



***Scottish Enterprise***

**West Region Economic Review**

**March 2009**

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# 1. Introduction

## 1.1 The study

SLIMS, in partnership with Oxford Economics, was commissioned by Scottish Enterprise to carry out a series of economic reviews focusing on the functional economic geographies of Scotland's regions, which form the Scottish Enterprise operating area. These are:-

- Aberdeen City & Shire
- Dundee City Region
- East Region
- West Region
- South of Scotland

The data presented in these reports have been organised around these geographies, full details of which can be found in Appendix 1. The consultants were also commissioned to provide a supplementary data matrix, which includes all of the data contained within the reports across a range of other geographies including local authority and strategic development planning authority areas.

The key objectives of this work have been to:

- Provide a review of economic trends and performance since 1999;
- Assess the potential contribution of each of the regions to the Government Economic Strategy's (GES) purpose targets; and
- To identify the likely impact of the current economic downturn on each of the regions.

The regional reviews are complemented by a national economic review which provides an overview of recent economic trends, progress towards the GES targets and an economic outlook for Scotland as a whole.

This report represents the economic review for the **West Region**, which comprises the local authority areas of: Argyll and Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire.

Where possible, we have benchmarked the performance of the area against Scotland and the UK. However for some indicators, UK figures are not available. In these cases Great Britain (GB) has been used as a comparator, though it should be noted that these figures exclude Northern Ireland.

## 1.2 Assessing the contribution of the regions to the GES Purpose Targets

The Government Economic Strategy (GES) sets out seven purpose targets which will form the basis of assessing progress towards improving Scotland's economic performance. These are referred to throughout the report.

These targets cover a range of timescales and a range of indicators – some of which are not readily available at the regional level. At the beginning of the study SLIMS agreed a set of measures that would be used in the reviews to assess the contribution of the Scottish Enterprise regions to the purpose targets. These are highlighted in Appendix 2 which includes information on:

- The purpose targets;
- The scale of the gap between current and expected performance;
- The preferred indicators identified by the Scottish Government to measure performance against the target; and
- The data used in this review, and where and why the data differs.

### 1.3 Report structure

The remainder of this report is structured as follows:

- **Chapter 2** contains an executive summary of the main findings from the review.
- **Chapter 3** sets out the global and national economic context.
- **Chapter 4** provides a review of recent economic trends and performance in the West Region.
- **Chapter 5** benchmarks the performance of the region against the other SE operating regions.
- **Chapter 6** reviews the industrial structure of the region, including representation within the key sectors outlined in the Government Economic Strategy and other growth sectors supported by Scottish Enterprise.
- **Chapter 7** looks at infrastructure and place issues.
- **Chapter 8** looks at the performance of the local authority areas within the region.
- **Chapter 9** contains an economic outlook for the region.

In the appendices to the main report:

- **Appendix 1** contains a definition of the regional geographies covered in this set of reviews.
- **Appendix 2** provides details on the GES purpose targets.
- **Appendix 3** details the sources of the key performance indicators.
- **Appendices 4 & 5** contain the SIC definitions used for the analysis of the key and other growth sectors.

## 2. Executive Summary

### An important part of the Scottish economy

*The scale of the West Region in relation to the rest of Scotland means that its performance against the GES purpose targets will be a major determinant on whether those are met. The West Region:*

- generated 41% of Scotland's GVA in 2006;
- accounts for 42% of all Scottish jobs; and
- has 43% of Scotland's population.

**Purpose Target 1: Raise Scotland's GDP Growth rate to match that of the UK by 2011**

*Economic growth in the West Region has lagged behind the Scottish and UK averages since 1999. The region is therefore currently falling short of the national growth target.*

*Oxford Economics' Forecast suggests that the gap between GVA growth rates in the West and the UK will narrow over the next 10 years, but that a significant gap will still remain.*

- The West Region economy grew at an average annual rate of 2.5% between 1999 and 2006, slower than the equivalent growth rates 2.8% for Scotland and 3.2% for the UK.
- Oxford Economics' forecasts suggest that recovery in GVA growth will gather speed in 2011. For the period 2011–2018 GVA growth in the West is expected to match the Scottish average of 2.9%, compared with 3.3% for the UK.

*Despite below average GVA growth, there have been a number of positive achievements in the performance of the West Regional economy since 1999:*

- There was an increase of 10% in the total number of jobs located in the region between 1999 and 2007, broadly in line with the growth of 11% across Scotland and faster than the 7% growth across GB.
- The region's strong jobs growth can be partly explained by the fact that it has a substantial financial & business services sector, a key driver of growth across both Scotland and the UK over the past decade.
- The number of part-time jobs in the West increased by 58,900 between 1999 and 2007, while the number of full time jobs increased by 34,700.

**Purpose Target 2: Rank in the top quartile for productivity amongst key OECD countries**

*Scotland (14<sup>th</sup> out of 30) and the UK (11<sup>th</sup> out of 30) both rank in the second quartile for productivity as measured by GVA per employee. The Scottish figure is around 96% of the UK figure. GVA per employee in the West Region is lower than across both Scotland and the UK, suggesting that the West is currently falling short of the GES target.*

**To help achieve the GES target, the West region would need to increase productivity at a rate faster than other highly performing OECD economies. However, there is evidence that GVA per employee has grown more slowly in the West Region than across Scotland and the UK since 1999.**

- GVA per employee in the West Region amounted to £34,900 in 2006, compared to £35,200 in Scotland and £36,900 in the UK.
- The level of GVA generated per employee in the West Region grew by 6% between 1999 and 2006, slower than the growth rates of 10% for Scotland and 15% for the UK.
- Productivity levels in the West are above the Scottish average across some industry sectors such as manufacturing and construction, but are notably below the national average within financial & business services.

**In terms of the wider drivers of productivity identified in the GES, the West Region's performance has been mixed...**

- The proportion of West Region residents educated to degree level (32%) is broadly in line with Scotland as a whole (33%). However, at the other end of the qualifications scale, 17% of residents have no qualifications at all, above the equivalent rate of 14% for Scotland.
- A total of 17,600 West Region residents graduated from university in 2007, a rate broadly in line with the Scottish average. This represented an increase of 54% from the total in 1999, a faster rate of growth than across Scotland (39%).
- Business density levels and new business birth rates in the West Region lag some way behind the UK. However, the growth of 11% in the number of VAT registered businesses in the West Region between 1999 and 2007 outpaced the 9% growth across Scotland.
- Relative to Scotland as a whole, the only key or other growth sector that the West Region has an above average level of specialisation in is *aerospace, defence & marine*. However, *life sciences, tourism and creative industries* (which includes some elements of *digital media & enabling technologies*) all experienced strong employment growth between 1999 and 2007.
- Inward investment represents an important source of high value jobs and the West Region has performed well on this measure in recent years, attracting 57% of the Scottish total in 2007.

**Purpose Target 3: Maintain Scotland's position as the top performing country in the UK in terms of labour market participation and close the gap with the top 5 OECD economies by 2017**

**The employment rate in the West Region was lower than both the Scottish and GB averages in 2007. However, there has been a substantial improvement on this measure in recent years. The gap in employment rates between the region and GB fell from 7% in 1999 to just 2% in 2007.**

**Oxford Economics' forecasts suggest that the gap between GB and West Region employment rates is likely to remain at around 2% over the decade ahead...**

- In 2007, the employment rate in the West Region was 73%, compared to a Scottish average of 76% and a GB figure of 75%.

- The regional employment rate masks some significant disparities on this measure within the West Region. The employment rate in Glasgow is lowest at 68% and highest in Renfrewshire at around 80%

***Increasing levels of labour market participation have led to improvements across a range of other key labour market indicators. However, ahead of the recession, the West still underperforms the national average across most of these measures.***

- The West Region accounts for 43% of the Scottish population. The strong increase in labour market participation in the region between 1999 and 2007 was one of the key contributing factors to Scotland's progression to the top performing country in the UK on this measure in 2006.
- Following a substantial fall since 1999, the unemployment rate in the West Region was 6% in 2007, only slightly above the average of 5% for Scotland and GB. Similarly, the total number of economically inactive people in the region fell by almost 60,000 between 1999 and 2007, a decline of 16%, compared to the decline of 11% across Scotland.
- The number of workless benefit claimants fell by 62,200 people (-18%) in the West between 2000 and 2008, compared to a fall of 15% in Scotland and 6% in GB. However, a challenge remains in that 20% of the working age population still claim workless benefits, higher than the Scottish and GB averages of 16% and 14% respectively.
- The West Region is a relatively self-contained labour market in that relatively few residents travel out of the area for work and a small proportion travel in from elsewhere. Commuting flows *within* the region are much greater and illustrate the dynamic nature of the city region economy.
- Glasgow is pivotal to the function of the regional labour market, attracting significant numbers of workers from surrounding local authority areas, many of whom are attracted by the number and range of opportunities available in financial & business services and public services.

***Purpose Target 4: To match EU 15 population growth over the period 2007 - 2017***

***The population of the West Region has been relatively stable since 1999, and is expected to remain so over the coming decade. Scottish population increased by 1% between 1999 and 2007, compared to an increase of 4% in the EU 15 population between 1995 and 2005.***

***Looking to the future, our forecasts suggest that there will be limited population growth of less than 1% in the West Region by 2018. The region is therefore unlikely to make a contribution to the GES target in the absence of increased migration.***

- The long-term population decline in the West Region has now halted and total population has been relatively stable in recent years, although this compares to growth across Scotland and the UK.
- The age profile of the West Region population is similar to Scotland as a whole, though the region has a slightly higher share of young adults and slightly fewer residents nearing retirement age.
- According to official projections, the population of the West Region is expected to remain stable over the next decade, compared to forecast growth across Scotland and the UK.

**Purpose Target 5: To increase overall income and the proportion of income earned by the lowest 3 deciles as a group by 2017.**

*The preferred measure used by the Scottish Government to track the GES target is not yet available at a sub-national level. However, median earnings in the West Region are slightly lower than across Scotland as a whole and there is evidence of wide disparities in overall household income levels across the region.*

- The median weekly earnings of all those working in the West Region (including both full and part-time workers) amounted to £372 in 2008, compared to £375 for Scotland and £388 for the UK.
- Increases in wage levels in the West Region have kept pace with Scotland and the UK in recent years.
- There are wide disparities in disposable income levels across the West Region.

**Purpose Target 6: To narrow the gap in participation between Scotland's best and worst Local Authority Areas by 2017.**

*Whilst the employment rate of the West Region has increased substantially since 1999, the region was still home to two of the three worst performing local authority areas in Scotland on this measure in 2007.*

*Furthermore, six of the ten local authority areas with the lowest employment rates in Scotland were located in the region in 2007. Maintaining and improving participation to 2017 in these areas therefore represents a key challenge for the region.*

- Between 1995 and 2006 the gap in the employment rate between the best and worst local authority areas in Scotland fell from 22% to 17%. Increases in participation in the West played an important role in closing this gap.
- Whilst labour market participation rates have improved in both areas, Glasgow City and North Ayrshire remain within the three worst performing local authority areas in Scotland on this measure and will therefore have a key role to play to achieve the national target.
- A further four local authority areas in the region – Inverclyde, North Lanarkshire, West Dunbartonshire and East Ayrshire were among the worst ten performing areas in terms of employment rates in 2007.
- In 2006, a quarter of all West Region residents lived in neighbourhoods ranked among the 15% most deprived in Scotland. Over half of these areas are located in Glasgow, which is the local authority with the highest concentration of deprivation in Scotland.

**Purpose Target 7: Reduce CO<sup>2</sup> emissions by 2011 and by 80% by 2050**

*Data on the government's preferred measure of Greenhouse Gases is not available at the sub-national level, though some regional data on CO<sup>2</sup> emissions is available. The West region accounts for a third of all Scottish CO<sup>2</sup> emissions, but has a lower level of emissions per head than the Scottish and UK averages.*

- At 6.9 tonnes head of population, the rate of CO<sup>2</sup> emissions from the West Region is the lowest of all the SE regions and lower than the Scottish and UK averages (8.5 and 8.8 per head respectively).
- The total volume of CO<sup>2</sup> emissions from the West Region increased by 2% between 2005 and 2006, in contrast to little change across Scotland and the UK. However, care should be taken in interpreting any trend however from such a limited data set.
- Around a third of all waste from the West Region and Scotland was recycled or composted in 2008 – a six-fold increase from the level in 2002.

### **Looking to the future...**

***The review of performance of the West Region economy covers a period (1999 – 2007) of uninterrupted growth across Scotland and the UK. The recession means that the next 12-18 months will see economic growth stall and reverse.***

***Our forecasts predict that the impact of the recession will be more severe in the region than across Scotland, but less severe compared to the UK. However, the region is expected to recover at a slower rate than the UK as a whole...***

- Output in the West Region economy is forecast to contract by 2.6% during 2009, compared with a 2.5% fall in Scotland and a drop of 2.9% in the UK. This slightly more pessimistic forecast is largely a result of the region's strong representation in the financial and business services sectors and some sub-sectors of manufacturing.
- In output terms, the region is expected to begin to recover from the downturn in 2010. Over the period 2011–2018 growth is expected to average 2.9% per annum, in line with the expected Scottish performance, but below that of the UK (3.3%).
- We estimate that 47,000 jobs are likely to be lost in the West Region over the next three years, but that there will be a return to jobs growth from 2012 onwards. However, we expect that the region will not return to its 2008 employment level until 2019.
- Manufacturing will suffer the biggest job losses over the decade ahead, while employment in public administration & defence and personal services is also expected to fall, but to a lesser extent. The public sector is expected to provide a limited cushion to job losses during the recession.
- The return to employment growth from 2012 is expected to be led by financial & business services with education, health and construction also expected to experience modest growth.
- We expect a short-term fall in labour market participation levels in the UK, Scotland and the West region, with economic activity rates expected to recover to around their recent peaks by 2015 in all three areas.

### 3. Global / National Economic Context

This chapter provides a review of national and global economic trends and outlook with a particular focus on the issues which may have a particular importance for the West Region.

#### 3.1 Financial crisis

The credit crunch which began in July 2007 intensified dramatically in September 2008 with a series of bank failures, prompting rescues and effective nationalisation of major financial institutions worldwide. Despite massive intervention, financial stress rose to new highs at the start of Q4 2008 as credit dried up and stock markets plunged. In turn business and consumer confidence nosedived, world trade seized up and businesses cut investment and employment in an effort to conserve cash.

Faced with collapse of the financial sector, many governments have recapitalised banking sectors and guaranteed inter-bank loans and bank deposits to try to shore up confidence in the financial system. Such moves have averted a collapse of the financial system, but second round impacts on the banking system from the weakening economy are likely to mean more write offs to come from the banks and further measures by governments to bail out the banking system.

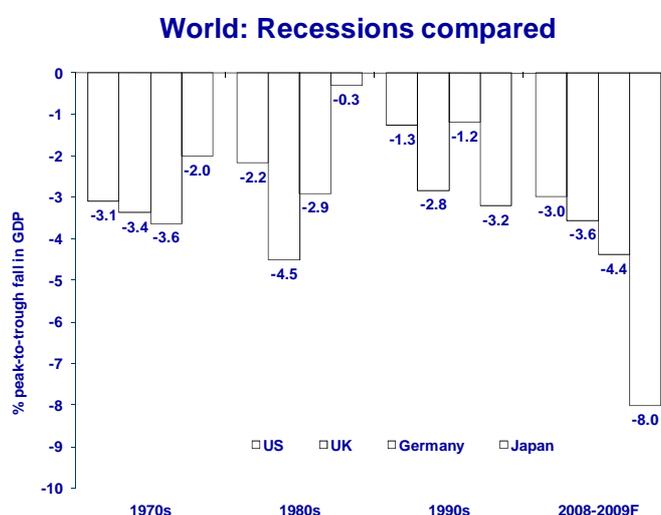
#### 3.2 The global recession

No major economy is bucking the sharp downturn that began last autumn. Output is falling in all the major developed economies, while growth rates have fallen back sharply in China and India. The data releases so far in 2009 underline the extent of the shock to the real economy following the banking crisis in September. In the US, more than three million (one in every fifty) jobs have been lost since September 2008 – the worst employment performance since 1945. Data for other countries point to a remarkably synchronised and deep downturn. Industrial output data for the UK and France for November were weak, and German factory orders for the same month fell by some 27% on the year. A range of data from key emerging market countries also suggested weakened conditions – exports from Taiwan fell 42% year-on-year, with sales to China falling 57%. In turn, Chinese exports have themselves turned negative, falling from an annual growth rate of 13% in early 2008 to a fall of 17% in January 2009, underlining the global nature of the downturn.

