

New Economy: Assessing the Productivity Gap in Britain's Core Cities

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The Problem: Core Cities' Productivity Gap

The Core Cities are the 10 largest UK Cities Outside London, and they have an untapped potential. Looking at them highlights a key imbalance in the national economy: while London produces an output Gross Value Added (GVA) of £338 billion each year, all ten Core Cities combined only produce £360 billion. This is despite the Core Cities having a more than twice the population of London. The populations of these cities are clearly less productive than their counterparts in the capital, and even those in Great Britain on average. In fact, if people in Core Cities produced a GVA per capita equal to that for Britain as a whole, they would create an additional output of more than £66 billion per year. So why are these cities not producing what they should?

Reasons for low productivity can fundamentally be broken down into two areas: demographic factors which mean that fewer people are in work, and those who are in work being less productive.

In terms of demographic factors, we can see that the core cities have a higher ratio of 16-65's in their populations, a higher working age population, than in Great Britain as a whole. However, rates of employment amongst these groups are far lower in Core Cities, and this means that demographic factors account for 38% of the productivity gap. In particular, a much lower ratio of women are employed in the Core Cities than in the country as a whole.

In-work productivity shortages account for the remaining 62% of the productivity gap. One reason for this is the combination of sectors within these cities, as particular sectors can be less productive than others. In some cities however, such as Manchester and Bristol, productivity is actually improved against the national average because of large concentrations of highly-productive financial and digital sector employment.

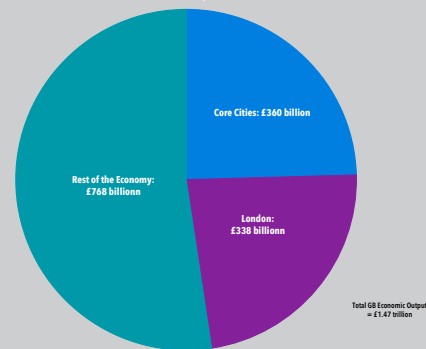
In the main however, sectoral mix is a drain on productivity in Core Cities, and the In-Work gap is exacerbated by the fact that on average those employed in Core Cities work slightly fewer hours per week than those in Great Britain on average.

	Population	GVA per Capita	Total Output (GVA)
Core Cities	18.1 million	£19,800	£360 billion
London	8.4 million	£40,200	£338 billion
Great Britain	62.3 million	£23,600	£1.47 trillion

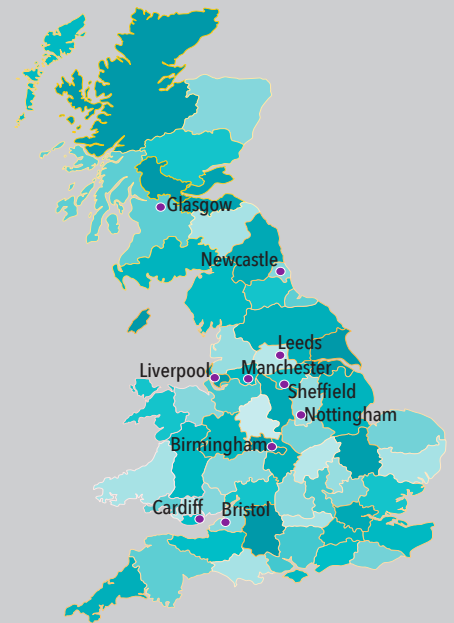
Despite having a population more than twice as large as London's, the Core Cities combined only produce slightly more economic output.

How to Cut the Gap: Recommendations

- Improving transport links will connect more people to centres of employment and jobs.
- Invest in Research & Development in Core Cities. These kinds of developments are shown to promote activity in highly-productive sectors.
- Devolving key areas such as health, social care, skills, employment and welfare, so that coherent local solutions can be found to improve lives & productivity. Too often national policies from different departments have proved contradictory for those trying to find work.
- Devolution will also enable locally specific solutions to be found to improve on a number of key issues. These include addressing skills shortages, as well as infrastructure development and improving excellence in public services.
- Basing future skills programmes on demand (skills employers need) rather than supply (skills employees want) will enable businesses and therefore individuals to be more productive.



Economic Output



If everyone in Core Cities was as productive as those in Great Britain on average,

Core City GVA per Capita: £19,800

Great Britain GVA per Capita: £23,600



*Core Cities would produce an extra **£66 billion** per year.*

My Q-Step Learning Experience...

Before my Q-Step placement, I was not worried about working with numbers, I actually looked forward to that aspect of the placement! What concerned me though was the nature of working in a time-pressured environment. I have never been a naturally organised person, and I was aware I was generally a slow, meticulous worker. The thought of meeting deadlines was a daunting one.

Whilst on placement with Q-Step, though, I learnt to manage my time far better. Each week I would write a simple 'to-do' list, breaking down tasks into their component sections. Though I had a number of different projects to be working on at any given time, I was pleasantly surprised by my ability to manage these and keep track of progress made.

I also learned a whole new work ethic during the placement. At school, we had been taught about attention span when revising, and I had carried into University the attitude that after every half-an-hour worked, I needed a 15 minute break! Being in a working environment for 7 hours a day however changed that. My attention span grew and I became a better-focussed worker. Such frequent breaks, it turns out, aren't necessary after all!

I am very grateful to Q-Step and New Economy for the opportunity to learn and practice these skills. Not only was the placement intellectually stimulating, but I will now feel far more confident walking into any working environment in the future.