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Great jobs in great places

How industrial strategy can create great work everywhere

Acknowledgements

This report draws on research from three studies commissioned by the TUC, each published in October 2017:

- *How to Create Great Jobs: towards a regional industrial strategy for Liverpool City Region*, by Alan Southern, Matt Thompson, Jackie Davies, Vicky Nowak and Peter Furmedge, at the University of Liverpool's Heseltine Institute for Public Policy and Practice.
- *How to Create Great Jobs: towards a regional industrial strategy for Tees Valley*, by Peter O'Brien, Mike Coombes, Stuart Dawley, Lewis Evans and Andy Pike, at Newcastle University's Centre for Urban and Regional Development Studies.
- *How to Create Great Jobs: towards a regional industrial strategy for Norfolk and Suffolk*, by Sara Mahmoud and Stefan Baskerville, at the New Economics Foundation.

The TUC would like to thank each of the researchers, as well as all the interviewees from different unions, businesses and local and national government who contributed towards the studies.

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Section one

Executive summary

This report explores what placed-based industrial strategies can do to make sure that no matter where people are born or where they work, everyone has the chance to get a great job. We argue that the creation and sustainment of great jobs should be a core objective of an industrial strategy. To achieve this, the government should fundamentally change the way the economy works, shifting power to people in their workplaces, and to their communities.

The UK economy is currently too reliant on consumer spending, and suffers from a chronic lack of investment. Workers have experienced exceptionally weak pay growth, and a rise in job insecurity, with damaging consequences for productivity. GDP growth in the first half of 2017 was 31st out of 34 OECD countries, and is expected to grow at half the rate of the Euro area in 2018.[1] Local government funding and public services have suffered huge cuts, with working people footing the bill for the excesses that led to the 2008 financial crisis.

Sharp regional disparities mean that certain parts of the country are bearing the brunt of these challenges. These inequalities are often (though not always) most sharply evident in comparing England's North and South: children in the North East are twice as likely to live in a workless household as those in the South East. And since 2011, almost half of jobs created in the North West, and two-thirds of jobs created in the North East have been insecure (e.g. agency, temporary, or zero hours). Prosperity is not, however, evenly shared across the South: for example, inner West London's GVA as a share of UK output was around 6 times greater than that of Suffolk in 1997, increasing to almost 10 times by 2015.[2]

Two issues present additional challenges: first, the impacts of Brexit will likely manifest in different ways across the country, as different regions are home to sectors that are reliant on trade with and labour from the EU in different ways. Secondly, to meet our international commitments to reduce emissions and fight climate change, heavy industry and the jobs that depend on them need to change significantly as part of the low-carbon transition.

Whilst there are risks, devolution can bring significant new opportunities. Around half of all union members and a third of the workforce in England now live and areas covered by city region devolution deals.[3] Combined Authorities and Mayors have a new and increasing set of powers relating to economic growth, transport, skills policy, and more.

An ambitious industrial strategy that is sensitive to the needs of different places is therefore essential, and in this vein, this report aims to influence the government's forthcoming White Paper on Industrial Strategy. Findings stem from research the TUC commissioned on

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[1] TUC submission to the Autumn 2017 Budget, *Investing in the Future*, September 2017.
[2] Cragg, S., *From North to South, No Community Deserves To Be Abandoned*. TUC, 17 August 2017.
[3] Hackett et al., *Devo-Work: trade unions, metro mayors and combined authorities*. Unions21/Smith Institute, 2017.

regional industrial strategies in three diverse areas: Liverpool City Region, Tees Valley, and Norfolk and Suffolk.

These regions have common problems: each has been affected by decades of deindustrialisation; each is home to a service sector too often delivering poor quality jobs that hold back productivity; and, like the rest of the country, each has suffered from tremendous cuts to local government and public services funding. The report assesses further common issues, including:

- the precariousness of manufacturing, and rise of low productivity sectors
- lack of investment
- long-term skills shortages and a lack of adult retraining opportunities
- resource-poor local authorities and public service providers, struggling with the impacts of austerity and growing demand.

But each region is also home to unique problems that require tailored policy interventions:

Liverpool City Region suffered not only a decline in manufacturing but also its service sector throughout the 1970s–1990s. Unemployment was stubbornly higher than the national average and areas of poverty persisted. This trend began to reverse with the help of EU Structural Funds in the late 1980s. However, following the financial crisis and declining collective bargaining, unemployment and lower wages have returned to worrying levels when compared with national and other city region rates.[4]

Tees Valley is a city region with major ports and an historical industrial base including steel, shipbuilding, oil, gas, chemicals, process and pharmaceuticals. These energy intensive sectors in the region are well unionised, providing skilled, highly productive jobs. However, the region has experienced industrial shocks over the years, most recently including the collapse of the SSI steelworks in 2015. The region also has extremely high carbon emissions which must be brought down to meet the UK's climate change commitments.[5]

Norfolk and Suffolk have high levels of employment but low wages, low productivity and high inequality. It does not share in the prosperity of neighbouring Cambridgeshire, nor London. Its population is aging, and the two counties are characterised by the worst income inequality in the UK.[6]

These challenges must be met with a long-term industrial strategy, using the different tools that are appropriate for both central government and, crucially, for local actors. Reflecting on all three pieces of commissioned research, we identify the strategies that need to be deployed at both levels.

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[4] Southern, A. et al, *How to Deliver Great Jobs: towards a regional industrial strategy for Liverpool City Region*. Heseltine Institute, University of Liverpool, 2017.
[5] O'Brien, P. et al, *How to Deliver Great Jobs: towards a regional industrial strategy for Tees Valley*, Newcastle University, 2017.
[6] Mahmoud, S. and Baskerville, S, *How to Deliver Great Jobs: towards a regional industrial strategy for Norfolk and Suffolk.* New Economics Foundation, 2017.

Recommendations

Partnership

Devolution must not be about passing down the burden of cuts, but rather about enabling local governments and working people to take control to deliver an industrial strategy that delivers great jobs. Both the unique and the common issues faced by these diverse regions show it is important to shift the balance of power away from Westminster to places and workplaces; shared prosperity necessarily requires a level of autonomy for both.

National-level recommendations	Regional-level recommendations
Social partnership	
Central government should work with social partners to develop a set of principles for inclusive governance that can be cascaded to regional and local political leaders. The adoption of these principles could become a condition of future devolution deals.	Local leaders should develop stronger dialogue between unions and business, officially adopting a social partnership approach to infrastructure investment, employment standards, skills strategy and industrial transition. Regional skills bodies should be structured to support more employer and union engagement, ensuring more effective auditing and planning. More widely regional leaders should bring together larger partnerships – including voluntary and community groups, unions, education institutions, local businesses – to determine the outcomes that they collectively want to prioritise for the region. These networks can then help facilitate and deliver them.
Sectoral approaches	
Learning from best practice of the Automotive Council, government should create sectoral institutions – including in low paid sectors – which bring employers, unions and government together to improve productivity, and training and progression. Regional sub-committees should feed into each institution.	Regional sector groups that include employers and unions should be convened in key areas like retail, tourism and hospitality and food manufacturing. They should address strategic questions of pay and productivity, with a particular focus on engaging SMEs. Findings should be fed into the economic planning processes of actors including local authorities, LEPs, and Metro Mayors.

A smart state

Challenges faced by the UK economy are not equally shared, but many places suffer from the same structural issues across the labour market. Levers to create and sustain great jobs are both legislative and contained in the procurement and soft powers of local government.

National-level recommendations	Regional-level recommendations
TUC Great Jobs Agenda	
Central government should: legislate to reduce significantly the use of zero hours contracts introduce a right for agency workers to become permanent employees after a specified length of service ensure a premium pay rate for non-guaranteed hours, to increase the incentive for employers to give workers sufficient notice of their shifts improve the enforcement of the national minimum wage give unions better access to workplaces reform national corporate governance and require worker representation on boards.	Local political leaders should adopt and advocate the TUC's Great Jobs Agenda – providing leadership as employers. Employer attitudes towards training and development needs to change. The Great Jobs Agenda should therefore also be implemented through procurement, rewarding employers that invest in lifelong training and development of employees.
Social value	
Central government should support local authorities to maximise the potential multiplier effect of the Social Value Act.	Local leaders should prioritise social impacts and community economic development when appraising all investment and funding decisions. Social value processes should also be embedded in commissioning and procurement practice and by enhancing multiplier effects through the local supply chain. Social impacts should also be monitored and reported as key performance indicators.

Meeting the skills challenge

The TUC welcomes the prominence of skills in the government's Green Paper on Industrial Strategy, but we argue that it can go much further – not least by rectifying the damage done by dramatic cuts to FE. With devolution of adult education coming on stream in some Combined Authorities, there are also new opportunities to support lifelong learning.

