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Regional Competitiveness & State of the Regions

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I Introduction

This is the sixth 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 waste indicators is available on the Department of the Environment, Food and Rural Affairs (DEFRA) website

<http://www.defra.gov.uk/environment/statistics/waste/index.htm> and bird population statistics are available from the Sustainable Development Unit's website <http://www.sustainable-development.gov.uk/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 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.dtistats.net/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.

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.

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 DCLG. 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 available at <http://62.73.191.157/regind/search.asp>.

Further comments on the content and layout of **Regional Competitiveness and State of the Regions** are welcome and should be sent to Steven White, 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:

<http://www.dtistats.net/competitiveness5/>

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.

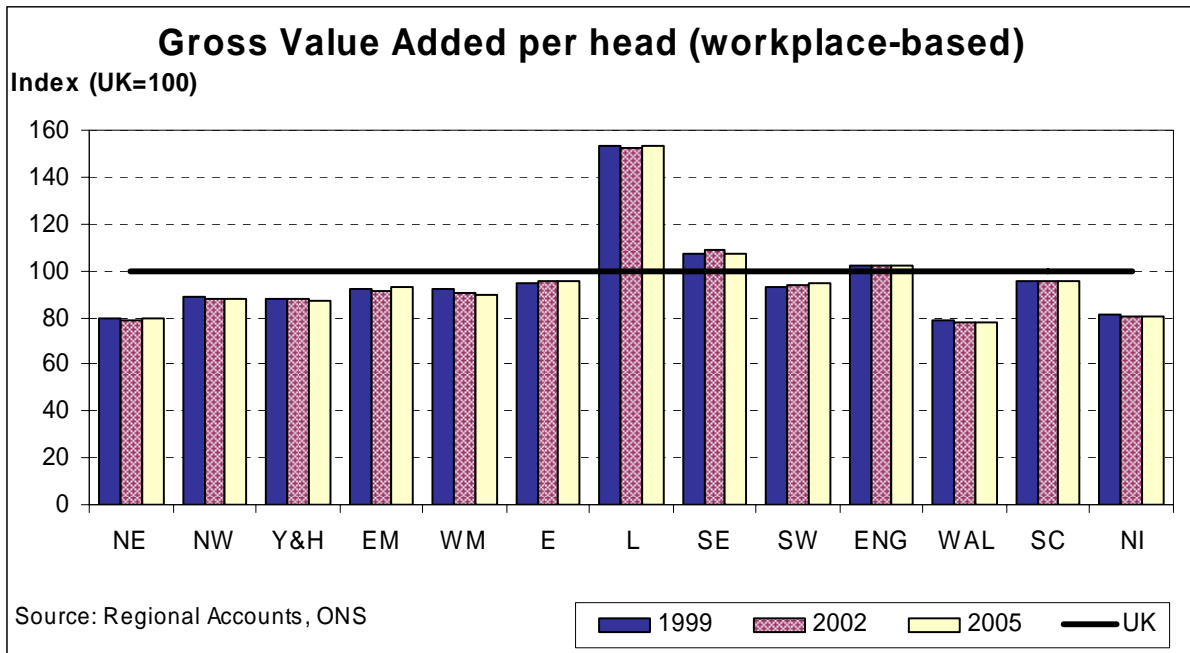
The regional GVA estimates included in this publication are those published by the Office for National Statistics (ONS) on 15 December 2006.

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 2005, London consistently had the highest GVA per head of population, growing from £11,877 in 1989 to £27,088 in 2005 (usually about 150 per cent of the UK average during these years). The South East and Northern Ireland had the greatest percentage increase during this time, at about 140 per cent. By contrast, Wales and the North East were the slowest growing, increasing by 106 per cent and 111 per cent respectively between 1989 and 2005. Over the same period, the all items Retail Price Index (RPI) increased by 72 per cent.

Chart 1(a)



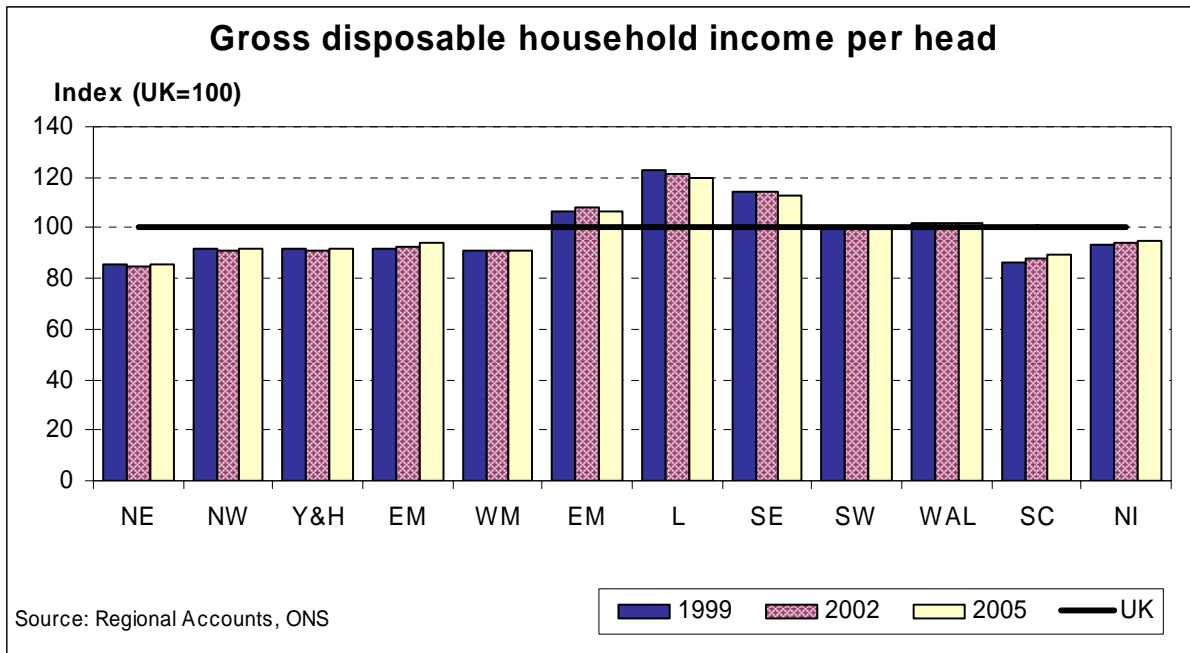
Gross disposable household income per head

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.

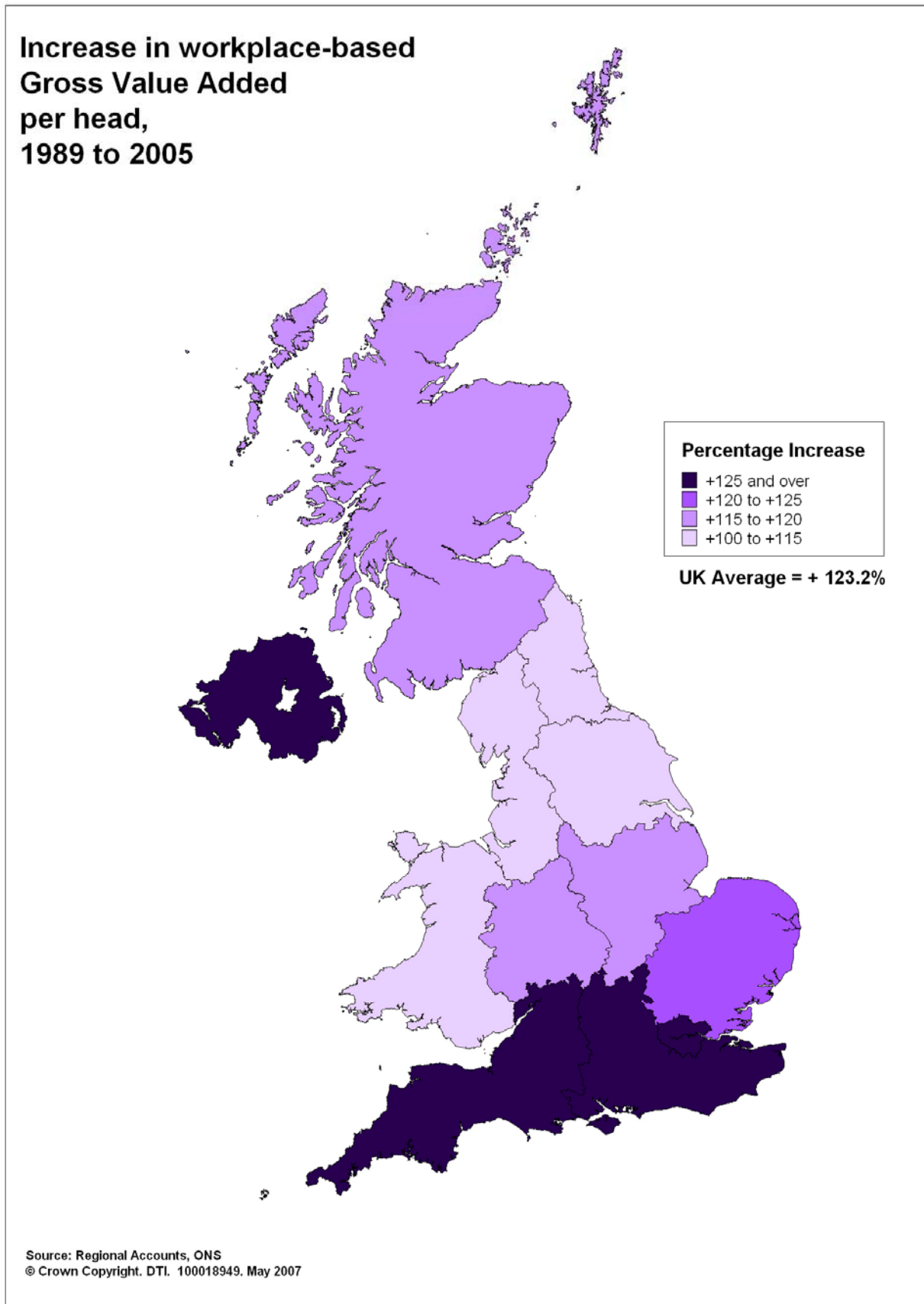
During 2005, GDHI per head of population in London, at £15,885, was 20 per cent above UK income per head (£13,279). The only other regions with above average GDHI in 2005 were the South East (£14,941) and the East of England (£14,198). The North East and Northern Ireland had the lowest relative income at £11,356 and £11,564 per head respectively, 15 and 13 per cent below the UK average.

All the UK regions have experienced growth in GDHI. Between 1995 and 2005, the index of income per head for the North East relative to the UK fell by almost 2.3 percentage points, the largest fall in any UK region or country during this time, whereas the index for the South East rose 1.6 percentage points. The South East also had the highest growth at just over 57 per cent in the same period.

Chart 1(b)



Map 1(a)



2. Labour productivity

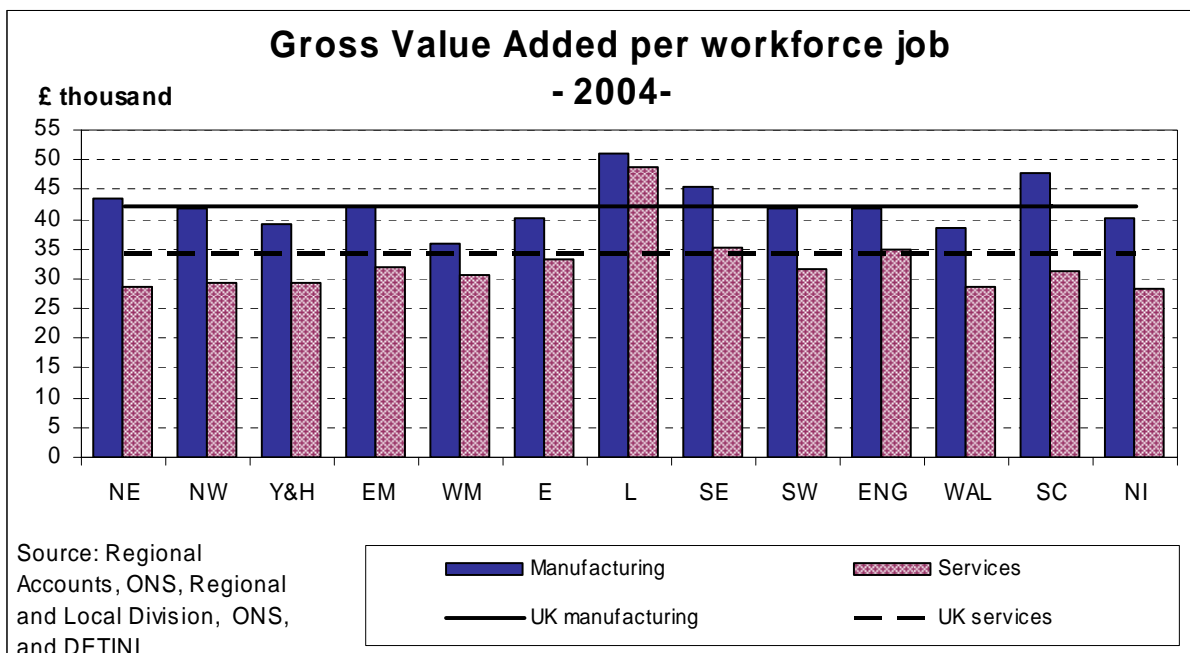
This is an indicator of competitiveness within the manufacturing, services and other sectors (including agriculture, forestry and fishing, fuel extraction, electricity and gas supply and construction). Table 2(a) is calculated as GVA per workforce job.

Growth in GVA per workforce job in manufacturing between 1996 and 2004 was highest in Northern Ireland at 47 per cent, followed by the South West, at 42 per cent. Over the same period in the manufacturing sector, Wales had the lowest growth rate (only 13%).

In the services sector, the fastest growing regions were the East Midlands and London which had growth of about 55 per cent between 1996 and 2004. Northern Ireland experienced the slowest growth at just over 38 per cent, followed by the North East and Wales with 42 and 43 per cent growth over the period. The remaining (“other”) sectors show more variation between regions: West Midlands increased by almost 47 per cent between 1996 and 2003, while Northern Ireland experienced growth of just 17 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 2005 London had the highest GVA per job filled at 129 per cent of the UK average. The difference between the other regions was less marked than for GVA per head of population (table 1(a)) with all indices being within roughly 10 per cent of the average, except for Northern Ireland, 15 per cent lower than the UK 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 121 per cent of the UK average in 2005, 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 2005 was for Northern Ireland, at 80 per cent of the UK average. Of the English regions, the lowest figures were recorded in the Yorkshire and Humber at 90.6 per cent, followed by the North West as the next lowest at 91.8 per cent.

An article by New and Virdee examining the differences between the different perceptions of relative regional performance that are obtained by using different measures of productivity or related concepts can be found in *Regional Trends No 39*, or online at <http://www.statistics.gov.uk/cci/article.asp?id=1558>.

Chart 2(b)(i)

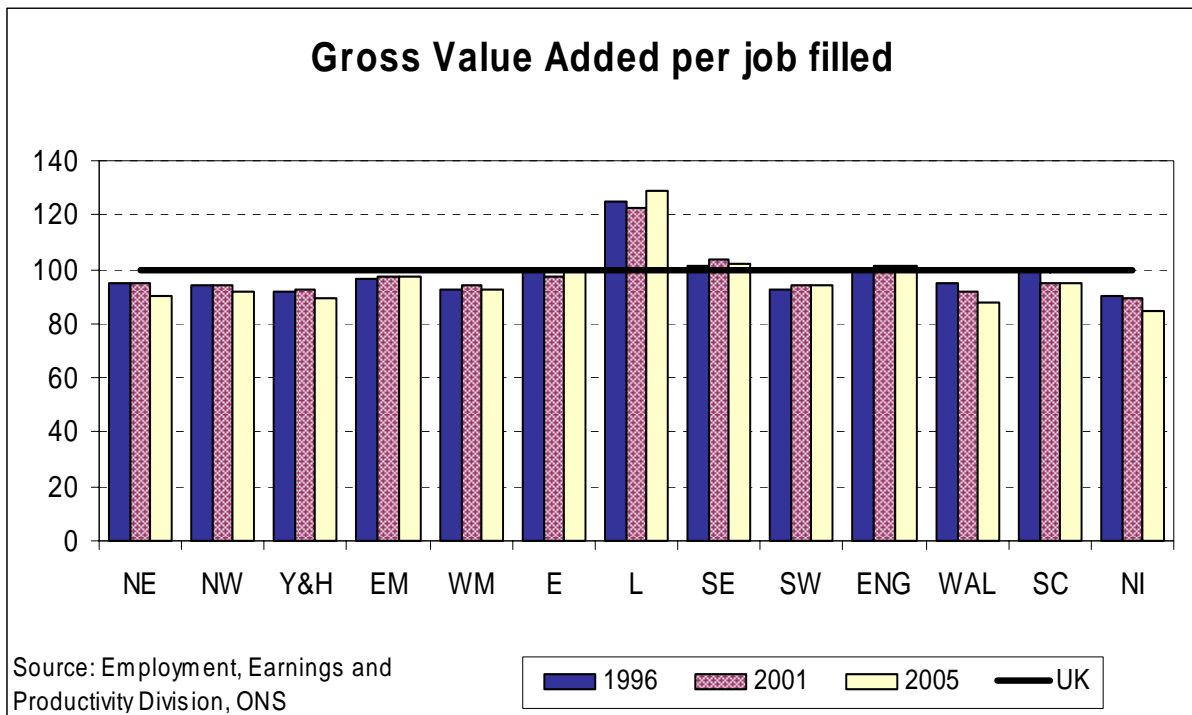
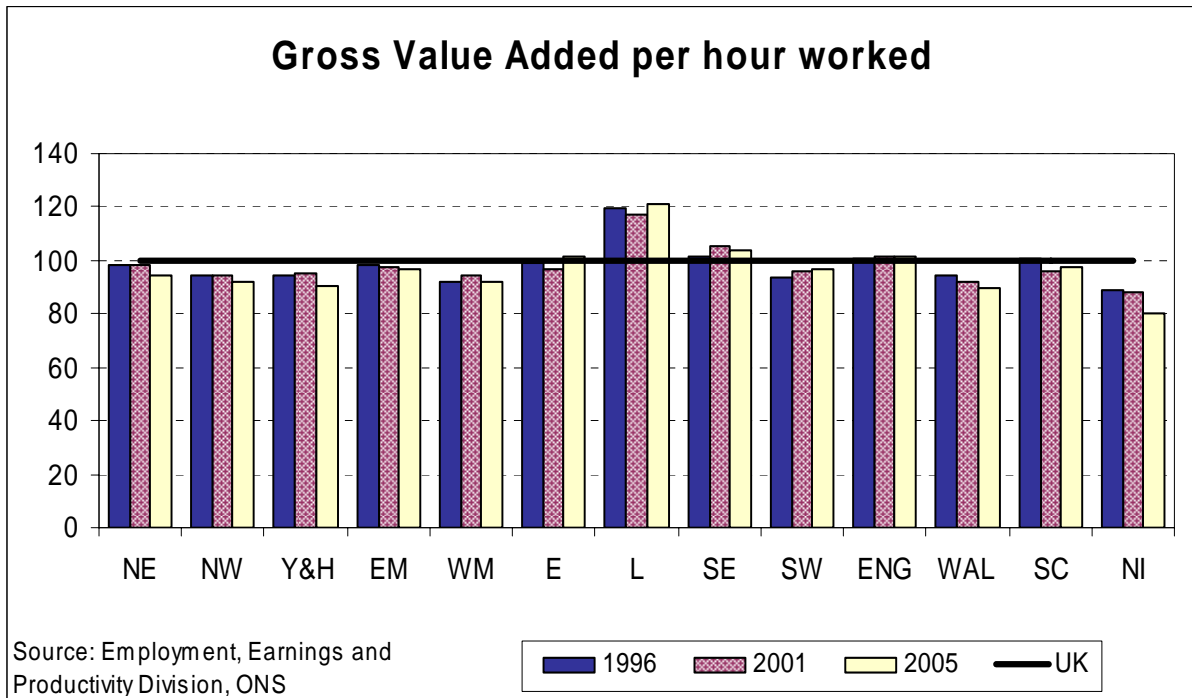


