



The Basque Country: a success case of transformation of an industrial based economy

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THE FUTURE OF FULL EMPLOYMENT

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The Basque Country



- ▣ A small region (2 million) with high autonomy
- ▣ A complex institutional architecture
- ▣ Strong industrial legacy (26% GDP and 20% employment)

The transformation process in the Basque Country

**Self-government
and industrial
restructuring
(1980-1990)**

**Clusters and
efficiency
driven
economy
(1991-1998)**

**Towards R&D
driven
innovation and
diversification
(1999-2012)**

**RIS3 strategy
(2013-
nowadays)**

**R+D less than 0,1%
GDP
GDP per capita ¼
lower than EU**

**R+D (Total 2016)
EU28: 2,04% GDP
Basque Country:
1,81% GDP**

**GDP per capita
(2017):
Basque Country:
37.361,25 PPA-€
EU28: 30.000 PPA-€**

The transformation process in the Basque Country

Self-government and industrial restructuring (1980-1990)

- ▣ Mature non competitive industries → destruction of employment
- ▣ High unemployment rates



- ▣ Generation of new employments

RIS3 strategy (2013-nowadays)

- ▣ Decrease and aging of active population
- ▣ Gap among demanded and offered Jobs → New skills demand
- ▣ Development of non standard employment



- ▣ More strategic relationship among firms, government and education institutions
- ▣ Work place learning
- ▣ Policies adapted to new forms of employment

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RIS3 strategy (2013-
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CROSS-SECTIONAL POSITIVE FACTORS AND LESSONS LEARNED

- **Maintenance of regional strengths (manufacturing/industry) as a tractor activity (technological development)**
- **Creation of public infrastructures for supporting the economic activity**
- **Political consensus on the industrial policy and the importance of having a “regional strategy” and an action plan**
- **Competitiveness centered vision. Alignment of critical areas (Industry and Education)**
- **Policies alignment → Innovation development (Technological centres, R&D infrastructure, high qualification of human capital, attraction of highly qualified human capital)**
- Internationalization, sectors and markets diversification
- Assessment of the regional strategy evolution for *policy learning*
- Continuous comparison with foreign regions of reference. Benchmarking of good practices
- According to Aranguren *et al.* (2012), there is no a unique strategy, the strategy depends on the context, on the territory and on its trajectory and evolution...
- The implication of Vocational Education and Training (VET) with a strong relationship with the business sector

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CROSS-SECTIONAL POSITIVE FACTORS AND LESSONS LEARNED

- **Strong institutional system, clear governmental leadership (social and economic agents involved), high self-government**
 - High involvement of the local development agencies and other public institutions → Multilevel governance
 - High level of public-private collaboration (high social capital)
- **Intra and inter industrial cooperation: clusters and cluster associations with high participation in designing and implementing the industrial policy together with social and economic agents**
 - **Cluster associations:**
 - Dynamic, but stable structure, public funding
 - Promote the vertical application of horizontal policies (training, etc)
 - Cluster policy have promoted the sectorial participation instead of generic participation in the governance

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CROSS-SECTIONAL OBSTACLES

- **Lack of an explicit strategy and lack of a shared vision from the very beginning**
 - **Policy as strategy → lack of a strategic plan (at the beginning)**
 - **Reactive action more than proactive attitude**
- Political frictions with the Spanish Government. Frictions with labor unions
- Lack of cooperation with neighbouring regions at some point of the process
- Terrorism
- **Lack of shared vision focused on competitiveness from the beginning**
- Slow reduction of the *top-down* approach for the design and implementation of the industrial strategy and policy
- Distribution of responsibilities among the different departments involved in the strategy biased by the department in charge of the strategic plan
- Politicians influence on the public institutions

The transformation process in the Basque Country

BASQUE CLUSTER POLICY (Smith, Wilson and Wise, 2019)

80's New competitiveness strategy for the Basque Country was sought:

- To identify 'clusters' of economic strength and to bring key actors together to work collaboratively
 - This vision of working with clusters initially **met with resistance within government**

90's the seeds of a cluster policy started to take a root:

- Under an umbrella “**competitiveness strategy**” a “**General Framework for Industrial Policy**” was generated
 - A key pillar: explicit 'cluster policy' adapted to the regional needs and challenges
 - The policy sought to **open dialogue** with recognised and respected industry leaders
 - Experimenting with a **cluster policy** in this way “**enabled government to listen to companies and understand their problems**”.