National-level recommendations	Regional-level recommendations
Funding, investment and apprenticeships	
Central government should reverse cuts to FE, and increase investment in both workforce and out of work training in line with the EU average in the next five years. It should also act to align the financial incentives of FE colleges with the skills needs of the regional economy. Government should work social partners to deliver quality apprenticeships. This includes engagement with unions in the new Institute for Apprenticeships and Institutes of Technology, to assist with setting and monitoring quality standards. It should also use the Apprenticeship Levy to boost retraining and upskilling opportunities through the forthcoming National Retraining Scheme. This is particularly important for workers affected by industrial transitions.	Proper investment to address the continuing problem of poor basic skills and limited progression to higher level skills can also be addressed through support for union-led skills initiatives. Skills strategies should also be more clearly aligned with infrastructure and investment decisions, so that employment and training benefits accrue to local communities. Best practice from Framework Agreements such as those used for the London Olympics and HS2 should be used to make sure that the best local training and development opportunities, including apprenticeships, are established across supply chains.
Lifelong learning	
A new lifelong learning offer for workers should be created, including the creation of a national scheme of personal learning accounts; enabling low income adults, the unemployed and other groups (e.g. people facing redundancy) to access fully funded retraining courses of their choice. A scheme providing an entitlement to face-to-face careers guidance should be developed for all workers, as well as a new right to a mid-life career review for workers aged 50.	Local authorities and social partners should design careers advice and guidance to promote understanding among students in schools and colleges about future job opportunities specific to the region. Devolution of skills funding should be used to provide face-to-face careers guidance that is accessible to all workers, including mid-life career reviews for those aged 50. Adult Education Budgets can be used to allow low income adults, the unemployed and others (e.g. people facing redundancy) to access fully funded retraining courses of their choice.

Infrastructure investment

The latest (2015) OECD data suggests that UK investment spending is just 2.7 per cent of GDP, against an OECD average of 3.5 per cent. When private investment is taken into account, the UK falls even further behind. In 2016 the share of total investment spending in the UK was 16.6 per cent of GDP, with only Greece and Portugal spending less. This is nearly five percentage points lower than the OECD average of 21.4 per cent, corresponding to a gap of over £90bn a year. Following Brexit, the UK's regions are also set to lose out on essential EU Structural Investment Funds.

National-level recommendations	Regional-level recommendations
Investment	
The government should at least meet the OECD average of spending 3.5 per cent of GDP on investment, up from the current level of 2.7 per cent. Regional investment banks should be established to address the current asymmetry in the supply and demand for finance.	Regional political leaders, Local Enterprise Partnerships (LEPs), anchor institutions and social partners should conduct holistic reviews of infrastructure needs. The same partners should work together with the National Infrastructure Commission to engage communities more effectively in the assessment, design and delivery of infrastructure projects – and ensure that National Infrastructure Assessment recognises the need for investment in the just transition to a low carbon economy. They should also generate innovative proposals to the National Productivity Investment Fund and Industrial Strategy Challenge Fund.
Post-Brexit	
The government should ensure that post-Brexit, the UK matches or exceeds EU funding streams for research and innovation, such as Horizon 2020 funding for low carbon technologies, and support for regional skills and labour market interventions.	Local leaders, together with unions and employers, should make the case for more devolved, flexible and agile local growth funding through the Shared Prosperity Fund that has been proposed to replace European Structural Funds following Brexit.

Supporting a low-carbon economy

To meet our international commitments to reduce emissions and fight climate change, heavy industry and the jobs that depend on them need to change significantly as part of the low-carbon transition. Central government also needs to support renewables and make long-term investments in critical energy infrastructure.

National-level recommendations	Regional-level recommendations
Energy projects	
Central government should at least match the target of 50 per cent of energy to come from renewables by 2030. It must also urgently provide certainty around ongoing subsidy to renewables, including emerging methods of generation such as tidal energy, to encourage cost reductions and innovation. The government also needs to enable new, local business models to be tested to ensure that the value created by locally generated power is realised and shared locally. This would take the form of lower energy prices, new jobs and skills in a local economy, and improved energy security. It should also support the H21 project to feed hydrogen into the national gas grid, as part of a strategy to develop the hydrogen economy.	Regional leaders should set a target for community or locally owned energy. The planning process should give a greater emphasis to community and publicly owned energy projects with genuine local benefit. Regional public sector bodies should use public procurement and commissioning tools to support the development of the circular economy.
Just transition	
Government should confirm its formal support for the business case prepared by Teesside Collective setting out the rationale for Tees Valley to play a leading role in UK Carbon Capture and Storage (CCS) technology and industry.	Through social partnership, people affected by industrial transitions should be supported and financially compensated for through a system to support adult re-training. This should be closely coordinated with national government.

Conclusion

As the government drafts its Industrial Strategy White Paper, it must address the regional inequalities facing the nation. Our economic model is failing, and the risks of Brexit and decarbonisation pose further threats to different places. An industrial strategy must give working people a bigger say in the decisions that affect their lives. This means transferring power away from Whitehall, and towards people in their workplaces and their communities.

Section two

Introduction

The Trades Union Congress (TUC) exists to make the working world a better place for everyone. We bring together more than 5.5 million working people who make up our 49 member unions. We support unions to grow and thrive, and we stand up for everyone who works for a living.

In anticipation of the government's forthcoming White Paper on Industrial Strategy, this report explores what can be done to rebalance the economy so that no matter where people are born or where they work, everyone has the chance to get a great job.

This is one of the most pressing issues of our time. Following decades of deindustrialisation and hollowing out of labour markets, some communities in the UK have been left without good, unionised jobs that provide the pay and skills needed to get on.

Unequal Britain

Where you are born should have no say on how your life pans out. But the reality of today's Britain is different. Regional inequalities persist from birth to childhood, to working life and beyond. This is often made evident in terms of England's North/South divide:

- Growth in the UK still benefits some regions far more than others, with London and the South East set to account for 40 per cent of the UK's growth by 2022 on current trends.[7]
- England's northern premature mortality rate for those aged 25–34 was 2.2 per cent higher than the south in 1965, but this increased to 29.3 per cent in 2015. It increased from 3.3 per cent to 49.4 per cent over the same period for those aged 35–44.[8]
- Children are twice as likely to live in a workless household in the North East compared to those who grow up in the South East.[9]
- Two thirds of the jobs created in the North East since 2011 have been insecure (e.g. agency, temporary, or zero hours), more than double the UK average increase of 27 per cent.[10]

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[7] TUC, TUC submission to the Autumn 2017 Budget: *Investing in our Future*, September 2017.
[8] Buchan, I. E. et al, "North-South Disparities in English Mortality 1965–2015: longitudinal population study", *Journal of Epidemiology and Community Health*, 2017 (71: 928–936).
[9] ONS, *Workless Households For Regions Across the UK: 2016*, 26 July 2017.
[10] Klair, A., "The North East is England's Insecure Work Hot Spot", *Touchstone Blog*, 15 March 2017.

- In older industrial areas, at the median men earn around £200 less per month than the national level. The poorest-paid 10 per cent earn less than a third of median earnings across Britain as a whole.[11]
- Less than one in three (30.6 per cent) of residents in Yorkshire and the Humber are skilled at NVQ Level 4+, against 1 in 2 of all Londoners.[12]

However North-South thinking can hide some of the persistent inequalities present in England's South. There are 2 million union members in South East and East of England, many of whom would not recognise a narrative claiming that all Southerners have decent jobs that pay enough to get on.

- Out of 21 NUTS 3 areas, in London, 10 had economic output lower than UK average in 2015.[13]
- Output in 13 London regions has fallen as a proportion of UK output since records began in 1997.[14]
- Twenty-seven per cent of Londoners are living in poverty.[15]
- Outside of London, output across many areas has fallen or remained static. Certain Boroughs in the capital steam ahead as a share of UK output. Opposite is an example from Norfolk and Suffolk and London, using data for NUTS 2 regions.

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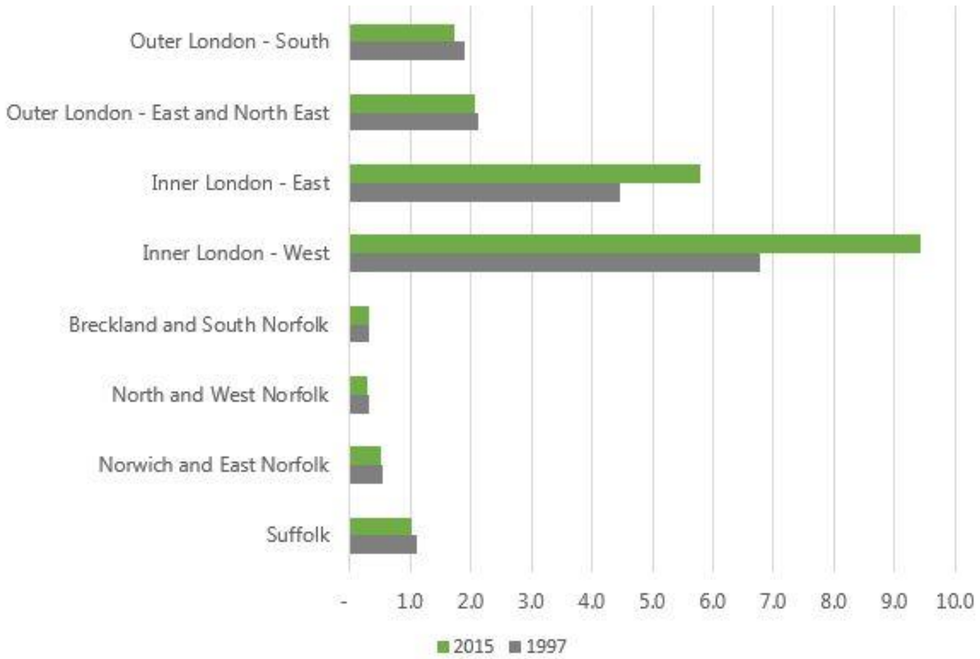
[11] Analysis, including definition of 'older industrial areas', by Industrial Communities Alliance, *Low Pay in Older Industrial Britain*, 2017.
[12] Dromey, J. and McNeil, C., *Skills 2030: why the adult skills system is failing to build an economy that works for everyone*, IPPR, February 2017.
[13] ONS Regional gross value added (income approach), December 2016.
[14] Ibid.
[15] Tinson, A. and New Policy Institute, *London's Poverty Profile 2017*. Trust for London, 9 October 2017.

