



08 June 2007

AMENDMENT

Changing Regional Economies: West Midlands

Minor errors have been corrected in this report since it was originally published.

For further details or any specific queries regarding these reports please contact:

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An amended version is attached.

ONS apologises for any inconvenience caused

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Office for National Statistics

Changing Regional Economies: West Midlands



North East

North West

Yorkshire and The Humber

East Midlands

West Midlands

East of England

London

South East

South West

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About the Office for National Statistics

The Office for National Statistics (ONS) is the government agency responsible for compiling, analysing and disseminating many of the United Kingdom's economic, social and demographic statistics, including the retail prices index, trade figures and labour market data, as well as the periodic census of the population and health statistics. It is also the agency that administers the statutory registration of births, marriages and deaths in England and Wales. The Director of ONS is also the National Statistician and the Registrar General for England and Wales.

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Foreword by John Healey MP, Financial Secretary to the Treasury

The Government's commitment to regional policy, in particular devolution and regional economic development, has led to an increasing demand for regional data. Regional institutions need data to implement policy effectively and as part of Government spending we are keen to assess the contribution to the economy of new policies on skills, transport, planning, housing, employment, better regulation, science and innovation and particularly their impact on regional economies.

Therefore, I am delighted to announce that the Office for National Statistics (ONS) has now established statistical teams in all nine English regions. They are there to provide data, analysis and advice specific to their region, and will be the first point of contact for statistical enquiries.

Regional Development Agencies (RDAs) have provided the core funding for the first year of the project, and I am pleased that the ONS has been able to develop this initiative in partnership with the RDAs. The new posts result from The Allsopp Review, a report that made recommendations for improving the economic knowledge base for regional policymaking.

The following report builds on the recommendations from the Allsopp Review. The ONS continue to exploit existing data sources to add to our knowledge of regional economies. The report provides a profile of the relevant English Region and details how each Region has performed and developed relative to the other Regions on a range of topics.

I very much welcome this new regional statistics network, which will give us all better information and understanding of regional economic performance and allow us to make better use of the data at our disposal.



John Healey
Financial Secretary

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Introduction

In the March 2007 Budget Report, the Chancellor of the Exchequer announced: 'Following Christopher Allsopp's review of statistics for economic policy making, the Office for National Statistics, working in partnership with the RDAs, is establishing a full regional statistical presence this month'. Regional Statisticians' teams are now in place in each of the nine English regions.

This development in the United Kingdom's statistical infrastructure is the latest initiative to help meet the statistical needs of an ever-increasing interest in regional and area-based policies over recent decades. Over the last ten years, there has been a particular emphasis on evidence-based policy making, leading to the demand for more robust and timely data at a range of geographies.

The Government Office Regions were created in England in the mid-1990s. This was followed by devolution to the devolved administrations in Scotland, Wales and Northern Ireland, and the creation of the Greater London Authority and the Regional Development Agencies in England. The importance of regional statistics in this policy context has been reinforced by government's commitment to Regional Economic Performance in Public Service Agreements. For example, the 2004 Spending Review gave joint responsibility to HM Treasury (HMT), the Department for Trade and Industry (DTI) and Communities and Local Government (CLG) to 'Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress in 2006' (HMT, 2004). The need to monitor progress against this target has had significant implications for regional statistics.

Alongside the high-level regional economic agenda, other area-based policies have also led to the need for better information for ever-smaller areas. For instance, the Government's National Strategy for Neighbourhood Renewal included the establishment of the Neighbourhood Statistics Service (NeSS); and the need for monitoring the effectiveness of policies in rural areas has led to reports such as the annual State of the Countryside Report (Commission for Rural Communities) and the development of definitions to improve understanding of what we mean by 'Rural' and 'Urban' (DEFRA, 2004).

The current initiative of establishing a regional 'presence' for ONS aims to provide more local knowledge as an input to statistics produced centrally, and also to provide expertise on official statistics within the regions. This series of regional reports has been produced to coincide with the official launch of these new ONS Regional Statisticians teams.

This report provides a profile of the region, and then presents a range of statistics that help to understand differences between regions. Within regions, areas are compared according to whether they are urban or rural, as well as looking at sub-regions. Regional statistics in the context of the European Structural Funds are then discussed, followed by a look-ahead at the developments in regional statistics expected as a result of the Allsopp programme, three years after the original Allsopp Report.

Whilst most regional and sub-regional statistics in this publication are compared against the UK average, in some cases, comparison can only be made against England due to availability of comparable data.

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The editors would like to thank all their colleagues in the ONS and other government departments for their help in compiling this publication.

All statistics are from the Office for National Statistics unless otherwise stated.

Regional Profile: West Midlands

In 2005, the West Midlands had a population of 5.4 million. Population density was highest in Birmingham with 3,739 people per square kilometre in 2005. South Shropshire had the lowest population density with 41 people per square kilometre.

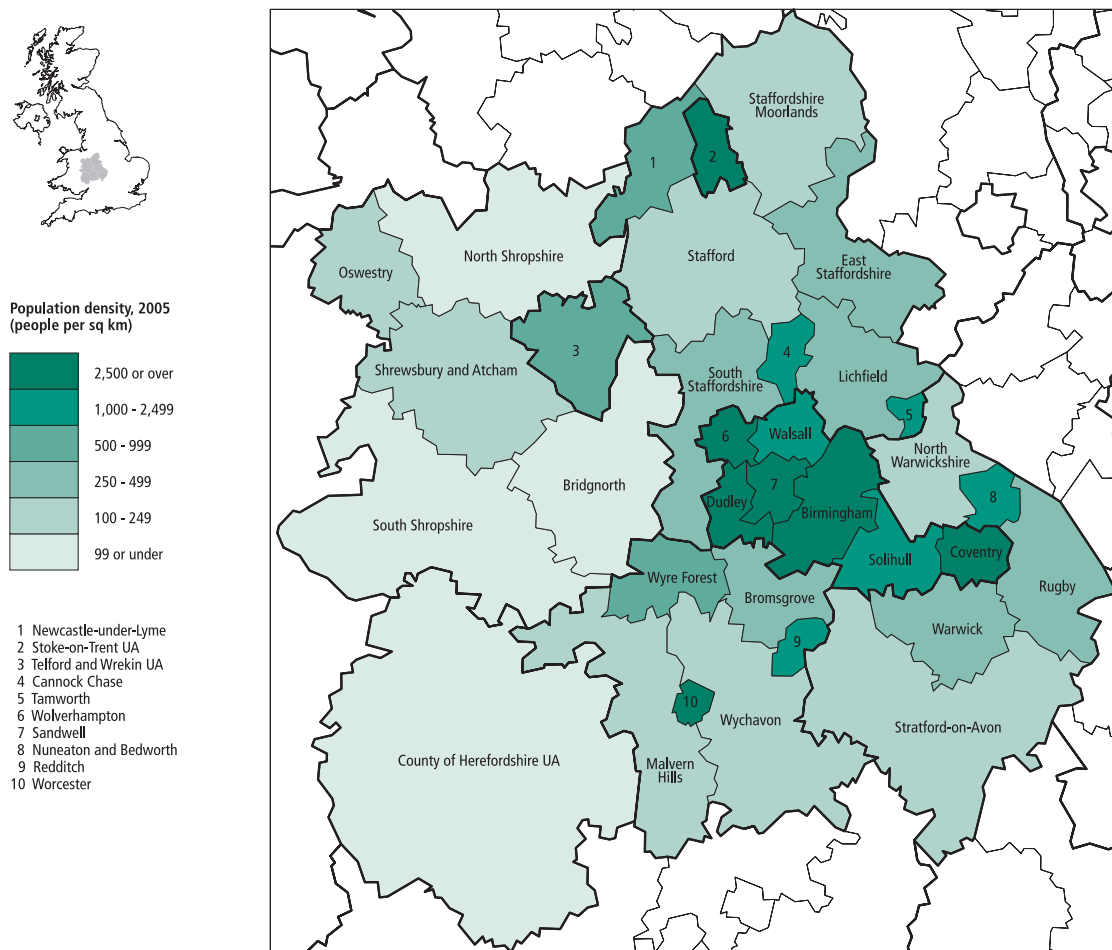
Total income (Gross Value Added) per head generated by economic activity in the region in 2005 was £15,812 compared with £17,677 for the UK as a whole.

In the second quarter of 2006, the employment rate (for people of working age) in the West Midlands was 73.8 per cent. This was below the average for the UK.

In April 2006, average (median) gross weekly earnings for full-time employees in the West Midlands were £454.40 for males and £358.30 for females, both lower than the UK levels of £487.40 and £386.80 respectively.

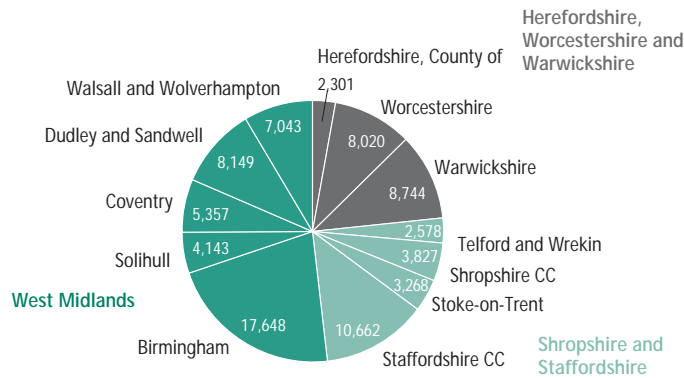
The proportion of people of working age qualified to GCE A level/ equivalent or higher in the West Midlands was around 46 per cent in 2006, compared with the UK average of 51 per cent.

