

Leeds University Undergraduate submissions to the Review of the Balance of Competences

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Report Title: To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

A note on this submission

This submission was made as part of an assessed piece of work for a final year module at the University of Leeds. "Britain and the EU" covers key historical events and themes in the UK's relationship with the EU including non-membership to accession, debates over sovereignty, Parliamentary scrutiny, party politics and Euroscepticism. The module also explores key political issues (like foreign affairs and economic governance) to examine how European integration has influenced British politics and been influenced by them but does not provide detailed investigation into specific policies.

Students from this module presented work to the House of Lords EU select committee in its discussion of EU enlargement policy in 2013. This year's cohort has been asked to respond to one of four questions from the Review of the Balance of Competences. These reports were evaluated on the quality of the data collated, the argument and its presentation. These submissions are therefore presented not as expert opinions from practitioners but from an educated public that is both informed and engaged with the broader issues relating to the UK's relationship with the EU.

Module leader Charlie Dannreuther would like to express his thanks to the FCO Europe team for their cooperation and to the students for their extraordinary efforts in preparing these reports.

Please contact Dr Dannreuther on ipicd@leeds.ac.uk if you have any further queries.

To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

Structural funds are the financial instrument used as part of the EU's regional policy to even out disparities in development across member state regions. The structural funds that the UK receives include the European Regional Development Fund (ERDF), which aims to reduce regional disparities through supporting business innovation and development, and the European Social Fund (ESF), which focuses on employment and job opportunities, supporting workers and those disadvantaged in the job market (Euromove,2010.) In an attempt to demonstrate that the UK does benefit from EU structural funds, this report will first focus upon UK places, before evaluating the extent to which structural funds have benefitted workers and companies in Cornwall and the Isles of Scilly.

Key: If 'figure' is outlined with a red box, it is the writers own.

UK places

Figure 1: UK share of total EU Structural and Cohesion funds (%)

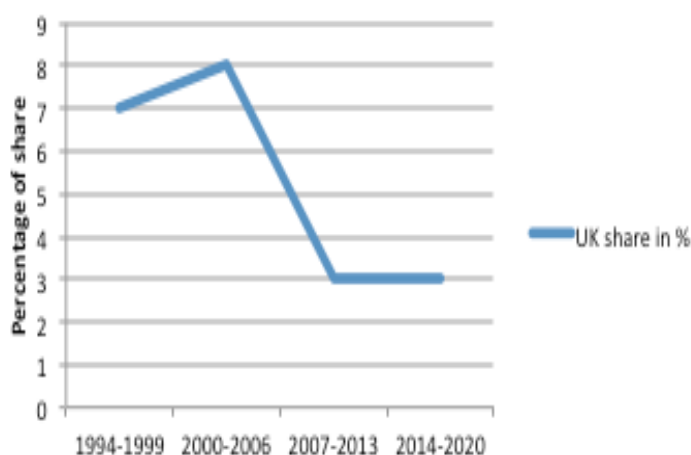
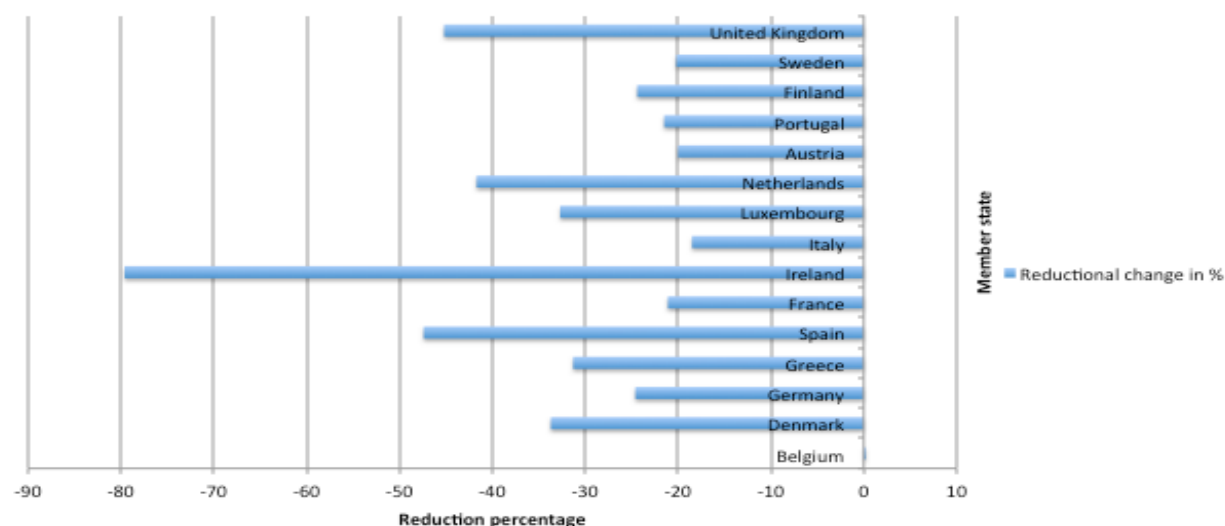