Regional GVA as total of UK output, 1997 and 2015 (%)[16]



The above chart shows that Outer London and Norfolk and Suffolk are not keeping pace with the gains seen in London's centre. But it is these gains at the heart of the capital that are at the forefront of most people's minds when we think about the North/South divide.

A failing economy

Many of these disparities are symptomatic of a failing economic model in Britain. Key challenges that the industrial strategy must address include:

- An economy that is growing more slowly than most of our major competitors: GDP growth in the UK in the first half of 2017 was 31st out of 34 OECD countries, and the UK economy is expected to grow at half the rate of the Euro area in 2018.[17]
- An economy dominated by household consumption. Unsecured debt per household will pass the pre-crisis peak this year, and exceed £15,000 by 2020. [18] It lacks both government and private sector investment that could drive growth and productivity.[19]
- UK productivity has flatlined for a decade, and we are ill-equipped to take advantage of new technological developments. Poor quality employment practices, weak

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[16] ONS Regional gross value added (income approach), December 2016.
[17] TUC, TUC submission to the Autumn 2017 Budget: *Investing in our Future*, September 2017.
[18] TUC, "Household debt will reach record high in first year of new government"*, says TUC,* May 2017.
[19] Tily, G, 'Excess household lending + deficient business lending = no New Hope for galaxy', *Touchstone Blog,* 4 August 2017.

enforcement of labour rights and low investment in training leave British companies lagging behind.

- Falling real pay and the squeeze on household benefits mean that household finances are badly squeezed: TUC polling found that one in eight workers have skipped meals to make ends meet.[20]
- Public services and the public servants who deliver them are suffering from significant under-investment. An NHS paramedic, to take one example of public servants under pressure, is almost £4,000 worse off in real terms than in 2010.[21]
- There are 3.2 million people experiencing insecurity at work, and this number has risen by 27 per cent in the last five years. [22]

Why we need industrial strategy to focus on places

Sharp regional disparities mean that certain parts of the country are bearing the brunt of these economic changes. To combat these challenges, the government must take central responsibility for these economic trends through an ambitious industrial strategy.

In the TUC's submission to the government's Green Paper on Industrial Strategy, we argued that priorities should include expanding high productivity sectors whilst also improving productivity in low-paid sectors, where insecure work is most often concentrated.

We also called for the industrial strategy to be sensitive to the needs of places. This means that the UK needs an economy that runs in a fundamentally different way: devolving power away from Whitehall and empowering people in their communities and their workplaces.[23]

Industrial policy has too often been thought of in national terms, even though its implications are in many ways geographical; important considerations in industrial planning should naturally include functional economic areas and locational and physical assets. In this vein, the TUC welcomes the government's broad commitments to a place-based focus, as reflected in two of it ten key pillars:

> ***Driving growth across the whole country*** *– we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.*
>
> ***Creating the right institutions to bring together sectors and places*** *– we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones*

[20] TUC, "1 In 8 Workers Are Skipping Meals to Make Ends Meet, TUC Mega Poll Finds", 7 September 2017.
[21] TUC, TUC submission to the Autumn 2017 Budget*: Investing in our Future*, September 2017.
[22] TUC, *The Gig Is Up: trade unions tackling insecure work*, June 2017.
[23] TUC, *TUC Submission to the Government Green Paper on Industrial Strategy*, 2017.

we could strengthen, be they local civic or educational institutions, trade associations or financial networks. [24]

Two wider challenges also mean place-based industrial strategy should be an important priority for the government as it puts together its White Paper: first, the impacts of Brexit will likely manifest in different ways across the country, as different regions are home to sectors that are reliant on trade with and labour from the EU in different ways. This is discussed in section three. Secondly, to meet our international commitments to reduce emissions and fight climate change, heavy industry and the jobs that depend on them need to change significantly as part of the just low-carbon transition.

What is just transition?

'Just transition' refers to the process needed to ensure workers are treated fairly during the transition to a low-carbon economy. It is based on five key principles:

- consultation and union voice: tripartite consultations between workers, employers and government on the shift to the low-carbon economy
- green and decent jobs: investing in technology and infrastructure to meet sustainability challenges for a low-carbon, resource-efficient future while creating quality, skilled jobs
- green skills: investment in education and training to equip those in education and in the workplace with adaptation skills relevant to the transition
- respect for labour and human rights: democratic decision-making to ensure fair representation of workers' and communities' interests. Strengthening information, consultation and participation rights
- social protection: strong and sufficient social protection systems for individuals and communities in the transition.

[24] Department for Business, Energy and Industrial Strategy, *Building our Industrial Strategy*, January 2017.

Opportunities and threats of devolution

Up against a failing economic model, challenging climate change commitments, and growing regional inequality, the government's industrial strategy has a lot deliver. However, devolution can bring significant new opportunities for workers across the country.

Around half of all union members and a third of the workforce in England now live in areas covered by city region devolution deals.[25] Combined Authorities and Mayors have a new and increasing set of powers relating to economic growth, transport, skills policy, and more. In theory, devolution can deliver a range of benefits including:

- enhanced democracy and accountability by bringing decision-making closer to home
- more effective design and delivery of public services, responsive to local need
- stimulus for economic growth through the benefits of agglomeration and local control over infrastructure, transport and regeneration.

However, there are also risks. Threats could involve:

- the extent to which this will merely devolve the delivery of spending cuts and policy priorities decided by central government to local authorities that will bear the responsibility for the imposition of austerity and outsourcing
- damaging inter- and intra-regional competition for resources, particularly in regions with competing combined authorities and other towns, cities and areas without devolution settlements – a situation that could worsen with the withdrawal of EU funds
- democratic deficits, with the imposition of directly elected mayors on regions that have already rejected the idea, and through the 'backroom' nature of devolution deals achieved to date.

There are nevertheless many opportunities to reform the current model of local government in an overly centralised economy with persistent regional inequalities, including:

- the potential to rebuild oversight and control in fragmented areas of public services
- the potential to open up new spaces for worker and community voice and social partnership
- the potential for partnerships between political, civil society and business partners to establish an alternative agenda for devolved areas, based on collaboration, strong public services, alternative models of delivery and tackling poverty, inequality and exclusion
- the development of City Region Economic Strategies based on strong regional economies, providing good, sustainable jobs.

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[25] Hackett, P., and Hunter, P., *Devo-Work: trade unions, metro mayors and combined authorities* Unions21/Smith Institute, 2017.

What this report does

In light of the challenges and opportunities above, this report brings together three pieces of commissioned research on what place-based industrial strategies could look like. The research is based on three very different English regions: Liverpool City Region, Tees Valley, and Norfolk and Suffolk. It was conducted by the Heseltine Institute at the University of Liverpool, the Centre for Urban and Regional Development Studies at Newcastle University, and the New Economics Foundation respectively. Each is based on quantitative research and extensive interviews with unions, employers and local and national government.

All these regions have been affected by decades of deindustrialisation. Each is home to a service sector too often delivering poor quality jobs that hold back productivity. Like the rest of the country, each has suffered from tremendous cuts to local government funding and public services, with working people footing the bill for the excesses that led to the 2008 financial crisis.

But each place has different traits too, and a place-based industrial strategy should also be sensitive to these.

In this report we therefore bring together the issues that are common to all three regions, and identify place-specific issues holding them back. In each case we assess the challenges and opportunities across the labour market, in high- and low- productivity sectors. We also consider what should be done within the existing constitutional arrangements in England, focusing on reforms that would improve worker voice, and help promote the TUC's Great Jobs Agenda.[26]

We explore needs to be done by central government, and local actors, to help rebalance the economy, across five themes:

- partnership
- a smart state
- meeting the skills challenge
- infrastructure investment
- supporting a low-carbon economy.

We argue that the government should fundamentally change the way the economy works, decentralising power to people in their workplaces, and to places.