Chart 3.1 compares past recessions for major world economies and includes forecasts on how deep the current recession will be. The uniformity of experience across the major economies, reflecting the stronger global linkages that have built up in recent years, points to a more severe recession in world activity than at any time in the post-war era, with world growth forecast to dip to -0.8% in 2009, compared with an average growth rate of 3.5% over the last five years.

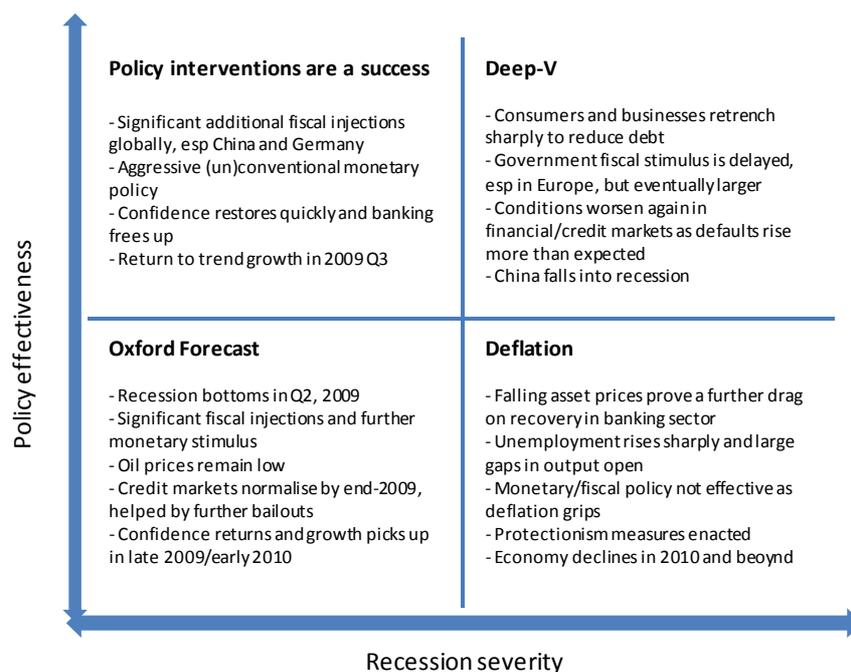
Chart 3.1

Source: Oxford Economics / Haver Analytics



### 3.3 Global outlook

The unprecedented nature of the crisis and the aggressive global policy response add considerable uncertainty to forecasts for 2009 and beyond. The figure below provides an overview of the possible scenarios that could play out. With policy efforts, particularly unorthodox measures by the Federal Reserve, such as direct purchases of mortgage backed securities, appearing to ease some of the stresses in the credit markets, Oxford Economics believes that the most likely outcome at this stage is for the recession to bottom out in the second quarter of 2009. The recovery led by the US will be anaemic, with GDP not recovering its mid-2008 level in the US until mid 2010 and not until mid-2011 in the Eurozone and the UK.



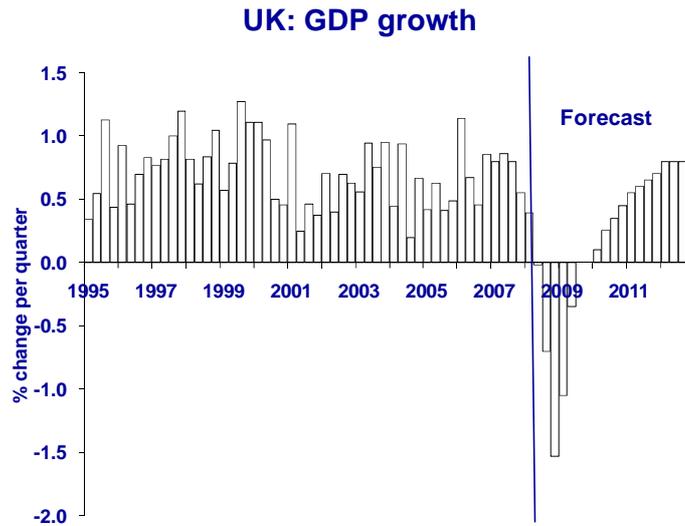
Other outcomes are clearly possible, particularly if credit markets do not normalise or if the fiscal and other stimulus measures are delayed. Indeed, a fall into outright deflation, with output continuing to fall through 2010 is a possibility. As a result of its banking / credit market origins we rate the chances of a quick recovery from this recession as the least likely of the scenarios that we have described.

### 3.4 UK badly hit

As the global financial crisis intensified in late 2008 the UK, with its large financial services sector, was particularly badly affected. GDP growth stalled in Q2 after 15 years of continuous growth and fell by 2.1% in the second half of the year, giving the UK its first recession since 1991. The forecast for the UK economy, on which our forecasts for the SE regions is based, suggests a drop in GDP for the UK in 2009 of 2.9%, with a modest recovery setting in early 2010. The impact of the recession will see sharp falls in investment, consumer spending on durables and house prices. These will be accompanied by increases in unemployment and company liquidation. These effects will be felt right across the UK, with output expected to fall in all regions in 2009. The forecasts suggest that output within Scotland will fall by 2.5% in 2009 – a slightly better performance than the UK as a whole.

Chart 3.2

Source: Oxford Economics

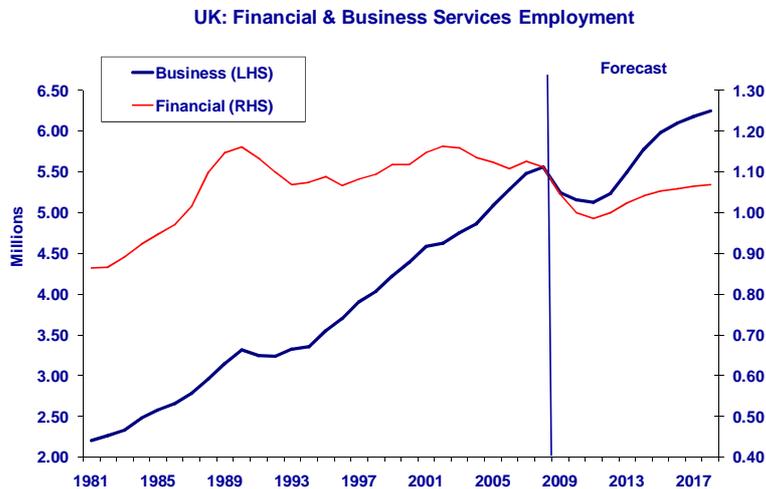


### 3.5 Financial and business services suffer most...

Although systemic collapse of the financial sector appears to have been averted, the outlook for the financial and business services sector remains bleak, with falls of 65,000 and 270,000 jobs within these sectors across the UK. The majority of the job losses will be concentrated within London – the global financial centre for the world and home to vulnerable segments such as investment banking. However, all UK regions will be impacted, with Scotland no exception. The base forecasts suggest that up to 6,000 of the expected losses could come from Scottish financial services and 18,000 jobs within business services. It is expected that Glasgow, along with Edinburgh, will bear the brunt of the Scottish professional services job losses.

Chart 3.3

Source: Oxford Economics



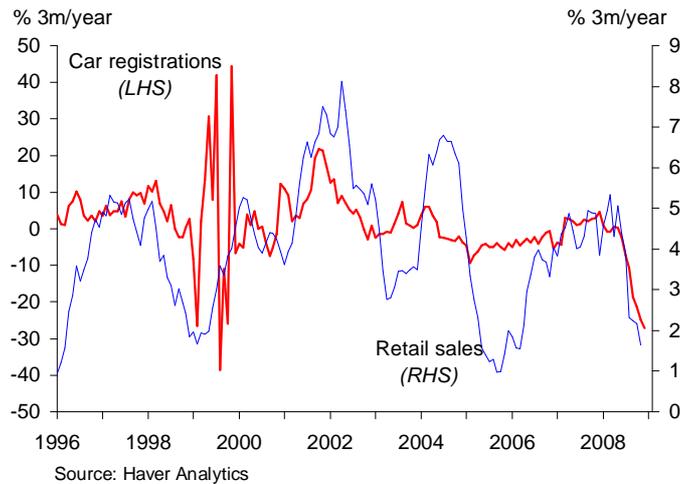
### 3.6 Consumer spending also hit hard...

As shown in the Chart 3.4, it is clear that the volume of retail sales fell sharply in the last two quarters of 2008. Consumer demand has been undermined by deteriorating confidence, falling house prices, tighter lending conditions and the recent, rapid deterioration in the labour market. Falling employment and sharply rising unemployment will be a continuing feature over 2009. Even savings-rich older households are being hit by loss of investment income as interest rates have been lowered substantially.

### Chart 3.4

Source: Haver Analytics

### UK: Consumer demand

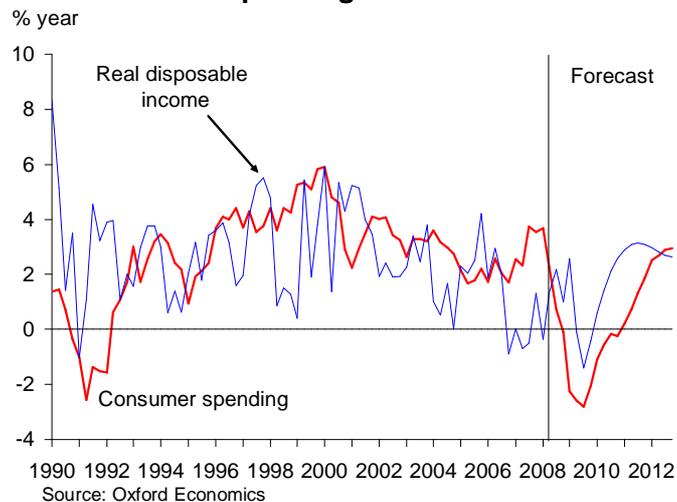


There are offsets to these contradictory forces. The squeeze on household budgets from high energy prices and rising inflation is now reversing, many mortgage holders are benefiting from lower interest rates and earnings are still growing. This will allow households to repair their balance sheets and one of the key uncertainties in the outlook is how far the savings ratio will rise on the back of consumer retrenchment. Our forecast suggests that consumer spending will fall by 2.4% in 2009 before slowly recovering, but a deeper consumer recession is a considerable risk.

### Chart 3.5

Source: Oxford Economics

### UK: Consumer spending and income



The consumer spending outlook has implications for the retailing and distribution sector as both are closely linked. A fall in consumer spending will filter through into a fall in employment in the retailing and distribution sector as households spend less.

The forecasts suggest that employment in retailing and distribution within the UK will fall by almost 194,000 in 2009 and a further 122,000 in 2010, taking employment within this sector back to the 2000 level. The recovery will bring a return to job growth, but employment in retailing and distribution will not regain its 2008 peak until 2015. The Scottish outlook within this sector is similar to the UK, with declining employment in 2009 and 2010. However, it will take Scotland until 2017 to return to the 2008 peak, with the longer term outlook for slowing growth within the sector.

**Chart 3.6**

Source: Oxford Economics



### 3.7 Scottish outlook

Scotland has not been exempt from the impending recession; all the UK traits of falling house prices; rising unemployment and loss of confidence are evident in the region. A diversified labour market covering professional services, industrial sectors, tourism and the public sector provide a modest cushion but the extended reach of the recession means almost all sectors are adversely affected.

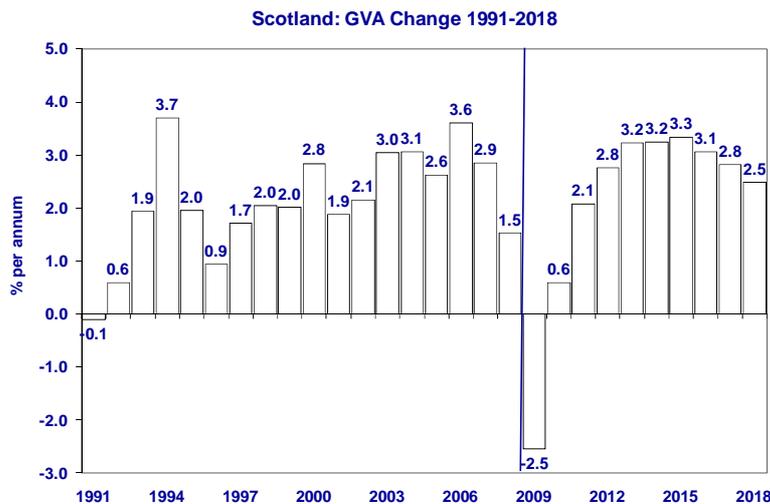
Scotland’s professional and financial services bases around Glasgow and Edinburgh will be adversely affected in 2009 and further increases vulnerability. Elsewhere, the slowing global economy will bring Scotland’s manufacturing base under more pressure, and though tourism (as result of the weak pound) and a significant public sector base will provide an element of support for the labour market, the overwhelming experience across Scotland will be one of contraction in the short run.

#### Output

- The stark 2009 contraction is clear in the annual chart of GVA growth below. A relatively modest recovery in 2010 is followed by a few ‘recovery years’ before growth settles down at a more modest rate around 2.8% per annum.

**Chart 3.7**

Source: Oxford Economics



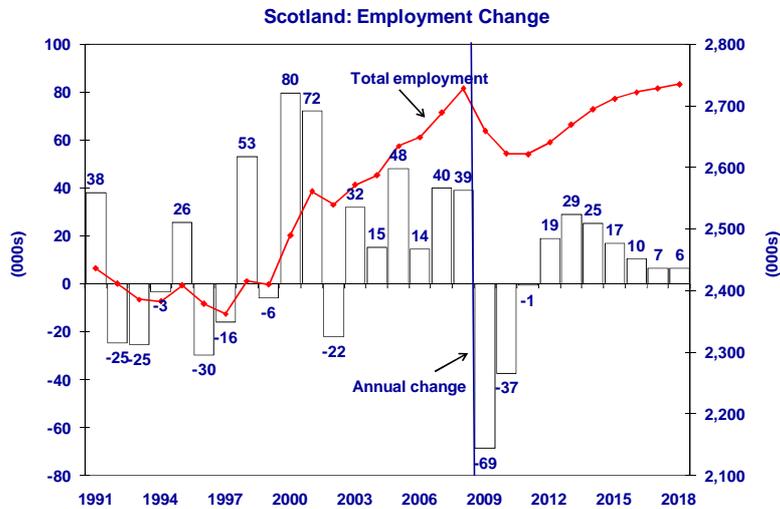
#### Employment

- Employment is forecast to fall by approximately 68,700 in 2009 with further contraction expected in 2010 and 2011 before modest growth returns. However it will

take until 2017 for employment to return to its 2008 peak. Employment growth over the medium-term is expected to be lead by business services, health and other personal services. Financial services employment is not expected to return to its 2008 level until 2018.

**Chart 3.8**

Source: Oxford Economics

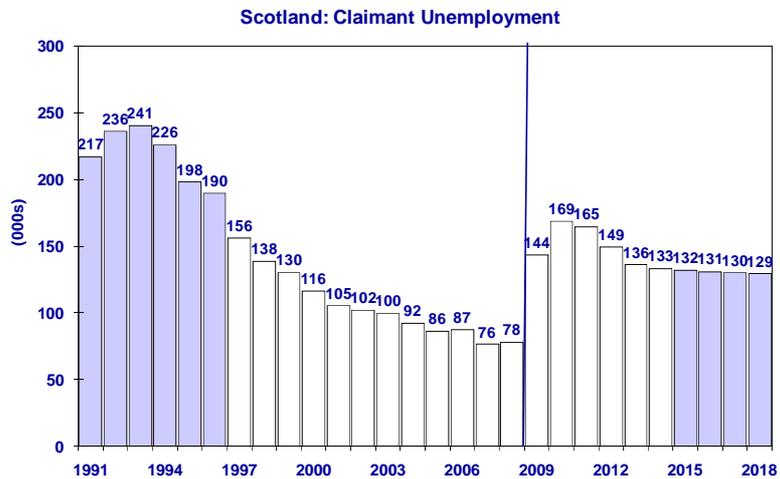


*Unemployment*

- In response to the weakening job opportunities, unemployment (claimant count) is forecast to rise above 140,000 in 2009 and reach close to 170,000 by 2010. These figures could be higher but the model predicts a reasonable outflow of migrants who lose their job and do not remain to claim benefits. Unemployment, though falling in the medium-term, does not return to below 80,000 until after 2018, though again migration assumptions matter significantly for this forecast.

**Chart 3.9**

Source: Oxford Economics



At the time of writing the economy is heading into perhaps its darkest hours with 2009 looking bleak for the most part. There is a chance that the economy will exit the year better than it started in terms of confidence and, with a return to global growth and confidence in the domestic housing markets, there could be grounds for optimism in late 2009. However, getting to that point will be painful and recovery in job numbers to their 2008 peak is likely to take to 2017 to be reached.