Chart 2(b)(ii)



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-owned and UK-owned companies between 1998 and 2004.

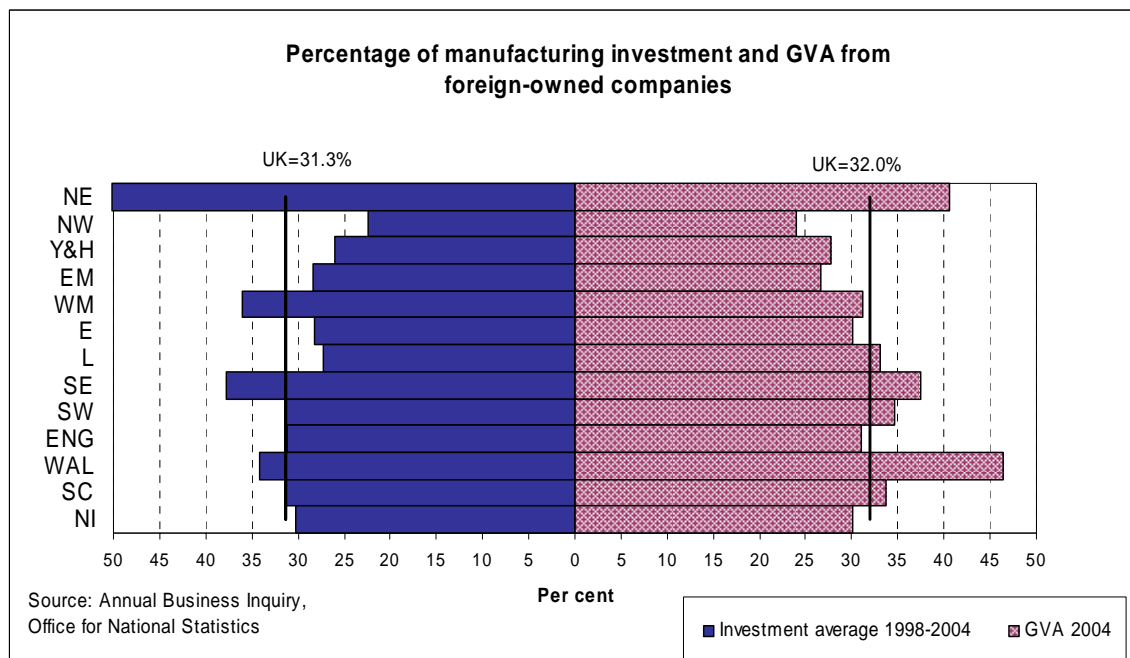
Net Capital Expenditure of firms is used as a proxy for investment. The estimates should be treated with caution as large, one-off investment decisions by companies can make significant differences to total investment figures in a particular region or year and allocation of capital expenditure across regions is particularly difficult. To go some way towards overcoming this, manufacturing investment from foreign-owned companies in Chart 3 is shown as an average for the years 1998 to 2004.

Over this period, an average of £15.5 billion per year was invested in manufacturing in the UK, and just over 31 per cent of this was from foreign-owned companies. During the same time, an average of £55.4 billion per year was invested in services in the UK of which 12 per cent was 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 2004 32 per cent of UK output (as measured by GVA) in the manufacturing sector was from foreign-owned companies. Output from foreign-owned companies, as a proportion of total manufacturing output, was highest in Wales and the North East at 47 and 41 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 2006 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 2006. Table 4(b)(ii) shows the number of companies in each region exporting goods 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 (jn all industries; thus industrial composition may affect comparisons) from 2001 to 2006 within each region. Map 4(b) shows the same information for 2006 only. In 2006, the value of exports per employee job was highest in the East Midlands at just under £9,900. The South West yielded the lowest value at around £5,000 per employee. Between 2001 and 2006 the value of exports per employee job in the UK increased by 22 per cent. Within the regions, there was a decrease of 25 per cent in Scotland in the same period. This difference between regions is also reflected in the total value of exported goods where Scotland fell 20 per cent but here Yorkshire and the Humber rose 41 per cent between 2001 and 2006. The reader should note that first two quarters of 2006 data contained in table 4(a)(i), have been particularly affected by transactions associated with Missing Trader VAT Fraud with the EU. See *Definitions* for further details.

Chart 4(a)(i)

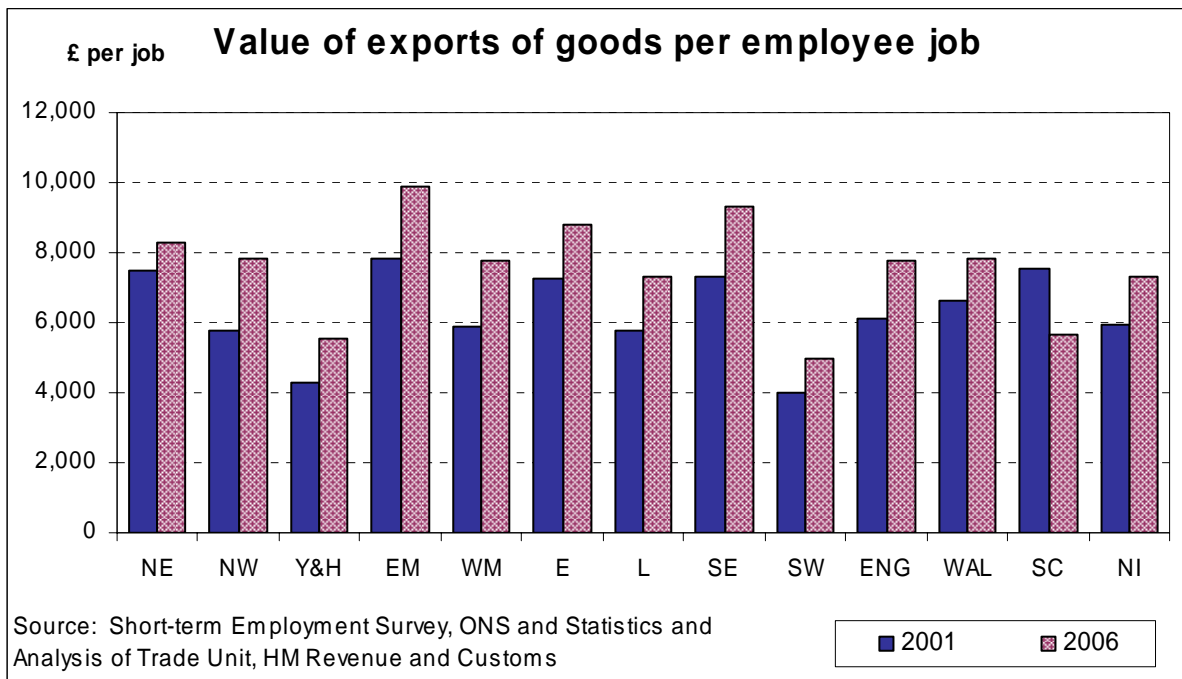
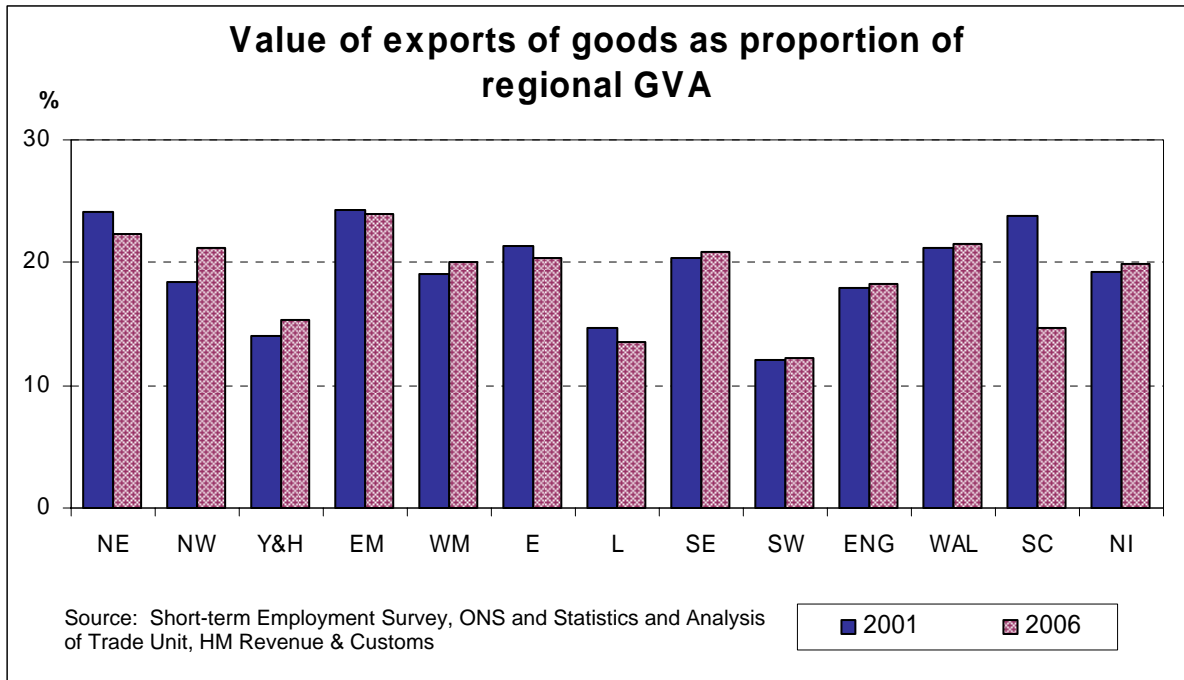


Chart 4(a)(ii)



Between the fourth quarters of 2001 and 2006, the number of companies exporting goods increased in the UK by 13 per cent (from 45,500 to 51,300 exporting companies). However Table 4(b)(i) shows that there was a fall across most regions between the fourth quarters of 2005 and 2006. The number of companies exporting outside the EU increased significantly in Northern Ireland (15%) between the fourth quarters of 2005 and 2006, with other regions remaining relatively stable.

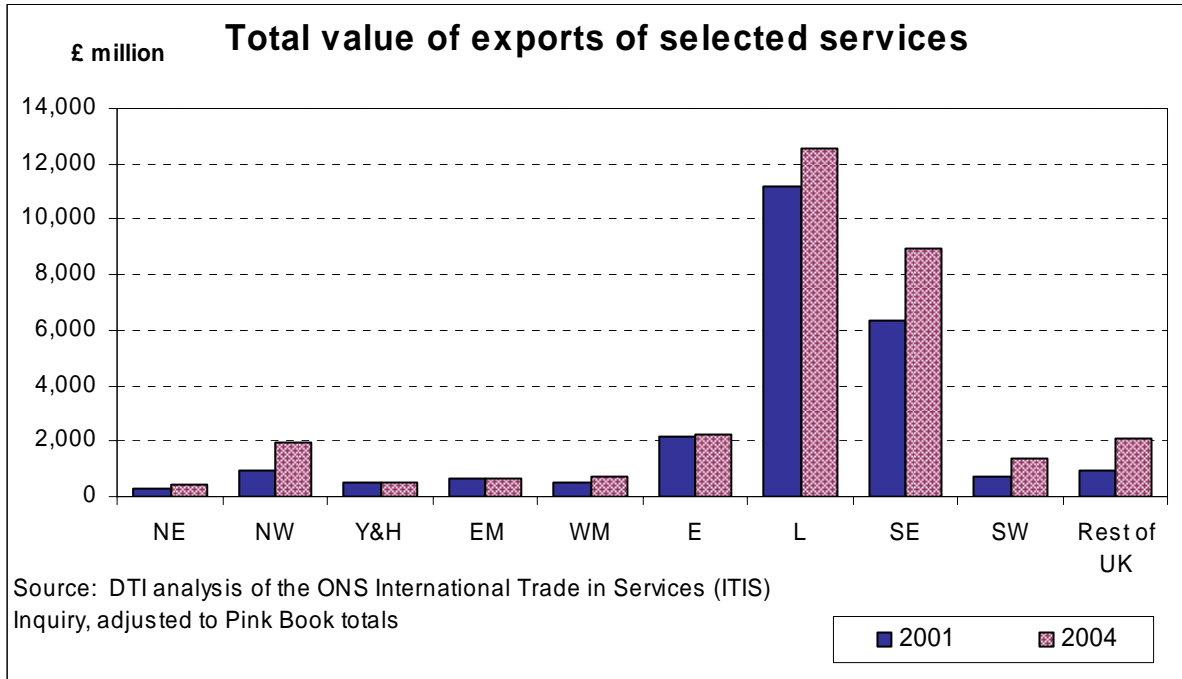
Chart 4(b)



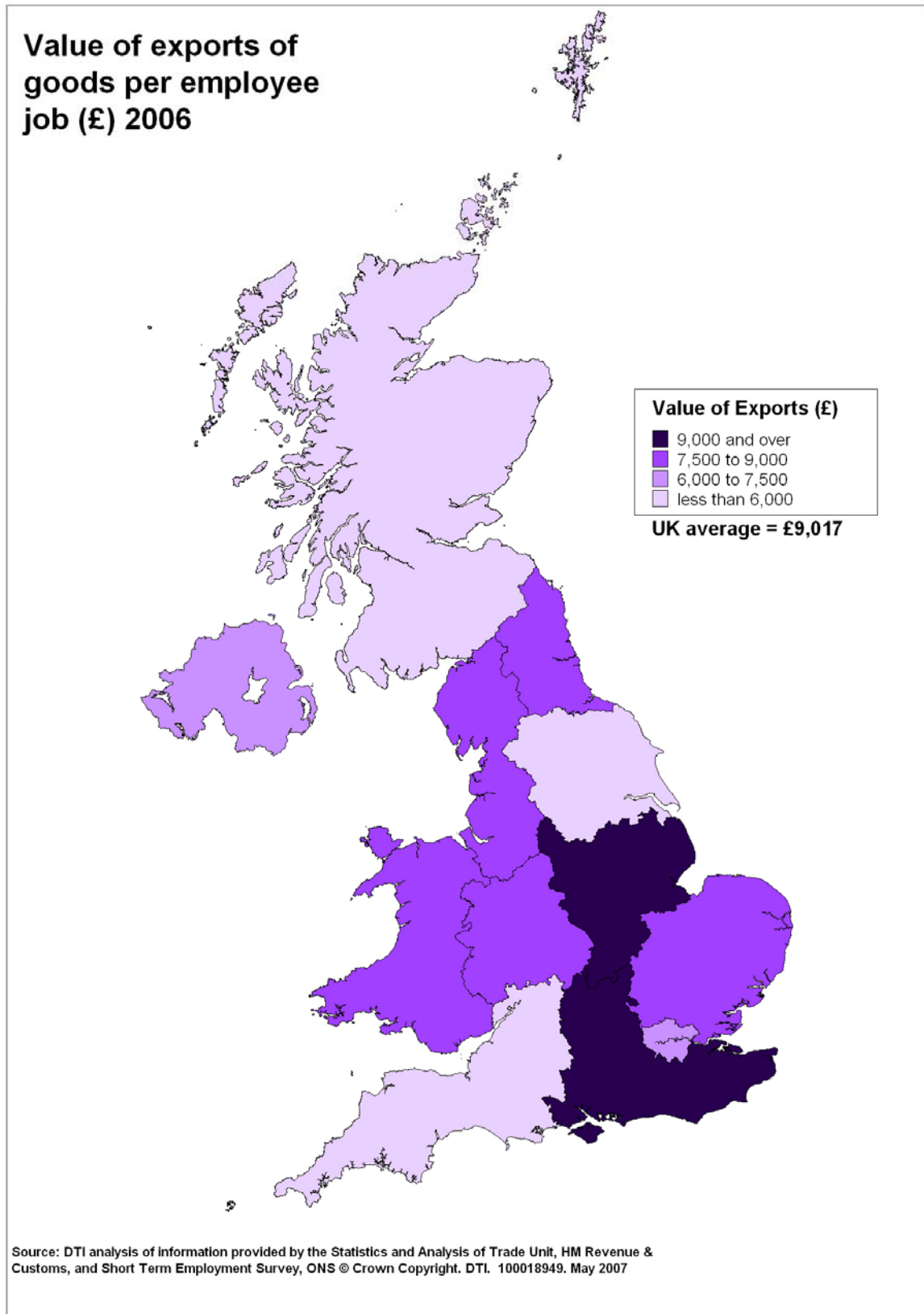
Table 4(c) shows the distribution of regional exports to the main world regions. During 2006, the EU was the largest recipient of exported goods in all of the UK regions, taking an overall 61.8 per cent (by value) of UK. This was more than four times the value of the goods exported to the UK's next largest recipient, North America.

