Economic Development and Regeneration Advisory Board

Tuesday 24th October 2017 at 2.00 pm

Presentation delivered at the meeting for the agenda item 6

CBI

UNLOCKING REGIONAL GROWTH
CBI CAMPAIGN

UNLOCKING REGIONAL GROWTH

UNDERSTANDING THE DRIVERS OF PRODUCTIVITY ACROSS THE UK'S REGIONS AND NATIONS

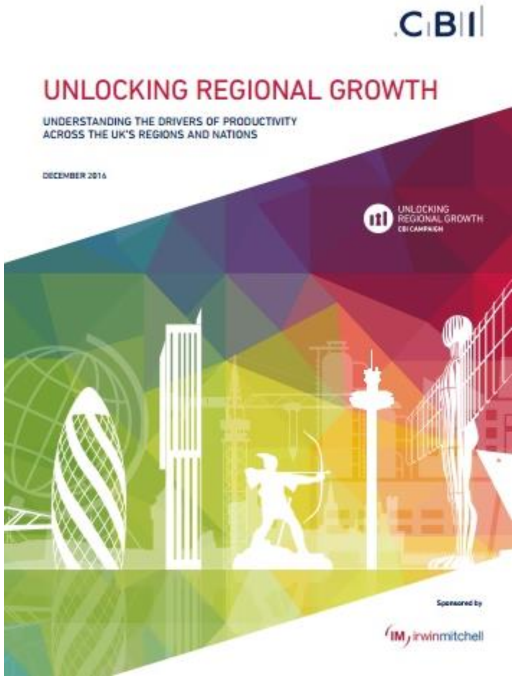
OCTOBER 2017

Unlocking regional growth

Driven by our members across the UK's regions and nations, the CBI in 2016 embarked on a project to understand what drives growth and productivity in the UK and what can be done to fix the disparity.

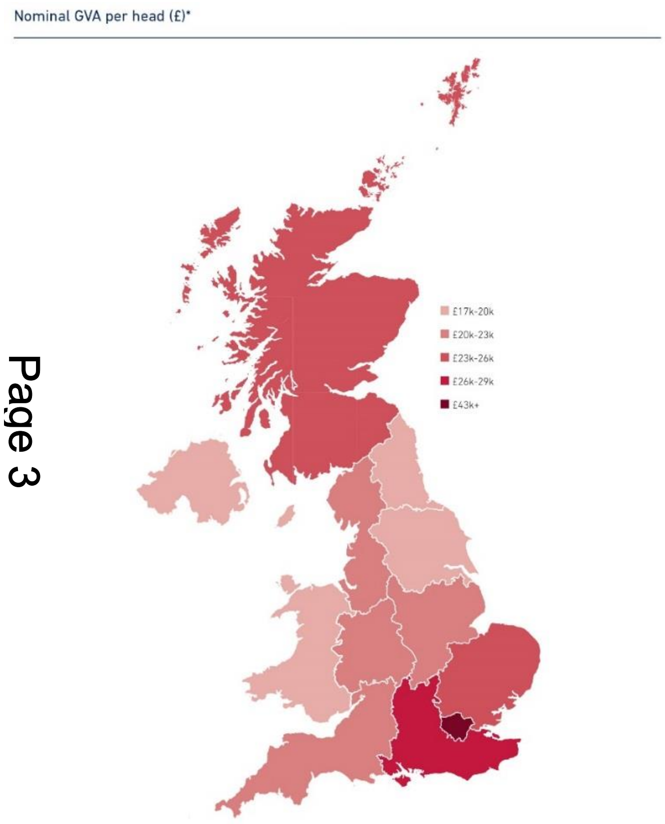
In partnership with McKinsey, by combining special access to the Office of National Statistics' (ONS) micro data with the voice and knowledge of our members and a panel of experts and stakeholders, we have been able to analyse regional data at an unprecedented level of detail.

We can now produce data on up to 173 regions and local areas of the UK and, in some cases, we can even go right down to postcode level.

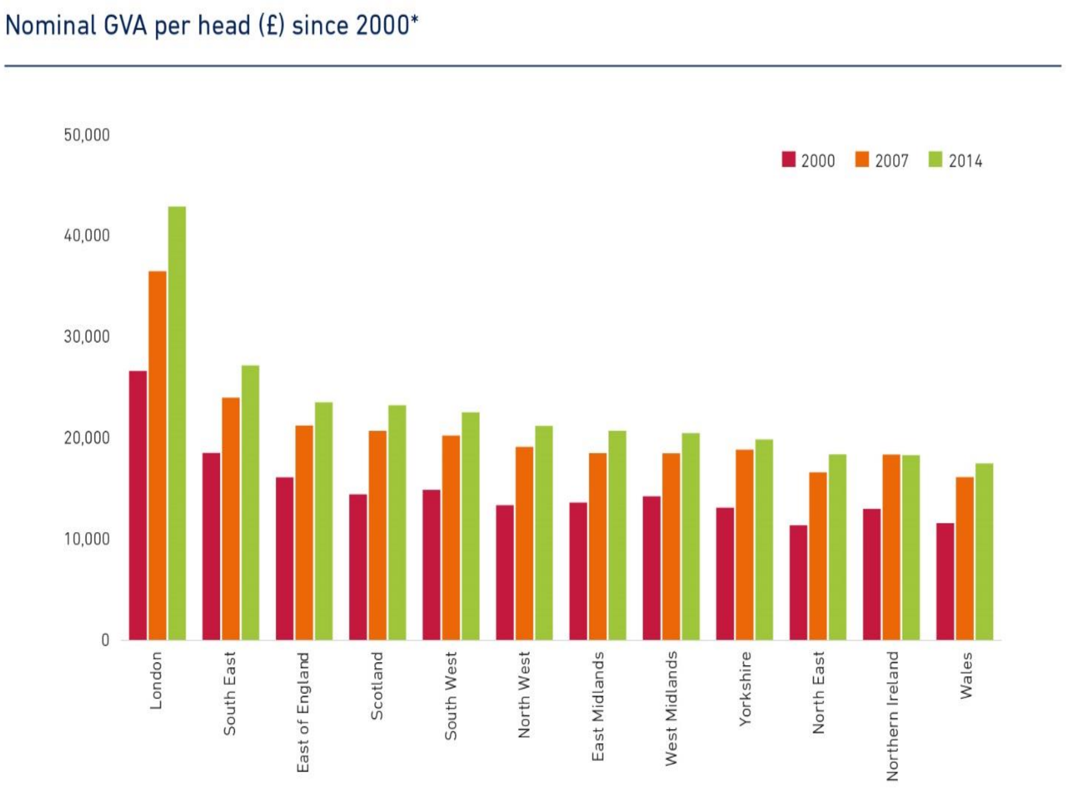


http://www.cbi.org.uk/insight-and-analysis/unlocking-regional-growth/

There is significant variation in productivity across the regions and devolved nations of the UK and this has persisted over time