Figure 1. Data: BIS Balance of Competences Review, 2013

Figure 2. Data: Bachtler, Wislade and Mendez. 2006. EoRPA. Figure 9:37.

Figure 2: The reduction (%) of allocated Structural and Cohesion funds between funding periods 2000-2006 and 2007-2013



The UK's total share of EU structural funds has decreased since the 2000-2006 funding period (Figure 1), albeit not to the same extent as member states such as Ireland, which has lost considerably more funding (Figure 2.) In order to comprehend the extent to which UK places have benefitted from EU structural funds, it is helpful to compare regional net gains (Figure 3.)

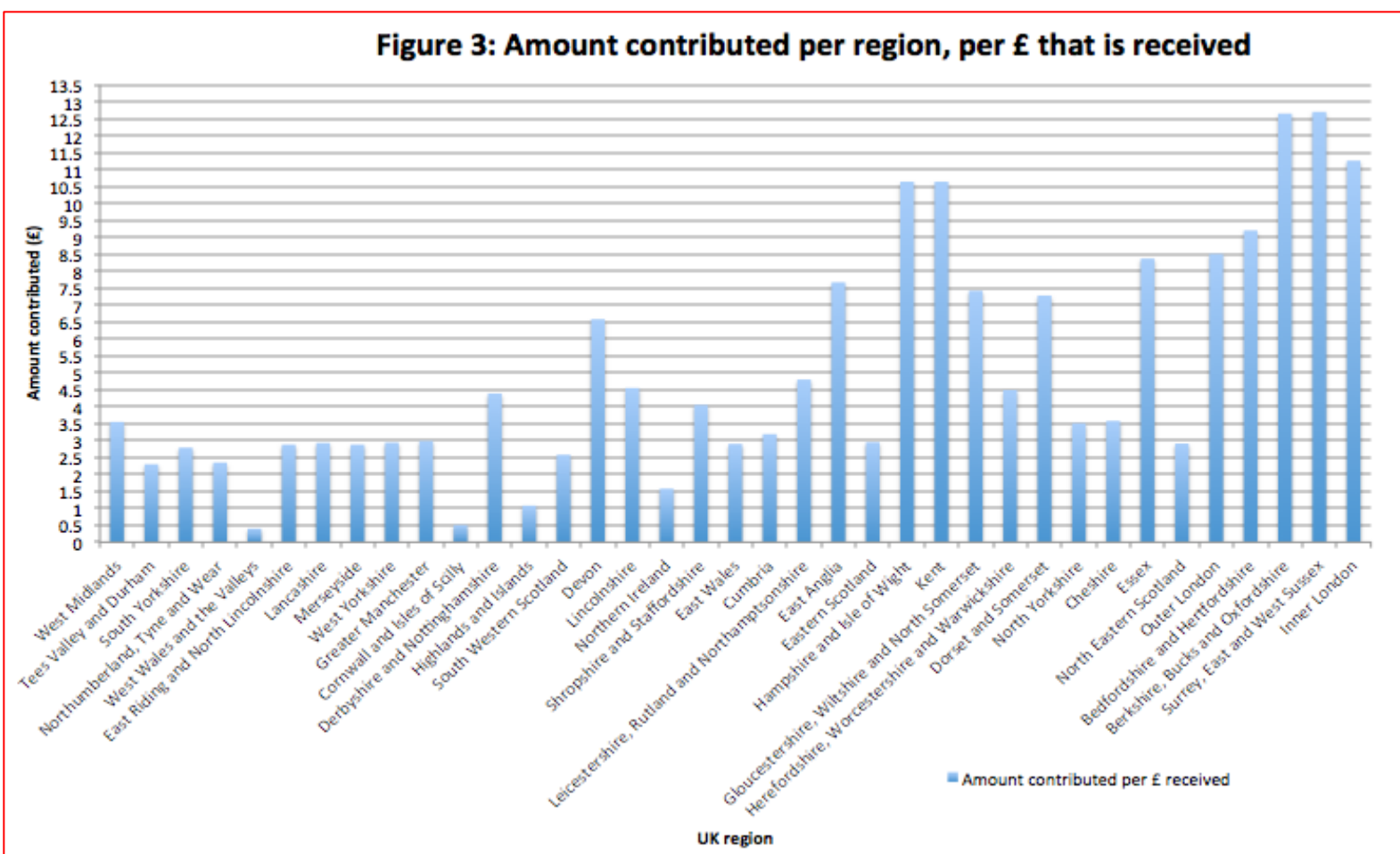


Figure 3. Data: UK Parliament - Communities and Local Government Committee, 2012:39,40. (Data for 2007-2013 period.)

Figure 3 evidences regional disparities. Some UK places contribute far more to the structural fund 'pot' than others do. West Wales and Cornwall and the Isles of Scilly are two net beneficiaries of structural fund allocation, with the former contributing £0.40 per pound that they receive, and the latter, £0.51. These two regions are also eligible for 'convergence' funding, since their GDP is below that of the 75% EU average benchmark (House of Lords, 2011:33.) By contrast, the West Midlands contribute £3.55 for every pound they receive, and Dorset and

Somerset, £7.28. Thus there are clear disparities between regions with regards to net financial benefits from EU structural funds (House of Commons Communities and Local Government Committee, 2013:39.)

Figure 4. Data: UK Parliament - Communities and Local Government Committee, 2012:39,40.

Figure 4: UK regions - disposable income and amount contributed per £ received from EU structural funds

