

Tough or tender?

*Liberal Democrat thinking on the East of
England's economy*

East of England Regional Policy Paper 2



1. Introduction

Liberal Democrats place the development of the regional economy within the context of seeking the long-term improvement in the quality of life for everyone within the East of England. So economic growth is not an end in itself but a tool towards achieving quality of life. We therefore recognise that not all economic growth is good. For example, too-rapid growth can overload local services and can create an unsustainable demand for more housing. Again, the environmental repercussions of some businesses can lead to unacceptable impacts that range from pollution to destructive demands on natural resources. A high quality environment is also a pre-requisite for a thriving economy, for leading businesses and employees with highly marketable skills are unlikely to locate to unattractive areas.

But, of course, a thriving economy is also a pre-requisite for a high quality of life. So what is the state of the regional economy?

On the surface, the East of England appears to have a buoyant and strong economy. Gross Domestic Product (GDP) is above the national average (104% of the European average), and unemployment, deprivation and poverty indices are well below the national average. Its strong economy also means it receives substantially less per capita in public funding than many other regions. A further frustration for the indicators means that the many residents in the southern part of the region who work in London are counted as part of the London economy, not the East of England, as GDP is based on work output, not where you live. The region has an ambitious growth target which will propose that the economy grows at 3.3% per annum for the next 7 years.

This masks, however, a very diverse new region. There are severe but small (by national standards) pockets of deprivation such as in Luton, Basildon and Great Yarmouth. Most people live in towns, but much of the region is rural, and in the north of the region, rural deprivation is a substantial issue. And, surprisingly for such a strong economy, the skills base of the workforce is below average. This will have a serious impact on improving performance and prosperity in the economy in future years.

2. The economy: sectors and clusters

The East of England economy is as diverse as its communities, with no one sector having a dominant role. There are economic hotspots, mainly driven by the newer knowledge economies (for example: biotechnology in Norwich, pharmaceuticals in Hertfordshire, telecommunications around Ipswich, ICT in Cambridgeshire), where clusters have been developed. (A cluster is a concentration of companies in related activities, with specialist supply chains and general service providers also developing.)

Business-led sector groups are working together to improve economic performance and to trade overseas. For the knowledge-based industries, these

trading relationships can be strong, with high levels of profitability in the early years of a company's development. But often the company is sold to an overseas buyer, and the ultimate profit goes abroad.

Other sectors that are strong or growing in certain parts of the region include: automotive, film and creative industries, bio-diversity, new print media, healthcare, food processing, financial and insurance services. We should, however, not forget the continuing importance of the retail and service sectors.

The apparent prosperity of the East of England masks a number of problems:

- (a) **The skills gap.** Many of our key sectors need highly skilled staff but there is also the need to fill low level jobs. A technician will also want to go out in the evening, buy a paper or have his/her refuse collected.

Liberal Democrats acknowledge that more must be done to ensure that there is the right mix of skills.

- (b) **The aspirations gap.** Not everyone wants to get on. Some of our young people, and some of our businesses, have low aspirations, particularly in areas which are already depressed. There is a real danger that there is a cross-generational vicious cycle of depression and low aspiration, engendering low educational attainment and a reluctance to develop into new products, services or markets.

Liberal Democrats believe that such areas need direct help to break the cycle of deprivation. Such help should include intervention in schools, better funding for the ConneXions service and better quality advice on business development.

- (c) **The infrastructure gap.** Public and private infrastructure is lagging behind growth. Roads are overcrowded, as are the trains (in some parts of the region). Schools are in the wrong place and often designed for a workforce which would leave school at 15 or 16 (and thus with small sixth forms). Broadband is available in patches, but there is a real risk that rural areas may lag behind in a world which increasingly trades and learns on the internet.

Liberal Democrats believe that the state and the region must take a lead in ensuring effective spending on hard and soft infrastructure – we cannot leave this to the whims of the market.

- (d) **The investment gap.** Xenophobes are not interested in our prosperity and anyway rely upon out of date or irrelevant information to peddle their arguments. The fact is that inward investment in the UK is now tailing off: multinationals see no reason why they should invest in a country with an exchange rate risk when they could much more safely invest in the risk free euro-zone.

Liberal Democrats believe that we must join the euro as soon as possible at a sustainable rate and must work to rebuild the cross-party coalition which wishes to invest in this country's future.

3. Trade

The East of England has the third highest level of exporting for UK regions, with over 4,500 companies exporting outside Europe, and 1,600 plus within Europe. The focus of the region is to continue to develop the abilities of the clusters to export, and to attract inward investment to those areas to further strengthen them, because clusters tend to have a faster growth in GDP than the economy as a whole.

Liberal Democrats believe that we need to improve the existing vehicles for business support, like the business links, as well as strengthening the partnerships between the private and public sectors.

