sectors for whom patenting is a significant activity), and the relative strength of innovative activity within Greater Manchester.

Table 1.12 - Cluster organisations and promotion activities in the North West England

Organisation	Cluster Category	Website
Chemicals Northwest	Chemical Products	www.chemicalsnorthwest.org.uk
Bionow	Biopharmaceuticals	www.bionow.co.uk
Envirolink Northwest	+Green Technology	www.envirolinknorthwest.co.uk
Northwest Food Alliance	Processed Food	www.nwfoodalliance.co.uk
Biotech Manchester	Biopharmaceuticals	www.biotechmanchester.com
NW Textiles	Textiles	www.nwtexnet.co.uk
Mersey Maritime	+Maritime	www.merseymaritime.co.uk
Professional Liverpool	Financial Services	www.professionaliverpool.com
North West Aerospace Alliance	Aerospace Vehicles & Defence; Engines	www.aerospace.co.uk
North West Automotive Alliance	Automotive	nwautoalliance.com

Source: www.clusterobservatory.eu

Figure 1.10 - Patenting by sub-region and sector, per million inhabitants (2004)



2. Regional policy 2000-2006: strategy and objectives

2.1 Regional policy mix for structural change and globalisation

The region has been in receipt of Objective 2 funding from 1989 onwards. Only with the creation of Regional Development Agencies in 1999 did the English regions gain a body with overall responsibility for planning economic development within the region itself. The 2000-2006 Programme was therefore the first to coincide with this new (unelected) tier of regional governance.

The creation of the RDAs in 1999 that the English regions (NUTS1 level) gained a body with overall responsibility for planning economic development *in the region*. The role of the Government Offices has been to deliver national policy regionally, representing central government in the regions, as well as communicating regional and local views back into central government.

Both the drafting of the North West England Objective 2 Programme 2000-2006 and the North West Regional Economic Strategy (RES) were drafted in 1999.

A key element of the North West RES drafting process in the North West England and the other English regions was the central government influence over the process. Detailed guidance was provided by the UK Government for the RDAs to consider in writing their strategies (over 500 pages in length). As a result all of the English regions broadly followed the same approach. The visions and key themes of the 1999 North West RES are given in Box 3 below.

Box 3 - The vision, aims and key themes of the 1999 North West Regional Economic Strategy[19]

The strategy has two visions; the first, carried forward from the draft is "a region which attracts and retains the skilled and the talented, brings everyone into the mainstream of community life, nurtures its environment, heritage and culture, kindles creativity, innovation and competitiveness and is naturally on the shortlist for new investment". However, and more interestingly, is the regional aim, which is attached as a strap line to a page-and-a-half image heading the "vision" chapter of the report.

"The aim of the region should be to pass on to future generations an improvement in our inheritance whilst achieving self-sustaining wealth and growth".

It is this aim from which the key themes of the strategy are drawn, rather than the vision, which is more a road-map for achieving the aim, and corresponds much more closely to the concepts which other regions have chosen to embody in their visions.

- Investing in business and ideas
- Investing in people and communities
- Investing in infrastructure
- Investing in image and environment

[19] Benneworth, P. S. (2001) Regional Development Agencies — their early years 1998 2001, Seaford: Regional Studies Association, p. 51.

In common with six other RDAs, the Government strongly encouraged NWDA to adopt a clusters approach to stimulation of high technology development.

There is a clear carry-through from the Regional Economic Strategy into the objectives of the Objective 2 programme adopted in the North West, reproduced in Box 4 below[20]. There was a straight carry-through from the first two RES aims into the first two SPD aims, and the third and fourth RES aims were limited and integrated into the third objective, infrastructure and environment. The rationale behind this was that whilst the RDA had specific environmental responsibilities (and had to respond to Guidance from the Environment agency and Department of the Environment), "the Objective 2 programme is an economic programme and it would not be appropriate to support investments that had solely environmental benefits"[21].

Box 4 - The aims and objectives of the North West England Objective 2 programme [22]

The strategic aim of the North West England Objective 2 programme is:

To develop a competitive and sustainable economy which offers employment and income opportunities for people of all ages, abilities and gender. …

The first strategic objective is:

To contribute to the creation of a 21st century economy through the development of new and high growth employment sectors as well as supporting the competitiveness of existing businesses, where the key features are enterprise and knowledge …

The second objective is:

To empower and enable people of all ages, races and gender to access income and employment opportunities that reflect their aspirations and circumstances…

The third and final objective is:

To address the environmental legacy of the past through supporting opportunity led investment that creates new income and employment opportunities while restoring or maintaining the environment and heritage assets of the region.

The extent to which the Objective 2 SPD was integrated with the Regional Economic Strategy is further illustrated by the way in which the Priority names for the Programme were the three names for the Regional Economic Strategy priorities, namely *Business & Ideas*, *People & Communities* and *Strategic Regional Investment*.

One key uncertainty for the RDA existed around reforms to the provision of public small business advice. The Business Link brand had been created in 1994 at the time of the creation of the Government Offices with the intention of being a 'one-stop shop' for the provision of business advice, based on their own local activity areas.

[20] "the Regional Strategy has heavily influenced the development of the Objective 2 strategy and many of the measures closely reflect operational objectives relating to a number of the key themes. The Regional Strategy Vision, discussed later in this Chapter, has also been accepted as the long term aspirational statement to which the new Programme should make a major contribution." SPD PMC (2004),*op. cit*. p. 290.

[21] SPD PMC (2004) *op. cit*., p. 284

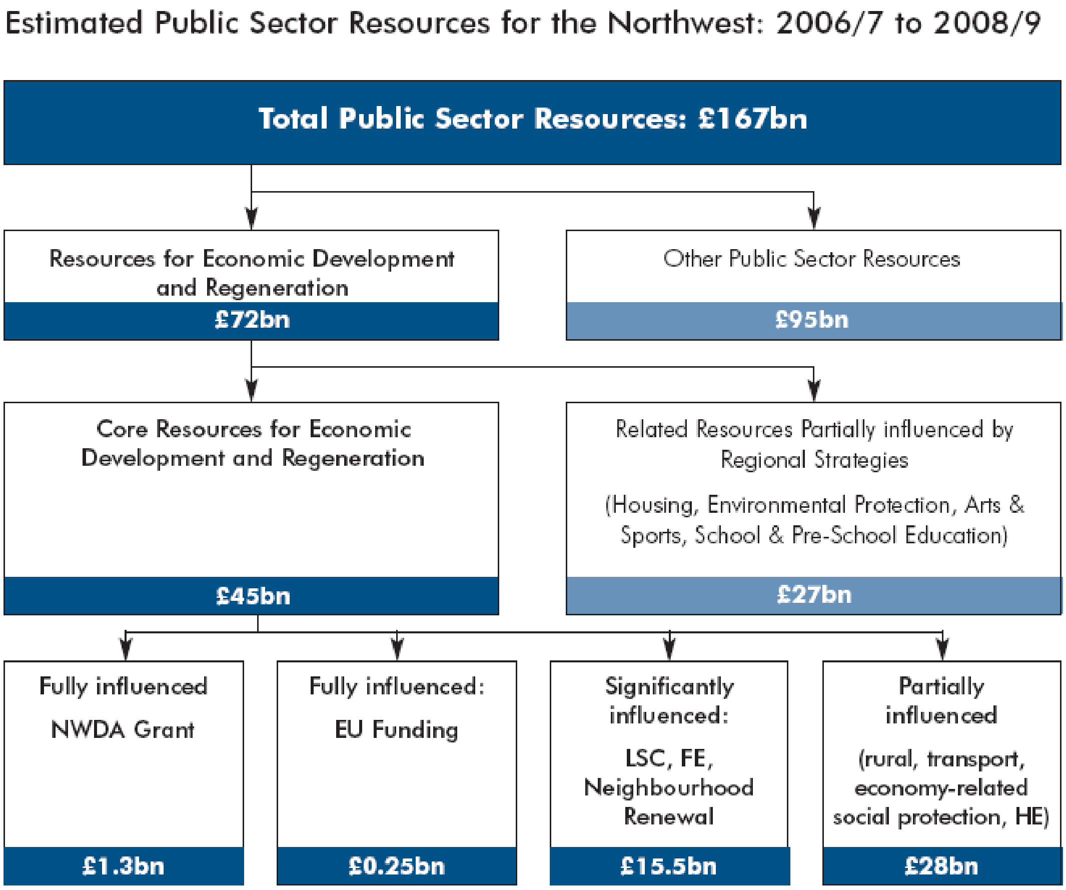
[22] SPD PMC (2004) *op. cit*.. p. 283-284.

In 1997, the Government signalled its intention to reform the Business Link system whilst retaining the brand. In 2000, the Small Business Service was launched with some fanfare based on sub-regional Business Link areas reporting to the national Small Business Service, part of the then-Department of Trade and Industry. This made it extremely hard for the RDAs to anticipate what kind of institutional environment they would inherit for business advice.

In its 2006 revision of the Regional Economic Strategy, NWDA published a diagram, reproduced in Figure 2.1, which outlines NWDA's strategy to maximise its influence over the range of public investments which shape the environment for economic development in the North West England region.

Funding from Europe is the smallest element (£250 million) of the core economic development and regeneration resource (£45 billion) that it seeks to influence. The comparable figures for the 2000-2006 programming period are with a larger weighting for European funding and slightly less in the other categories (£900 million European funding and £40 billion core economic development resources).

Figure 2.1 - The position of European Funding in the policy imaginary in 2006 (after the programming period).



Source: NWDA, 2006

2.2 Overall strategy of the 2000-2006 Objective 2 programme

The programme envisages a total spend of around £2 billion over the programming period, with total Structural Fund resources of £840 million, a public sector match from the UK of £900 million, and £200 million private sector investment.