[26] TUC, *The Great Jobs Agenda: giving every worker the opportunity to progress*, June 2017 (reissued October 2017 as *The Great Jobs Agenda*)

Section three

Great places, common challenges

Liverpool City Region, Tees Valley and Norfolk and Suffolk share common challenges, each with localised impacts. These include:

- manufacturing in a precarious position, and low productivity sectors on the rise
- chronic lack of investment
- long-term skills shortages and a lack of adult retraining opportunities
- resource-poor local authorities and public service providers, struggling with the impacts of austerity and growing demand
- uncertainties driven by Brexit

They are explained in further detail below.

Manufacturing in the balance, low productivity sectors on the rise

Manufacturing takes different forms across the three regions, with research focusing on the automotive industry in Liverpool City Region, energy intensives in Tees Valley, and food and drink industries in Norfolk and Suffolk.

Manufacturing in the latter has been in steady decline, heading towards 10 per cent of employment in 2016 from 14 per cent in 2010. Large food and drink manufacturers in the region are considered to be waning, with some reporting large operational losses and redundancies in recent years. There was a strong sense among respondents in the research that any limited productivity gains were the result of underinvestment in decades-old machinery and greater demands on labour.

Alongside national trends, research also uncovered that food and drink manufacturing in Norfolk and Suffolk is increasingly reliant on agency work. Union reps in the sector are concerned that employers' increasing tendency to rely on agency staff is down to concerns over minimising the labour costs of plant closures.[27]

Tees Valley has an 'industrial DNA' spanning a wide array of energy intensive industries, most notably including a nationally important concentration of chemicals plants. The collapse of the SSI steelworks in Redcar was however a huge blow to the region's workforce and economy (and, the TUC has argued, to the government's Northern Powerhouse

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[27] Mahmoud, S. and Baskerville, S., *How to Create Great Jobs: towards a regional industrial strategy for Norfolk and Suffolk,* New Economics Foundation, October 2017.

agenda).[28] The remaining industries will need to undergo significant changes to become environmentally sustainable and to survive.[29]

The region joins Liverpool City Region in the bottom quartile for economic inclusion and prosperity, as measured by the Inclusive Growth Analysis Unit.[30] This is unsurprising, given that two-fifths of all jobs created in the wider area since 2011 have been insecure, making the North East the UK's most prevalent creator of poor quality, low-productivity jobs.[31]

In Liverpool City Region employment in manufacturing has decreased by 22 per cent since the financial crisis, against the North West's loss of 14 per cent. Interviewees for the TUC study in the area reported that investment in new technology and inward investment from new firms has also been slowing due to the uncertainty generated by Brexit.[32] However, the sectors identified by the government as core priorities for the (badly needed) central R&D investment are not prominent in the area's economy, accounting for less than 2 per cent of the City Region's employment.[33] Manufacturing is a nevertheless critical sector for the local economy, generating some £3.2bn in GVA and employing around 50,000 people.[34]

Around the same number of people also work in the City Region's growing visitor economy. Tourism is one of the Combined Authority's strategic growth sectors, but is far less productive, delivering less than half the GVA of manufacturing (£1.52bn).[35] Union density is also far lower in the sector. Research here identified that the sector is characterised by low pay, unsociable hours and or/zero hour contracts, poor working conditions and an absence of viable career paths.

Chronic lack of investment

The UK is investing significantly less than our international competitors. Using a measure of government investment based on National Accounts definitions, the latest data from the OECD (for 2015) suggest that UK investment spending was just 2.7 per cent of GDP, against an OECD average of 3.5 per cent. When private investment is taken into account, the UK falls even further behind. In 2016 the share of total investment spending in the UK was 16.6 per cent of GDP, with only Greece and Portugal spending less. This is nearly 5 percentage

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[28] TUC, "Closure of Redcar Steel Plant Is A Huge Blow To The Government's Northern Powerhouse Agenda, says TUC", 28 September 2015.
[29] O'Brien, P. et al, *How to Create Great Jobs: towards a regional industrial strategy for Tees Valley*, October 2017.
[30] Data for 2015. Analysis is based on variables including income, living costs, labour market indicators (employment and unemployment), output and human capital.
[31] TUC, *The Gig Is Up: trade unions tackling insecure work*, June 2017.
[32] Southern, A. et al., *How to Create Great Jobs: towards a regional industrial strategy for Liverpool City Region*, October 2017.
[33] Fothergill, S. et al, *Industrial Strategy and the Regions: The Shortcomings of a Narrow Sectoral Focus*, July 2017.
[34] Liverpool City Region LEP, *Making it in Advanced Manufacturing in Liverpool City Region to 2020*, 2015.
[35] Liverpool City Region Visitor Economy Board, *Visitor Economy Investment Plan for Growth 2016-2015*, 2016.

points lower than the OECD average of 21.4 per cent, corresponding to a gap of over £90bn a year.

This led the OECD's June 2017 Economic Forecast Summary for the UK to conclude:

> *The budget deficit is projected to remain broadly unchanged this year, but fiscal consolidation is planned for 2018 despite a weaker growth outlook. Instead, further fiscal initiatives to increase public investment should be considered to support demand in the near term and boost supply in the longer term.*[36]

The OECD went on to say:

> *Enhancing regional and urban transport links would increase firms' access to the best technologies and lower export costs, improving their ability to tap new markets and suppliers.*[37]

The TUC's Autumn 2017 Budget Submission called on the government to significantly raise the level of UK public investment. A starting point would be to meet the OECD average of spending 3.5 per cent of GDP on investment, up from the current level of 2.7 per cent.[38]

Skills, adult education and retraining

The national picture

In basic skills, England is the only country in the OECD where 16 to 24–year olds are 'no more literate or numerate than 55- to 64-year-olds'.[39] Many of the skills challenges faced by the regions are driven by national policy decisions, not least including the dramatic cuts to Further Education (FE). The adult skills budget has been cut by two fifths since 2010. But employer investment in employee skills has also fallen in recent years.[40] Too often, low-productivity employers that tend to be concentrated in low-wage sectors fail to train their staff. This group of employers are a key contributory factor behind the depressing statistic that one third of UK employers admit to training none of their staff, a trend that has seen no improvement since 2005.[41] The adult skills system is therefore ill-equipped to deliver an economy that will deliver what it should for working people in every region.

To make sure workers have the skills they need to take advantage of new opportunities in the labour market, government needs to focus on those in the workplace now as well as increasing investment in apprenticeships and new technical courses. For example, it is

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[36] OECD, *United Kingdom – Economic Forecast Summary*, June 2017.
[37] Ibid.
[38] TUC, TUC submission to the Autumn 2017 Budget: *Investing in our Future*, September 2017.
[39] Westwood, A., *Industrial Strategy and Skills: getting it right this time*, University of Manchester, 2017.
[40] Dromey, J. and McNeil, C., *Skills 2030: why the adult skills system is failing to build an economy that works for everyone*, IPPR, February 2017.
[41] This finding is from the government's biennial Employer Skills Survey series – the latest edition is available at: www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-report [accessed 10 October 2017].

estimated that two thirds of the 2030 workforce have already left full-time education and these people are most at risk of being left behind in a rapidly changing labour market. The commitment to lifelong learning and upskilling in the Green Paper is therefore welcome, but the scale of the challenge is significant.

The overall picture on adult skills investment remains very weak. As highlighted in a recent IPPR report, employer investment in continuing vocational training per employee in the UK is half the EU average and investment in training and learning per UK employee fell by 13.6 per cent per employee in real terms between 2007 and 2015. [42] Government spending on adult skills and FE has also been cut sharply – a recent analysis by the House of Commons Library identified a cut of 41 per cent in the adult skills budget between 2010/11 and 2015/16.[43]

The legacy of major cuts since 2010 has resulted in a greatly contracted college sector provision of adult skills courses. Funding for apprenticeships and vocational training is very welcome, but this has been at the expense of adult and community learning, with the budget for non-apprenticeship learning cut by 24 per cent between 2014 and 2016 alone.[44] Area Based Reviews have required FE Colleges to find significant financial savings; identify potential institutional mergers; and increase specialisation. This may add to the squeeze on the kind of adult and community learning that offers a way in to retraining for many people at work – particularly those who are older and lower skilled.[45]

An additional barrier to participation has been the introduction and expansion of FE student tuition loans since 2010, which are now mandatory for an increasing number of college courses aimed at adults. The TUC has long argued that this was a short sighted approach on adult skills. This is even more the case in light of the projected growth in skills gaps and potential shortages of skilled migrant labour that will be triggered by Brexit.

While Budget 2017 clarified that the government will be spending up to £40 million by 2018–19 "to test different approaches to help people retraining and upskill throughout their working lives", this is a relatively insignificant amount compared to the scale of the challenge.

Devolving adult skills budgets has merit. So too does integrating adult skills within place-based economic development and growth strategies and making adult skills policy more accountable to city-region authorities. However, there remains a lack of clarity about how this will work in practice across the country given the uneven nature of devolution and the short term nature of funding. Some colleges and FE unions argue that the piecemeal approach to devolution increases the risk of volatility and incoherence across different parts of the country.