Population density by local authority, 2005



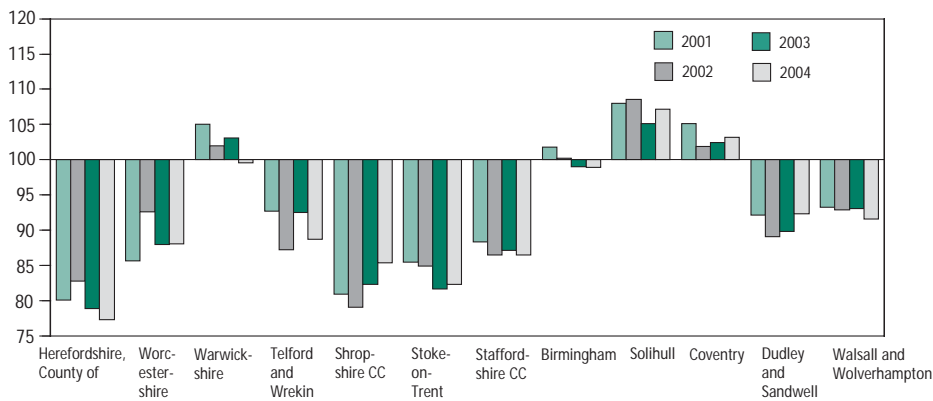
Distribution of Gross Value Added (GVA) by NUTS2 and NUTS3 areas, 2004

£ million



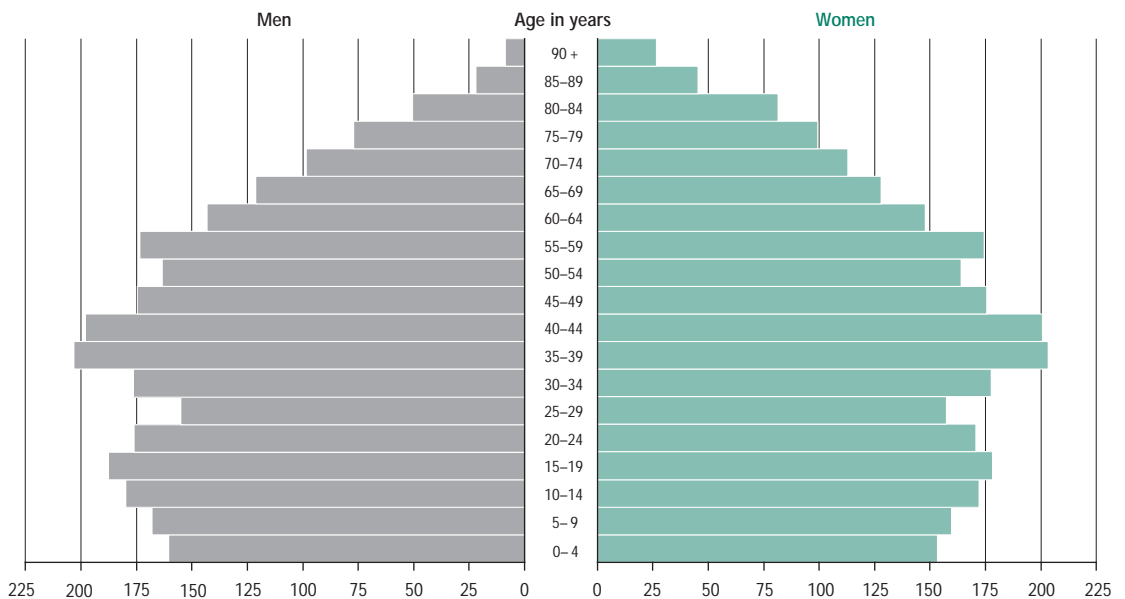
Labour productivity: Gross Value Added per filled job at NUTS3 level, 2001 to 2004

UK=100



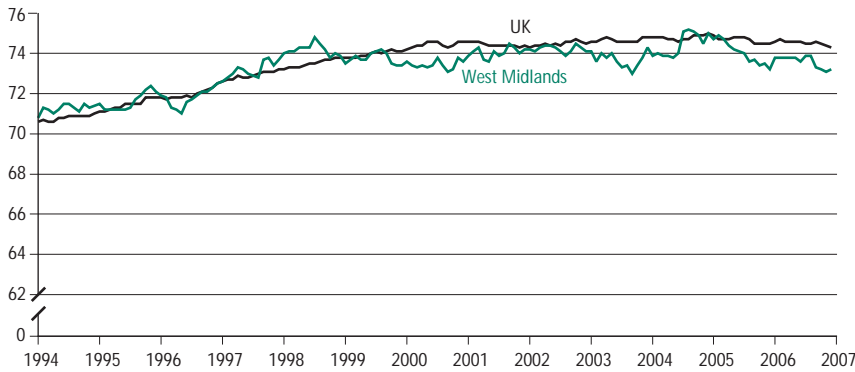
Mid-year population estimates by 5 year age bands and sex, 2005

Population (thousands)



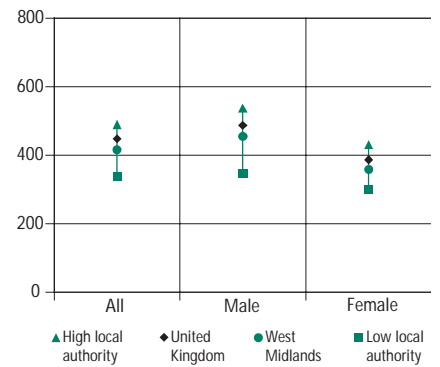
Employment rate for persons of working age, January–March 1994 to December–February 2007

Percentage



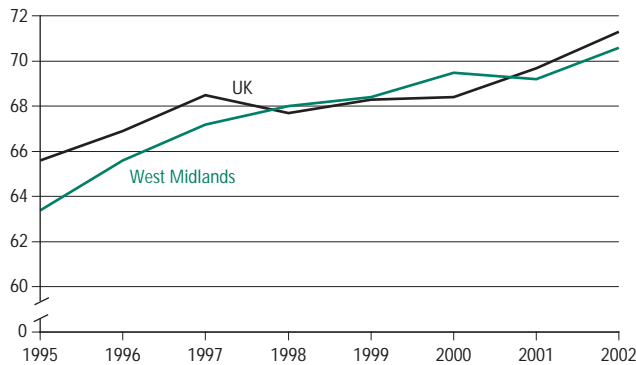
Median earnings by highest and lowest Local Authority: gross pay of full-time employees by sex, April 2006

£ per week



Three-year survival rate of VAT registered enterprises by year of initial registration, 1995–2002

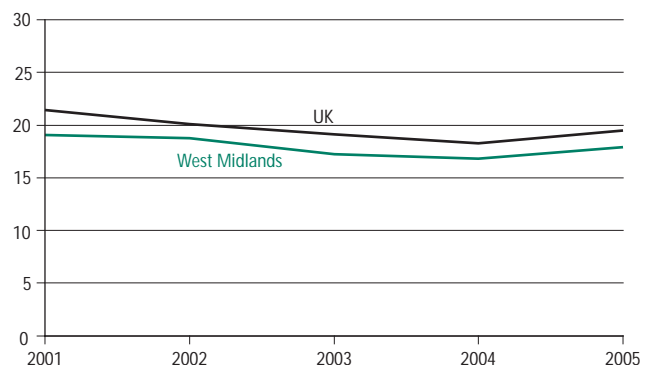
Percentage still trading



Source: Small Business Service, DTI

Total export trade in goods as a percentage of Gross Value Added (GVA), 2001 to 2005

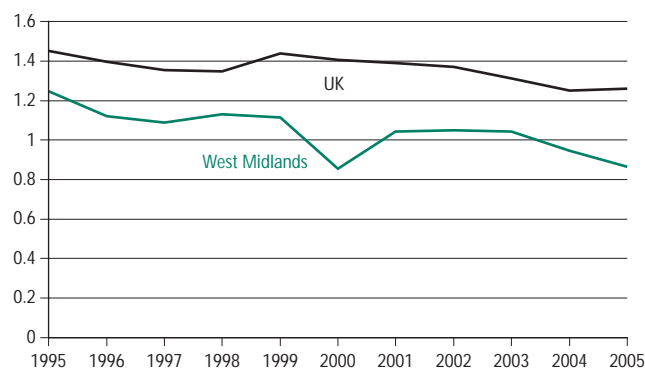
Percentage



Source: HM Revenue and Customs

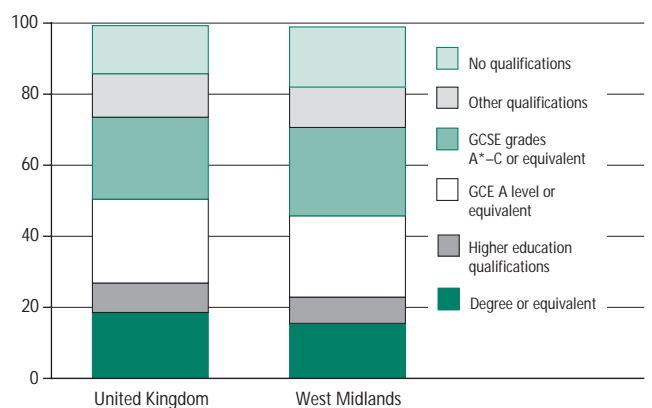
Business Expenditure on Research and Development (BERD) as a percentage of Gross Value Added, 1995–2005

Percentage



Working age population by highest qualification, Spring 2006

Percentage



Regions in the Economic Context

The following sections compare regions against each other and against national averages, in terms of various indicators, including population, the economy, incomes, labour market and productivity. Sub-regional differences are also examined.

