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Regional Competitiveness & State of the Regions

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I Introduction

This is the fourth edition of *Regional Competitiveness and State of the Regions*, formed by the amalgamation of two separate publications: the *Regional Competitiveness Indicators* and the Regional Development Agency (RDA) *'State of the Region' Core Indicators*.

At the same time as combining these two publications a number of changes were introduced. Consultants (SQW Ltd and Oxford Economic Forecasting) recommended 11 core indicators for RDA Evaluation and Performance Monitoring. Those incorporated in the combined indicator set (with their table numbers) are:

| | |
|--|---------------------|
| Gross Value Added (on a workplace basis) per head of population | 1(a)ii |
| Manufacturing GVA per head | 2 |
| Business formations per 10,000 adults | 12(b)i |
| Unemployment rate (ILO definition) | 7 |
| Percentage of adults with NVQ level 4 skills/equivalent | 9(b)i ¹ |
| Percentage of adults with no qualifications | 9(b)iv ² |
| Percentage of residents within families dependent on Income Support benefits | 11 |
| Road congestion | 15(c) ³ |
| Stock of derelict land | 17 |

Recommended for inclusion but not incorporated in this set are:

Waste – volume of non-recycled waste
Wildlife – population of birds

Information on these is included in the Department of the Environment, Food and Rural Affairs (DEFRA) publication *Regional Quality of Life Counts* at www.sustainable-development.gov.uk/indicators/regional.

Statistics which previously appeared in the *State of the Region Core Indicators*, but which do not appear in the combined set (either because they were not recommended by SQW for inclusion, or were not already part of the *Regional Competitiveness Indicators*) are:

Proportion of the population with above average living conditions
Percentage of dwellings built on previously developed land
Percentage of Employers with Current Hard to Fill Vacancies
Percentage of Employees undertaking work-related training in the last 13 weeks
Percentage of Medium/Large Organisations recognised as Investors in People (see below)

Following a consultation exercise carried out during winter 2001/2002 further small changes were made. The most significant change was dropping figures for

¹ Statistic presented is proportion of economically active adults (aged 18-59/64) qualified to NVQ level 4 and above.

² Statistic presented is proportion of economically active adults with no qualifications.

³ Statistic presented is average daily vehicle flows.

Investors in People (IIP), which were reported to be among those least used. Statistics on regional recognitions for IIP can be found at www.iipuk.co.uk.

For sub-regional information, the *Business Competitiveness Indicators* can be accessed via the DTI website (www.dti.gov.uk/sd/bci). These break down a selection of the statistics contained in this publication to Learning and Skills Council Areas, Nomenclature of Units for Territorial Statistics level 3 (NUTS3), or Local Authority/Unitary Authority level, depending on the availability of data.

A further consultation on productivity indicators at the national and regional level outlined a revised set of 12 indicators based on the five key drivers of productivity, in relation to the Regional Economic Performance Public Service Agreement (REP PSA) target, responsibility for which is held jointly by DTI, HMT and ODPM. Those incorporated in the combined indicator set (by relevant driver and with table number) are:

| | | |
|---------------------|--|-------------------|
| Productivity | Gross Value Added (GVA) per head and per hour | 1(a)ii, 2(b)ii |
| Investment | Business investment as a per cent of GVA | 3(c)iv |
| Innovation | Business Enterprise Research & Development as a per cent of GVA | 14(a) |
| | Gross Domestic Expenditure on Research & Development as per cent of GVA | 14(c) |
| | Proportion of enterprises with co-operation arrangements on technological innovation activities with other enterprises or institutions | 14(d) |
| | Proportion of turnover accounted for by new or improved products | 14(e) |
| Skills | Highest qualifications of adults | 9(b) ⁴ |
| | 16 to 19 year olds qualified to NVQ Level 2 and 19 to 21 year olds qualified to NVQ level 2 and 3 | 9(a) |
| | Proportion of employees receiving training in last 4 weeks | 9(c) |
| Enterprise | Total entrepreneurial activity | 13 |
| | Business start-ups (VAT registrations) per 10,000 adult population | 12(b)i |
| Competition | Exports as a per cent of GVA | 4(a)ii |

These indicators will also be made available at www.iggi.gov.uk/regind/default.asp.

Further comments on the content and layout of *Regional Competitiveness and State of the Regions* are welcome and should be sent to Mukund Lad, at the address given on the first page of this report.

⁴ Statistic presented is economically active adults qualified to at least NVQ level 2, at least level 3 and at least level 4, and those with no qualifications. Also available in the DfES Statistical First Release 'The Level of Highest Qualification Held by Young People and Adults'

II Aims

The aim of the *Regional Competitiveness Indicators* was to present statistical information that illustrated the factors that contributed to regional competitiveness. They were not intended to measure the performance of the Government Offices or the devolved administrations, but were designed to assist those responsible for developing regional economic strategies. The '*State of the Region*' *Core Indicators* (as developed by SQW) were originally designed to measure progress towards sustainable economic development, skills and social regeneration and to provide monitoring and evaluation guidance for the RDAs.

There are 17 indicators in this publication, intended to give a balanced picture of all the statistical information relevant to regional competitiveness and the state of the regions.

The DTI also publishes *UK Productivity and Competitiveness Indicators*. These are designed to compare our economic performance with that of other advanced economies and to measure the UK's progress in meeting the challenges of raising productivity. They are used in the DTI to inform policy analysis including policies aimed at meeting the joint HM Treasury and DTI target of reducing the productivity gap. The latest edition can be found at www.dti.gov.uk/competitiveness.

III General Comments

Where data are available on a consistent basis they are presented for Government Office Regions and for Wales, Scotland and Northern Ireland. For ease of expression, the term 'region' is sometimes used in the text to refer both to Government Office Regions and to the devolved administrations.

Each of the indicators is described in turn, including explanations as to how it is compiled and what it measures. The tables relating to each indicator can be found in Annex 3. Technical and methodological issues associated with the indicators are described in *Definitions* (Annex 1).

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Section 1 Overall Competitiveness

1. Gross Value Added (workplace basis) and gross disposable household income per head

Gross Value Added (GVA) and gross disposable household income (GDHI) measure different aspects of a region's income. GVA gives an indication of the value of the economic activity generated within an area, while GDHI provides an indication of the income received by resident households and non-profit organisations that serve households.

Workplace-based GVA allocates the incomes of commuters to where they work, rather than where they live. Workplace and residence estimates differ only in the East of England, London and the South East.

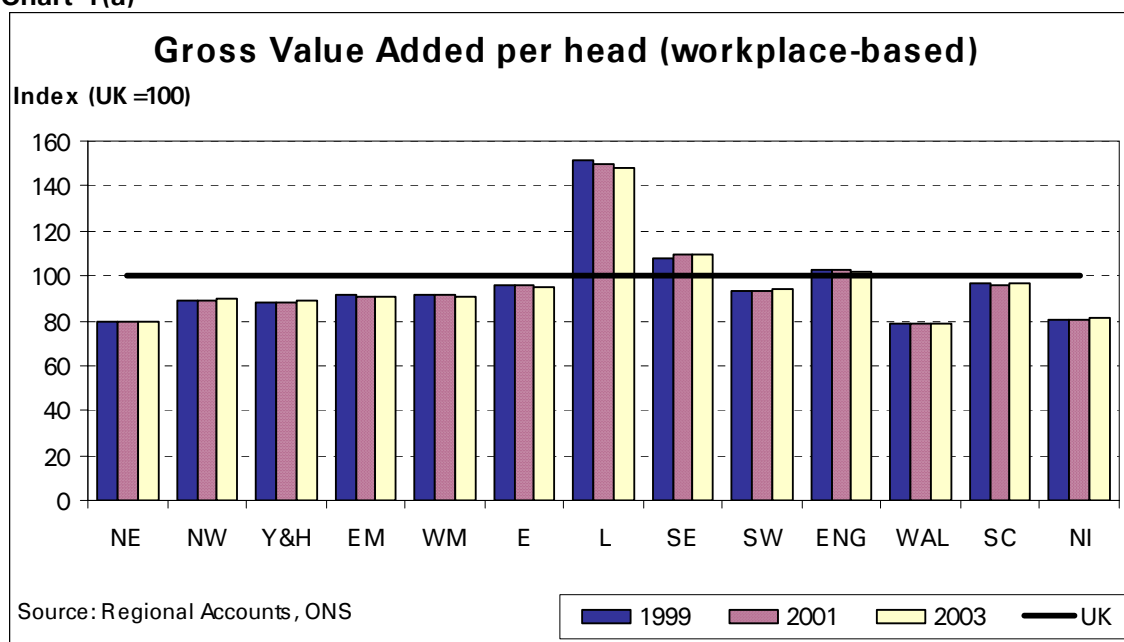
The regional GVA estimates included in this publication are those published by the Office for National Statistics (ONS) on 22nd December 2004.

GVA (workplace basis) per head

GVA measures the economic activity generated within a region through the production of new goods and services. Table 1(a)i and 1(a)ii detail GVA at current prices in £ per head indexed to the UK average, and £ per head.

Between 1989 and 2003, London consistently had the highest GVA per head of population, growing from £11,988 in 1989 to £23,579 in 2003 (varying between 146 and 152 per cent of the UK average during these years). Map 1(a) shows that the South East and Northern Ireland had the greatest percentage increase during this time, at about 122 per cent and 120 per cent respectively. By contrast, East Midlands and Wales were the slowest growing, increasing by 90 per cent and 88 per cent respectively between 1989 and 2003. Over the same period, the all items Retail Price Index (RPI) increased by 62 per cent.

Chart 1(a)

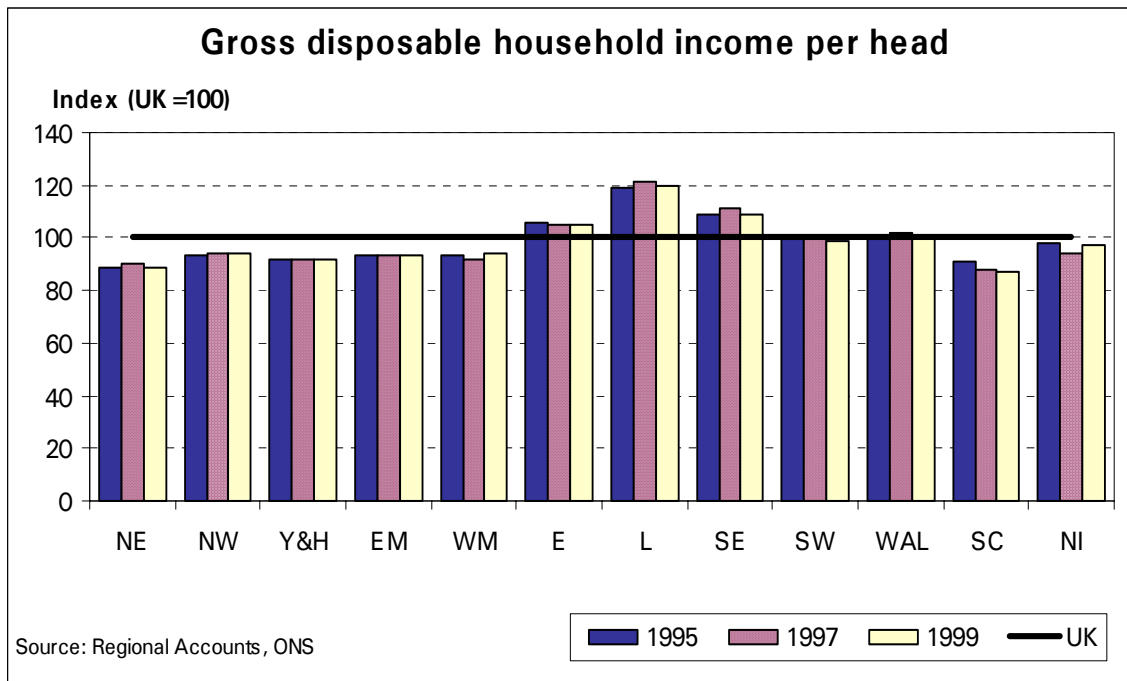


Gross disposable household income per head

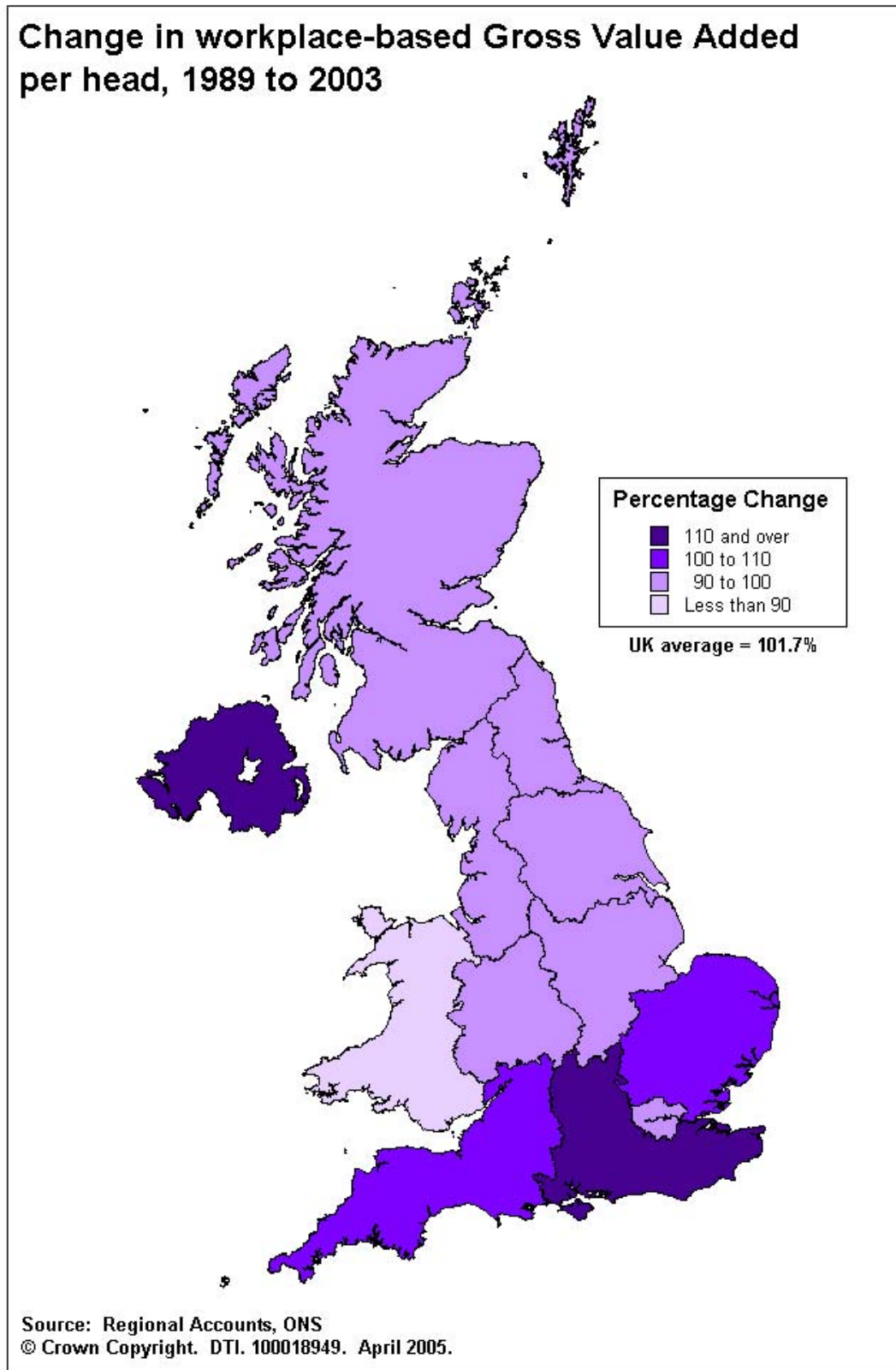
Disposable household income is defined as total household income (including benefits) less current taxes on income, wealth and other social contributions. While GVA gives an indication of the value of all economic activity in a given area, gross disposable household income (GDHI), (Tables 1(b)i and 1(b)ii), measures what financial resources households have available to spend on goods and services. GDHI estimates using the most recent regional GVA figures were not available at the time of going to press.

During 1999, GDHI per head of population in London, at £12,207, was 20 percentage points above UK income per head (£10,142). Wales had the lowest relative income at £8,870 per head, 13 percentage points below the UK average. Between 1995 and 1999, the index of income per head for Wales fell by 4 points, the largest fall in any UK region or country during this time. More recent data on GDHI was not available at the time of going to press.

Chart 1(b)



Map 1(a)



2. Labour productivity

This is an indicator of competitiveness within the manufacturing, services and other sectors (including agriculture, forestry and fishing, fuel extraction, electricity and gas supply and construction). Table 2(a) is calculated as GVA per workforce job.

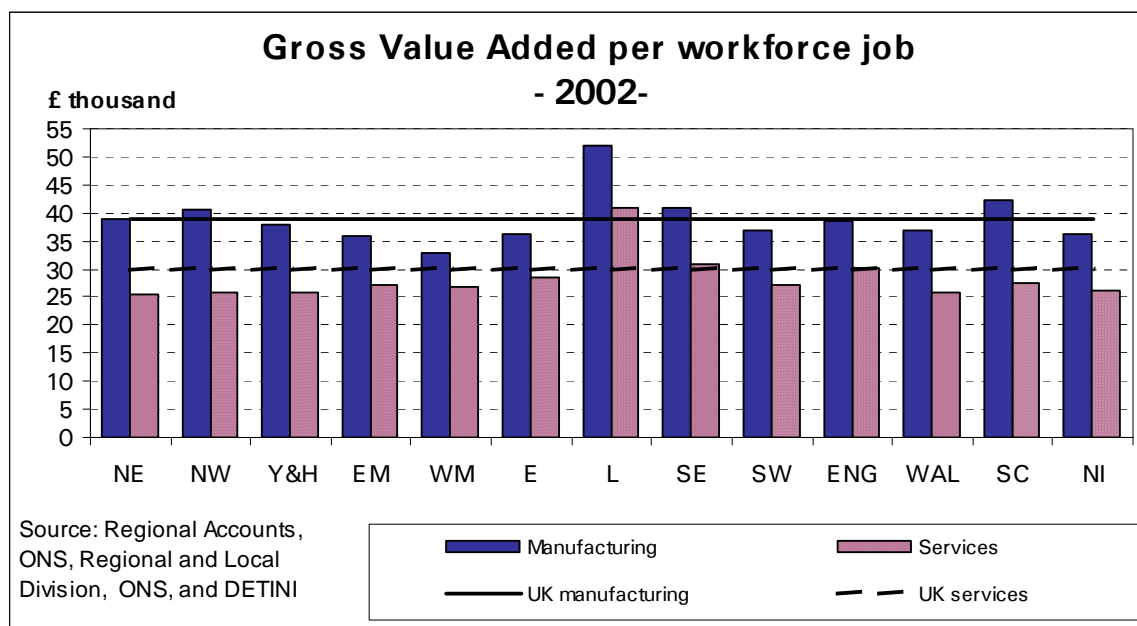
Northern Ireland figures are not available on a comparable basis with other regions due to methodological differences; therefore a UK total cannot be calculated. A supplementary column is included in Table 2(a) containing GVA per workforce job figures for Northern Ireland. These estimates use mid-year estimates of employee jobs, rather than annual averages (used for all other regions) and therefore must always be used separately and must not be combined with other regional figures.

Growth in GVA per workforce job in manufacturing between 1996 and 2002 was highest in Yorkshire and the Humber at 23 per cent, closely followed by the North East, South East and South West, all at 22 per cent. In most regions growth in the manufacturing sector was above the all item Retail Price Index (RPI) inflation (15.4 per cent over this period), except for the East of England (14 per cent), Wales (11 per cent) and Scotland (12 per cent).

