



East of England's Productivity Challenge: Insight Executive Summary

Productivity Picture

The East of England, home to 6.2 million people, accounts for 9.3 per cent of the UK population and produces 8.6 per cent of the country's output (gross value added). In terms of productivity as measured by GVA per hour worked, the East of England is ranked fourth after London, the South-East and Scotland. But in terms of productivity growth over the past decade, the region is among the weakest performers, only ahead of the North-West and Yorkshire and the Humber.

The East of England is made up of the traditionally rural area of East Anglia – including Cambridgeshire, Norfolk and Suffolk – and the neighbouring counties of Bedfordshire, Hertfordshire and Essex, which form part of the London commuter belt. There is a large variation in economic performance, including productivity, across the East of England. East Anglia's main cities and towns of Norwich, Cambridge, Peterborough, and Ipswich are the richest

in terms of income and living standards. Yet there are many areas, including market towns, rural and coastal areas which are falling behind, with great disparities still very visible in areas deemed to be overall doing well. In the majority of regions though, productivity levels and growth rates are behind the UK average.

The region has significant potential strengths to improve its productivity. The combination of strong public and private investment in research and development is a key feature. Cambridge features one of the largest concentrations of knowledge-intensive businesses, skills and innovation in the UK, and stronger links to Milton Keynes and Oxford promise a number of opportunities for the region.

The Future Fens: Integrated Adaptation Programme as showcased at COP26 may help towards protecting the fens and progressing towards net zero through carbon

sequestration without compromising its status as a key agricultural producer. The coastline of the East of England and the wind turbines currently in operation support the east coast's commitment to becoming a world leader in carbon neutral energy production. The port of Felixstowe is the UK's largest container port with 40 per cent of national container traffic, meaning Felixstowe plays a pivotal role in keeping the UK's trade moving. The north shore of the Thames in Essex is also part of the expanding Port of London Authority – still the country's major port.

All these figures are from ONS data

8.6%
Share of UK
GDP (2019)

9.1%
UK total hours
worked (2019)

56%
Intermediate and
high skilled 16-65
population (2018)

0.7%
Change in
productivity between
2008 and 2019

94.9%
of UK labour
productivity level
(2019)

Majority of the East of England has been falling behind relative to UK average productivity

Between 2008 and 2019 a productivity gap opened up between the East of England and the national average. The average level of productivity in the East of England was £33.36 per hour in 2019, which was about 5 percent below the UK average, whereas it was at par in 2008. With a lower level of productivity relative to the UK average and a lower growth rate relative to the UK average, the bulk of the East of England falls in the group of regions categorised as Falling Behind. Within the East of England there is a wide variation of GVA per hour worked, from a low of £25.87 per hour in Southend-on-Sea to £37.34

per hour in the Heart of Essex.

