



Welcome to *Knowledge Economy News* – the quarterly newsletter of the Knowledge Economy Network (KEN).

*Knowledge Economy News* keeps KEN members up to date with everything from new research to policy developments to the latest events. We are looking for members to share knowledge by submitting short articles and news stories about their area. This can include anything related to the knowledge economy, skills, innovation, employment, enterprise or globalisation. We would also like to hear your general comments on KEN.

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## Global Futures for Local Economies

**Globalisation is often seen as a threat to the UK economy. There are regular stories of jobs being 'offshored' to India. Migration from the new EU countries is another press perennial. But what does the evidence actually tell us about globalisation and what are the opportunities and threats for policy-makers?**

*'Economic Development in the Global Economy'* was the theme of the launch seminar of KEN on 21 April, with 60 attendees from national, regional and local organisations.

Sarah Forster (World Bank) introduced some of the key global trends. Services are increasingly traded. Developing countries have dominated recent patterns of growth. The challenge for the UK will be to compete in knowledge-based sectors – but everywhere else, including developing economies is doing the same.

Three presentations followed on the 'world regions' of the global economy. Britain's special relationship with the US economy is changing. There are intense competitive threats from EU accession countries, India and China. Future competitiveness will require successful export markets (including Asia and North America) and a step change in UK innovation and skills.

Mark Hepworth presented the local and regional implications of these trends. While progress is being made on skills and employment, the leading knowledge-driven sectors show few signs of leaving London and SE 'hotspots'.

More sectors are becoming 'traded' and open to global competition, including the public sector. Will this challenge the public sector's role as the economic anchor in the regions of Britain?

Attendees debated policy responses in four break-out sessions. Discussions ranged from export strategies for knowledge-driven SMEs, to improvements in vocational education, to tackling 'institutional clutter', to the need for stronger economic partnerships. Local Futures will publish a report in June 2005.

**July 21 2005 is the date of the second KEN event.** The topic is *Skills and Economic Development*. The event marks the launch of Local Futures' report, *Regional Employment and Skills in the Knowledge Economy (DTI)* and will be hosted by the London Borough of Camden.

**KEN is growing. We aim to have at least 50 members by July. Recent recruits include DTI Skills Unit, SEEDA, Hull and Glasgow City Councils – taking the membership to 37.**

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## West Lothian: Knowledge Economy Leader or Commuter Zone?

West Lothian has been profoundly affected by globalisation. The twin closures in 2001 of Motorola and NEC resulted in thousands of job losses. But the area has proved resilient and is now making strong progress restructuring towards a knowledge-driven economy based on value-added services.

West Lothian lies in the heart of Scotland's rich 'central belt', strategically located just 20 minutes drive from Edinburgh, the country's leading knowledge economy, and on the way to Glasgow. A recent Local Futures' study revealed that the district's knowledge economy is quite distinct from most of Scotland in that, despite the closures in electronics manufacturing, the private sector still provides the bulk of knowledge-intensive jobs in the region (see map below). West Lothian is far less dependent than the rest of Scotland on the public sector for high-skilled jobs.

West Lothian has attracted a range of multinationals to maintain one of the highest employment rates in the UK. The largest private sector employer is now Sky Television, operating its Customer Relationship Management Centre out of Livingston.

Other global firms located in West Lothian include retailers Tesco and ASDA Walmart, manufacturers Bausch & Lomb and Jabil Circuit solutions and financial services firm Intelligent Finance.

As it faces the future, West Lothian's Economic Partnership (consisting of the West Lothian Council, Scottish Enterprise, the Chamber of Commerce, Jobcentre Plus, The Federation of Small Businesses and West Lothian College) faces a number of challenges. West Lothian needs to boost its skills base – it still lags behind the rest of Scotland in terms of skills, with 1/3 of residents suffering from skills poverty, i.e. below 'level 2' / GCSE level.

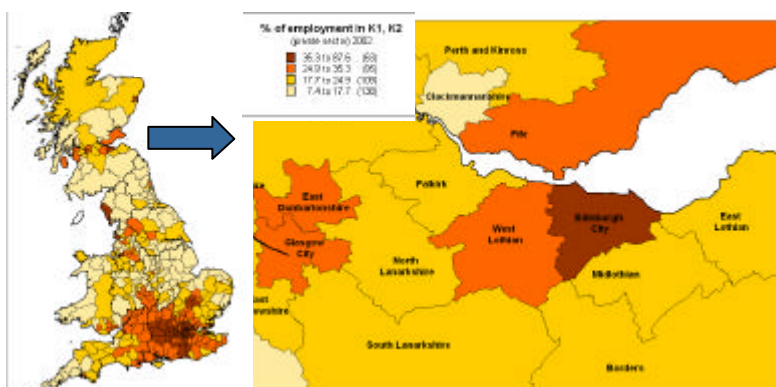
The region must now decide whether to position itself as an attractive place to live for knowledge workers from Edinburgh, perhaps developing itself as part of an Edinburgh city-region, or whether to concentrate on building an indigenous knowledge economy by stimulating local business innovation and enterprise, particularly in research & development, professional and business services and the public sector.

