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**‘How to Create Great Jobs: Towards a Regional Industrial
Strategy for Tees Valley: A Report for the Trades Union Congress
by the Centre for Urban and Regional Development Studies,
Newcastle University’**

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September 2017

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Executive Summary

- This report was commissioned by the Trades Union Congress (TUC) to gather and analyse evidence, and then propose policy recommendations, in support of the case for a new Regional Industrial Strategy for Tees Valley. The report suggests that a Tees Valley Industrial Strategy should be centred on creating and sustaining more and better-quality local jobs stimulated by the distinct locational assets of Tees Valley and to realise its potential as a major international and national industrial hub for a just transition to the low carbon economy. The report also suggests that a Tees Valley Industrial Strategy should seek to build an economy that works for all people, especially those living in communities facing the acute consequences and implications of de-industrialisation, global financial crisis, recession and austerity.
- The Government has proposed a new Industrial Strategy based on a framework that identifies a more active role for the state in developing long-term, sustainable and inclusive growth in the UK's nations, regions and localities. International evidence suggests that all governments should embrace more thoughtful, longer-term, evidenced-based strategic thinking about how public bodies, at all geographical levels, could work towards achieving desired outcomes, including improved productivity, higher levels of economic growth, and reduced social and spatial disparities.
- Building a strong geographical or place-based dimension into the new UK Industrial Strategy is essential in order to spread prosperity more evenly across the country. A more spatially-sensitive approach to industrial policy and strategy requires decentralised forms of industrial strategy, such as a Tees Valley Industrial Strategy.
- An analysis of the Tees Valley economy reveals that Tees Valley's labour market shows many of the continued impacts of de-industrialisation, including high joblessness in a low-skill and ageing workforce. Tees Valley's high CO₂ emissions per capita (at over three times the national average) presents economic and environmental challenges, but also presents a real opportunity for Tees Valley to play a leading role in supporting the UK's just transition towards a low carbon economy.

- The report sets out an analytical framework to identify the strategic dimensions, tools and actors that are expected to provide the foundations of a decentralised industrial strategy for Tees Valley. We argue that the overriding aim of creating more and better jobs in Tees Valley should see the Industrial Strategy focus on improving industrial competitiveness and building and maintaining inclusive growth. A series of tools (e.g. Carbon Capture and Storage, skills, inward investment, infrastructure, funding, etc.) are proposed, and there is a pivotal role for actors, such as local authorities, the Tees Valley Mayor, Combined Authority and trade unions. This is not to downplay or diminish the role and value of other tools and actors, but instead it recognises that the TUC and unions (nationally and regionally) will need to be smart in how they allocate their resources and capacity to influence the Tees Valley Industrial Strategy, especially as trade unions have, to date, been at the margins of the new and emergent devolved governance arrangements in Tees Valley.
- We propose 22 recommendations, underpinned by the findings, evidence and the analytical framework set out in this report, on how the over-arching aims and objectives of the Tees Valley Industrial Strategy could be realised. The recommendations, in part, support some of the policy priorities being pursued by the Tees Valley Mayor and Combined Authority, and are directed towards Government, Tees Valley's devolved governance institutions, local authorities and the TUC itself (nationally and regionally). Included in the recommendations are proposals for:
 - The Government to give 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 CCS technology and industry.
 - The Government to support the H21 project to feed hydrogen into the national gas grid, as part of a strategy to develop the hydrogen economy.
 - The Government to encourage more investment in 'waste from energy' jobs and industry.
 - The Metro Mayor and Combined Authority to explore the opportunity to develop a Tees Valley Wealth Fund to manage physical assets and generate new revenues and capital to reinvest in the Tees Valley economy.
 - The Government to fully devolve the Adult Education Budget to Tees Valley from the start of academic year 2018.

- The Government and Metro Mayor Combined Authority to develop an integrated and locally-led careers support mechanism in Tees Valley covering all age groups.

1. Introduction

1.1 This is the final report of a project undertaken by the Centre for Urban and Regional Development Studies (CURDS), Newcastle University, on behalf of the TUC, which has examined the case for developing a new 'Regional Industrial Strategy for Tees Valley'. The study is one of three pieces of research commissioned by the TUC; the other two projects are focused on the Liverpool City Region and East Anglia. In May 2017, Tees Valley was one of six city-regions in England to elect new 'Metro Mayors' to lead Combined Authorities, and each place has negotiated a series of devolved powers and resources from Government.

1.2 This study has been conducted against the background of the Government publishing a framework for a new UK Industrial Strategy, which advocates more specific and targeted public and private sector interventions to support industrial and economic development at national, regional and local levels. An Industrial Strategy Green Paper was published in January¹ and a White Paper is expected to be published around the time of the Budget later this year. One of the fundamental questions facing the Industrial Strategy is the extent to which a national strategy can be 'place-based' and is able to reflect diverse regional and local economies, and the new spatial realities of devolved governance arrangements in England. Pillar ten of the Industrial Strategy Green Paper outlines some of the institutional arrangements that the Government believes are needed to bring sectors and places together under the umbrella of the UK Industrial Strategy. Here, the Green Paper is perhaps at its most under-developed, but it presents the TUC with an opportunity to make an evidenced-based case to Government and the new Metro Mayors and Combined Authorities that trade unions have a key role to play in developing and implementing national and regional industrial strategies.

1.3 The purpose of the study has been to gather and analyse evidence, and then propose policy recommendations, in support of the TUC's case for a new Regional Industrial Strategy for Tees Valley. The Tees Valley Industrial Strategy should be centred on creating and sustaining more and better-quality jobs, drawing upon the distinct locational assets of Tees Valley in order to cement Tees Valley's position as a major international and national industrial hub for the low

¹ BEIS (2017) Building our Industrial Strategy, Department for Business, Energy and Industrial Strategy: London.

carbon economy. The brief for the project illustrated how the TUC has called on the new UK Industrial Strategy to be driven by four specific goals: addressing regional inequalities; supporting workforce empowerment; identifying a roadmap for a just transition towards sustainable industry; and encouraging new approaches to public procurement, tax policy and public investment in infrastructure and skills. The brief also emphasised the importance the TUC attaches to the Industrial Strategy tackling poverty, and building an economy that works for all people, especially those living in communities that facing the acute consequences and implications of de-industrialisation, global financial crisis, recession and austerity.

1.4 Previous studies have identified economic and industrial strategies for Tees Valley, and associated institutional arrangements.² The clear message from those who participated in our study was the importance of a building and implementing a new integrated place-based vision and strategy for Tees Valley that could address the major opportunities and challenges facing the Tees Valley economy. Emphasis was placed upon a genuine partnership, including trade unions, to work together to deliver the vision of a new Tees Valley Industrial Strategy.

1.5 The study commenced in April and the final report was completed in August. During the project, a General Election was held on 8 June and the first Tees Valley Metro Mayor election took place in May. The practical implications were that some of the initial timescales envisaged for conducting the project fieldwork had to be revised in order to accommodate these two events.

1.6 A mix of quantitative and qualitative research methods were employed in the study, which were agreed at the outset with the TUC. The methods included:

- Analysis of Office for National Statistics, Department for International Trade/UK Trade and Investment and Department for Work Pensions data to produce a social, economic and environmental baseline of Tees Valley.
- 23 semi-structured interviews with public, private and trade union actors.
- Analysis of secondary research, policy and ‘grey literature’ reports and data.
- ‘Road-testing’ emergent key issues and proposed recommendations from the study at a roundtable held at the Riverside Stadium, Middlesbrough, on 11 July.

² See, for example, www.cityevolutions.org.uk which is conducted research on the evolution and adaptation of UK city economies over time including a case study of Middlesbrough and Stockton-on-Tees.

- Final report and dissemination.

2. Putting Industrial Strategy in Context

UK Industrial Strategy

2.1 Since the 1980s, the UK has eschewed formal industrial policy and strategy. While there have been a succession of national industrial policies,³ there has been limited integration of industrial policy and strategy across Government.⁴ The new Industrial Strategy sets out a framework for a more active role for Government in developing long-term, sustainable and inclusive growth in the UK's nations, regions and localities.⁵ In adopting a more explicit interventionist approach, the Government is embracing a model that other countries have been formulating and implementing for decades.⁶ In recent months, independent research commissions have sought to provide some intellectual clarity to the UK Industrial Strategy.⁷

2.2 International evidence in relation to industrial strategy suggests that all governments should embrace more thoughtful, longer-term, evidenced-based and strategic thinking about how public bodies, at all geographical levels, could work towards desired outcomes including improved productivity, higher levels of economic growth, and reduced social and spatial disparities.⁸ Furthermore, industrial policy is by its nature necessarily geographical.⁹ International evidence demonstrates that the most effective forms of government intervention, in steering modern mixed economies towards desired outcomes, are characterised by being long-term and strategic, combining evolution and innovation, and attempts to co-ordinate and integrate

³ Michael Heseltine, Peter Mandelson and Vince Cable could lay claim to advocating some form of industrial strategy at various stages over the past 25 years.

⁴ Coyle, D. (2017) 'Theresa May's industrial strategy: what took them so long?' *The Guardian*, 24 January: London: <https://www.theguardian.com/small-business-network/2017/jan/24/theresa-may-industrial-strategy-long-overdue-decline>

⁵ BEIS (2017) *Building our Industrial Strategy Green Paper*, Department for Business, Energy and Industrial Strategy: London.

⁶ See, for example, Chang, H-J., Andreoni, A. and Leong Kuan, M. (2013) 'International industrial policy experiences and the lessons for the UK', *Future of Manufacturing Project: Evidence Paper 4*, Foresight, Government Office for Science: London.

⁷ See, for example, the Industrial Strategy Commission, sponsored by the University of Manchester and the University of Sheffield: www.industrialstrategycommission.org.uk and the ippr Commission on Economic Justice: www.ippr.org/cej

⁸ See, for example, Aiginger, K. (2014) *Industrial Policy for a Sustainable Growth Plan*, Policy Paper 13, <https://www.oecd.org/eco/Industrial-Policy-for-a-sustainable-growth-path.pdf>

⁹ Pike, A. (2017) *Industrial Strategy: a contribution to a BEIS academic roundtable*, CURDS, Newcastle University: Newcastle upon Tyne.

national economic ambitions in geographically sensitive ways.¹⁰ Building a strong geographical or place-based dimension into the new UK Industrial Strategy will be needed to help spread prosperity more evenly across the country.

2.3 A critical challenge for the UK Industrial Strategy will be to strike an appropriate balance between a focus on economic activities and/or places with the strongest shorter-term economic potential and those areas with relatively weaker prospects and/or facing structural problems. Local and regional economies, such as that of Tees Valley, should identify, harness and re-utilise industrial assets in order to develop new paths of growth, while place-based industrial strategy has to address the underlying causes and symptoms of inequality and weak productivity. International evidence also demonstrates that industrial strategies should include a focus upon generating ‘more and better jobs’ in more inclusive and sustainable models.¹¹

TUC and Industrial Strategy

2.4 In 2005, the TUC published a paper calling for a new national Industrial Strategy,¹² and it has examined evidence of international good practice in industrial policy in France, Germany, China and South Korea,¹³ with recent TUC reports calling on the Government to implement an “overarching strategy for wealth creation”.¹⁴ The TUC has identified six areas that the new UK Industrial Strategy should focus upon: investing in infrastructure; developing and utilising skills; building a worker voice to building more productive businesses; seeking maximum access to the European Single Market after the UK leaves the European Union and expanding trading relationships with other markets; securing the best return on corporate tax reliefs; and using direct government and public sector spending to support strategic industries.

2.5 During a recent interview with the ‘The Independent’, TUC General Secretary, Frances O’Grady, lamented the UK’s short-term, narrow approach to public and private investment,

¹⁰ Warwick, K. (2013) ‘Beyond Industrial Policy: Emerging Issues and New Trends’, *OECD Science, Technology and Industry Policy Papers, No. 2*, OECD Publishing: Paris. Rodrik, D. (2008) ‘Normalizing Industrial Policy’, Working Paper No.3, Commission on Growth and Development, The International Bank for Reconstruction and Development/World Bank: Washington D.C. Mazzucato, M. (2013) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*, Anthem Press: London.

¹¹ See, for example, OECD (2015) *Making Inclusive Growth Happen*, OECD: Paris.

¹² TUC (2005) *An Industrial Strategy for the United Kingdom: A TUC Discussion Paper*, Trades Union Congress: London.

¹³ Page, T. (2017) ‘Green Paper on Industrial Strategy: A good start and more to do’, *Touchstone blog*, Trades Union Congress: London, 23 January.

¹⁴ TUC (2014) *The Way of the Dragon: What can the UK learn from the rise of China and East Asia?*, Trades Union Congress: London: 60.

suggesting that “shareholder supremacy is at the very core of Britain. When half of all shares are owned by overseas investors, and by investors who only hold them for six months, then you have a problem”.¹⁵ The remedy, she said, was more investment, and better workforce training.

2.6 The TUC regards workforce engagement as a key pillar of UK and Regional Industrial Strategy.¹⁶ According to the TUC, unions, government and business need to adopt a new framework for working in partnership towards shared goals, such as improving the quality of jobs and raising overall living standards. Corporate governance reforms – such as new rules that require companies to give workers’ seats on company boards – are also identified as measures to improve the quality and long-term focus of decision making in Britain’s businesses.¹⁷

2.7 To date, unions have been largely absent from statutory corporate governance arrangements in the UK, with the exception of European Works Councils. According to the TUC, “industrial success is a collaborative process: the best companies enjoy the benefits of excellent management, engaged shareholders (or a visionary owner) and a talented, well-trained, properly paid workforce”.¹⁸ The TUC’s response to the Industrial Strategy Green Paper argued that, although the Government had identified ten pillars to encapsulate the approach to industrial strategy, there should be an additional pillar, entitled ‘workforce participation for successful industries’. In addition, the TUC has argued that what is good at the micro (i.e. firm) level should also be acceptable at the level of the wider economy (i.e. sectors). In particular, unions should be represented on any new sectoral bodies, with the suggestion that union involvement provides for better decision-making and, ultimately, increased productivity. Furthermore, an argument is made for workers and unions to be involved at an institutional level, within the devolved economic development landscape, particularly in England.