The programme envisages allocating the bulk of the resources to Priorities 1 and 3, Business and Ideas and Strategic Regional Investment, each receiving 40% of total spend, with People and Communities receiving 20% and a small technical assistance fund of 1.5%. The public contributions match this overall pattern, although ERDF funds were planned to be weighted slightly towards Business and Ideas; private investment was envisaged to be absent from *People and Communities* and Technical Assistance, with just over half going to strategic regional investments. This overview is presented in Table 2.1.

Table 2.1 - Synoptic view of the Objective 2 programme

Priority	Total	Total EU	UK Public	Private	Total
	%	%	%	%	£ million
1 Business and Ideas	40.2	41.6	38.2	43.2	779.5
2 People and Communities	18.0	20.8	19.4	0.0	349.7
3 Strategic Regional Investment	40.4	36.0	40.9	56.8	784.2
Technical Assistance	1.4	1.6	1.5	0.0	27.1
Total Programme	1,9407	841.4	899.6	199.7	1,940.7

A more detailed breakdown of the financial information is presented on Table 2.3. Table 2.3 splits spending between eligible and transition areas, linked to the main goals and focuses of the three priorities. This is summarised on Table 2.2 below, which shows the distribution of funding between eligible and transition areas for the three priority areas.

Table 2.2 - Summary of priority objectives and allocated resources for Programme

		Total costs	Total EU	UK Public	Private
Business and Ideas	Eligible areas	525,163,275	238,882,275	232,183,000	54,098,000
	Transition areas	254,366,000	111,077,000	111,077,000	32,212,000
People and Communities	Eligible areas	317,996,000	158,998,000	158,998,000	0
	Transition areas	31,738,000	15,869,000	15,869,000	0
Strategic Regional Investment	Eligible areas	691,073,825	264,979,825	325,693,000	100,401,000
	Transition areas	93,207,300	38,047,300	42,147,000	13,013,000
Technical Assistance	Eligible areas	21,734,000	10,867,000	10,867,000	0
	Transition areas	5,434,000	2,717,000	2,717,000	0
Total Programme	Eligible areas	1,555,967,100	673,727,100	727,741,000	154,499,000
	Transition areas	384,745,300	167,710,300	171,810,000	45,225,000
Total		1,940,712,400	841,437,400	899,551,000	199,724,000

The net split of EU funding is four pounds per eligible area for every pound split in a transition area. There is quite a different balance in allocation between the priorities for the eligible and the transition areas, as shown in Tables 2.3, 2.4 and 2.5. In the eligible areas, 40% of EU resource was intended to be directed towards strategic regional investments, compared with just over one-fifth of total resources in transition regions. However, in the transition areas, Business and Ideas received two thirds of all investments, and only 10% went to People and communities, in contrast to around one-quarter of EU resources in the eligible areas (Tables 2.3 and 2.4).

Table 2.3 - Balance between allocation of resources between priorities in eligible and transition areas, North West England Objective 2 programme SPD 2000-2006 in %

Priority Area	Eligible	Transition	Total
Business and Ideas	35.5	66.2	41.6
People and Communities	23.6	9.5	20.8
Strategic Regional Investment	39.3	22.7	36.0
Technical Assistance	1.6	1.6	1.6
Total Programme	100.0	100.0	100.0

Table 2.4 - Balance between allocation of resources between priorities in eligible and transition areas, North West England Objective 2 programme SPD 2000-2006. Final Total ERDF paid (provisional data) in %

Priority Area	Eligible	Transition	Total
Business and Ideas	34.6	65.8	40.9
People and Communities	25.7	9.9	22.5
Strategic Regional Investment	38.1	22.8	35.0
Technical Assistance	1.6	1.5	1.5
Total Programme	100.0	100.0	100.0

Table 2.5 - Overview of the Objective 2 programme by Priority Area and available resources

	Priority	Objective	Resources available £ (R1=eligible, R2=transitional)			
			Total costs	Total EU	UK Public	Private
1	To contribute to the transformation of the North West England economy through the development of new and high growth employment sectors as well as supporting the competitiveness of existing businesses, where the key features are enterprise and knowledge.	To create and protect jobs and income by investing in new entrepreneurial businesses, innovation and e-commerce, and by improving the business performance of existing SMEs.	525,163,275	238,882,275	232,183,000	54,098,000
			254,366,000	111,077,000	111,077,000	32,212,000
2	To empower and enable socially and economically excluded individuals to access income and employment opportunities that reflects their aspirations and circumstances	To create local employment and enterprise opportunities, remove barriers to participation and progression, improve employability and to increase participation in the labour market, build the capacity and cohesiveness of groups and communities and improve the local physical environment.	317,996,000	158,998,000	158,998,000	0
			31,738,000	15,869,000	15,869,000	0
3	To address the environmental legacy of the past through supporting opportunity led investment that creates new income and employment opportunities while restoring or maintaining the heritage assets of the region	To secure significant additional employment, investment and income for the North West England Objective 2 programme Area by investing in Economic Development Zones based around new employment opportunities and economic diversification in a manner that supports the programme's sustainable development principles.	691,073,825	264,979,825	325,693,000	100,401,000
			93,207,300	38,047,300	42,147,000	13,013,000
TA	Support for experiments in administration of the three priority areas, and promotion of cross-cutting themes	Equal opportunities Information Society Sustainable Development	21,734,000	10,867,000	10,867,000	0
			5,434,000	2,717,000	2,717,000	0

There are two main priority areas which are concerned with adaptation to globalisation and restructuring, priorities one and three. Priority one was concerned with business and ideas,

> *"To contribute to the transformation of the North West England economy through the development of new and high growth employment sectors as well as supporting the competitiveness of existing businesses, where the key features are enterprise and knowledge."*

The SPD broke this down into five sub-priority areas, broadly corresponding to creating new businesses, improving innovation in SMEs, providing access to regional finance, supporting the knowledge-generating side of the regional innovation system and providing space for new and growing high-technology SMEs (Table 2.6).

Table 2.6 - Priority 1 businesses and ideas: indicative breakdown by field (eligible/transitional areas)

Priority sub-area	**Focus Area**	**ERDF £ million**	**%**
1.1 Entrepreneurial business Starts	Business advisory services	41.2	12
	Shared business service	10.3	3
1.2 Increasing Established SMEs Competitiveness	Environmentally friendly technologies, clean energy	4.9	1
	Business advisory services	77.7	22
	Shared business service	14.6	4
1.3 Access for to Finance	Business advisory services	35.9	10
	Financial engineering	4.0	1
1.4 Developing The Regional Knowledge Economy	Environmentally friendly technologies, clean energy	3.8	1
	Business advisory services	15.1	4
	Shared business service	15.1	4
	Research projects in universities/ research institutes	7.6	2
	Innovation and technology transfer	15.1	4
	RTDI Infrastructure	18.9	5
1.5 Investment In Premises For New And expanding SMEs	Investing in physical capital	60.0	17
	Shared business services	17.2	5
	RTDI Infrastructure	8.6	2
Total Priority 1		349.0	100

The main activities under priority one are improving the competitiveness of established SMEs and investment in premises for growing SMEs, with around one-fifth of funding being made available to regional knowledge producers, one-sixth to promoting entrepreneurship and one-ninth for venture finance. The allocation between these priority areas is shown in Table 2.7.

Table 2.7 - The split between focus areas in Priority 1

Priority	**ERDF £ million**	**%**
1.1 Entrepreneurial business Starts	51.5	14.7
1.2 Increasing Competitiveness of Established SMEs	97.1	27.8
1.3 Access To Finance For Growth SMEs	39.9	11.4
1.4 Developing The Regional Knowledge Economy	75.6	21.6
1.5 Investment In Premises For New / expanding SMEs	85.8	24.5
Total	349.8	100

What Table 2.7 does not effectively show is the allocation between activities within priority areas, which is to say what kinds of activity were the resources actually allocated to within these rather general headings. The programme complement offers activity codes for activities within headings, and when grouping by activity codes, a very different picture of the balance of activity emerges, as shown in Table 2.8.

One half of all the expenditure under priority one is allocated to Business Advisory services, which as the SPD makes clear is to be offered alongside the kinds of activity made available by the Small Business Service.

Table 2.8 - A breakdown of priority 1 ERDF expenditure by area of activity

By type of activity	ERDF £ million	%
Business advisory services	169.9	49
Investing in physical capital	60.0	17
Shared business service	57.1	16
RTDI Infrastructure	23.7	7
Innovation and technology transfer	18.9	5
Environmentally friendly technologies, clean energy	8.6	2
Research projects in universities and research institutes	7.6	2
Financial engineering	4.0	1
All fields, Priority 1	349.6	100

The second priority area with salience for the issue of globalisation is the investment in strategic regional infrastructure. The Programme envisaged that priority 3 would be pursued through three priority sub-areas, creating strategic employment sites, a targeted programme of environmental remediation, and infrastructure to improve accessibility to new employment opportunities. There were a range of activities planned to be supported under these priority sub-areas, and the different activities are indicated in Table 2.9.

Table 2.9 - Priority 3 strategic regional infrastructure: indicative breakdown by field (eligible/ transitional areas)

Priority sub-area	Focus Area	ERDF £ million	%
3.1 Strategic Employment Opportunities	Village/ rural heritage protection and conservation	7.8	2.6
	Upgrading/ rehabilitation of industrial/ military sites	62.5	20.6
	Rehabilitation of urban areas	78.1	25.8
	Business advisory services	7.8	2.6
3.2 Maximising the Contribution Of Natural, Cultural and Heritage Assets	Village/ rural heritage protection and conservation	18.5	6.1
	Physical investment	23.1	7.6
	Non-physical investment	4.6	1.5
	Upgrading/ rehabilitation of industrial/ military sites	18.5	6.1
	Rehabilitation of urban areas	27.7	9.2
3.3 Connecting With Communities In Need	Village/ rural heritage protection and conservation	8.1	2.7
	Urban transport	19.0	6.3
	Multi modal transport	16.3	5.4
	Rehabilitation of urban areas	10.9	3.6
Total Priority 3		303.0	100.0

Within priority 3, around half of the resources are being provided to the development of strategic employment opportunities (effectively building industrial estates), about a third to the environmental remediation of economically significant sites, and the remaining sixth to enhancing access from more excluded communities to those newly created employment opportunities. These allocations between sub-priority areas are shown in Table 2.10 below.