The regional geographies utilised are based on the European classification system Nomenclature of Units for Territorial Statistics (NUTS). At the highest level, NUTS1, the UK is broken down by the Government Office Regions of England and the devolved administrations of Wales, Scotland and Northern Ireland (12 areas); at NUTS2 by 37 sub-regions (generally groups of counties and unitary authorities), and at NUTS3 by 133 local areas (generally individual counties and unitary authorities). Further information on this and other regional geographies is available on the ONS Geography web pages.

POPULATION

The annual mid-year population estimates (Table 1) show that the English regions with the largest populations in 2005 are the South East (8.2 million) and London (7.5 million). The largest increase in population over the last ten years was in London where there was a 7.8 per cent increase, followed by the East of England (5.9 per cent) and the South West (5.7 per cent). The

North East was the only region to experience a net loss in population.

Components of Population Change

Regional populations may increase or decrease in size as a result of natural change (the difference between the number of births and deaths) and net migration (both migration within the UK and international migration). Figure 1

shows how these components contributed to the regional population changes in the period 1996–2005. In Figure 1, net migration includes ‘other changes’. This refers mainly to changes in numbers of armed forces. For comparative purposes the components of change are included for Wales, Northern Ireland and Scotland.

Between 1996 and 2005 in London most of the population change was accounted for by natural change rather than migration. Over the same period, natural population change was negative (meaning there were fewer births than deaths) in the North East, the South West, Wales and Scotland. In the North East and Northern Ireland net migration over this period was negative because migration outflows exceeded inflows. Net migration change has made a larger contribution to population growth than natural population change in five English regions; the East of England, the East Midlands, the South East, the South West and the Yorkshire and The Humber.

Age Structure

Figure 2 shows the changing age structures of the regional populations between 1996 and 2005. Births, deaths and migration all shape the age-structure of the population. There is a close relationship between the past number of births and the current age-structure. At the ages of 70 and over deaths become more significant. Nationally, the most significant feature over time has been the steady increase in the population at the middle and older age groups and declining fertility. This trend in the age structure will affect future population growth as the number of

Table 1
Population change in England by Region, 1996 to 2005

	1996 Mid-year population (thousands)	2005 Mid-year population (thousands)	Change 1996–2005 (percent)
	All persons	All persons	All persons
North East	2,576	2,558	-0.7
North West	6,810	6,846	0.5
Yorkshire and The Humber	4,961	5,064	2.1
East Midlands	4,108	4,306	4.8
West Midlands	5,263	5,365	1.9
East of England	5,233	5,542	5.9
London	6,974	7,518	7.8
South East	7,800	8,164	4.7
South West	4,793	5,068	5.7
England	48,519	50,432	3.9

women in fertile age groups affects the potential number of births. For further information on this please refer to 'Focus on People and Migration' (ONS, 2005).

The decline in the proportion of 16 to 29-year-olds is clearly visible in all regions between 1996 and 2005 although London saw a slight increase in the year 2001. In 2005 the regions with the lowest proportion of their population in this age-group were the South West and the East of England (16 per cent).

The overall population aged 30 to 59 years increased since 1996 and this was evident in all regions over this period. It is evident in Figure 2 however, that since 2001 London was the only region that had an increase in the proportion of its population in the 30 to 59 age group. In 2005 it was the region with the highest percentage at 43 per cent. Wales had the lowest at 40 per cent.

The population aged 60 and over steadily increased in all regions between 1996 and 2005, except for London. The proportion of the population over 60 has been largest in the South West since 1996. In 2005, 25 per cent of the population in the South West were over 60, followed by Wales at 23 per cent. In 2005 London had the lowest proportion of its population in the 60 and over age group at 15 per cent, and this has reduced since 1996 when it was 17 per cent.

Migration by age

Information on migration between regions is based on NHS patient-registration data. The data in Table 2, Figure 3 and Figure 4 relate to internal migration; moves within England and Wales. They do not include migration flows with the rest of the UK (Scotland and Northern Ireland) or international migration flows with the rest of the world. Table 2 shows moves between (and within) the English regions and Wales. International

Figure 1
Components of Population Change: NUTS1 Regions, 1996 to 2005

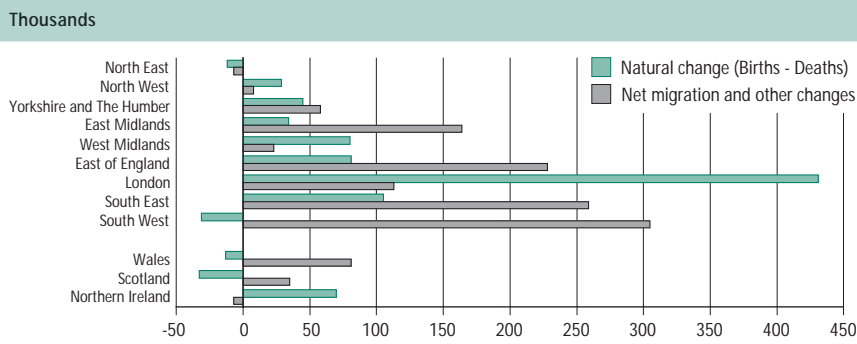


Figure 2
Percentage of population by age: English Regions and Wales, 1996 to 2005

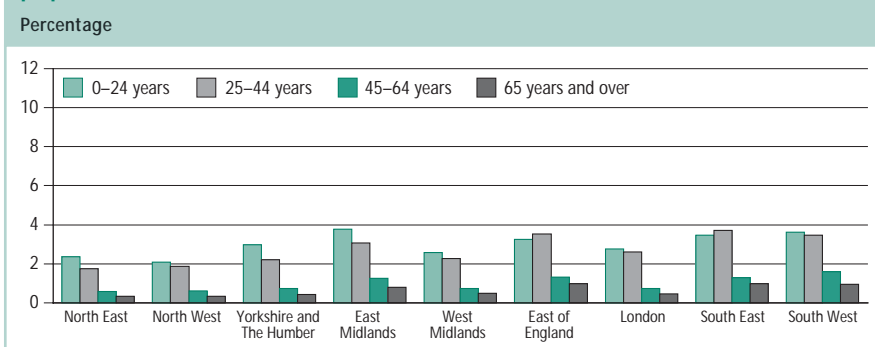


Table 2
Internal migration moves between and within the English Regions and Wales during the year ending June 2005

Thousands

Origin	Totals	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales
Destination											
Totals		82	238	164	196	202	253	545	420	230	92
North East	83	48	6	9	3	2	3	4	5	2	1
North West	239	6	145	17	10	12	8	13	12	7	8
Yorkshire and The Humber	170	9	18	79	16	8	9	11	11	6	3
East Midlands	209	3	10	17	104	16	17	14	18	7	3
West Midlands	199	2	12	7	14	109	8	13	14	12	8
East	270	3	7	7	13	7	135	62	26	9	3
London	457	5	12	10	11	12	29	308	53	15	5
South East	437	4	11	9	14	13	28	91	228	32	7
South West	258	2	8	6	8	15	13	23	44	129	10
Wales	100	1	10	3	3	9	4	6	9	10	45

Figure 3
In-migration by age, year ending June 2005, percent of 2004 mid-year population

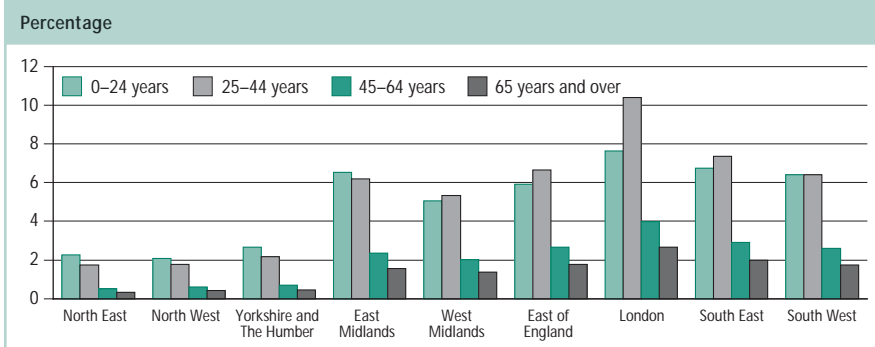


Migration by region is available for 2005 in Table 2.8 in the latest International Migration Series (ONS, 2007c).

Figures 3 and 4 show, for the English regions, the internal migration flows for the year ending mid-2005 (presented in Table 2) as a percentage of the 2004 mid-year population estimate and broken down by broad age group.

Figure 3 shows that in-migration of 25 to 44-year-olds as a percentage of their population was highest in the South East, the East of England and the South West at 3.7, 3.5 and 3.5 per cent respectively. For 0 to 24-year-olds inflows of migrants as a percentage of the population of that age group were highest in the East Midlands (at 3.8 per cent) and lowest in the North West (at 2.1 per cent). In-migration of 45 to 64-year-olds was highest in the South West at 1.6 per cent of the population in that age group. In-migration for persons aged 65 and over was highest in the East of England and the South East at nearly 1 per cent of the 65 and over population.

Figure 4
Out-migration by age, year ending June 2005, percent of 2004 mid-year population



The population statistics presented here are published National Statistics. Population estimates for 2002 to 2005 will be subject to planned revisions as a result of implementing methodological improvements being carried out by the ONS Improving Migration and Population Statistics (IMPS) programme. Details can be found in the paper published in April 2007 entitled 'Improved Methods for Population Statistics Revisions in 2007' (ONS, 2007b).

Figure 4 shows the equivalent out-migration rates as a percentage of the population. Out-migration was

particularly high for 25 to 44-year-olds in London; 10.4 per cent of all persons in that age group migrated. This is more than five times higher than in the North East and the North West. Out-migration of 0 to 24-year-olds was lowest in the three northern regions, the North West, the North East and Yorkshire and The Humber at below 3 per cent of the population in this age group. It was highest in London at 7.6 per cent followed by the South East (6.8 per cent), the East Midlands (6.6 per cent) and the South West (6.4 per cent). Out-migration of the 45 to 64 age group and 65 and over age group was lower as a percentage of the relevant population, than for the younger age groups. In London, 4 per cent of all people aged 45 to 64 migrated out in the twelve months prior to June 2005. For out migrants aged 65 and over, London had the highest outflow at nearly three per cent of the population in this age group in the region. The lowest percentage rate of out-migration against the relevant population, was found in the three northern regions.

