

Productivity

Productivity growth is linked to improved living standards. Most economists agree that productivity is directly linked to living standards. An improved standard of living over time is almost entirely dependent on productivity growth. It is also crucial in determining long-term growth rates of an economy.

Economic theory states that labour productivity – the value of output per hour worked – also determines wages: the more productive an employee is, the more they are likely to be paid. Productivity growth is therefore necessary for sustainable improvements in living standards and wages.

Output

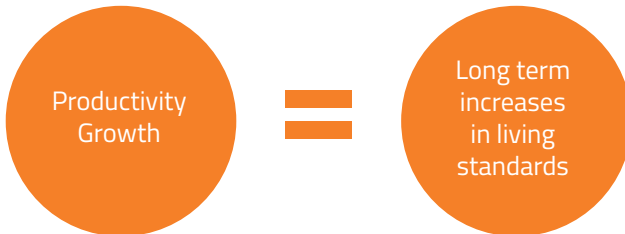
How much is produced



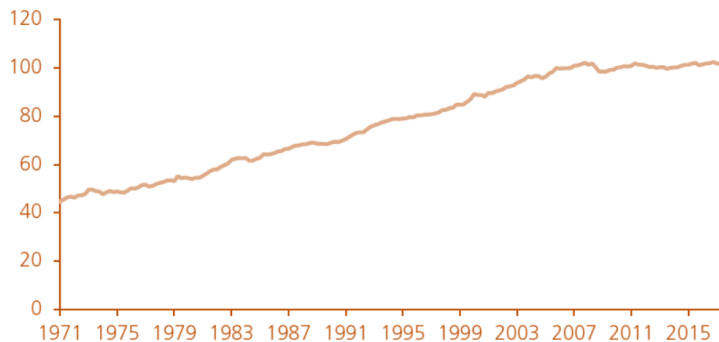
Productivity

Input

eg. an hour worked or number of FTE



UK productivity levels, index where 2013 = 100
Output per hour worked (quarterly data)



Productivity growth has stagnated

The UK's labour productivity has generally grown by around 2% per year but since the 2008/2009 recession it has stagnated. The level of labour productivity in Q2 2017 was still 0.5% below what it was over nine years earlier in Q4 2007 (the pre-recession peak level). In Q2 2017, productivity was unchanged on a year earlier.

What might be causing the weakness?

There are potentially many reasons but these could include:

- Lower levels of **investment** in equipment and physical infrastructure;
- A lack of lending and **access to finance** particularly to the more productive firms;
- Employees being moved to less productive roles or the need for a more **productive skilled workforce**;
- Decrease in innovation and lack of investment in **new technologies**;
- Less **competitive enterprises** and growth of **lower productivity sectors**.

Productivity in York, North Yorkshire and East Riding.

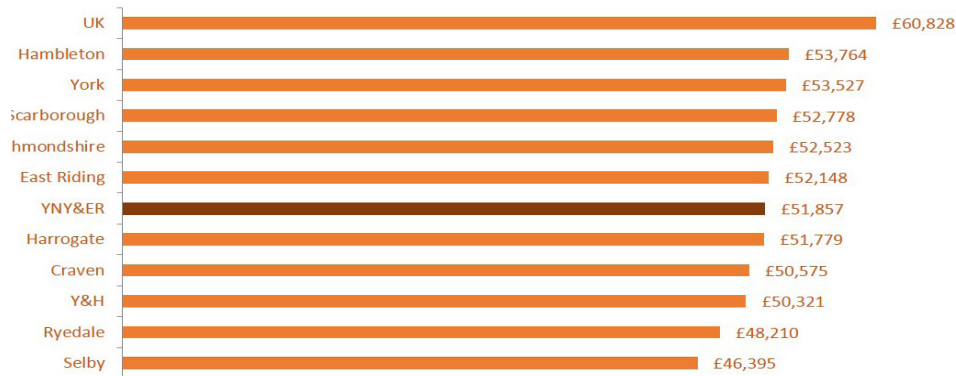
Lower Productivity levels and growth in YNYER
Recent growth in jobs has outpaced GVA across the sub-region.
This has led to a reduction in productivity over the five year period to 2017.

In 2017, our economy is more productive than the Yorkshire & Humber Region. However, a growing GVA gap has been driven by low representation within sectors that make the most significant contribution to the economy in terms of GVA.

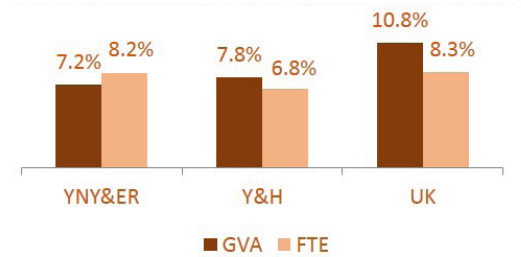
Of the net 34,800 FTE jobs generated, retail and accommodation & food services accounted for 40% (21% across the UK).

In 2015, YNY&ER ranked 30 of 38 LEPs when productivity is defined by GVA/total workforce jobs. £41,168 was 16% below the total English average of £49,184. A more recent CBI report puts this sub region in the 36th percentile for the UK meaning that it is less productive than 64% of other sub regions in the UK.

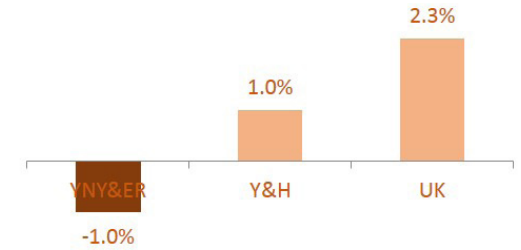
Productivity (GVA/FTE) 2017 (REM)



Economic Growth 2012-2017: GVA & FTE (REM)



Productivity Growth 2012-2017 (REM)



YNY&ER Significant Industries 2017: GVA v FTE

