

# **LOCAL PRODUCTIVITY**

**The real differences across UK cities and regions**

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# Background

- ‘Productivity’ now central to debates about UK economic performance
- ‘Productivity’ also increasingly central to debates around regional and local differences in prosperity
- *But what exactly is ‘productivity’?  
.....and how should it be defined and measured at the local scale?*

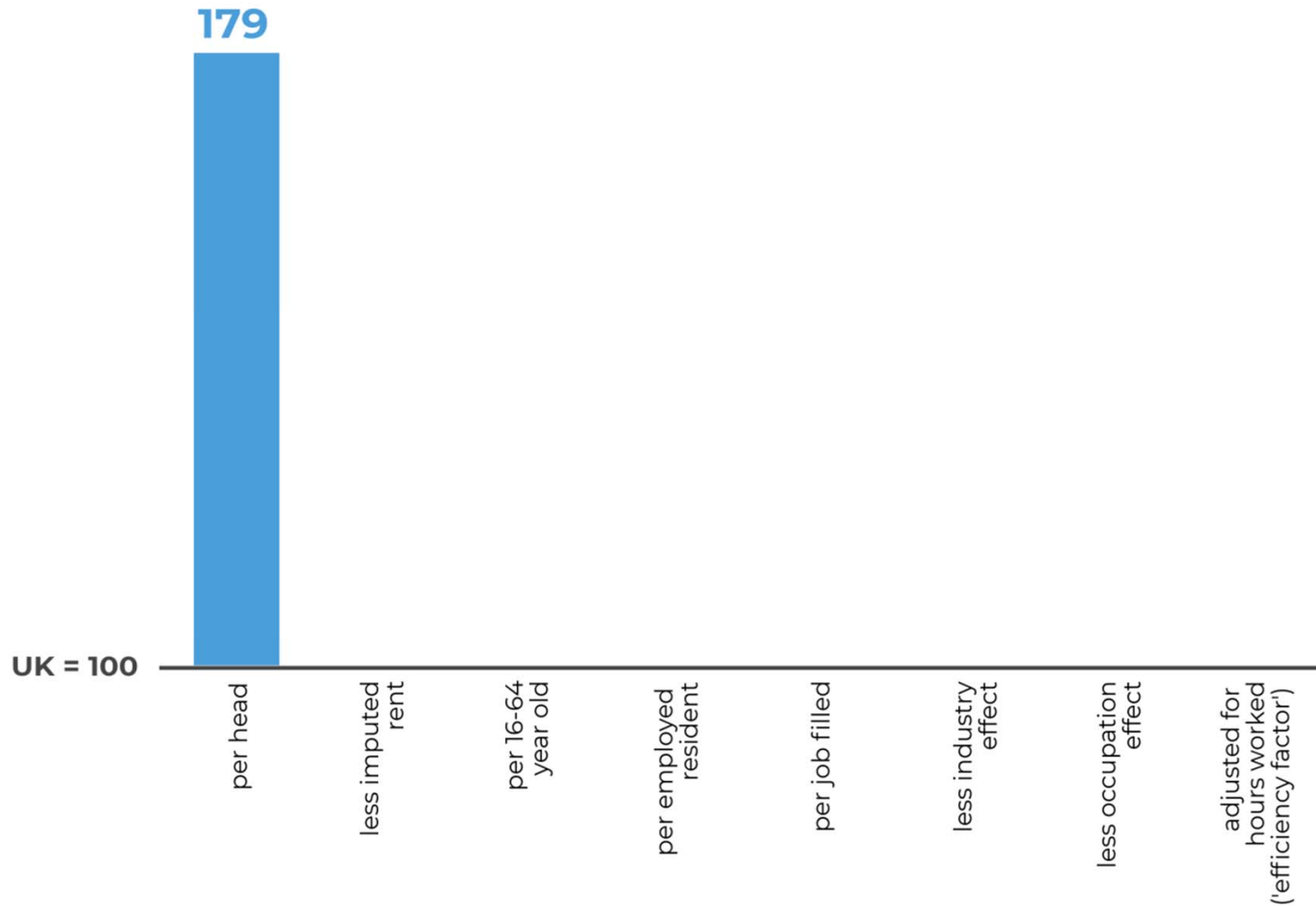
# Two ends of the spectrum

- Productivity as 'output per head'  
e.g. GVA per head at the regional / sub-regional / local scale
  
- Productivity as 'efficiency'  
i.e. How well any given task is performed

# Structure of the research

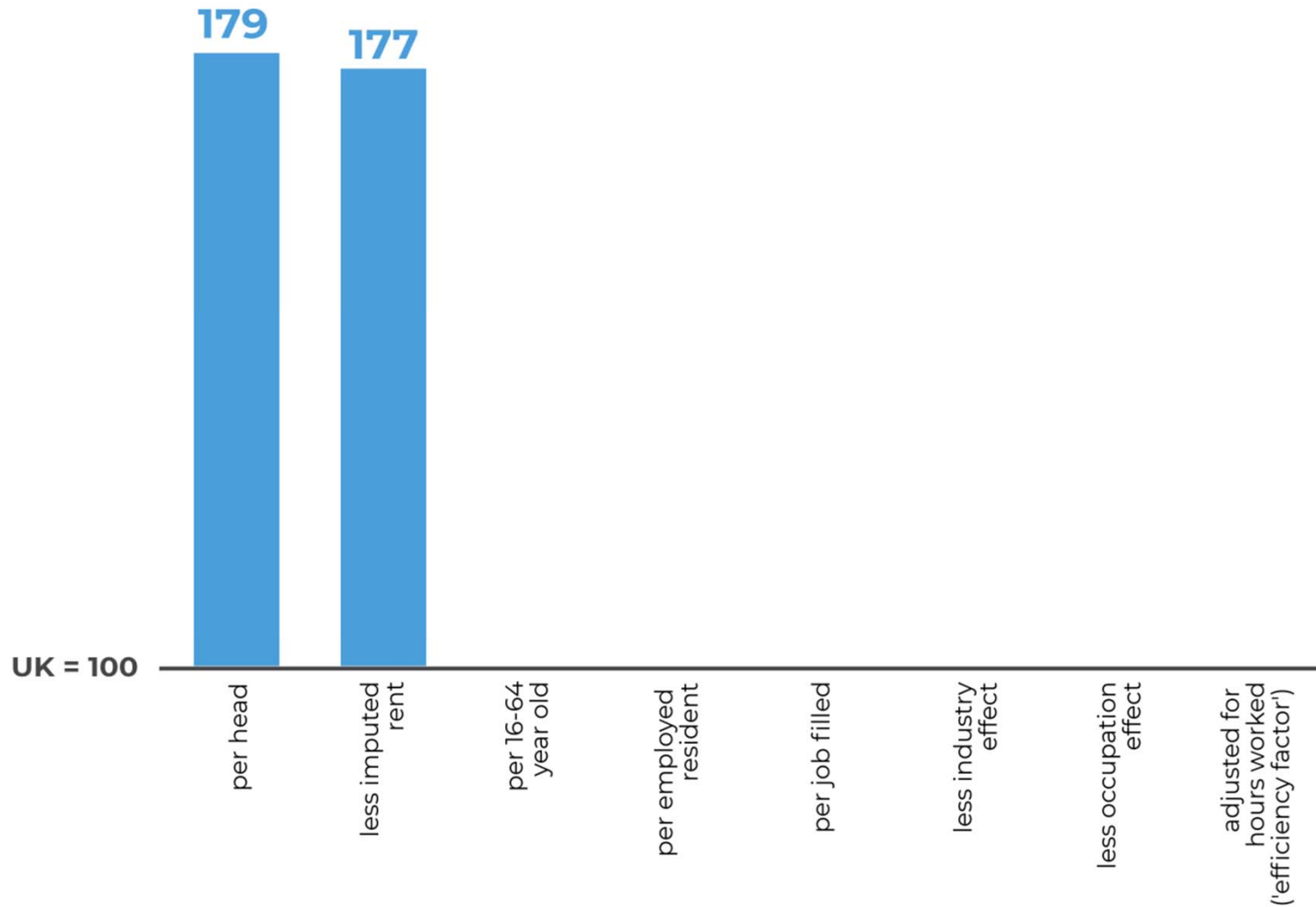
- Disaggregation of local productivity into component parts
- Measurement *relative to UK average* at all stages
- Snapshot for 2017
- Two spatial scales
  - All UK sub-regions (LEPs in England, NUTS 2 in Scotland and Wales)
  - Each of the main regional cities in GB