GROSS VALUE ADDED

Gross Value Added (GVA) represents the incomes generated by economic activity within the whole economy. Annual GVA estimates are available for the 12 regions and countries of the United Kingdom (NUTS1) plus Extra-regio (GVA that cannot be assigned to any region including off-shore industries), 37 sub-regions (NUTS2) and 133 local areas (NUTS3). Regional GVA estimates (NUTS1) for 2005 are the latest available. At the more detailed level of geography (NUTS2 and NUTS3), estimates are available for the period 1995 to 2004. At present, regional GVA estimates are available only in current prices. Estimates in real or volume terms – that is, after allowing for inflation – are currently being developed as part of the Allsopp programme as explained on page 4.

Among the English Government Office Regions and the devolved countries of

Figure 5
Workplace-based Gross Value Added per head 1994 and 2005: NUTS1 Regions



the UK, London's Gross Value Added (GVA) per head of population was highest in 2005 at 53 per cent above the average for the UK (£17,700) while Wales was lowest at 22 per cent below. This compares to 1994 when London's GVA per head of population was 48 per cent above and Wales' was 16 per cent below the UK average (£10,300).

Inner London had the largest GVA per head (£42,400) – 148 per cent above the UK average – for 2004, the latest year of the current estimates, within the 37 NUTS2 areas of the UK; Cornwall and the Isles of Scilly had the lowest (£11,100). These figures compare to the UK average (excluding Extra-regio) of £17,100.

The 2004 estimates for the 133 NUTS3 areas (principally individual counties and unitary authorities) of the UK show Inner London West had the largest GVA per head (£72,500), and the Isle of Anglesey had the smallest (£9,000).

An industry analysis of regional GVA (NUTS1) for 2004, the latest year for which industrial data are available, shows that London's service sector accounted for 16 per cent of the total economic activity of the UK in 2004, greater than the total contribution of each of the UK countries and regions except the South East.

In 2004, the service sector accounted for 76 per cent of all UK GVA; the figure in 1994, the year of inception of the

Government Offices in England, was 68 per cent. London's service sector accounted for 88 per cent of the capital's GVA in 2004, up from the 83 per cent share in 1994.

The South East contributed most in 2004 to the UK economy in the production industries, which include manufacturing, at three per cent compared to four per cent in 1994. Overall, the contribution to UK total GVA by the production industries has declined from 30 per cent in 1994 to 23 per cent in 2004.

For the UK as a whole, the growth in the service industries has been driven in large part by increases in the real estate, renting and business activities industry. This was the biggest single industry in London, accounting for 34 per cent of the capital's GVA in 2004, compared to 26 per cent in 1994. Financial intermediation was London's second largest industry sector in 2004 contributing 19 per cent to the economy of London, compared to 17 per cent in 1994.

In 2004 manufacturing was still the largest single industry sector in the North East, East Midlands, Wales and Northern Ireland at 19 per cent, 21 per cent, 18 per cent and 16 per cent respectively. However in 1994, manufacturing was the single most important contributor to regional GVA in 10 of the UK's 12 regions – the exceptions being London and the South East.

Development of Regional GVA production measure: GVA(P)

Background

Following Christopher Allsopp's report *Review of Statistics for Economic Policymaking*, and the ONS commitment to implement the recommendations of the review, a strategy for developing regional statistics was put in place. Part of this strategy was to implement a project to produce a regional GVA production measure in real terms to meet recommendation 2 of the Allsopp report. This states: 'Present estimates of regional Gross Value Added (GVA) are not of sufficient quality to support analysis of the Government's policy objective to increase growth in the regions. Each region and country (at NUTS 1 level) should have annual baseline data for GVA at current prices and in chained volume terms, which would be derived according to the production approach.' The project was established in 2006 to take forward recommendation 2.

Current work

- Publication of methods paper (ONS, 2007a):
Published in April 2007, this paper provides a review of the methodological options and recommends the most suitable, for the calculation of current and constant price regional GVA by industry on a production basis, GVA(P), for each NUTS 1 region of the UK. As part of the process of quality assuring the methods being proposed, an inter-departmental Technical Advisory Group has been set up to provide technical expertise and advice.
- Review of data requirements (June 2007):
This involves the identification and quality assurance of data sources to be used in the production of GVA(P). These are expected to be a combination of ONS surveys, (eg the Annual Business Inquiry part 2, the Annual Survey of Hours and Earnings and the Short Term Employment Survey) as well as non-ONS sources, (eg the Public Expenditure Statistical Analyses from the Treasury, and revenue and expenditure data from Communities and Local Government.)

Future plans

- Experimental regional GVA(P) – March 2008:
This will be at current and constant prices, and although it will be quality assured in consultation with the Technical Advisory Group, it will be experimental only and will not have National Statistics status.
- Regional GVA(P) – December 2009:
This will be at current and constant prices, and it is planned to publish this for the first time in December 2009 as a National Statistic, alongside the current GVA (Income) measure.

In the West Midlands in 1994 manufacturing's share of the region's GVA was 29 per cent. By comparison, by 2004 manufacturing in the West Midlands accounted for only 19 per cent. By 2004 the real estate, renting and business activities industry was the single most important industry in the West Midlands contributing 22 per cent of the region's GVA.

GROSS DISPOSABLE HOUSEHOLD INCOME

Annual estimates of Gross Disposable Household Income (GDHI) are published for the 12 regions and countries of the UK, 37 sub-regions and 133 local areas. GDHI represents the amount of money that individuals have available to spend on goods and services, to save or to invest.

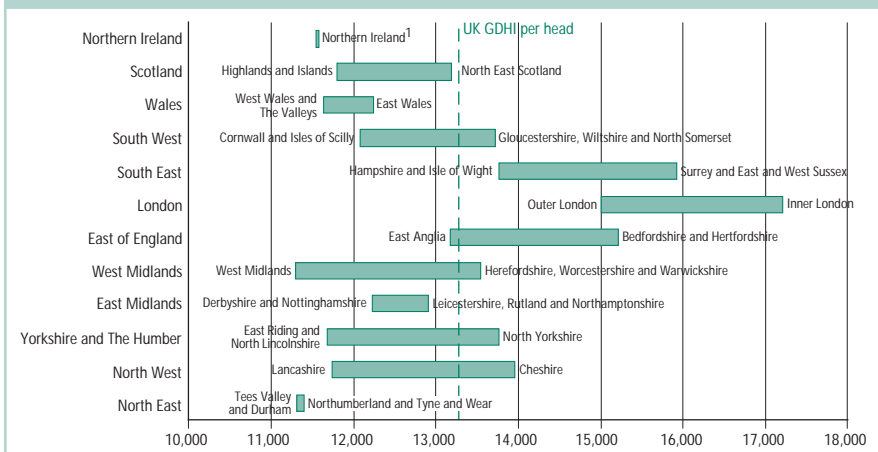
In 2005 Inner London had the highest disposable household income per head of population (£17,200) among the UK's 37 sub-regions, and was 30 per cent above the UK average of £13,300. This compares to 1995, the start of the regional household income time series, when Inner London's disposable household income per head was £11,000 – 29 per cent above the UK average of £8,600.

Figure 6 illustrates the distribution of household income per head of population across the UK and within regions. It shows the highest and lowest sub-region in each of the nine English Government Office Regions, Wales, Scotland and Northern Ireland.

Earnings from employment are the most significant element of household income. Inner London had the highest income per head from employment between 1995 and 2005; at £16,900 in 2005 it was 49 per cent higher than the UK average. However, Inner London's income from employment was only 33 per cent above the UK average at £8,800 in 1995.

Figure 6 Household Income (GDHI) per head, NUTS2 Distribution, 2005

£ household income per head



1. Northern Ireland has no sub-regions

Cornwall and the Isles of Scilly had the lowest income from employment throughout the period from 1995 to 2005, remaining at approximately 30 per cent below the UK average at £4,700 in 1995 and £7,600 in 2005.

Inner London had the highest tax payments per head since 1995. Taxes paid in Inner London were 58 per cent and 72 per cent above the UK average in 1995 and 2005 respectively. This compares with Cornwall and Isles of Scilly, Devon and Northern Ireland, which had the lowest tax payments per head between 1995 and 2005. In 2005 per head values in these regions were around 23 per cent below the UK average. The main reason for London's high tax payments was the higher than average incomes from employment (including self-employment) and investments (for example, dividend and interest income).

Merseyside received the highest level of state benefits per head in 1995 and 2005. At £2,300 in 1995 and £3,000 in 2005 it was 28 per cent and 23 per cent above the UK average respectively. State pensions, the largest contributor of all state benefits, accounted for 30 per cent of Merseyside's total. This ratio was higher in 2005 than 1995, when 24 per cent of state benefits received were from state retirement pension. The second highest level of state benefit per head in 2005 was in West Wales and the Valleys at £2,900 per head, 18 per cent above the UK average.

Surrey, East and West Sussex received the highest income from pensions (private and state retirement pensions) per head in 1995 and 2005. At £2,100 and £2,800 this was 57 and 43 per cent above the UK average per head in 1995 and 2005 respectively. This amount is driven by private pensions, which accounted for 71 per cent in 1995 and 65 per cent in 2005 of total pensions received in this sub-region.