Regional trade in services, taken from the International Trade in Services (ITIS) Inquiry, are shown in Table and Chart 4(d). London and the South East dominate in the value of service exports, respectively representing 40 and 28 per cent of total UK exports in 2004. Figures should be used with caution as the ITIS only covers roughly a third of all UK service exports.

Chart 4(d)



Map 4(b)



Section 2 Labour Market

5. Average earnings

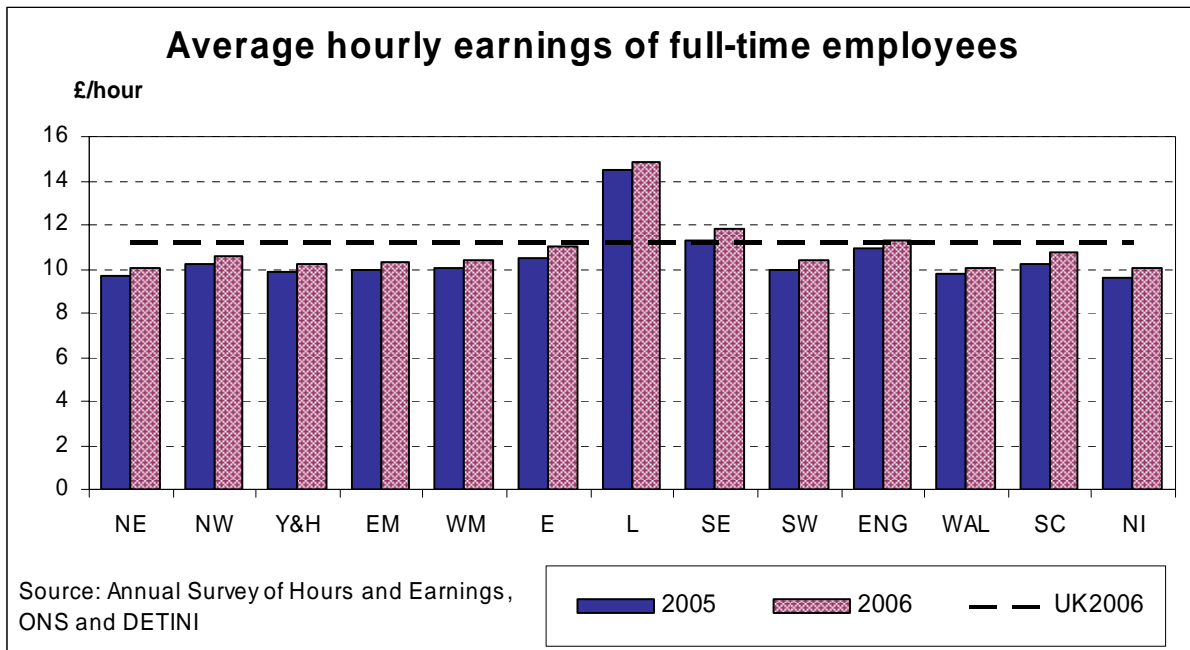
Tables 5(a), 5(b) and 5(c) display the gross median hourly earnings for full-time employees for all industries, and for manufacturing and service industries separately. Figures are given for male, female and all employees. Chart 5 illustrates the changes in median hourly earnings of full-time employees between 2005 and 2006.

During 2006, the hourly earnings (including overtime and shift pay) of full-time employees in London were higher than any other UK region at £14.88, an increase of 2.5 per cent on the previous year. Earnings in the South East were next highest at £11.82 per hour. This compares to an average of £11.21 per hour for the UK as a whole. The lowest earnings during 2006 were in Northern Ireland, Wales and the North East at around £10 per hour. The highest earnings growth 2005 to 2006 was in Scotland at over 5.2 per cent compared to the UK average of 4.1 per cent.

The gender pay gap, in terms of the ratio between female and male hourly earnings, has been decreasing in all regions. In 2006, average female hourly earnings were 97.4 per cent of male earnings in Northern Ireland, compared with less than 90 per cent for each other region, and 86.7 per cent for the UK as a whole. Northern Ireland also saw the largest decrease in the gender gap between 1998 and 2006.

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 winter 2006, 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 South East and South West, with 79 and 78 per cent respectively. 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 proportions during winter 2006 were in London and Northern Ireland, at just under 70 per cent each (almost 5 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 had the largest share at around 15 per cent of all UK employee jobs. The level of employee jobs grew most quickly in Wales, with an increase of 12 per cent between December 2001 and December 2006. The North East and Northern Ireland showed the next largest rise, with 8.1 and 7.5 per cent respectively.

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)

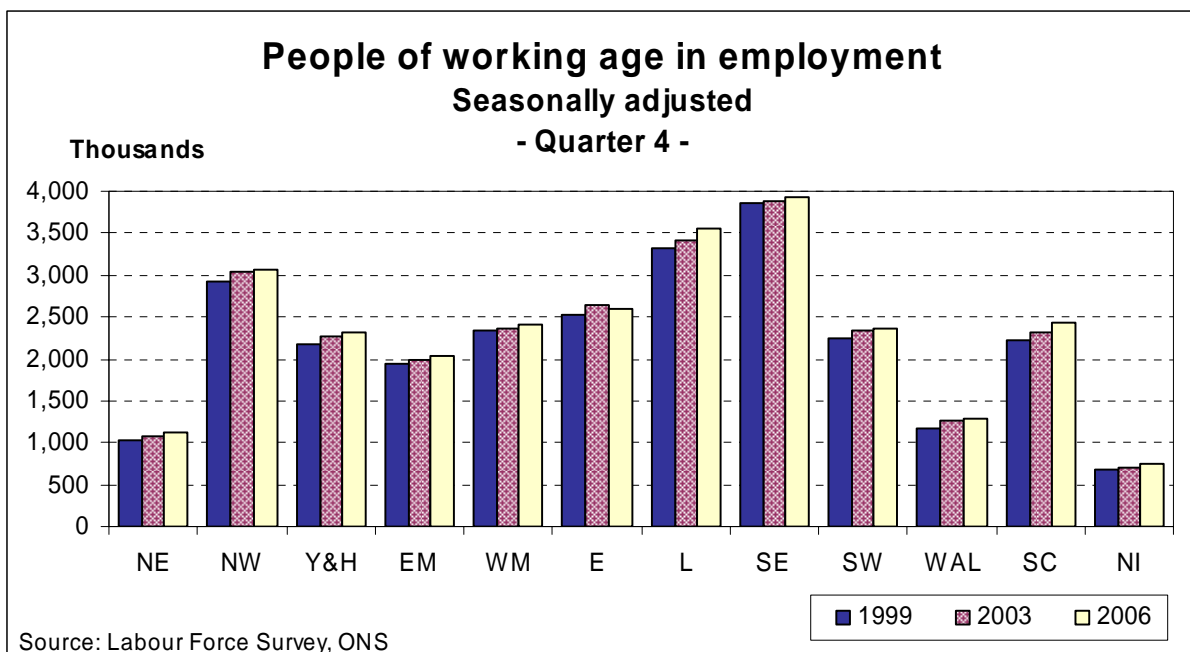


Chart 6(b)

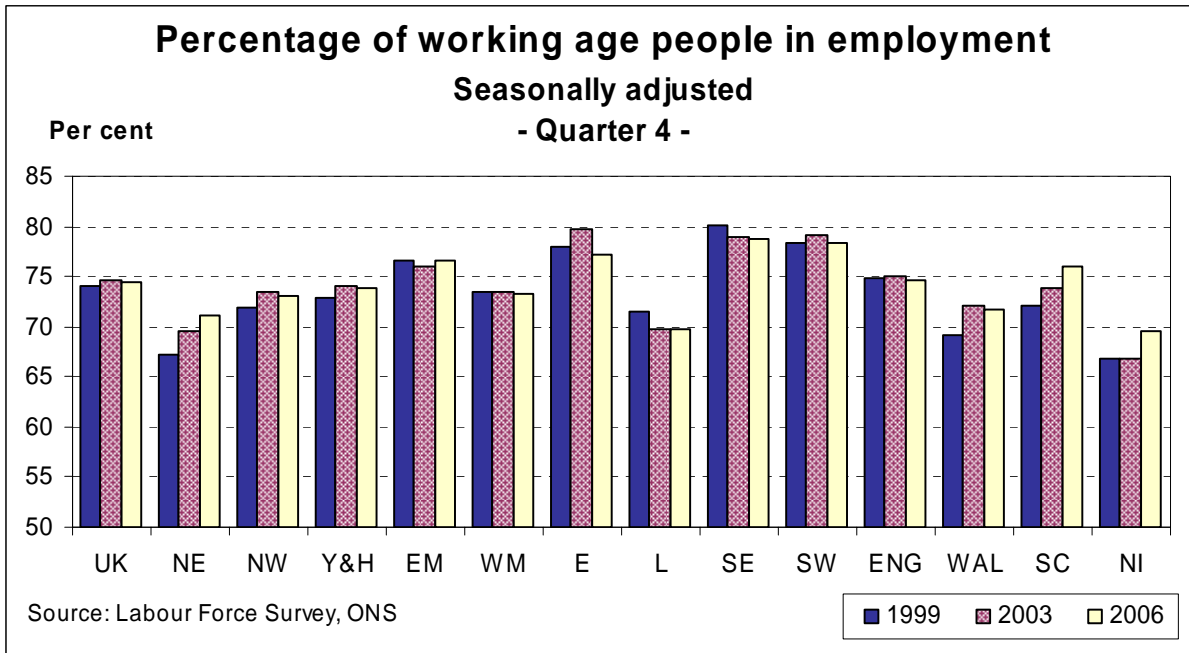
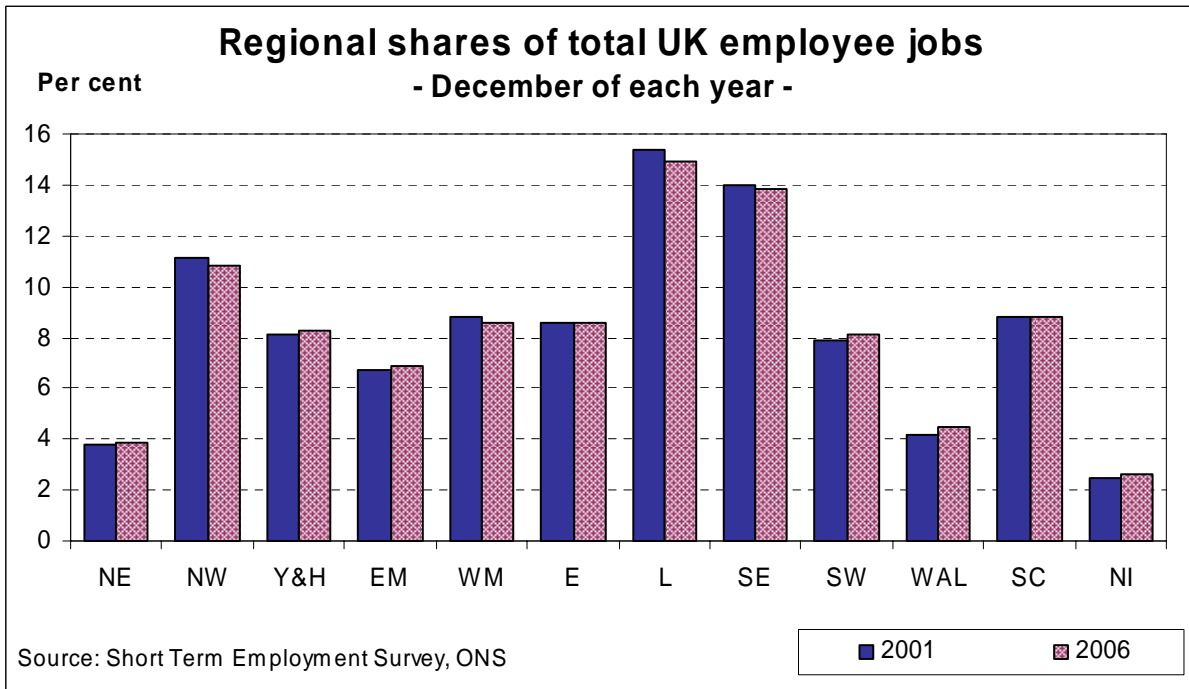


Chart 6(c)



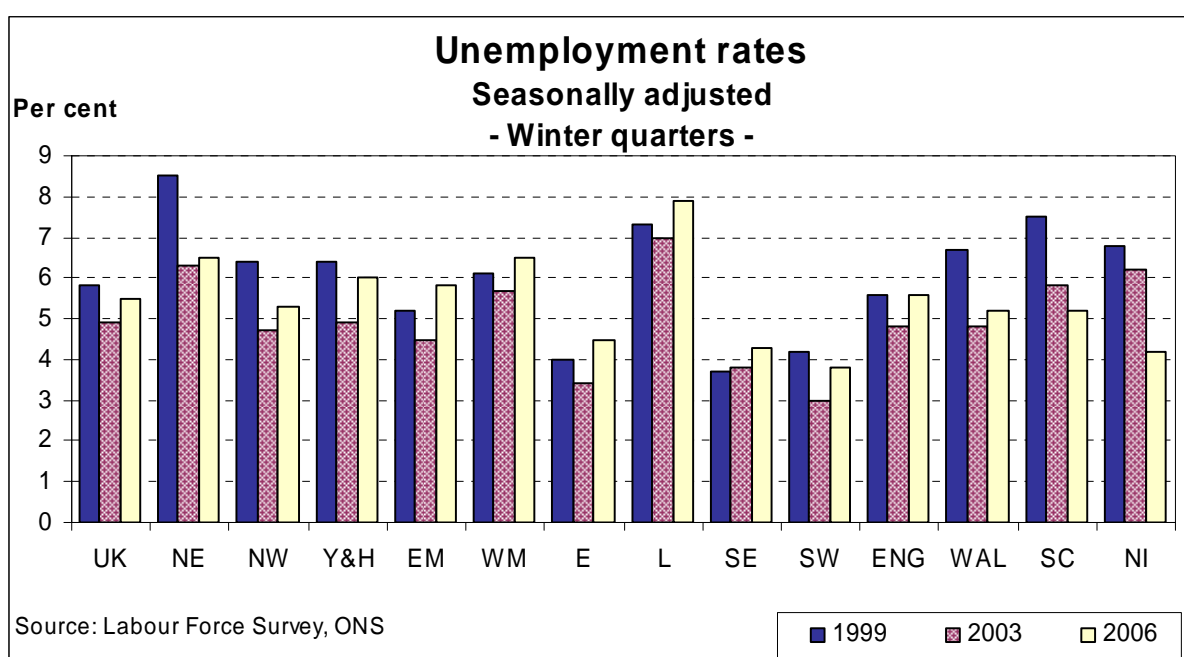
7. Unemployment

UK unemployment is measured by the Labour Force Survey (LFS). Chart 7(a) shows the seasonally adjusted unemployment rate between 1999 and 2006 (winter quarters).