# Productivity (GVA) in London



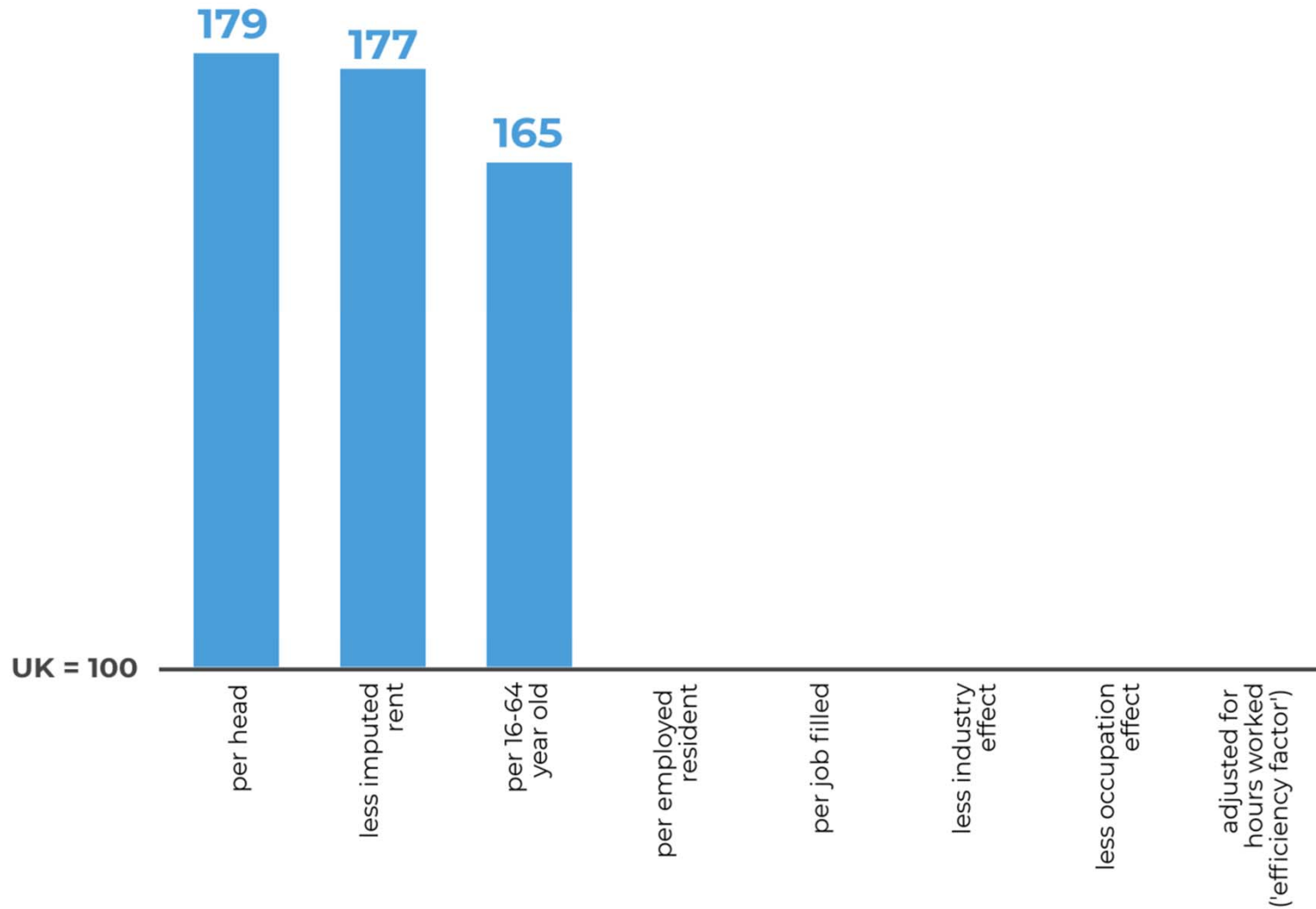
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in London



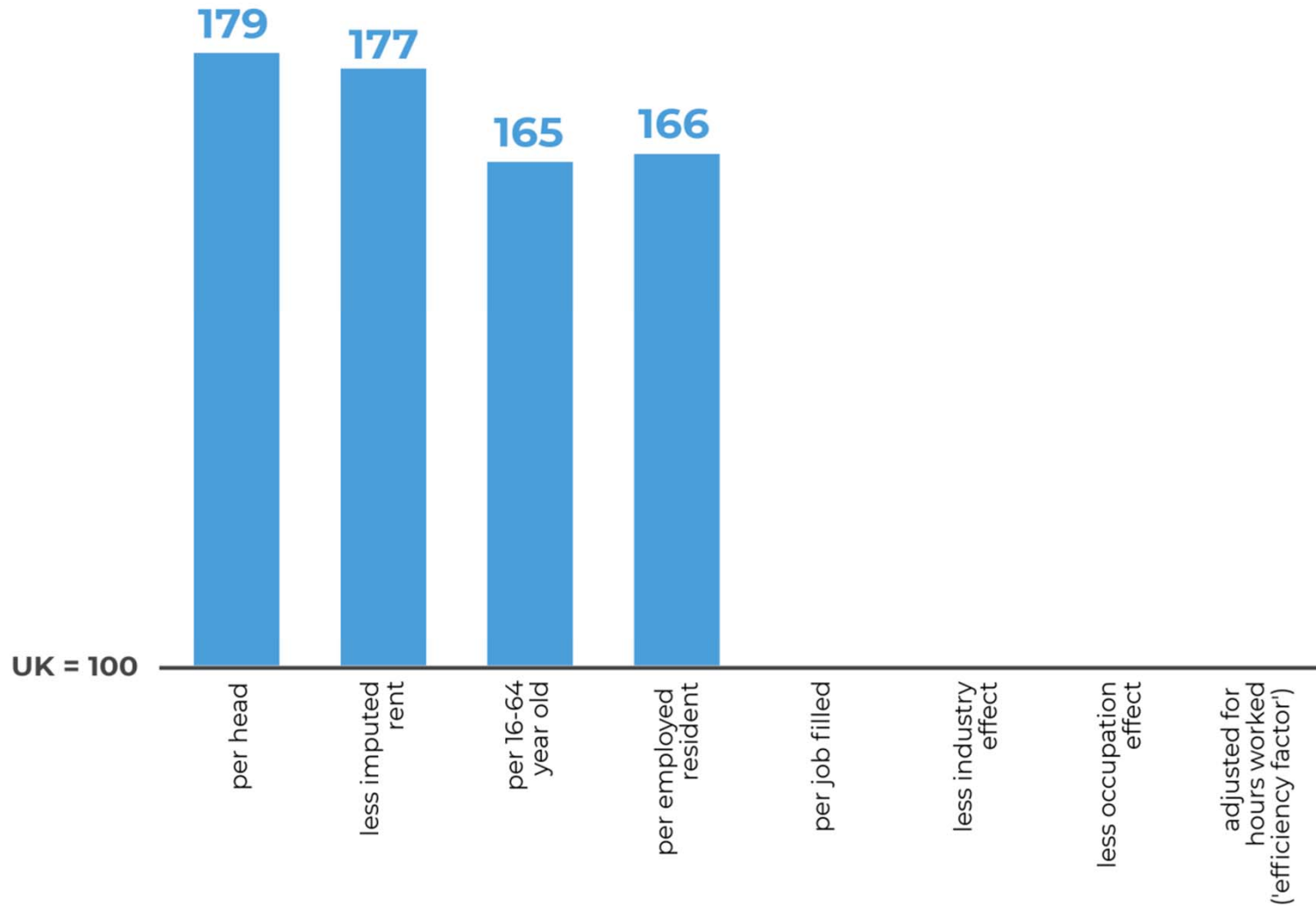
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# Productivity (GVA) in London