LABOUR PRODUCTIVITY

Labour productivity indicators provide the most effective comparisons of regional economic performance. GVA per head is not a productivity measure because although it accounts for different regional sizes it uses a residence-based denominator against a workplace-based numerator and is therefore affected by commuting. The numerator (GVA) includes the activity of the residents (who work and live there) and also the in-commuters, whereas the population denominator excludes the latter. Therefore, where there are large numbers of in-commuters, GVA per head will be artificially inflated.

This effect is demonstrated in Figure 7 below. Labour productivity indicators (GVA per filled job and GVA per hour worked) are presented against GVA per head for each region in 2005. Using workplace-based measures for both the numerator and denominator more accurately apportions output against a measure of all those who contribute to producing that output. Therefore, the different indicators tell different stories; Figure 7 shows how labour productivity indicators show smaller differences in regional economic performance than when making comparisons based on GVA per head. This is particularly noticeable in the case of London.

Labour productivity indicators of GVA per filled job and GVA per hour worked are published annually by ONS at NUTS1 level. GVA per filled job is a proxy of GVA per employee. GVA per hour worked is the preferred measure of labour productivity because it can more accurately account for differences in regional labour market structures such as the mix of full/part-time workers, job sharing and home workers.

Regional Productivity

Data on GVA per hour worked at the regional level is available on a time-series basis back to 1996, shown in Figure 8. London and the South East were the only regions where productivity was greater than the UK average over the whole period. Productivity in both these two regions was greatest in 2004, with a slight decline in 2005. Scotland had greater than average productivity in 1996 but fairly consistent results at around 97–98 per cent of the UK average in the years since. Wales and Northern Ireland have seen widening productivity performance away from the UK average. In 2004 productivity in the East of England was greater than the UK average for the first time and this was improved upon in 2005. East Midlands had a noticeable decline in productivity in 2005. This was made more noticeable by the greater than average productivity seen for the first time over this time series in 2004. The West Midlands and the

Figure 7
Comparison of Regional Economic Indicators in 2005: NUTS1 Regions
 UK=100

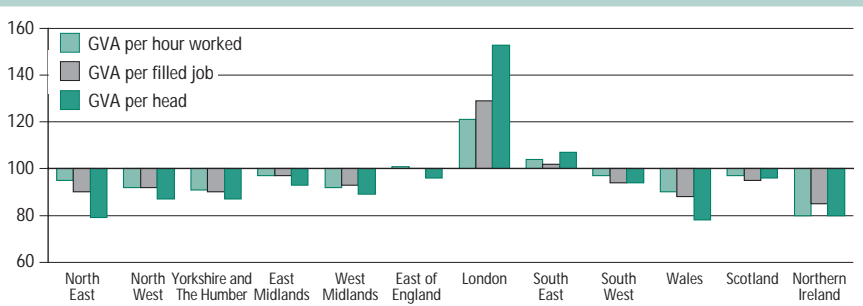
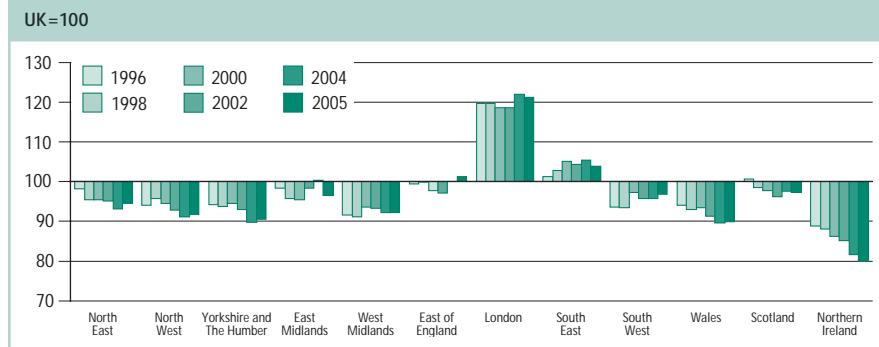


Figure 8
GVA per hour worked in NUTS1 Regions, 1996 to 2005



South West generally had productivity improvements over the time-series. The North East, the North West and Yorkshire and the Humber had worsening productivity against the UK average over this time period, although small pick-ups were evident in 2005.

Sub-regional Productivity

Gross Value Added (GVA) per hour worked is considered to be the preferred measure of labour productivity. Data volatility of the hours series available at sub-regional level prevents the compilation of a sub-regional GVA per hour worked series. Here, results are presented on sub-regional GVA per filled job on a time-series from 2001 to 2004, based on currently published data.

For the denominator in a GVA per filled job calculation, Workforce Job (WFJ) estimates are used. This provides a total job estimate based on the employed, self-employed, HM Forces and Government Supported Trainees (GST).

Sub-regional WFJ were recently generated for the purpose of calculating sub-regional Jobs Density estimates. The sub-regional WFJ series is compiled using the best available sources at sub-regional level but as such may not be consistent with the sources used to construct the regional WFJ series.

The NUTS3 WFJ estimates were used for this analysis and also aggregated up to NUTS2 level. The sub-regional results were constrained to the regional WFJ series used in the already published regional productivity estimates. For England and Wales each individual component of WFJ was constrained to the regional total for that component and then summed to derive a total WFJ estimate for each sub-region. For the sub-regions within Northern Ireland and Scotland it was only possible to constrain to the WFJ total estimate.

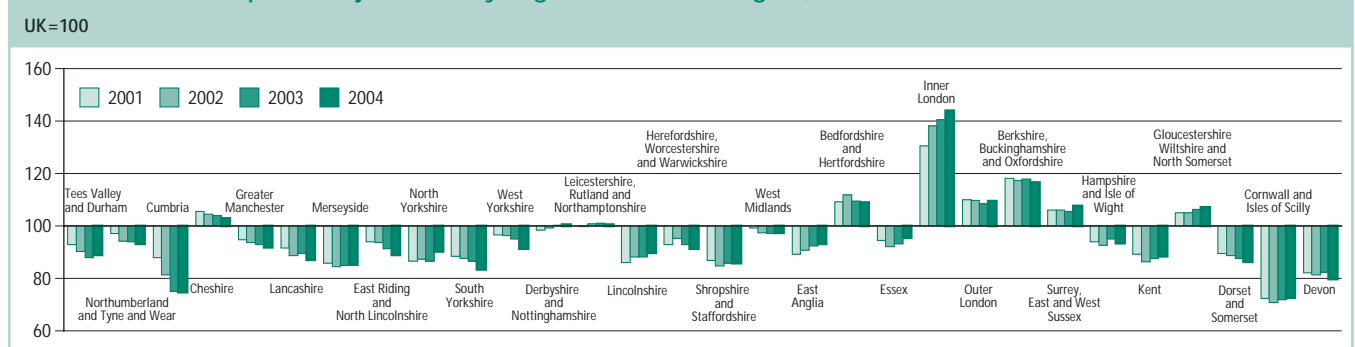
Figure 9 shows the time series results for each English NUTS2 area. Within the

UK, only ten of the thirty seven UK NUTS2 areas had productivity above the UK average in 2004. The majority of these were within southern England (London, the South East, the South West, the East of England and the East Midlands) with the only exceptions being North Eastern Scotland and Cheshire in the North West. Over the time series the largest improvement was seen in Inner London; where productivity improved against the UK average by 13 percentage points.

Figure 10 shows the productivity estimates for the top and bottom ten NUTS3 areas within England in 2004. In the top performing areas, productivity was above the UK average by at least 11 per cent whereas in the bottom areas it was at least 19 per cent below the UK average. The two NUTS3 areas within Inner London had the highest productivity, a result reflected in Figure 9. The majority of the top ten NUTS3 areas were in London or the South East. The two exceptions were Derby in the East Midlands and Cambridgeshire CC in the East of England. Compared to the 2001 results, the ranking was largely similar with only Milton Keynes and Cambridgeshire CC not present in the top ten. In 2001 North and North East Somerset, and Buckinghamshire CC were in the top ten and although no longer present in the top ten, remained within the top fifteen in 2004.

In 2004, the bottom ranking areas were largely within the South West and the

Figure 9
Gross Value Added per filled job index by English NUTS2 sub-region, 2001 to 2004



North West regions. The exceptions were the Isle of Wight in the South East and Herefordshire CC in the West Midlands. Compared to 2001 eight of the bottom ten places remain the same. West Cumbria and the Wirral in the North West entered the bottom ten, while Norfolk and Shropshire CC improved their ranking. Of the areas that were in the bottom ranking in 2001 but were no longer by 2004, Shropshire CC saw the greatest improvement of 4.5 percentage points nearer to the UK average.