Table 2.10 - The allocation of funding between sub-priorities within Priority 3

Priority 3	ERDF £ million	%
3.1 Strategic employment opportunities	156.2	51.6
3.2 Maximising contribution of natural, cultural, heritage assets	92.5	30.5
3.3 Connecting with communities in need	54.3	17.9
Total	303.0	100.0

Source: Government Office North West

The programme complement describes particular activities within sub-priorities and indicates the levels of resources provided to them. The breakdown between the different kinds of activity within the programme is illustrated in Table 2.11 below, and they begin to give a clear picture of the kinds of physical investments supported by the Objective 2 programme. 40% of the resources are allocated to urban rehabilitation and regeneration, with a further quarter to the upgrading and redevelopment of brown-field military and industrial sites. Table 2.11 below makes the clear point that a large amount of resource was allocated to regeneration sites and areas.

Table 2.11 - A breakdown of priority 3 ERDF expenditure by area of activity

By type of activity	ERDF £ million	%
Rehabilitation of urban areas	116.7	38.5
Upgrading/ rehabilitation of industrial/ military sites	81.0	26.7
Village and rural heritage protection and conservation	34.5	11.4
Physical investment	23.1	7.6
Urban transport	19.0	6.3
Multi modal transport	16.3	5.4
Business advisory services	7.8	2.6
Non-physical investment	4.6	1.5
All fields, Priority 1	303.025	100

Before moving to examine activities and outcomes in more detail, it is worth observing that the issue of globalisation was viewed as a threat. The 2000-2006 Objective 2 programme, includes a total of six mentions in the course of the document[23]. All these six references allude to the fact that globalisation is a potential threat to the region. The threat alluded to here was very specific, and that was that low cost competition from overseas would lead to the undercutting of regional businesses, and would therefore act as a driver of rationalisation for regional businesses. However, globalisation was not singled out for specific treatment, and was indeed regarded as one of a set of 'universal threats', "long range, intractable and extraneous issues such as globalisation, the spread of ICT, expansion of the European Union, demographic shift and climate change present"[24].

With regards structural change, the only real substantive mention of restructuring of non-agricultural sectors came on page 375. "In terms of long term economic sustainability it is essential that the Programme facilitates restructuring that will enable the region to exploit growing global markets".

2.3 Selected fields of intervention and measures

2.3.1 Selection logic

This section looks at the whole Objective 2 programme in order to identify the measures of the programme co-funded by the ERDF that could be directly or to some extent relevant in supporting structural change and enabling adaptation to globalisation. It is worth noting that:

- Only measures dealing with the manufacturing sector, services related to manufacturing activities (e.g., business services, research and innovation, logistics), as well as tourism shall be considered.
- By measures "supporting structural change and enabling adaptation to globalisation", we refer to measures promoting the reallocation of resources (labour and capital) towards more efficient uses, either directly (e.g., promoting start ups, or favouring SMEs' technological intake) and/or indirectly, by minimising possible adverse effects of structural change (e.g., establishment of a social centre in a declining industrial area).

The focus of this case study is to look at whether there has been a gulf between a high-level aspiration for encouraging the creation of new high-growth businesses, and a reversion to traditional, well-understood forms of business support, advance factories and simple business advice. This provides a means to explore in more detail Hypothesis 4, which states that a problem in innovation is lack of local absorptive capacity amongst the regional industrial base.

[23] Here we are referring to the 2004 mid-term revision of the SPD: as the *ex ante* evaluation noted, the first SPD did not have a sufficiently thorough treatment of regional strengths, weaknesses, opportunities and threats (ECOTEC (2000) Interim Ex Ante Evaluation, North West England Objective 2 SPD

[24] SPD PMC (2004) *op. cit*. p. 375.

If the Objective 2 programme was stimulating growth-responses to globalisation, then it would be expected that there would be a systematic upgrading of businesses in terms of their position within regional production networks, with more regional businesses evolving from supplying exclusively into particular multi-national supply chains towards using that as the basis for competing themselves globally on the basis of an international offer. The main areas of the programme which were seeking to influence this particular dimension of globalisation were priorities 1 and 3 (see Tables 2.12).

Table 2.12 - Measures relevant with respect to structural change and globalisation: main features

Measures	Brief description (including date of implementation)	Financial weight % tot. budget	% expenditure	Financial weight % tot. budget	expenditure	Financial weight % tot. budget	% expenditure	N° of projects
Measure 1.1	Assistance to new starts and new spinout companies. the low Measure 1.1 spend outturn reflects the final modifications made to the Programme Complement in December 2008 to meet financial modelling requirements.	17.1%	10.5%	15.7%	11.8%	16.7%	10.9%	161
Measure 1.2	Various kinds of business advice and support to SMEs to help them deal with problems faced by globalisation and to secure thir survival in increasingly competitive markets	29.2%	32.9%	29.1%	30.6%	29.2%	32.1%	322
Measure 1.3	It has provided capital in the form of equity-based risk finance. NWBIS commenced operations in April 2003, expected to fully invest ERDF by the end of the contracted investment period, December 2008, and realise its investments by March 2013.	9.7%	10.1%	13.4%	14.8%	10.9%	11.6%	3
Measure 1.4	Developing the Regional Knowledge Economy: Supporting Business Innovation and Networking	27.2%	29.1%	18.6%	19.7%	24.5%	26.0%	248
Measure 1.5	Investment in Premises for New and Expanding SMEs	16.8%	17.5%	23.2%	23.1%	18.8%	19.3%	77
Measure 3.1	Developing Strategic Employment Opportunities	59.3%	62.3%	84.3%	87.0%	62.5%	65.5%	147

** Legend: * marginally relevant, ** relevant, *** extremely relevant*

Within the measures considered as relevant with respect to structural change and globalisation we selected measure 1.2 since primarily offering different kinds of business advice to SMEs to help them deal with the problems faced by globalisation and to secure their survival in increasingly competitive markets.

2.3.2 Detailed description of the selected measures

The focus of activity within Measure 1.2 is explained in Box 5, which sets out the range of business support activities which will be supported.

Box 5 - Measure 1.2 in the Programme Complement

Measure 1.2 will support solely revenue expenditure:

1. business counselling, advice, and consultancy (e.g. support for developing new markets, ICT development, innovation and product development, customer relations, marketing, sales and distribution, management and human resource development);
2. technology and environmental audits;
3. technology transfer;
4. revenue grant aid to assist SMEs develop their productive capacity;
5. support for social economy and not-for-profit enterprises;
6. support for e-commerce development;
7. support to make companies aware of the benefits and opportunities of environmentally friendly practices and products;
8. support for supply chain initiatives including support for SMEs networking with regionally significant enterprises and organisations, including the public sector.

Based on total expenditure of €130.7m in the eligible areas and €68.7m in the transition areas, it is expected that substantive assistance will be provided to 12,000 SMEs. The bulk of SME assistance is assumed to be within a range of £5,000 and £25,000, although for many cases this will be achieved with multiple tranches of support over the lifetime of the Programme…

Final Beneficiaries

Small Business Service and SBS contractors, North West Development Agency, local authorities, higher and further education institutes, enterprise and development agencies and other intermediary bodies assisting SMEs, the voluntary sector and the Private Sector…

Measure 1.2, Increasing The Competitiveness of Established SMEs will be co-financed primarily by the Small Business Service, the North West Development Agency, the Local Authorities, the Government Office for the North West, the Department of Trade and Industry, business and economic development agencies and enterprise trust and the private sector.

3. Effects of the selected ERDF measures on the process of structural change and adaptation to globalisation

3.1 Assessment of the structural and socio-economic effects

3.1.1 Performance of selected measures

In evaluating the effectiveness of the selected measure it is important to understand that the allocation of most of the Programme funds down to local Action Plan level resulted in ERDF investment being balanced between:

- areas of high economic potential and high social deprivation;
- short term needs and long term structural change;
- economic and social needs (investment in individuals and communities most in need).

The allocation of funds down to local area level led to a relatively limited ERDF allocation per capita being thinly spread amongst a large number of projects across each of the measures with a potential to contribute to the process of structural change or adaptation to globalisation. The funds were thinly spread across much of the region both spatially and thematically.

The Programme's Mid-Term Evaluation (Fraser Associates in association with Regeneris) identified a growth in spatial disparities requiring a regional response and a concentration of resources in one or two opportunities as opposed to the rather piecemeal approach.

Recommendations included:

- Virement of surplus resources from Priority 2
- Increase allocation to Regional Action Plans

Measure 1.2: Increasing Established SMEs Competitiveness

To get a sense of the kinds of activities which are being funded under Measure 1.2, Table 3.1 presents data on the ten largest of these projects, whilst Table 3.2 presents some summarising statistics on the projects funded under Measure 1.2. Activities were funded under 25 action plans within the region – each of the twelve sub-regions had two action plans, one covering the fully eligible areas (FEA) and one covering transitional areas (TAs), along with one regional action plan for innovation support for businesses in fully eligible areas (table 3.3). Table 3.1 demonstrates that there were indeed a number of large scale projects seeking funding under Measure 1.2, and Table 3.2 shows that approaching 40% of funds under Measure 1.2 were spend on projects with a total ERDF contribution over £1 million.

Tables 2.14 and 2.15 suggest that the first pre-condition for transformational activity was present, namely that support was concentrated on particular priority activities and made available at sufficient level to deal with the challenges of business adaptation.