* Measured as gross value added at basic prices which does not account for differences in inflation rates across the regions
SOURCE: ONS (2014)



* Measured as gross value added at basic prices which does not account for differences in inflation rates across the regions
SOURCE: ONS (2014)

…and almost as much variation in productivity within the regions and devolved nations

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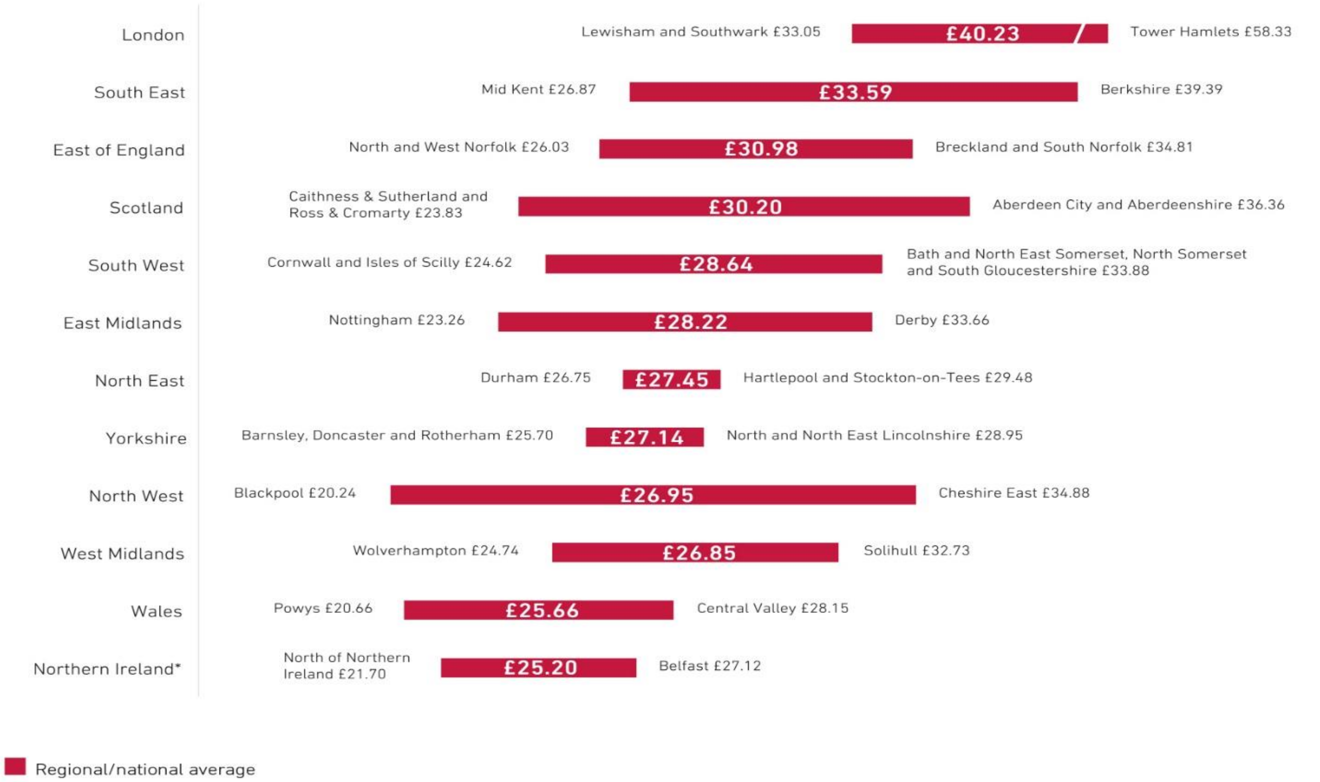
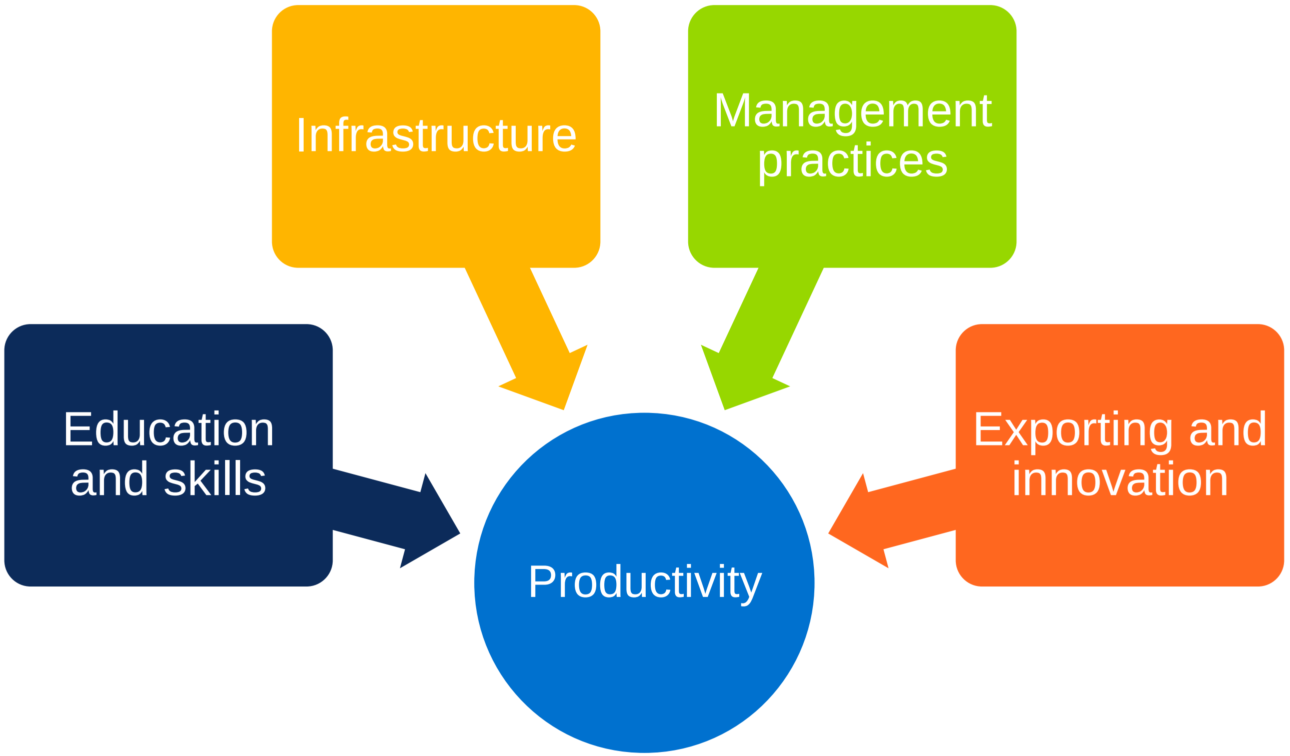
Local productivity variation within the UK (GVA per hour)