Principles of (Decentralised) Industrial Strategy

¹⁵ Pagano, M. (2017) ‘A view from the top: Frances O’Grady: General Secretary of the British Trades Union Congress’, [The Independent](#), 26 July.

¹⁶ TUC (2017) [TUC response to the UK Industrial Strategy Green Paper](#), Trades Union Congress: London.

¹⁷ On 29 August 2017, the Government published proposals for reforming corporate governance in British firms. However, the TUC has been critical at the absence in the proposals of measures to compel firms to put workers on company boards.

¹⁸ Page, T. (2017) ‘Industrial Strategy: Which sectors should we focus upon?’ [Touchstone blog](#), Trades Union Congress: London, 11 May.

2.8 In advocating a more spatially-sensitive approach to industrial policy and strategy, we have identified three fundamental principles that should shape the UK Industrial Strategy and its associated variants at regional and local levels:

- The first principle is that long-term policy and investment frameworks are needed to nurture and implement more active and interventionist roles for governments at national, local/city-regional levels – and in particular to address spatial inequalities.
- The second principle is a specific focus on generating ‘more and better jobs’ in more inclusive and sustainable development models.
- Third, is that effective (and integrated) forms of government intervention should be strategic, combining evolution and innovation, and are geographically-sensitive (i.e. are place-based).

2.9 Moving towards a genuine decentralised industrial strategy, which is the focus of this particular study, poses a series of fundamental questions to policy-makers and other actors, including trade unions. These include:

- How to make industrial strategy place-based?
- What is the role of devolved governance institutions in designing and delivering an industrial strategy?
- How can an industrial strategy achieve a balance between activities and/or places with the strongest potential and those places facing challenging circumstances?

2.10 Drawing upon these principles and questions, we developed an analytical framework (Table 1) in which to situate and examine the elements required for developing a new Industrial Strategy for Tees Valley. Given the remit of the study and also mindful of project resources and timescales, our focus centred on the strategies, tools and (certain) actors engaged in decentralised industrial strategy.

Table 1: Elements of a decentralised industrial strategy¹⁹

Elements	Description
Objectives	Tapping under-utilised potential for industrial competitiveness
Focus	More and better jobs
Strategies	Integrated development projects
Tools	Soft and hard infrastructures
Actors	Multi-level governance
Unit of analysis	Functional regions
Approach	Promoting economic development by bringing actors together and targeting local assets

Source: Adapted by O'Brien, P., Dawley, S., MacKinnon, D. and Tomaney, J. (2017) Industrial Strategy Green Paper Consultation: A submission by the Centre for Urban and Regional Development Studies, Newcastle University from Aiginger, K. (2014) 'Industrial Policy for a Sustainable Growth Plan', Policy Paper 13, <https://www.oecd.org/eco/Industrial-Policy-for-a-sustainable-growth-path.pdf>

3. An Assessment of the Tees Valley Economy

3.1 At the outset of the project, we were advised by the TUC that the purpose of the study was not to review the existing Tees Valley Strategic Economic Plan (SEP), which has recently been revised and rebadged as the 'Tees Valley Industrial Strategy'.²⁰ Instead, the intention was to produce an evidence base to support the case for a particular and distinct contribution by the TUC and its affiliate unions to the economic governance, strategy and interventions required to build and sustain a more productive, inclusive and resilient economy in Tees Valley. During the research, we were fortunate to benefit from a range of contributions from Tees Valley Combined Authority officials, who gave significant time and shared substantial amounts of intelligence, data and information with us. We think it is important to recommend that other city-regions or aspirant Mayoral Combined Authorities look to the example of Tees Valley and build and maintain executive capacity and resources (especially analytical capability), similar to that in the Tees Valley Combined Authority, in order to support the development and implementation of decentralised industrial strategies, and to provide distinct foresight and intelligence. We also think that city-regions in England should work in partnership and share information with each other in order to learn from good practice, and to consider, as the TUC has itself suggested,

¹⁹ This table summarises an emerging new paradigm on place-based industrial policy.

²⁰ TVCA (2016) Tees Valley Strategic Economic Plan: the Industrial Strategy for Tees Valley (2016-2026), Tees Valley Combined Authority: Stockton-on-Tees.

international and other UK case studies on how decentralised industrial strategy is designed and implemented.

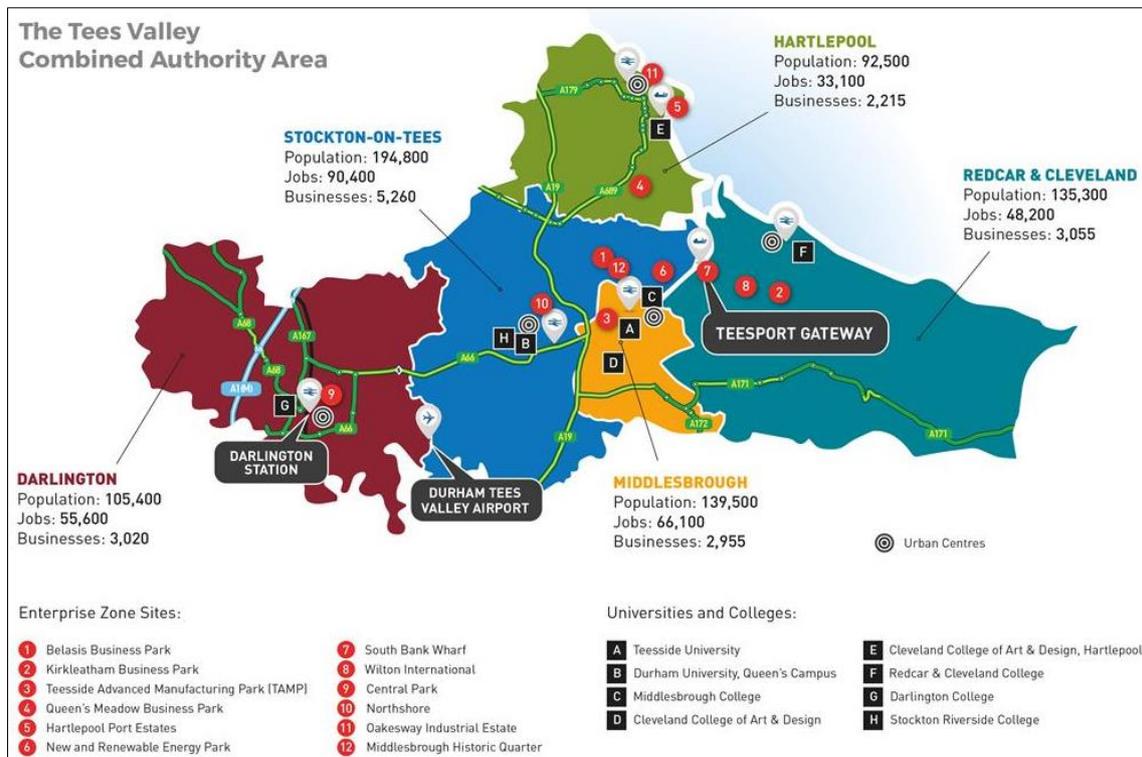
Case Study: ‘Taking Wales Forward: A devolved industrial strategy

‘Taking Wales Forward’ outlines a plan for how the Welsh Government will deliver more and better jobs through a stronger, fairer economy, improve and reform public services, and build a united, connected and sustainable Wales. The Welsh Government aims to foster the conditions needed to allow businesses to thrive and to create and retain high quality jobs in Wales. The intention is to promote manufacturing as a key sector for growth in the Welsh economy, whilst reducing burdens on business and stimulating innovation and growth, working with universities and colleges. There will be investment in infrastructure to connect people with jobs, housing and leisure. In addition, reflecting the importance of connecting more people to better quality jobs, the Welsh Government will invest in skills and training, workforce health and childcare. To build a fairer society, the Welsh Government will repeal sections of UK Trades Union legislation in devolved areas, take action on the living wage, limit the use of zero hours contracts and tackle bad employment practices.

3.2 We were asked by the TUC to undertake data analysis of the Tees Valley economy, and in particular the city-region’s labour market, in order to produce a baseline from which we could assess the strengths and weaknesses and opportunities and challenges facing Tees Valley in the short, medium and long-terms. Tees Valley is a city-region located in the north of England, comprising five local authority areas (Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees) with a combined population of 667,500, and a broad range of physical and other infrastructure assets (Figure 1). The city-region has a historical industrial base, with steel, shipbuilding, oil, gas, chemicals, process and pharmaceuticals forming the bulk of traditional industries. In recent years, digital, creative, biologics, health sciences and the low carbon economy have grown in importance.²¹ The Tees Valley Combined Authority was established in April 2016, and a new ‘Metro Mayor’ for the Tees Valley Combined Authority area, Ben Houchen (Conservative), was elected in May 2017.

²¹ TVCA (2015) Tees Valley Economic Assessment, Tees Valley Combined Authority: Stockton-on-Tees.

Figure 1: Tees Valley Combined Authority area

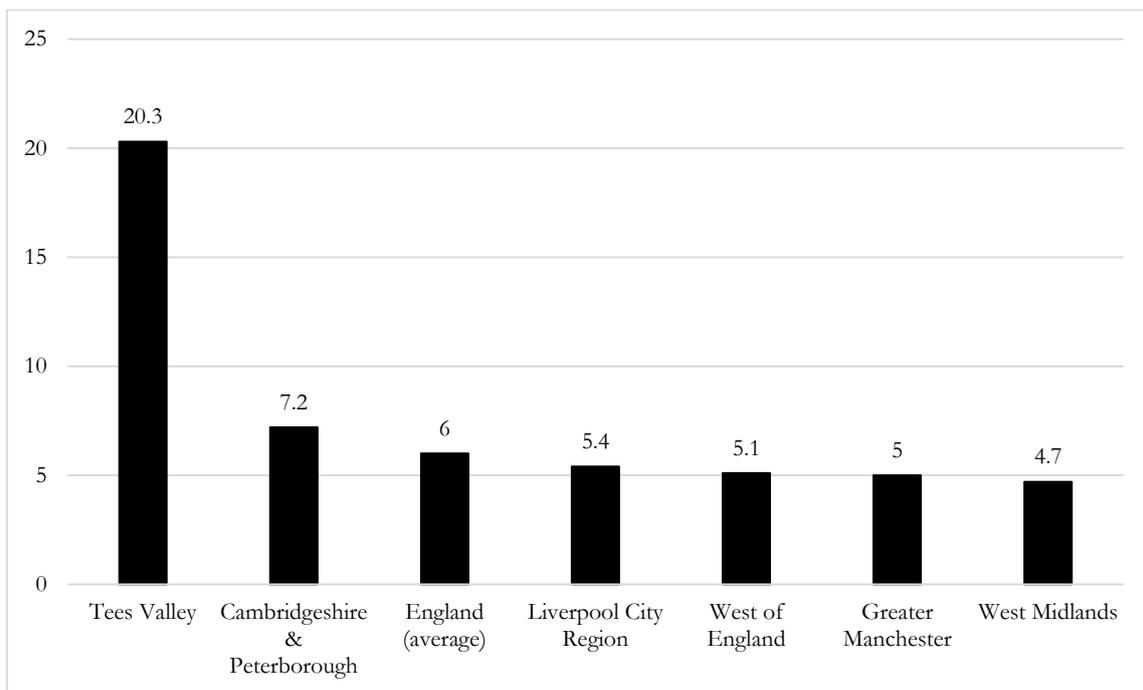


Source: TVCA (2016) Tees Valley Strategic Economic Plan: The Industrial Strategy for Tees Valley 2016-2026, Tees Valley Combined Authority: Stockton-on-Tees.

3.3 The geography of the labour market analysis used Tees Valley as the primary focus, with values expressed relative to a national comparator (more often than not this is the UK, but occasionally it has to be Great Britain, and in the case of deprivation it is England). Where readily-available, data was also collected for the Liverpool City Region to use as comparator 'Combined Authority' area (see annex 1 for the full breakdown of data analysis), and also for the North East region as a context. Some data that was readily-available was also analysed for the five local authorities that together constitute Tees Valley. Travel-to-Work Areas (TTWAs) could have been used at a sub-Tees Valley scale, but this would have involved significant additional data mining and analysis. One idea, when the project was first conceived, was to undertake some form of analysis of commuting data, but the relevant, available information only enabled an examination of the labour market areas of specific employed population sub-groups. For example, the equivalent of the TTWA for those people with high level qualifications includes not only all of Tees Valley's three TTWAs, but also parts of North Yorkshire to the south of Darlington along with large parts of County Durham (e.g. Barnard Castle – Bishop Auckland – Newton Aycliffe – Spennymoor – Peterlee).

3.4 In examining the distinct nature of the Tees Valley economy, and its future opportunities and challenges, it was important to review the industrial structure of Tees Valley, and the area’s carbon emissions. Not surprisingly, given the size and scale of industry and energy-intensive sectors in Tees Valley, CO₂ emissions per capita in Tees Valley are very high compared to the national (England) average and other Mayoral Combined Authority areas (Figure 2), suggesting that Tees Valley produces a significant percentage of CO₂ emissions on behalf of the country as a whole. If Tees Valley were able to capture and store industrial CO₂ then this would provide a major contribution to reducing total national CO₂ emissions, and would demonstrate that Tees Valley was the ideal location to help increase UK industrial competitiveness and improve environmental conditions by developing carbon capture technology and infrastructure, and in so doing create a significant number of high-quality jobs for the local economy.