## 4. Key Performance Indicators / Trends in Performance

### 4.1 Introduction

This chapter provides an overview of economic trends within the West Region since 1999. It focuses specifically on the performance of the region in relation to the purpose targets set out in the Government Economic Strategy for Scotland. The remainder of the chapter is set out as follows:

- Key Performance Indicators
- Economic Growth
- Increasing Productivity
- Increasing Labour Market Participation
- Increasing Population
- Ensuring that Growth is *Shared* and *Sustainable*

Chapter 9 sets out our economic forecasts for the region. However, we have made reference to some of the analysis contained within that chapter in the conclusions of each of the sections above, particularly where this may help provide an understanding of the region's potential to meet the GES targets.

## 4.2 Key Performance Indicators

	West Region	Scotland
<b>Economic Growth</b>		
Total GVA 2006 (£bn)	£38.1	£93.4
Average Annual GVA Growth Rate 1999-2006	2.5%	2.8%
Total Exports 2006 (£bn)	£8.9	£20.6
Change in Export Sales 2002 -2006	-7%	3%
<b>Productivity</b>		
GVA per Employee 2006	£34,900	£35,200
Change in GVA per Employee 1999-2006	6%	10%
% school leavers entering positive destinations 2007	86%	86%
% adults with degree level qualifications 2007	32%	33%
% adults with no qualifications 2007	17%	14%
Businesses per 1,000 adults 2007	26	40
Business Birth Rate per 1,000 adults 2006	2.6	2.8
Inward Investment 2007/08 (£m)	£151.5	£263.8
Change in Inward Investment 2004/05 - 2007/08	49%	87%
<b>Labour Market Participation</b>		
Employment Rate 2007	73%	76%
Unemployment Rate 2007	6%	5%
Economic Inactivity Rate 2007	22%	20%
Self Employment Rate 2007	8%	8%
Jobseekers Allowance Claimant Rate 2008	2.9%	2.4%
Incapacity Benefit Claimant Rate 2008	10.0%	8.4%
<b>Population</b>		
Total Population 2007 (m)	2,210,400	5,144,20
Population Change 1999-07	-10,800	72,300
% Population Change 1999-07	-0.5%	1.4%
% Working Age Population Change 1999-07	0.4%	2.6%
Projected Population 2016 (m)	2,213,900	5,294,300
% Change Projected Population 2016	0.2%	2.7%
<b>Solidarity &amp; Cohesion</b>		
Median Weekly Wages 2008	£372	£375
% Change in Weekly Wages, 1999-2008	34%	36%
% Residents living in 15% most deprived data zones	24%	15%
<b>Sustainability</b>		
CO <sup>2</sup> emissions per head of population 2006	6.9	8.5
% Waste recycled or composted	30%	33%

\*Sources for the above data can be found in Appendix 3

## 4.3 Economic Growth

Economic growth is a key indicator of wealth creation and economic performance. The Government Economic Strategy notes Scotland's economic growth has underperformed relative to both the UK and other small European countries in recent decades. A key target set out in the Strategy is to **raise the country's economic growth rate to the UK level by 2011**.

This section focuses on economic growth within the West Region and covers:

- Total GVA
- GVA by Sector
- GVA Growth
- GVA Growth by Sector
- Exports

### 4.3.1 Total GVA

Total economic output (as measured by Gross Value Added) from the West Region amounted to £38.1bn in 2006<sup>1</sup>. This represented 41% of Scotland's total GVA, broadly in line with the region's share of national jobs (42%).

### 4.3.2 GVA by Sector

Table 4.1 shows economic output by broad industry sector from the West Region in 2006, relative to Scotland as a whole. It shows that:

- The industrial split of economic output from the region broadly mirrors that for Scotland as a whole.
- *Financial & business services* is the largest industry in the West Region in terms of wealth generation, accounting for a quarter of all economic output in 2006. Across Scotland, the industry accounts for 27% of all output.
- The contributions of *retail & catering* and *education & health* are also significant, accounting for 14% and 16% of total GVA respectively.
- *Manufacturing* remains an important part of the regional economy, generating 14% of total GVA in 2006, in line with the average for Scotland.

**Table 4.1**

Source: Oxford Economics

GVA by Sector 2006				
	West Region		Scotland	
	Total (£m)	%	Total (£m)	%
Agriculture	220	1%	1,270	1%
Extraction	150	0%	1,630	2%
Manufacturing	5,490	14%	12,990	14%
Utilities	920	2%	2,230	2%
Construction	2,900	8%	6,700	7%
Retail & catering	5,240	14%	12,640	14%
Transport & communications	2,830	7%	6,020	6%
Financial & business services	9,600	25%	24,870	27%
Public admin & defence	2,770	7%	5,920	6%
Education & health	6,030	16%	14,330	15%
Other services	1,950	5%	4,750	5%
<b>Total</b>	<b>38,100</b>	<b>100%</b>	<b>93,360</b>	<b>100%</b>

<sup>1</sup> Source: Oxford Economics. This data is based on the latest UK National Accounts and refers to GVA in current prices.

### 4.3.3 GVA Growth

Chart 4.1 shows GVA growth rates in the West Region, relative to Scotland and the UK, between 1999 and 2006. Annual GVA growth in the region was lower than the UK for five of the eight years. **The region is therefore currently falling short of the national target of raising the economic growth rate to the UK level by 2011.**

The average annual GVA growth rate in the West Region was 2.5%, below the equivalent rates of 2.8% for Scotland and 3.2% for the UK.

Chart 4.1

Source: Oxford Economics



### 4.3.4 GVA Growth by Sector

Table 4.2 shows change in GVA by broad industry sector in the West Region between 1999 and 2006.

- The level of GVA generated by the financial & business services sector grew rapidly over the period, increasing by £2.7bn – growth of 40%. This was the fastest growing sector in the region in terms of output.
- The *education & health* sector also grew rapidly over the period, contributing £930m more to the total economic output from the region in 2006 than in 1999.
- The level of GVA generated by *retail & catering* increased by £820m between 1999 and 2006, growth of 19%.
- Output from *manufacturing* fell by 5% between 1999 and 2006, but this was much slower than the rapid decline in the number of jobs in the sector over the period (see Section 6.2.2, Table 6.3), suggesting a move within the industry towards higher value added activities and increasing levels of productivity.

Table 4.2

Source: Oxford Economics

GVA by Industry in the West Region (£m)				
	1999	2006	Change 1999-2006	
			No.	%
Agriculture	270	220	-50	-19%
Extraction	180	150	-30	-15%
Manufacturing	5,790	5,490	-300	-5%
Electricity, gas & water	900	920	30	3%
Construction	2,500	2,900	410	16%
Retail & catering	4,410	5,240	820	19%
Transport & communications	2,320	2,830	510	22%
Financial & business services	6,860	9,600	2,740	40%
Public administration & defence	2,660	2,770	100	4%
Education & health	5,100	6,030	930	18%
Other personal services	1,670	1,950	290	17%
<b>Total</b>	<b>32,650</b>	<b>38,100</b>	<b>5,450</b>	<b>17%</b>

figures in table have been individually rounded to the nearest 10

### 4.3.5 Exports

Exports refer to the sale of goods and services to other countries. The amount of export sales generated by an economy is believed to have an impact on wealth creation and GVA growth. The National Performance Framework for Scotland has set a national target to **grow exports at a faster average rate than GDP**.

The latest export figures from the Global Connections Survey, produced by the Scottish Government, were published in March 2009. These figures are for 2007 and will be included in the national review as part of this economic review series. However, the latest figures are not available at the regional level and so the analysis contained within this section is based on 2006 figures, which are reported in current prices.

In 2006, the value of export sales from the West Region amounted to just £8.9bn. This represented 43% of Scotland's total export sales of £20.6bn, slightly higher than the region's share of national jobs (42%).

Table 4.3 shows change in the level of exports from the West Region and Scotland between 2002 and 2006. The total value of export sales from the region fell by 7% over the period, in contrast to 3% across Scotland. This fall was concentrated within Renfrewshire and was largely the result of a large decline in exports from *electronics*. This trend will need to be reversed if the region is to make a positive contribution to the national target of increasing exports at a faster rate than GDP.

**Table 4.3**

Source: Global  
Connections Survey,  
Scottish Government

<b>West Region Exports (£m)*</b>				
	<b>2002</b>	<b>2006</b>	<b>Change 2002-06</b>	
			<b>No.</b>	<b>%</b>
Ayrshire	1,505	1,850	345	23%
Dunbartonshire	640	765	125	20%
Glasgow	1,460	1,745	285	20%
Lanarkshire	2,240	2,140	-100	-4%
Renfrewshire	3,700	2,420	-1,280	-35%
<b>West Region Total</b>	<b>9,545</b>	<b>8,920</b>	<b>-625</b>	<b>-7%</b>
<b>Scottish Total</b>	<b>19,940</b>	<b>20,550</b>	<b>610</b>	<b>3%</b>

\*Figures refer to value of exports in current prices

#### 4.3.5 Conclusions – Economic Growth

**Economic growth in the West Region has lagged the Scottish and UK averages since 1999. The region is therefore currently falling short of the national growth target.**

**Oxford Economics' Forecast suggests that the gap between GVA growth rates in the West and the UK will narrow over the next 10 years, but that a significant gap will remain.**

- The industrial split of economic output within the West broadly mirrors that of Scotland as a whole, with *financial & business services* accounting for a quarter of the total.
- The region has been largely dependent on *financial & business services*, and to a lesser extent *education & health* and *retail & catering*, to generate economic growth in recent years.
- *Manufacturing* output from the region fell between 1999 and 2006, but at a rate much slower than the decline in employment in the industry. This suggests a move towards higher value added activities and increasing levels of productivity.
- Export success is one of the crucial building blocks of economic growth as trading with others is how an area increases its wealth. The level of foreign exports from the West Region is slightly above the area's share of national employment.
- However, there has been a fall in the value export sales from the region in recent years, largely as a result of the decline in *electronics*. This downward trend will have to be reversed if the region is to make a contribution to the national target of growing export sales at a faster rate than GDP.

#### 4.4 Increasing Productivity & Competitiveness

The Government Economic Strategy identifies increasing productivity and competitiveness as one of the principal drivers of economic growth. In 2005, Scotland (14<sup>th</sup> out of 30) and the UK (11<sup>th</sup> out of 30) both ranked in the second quartile for productivity as measured by GVA per employee. The Scottish figure is around 96% of the UK figure. The government has set a long-term target for Scotland **to rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017.**

This section focuses on the West Region's performance in terms of productivity and competitiveness and covers:

- Productivity
- Productivity by Industry
- Qualifications of the workforce
- The business base
- Investment
- Innovation

#### 4.4.1 Productivity

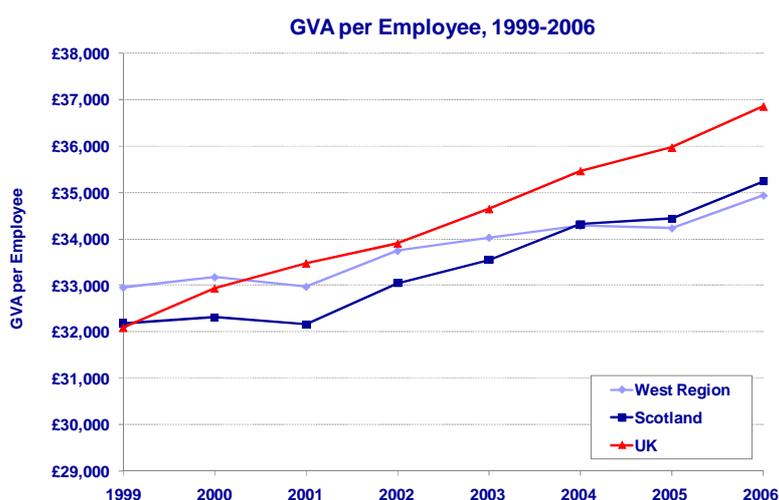
***Productivity increases in the West Region have not kept pace with Scotland and the UK in recent years.***

Productivity is a central driver of sustained economic growth and often a key target for economic development policy. A common measure of productivity is GVA per employee, which is calculated by taking economic output of an area (GVA) and dividing it by the total number of employees. Chart 4.2 shows trends in productivity levels within the West Region, Scotland and the UK since 1999:

- GVA per employee in the West Region amounted to £34,900 in 2006. This was lower than the corresponding Scottish figure of £35,200 and just 95% of the UK figure of £36,900<sup>2</sup>.
- Since 1999, productivity levels within the region have increased by 6%. This was slower than the equivalent growth rates of 10% for Scotland and 15% for the UK.
- This slower rate of increase has resulted in productivity levels in the West Region falling below the Scottish and UK averages over the course of the period.

**Chart 4.2**

Source: ONS and SLIMS / Oxford Economics Calculations



#### 4.4.2 Productivity by Industry

***Productivity levels within the West Region are above the Scottish average across most industry sectors, with the notable exception of financial & business services.***

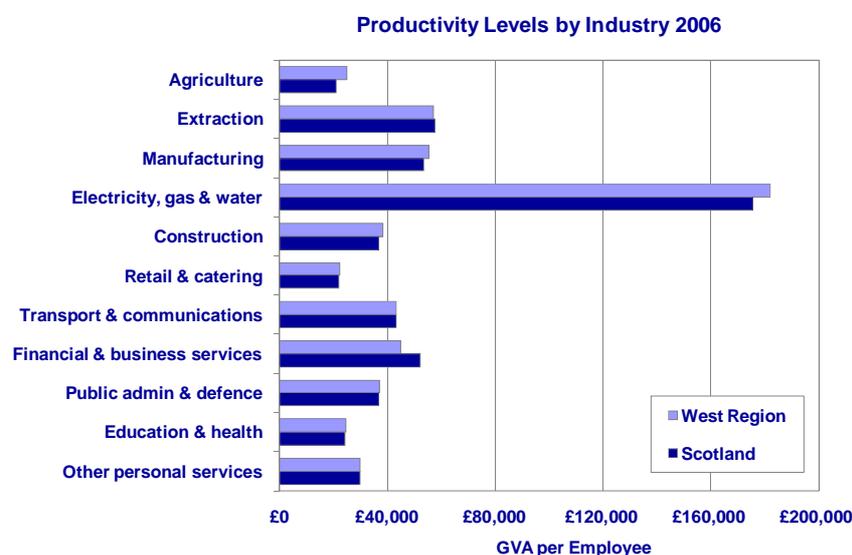
<sup>2</sup> Figures are calculated by dividing total GVA at 2006 prices by the total number of employees + self-employed

Chart 4.3 shows productivity levels in the West Region by broad industry, relative to Scotland as a whole. It shows that:

- *Electricity, gas & water* is the most productive sector in terms of the level of GVA generated per employee, both within the West Region and Scotland as a whole. However, in employment terms the sector is very small accounting for less than 1% of all jobs in the region.
- Productivity levels in the region are above the Scottish average across almost all industry sectors, with the notable exception of *financial & business services*, where they are 13% lower than the national average. As the sector accounts for a fifth of all jobs in the region, this has a substantial impact on overall productivity levels.
- *Education & health* and *retail & catering* generate the lowest levels of GVA per employee of all industry sectors within both the West Region and Scotland as a whole and they are among the largest employing sectors.

**Chart 4.3**

Source: ONS and SLIMS / Oxford Economics Calculations



#### 4.4.3 Qualifications of the workforce

***The proportion of West Region residents educated to degree level is in line with Scotland as a whole, but the region has an above average proportion of residents with no qualifications at all.***

Workforce skills and qualifications are believed to have a direct impact on productivity levels and are a key measure of economic competitiveness. Table 4.4 shows the current breakdown of qualifications amongst the working age population of the West Region. Around a third of all working age residents in the region were qualified to degree level (NVQ Level 4) or above in 2007 – broadly in line with the equivalent Scottish rate, but above the UK average.

The industrial restructuring that has occurred throughout the UK in recent decades has led to increased demand by employers for individuals with higher levels of skills and qualifications, leaving limited opportunities available to those with no qualifications at all. The proportion of West Region residents with no qualifications at all (17%) is higher than the Scottish (14%) and UK (13%) averages.

**Table 4.4**

Source: Annual Population Survey

Qualifications of the Workforce, 2007*			
Highest Level Qualification:	West Region	Scotland	UK
NVQ Level 4+	32%	33%	29%
NVQ Level 3	16%	15%	16%
Trade Apprenticeships	6%	6%	5%
NVQ Level 2	13%	14%	16%
NVQ Level 1	10%	10%	14%
Other Qualifications	7%	7%	9%
No Qualifications	17%	14%	13%

\* % of working age population (males 16-64, females 16-59)

**School Leavers**

The Government Economic Strategy has set a target **to increase the proportion of school leavers in positive and sustained destinations (FE, HE, employment or training).**

Table 4.5 shows the destinations of school leavers in the West Region relative to Scotland in 2007. The proportion of school leavers continuing their education within HE or FE is in line with the national average. However, a higher proportion of school leavers in the West go into training, and a lower proportion enter employment, than across Scotland as a whole.