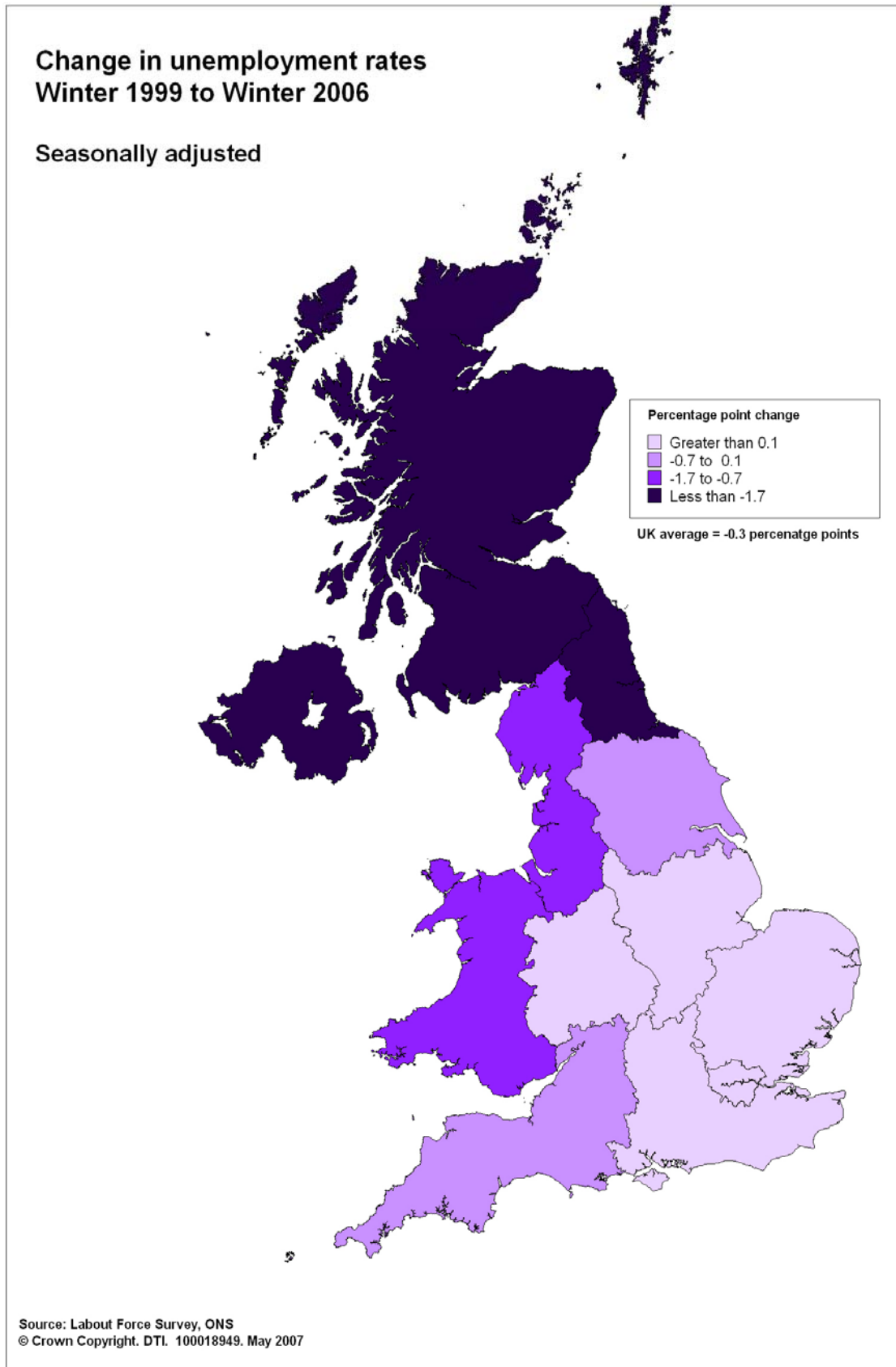
During winter 2006, the unemployment rate was lowest in the South West at 3.8 per cent, as compared to a rate for the UK at 5.5 per cent. During this time, London had the highest rate of unemployment of any UK region at 7.9 per cent.

Map 7(b) shows that between winter 1999 and winter 2006 unemployment rates decreased in seven of the twelve UK regions, but West Midlands, East of England, London, South East and East Midlands saw unemployment increases of around 0.5 percentage points. The largest falls were 2.6 percentage points in Northern Ireland, 2.3 percentage points in Scotland and the North East 2.0 percentage points – compared with an overall decrease across the UK of 0.3 percentage points.

Chart 7(a)



Map 7(b)



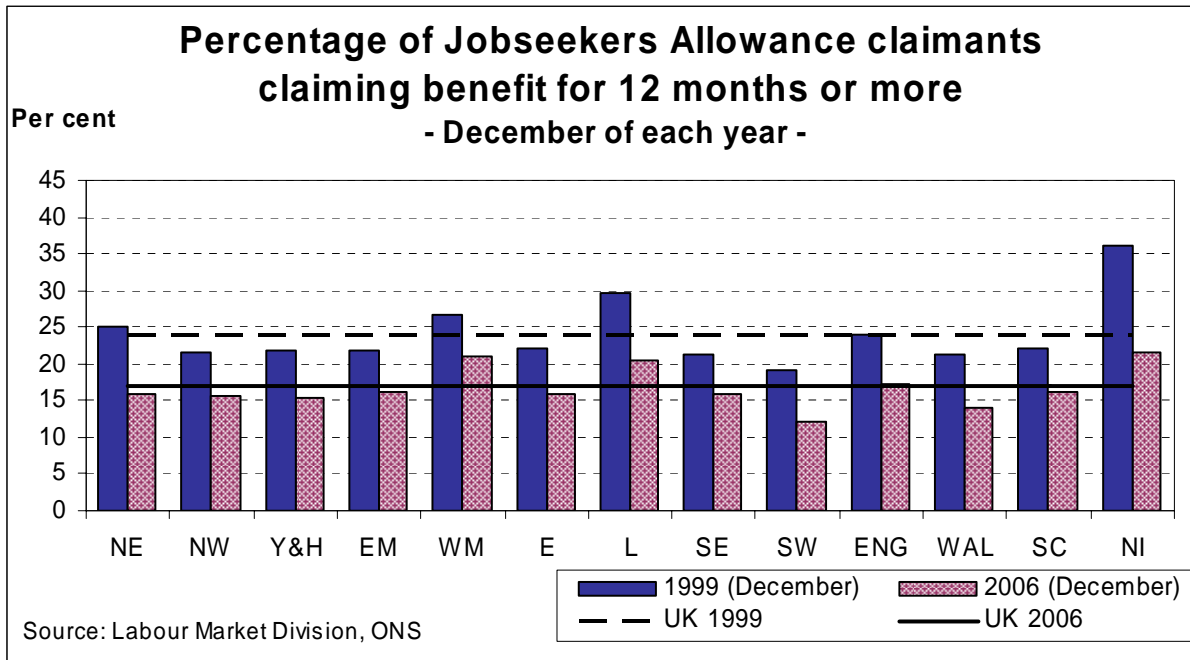
8. Claimant count

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 2006 were highest in the North East with a rate of 4.4 per cent, and lowest in the South East and the South West, at 1.8 per cent for both regions. All regions show a decrease in the proportion of claimants in the workforce between December 1999 and December 2006, with the largest drop of 2.5 percentage points in Northern Ireland.

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 24.1 per cent of all claimants in December 1999 to just over 17.1 per cent in December 2006. Northern Ireland had the largest decrease during this period by over 14 percentage points. The highest percentage of long-term claimants during December 2006 was also in Northern Ireland, where 21.6 per cent of benefit recipients had been claiming for a year or more.

Chart 8(b)



9. Educational and vocational attainment

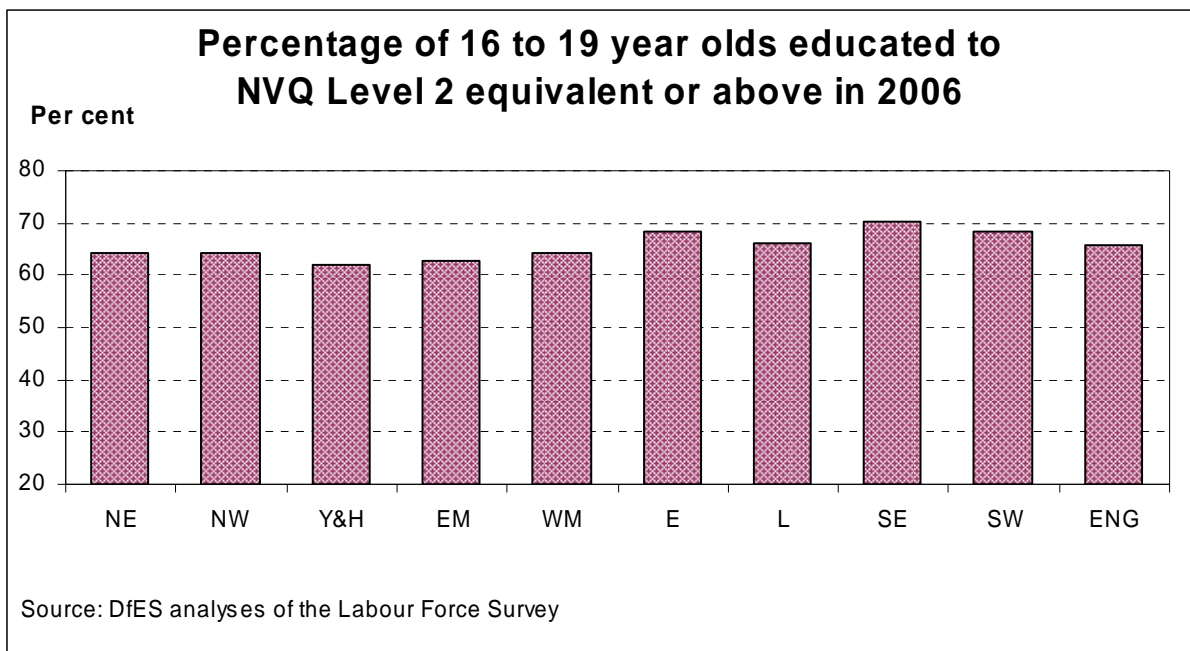
The indicators included within this section relate to the Department for Education and Skills' (DfES) PSA and Learning and Skills Council (LSC) targets for England, although data are also provided for Wales, Scotland and Northern Ireland. For further information on the targets refer to the link provided here to the DfES website:

<http://www.dfes.gov.uk/publications/5yearstrategyprogress/docs/5yearstrategy-maintexcell.pdf>

The reader should note that due to methodological changes the statistics contained in the table and charts for the 9(a) series have recently been changed. Data between 1999 and 2005 were based on samples taken from the Labour Force Survey (LFS). This has subsequently been replaced by estimates derived from administrative sources (2006 data) because the sample size for these age groups in the LFS was very small, however information derived from the new methodology is only available for the nine English regions. Refer to *Definitions* for further information.

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 2006 across the English regions as a whole, the South East had the highest proportion of 16-19 year olds qualified to NVQ level 2 or above at 70.2 per cent and Yorkshire and the Humber had the lowest proportion at 61.9 per cent.

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. In 2006 the proportion at level 2 or above was also lowest in Yorkshire and the Humber with 68.4 per cent and the lowest proportion at level 3 or above was the North East at 40.9 per cent.

The 1999 to 2005 data derived from LFS are still presented here but it is hard to assess whether changes between these years and 2006 are real or represent differential effects at regional level of the change of methodology.

Chart 9(a)(ii)

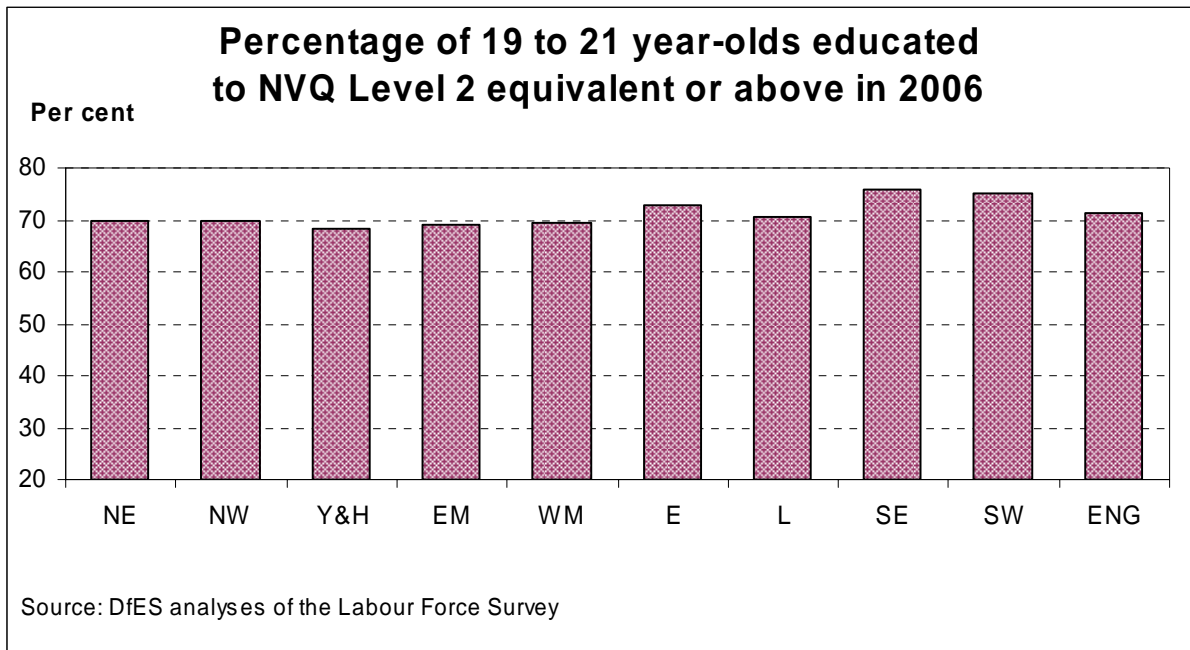
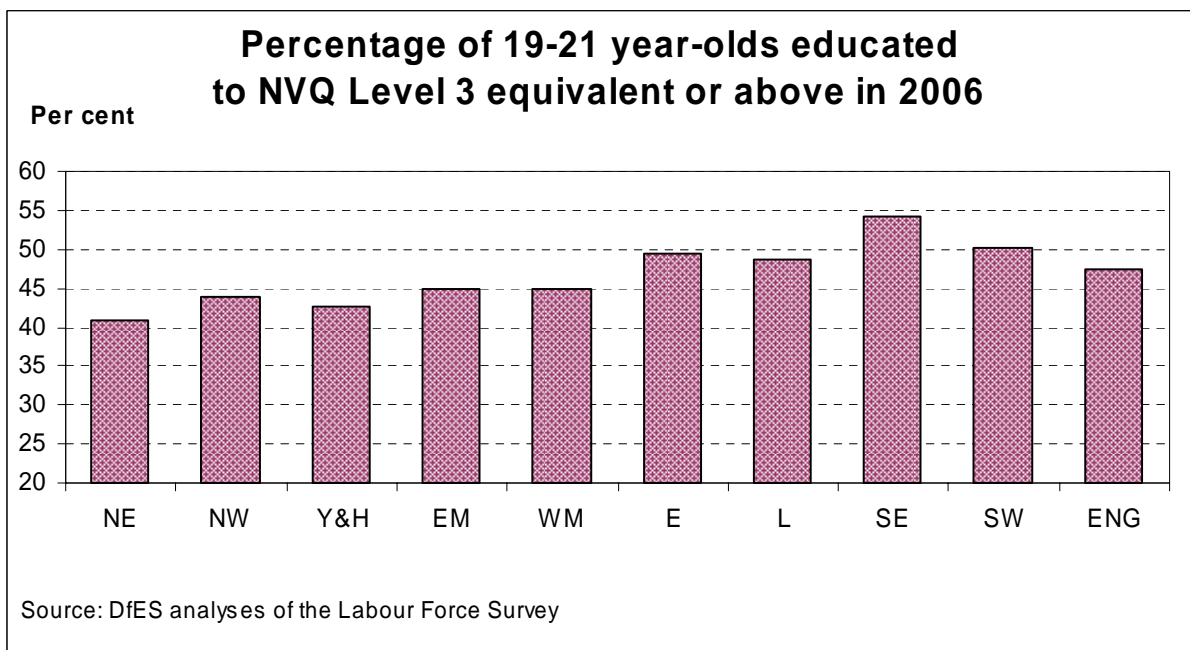


Chart 9(a)(iii)



No methodological changes were necessary for economically active adults as a whole because the LFS samples are sufficiently large. 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. Note that in 2006 data for the LFS reverted from seasonal to calendar quarters and therefore the later are now provided in this publication, with a back series to 1997. Across the UK, in quarter 4 2006, almost 33 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 (43.5 and 37.1 per cent respectively) but Yorkshire and the Humber relatively poorly (27.5 per cent).

Achievement at NVQ level 3 displays a similar pattern. Over half (52.8 per cent) of economically active adults in the UK have level 3 or above, with the highest proportion in Scotland (58.4 per cent) and the lowest in the East of England (47.8 per cent). Table 9(b)(iii) shows Scotland having the highest proportion of adults qualified to NVQ level 2 or above (77.8 per cent) and East of England as having the lowest (70.9 per cent).

Between quarter 4 of 1997 and 2006, the proportion of adults with level 2 or above grew fastest in the North East (15.3 percentage points). The same is true for the proportion of adults with level 3 or higher, the North East showing growth of 12.7 percentage points. London showed the highest growth in proportion of adults at level 4 or above with a 10.4 percentage point increase over the same period, though actual percentage growth, from a larger 1997 base level, was close to the UK average.

