



SW Sub-Regional Productivity and the LEPs¹

Allison McCaig, Associate Senior Researcher

Nigel F Jump, Executive Director & Chief Economist

Executive Summary

With employment, productivity is a key constituent of economic growth.

- To understand a local economy, you need to understand its recent relative productivity performance.
- To achieve positive development for the future, you need to focus on development interventions that build relative productivity for the long term.

The latest data for the various parts of SW England have just been released.

This briefing analyses these comparative figures and concludes:

- The wide differentials and established historical patterns of higher productivity in urban than rural areas and in north/east areas than in south/west areas persist.
- The differentials are generally narrower for these 'true' economic productivity measures than the policy measure of GVA per head
- The recession affected some places more in terms of output per hour than output per job but not everywhere.
- In addressing local, business-led development, the six SW LEPs should be aware of how their relative productivity scores vary between each other and within their own patches.

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Sub-regional productivity, 2009

Sub-regional productivity figures for 2009 were released recently (March 2012) by the Office for National Statistics (ONS).

These show output (GVA) per filled job and per hour for the broad NUTS 2 areas (EU geographies - 4 in South West) and the NUTS 3 areas (County and Unitary geographies).

The measures represent better indicators of productivity than the more commonly used GVA per head measure because the non-active population is taken out and the effect of commuting, which tends to inflate urban productivity, is eliminated.

This briefing highlights the key points from these new datasets, particularly with respect to the South West's six Local Enterprise Partnership (LEP) areas.

Figure 1 compares the GVA per job and per hour measures to the GVA per head (released in December 2011). The usual patterns of differences in productivity across the South West of England are maintained for all three measures: urban more productive than rural; north/east more than far south/west.

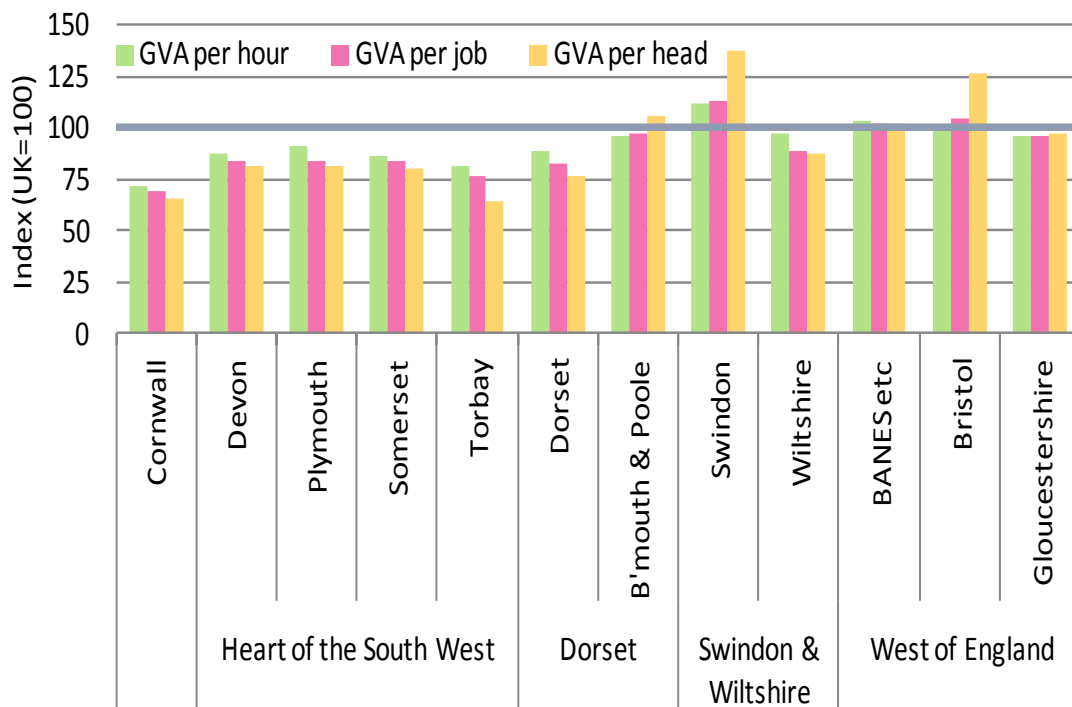
There are slight changes in order depending upon the measure used – for example, Cornwall is lowest on GVA per hour and per job, whilst Torbay is lowest on per head.