In the services sector, the fastest growing region was the South East at over 38 per cent growth between 1996 and 2002. The North East and Scotland experienced the slowest growth at just under 25 per cent and just under 28 per cent respectively. The remaining ("other") sectors show more variation between regions: the North East increased by over 28 per cent between 1996 and 2002, while the East Midlands experienced growth of just under 9 per cent.

It is important to consider the value of these indicators in the context of the mix of industries between regions. Some industries are highly labour intensive and so may have relatively low productivity figures when compared with the more capital-intensive industries. Chart 2(a) illustrates the value of GVA per workforce job for manufacturing and services in the UK regions.

Chart 2(a)



GVA per job filled and per hour worked

The estimates in Tables 2(b)i and 2(b)ii along with Charts 2(b)i and 2(b)ii overcome two of the issues affecting GVA per head of population as an indicator. The GVA generated within a region - Table 1(a) - is workplace-based, while the population estimate is based on persons residing within a region. Thus commuting may artificially inflate the GVA per head estimates for regions with a high level of inward commuting, such as London.

GVA in table 2(b)i is shown relative to the number of jobs filled in the region and is used as a proxy for GVA per worker. This measure allows fairer comparison of productivity across regions, taking into account total numbers of filled jobs within an area. In 2003 London (at 121 percent) had the highest GVA per job filled when compared to the average (UK = 100). The difference between the other regions was less marked than GVA per head of population (table 1(a)) with all indices being within 10 per cent of the average.

In Table 2(b)ii, GVA is presented relative to the number of hours worked in the region. Similar patterns to table 2(b)i emerge with London being the highest, at 115 per cent of the UK average in 2003, and the differences between regions are not as marked as for GVA per head of population. The lowest figure for relative GVA per hour during 2003 was for Northern Ireland, at just over 84 per cent of the UK average. Of the English regions, the lowest figures were recorded in the Yorkshire and Humber at 93.7 per cent, followed by the North West as the next lowest at 94.4 per cent.

Chart 2(b)i

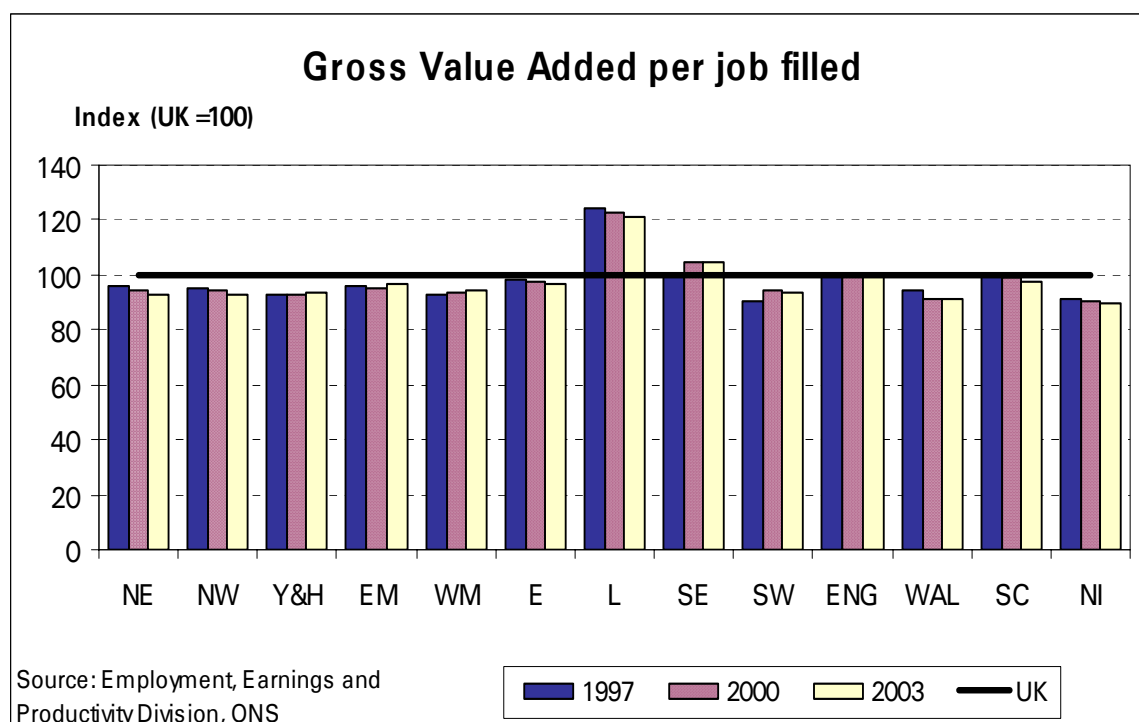
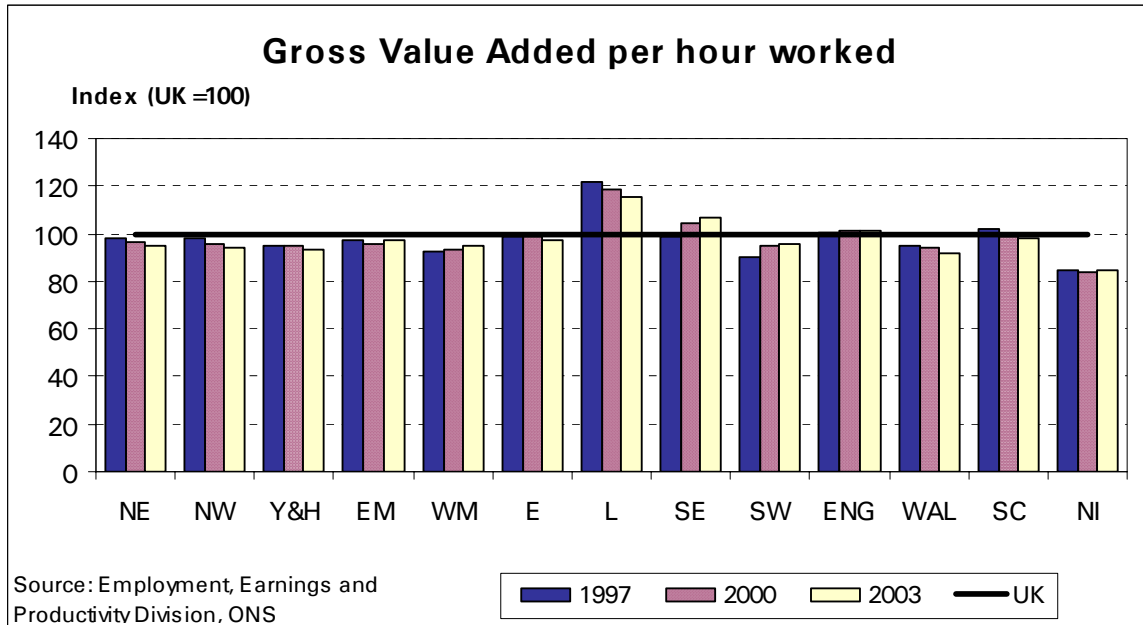


Chart 2(b)ii



3. Investment and output by UK and foreign-owned companies by broad industry sector

This series is included as an indicator of the importance of both domestic and foreign investment to the industrial base of each region. Tables 3(a) and 3(b) show the trends in the figures for the investment and output of foreign- and UK-owned companies between 1998 and 2002. Investment and output data for Northern Ireland in 2002 was unavailable at time of going to press; therefore UK totals could not be calculated.

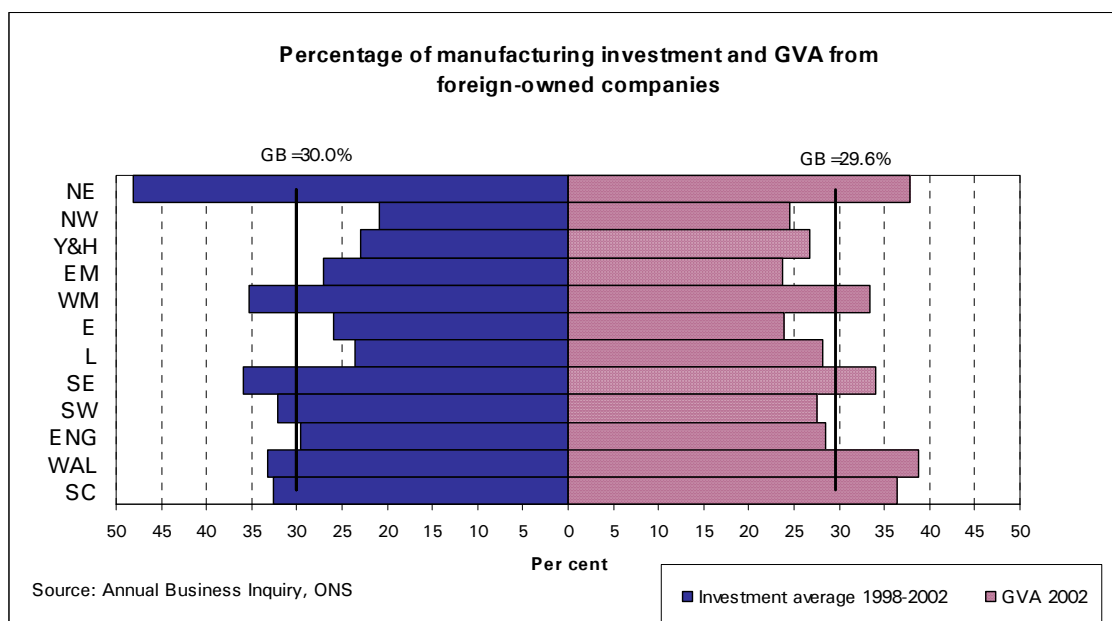
Net Capital Expenditure of firms is used as a proxy for investment. The estimates for individual years should be treated with caution as large, one-off investment decisions by companies can make significant differences to total investment figures in a particular region or year. To help overcome this, manufacturing investment from foreign-owned companies in Chart 3 is shown as an average for the years 1998 to 2002.

Over this period, an average of £16.5 billion per year was invested in manufacturing in Great Britain, and 30 per cent of this was from foreign-owned companies. During the same time, an average of £54.5 billion per year was invested in services in Great Britain of which 12 per cent was from foreign-owned companies. In total, approximately £83.0 billion was invested per year across the regions of Great Britain, 18 per cent from foreign-owned companies.

GVA is used as a proxy for output. These GVA data are taken from the Annual Business Inquiry and do not correspond to those in the Regional GVA Release published by Regional Accounts, ONS. See *Definitions* for further details.

In 2002, 30 per cent of GB output (as measured by GVA) in the manufacturing sector was from foreign-owned companies. Output from foreign-owned companies, as a proportion of total output, was highest in Wales and the North East at 39 and 38 per cent respectively.

Chart 3



4. Exports of goods

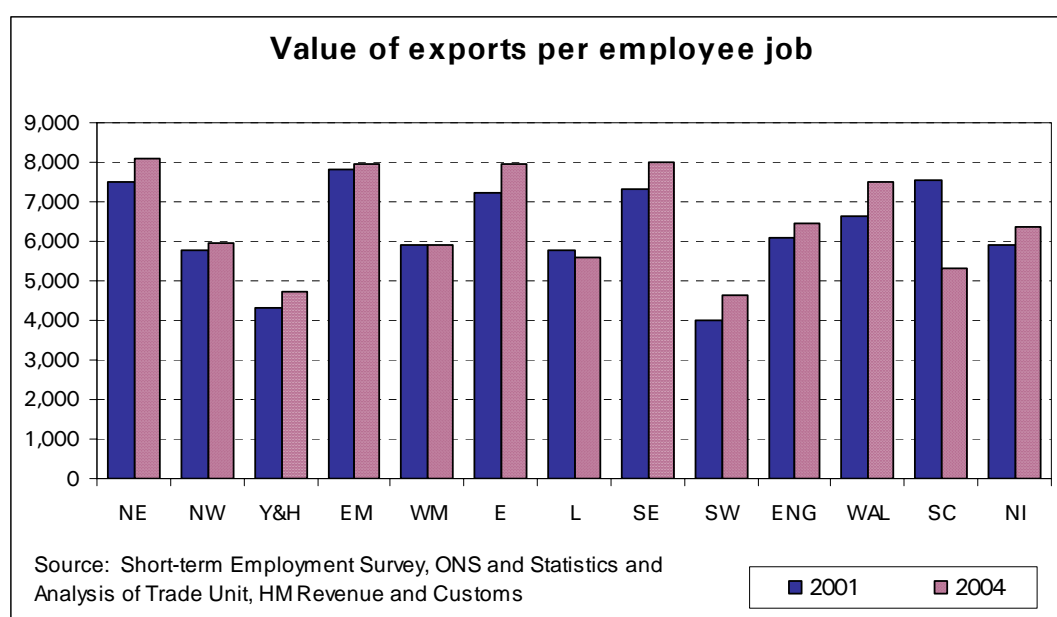
The value of exports produced is dependent on the size of a region's economy. It is important to note that the production of some goods (for example motor vehicles) can involve several separate stages of production that may take place across more than one region, so these figures should be interpreted carefully.

Table 4(a)i provides the *value* of exports of goods from each region in each quarter between 2001 and 2004 and table 4(a)ii presents these as a proportion of headline regional GVA. Table 4(b)(i) provides an estimate of the total number of companies in each region exporting outside the UK from 2001 to 2004. Table 4(b)(ii) shows the number of companies in each region exporting to the European Union (EU25) and outside the EU25. As traders may export to both EU and non-EU countries, the sum of the two does not correspond to the totals in table 4(b)(i). As well as this, the counts of companies exporting to the EU and the Rest of the World in Table 4(b)(ii) are not wholly comparable. See *Definitions* for further details.

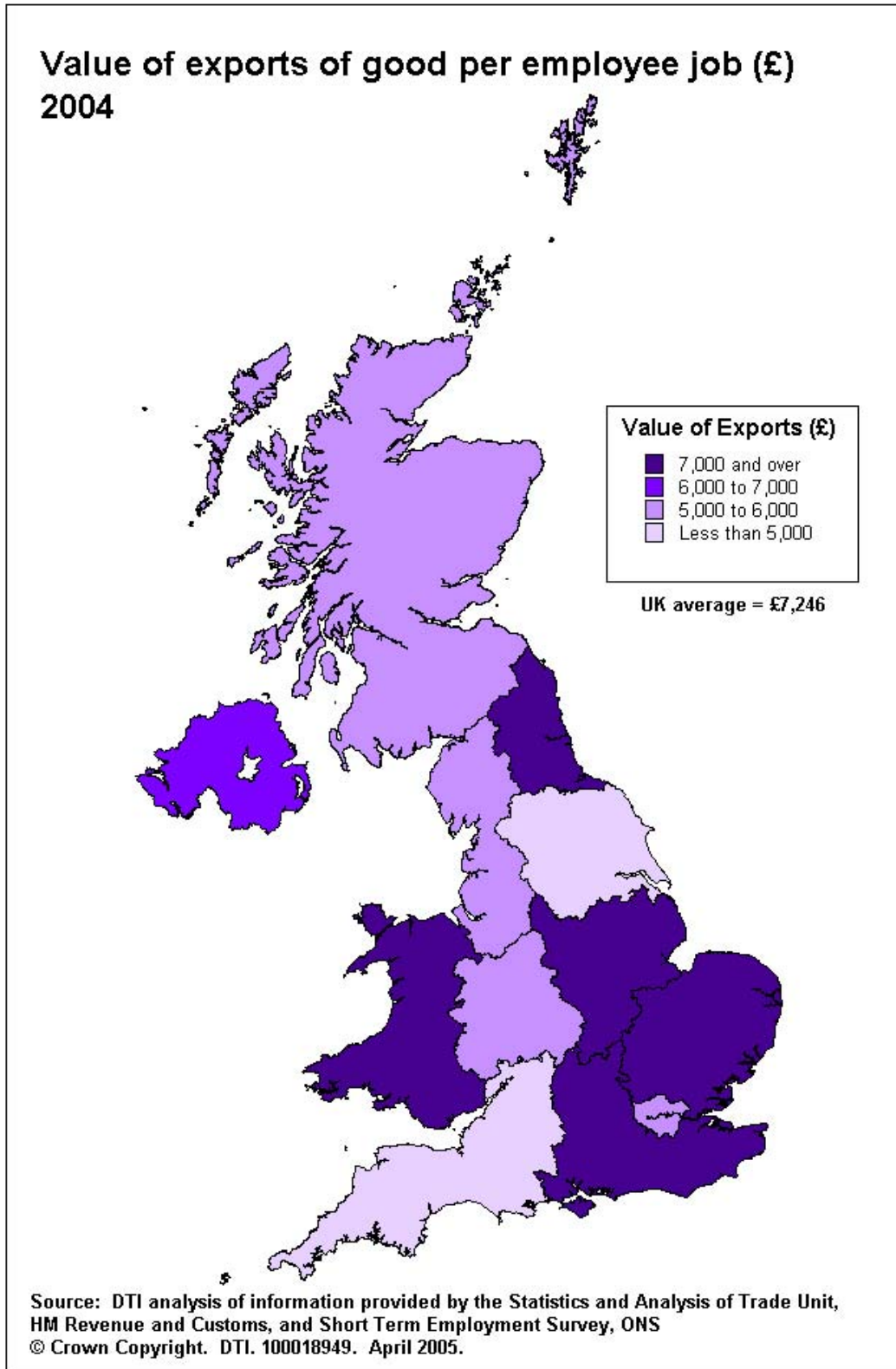
Chart 4(a) illustrates the value of exports per employee job from 2001 to 2004 within each region. Map 4(b) shows the same information for 2004 only. In 2004, the value of exports per employee job was highest in the North East and the South East at £8,100 and £8,000 respectively. Yorkshire and the Humber and the South West yielded the lowest value at around £4,700 and £4,600 per employee job respectively.

Table 4(c) shows the distribution of regional exports to the main world regions. During 2004, the EU was the largest recipient of exported goods in all of the UK regions with 58 per cent (by value) of UK exports received by EU countries. This was more than 3 times the value of the goods exported to the UK's next largest recipient, North America.

Chart 4(a)



Map 4(b)



Section 2 Labour Market

5. Average earnings

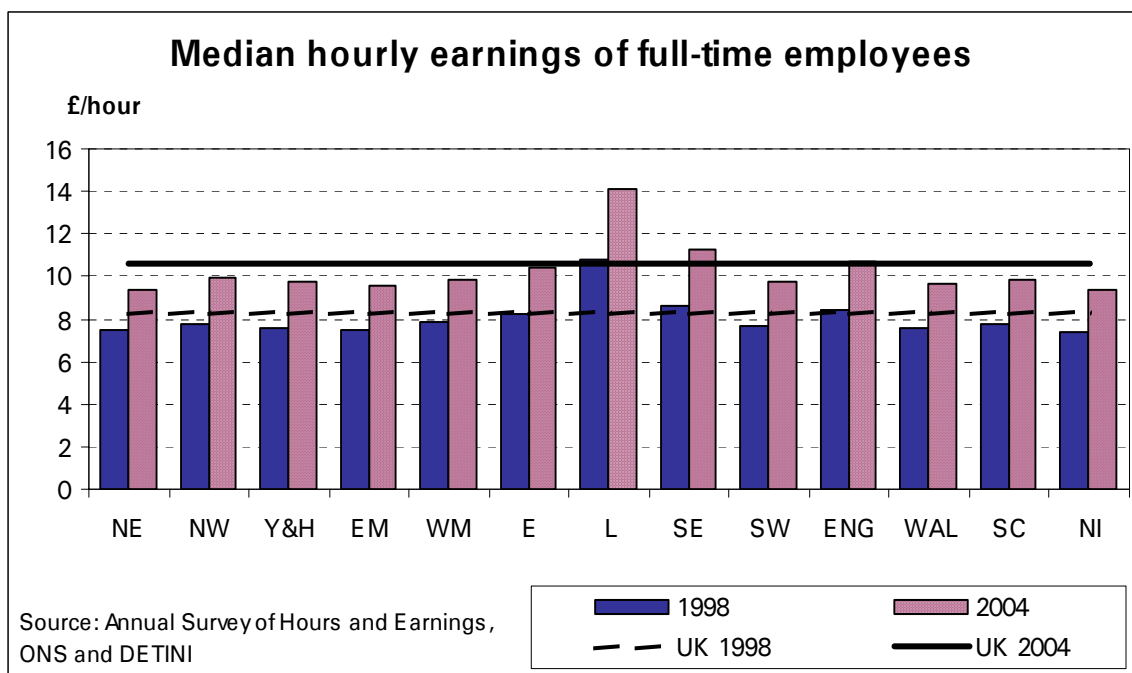
Tables 5(a), 5(b) and 5(c) display the gross median hourly earnings for full-time employees for all industries, and for manufacturing and service industries separately. Figures are given for male, female and all employees. Chart 5 illustrates the changes in median hourly earnings of full-time employees between 1998 and 2004.