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[42] IPPR, *Another Lost Decade: building a skills system for the economy of the 2030s*, July 2017.
[43] Foster, D., "Adult Further Education Funding in England Since 2010", *Parliament UK briefing no. CBP 7708*, April 2017.
[44] UCU, *Adult and Community Learning*, January 2016
[45] Ibid.

Regional analysis

Recent research by IPPR identified that In the North East, 26.5 per cent of the population aged 16 and above have no formal qualifications, the second highest rate for any English region. It also has the lowest proportion of residents with qualifications equivalent to an undergraduate degree. However, the North East has the highest proportion of people with an apprenticeship qualification and or a vocational qualification at Level 4 or 5, and younger people are much more likely to be highly qualified than those aged over 34. The wider region also has a good record of retaining its graduates.[46] Whilst there is clearly potential for Tees Valley and the North East to hone and develop the skills of local people, research for this study identified that the greatest skills challenge facing the Tees Valley is long-term planning. The area lacks adequate institutional arrangements that could bring key organisations including unions, employers, community groups, anchor institutions like Universities, and the Combined Authority together to anticipate and plan for the skills that will be needed for future job opportunities – especially in the context of decarbonisation and the move towards a circular economy.

In Norfolk and Suffolk, the FE system "is still turning out people for a 20th century economy".[47] There are significant concerns that despite deliberate efforts, the counties are failing to train adequate numbers of people with the appropriate engineering skills that are needed to support growth industries such as renewable energy. More widely the East of England performs at the bottom of the rankings for retaining graduates from the area.[48]

Perhaps of most concern is the inadequate provision of opportunities for adult education and retraining: several interviewees involved in the study remarked that those working in declining manufacturing sectors are too often priced out of new courses, or work shifts that clash with the timing of courses, meaning that shorter-term cash-flow needs were often prioritised over longer-term career training. In addition, whilst some sectors are declining, the research also uncovered several opportunities to transfer skills across the local workforce – from food and drink manufacturing to wind turbine manufacturing, and from fishing to offshore energy. Such opportunities are not currently being adequately explored by the region's relevant bodies.

In Liverpool City Region, there is also a gap between what the region needs and what is available in the labour market. The region's LEP observes: "An historic skills gap, too few private sector jobs, high levels of worklessness and pockets of concentrated poverty are the biggest barriers to growth."[49]

The Region is home to communities with high concentrations of poverty and low incomes, making the scale of the skills challenge great, but all the more important to overcome. Researchers also identified a lack of appetite among some of the biggest employers in the

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[46] Round, A., *Tipping the Balance: maximising the North East as a skills hub*, IPPR, August 2016.
[47] Mahmoud, S. and Baskerville, S., *How to Create Great Jobs: towards a regional industrial strategy for Norfolk and Suffolk,* New Economics Foundation, October 2017.
[48] Allen, K., "Brain Drain: which UK regions hold onto their graduates?" *The Guardian*, February 2015.
[49] Liverpool City Region Local Enterprise Partnership, *Building Our Future*, 2016 (p. 5).

region to invest in quality in-work training and development. The research also identified significant challenges presented by the digital transformation in the way we "design, make and distribute products, which will bring mass disruption to present levels of employment in key sectors, such as retail". Digital inclusion needs to be a key component of an inclusive growth strategy in the area.

Resources and capacity

Local government institutions in each of the regions show high levels of ambition, but often lack 'hard powers' – the capacity and scale to achieve an industrial strategy that can create and sustain great jobs. In addition, critical infrastructural investments can often only go ahead through the spending power of central government. Policy attention therefore often focuses on 'soft powers', including the new Metro Mayors' ability to advocate for their area put pressure on different groups, from Whitehall to local employers.

Devolution deals in Liverpool City Region and Tees Valley afford both areas 'hard' powers over policy areas including the adult skills budget, strategic planning, and transport. But their respective 30-year investment funds of £900m and £450m are small when viewed against years of austerity, growing demand for public services, and the impending withdrawal of EU Structural Investment Funds. Indeed, the National Audit Office has recommended the government "identifies and takes account of the risks to devolution deals that arise from the ongoing challenges to the financial sustainability of local public services".[50]

In Liverpool City Region, GVA created by public administration, education and health reached 25 per cent and accounted for a third of employment in 2015.[51] The public sector is thus an important determinant of social value and economic growth, and local authorities and anchor organisations, such as major NHS providers, can collectively play a key role in this. But with the Combined Authority governance structure in its infancy and with limited staff resources, the capacity for Metro Mayors to bend the economy through a progressive commissioning and procurement model is still somewhat limited.

Tees Valley has significant infrastructure assets which provide the region with distinct competitive advantages that should be capitalised on. Devolution of planning and transport has allowed the Combined Authority to plan investments to improve the area's roads, and in South Tees, a newly established Mayoral Development Corporation will have powers to develop and invest in the former SSI site and vicinity.

But there are critical issues facing the region which cannot be addressed by local actors alone. For example, there are limits to the energy infrastructure capacity in the region in terms of connectivity to the National Grid. This is critical for maintaining current output and the future planning of new energy power plant assets and for maintaining energy security. In order to decarbonise the heavy industries in Tees Valley, research also identified a clear need for central government to back the installation of Carbon Capture and Storage (CCS)

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[50] National Audit Office, *English Devolution Deals*, 20 April 2016.
[51] Southern, A. et al., *How to Create Great Jobs: towards a regional industrial strategy for Liverpool City Region*, October 2017.

facilities which would reduce carbon emissions by up to 90 per cent. This would support the long-term sustainability of key industries and the good jobs that they provide.

While Liverpool City Region and Tees Valley grapple with the remit of the new powers, identify where more are needed, and reach out to central government for greater support in critical projects, Norfolk and Suffolk have no coherent governance model that allows the counties to do the same.

Following the collapse of an East Anglian devolution deal, the only governance institution spanning both counties is the New Anglia LEP. There are concerning questions over the accountability of LEP structures, however. In Norfolk and Suffolk, the LEP board is solely comprised of local authority leaders and private sector representatives, with no formal engagement with unions or community groups. Yet the core responsibility of the LEP is to provide an economic growth and job creation strategy for the region and its main tool to achieve this is through its power to decide how to allocate central government Growth Deal funds. To have such responsibilities without a social partnership approach is deeply problematic.

The New Anglia LEP is also hampered by its budget being allocated on an extremely short-term basis, and as with the Liverpool City Region Combined Authority, very limited staffing. Even if it had adequate resources, however, the region faces questions over what the right pan-regional organisation should look like. The functional economic area in the East of England may have more heft if a governing authority went beyond the borders of Norfolk and Suffolk, for example. However, this may be less likely to align with the identities of workers and the wider communities in the area, and it is essential that these views are heard.

The Great Jobs Agenda

With inadequate resourcing in all three localities, soft powers – the ability to advocate, influence and coordinate – can be used as part of a regional industrial strategy to influence behaviours among employers and other institutions that can help shape an inclusive economy.

This is important in places like the North East, where two thirds of the jobs created in the since 2011 have been insecure;[52] or in Liverpool, where youth unemployment is 7 per cent higher than the national rate;[53] or indeed in Norfolk and Suffolk, where wages are well below the national average.[54]

In this vein, there is potential for pan-regional campaigns for the TUC's Great Jobs Agenda, which includes a range of asks aimed at central government (see recommendations).

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[52] Klair, A., 'The North East is England's insecure work hot spot', *Touchstone Blog*, 15 March 2017.
[53] O'Brien, P. et al, *How to deliver great jobs: towards a regional industrial strategy for Tees Valley*, Newcastle University, 2017.
[54] Mahmoud, S. and Baskerville, S, *How to deliver great jobs: towards a regional industrial strategy for Norfolk and Suffolk*, New Economics Foundation, 2017.

But it also contains tangible changes that can be achieved with the backing of regional leaders – including the use of procurement and commissioning powers – to work with employers, encouraging them to:

- pay all workers at least the real living wage
- not use zero hours contracts
- agree a minimum notice period for allocating and changing shifts
- recognise unions for collective bargaining on pay and conditions
- let workers speak for themselves on company boards
- work towards pension contributions of at least 15 per cent of wages
- have policies not to widen the radio between top and bottom pay, and reduce the gender and ethnicity pay gaps
- negotiate with unions on quality apprenticeships
- make employees aware of training and development rights.

The impact of such policies as part of a regional industrial strategy could have significant consequences for local areas. Given the complexities of governance in areas like Norfolk and Suffolk, however, further consideration on how a campaign around great jobs might be coordinated is needed.