Figure 2: Total CO₂ emissions per capita of Mayoral Combined Authority areas (tons)

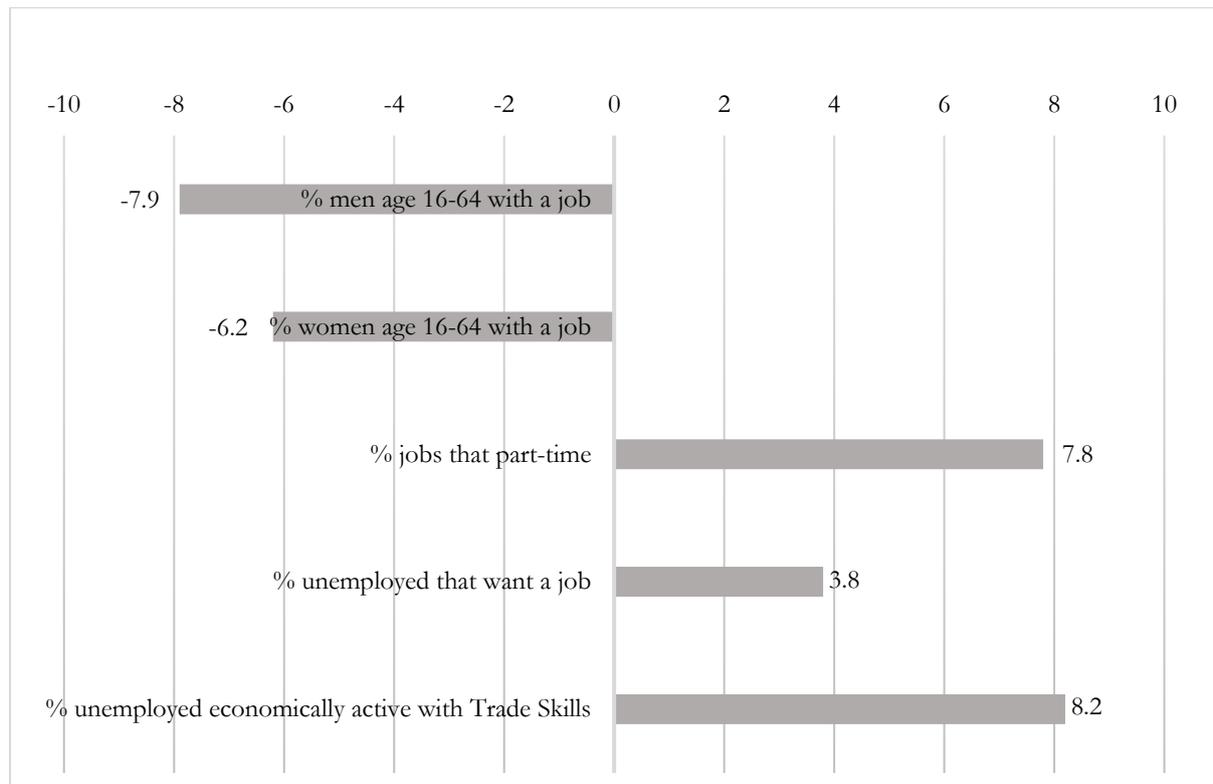


Source: Adapted from Scott, F. and Poggi, C. (2017) Greening the city regions: opportunities for new metro mayors, Green Alliance: London based on data from DECC (2016) UK local authority and regional carbon dioxide emissions national statistics 2005-2014, Department for Energy and Climate Change: London.

3.5 One strand of analysis covered as background context is ‘need’ in relation to the labour market. As anticipated, Tees Valley has levels above the national average for unemployment (both for the whole working age group and the younger age group), work-related benefit receipts and neighbourhood deprivation generally (Figure 3). Other related indicators show patterns

reflecting some of the primary drivers of poverty (especially with the current austerity programme of benefit cuts). Of those local residents who do have jobs and/or in employment, the proportion of people who work part-time is above the national average. Negative ‘multiplier’ effects of poverty at the Tees Valley scale are exacerbated by below average wage rates of those who are employed, leading to below average disposable household incomes per head. It has not been necessary to analyse change-over-time in relation to these indicators of ‘precarity’ because their relatively high levels will not have changed noticeably for over a decade or more.

Figure 3: Labour market participation 2016: Tees Valley relative to national index = 100



Source: Authors’ research based on ONS data.

3.6 Looking towards the future economy, it has been suggested that Tees Valley, like many other places, faces an above average risk of job loss from increased automation, with robotics increasing in certain sectors. However, it has not been possible to obtain accurate statistics to either verify or disprove this argument.

3.7 Turning our attention towards production, the proportion of jobs in those occupational sectors of the Tees Valley economy that are likely to pay higher rates of pay is below the national average. This partly reflects the sectoral breakdown of the local economy and low levels of labour demand. The proportion of jobs in sectors, such as mining and manufacturing, is above

average, and in the occupational structure of the employed workforce, a broad group of jobs that are often low paid (e.g. care and sales services, machine operatives and elementary work), it is notably more heavily represented in Tees Valley than in the country overall. Average productivity levels reflects these basic patterns in being significantly below the national average. Two other generalised indicators of the ‘traditional’ nature of the local economy are below average levels of self-employment and a lower number of firms per thousand working age residents.

3.8 In relation to some of the more specific concerns within the research project, a series of other labour market indicators have been reviewed and are situated within the SWOT analyses framework produced, in part, by the Tees Valley Combined Authority (see Table 2). The most obvious finding is that no factors identified as strengths are labour market factors, and each reference to the local labour market falls within the weakness category. One of these includes future speculation, which is not amenable to measurement at this stage, of the effects of Brexit, which we suggest may impact strongly on the local economy due to the increased difficulty of attracting skilled migrants to Tees Valley, because if there is the expected reduced inflow of migrants into the UK, it is plausible that Tees Valley will struggle to compete with other places that are seen as more attractive. Having said that, Tees Valley has attracted relatively few international in-migrants to date so is less vulnerable than other areas if Brexit leads to many EU citizens leaving the UK. One related fact, which is measurable, is the ‘brain drain’ created by the net outflow of highly qualified people from Tees Valley to the rest of the UK, especially those aged under 30. On other labour market issues of concern, Tees Valley is only slightly disadvantaged relative to the national average, in areas such as trends in apprenticeship numbers, and the possibility that an above average proportion of the skilled workforce is approaching retirement age. Skill-related statistics reveal an above average proportion of 16 year olds do not achieve expected levels of GCSEs, and there is an above average share of the local workforce without any formal recognised qualification, including NVQ1. Once again, there is an argument that there is little added value for conducting change-over-time analyses of these differentials as they are long-established features of the Tees Valley economy.

3.9 Foreign Direct Investment (FDI) figures for the period 2015/16 – based on information provided to us by the Department for International Trade/UK Trade and Investment – have been made analysed.²² The data shows that Tees Valley’s share of the national total of FDI

²² The 2015/16 data on FDI projects in Tees Valley is seen as an outlier, although it has not been possible to acquire further data from DIT/UKTI. In 2015/16, the SSI steel-works closure and a couple of major projects did not come

projects, and estimated jobs created, was about half the level which might have been expected based on Tees Valley's share of employed people in the country. Finally, it is worth highlighting one economic factor that is only measurable at the broader scale of the region (i.e. North East), and that is export performance. The value of exports made up a slightly higher proportion of the total from the UK than would be expected, based on the region's share of employed people in the country, although this degree of 'over-performing' has narrowed over the period 2011-16. Importantly, in relation to Brexit, the dependence on the EU as market for these exports was much higher for the North East than Great Britain overall, and was especially true for manufacturing exports.

3.10 In summary, the key messages from our assessment of the Tees Valley economy are that:

- Tees Valley's labour market shows many of the continued impacts of de-industrialisation, including high joblessness in a low-skill and ageing workforce.
- Tees Valley's high CO2 emissions presents a threat but also an opportunity for the local area to play a leading role in the UK's just transition towards a low carbon economy.
- Claimant rates for young people are double the national average (Great Britain); long-term job deficiency has led to high deprivation levels.
- Productivity is below average, and while manufacturing remains a vital source of jobs, FDI has been low in recent years.
- Tees Valley's labour force is poorly-qualified as measured by NVQs, and the net flow of out-migration is exacerbated as young, skilled people leave the area.
- In relation to Brexit, below average international in-migration rates imply a low level of concern over lost craft skills in Tees Valley, but [based on data for the North East] there is an above average dependence on the EU as an export market, especially for manufacturing.

to fruition, which may have impacted upon Tees Valley's FDI performance. The DIT/UKTI data is data that LEPs/Combined Authorities share with DIT/UKTI.

Table 2: SWOT analysis of Tees Valley ‘Economy’

Strengths	Weaknesses
<ul style="list-style-type: none"> • Major port with strong links to northern Europe, with considerable potential for expansion • Large, nationally important chemicals and processing industry • Health innovation and expertise in specialist areas • Emerging digital, creative and business service sectors • Number of centres of excellence and innovation centres in key locations • East rail hub at Darlington providing north-south connections, including Scotland • Attractive towns, countryside and coast 	<ul style="list-style-type: none"> • Ageing workforce • Poor school attainment at post-primary level • Low demand/supply of high level skills • Gaps in existing labour market specialisms • Poor perceptions of the area • Limited small business/enterprise culture • Market failure in commercial and residential property markets • High levels of deprivation, including high percentage of young people claiming benefits • Market failures in residential and commercial property markets • Variable external links, particularly by rail and east to west
Opportunities	Threats
<ul style="list-style-type: none"> • Increasing leisure and visitor market, including outdoor and cultural tourism • Increasing demand for innovation in products and services for the health sector • Increasing demand through national growth in creative, digital and business services • Economic benefits of a circular economy approach to industrial production • Economic benefits of transport investment – new stations at Darlington and Middlesbrough and Tees Crossing 	<ul style="list-style-type: none"> • International competition in the chemicals and processing industries, with lower cost base • Competition for skilled and experienced labour from other city regions in the north and south east • Long-term commitment to and costs of de-carbonising major energy use sectors • Automation and robotics reducing jobs in key industrial sectors • Other towns and cities becoming better connected and networked

Source: TVCA (2016) Tees Valley Strategic Economic Plan: The Industrial Strategy for Tees Valley 2016-2026, Tees Valley Combined Authority: Stockton-on-Tees and Authors’ research.

3.11 When benchmarking economic and labour market data against the headline strategic objectives of the Tees Valley SEP (Table 3), two issues become apparent. First, is the scale of the challenge in building a more productive, resilient and inclusive Tees Valley economy. Second, is the requirement for a Tees Valley Industrial Strategy to be driven by a long-term vision and commitment by all actors to secure more public and private investment.

Table 3: Objectives of Tees Valley SEP

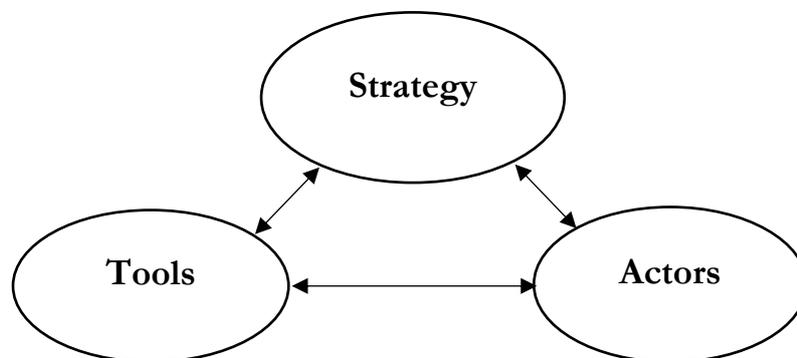
SEP Headline Impacts	Position of Tees Valley (UK = 100)
Increase business density by 10%	Business registrations (2015) –67.2%
Increase jobs density by 55%	Employment rate (2015-2016) –92.8%
Improve GVA per hour (productivity) by 30%	GVA per hour worked –89.8%
Increase population by 6%	Population growth (2011-15) –24.1%
Reduce CO ₂ emissions by 25%	CO ₂ emissions by resident +322.2%
Increase number of people with NVQ Level 4 by 20%	NVQ4 (16-64) –80.6%

Source: TVCA (2016) Tees Valley Strategic Economic Plan: The Industrial Strategy for Tees Valley 2016-2026, Tees Valley Combined Authority: Stockton-on-Tees, ONS (2017) Combined Authority Economic Indicators and Scott, F. and Poggi, C. (2017) Greening the City Regions: New Opportunities for Metro Mayors, Green Alliance: London.

4. Foundations of a Tees Valley Industrial Strategy

4.1 Reflecting baseline economic, social and environmental data analysis, the existing Tees Valley SEP, emergent UK Industrial Strategy and the objectives of the TUC study, we drilled down from our analytical framework to consider the development of a Tees Valley Industrial Strategy, with a specific focus on three key elements: strategy, tools and actors (Figure 4).

Figure 4: Three elements of a decentralised Industrial Strategy



Source: Authors' research.

4.2 Using the analytical framework as a basis for conducting quantitative and qualitative analysis, each element was considered and brought together in an attempt to identify a series of potential issues and actions that might help to develop and deliver the overriding aims and objectives of the Tees Valley Industrial Strategy. Given the remit of the study, the priority was to concentrate on certain actors, with particular attention given to local authorities, Tees Valley Mayor and Combined Authority, Government and trade unions.

Strategy

- There are two dimensions to this element. The first is a strategic focus on creating more and better jobs through tapping under-utilised potential for improving industrial competitiveness. This includes encouraging sector diversification and greater support for low carbon and ‘advanced manufacturing’ industries, which builds on Tees Valley’s distinct location, track record of reinvention and adaptation, and its ability to capitalise upon and adapt to new technologies.
- The second dimension is a long-term vision and programme of public and private investment, which recognises that narrow approaches to economic growth alone will not reduce inequality, and that more inclusive, sustainable and resilient development is shaped by broader concepts of economic, social and environmental value.

Tools

- Integrated, multi-level (including decentralised) economic development policies and actions.
- Public and private interventions and funding and financing investment mechanisms (especially in skills, physical development, economic and social infrastructure and procurement).
- Place-based marketing to build and expand FDI and trade relationships for Tees Valley to derive benefits from mature and new and emergent markets.
- Systems-based approaches that recognise the inter-dependencies between and across sectors and industries in Tees Valley and can help to strengthen resilience by adapting to change and potential external shocks.
- Public and private research, science and innovation.

Actors

- Effective and inclusive national, sub-national and local government and governance.