During 2004, the hourly earnings (including overtime and shift pay) of full-time employees in London were higher than any other UK region at £14.14. Earnings in the South East were next highest at £11.28 per hour. This compares to an average of £10.56 per hour for the UK as a whole. The lowest earnings during 2004 were recorded in the North East at £9.40 per hour and Northern Ireland at £9.38 per hour, however these were also the regions with the highest earnings growth over 2003, each at 7 per cent compared to the UK average of 5 per cent.

Growth in earnings between 1998 and 2004 was highest in London and the South East, with both regions increasing by over 30 per cent during the period. Earnings in the West Midlands grew at the slowest rate, with a rise of just over 25 per cent.

However, comparisons of the value of hourly earnings between regions as well as over time should be interpreted with caution. These estimates do not take account of regional variations in the cost of living and, to that extent, do not represent the true 'buying power' of these earnings.

Chart 5



6. Employment

Chart and Table 6(a) detail the number of people of working age who are in employment (by their region of residence) while Chart and Table 6(b) illustrate this as a proportion of working age people (aged 16 to 59[women]/64[men]).

During autumn 2004, about three-quarters of working age people in the UK were in employment. The largest proportions of the resident working age population in employment were in the East and South East of England, each at just over 79 per cent. Throughout the period in Table 6(b), the South East, South West and East of England consistently have the largest proportion of working age people in employment of all UK regions. The smallest proportion during autumn 2004 was in Northern Ireland, at just over 68 per cent (almost 7 percentage points below the UK rate).

Table 6(c) and Chart 6(c) cover total number of employee jobs in the UK and each region's share of this total. London is the biggest single labour market with around 15 per cent of all UK employee jobs. The level of employee jobs grew most quickly in Northern Ireland, with an increase of nearly 5 per cent between September 2001 and September 2004. The North East showed the next largest rise, of about 4.5 per cent.

High levels of commuting should be taken into consideration when looking at London's share of the UK labour market. The LFS indicates that in autumn 2003 approximately 20 per cent of employees in London commuted in from another region.

Chart 6(a)

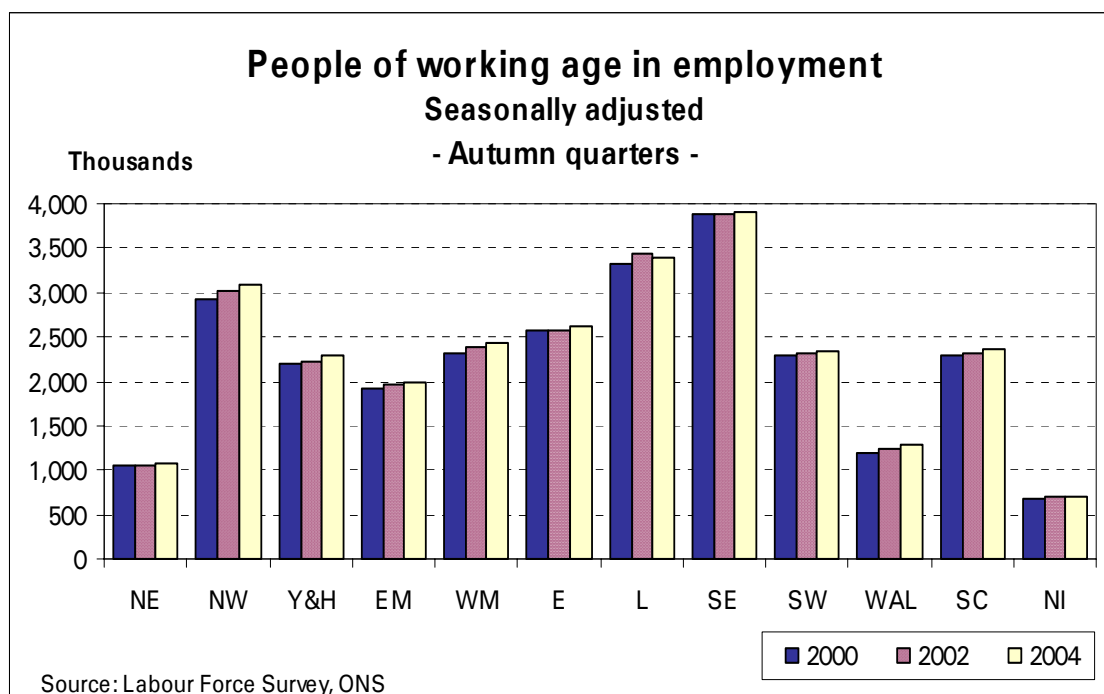


Chart 6(b)

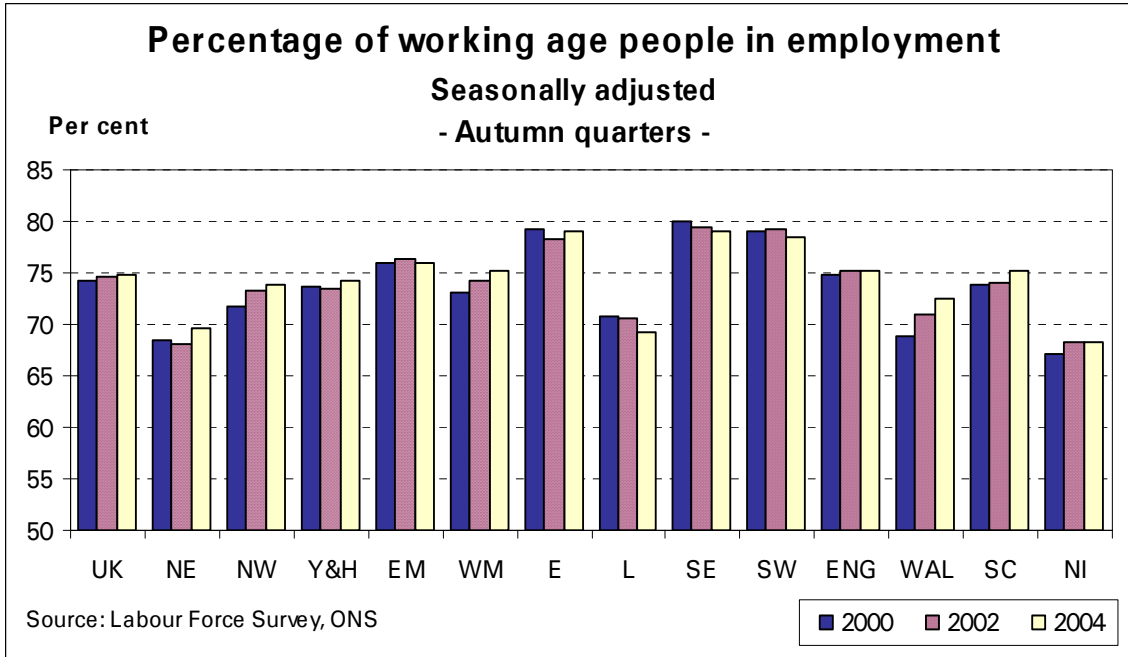
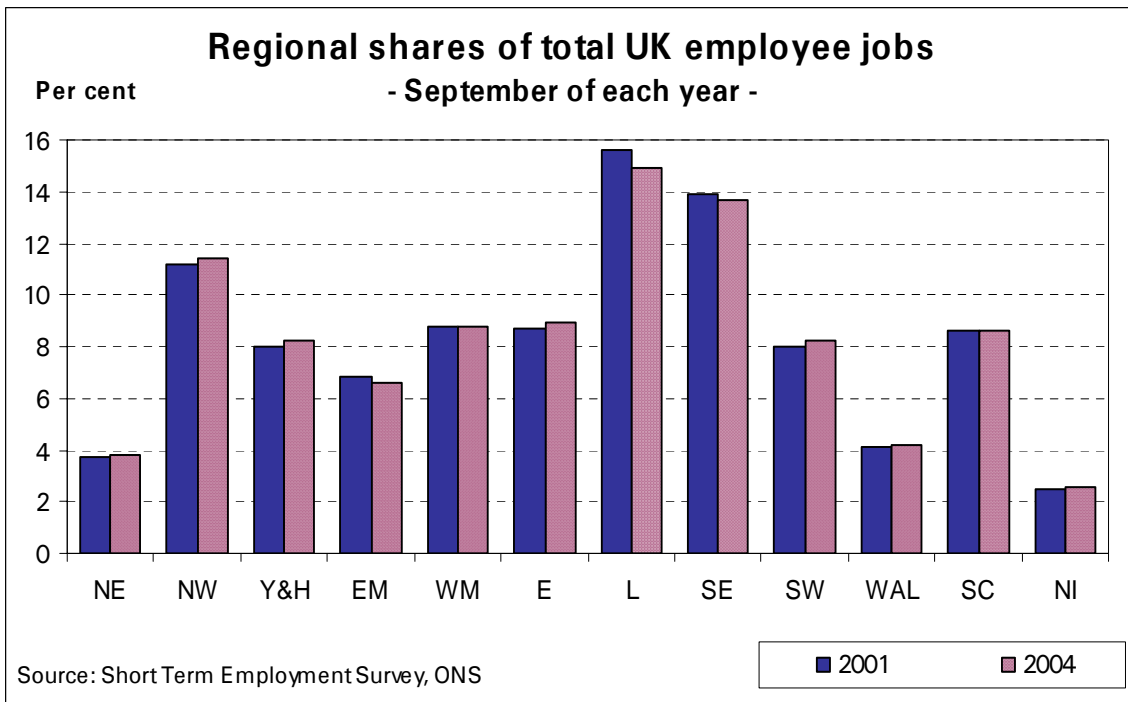


Chart 6(c)



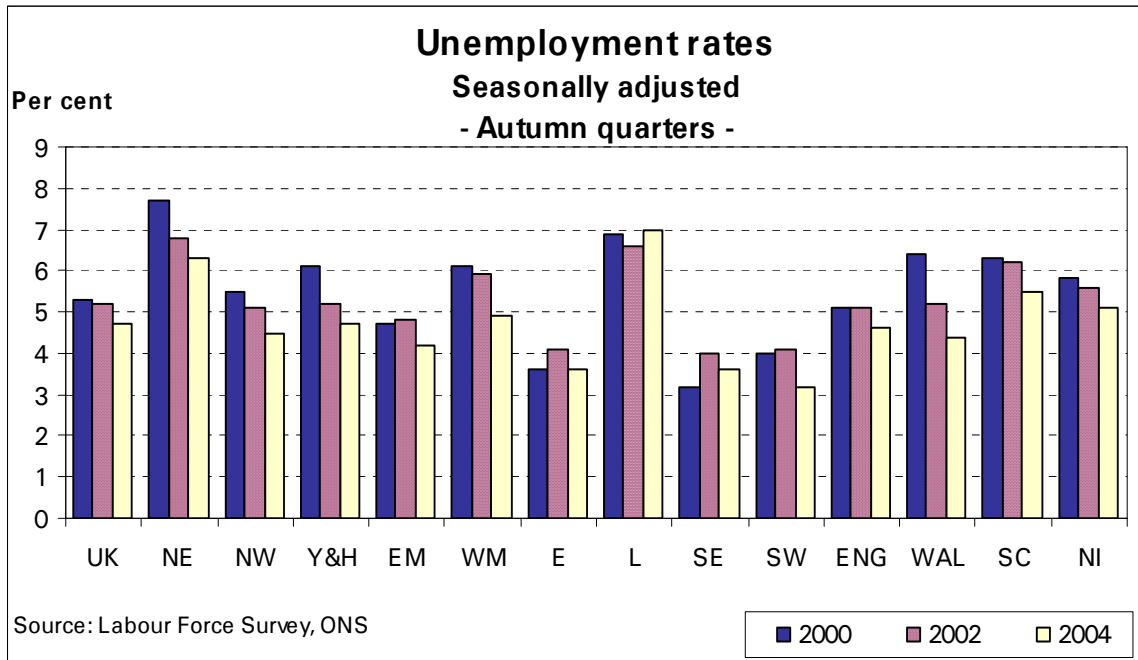
7. Unemployment

UK unemployment is measured by the Labour Force Survey (LFS). Chart 7(a) shows the seasonally adjusted unemployment rate between 1999 and 2004 (autumn quarters).

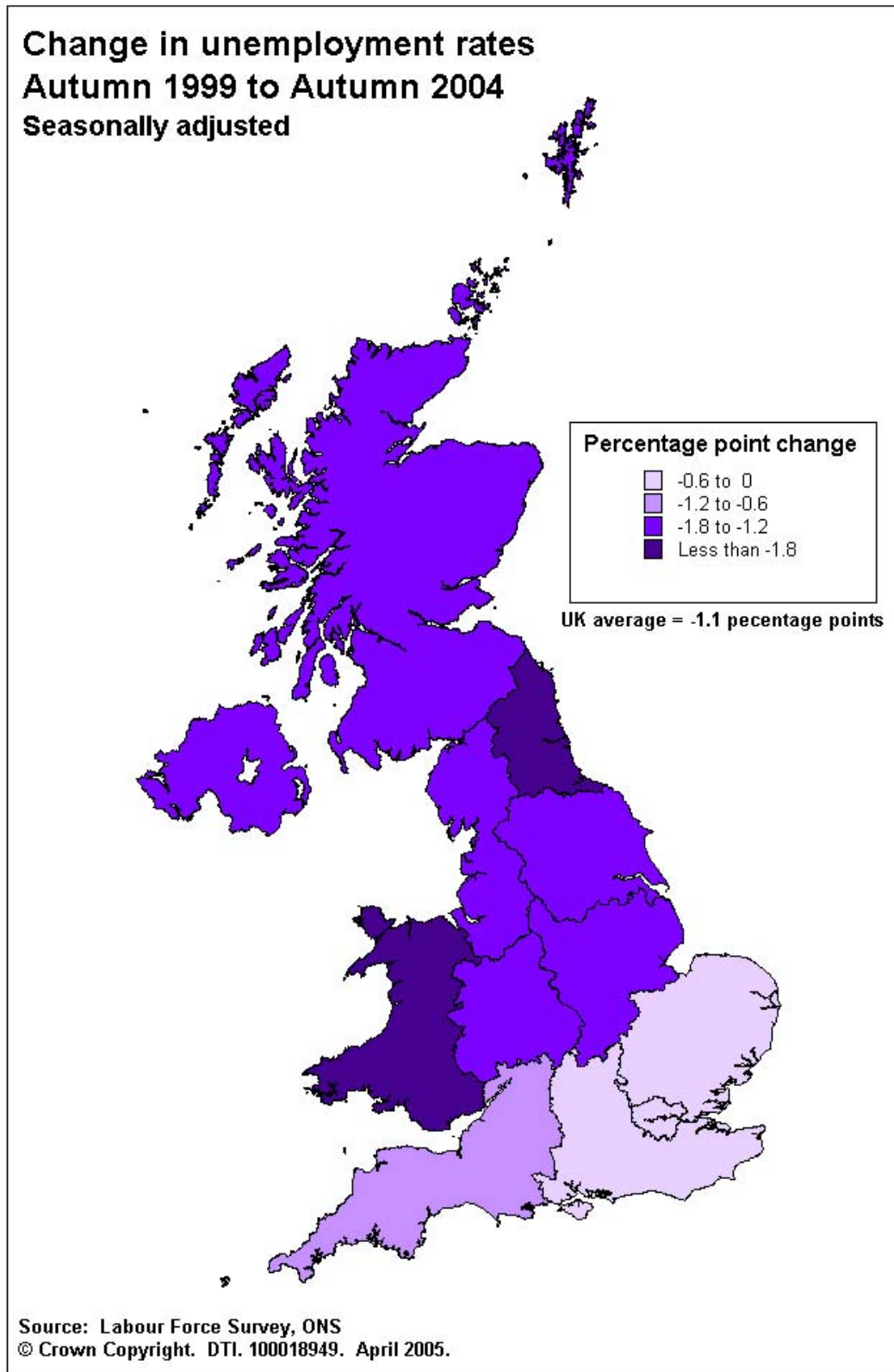
During autumn 2004, the unemployment rate was lowest in the South West at 3.2 per cent, as compared to a rate for the UK as a whole of 4.7 per cent. During this time, London had the highest rate of unemployment of any UK region at 7.0 per cent.

Map 7(b) shows that unemployment rates decreased in every UK region between autumn 1999 and autumn 2004. The largest falls were 2.9 percentage points in Wales and 2.6 percentage points in the North East – compared with an overall decrease across the UK of 1.1 percentage points.

Chart 7(a)



Map 7(b)



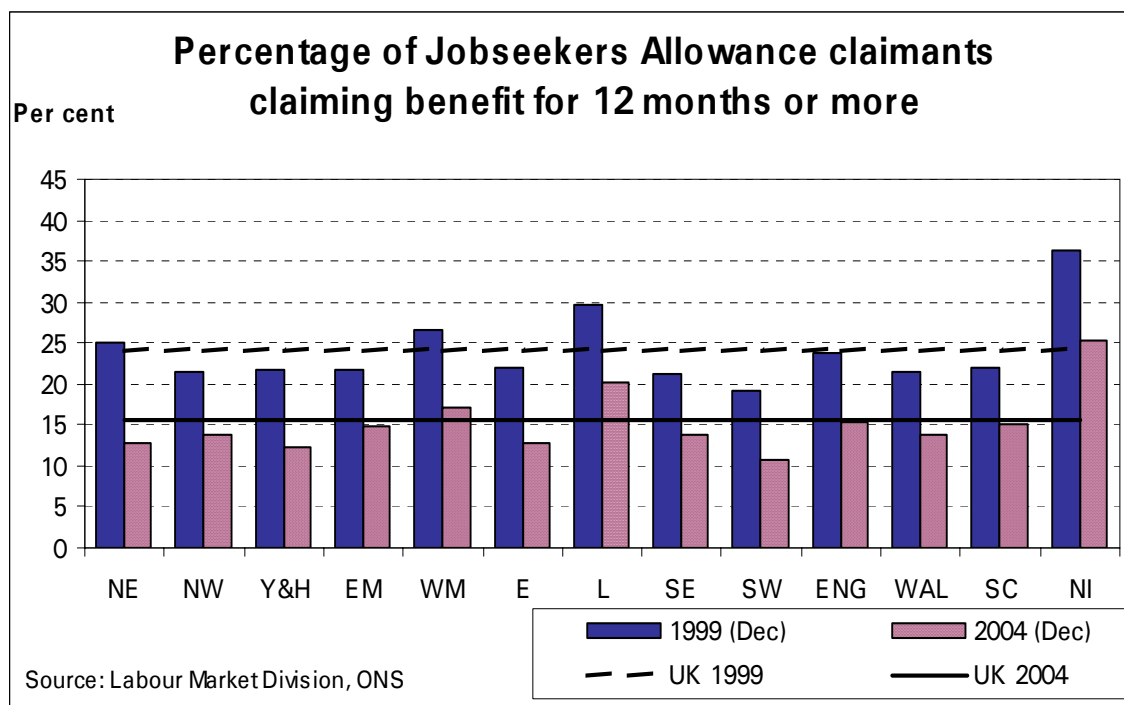
8. Claimant count

The claimant count is the number of people claiming unemployment related benefits, such as Job Seeker's Allowance, taken from monthly records. Table 8(a) gives the claimant count rate as a proportion of workforce jobs (plus claimants) in the region.