Brexit

Changes resulting from the referendum have further damaged an economy weakened by the financial crisis of 2008 and eight years of austerity. At the macro level, across the UK the picture is one of stalling growth, falling real wages, low investment and a growing dependence on consumer debt. Looking in more detail at what's happening in individual industries, growth in wages, output and employment has slowed in most areas of the economy since the referendum, and real wages are rising in just three out of 18 industries.[55]

The UK has also become more dependent on exports to EU states over the last year. Data for the latest quarter show that exports of goods to the EU rose by 6.3 per cent, while exports to the rest of the world increased by just 3.7 per cent. Given the argument that increased trade with the rest of the world will offset any losses from leaving the single market, it is a concern that the UK's trade deficit with non-EU countries rose 25 per cent between the second quarters of 2016 and 2017.[56]

At the regional level, the impacts of Brexit will be felt in different ways. The most vulnerable regions could well include those regional economies that are:

- reliant on the EU for exports
- at risk of EU off-shoring

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[55] TUC, *How Are We Doing? The impact of Brexit at industry level*, September 2017.
[56] Ibid.

- reliant on supply chains embedded across Europe
- dependent on EU migrant workers
- home to low-income communities that will be vulnerable to rising living costs.[57]

Knowsley, in Liverpool City Region, has been identified as being in the UK's top 10 most vulnerable places according to these metrics. Norfolk and Suffolk are particularly vulnerable due to the high volume of EU workers in both counties. [58] There will likely be profound implications for the poorest communities in all three regions.

The North East exports a higher proportion of manufactured goods to the EU than the average for the UK. Its industrial centres attract significant FDI to the region. For chemicals and advanced manufacturing sectors, European markets are a priority. Tees Valley is also currently the second largest recipient per capita in England of European Structural Funds (ESIF) (£245 per head, Cornwall: £920). Unless replacement funds are secured then the region faces is a potential loss of over £130m of direct financial support to Tees Valley.

Around 70 per cent of UK seafood exports are to European markets, signalling potential further challenges for the already struggling sector in Norfolk and Suffolk. The UK's food manufacturing also has a strong dependence on trade: 21 per cent are importers, and 29 per cent are exporters. Whilst in the short term the depreciation of sterling may help seafood, food and drink exporters in Norfolk and Suffolk and may boost tourism, such advantages are contingent on the low barriers to immigration and trade brought about through membership of the single market.

The risks for Liverpool City Region surround not only the anticipated shocks to its manufacturing sector but also its growth funding. The Region has received considerable investment from ESIFs, going back almost 30 years. Between 1989 and 1999 Merseyside received EU Structural Funds worth some £860m.[59] During the period from 2000 to 2006, the area received a further €1.3bn as part of a wider total public contribution of some €3.4bn.[60] From 2007 to 2013, as GDP per capita rose above the threshold of 75 per cent of the EU-15 average, a phasing-in system was granted. During this transition period Merseyside received over €300m from the ERDF Competitiveness Programme.[61] For 2014–2020, the Region has been allocated €221m in Structural Funds with the Liverpool City Region LEP initially given responsibility to set priorities and manage programme delivery.[62] The loss of this funding will be significant, especially when set against the annual investment fund of £30m given to the region by central government.

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[57] Athey, G., *Brexit: potential impacts for local economies*, March 2017.
[58] Ibid.
[59] Then measured in term 'ECU' (European Currency Unit). See European Commission, available at: http://europa.eu/rapid/press-release_IP-94-636_en.htm (accessed 2 July 2017).
[60] European Commission: *Merseyside Objective 1 Programme*, available at: http://ec.europa.eu/regional_policy/en/atlas/programmes/2000-2006/united-kingdom/merseyside-objective-1-programme# (accessed 2 July 2017).
[61] North West Growth Delivery Team, *North West England ERDF Competitiveness Programme 2007-13 Annual Implementation Report*, 2014.
[62] Liverpool City Region LEP, *EU Structural and Investment Funds Strategy 2014–2020*, 2016.

Summary

Despite their diversity, the three regions studied for this report show signs of similar economic problems that are part of a wider national challenge for policymakers. In each place, manufacturing and energy intensive sectors continue to provide the best jobs, but their futures are precarious.

Skills shortages, low levels of employer investment in training, and an adult education system suffering the legacy of austerity are common to all three regions. There is also a notable lack of capacity and resource to plan interventions for long-term industrial change across all three places.

This is part of a wider issue surrounding the capacity of institutions in the regions to realise their ambitions to deliver an industrial strategy that creates and sustains great jobs.

The first phase of devolution has had its flaws, but nevertheless important first steps towards decentralisation have been made. However, with combined authorities and Metro Mayors currently in their infancy, local government stripped of funds, uncertainty of the future funding picture, and anxieties driven by Brexit, regional actors are in a difficult position. They urgently need and often want to support high-productivity sectors and generate inclusive growth, but in too many cases with one arm tied behind their backs.

Section four

Different challenges facing regions

Place-specific issues need to be understood

The UK is one of the most centralised countries in the developed world, with central government disposing almost three quarters (72 per cent) of all public expenditure, compared to 35 per cent in France and 19 per cent in Germany.[63] And with finance reform pushed back off the legislative agenda, local government continues to rely on dwindling central government grants for much of its funding.

But for the government's industrial strategy to create and sustain great jobs across the country it needs to be flexible enough to support the diversity of different regions' needs, whilst also giving places greater control of their own destiny. It has started to do so, with devolution deals signed in city regions and wider areas such as the West Midlands, where clusters of skills, sectors and connections can have powerful agglomeration effects.

A core focus for the government is also on boosting high-productivity sectors such as science, research and innovation. Whilst the TUC strongly welcomes long overdue investment in these sectors, which could be world-leading, sustainable, and delivering high-quality jobs, we note that it might not always have a noticeable impact on a city region like Liverpool, where less than two per cent of the population work in the sectors targeted.[64] Indeed, recent research by the Resolution Foundation identified that while investment in advanced industries has proven net positive effects for the labour market, these are not always evenly shared across regions: every 10 newly created jobs in advanced industries in Cambridge create on average 28 new "non-tradeable" jobs, much higher than the national average of three.[65]

Research also shows that internal migration between regions, particularly for young graduates, has significantly declined over the last ten years. Regions outside London and the South East are getting better at retaining their younger and higher skilled workers, reflecting a narrowing of employment rates between regions. However, the fact that productivity gaps between regions have increased suggests that local labour markets are not necessarily finding the right match between jobs and skills.[66]

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[63] Diamond, P. and Carr-West, J., *Devolution: a roadmap*, LGiU 2015.
[64] Fothergill, S. et al, *Industrial Strategy and the Regions: the shortcomings of a narrow sectoral focus. Discussion Paper.* Sheffield, Sheffield Hallam University, 2017.
[65] Lee, N. and Clarke, S., *A Rising Tide Lifts All Boats? Advanced industries and their impact upon living standards*, Resolution Foundation, July 2017. "Non-tradeable" jobs refer to those that cannot be easily be moved from an area.
[66] Resolution Foundation, *Get A Move On? The decline in regional job-to-job moves and its impact on productivity and pay,* August 2017

This necessitates an approach that focusses not only on developing, attracting and retaining high productivity sectors but also on addressing the problems within those sectors beset by low productivity, ineffective skills utilisation and poor quality employment. This dual approach needs to be understood as part of agglomeration, which depends on "different places' mix of amenities, skills and locational specifics". Successful policies therefore need to work with the "grain of geography and history, and different policies will be needed for different places."[67]

What makes each place different?

Liverpool City Region suffered not only a decline in manufacturing but also its service sector, throughout the 1970s–1990s. Unemployment was stubbornly higher than the national average and areas of poverty persisted. This trend began to reverse with the help of EU Structural Funds in the late 1980s. However, following the financial crisis and declining collective bargaining, unemployment and lower wages have returned to worrying levels when compared with national and other city region rates.

- Residents in Liverpool City Region earn £41 a week less than the English average.[68]
- The research found that unemployment is the second highest level among London and second-tier city regions, and 1.4 times the national rate.
- It also identified that youth unemployment is seven per cent higher than the national rate: the highest among London and second-tier city regions.

The research focused on the strategic importance of manufacturing and the visitor economy to the region, and implications for job quality. It also considered the power of the public sector in the local economy.

- Manufacturing accounts for 14.1 per cent of the region's GVA, compared to 9.7 per cent for England, and is home to around 50,000 jobs. It is however an increasingly vulnerable sector due to the combined effects of automation and the uncertainty generated by Brexit.
- The visitor economy contributes to 7 per cent of the region's GVA. It is a growing, but low productivity sector, designated as one of strategic importance to the Liverpool City Region Combined Authority.
- Public administration, education and health generates 25 per cent of the region's GVA, against 17.8 per cent in England.

Tees Valley is a city region with major ports and an historical industrial base including steel, shipbuilding, oil, gas, chemicals, process and pharmaceuticals. These energy intensive sectors in the region are well unionised, providing skilled, highly productive jobs. However, the region has experienced industrial shocks over the years, most recently including the collapse of the SSI steelworks in 2015.

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[67] Industrial Strategy Commission, *Laying the Foundations*, July 2017.
[68] ASHE 2016 (provisional), ONS Combined Economic Indicators, March 2017.

The research in this region identified the particularly crucial role union officials have had in managing the consequences of this, helping workers to adapt to the significant changes, and engaging in labour market tracking and site legacy projects. The region also has extremely high carbon emissions which have to be brought down to meet the UK's climate change commitments. Union experiences of managing such significant changes are undoubtedly a strength for the region going forwards.