Table 3.1 - Top ten ERDF-funded measures by ERDF contribution, Measure 1.2 (increasing SME competitiveness)

Applicant	Project Title	ERDF £
Chamber Business Enterprises	Flexible Advisory Service (FEA)	4,799,953
ChamberLink Limited	Priority, Productivity and Prosperity (PPP)	4,791,958
Chamber Business Enterprises	Flexible Advisory Service (Phase 2))	4,431,590
Business Services East Lancs Ltd	1.2/19T Adding Expertise to SMEs	2,795,465
Chamber Business Enterprises Ltd.	PREDICT (FEA)	1,738,171
Chamber Link	Building Enterprises TA 02/04	1,425,675
Chamber Business Enterprises LTD	International Trade Partnership (FEA)	1,304,474
Chamber Business Enterprises Ltd.	PREDICT (TA)	1,173,755
ChamberLink Ltd	W4 1 - 2.4 Building Enterprises FEA	1,148,995
Business Services East Lancs Ltd	1.2/19F Adding Expertise to SMEs	1,049,590

Table 3.2 - The distribution of projects by size, and total spend on projects by size, Measure 1.2

ERDF Contribution	Number	%	*ERDF £*	%
£>1m	12	3.8	*26,716,847*	38.2
£500k-£999k	16	5.0	*11,234,613*	16.1
£250k-£499k	31	9.7	*11,058,952*	15.8
£100k-£249k	89	28.0	*13,481,767*	19.3
£50k-£99k	69	21.7	*5,118,657*	7.3
£20k-£50k	58	18.2	*1,869,496*	2.7
£10k-£19k	27	8.5	*390,398*	0.6
<£10k	16	5.0	*100,059*	0.1
Total	318	100.0	*69,970,789*	100.0

Table 3.3 - Proportional allocation of funding between Action Plans under Measure 1.2

Action Plan	FEA	TA	Total	FEA	TA	Total
					%	
Bolton	1,008,736	1,696,111	2,704,847	1.4	2.4	3.9
Bury TA	195,809	3,250,796	3,446,605	0.3	4.6	4.9
Cumbria	3,484,485	1,109,753	4,594,238	5.0	1.6	6.6
East Lancashire	3,115,436	8,592,493	11,707,929	4.5	12.3	16.7
Ellesmere Port	918,969	204,743	1,123,712	1.3	0.3	1.6
G Manchester S'Rgl AP	5,779,469	-	5,779,469	8.3	0.0	8.3
Halton & Vale Royal	1,654,222	1,142,001	2,796,223	2.4	1.6	4.0
Investing in Rochdale	1,307,309	563,388	1,870,697	1.9	0.8	2.7
Manchester Enterprises	17,149,593	1,681,563	18,831,156	24.5	2.4	26.9
N & W Lancashire	3,746,466	708,390	4,454,856	5.4	1.0	6.4
New East Manchester	768,077	-	768,077	1.1	0.0	1.1
North West Innovation	2,399,249	1,508,956	3,908,205	3.4	2.2	5.6
Oldham	1,270,704	1,204,981	2,475,685	1.8	1.7	3.5
Regional Action Plan P1	3,225,754	-	3,225,754	4.6	0.0	4.6
Wigan 4 Work	1,872,739	410,597	2,283,336	2.7	0.6	3.3
Total	47,897,017	22,073,772	69,970,789	68.5	31.5	100.0

In general, all outputs in Priority 1 measures have exceeded targets, in many cases by a significant margin, except for feasibility/research studies supported. Of particular note is the strong showing on the development of new products and processes, which is an indication of the success, against projections, of investments involving collaboration between businesses and the knowledge base, though the targets for this area were set comparatively low. Company assists were also strong, encouraging because the definition of a business assist required a more onerous input than in previous programmes, including the tracking of subsequent performance.

Also in relation to Measure 1.2 all targets have been met, and indeed exceeded (Table 3.4). A number of the projects supported focussed on generic business advice and support. Support was thinly spread: across the entire North West; across all types of business activity and the average level of assistance per beneficiary SME was modest. Over achievement of 'economic' outputs was generally greater in the transitional area.

Table 3.4 – Measure 1.2 - SPD Outputs and 'Results' targets, contracted and achieved

Fully Eligible Area			**Measure**	**1.2**	
		Contracted		**Achieved**	
Outputs	**Measure Targets**	**(No.)**	**(%)**	**(No.)**	**(%)**
SMEs ASSISTED	8,000	14,482	181.0	27,503	343.8
SMEs assisted in priority sectors	3,000	5,579	186.0	13,427	447.6
SMEs introducing new products/processes	500	1,600	320.0	3,695	739.0
Results					
New Jobs created	5,062	6,015	118.8	12,859	254.0
Jobs safeguarded	5,062	10,174	201.0	30,192	596.4
Increased sales(GBP 000s Gross)	405,000	338,022	83.5	628,092	155.1
Sales safeguarded (GBPmillion)	405	379	93.6	774	191.1

Transitional Area			**Measure**	**1.2**	
		Contracted		**Achieved**	
Outputs	**Measure Targets**	**(No.)**	**(%)**	**(No.)**	**(%)**
SMEs ASSISTED	3,920	7,577	193.3	16,251	414.6
SMEs assisted in priority sectors	1,470	1,752	119.2	2,316	157.6
SMEs introducing new products/processes	245	655	267.3	1,780	726.5
Results					
New Jobs created	2,466	3,031	122.9	4,960	201.1
Jobs safeguarded	2,466	3,392	137.6	10,755	436.1
Increased sales(GBP 000s Gross)	198,000	185,621	93.7	312,314	157.7
Sales safeguarded (GBPmillion)	198	195	98.5	480	242.4

Source: NW England Objective 2 Programme 2000-6: Final Report (draft), September 2009

The overall average amount of support per assisted SME was well below £2,500.

Bigger, better, quicker

There appear to have been relatively few projects supported under Measure 1.2 and indeed across the programme as a whole where the design and implementation was stimulated by the existence of the programme.

From discussions with Programme and Action Plan managers ERDF funding through the 2000-2006 programme appears to have helped to:

- bring forward planned projects;
- extend the scale planned projects;
- extend the duration of existing projects;
- improve the quality of projects, for example improve the specification of new buildings so as to reduce their overall environmental impact.

In relation to projects funded under Measure 1.2 the most visible impact was to extend the scale planned projects or to extend the duration of existing projects.

Effective absorption of funds

Measure 1.2 was relatively successful in maximising spend:

- Programmed expenditure (target) €69,850,000
- Actual expenditure (achieved) € 68,469,090
- % actual over programmed 98%

The activities supported under this Measure were closely aligned to the core functions of business support agencies which made it easier to extend the scale of projects. The comparative strength of the Euro against Sterling over the later stages of the Programme, together with a reluctance by the UK Government to 'over programme', led to an inevitable shortfall against allocation.

In other parts of the programme institutional failings have affected the implementation of projects and a small level of allocated funding is to be returned. Business Links within the region failed to keep sufficiently robust monitoring data and Cumbria Groundwork closed down.

Sustainability

The region has suffered a downturn and as a result of the current economic downturn it is uncertain how many of the jobs created by Measure 1.2have been lost over recent months.

Main socio-economic trends 2000-2008

Measure 1.2 through its assistance of over 25,700 SMEs can be expected to have made a valuable contribution and the North West economy performed well between 2000 and the start of 2008, with the employment rate closing against the national average (and so above most EU member states). Over the period 2000 to 2004 an extra 182,000 jobs were created in the region. Although Measure 1.2 supported some 3,695 businesses to introduce new products and services, the 13.4% of businesses supported by the measure in job creation has not been matched in terms of productivity per worker, and the North West England continues to have relatively low rates of innovation, enterprise and productivity of those in work. GVA per head is 85% of the England average, creating an output gap of £13 billion, largely due to lower productivity. The rate of growth of GVA per head in the North West England in this period was 1% below the English average. The causes of this productivity gap include the region's industrial structure, low rates of innovation in many SMEs and deficiencies in skills (including management and leadership). Areas with deep rooted deprivation remain. In terms of improvement relative to other areas the pattern of improvement is patchy with some relatively poor areas improving their position and in other cases deteriorating –intra-regional inequalities appear on balance to have slightly narrowed.

3.1.2 Contribution of selected measures to structural change and globalisation

Anecdotally there are examples of projects assisted under Measure 1.2 to assist SMEs that appear to have helped to move towards more knowledge-based high value added activities. The 'success' of measure in achieving target outputs particularly in terms of SMEs assisted may have resulted in too few assisted SMEs having their internal capacity adapted to bring about significant structural change.

Projects supported under measure 1.2 have however together been successful in introducing new products and processes. Among these projects are small locally designed and adapted projects (see box 6).

Box 6: Technology Support for Value Added Economy

The project addressed the identified need in East Lancashire to assist SMEs to move away from the historic, narrow range of manufacturing industries towards more knowledge-based high value added activities. It addressed the problem of the inability or reluctance of SMEs to devote resource to forward planning and access to specialist skills and advice.

The project made use of a facility at Blackburn Technology Management Centre (BTMC) already established under the previous Technology and Innovation Support programme. This facility enabled Blackburn with Darwen SME clients, especially those in the manufacturing sector, to access staff expertise, technology information sources, technology events and demonstrations, and to commission customised programmes of support to improve their competitiveness. It introduced several new initiatives in the field of new product development support.

Anecdotally there are examples of businesses post intervention to have been able to development new market opportunities and expand their turnover and employment.

Example of SME support provided by the project: Ralspeed Ltd manufactures soft-start controllers for electric motors and other related products.

A new product opportunity was identified through a major customer, Selwood Pumps, who hire out large generators and pumping equipment. A regular problem occurs with matching lower power pumps supplied to site, in the 1kW to 10kW range, with the availability of the correct motor overload module. As a result many are mismatched, and expensive damage can then occur to the motor.