- Meaningful devolution alongside a long-term strategic partnership with UK Government.
- Anchor institutions (including local authorities, universities, colleges and hospitals).
- Business.
- Trade unions.
- Voluntary sector and local communities.
- Environmental sector.

4.3 Adopting these three elements would provide a sound basis for realising an over-arching vision and strategy for Tees Valley to improve and utilise untapped industrial competitiveness. In moving towards this vision and strategy, there are two inter-dependent strands to the strategic dimension that is based around the notion of ‘Industrial Competitiveness’. The first strand is to ensure a just transition to a low carbon future by supporting and remediating existing energy-intensive industries. The second is to create, through advanced manufacturing, new industries and technologies in sectors seen as critical for increasing high value employment and improving overall productivity.²³

Strategy: Improving ‘Industrial Competitiveness’

4.4 Tees Valley is a major national centre of energy intensive industry. The Tees Valley SEP references sectors that reflect the ‘industrial DNA’ of Tees Valley and the city-region’s distinct position within the UK political economy. Energy/low carbon, chemicals, processing and materials industries were identified by those we interviewed in the study as being pivotal to Tees Valley’s long-term economic future.²⁴ The presence locally of integrated facilities in chemicals, process and materials is seen as a unique source of competitive advantage.

“Important to look at the historical origins and industrial legacy of Teesside (particularly Middlesbrough), when considering the distinct/unique role of Tees Valley in building a more productive and low carbon economy. Fabrication facilities that once built ships have tuned their hands to oil/gas and now renewables. Huge market for [oil, gas and nuclear] decommissioning ageing assets and kit as well.

²³ Green, A., Sissons, P. and Lee, N. (2017) Harnessing Growth Sectors for Poverty Reduction: The Role of Policy, a report for the Public Policy Institute for Wales: Cardiff.

²⁴ Process industries have been identified as the ‘engine room’ of the Tees Valley economy because of its place at the nexus of a system of related sectors and industries.

*Firms and Tees Valley has a tradition of reinvention and looking to capitalise on new markets”
(Authors’ interview with Teesside University, June 2017).*

4.5 Resource efficiency, including converting waste into energy, part a broader shift towards a circular economy, has been identified as an industrial strength in which Tees Valley could play a leading national and international role. The drive to reduce industrial carbon emissions, and to generate more efficient and sustainable industrial processes, including embracing alternative feedstocks, has led the Tees Valley Combined Authority to prioritise building and expanding the circular economy. The ability to use existing skills, assets and technology in bio-fuels and renewable materials is highlighted as offering genuine potential, although more consistent national policy statements in relation to energy and carbon reductions is regarded as essential to maintaining private sector investment going forward.

4.6 The multi-million pound investment by SABIC in the Wilton ‘cracker’, which was supported by UK Government finance, was cited as an example of private industry having sufficient confidence to invest in Tees Valley, and building a key infrastructure asset for existing and future processes and products, as were the power plant investments made by Sembcorp. At the heart of these developments lies an innovation eco-system, which is continually striving to create and utilise new technologies. The conversion of existing or redundant infrastructure assets, such as the former Graythorpe shipyard in Hartlepool (now Able Seaton Port), where Able UK has made capital investments in order to support the decommissioning of the Shell Brent Delta platform, is seen as a sector where Tees Valley can gain a distinct competitive advantage over other places.

4.7 Other opportunities are emerging in the guise of the Hydrogen H21 project and the Sirius £2.3bn potash mine in the North York Moors, which will extract and then transport raw fertiliser material (polyhalite) to Tees Valley for processing and export. And potential renewable offshore wind investments are also materialising, with Tees Valley looking to secure investments similar to those on the Humber. In this regard, investments being made by JDR Cables in Hartlepool and Offshore Structures Britain in Stockton-on-Tees are significant for strengthening Tees Valley’s position as a major centre for the UK offshore wind industry.

4.8 Carbon capture and storage (CCS) was identified by many research interviewees as a major opportunity for Tees Valley (see Case Study below), and many actors we spoke to called

on the Government to commit to supporting and investing in an industry that would generate a large numbers of new jobs and significant investment in the local economy. Tees Valley is fortunate in that it can use its existing physical assets, which, coupled with new infrastructure, would place the city-region at the forefront of UK CCS technology and environmental sustainability. Amongst the trade union officials we spoke to, there was a strong support for a move towards a low carbon economy, as part of a decentralised industrial strategy, with the proviso that it was based on a just transition model that decarbonises industry through a genuine partnership between business, government, workers and unions. During our research, we were signposted towards a European Trade Union Confederation (ETUC)-sponsored project, which examined industrial regions and climate change policies provides evidence of how the process of a just transition can be implemented.²⁵ The project was based on analysis and findings from seven case studies of ‘industrial regions’ in Europe – Yorkshire and the Humber (UK), North Rhine-Westphalia (Germany), Asturias (Spain), Antwerp Province (Belgium), Norbotten Province (Sweden), Stara Zagora (Bulgaria) and Silesia (Poland). The study explored, in partnership with unions, the policies and actions required, at sub-national and regional levels, to support manufacturing industries and related jobs while reducing carbon emissions. Five key messages emerged on how industrial regions could build and implement a low carbon economy along the lines of the ‘just transition’ model:

- Policy planning and development should take place at the sub-national/regional level.
- Regional governance structures should ensure workers’ participation.
- The EU should help accelerate the deployment of low carbon breakthrough technologies.
- Having a skilled workforce is a major asset for regions seeking a just transition towards a low carbon economy.
- Local political, business, worker and community support for decarbonisation should be strengthened by mitigating its social impact and maximising its benefits.²⁶

4.9 We examine the SSI (Redcar) site legacy in a later section of this report. Despite the significant job losses that have taken place in the steel industry – employment fell from 32,000 in 1971 to 3,000 in 2010²⁷ – steel-making is still operating and making a profit in Tees Valley. For

²⁵ ETUC (2016) Industrial regions and climate policies: towards a just transition? European Trade Union Confederation: Brussels.

²⁶ Ibid: p7.

²⁷ E. Evenhuis (2016) ‘The Political Economy of Adaptation and Resilience in Old Industrial Regions: A

example, the British Steel Teesside Beam Mill at Lackenby and the Special Profiles site at Skinningrove.²⁸ British Steel has also acquired a stake in the Redcar Bulk Terminal, providing the company with access to potential new national and international markets.²⁹

Strategy: Inclusive Growth

4.10 The Tees Valley Industrial Strategy will need to address questions of how to create and sustain more inclusive forms of growth, while at the same time addressing the local economy's weak productivity. A wide range of evidence is beginning to demonstrate that socially and spatially unequal models of economic growth and development act as a drag on productivity improvement. International policy attention and evidence has focused upon inclusive growth as a means of generating 'more and better' jobs in more sustainable growth models.³⁰ Place-based industrial strategy has a critical role to play in contributing towards the vision, aims and development and delivery of policies designed to integrate the quantitative and qualitative dimensions of economic growth and build and sustain more inclusive forms of growth.³¹

4.11 CURDS' research has revealed that economic growth alone does not necessarily reduce inequality, and that places, such as Tees Valley, require comprehensive, integrated and, where appropriate, decentralised economic development, employment and skills and infrastructure policies. In particular, the Government has a role in creating financial incentives for local authorities to address persistent labour market exclusion through 'welfare earn back' models, which would see the financial benefits of addressing unemployment shared between localities and national policy-makers.³²

4.12 Analysis by the Inclusive Growth Analysis Unit (IGAU), University of Manchester suggests that Tees Valley lies in the bottom quartile of LEP areas for low prosperity and low

Comparative Study of South Saarland and Teesside', Unpublished PhD Thesis, Centre for Urban and Regional Development Studies, Newcastle University: Newcastle upon Tyne.

²⁸ TVCA (2017) 'Tees Valley Mayor praises British Steel during Skinningrove Visit', Tees Valley Combined Authority, Stockton-on-Tees, 18 July: <https://teesvalley-ca.gov.uk/media/tees-valley-mayor-praises-british-steel-skinningrove-visit/>

²⁹ Hughes, M. (2017) 'British Steel reveal £126 million turnaround and buy 50% stake in Redcar Bulk Terminal', Evening Gazette, 1 June.

³⁰ See, for example, OECD (2015) Making Inclusive Growth Happen, OECD: Paris.

³¹ See, for example, the work of the RSA Inclusive Growth Commission.

³² Pike, A., MacKinnon, D., Coombes, M., Champion, T., Bradley, D., Cumbers, A., Robson, L. and Wymer, C. (2016) Uneven growth: tackling city decline, Joseph Rowntree Foundation: York.

inclusion measures (Table 4).³³ Tees Valley did, however, make some of the biggest improvements in addressing inequality during the period 2010-2015.

Table 4: Economic Inclusion and Prosperity in LEP areas (2015)³⁴

Low Prosperity and Low Inclusion (LEPs in bottom quartile for prosperity and inclusion)	High Prosperity and High Inclusion LEPs in highest quartile for prosperity and inclusion)
Black Country	Thames Valley Berkshire
Liverpool City Region	Buckinghamshire Thames Valley
Tees Valley	Enterprise M3
North Eastern	Oxfordshire
Humber	Hertfordshire
Lancashire	Gloucestershire
Sheffield City Region	Cheshire and Warrington

Source: Rafferty, A., Hughes, C. and Lupton, R. (2017) Inclusive Growth (IG) Monitor 2017: Local Enterprise Partnerships, Inclusive Growth Analysis Unit, University of Manchester: Manchester.

4.13 Place-based industrial strategies should encompass the broader economy, and put productivity and quality jobs at the heart of agendas' to support inclusive growth.³⁵ In Tees Valley, one of the key priorities is to increase the breadth and depth of sector diversification. Retail, hospitality and leisure sectors are low productivity sectors of the economy – reflecting a combination of in-work productivity factors (i.e. need to improve wages, firm management and utilise new technology) and also factors of deprivation, such as low skills and exclusion. Large parts of the Tees Valley labour market are characterised by low-paid, insecure work, with the extension of zero hours contracts and informal forms of employment increasing.³⁶ While overall employment has grown, average income and livings standards have failed to keep pace with the rise in new jobs during the last decade.³⁷

4.14 The TUC's 2016-17 Campaign Plan promotes addressing the insecurity and precarious nature of employment, and its consequences for productivity, living standards, health and well-being and prosperity.³⁸ The TUC Decent Work Charter calls for a greater voice for workers on

³³ Rafferty, A., Hughes, C. and Lupton, R. (2017) Inclusive Growth (IG) Monitor 2017: Local Enterprise Partnerships, Inclusive Growth Analysis Unit, University of Manchester: Manchester.

³⁴ Analysis is based on a range of variables or indicators grouped under two themes (inclusion and prosperity). Inclusion indicators cover income, living costs and labour market inclusion (e.g. unemployment), while prosperity indicators cover output, employment and human capital.

³⁵ RSA (2017) Inclusive Growth Commission: Making our economy work for everyone, Royal Society for the encouragement of Arts, Manufacturers and Commerce: London.

³⁶ Wearmouth, R. (2014) 'Devastating' number of North East people on zero-hours contracts says TUC', The Chronicle, 15 December.

³⁷ Keiller, A. K. (2017) Living Standards, Poverty and inequality in the UK, Institute for Fiscal Studies: London.

³⁸ TUC (2016) TUC Campaign Plan 2016-17, Trades Union Congress: London.

the shop-floor and in the boardroom, decent pay, regular hours, fair treatment, healthy workplaces and learning opportunities. The Tees Valley Industrial Strategy will need to identify interventions that recognise the importance of quality work as a means of improving productivity and tackling poverty.

4.15 Complementing the focus on the ‘world of work’ are contributions that are re-thinking ‘conventional economic approaches’, based on community wealth, socially-just devolution, quality public services, investment in skills, decent work and local procurement; many elements of which have been pursued in Cleveland, USA and more recently in Preston (see Case Study).³⁹ There is also evidence from the Leeds City Region of how anchor institutions collectively spend £1.4bn on goods and services.⁴⁰ The report, sponsored by the Joseph Rowntree Foundation (JRF), argues that, by using public procurement as a means of promoting inclusive growth, a 10 per cent shift to local suppliers could boost the Leeds economy by up to £198m a year. Other measures include reviewing employment and recruitment practices and upgrading wages.

Case Study: Community wealth-building – the ‘Cleveland and Preston Models’

The concept of community wealth building is seen as a mechanism for tackling inequality and driving more inclusive growth by ensuring that place-based economic development is shared more equally amongst residents. The co-operative model has been promoted in Cleveland, USA, where worker co-operatives that supply hospitals, councils and universities have been established in order to keep profits local. Redirecting local spending for community wealth through the use of worker co-operatives has been labelled the ‘Cleveland Model’. In Preston, the city council commissioned the Centre for Local Economic Strategies (CLES), to help identify twelve large institutions anchored in Preston, including the city and the county council, the university, police and local hospital. CLES recommended redirecting the £1.2bn total annual spending of these anchor institutions to local businesses. Preston City Council has since spent an additional £4m locally, up from 14 per cent of its budget in 2012 to 28 per cent in 2016. The council is also looking to establish a local bank to provide loans to small businesses and also to become a municipal energy provider in order to develop a wider programme of generating and localising wealth for the benefit of Preston and its citizens. Other initiatives include setting up cooperative networks and encouraging students and graduates to launch their own cooperative businesses, part of a broader long-term approach to build a sustain a circular local economy and sustainable place.

³⁹ Jackson, M. and McIlroy, N. (2017) Community wealth building through anchor institutions, Centre for Local Economic Strategies: Manchester. Sheffield, H. (2017) ‘The Preston model: UK takes lessons from rust-belt Cleveland’, The Guardian, 11 April.

⁴⁰ Devins, D., Gold, J. Boak, G., Garvey R. and Willis P. (2017) Maximising the impact of local anchor institutions: the case of Leeds City Region, Joseph Rowntree Foundation: York.