- Tees Valley emits almost three and half times as much CO2 per capita than the per capita volume for the rest of England (20.3 tonnes v 6 tonnes).[69]
- There are significant opportunities for industries in the region to shift towards a circular economy[70], and this is a core priority in the region's Strategic Economic Plan. However, central investment in key infrastructure including Carbon Capture and Storage (CCS) is not currently forthcoming.
- Productivity in the region is more than 10 per cent lower than that of the UK.
- Unemployment is 7.9 per cent higher among males, and 6.2 per cent higher among females, than the national average.
- Deindustrialisation has also caused an increase in the number of people who are unemployed: There are 8.2 per cent more unemployed and economically inactive people with trade skills in Tees Valley than the national average.

Based on the region's share of the UK's employment, Tees Valley's Foreign Direct Investment (FDI) in 2015–16 was only half of what it could have been. And more widely, the North East depends on the EU for its exports far more than the national average, signalling that Brexit holds great risks for the area.

Norfolk and Suffolk have high levels of employment but low wages, low productivity and high inequality. It does not share in the prosperity of neighbouring Cambridgeshire, nor London. Its population is aging.

- The two counties are characterised by the worst income inequality in the UK.[71]
- 21 per cent of the population in East Anglia is retired, compared to 13 per cent for the UK as a whole.

The area is home to above average levels of employment in agriculture, fishing, and food and drink manufacturing. Its coastline puts it at the front line of climate change, but also at

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[69] Scott, F. and Poggi, C., *Greening the City Regions*, a report by Campaign for Better Transport, CPRE, Green Alliance, National Trust and The Wildlife Trusts, 2017. DECC UK local and regional CO_2 data, 2005-2014.

[70] This refers to an economy that reuses products, components and materials, keeping them at their most useful and valuable. As a result, waste is minimised. This creates new economic and employment opportunities and provides environmental benefits through improved materials and energy use. (UK Parliament briefing 536, September 2016).

[71] Measured by the 80:20 percentile ratio. The national average is 3.24, Norfolk is 3.52 and Suffolk is 3.59.

the frontier of the UK's offshore wind opportunities. Research here therefore focused on its coastal economy, as well as food and drink manufacturing.

- Large food manufacturing employers based in the region include Birds Eye, Bernard Matthews, Britvic, Colman's, Branston Pickle, Adnams, and Greene King.
- The research found that the area contains 150 oil and gas offshore platforms.
- Norfolk and Suffolk is also home to several major ports and supports most of the nation's employment in the inshore fleet fishing industry, but the research identified that this has been severely hit by quotas that limit fishing rights.
- The sea off the East of England hosts 70 per cent of the UK's installed offshore wind capacity, corresponding to 63 per cent of the world's capacity.[72]

The area also has serious issues with transport infrastructure, which has a knock-on impact on investment and business costs. Poor public transport provision which is often slow, infrequent and expensive also limits residents' access to jobs, education and services.

Emerging regional tiers of government are increasingly important. In Liverpool City Region and Tees Valley, newly devolved governance institutions are in their infancy: at the time of writing, Metro Mayors have been in office little over 100 days. In these places, research has naturally focused on what can be done at the Mayoral Combined Authority level to deliver a regional industrial strategy, and what central government can do to help support development in these devolved contexts.

Norfolk and Suffolk have very different challenges and no overarching governance structure in place that has the adequate mandate or resource to fully support a region-wide industrial strategy. The 2017 Conservative Manifesto stated that while in government it would continue to support its model of devolution, it would insist on the establishment of mayors for rural areas. This context leaves the region without a clear sense of what its future governance structure might look like.

However, in all three places, the research uncovered a real passion among interviewees from unions, business, and local government. This sense of pride, coupled with the significant local knowledge and expertise, led to an obvious sense of ambition to make each part of the UK a truly great place to live and work.

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[72] New Anglia LEP, *Transforming the Economy of the East*, 2016.

Section five

Conclusions and recommendations

The unique and common challenges faced by the UK's regions must be met with a long-term industrial strategy, using the different tools that are appropriate for both central government and, crucially, for local actors. Fundamentally, power must be diverted away from Whitehall and towards people in their workplaces and communities.

Why voice matters

A core part of the TUC's approach to a national industrial strategy focuses on social partnership and worker voice. In our response to the government's Green Paper, we recommended that best practice from institutions like the Automotive Council is replicated for other high- and low-productivity sectors in order to bring unions, employers and the government together to help drive and sustain great jobs across the economy. This should be replicated at the regional level; and is a theme running across our recommendations.

Devolution must not be about passing down the burden of cuts, but rather about enabling local governments and working people to take control to deliver an industrial strategy that delivers great jobs. Both the unique and the common issues faced by these diverse regions show it is important to shift the balance of power away from Westminster to places and workplaces; shared prosperity necessarily requires a level of autonomy for both.

There are many ways through which effective mechanisms for workers' voice enhances organisational and business success. It is intuitively obvious that people will prefer working for an organisation that treats them with respect, values their views and input and in which they feel that their skills and knowledge are making a clear and valued contribution. Higher levels of commitment and motivation translate directly into lower staff turnover rates and lower absence and sickness rates, both of which boost productivity and profitability.

Organisations with effective procedures for resolving disputes and managing, for example, flexible working will also be better able to safeguard the valuable resource of people's time and avoid losing valued staff who need to combine work with other responsibilities.

However, the contribution of workers' voice to industrial strategy goes beyond these basic 'hygiene' factors, important though they are. As well as enabling organisations to run smoothly and minimise costs in areas like recruitment and sickness cover, workers' voice contributes to successful industries and sectors in (at least) three key areas: introduction of new technologies; management of change; and harnessing ideas for innovation and incremental improvements.

The contribution of workforce voice to boosting productivity and building successful industries and sectors should form a key component within regional industrial strategy – ensuring that unions are represented as key stakeholders, working with relevant employers and regional authorities in designing and delivering effective in place-based strategies. This is taken as a point of departure in our recommendations, detailed below.

Creating great jobs everywhere

Reflecting on all three pieces of research, we identify below five approaches to industrial strategy that need to be deployed at both the national and regional level. We argue that our first approach – partnership – enables the rest to follow.

1. Partnership

This report has highlighted that all too often, workers and communities are left out of the decisions that impact their daily lives, as well as the chances of getting a great job.

Devolution must not be about passing down the burden of cuts, but rather about enabling local governments and working people to take control to deliver an industrial strategy that delivers great jobs. Both the unique and the common issues faced by these diverse regions show it is important to shift the balance of power away from Westminster to places and workplaces; shared prosperity necessarily requires a level of autonomy for both.

National-level recommendations	Regional-level recommendations
Social partnership	
Central government should work with social partners to develop a set of principles for inclusive governance that can be cascaded to regional and local political leaders. The adoption of these principles could become a condition of future devolution deals.	Local leaders should develop stronger dialogue between unions and business, officially adopting a social partnership approach to infrastructure investment, employment standards, skills strategy and industrial transition. Regional skills bodies should be structured to support more employer and union engagement, ensuring more effective auditing and planning. More widely regional leaders should bring together larger partnerships – including voluntary and community groups, unions, education institutions, local businesses – to determine the outcomes that they collectively want to prioritise for the region. These networks can then help facilitate and deliver them.
Sectoral approaches	
Learning from best practice of the Automotive Council, government should create sectoral institutions – including in low paid sectors – which bring employers, unions and government together to	Regional sector groups that include employers and unions should be convened in key areas like retail, tourism and hospitality and food manufacturing. They should address strategic questions of pay

improve productivity, and training and progression. Regional sub-committees should feed into each institution.	and productivity, with a particular focus on engaging SMEs. Findings should be fed into the economic planning processes of actors including local authorities, LEPs, and Metro Mayors.

2. A smart state

Challenges faced by the UK economy are not equally shared, but many places suffer from the same structural issues across the labour market. For example, this report has highlighted that there are 3.2 million people experiencing insecurity at work; a rise of 27 per cent in the last five years. Yet in the North East, some two thirds of the jobs created since 2011 have been insecure. This trend has severe consequences for living standards and productivity.

Levers to reverse this trend and create and sustain great jobs are both legislative and contained in the procurement and soft powers of local government.

National-level recommendations	Regional-level recommendations
TUC Great Jobs Agenda	
Central government should: Legislate to reduce significantly the use of zero hours contracts. Introduce a right for agency workers to become permanent employees after a specified length of service. Ensure a premium pay rate for non-guaranteed hours, to increase the incentive for employers to give workers sufficient notice of their shifts. Improve the enforcement of the National Minimum Wage. Give unions better access to workplaces. Reforming national corporate governance to put workers on boards.	Local political leaders should adopt and advocate the TUC's Great Jobs Agenda – providing leadership as employers. Employer attitudes towards training and development needs to change. The Great Jobs Agenda should therefore also be implemented through procurement, rewarding employers that invest in lifelong training and development of employees.
Social value	
Central government should support local authorities to maximise the potential multiplier effect of the Social Value Act.	Local leaders should prioritise social impacts and community economic development when appraising all investment and funding decisions.