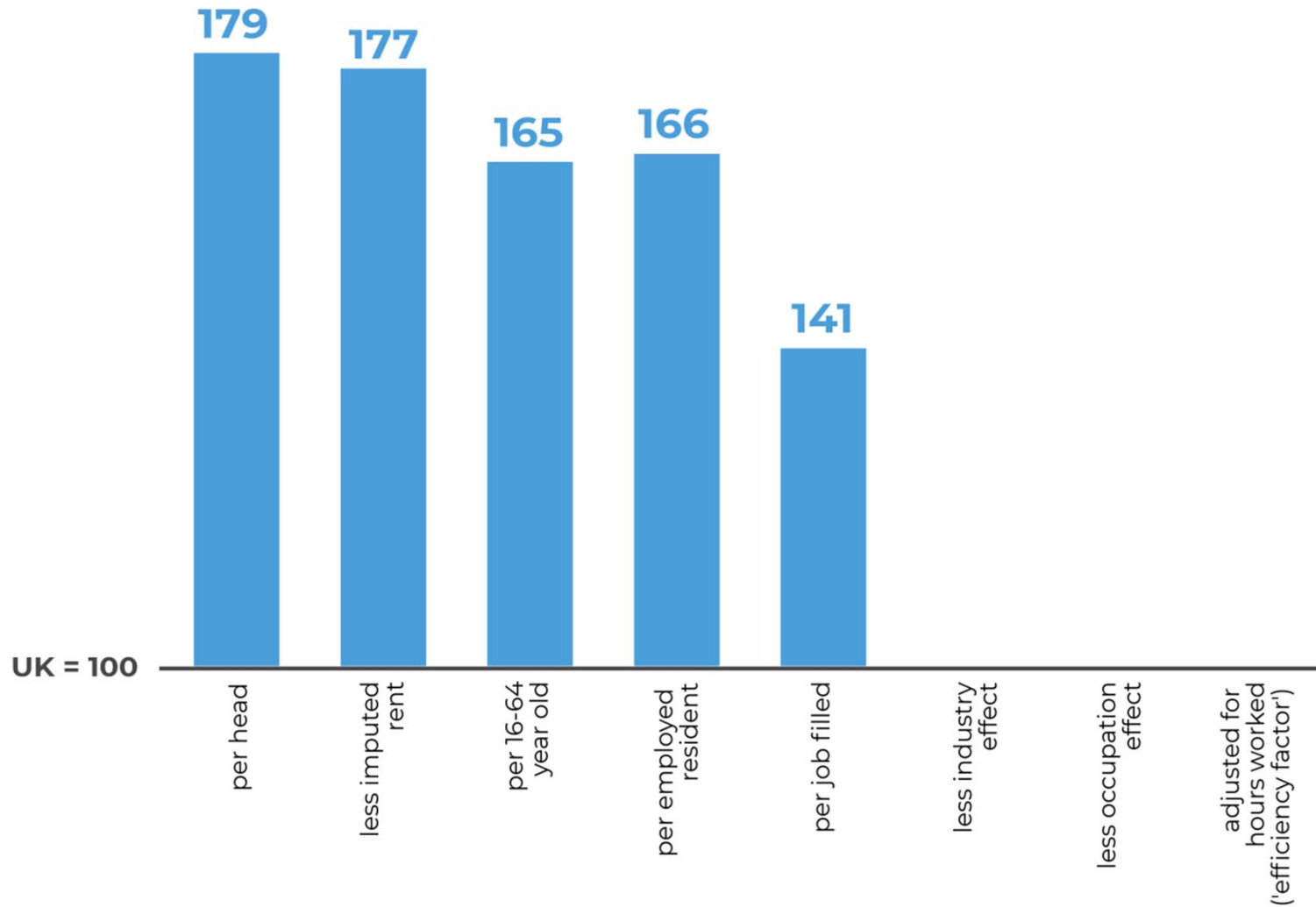
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in London



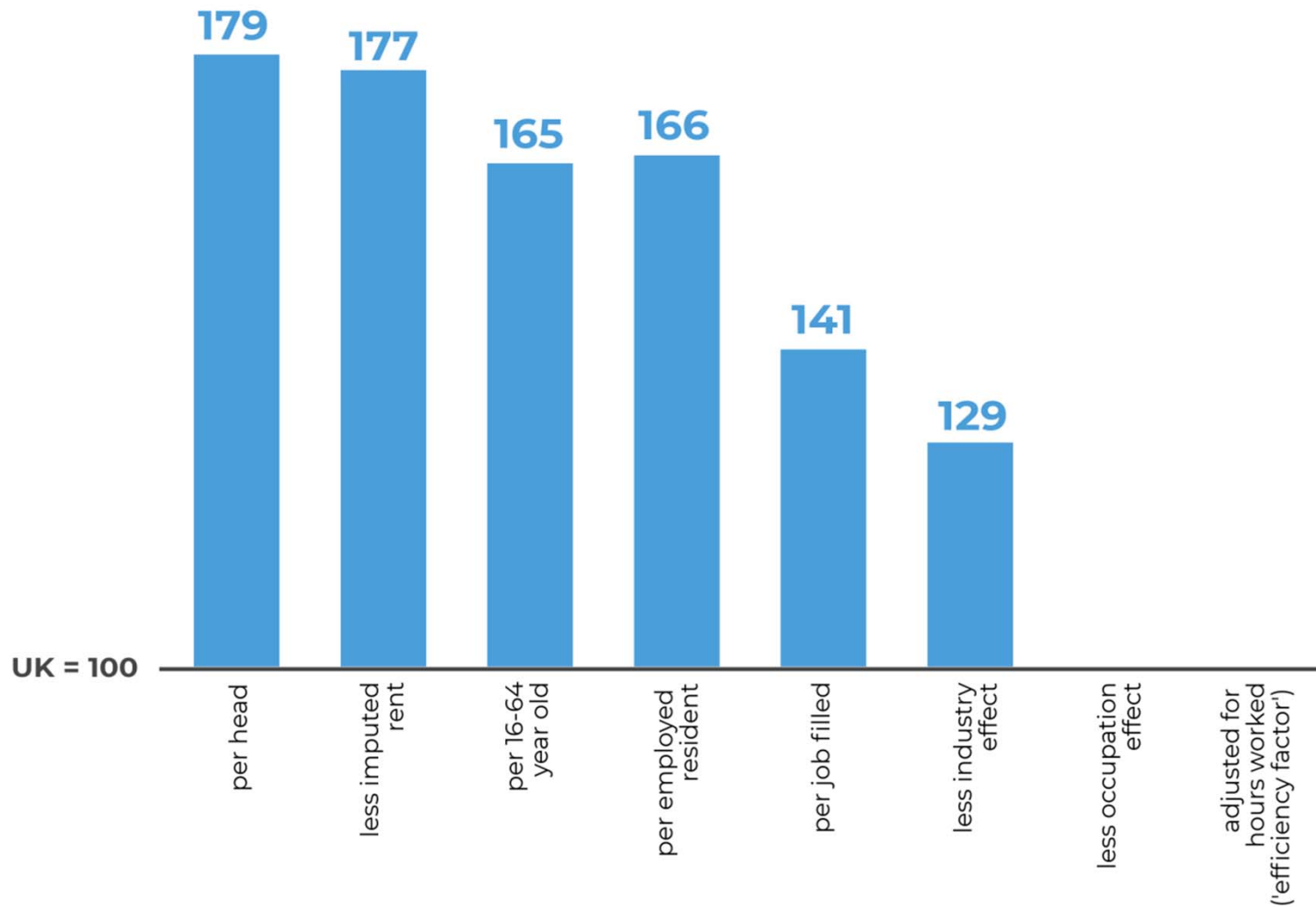
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in London