4.16 In a community wealth-building model, the vision is for more places to “act locally...because economic re-localisation will be one of the inevitable impacts of the end of cheap transportation fuels”.⁴¹

4.17 An important consideration when thinking about community-based wealth is the concept of the ‘foundational economy’ and the basic infrastructure required to support everyday societal needs, including how development should move beyond overt competition, narrow repetition, non-learning, centralisation and financialisation and towards an approach that is based on profit extraction rather than long-term sustainability.⁴² These elements are said to be features of a current economic model that is failing. Instead, the requirement is said to be for place-based industrial policies and strategies that emphasise the importance of core infrastructure assets and services; an issue advocated increasingly by economists concerned with fundamental questions of spatial inequalities in the UK.⁴³

Tools: Carbon Capture and Storage (CCS)

4.18 CCS is a process where CO₂ is captured from industrial and power facilities, piped offshore and injected into rocks under the North Sea, where it is stored permanently. CCS is said to represent a unique opportunity to reduce carbon emissions by up to 90 per cent at selected plants. CCS infrastructure is expected to attract new inward investment into Tees Valley and is seen as a national strategic asset for the UK, supporting the long-term sustainability and competitiveness of industry.

“Tees Valley is very fortunate in a number of ways in relation to CCS. Firstly the geography is there and important. So it has a significant number of industries located in a very small geographical area. It has an inherent advantage, an industrial ecosystem advantage where you have multiple industrial sites linked with a lot of shared services and activities...and that lends itself extremely well to CCS. Given that CCS is the ability to share infrastructure in order to enable suitable economies of scale to reduce costs for companies” (Authors’ interview with trade association CEO, May 2017).

⁴¹ Adamson, D. and Lang, M. (2014) Towards a new settlement: a deep place approach to equitable and sustainable places, Regeneration Wales: Cardiff: p12, citing Heinberg, R. (2008) writing in a foreword in Hopkins, R. (ed.) The Transitions Handbook: From Oil Dependency to Local Resilience, Green Books: Totnes.

⁴² See, for example: Bowman, A., Froud, J., Sukhdev, J. and Williams, K. (2013) The foundational economy: rethinking industrial policy, University of Manchester: Manchester.

⁴³ In a lecture (20 July 2017) for the Centre for Cities ‘City Horizons’ series, Professor Diane Coyle indicated that, while previously calling for people-based policies, she now advocated place-based development strategies as a means of tackling spatial inequalities, which included the provision for all places to have basic infrastructure services (www.centreforcities.org/multimedia/event-catch-city-horizons-prof-diane-coyle).

Case Study: Teesside Collective and CCS

Teesside Collective (TC) is a cluster of energy-intensive industries on Tees Valley that have a shared vision to establish Tees Valley as the preferred location for future clean industrial development by creating Europe's first CCS-equipped industrial zone. TC is a unique industrial cluster, and in 2015 it published a blueprint for delivering Industrial CCS in the UK, which received widespread support from business, environmental groups, the public sector and academics. TC is pushing for regulatory and financial support from government – including the development of a clear, long-term CCS policy and viable investment mechanism. In September 2016, the Parliamentary Advisory Group on CCS, led by Lord Oxburgh looked at business models for CCS hubs. TC was keen to expand upon the Oxburgh report and examine the commercial realities of progressing CCS. This resulted in a further piece of work commissioned by TC, in October 2016, which examined the financial means of getting CCS off the ground. The findings from this study were published in February 2017, and it injected some commercial realities into the CCS project by identifying a viable business model, and outlining the financial contribution required of government and industry. The Department for Business, Energy and Industrial Strategy (BEIS) has been keen to understand the financial costs and benefits of CCS. A number of companies in Tees Valley are keen on the area pushing ahead and going 'first' on CCS. The resources needed to build the infrastructure for CCS extend far beyond the capacity of the Tees Valley Mayor's Investment Fund. However, the Mayor of Tees Valley is expected to play a strong political role lobbying UK Government for investment and making the case national support. Estimates suggest that new investment will see 1,200 jobs created during the construction phase, helping to retain 5,900 jobs whilst in operation, and enabling the UK to meet its climate change targets.

Tools: Skills

4.19 Skill-levels in Tees Valley are lower than the national average due to the limited supply of and demand for lower and middle level skills, and there are also acute challenges with foundation (or basic) skills.⁴⁴ During the course of our research, and in particular the stakeholder roundtable in Middlesbrough, participants called for improved labour market analysis and intelligence to anticipate and plan for the skills that will be needed to meet future job opportunities, and for skills to be a fundamental component of a Tees Valley Industrial Strategy.

4.20 Fragmentation in the skills 'system', both nationally and locally, has long been highlighted as a particular challenge in England, and during the research interviews we heard calls for Tees Valley to build closer integration between Higher Education (HE), Further Education (FE) and school education, with suggestions that careers advice in schools needed to be reformed (especially in sciences) and integrated with careers services in post-16 education. The Tees Valley Employment and Skills Board is identified as an important facilitating actor in this regard. The

⁴⁴ In basic skills, England is said to be the only country in the OECD where 16 to 24-year olds are 'no more literate or numerate than 55 to 64-year olds', according to a blog by Professor Andy Westwood, 'Industrial Strategy and Skills: Getting it right this time', University of Manchester (10 July).

role of Teesside University, acting as a crucial anchor institution, will also be important. As a significant employer and teaching and research institution, Teesside University is working with the Tees Valley Combined Authority and Durham University to facilitate the contribution of Teesside University to implementing the Tees Valley SEP, supported by the Local Government Association/Higher Education Funding Council for England's Leading Places programme.⁴⁵

4.21 There are particular financial challenges facing some FE institutions, with dwindling numbers of future 16-18 year old students in the pipeline, and a demographic upturn not expected for five years. This is likely to drive the demand for greater collaboration and partnership between different education actors and institutions.⁴⁶ At the same time, the FE sector in the North East (including Tees Valley) is said to have performed well over the past five years, despite the internal and external challenges facing colleges and other providers.⁴⁷

4.22 The Tees Valley Industrial Strategy will need to increase the demand for skills (particularly technical skills) and encourage more firms to train or increase their demand for higher skills. Here, trade unions can play a vital role, encouraging employers to invest more of their own resources in workforce training. This includes apprenticeships, where the new Apprenticeship Levy has been launched. There is a perception that the Levy will have surpluses, particularly in the initially phases, and our research has suggested that employers and unions are keen to see any surpluses reinvested locally, and new flexibilities also introduced for the use of the Levy, which would better-reflect the distinct nature of the Tees Valley labour market.

4.23 In order to match the opportunities and challenges of the Tees Valley labour market and economy, the Tees Valley Devolution Deal has called for the devolution of the Adult Education Budget. Local devolution of the Adult Education Budget is predicated on the increased ability of places to make the national skills system work more effectively for distinct local labour markets and economies. In Sheffield City Region, for example, the 'Skills Made Easy' project and Advanced Manufacturing Research Centre have been instrumental in helping Sheffield construct a flexible skills system that is able to match the needs of the local labour market/economy.

⁴⁵ www.local.gov.uk/topics/devolution/leading-places

⁴⁶ Tees Valley was one of the first places to undertake an FE Area Review. However, our understanding, based on research interviews and secondary data analysis, is that few, if any, of the recommendations in the Area Review final report have been implemented to date.

⁴⁷ According to a report by ippr north (2016) *Tipping the balance: Maximising the North East as a skills hub*, ippr north: Manchester, between 2005/06 and 2012/13, the North East saw the second-highest rate of growth for any English region in further education attainments at Level 2, with only London enjoying a higher rate.

These were specific tools that Sheffield City Region used, a part of a broader package, to attract world-class manufacturing investment from Boeing and McLaren. In seeking to attract national and international investment, particularly in the low carbon economy, Tees Valley will itself also need to persuade companies that the local skills system can produce sufficient quantity and quality of labour to support new and continued investment. Hence, more local control and discretion over the Adult Education Budget. Tees Valley's local skills system will need to be agile and responsive to new investment opportunities when they arise, and should be viewed as a fundamental component of business growth, innovation and investment strategies.

Tools: Infrastructure

4.24 Tees Valley has significant infrastructure assets and systems, including port facilities that provides Tees Valley with a distinct competitive advantage on account of the local area's geographical position, sites and land-holdings. Tees Valley also has an abundance of utilities (e.g. energy, water resources and waste processing)

4.25 Strategic infrastructure in Tees Valley is said to be good, but enhancements are required to local transport infrastructure. In the past month, Tees Valley Combined Authority, in partnership with the five local Councils and Highways England, has published new proposals for building better transport connections across Tees Valley. Proposals include a new Tees Crossing, alleviating pressure from the A19 Tees Viaduct, and enhanced east-west connectivity with improvements to the A66 between the A1(M) and Teesport, which includes a new Darlington Bypass.⁴⁸

4.26 The new Tees Valley Land Commission is expected to lead on large parts of infrastructure planning and development, with a particular role in identifying sites, facilitating assembly arrangements, and devising options over the use of land for employment, residential and recreational purposes. And in the South Tees area, the new Mayoral Development Corporation will be preparing a master-plan setting out plans for development and potential investment on the former SSI site and vicinity (see below).

⁴⁸ TVCA (2017) Mayor launches ambitious plans to transform road network, (11 July), Tees Valley Combined Authority: Stockton-on-Tees.

4.27 There are also limits to existing energy infrastructure capacity in Tees Valley, in terms of connectivity into the National Grid, which is critical for maintaining current output as well as the future planning of new energy power plant assets, and for maintaining energy security and supporting locally-distributed power sources. Given the scale of energy infrastructure capacity and requirements in Tees Valley, and because the area is ideally-placed to host new forms of renewable energy generation, Tees Valley should be firmly on the radar of the National Infrastructure Commission and Infrastructure Projects Authority, and in particular the forthcoming National Infrastructure Assessment (NIA),⁴⁹ which should sit alongside complementary local and regional (including Tees Valley) infrastructure plans.⁵⁰ The Combined Authority should also look to support the Core Cities Group suggestion that cities and city-regions would benefit from stronger coordination of national infrastructure regulation in order to generate greater capital investment in infrastructure.⁵¹

Tools: Funding and Financing Investment

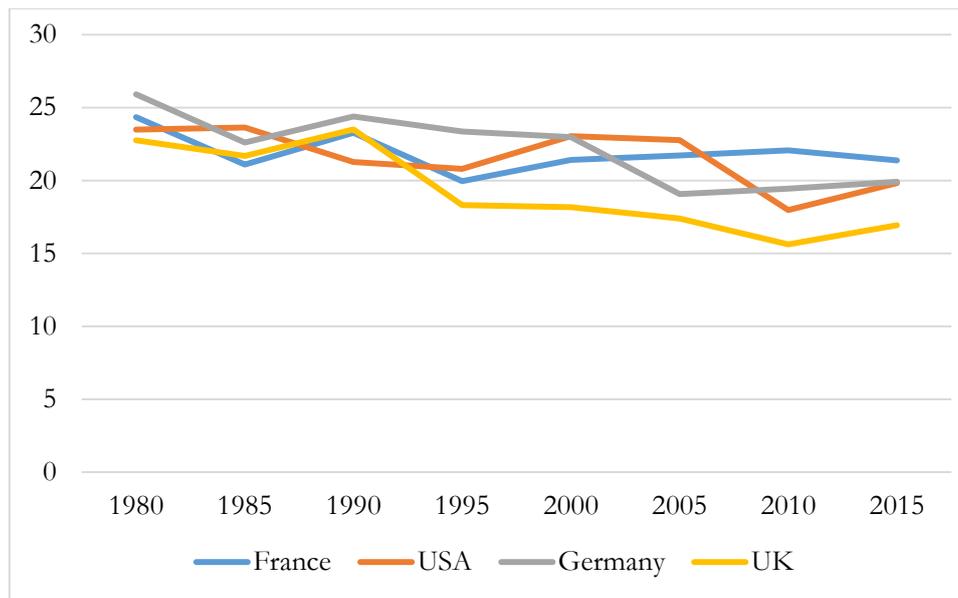
4.28 Where to source the funding and financing to support infrastructure renewal and maintenance in Tees Valley echoes the challenges faced by cities and city-regions across the world. For public authorities, such as the Tees Valley Mayoral Combined Authority, the task will be to identify a range of different public and private capital and revenue resource mechanisms that can be used to upgrade, build, operate and maintain critical infrastructure (see Table 5). This will require investment that is noticeably long-term, patient and ‘sticky’ and moves towards reversing the UK’s problem of short-term and under-investment in infrastructure (Figure 5).

⁴⁹ The National Infrastructure Commission (NIC) has been tasked by the UK Government to develop a National Infrastructure Assessment. The NIC will be responsible for identifying and recommending projects and programmes for Government and private investment.

⁵⁰ iBUILD (2015) Infrastructure Manifesto and Mid-term Review, iBUILD Infrastructure Research Centre, University of Newcastle: Newcastle upon Tyne.

⁵¹ Core Cities (2017) Invest Reform Trust: A Core Cities UK Green Paper for a Fairer, Stronger Britain, Core Cities: Manchester.

Figure 5: Gross fixed capital formation as a % of GDP (1980 – 2015)



Source: World Bank (data.worldbank.org/indicator/NE.GDI.FTOT.ZH).

Table 5: Infrastructure funding and financing mechanisms

Funding		
Public sector (tax) revenue sources	Joint public and private revenue sources	Private sector (market) revenue sources
Taxes and assessments Availability and other public sector payments Grants Land and property sales Other contributions (e.g. tax credits)	Joint development and commercial activity (e.g. asset backed vehicles) Regulated asset based	Project-generated revenues (e.g. charges, tolls, user/consumer fees) Real estate developer contributions Other commercial revenues (e.g. land sales, provision of other services to users, sponsorship) Crowdfunding
Financing		
Public	Joint public and private	Private
Pay-as-you-go: taxes, fees and grants Local/public authority reserves Government gilts National government loans (e.g. UK Public Works Loan Board) Supranational body loans and other instruments (e.g. European Investment Bank JESSICA, Project Bonds)	Equity Public sector pension funds Sovereign Wealth Funds Sovereign guarantees Public private partnerships	Pay-as-you-go: project generated and other commercial revenues Banks (e.g. debt finance, loans) Pension and insurance funds (e.g. debt finance, loans) Capital markets (e.g. municipal and special purpose vehicle bonds) Project finance Secondary markets (e.g. infrastructure funds)

Source: Adapted from Strickland, T. (2015) ‘The financialisation of infrastructure funding and financing in the UK and the US’, Unpublished PhD thesis, CURDS, Newcastle University: Newcastle upon Tyne.