Together with Ralspeed's electronic design contractors, PVE, the feasibility of a wider range adjustable overload module was established, and Ralspeed applied to the ERDF project sponsors assistance with detail design and prototyping of this product. The finished product was launched within 6 months, and gives adjustability from 2 – 12kW. It has an easily understood display, and a simple knob adjustment, all features new to the market. Since the support was provided both turnover and employment have increased and the business has been able to tap into new markets.

Applicant: Blackburn with Darwen Borough Council

Total Cost. £ 605K , of which ERDF £ 286K

There remains insufficient understanding of the effectiveness however to draw any firm conclusions regarding the relative effectiveness of 'regional' flagship investments and in particular their ability to contribute to narrowing of significant spatial inequalities within the region in terms of access to employment and prosperity.

3.2 Assessment of the effects on institutional capacity and policy learning

Earlier rounds of European funding were important in establishing sub regional and regional partnership working adding new partners and encouraging collaborative working and decision making. The 2000-2006 Programme continued to reinforce partnerships.

The structures for partnership working for the 2000-2006 Programme were considered by respondents to have become 'the norm' prior to the start of the programme.

It was suggested that Local Action Plan Partnerships have helped to continue to encourage more effective collaborative working particularly in parts of the region where structures were less developed for example Pennine Lancashire.

The programming culture for 2000-2006 involved a step change in application and monitoring requirements. The North West England Objective 2 Programme and the People and Communities priority (Priority 2) in particular introduced some organisations that were new to the partnership. Among these were smaller voluntary organisations that were inexperienced in operating a project part funded by ERDF. For a minority the monitoring requirements were found to be too demanding. The Mid-term evaluation of the 2000-2006 North West England Objective 2 Programme (Fraser Associates in association with Regeneris) identified a fundamental tension between the demands of sophisticated programming and the trend towards locally based management and implementation. The 2007-2013 Programme has a much more economic focus and a focus on larger projects together having the effect of excluding less experienced partners.

In order to reduce the cost of auditing and the financial difficulties experienced by partners should funds be clawed back it was suggested that there should be clearer guidance from the UK Government and from the European Commission close to the start of the project with early stage monitoring visits to ensure necessary systems of recording are in place. It was generally accepted that ERDF monitoring requirement had raised standards of monitoring and indeed they have been used as a framework for the management of other locally delivered programmes such as LEGI.

It remains unresolved how best to achieve a balance between addressing the needs of those currently most disadvantaged and exploiting opportunities that it is hoped will unlock economic potential within the region. More 'strategic' regionally focussed interventions might be expected to result in more gross jobs being supported per € of intervention, together with greater transformation of the regional economy and adaptation to structural change at a regional level. However, within the North West England region there are significant spatial mismatches between the areas of most economic potential and those with most socio-economic need. The current recession might be expected to widen spatial differences in unemployment and relative deprivation and a greater focus on supporting growth activities in priority industries could potentially serve to widen such inequalities.

The Mid Term evaluation was carried out at a stage when only a relatively modest proportion of the overall funds had been spent but at a stage when the majority of funds (79%) had been committed. The 2007-2013 Programme was developed without a strong evidence base from evaluations conducted within the North West England over the 2000-2006 period. An Evaluation of Enterprise support within the North West

England Objective 2 programme was conducted by Regeneris (November 2005). This evaluation was somewhat critical of the likely effectiveness of the projects approved. In particular the report concluded:

- "lots of similar projects chasing similar clients" focussing on easier to support clients and in particular the "Programme does not appear to have met the challenge of targeting support on growth businesses in priority sectors with the scope to trade outside local markets";
- "the services received by SMEs have not been transformational assistance".

The enterprise support strategy of the 2007-2013 Programme reflects some of the key conclusions and recommendations of the study.

Over recent years the North West Development Agency has significantly developed its understanding of growth industries and growth businesses in the region. The formation of a regional level Business Link service has helped to coordinate and focus support. At this stage many of the submitted projects are waiting approval and it remains too early to determine the extent to which the support will be more strategically focussed on priority sectors and growth potential and that the support provided has more potential to be transformative.

It remains uncertain whether idealism present at the start of the 2007-13 programme will end up being watered down to the extent to which this appears to have occurred over the 2000-2006 period by the need to spend allocated resources on projects that will deliver outputs within the constraints of N+2 requirements. Regional thinking has developed continually through a combination of earlier programmes and through the formation of a North West Development Agency and the requirement by the UK Government for English regions to produce a Regional Economic Strategy. It is possible that some of the institutional learning may have been lost as a result of some restructuring of partner organisations and changes in roles and responsibilities, not least the shift in responsibility for programme management from the Government Office North West to NWDA.

The decision for the 2007-2013 programme to have fewer Action Plans has increased strategic influence that NWDA can play and reduced the role of other partners, in particular local authorities, in determining the allocation of funds at a sub-regional level.

The 2007-2013 programme attempts to overcome the dilution of strategy by:

- Supporting fewer, larger projects;
- Not allocating resources down to local Action Plan Level.

Fears in relation to unexpected audit requirements and requirements to achieve outputs were claimed by project and Action Plan managers to have discouraged partners from submitting innovative projects.

Concerns were expressed by some of the respondents (notably those that had responsibility for the management of sub-regional Action plans) that part of the institutional capacity developed within the Government Office for the North West (GONW) may be lost with handover of responsibility to the North West Development Agency (NWDA). Further concerns were expressed that the management arrangements for 2000-2007 had reduced transparency. It was suggested that gains from a greater focus on projects focussed towards regional priorities in 2000-2007 may be less than losses from being less responsive to locally identified needs and priorities. It was suggested that slowness to approve projects could result in difficulties in achieving N+2 spend targets without diluting strategic aims. Some of those interviewed had submitted projects for approval from the 2007-2013 programme over a year ago and were still waiting approval. By the end of August 2009 only a tiny share of the 2007-13 allocation of ERDF to the North West England had been spent. It remains however too early to tell whether changes in responsibility and management structures will make it more difficult to absorb the allocated funds.

4. Conclusions: key findings and main message

Key findings

The North West England has relatively high levels of business R&D, a productive manufacturing base, and a regional economy larger than many European member states[25]. However, the particular form of globalisation pursued in the UK has played against the grain of the region's strengths and hollowed out and segmented the North West's economy.

The main research question addressed was the extent to which the ERDF co-financed measures supporting structural change and adaptation to globalisation have helped creation of new high-growth businesses to emerge from the traditional economic fabric of the regional economy.

1. The North West England has experienced a prolonged period of industrial restructuring which continues.

Although anecdotally many of the manufacturing businesses that remain have adapted and continue to adapt to global pressures and opportunities over the course of the programming period, in the last decade, there has been a significant continued decline in manufacturing employment in the region, and a convergence between manufacturing employment in the North West England and that of the national level as a whole.

The economy of the North West England is heavily segmented, and worryingly for the region is the fact that the impact of globalisation on the top-tier of businesses in the North West England has been predominantly negative. There has been rationalisation, retrenchment and restructuring, with relatively few businesses emerging from the lower tiers of the economy to take up their place and restore economic activity to full capacity.

The North West England region has a complex and importantly, a spatially varied industrial history. There are significant spatial mis-matches between areas of economic need and economic opportunities. An exception to this would be within Manchester where areas of relatively high unemployment are juxtaposed with areas of economic potential and growth. Resultantly, at a sub-regional level there are different tensions between investment in social / community measures and long term transformation owing to different levels of deprivation.

2. ERDF intervention fit with the regional policy context

The 2000-2006 Objective 2 programme design began before the development of the first Regional Economic Strategy. The strategies however both used the same data and research and developed within the same national strategic context to inform programme design and there was an overlap in terms of those involved.

[25] OECD (2008) *OECD Reviews of Regional Innovation: the north of England*, Paris: Organisation for Economic Co-operation and Development.

Since the programmes were largely developed concurrently and with a degree of co-ordination there was a strong degree of policy fit. It is difficult even for those closely involved to disentangle which drove the other.

In the case of the 2007-2013 Programme it has been designed to complement the wider programme of resources to support economic development in the North West England and could be viewed largely as a funding stream for activity proposed in the RES. The programme largely mirrored the much larger overall Regional Economic Strategy over the 2000-2006 period and the regeneration efforts of the wider partnership. The Programme thus essentially helped to magnify and extend the regeneration impacts of public sector investment as a whole.

3. *Contribution of analysed measures to regional structural change in 2000-2006*

Several measures within the programme (notably 1.2, 1.3, 1.4, 1.5 and 3.1) encourage projects to be submitted with the potential to bring about structural change.

Analysis of Measure 1.2 Increasing Competitiveness of Established SMEs, found examples of projects that appear to have helped to move towards more knowledge-based high value added activities. Indeed, all outputs in Priority 1 measures have exceeded targets, in many cases by a significant margin, except for feasibility/research studies supported. Of particular note is the greater than anticipated number of supported SMEs developing new products and processes.

Feedback from respondents suggests however that overall there has been a gulf between a high-level aspiration for encouraging the creation of new high-growth businesses set out in the SPD, and the resulting mix of investments supported by the 2000-2006 Programme, with a reversion to traditional, well-understood forms of business support, speculatively built business accommodation and simple business advice. The original strategy was diluted as a result of the process of delivery:

- Distribution of resources down to local areas was based largely on pattern of economic need rather than potential
- Balance was sought by programme and project managers between long term potentially transformational but risky projects and tried and tested projects with much more certain outputs. There was inevitable caution in ensuring the programme was capable of delivering expected outputs. The de-commitment rule and to a lesser extent the reserve exercise are believed to have reinforced an already instinctively cautious approach of 'protecting the public purse'
- Political pressures from within the region to deliver visible changes from investment in areas with relatively high unemployment. There needed to be a balance between economic and social measures
- Financial pressures on applicants to avoid any financial clawback from non delivery resulted in applicants favouring 'safe' projects for which outputs and costs could be safely predicted

Main Message

Innovation potential hypothesis outlined in the conceptual model states that *innovation systems in Objective 2 area may be lacking in institutional thickness, be missing innovation divers on the demand side and may be hindered by* *a lack of absorptive capacity in regional firms. Additionally for some regions, particularly old industrial areas, path-dependence from existing technological trajectories may constrain product and process innovation.*

The case study provides a clear example of where the lock-in is not purely a function of the industrial structure, and in shortcomings in a region's capacity to absorb innovations and compete globally, but also of the constraints on policy makers and programme managers to design a spatially balanced socio-economic programme and implement measures that respond to identified economic and social needs and opportunities.