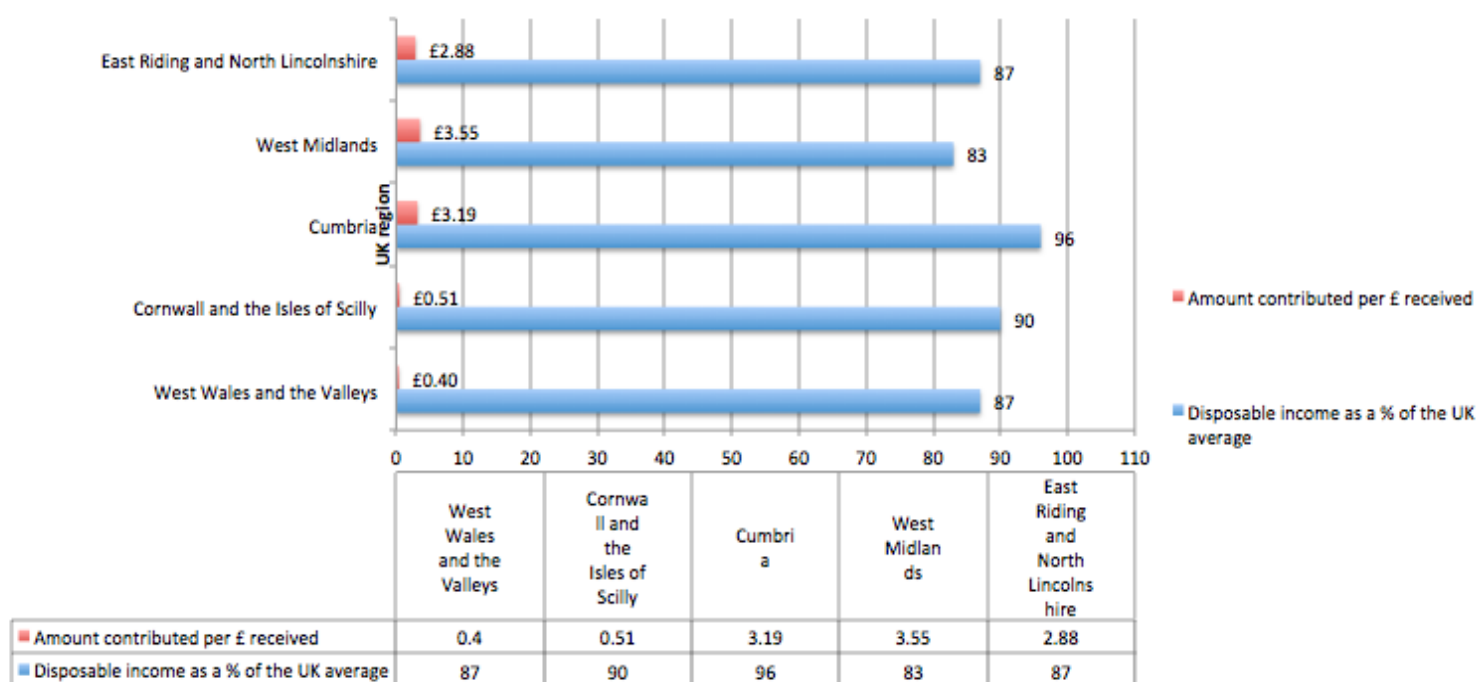


Figure 4 highlights that these financial disparities can be understood insofar as West Wales and Cornwall and the Isles of Scilly both have lower disposable incomes than regions such as Cumbria and hence their economic capacity to contribute is limited by comparison. However, there are other discrepancies that cannot be as easily accounted for. Cumbria has a higher disposable income than the West Midlands, yet contributes less for every pound it receives. Though the difference is minimal (36 pence), it is nevertheless a disparity that puts the West Midlands at a financial disadvantage with regards to its financial gains from EU structural funds. Whilst UK places, particularly the two net beneficiaries, have benefitted from structural funds, other regions are put at a financial disadvantage as they have to contribute firstly more than

they receive, and secondly some poorer regions disproportionately contribute in comparison to wealthier counterparts.

Figure 5: Economic growth between 2003-2009 (%)