Claimant count rates during December 2004 were highest in the North East with a rate of 3.8 per cent, and lowest in the South East and the South West, at 1.5 and 1.6 per cent respectively.

Table and Chart 8(b) detail the percentage of all claimants in receipt of the Job Seeker's Allowance benefit for a year or more (computerised claims only; approximately 1 per cent of claims are dealt with manually, and these are excluded from the figures). Over the UK as a whole, this proportion has fallen from about 24 per cent of all claimants in December 1999 to 15.6 per cent in December 2004. The highest percentage of long-term claimants during December 2004 was in Northern Ireland, where just over 25 per cent of benefit recipients had been claiming for a year or more.

Chart 8(b)



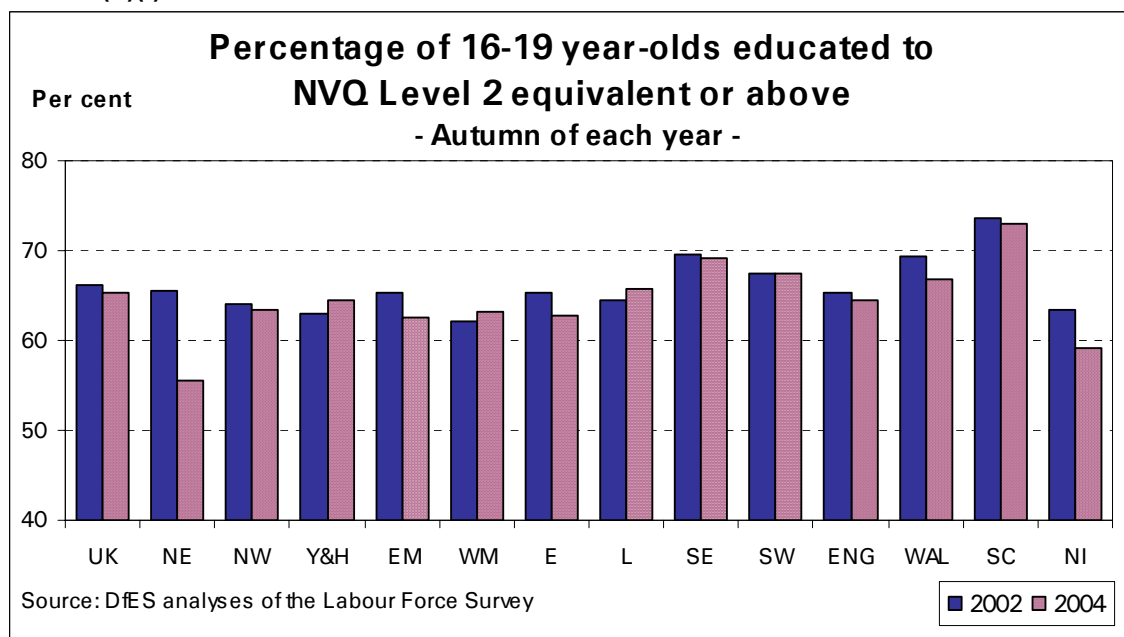
9. Educational and vocational attainment

The indicators included within this section relate to the Department for Education and Skills' (DfES) PSA and Learning and Skills Council (LSC) targets for England, although data are also provided for Wales, Scotland and Northern Ireland. Refer to *Definitions* for a full description of these targets.

Table and Chart 9(a)i detail the percentage of 16-19 year olds qualified to the equivalent of NVQ level 2 (e.g. 5 GCSE passes at grade A*-C) or above. By autumn 2004 across the UK as a whole, Scotland had the highest proportion of 16-19 year olds qualified to NVQ level 2 or above at 73.1 per cent and the North East had the lowest proportion at 55.6 per cent.

The figures in Table 9(a)i are based on a relatively small sample of people and so can be subject to high sampling variation. In light of this, the DfES has developed a new method to measure the attainment level of 16-19 year olds using administrative data, rather than sample surveys⁵. Using this method, the proportion of 19 year olds in 2004 qualified to NVQ level 2 or above in England was 67.0 per cent, compared to 64.6 per cent from the sample survey (the LFS). The DfES and the LSC share a PSA target to increase the proportion of 19 year olds in England who achieve at least NVQ level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008. At the time of going to press, the new method would not cover the whole of the UK and was not disaggregated to English regions.

Chart 9(a)(i)



Tables and Charts 9(a)ii and 9(a)iii show the proportions of young adults (19-21 year olds) educated to NVQ level 2 or higher and educated to NVQ level 3 (equivalent to 2 A level passes at grade A-C) or higher. By the autumn of 2004, the

⁵ Methodology and baseline measure detailed in 'Level 2 and 3 Attainment by Young People in England measured using Matched Administrative Data: Attainment by Age 19 in 2004' available at <http://www.dfes.gov.uk/rsgateway/DB/SFR/s000561/index.shtml>

proportion at level 2 or above was highest in the South East with 81.6 per cent and the highest proportion at level 3 and above was in Scotland at 60.3 per cent. The North East had the lowest proportion in both instances with 67.1 per cent of 19-21 year olds at level 2 or above and 44.6 per cent at level 3 or above.

Chart 9(a)ii

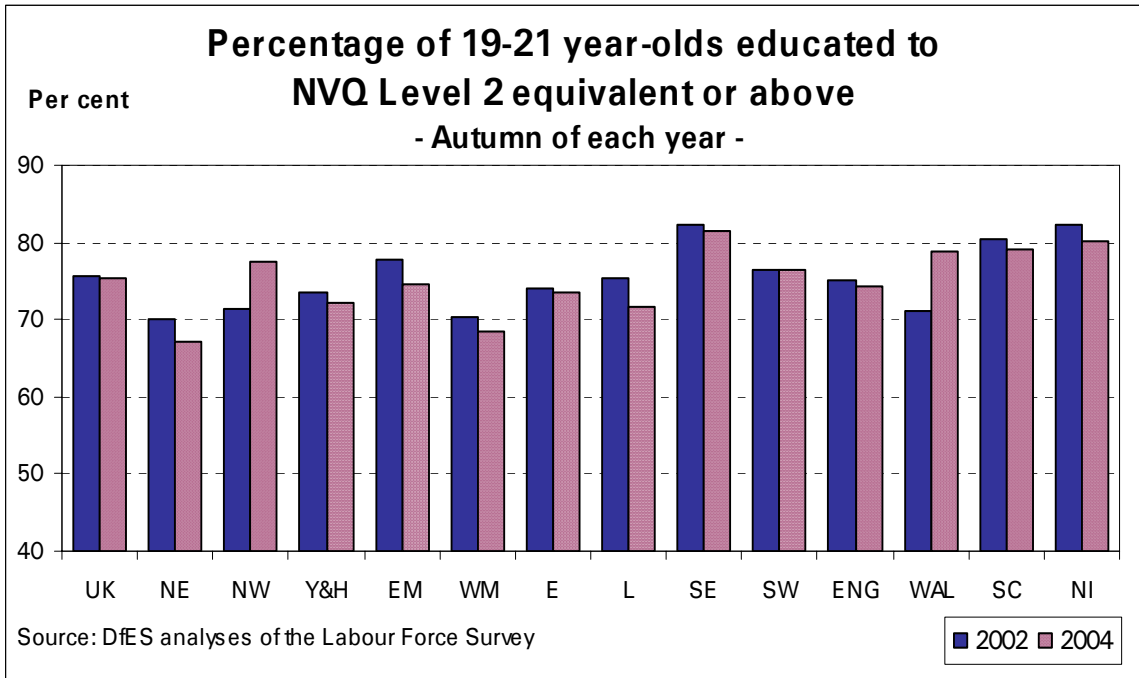
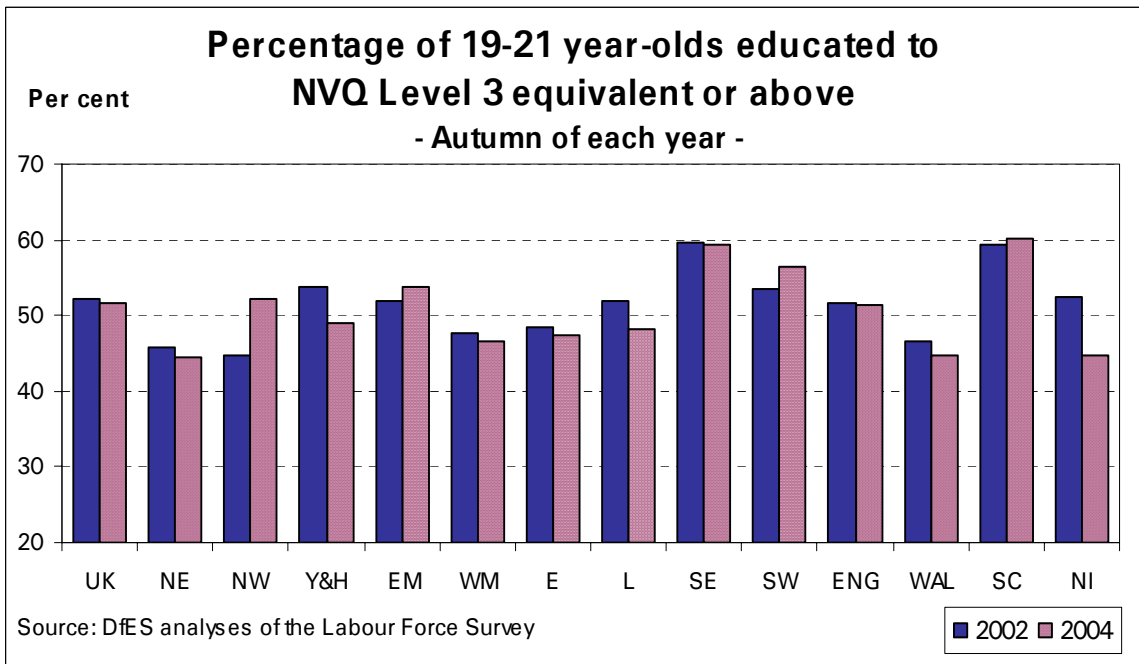


Chart 9(a)iii



Tables and Charts 9(b)i to 9(b)iii display the proportions of economically active adults qualified to at least NVQ level 4 (equivalent to degree level), level 3 and level 2 respectively. Across the UK, in autumn 2004, over 30 per cent of economically active adults were qualified to NVQ level 4 or above. However, the achievement profile across regions is uneven; London and Scotland perform especially well (38.6 and 36.3 per cent respectively) but the North East relatively poorly (24.8 per cent). Achievement at NVQ level 3 displays a similar pattern. Over half (51.4 per cent) of economically active adults in the UK have level 3 or above, with the highest proportion in Scotland (58.5 per cent) and the lowest in the North East (46.3 per cent). Table 9(b)iii shows Scotland having the highest proportion of adults qualified to NVQ level 2 or above (76.9 per cent) and the West Midlands as having the lowest (68.9 per cent).

Between the autumns of 1998 and 2004, the proportion of adults with level 2 or higher grew fastest in the West Midlands and Scotland (6.9 and 6.8 percentage point respectively). In the same period, these two regions displayed the highest growth in the proportion of adults with level 3 or higher (7.2 and 7.7 percentage points respectively). Scotland also showed the highest growth in proportion of adults at level 4 or above with a 7.0 percentage point increase in the same period.

Chart 9(b)i

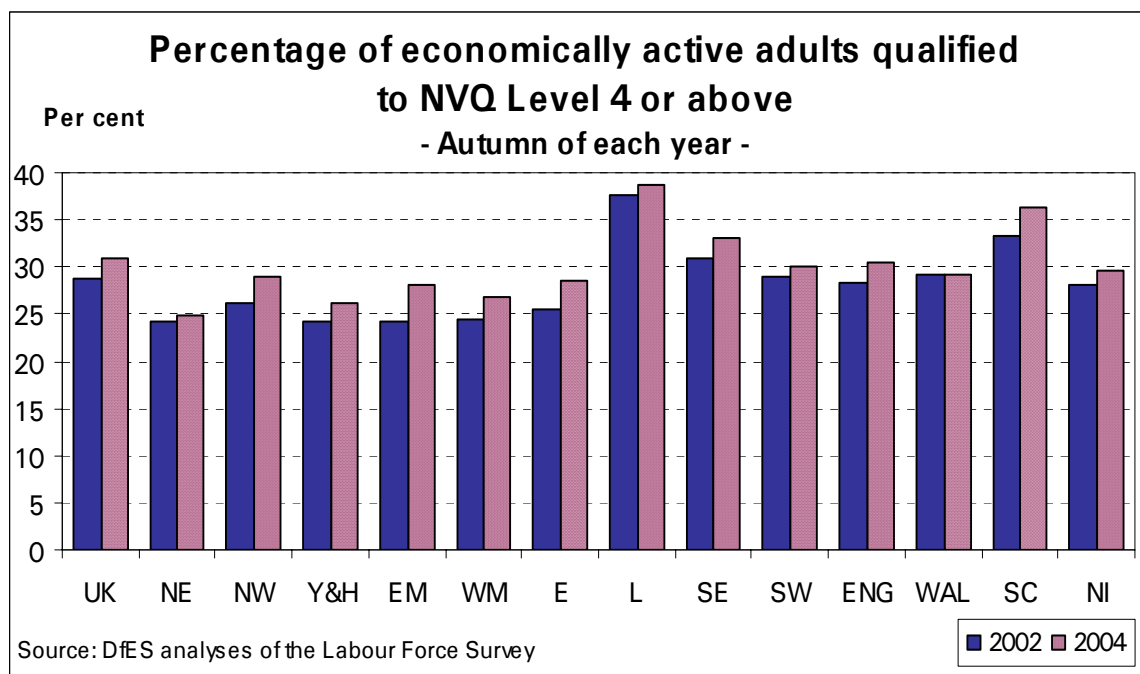


Chart 9(b)ii

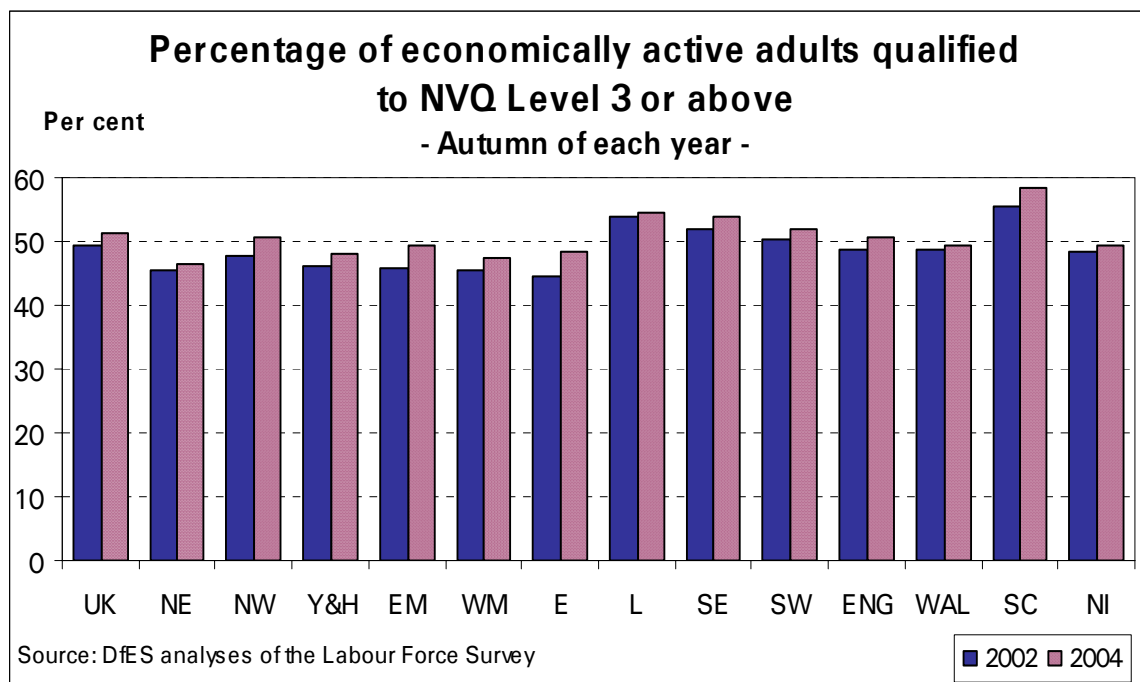


Chart 9(b)iii

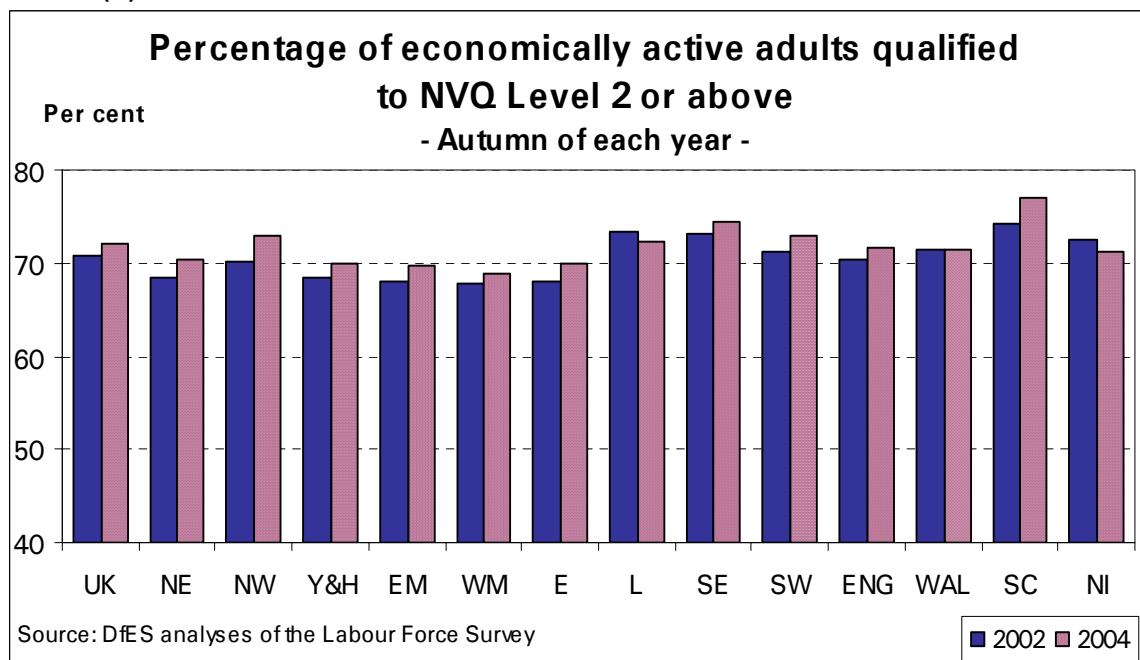
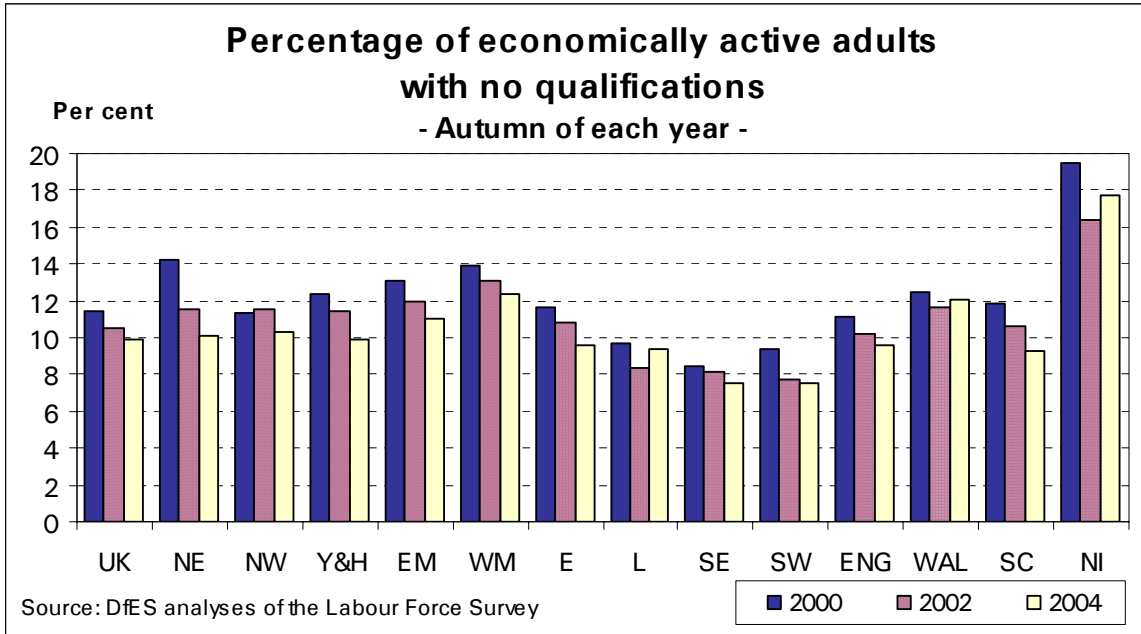


Chart and Table 9(b)iv show the proportion of economically active adults in each region who have no qualifications. In the autumn of 2004, around 1 in 10 adults in the UK had no qualifications. This proportion was broadly repeated across the English regions, Scotland and Wales but was exceeded in Northern Ireland where more than 1 in 6 adults had no qualifications (17.8 per cent). The lowest figure was in the South East and South West, with just 7.5 per cent of adults with no qualifications. Between the autumns of 1998 and 2004, the North East saw the greatest drop in proportion of adults without qualifications (4.1 percentage points).