* Northern Ireland NUTS3 figures are based on 2013 data for GVA per job filled and hours worked

SOURCE: ONS (2014)

Four main drivers of regional productivity



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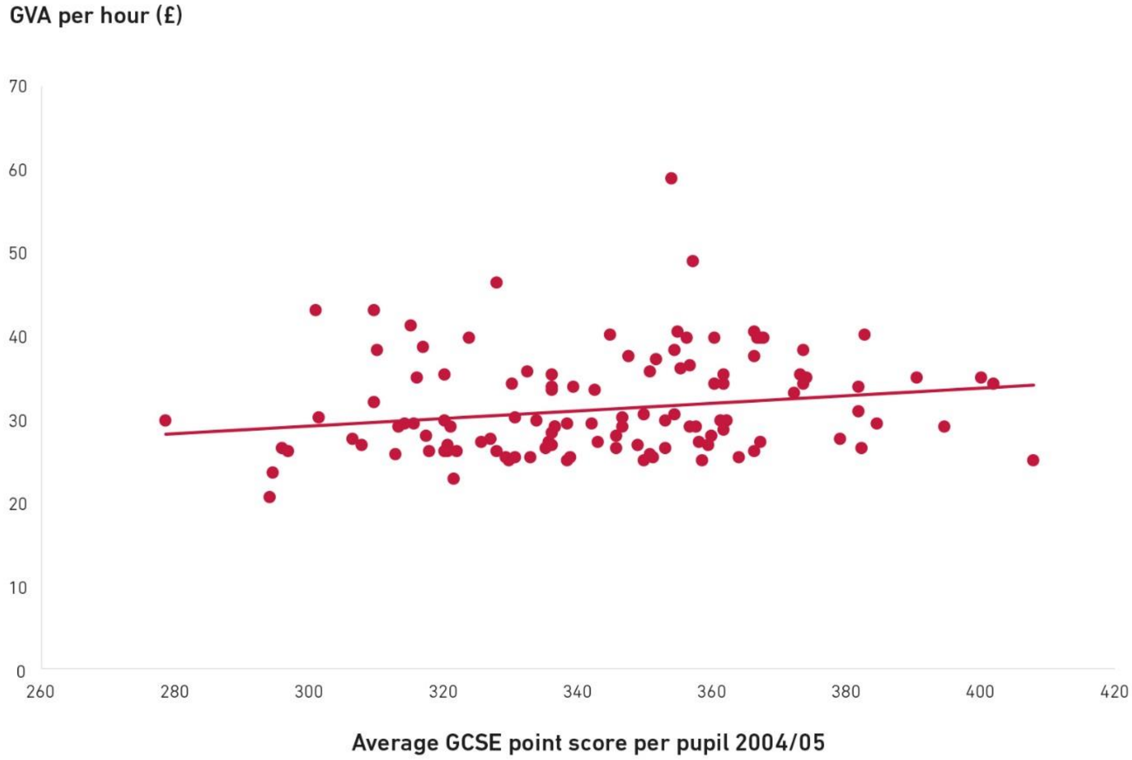
Productivity in local area is linked to achievement of secondary school leavers