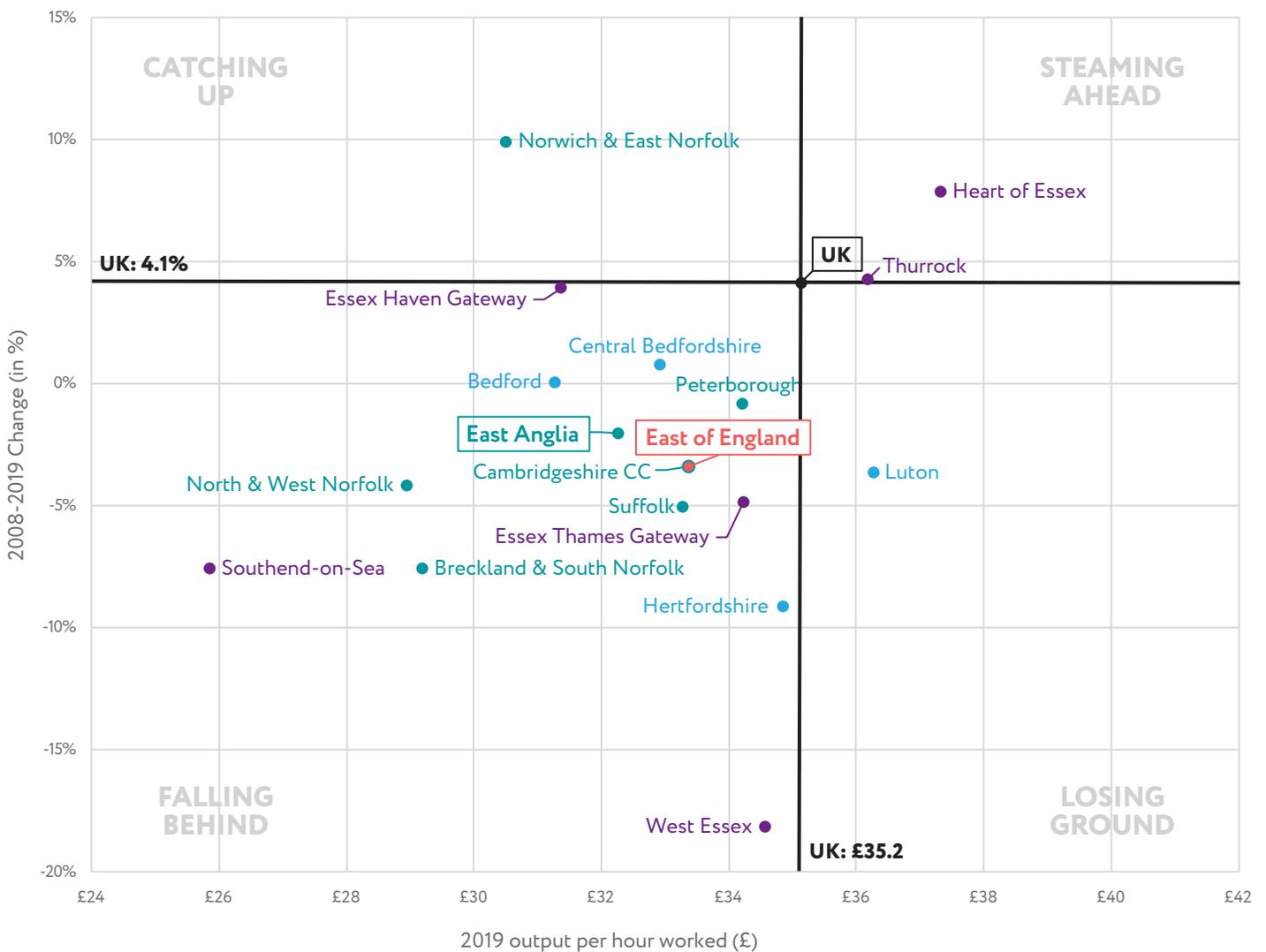
While there is wide variation, 11 of the 16 subregions underperformed the UK on both productivity dimensions. Only two regions – Heart of Essex and Thurrock – produced both an output per hour above the UK average and saw a higher productivity growth rate between 2008 and 2019. Other outliers included Luton, which had a higher than average GVA per hour but a lower than average growth rate, and Norwich and East Norfolk, which conversely had a higher than average growth rate and a lower than average productivity level. The

two sub-regions that seem to be falling behind the most are Southend-on-Sea and West Essex.

Zooming in on East Anglia, all subregions, with the exception of Norwich and East Norfolk, are all performing relatively similarly, as are the subregions of Bedfordshire. However, the subregions that make up the county of Essex show the most variation in performance.

KEY
● Bedfordshire and Hertfordshire
● East Anglia
● Essex

Labour Productivity Level (2019) and Growth Rate (2008-2019) for East of England



Source: Office of National Statistics, Subregional productivity: labour productivity indices by UK ITL2 and ITL3 subregions, 23 July 2021.

Primary Drivers and Bottlenecks

There are a number of constraints that affect the productivity of the East of England. In the Greater Cambridge region, there is a risk that a lack of affordable housing, commercial space and poor transport connectivity will limit the ability of the area to continue to contribute to the local, national and international economy.

Despite the presence of strong knowledge institutions, the level of high and intermediate level skills in the regions is relatively low at 56 percent, well below the levels in London, the South-East, South-West and Scotland, constraining the development of a vibrant business community. Being a predominantly rural region, parts of the East of England – in particular in Norfolk, Suffolk and the Fens – suffer from the challenges associated with rural peripherality. These areas have a higher proportion of over 65-year olds leading to both a reduced pool of labour as

well as a higher number of people who may be in greater need of health and social care services. Alongside the East of England's rural areas, its coast is also home to a number of disadvantaged urban communities, from Jaywick in Essex through to Lowestoft and Great Yarmouth in Suffolk and Norfolk

The western and southern areas of the East of England also have an issue with the availability of employment land and premises, which coupled with the growth in low value activity moving out from London to beyond the M25 may be affecting productivity. Connectivity within the East of England may also be contributing to the productivity performance of the region. The only motorway within the region is the M11 joining London to Cambridge before turning into the A1(M) Great North Road. All of the major urban areas have good passenger rail connections with London, but relatively poor connections between each other.