Figure 10
Gross Value Added per filled job index: Top and bottom ten performing NUTS3 areas in England, 2004

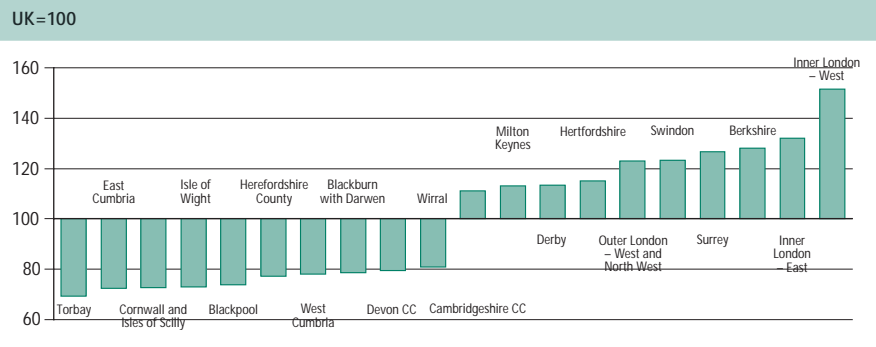


Table 3
Summary of regional labour market indicators

Thousands (seasonally adjusted)

	mid-2005		December 2006 to February 2007					March 2007		December 2006	
	Population ¹		Labour supply ²					Working age benefits		Labour demand	
	Employment		Unemployment		Economic inactivity		Claimant count ⁵		Jobs ⁷ (not seasonally adjusted)		
	16-59/64	Total 16+	16-59/64 Rate ³ (%)	Total 16+	16+ Rate ⁴ (%)	Total 16-59/64	16-59/64 Rate ³ (%)	Level	Rate ⁶ (%)	Total	Jobs Density ⁸ 16-59/64 (ratio)
	1	2	3	4	5	6	7	8	9	10	11
North East	1,585	1,164	71.1	82	6.6	380	23.8	51.3	4.4	1,192	0.75
North West	4,220	3,156	72.1	187	5.6	992	23.5	114.3	3.3	3,351	0.79
Yorkshire and the Humber	3,125	2,374	73.2	153	6.1	686	21.9	84.3	3.2	2,586	0.83
East Midlands	2,661	2,103	75.9	121	5.4	521	19.6	61.2	2.9	2,182	0.82
West Midlands	3,279	2,520	73.2	166	6.2	720	21.9	108.1	3.9	2,692	0.82
East of England	3,380	2,730	77.0	132	4.6	645	19.1	64.7	2.4	2,826	0.84
London	5,035	3,712	69.9	299	7.5	1,241	24.3	156.3	3.3	4,710	0.94
South East	5,011	4,121	78.4	197	4.6	888	17.8	75.4	1.7	4,428	0.88
South West	3,035	2,471	77.7	104	4.1	570	18.9	46.7	1.8	2,618	0.86
England	31,330	24,352	74.3	1,442	5.6	6,641	21.2	762.3	2.9	26,585	0.85
Wales	1,783	1,348	72.0	79	5.5	423	23.7	42.1	3.0	1,427	0.80
Scotland	3,191	2,515	76.3	138	5.2	619	19.4	80.7	3.0	2,684	0.84
Great Britain	36,304	28,215	74.4	1,659	5.6	7,683	21.1	885.1	2.9	30,697	0.85
Northern Ireland	1,064	767	69.6	37	4.6	288	26.9	25.7	3.0	845	0.79
United Kingdom	37,368	28,982	74.3	1,694	5.5	7,971	21.2	910.8	2.9	31,542	0.84

1. Official mid-year estimate of the resident population.
 2. Labour Force Survey is tabulated by region of residence.
 3. Denominator = all persons of working age.
 4. Denominator = total economically active.
 5. Count of claimants of Jobseeker's Allowance.
 6. Denominator = claimant count + workforce jobs.
 7. Civilian workforce jobs excludes HM Forces.
 8. Jobs density calculated as the number of jobs per resident of working age. (Column 10 divided by column 1).

Source: Labour Force Survey, Jobcentre Plus administrative system, ONS Workforce jobs

LABOUR MARKET

Employment

In the three months to March 1994, the seasonally adjusted employment rate for the UK was 70.6 per cent. For the three months ending in February 2007, the rate had risen to 74.3 per cent, 0.7 percentage points lower than the highest rate in December to February 2005.

The region with the highest rate for the period January to March 1994 was the South East (75.8 per cent). For December to February 2007, the rate for the South East was 78.4 per cent, 2.2 percentage points below its peak in April to June 2000. The South East was the region with the highest rate for the majority of the period since 1994.

The region with the lowest rate in January to March 1994 was Northern Ireland at 61.4 per cent. In December to February 2007, the rate had risen to 69.6 per cent.

All regions had a higher employment rate in December to February 2007 than for the first three months of 1994 by at least 2 percentage points.

Unemployment

In the three months to March 1994, the seasonally adjusted unemployment rate, for people aged 16 and over, for the UK was 9.9 per cent. For the three months to February 2007, this rate had fallen to 5.5 per cent, 0.8 percentage points higher than the lowest rates in 2004 and 2005.

The region with the lowest unemployment rate, for January to December 1994, was the South East at 7.4 per cent. For December to February 2007, the South West had the lowest rate of 4.1 per cent.

The region with the highest unemployment rate, for January to December 1994, was London, at 13.8 per cent. For December to February 2007, the London unemployment rate had fallen to 7.5 per cent, 1.3 percentage points higher than the lowest rate in the first half of 2001.

All regions had a lower unemployment rate in December to February 2007 than for the first three months of 1994 by at least 2.5 percentage points.

Inactivity

In the three months to March 1994, the seasonally adjusted UK working-age inactivity rate was 21.5 per cent. In the three months to February 2007, the rate was 21.2 per cent. Inactivity has remained relatively stable since 1994 with the difference between the highest rate and the lowest rate of just 1.2 percentage points.

The region with the lowest working-age inactivity rate in the three months to March 1994 was the East (17.6 per cent). In the three months to February 2007, the lowest rate was for the South East (17.8 per cent).

The region with the highest working-age inactivity rate for the three months ending in March 1994 was Northern Ireland (29.9 per cent). In the three months to February 2007, this rate had fallen by three percentage points to 26.9 per cent.

Half of the 12 regions had a lower working-age inactivity rate in December to February 2007 than for January to March 1994.

Claimant count

In January 1994, the seasonally adjusted claimant count rate for the UK was 9.4 per cent of the sum of workforce jobs and claimants. The regional rates varied between 7.6 per cent for the South East and 13.0 per cent for Northern Ireland.

In March 2007, the UK rate was 2.9 per cent, 0.3 percentage points higher than the lowest rate during 2004/05. Regionally, the South East had the lowest rate at just 1.7 per cent compared with the North East which had the highest rate of 4.4 per cent.

Between January 1994 and March 2007, all regions had a fall in the claimant count rate of at least 5.8 percentage points.

Workforce jobs

Between September 1995 and December 2006, not seasonally adjusted civilian workforce jobs in Great Britain have risen by 14 per cent. Regionally, all areas have had increases of between 8 per cent (West Midlands) and 18 per cent (Wales and the South East).

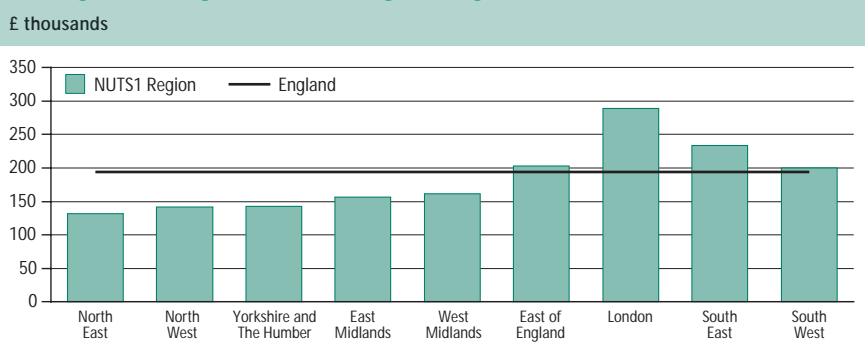
Earnings

Consistent regional earnings are available from the Annual Survey of Hours and Earnings (ASHE) from 1998 on a workplace basis. The median gross weekly pay for full-time employees was £334.90 for the UK in 1998. This rose by a third to £447.10 in 2006. The region with the highest estimate in 1998 was London (£419.00). The figure for Northern Ireland was 71 per cent of the London level at £298.10. Over the eight years, all regions increased by between 30 per cent (Wales and the West Midlands) and 38 per cent (Scotland). In 2006, the lowest estimate was for the North East (£399.00) which was 70 per cent of the highest figure (London) of £572.40.

HOUSE PRICES

Average Dwelling Prices were updated on the National Statistics Regional Snapshot web pages in March 2007 based on data from the Land Registry. These data are also available at County/Unitary Authority level. Figure 11 below shows that in 2005 average dwelling prices were greater than the England average in London, the South East, the South West and the East of England and below the average elsewhere.

Figure 11
Average Dwelling Price in the English Regions, 2005



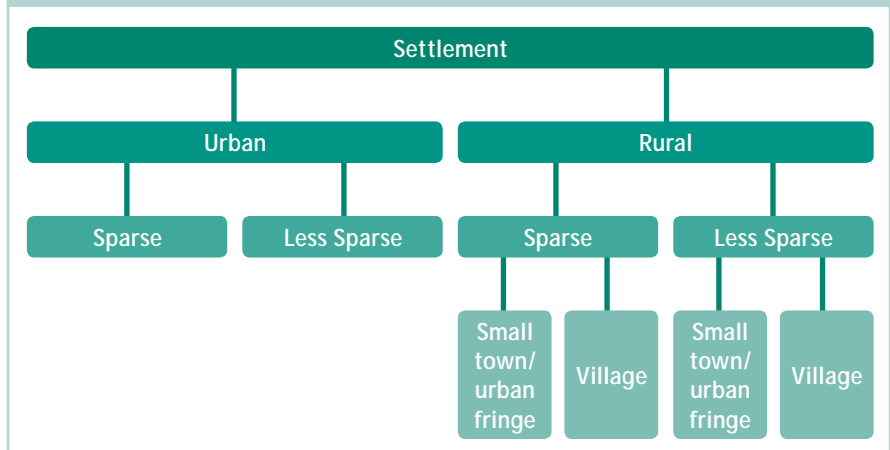
Regions in the Rural and Urban Context

THE RURAL AND URBAN DEFINITION

The Rural and Urban Definition (Defra, 2004) is based on the numbers of people living in certain areas; all settlements with a population over 10,000 are regarded as urban. Figure 12 shows how these settlements are then differentiated by whether they are 'sparse' or 'less sparse' based around the population density within a local area radius of up to 30 kilometres. The rural areas are then further defined over a much smaller area (only up to 1,600 metres from a given point) to classify them as town/urban fringe or village.