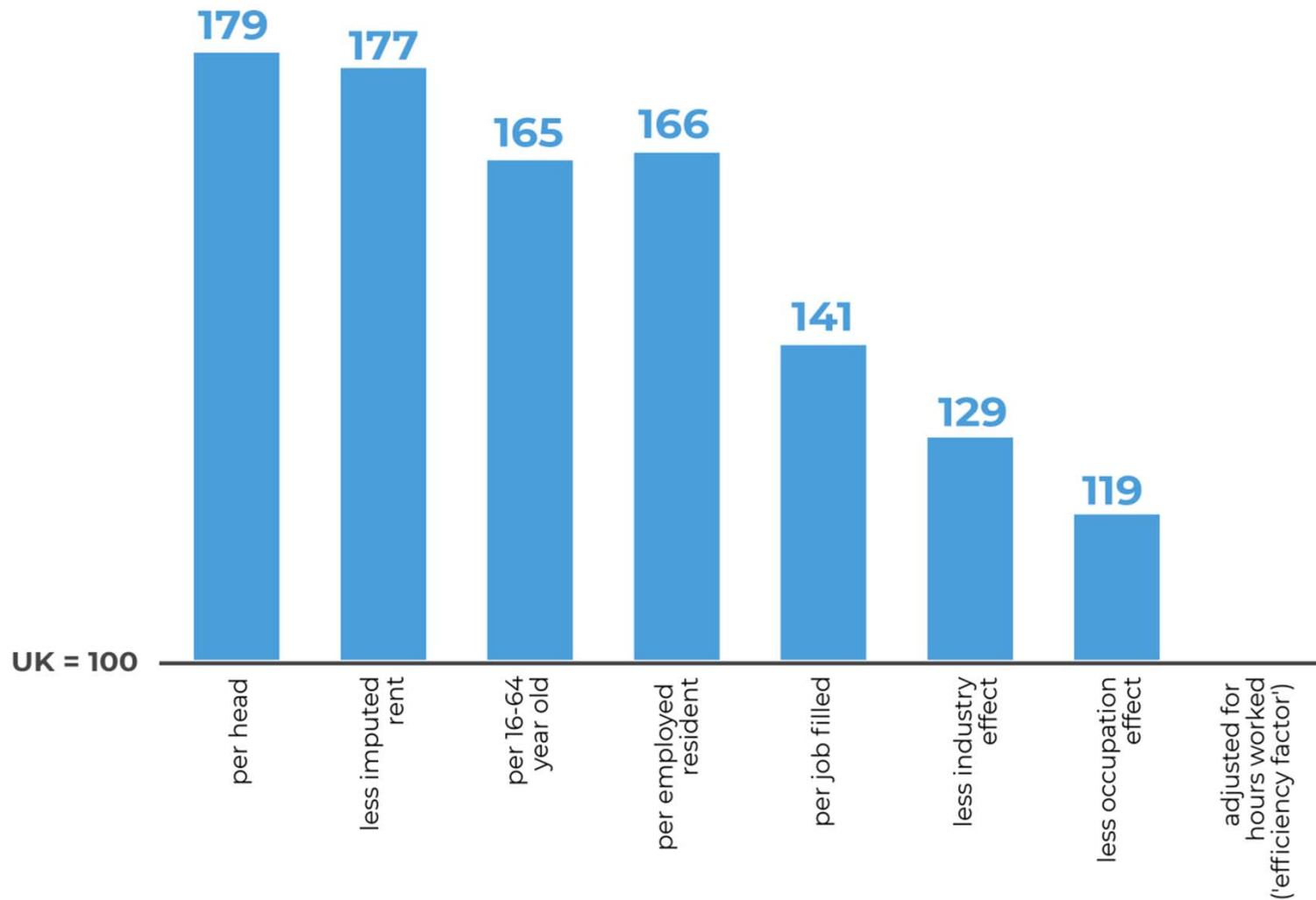
Sources: ONS and Sheffield Hallam University

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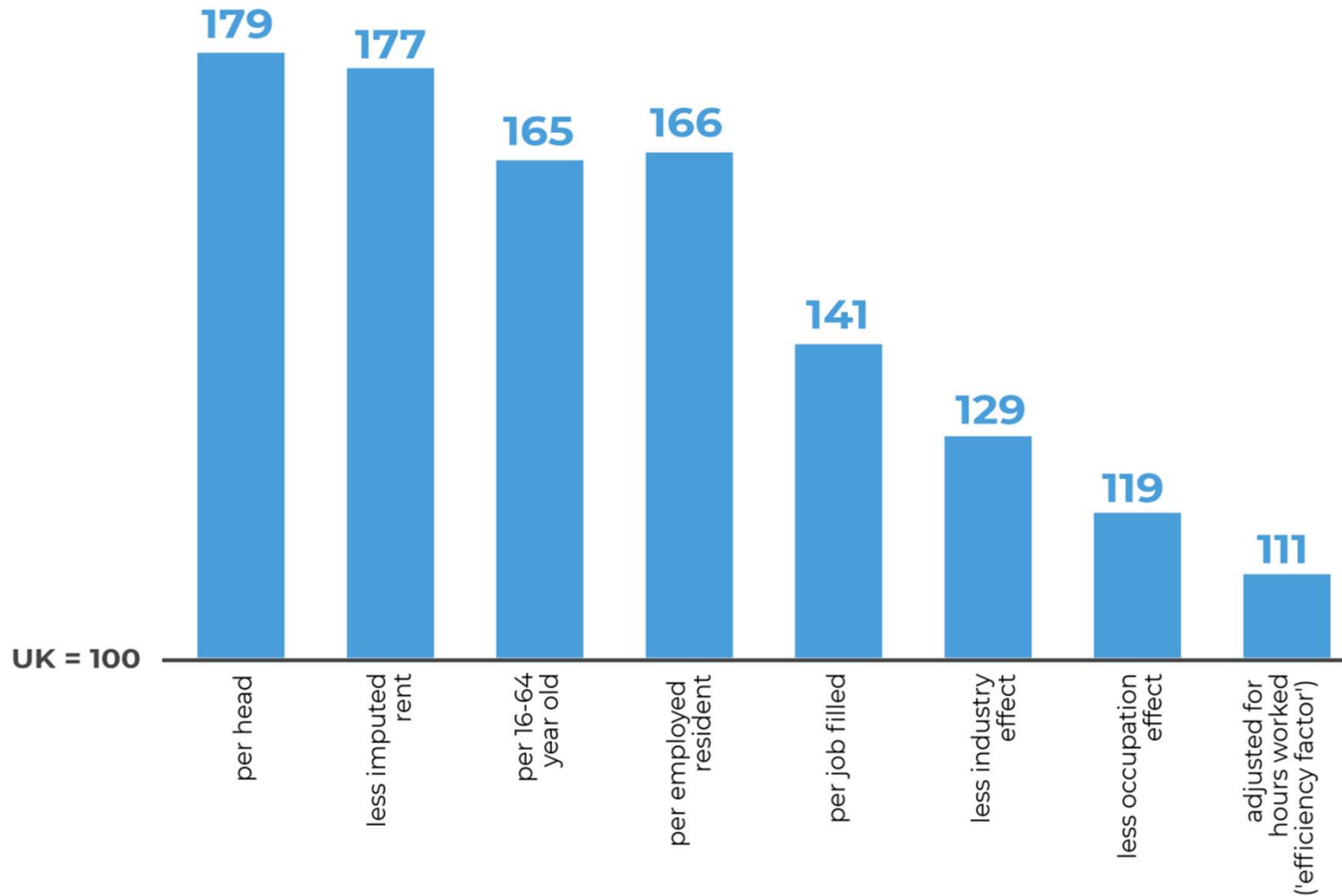
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in London



Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in London

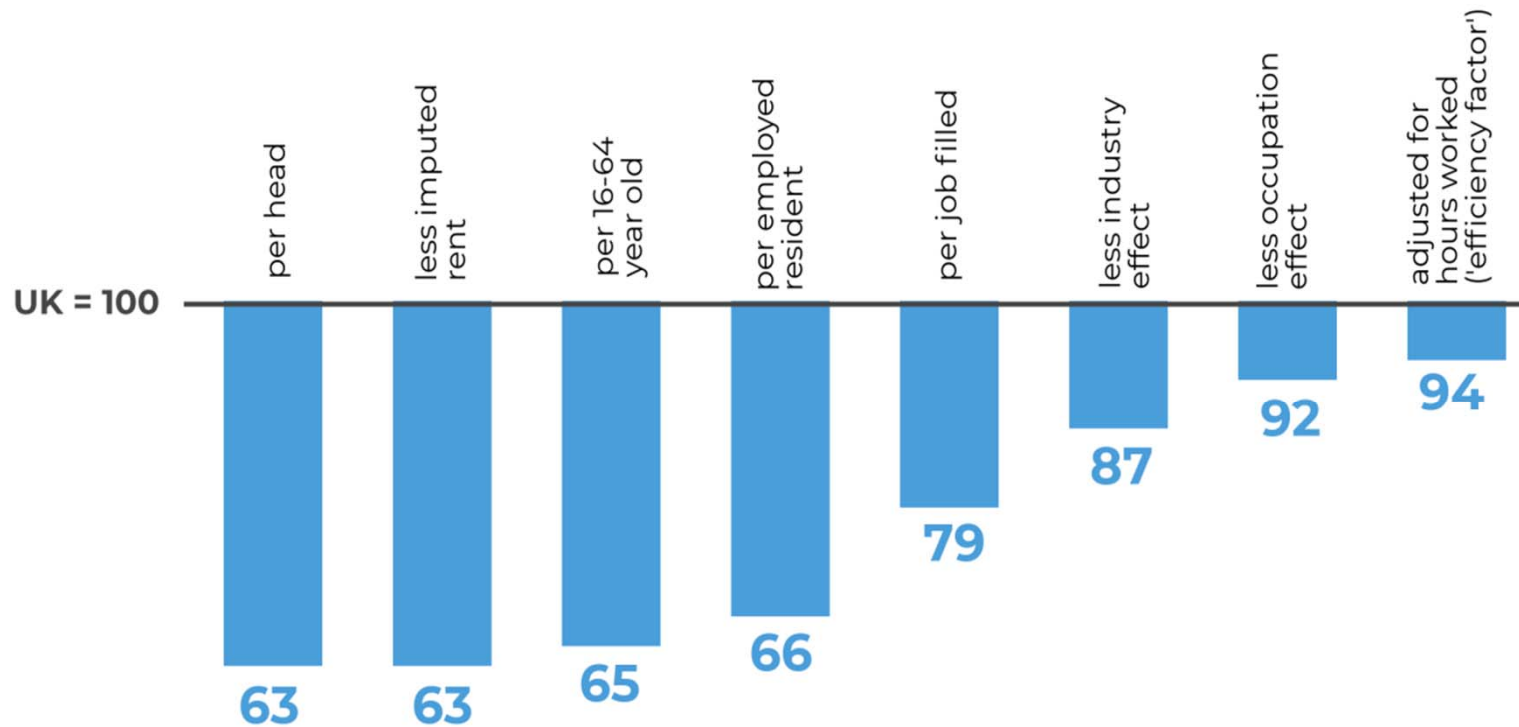


Sources: ONS and Sheffield Hallam University

# ‘Efficiency factor’

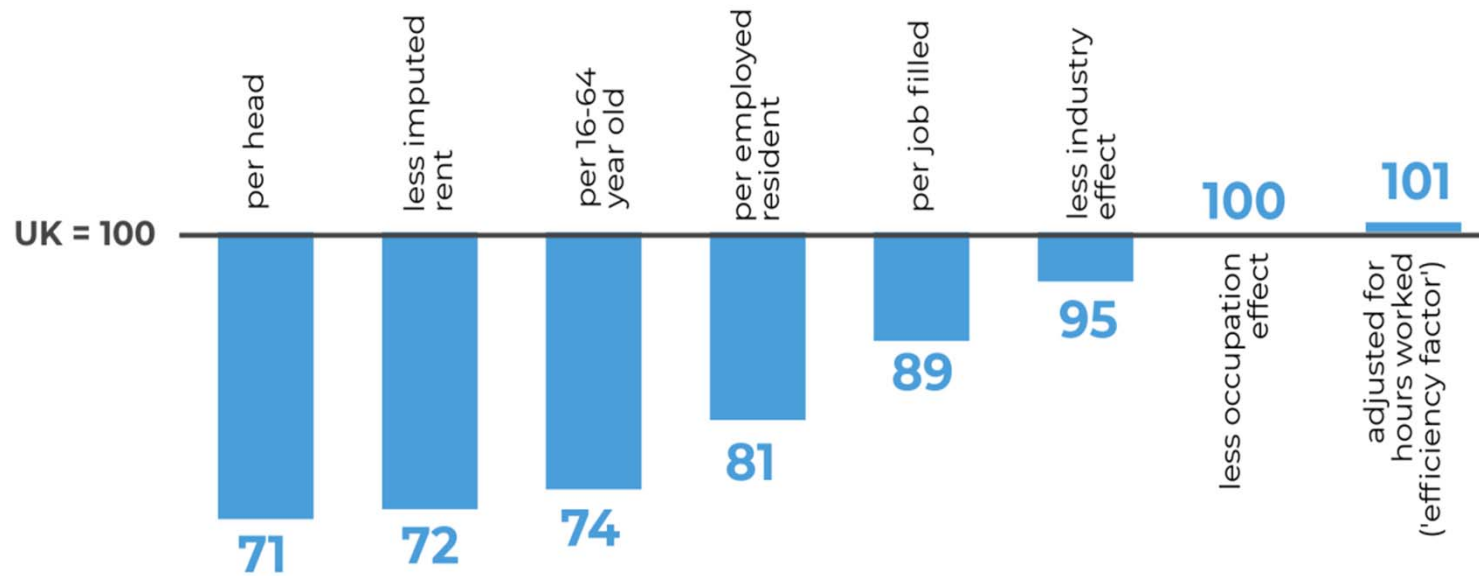
- Productivity, relative to UK average, after adjusting for:
  - Labour market participation and commuting
  - Industrial and occupational mix
  - Hours worked
- Health warning:
  - Adjustments for industry and occupation unlikely to measure full effects

# Productivity (GVA) in West Wales & the Valleys



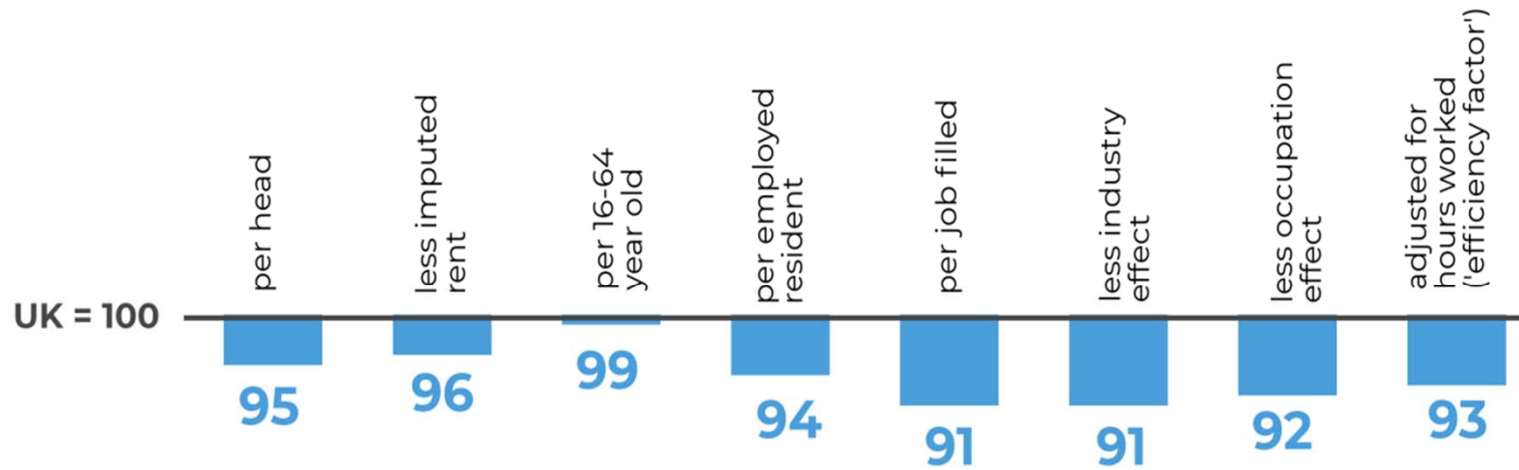
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in Tees Valley