Chart 9(b)(i)

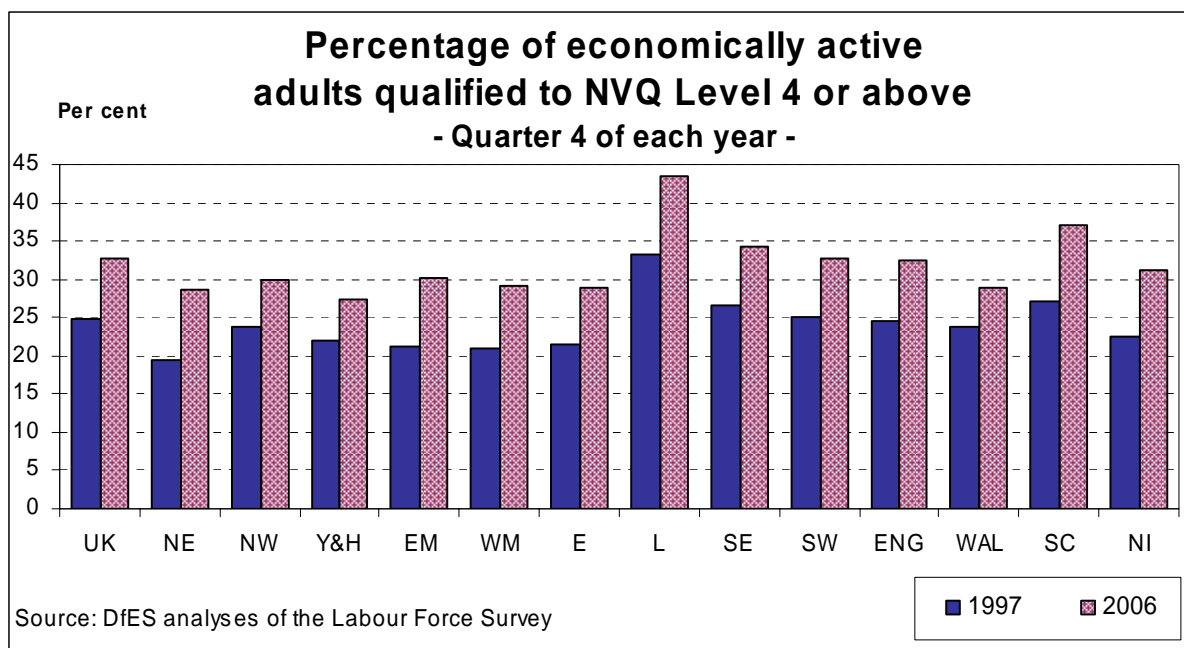


Chart 9(b)(ii)

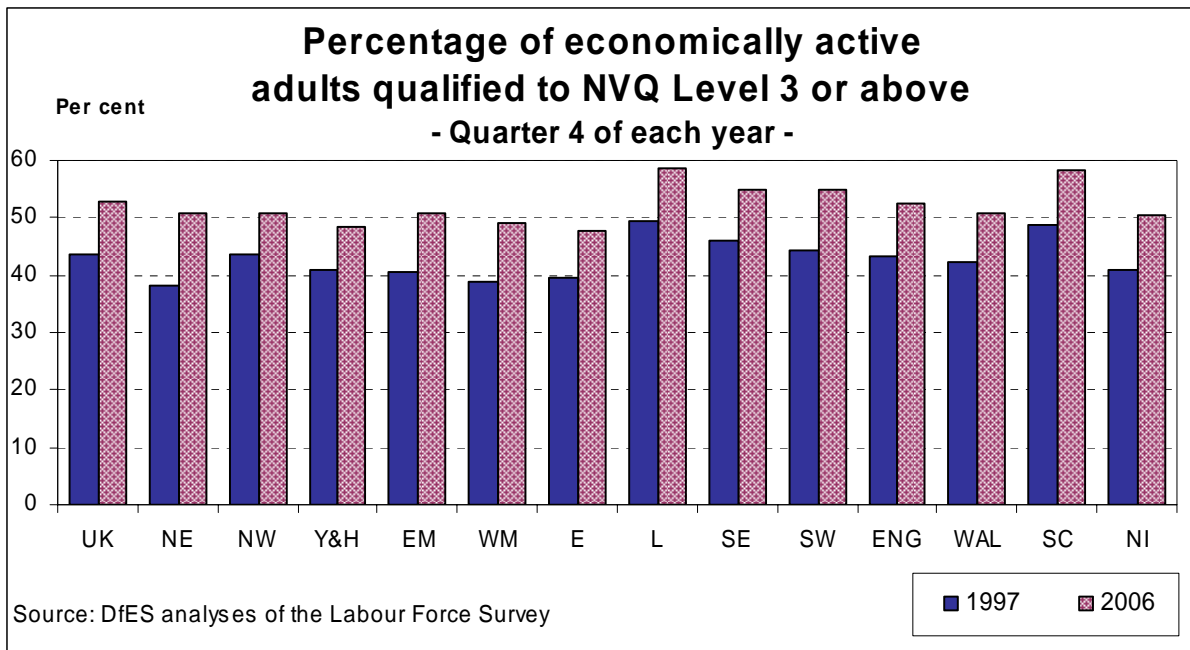


Chart 9(b)(iii)

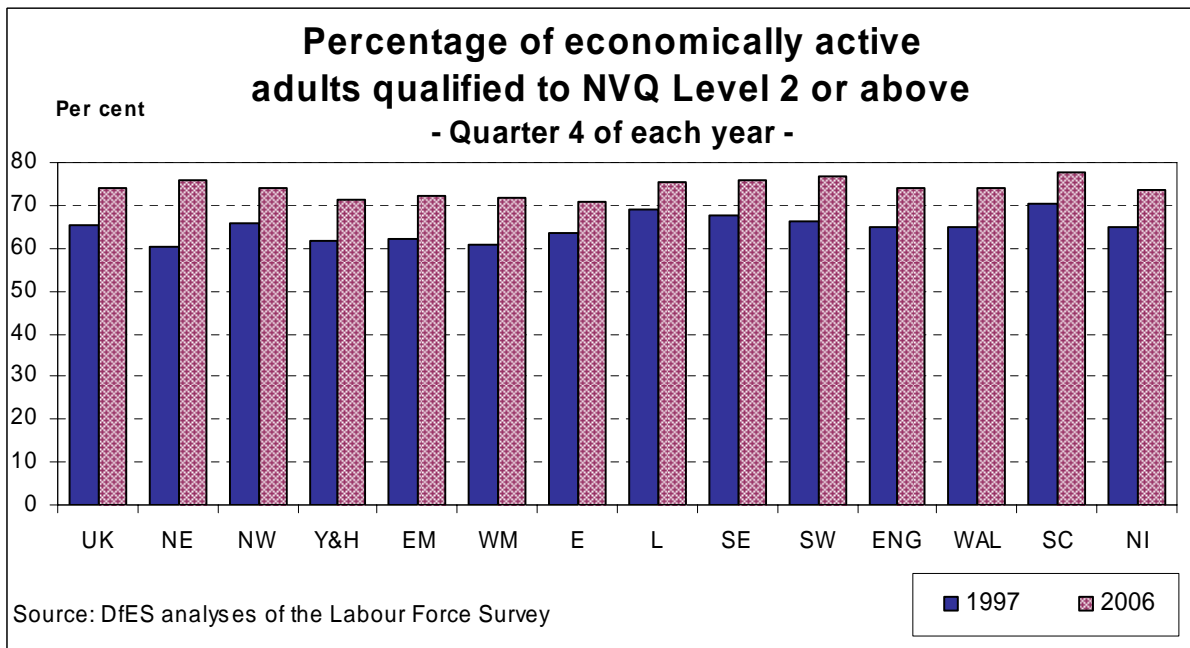
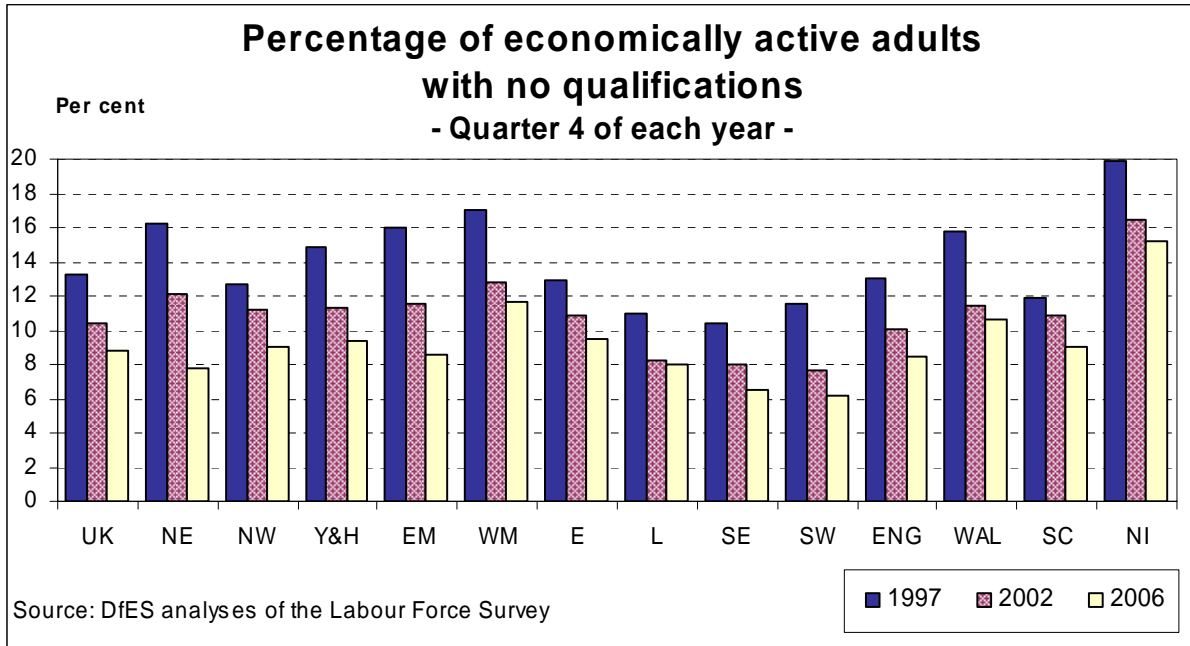


Chart and Table 9(b)(iv) show the proportion of economically active adults in each region who have no qualifications. In quarter 4 of 2006, fewer than 1 in 10 adults in the UK had no qualifications. This proportion was broadly repeated across the English regions, Scotland and Wales but was exceeded in Northern Ireland where roughly 1 in 6 adults had no qualifications (15.2 per cent). The lowest figures were in the South East and South West, where each respectively had just 6.5 and 6.2 per cent of adults with no qualifications. Between quarter 4 of 1997 and 2006, the North East saw the greatest drop in proportion of adults without qualifications (8.5 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

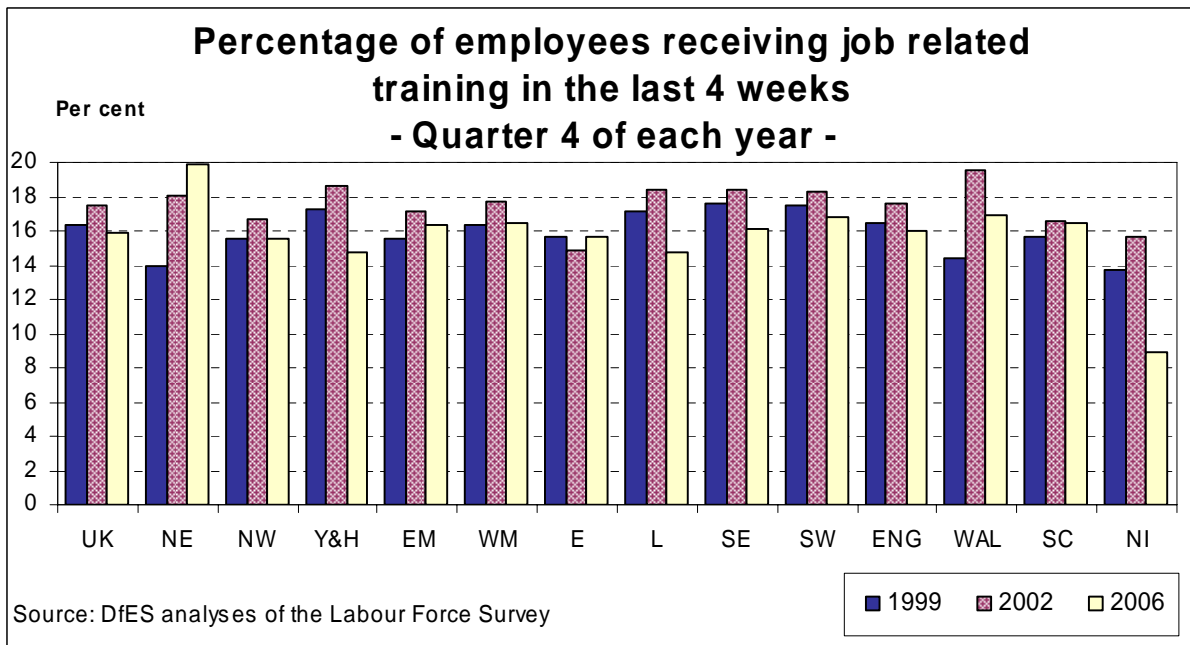
mobility of people with certain qualifications, as they do about the social and demographic characteristics of other regions.

Chart 9(b)(iv)



Roughly 1 in 6 employees in the UK received job related training in the previous 4 weeks (15.9 per cent) as shown in Table and Chart 9(c). This pattern is broadly repeated across all regions, except for Northern Ireland, where only 1 in 10 received training (8.9 per cent).

Chart 9(c)



Section 3 Deprivation

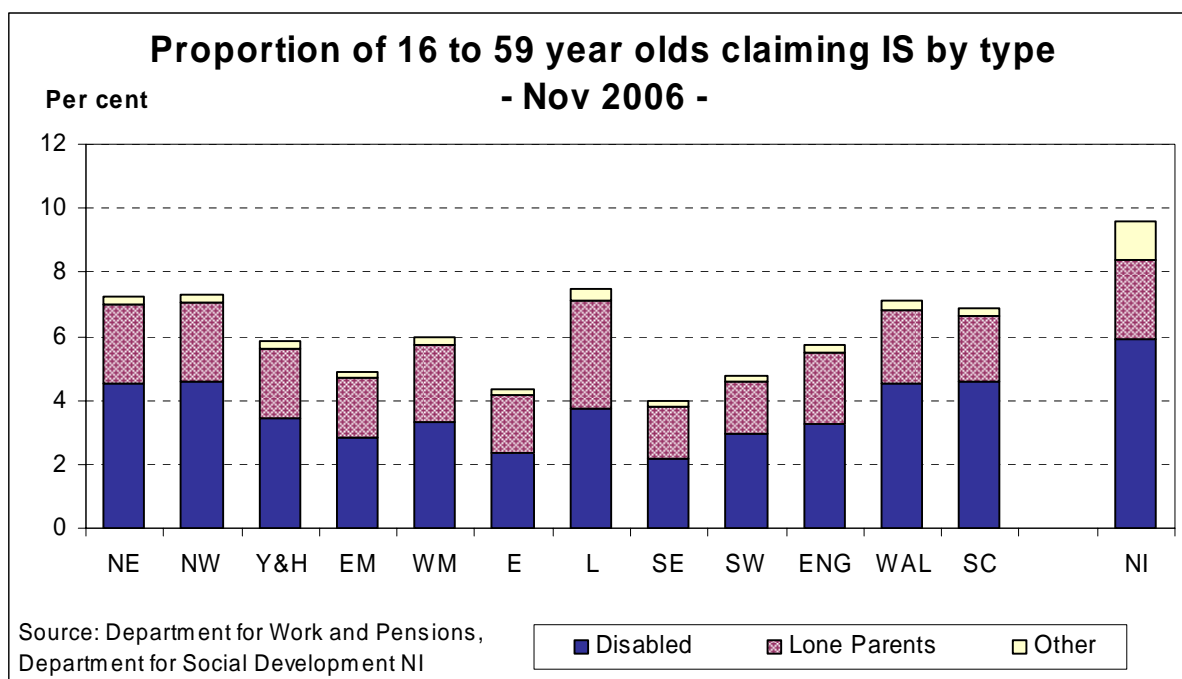
10. Income Support claimants

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 16-59 year olds from November 2003 onwards. Tables 10(b) to 10(e) break down the claims for IS by broad client group, namely, Pension Credit, Disabled, Lone Parents and 'Other' claimants. Northern Ireland figures are not directly comparable with the rest of the UK due to differences in data collection. Please see *Definitions* for explanation and for details of the introduction of Pension Credit in October 2003.

In November 2006, London had the highest proportion of the 16-59 population claiming IS than any other region in Great Britain, at 7.7 per cent. The next highest proportions were in the North East and North West, with 7.6 per cent for both regions. The Northern Ireland figure was 9.7 per cent. Since November 2003, 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 November 2006. These patterns have been prevalent among the regions before and after the introduction of Pension Credit in the autumn of 2003.

Chart 10 shows that London has a higher proportion of IS recipients claiming Lone Parent IS (3.3 per cent of the 16-59 population) than regions.

Chart 10



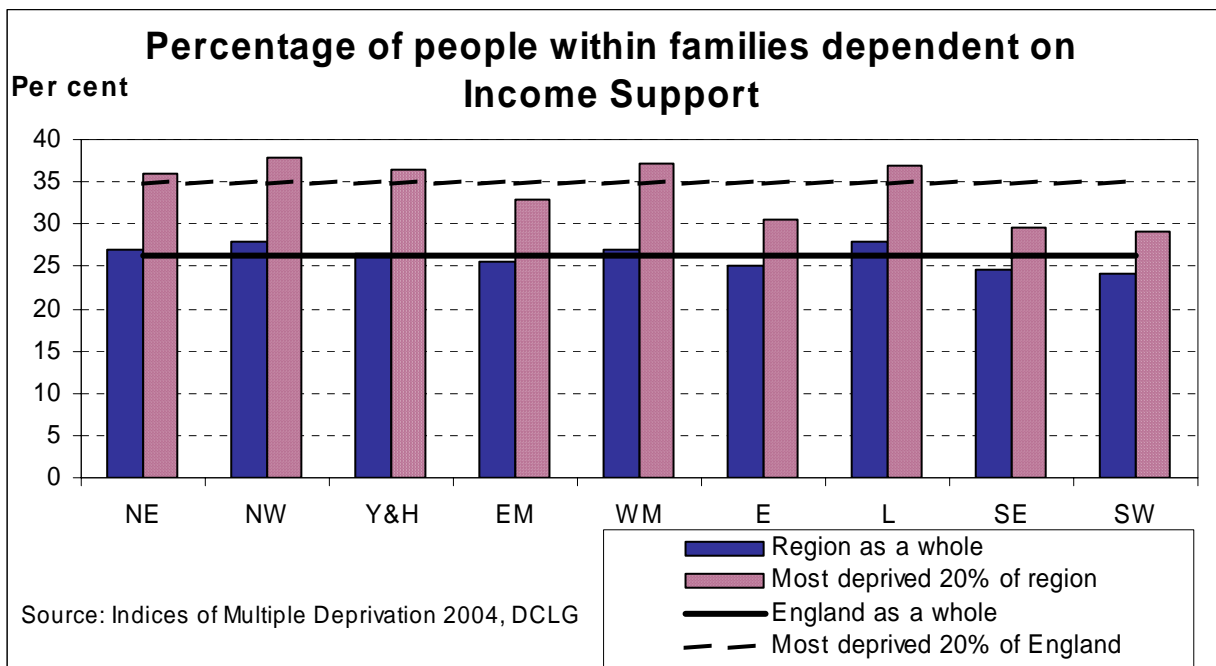
11. Income deprivation

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 2004 (IMD 2004) for England. See *Definitions* for further details.