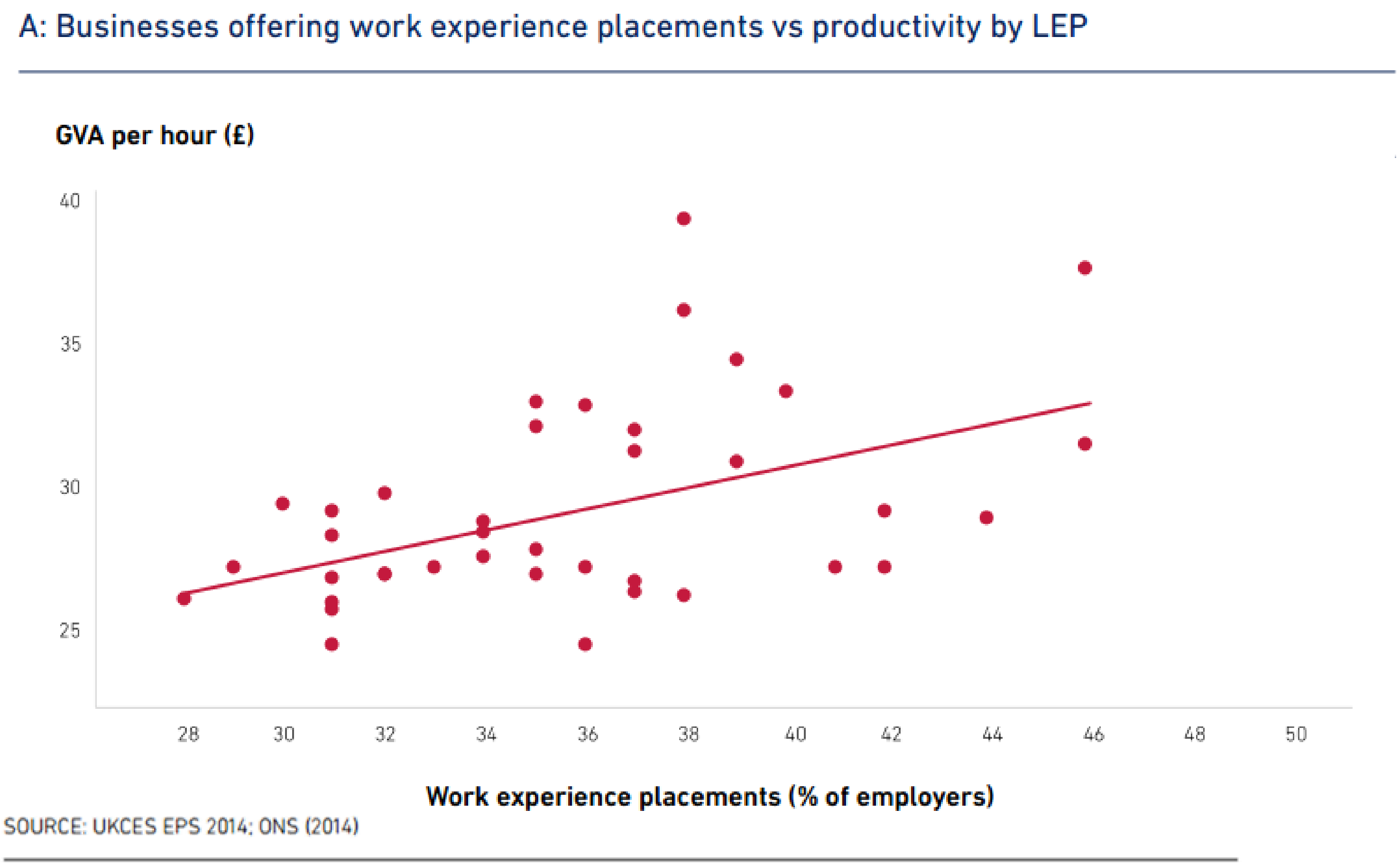
Average GCSE point score in 2004/05 vs productivity in 2014 by NUTS3*



* Includes GCE/VCE and other equivalent examinations

SOURCE: Department for Education, WalesStat; ONS (2014)

Better links between businesses and schools pays dividends for local productivity (1/2)



Better links between businesses and schools pays dividends for local productivity (2/2)

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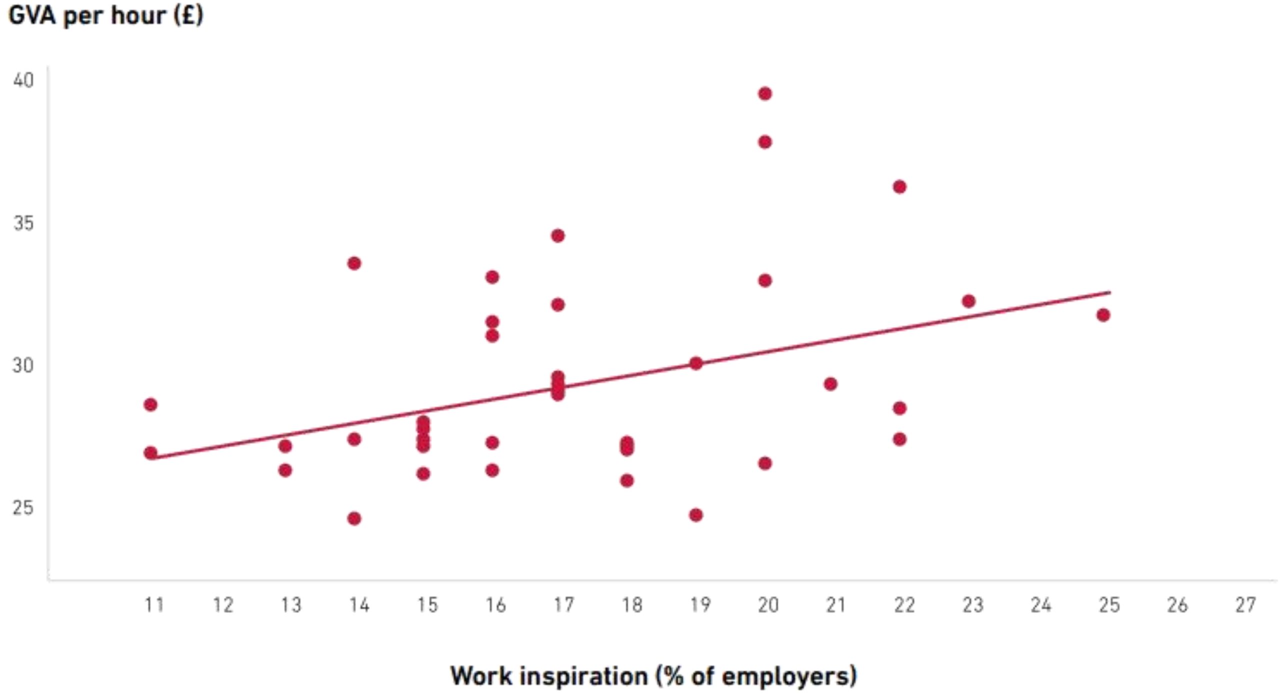
B: Businesses offering work inspiration vs productivity by LEP*



* Work inspiration is the aim of instilling a passion in students to plan for their future careers, through means such as site visits, mentoring, mock interviews and enterprise competitions.