The North West England within an EU context is innovative region, with above average private sector R&D, as well as above average outputs in terms of productivity levels and regional GVA and with significant university based research in the region might be expected to be reflected in a similarly high degree of absorptive capacity for public sector investments. However, unlike many comparable EU regions, the North West England did not have at that time a coherent decision-making structure capable of setting strong regional priorities and then focusing resources on those priorities. As a result the North West's, apparent innovation strength and opportunity appears to be undermined by:

- Traditionally ad-hoc partnerships between research excellent Universities within the North West England and indigenous industries;
- Traditionally weak partnerships between the universities in the North West England and public sector agencies – with insufficient understanding of the core objectives of Universities and the way in which they are financed;
- Historic lack of creativity and risk taking by the public sector to work with leading private sector businesses to form shared R&D facilities or to spin out incubators;
- Fragmented links between public sector and large businesses;
- A lack of a coherent voice from key industries (for example different priorities from Chamber of Commerce, Institute of Directors and Small Firms Federation).

The above considerations allow us to validate Hypothesis n.4 on innovation potential.

5. Annexes

5.1 Statistical tables

Table 5.1 - Taxonomy of objective 2 eligible areas (NUTS3)

	Population, 2004, thousands	**% of regional population, within Objective 2 areas**	**Population in Obj 2 areas,** thousands	**Urban/rural category***
UKD11 West Cumbria	235.8	76.1	179.4	21
UKD12 East Cumbria	257.8	27.8	71.6	21
UKD21 Halton and Warrington	312.0	34.5	107.7	1
UKD22 Cheshire CC	681.2	5.3	36.0	1
UKD31 Greater Manchester South	1,361.3	62.6	851.6	1
UKD32 Greater Manchester North	1,175.4	42.8	503.6	1
UKD41 Blackburn with Darwen	140.5	67.3	94.6	1
UKD42 Blackpool	142.8	53.6	76.6	1
UKD43 Lancashire CC	1,154.3	18.9	218.6	1
UKD51 East Merseyside	327.6	0.0	0.00	1
UKD52 Liverpool	440.1	0.0	0.00	1
UKD53 Sefton	280.8	0.0	0.00	1
UKD54 Wirral	313.2	0.0	0.00	1

**1 = predominantly urban; 21 = intermediate rural, close to a city; 22 = intermediate rural, remote; 31 = predominantly rural, close to a city; 32 = predominantly rural, remote regions*
Source: Applica – Ismeri – wiiw. Ex Post Evaluation of Cohesion Policy Programmes 2000-2006 financed by the European Regional Development Fund in Objective 1 and 2 regions. WP1, Task5 Final report.
Note: Please note that Table does not include Ob.2 phasing-out regions.

Table 5.2 - Regional performance in comparative perspective (NUTS2) - Basic data

Indicator	Unit	Regional			
		1995	2000	2006	Δ(%) 2000-2006
Population	Thousand	6,901	6,896	6,838*	-0.8
GDP per capita	€ PPP	14,831	19,805	23,335*	17.8
Gross Value Added	€ mln basic prices	82,093	138,328	155,749	12.6
Employment rate	% employed on number of people aged 15 and over	n.a.	56.4	57.8*	2.5
Unemployment rate	% unemployed persons on number of people aged 15 and over	n.a.	5.6	4.5*	-19.6
Indicator	**Unit**	**National**			
		1995	2000	2006	Δ(%) 2000-2006
Population	Thousand	58,500	59,617	60,623	1.7
GDP per capita	€ PPP	16,337	22,259	26,715*	20.0
Gross Value Added	€ mln basic prices	789,026	1,389,189	1,605,072*	15.5
Employment rate	% employed on number of people aged 15 and over	n.a.	59	59	0.0
Unemployment rate	% unemployed persons on number of people aged 15 and over	n.a.	6	5	-16.7
Indicator	**Unit**	**EU15**			
		1995	2000	2006	Δ(%) 2000-2006
Population	Thousand	371,167	378,076	388,779	2.8
GDP per capita	€ PPP	16,958	21,890	26,500	21.1
Gross Value Added	€ mln basic prices	6,058,125	7,822,555	9,735,114	24.4
Employment rate	% employed on number of people aged 15 and over	n.a.	44.4**	52.9*	19.1
Unemployment rate	% unemployed persons on number of people aged 15 and over	n.a.	8.3	7.8	-6.0

**Data for 2005. **Data for 2001*
Source: Core team processing of Eurostat data

Table 5.3 - Socio-economic change and human capital (NUTS2)

Indicator	Regional			National			EU15		
	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006
% share of people aged 25-64 participating in education and training	18.3	19.0*	3.8	17.8***	20.7*	16.3	8.0	11.4*	42.5
% share of population aged 25-64 with tertiary education	22.0	23.5*	6.8	22.6***	26.3*	16.4	20.3	25.1*	23.6
% share of students at tertiary level	10.3	9.7**	-5.8	-	-		-	-	
Crude rate of net migration (%)	-1.5***	2.6*		2.4	4.1	70.8	3.2	4.2	31.3
Long-term unemployment rate (%)	28.4	23.9		26.7	22.4		n.a.	42.32	
% share of 25-34 years employed on total employment	24.6	20.8	-15.3	24.8	21.3	-14.4	n.a.	23.6	

Data for 2003 **Data for 2005*Data for 1999*
Source: Core team processing of Eurostat data

Table 5.4 - Regional specialisation (NUTS1)

Employment by sector (% on total employment)									
Indicator	**Regional**			**National**			**EU15**		
	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005
Agriculture	0.9	0.7	-15.7	1.5	1.4	-6.7	5.6	4.6	-17.9
Industry	27.2	22.9	-15.8	25.0	22.1	-11.6	27.9	25.1	-10.0
Services	71.9	76.3	6.2	73.5	76.5	4.1	66.5	70.3	5.7

Gross Value Added by broad economic sectors (% on total GVA)										
Indicator	**Regional**				**National**			**EU15**		
	1995	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005
GVA in Agriculture, hunting, forestry and fishing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.5	1.8	-28.0
GVA in Construction	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.4	5.7	5.6
GVA in Financial intermediation; real estate, renting and business activities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	22.3	23.4	4.9
GVA in Manufacturing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.4	11.5	0.9
GVA in Mining and quarrying; electricity, gas and water supply	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.5	17.5	-10.3
GVA in Public administration and defence, compulsory social security; education; health and social work; other community, social and personal service activities; private households with employed persons	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.2	20.3	5.7
GVA in wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods, hotels and restaurants; transport, storage and communication	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.7	19.8	0.5

Source: Core team processing of Eurostat data

Table 5.5 - Production system (NUTS1)

Manufacturing sector focus (NACE code D)												
Indicator	**Unit**	**Regional**				**National**			**EU15**			
		1995	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005	2000	2005	Δ(%) 2000-2005
N. of local manufacturing units	Thousand	n.a.	20.0	18.4	-7.8	188,355	170,167	-9.7	81,930	94,635	15.5
Gross investment in tangible goods	€ milion, current prices	n.a.	4,267	3,235	-24.2	31,379	23,050	-26.5	225,684.1	190,152.3	-15.7
Investment per person employed	€ thousand, current prices	n.a.	6.8	8.7	27.9	6.0	7.3	21.7	8.9	8.5	-4.5
Regional specialisation index* *	%	n.a.	1.07	1.13	6.3	-	-		-	-	
Infrastructures											
Indicator	**Unit**	**Regional**				**National**			**EU -15**		
		1995	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006
Gross fixed capital formation	€ milion, current prices	4,802	24,275	27,169	11.9	260,744	427,077	63.8	1,708,063	2,079,850	21.8
Rail network at regional level	Km	n.a.	n.a.	n.a.	-	17,008	16,222	-4.6	160,817	89,301	-44.5
Road network at regional level (excluding motorway)	Km	35,541	35,906	36,505	1.7	411,240	419,704	2.1	2,656,698	2,672,409	0.6
Motorway network at regional level	Km	617.3	625	638	2.1	3,577	3,670	2.6	50,931	57,561	13.0

data for 1997; **Ratio between manufacturing employment rate in the region and manufacturing employment rate in the country*Data for 2005*
Source: Core team processing of Eurostat data

Table 5.6 - Innovation potential (NUTS1)

Indicator	Unit	Regional				National			EU15		
		1995	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006	2000	2006	Δ(%) 2000-2006
Business enterprise expenditure on R&D – BERD	% of GDP	1.4	1.5	1.5*	0	1.2	1.1	-8.3	1.1	1.3	18.2
Gross domestic expenditure on R&D - GERD	% of GDP	1.8	1.9**	n.a.	-	1.9	1.8	-5.3	1.8	2.0	11.1
Employment in high-tech sectors on total	% on total employment	n.a.	5.1	4.3	-15.7	5.8	5.2	-10.3	4.7	4.6	-2.1
Number of total publications	Units per million inhabitants	n.a.	n.a.	n.a.	-	n.a.	n.a.	-	n.a..	n.a..	-
R&D personnel in all sectors	% on total employment	n.a.	n.a.	n.a.	-	n.a.	n.a.	-	n.a..	n.a..	-