In the following analysis various benefits and education datasets were taken from the Neighbourhood Statistics (NeSS) website, based on Super Output Area (SOA) geographies, aggregates of the Census Output Areas (more information on these is available on the ONS Geography webpages). SOAs are consistent in their size, in terms of population, and have been defined at two levels: Lower Super Output Areas (LSOA)s and Middle Super Output Areas (MSOAs). The Rural and Urban Definition allocates each LSOA and MSOA to one of the six rural and urban types of areas, the number allocated to each area type can vary greatly. This enables any statistics available at these geographies to be analysed by the rural and urban categories. At regional level, the rural and urban categorisation was collapsed to three definitions; Urban, Town/Fringe and Village. This was due to the small numbers of SOAs in some regions in some categories.

Figure 12
Constructing the Rural and Urban Definition



Benefit Claimants

Government benefits are an important contributor to household incomes. Benefit claimant counts for the following datasets were analysed: Income Support, Job Seekers Allowance, Incapacity Benefit and Child Benefit at Lower Super Output Area (LSOA) level from 2001 to 2005. The rural/urban area types were assigned at LSOA level and the average claimant count for each rural and urban area calculated. The data can be compared against each other and over time. Figure 13 shows the 2005 datasets compared against each other, and this pattern remained the same over time.

The results show that across England, the average claimant count for Job Seekers Allowance, Incapacity Benefit and Income Support, were highest in LSOAs in urban areas. For Child Benefit there is less distinction between the average numbers of claimants in LSOAs in urban and rural areas. The LSOAs in less sparse urban areas had higher

numbers than sparse urban areas for all benefits except for Incapacity Benefit. For child benefit claimants the areas with the most recipients were all from LSOAs defined as less sparse with counts in these areas very similar.

Benefit data by Region

In all regions the data for Income Support, Job Seekers Allowance and Incapacity Benefit followed a similar pattern; more claimants were consistently found in urban areas, fewer in Town/Fringe, and the lowest level of claimants in rural areas. The only exception was in the North East where the average number of Incapacity Benefit claimants in Town/Fringe areas was slightly higher than urban areas. Although these data support regional influences identified in other publications (that is, that the lowest levels of claimants are found in the South East) any conclusions must be made with care, because the calculations of the averages are influenced by regional sizes.

The average Child Benefit claimants were different among regions. **Figure 14** shows that in most regions, average counts were higher in urban areas than rural areas. The exceptions were the East Midlands and the South West. The average count in Town/Fringe areas in Yorkshire and The Humber was also higher than urban areas, although the count in Village areas was lower. In the North West, the lowest average count of Child Benefit claimants was in the Town/Fringe areas, the only region where this was noticeable. The low count in London in the rural classification is likely to have been impacted by the low occurrence of LSOAs with a rural definition in this region. As explained above, this could affect the calculation of the average.

Educational Attainment

Educational attainment by urban/rural classification was analysed based on data classified at the larger Middle Super Output Area (MSOA) level, due to suppressed LSOA data. At MSOA level, there is no classification of Village in the London region. Across England, the highest percentage of pupils achieving 5 or more A* to C grades (or equivalent) were found in villages and the lowest percentage in urban areas particularly sparse urban areas.

At regional level similar patterns were found, as shown in **Figure 15**. This variable is presented as an average percentage so it takes into account different regional sizes. In London and the North East, urban areas had a greater percentage of pupils achieving 5 or more A*–C than in Town and Fringe areas. Yorkshire and The Humber had the lowest average percentage in an urban area at 49.9 per cent, but high attainment in Town/Fringe and Village areas compared to the other regions. In the South East urban areas achieved the highest average percentage, 56.8 per cent as well as being among the highest achieving regions for

Figure 13

Average count of Benefit Claimants in 2005 in Lower Super Output Areas by the Rural and Urban Definition



Figure 14

Average count claiming Child Benefit in 2005 in Lower Super Output Areas by English Region and the Rural and Urban Definition

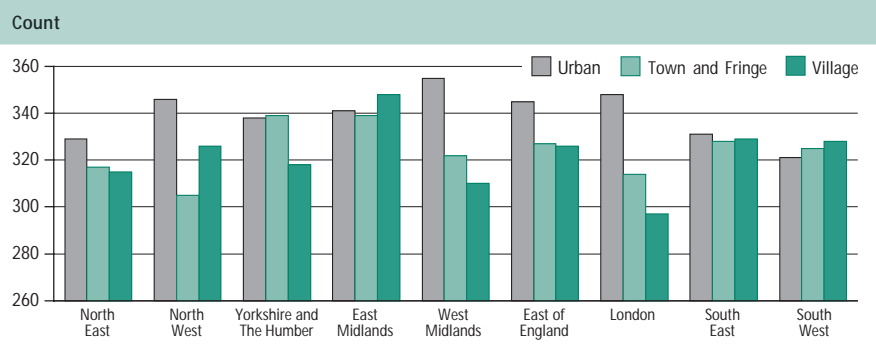
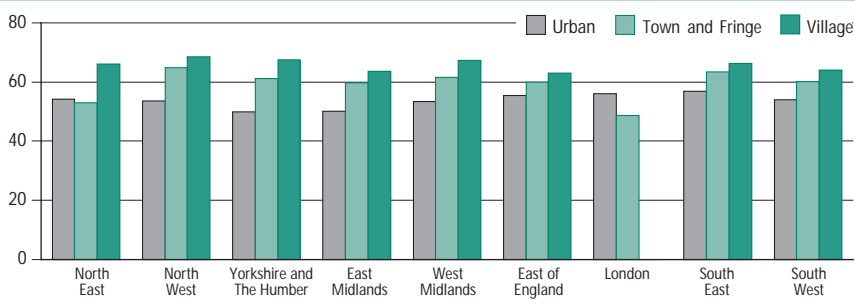


Figure 15

Educational Attainment: Average Percentage achieving 5 or more A*-C grades at GCSE/equivalent in Middle Super Output Areas by English Region and the Rural and Urban Definition

Per cent



Town/Fringe and Village areas. The North West had the highest average percentages for both Town/Fringe and Village areas, at 64.9 and 68.5 per cent respectively.

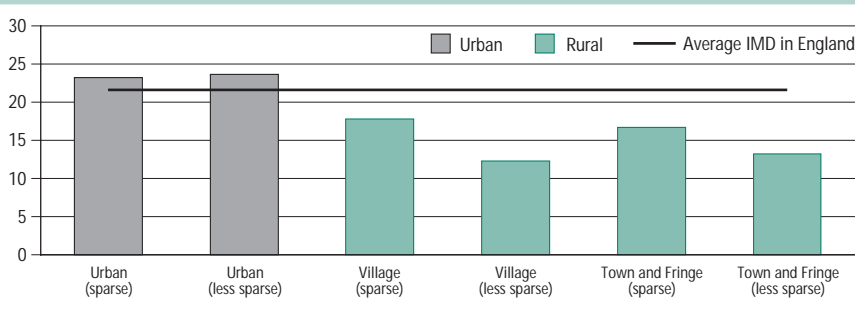
Index of Multiple Deprivation

The Index of Multiple Deprivation 2004 (IMD 2004) is a measure of multiple deprivation at the small area level. The model of multiple deprivation which underpins the IMD 2004 is based on the idea of distinct dimensions of deprivation which can be recognised and measured separately. These are experienced by individuals living in an area. The overall IMD is conceptualised as a weighted area level aggregation of these specific dimensions of deprivation. There were seven Domains on which the IMD 2004 was based relating to a range of factors: income, employment, health and disability, education, skills and training, barriers to housing and services, living environment and crime.

Figure 16

Average Index of Multiple Deprivation score of Lower Super Output Areas by the Rural and Urban Definition against the English Average

IMD score

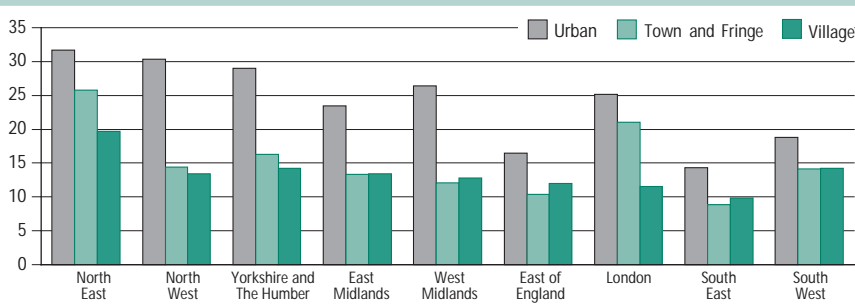


For the purpose of this analysis, IMDs at LSOA level were assigned their rural or urban definition. The average IMD score was calculated for all the LSOAs within each classification and charted in Figure 16. The average score for England is also shown, at 21.66. Figure 16 shows that the LSOAs in the urban areas had average IMD scores greater than the England average, suggesting the LSOAs in urban areas are more deprived. The LSOAs in Village (less sparse) and Town/Fringe (less sparse) classifications have lower scores of IMD than the respective sparse classification. This definition of deprivation suggests LSOAs in less sparse areas are less deprived.

Figure 17

Average Index of Multiple Deprivation Score for Lower Super Output Areas by English Region and the Rural and Urban Definition

IMD score



By region, a similar pattern follows. Figure 17 shows how in all regions the areas under the Urban classification had higher IMD scores than those under the Rural classification. In five regions (the East Midlands, the West Midlands, the East of England, the South East and the South West) the LSOAs in Villages have higher IMD scores than in Town/Fringe areas.