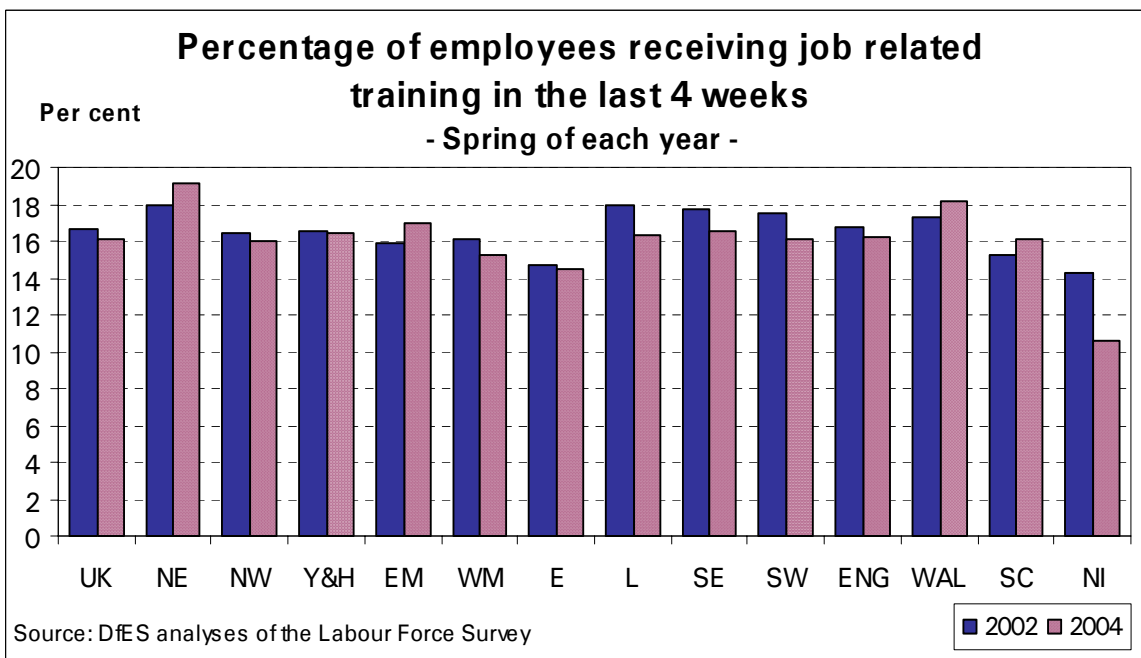
These estimates should be interpreted with care. In particular, the results for London and the South East say as much about the economic 'pull' of these regions and the mobility of people with certain qualifications, as they do about the social and demographic characteristics of other regions.

Chart 9(b)iv



Around 1 in 6 employees in the UK received job related training in the previous 4 weeks (16.1 per cent) as shown in Table and Chart 9(c). This pattern is broadly repeated across all regions, except for the North East, where 1 in 5 received training (19.2 per cent) and Northern Ireland, where only 1 in 10 received training (10.6 per cent).

Chart 9(c)



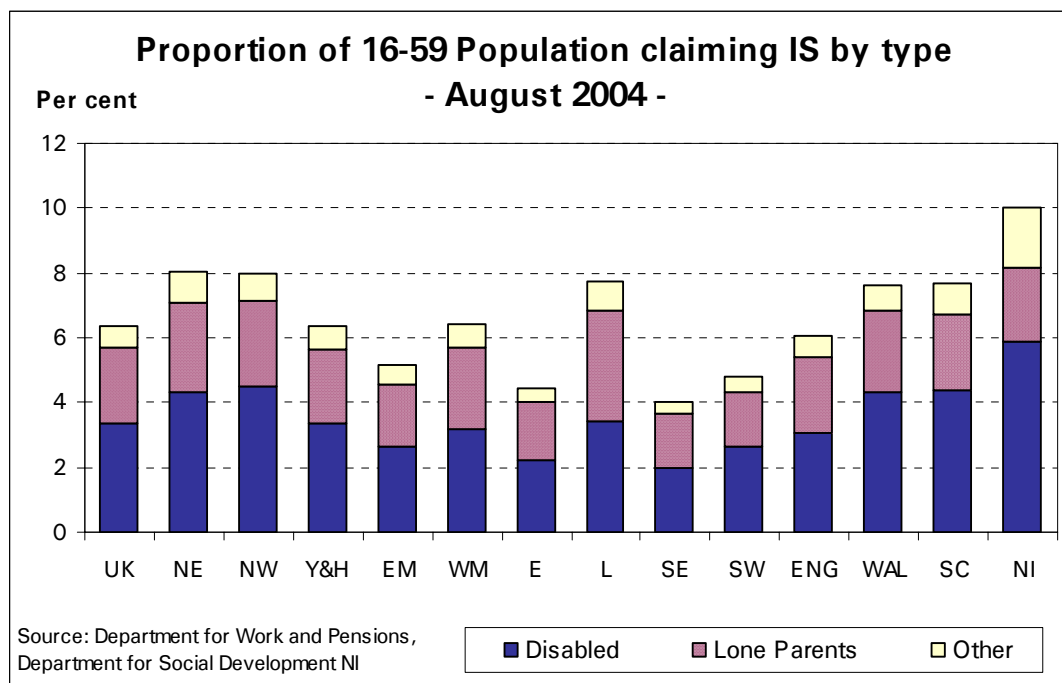
Section 3 Deprivation

10. Income Support claimants

Tables 10(a) to 10(e) break down the proportion of people claiming Income Support (IS) benefit. Table 10(a) covers the number of IS claimants as a proportion of the population aged 16 and over for all quarters between February 2001 and August 2003, and as a proportion of 16-59 year olds from November 2003 onwards (due to the introduction of Pension Credit for 60+ year olds). Tables 10(b)(i) and 10(c) to 10(e) break down the claims for IS by broad client group, namely, Minimum Income Guarantee (MIG), Disabled, Lone Parents and 'Other' claimants. Pension Credit claimants are shown in Table 10(b)(ii). Please see *Definitions* for further details of the introduction of Pension Credit in October 2003. Northern Ireland figures (and therefore UK totals) for November 2004 were not available at time of going to press.

In August 2004, Northern Ireland had a higher proportion of the 16-59 population claiming IS than any other UK region or country, at 10.0 per cent. The next highest proportions were in the North East and North West, with 8.1 and 8.0 per cent respectively. Chart 10 shows that the broad client groups show a similar pattern across regions, with the exception of Lone Parent IS. Here, London had the highest proportion of claimants, at 3.4 per cent of 16-59 year olds. Since February 2001, the South East has consistently had the lowest proportion of IS claimants, with the figure standing at 4.1 per cent of the 16-59 population during August 2004. These patterns have been prevalent among the regions before and after the introduction of Pension Credit in the autumn of 2003.

Chart 10



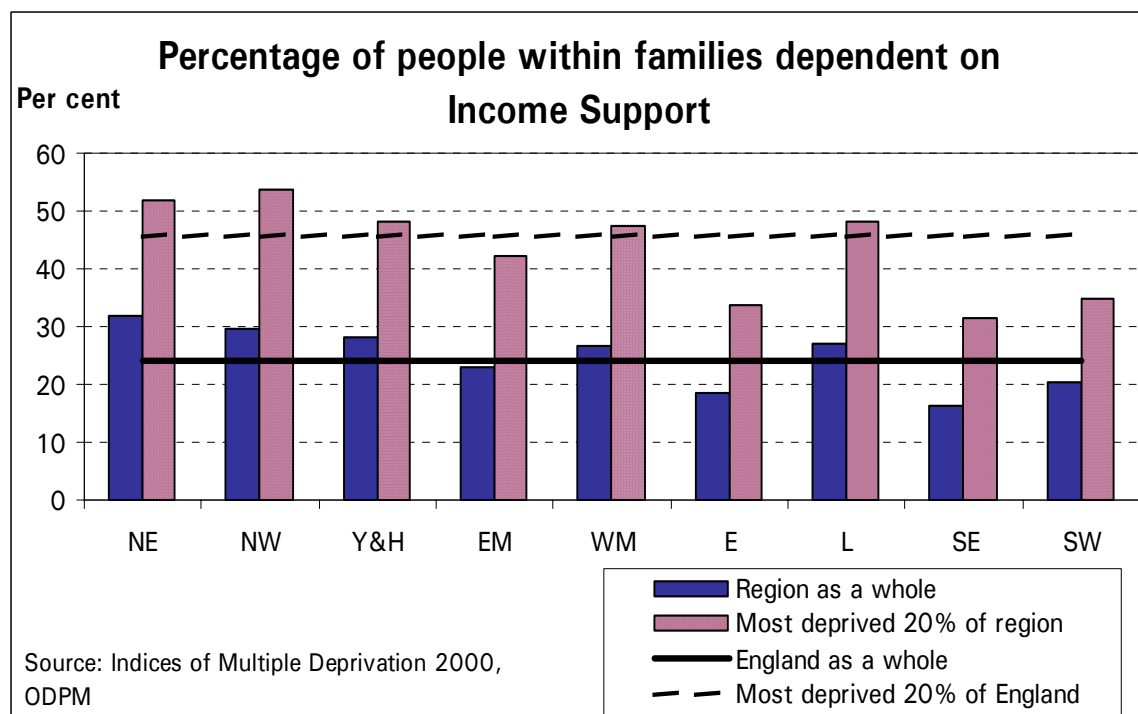
11. Income deprivation

The information included in Table and Chart 11 provide an indication of the distribution of *income* deprivation within each of the English regions. The percentage of the population dependent on Income Support (IS) benefits is used as a proxy for this. These estimates are drawn from the Indices of Multiple Deprivation 2000 (IMD 2000) for England. See *Definitions* for further details.

The electoral wards in each region have been ranked according to their overall deprivation score in the IMD 2000. The percentage of the population within families that are dependent on IS benefits has been calculated for the region as a whole as well as for the 20 per cent of the population resident in the most deprived wards within the region.

These results should be interpreted with some caution. The estimates deal with the number and percentage of people in families that are dependent on IS benefits, and not the *value* of the IS benefits being claimed. While IS dependent families may occur with some frequency in many of the wards within each region, it may well be that the average value claimed in the most deprived wards is higher than in the less deprived wards. This could mean that the difference between the poorest areas in each region and the region as a whole may be greater than is indicated here.

Chart 11



Section 4 Business Development

12. Business registrations and survival rates

This measure reflects an aspect of entrepreneurial activity in the formation rate of new firms and their ability to survive their first three years of trading.

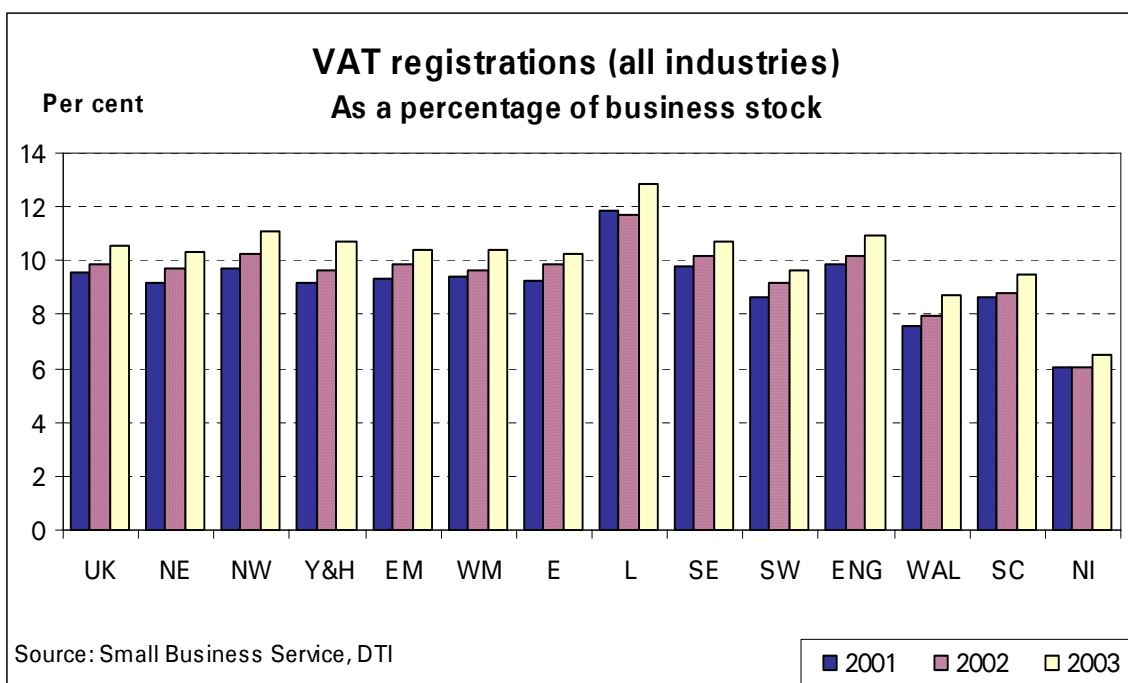
VAT registrations as a percentage of business stock

An indicator of business formations is the number of new Value Added Tax (VAT) registrations each year as a percentage of enterprises registered for VAT at the end of that year.

The figures in Table 12(a) detail VAT registrations for manufacturing, services and the rest of the economy, while Chart 12(a) illustrates total VAT registrations as a proportion of business stock. Registration rates in service industries were lower in all regions of the UK during 2002 than in 1998. However, in 2003, the most recent year for which data are available, service industry registrations have increased in all regions above their 2002 rate. The same pattern can be seen in manufacturing industries, rates falling in every region between 1998 and 2002, then increasing in most regions in 2003. The impact of these changes on the UK rate for all industries is a drop from 11 per cent of business stock in 1998 to 9.5 per cent in 2001, then increasing to 10.6 per cent in 2003 (an overall drop of 0.4 percentage points).

London had the highest business formation rates in all the years shown for manufacturing, services, and other industries. The relative positions of the other regions and countries did not change markedly between 1998 and 2003, but it is evident that the gap between London and the rest of the UK has narrowed in recent years as registration rates in London have declined more quickly than in other regions.

Chart 12(a)



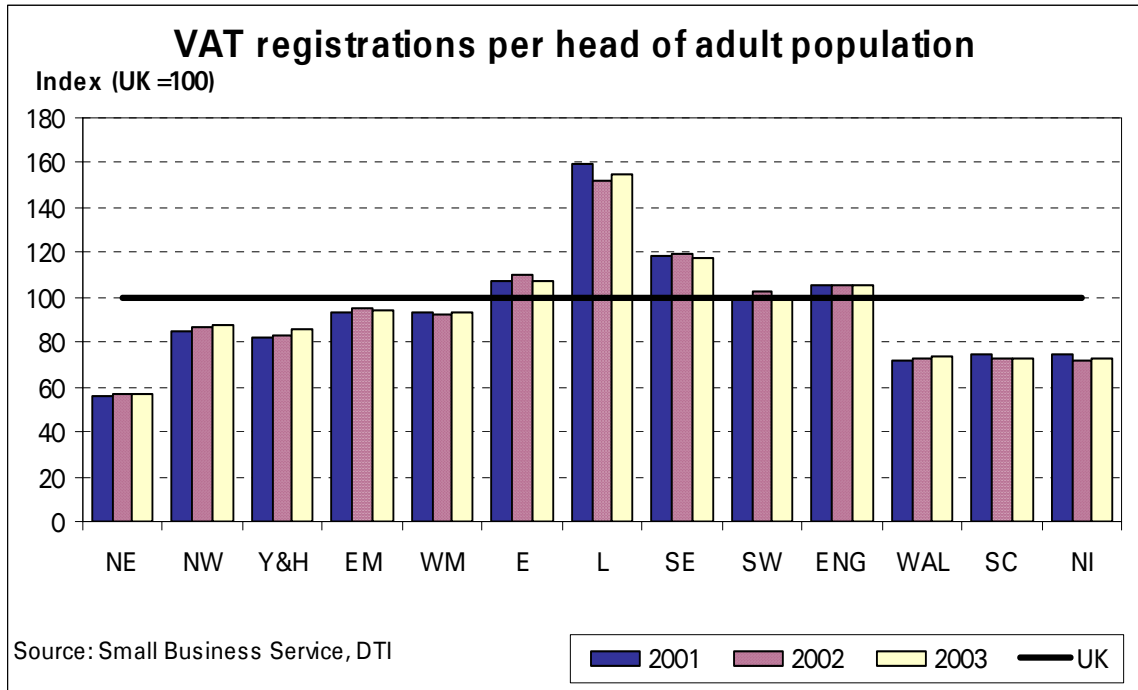
VAT registrations as a percentage of the adult population

Table 12(b)(i) details business VAT registration per 10,000 adults resident in each region while Table 12(b)(ii) presents registrations per head of adult population in the form of an index where UK=100. Chart 12(b) compares the indices for 1999 through to 2003.

London had the highest rate of VAT registrations in 2003 at 155 per cent of the UK average. Between 1998 and 2003, registrations per head were lowest in the North East (between 20 and 23 registrations per 10,000 adults each year), at just over half of the UK rate in 2003. However, between 1998 and 2003 the London index fell by almost 20 points, while it rose in most other regions, with Yorkshire and the Humber displaying the biggest increase of almost 9 points.

The very high registrations/population rate for London is likely to be, at least in part, a result of the high concentration of business in Central London and in-commuting of workers from other regions.