**Table 4.5**

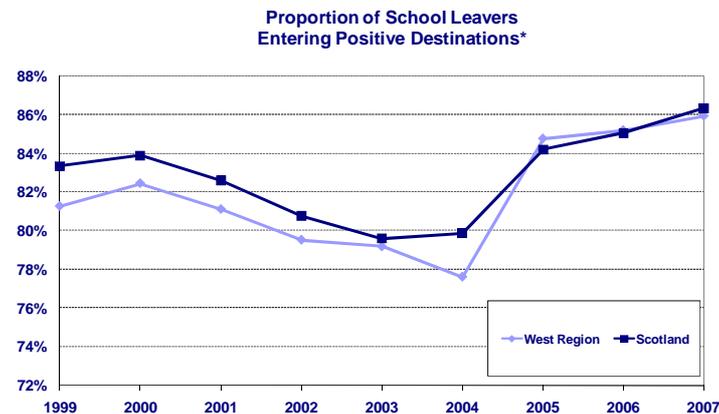
Source: Scottish Government

Destination of School Leavers, 2007		
	West Region	Scotland
Higher Education	30%	30%
Further Education	23%	23%
Training	7%	5%
Employment	26%	28%
Unemployment	13%	12%
Unknown	2%	1%

Chart 4.4 shows change in the proportion of school leavers entering positive destinations in the West Region and Scotland since 1999. Since 2004, the proportion of school leavers entering positive destinations in the region has been broadly in line with the Scottish average. Following a period of decline between 2000 and 2003, the proportion of leavers going into positive destinations from both the West Region and Scotland as a whole has increased substantially since 2004. The region is therefore currently on course to make a positive contribution to the national target.

**Chart 4.4**

Source: Scottish Government



\* HE, FE, training or employment

### More Choices, More Chances

The Scottish Government launched the *More Choices, More Chances* strategy in 2006, which sets out an action plan aimed at reducing the number of young people aged 16 to 19 years old that are not in employment, education or training. **The West Region has an above average proportion of young people in this category when compared to Scotland as a whole.**

Table 4.6 shows that there were 11,380 16-19 year olds in the West Region not in employment, education or training in 2006. This amounted to 9.8% of all people in this age group, slightly higher than the Scottish average of 8.9%.

There was a decline of 17% in the number of young people in this category in the West Region between 2003 and 2006, faster than the 15% rate of decline across Scotland over the period.

**Table 4.6**

Source: Scottish Government

16-19 Year Olds not in Employment, Education or Training					
	2003	2006	Change 2003-2006		Rate 2006
			No.	%	
West Region	13,730	11,380	-2,350	-17%	9.8%
Scotland	27,550	23,530	-4,020	-15%	8.9%

### Graduates

Over the past decade, there has been a rapid expansion in the Higher Education sector across the UK in recognition of the key role that graduates play in increasing productivity and competitiveness.

As shown in Table 4.7, a total of 17,600 West Region residents graduated from universities across the UK in 2007. This was 54% higher than the total in 1996, faster than the growth rate of 39% across Scotland as a whole. Despite this rapid increase, the rate of new graduates from the West Region (8 per 1,000 working age residents) was slightly below the Scottish average (9 per 1,000) in 2007.

**Table 4.7**

Source: Scottish Government

Total Graduates				
	1996	2007	Change 1996-07	
			No.	%
West Region	11,400	17,600	6,200	54%
Scotland	374,900	519,800	144,900	39%

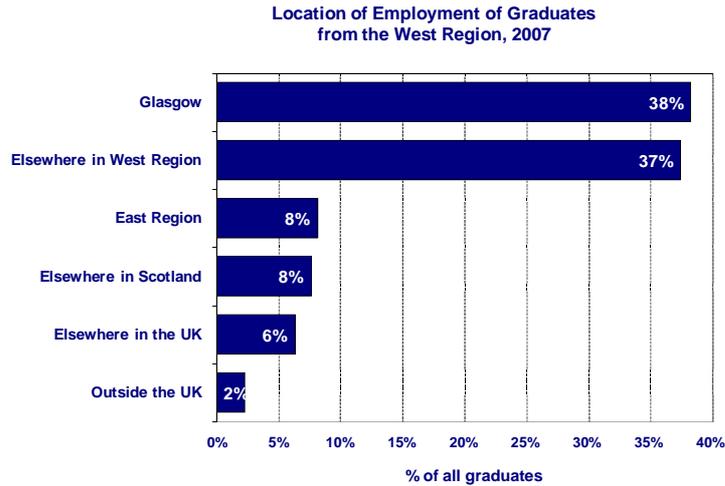
### Graduate Destinations

Chart 4.5 shows the location of the first job or place of further study for 2007 graduates originally from the West Region:

- Over three quarters (76%) of all new graduates found their first job within the region immediately following graduation, with Glasgow attracting the highest share;
- A further 16% went elsewhere in Scotland, with the East Region attracting half of these; and
- Just 8% of West Region graduates left the country – in comparison, 11% of all Scottish graduates find employment outside of the country after graduation.

Chart 4.5

Source: HESA



This high graduate retention rate is indicative of a buoyant graduate labour market within the West Region and Glasgow in particular.

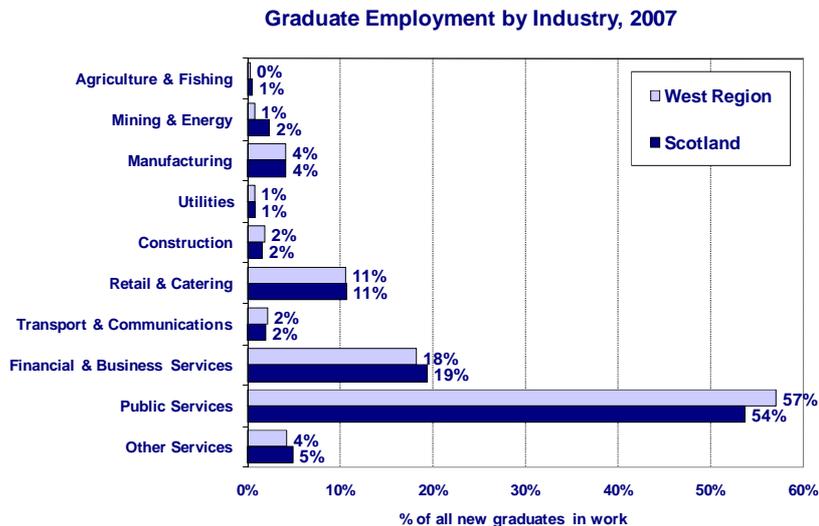
### Graduate Employment

In line with the trend across Scotland as a whole, the vast majority (79%) of new graduates from the West Region enter the 'traditional' graduate roles of *managerial, professional or associate professional jobs*.

Chart 4.6 shows graduate employment by industry in the West Region and Scotland in 2007. It shows that graduates from the West Region are more likely to find employment within the public sector, when compared to graduates across Scotland as a whole. The second most popular industry of employment for new graduates from the West Region is *financial & business services*. In 2007, 18% of graduates found their first job in this sector, broadly in line with the average for Scotland.

Chart 4.6

Source: HESA



It should be noted that these figures are gathered at a relatively early stage (6 months) following graduation and the industry of employment for many new graduates at this stage is not necessarily indicative of where they might forge a career.

#### 4.4.4 The Business Base

The Government Economic Strategy identifies the key role that enterprise must play to help Scotland achieve its productivity target and the National Performance Framework sets a target of **growing the business start up rate**.

##### VAT Registrations

Table 4.8 shows that there were 47,800 VAT registered businesses in the West Region in 2007, an increase of 11% from the total in 1999. This rate of growth was slightly faster than the equivalent rate for Scotland, but slower than across the UK.

**Table 4.8**

Source: Inter-Departmental Business Register (IDBR), ONS

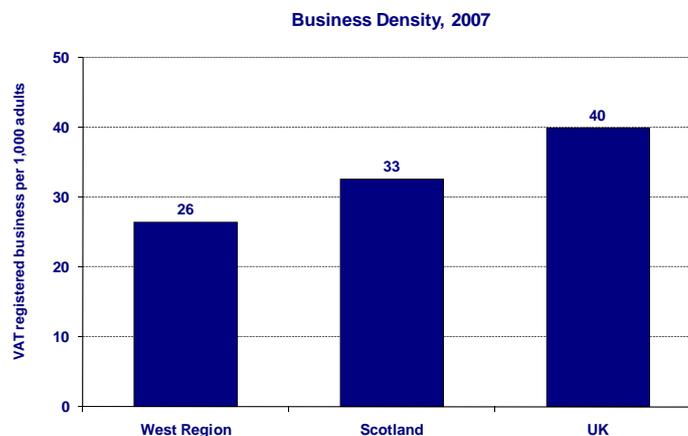
Business Stocks, 1999-2007				
	1999	2007	Change 1999-2007	
			No.	%
West Region	43,200	47,800	4,600	11%
Scotland	125,000	136,900	11,900	9%
UK	1,710,600	1,956,800	246,100	14%

##### Business Density

Chart 4.7 shows business density levels, in terms of the number of businesses per head in the West Region, Scotland, and the UK. The chart shows that there were just 26 VAT registered businesses per 1,000 adults in the region in 2007. This fell somewhat short of the Scottish rate of 33 per 1,000 and was even further below the UK figure of 40 per 1,000.

**Chart 4.7**

Source: Inter-Departmental Business Register (IDBR), ONS

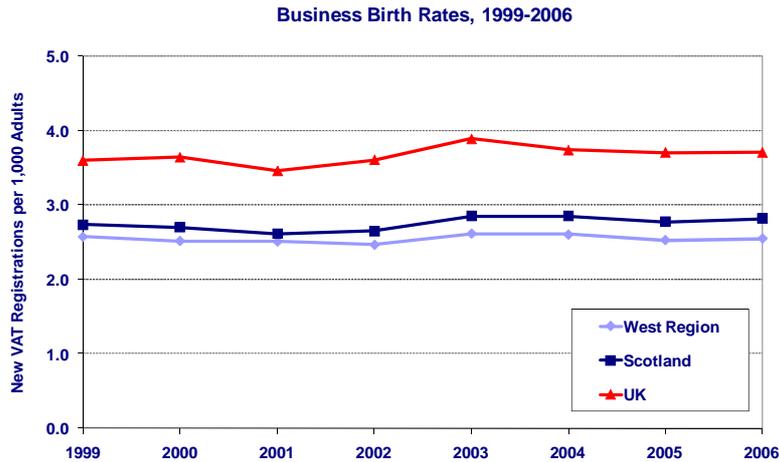


##### Business Birth Rate

Chart 4.8 shows that the business birth rate within the West Region has been slightly below the Scottish average, and well below the UK average, since 1999. The company birth rate stood at 2.6 per 1,000 adults in 2006, the same as the rate in 1999. This will need to increase if the region is to make a positive contribution to the national target.

**Chart 4.8**

Source: Inter-Departmental Business Register (IDBR), ONS



#### 4.4.5 Investment

##### Private Equity Investment

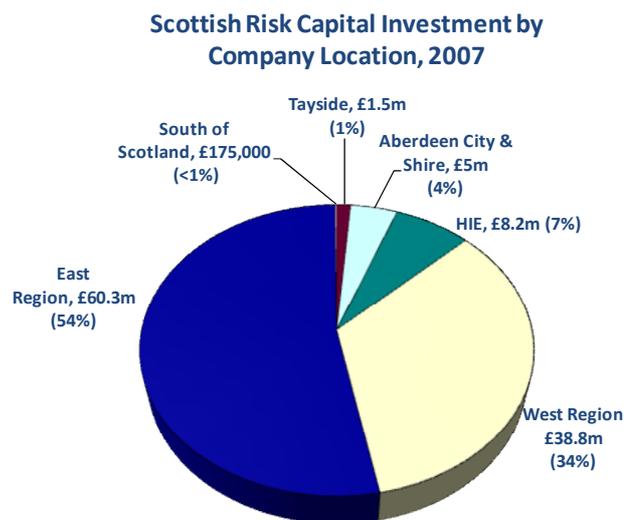
Developing a supportive business environment is one of the key strategic priorities of the Scottish Government. Sitting below this priority is a commitment to provide *'responsive and focused enterprise support to increase the number of highly successful, competitive businesses'*.

One of the key indicators of the competitiveness of a region is the level of risk capital attracted by its business base. Flows of capital are global and regions compete internationally to attract investment. A study into the Risk Capital Market in Scotland<sup>3</sup> estimated that £114m of early stage risk capital was invested in Scottish businesses in 2007. Companies based within the West Region attracted 34% (£38.8m) of the total investment in Scotland.

Chart 4.9 shows how this investment was distributed across the different regions in Scotland. The East & West Regions dominate in terms of the value of investments made, accounting for just under £100m (88%) of all private investments in 2007.

**Chart 4.9**

Source: Scottish Enterprise



<sup>3</sup> Scottish Enterprise (2008) – *The Risk Capital Market in Scotland 2005 – 2007*. This document reported on investment in the regional operations area of East, West, South, Dundee City Region and Aberdeen. These are comparable to the geographical boundaries of the city regions.

The report also analysed the geographic origins of risk capital investments in Scotland between 2005 and 2007. It found that, of the 400 or so investments made over this period, 14% came from investors based within the West Region. Further analysis shows that investors based in the West have a preference for investing in their home region, accounting for 17 (44%) of the 39 investments between 2005 and 2007 in the West Region.

The University of Glasgow along with Strathclyde University have an important role to play in attracting private equity to the region. Between 2005 and 2007, spin-outs from these universities attracted £36.1m of investment.

Information on private equity investment in key sectors at a regional level is limited<sup>4</sup>; however information on the industry preferences of geographically based investors is available. Risk capital investment from investors based in the West Region is largely concentrated within *enabling technologies* (51%) and *life sciences* (47%). This is similar to the national trend, where these two industries tend to dominate investment.

### **Public Equity Investment in Partnership with Private Sector**

Scottish Enterprise has the facility to make investments alongside the private sector, primarily through the Scottish Co-Investment Fund (SCF) and Scottish Venture Fund (SVF). Analysis of investment activity shows that SE was involved in 18 deals in the West Region in 2007 (SE was involved in a total of 59 across the country in that year). These represented 45% of the total investments made in the region in that year. In terms of value, SE investments totalled just under £6m in West Region based companies in 2007, accounting for 19% of the value of total investment made in the region in that year.

### **Inward Investment**

Inward investment refers to the movement of capital for specific investment purposes where the investor gains control over the investment asset. It usually involves companies setting up or buying operations within another region or country and can encompass new projects, expansions of existing projects, or mergers and acquisitions activity. The level of inward investment attracted by a region is a key indicator of competitiveness, though it should be noted that it often varies widely over time meaning that year on year trends can appear quite volatile.

This section provides an overview of known inward investment activity within the West Region, based on data provided by Scottish Enterprise, and covers:

- Total Investment
- Investment by Sector
- Employment Impacts of Investment
- Origin of Investment

### **Total Investment**

In 2007/08, the total value of known inward investment within the West Region amounted to £151.4m, accounting for 57% of the Scottish total of £263.8m. The proportion of Scottish inward investment attracted by the West Region is therefore above the area's share of national economic output (41%).

The value of inward investment within the region in 2007/08 was almost 50% higher than the total in 2004/05, as shown in Table 4.9. This was slower than the equivalent growth rate of 87% in the level of investment across Scotland as a whole over the period.