The transformation process in the Basque Country

BASQUE CLUSTER POLICY (Smith, Wilson and Wise, 2019)

90's: the seeds of a cluster policy started to take a root:

- A key policy instrument was **financial support for cluster associations**:
 - To **improving the global competitiveness of their members** by means of **strengthened cooperation**
 - Cooperative activities focused on **technology, quality and value chain efficiency**
 - To **supporting SME development by strengthening linkages with larger companies** (and other key players).
- At the end of the decade, **cluster associations** were also becoming **recognised as key 'informants' to other policy areas**.

2000's: cluster Policy Consolidation and Innovation

- Cluster policy was consolidated as a **key pillar of the Basque Country competitiveness strategy**
- Policy innovations required cluster organisations to **establish explicit strategic planning processes focused on enhancing the sophistication of cooperation**

The transformation process in the Basque Country

BASQUE CLUSTER POLICY (Smith, Wilson and Wise, 2019)

2000's: cluster Policy Consolidation and Innovation

- **Annual meeting of cluster association managers alongside key governmental representatives (related to competitiveness)**
 - It created a **space for systematically sharing strategic information** on the main sectors of the Basque economy and emerging global trends
- **Supporting institutional mechanisms outside of Government**
 - **Basque Institute of Competitiveness (Orkestra)**
 - Public-private entity
 - **Key tool in supporting the cluster policy by providing independent, analytical expertise**

From 2014: New institutional frameworks for cluster policy

- The European Commission's **promotion of 'smart specialisation strategies'** was fuelling renewed interest in **clusters across the EU as key actors**

The transformation process in the Basque Country

BASQUE CLUSTER POLICY (Smith, Wilson and Wise, 2019)

From 2014: New institutional frameworks for cluster policy

- Concrete changes to the policy were introduced in 2016:
 - more stringent conditions on which associations and activities were eligible for funding
 - the introduction of *ex-ante* evaluation of action plans
- The policy was also adjusted in line of the Basque Country's smart specialisation strategy to make explicit a dual role for cluster associations as:
 - (1) instruments for business competitiveness, facilitating cooperation among their members; and**
 - (2) instruments for public policy, allies with government in fostering regional development and structural transformation**
- An annual 'Basque Cluster Day' was also established:
 - To bring together cluster associations, policy makers from different areas, and other stakeholders.
 - To tackling common and **cross-cutting policy challenges such as technological foresight and skills gaps**

The transformation process in the Basque Country

BASQUE CLUSTER POLICY (Smith, Wilson and Wise, 2019)

From 2014: New institutional frameworks for cluster policy

- The cluster policy also actively **sought peer review**:
 - An EU Interreg project called ClusterS3.
 - Peer learning across 7 European regions on the **link between cluster policy and smart specialisation implementation**
 - Transfer of a range of good practices from other places

Beyond 2019: Next Steps

- **Working with clusters was widely recognised as an important ingredient for the competitiveness success of the region.**
 - *Are cluster organisations too embedded in the institutional architecture?*
 - *Yet to what extent can the collaborative dynamics now be taken for-granted?*
 - ***Are there measures that could further enhance clusters reach and impact?***
 - ***Can they be leveraged to be proactive to change rather than reactive?***

The Two transformations of Bilbao



Profound crisis
and decline

Strong industrial reconversion
and the generalized closure of
companies “iron city”

1983: the most dramatic
floods of its history



Urban revolution: public and private
institutions began a holistic process
of revitalization