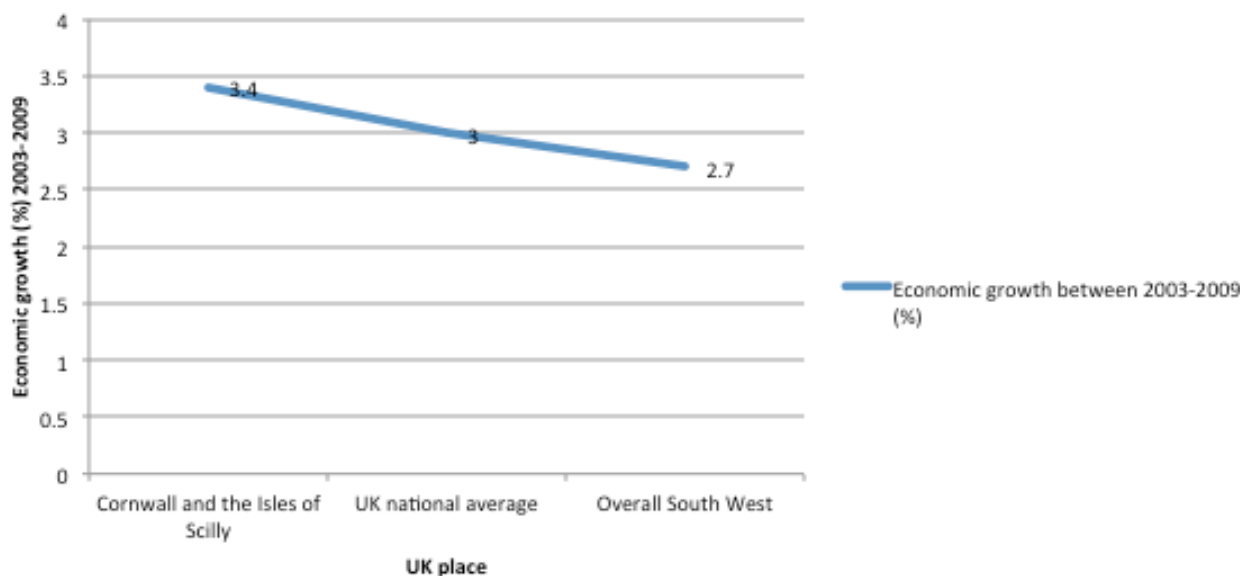


Figure 5. Data: UK Government. Department for Communities and Local Development. 2012.

Whilst Cornwall and the Isles of Scilly receives disproportionate allocation, the benefits nevertheless appear justified when UK economic growth trends are considered. Figure 5 shows that structural funding has helped Cornwall's economy grow by 3.4% between 2003 and 2009, which, though minimal, is 0.4% higher than the national average throughout the same period. Though this is not solely due to the effects of structural funds, Cornwall does disproportionately benefit by comparison to other regions (eg Devon in the South- West), and this has effectively translated into relative economic gain by comparison to the rest of the South-West and also the UK as a nation. This makes disproportionate funding appear vindicated and the benefits of structural funds for this region, particularly prominent.

UK Workers

Although EU structural funding has brought economic benefits to Cornwall and the Isles of Scilly, it is important to evaluate the extent to which these broader benefits have manifested into comparative gains for workers.

One programme, heavily funded by ESF, is 'Unlocking Cornish Potential' (UCP), which was launched in 2001 and has been considerably successful in the region, providing jobs and training programmes for graduates and young workers. It aims to link graduates with businesses in Cornwall, and offers support in the form of finance and tailored training to suit the needs of the providing businesses.

Figure 6 - Percentage of graduates that completed a UCP training programme between 2001-2006 and gained a subsequent full time job



Figure 6. Data: UK Parliament 'ESF in Practice', 2010.

Figure 8 illustrates that ESF funding has had direct benefits for Cornish workers, with 70% of the graduates that completed a UCP training programme between 2001 and 2006 receiving a *full time* job. This statistic points to the quantitative benefits of structural funds for Cornish workers, along with the fact that an increased number of *full time* job vacancies is beneficial to Cornwall and the Isles of Scilly as a place because its 'low wage' economy is deemed to be a part consequence of the high number of part time workers (UK Government, 2007:19.)

It is meanwhile important to note that ESF funding into this scheme is a long-term investment, which is specifically beneficial to the Cornish labour force. 40% of the labour force have low-level qualifications, and are hence vulnerable to labour market changes, particularly in light of the regions drive to become a 'knowledge based' economy (UK Government, 2007:3.) A highly

skilled workforce is central to its goals for a sustainable and efficient economy (Cornwall Strategic Partnership,2008) , and ESF priorities for Cornwall and the Isles of Scilly include tackling barriers to employment and developing a highly skilled, adaptable workforce (European Social Fund,2010.) UCP's focus upon the transferral of higher level skills gained at graduate level into the workforce, and the development of these skills to help meet the needs of local business, hence provides evidence of a strategy that contributes to meeting the long term requirements of the regions workforce. The UCP ESF funded scheme is not only beneficial to Cornish workers for job provision purposes, but also in terms of a sustainable investment into the Cornish workforce, with a focus on higher level skills and 'real world outcomes', ensuring that higher skills gained at graduate level are effectively tailored to meet the needs of local businesses in the region.