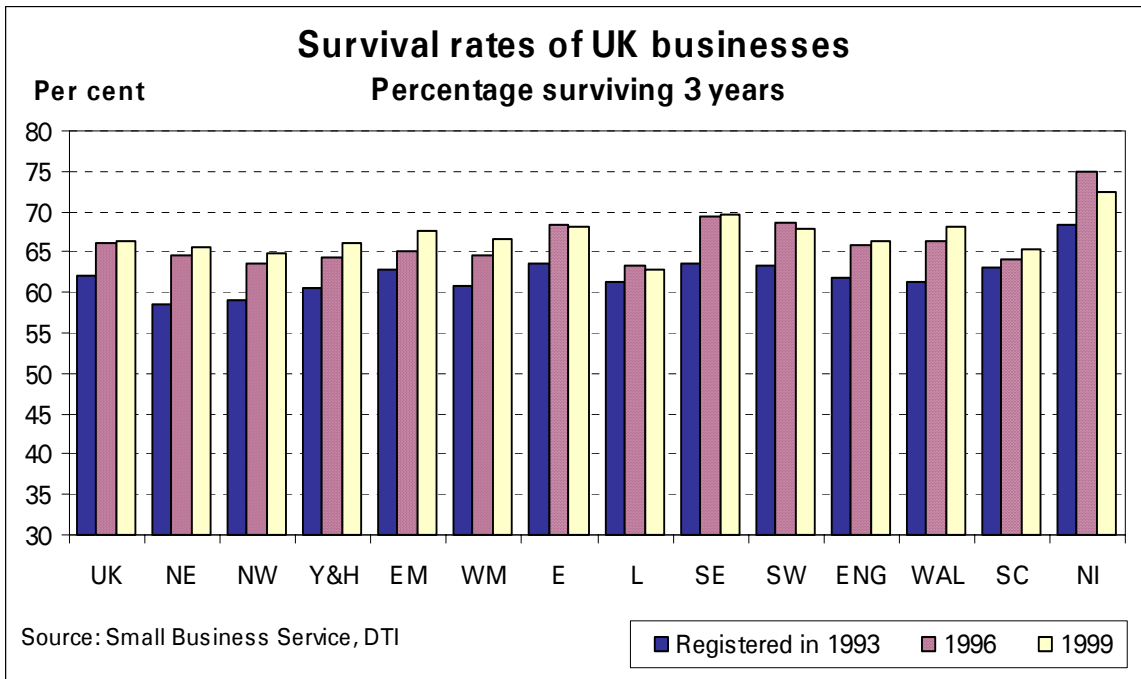
Chart 12(b)



Business survival

Business survival rates detail the proportion of businesses remaining registered for VAT three years after their initial registration, that is, the year shown in Table 12(c) plus 3. Survival rates for the UK have been rising since 1993. Three-year survival rates were just over 62 per cent for firms first registered during 1993, and increased over the years to a high of 67.4 per cent for businesses registered during 1997, with a slight fall to 66.5 per cent for businesses registered in 1999. Chart 12(c) indicates that this overall pattern has been repeated in most of the English regions, as well as in Wales and Scotland.

Chart 12(c)

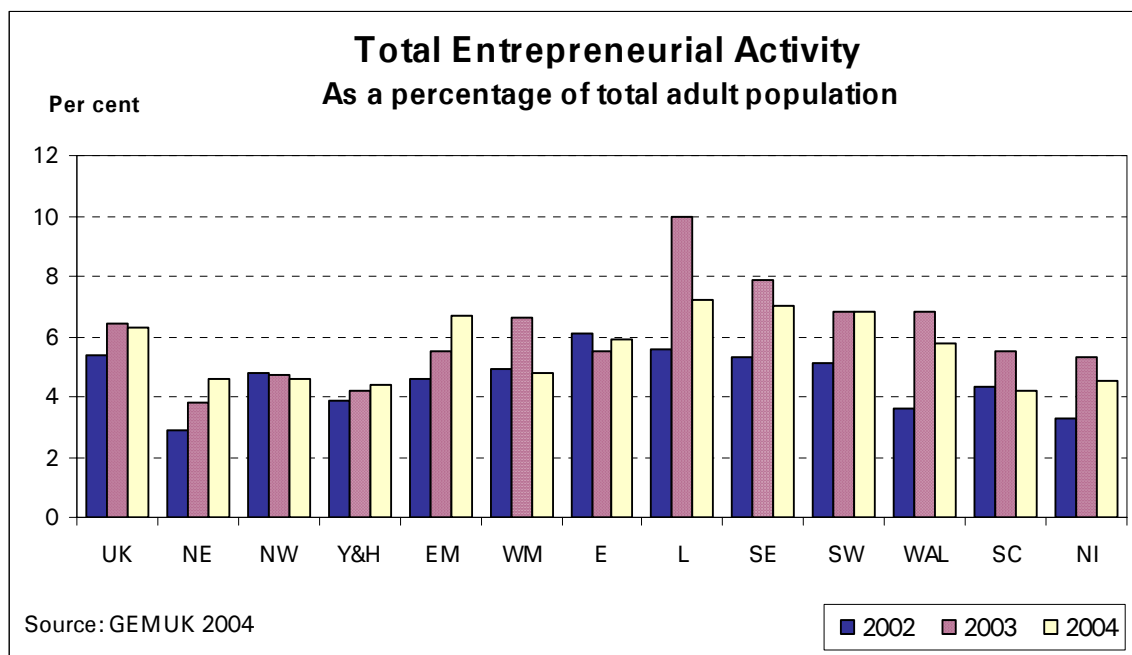


13. Entrepreneurship

In addition to business start-up and business survival rates, a general measure of Total Entrepreneurial Activity (TEA) is an indicator of the enterprise within a region. Individuals adding value to the work they do by acting entrepreneurially can contribute to overall competitiveness and productivity. See *Definitions* section.

TEA (as a proportion of the total adult population) in the UK increased from 5.4 per cent in 2002 to 6.4 per cent in 2003 and dropped slightly in 2004 to 6.3 per cent. Most regions have shown variable rates of TEA, with only three regions (North East, Yorkshire and Humber and East Midlands) showing growth in both years up to 2004. London had the highest levels of entrepreneurial activity in 2004 at 7.2 per cent.

Chart 13



14. Innovation through Research and Development, Co-Operation and New/Improved Products

Expenditure on Research & Development (R&D) measures the extent to which sectors are innovating by developing and exploiting new technology, software and ideas. R&D activity can be a stimulant to the competitiveness of firms within a region.

Research and Development and employment in high and medium-high technology industries

Chart 14(a) represents the value of business R&D as a proportion of regional GVA for 1997 to 2002. The R&D data used in this chart and in Table 14(a) are taken from the Survey of Business Enterprise Research and Development and the regional economic accounts, both produced by the ONS (see *Definitions*).

It is evident that R&D as a proportion of GVA is significantly higher in the East of England than any other region, at 3.4 per cent in 2002, with proportions relatively low in the North East, Yorkshire and the Humber and London as well as in Wales, Scotland and Northern Ireland. Across regions, expenditure on R&D is higher, as a proportion of output, in the manufacturing sector than in the services sector. R&D expenditure in manufacturing in the East of England was 14.9 per cent of GVA in 2002, while the next highest spend was in the South East, at 13.7 per cent of GVA. Yorkshire and the Humber, Wales and the North East had the lowest proportional spend on R&D, at 2.2 per cent, 2.2 per cent and 1.6 per cent of GVA respectively.

Chart 14(a)

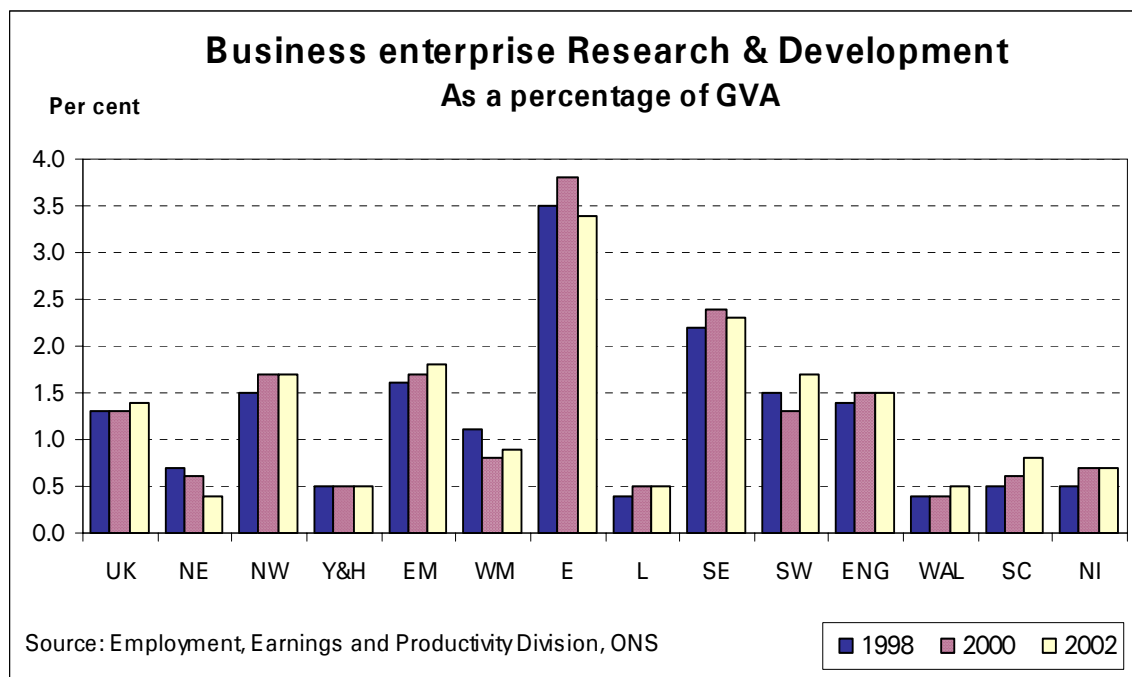
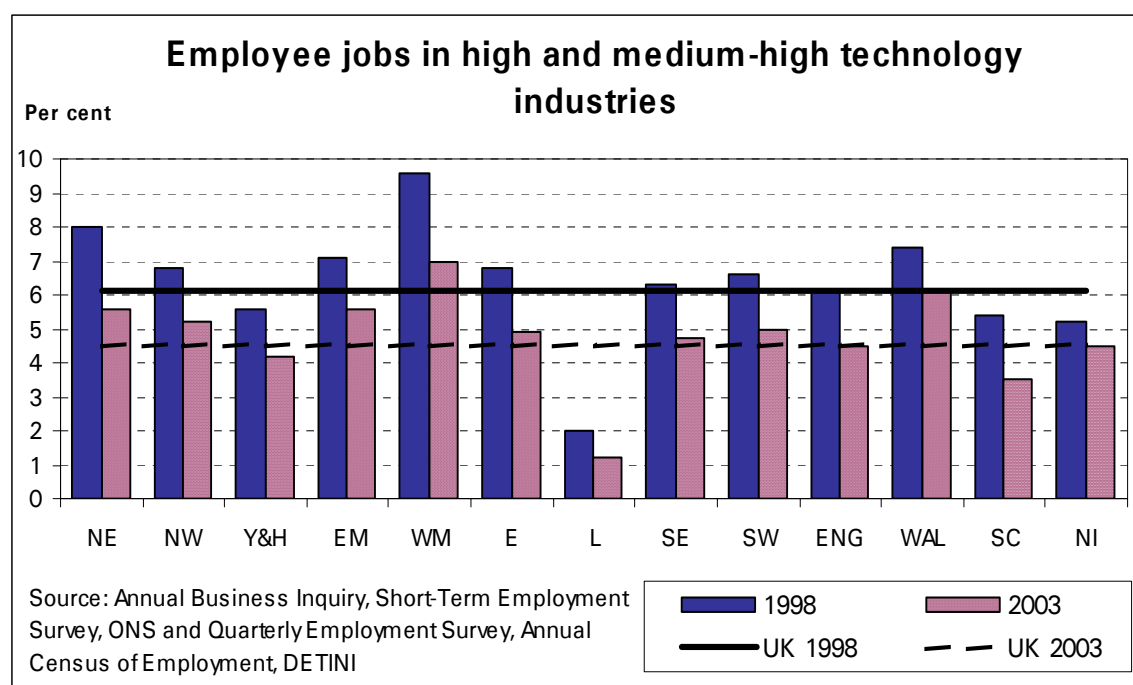


Chart and Table 14(b) show the proportion of employee jobs in high and medium-high technology manufacturing industries. Across the UK, 4.5 per cent of all employee jobs were classified as high or medium-high technology industries during 2003, a fall of over 1.5 percentage points from the 1998 figure. This fall is due to two factors: a decrease of over 20 per cent in the number of UK high and medium-high technology jobs as well as some growth in other sectors of the economy over the 1998 to 2003 period. During 2003, the West Midlands had the highest proportion of this type of job (at 7.0 per cent of all employee jobs), with the lowest in London (at 1.2 per cent).

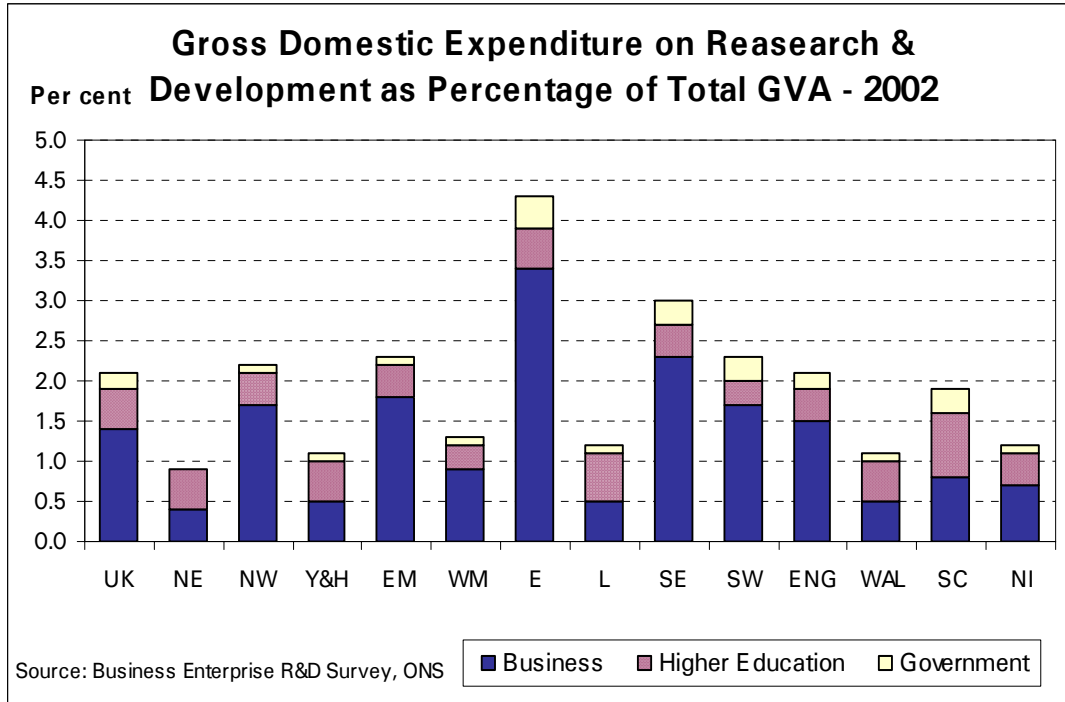
The fall in the level of high and medium-high technology jobs between 1998 and 2003 occurred in every region and country. London and Scotland have been particularly affected, with decreases in the level of these jobs of 36 and 30 per cent respectively.

Chart 14(b)



Gross Domestic Expenditure on Research and Development (GERD) as a percentage of total GVA is a measure commonly used for international comparisons. Table 14(c) draws together information on research and development spending in public and private sectors, incorporating Government and Higher Education sectors as well as business enterprises. Between 1998 and 2002 in the UK, GERD in each sector has remained fairly constant at around 1.4 per cent for business, around 0.2 per cent for Government and around 0.4 per cent for Higher Education. In the same period, the North East has seen the largest decrease in business GERD (0.3 percentage points), with the South East and South West having the largest decrease in government GERD (0.3 percentage points each). Higher education GERD has remained fairly flat across all regions.

Chart 14(c)



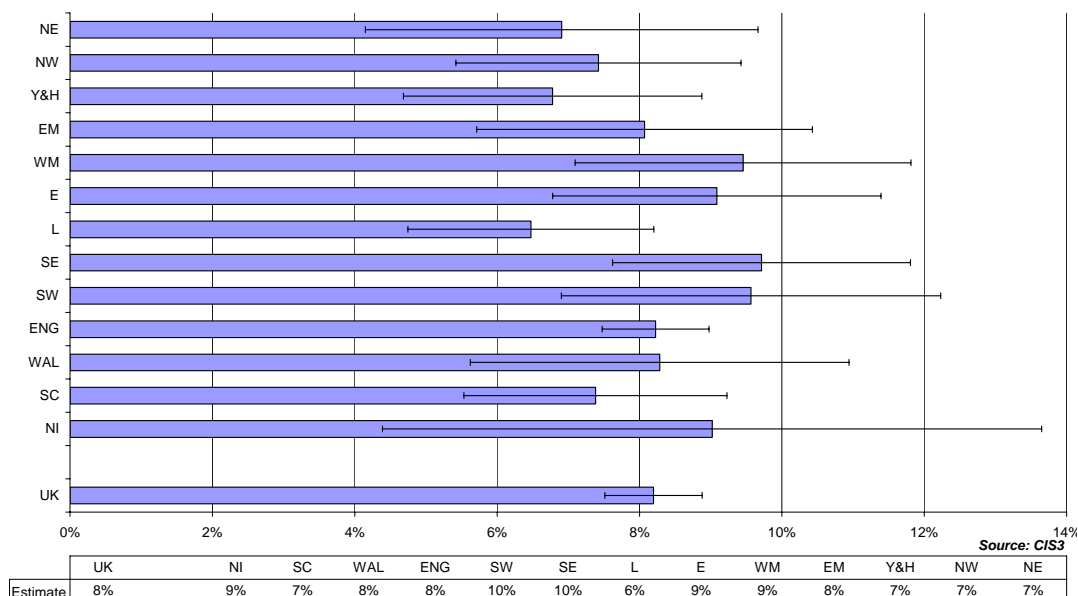
Co-operation and new or improved products

Innovation co-operation is the extent to which firms actively participate in joint innovation projects (including research and development) with other organisations. Chart 14(c) shows the percentage of firms within each region reporting co-operation agreements on innovation activities. These figures are based on a sample survey of businesses and are subject to sampling error and the estimates are therefore shown with 95% confidence intervals. As can be seen from the chart, confidence intervals for most regions overlap making it difficult to form firm conclusions. However, using the point estimates with caution, the South West and South East have the largest proportion of firms reporting co-operation agreements (almost 10 per cent) and London has the lowest (at around 6 per cent). The overall UK figure, of around 8 per cent of firms, represents a fairly robust estimate with small confidence intervals.

A further indicator of the level of innovation within industry is the proportion of turnover that can be attributable to new, improved and novel products. This can be used to signify the value added by a firm's innovation practices (e.g. through research and development). Table 14(e) shows that across the UK, 25 per cent of turnover in the manufacturing of electrical and optical equipment can be attributable to new, improved or novel products. This ranges from 49 per cent of turnover in the North West to 4 per cent of turnover in Northern Ireland.

Chart 14(d)

Percentage of Firms Reporting Co-operation Agreements on Innovation Activities, 1998-2000 (including 95% confidence intervals)



Section 5 Land and Infrastructure

15. Transport

Two indicators are used to assess the transport infrastructure in the regions and devolved administrations:

- a) Mode of transport to work
- b) Average speed and vehicle flows on roads.