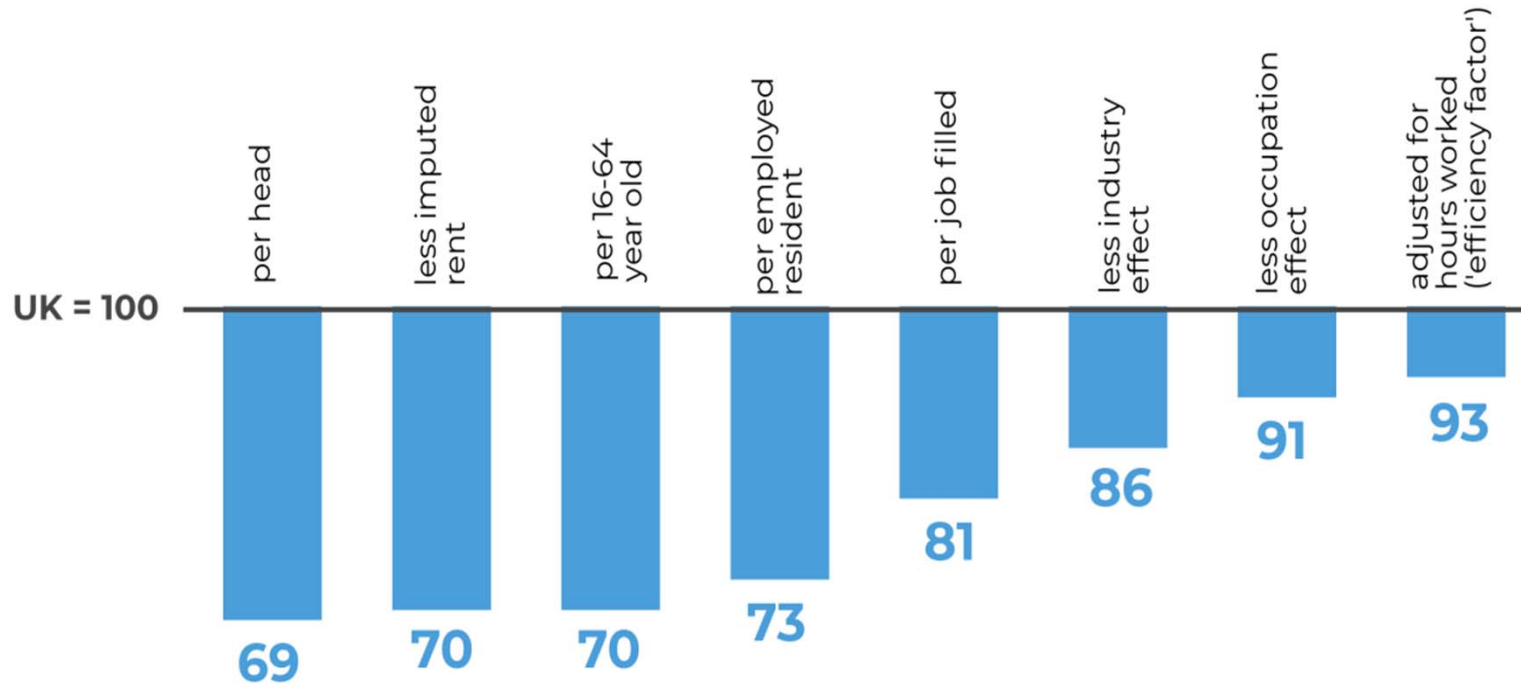
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in Cambridge & Peterborough



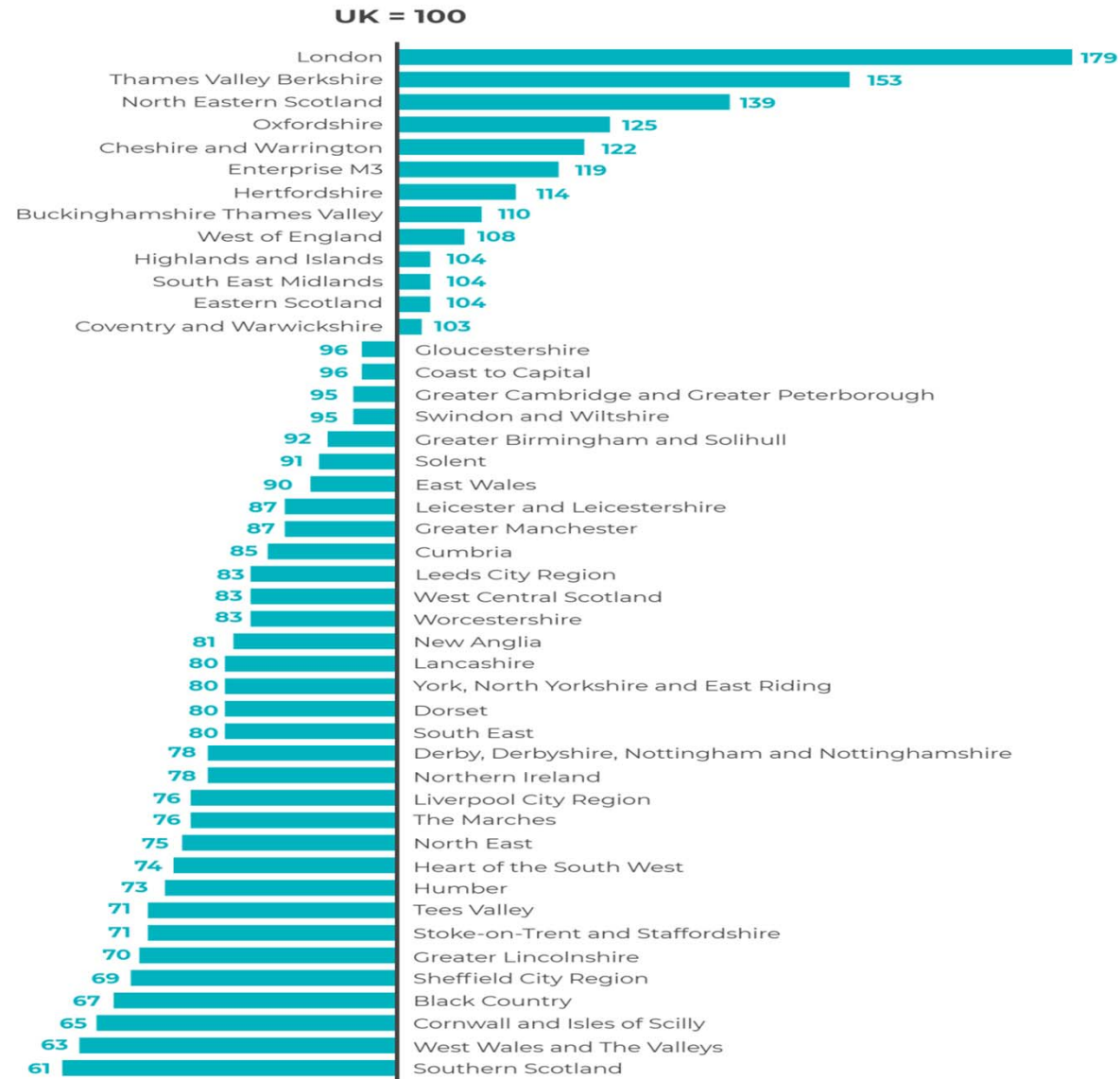
Sources: ONS and Sheffield Hallam University