SOURCE: UKCES EPS 2014; ONS (2014)

If some Northern cities became more connected we could see a significant increase in productivity due to agglomeration

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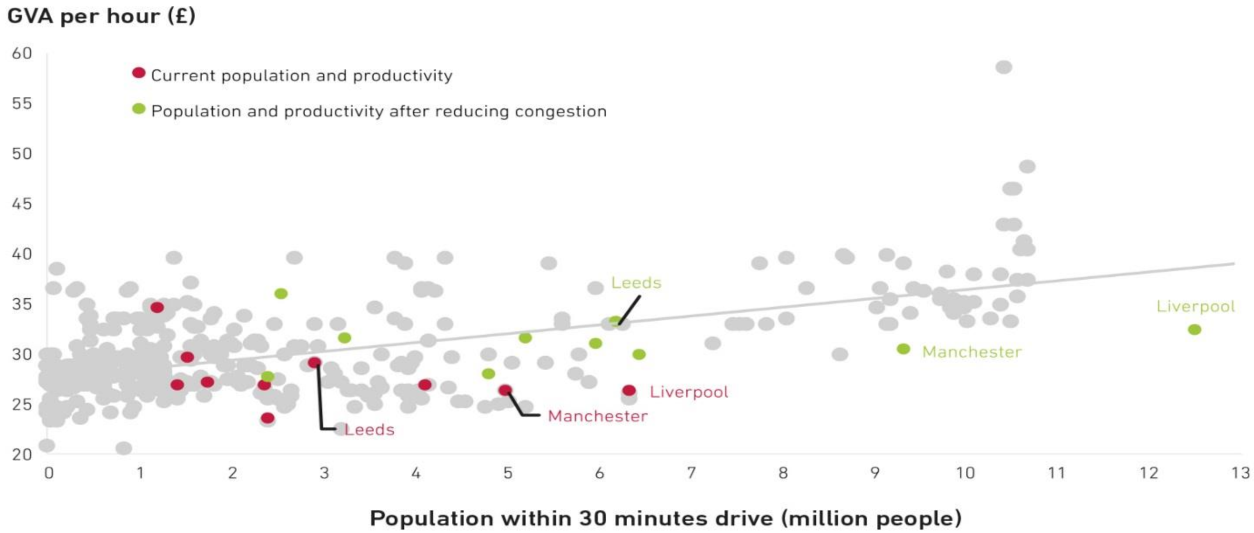
Population within 60 minutes of the centre of a Local Authority vs productivity of the Local Authority

We have used a proxy metric for inter-regional agglomeration: the population that lives within 60 minutes of a particular Local Authority. For every 1,000,000 increase in population we see a £0.50 increase in GVA per hour. We have modelled the impact of increasing the 'catchment areas' for some Northern cities by reducing travel times between the cities to 30 minutes

SOURCE: ONS, Census, Postcode Sector to Sector data (XYZ maps)

Reducing congestion within large cities could boost productivity (1/2)

A: Population within 30 minutes vs productivity by Local Authority

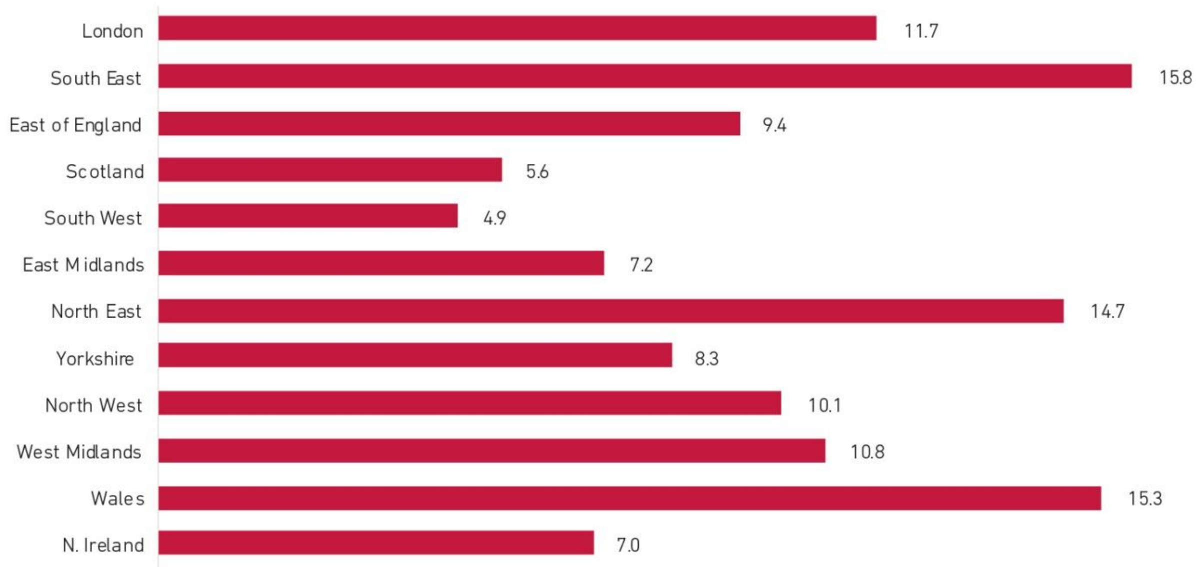


We have used the population that lives within 30 minutes of a particular Local Authority as a proxy for local agglomeration. For every 1 million increase in an area's population, there is an additional £0.60 in GVA per hour. We have modelled the impact increasing the speed of travel within cities by 50% (so that people within 45 minutes of the centre can travel into it within 30 minutes).

SOURCE: ONS, Census, Postcode Sector to Sector data (XYZ maps)

Innovation matters for productivity and varies across the UK

Turnover attributable to new, improved, and novel products (%)



In a firm level regression of productivity, two proxies of innovation were found to be statistically significant factors for predicting productivity