4.29 Given the scale of required infrastructure investment in Tees Valley (e.g. CCS), there is a joint role for the UK Government (which can borrow capital at the lowest interest rate (Table 6)), Tees Valley Combined Authority and private investors. The UK Government can de-risk private investment by providing infrastructure guarantees.⁵² The importance of ‘indigenous’ private investment in Tees Valley (e.g. Able UK, Sabic, PD Ports and Sembcorp, etc.) has also given markets and other investors’ confidence to invest as long as there is a stable policy and market environment and there is a pipeline of projects. During our research, the private sector

⁵² As part of ‘Pillar 3’ of the UK Industrial Strategy Green Paper ‘Upgrading Infrastructure’ the UK Government confirmed that it will be extending the UK Infrastructure Guarantee Scheme until 2026. Under the Scheme, the Government guarantees debt in exchange for a guarantee fee. This provides sovereign-backed debt, thus making infrastructure projects more affordable on the back of the UK Government balance sheet.

outlined the importance of optimism, timeliness and pace (and equally action and substance) when it comes to developing and implementing investment. International firms stand ready to make investments in Tees Valley, but they are seeking a clear vision and strategy from the UK Government, in relation to industrial and energy policy, the long-term direction of the UK economy, and the UK's future relationship with the EU and wider world. Of particular concern is future access to sources of finance from EU bodies, such as the European Investment Bank, which have invested heavily in UK energy and other infrastructure in recent years (Figure 6), and amidst suggestions that the EIB has instigated a moratorium on investment in new UK projects.⁵³

Table 6: Financing costs of UK government borrowing and private finance (estimated in 2012-13) Whole of Government Accounts

Type of debt	Debt level over the year (£bn)	Financing costs in year (£bn)	Implied interest rate (%)
Government borrowing	965.5-996.2	33.2	3.3-3.4
Private finance (including finance leases)	41.4-41.9	3.1	7.4-7.5

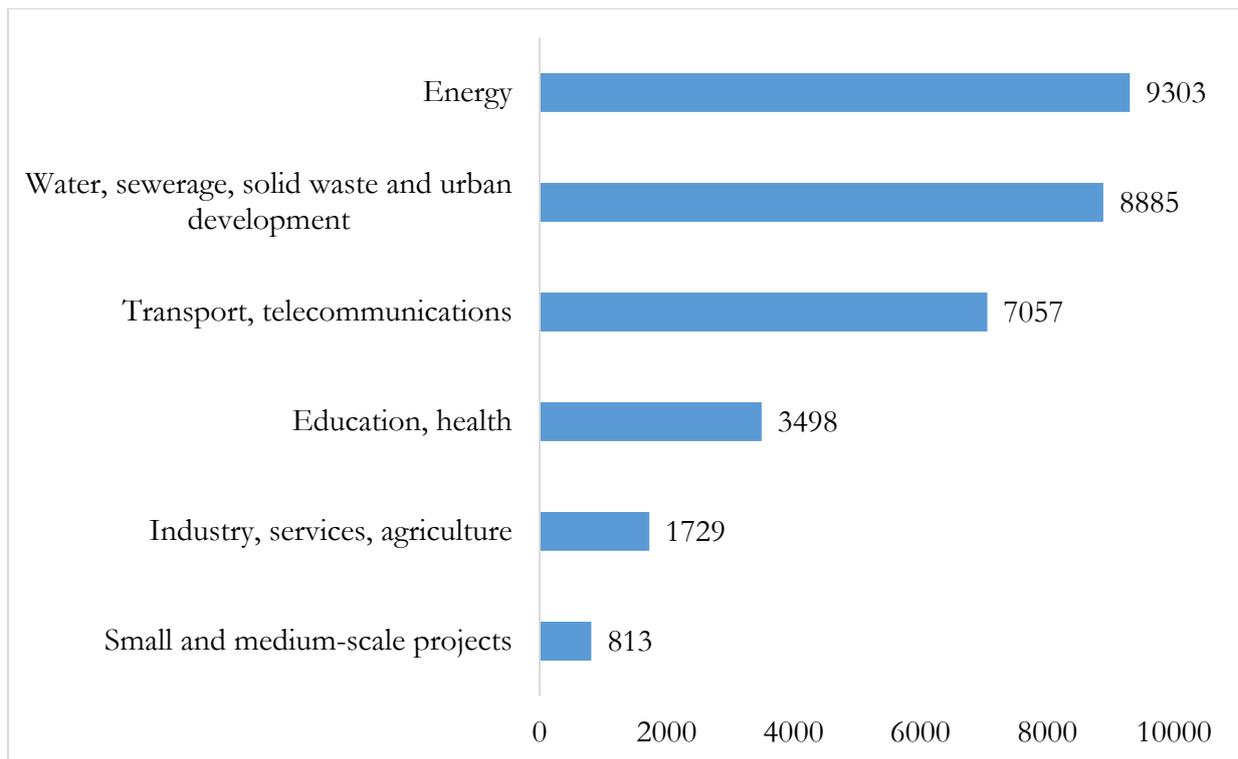
Source: NAO (2015) 'The choice of finance for capital investment', Report by the Comptroller and Auditor General, The Stationery Office: London.

4.30 In encouraging the financial sector to invest in the economy, pension and insurance investment can provide longer-term, stable forms of patient capital. The recent announcement surrounding the proposed investment by the Tees Valley Pension Fund of up to £200m of investment into the Tees Valley economy is a welcome development.⁵⁴ This investment will mitigate the existing constrained fiscal capacity (space) of Tees Valley, especially amongst its constituent local authorities (see below). In thinking about the innovative use of existing assets, local authorities, the Combined Authority and other public bodies may also want to build on the current One Public Estate programme and explore the possibility of creating a Tees Valley Wealth Fund to capture value and uplift from physical/economic assets, activity and reinvest income locally for the long-term.

⁵³ Wright, O. (2017) 'European Investment Bank cuts off cash for British building projects due to Brexit', The Times, 22 August: <https://www.thetimes.co.uk/article/brexit-eu-bank-cuts-off-cash-for-british-building-projects-s2qvc66z2>

⁵⁴ TVCA (2017) Local Pension Fund to Invest £200 Million to Boost the Tees Valley Economy, 27 July, Tees Valley Combined Authority: Stockton-on-Tees.

Figure 6: European Investment Bank lending in the UK (2012-2016) (Euro m)



Source: EIB (2017) The EIB in the United Kingdom, European Investment Bank: Luxembourg:
<http://www.eib.org/projects/regions/european-union/united-kingdom/index.htm>

Tees Valley and Brexit

Tees Valley saw, on average, across the five local authority areas, a 64 per cent vote for the UK to leave the EU. Athey's 2017 study identified places that are more vulnerable to Brexit (www.mylocaleconomy.org/brexit-potential-impacts-for-local-economies), highlighted local economies reliant on industries that are significant exporters, at risk of offshoring to the EU, deeply-embedded in international supply chains, dependent on EU migrant workers, and home to low-income communities that will be vulnerable to rising inflation resulting from tariff barriers and the depreciation of sterling against other currencies. The results suggest Tees Valley is not in the highest overall vulnerability category (top 30). Recent Centre for Cities and LSE Centre for Economic Performance research on Brexit and cities ('Brexit, trade and the economic impact on Cities') suggests that successful cities with large, high-skilled service sectors – which are mainly in the South of England – will be hit hardest by any downturn in trade after the UK leaves the EU, regardless of whether the UK faces a 'hard' or 'soft' Brexit. However, these cities will be better-placed to adapt to economic shocks than less affluent places outside the South East – despite the latter being less directly affected by Brexit. There are parallels with the Global Financial Crisis – according to the CEP technical report underpinning the Centre for Cities research, which states that, “we highlight the parallel with the financial crisis, and specifically the contrast between the immediate and long run impacts (which saw London and the South East hit hardest before recovering much more strongly than other areas of the UK). This suggests that even though the immediate negative impacts are smaller in poorer regions, households in those areas start off poorer and may experience considerably more difficulty in adjusting to those negative shocks” (p2). Analysis by the Institute for Fiscal Studies (<https://www.ifs.org.uk/publications/9562>) suggests that “uncertainties over tariffs and the exchange rate mean that UK households are potentially going to be affected by considerable and unpredictable changes in food prices, with the poorest households much more exposed to this risk than the richest households”, which would have profound implications for places such as Tees Valley. Uncertainty over Brexit would impact upon businesses, particularly manufacturers who need to take long-term planning and investment decisions. The North East (including Tees Valley) exports a higher proportion of manufactured goods to the EU than the average for the UK. This position is further compounded by the high levels of FDI attracted to the region as a potential entry point to the Single European Market. There is a need to address two issues: First, is to ensure continued access to core European markets for priority sectors, such as chemicals and advanced manufacturing; and second to develop new trading arrangements and support for Tees Valley firms in diversifying international trade activity to faster growing non-European markets. There are also questions about the supply of EU labour, in certain sectors, and research and funding issues for Teesside University and commercial research activities. Tees Valley is 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 there is a potential loss of £131m (total allocation of £170m) of direct financial support to Tees Valley. In a post-ESIF landscape (Shared Prosperity Fund, State Aids, etc.), Tees Valley will need to make the case for more devolved, flexible and agile local growth funding, and push for the 'repatriation' of powers and funding from EU to UK that follow the path of devolution.

Tools: Place Attractiveness and Inward Investment

4.31 As the UK leaves the EU, it will be essential that Tees Valley and other similar places are supported to maintain and expand trading relationships with the EU and other international markets. Our research identified strong support for a pro-active programme of marketing and promotion of Tees Valley as a means of overcoming negative perceptions about the area and

highlighting the distinct locational assets and benefits to national and international firms and individuals from investing in the local economy:

“Tees Valley has to invest more in FDI attraction and support. We need to use leverage in whatever way possible to attract investment to Tees Valley. There have been a number of examples where Tees Valley’s physical assets and location has been critical to attracting new investment (e.g. the Mobi Project on the SSI site, which was launched at Teesside University in May 2017) (Authors’ interview with business membership body CEO, June 2017).

4.32 Further investment in FDI promotion and attraction, alongside policies and strategies to strengthen indigenous business and enterprise, given the patterns of reinvestment by firms already based in Tees Valley, was said by those we interviewed to form part of a broader approach around generational expectations and aspirations and an appeal to potential talent. At the heart of the programme should be strong and effective joint working between the Tees Valley Combined Authority and DIT/UKTI, especially around sourcing and identifying leads and sharing intelligence and information, and ensuring that Tees Valley is a part of the proposed DIT/UKTI ‘Northern Powerhouse FDI Strategy. Equally, there should be a ‘collective’ approach to inward investment and promotion, which uses the skills and attributes of different actors and institutions, including national and local political institutions, business, HE and FE sectors and trade unions, which was pivotal in securing the Hitachi investment in Newton Aycliffe, County Durham:

“Tees Valley doesn’t have a high profile both nationally and internationally. There needs to be a greater degree of coordination. That is where I see the creation of the Mayoral Development Corporation and the success of the Combined Authority, that issue of strategic coordination. Investors need access to particular assets, such as land, electricity supply, a skilled workforce, innovation & research...so it’s about recognising the bespoke needs of inward investor and being able to put a package together for them” (Authors’ interview with company CEO, April 2017).

Tools: Anticipating, Avoiding and Mitigating Industrial Shocks

4.33 Following the closure of the SSI steel-works in Redcar, and previous economic shocks, resulting in attempted efforts to deal with the consequences of de-industrialisation, we thought it important to consider what lessons, if any, could be learned from industrial taskforces and

institutional interventions. This is of further importance given that responding to industrial shocks is an element of an active industrial strategy. It is beyond the scope of this project to outline in detail the circumstances and events leading up to and during the closure of the SSI site, but nevertheless some of the experiences relayed to us during the research interviews were of such breadth and depth that it should be incumbent upon policy-makers and decision-makers to capture, analyse and identify how to anticipate and manage the potential consequences of plant closure. In particular, the role of union officials and lay representatives at SSI should not be under-played, in identifying issues, working with management, convening mechanisms and helping workers adapt to change, which is a source of strength for the trade union movement and Tees Valley. Union involvement and engagement in labour market tracking/support and site legacy proposals has been critical, as the search for catalytic development (dependent on cost of decontamination and sourcing new industrial usages), is sought and responsibility passes to the new Mayoral Development Corporation. In the aftermath of plant closures, there could also be lessons to learn from similar examples in Rotherham, Llanwern, Hallside and the Ruhr (Bochum).