2nd Transformation
based on economic
specialization

Dynamic
economy, **based
on innovation
and knowledge**



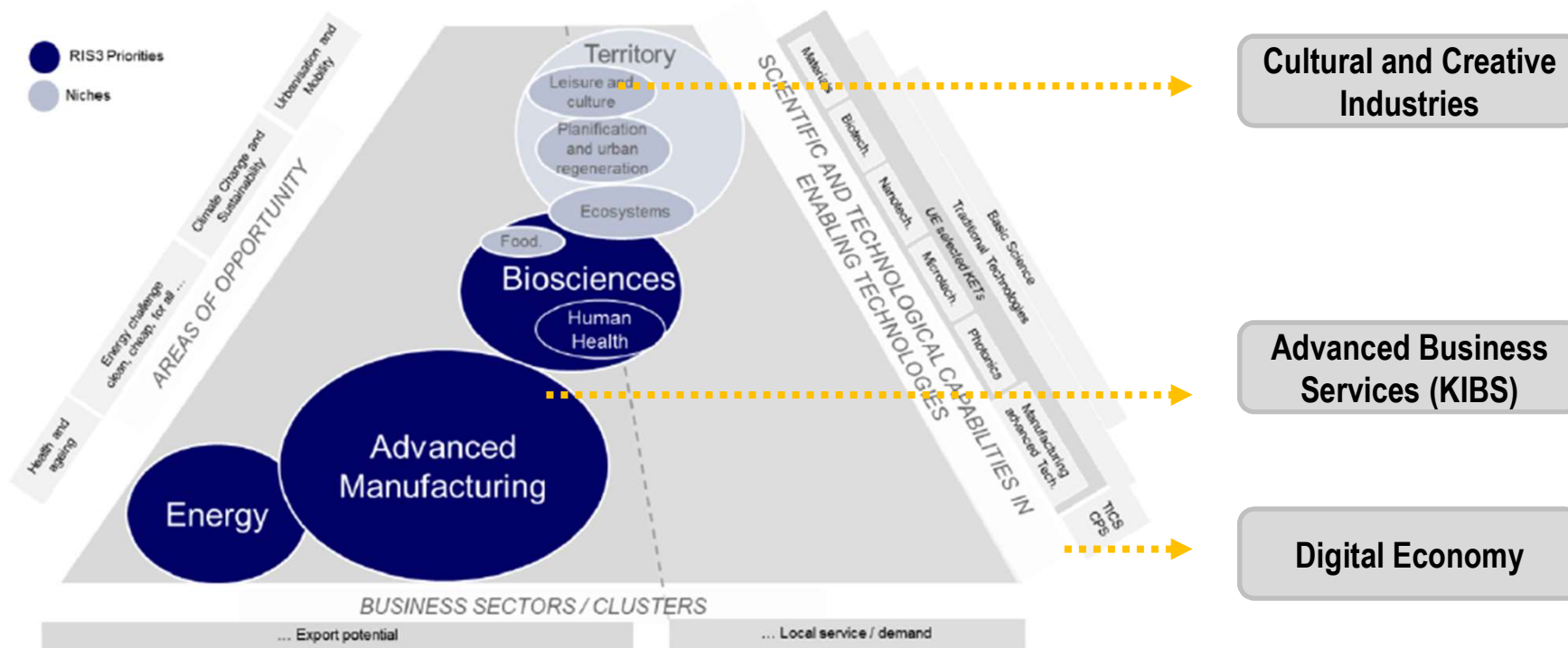
Smart city:
Competitiveness
Wealth,
Employment
Quality of life

The Two transformations of Bilbao

- Strategy for Bilbao must align the local economic development policies to the Basque RIS3 through **BEST CITY-REGION SMART SPECIALISATION ARTICULATION.**

Basque Country RIS3

Bilbao S3



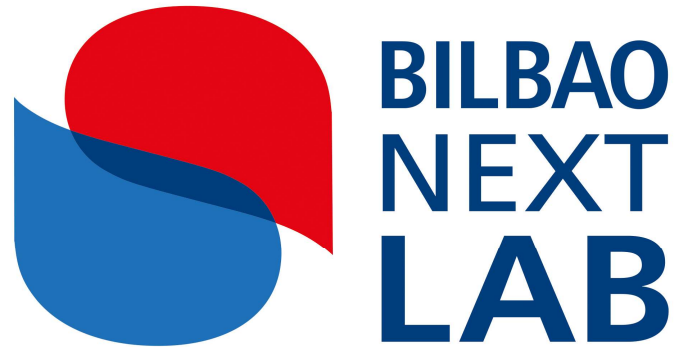
- Therefore, the city has defined the **urban S3 aligned to Basque Country's RIS3 priorities**

The Two transformations of Bilbao

- Cultural and Creative Industries, Advanced Business Services (KIBS), Digital Economy, based on an **innovation urban district: Zorrotzaurre**



The Two transformations of Bilbao



Action Research Laboratory of Bilbao's Smart Specialization Strategy

The case of city of Bilbao

- ▣ It generated a **challenging city economic policy making**
 - ▣ **BILBAO NEXT LAB: Action Research Laboratory of Bilbao's Smart Specialization Strategy**
 - ▣ Challenges: development of **local government capacities to FACILITATE** the specialisation process; construction of a **shared vision**; multilevel articulation to the RIS3 of the Basque Country
- ▣ The public governance is expected to be based on **networked forms of governing** and collective capacity building
- ▣ The Urban Support Group (ULG) involve key stakeholders in the process: government, entrepreneurship entities and **CLUSTERS**, research centres, think tanks and universities for co-creating an **Integrated Action Plan on smart specialisation**
 - ▣ **CLUSTERS has been invited to set a branch in Zorrotzaurre**
- ▣ The **local government (local development agency)** also facilitates the identification, generation and development of new opportunities **that support specialisation via multi-stakeholder meeting spaces**
- ▣ The **involvement of different government departments** is beneficial on the relevance of S3 but is not exempt off difficulties and conflicting interests (Larrea et al., 2018)

The Two transformations of Bilbao



Thank you

Eskerrik asko

Gracias

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