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<sup>4</sup> See Section 6.3 for a detailed discussion of Scottish Enterprise Key Sectors

**Table 4.9**

Source: Scottish Enterprise

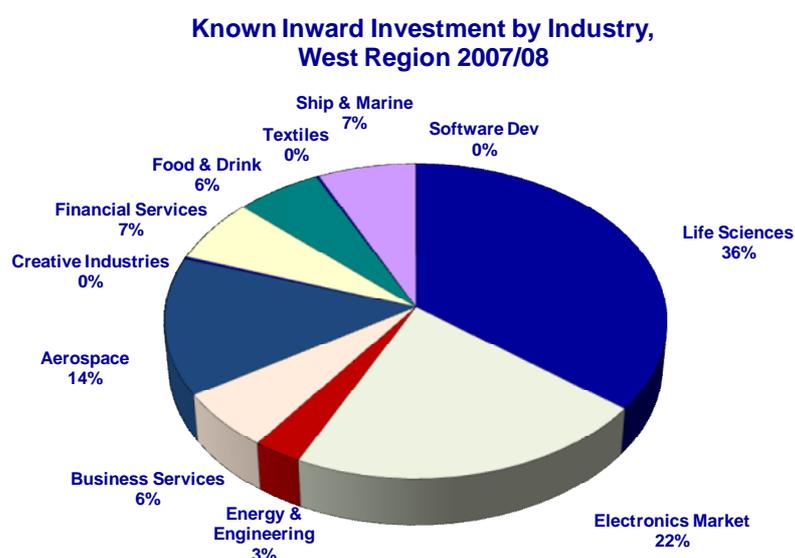
Inward Investment (£m)				
	2004/05	2007/08	Change 2004/05 - 2007/08	
			No.	%
West Region	£101.5	£151.4	£49.9	49%
Scotland	£140.8	£263.8	£123.0	87%

### Investment by Sector

Chart 4.10 shows how the total value of inward investment within the West Region in 2007/08 was distributed by industry sector. It shows that almost three quarters of all investment in the region was concentrated within three key industries – *life sciences* (36%), *electronic markets* (22%) and *aerospace* (14%).

**Chart 4.10**

Source: Scottish Enterprise



### Employment Impacts of Investment

The £151.5m of known inward investment in the West Region in 2007/08 generated a total of 3,556 new jobs. In addition, the investment was responsible for safeguarding a further 924 jobs. This means that, in total, the monies were responsible for retaining almost 4,500 jobs in the region.

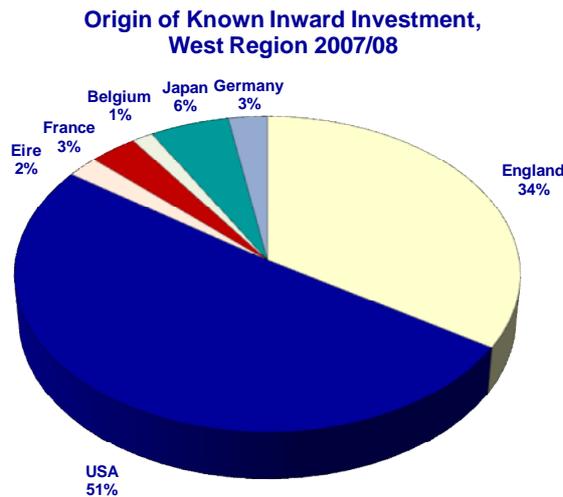
Of the jobs created or safeguarded through the investment, more than a third were 'high value' and a quarter were salaried at £30K or above. This analysis of the employment impacts of inward investment demonstrates its importance in terms of generating high value / high productivity jobs for the region.

### Origins of Investment

Chart 4.11 shows how the value of known inward investment was distributed by the country of origin of investors in the West Region in 2007/08. More than half (51%) of all investment in the region came from US investors – a total of £76.7m. Around a third (34%) came from England, 6% from Japan and the remainder from elsewhere within the EU.

Chart 4.11

Source: Scottish Enterprise



#### 4.4.6 Innovation

Innovation is believed to be a key driver of increased productivity and hence economic growth. However, measuring the level of innovation in an economy has traditionally been challenging. A recent NESTA paper<sup>5</sup> asserted that existing innovation metrics fail to capture the 'hidden innovation' which takes place in services, the public sector and creative industries. NESTA argue that traditional R&D expenditure measures are derived from a time when governments spent heavily on large scale military and scientific projects and are therefore poorly suited to adequately measure innovation in a service based economy.

Innovation is covered in detail in the national review and is examined through three measures widely used as a proxy for innovation. These are:

- Business Expenditure on Research and Development (BERD)
- The Community Innovation Survey
- The research quality of Higher Education Institutions.

Data on BERD at the West Region level is incomplete and the Community Innovation Survey only provides information at the national level. For these reasons, this section focuses on the research quality of Higher Education Institutions (HEIs) in the West Region.

##### **Research Quality of Higher Education Institutions (HEIs)**

Universities are key drivers of innovation through the research they undertake and disseminate into the wider economy. The Research Assessment Exercise (2008) assessed the quality of research in HEIs in the UK, enabling the main funding bodies to make informed decisions about where to allocate research grants. Based on the findings of the RAE (2008), the Times Higher Education Supplement produced a 'Table of Excellence' which ranked all the 132 HEIs in the UK<sup>6</sup>.

The 2008 table shows that two of the region's HEIs were ranked within the top 50 in the UK. The University of Glasgow was ranked 33<sup>rd</sup> while the University of Strathclyde was placed 50<sup>th</sup>. The region is also home to two specialist HEIs with the School of Art and the Royal Scottish Academy of Music and Drama (RSAMD), both based in Glasgow.

<sup>5</sup> NESTA Policy Briefing – Measuring Innovation – July 2008

<sup>6</sup> Times Higher Education Supplement (2008) – Table of Excellence

In terms of research income, the region's six HEIs attracted a total of £134.9m or 32% of the research grants and contracts awarded in Scotland in 2006/07. The University of Glasgow was the best performing in the region securing £95.5m, which placed it second in Scotland behind the University of Edinburgh. The University of Strathclyde also performed strongly securing £31.1m in of research income 2006/07.

**Table 4.10**

Source: Times Higher Education Supplement, HESA

<b>HEI Rankings and Research Income 2006/07</b>			
<b>University</b>	<b>RAE 2008 - THE Rank</b>	<b>Total Research Grants and Contracts 2006/2007 (£000's)</b>	<b>% of Total</b>
The University of Edinburgh	12	120,430	29%
The University of St Andrews	14	27,830	7%
The University of Glasgow	33	96,520	23%
The University of Aberdeen	38	46,160	11%
The University of Dundee	40	45,750	11%
Heriot-Watt University	45	15,490	4%
The University of Strathclyde	50	31,080	7%
The University of Stirling	56	8,910	2%
Edinburgh College of Art	66	550	0%
The Robert Gordon University	87	2,910	1%
Glasgow Caledonian University	93	4,180	1%
UHI Millennium Institute	96	11,810	3%
The University of the West of Scotland	107	1,830*	0%
University of Abertay Dundee	109	1,190	0%
Napier University	109	1,920	0%
Queen Margaret University, Edinburgh	129	2,800	1%
Glasgow School of Art	12**	980	0%
The Royal Scottish Academy of Music and Drama	13**	260	0%
<b>Total</b>		<b>420,590</b>	<b>100%</b>

\*Includes Bell College research income

\*\*Ranked only in single subject category

#### **4.4.7 Conclusions – Increasing Productivity & Competitiveness**

**Scotland (14<sup>th</sup> out of 30) and the UK (11<sup>th</sup> out of 30) both rank in the second quartile for productivity as measured by GVA per employee. The Scottish figure is around 96% of the UK figure. GVA per employee in the West Region is lower than across both Scotland and the UK, suggesting that the West is currently falling short of the GES target.**

**To help achieve the GES target, the West region would need to increase productivity at a rate faster than other highly performing OECD economies. However, there is evidence that GVA per employee has grown more slowly in the West Region than in Scotland and the UK since 1999.**

- GVA per employee in the West Region amounted to £34,900 in 2007, compared to £35,200 in Scotland and £36,900 in the UK.
- The level of GVA generated per employee in the West Region grew by 6% between 1999 and 2006, slower than the growth rates of 10% for Scotland and 15% for the UK.
- Productivity levels in the West are above the Scottish average across some industry sectors such as manufacturing and construction, but are notably below the national average within financial & business services.

***In terms of the wider drivers of productivity identified in the GES, the West Region's performance has been mixed....***

- The proportion of West Region residents educated to degree level (32%) is broadly in line with Scotland as a whole (33%). However, at the other end of the qualifications scale, 17% of residents have no qualifications at all, above the equivalent rate of 14% for Scotland.
- A total of 17,600 West Region residents graduated from university in 2007, a rate broadly in line with the Scottish average. This represented an increase of 54% from the total in 1999, a faster rate of growth than across Scotland (39%).
- Business density levels and new business birth rates in the West Region lag some way behind the UK. However, the growth of 11% in the number of VAT registered businesses in the West Region between 1999 and 2007 outpaced the 9% growth across Scotland.
- Relative to Scotland as a whole, the only Scottish Enterprise key or other growth sector that the West Region has an above average level of specialisation in is *aerospace, defence & marine*. However, *life sciences, tourism* and *creative industries* (which includes some elements of *digital media & enabling technologies*) all experienced strong employment growth between 1999 and 2007.
- Inward investment represents an important source of high value jobs and the West Region has performed well on this measure in recent years, attracting 57% of the Scottish total in 2007.

## **4.5 Increasing labour market participation**

Increasing the level of labour market participation in Scotland is the second principal driver of economic growth identified in the Government Economic Strategy. The strategy sets a target **to maintain our position on labour market participation as the top performing country in the UK and close the gap with the five top OECD economies.**

This section provides an overview of labour market participation levels within the West Region and focuses on:

- Resident Employment
- Unemployment and Inactivity
- Workless Benefit Claimants

The region's performance across each of the indicators included within this section is benchmarked against Scotland and GB, rather than the UK. This is because labour market participation data for the UK is not available prior to 2003, meaning that a time series from 1999 is not possible, and the DWP do not hold benefit claimant data for Northern Ireland.

### **4.5.1 Resident Employment**

***Growth in the total number of West Region residents in work has been faster than across both Scotland and GB since 1999.***

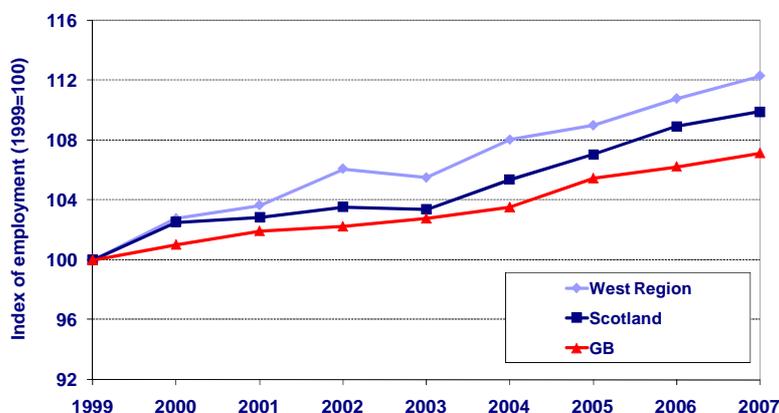
Chart 4.12 shows that the number of West Region residents in work has increased at a faster rate than across Scotland and GB as a whole since the turn of the century. There were

1,013,000 West Region residents in work in 2007. This was 12% higher than the total in 2000, a rate of growth above the Scottish and GB averages of 10% and 7% respectively.

**Chart 4.12**

**Resident Employment, 1999-2007**

Source: Annual Population Survey (APS), 2005-07; Labour Force Survey, 1999-2004



It should be noted that the figures for resident employment above include 95,700 residents who are self-employed. In total, these account for 7% of all resident employment within the West Region – below the equivalent rates for both Scotland (8%) and GB (9%).

### Employment Rates

*The employment rate in the West Region has increased considerably in recent years, though remains below the national averages.*

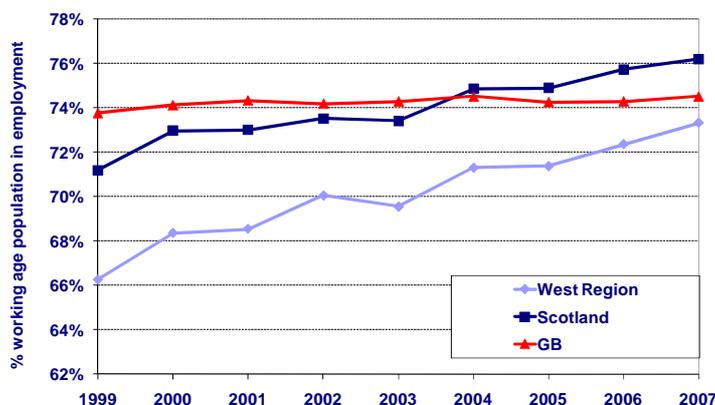
The 'employment rate' of an area is simply the proportion of the resident working age population that are in work. This is a key labour market participation measure and one of the indicators used to assess Scotland's progress towards the targets set out in the Government Economic Strategy.

Chart 4.13 shows that, despite rapid growth in the number of residents in work, the region's current employment rate of 73% remains below the Scottish and British averages (76% and 75% respectively).

**Chart 4.13**

**Employment Rates, 1999-2007**

Source: Annual Population Survey (APS), 2005-07; Labour Force Survey, 1999-2004



## 4.5.2 Unemployment & Economic Inactivity

Reducing unemployment and economic inactivity lies at the heart of the participation target set by the Scottish Government. This section of the report focuses on trends in

unemployment, inactivity and workless benefit claimants using official measures of these groups.

### **ILO Unemployment**

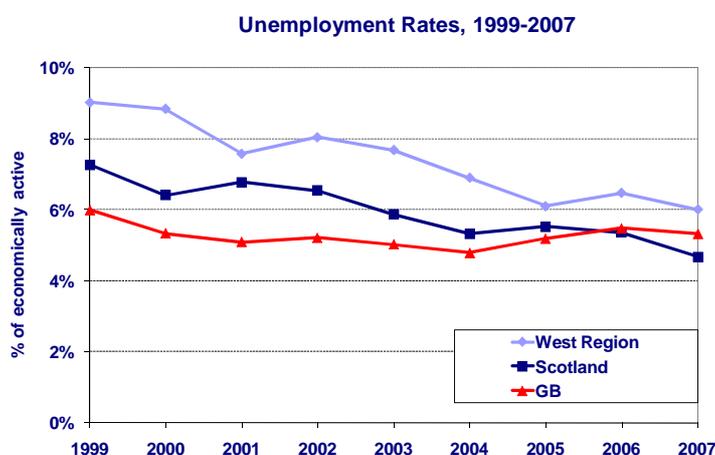
**The unemployment rate in the West Region has fallen substantially in recent years so that it is now only slightly above the national averages.**

The International Labour Organisation (ILO) definition of unemployment is the UK Government's preferred measure. This is a count of all jobless people who want to work, are available to work, and are actively seeking employment.

In 2007, a total of 57,900 West Region residents were unemployed. This was 36% lower than the figure in 1999 – a faster rate of decline than across Scotland and GB as a whole. Following this sharp decline, the unemployment rate in the West Region (6%) is now only slightly higher the Scottish and GB averages (both 5%) as shown in Chart 4.14.

**Chart 4.14**

Source: Annual Population Survey (APS), 2005-07; Labour Force Survey, 1999-2004



### **Economic Inactivity**

**Levels of economic inactivity in the West Region have fallen substantially in recent years, although the proportion of residents in this category remains above average.**

Economic inactivity is a measure of those of working age that are not in work, but who do not show up on traditional measures of unemployment as they are not actively seeking work. Those that are economically inactive represent a much larger group than the official measure of unemployment.

Table 4.11 shows that a total of 310,600 West Region residents were economically inactive in 2007. This was 16% lower than the total in 1999, a faster rate of decline than across Scotland as a whole and in contrast to an increase across GB.

**Table 4.11**

Source: Annual Population Survey (APS), 2007; Labour Force Survey 1999

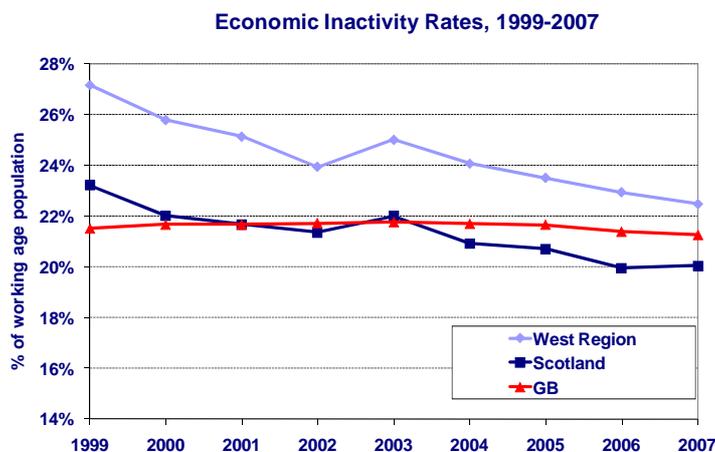
<b>Economically Inactive, 1999-2007</b>				
	1999	2007	Change 1999-2007	
			No.	%
West Region	370,000	310,600	-59,400	-16%
Scotland	724,000	642,400	-81,600	-11%
GB	7,414,000	7,774,400	360,400	5%

Chart 4.15 shows change in inactivity rates in the West Region, Scotland and GB since 1999. In 2007, 22% of the working age population in the region were economically inactive. This

was slightly above the equivalent rates of 20% for Scotland and 21% for GB, but represents a substantial improvement from the rate of 27% in 1999.