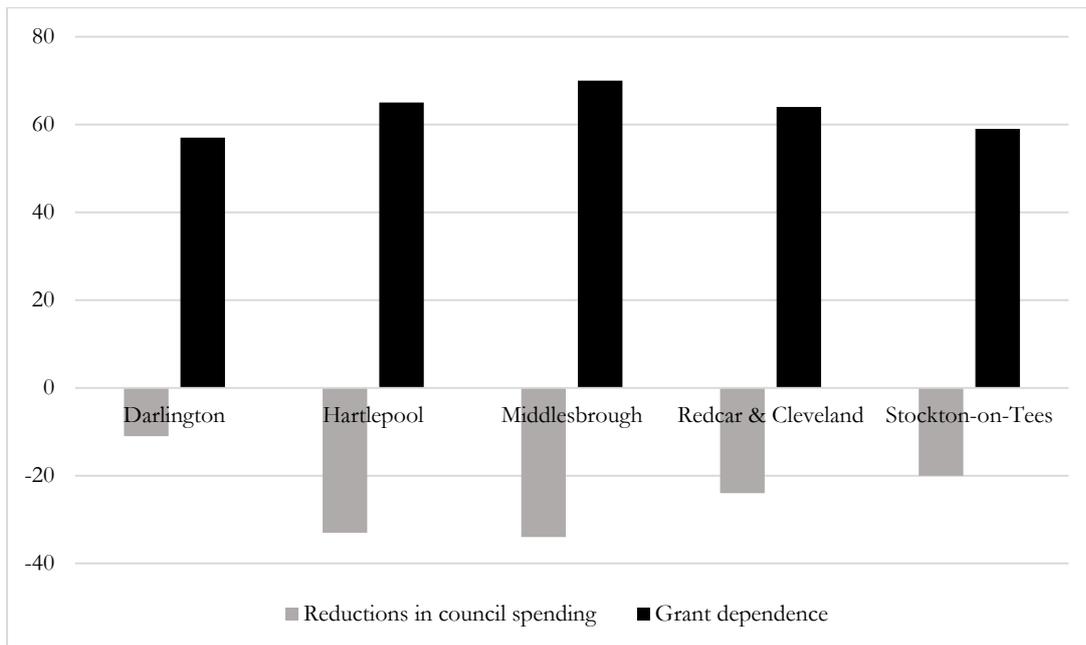
4.34 Having the ability to gather and marshal intelligence and resources locally on the ground, and Government, working with devolved institutions, such as the Tees Valley Combined Authority, and the private sector and unions, will be critical to anticipating and dealing with rapid technological and market changes in certain sectors. The steps being taken by the Combined Authority to strengthen the Authority's analytical capacity are important, and should complement activity to improve foresight, analysis and intelligence in support of Tees Valley's ability to predict, plan and manage potential industrial shocks in the future. In considering this report, the TUC may wish to (re)make the case to the UK Government, as part of a national Industrial Strategy, for certain strategic industries, such as steel, to be supported more actively so that products and processes can be put to greater use for the benefit of national and local economies.

Actors: Local Authorities

4.35 The five local authorities in Tees Valley (Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees) are some of the smallest unitary local authorities in the country. However, like most authorities, Tees Valley's councils have faced austerity since 2010 (Figure 7), resulting in significant reductions in capacity and programmes, policies, public

services and employment (e.g. redundancies, public sector wage freezes and/or reductions and pension reforms). At the same time, demand and pressures on services, such as adult social care, has increased, and yet local authorities remain vital anchor institutions, leading by example in the public sector in the fairness at work and public procurement agendas. Nationally, excluding grants for education, police and fire services, local authority revenues in England in 2009-10 were £59 billion. In 2016-17 council revenues were £44 billion or 26 per cent lower.⁵⁵

Figure 7: Real-terms % change in local government service spending against % of grant income between 2009/10 – 2016/17



Source: IFS (2016) Council-level figures on spending cuts and business rates income, Institute of Fiscal Studies: London.

4.36 The UK has a highly centralised system of taxation and expenditure in an international context (Table 7). UK local authorities have traditionally relied heavily upon inter-governmental transfers rather than local fiscal autonomy. However, the Government has changed the nature of funding for local authorities in England, in order to provide ‘incentives’ for local growth. This has created financial opportunities for some local authorities, but has also increased financial risks and uncertainty for others. The move towards Business Rates Retention, which has been the centre-piece of the Government’s efforts to decentralise local government funding in England, has seen the introduction of a 50 per cent retention scheme and plans were earmarked

⁵⁵ IFS (2016) A time of revolution: British local government finance in the 2010s, Institute for Fiscal Studies: London.

for 100 per cent retention. However, in the run-up to the May 2017 General Election, the Finance Bill, which was being taken through Parliament, and would have provided the statutory mechanism for 100 per cent retention was dropped. The Government has since come forward with new proposals to run new pilot schemes amongst councils of 100 per cent retention. Tees Valley will need to consider carefully its response to this initiative given that the Government has also announced the end of the national Revenue Support Grant to local authorities.

Table 7: Tax Set at Each Level of Government as a Percentage of GDP (2011)

	Local Government	State/Regional Government	Local + State/Regional	Central Government	Social Security	Total
Canada	3.1	12.2	15.3	12.8	2.9	31.0
France	5.8	0	5.8	14.4	23.9	44.2
Germany	3.0	7.9	10.9	11.8	14.3	37.1
Italy	6.8	0	6.3	22.6	13.4	42.9
Spain	3.0	7.3	10.8	9.5	11.7	31.6
Sweden	15.9	0	15.9	22.8	5.6	44.5
United Kingdom	1.7	0	1.7	26.9	6.7	35.5
United States	3.9	5.2	9.1	10.3	5.7	25.1
OECD (2010)	3.9	5.0	8.9	20.2	8.3	33.8

Source: OECD Revenue Statistics Comparative tables, <http://tinyurl.com/revenuestatistics>

4.37 Whatever model of Business Rate Retention scheme emerges, for Tees Valley’s local authorities it will be important that some form of fiscal transfer and equalisation mechanism continues, given the limited fiscal space that exists within Tees Valley councils. For examples, the largest local authority, Darlington, has estimated Business Rate returns of £79.4 million in 2017-18, and together with the four other authorities in Tees Valley generates only 13 per cent of the annual Business Rate revenue of one individual London Borough (Westminster).⁵⁶

4.38 Financial pressures are driving greater collaboration between local authorities, and in Tees Valley such collaborations have been a feature of the governance of local and regional economic development landscape for the past twenty years. Tees Valley local authorities have provided a ‘model’ of joint-working and partnership, and have invested time and resources into building shared strategic capacity.

⁵⁶ Based on NNDR forecasts and estimates for 2017-18.

4.39 Like Greater Manchester, albeit on a smaller scale, Tees Valley is seen as something of a ‘flagship’ for decentralisation in England, outside London. While devolution is an important tool for economic development and industrial strategy, national government retains an important role, and multi-level working between Government, devolved and local authorities remains essential. The Tees Valley Industrial Strategy should be a local initiative, but Tees Valley will remain dependent upon international and national investment and reliant upon working with Government and the private sector when it comes making investments in Tees Valley as Tees Valley cannot fund everything locally even if it achieved full devolution. As the Core Cities (2017) suggests, “place-based policy doesn’t mean just devolving everything to the city authority. That might be the right answer, in other cases policy should be national, or a combination of the two. It does however mean deciding objectively what the right level and scale is to deliver what’s in the best interests of that place”.⁵⁷

4.40 This means that Tees Valley will have to consider how best to influence national policy from a source of strength, and identify the material national policy issues that it needs to see changing in order to enable effective local devolution and agency:

“Biggest challenge is for Tees Valley to punch above its weight. It is such a small economic area, and there is a potential difficulty of getting five Labour local authority leaders to work effectively with a Conservative Metro Mayor. Tees Valley is competing against Greater Manchester and the West Midlands so it needs to work effectively together and use its devolved powers” (Authors’ interview with business membership body CEO, June 2017).

4.41 Asymmetric devolved powers and responsibilities are a feature of the Mayoral Combined Authority Deals (Table 8). Our research suggests that there is a broad acceptance that different places require different powers and arrangements, and that is seen as the underpinning concept of devolution. For example, given the SSI site closure, the emergence of a new Mayoral Development Corporation is regarded as vital component of the Tees Valley Industrial Strategy (see Case Study). In addition, importance is also attached to the ‘softer powers’ that the Tees Valley Metro Mayor and Combined Authority could deploy, with the recent announcement by

⁵⁷ Core Cities (2017) Invest Reform Trust: A Core Cities UK Green Paper for a Fairer, Stronger Britain, Core Cities: Manchester; p8.

the Tees Valley Pension Fund of £200 million of investment in Tees Valley seen as an illustration of the ability of new institutions to enable change and development outside the boundaries of formal devolved arrangements.

“The motivations for Tees Valley pushing for a Mayoral Devolution Deal lay in a desire within the area to move away from a situation where Tees Valley was dependent on decisions being made in central government. Devolution gives Tees Valley the opportunity for strategies to be locally-led. England is a very centralised country. We continually have to go cap in hand to government. These are modest devolutionary steps. The government holds many of the levers. If we can do more things ourselves then we can move away from a short-term approach. That doesn’t help to make transformational change. We need long-term programmes” (Authors’ interview with official, Tees Valley Combined Authority, May 2017).

4.42 Research elsewhere by University College London and CURDS has suggested that there are six ‘tests’ for the new Metro Mayors against which performance will be assessed, which includes: achieving inclusive and equitable growth; unlocking policy problems; higher voter turnouts; improvements on other forms of sub-national governance; and avoiding the over-concentration of power.⁵⁸

Case Study: South Tees Development Corporation

The concept of a Mayoral Development Corporation (MDC) for Tees Valley, following the collapse of the SSI steelworks, in 2015, was a key proposal in the Tees Valley Devolution Deal. The intention to create a development corporation in the South Tees area was part of the long-term response to the closure of the SSI plant, to drive forward growth and investment, create jobs and support local communities. As part of the process to establish the Corporation, the Combined Authority undertook a statutory consultation. Overall, responses to the consultation were positive and in agreement with the proposals. On 9 June 2017, the new Tees Valley Mayor designated the South Tees area as a MDC area and submitted a formal request to the Secretary of State to establish the STDC. Tees Valley is the first area outside London to benefit from these powers. Due to start its work in August, STDC, chaired by the Tees Valley Mayor, will unveil a regeneration master plan for 4,500 acres in September, and it will have statutory powers over seven square miles, including the former SSI site and access to Teesport. The site provides an environment for industrial use, with land available for new investment in the process and energy sectors. STDC will also have specific planning and compulsory purchasing powers and will have flexibility to attract new investment and business (utilising planning and tax incentives). The MDC will be able to retain any income that is generated from the site, under the auspices of the Mayoral Combined Authority.

⁵⁸ Tomaney, J., Pike, A., O’Brien, P. and Jenkins, M. (2017) ‘Metro Mayors: claims and evidence’, paper submitted to Political Quarterly, Bartlett School of Planning, University College London, CURDS, Newcastle University.

Table 8: Funding, powers and responsibilities in Mayoral Devolution Deals

	C&P	GM	LCR	TV	WM	WoE
30-year investment fund	£600m	£900m	£900	£450m	£1.1bn	£900m
Education & skills	Apprenticeship Grant for Employers. Adult Education Budget. Post-16 FE system.	Apprenticeship Grant for Employers. Adult Education Budget. Post-16 FE system.	Apprenticeship Grant for Employers. Adult Education Budget. Post-16 FE system.	Adult Education Budget.	Adult Education Budget.	Apprenticeship Grant for Employers. Adult Education Budget. Post-16 FE system.
Housing & planning	£170m affordable housing grant. Strategic planning. Mayoral Development Corporations.	£30m a year Housing Investment Fund. Strategic Planning. Land Commission. Mayoral Development Corporations.	Strategic planning. Compulsory purchasing powers. Mayoral Development Corporations. Control of Key Route Network.	Mayoral Development Corporations.	Compulsory purchasing powers	Strategic planning. Compulsory purchasing powers. Mayoral Development Corporations.
Transport	Consolidated transport budget. Local roads network. Bus franchising. Smart ticketing.	Consolidated transport budget. Local roads network. Bus franchising. Smart ticketing.	Consolidated transport budget. Local roads network. Bus franchising. Smart ticketing.	Consolidated transport budget.	Consolidated transport budget. Local roads network. Bus franchising. Smart ticketing.	Consolidated transport budget. Local roads network. Bus franchising. Smart ticketing.
Health & social care	Planning for health and social care integration.	Control of £6bn integrated health and social care budget.	Planning for health and social care integration.			

Source: Adapted from Centre for Cities (2017) [Everything you need to know about Metro Mayors: An FAQ](#), Centre for Cities London.

Actors: UK Government

4.43 Clearly the UK Government retains a particular interest and significant role in supporting the development and implementation of a Tees Valley Industrial Strategy, not least because of the locational advantages and position of Tees Valley within the UK political economy, but also because of the fiscal capacity of national government to intervene and support Tees Valley in creating a more productive, inclusive and sustainable economy. At the roundtable in Middlesbrough, we were given a very clear message by stakeholders that, even if Tees Valley were to be given significant new devolved powers and resources, it would still require the Government to underwrite or make direct investments to support the ambitions within the Tees Valley Industrial Strategy, on account of the scale of the opportunities and challenges facing the local economy. Partnership with Government will be important going forward.

4.44 Attention is turning to how the UK Government is approaching Brexit negotiations and the forthcoming Industrial Strategy White Paper, with an expectation that the Government will impart a place-sensitive approach to both issues, and will utilise the new and emergent decentralised and devolved institutional arrangements in England, including the Tees Valley Metro Mayor and Combined Authority.⁵⁹ For Tees Valley, a key tactic will be to make evidence-based pitches to Government about the role of Tees Valley in UK Industrial Strategy, and what the UK Strategy should look like in Tees Valley.

Actors: Trade Unions

4.45 Trade unions are part of the traditional, economic and industrial ‘fabric’ of Tees Valley and the North East of England, and have in the past played strategic and ‘delivery’ roles in industrial policy and strategy at a regional level, albeit to varying degrees and at various times.⁶⁰

“We have developed relationships with employers. But there is an education process that we can get involved in. There has to be a central role for trade unions [in industrial strategy]. We want people to have good, sustainable employment. Successful companies are good for unions and members” (Authors’ interview with trade union official, April 2017).

⁵⁹ A British Academy study has suggested that national policy is largely ‘place-blind’ treating everywhere as if it were the same and imposing blanket solutions, top down (British Academy (2016) Where We Live: <http://www.britac.ac.uk/where-we-live-now>

⁶⁰ O’Brien, P. (2005) ‘Devolution, Regionalisation and the Trades Union Congress (TUC)’, Unpublished PhD Thesis, Centre for Urban and Regional Development Studies (CURDS), Newcastle University.

4.46 Since 2010, no formal vehicles have existed for automatic union engagement and voice in local and regional development institutions. Unions have had to find ways of working with LEPs and Combined Authorities in the absence of national guidance and statutory regulation, and with the advent of Metro Mayors existing relationships will have to be deepened and new relationships formed, across the political spectrum. The case studies below illustrate how unions and Regional TUCs are working with the new Metro Mayors and Combined Authorities in the Liverpool City Region, Greater Manchester and West Midlands. While these arrangements will reflect, to some degree, the nature of the individual devolution arrangements in these city-regions, they also demonstrate how Metro Mayors and Combined Authorities value the contribution and support of unions and the TUC in economic and industrial policy and strategy. We would encourage the Tees Valley Metro Mayor and Combined Authority to work with unions and the Northern TUC to identify mechanisms by which the trade unions can support the development and implementation of a Tees Valley Industrial Strategy.