**Data for 2005, **data for 1999*
Source: Core team processing of Eurostat data

Table 5.7 - Relocations and restructuring

Company name	Province/ Commune	N. employed	Sector	Type of relocation/ restructuring	Employment effects
Experian	Ukd	n.a.	Commerce	Offshoring/Delocalisation	850 at risk
Abbey International	Ukd	140	Financial services	Bankruptcy/Closure	140 at risk
Liberata	Cumbria	n.a.	Consultancy business services	Business expansion	250
Corus	Cumbria	250	Metal and machinery	Bankruptcy/Closure	250 at risk
BAE Systems	West Cumbria	n.a.	Transport and storage	Internal restructuring	760 at risk
Huntsman	West Cumbria	n.a.	Chemical	Bankruptcy/Closure	140 at risk
GlaxoSmithKline	West Cumbria	n.a.	Chemical	Internal restructuring	100 at risk
Corus	West Cumbria	n.a.	Metal and machinery	Relocation	250 at risk
Nuclear Decommissioning Authority (NDA)	West Cumbria	12,000	Energy	Internal restructuring	4000 at risk
BNFL	West Cumbria	10,000	Chemical	Internal restructuring	500 at risk
Eastman Chemical Company	West Cumbria	n.a.	Chemical	Business expansion	125
Bentley	Cheshire CC	n.a.	Motor	Business expansion	100
Newey and Eyre	Cheshire CC	4,500	Commerce	Bankruptcy/Closure	500 at risk
Barclays	Cheshire CC	n.a.	Financial services	Offshoring/Delocalisation	140 at risk
Bombardier	Cheshire CC	n.a.	Transport and storage	Internal restructuring	500 at risk
Champion	Cheshire CC	350	Motor	Bankruptcy/Closure	350 at risk
Vauxhall	Cheshire CC	3,000	Motor	Internal restructuring	879 at risk
Centrica	G M'cr	n.a.	Energy	Business expansion	300
Avis Europe	G M'cr	n.a.	Transport and storage	Offshoring/Delocalisation	180 at risk
Greater Manchester Police	G M'cr	8,066	Public Sector	Internal restructuring	216 at risk
Distinctive Cards	G M'cr	n.a.	Pulp and paper	Bankruptcy/Closure	105 at risk
Pennine Acute NHS Trust	G M'cr	9,000	Health and social work	Internal restructuring	800 at risk
Northern Foods	G M'cr	690	Food, beverage and tobacco	Bankruptcy/Closure	690 at risk
Oldham Council	G M'cr	n.a.	Education	Internal restructuring	250 at risk
Ciba Specialty Chemicals	G M'cr North	300	Chemical	Bankruptcy/Closure	300 at risk
Colgate	G M'cr North	n.a.	Chemical	Offshoring/Delocalisation	400 at risk
Co-op	G M'cr North	n.a.	Commerce	Internal restructuring	600 at risk
Cooperative Insurance Services	G M'cr North	9,000	Financial services	Internal restructuring	+500, -2500
Federal-Mogul	G M'cr North	170	Motor	Bankruptcy/Closure	170 at risk
BAE Systems	Lancashire	n.a.	Transport and storage	Internal restructuring	1000 at risk
mmO2	Lancashire	n.a.	Post and	Business expansion	+800

Company name	Province/ Commune	N. employed	Sector	Type of relocation/ restructuring	Employment effects
			telecommunications		
BSN Medical	Lancashire	145	Textiles and leather	Offshoring/Delocalisation	145 at risk
TVR	Blackpool	260	Motor	Relocation	260 at risk
Arla Foods	Lancashire CC	n.a.	Food, beverage and tobacco	Merger/Acquisition	340 at risk
TRW Automotive	Lancashire CC	297	Motor	Internal restructuring	47 at risk
Daisy Communications	Lancashire CC	n.a.	Consultancy business services	Business expansion	+120
Goss Graphic Systems	Lancashire CC	356	Publishing and media	Offshoring/Delocalisation	236 at risk
Goss International	Lancashire CC	346	Publishing and media	Offshoring/Delocalisation	179 at risk
Bolton Hospitals NHS Trust	Lancashire CC	3,500	Health and social work	Internal restructuring	130 at risk
BAE Systems	Lancashire CC	n.a.	Metal and machinery	Business expansion	+950
Chewits	Merseyside	160	Food, beverage and tobacco	Offshoring/Delocalisation	160 at risk
Southport and Ormskirk NHS Trust	Merseyside	2,500	Health and social work	Internal restructuring	-33
Alliance & Leicester	East Merseyside	8,000	Financial services	Internal restructuring	350 at risk
Arvato	Liverpool	n.a.	Construction and woodworking	Business expansion	+400
Ryanair	Liverpool	n.a.	Transport and storage	Business expansion	+1000
Walkers	Liverpool	n.a.	Food, beverage and tobacco	Business expansion	+100
Littlewoods'	Liverpool	n.a.	Commerce	Relocation	600 at risk
Sayer's	Liverpool	n.a.	Food, beverage and tobacco	Internal restructuring	180 at risk
TDS Logistics	Liverpool	553	Motor	Internal restructuring	198 at risk
Norwich Union	Liverpool	321	Financial services	Relocation	321 at risk
Imperial Tobacco	Liverpool	140	Food, beverage and tobacco	Offshoring/Delocalisation	140 at risk

Source: European Foundation for the Improvement of Living and Working Conditions (www.eurofound.europa.eu)

Table 5.8 - Geography of structural change (NUTS3)

Gross domestic product per capita				
Region	1995	2000	2005	Δ (%)
UKD11 West Cumbria	14,434	16,212	16,964	4.6
UKD12 East Cumbria	16,377	16,212	16,965	4.6
UKD21 Halton and Warrington	17,848	24,478	31,650	29.3
UKD22 Cheshire CC	18,862	24,144	28,874	19.6
UKD31 Greater Manchester South	16,758	26,075	30,094	15.4
UKD32 Greater Manchester North	13,070	15,708	18,310	16.6
UKD41 Blackburn with Darwen	16,278	18,542	20,734	11.8
UKD42 Blackpool	12,722	16,100	17,513	8.8
UKD43 Lancashire CC	14,882	19,049	22,413	17.7
UKD51 East Merseyside	10,796	14,798	17,863	20.7
UKD52 Liverpool	14,325	20,530	24,612	19.9
UKD53 Sefton	10,954	14,164	16,051	13.3
UKD54 Wirral	9,633	13,287	14,928	12.4

Unemployment rate (%)			
Region	2000	2006	Δ (%)
UKD11 West Cumbria	6.8	n.a.	-
UKD12 East Cumbria	n.a.	n.a.	-
UKD21 Halton and Warrington	4.1	4.5	9.8
UKD22 Cheshire CC	4.0	3.2	-20.0
UKD31 Greater Manchester South	5.6	5.3	-5.4
UKD32 Greater Manchester North	5.2	5.4	3.8
UKD41 Blackburn with Darwen	n.,a	n.a.	-
UKD42 Blackpool	n.a.	n.a.	-
UKD43 Lancashire CC	3.9	4.6	17.9
UKD51 East Merseyside	7.8	6.0	-23.1
UKD52 Liverpool	10.8	8.3	-23.1
UKD53 Sefton	6.0	5.5	-8.3
UKD54 Wirral	8.8	5.1	-42.0

Source: Core team processing of Eurostat data

Table 5.9 - Geography of structural change (NUTS3)

Employment by sector (%)				
Region	Year	Agriculture	Industry	Services
UKD11 West Cumbria	1995	3.6	35.9	60.4
	2000	2.4	33.4	64.3
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD12 East Cumbria	1995	6.8	23.1	70.1
	2000	5.9	20.9	73.3
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD21 Halton and Warrington	1995	0.2	27.2	72.5
	2000	0.2	21.5	78.2
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD22 Cheshire CC	1995	3.9	25.1	70.9
	2000	2.3	22.9	74.8
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD31 Greater Manchester South	1995	0.2	21.2	78.6
	2000	0.1	18.9	81.0
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD32 Greater Manchester North	1995	0.5	32.0	67.6
	2000	0.4	27.9	71.8
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD41 Blackburn with Darwen	1995	0.5	36.6	63.0
	2000	0.3	33.4	66.3
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD42 Blackpool	1995	1.1	15.8	83.1
	2000	0.3	13.6	86.1
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD43 Lancashire CC	1995	2.8	27.7	69.5
	2000	2.0	28.4	69.6
	2005	n.a.	n.a.	n.a.

Employment by sector (%)				
Region	Year	Agriculture	Industry	Services
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD51 East Merseyside	1995	0.6	34.5	64.9
	2000	0.4	31.1	68.5
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD52 Liverpool	1995	0.0	15.0	85.0
	2000	0.3	14.3	85.5
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD53 Sefton	1995	0.4	16.0	83.5
	2000	0.5	13.6	85.9
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD54 Wirral	1995	0.4	25.3	74.2
	2000	0.6	22.8	76.6
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.

Source: Core team processing of Eurostat data

Table 5.10 - Geography of structural change (NUTS3)

GVA by sector (%)				
Region	Year	Agriculture	Industry	Services
UKD11 West Cumbria	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD12 East Cumbria	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD21 Halton and Warrington	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD22 Cheshire CC	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD31 Greater Manchester South	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD32 Greater Manchester North	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD41 Blackburn with Darwen	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD42 Blackpool	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD43 Lancashire CC	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.

GVA by sector (%)				
Region	Year	Agriculture	Industry	Services
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD51 East Merseyside	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD52 Liverpool	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD53 Sefton	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.
UKD54 Wirral	1995	n.a.	n.a.	n.a.
	2000	n.a.	n.a.	n.a.
	2005	n.a.	n.a.	n.a.
	Δ 2000-2005	n.a.	n.a.	n.a.