**Chart 4.15**

Source: Annual Population Survey (APS), 2005-07; Labour Force Survey, 1999-2004



### 4.5.3 Workless Benefit Claimants

*The total number of workless benefit claimants in the region has fallen considerably in recent years, though benefit dependency levels remain above average.*

Table 4.12 shows change in the total number and rate of workless benefit claimants in the West Region, relative to Scotland and GB, since 2000. These figures include those claiming Jobseekers Allowance, incapacity and other disability benefits, lone parents, carers and others on income related benefits.

There were 274,800 West Region residents in receipt of workless benefits in 2008, accounting for a fifth of the entire working age population of the area. This was above the equivalent rates for both Scotland and GB.

The total number of workless benefit claimants in the region has fallen by 18% since 2000. This was faster than the rate of decline across Scotland (-15%), although the claimant rate in the region remained above the national average throughout this period.

**Table 4.12**

Source: DWP

<b>Workless Benefit Claimants, 2000-08</b>						
	<b>Claimants 2000</b>		<b>Claimants 2008</b>		<b>Change 2000-08</b>	
	<b>Total</b>	<b>Rate</b>	<b>Total</b>	<b>Rate</b>	<b>No.</b>	<b>%</b>
West Region	336,950	25%	274,760	20%	-62,190	-18%
Scotland	614,480	19%	525,340	16%	-89,140	-15%
GB	5,468,490	16%	5,156,000	14%	-312,490	-6%

### *Incapacity Benefit*

*Despite a rapid decline in recent years, the proportion of West Region residents in receipt of incapacity benefits remains above the Scottish and British averages.*

Table 4.13 shows change in the total number and rate of Incapacity Benefit (IB) claimants in the West Region, relative to Scotland and GB, since 2000. There were 143,600 residents in receipt of IB in the region in 2008, accounting for 10% of the working age population. This was higher than the equivalent rates for both Scotland (8%) and GB (6%).

There has been a rapid fall of 16% in the total number of IB claimants in the West Region since 2000. This was more than double the rate of decline of 7% across Scotland as a whole, and in contrast to an increase of 3% across GB, over the period. This represents a policy success for the region, where there has been an increased focus on supporting IB claimants return to work in recent years.

**Table 4.13**

Source: DWP

<b>Incapacity Benefit Claimants, 2000-2008</b>						
	<b>Claimants 2000</b>		<b>Claimants 2008</b>		<b>Change 2000-08</b>	
	<b>Total</b>	<b>Rate</b>	<b>Total</b>	<b>Rate</b>	<b>No.</b>	<b>%</b>
West Region	170,400	12%	143,600	10%	-26,700	-16%
Scotland	290,800	9%	271,400	8%	-19,400	-7%
GB	2,331,100	7%	2,389,600	6%	58,400	3%

### **Jobseekers Allowance**

***In line with the national trend, the total number of JSA claimants in the West Region has fallen rapidly in recent years, although the JSA claimant rate remains above the Scottish and GB averages.***

Jobseekers Allowance (JSA) is a benefit available to those of working age that are unemployed and seeking work. There were 40,600 JSA claimants in the West Region in 2008, accounting for 3% of the working age population.

Table 4.14 shows change in the total number and rate of JSA claimants in the West Region, relative to Scotland and GB, since 2000. There was a rapid decline of 27,800 in the total number of JSA claimants in the region over the period, a fall of more than two-fifths. There were also substantial falls in the JSA totals across Scotland and GB over the period.

As a result of this decline, the JSA claimant rate in the West Region fell from 5% in 2000 to 3% in 2008, though remained above the equivalent rates for Scotland and GB.

**Table 4.14**

Source: DWP

<b>JSA Claimants, 2000-08</b>						
	<b>Claimants 2000</b>		<b>Claimants 2008</b>		<b>Change 2000-08</b>	
	<b>Total</b>	<b>Rate</b>	<b>Total</b>	<b>Rate</b>	<b>No.</b>	<b>%</b>
West Region	68,400	5.0%	40,600	2.9%	-27,800	-41%
Scotland	133,500	4.2%	76,100	2.4%	-57,400	-43%
GB	1,183,000	3.4%	824,300	2.3%	-358,700	-30%

It should be noted that, in the twelve months since these figures were gathered, there has been a steep rise in the totals claiming JSA across all areas.

### **4.5.4 Commuting**

The only reliable source of commuting data remains the 2001 Census. Table 4.15 shows commuting flows for local authority areas within the region in 2001. It is clear that the area as a whole is a very self-contained labour market, and functions effectively as a region for its workforce. Just 4% of local residents worked outside the region in 2001, and only 3% of the workforce commuted in from elsewhere.

However, the flows **within** the region are much greater, and demonstrate the dynamic nature of the city region economy very clearly. For example, almost half (48%) of all those who worked in Glasgow – a total of 158,000 people – were commuters travelling from elsewhere in 2001. From the region's perspective, a fifth of the entire workforce in the other 11 council areas in the West Region worked in Glasgow.

**Table 4.15**

Source: Census  
2001, General  
Register Office for  
Scotland

<b>Commuting Flows in the West Region, 2001</b>		
	<b>% residents who work outside the area</b>	<b>% workforce who live outside the area</b>
<b>Argyll &amp; Bute</b>	16%	14%
<b>East Ayrshire</b>	36%	22%
<b>East Dunbartonshire</b>	64%	36%
<b>East Renfrewshire</b>	70%	36%
<b>Glasgow</b>	19%	48%
<b>Inverclyde</b>	27%	23%
<b>North Ayrshire</b>	34%	20%
<b>North Lanarkshire</b>	40%	28%
<b>Renfrewshire</b>	40%	38%
<b>South Ayrshire</b>	26%	27%
<b>South Lanarkshire</b>	40%	28%
<b>West Dunbartonshire</b>	48%	32%
<b>West Region</b>	<b>4%</b>	<b>3%</b>

These flows in and out of Glasgow reflect a number of factors. One reason for the high level of movement, as measured by journeys across local authority boundaries, is in fact the very nature of the current administrative borders. In particular, there are a number of areas that are part of the Glasgow conurbation but which are administratively located within East Renfrewshire, East Dunbartonshire, North Lanarkshire and South Lanarkshire.

But in economic terms, the characteristic that creates the city region around Glasgow is that different parts of the region specialise in differing activities. In this case, *financial & business services* are heavily concentrated in Glasgow, as are certain *public services*, whereas *manufacturing* and other sectors such as *logistics* tend to be based in other parts of the region.

The overall distribution of economic activity is therefore mutually beneficial to the city and its hinterland. Surrounding areas provide the location for activities that can no longer be operated profitably in an urban location, while the city is home to a range of services that could not be based anywhere else. The city benefits from the supply of labour available from the rest of the region to fill many of these posts, while the surrounding areas gain from the pool of high wage jobs that would not otherwise be open to their residents.

#### **4.5.5 Conclusions - Increasing labour market participation**

***The employment rate in the West Region was lower than both the Scottish and GB averages in 2007. However, there has been a substantial improvement on this measure in recent years. The gap in employment rates between the region and GB fell from 7% in 1999 to just 2% in 2007.***

***Oxford Economics' forecasts suggest that the gap between GB and West Region employment rates is likely to remain at around 2% over the decade ahead...***

- In 2007, the employment rate in the West Region was 73%, compared to a Scottish average of 76% and a GB figure of 75%.
- The regional employment rate masks some significant disparities on this measure within the West Region. The employment rate in Glasgow is lowest at 68% and highest in Renfrewshire at around 80%

***Increasing levels of labour market participation have led to improvements across a range of other key labour market indicators. However, ahead of the recession, the West still underperforms the national average across most of these measures.***

- The West Region accounts for 43% of the Scottish population. The strong increase in labour market participation in the region between 1999 and 2007 was one of the key contributing factors to Scotland's progression to the top performing country in the UK on this measure in 2006.
- Following a substantial fall since 1999, the unemployment rate in the West Region was 6% in 2007, only slightly above the average of 5% for Scotland and GB. Similarly, the total number of economically inactive people in the region fell by almost 60,000 between 1999 and 2007, a decline of 16%, compared to the decline of 11% across Scotland.
- The number of workless benefit claimants fell by 62,200 people (-18%) in the West between 2000 and 2008, compared to a fall of 15% in Scotland and 6% in GB. However, a challenge remains in that 20% of the working age population still claim workless benefits, higher than the Scottish and GB averages of 16% and 14% respectively.
- The West Region is a relatively self-contained labour market in that relatively few residents travel out of the area for work and a small proportion travel in from elsewhere. Commuting flows *within* the region are much greater and illustrate the dynamic nature of the city region economy.
- Glasgow is pivotal to the function of the regional labour market, attracting significant numbers of workers from surrounding local authority areas, many of whom are attracted by the number and range of opportunities available in financial & business services and public services.

## **4.6 Increasing Population**

Population growth is a key contributor to, and consequence of, economic performance – and is the third principal driver of economic growth identified in the Government Economic Strategy. GES sets out a clear target for Scotland in the future **to match European (EU-15) population growth over the period from 2007 to 2017**. Scottish Population increased by 1% between 1999 and 2007, compared to an increase of 4% in the EU-15 population between 1995 and 2005.

This section looks at population trends within the West Region and covers:

- Total Population
- Components of Population Change
- Age Structure of the Population
- Population Projections

### ***Total Population***

***The long-term population decline experienced in the West Region has now halted and total population has been relatively stable in recent years.***

There were 2.2m people living in the West Region in 2007. This was 10,800 lower than the total in 1999, a fall of less than 1%. This compares with slight population growth of 1% across Scotland, and strong growth of 4% across the UK, over the period.

**Table 4.16**

Source: GRO (Scotland) and ONS

Total Population, 1999-2007				
	1999	2007	Change 1999-2007	
			No.	%
West Region	2,221,200	2,210,400	-10,800	0%
Scotland	5,072,000	5,144,200	72,300	1%
UK	58,684,400	60,975,400	2,291,000	4%

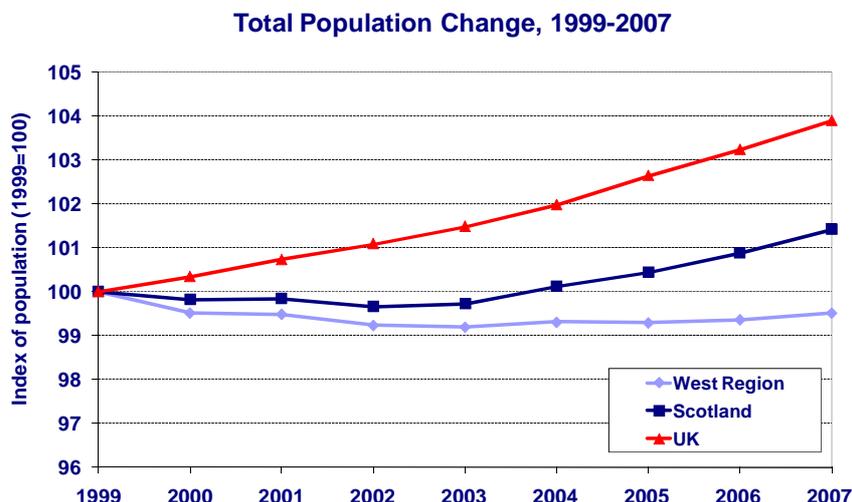
Figures may not sum to totals as each figure is individually rounded to nearest 100

Chart 4.16 shows trends in total population levels in the West Region, Scotland and the UK since 1999. It shows that:

- the decline in the West Region's population appears to have halted, and population levels have been relatively stable since 2000;
- the long-term decline in Scotland's population has been reversed and the country as a whole has experienced some population growth in recent years; and
- there has been consistent population growth across the UK over the period.

**Chart 4.16**

Source: GRO (Scotland) and ONS



This stabilisation of the population can be attributed to increased in-migration to the region in recent years. Natural change, that is the difference between births and deaths, has been negative throughout the period and, prior to 2002, this was compounded by net out-migration. However, since then, net in-migration has been positive and has managed to offset this natural decline.

### **Working Age Population**

***There has been little change in the total number of working age residents in the West Region in recent years, in contrast to growth across Scotland and the UK.***

Table 4.17 shows change in the working age population in the West Region, Scotland and the UK since 1999. The working age population is defined as men aged 16-64 and women aged 16-59.

There was little change in the total number of working age residents in the West Region between 1999 and 2007, in contrast to growth of 3% across Scotland and 6% across the UK.

**Table 4.17**

Source: GRO (Scotland) and ONS

Working Age Population, 1999-2007				
	1999	2007	Change 1999-2007	
			No.	%
West Region	1,385,600	1,391,400	5,800	0%
Scotland	3,143,800	3,226,600	82,800	3%
UK	35,927,700	37,904,500	1,976,800	6%

Figures may not sum to totals as each figure is individually rounded to nearest 100

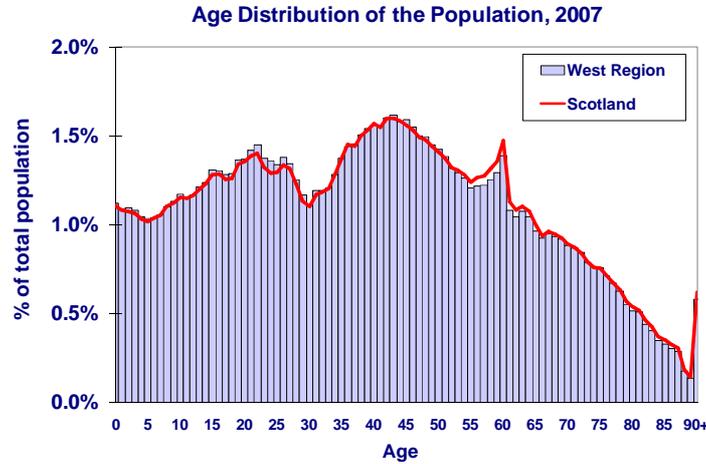
**Age Distribution**

The age structure of the West Region is broadly in line with Scotland as a whole, though there are slightly more young adults and fewer residents approaching retirement age.

Chart 4.17 shows the current age distribution of the population in the West Region, relative to Scotland as a whole.

**Chart 4.17**

Source: GRO (Scotland)



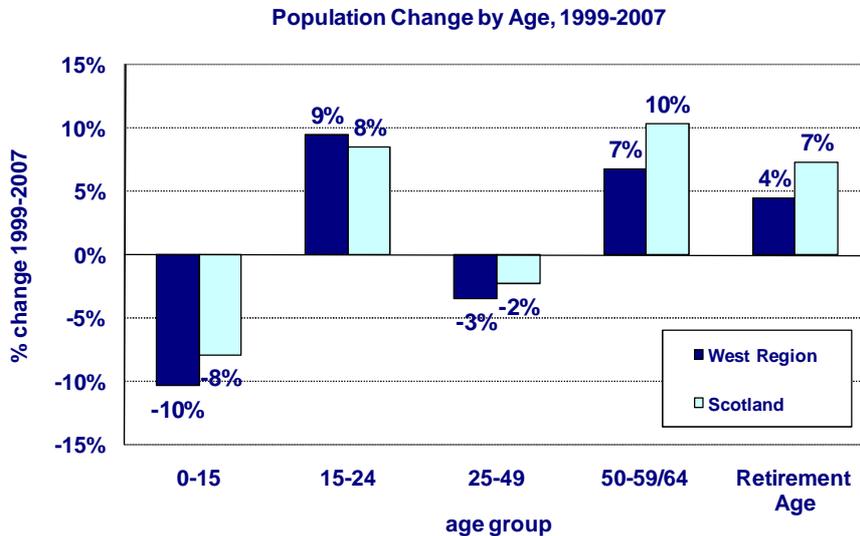
The population of the West Region is characterised by a slightly higher share of young adults in their twenties, and fewer residents in their mid to late 50s, relative to Scotland as a whole.

**Population Change by Age**

There have been important changes in the age structure of the population in both the West Region and Scotland over the past decade, as shown in Chart 4.18.

**Chart 4.18**

Source: GRO Scotland



This analysis shows:

- the greatest population increases in the West Region have been in the 15-24 age group, outpacing growth in this age group across Scotland as a whole;
- slower growth in the number of residents over the age of 50 relative to the national trend;
- a rapid decline in the number of young people in Scotland under the age of 16, a trend which is even more prominent within the West Region; therefore
- the West Region has experienced some ageing of the population in recent years, but not on the same scale witnessed elsewhere in Scotland.