4.47 The TUC has been pushing centrally-promoted guidance on union engagement with future devolution deals through a framework for action. However, the Government is reluctant to adopt a central guide that champions social partnership approach to devolution, arguing that deals should come from the ‘bottom-up’. The TUC is, though, continuing to use the framework for action as a model for engagement at the regional level, and it has three strands:

- Public service workforce partnership councils bringing together employers, councillors and unions in order to protect employment standards and to promote workforce voice, including recognition and collective bargaining at the appropriate level.
- Civil society partnerships bringing NGOs, voluntary and community groups, unions, businesses, academia and others together to set out the key outcomes that devolution will deliver for the devolved region, including equality, anti-poverty, decent jobs, strong public services and tackling exclusion.
- A commissioning and procurement framework that promotes new models of public service delivery, including in-house services and public to public partnerships.

“The Combined Authority allows us to have more of a direct dialogue with the unions and discuss issues such as inclusive and sustainable growth. The unions have a role in shouting about really large projects and

companies that we want to bring to Tees Valley. There needs to be more advocacy from the unions” (Authors’ interview with official, Tees Valley Combined Authority, May 2017).

Case Study: Trade union engagement with Mayoral Combined Authorities (Liverpool City Region)

Liverpool City Region Metro Mayor’s manifesto made a range of commitments relating to union representation and civic engagement, including: formally involving unions, businesses, academics, voluntary and community organisations in the Combined Authority’s governance structure. The Mayor is establishing a ‘City Region Fair Employment Charter’, focusing on issues including paying the Real Living Wage, minimising the use of zero-hours contracts, recognising and working with unions, procuring locally, engaging with the social economy, quality apprenticeships, investing in their workforce and promoting gender equality. On equalities, a ‘Fairness and Social Justice Advisory Board’ is being tasked with reviewing all mayoral and Combined Authority policy and practice. The Board will also give a voice to all disadvantaged and marginalised groups and bring together representatives from the social economy, faith and community groups, large and small businesses, and young people.

Case Study: Trade union engagement with Mayoral Combined Authorities (Greater Manchester)

In Greater Manchester, the Workforce Engagement Board and (health and social care- specific) Workforce Engagement Forum, established by the Protocol for Working on Joint Workforce Matters in 2015, have held quarterly meetings since January 2016. The TUC’s North West Public Services Committee has agreed that unions will rotate participation in these meetings according to each agenda. Other priorities include: Continuity of service: exploring how to extend continuous service provisions for voluntary staff movement across local government and health and social care in Greater Manchester. Social Value/Public Capital Outcomes: as part of the ‘inclusive growth agenda’, generating social value/public capital outcomes from GM controlled or influenced spend rather than seeing GM success as being measured simply as economic growth in GVA terms.

Case Study: Trade union engagement with Mayoral Combined Authorities (West Midlands)

In a unique arrangement, the West Midlands Combined Authority (WMCA) board has approved a co-opted observer seat for the Midlands TUC. This governance structure was endorsed by the new metro mayor at the Combined Authority’s AGM in June 2017. Initial board meetings have taken place, and unions also have seats on each of the Authority’s Commissions. The Midlands TUC will be working closely with the WMCA and unions on issues covered by the region’s devolution agreement, including the adult education budget. The Regional TUC has also submitted evidence to the Authority’s Productivity and Skills Commission.

4.48 The TUC and unions long-promoted active industrial policy, drawing upon evidence of ‘what works’ in other (high productive) advanced economies. Unions are able to encourage aspiration and the career progression of their members and workers. Whether it is promoting a just transition to a low carbon economy, encouraging greater fairness at work, skills development or workplace health and well-being, unions are ideally-placed to work with institutions, such as

the Tees Valley Metro Mayor and Combined Authority, to develop and implement an industrial strategy that can generate increased productivity and prosperity for all individuals and communities in Tees Valley.

5. Conclusions and Recommendations

5.1 Based on our analysis and findings, and drawing upon insights and information from a wide range of stakeholders, we propose a series of recommendations to support the development and implementation of a Tees Valley Industrial Strategy, and facilitate a distinct role for the TUC and its affiliate trade unions within Tees Valley's new and emergent devolved governance institutions. The list is not exhaustive and the TUC should use the recommendations as a starting point for constructing and sustaining an effective trade union role in supporting a new and emergent Industrial Strategy in Tees Valley, and by extension the UK. We have used the analytical framework employed during the course of the project to organise the recommendations around strategy, tools and actors.

Strategy

- i. As part of the UK Industrial Strategy, the Government should invite Tees Valley to negotiate a 'New Industrial Deal' with Government to cement Tees Valley's position at the centre of a just transition to a low carbon economy in the UK and as a means of improving the industrial competitiveness of the Tees Valley economy.
- ii. The Tees Valley Industrial Strategy should embrace 'Inclusive Growth' as a fundamental pillar for building a more productive, equitable and sustainable Tees Valley economy.

Tools

- iii. As part of the development of the UK Industrial Strategy and Tees Valley Industrial Strategy, the Government should confirm, by the forthcoming Budget, 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 CCS technology and industry.
- iv. As part of a move towards a just transition to a low carbon economy, the Government should support the H21 project to feed hydrogen into the national gas grid, as part of a strategy to develop the hydrogen economy.
- v. The Government should examine if any national regulatory or fiscal measures could accelerate the development of the circular economy in Tees Valley, and in particular encourage more investment in 'waste from energy' jobs and industry.

- vi. Local authorities, Tees Valley Mayor and Combined Authority should adopt a campaign to encourage public sector bodies to use public procurement and social value to support the further development of the circular economy in Tees Valley.
- vii. The Tees Valley Mayor, Combined Authority and local authorities should adopt a broad alliance, involving the Northern TUC, to drive forward the national and international promotion of Tees Valley as place to invest, live and work.
- viii. Tees Valley Combined Authority should co-ordinate the preparation of innovative proposals from the Combined Authority, universities and business to the National Productivity Investment Fund and Industrial Strategy Challenge Fund, particularly in support of low carbon demonstrator projects.
- ix. Tees Valley Combined Authority should prepare a formal submission to the National Infrastructure Commission making the case for the first National Infrastructure Assessment to recognise the need for infrastructure investment in Tees Valley to support the just transition to a low carbon economy.
- x. The Metro Mayor, Combined Authority and Government should prepare a business case seeking Government finance guarantees to de-risk and lower the cost of capital investment in Tees Valley's critical infrastructure.
- xi. The Metro Mayor and Combined Authority should proactively look to secure further pension, and potential insurance, sovereign and private placement investment in Tees Valley's infrastructure.
- xii. In the short term, and to help support inward investment, the Government should extend Tees Valley's existing Enterprise Zone incentives out to 2021.
- xiii. The Metro Mayor and Combined Authority should explore the opportunity to develop a Tees Valley Wealth Fund to manage physical assets and generate new revenues and capital to reinvest in the Tees Valley economy.
- xiv. The Metro Mayor and Combined Authority should work with Government to deliver a new programme of investment in Tees Valley's schools.
- xv. The Government should fully devolve the Adult Education Budget to Tees Valley from the start of academic year 2018, with maximum flexibility and sufficient funding to enable Tees Valley to build a more productive, inclusive and sustainable economy.
- xvi. The Government and Metro Mayor Combined Authority should develop an integrated and locally-led careers support mechanism in Tees Valley covering all age groups.

Actors

- xvii. Given the pivotal role of local government in decentralised industrial strategy, and the uncertainties presented by Brexit, the Government should reverse its plans to impose further spending reductions on Tees Valley local authorities.
- xviii. As a Metro Mayor Combined Authority, Tees Valley should adopt a leading role within the English regions in influencing the UK's position on Brexit negotiations, and in particular to push for the UK to have maximum access to the Single Market and influence the form and function of the proposed Shared Prosperity Fund.
- xix. In order to strengthen the role of Tees Valley in managing both current ESIF and post-ESIF mechanisms, Tees Valley should be afforded Intermediate Body status for the Tees Valley Sustainable Urban Development Strategy.
- xx. The Mayor and Tees Valley Combined Authority should form a strategic partnership with the Northern TUC, and invite the TUC to take up direct representation on the Tees Valley Mayoral Combined Authority structures.
- xxi. The Northern TUC should ensure that it focuses all its available capacity on influencing the policy areas and resources of the Tees Valley Mayor and Combined Authority that relate to the priorities set out in the TUC Campaign Plan.
- xxii. The Tees Valley Mayor and Combined Authority should publicly-support the TUC's campaign for a 'great jobs agenda', championing fair and decent pay, regular hours, fair treatment and respect, healthy workplaces, and learning and progression.

Annex 1: Statistical Analysis of Tees Valley Combined Authority Area

Theme	Tees Valley Combined Authority		Tees Valley / national	Tees Valley	<i>Liverpool City Region</i>	
Context	CO ₂ emissions 2014	/resident	322.2%	20.3	<i>5.4</i>	
	Superfast broadband 2016	%	170.2%	87.5%	<i>71.6%</i>	
	Mid-Year Population Estimates, 2016	Population Growth (2011-15) %		223.2%	0.7	<i>1.2</i>
		Aged 16-64 (%)		98.4%	62.3	<i>63.7</i>
		Age 65+ (%)		103.3%	18.4	<i>18.4</i>
	full-time working residents 2016	£ median weekly pay	92.0%	496	<i>504</i>	
	households 2014	average gross domestic household income / head (£)	81.5%	14644.9	<i>15105.4</i>	
	Index of Multiple Deprivation, 2015	Share of LSOAs in the most deprived 20% nationally		184.7%	36.9	<i>44.7</i>
		Share of LSOAs in the least deprived 20% nationally		85.1%	17.0	<i>8.7</i>
% (un)employment	Labour Market indicators, October 2015-September 2016	All Employment Rate (aged 16-64)	92.8%	68.4	<i>67.7</i>	
		Female Employment Rate (aged 16-64)	93.8%	64.5	<i>65.0</i>	
		Male Employment Rate (aged 16-64)	92.1%	72.5	<i>70.5</i>	
	labour market participation	Employment rate males – aged 16-19 2016	97.6%	32.5	<i>22</i>	

Theme	Tees Valley Combined Authority		Tees Valley / national	Tees Valley	<i>Liverpool City Region</i>
		Employment rate females – aged 16-19 2016	89.8%	33.6	<i>33.2</i>
		Employment rate males – aged 20-24 2016	92.2%	62.9	<i>58.2</i>
		Employment rate females – aged 20-24 2016	77.2%	50.2	<i>67.9</i>
		Employment rate males – aged 25-34 2016	95.0%	84.7	<i>85.3</i>
		Employment rate females – aged 25-34 2016	92.9%	69	<i>71.1</i>
	labour market participation	% of economically inactive who want a job 2016	103.8%	24.8	<i>18.4</i>
	all aged 16-64 March 2016	% on out-of-work Benefits	153.5%	13.2	

Theme	Tees Valley Combined Authority		Tees Valley / national	Tees Valley	<i>Liverpool City Region</i>
	aged 18-21 March 2017	% claimants	229.0%	7.1%	
	all employed (except on farms) 2015	% working part-time	107.8%	33.3%	
Structure	all employed (except on farms) 2015	% Mining or Manufacturing	115.3%	9.8%	
	all aged 16-64 2016	self-employed	71.7%	7.6%	
	businesses registered 2015	firms per 10,000 residents	67.2%	250	<i>257</i>
	% share of GVA by industry 2015	Manufacturing ©	134.1%	13.5	<i>14.1</i>
		Distribution; transport; accommodation and food (GHI)	95.1%	17.9	<i>19.8</i>
		Information and communication; Financial and insurance activities; Business service activities (J, K, MN)	67.5%	17.8	<i>19.6</i>
		Public administration; education; health (OPQ)	136.0%	25.4	<i>25.0</i>
	Regional gross value added (income approach), 2015	GVA per hour worked (Index)	89.8%	89.8	<i>90.8</i>
FDI projects 2016	FDI jobs / 1,000 jobs	50.3%	1.7		
Occupations	all employed 2016	% SOC1-3	85.1%	38.7	
		% SOC5 (skilled manual)	108.7%	11.2	

Theme	Tees Valley Combined Authority		Tees Valley / national	Tees Valley	<i>Liverpool City Region</i>
		% SOC6-9	117.9%	31	
Qualifications	all aged 16-64 2016	NVQ4(+)	80.6%	30.8	
		no NVQ1(+)	111.0%	16.2	
	labour force qualified with Trade Apprenticeships 2016	% aged 50-64	105.7%	51.5%	<i>40.8%</i>
	Apprenticeship Framework Achievement	2013/15 as % 2011/13	95.4%	96.6%	<i>89.8%</i>
	aged 16 2015	% gaining 5 'GCSEs'	93.2%	53.8%	<i>53.3%</i>
Migration	in/out within-UK NS-SEC in-migration 2010-11	1 Higher managerial, administrative and professional occupations; 2 Lower managerial, administrative and professional occupations	89.7%	0.90	
		3 Intermediate occupations; 4 Small employers and own account workers	98.3%	0.98	

Theme	Tees Valley Combined Authority		Tees Valley / national	Tees Valley	<i>Liverpool City Region</i>
		5 Lower supervisory and technical occupations; 6 Semi-routine occupations	99.6%	1.00	
		7 Routine occupations; 8 Never worked and long-term unemployed	111.0%	1.11	
		Full-time students	88.0%	0.88	
Brexit	all aged 16-64 with Trade Apprenticeships	% that aged 50-64	105.7%	51.5%	<i>40.8%</i>
	non-employed economically active people 2016	% with Trade Apprenticeships	108.2%	2.5%	
	NI no. registrations 2015/16	registrations as % employment	38.1%	0.9%	

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