	Social value processes should also be embedded in commissioning and procurement practice and by enhancing multiplier effects through the local supply chain. Social impacts should also be monitored and reported as key performance indicators.

3. Meeting the skills challenge

In basic skills, England is the only country in the OECD where 16- to 24-year-olds are 'no more literate or numerate than 55- to 64-year-olds'.

Many of the skills challenges faced by the regions are driven by national policy decisions, not least including the dramatic cuts to FE. The adult skills budget has been cut by two fifths since 2010.[73]

But employer investment in employee skills has also fallen in recent years. One third of UK employers admit to training none of their staff, a trend that has seen no improvement since 2005.[74] Employer investment in continuing vocational training per employee is half the EU average, and investment in training and in real terms, learning per UK employee fell by 13.6 per cent between 2007 and 2015.[75]

The TUC welcomes the prominence of skills in the government's Green Paper on Industrial Strategy, but has argued that it can go much further – not least by rectifying damage done by dramatic cuts. With devolution of adult education coming on stream in some Mayoral Combined Authorities, there are also new opportunities available to regional actors to support lifelong learning of workers.

National-level recommendations	Regional-level recommendations
Funding, investment and apprenticeships	
Central government should reverse cuts to FE, and increase investment in both workforce and out of work training in line with the EU average in the next five years. It should also act to align the financial incentives of FE colleges with the skills needs of the regional economy.	Proper investment to address the continuing problem of poor basic skills and limited progression to higher level skills can also be addressed through support for union-led skills initiatives. Skills strategies should also be more clearly aligned with infrastructure and investment

[73] Westwood, A., *Industrial Strategy and Skills: Getting it right this time*, University of Manchester, 2017.
[74] This finding is from the government's biennial Employer Skills Survey series – the latest edition is available at: www.gov.uk/government/publications/ukces-employer-skills-survey-2015-uk-report [accessed 10 October 2017]
[75] IPPR, *Another Lost Decade: building a skills system for the economy of the 2030s*, July 2017.

Government should work social partners to deliver quality apprenticeships. This includes engagement with unions in the new Institute for Apprenticeships and Institutes of Technology, to assist with setting and monitoring quality standards. It should also use the Apprenticeship Levy to boost retraining and upskilling opportunities through the forthcoming National Retraining Scheme. This is particularly important for workers affected by industrial transitions.	decisions, so that employment and training benefits accrue to local communities. Best practice from Framework Agreements such as those used for the London Olympics and HS2 should be used to make sure that the best local training and development opportunities, including apprenticeships, are established across supply chains.
Lifelong learning	
A new lifelong learning offer for workers should be created, including the creation of a national scheme of personal learning accounts; enabling low income adults, the unemployed and other groups (e.g. people facing redundancy) to access fully funded retraining courses of their choice. A scheme providing an entitlement to face-to-face careers guidance should be developed for all workers, as well as a new right to a mid-life career review for workers aged 50.	Local authorities and social partners should design careers advice and guidance to promote understanding among students in schools and colleges about future job opportunities specific to the region. Devolution of skills funding should be used to provide face-to-face careers guidance that is accessible to all workers, including mid-life career reviews for those aged 50. Adult Education Budgets can be used to allow low income adults, the unemployed and others (e.g. people facing redundancy) to access fully funded retraining courses of their choice.

4. Infrastructure investment

The latest (2015) OECD data suggests that UK investment spending is just 2.7 per cent of GDP, against an OECD average of 3.5 per cent. When private investment is taken into account, the UK falls even further behind. In 2016 the share of total investment spending in the UK was 16.6 per cent of GDP, with only Greece and Portugal spending less. This is nearly 5 percentage points lower than the OECD average of 21.4 per cent, corresponding to a gap of over £90bn a year.

In different ways, investment in infrastructure is critical to the future prosperity of many parts of the UK. For example, research for this report identified that Liverpool City Region needs a digital transformation if it is going to tackle labour market exclusion; Tees Valley is home to energy intensive industries that are vital for the local economy, but not fit for the transition to a low-carbon world; and business investment in Norfolk and Suffolk is being held back due to extremely poor connectivity.

In the past, EU Structural Investment Funds have supported projects to upgrade infrastructure in poorer parts of the UK. But going forward, these cannot be relied upon.

National-level recommendations	Regional-level recommendations
Investment	
The government should at least meet the OECD average of spending 3.5 per cent of GDP on investment, up from the current level of 2.7 per cent. Regional investment banks should be established to address the current asymmetry in the supply and demand for finance.	Regional political leaders, Local Enterprise Partnerships (LEPs), anchor institutions and social partners should conduct holistic reviews of infrastructure needs. The same partners should work together with the National Infrastructure Commission to engage communities more effectively in the assessment, design and delivery of infrastructure projects – and ensure that National Infrastructure Assessment recognises the need for investment in the just transition to a low carbon economy. They should also generate innovative proposals to the National Productivity Investment Fund and Industrial Strategy Challenge Fund.
Post-Brexit	
The government should ensure that post-Brexit, the UK matches or exceeds EU funding streams for research and innovation, such as Horizon 2020 funding for low carbon technologies, and support for regional skills and labour market interventions.	Local leaders, together with unions and employers, should make the case for more devolved, flexible and agile local growth funding through the Shared Prosperity Fund that has been proposed to replace European Structural Funds following Brexit.

5. Supporting a low-carbon economy

Regional economies are by nature each faced with different climate challenges. For example, carbon dioxide emissions per capita are more than three times greater in Tees Valley than the English average.[76] Yet the heaviest emitters in the region are also home to tens of thousands of quality, high-productivity jobs. Norfolk and Suffolk are home to struggling oil and gas industries, but the sea off the East of England also hosts 70 per cent of the UK's installed offshore wind capacity.[77]

[76] O'Brien, P. et al, *How to Deliver Great Jobs: towards a regional industrial strategy for Tees Valley*. Newcastle University, 2017.
[77] New Anglia LEP, *Transforming the Economy of the East*, 2016.

To meet our international commitments to reduce emissions and fight climate change, heavy industry and the jobs that depend on them need to change significantly as part of the low-carbon transition. Central government also needs to support renewables and make long-term investments in critical energy infrastructure.

National-level recommendations	Regional-level recommendations
Energy projects	
Central government should at least match the target of 50 per cent of energy to come from renewables by 2030. It must also urgently provide certainty around ongoing subsidy to renewables, including emerging methods of generation such as tidal energy, to encourage cost reductions and innovation. The government also needs to enable new, local business models to be tested to ensure that the value created by locally generated power is realised and shared locally. This would take the form of lower energy prices, new jobs and skills in a local economy, and improved energy security. It should also support the H21 project to feed hydrogen into the national gas grid, as part of a strategy to develop the hydrogen economy.	Regional leaders should set a target for community or locally owned energy. The planning process should give a greater emphasis to community and publicly owned energy projects with genuine local benefit. Regional public sector bodies should use public procurement and commissioning tools to support the development of the circular economy.
Just transition	
Government should confirm its formal support for the business case prepared by Teesside Collective setting out the rationale for Tees Valley to play a leading role in UK Carbon Capture and Storage (CCS) technology and industry.	Through social partnership, people affected by industrial transitions should be supported and financially compensated for through a system to support adult re-training. This should be closely coordinated with national government.

Section six

Empowering workplaces and communities

As the government drafts its White Paper on Industrial Strategy, it must be mindful of the massive regional inequalities facing the nation. The UK's economic model is failing, and the risks of Brexit and decarbonisation pose further threats to different places.

Both devolution and an ambitious industrial strategy can pave the way forward to a more equal country, where location of birth has no impact on the chances of getting a great job.

The different regions we have studied often face similar challenges: manufacturing is in a precarious position, and low productivity sectors are on the rise. The country is suffering from a chronic lack of investment, long-term skills shortages and a lack of adult retraining opportunities. Resource-poor local authorities and public service providers are struggling with the impacts of austerity and growing demand.

Different places have their own challenges, too; Liverpool City Region is home to areas of higher unemployment and persistent poverty, whilst Tees Valley's energy intensive industries have to undergo radical changes to meet our climate change commitments. Norfolk and Suffolk does not share in the prosperity of neighbouring Cambridgeshire, nor indeed London.

This is why the TUC backs an industrial strategy that is sensitive to the needs of places; one that involves social partnership at every level. We back a 'smart state': one that makes legislative changes to make sure great jobs are available across the country, but also one that enables localities to change employer attitudes through social value, procurement and commissioning. We have set out the levers needed to overcome the skills challenge facing our regions, including the enabling of adult workers to retrain without putting their livelihoods at risk. We call for investment spend to at least meet the OECD average, and for central government to create regional investment banks. Post-Brexit, EU investment funds should be further devolved, and replaced in full. And as we transition to a low-carbon economy, the government must back Carbon Capture and Storage and encourage local energy ownership.

An industrial strategy will not succeed if it fails to give working people a bigger say in the decisions that affect their lives. This means transferring power away from Whitehall, and towards people in their workplaces and their communities.

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