Perhaps the answer is to do both.

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Sky TV based its Customer Relationship Management Centre in Livingston.



The Business Knowledge Economy in West Lothian

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## Networks in the Knowledge Economy

**The public sector seems to have had a hard time of it lately. What with last year's Gershon Review recommending cuts in the name of efficiency, and both the Labour and Conservative parties arguing for a further scaling back in the recent general election, a hollowing out process seems to be underway. Does this ignore the vital role of public sector organisations in building a knowledge economy through innovation diffusion – or is it time to 'de-clutter'?**

Over the past few months, Local Futures has been carrying out a review of public sector support in the Black Country on behalf of the Black Country Consortium. This work has involved a series of case studies of organisations including the Learning and Skills Council, FE colleges, Wolverhampton University, business support agencies such as Business Link and the Manufacturing Advisory Service, and several other local bodies and initiatives.

What we are looking at in the Black Country is how well these various institutions work together to form what we term the 'knowledge infrastructure'; that is, the network of institutions – public, private, voluntary – that underpin the knowledge economy. In an ideal world these institutions will facilitate the flow of knowledge and ideas – stimulating innovation, keeping businesses informed of new markets and opportunities, and building the competitive capacity of an economy.

Wolverhampton University, for example, has set up an internal 'Competitiveness Centre' which acts as a broker between businesses seeking assistance from academics, and the various Schools. The brokers are more business-facing and commercially minded, and through their links with a region-wide body called Contact, can refer businesses to other universities if necessary. Brokers can also refer businesses to training providers and other business support agencies depending on their needs.

So far, so good. Difficulties arise, however, when the knowledge infrastructure becomes too fragmented and 'cluttered' with overlapping and competing agencies. In such cases, businesses don't know who to contact for help and institutions don't communicate effectively to share good practice – knowledge ceases to flow smoothly and the system acts as a burdensome drag on innovation and learning. Our work in the Black Country has identified several examples of successful public sector networks and we will be complementing this work with three case studies of knowledge infrastructures in European city-regions (including Lille and Brussels). As attention turns to increasing efficiency in the public sector, what can KEN members learn from the Black Country?

Local Futures will publish the results of the Black Country study later this year, and will also be using the knowledge infrastructure model in a syndicated research project assessing the future of city-regions in a global economy.

**Thank you to all KEN members who provided feedback on the first event. The overall messages were very positive – here are some members' views:**

*'Great event where people learned a lot from each other'* (Nottinghamshire CC)

*'Very much enjoyed the tour of the knowledge economy'* (Scottish Enterprise)

*'Most inspiring and good to know the issues apply across the board'* (Cherwell DC)

*'A very good, informative and stimulating event'* (West Lothian DC)

**We also learned that the feedback sessions could have been more effective and that a longer debate was needed on the implications for policy. We have taken all the comments on board for the July 21 event.**



# Manufacturing the Knowledge Economy

The East Midlands Development Agency (EMDA) is focussing on innovation in its quest to build a successful knowledge economy. The aim is for the East Midlands to become a 'Top 20 European Region' by 2010.

Innovation will be particularly important for the region's remaining manufacturing base. Intense competitive pressures from lower-cost locations mean jobs and businesses will continue to be lost unless the sector uses new forms of knowledge, develops niche markets and demands higher levels of skill.

**DAVIS DERBY** - Electronics products for harsh environments (mining and materials industry), Derby



**SAPCOTE** - Precision Engineering, Leicester



Local Futures is developing a number of business case studies of the microeconomics of innovation in the East Midlands. The diagrams above show two examples:

- Davis Derby has constantly innovated in order to stay competitive. Its new communications and electronics products for niche export markets take just three weeks to develop and have a shelf life of only one year. In 1980, the company's mass market products for the UK coal industry took two years to develop and had a life span of 30 years.

- Sapcote has evolved to provide precision engineering solutions for Polish, Chinese and Malaysian markets. It has developed advanced design facilities and many new products but had mixed experiences of collaborating with universities. Sapcote now faces the challenge of an aging workforce who have learned most of their skills on-the-job.

*'Innovation is an ongoing objective, we need to continually improve the quality of our products'*

(Cryomed, medical technologies, Mansfield)

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