Regions in the European Context

The European Union's (EU) Structural Funds are provided to help the regions that are lagging behind in their development. The Structural Funds account for approximately one third of the European Council (EC)'s budget, and are used to support regional development and employment, particularly in poorer regions and Member States. The Funds can be used to finance a wide range of activities including supporting innovation, enterprise and business development, protecting and enhancing the environment, supporting specific sectors of regional economies, delivering active labour market policies and improving skills. In addition, a small percentage of the funds are allocated to promote cooperation between Member States.

The maps showing the areas in the UK that were eligible for structural funds between 2000 and 2006 and the new round that commenced on 1 January 2007, valid until 2013 is available on the Cohesion Policy fact sheet for the UK (European Commission, 2007)

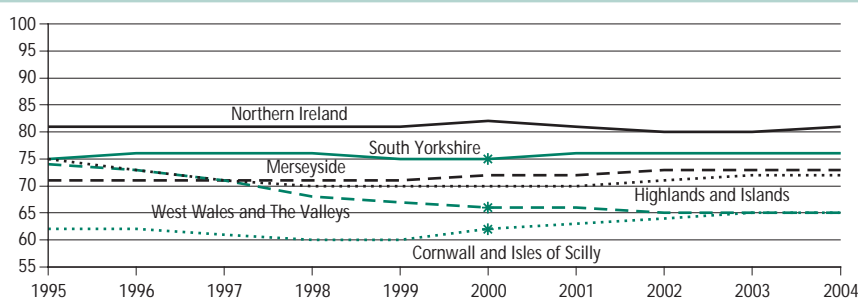
The Convergence Objective (known as Objective 1 in the 2000–2006 round) aims to support the economic convergence of regions with a Gross Domestic Product (GDP) per head below 75 per cent of the EU average. The Competitiveness and Employment Objective (formally Objectives 2 and 3 in previous rounds) aims to improve competitiveness and increase employment in all other regions, not in receipt of funding under the Convergence Objective.

The fact sheet referred to above tabulates the allocation of funding in the UK over the two rounds. The funding for 2007–2013 was agreed by the EC, under which approximately €9.4 billion (in 2004 prices)

Figure 18

GVA per head index for NUTS2 sub-regions in receipt of Structural Funds 1995 to 2004

UK=100



will be available for the UK in Structural Funds between 2007 and 2013. This is almost a 50 per cent reduction in comparison with the funding available in the 2000–06 round and reflects the UK's strong economic performance and the need to support the new poorer Member States. The allocation includes €2.4 billion in Convergence funding for the poorest regions; Cornwall and Isles of Scilly, West Wales and the Valleys and the Highlands and Islands. While the allocations of Convergence funding were decided at the EU level, it is the responsibility of each Member State to determine the allocations of Competitiveness funding for its eligible regions.

Both the allocation of the Convergence Objective and the Competitiveness Objective rely heavily on regional statistics and indicators. Regional Gross Value Added (GVA) is used for allocating funding under the Convergence Objective, as the main basis behind the calculation of GDP. The approach used within the UK to divide the competitiveness funding 2007–2013 is based on indicators of economic need including levels of innovation, entrepreneurship, skills, employment and GVA. The approach

also emphasised the increased involvement of regional stakeholders in delivering the Funds, so as to help align EU spending with the UK's domestic strategies for regional development.

Figure 18 shows the NUTS2 sub-regions that have received funding under what is now the Convergence Objective. For the regions that were not in receipt of this funding at the beginning of the time series in 1995, the marker represents the point at which they began to receive funding. Figure 18 shows the GVA per head index measure for these areas against the UK average from 1995–2004.

State Aid is also available for members of the European Union. In England the main form of Regional State Aid is Selective Finance for Investment in England (SFIE) which helps fund new investment projects that lead to long-term improvements in productivity, skills and employment. State Aid that is granted to promote the economic development of certain disadvantaged areas over others is referred to as Regional Aid. More information on these Assisted Areas which define where Regional Aid can be paid is available (Department for Trade and Industry, 2007).

Allsopp Review Implementation Programme: 3 Years On

Introduction

The Allsopp Review began in 2003, when the Chancellor of the Exchequer commissioned

Christopher Allsopp to lead the *Review of Statistics for Economic Policymaking*.

The Final Report contained a total of 62 recommendations and outlined a strategy to improve the quality and provision of statistics for economic policy based around a number of recommendations. The key recommendations included:

- to produce good quality baseline Gross Value Added (GVA) estimates for NUTS 1 regions and below
- develop a coherent and efficient suite of registers, surveys and estimation procedures that delivers reliable results at acceptable compliance cost that are not skewed towards particular sectors of the economy
- information held by government should be used to increase the quality and cost efficiency of economic statistics and
- to establish an ONS presence in each English Region

Success to date outside the Programme

In several cases work to meet the recommendations has been progressed outside the Programme across various business areas in ONS. Examples of such successes include:

- Index of Services (IoS) attaining National Statistic status (recommendation 32)

- Further development of Neighbourhood Statistics Service (NeSS) with more employment and local business data now available (recommendation 22)
- Coverage of Workforce Jobs Survey has widened and now includes Public Sector Employment (recommendation 65)
- Re-prioritisation of EU statistics, including an Intrastat reduction (recommendation 63)

Programme Aims and Objectives

The Allsopp Review Implementation Programme, established in 2005, aims to deliver on a programme of work in the spirit of the recommendations within the available budget. In particular the programme aims to satisfy the pressing need for better regional data, including a radical change in the way regional Gross Value Added (GVA) is produced and to address the imbalance between manufacturing and service sectors in statistics.

Programme Plans and Progress

The focus of the Programme is on the development of the essential infrastructure on which surveys depend, the technical development work required for building surveys, as well as the methodological work required to produce the enhanced Regional Accounts. Priorities remain to fund projects on the critical path of regional GVA development and to support the ongoing functions of the ONS Regional Statisticians, in partnership with Regional Development Agencies.

Developing the Business Register

The continued development of the Inter-Departmental Business Register (IDBR) is essential in order to provide an appropriate sample frame to support future surveys and the enhanced regional accounts. Work to improve the quality and coverage of the register, through matching enhancements, was completed in March 2007.

From April 2007, a dedicated resource in ONS' Business Registers Unit is in place to support the set up and delivery of routine and bespoke non-disclosive analysis required by the ONS' Regional Statisticians and Regional Development Agencies.

Investigating Business Administrative Data

Evaluation Reports into the potential usefulness of administrative data from Company Accounts and HMRC Corporation Tax and associated data sources to supplement or substitute business survey data were compiled by March 2007. Further investigations into HMRC datasets will continue in 2007/08.

The investigations to date into the usefulness of HMRC Corporation Tax data have borne fruit, in particular showing that the cost incurred by HMRC in providing this data would be very much less than originally envisaged. This has been used in the ONS business case for legal access to administrative data, which has led to clauses on data sharing being drafted into the Statistics and Registration Service Bill. An Affirmative Resolution for access to HMRC datasets will be prepared in 2007/08 in anticipation of the enactment of the Bill.

Business Register Employment Survey (BRES)

BRES is fundamental to improving local unit information to support better regional statistics, including regional GVA estimates. BRES will maintain the IDBR and support regional estimation, and provide the basis for annual estimates of employment.

The short-term alignment of Business Register Survey and Annual Business Inquiry/part1 is now complete and improvements to the quality of regional employments estimates should be seen in data published end 2007. Consultation documents were published on the National Statistics website and set out an initial proposal for the broad design of BRES for users and businesses to comment on. The consultation periods closed in September and December 2006 respectively, and responses were summarised and published on the NS Website.

The Project remains on track for the full piloting of BRES in 2008, with improved local unit information becoming available from BRES in 2009.

Regional Economic Analysis

Additional regional economic analysis was conducted on existing sources of economic data including regional productivity analysis published alongside other indicators in the quarterly Regional Economic Indicators article (Swadkin, 2007). Publication of such articles will continue throughout 2007/08.

Regional GVA Production Measure

In 2006/07 work commenced on the development of methods for producing real regional GVA on a production basis.

An experimental real GVA estimate based on the new National deflators will be developed by March 2008, with the First Estimate of improved GVA (P) in real terms for 2008 expected to be published in December 2009. More details on this project are available on page 14.

Service Sector improvements

There has been considerable progress with the development of the Index of Services (IoS) which has now gained National Statistic status. In addition,

ONS continues to address other aspects of the imbalance between manufacturing and service sectors; in part through work done to enable SIC 2007 implementation which has a greater detail of service sector information.

Establishing ONS Regional Statisticians

The Allsopp Review recommended that 'There should be a significant ONS or GSS presence in each English region,' and that it should fulfil a role similar to that of statisticians already serving the devolved administrations in Scotland, Wales and Northern Ireland.

On 2nd April 2007, ONS, in partnership with Regional Development Agencies, established ONS Regional Statisticians in each of the nine English Regions. A full evaluation framework will be set up, as an appraisal mechanism for £1m RDA investment, and conducted over the first year of operation in consultation with all key stakeholders.

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Useful web links:

- Annual Survey of Hours and Earnings (ASHE) 2006 Results
www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101&Pos=1&ColRank=1&Rank=192
- Gross Value Added (GVA) December 2006 First Release
www.statistics.gov.uk/STATBASE/Product.asp?vlnk=14650
- Gross Disposable Household Income (GDHI) Regional Household Income March 2007 First Release
www.statistics.gov.uk/statbase/Product.asp?vlnk=14651
- Neighbourhood Statistics (NeSS)
neighbourhood.statistics.gov.uk/dissemination/Download1.do?bhcp=1
- Productivity Q4 2006 First Release
www.statistics.gov.uk/StatBase/Product.asp?vlnk=7476
- Regional Snapshot: Sub-national Data
www.statistics.gov.uk/StatBase/Product.asp?vlnk=14161
- Official Labour Market Statistics www.nomisweb.co.uk
- ONS Geography www.statistics.gov.uk/geography/default.asp