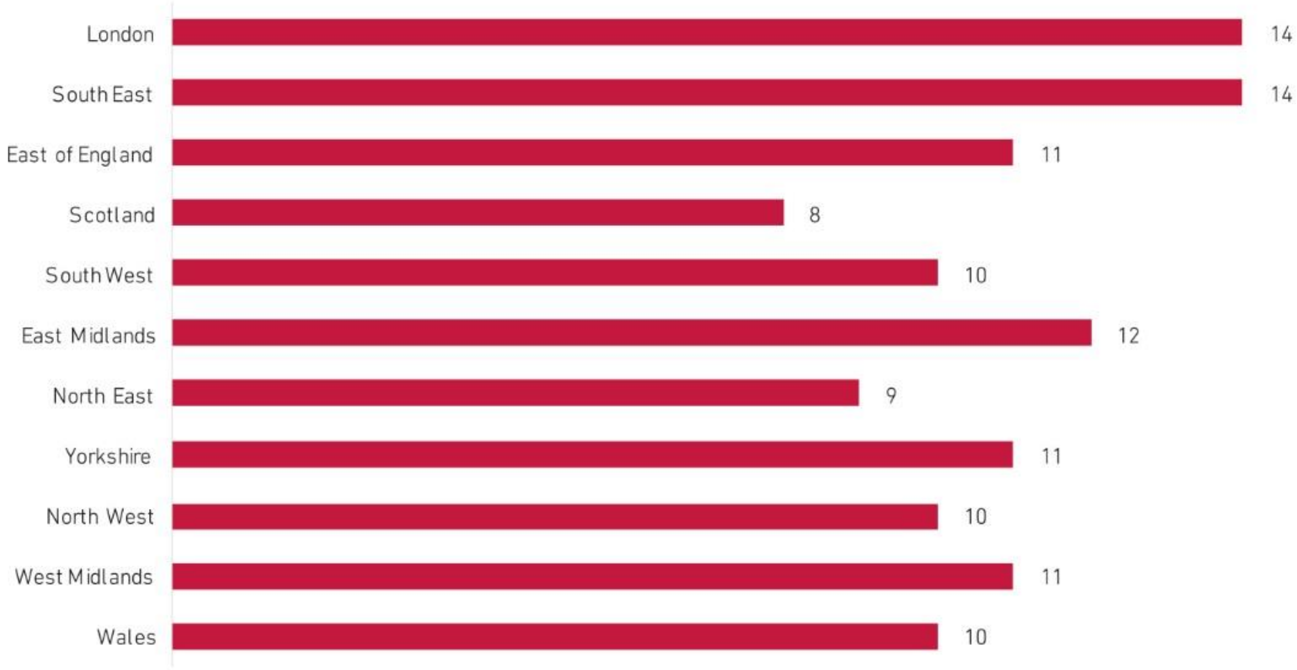
- Firms planning to invest in R&D were significantly more productive than firms that were not

- Firms that spent a higher share of their turnover on software development were also significantly more productive

SOURCE: Community Innovation Survey (2008); ONS Microdata (2014)

Across all regions of the UK, there is a large amount of potential exporters that are not exporting today

Proportion of non-exporting firms that are "potential exporters" by NUTS1* (%)



* Average value for 2004 - 2010

SOURCE: Harris and Moffat (2013)

Each region and nation has its own unique set of strengths and opportunities when it comes to productivity

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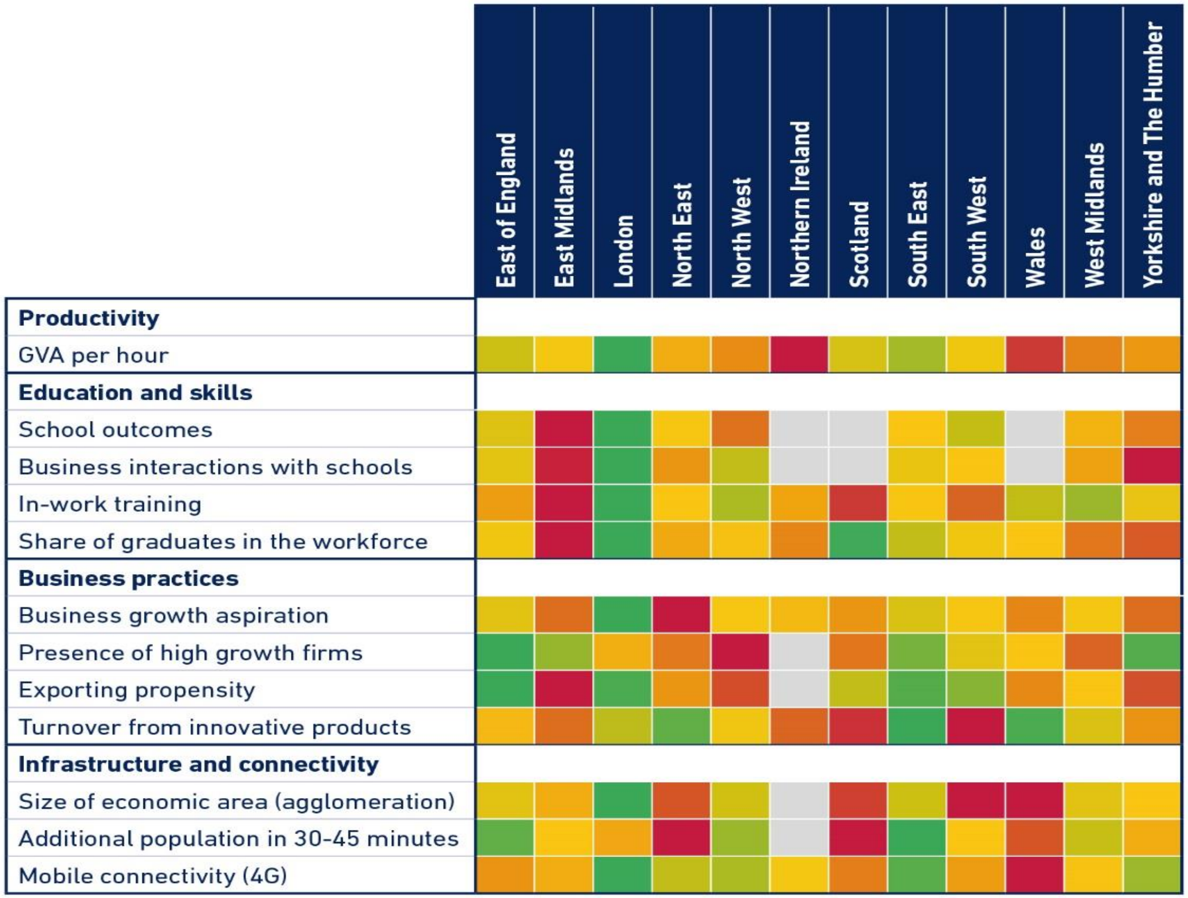
Heatmap of productivity drivers by NUTS1*



* Grey shading indicates where data is unavailable (Northern Ireland, Scotland and Wales only)

SOURCE: CBI calculations

CBI Region

North East

In partnership with: irwinmitchell

Recommendation levels: H High priority M Medium priority L Low priority

Productivity

GVA per hour – percentiles

41st

30th 62nd

GVA per hour – £

27.45

26.75 29.48

Productivity in North East is in the 41st percentile for the UK, meaning it is less productive than 59% of NUTS3 areas in the UK.

Productivity of NUTS3 areas in North East ranges between the 30th to 62nd percentiles in the UK.