We must also make it easier for our companies to access new markets: if we fail in this then other UK regions and other EU countries will take these opportunities instead of us.

Liberal Democrats believe that regional institutions should take the initiative in opening up trade opportunities with the EU accession states and other parts of the world.

4. Skills

The existing workforce is poorly qualified:

- only just over half the workforce aged 21+ have a level 3 qualification (equivalent to 2 A levels/City and Guilds crafts etc)
- over 15% of the working population have no qualifications at all, and employers report high levels of skills gaps (problems in finding people with specialist skills) and skills shortages.

If these problems are not resolved, then the economy will not be strengthened: there are few low or no skills jobs in any sector (4.5%), and employers report an increased need for higher level skills (especially degrees or equivalent – level 4). The high levels of employment (80% of the working age population in work) mean that those who tend not to be able to find work need substantial skills support to be able to enter the market, and new employees are being sought from outside the region as well as from the ageing population.

Liberal Democrats have long believed that we should fund schools and colleges adequately to ensure that young people have the best chance to receive appropriate training.

At local level it is vital that

- a) LEAs actively support their schools and tackle weaknesses before schools start to fail**
- b) businesses and schools work ever more closely together**
- c) further education colleges are accessible, both physically and electronically, and offer a full range of courses**
- d) there is a university campus in the Peterborough area.**

In addition, broadband technology must be universally available if we are really to achieve lifelong learning.

5. Sustainable Communities

Although much of the East of England is prosperous, we should note that 28% of children and 30% of our pensioners in the East of England live in poverty, and 10% of people of working age are claiming benefits. Worryingly, there is a high number of working age people in workless households (8.6%). There is also a strong correlation between these communities and poor educational attainment for those still in school, resulting in communities remaining stuck in a cycle of deprivation and low aspiration. These areas are often invisible to the wider world, and they contrast strongly with the buoyant areas.

In a number of areas highly effective programmes have been put in place to address very local issues of deprivation, but these are often of short-term benefit where the communities concerned are not involved in their planning and delivery.

Liberal Democrats believe that action to address deprivation must be based on the principle of involving and engaging people to enable them to be a major part of any regeneration programme. We reject the notion of regeneration being “imposed” by outside and unaccountable agencies.

Changes to Europe and Whitehall’s methodology for distributing funds for areas of deprivation may worsen our ability to attract public funds to tackle this deprivation, as it looks as though funding will be channelled to areas with broader deprivation (even though they already receive substantially more funding than the East of England). These funds (Single Regeneration Budget, European Social Fund and many others) are critical for targeting support to eliminate deprivation, and re-invigorate these communities.

There are further hidden pockets of deprivation within some of our minority ethnic communities, for example the high levels of unemployment in the Bangladeshi and Pakistani communities in areas such as Luton, Peterborough and Watford is masked by the low levels of unemployment in the wider community.

Liberal Democrats believe that the same, or possibly even greater, resources are required to address the problems of deprived people living in a generally affluent area as are needed for the same number of deprived people in a generally deprived area.

Given the channelling of European and national funding to those areas with higher general levels of deprivation, we recognise that additional funding will need to be sourced from within the region to deal effectively with these problems.

Liberal Democrats believe that there will need to be revision of the mechanisms for the redistribution of taxation revenues at regional levels to allow this to take place.

6. Infrastructure

Any economy has to balance the demands of its need to sustain itself financially and economically with the relevant infrastructure needs.

The East of England has particular problems with poor transport routes, especially East to West rail and road links. We accept that there will never be sufficient resources to meet all the demands for new transport infrastructure.

Liberal Democrats would give priority to infrastructure proposals that are:

- a) Essential to economic development;**
- b) Provide the most sustainable solutions (which will favour rail and public transport);**
- c) Unlikely to generate additional traffic demand.**

No investment in transport infrastructure should undermine the key objective of minimising the need to travel or the most sustainable options of walking and cycling.

A particular issue is the Government's proposal to build a second runway at Stansted. Although this would undoubtedly boost the regional economy, we oppose this development because it will add to the housing and employment pressures in an already-overheated area; put even greater pressure on over-loaded ground transport systems; and encourage the unsustainable growth of short-haul air travel that should be being met by high-speed rail.

Liberal Democrats also believe it essential for everyone in the East of England to have access to high quality Broadband communications.

This can reduce the pressure on physical transport infrastructure and is critical to the development of knowledge businesses and to the economy of the more remote areas.

This paper has been approved for debate by the East of England Regional Conference by the East of England Regional Policy Committee. If approved by conference, this paper will form the policy of the Regional Party.

We recognise that some of the policies outlined above depend for their effective implementation on changes in the national legal, financial and planning regime that would be introduced by a Liberal Democrat Government.

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Membership of the working group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in the paper.

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