UK companies

Figure 7 - Funding sources for Robotmother Limited's 'Jubilee Warehouse' project

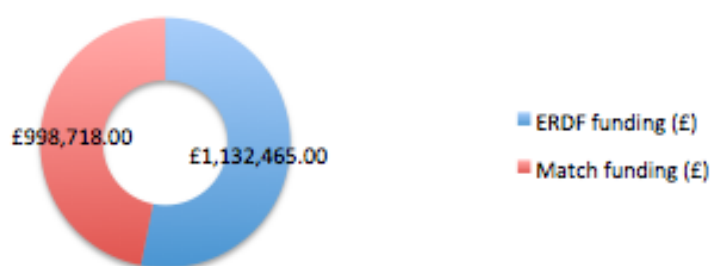


Figure 7. Data: UK Government DCLG; Convergence ERDF programme for Cornwall and the Isles of Scilly Beneficiaries – May 2013.

It is helpful to look at how companies in Cornwall and the Isles of Scilly have benefited from structural funds. In the 2007-2013 programme, Cornwall and the Isles of Scilly, being a convergence region, was eligible for €458.1

million of ERDF funding (UK Department for Communities and Local Government, 2013:2.) Many

companies in the region have benefitted from this funding. Figure 7 provides one example of a company, Robotmother Ltd, which received more funding from EU structural funds (ERDF) in contribution to its 'Jubilee warehouse' project, than it contributed itself (match funding.) Though only on a small scale, this example illustrates the extent to which some UK companies and their

associated projects can financially benefit from EU structural funds, since the funding offered by the EU has allowed Robotmother Ltd to financially sustain a project it may not have been able to otherwise.

However, it is also important to consider whether the funding is targeted towards companies in a way that is of local significance to Cornwall and the Isles of Scilly. One example that satisfies this demand is the Superfast Broadband Business support programme (SBBSP.) Cornwall and the Isles of Scilly is in a peripheral geographic location, lacking the economic infrastructure to make it a connected, accessible, knowledge based economy. A priority for this region was hence to embrace opportunities available from digital technologies and ICT as a means of becoming a more interconnected, 'knowledge based' economy, which is both attractive and accessible to markets across the world (Draft Convergence Operational programme,2006:36.)

Figure 8 - Funding sources for the Superfast Broadband Cornwall Business Support programme