Within each region, the lower layer of the Super Output Areas⁵ (SOA) have been ranked according to their overall deprivation score in the IMD 2004. 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 SOAs 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 areas within each region, it may well be that the average value claimed in the most deprived areas is higher than in the less deprived areas. 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



⁵ Super Output Areas (SOAs) are a new geographic hierarchy designed to improve the reporting of small area statistics in England and Wales. More information is available from the ONS website: <http://www.statistics.gov.uk/geography/soa.asp>

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

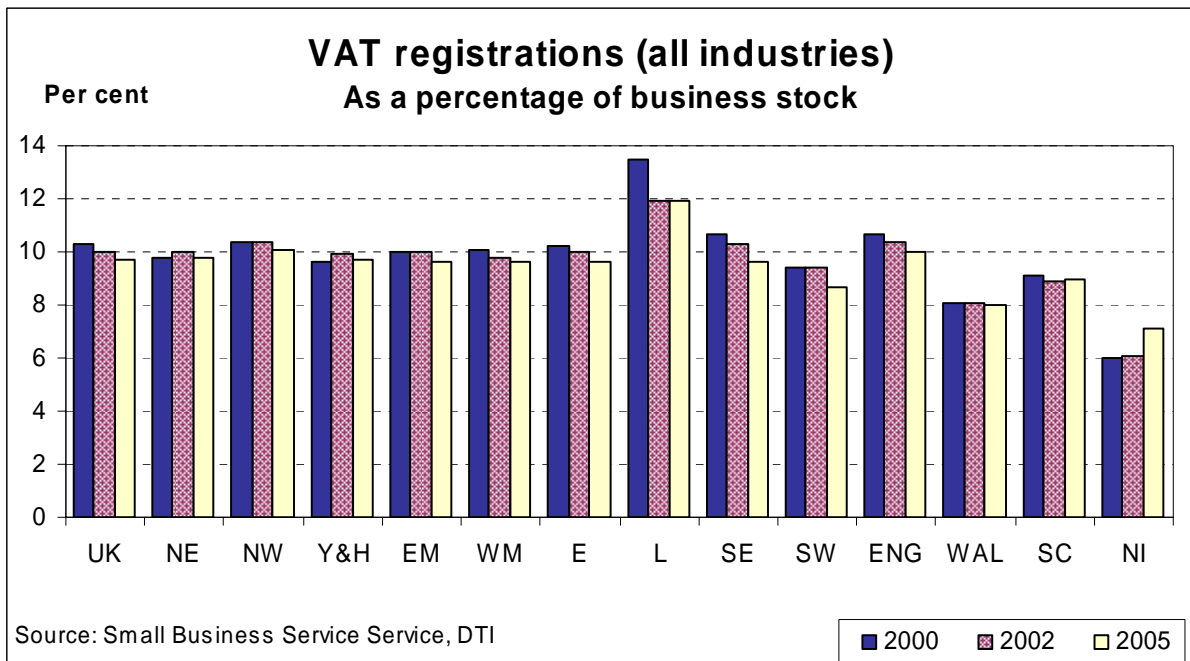
An indicator of business formations is the number of new Value Added Tax (VAT) registrations each year as a percentage of enterprises registered for VAT at the end of that year.

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 manufacturing industries were lower in all regions except in Northern Ireland 2005 compared to 1998. There was a similar pattern in the service industries, with rates falling in all regions, though Northern Ireland remained relatively stable at 9.2 per cent of VAT registered business stock).

The impact of these changes on the UK rate for all industries is a drop from 10.9 per cent of business stock in 1998 to 9.7 per cent in 2001, then increasing to 10.7 per cent in 2003 followed by a decrease to 9.7 per cent in 2005. Between 2004 and 2005, the rate for all industries fell in nearly all English regions, Scotland and Wales.

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 2005, 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)



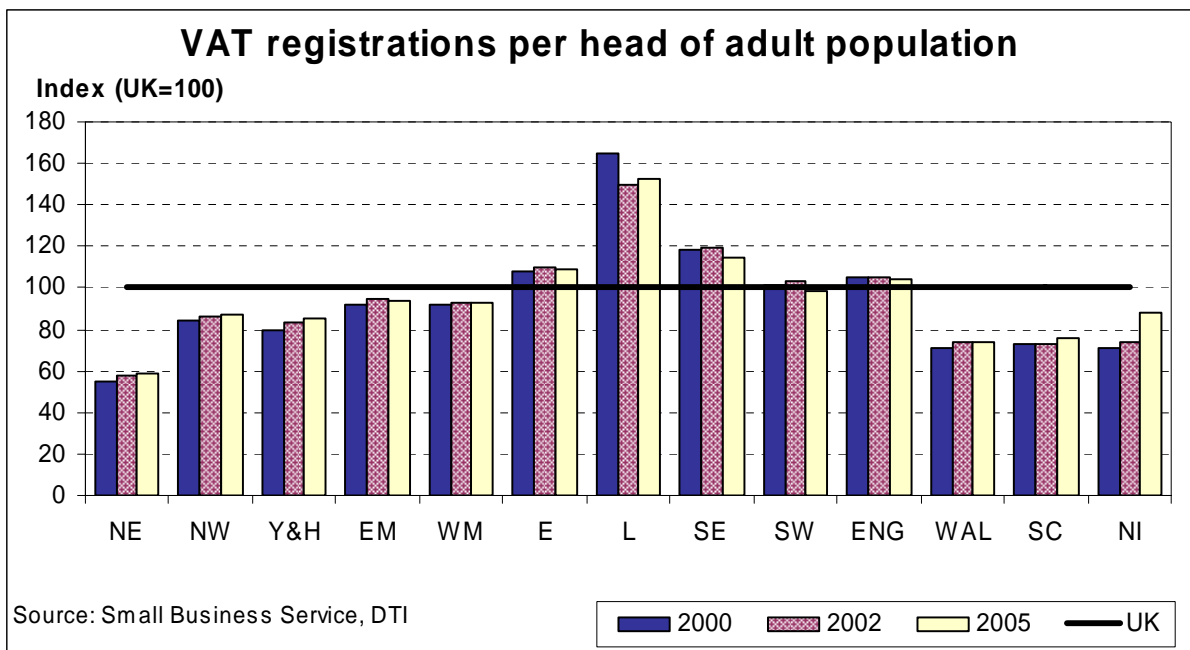
VAT registrations as a percentage of the adult population

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 2005.

Between 1998 and 2005, registrations per head were lowest in the North East (between 20 and 24 registrations per 10,000 adults each year, not much more than half the UK rate). London had the highest registration rate but the differential compared to the UK as a whole fell considerably over the period. Northern Ireland, Yorkshire and the Humber and the North East showed the biggest relative increases.

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.

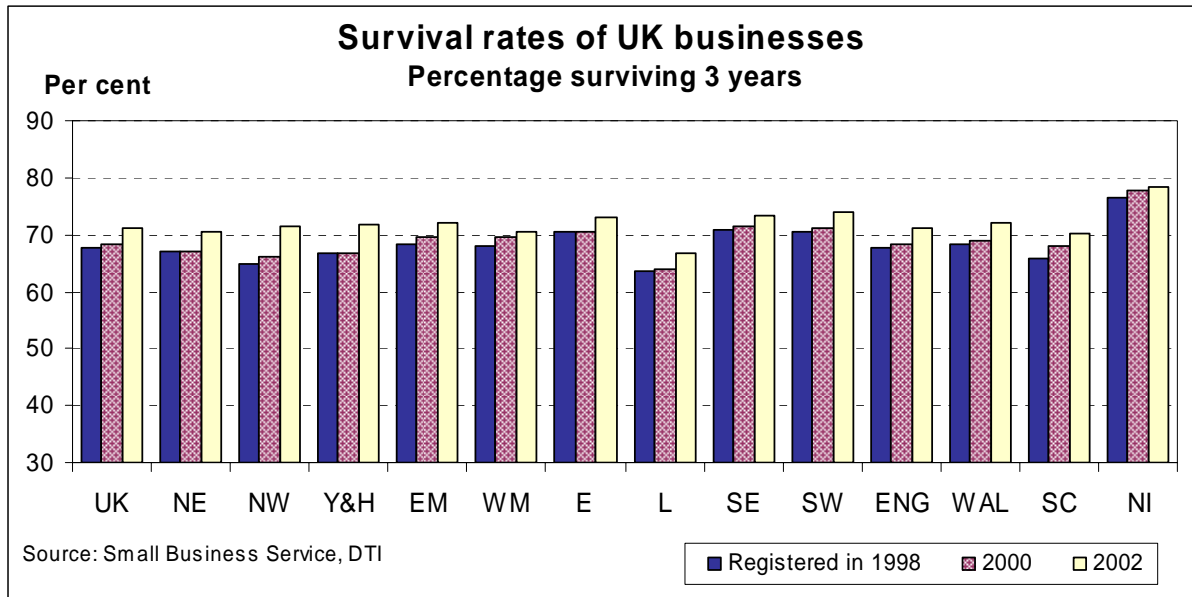
Chart 12(b)



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 have increased year on year (with the exception of 1998 when rates fell) to a high of 71.3 per cent for businesses registered during 2002. Chart 12(c) indicates that this overall pattern has been repeated in most of the English regions, as well as in Wales and Scotland. In Northern Ireland three year business survival rates in 2002 were similar to those in 1995.

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 before dropping to 5.8 per cent in 2006. The rate of TEA increased in all regions between 2002 and 2006, except Scotland which fell marginally. The South West had both the biggest increase (2.6 percentage points over the four years to 2006) and the highest levels of entrepreneurial activity in 2006 at 7.7 per cent.

Chart 13

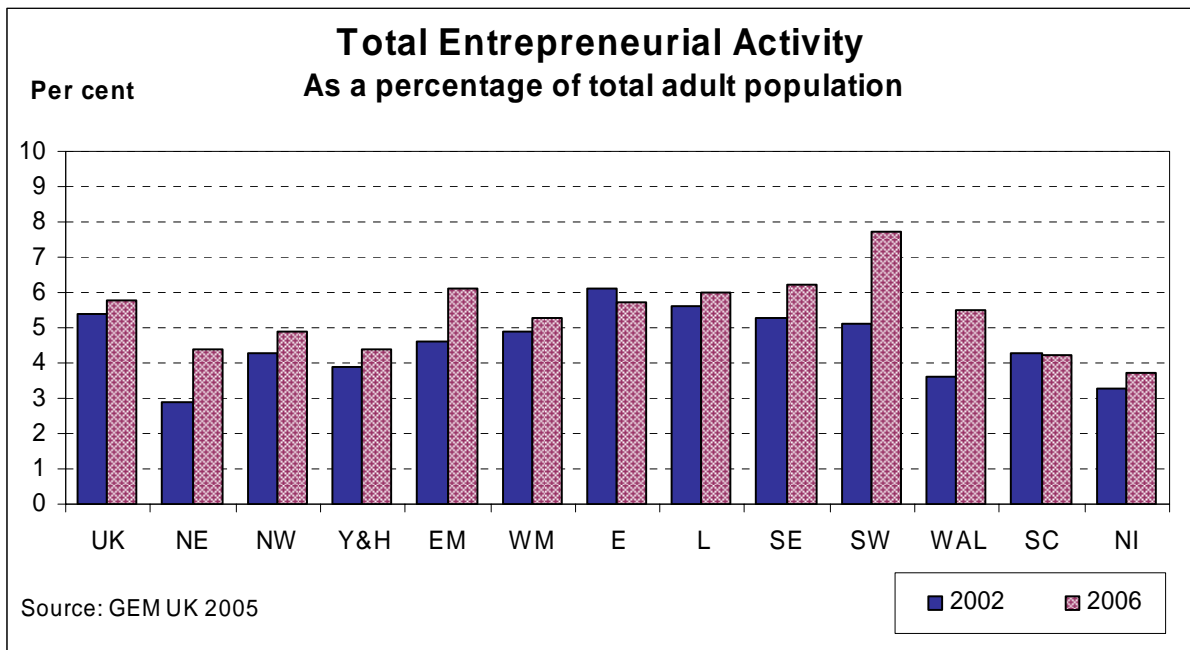


Table 13(b) details the proportion of adults who expect to start a business in the next three years. This can be used cautiously to gauge entrepreneurial intention across the UK. Between 2003 and 2006, the UK rate increased from 7 per cent to 7.8 per cent. This increase is reflected across most of the English regions except East of England, London and South West and also Wales, Scotland and Northern Ireland, where the rate decreased.

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 1995 to 2004. 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 per cent in 2004, 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 15.8 per cent of GVA in 2004, while the next highest spend was in the South East, at 13.1 per cent of GVA. Northern Ireland, North East and Yorkshire and the Humber had the lowest proportional spend on R&D in manufacturing, at 2.0 or 2.1 per cent of GVA.

Over the period 1995 to 2004, Wales has seen the proportion of GVA spent on manufacturing R&D more than double, from 1.1 to 2.7 per cent, while the North West of England shows an increase from 4.7 to 8.6 per cent of GVA.

Chart 14(a)

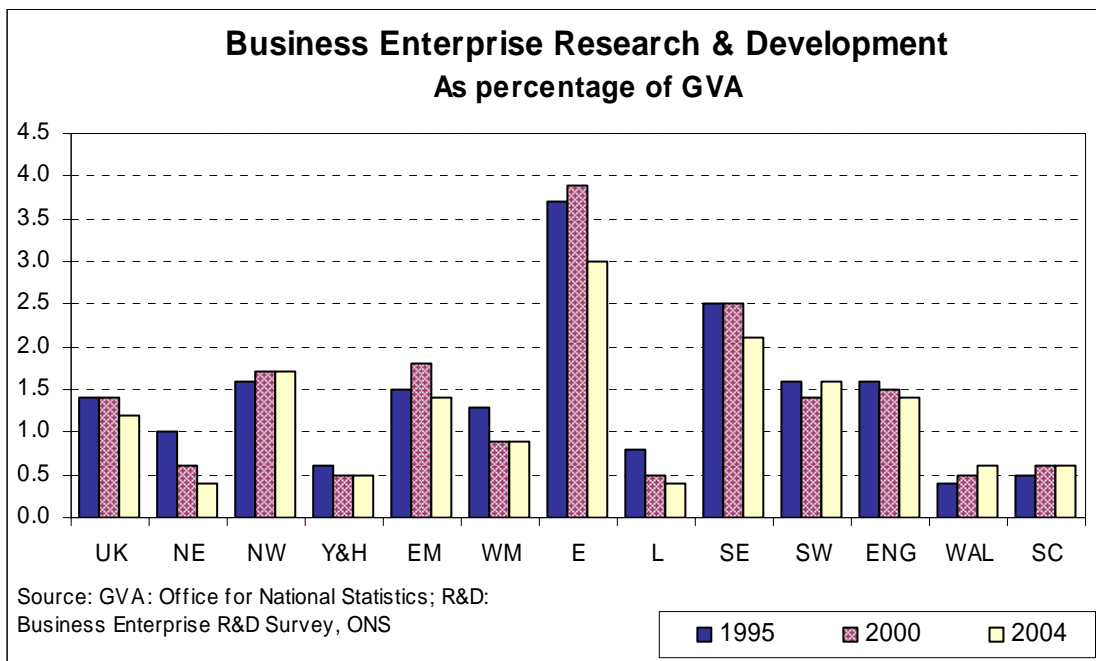
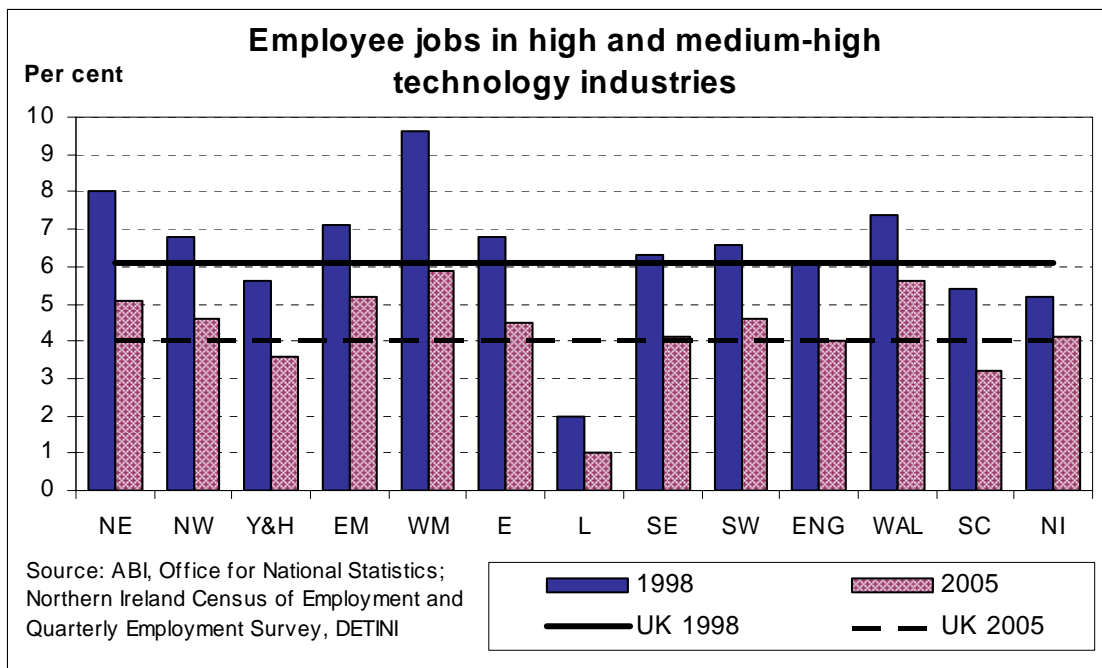


Chart and Table 14(b) show the proportion of employee jobs in high and medium-high technology manufacturing industries. Across the UK, 4 per cent of all employee jobs were classified as high or medium-high technology industries during 2006, a fall of 2.1 percentage points from the 1998 figure. This fall is due to two factors: a decrease of over 25 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 2005 period.