Travel to work patterns

Table and Chart 15(a) provide data on the main mode of transport used to travel to work. During autumn 2003 it was estimated that nearly three-quarters of people travelling to work in the UK used private transport (car, van, minibus or motorcycle), while more than 10 per cent walked to work. The chart illustrates that people working in London make much more use of public transport than those working in other regions, with nearly 45 per cent of all those who work in London using public transport to get there.

Tables 15(b) and 15(c) cover two further aspects of transport: the average speed of traffic on major English roads (motorways and 'A' roads only) and daily vehicle flows on all roads in Great Britain. In showing this information it is recognised that conditions within regions are often affected by conditions in other regions. For example, congestion in one region can often spill over to the roads in another. The figures show that average speeds in England increased by 3.7 km/hour between 1998 and 2003, with the largest regional increase in the East of England at 7.9 km/hour. Traffic flows rose in every region in Great Britain between 1993 and 2003.

Chart 15(a)

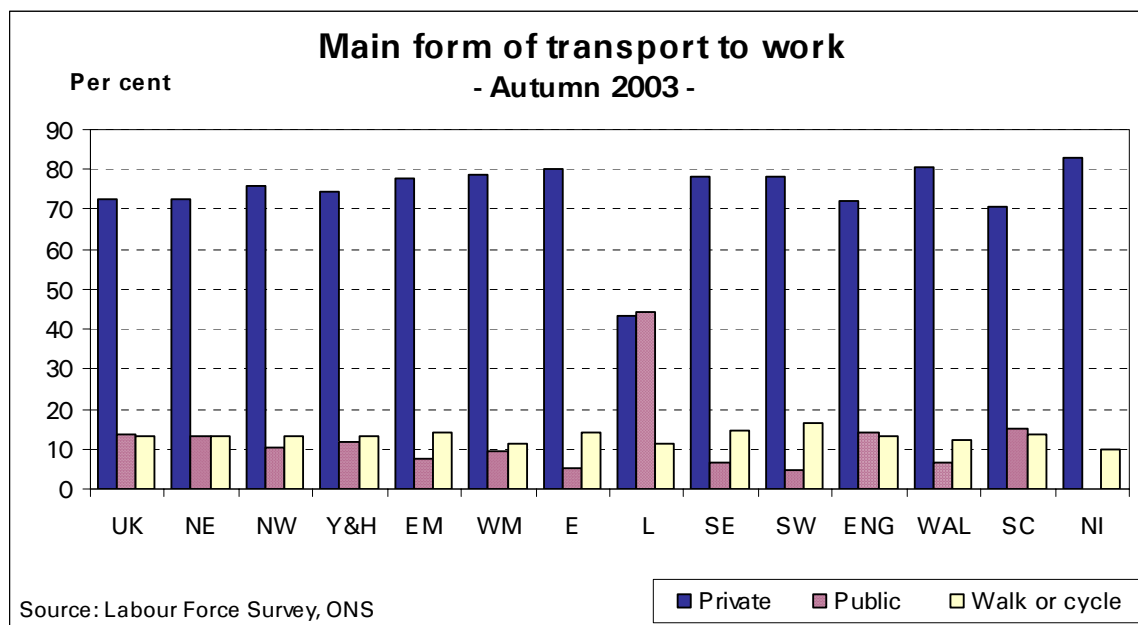


Chart 15(b)

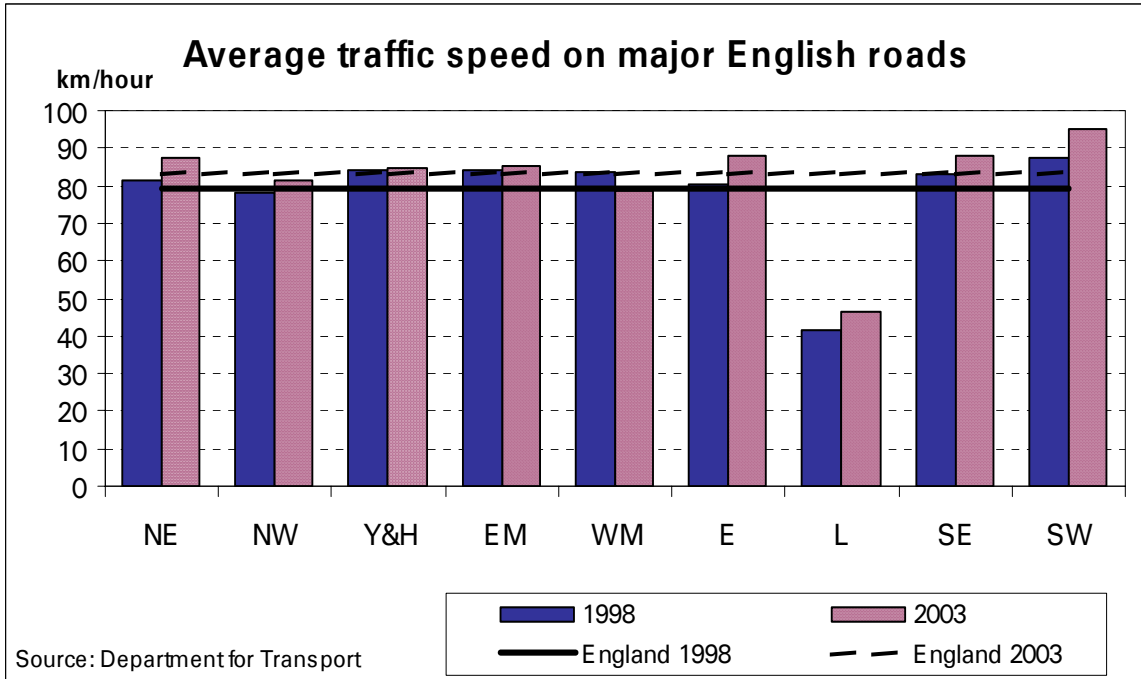
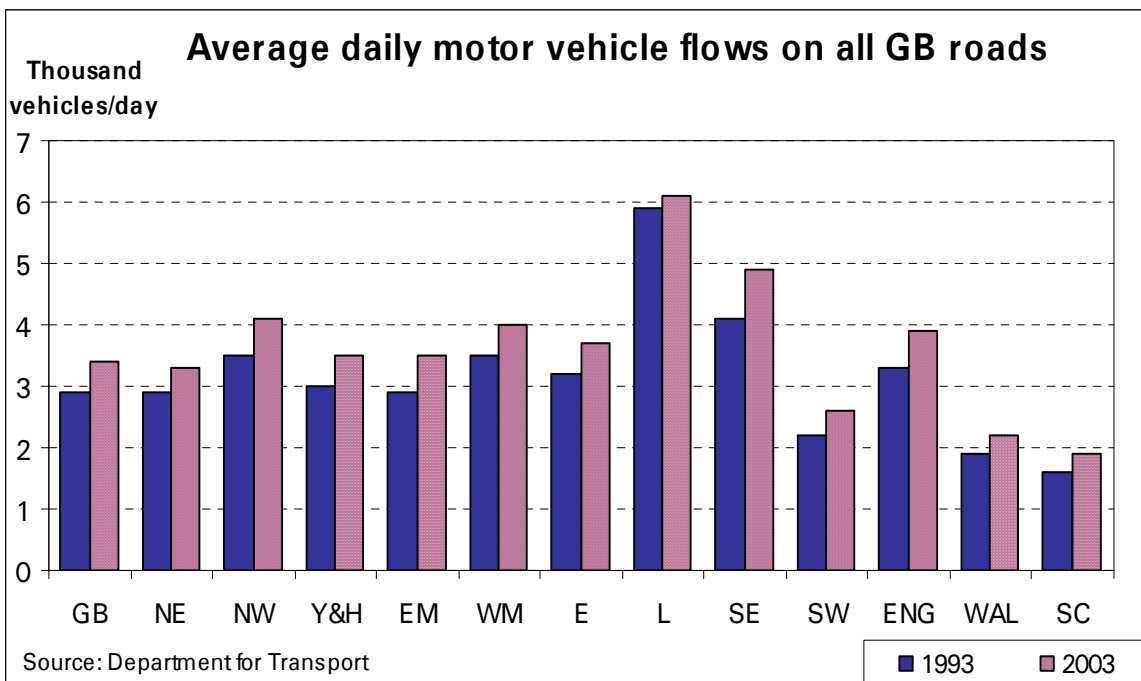


Chart 15(c)



16. Industrial property and office rental costs

This is a measure of property costs by region. The estimates are based on Inland Revenue valuations from a sample of different locations within each region. From 2004, the publication of these data has changed from April and October to January and July of each year. Due to this transition, there are no figures for October 2003.

Chart and Table 16(a) illustrate the capital value index of industrial/warehouse property, with Chart and Table 16(b) detailing the average rental costs index for Type 1 office accommodation. Descriptions of the types of industrial accommodation used in this section are provided in *Definitions*.

The relatively high cost of industrial and office accommodation in London and the South East is evident from the tables and charts. However, while the index of industrial property value in London increased slightly (by 12 points), whereas the index of rental value of Type 1 office accommodation in London fell by 51 points between April 2001 and January 2005. During the same period office rental costs in most other areas of the UK were stable, with the exception of the North East experiencing an increase of 22 points and the East Midlands with an increase of 17 points.

The Index of (Type 3) Industrial property value shows that while Yorkshire and the Humber showed the largest rise between April 2003 and January 2005 of 12 points, over the seven years between 1998 and 2005 the greatest growth in the relative value of industrial accommodation was in London, with a rise of 31 points.

Chart 16(a)

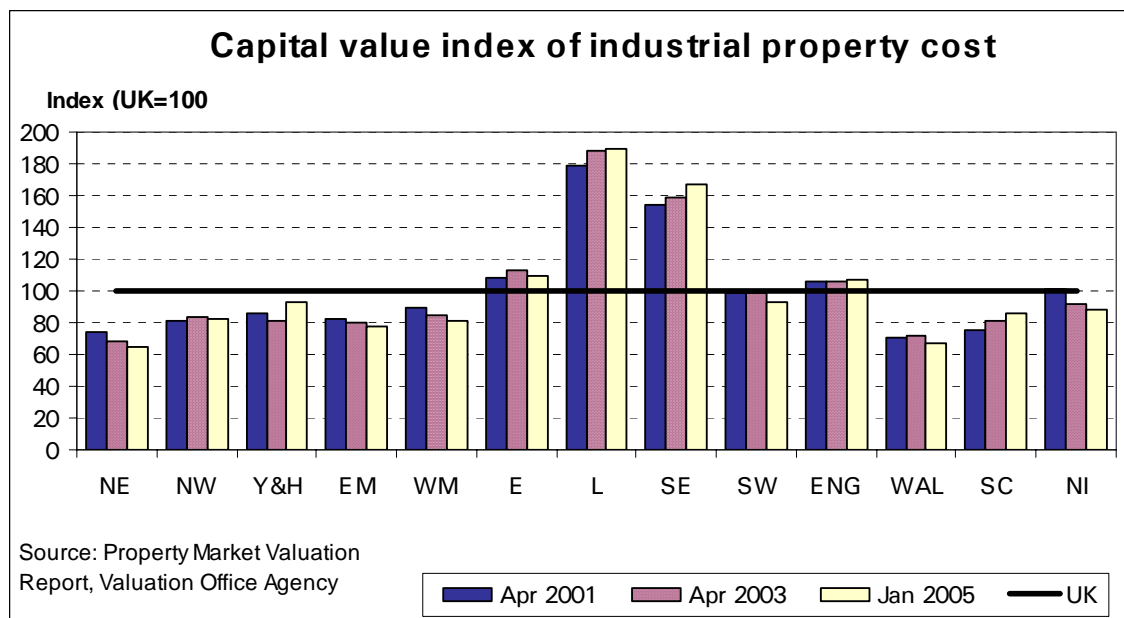
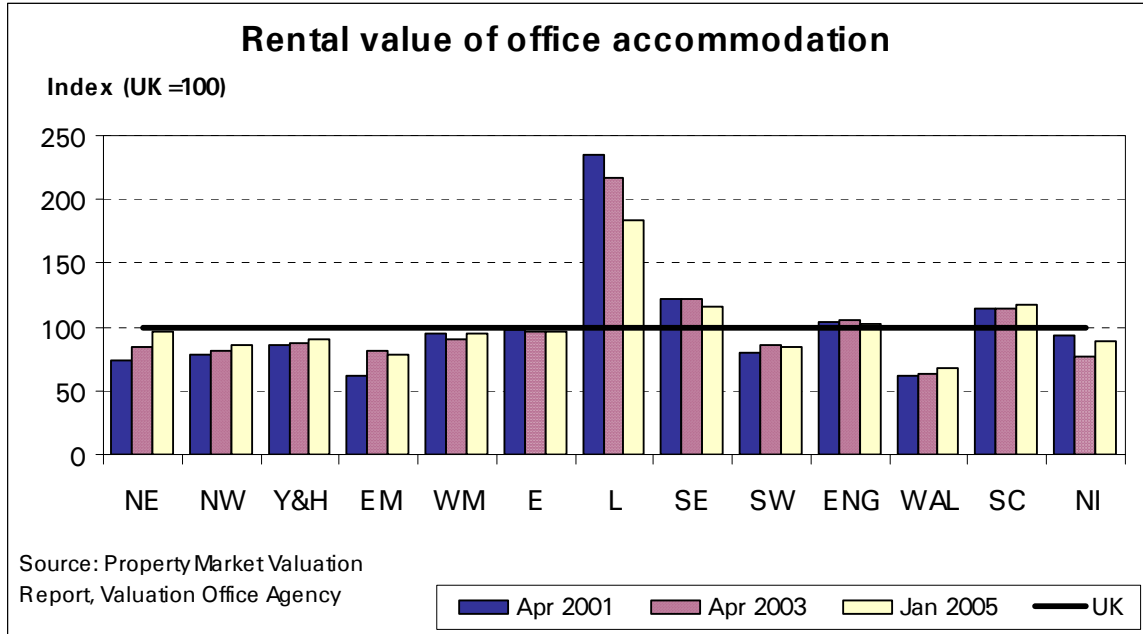


Chart 16(b)



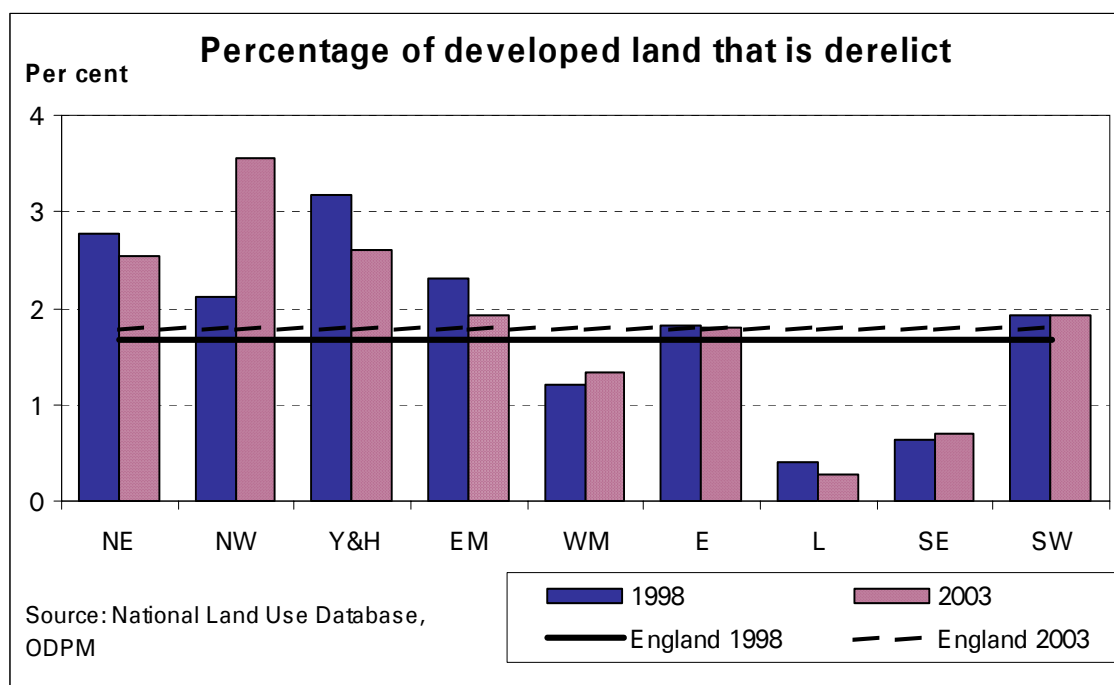
17. Re-use of vacant and derelict land

Table 17 provides estimates of the proportion of previously developed land that is derelict or vacant and the proportion of land that has potential for redevelopment. Chart 17 illustrates the proportion of derelict land in 1998 and 2003. For the definitions of *vacant* and *derelict* land refer to the *Definitions* section.

In 1998, Yorkshire and the Humber had the highest percentage of previously developed land that was vacant (3.1 per cent) in addition to the highest percentage of developed land that was derelict (3.2 per cent). By 2003, this pattern had changed, with the North East having the highest percentage of previously developed vacant land (at 3.0 per cent of total stock) and the North West the highest proportion of derelict land (3.6 per cent – an increase of 1.5 percentage points on the 1998 figure).

The lowest percentage of developed land left unused and/or derelict during both 1998 and 2003 was in London (around 1 per cent of the total stock during this time). The profile of land redevelopment for London is unsurprising, with commercial pressures driving up land values and speeding up the redevelopment of unused, derelict land.

Chart 17



Definitions**ANNEX 1****General – Interim adjusted Labour Force Survey (LFS) estimates**

Revised national and regional mid-year population estimates (MYE) for 2003 were published by ONS in September 2005. In November 2003, ONS published new provisional estimates for Manchester for the years 2001 and 2002. To maintain consistency in LFS time series, only population data for which consistent back series are available can be used in the LFS estimation process. Therefore, while the population data released in September 2005 are used in the LFS interim estimates, the revisions to allow for the new Manchester figures cannot, as yet, be used. When revised population figures for 1992 to 2000 are published, interim revised LFS series for these years will be published as soon as possible afterwards. By 2005, it is planned that modernised LFS processing systems will enable the new MYE for 2004 to be incorporated into revised LFS microdata much more swiftly than is now possible. The revised LFS time series to be released in September 2005 should therefore be produced entirely consistently with the LFS microdata, without the need for any interim adjustment procedure.

1. Gross Value Added and household disposable income per head**Gross Value Added (GVA)**

The estimates published here have been calculated on the basis of the European System of Accounts 1995 (ESA95). GVA is the major component of gross domestic product (GDP). Under ESA95 the difference between GVA and Gross Domestic Product (GDP) is that GDP includes taxes (less subsidies) on products (mainly Value Added Tax) while GVA does not. ONS does not presently regionalise taxes on products.

These indicators contain two separate measures of economic activity that fall under the broad definition of 'GVA'. The data termed GDP in previous publications are taken from the regional economic accounts, produced by ONS, which are calculated based on a series of economic and labour market surveys. The second set of GVA data that appear in Tables 3(a), 3(b) and 3(c) are based on a single survey: the Annual Business Inquiry/2 (ABI/2). The GVA estimates taken from the regional economic accounts are a much broader measure of regional economic activity than the ABI series. More information can be obtained from www.statistics.gov.uk/abi/variable_info.asp.

Regional GVA data are subject to adjustments in three key areas: adjustments for coverage; adjustments needed to move the accounts onto an ESA 95 basis; and adjustments for balancing purposes. GVA estimates used in UK figures include ex-regio.

Gross disposable household income (GDHI)

The household sector includes traditional households within the UK, in addition to people living in institutions such as retirement homes, hospitals and prisons. This sector also includes the activity of the non-profit making units that provide a service to households, for example charities and most universities.