# Productivity (GVA) in Sheffield City Region



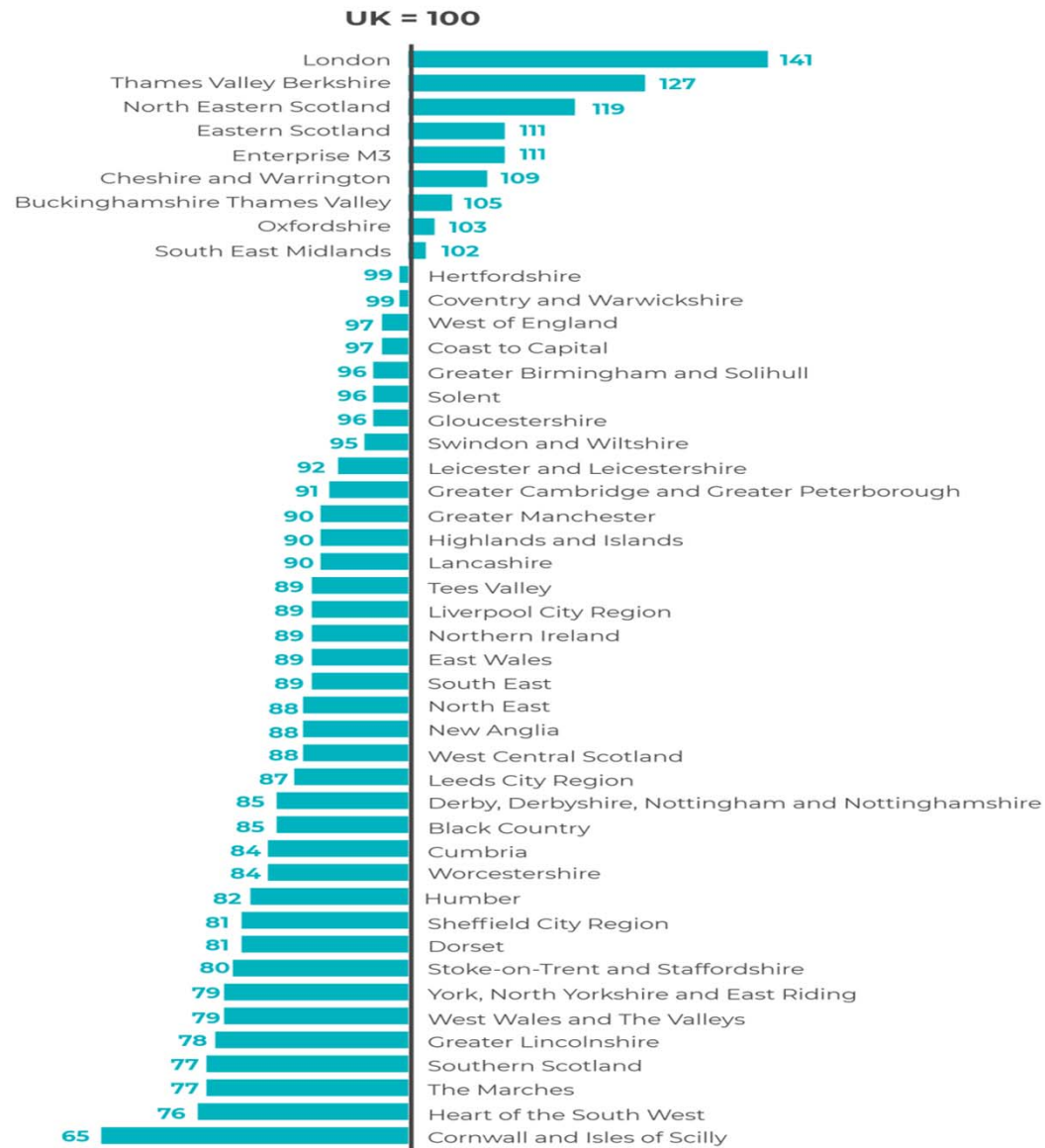
Sources: ONS and Sheffield Hallam University

# GVA per head, by sub-region



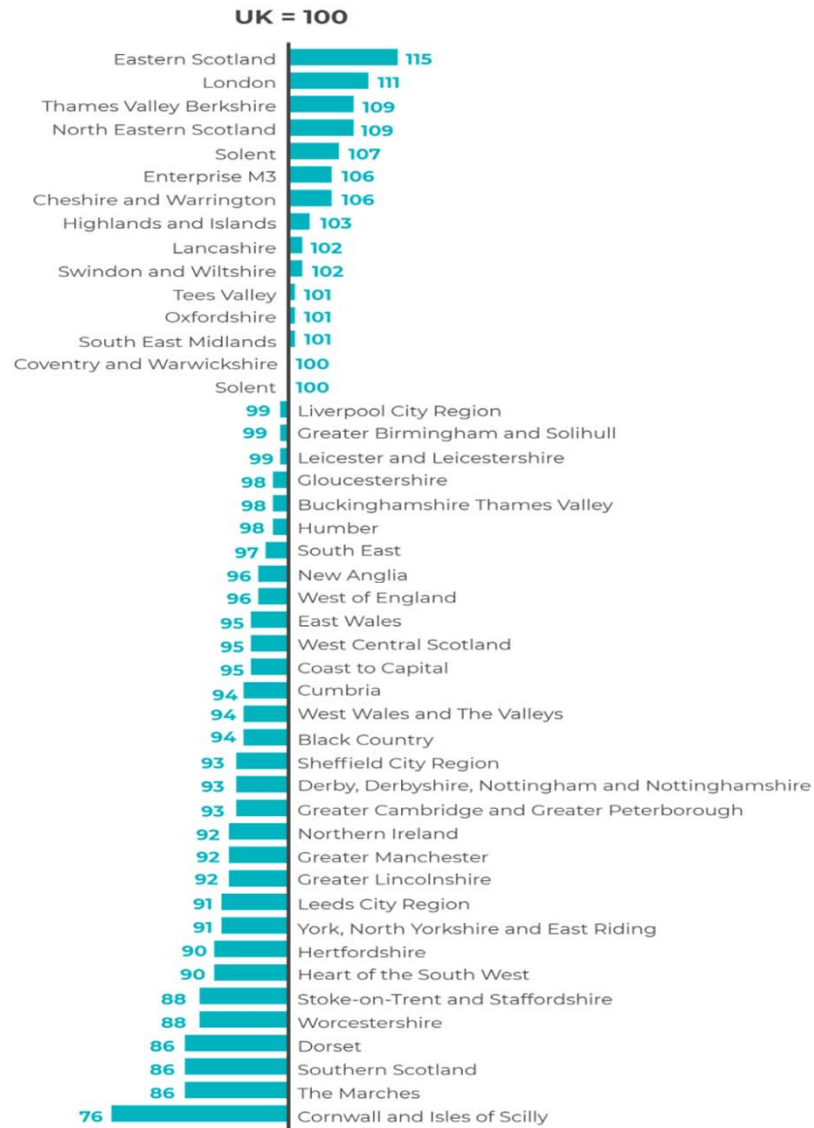
Source: ONS

# GVA per filled job, by sub-region



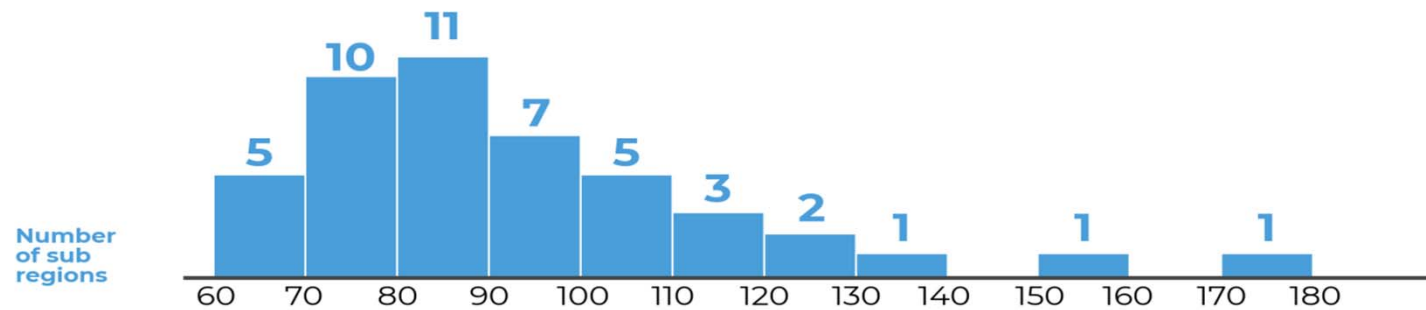
Source: ONS

# 'Efficiency factor', by sub-region



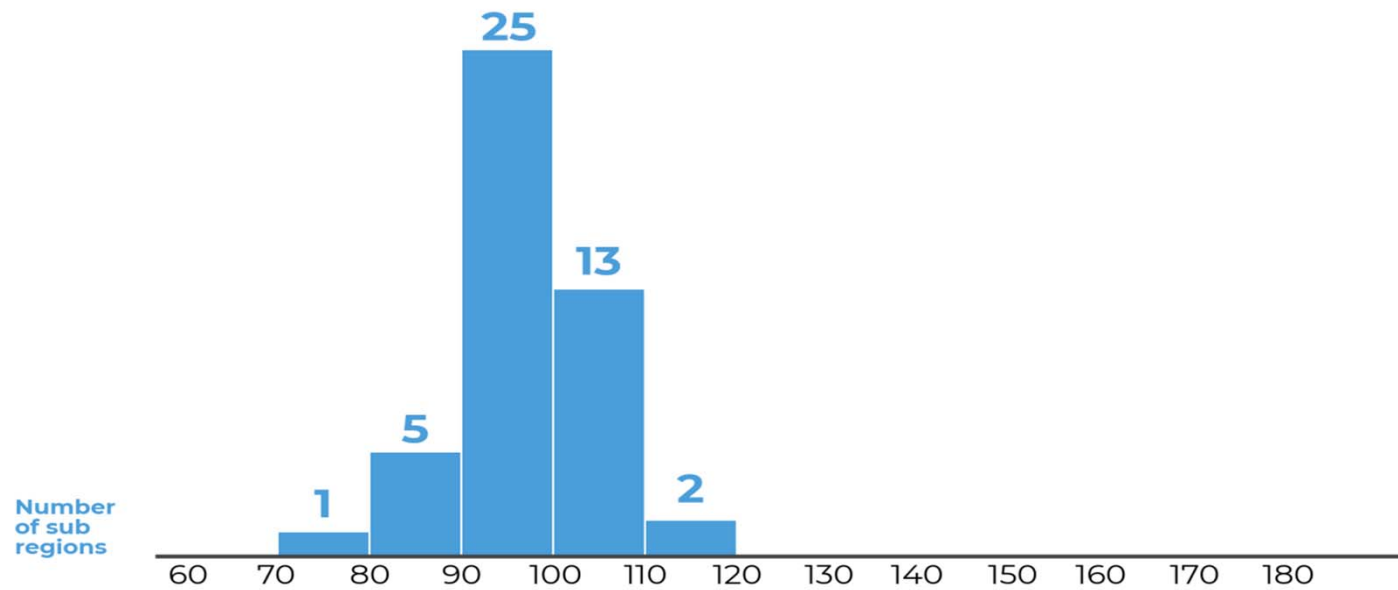
Sources: ONS and Sheffield Hallam University