The fall in the level of high and medium-high technology jobs between 1998 and 2005 occurred in every region and country. Even though the West Midlands saw a reduction of over 37 per cent between 1998 and 2005, it still had the highest proportion of this type of job (at 5.9 per cent of all employee jobs), with the lowest in London (at 1 per cent). London and Scotland have also been particularly affected, with decreases in the level of these jobs of 44 and 35 per cent respectively.

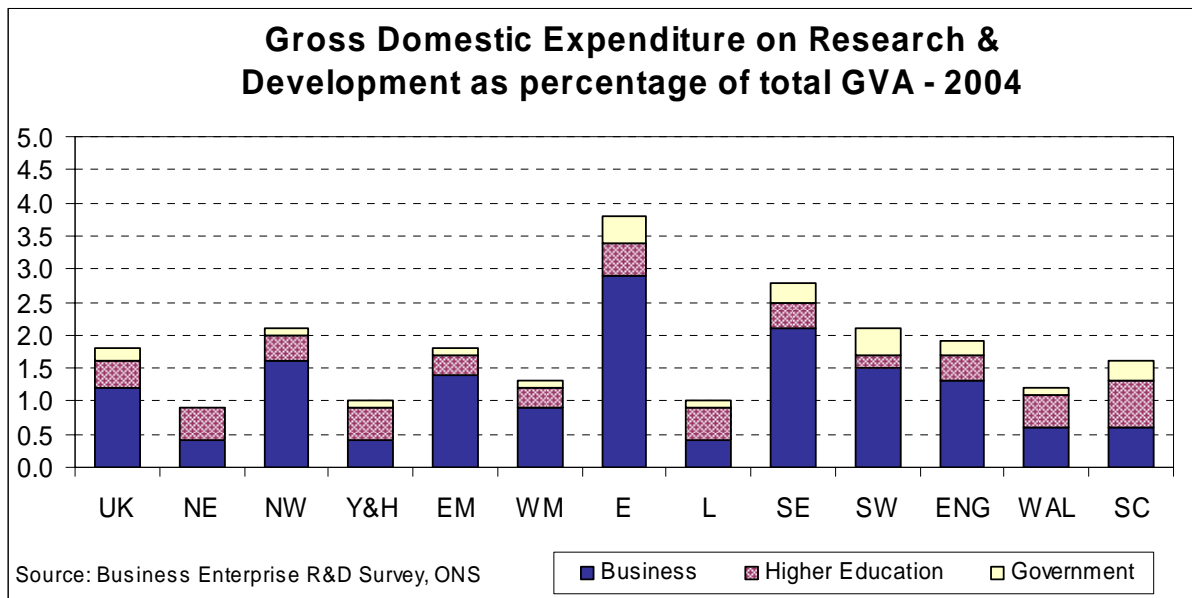
Chart 14(b)



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 2004 in the UK, GERD in each sector has remained fairly constant as a percentage of GVA at around 1.3 per cent for business, 0.2 per cent for Government and 0.4 per cent for Higher Education. In the same period, the East of England has seen the largest decrease in business GERD (0.6 percentage points), whilst for government GERD the South East had the largest fall (0.3 percentage points). Higher education GERD has remained fairly flat across all regions; Northern Ireland having the largest increase of 0.2 per cent points.

Chart 14(c)

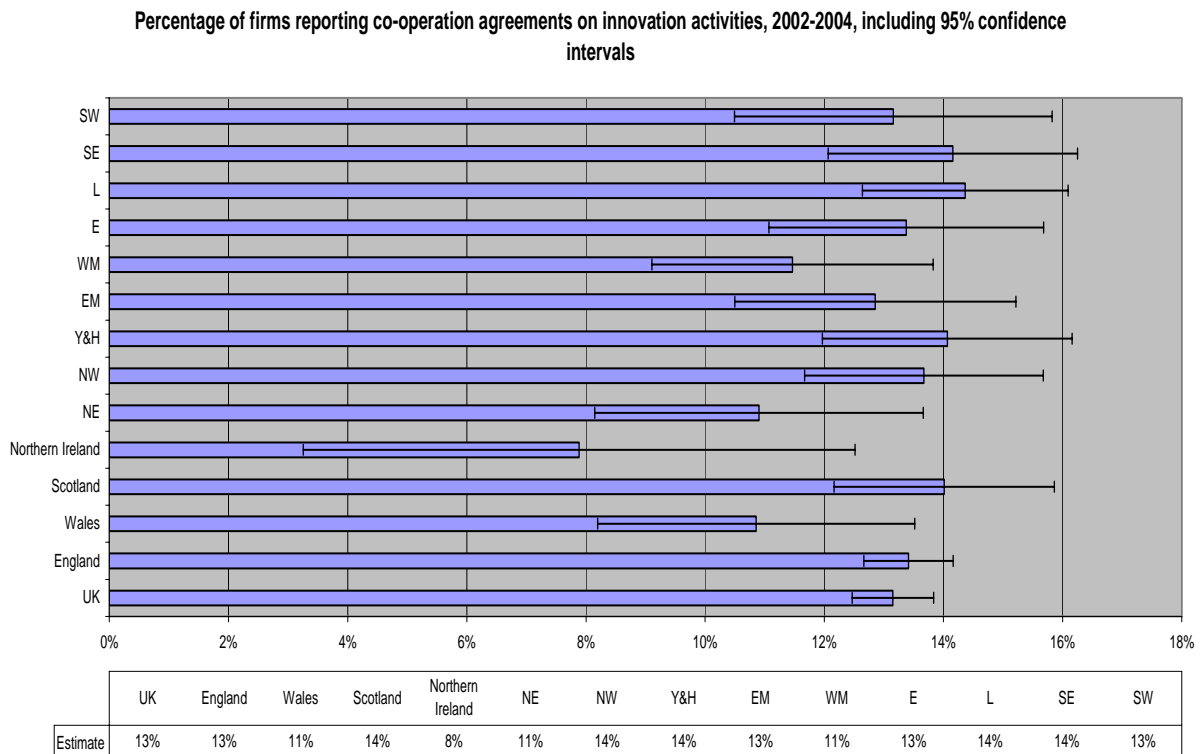


Co-operation and new or improved products

Innovation co-operation is the extent to which firms actively participate in joint innovation projects (including research and development) with other organisations. Chart 14(d) 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. See *Definitions* section for more details on the Community Innovation Survey (CIS).

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, most of the regions have similar proportions of firms reporting co-operation agreements (roughly 13-14 per cent) with the exception of Northern Ireland, which has 8 per cent of firms with agreements. The overall UK figure, of around 13 per cent of firms, represents a fairly robust estimate with small confidence intervals.

Chart 14(d)



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, 35 per cent of turnover in the manufacturing of electrical and optical equipment can be attributable to new, improved or novel products. This ranges from 51 per cent of turnover in Northern Ireland and the South East to 16 per cent of turnover in Scotland.

Section 5 Land and Infrastructure

15. Transport

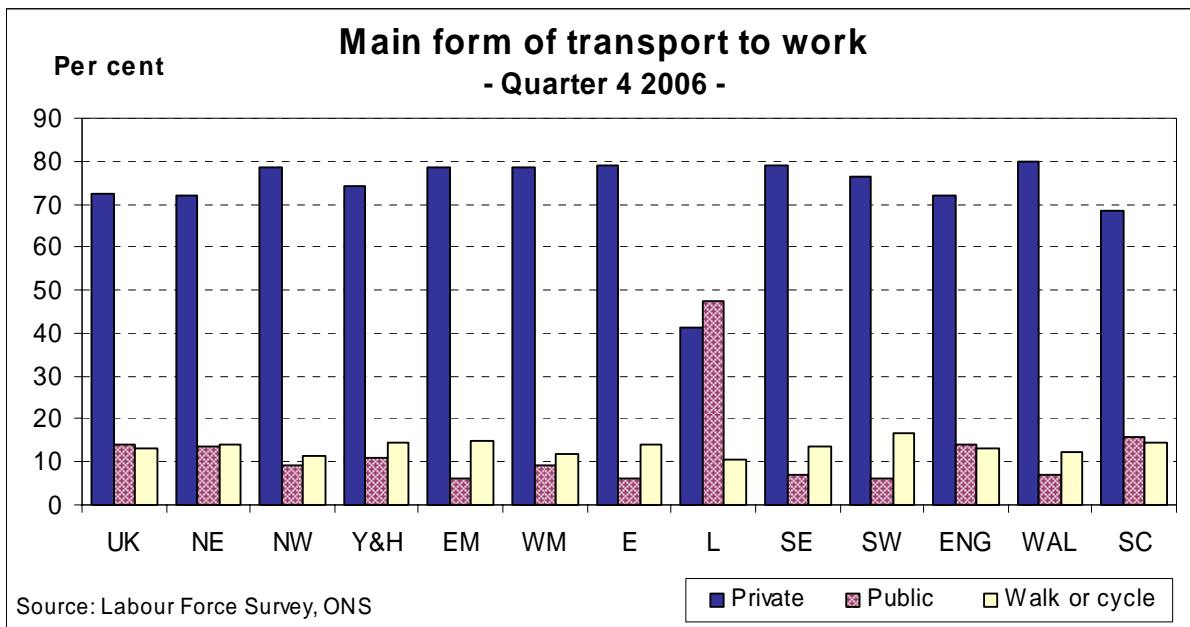
Two indicators are used to assess the transport infrastructure in the regions and devolved administrations:

- 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 Quarter 4 2006 nearly three-quarters of people travelling to work in GB 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 half of all those who work in London using public transport to get there.

Chart 15(a)



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 increased in every region in Great Britain between 1993 and 2005, with the biggest increase in the South East of almost a thousand more vehicles a day.

Chart 15(b)

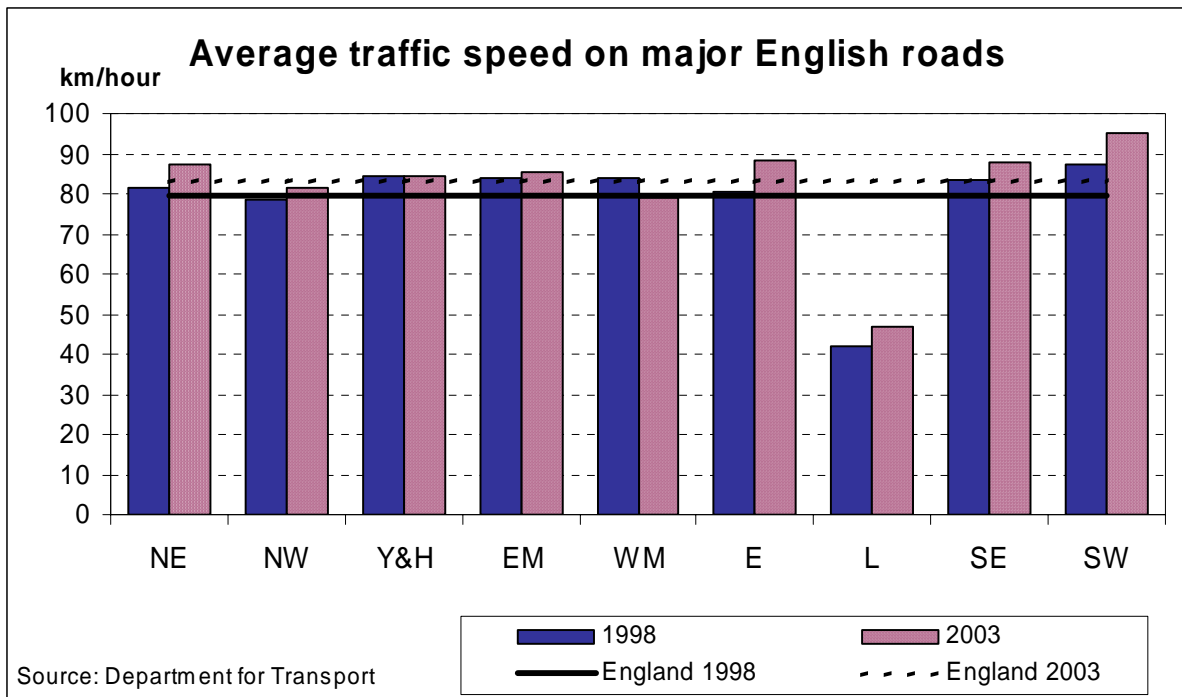
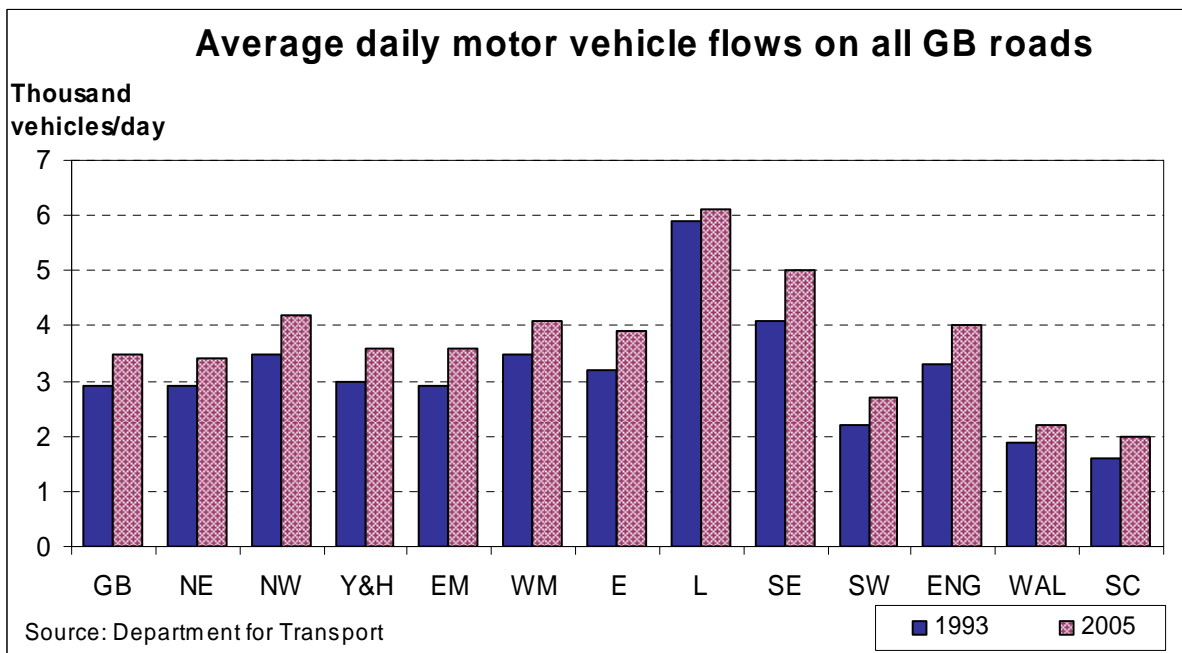


Chart 15(c)



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 'London and South East' differential for industrial property compared with the UK as a whole increased by 20 per cent between April 1998 and January 2007. Relative office rental costs in London have fluctuated more than elsewhere, the index peaking at 239 per cent of the UK average in April 2002, then falling back before rising again to 202 per cent by January 2007.

Relative office rental costs increased by 20 per cent in the North East between April 1998 and January 2007. while Northern Ireland showed a relative fall of 17 per cent.