Source: Core team processing of Eurostat data

*Table 5.11 - Geography of structural change (NUTS2) – Clusters**

Cluster category	Region	Employees	Size (%)	Specialisation	Focus (%)	Innovation	Exports
Business Services	Cheshire	29,140	0.67	2.65	6.23	High	Strong
Chemical	Cheshire	9,108	0.95	3.72	1.95	High	Strong
Finance	Cheshire	19,117	0.27	1.06	4.09	High	Very strong
Transportation	Cheshire	15,370	0.25	0.98	3.29	High	Strong
Construction	Cheshire	13,089	0.20	0.79	2.80	High	n.a.
Hospitality	Cumbria	11,273	0.31	3.14	6.25	High	Strong
Construction	Cumbria	5,901	0.09	0.92	3.27	High	n.a.
Transportation	Cumbria	5,152	0.08	0.85	2.86	High	Strong
Business Services	G M'cr	54,394	1.26	2.00	4.69	High	Strong
Education	G M'cr	34,187	0.96	1.53	2.95	High	n.a.
Distribution	G M'cr	20,907	1.28	2.03	1.80	High	n.a.
Finance	G M'cr	47,104	0.66	1.05	4.06	High	Very strong
Transportation	G M'cr	42,847	0.70	1.10	3.70	High	Strong
Construction	G M'cr	30,771	0.47	0.75	2.66	High	n.a.
Finance	Merseyside	22,047	0.31	1.07	4.12	High	Very strong
Education	Merseyside	19,870	0.56	1.92	3.71	High	n.a.
Transportation	Merseyside	17,990	0.29	1.00	3.36	High	Strong
Business Services	Merseyside	15,392	0.36	1.22	2.87	High	Strong
Aerospace	Lancashire	14,806	4.09	12.72	2.50	High	Weak
Construction	Lancashire	19,140	0.29	0.91	3.24	High	n.a.
Education	Lancashire	18,148	0.51	1.59	3.07	High	n.a.
Business Services	Lancashire	17,895	0.41	1.29	3.03	High	Strong

**clusters in the fields of finance and construction have not been considered as not strictly relevant to the scope of the study.*
***Size**: Share of total European employment, within the same cluster category, in terms of the number of employees.*
***Specialisation**: if a region is more specialised in a specific cluster category than the overall economy across all regions, this is likely to be an indication that the economic effects of the regional cluster have been strong enough to attract related economic activity from other regions to this location, and that spill-overs and linkages will be stronger. The 'specialisation' measure compares the proportion of employment in a cluster category in a region over the total employment in the same region, to the proportion of total European employment in that cluster category over total European employment:*
(Employment in a region in a category / Total employment in a region)(Total employment in Europe / Total employment in a category in Europe)*
***Focus**: if a cluster accounts for a larger share of a region's overall employment, it is more likely that spill-over effects and linkages will actually occur instead of being drowned in the economic interaction of other parts of the regional economy. The 'focus' measure shows the extent to which the regional economy is focused upon the industries comprising the cluster category. This measure relates employment in the cluster to total employment in the region.*
***Innovation**: Data is for region, regardless of cluster category. Based on 2006 European Regional Innovation Scoreboard, MERIT*
***Exports**: Data is national export data for the cluster category, regardless of region. Based on International Cluster Competitiveness Project, ISC at HBS*
Source: www.clusterobservatory.eu

Table 5.12 - Geography of structural change (NUTS2) – Organisations

Organisation	Cluster category	website
Chemicals Northwest	Chemical Products	www.chemicalsnorthwest.org.uk
Bionow	Biopharmaceuticals	www.bionow.co.uk
Envirolink Northwest	+Green Technology	www.envirolinknorthwest.co.uk
Northwest Food Alliance	Processed Food	www.nwfoodalliance.co.uk
Biotech Manchester	Biopharmaceuticals	www.biotechmanchester.com
NWTextiles	Textiles	www.nwtexnet.co.uk
Mersey Maritime	+Maritime	www.merseymaritime.co.uk
ProfessionaLiverpool	Financial Services	www.professionaliverpool.com
North West Aerospace Alliance	Aerospace Vehicles and Defense; Engines	www.aerospace.co.uk
North West Automotive Alliance	Automotive	nwautoalliance.com

Source: www.clusterobservatory.eu

5.2 Details of measures relevant with respect to Structural Change and Globalisation

Table 5.13 - The distribution of projects by size, and total spend on projects by size, Priority 1.1

ERDF Contribution	Number	%	ERDF £	%
£>1m	3	1.9	211,537	0.8
£500k-£999k	4	2.5	650,647	2.6
£250k-£499k	23	14.3	3,153,401	12.4
£100k-£249k	36	22.4	8,524,644	33.6
£50k-£99k	27	16.8	2,757,961	10.9
£20k-£50k	42	26.1	7,016,817	27.7
£10k-£19k	15	9.3	1,528,627	6.0
<£10k	11	6.8	1,526,545	6.0
Total	161	100	25,370,179	100

Table 5.14 - The distribution of projects by size, and total spend on projects by size, Priority 1.2

ERDF Contribution	Number	%	ERDF £	%
£>1m	12	3.8	3,207,201	4.6
£500k-£999k	17	5.3	4,661,966	6.7
£250k-£499k	30	9.4	6,736,141	9.6
£100k-£249k	82	25.7	23,157,061	33.1
£50k-£99k	70	21.9	17,452,186	24.9
£20k-£50k	55	17.2	5,666,372	8.1
£10k-£19k	32	10.0	5,031,086	7.2
<£10k	21	6.6	4,113,920	5.9
Total	319	100	70,025,933	100

Table 5.15 - The distribution of projects by size, and total spend on projects by size, Priority 1.3

ERDF Contribution	Number	%	ERDF £	%
£>1m	3	100.0	23,832,952	100.0
£500k-£999k	0	0.0	0	0.0
£250k-£499k	0	0.0	0	0.0
£100k-£249k	0	0.0	0	0.0
£50k-£99k	0	0.0	0	0.0
£20k-£50k	0	0.0	0	0.0
£10k-£19k	0	0.0	0	0.0
<£10k	0	0.0	0	0.0
Total	3	100	23,832,952	100

Table 5.16 - The distribution of projects by size, and total spend on projects by size, Priority 1.4

ERDF Contribution	Number	%	ERDF £	%
£>1m	7	2.8	3,529,659	6.1
£500k-£999k	17	6.9	13,520,794	23.2
£250k-£499k	40	16.1	8,849,769	15.2
£100k-£249k	90	36.3	16,272,855	27.9
£50k-£99k	45	18.1	12,078,577	20.7
£20k-£50k	27	10.9	2,795,353	4.8
£10k-£19k	7	2.8	539,061	0.9
<£10k	15	6.0	721,318	1.2
Total	248	100	58,307,386	100

Table 5.17 - The distribution of projects by size, and total spend on projects by size, Priority 1.5

ERDF Contribution	Number	%	ERDF £	%
£>1m	12	15.6	4,291,147	11.0
£500k-£999k	17	22.1	13,719,134	35.1
£250k-£499k	15	19.5	7,853,029	20.1
£100k-£249k	22	28.6	9,827,227	25.2
£50k-£99k	3	3.9	2,261,174	5.8
£20k-£50k	3	3.9	546,826	1.4
£10k-£19k	0	0.0	-	0.0
<£10k	5	6.5	535,610	1.4
Total	77	100	39,034,147	100

Table 5.18 - The distribution of projects by size, and total spend on projects by size, Priority 3.1

ERDF Contribution	Number	%	ERDF £	%
£>1m	27	19.0	28,496,174	24.6
£500k-£999k	29	20.4	39,441,328	34.0
£250k-£499k	31	21.8	22,482,963	19.4
£100k-£249k	26	18.3	13,883,564	12.0
£50k-£99k	13	9.2	7,028,640	6.1
£20k-£50k	7	4.9	1,319,447	1.1
£10k-£19k	3	2.1	3,137,809	2.7
<£10k	6	4.2	241,801	0.2
Total	142	100	116,031,726	100

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5.4 List of persons interviewed

Name	Position	Interview
Chris Musson	Head of European Division, Government Office for the North West England	Telephone Interview June 2009
Alex Findlay	Head of Programme Management, Government Office for the North West	Telephone discussions and e-mail exchanges 21-26 August 2009
Mike Damms	Chief Executive, East Lancashire Chamber of Commerce Member of the North West England Objective 2 programme Monitoring Committee 2000-2006	Telephone interview 27 August 2009
Merrick Gregson	Government Office for the North West England(officer responsible for the Business Link Adding Enterprise to SMEs project closed in 2004)	Telephone interview 27 August 2009
Eleanor Farrel	Regeneration Support Team, Cumbria County Council	Face to face interview 7 September 2009
Lesley Walthaus	Programme Manager, Pennine Lancashire Action Plan (Based at Blackburn with Darwen Council)	Face to face interview 7 September 2009
Marie Hart	Head of Projects and Programmes, Pennine Lancashire (based at Blackburn with Darwen Council)	Face to face interview 7 September 2009
Pernille Kousgaard	Head of European Policy North West Development Agency (2007-13 Programme)	Face to face interview 8 September 2009
Neil Clatworthy	Director Europe and Resources, North West Universities Association Manager of the ‘Knowledge Based’ Action Plan, Co-Manager ‘Regional Action Plan	Face to face interview 8 September 2009
Liz Hey	Commission for New Economy, Manchester Enterprises	Face to face interview 8 September 2009
David Bollenburg	Lancashire County Council	telephone interview 10 September 2009
Hugh Roberts	Digital Development Unit (project manager ICT 4 Business)	Telephone interview 26 August 2009
Wesley Rourke	Head of External Funding Halton Borough Council Manager of the Halton Area Action Plan Secretariat	Telephone interview 11 September 2009