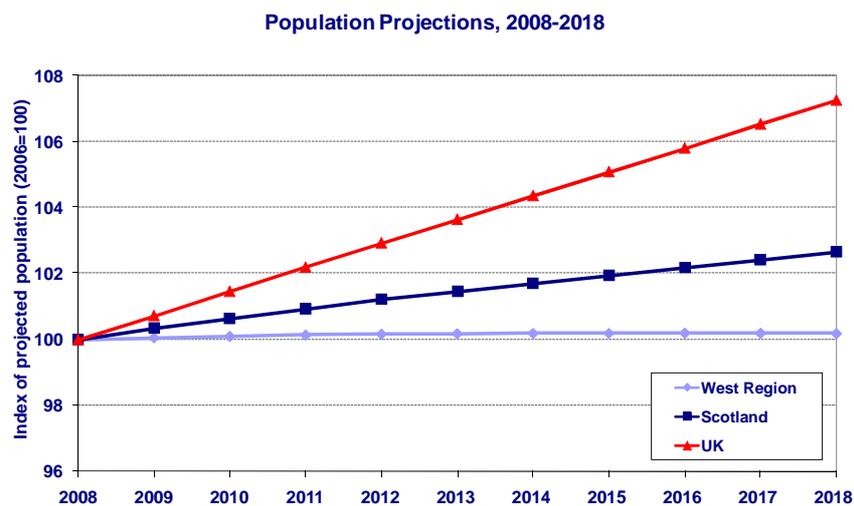
### Population Projections

**The population of the West Region is expected to remain relatively stable over the coming decade, according to the most recent official population projections.**

Total population in the region is expected to remain at around the 2.2m mark over the coming decade. This is in contrast to the expected population growth of 3% for Scotland and 7% for the UK over the period.

**Chart 4.19**

Source: GRO (Scotland) and ONS



**Table 4.18**

Source: GRO (Scotland) and ONS

Population Projections, 2008-18				
			Change 2008-18	
	2008	2018	No.	%
West Region	2,209,800	2,213,900	4,100	0%
Scotland	5,157,100	5,294,300	137,200	3%
UK	61,411,700	65,867,200	4,455,500	7%

Figures may not sum to totals as each figure is individually rounded to nearest 100

#### 4.6.1 Conclusions – Increasing Population

*The population of the West Region has been relatively stable since 1999, and is expected to remain so over the coming decade. Scottish population increased by 1% between 1999 and 2007, compared to an increase of 4% in the EU 15 population between 1995 and 2005.*

*Looking to the future, our forecasts suggest that there will be limited population growth of less than 1% in the West Region by 2018. The region is therefore unlikely to make a contribution to the GES target in the absence of increased migration.*

- The long-term population decline in the West Region has now halted and total population has been relatively stable in recent years, although this compares to growth across Scotland and the UK.
- The age profile of the West Region population is similar to Scotland as a whole, though the region has a slightly higher share of young adults and slightly fewer residents nearing retirement age.
- According to official projections, the population of the West Region is expected to remain stable over the next decade, compared to forecast growth across Scotland and the UK.

#### 4.7 Ensuring that Growth is Shared and Sustainable

The Government Economic Strategy sets out a set of desired characteristics for equitable economic growth in Scotland. These fall under the categories of:

- Solidarity
- Cohesion
- Sustainability

This chapter looks at the performance of the West Region in relation to each of these desired characteristics.

##### 4.7.1 Solidarity

The Government Economic Strategy identifies *persistent levels of inequality* as one of the biggest challenges facing the economy. The GES sets a specific target **to increase overall income and the proportion of income earned by the three lowest deciles as a group by 2017**. The preferred measure used by the Scottish Government, however, to track the GES target is not yet available at a sub-national level.

This section considers the West Region's performance in relation to levels of solidarity across a number of other measures including:

- Median Weekly Earnings – All People
- Median Weekly Earnings – Full-Time Workers
- Household Income
- Deprivation

## Median Weekly Earnings – All People

**The median earnings of those working in the West Region are broadly in line with Scotland as a whole, but lag behind the UK.**

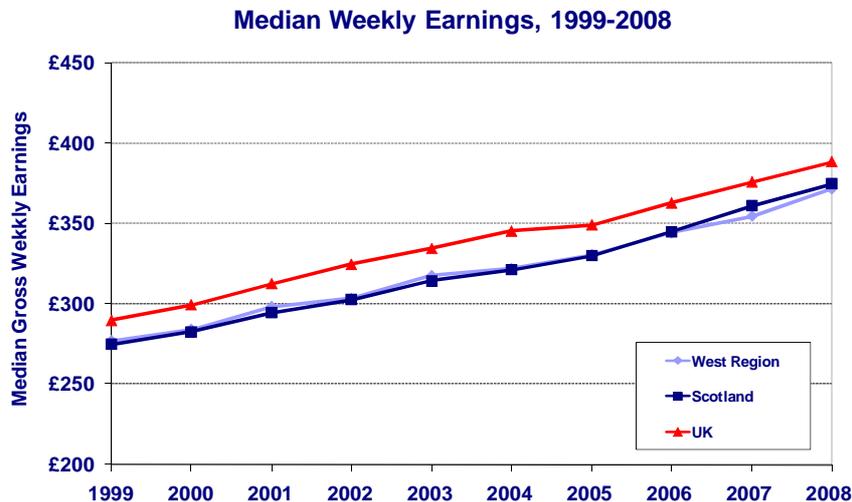
The figures in this section refer to the **median** weekly earnings of all those in employment, including both full-time and part-time workers. Median is the preferred measure (over mean) for earnings data as it is influenced less by extreme values and because of the skewed distribution of earnings data.

The Chart and Table below show change in median weekly earnings of those working in the West Region, relative to Scotland and the UK, since 1999<sup>7</sup>.

- Median weekly earnings in the region amounted to £372 in 2008;
- This was broadly in line with the equivalent figure of £375 for Scotland, but below the UK figure of £388; and
- Growth in median earnings in the West Region has kept pace with Scotland and the UK since 1999.

**Chart 4.20**

Source: Annual Survey of Hours and Earnings, ONS



The figures above are *workplace-based*, that is, they refer to the median earnings of all those employed in the West Region rather than the median earnings of residents. The median earnings of residents of the region were £376 in 2008 – only slightly higher than the workplace figure of £372.

**Table 4.19**

Source: Annual Survey of Hours and Earnings, ONS

Median Weekly Earnings, 1999-2008				
	1999	2008	Change 1999-2008	
			No.	%
West Region	£277	£372	£95	34%
Scotland	£275	£375	£100	36%
UK	£290	£388	£98	34%

It should be noted that these figures mask significant variations in median wage levels across the region. For example, the earnings of those working in Inverclyde and Dunbartonshire fall

<sup>7</sup> These figures are *Workplace-Based* – that is, they refer to the average earnings of all those employed in the West Region rather than the average earnings of residents.

more than 10% below the median for the region as a whole, whereas in Glasgow they are 2% higher.

To maximise the contribution that the region can make towards the solidarity target, an increased focus on reducing regional disparities in earnings levels is likely to be required.

### **Median Weekly Earnings – Full-Time Workers**

**The earnings of full-time workers in the West Region are also in line with Scotland, but lower than across the UK.**

The previous section looked at the median earnings of all those employed in the West Region. This section looks at the median earnings of **full-time workers** living in the region. Full-time workers are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week.

Table 4.20 shows change in the median earnings of full-time workers in the West Region between 2002 and 2008, relative to Scotland and the UK. The earnings of those working full-time are broadly in line with Scotland as a whole, but 4% lower than the UK figure. However, the increase in median earnings of full-time workers in the region was slightly faster than across both Scotland and the UK between 2002 and 2008.

**Table 4.20**

Source: Annual Survey of Hours and Earnings, ONS

<b>Median Weekly Earnings of Full-Time Workers</b>				
	<b>2002</b>	<b>2008</b>	<b>Change 2002-2008</b>	
			<b>No.</b>	<b>%</b>
West Region	£366	£460	£95	26%
Scotland	£369	£462	£93	25%
UK	£391	£479	£88	22%

### **Household Income**

**There are wide disparities in disposable income across the West Region.**

Average weekly workplace earnings cover only the income of those who are in employment. Gross Disposable Household Income (GDHI) is a measure of the total amount of money available to each person in the household after taking account of all types of income, and allowing for essential financial outgoings.

GDHI figures are not available for the West Region as a whole, but are available separately for areas within region. Table 3.18 shows average household income levels for areas across the West Region, relative to Scotland and the UK.

Table 4.21 shows that there are wide variations in average income levels across the West Region. In 2006, average household income in Dunbartonshire was £14,100 per person – the highest in the region and above both the Scottish and UK averages. By contrast, average income in Glasgow and North Lanarkshire amounted to just £12,000 per person, or 92% of the Scottish average.

Table 4.21

Source: ONS

Gross Disposable Household Income, 1999-2006					
	1999	2006	% of Scotland's GDHI	Change 1999-2006	
				No.	%
East & West Dunbartonshire, Helensburgh & Lomond	£9,900	£14,100	108%	£4,200	42%
East Ayrshire & North Ayrshire Mainland	£8,500	£11,800	90%	£3,300	39%
Glasgow City	£9,100	£12,000	92%	£2,900	32%
Inverclyde, East Renfrewshire & Renfrewshire	£10,400	£13,800	105%	£3,400	33%
North Lanarkshire	£9,000	£12,000	92%	£3,100	34%
South Ayrshire	£9,500	£13,200	101%	£3,600	38%
South Lanarkshire	£9,800	£13,100	100%	£3,300	34%
<b>Scotland</b>	<b>£9,700</b>	<b>£13,100</b>	<b>100%</b>	<b>£3,400</b>	<b>35%</b>
<b>UK</b>	<b>£10,400</b>	<b>£13,800</b>	<b>-</b>	<b>£3,400</b>	<b>33%</b>

#### 4.7.2 Conclusions – Solidarity

*The preferred measure used by the Scottish Government to track the GES target is not yet available at a sub-national level. However, median earnings in the West Region are lower than across Scotland as a whole and there is evidence of wide disparities in overall household income levels across the region.*

- The median weekly earnings of those working in the West Region were £372 in 2008. This was slightly below the Scottish figure of £375 and some way behind the figure of £388 for the UK.
- There are wide disparities in disposable income levels across the West Region.

#### 4.7.3 Cohesion

The GES identifies low participation rates in some regions as a drag on Scotland's overall economic performance. The Cohesion target focuses on the need to address regional disparities in labour market performance and sets a specific target **to narrow the gap in participation between Scotland's best and worst performing regions by 2017.**

Between 1995 and 2007 the gap in the employment rate between the best and worst LA areas in Scotland fell from 22% to 15%.

This section looks at the level of cohesion within the West Region and covers:

- Participation
- Deprivation

##### *Participation*

The indicator identified within the National Performance Framework for measuring progress towards the GES cohesion target is the employment rate. The extent of progress will be measured by the reduction in the percentage difference between the three local authority areas with the lowest rate and the three with the highest rate.

Table 4.22 compares the employment rates for areas within the West Region with the three Scottish local authority areas with the highest rates, and the three with the lowest. Whilst employment rates have increased significantly in the West, the region still has two of the three

worst performing local authority areas in terms of participation and six out of the ten worst performing local authority areas in Scotland in 2007.

**Table 4.22**

Source: Annual Population Survey (APS)

<b>Best &amp; Worst Employment Rates in Scottish LA's, 2007</b>			
	<b>Local Authority Area</b>	<b>Rate 2007 (%)</b>	<b>Ranking 2007</b>
<b>Top 3</b>	Shetland Islands	87.7	1
	Orkney Islands	84.1	2
	Highland	84.0	3
	<i>Argyll &amp; Bute</i>	<i>80.3</i>	<i>8</i>
	<i>East Dunbartonshire</i>	<i>78.8</i>	<i>13</i>
	<i>South Lanarkshire</i>	<i>78.6</i>	<i>16</i>
	<i>East Renfrewshire</i>	<i>77.9</i>	<i>19</i>
	<i>South Ayrshire</i>	<i>76.9</i>	<i>20</i>
	<i>Renfrewshire</i>	<i>76.4</i>	<i>21</i>
	<i>East Ayrshire</i>	<i>73.9</i>	<i>25</i>
	<i>West Dunbartonshire</i>	<i>73.3</i>	<i>26</i>
	<i>North Lanarkshire</i>	<i>72.3</i>	<i>28</i>
	<i>Inverclyde</i>	<i>71.4</i>	<i>29</i>
<b>Bottom 3</b>	<i>North Ayrshire</i>	<i>70.6</i>	<i>30</i>
	Clackmannanshire	69.3	31
	<i>Glasgow City</i>	<i>68.0</i>	<i>32</i>

### *Deprivation*

As well as increasing the employment rate of those areas with low labour market participation levels, the Scottish Government has also identified reducing deprivation and social exclusion as a national priority.

The Scottish Index of Multiple Deprivation (SIMD) is the Scottish Government's official measure for identifying small area concentrations of multiple deprivation across the country. The SIMD is relevant to policies and funding wholly or partly aimed at tackling or taking account of the causes and effects of concentrations of deprivation. Table 4.23 shows the number of data zones within the West Region that fall within the 5% and 15% most deprived in Scotland on this measure. It also shows the proportion of the population that live within these areas.

Over three quarters of all data zones ranked within the 5% most deprived in Scotland are located in West Region. To look at this information in another way, almost one in every ten residents live within Scotland's most highly deprived neighbourhoods. No other region in Scotland has anything like that level of the worst kind of deprivation.

Looking at those neighbourhoods ranked among the 15% most deprived, the West Region again accounts for a disproportionately large share of the Scottish total. A quarter of all residents live within these areas, more than half of which are in Glasgow. The region therefore faces a key challenge in terms of reducing levels of deprivation.

**Table 4.23**

Source: Scottish Index of Multiple Deprivation (SIMD)

Concentration of Deprivation, 2006						
	Most deprived 5% of data zones			Most deprived 15% of data zones		
	No. of zones	Population No.	%	No. of zones	Population No.	%
West Region	252	191,000	9%	671	521,900	24%
Scotland	325	246,100	5%	976	751,100	15%

#### 4.7.4 Conclusions – Cohesion

*Whilst the employment rate of the West Region has increased substantially since 1999, the region was still home to two of the three worst performing local authority areas in Scotland on this measure in 2007. Furthermore, six of the ten local authority areas with the lowest employment rates in Scotland were located in the region in 2007. Maintaining and improving participation to 2017 in these areas therefore represents a key challenge for the region.*

- Between 1995 and 2007 the gap in the employment rate between the best and worst local authority areas in Scotland fell from 22% to 15%. Increases in participation in the West played an important role in closing this gap.
- Whilst labour market participation rates have improved in both areas, Glasgow City and North Ayrshire remain within the three worst performing local authority areas in Scotland on this measure and will therefore have a key role to play to achieve the national target.
- A further four local authority areas in the region – Inverclyde, North Lanarkshire, West Dunbartonshire and East Ayrshire are among the worst ten performing areas in terms of employment rates.
- In 2006, a quarter of all West Region residents lived in neighbourhoods ranked among the 15% most deprived in Scotland. Over half of these areas are located in Glasgow, which is the local authority with the highest concentration of deprivation in Scotland.

#### 4.7.5 Sustainability

The GES identifies the quality of Scotland's environment and natural heritage as a key asset and source of competitive advantage. It states that economic growth should not occur at the expense of this and has set a target **to reduce emissions over the period to 2011 and to reduce emissions by 80% by 2050.**

This section looks at the West Region's performance in relation to sustainable growth and covers:

- CO<sup>2</sup> Emissions
- Waste Recycling

##### **CO<sup>2</sup> Emissions**

*The level of CO<sup>2</sup> emissions generated per head in the West Region is below the national average, though total emissions have been increasing in recent years.*

More than a third of all CO<sup>2</sup> emissions from Scotland come from the West Region, a total of 15,200kt in 2006. This amounted to 6.9 tonnes per head of population, below both the Scottish and UK averages (8.5 and 8.8 respectively).

Table 4.24 shows how CO<sup>2</sup> emissions are disaggregated by sector within the West Region relative to Scotland and the UK. It shows that industrial and commercial activities account for a lower share of emissions from the region than across Scotland and the UK, whilst emissions from domestic activities account for a higher share.

There was an increase of 2.5% in the total level of emissions from the region between 2005 and 2006. This upward trend will have to be reversed if the region is to make a positive contribution to the national target.