Productivity range of all NUTS3 areas in the UK.[1]

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Education & skills

School outcomes

42nd

3rd 100th H

Business interaction with schools

41st

34th 42nd M

In-work training

46th

0th 69th H

Share of graduates in the workforce

37th

9th 51st H

Business practices

Business growth aspiration

28th

8th 91st M

Presence of high-growth firms

52nd

20th 58th L

Exporting propensity

37th

10th 74th M

Turnover from innovative products[2]

82nd

0th 100th L

Infrastructure & connectivity

Mobile connectivity (4G)

47th

18th 100th L

Size of economic area (agglomeration)

41st

2nd 54th M

Additional population within 30-45min commute time

1,359,586

Economic outcomes[2]

GVA per head – £ per person

18,216

<15,000 23,745

Employment rate – %

68.5

<65 72.9

Participation rate – %

75.0

71.2 78.2

Average hours worked per week

30.0

<27 35.1

[1] Economic outcomes are plotted on an absolute scale showing the 5th – 95th percentile of NUTS3 areas in the UK. Productivity drivers are plotted on a percentile scale of all NUTS3 areas in the UK.
[2] Available on a NUTS1 level only.

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LEP[1] **North Eastern**

Region North East

In partnership with: irwinmitchell

Recommendation levels: H High priority M Medium priority L Low priority

Productivity

GVA per hour – percentiles

36th (range 30th – 52nd)

GVA per hour – £

27.09 (range 26.75 – 28.64)

Productivity in North Eastern is in the 36th percentile for the UK, meaning it is less productive than 64% of NUTS3 areas in the UK.

Productivity of NUTS3 areas in North Eastern ranges between the 30th to 52nd percentiles in the UK.

Productivity range of all NUTS3 areas in the UK.[1]

Education & skills

School outcomes

61st (range 36th – 100th) H

Business interaction with schools

42nd (range 42nd – 42nd) M

In-work training

44th (range 0th – 69th) H

Share of graduates in the workforce

35th (range 9th – 49th) H

Business practices

Business growth aspiration

24th (range 8th – 57th) M

Presence of high-growth firms

52nd (range 20th – 58th) M

Exporting propensity

51st (range 17th – 74th) L

Turnover from innovative products

77th (range 77th – 77th) L

Infrastructure & connectivity

Mobile connectivity (4G)

45th (range 18th – 100th) L

Size of economic area (agglomeration)

43rd (range 2nd – 54th) M

Additional population within 30-45min commute time

681,417

Economic outcomes[2]

GVA per head – £ per person

18,076 (range <15,000 – 20,693)

Employment rate – %

69.0 (range 65.1 – 72.9)

Participation rate – %

75.1 (range 71.2 – 78.1)

Average hours worked per week

29.7 (range <27 – 30.8)

[1] Outside England, special sub-regions have been created to capture economic ecosystems, approximating the geographical idea of the 39 LEPs in England.

[2] Economic outcomes are plotted on an absolute scale showing the 5th – 95th percentile of NUTS3 areas in the UK. Productivity drivers are plotted on a percentile scale of all NUTS3 areas in the UK.

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Local Area Northumberland

LEP[1] North Eastern

Region North East

In partnership with: IM irwinmitchell

Recommendation levels: H High priority · M Medium priority · L Low priority

Productivity

GVA per hour – percentiles

33rd (range 30th – 52nd)

GVA per hour – £

26.87 (range 26.75 – 28.64)

▼ Productivity in Northumberland is in the 33rd percentile for the UK, meaning it is less productive than 67% of NUTS3 areas in the UK.

Productivity in North Eastern ranges between the 30th to 52nd percentiles in the UK.

Productivity range of all NUTS3 areas in the UK.[1]

Education & skills

School outcomes — 100th (range 36th – 100th) — M

Business interaction with schools — 42nd (range 42nd – 42nd) — M

In-work training — 0th (range 0th – 69th) — H

Share of graduates in the workforce — 25th (range 9th – 49th) — H

Business practices

Business growth aspiration — 57th (range 8th – 57th) — L

Presence of high-growth firms — 20th (range 20th – 58th) — M

Exporting propensity — 60th (range 17th – 74th) — L

Turnover from innovative products — 77th (range 77th – 77th) — L

Infrastructure & connectivity

Mobile connectivity (4G) — 18th (range 18th – 100th) — M

Size of economic area (agglomeration) — 2nd (range 2nd – 54th) — H

Additional population within 30-45min commute time

580,636

Economic outcomes[2]

GVA per head – £ per person — 14,979 (range <15,000 – 20,693)

Employment rate – % — 72.9 (range 65.1 – 72.9)

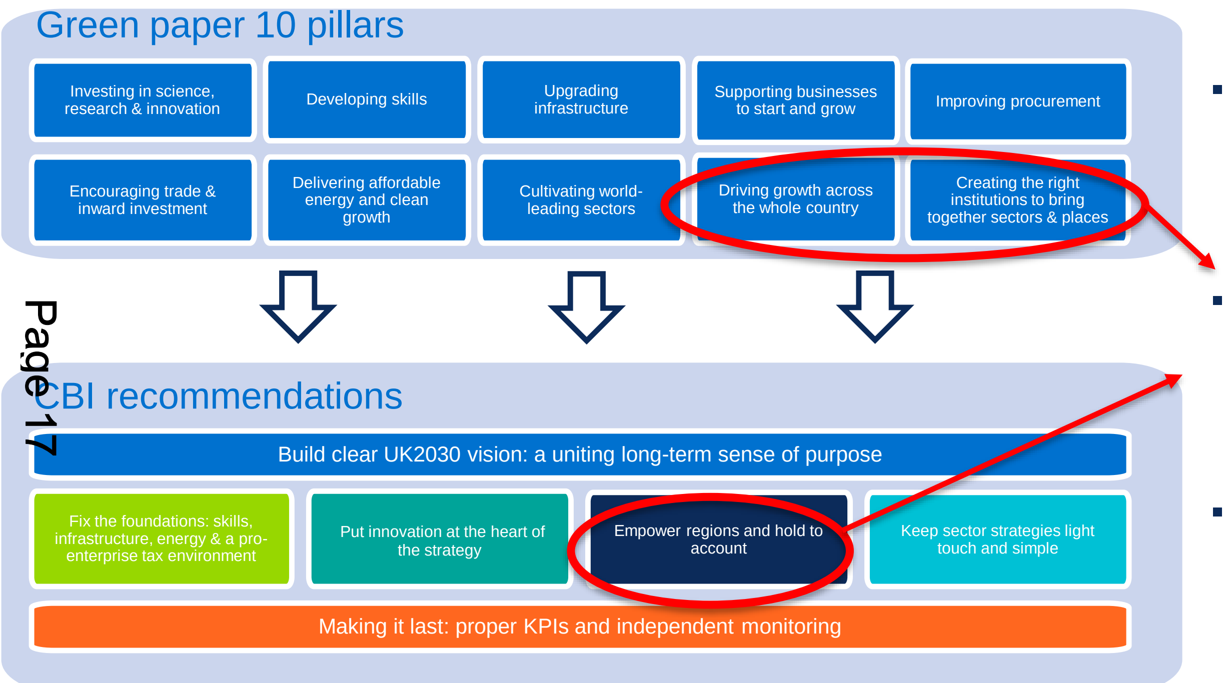
Participation rate – % — 78.1 (range 71.2 – 78.1)