GDHI is defined as total household income less payments of current taxes on income and wealth (such as income and property taxes) and social contributions such as pension and National Insurance deductions. This series is compiled under the latest ESA95 framework.

It should be noted that neither GVA or GDHI are the same as 'wealth'. It is possible for a household to possess substantial material wealth and assets while receiving a comparatively low level of income.

2. Labour Productivity in Manufacturing and Other Industries

This is calculated by dividing residence-based GVA for manufacturing, services and the 'other industries' sector by the number of workforce jobs within each sector.

Estimates of the total number of workforce jobs are calculated by summing employee jobs (mainly collected through postal surveys of employers), self-employment jobs from the Labour Force Survey, those in HM Forces and Government-supported trainees. These same sources are used to calculate the total number of jobs filled. The count of jobs includes both full- and part-time jobs. The estimates of number of hours worked, used in calculations for Table 2(b)ii, have been taken from the Annual Survey of Hours and Earnings (ASHE) conducted by the ONS. For a further description of ASHE, please refer to section 5 of the *Definitions*.

The estimates of GVA are drawn from the regional economic accounts produced by the Regional Accounts branch in ONS. These differ from the GVA estimates included in Indicator 1 as they are residence-based: the earnings of employees who commute across regions are allocated to the region where they live and not where they work. In practice, residence and workplace-based GVA differ only in London, the South East, and the East of England, as ONS does not make adjustments for other regions.

3. Manufacturing investment and output by UK and foreign-owned companies

Gross Value Added (GVA) from the Annual Business Inquiry is used to gauge the output of foreign-owned companies. For a further description of GVA, please refer to section 1 of the *Definitions*.

Net Capital Expenditure is used as a proxy for investment and is calculated by adding the value of new building work acquisitions, less disposals of land, and existing buildings, vehicles and plant and machinery.

Since 1998 the data are taken from the Annual Business Inquiry/2 (ABI/2), an integrated survey of accounting information from businesses and other establishments. This survey was launched at a regional level by ONS during September 2002, amalgamating a number of existing ONS business surveys, namely; Annual Census of Production, Annual Retail Inquiry, Annual Motor Trades Inquiry, Annual Catering Inquiry, Annual Property Inquiry and the Annual Service Trades Inquiry.

4. Exports of goods

The counts in Table 4(b)ii of companies exporting to EU and outside the EU are not fully comparable. Company details for businesses' export transactions with non-EU countries are mandatory and are automatically recorded by HM Revenue and Customs. The counts for exports to non-EU countries are taken from these. However, because of the Single European Market, there is far less recording of companies exporting to the EU. Supplementary declarations for companies exporting to the EU are recorded through the *Intrastat* system, which only picks up businesses exporting goods with a value in excess of (during 2004) £221,000 to the EU. Hence, the company counts of EU exporters will be artificially low as compared to the count for exporters to the rest of the world. Note that companies

who export to both EU countries and the rest of the world will appear more than once in the company count, that is, in both parts of table 4(b).

Comparisons between regions should be interpreted with care because the *value added* of an export product may have been generated in areas other than the region from which the item was actually exported.

Export trade is assigned to a region through the postcode associated with a company's VAT registration. Some adjustments have been necessary for exports to the EU to ensure that manufacturing that takes place at branch premises is properly allocated to the region where the branch is situated. Exports to countries outside the EU already contain a regional coding.

Exports of goods by employee job are DTI estimates using HM Revenue and Customs data for value of exports of goods and employee jobs as a denominator. The employee jobs data were drawn from the workplace-based Short-Term Employment Survey (STES) produced by ONS.

5. Average earnings

Estimates of average earnings to 2003 were drawn from the New Earnings Survey (NES) and include remuneration for overtime worked during the survey period and shift pay, but not other payments such as profit shares or annual bonuses. NES data are collected in April of each year. The estimates may be affected by seasonality.

In 2004, a new survey was developed by ONS to replace the NES called the Annual Survey of Hours and Earnings (ASHE). The ASHE includes improvements to the coverage of employees and to the weighting of earnings estimates. The data variables collected remain broadly the same, although an improved questionnaire will be introduced for the 2005 survey. The change in methodology means that statistics on pay and hours published from the ASHE, including the calculation of ONS's low pay statistics, are discontinuous with previous NES surveys.

To improve coverage and make the survey more representative, supplementary information was collected for the 2004 ASHE on businesses not registered for VAT and for people who changed or started new jobs between sample selection and the survey reference period. The 2004 ASHE results are therefore discontinuous with the results for 2003, for which no supplementary information was collected. However, for 2004 two sets of results are available; the headline results that include supplementary information and results that exclude this information. These second set of results are given solely for comparison to earlier results. Growth rates between 2004 and 2003 are only given for the data that exclude supplementary information.

Estimates of average earnings from the NES are arithmetic means, which can be distorted by a few extremely high or low values. There tend to be a small number of individuals at the top end of the distribution with extremely high earnings, therefore the mean can become unrepresentative. Average earnings estimates from the ASHE are now presented as medians. This can be thought of as the 'middle value' if all hourly earnings are placed in order of magnitude, therefore the median is not skewed by extreme values and, in many respects, can be considered representative.

6. Employment and employee jobs

Tables 6(a) and 6(b) detail the number and percentage of people of working age in employment who are resident in each region or country. The data contained in both tables are drawn from the Labour Force Survey (LFS) and are seasonally adjusted. People aged 16 and over are classed as employed by the LFS if they have worked for at least one hour in the reference week or are temporarily away from a job (e.g. on holiday).

The data contained in Table 6(c) are drawn from the Short-Term Employment Survey (STES) carried out by ONS and show the number and percentage of employee jobs on a workplace basis. The STES measures the number of employee jobs on a quarterly basis and unlike the data in Tables 6(a) and 6(b) does not include self-employed people. Additionally, the data for regions in Table 6(c) may not sum to UK or England totals because of approximations in allocating national estimates to regions.

7. Unemployment

This is based on the International Labour Organisation (ILO) definition of unemployment which includes as unemployed all those who are out of work, want a job, have actively sought work in the last four weeks prior to interview and are available to start work within the next fortnight, or are out of work and have accepted a job they are waiting to start in the next fortnight. The data are seasonally adjusted.

The unemployment rate is the percentage of economically active people who are unemployed. To be economically active, a person must either be in employment (see definition under **6. Employment and employee jobs**) or unemployed (ILO definition).

8. Claimant count

The claimant count is based on the number of people claiming Jobseeker's Allowance (JSA) and National Insurance credits at Jobcentre Plus local offices on a particular day each month. People claiming JSA must declare they are out of work, available for, capable of and actively seeking employment during the week in which the claim is made. Claimant count rates express the number of JSA claimants as a percentage of the sum of claimants and workforce jobs in the area. The number of workforce jobs is comprised of employee jobs, agricultural jobs, HM armed forces, self-employed and persons on government-supported training schemes.

The figures for long-term JSA claimants (12 months or more) only account for computerised claims – around 1 per cent of claims are dealt with manually, and these are excluded.

9. DfES Public Service Agreement targets (England only)

In July 2004, the Department for Education and Skills (DfES) launched a 'Five Year Strategy for Children and Learners'. This, along with the Spending Review in 2004, outlined a number of objectives for the Department, two of which are relevant to the statistics in this publication, along with associated milestones and targets for delivery:

DfES Objective 3 (England)

All young people to reach age 19 ready for skilled employment or higher education.

Relevant Targets/Milestones

Raise standards in schools and colleges so that:

- By 2008, 60 per cent of those aged 16 to achieve the equivalent of 5 GCSEs at grade A* to C; and in all schools at least 20 per cent of pupils to achieve this standard by 2004, rising to 25 per cent by 2006 and 30 per cent by 2008;
- Increase the proportion of 19 year olds who achieve at least level 2 by 3 percentage points between 2004 and 2006, and a further 3 percentage points between 2006 and 2008, and increase the proportion of young people who achieve level 3; and
- Reduce the proportion of young people not in education, employment or training by 2 percentage points by 2010.

DfES Objective 4 (England)

Tackle the adult skills gap.

Relevant Targets/Milestones

Increase the number of adults with skills required for employability and progression to higher levels of training through:

- Improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007; and
- Reduce by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010 (baseline is Autumn 2001 figure of 71.6%). Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006

The Learning and Skills Council also share these targets with the DfES.

10. Proportion of Income Support Claimants

Income Support (IS) claimants can be grouped into Minimum Income Guarantee (MIG – for those over 60 and their partners), Disabled, Lone Parents and Other. From October 2003, IS can be paid to a person who is aged 16 to 59 years old, is not working 16 hours or more a week and whose income is less than what is considered necessary to live on.

Pension Credit was introduced in October 2003 for those aged 60 and over, replacing the Minimum Income Guarantee benefit. This leads to the termination of Table 10(b)(i) at August 2003, and the addition of Table 10(b)(ii): Pension Credit claimants as a proportion of the 60+ population. Former MIG claimants are all entitled to Pension Credit, but Pension credit also brings in pensioner households whose incomes are slightly above the eligibility levels for MIG and who have saved money in an occupational or personal pension, or a savings account, or both. As a result, the proportions in Table 10(b)(ii) are higher than those in Table 10(b)(i).

While MIG allowed either partner to claim, Pension Credit needs the partner aged 60 or over to be the claimant. Households where the partner aged under 60 was the MIG claimant were invited to make a new claim with the partner aged 60 or over as the Pension Credit claimant. For about 15,000 of these households, no new claim was received as of November 2003. They continue to receive IS, but are not

currently included in Table 10(a), Table 10(b)(i) or Table 10(b)(ii). Over time, new claims will be made for all these households and they will move into Table 10(b)(ii).

As a result of the introduction of Pension Credit, the population base for Table 10(a) changes from 16+ up to and including August 2003, to 16-59 year olds from November 2003 onwards.

11. Income deprivation

Table 11 and Chart 11 provide the percentage of the population within families that are dependent on Income Support (IS) benefit. The percentage for each of the English regions is included alongside the proportion for the 20 per cent of the population living within the 'most deprived' wards within each region and England.

For this indicator ward level deprivation has been defined according to the Indices of Multiple Deprivation 2000 (IMD 2000). The IMD 2000 is an index for areas in England consisting of 33 indicators of deprivation that fall under 6 broad dimensions: income, employment, health and disability, education training/skills, housing and access to services.

For this indicator, the number of IS 'dependants' reflect the number of persons living in families where at least one member is receiving income support benefit. The information are derived by the DTI using the Income Strand of the IMD 2000 as well as mid-1998 population estimates taken from the Neighbourhood Statistics web site. The ward level IS estimates used in this indicator were supplied by the Department for Work and Pensions.

12. Business registration and survival rates

VAT registrations are not synonymous with business start-ups; some registrations are the results of changes in ownership or legal status of a business. In Great Britain the total number of business start-ups is estimated to be around twice the number of registrations for VAT. It is estimated that between 1995 and 1999 there were around 530,000 businesses created.

Businesses with annual turnover below the VAT threshold (£55,000 at the end of 2002) may decide not to register for VAT for a variety of reasons, and so would not be included in these estimates.

The data are compiled from the Inter-Departmental Business Register (IDBR). The IDBR is a structured list of around 2 million units in the UK available for the selection, mailing and grossing of statistical inquiries. It is supplied by the ONS and is mainly used as a sampling frame for official business surveys. The estimates refer to the location of the head office or main centre of business activity. If a new factory owned by a business is located elsewhere in the UK then it does not appear as a new registration. Industry sectors have been divided using Standard Industrial Classification⁶ (SIC) codes, where service industries are SIC sections G to O, manufacturing industry is SIC section D and other industries are SIC sections A, B, C, E & F.

Care should be taken when comparing the rates of VAT registrations/population or stock of businesses between regions since the estimates can be influenced by variations in commuting, industry mix and differences the profile of businesses between regions as well as 'actual' changes over time. In addition, there are areas

⁶ More detail on SIC codes available at www.statistics.gov.uk/StatBase/Product.asp?vlnk=10378&Pos=1&ColRank=1&Rank=224

where the stock of businesses is relatively low, so the rate of business formations could be artificially inflated.

The 'survival' rates contained in the Table 12(c) are not derived from actual business closures. Firms can be removed from the VAT register for a variety of reasons including: falling turnover, mergers, take-over and relocation in addition to the business actually ceasing trading. However, registrations and de-registrations are strongly correlated with the underlying trends in business 'birth' and 'death' rates.

13. Entrepreneurship

The Global Entrepreneurship Monitor UK (GEM UK) is part of a study comparing rates of Total Entrepreneurial Activity (TEA) internationally. The survey interviews a stratified representative sample of individuals across the UK on various aspects of entrepreneurship.

The survey takes a broad definition of entrepreneurship as *'any attempt at new business or new venture creation, such as self-employment, a new business organisation or the expansion of an existing business by an individual, teams of individuals, or established business'*.

14. Research & Development, and employment in high and medium-high technology industries

The survey of Business Enterprise Research & Development (BERD) is conducted by the ONS annually. It is based on a sample of around 4,000 businesses across the UK that are identified as performing Research & Development (R&D) activity by the Annual Business Inquiry. Included are all 'large' R&D performers, plus a sample of smaller businesses that are deemed as 'lesser' R&D performers. Government organisations, higher education establishments and registered charities are not included within the survey sample. Gross Domestic Expenditure on Research and Development (GERD) is the most reliable estimate of national R&D spending, drawing together information on R&D spending in the public and private sectors.

It is important to note that this survey assesses the value of R&D performed by businesses in the UK, irrespective of where the funding for the R&D activity came from (i.e. business, government or foreign funding). It also covers the R&D activity by UK firms on UK territory outside of the mainland (i.e. North Sea oil exploration). The sample size and response rates (at around 94 per cent) are sufficient to allow dissemination of R&D activity within businesses down to regional and sector level.

High and medium-high technology industry employee jobs

These estimates are drawn from the Annual Business Inquiry and the Northern Ireland Census of Employment (carried out every two years). The definition of high technology industry itself is based on that specified by the Organisation for Economic Cooperation and Development (OECD) in 1997. The following table shows the sectors covered by the definition 'high technology' and 'medium-high technology' and which SIC92 class or sub-class corresponds to each.

| Sector | SIC92 |
|--------------------------------|-----------------------|
| High technology | |
| Pharmaceuticals | 24.4 |
| Office machinery and computers | 30.0 |
| Aerospace | 35.3 |
| Electronics-communications | 32.0 |
| Medium-high technology | |
| Scientific Instruments | 33.0 |
| Motor Vehicles | 34.0 |
| Electrical Machinery | 31.0 |
| Chemicals | 24.0 (excluding 24.4) |
| Other Transport Equipment | 35.2, 35.4, 35.5 |
| Non-Electrical Machinery | 29.0 |

Co-operation and new/improved products

The Community Innovation Survey (CIS) is a survey conducted every 4 years by EU member states. The latest UK version was conducted by the DTI in 2001 (CIS3). Approximately 8,000 businesses responded to a postal questionnaire on their innovation activities between 1998-2000. The survey covers aspects of innovation including the constraints faced by businesses, the impact of innovation on businesses and features of the wider innovation process.

15. Transport

In Chart 15(a), the mode of transport used to travel to work is defined as follows:

Private - car, van, mini-bus, motorcycle.

Public - bus, coach, national rail and other rail (including underground).

In Table 15(b), the estimates are for those roads surveyed in all three years (1998, 2001 and 2003), rather than the full sample for each individual year.

16. Industrial property and office rental costs

Type 3 - Industrial / Warehouse units: Steel framed on concrete base, concrete block or brickwork to 2m, metal PVC covered cladding above. Eaves height 4.3-5.5m with lined roof. 10-15 per cent office content. Detached on own site with private parking & loading facilities.

Type 1 Office Accommodation: Town Centre location. Self contained suite over 1,000 m² in office block erected in last 10 years, good standard of finish with a lift and good quality fittings to common parts. Limited car parking available.

17. Derelict and vacant land

The information covering previously developed land now vacant or derelict are drawn from the National Land Use Database (NLUD) (www.nlud.org.uk). These data are based on a periodic survey of unitary and local authorities covering vacant and derelict sites and other previously developed land and buildings that may be available for redevelopment. Latest data refer to 2003.

Table 17 covers several distinct types of vacant or derelict land:

Previously developed vacant land: Land previously developed and is now vacant which could be developed without treatment. Treatment includes: demolition, clearing of fixed structures, foundations levelling etc.

Derelict land and buildings: Land so damaged by previous industrial or other development that it is incapable of beneficial use without treatment. This includes abandoned or unoccupied buildings in an advanced state of disrepair.

All land that is unused or may be available for redevelopment: Comprises previously developed vacant and derelict land: vacant buildings; land or buildings currently in use, which are allocated in a local plan for any developed use, have planning permission for any use (including single residential dwellings with planning permission for at least one additional dwelling) or with known potential for redevelopment.

Sources

ANNEX 2

Tables 1(a), 1(b), and 2(a)

Regional Accounts, Office for National Statistics (ONS)

www.statistics.gov.uk/cci/nscl.asp?ID=6008

Table 2(b)

Employment, Earnings and Productivity Division, ONS

www.statistics.gov.uk/cci/nugget.asp?ID=133&pos&ColRank=1&Rank=278

Tables 3(a) to 3(c)

Annual Business Inquiry (ABI), ONS

www.statistics.gov.uk/abi/contents.asp

Tables 4(a) to 4(c)

Statistics and Analysis of Trade Unit, HM Revenue and Customs

www.uktradeinfo.com

Tables 5(a) to 5(c)

New Earnings Survey, ONS

www.statistics.gov.uk/cci/nscl.asp?ID=8242

Annual Survey of Hours and Earnings, ONS

www.statistics.gov.uk/CCI/article.asp?ID=985&Pos=1&ColRank=2&Rank=704

Department of Enterprise, Trade & Investment (Northern Ireland)

www.statistics.detini.gov.uk

Tables 6(a) to 6(c)

Labour Market Division, ONS

www.statistics.gov.uk/cci/nscl.asp?ID=6584

Information can be downloaded free of charge from www.nomisweb.co.uk

Tables 7 to 8(b)

Labour Market Division, ONS

www.statistics.gov.uk/cci/nscl.asp?ID=6682

Information can be downloaded free of charge from www.nomisweb.co.uk

Tables 9(a) to 9(c)

Department for Education and Skills analyses of the Labour Force Survey.

www.dfes.gov.uk/rsgateway/contents.shtml

Information can be downloaded free of charge from www.nomisweb.co.uk

Tables 10(a) to 10(e)

Department for Work and Pensions

www.dwp.gov.uk/asd/isqse.asp

Department for Social Development (Northern Ireland)

www.dsdni.gov.uk/statistics-research/benefit-pub.asp

Table 11

Neighbourhood Statistics, ONS

www.neighbourhood.statistics.gov.uk

Tables 12(a) to 12(c)

Small Business Service, DTI

www.sbs.gov.uk

Table 13

GEM UK 2004

www.london.edu/facultyresearch4342.html

Tables 14(a) to 14(c)

Regional Accounts (Regional GVA), ONS

www.statistics.gov.uk/CCI/nscl.asp?ID=6008

Financial and Accounting Surveys Division (Regional Research and Development), ONS

www.statistics.gov.uk/StatBase/Product.asp?vlnk=8206

Chart 14(d) and Table 14(e)

Community Innovation Survey, DTI

www.dti.gov.uk/iese/cis.htm

Table 15(a)

Labour Market Division, ONS

www.statistics.gov.uk/CCI/nscl.asp?ID=5001

Tables 15(b) and 15(c)

Department for Transport

www.dft.gov.uk/stellent/groups/dft_transstats/documents/sectionhomepage/dft_transstats_page.hcsp

Tables 16(a) and 16(b)

Valuation Office Agency, Inland Revenue

www.voa.gov.uk

Table 17

National Land Use Database

www.nlud.org.uk