# GVA per head, sub-regions



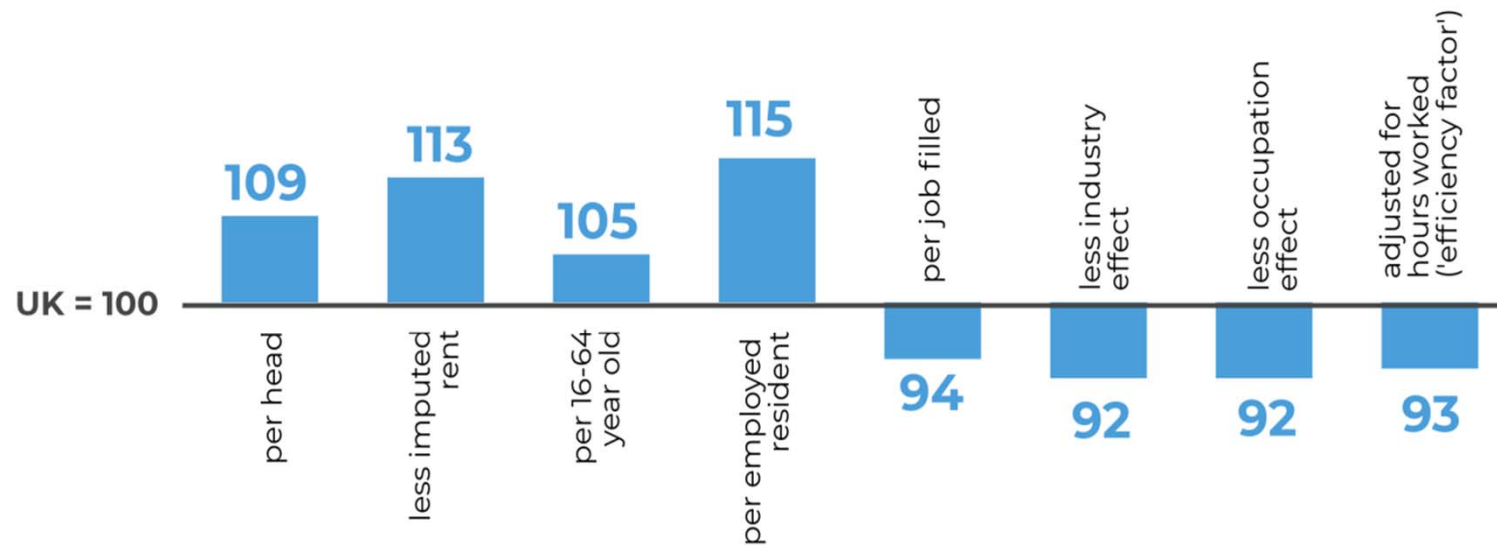
Source: ONS

# 'Efficiency factor', sub-regions



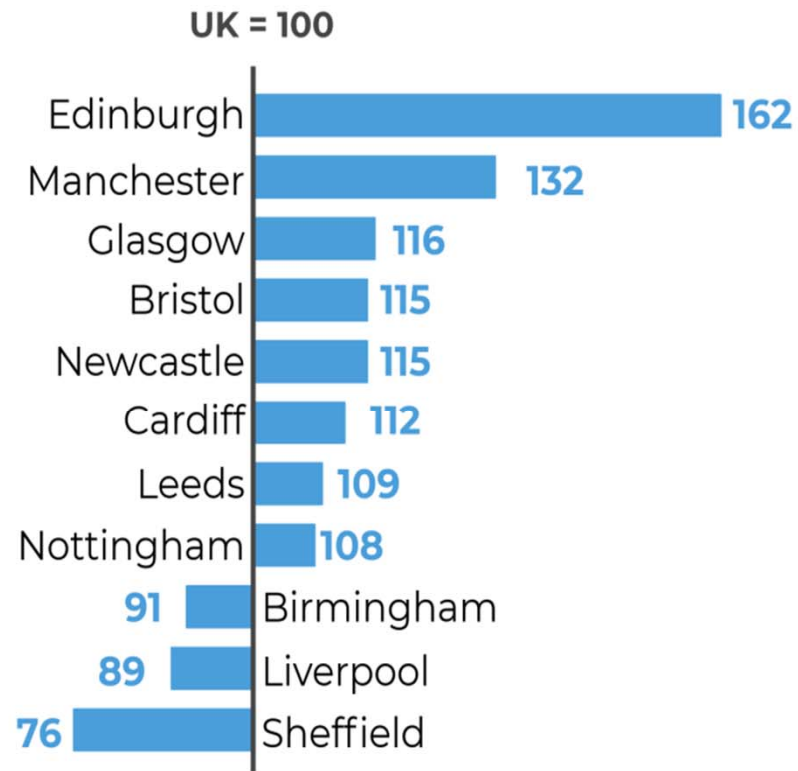
Source: ONS and Sheffield Hallam University

# Productivity (GVA) in main regional cities



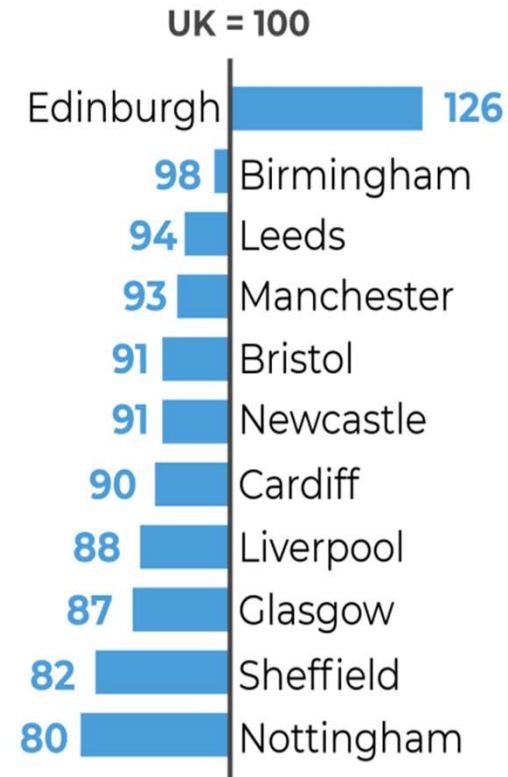
Sources: ONS and Sheffield Hallam University

# GVA per head



Source: ONS

# GVA per filled job



Source: ONS

# ‘Efficiency factor’



Sources: ONS and Sheffield Hallam University

# Key empirical conclusions

- Despite huge lead in GVA per head, London is little more efficient than rest of country
- Main regional cities as a group are below average on estimated efficiency
- Less prosperous areas with low GVA per head are generally much closer to UK average on efficiency
- Overall, differences in efficiency across UK appear modest

# Implications for agglomeration economics

- **Little evidence that clustering in cities makes businesses any more efficient**

But:

- Cities do provide access to markets, suppliers and labour – this matters to some firms
- High productivity industries and occupations do cluster in London
- Some sectors may still have efficiency gains from agglomeration

# Implications for public policy

- **Little evidence that areas with low GVA per head are somehow inefficient locations**

Therefore:

- **Promotion of jobs and growth in less prosperous parts of the UK is not in conflict with national economic growth**