Average hours worked per week — 27.1 (range <27 – 30.8)

[1] Outside England, special sub-regions have been created to capture economic ecosystems, approximating the geographical idea of the 39 LEPs in England.

[2] Economic outcomes are plotted on an absolute scale showing the 5th – 95th percentile of NUTS3 areas in the UK. Productivity drivers are plotted on a percentile scale of all NUTS3 areas in the UK.

Next step: focus on place



- Following the release of the industrial strategy green paper, Government now has the key elements of a successful industrial strategy in its sights: ***people, innovation, infrastructure, enterprise and place.***
- CBI will with the information from the regional scorecards, run a series of workshops which looks to voice business priorities when it comes to a place based approach to industrial strategy.
- ***Key success criteria includes:*** practical solutions to local productivity drivers, strong and effective local leadership, collaboration between government/local stakeholders and businesses to ensure sustainability and long-term success.

http://www.cbi.org.uk/insight-and-analysis/unlocking-regional-growth/

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Regional scorecards information

In partnership with: irwinmitchell

Overview
The CBI regional growth scorecard provides a snapshot of the economic health of a region highlight where business leaders, devolved administrations, central and local governments leaders should concentrate their efforts.

Interpreting the scorecard
On each scorecard, the four economic outcomes metrics are shown in the column on the far right. Whereas the three columns on the left-hand side show the relative performance of the area against the drivers of productivity.

▼ indicates the average value for the area selected.

spans the minimum and maximum values of the local areas within the LEP/sub-region.

shows the whole range of the UK.

Sub-regions
For the devolved nations, we have created 11 additional sub-regions to capture the geographical idea of Local Economic Partnerships (LEPs) in England. The sub-regions and their constituent local areas (NUTS3) are:

Wales
- North Wales (UKL11-UKL13 , UKL23)
- Central Wales (UKL24)
- Swansea Bay (UKL14, UKL18)
- Cardiff Capital Region (UKL15-UKL17, UKL21, UKL22)

Scotland
- Highland and Islands (UKM61-UKM66, part of UKM63)
- Aberdeen (UKM50)
- Edinburgh, South East Dundee (UKM21-UKM28)
- Glasgow and the South West (UKM31, UKM33-UKM38, part of UKM63)
- Dumfries and Galloway (UKM32)

Northern Ireland
- Belfast (UKN01-UKN03)
- West of Northern Ireland (UKN04, UKN05)

Education and skills
School outcomes
Percentage of schools that are above the floor standard. Data available for England only.[2]

Source: Department for Education (2014)

Business interaction with schools
Percentage of employers offering work experience placements. Data available for England only and solely on a LEP level.

Source: Commission for Employment and Skills (2014)

In-work training
Percentage of employers offering management training.[1] For Wales, Scotland and Northern Ireland data is only available at a NUTS1 level.

Source: Commission for Employment and Skills (2014)

Share of graduates in the workforce
Percentage of population with an NVQ 4 qualification (Bachelor's degree equivalent) or higher.[2]

Source: ONS (2014), Census (2011)

Infrastructure and connectivity
Mobile connectivity (4G)
Percentage of premises with 4G coverage from three operators.[1]

Source: Ofcom (2016)

Size of economic area (agglomeration)
Maximum number of residents living within 30 minutes travel time of a central postcode.[1]

Source: ONS (2014), Census (2011), XYZ maps

Additional population within 30-45min commute time (congestion)
Maximum working-age population gain in a 30 to 45 minute commute zone from a central postcode.

Source: ONS (2014), Census (2011), XYZ maps

Business practices
Business growth aspiration
Percentage of 18 to 64-year-olds who are "ambitious early-stage entrepreneurs" (new businesses who expect to employ at least 10 people in five years' time).

Source: Global Entrepreneurship Monitor (2003-15)

Presence of high-growth firms
Firms with turnover that is greater than £1m and growing more than 20% annually, per 1,000 local firms.[2] Data not available for Northern Ireland.

Source: ONS (2014), Founders4Schools (2014)

Exporting propensity
Difference in share of firms that export, controlling for sector.[4] Data not available for Northern Ireland.

Source ONS Microdata (2012)

Turnover from innovative products
Percentage of total turnover attributable to new, improved and novel products. Only available on a NUTS1 level.

Source: Community Innovation Survey (2008)

Economic outcomes
GVA per head – £
GVA per resident.[1]

Source: ONS (2014)

Employment rate – %
Employment rate for 16 to 64 year-old residents.[1]

Source: ONS (2014)

Participation rate – %
Workforce participation rate for 16 to 64-year-old residents.[1]

Source: ONS (2014)

Average hours worked per week
Average hours worked by local employees.[1]

Source: ONS (2014)

[1] LEP/sub-region values are derived from NUTS3 level data weighted by working-age population.
[2] LEP/sub-region values are derived from local authority level data weighted by working-age population.
[3] NUTS3 areas take the value of the LEP they are part of. Where a NUTS3 belongs to multiple LEPs, it assumes the value of the LEP with the smallest population.
[4] NUTS3, LEP/sub-region values and NUTS1 values are weighted by number of local firms in each sector.