Chart 16(a)

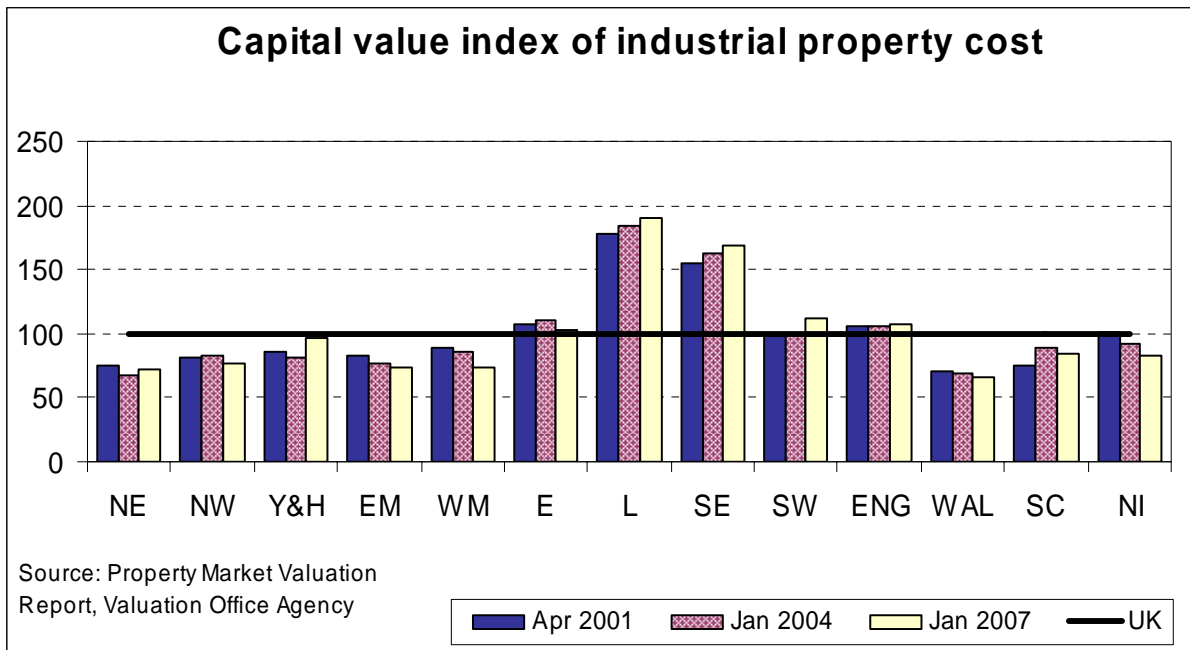
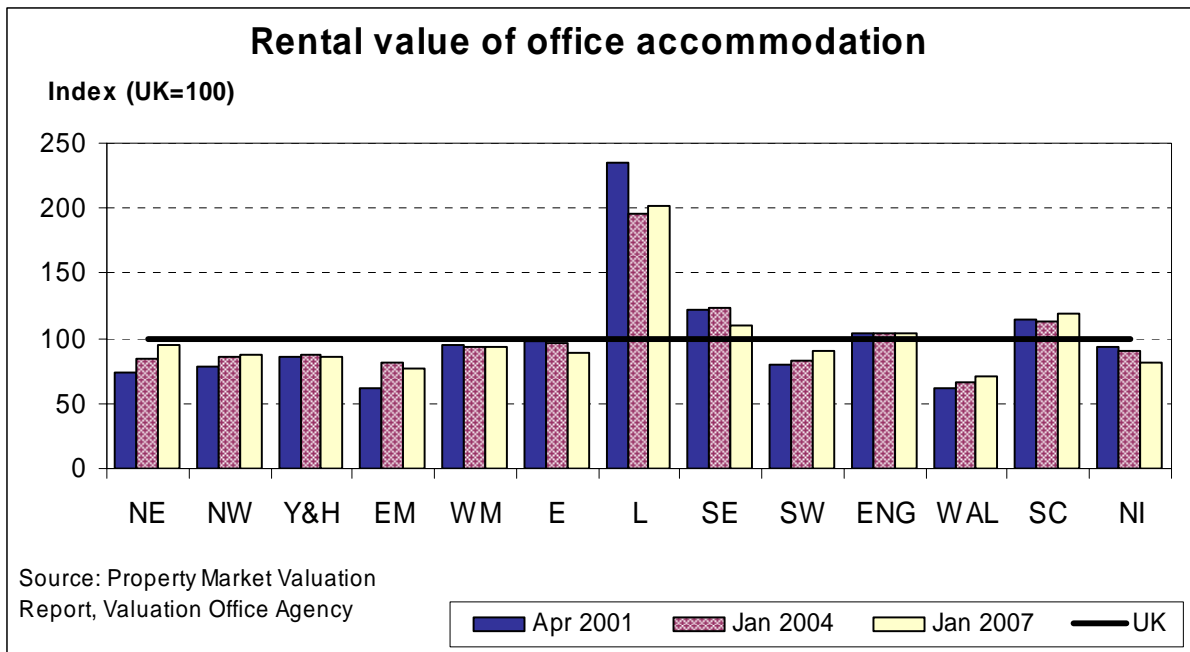


Chart 16(b)



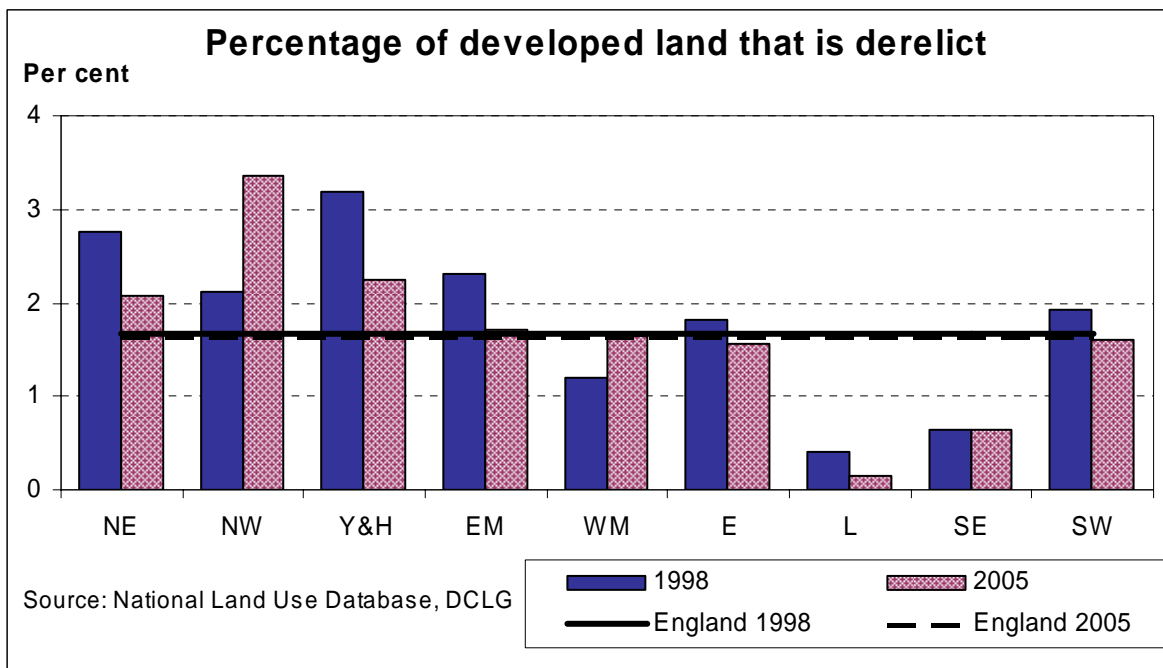
17. Re-use of vacant and derelict land

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 2004. 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 2005, this pattern had changed, with the North East having the highest percentage of previously developed vacant land (at 2.8 per cent of total stock) and the North West the highest proportion of derelict land (3.4 per cent – an increase of 1.3 percentage points on the 1998 figure).

The lowest percentage of developed land left unused and/or derelict during both 1998 and 2005 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**

National and regional mid-year population estimates (MYE) for 2004 were published by ONS in Aug 2006 and revised projections for 2005 and later were published in October 2006. These revised population estimates have been incorporated into LFS estimates using interim re-weighting adjustment methodology. Data in Table 15(a) are taken from the LFS micro-data, which have not been adjusted. It is planned that modernised LFS processing systems will be introduced that will enable future population data to be incorporated into revised LFS micro-data much more swiftly than is now possible. Currently the aim is to complete this part of ONS's statistical modernisation work by mid 2007.

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 (at market prices) includes taxes (less subsidies) on products (mainly Value Added Tax) while GVA (at basic prices) does not. ONS does not presently attempt to apportion taxes on products to regions.

These indicators contain two separate measures of economic activity that fall under the broad definition of 'GVA'. The data in Tables 1(a) and 2(a) and (b) taken from the regional economic accounts, produced by ONS, which are calculated based on a series of economic and labour market surveys. The same source is used for the denominators in Tables 3(c), 4(a)(ii), 14(a) and 14(c). In some cases (Tables 2(a), 3(c), 14(a) and 14(c)) it should be noted that they exceed published GVA estimates and those used in other productivity measures because ONS does not presently attempt to apportion the adjustment for Financial Intermediation Services Indirectly Measured (FISIM) by region.

The second set of GVA data that appear in Table 3(b) are based on a single survey: approximate GVA from the Annual Business Inquiry/2 (ABI/2). The GVA estimates taken from the regional economic accounts cover a greater portion of the economy and are thus a much broader measure of regional economic activity than the ABI series. In particular, the ABI financial data do not cover Section J (Financial intermediation), Section L (Public Administration and Defence; Compulsory Social Security) and the majority of Section A (Agriculture, hunting and forestry). In sections M (Education), and N (Health and social work), local and central government are excluded. Section N also excludes public sector hospitals, medical and dental practises and some charitable sociable work.

There are also some discontinuities in coverage over time; ABI did not cover Section B (Fishing) and Division 02 (Forestry) before 2000, or any part of Section A before 2001. More information on ABI coverage, variables and methodology can be obtained from www.statistics.gov.uk/abi/.

Regional GVA estimates presented in this publication are workplace-based. This means that the earnings of employees who commute across regions are allocated to the region where they work and not where they live. 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. However the statistics provided here are on a per head basis and therefore are deflated by the population which is based on a residence basis.

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. For 2004 data and subsequent years the New Earnings Survey was replaced by the Annual Survey of Hours and Earnings. Estimates of average weekly pay using the ASHE methodology are higher than those previously taken directly from NES for 1998 to 2003. GVA estimates used in UK figures include extra-regio. The GVA for Extra-Regio comprises compensation of employees and gross operating surplus which cannot be assigned to regions, based mainly on offshore activities.

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 nor 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

Labour productivity in manufacturing and other industries is calculated by dividing workplace-based GVA for manufacturing, services and the 'other industries' sector by the number of workforce jobs within each sector. The estimates of GVA are drawn from the regional economic accounts produced by the Regional Accounts branch in ONS.

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.

Regional estimates of GVA per filled job and GVA per hour worked have been calculated using GVA figures as published in the regional accounts. The annual hours figure that is used in the compilation of the GVA per hour worked index is an average of the four quarters' Labour Force Survey (LFS) data for Employees and Self employed, and annual data for Government Supported Trainees (from Workforce Jobs and the LFS), and HM Forces data provided by the Ministry of Defence.

The estimates of GVA are drawn from the regional economic accounts produced by the Regional Accounts branch in ONS.

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

Gross Value Added (GVA) from the Annual Business Inquiry is used to differentiate the output of UK-owned and foreign-owned companies. For a further description of GVA, please refer to section 1 of the *Definitions*. Estimates of Gross Value Added shown here will not be exactly the same as those published in the Regional Accounts, the basis of tables 1 and 2.

Net Capital Expenditure is used as a proxy for investment and is calculated by adding the value of new building work acquisitions, plus the difference between acquisitions and disposals of land, 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. ABI does not cover the whole of the economy (see section 1 of *Definitions* for details).

Investment as a percentage of GVA (table 3c) has been calculated, using the GVA data produced by the Regional Accounts branch of ONS. The reader should note that the Net capital expenditure data are not National Statistics and at a regional level are subject to a higher level of error than other data provided in this publication.

4. Exports of goods

The counts in Table 4(b)(ii) of companies exporting goods 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, since the introduction of the Single European Market, 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 £225,000 (during 2006) 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. The statistics shown here have been affected by VAT missing trader fraud. Fraudsters obtain VAT registration to obtain goods from other EU member states and then subsequently sell on the goods at VAT inclusive prices and disappear without paying over the VAT paid to the tax authorities. For further background information on VAT missing trader fraud please use the link provided here:

http://www.statistics.gov.uk/articles/economic_trends/ETAug03Ruffles.pdf

Exports of goods per 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 included 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 was 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 interim adjusted and seasonally adjusted. The interim adjustment here is for slight methodological differences between the way the national and regional LFS estimates and have been interim adjusted for the 2001 Census, and that there may be small differences between the UK totals and the sum of the regional components. However ONS has confirmed that there will be no further need to interim adjust the population data from early 2008. 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 from the LFS, interim adjusted and 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)

The statistics for this section have been supplied by DfES, and are used by the Department monitor progress against a number of Public Service Agreement objectives and targets. These objective 3 All young people to reach age 19 ready for skilled employment or higher education and objective 4 to tackle the adult skills gap. The methodology used to derive the estimates relating to tables 9 (a)(i), 9 (a)(ii), 9 (a)(iii) has changed since the last edition of this publication. Previously a small sample of young people was extracted from the Labour Force Survey (LFS) to derive these estimates, but a subsequent National Statistics Review in 2004 highlighted a number of problems with this data. These included a high sampling error and apparent overstatement of academic achievement in comparison with comparable administrative sources. Consequently a new approach using a number of different administrative data sources was developed. This included using matched data from the School Examination Results Analysis project (SERAP) database, the National Information System for Vocational Qualifications (NISVQ) database and the Individualised Learner Record (ILR) database held by the Learning and Skills Council. However the reader should note that only estimates for the nine English regions have been released, and there are no plans to extend this to all the UK government office regions. For further information regarding the new methodology please refer to latest DfES statistical release here <http://www.dfes.gov.uk/rsgateway/DB/SFR/s000545/index.shtml>

For tables 9 (b)(i), (b)(ii), (b)(iii) and b(iv) information for the samples used for the estimate of percentage of economically active adults by highest qualification continues to be based on an Labour Force Survey (LFS) sample and therefore estimates for all the 12 regions within the UK are available. The definition for economically active adults are a sub group of the working population, defined as males aged 18-64 and females aged 18-59 who are either in employment or ILO definition unemployed. Since the last edition of this publication the quarterly LFS changed so that it was carried out on a calendar quarter basis rather than a seasonal quarter basis, making the new data for 2006 inconsistent with the previously published historical data. Therefore a complete new series of data from 1997 has been released here on a calendar quarter basis, replacing the seasonal quarter data. For further information on these estimates refer to the link provided below: <http://www.dfes.gov.uk/rsgateway/DB/SFR/s000715/index.shtml>

Table 9 (c) is also based on a sample extracted from the new quarterly calendar based LFS. Again this table is subject to some level of sampling error, though it covers all regions within the UK. Here employees are defined as all those of working age (defined as Males aged 16-64 and Females aged 16-59) in employment excluding the self-employed, unpaid family workers and those on government programmes.

10. Proportion of Income Support Claimants

Income Support (IS) claimants can be grouped into Pension Credit, Disabled, Lone Parents and Other. From October 2003, IS has been 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. 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.

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) or Table 10(b). Over time, new claims will be made for all these households and they will move into Table 10(b).

Benefits statistics for the GB regions have been sourced from the newly published Work and Pensions Longitudinal Survey (WPLS) based on 100% of claimants. Previous figures had been taken from a 5% sample of data. Background data for the featured tables can be accessed via the online Tabulation Tool (<http://193.115.152.21/100pc/tabtool.html>). Northern Ireland data is currently based on a 5% sample of claimants and is not directly comparable with the rest of the UK.

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' areas within each region and England.

For this indicator Super Output Area (SOA), lower layer, deprivation has been defined according to the Indices of Multiple Deprivation 2004 (IMD 2004). The IMD 2004 is an index for areas in England consisting of 37 indicators of deprivation that fall under 7 broad dimensions: income, employment, health and disability, education training/skills, barriers to housing and services, crime and living environment.

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 data are derived by the DTI using the Income Strand of the IMD 2004 as well as Census 2001 population and ward level estimates of IS and dependents, all taken from the Neighbourhood Statistics web site.

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. Businesses with an annual turnover below the VAT threshold (£60,000 from 1 April 2005) 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 in the profile of businesses between regions as well as 'actual' changes over time. In addition, there are areas where the stock of businesses is relatively low, so the rate of business formations could be artificially inflated.

⁶ More detail on SIC codes available at <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14012>

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 SIC2003 class or sub-class corresponds to each.

Sector	SIC2003
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 2005 (CIS4). Over 15,000 businesses responded to a postal questionnaire on their innovation activities between 2002-2004. 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.

The sectoral coverage of the Innovation Survey in 2005 was widened considerably to include a larger portion of the service sector. The additional sectors are: Sale, Maintenance and Repair of Motor Vehicles, Retail Trade, Hotels and Restaurants. Furthermore, other differences with the previous survey; such as in the sample design and weighting methodology, implies that results from CIS3 and CIS4 are not strictly comparable.

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.

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/StatBase/Product.asp?vlnk=7476

Tables 3(a) to 3(c)

Annual Business Inquiry (ABI), ONS

www.statistics.gov.uk/abi/default.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/STATBASE/Source.asp?vlnk=428

Annual Survey of Hours and Earnings, ONS

www.statistics.gov.uk/CCL/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

<http://193.115.152.21/100pc/tabtool.html>

Department for Social Development (Northern Ireland)

www.dsdni.gov.uk/index/stats_and_research/benefit_publications.htm

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

www.london.edu/gem.html

Tables 14(a) to 14(c)

Business Enterprise R&D survey, 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/innovation/innovation-statistics/cis/page10957.html

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_control/documents/contentservertemplate/dft_index.html?n=15699&l=3

Tables 16(a) and 16(b)

Valuation Office Agency, Inland Revenue

www.voa.gov.uk/publications/index.htm

Table 17

National Land Use Database

www.nlud.org.uk