Although excluding the effect of commuting in the 'per job' and 'per hour' measures has a substantial effect on relative productivity, Swindon and Bristol remain amongst the most productive spatial areas in the country: Swindon sixth in England² on both GVA per hour and job, Bristol 14th on GVA per job, 21st on GVA per hour).

Cornwall and Torbay remain amongst the lowest – Cornwall second lowest on both, Torbay sixth lowest on GVA per job and tenth lowest on GVA per hour.

² Of the 93 NUTS 3 areas in England.

Figure 1: Comparing productivity measures, 2009



The LEP areas vary between each other and within themselves.

- Some have relatively low productivity across the patch; for example, the Heart of the South West (Devon and Somerset) and Cornwall LEPs.
- Some have high and low productivity areas (Dorset LEP).
- Some are at the upper end of the spectrum, including the West of England, Wiltshire and Swindon, and Gloucestershire LEPs.

These differences mean that the range of SW LEPs face different challenges if they are to ensure economic prosperity for their areas in the coming years. In general terms, the more urban, less peripheral LEPs need to focus on maintaining and building on their relatively good high value/high productivity performances whereas the more rural and peripheral areas need to address more fundamental instances of low wage/low productivity economies.

As the indices provided show sub-regional performance relative to UK productivity, it is not really possible to comment in any detail upon the impact of the recession on 2009 productivity rates compared to 2008 or earlier, except to say that, broadly, SW sub-regions were not affected more or less than the UK average.

From the latest GVA release (December 2011), we know that growth rates plummeted across the patch resulting in real contraction of the region's local economies (and productivity) in 2008, and then more so in 2009.

To get a longer perspective, Figure 2 shows the change in GVA per hour and GVA per job indices between 2004 and 2009 for the different SW LEP areas. Performance has varied with some changes driven by the economic downturn and some, perhaps, part of a longer-term trajectory.

- Swindon's performance is interesting as growth in the two productivity measures diverged – GVA per hour increased in 2008 and 2009 whilst GVA per job remained fairly constant. Major Swindon employers, such as Honda, elected to hold onto their skilled workers (jobs) but cut production (and hours) right back.
- Gloucestershire, on the other hand, saw substantial falls in both productivity measures in 2008 and 2009, suggesting different sorts of impact – output falling more than jobs and hours - occurred here.
- The West of England (excluding Bristol City) has seen a steadier fall in productivity, with a year on year fall in relative GVA per hour since 2004 (and GVA per job since 2002). Although this area's relative position remains high, a better understanding of what is driving this erosion of performance over time is needed to inform economic policy and delivery in this sub-region.

Elsewhere only relatively small shifts have been seen in local productivity over this five-year period: some upwards, some downwards.

For example, Cornwall and Bristol have seen a small decline since 2004, whilst Devon and Torbay have both experienced a slight rise. It seems likely that these comparatively small changes are within the 'normal' levels of variability that we might expect to see in this dataset.

Further understanding of the importance of these changes can really only be determined by assessing a wider number of other economic measures, such as employment and productivity drivers, in parallel with the headline productivity series.

Figure 2: Change in GVA per hour and GVA per head indices, 2004 to 2009



Conclusions

This analysis of the latest sub-regional productivity data from ONS confirms the well-known patterns of intra-regional disparity in economic productivity and prosperity across the LEP areas of SW England across three different (but related) measures.

Understanding productivity differentials should help the six SW LEPs to focus on the key indicators of local economic performance and drivers of growth.

Thereby, they might be able to approach the local balance of economic development in both their low and high productivity constituent areas and lead on economic development for the benefit of their areas.

For further information see www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/subregional-productivity---march-2012/index.html.

Afterword

This is an example of the concise yet informative analysis that Strategic Economics Ltd can offer its clients – pointing to and explaining the key evidence that should influence investment and development in these difficult economic and business times.

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