A number of different strategic corridors, such as the Innovation Corridor connecting London and Cambridge, the Technology corridor from Cambridge to Norwich, run within or through the region, but the benefits of these corridors is yet to spread more widely. The anticipated Oxford to Cambridge Arc also includes parts of the region and whilst it offers opportunities in terms of connectivity, there are also risks that it could provide strong competition to businesses in the East of England.

Finally, regional co-ordination is an issue in the East of England. Public sector governance is fragmented and has developed in a piecemeal fashion, with one Combined Authority covering the county of Cambridgeshire and the unitary authority of Peterborough, two Local Enterprise Partnerships, and 47 Local Authority Districts.

Strengths

- Home to leading edge research
- Strong sectors including Life Sciences, Agri-Tech, Renewable Energy sector
- Plays key strategic role in 'UK plc'
- Greater Cambridge economy
- Home to a number of strategic corridors

Weaknesses

- Poor connectivity within the region
- Complex public sector governance arrangements
- Underinvestment in infrastructure
- Variable rates of productivity and within region inequality

Opportunities

- The growth of the OxCam Arc
- Knowledge transfer opportunities between sectors and between academia and business
- Covid-19 recovery

Threats

- Climate change
- Ageing population
- Competition from the growth of the OxCam Arc
- Impact of Brexit
- Covid-19 recovery

Looking to the future

In recognition of its geographical diversity, the East of England requires a strongly place-based approach to its productivity challenges. The Fens is a critical agricultural asset for the region and the nation. It is important to consider the effect on agricultural productivity from the tensions between different land uses, the management of water and the importance of biodiversity.

Climate change is also an issue. The coastline of the East of England is eroding at the fastest rate in the country while at the same time it is home to huge fields of wind turbines and other sources of renewable energy. Understanding the role that the Energy Coast can play to raise productivity through the generation of renewable energy and related innovations is another area of interest.

The role of Greater Cambridge

(including the market towns that make up part of the functional economic geography) as a source of comparative advantage in relation to the knowledge economy should be a key area of focus.

The presence of leading-edge activities as well as a large foundational economy provides an opportunity to consider the relationship between the cutting-edge organisations in East Anglia and the supporting sectors of the economy, such as health and care. Knowledge transfer between sectors as well as the requirements that different sectors have for the region's skills and labour markets are of critical importance.

East Anglia's current public governance structure – like those of many places – have emerged in a piecemeal fashion over time. The political and policy governance of the region needs to be reconsidered from the perspective on how the structure of

the public sector in East Anglia affects productivity.

Moving beyond the borders of East Anglia, the government has stated its intent to develop the Oxford to Cambridge Arc as a “globally significant” area between Oxford, Milton Keynes and Cambridge. Whilst Bedfordshire and Cambridgeshire make up the western end of the Arc, how the rest of the East of England can benefit from its presence will be a key question to explore.

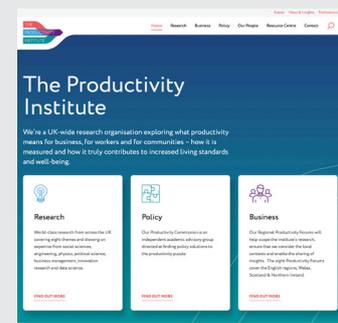
The Productivity Institute

The Productivity Institute is a UK-wide five-year research organisation, which began in September 2020 and is funded by a £26 million grant from the Economic Social Research Council in the UK – the largest single grant in its history and supported by £6 million from partner institutions.

It explores what productivity means for business, for workers and for communities – how it is measured and how it truly contributes to increased living standards and well-being. Productivity is key to a more prosperous and equitable society.

We aim to pinpoint the causes of the stagnation in UK productivity and focus energies to laying the foundations for a new era of sustained and inclusive productivity growth, which will improve our material standard of living.

Our world-class research draws on expertise from social sciences, engineering, physics, political science, business management, innovation research and data science. Our research activities and outputs are developed in collaboration, and in some instances through co-production, with business and policy users.



For more information and insights, please visit our website at www.productivity.ac.uk where you can also sign up to receive our regular newsletter.



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