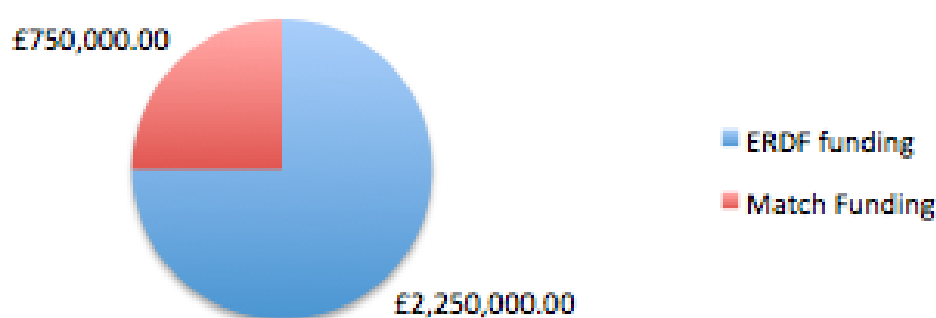
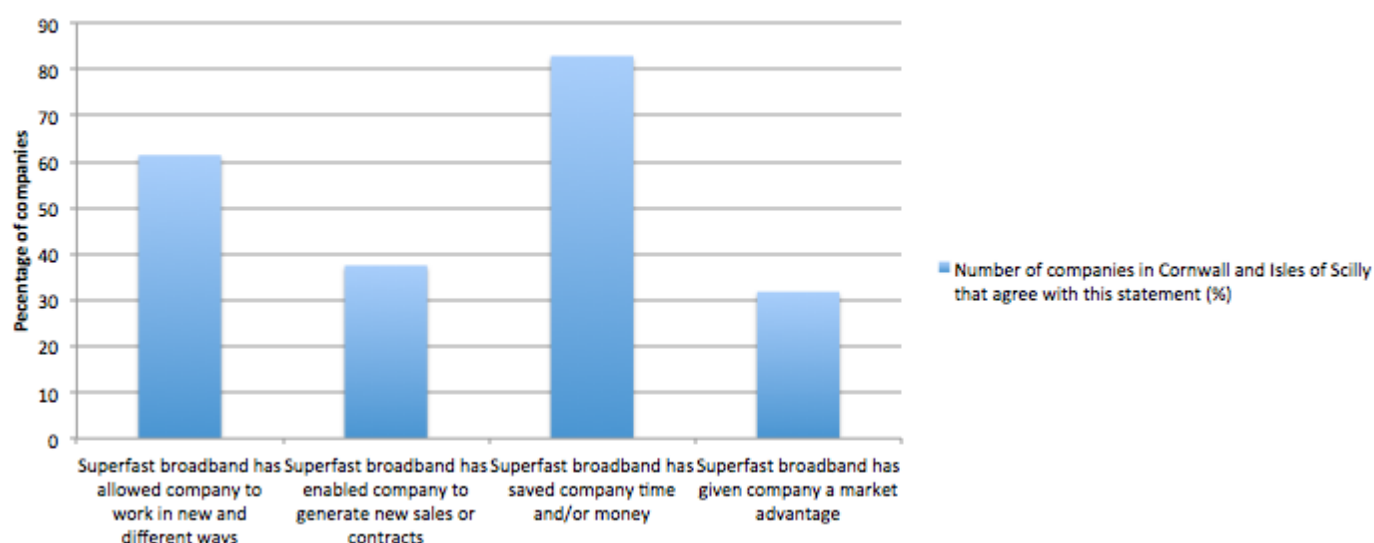


Figure 8. Data: UK Government DCLG; Convergence ERDF programme for Cornwall and the Isles of Scilly Beneficiaries – May 2013.

Figure 9. Data: SERIO, 2013: vi.

Figure 9 - Company satisfaction with Superfast Broadband (Cornwall and Isles of Scilly); November 2013.



ERDF investment into the Superfast Business support programme outweighs that of its match funding (Figure 8), and hence the accrued benefits for companies are a large result of EU structural funding. Figure 9 demonstrates company satisfaction with the programme, and it is important to note that 31% of companies believe it has helped give them a market advantage. This is significant since an overarching priority for Cornwall as a 'place' is to connect with new markets in its drive to develop and modernise its economy. Not only has this support programme benefitted companies of this region (Figure 9), but it is also a long term investment for the region. ERDF funding through the SBBSP has acted as a contribution to this regions priority of developing an interconnected, technologically developed 'knowledge based' economy as a means to reach a core priority of the 2007-2013 programme, which was to address the effects of peripherality and develop the economic infrastructure to support a connected, accessible economy (Draft Convergence Operational Programme, 2006: 34.)

Conclusions

Though the UK's structural fund allocation has decreased since the 2000 operational programme, it has nevertheless fared relatively well in comparison to some other states. Some

places contribute more to the structural fund 'pot' than others do, and hence their net financial gain is comparatively limited. One region that financially fares disproportionately well is convergence region Cornwall and the Isles of Scilly, though additional funding does seem justified. In the examples provided, funding efforts have been closely aligned to regional priorities. Both workers and companies in this region have benefitted from programs funded by both ERDF and ESF, but the overarching benefits of these funds lies in the extent to which they have contributed to meeting long term regional goals and priorities in Cornwall and the Isles of Scilly as a 'place'.

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