**Table 4.24**

Source: DEFRA

CO <sup>2</sup> Emissions 2006					
	Total Emissions (kt)	% Industry & Commercial	% Domestic	% Road Transport	% Change since 2005
West Region	15,200	43%	39%	28%	2.5%
Scotland	43,500	51%	33%	26%	0.8%
UK	531,700	46%	29%	25%	-0.1%

### Waste Recycling

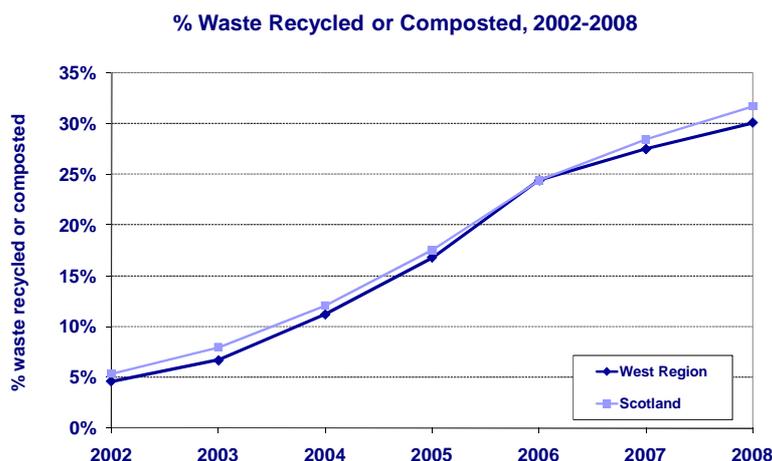
**The proportion of waste that is recycled or composted has increased rapidly in recent years, both in the West Region and across Scotland as a whole.**

The Scottish Government have announced their commitment to reducing the amount of waste currently sent to landfill. In relation to this, they have set long-term targets **to increase the level of waste recycled or composted to 70%, and to decrease the levels sent to landfill to just 5%, by 2025.**

In 2008, 30% of all waste from the West Region was recycled or composted – slightly below the national average of 32%. Chart 4.21 shows that this has increased rapidly in recent years from a rate of just 5% in 2002. Both the West Region and Scotland as a whole still have some way to go to meet the 70% target, but if the recent upward trend can be maintained this is likely to be achievable.

**Chart 4.21**

Source: Scottish Environment Protection Agency (SEPA)



#### **4.7.6 Conclusions – Sustainability**

*Data on the government's preferred measure of Greenhouse Gases is not available at the sub-national level, though some regional data on CO<sup>2</sup> emissions is available. The West region accounts for a third of all Scottish CO<sup>2</sup> emissions, but has a lower level of emissions per head than the Scottish and UK averages.*

- At 6.9 tonnes per head of population, the rate of CO<sup>2</sup> emission from the West Region is the lowest of all the SE regions and lower than the Scottish and UK averages (8.5 and 8.8 per head respectively).
- The total volume of CO<sup>2</sup> emissions from the West Region increased by 2% between 2005 and 2006, in contrast to little change across Scotland and the UK. However, care should be taken in interpreting any trend however from such a limited data set.
- Around a third of all waste from the West Region and Scotland was recycled or composted in 2008 – a six fold increase from the level in 2002.

## 5. Benchmarking

### 5.1 Introduction

In this section, the economic performance of the West Region is compared to that of the other three SE operating regions that contain cities across the key indicators of:

- GVA Growth
- Productivity
- Labour Market Participation
- Population
- Wage Levels
- Deprivation
- CO<sup>2</sup> Emissions

This analysis will provide an overview of the relative economic strengths and weaknesses of the regional economy. Across each indicator, the West Region will be benchmarked against:

- Aberdeen City & Shire
- East Region
- Dundee City Region
- Scotland and UK/GB

### 5.2 GVA Growth

*The West Region accounts for over 40% of total Scottish economic output and is therefore a key driver of the Scottish economy.*

Table 5.1 shows the total level of economic output (as measured by GVA) from each of Scotland's largest regions in 2006 and the share of national GVA accounted for by each. It also shows average annual GVA growth rates between 1999 and 2006.

In 2006, GVA from the West Region amounted to £38.1bn, accounting for more than 40% of all Scottish output. The average annual growth rate for the region was 2.5% between 1999 and 2006, below the equivalent rate of 2.8% for Scotland. The West also lagged behind the East Region on this measure, though outpaced both Aberdeen City & Shire and Dundee City Region.

Table 5.1

Source: ONS and  
SLIMS Calculations

Gross Value Added (GVA)			
	Total GVA 2006 (£m)	% Share of Scottish GVA 2006	Average Annual GVA Growth 1999-2006
<b>West Region</b>	<b>38,100</b>	<b>41%</b>	<b>2.5%</b>
Aberdeen City & Shire	10,900	12%	1.8%
Dundee City Region	6,400	7%	2.1%
East Region	30,100	32%	4.0%
Scotland	93,400	100%	2.8%
UK	1,147,800	-	3.2%

### 5.3 Productivity

*Productivity levels in the West Region are lower than both Aberdeen City & Shire and the East Region, but higher than Dundee City Region.*

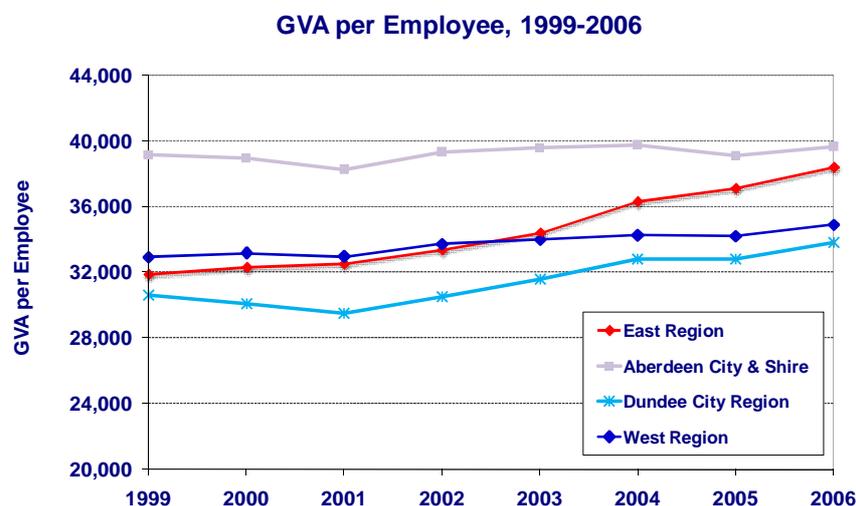
Chart 5.1 shows change in productivity levels (as measured by GVA per employee) in each of the regions between 1999 and 2006. In 2006, the average level of GVA generated per

employee in the West Region was £34,900. This was below the average for each of the comparator areas, with the exception of Dundee City Region.

There was an increase of 6% in the level of GVA per employee in the West Region between 1999 and 2006. This was slower than the productivity increase achieved within each of the other regions apart from Aberdeen City & Shire, where there was little change in productivity levels. This analysis might suggest that jobs growth in recent years has been disproportionately concentrated within lower value added activities.

**Chart 5.1**

Source: ONS and SLIMS Calculations



## 5.4 Labour Market Participation

*In terms of labour market participation, the West lags behind the other regions with a lower proportion of residents in work and above average levels of inactivity and benefit dependency.*

Table 5.2 compares the labour market performance of the regions across the key indicators of employment, unemployment, inactivity and benefit claimant rates. The West Region has the lowest levels of labour market participation and the highest levels of inactivity and benefit dependency of each of the regions.

Aberdeen City & Shire is the best performer of each of the regions on these measures, with a particularly high employment rate. However, this relatively tight labour market could potentially act as a brake on future growth. This analysis could suggest that there are many residents in the West who could potentially be brought back into the labour market given the right level of support and demand.

**Table 5.2**

Source: Annual Population Survey 05-07 & DWP

<b>Labour Market Participation 2007</b>				
	<b>Employment Rate</b>	<b>Unemployment Rate</b>	<b>Economic Inactivity Rate</b>	<b>Workless Benefit Claimant Rate</b>
<b>West Region</b>	<b>73%</b>	<b>6.0%</b>	<b>22%</b>	<b>20%</b>
Aberdeen City & Shire	81%	3.5%	17%	11%
East Region	77%	5.1%	19%	14%
Dundee City Region	77%	5.4%	19%	16%
Scotland	76%	4.7%	20%	16%
GB	75%	5.3%	21%	14%

## 5.5 Population

*There has been little change in total population in the West Region in contrast to growth within each of the other areas.*

Table 5.3 shows total population and population change between 1999 and 2007 across each of the regions. The West Region was home to 43% of Scotland's population in 2007, a total of 2.2m people. This represented very little change from the total in 1999, in contrast to growth within each of the comparator regions and particularly strong growth in the East Region.

**Table 5.3**

Source: GRO (Scotland) & ONS

Total Population			
	Total Population 2007	% Share of Scottish Population	Change 1999-2007
<b>West Region</b>	<b>2,210,400</b>	<b>43%</b>	<b>0%</b>
Aberdeen City & Shire	448,400	9%	1%
East Region	1,498,400	29%	5%
Dundee City Region	466,300	9%	1%
Scotland	5,144,200	100%	1%
UK	60,975,400	-	4%

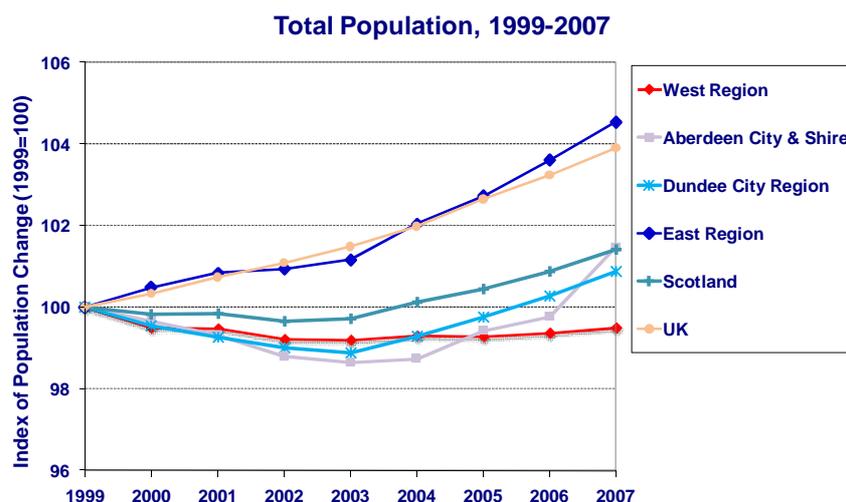
Chart 5.2 shows population change across each of the regions between 1999-2007, relative to Scotland and the UK. The chart shows some population growth within each of the regions, with the exception of the West.

The long-term decline in Scotland's population appears to have been reversed and the country as a whole has experienced some population growth since 2003. This trend is similar to that experienced within both Dundee City Region and Aberdeen City & Shire. Within the West, population growth has been relatively stable over the period.

The East is the only region to have experienced substantial population growth between 1999-2007, outpacing each of the other region as well as Scotland and the UK.

**Chart 5.2**

Source: GRO (Scotland) & ONS



## 5.6 Wage Levels

*Wage levels in the West Region are broadly in line with the Scottish average, but there are wide disparities on this measure within the region.*

Table 5.4 compares the median earnings of all those working in the West Region (including both full-time and part-time workers) with each of the benchmark regions, as well as Scotland and the UK. Median weekly earnings for those working in the West Region amounted to £372 in 2008 – broadly in line with Scotland as a whole, but below the UK figure. The West Region had the second lowest wage levels of each of the regions behind Dundee City Region.

There are disparities in earnings levels between local authority areas within the region. For example, the median earnings of those working in Renfrewshire were £400 per week in 2008. This was £110 higher than the equivalent figure of £290 for East Renfrewshire, which had the lowest earnings in the region. This analysis suggests that the West Region has more to do in terms of reducing regional disparities in wage levels.

**Table 5.4**

Source: ASHE

<b>Workplace Earnings 2008</b>		
	<b>Median Gross Weekly Earnings</b>	<b>Disparities Within Regions*</b>
<b>West Region</b>	<b>£372</b>	<b>£110</b>
Aberdeen City & Shire	£402	£74
East Region	£382	£114
Dundee City Region	£367	£46
Scotland	£375	-
UK	£388	-

\*difference in median earnings between local authorities with highest and lowest wage levels within regions.

## 5.7 Deprivation

***Within the West Region, an above average proportion of the population live in neighbourhoods ranked among the most deprived in Scotland.***

Table 5.5 shows the number of neighbourhoods ranked among the 5% and 15% most deprived in Scotland within each of the regions, as well as the proportion of the population living in these areas.

Over three quarters of all data zones ranked among the 5% most deprived on this measure are located within the West Region. Almost one in every ten residents live in these areas, none of the other comparator regions have anything like that concentration of the worst deprivation.

When looking at the 15% most deprived data zones, again the West Region is home to the majority of the Scottish total, with a quarter of all residents living within these areas. Relative to the other region, the West therefore faces a significant challenge in terms of reducing deprivation levels.

**Table 5.5**

Source: Scottish Index of Multiple Deprivation, 2006

<b>Concentration of Deprivation 2006</b>				
	<b>Most deprived 5% of data zones</b>		<b>Most deprived 15% of data zones</b>	
	<b>No. of zones in each area</b>	<b>% population in these zones</b>	<b>No. of zones in each area</b>	<b>% population in these zones</b>
<b>West Region</b>	<b>252</b>	<b>9%</b>	<b>671</b>	<b>24%</b>
Aberdeen City & Shire	11	2%	33	5%
East Region	40	2%	165	9%
Dundee City Region	16	3%	79	13%
<b>Scotland</b>	<b>325</b>	<b>5%</b>	<b>976</b>	<b>15%</b>

## 5.8 CO<sup>2</sup> Emissions

*The West generates the lowest level of CO<sup>2</sup> emissions of each of the comparator regions, though total emissions have been increasing in recent years.*

Table 5.6 shows total CO<sup>2</sup> emissions from each of the regions in 2006 and the percentage change from the previous year. It also shows total emissions per head of population and industrial emissions as a proportion of economic output (GVA).

In 2006, the West Region generated 15,200kt of CO<sup>2</sup>, accounting for 35% of total emissions from Scotland. The rates of emissions per head of population and per £1,000 GVA in the West were the lowest of each of the comparator regions and below the national averages.

However, there was an increase of 2% in total emissions from the region between 2005 and 2006, in contrast to a falls in Aberdeen City & Shire and Dundee City Region and a slight increase of 1% in the East.

**Table 5.6**

Source: DEFRA

<b>CO<sup>2</sup> Emissions</b>				
	<b>Total CO<sup>2</sup> Emissions 2006 (kt)</b>	<b>% Change in CO<sup>2</sup> Emissions 2005-06</b>	<b>Total CO<sup>2</sup> per Head of Population</b>	<b>Industrial CO<sup>2</sup> per £1,000 GVA</b>
<b>West Region</b>	<b>15,200</b>	<b>2%</b>	<b>7</b>	<b>190</b>
Aberdeen City & Shire	5,200	-2%	12	300
East Region	15,500	1%	10	340
Dundee City Region	4,100	-1%	9	280
Scotland	43,500	1%	8	260
UK	531,700	0%	9	230

## 6. Industrial Structure

### 6.1 Introduction

This section looks at the industrial structure of the West Region in terms of the number and types of jobs available and the region's performance across the key sectors outlined in the Government Economic Strategy and other growth sectors supported by Scottish Enterprise. It covers:

- Total Employment
- Industrial Structure
- Key and Other Growth Sectors

The employment data within this section is based on the Annual Business Inquiry (ABI), published by the Office for National Statistics. It is the government's preferred source of information on industrial structure and employment levels. ABI figures are not available for the UK as a whole and so the region's performance has been benchmarked against Scotland and GB.

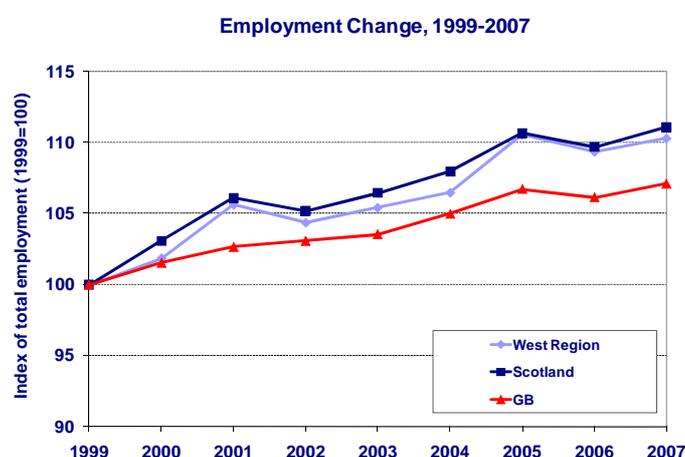
### 6.2 Total Employment

***The rate of jobs growth within the West Region has matched Scotland as a whole in recent years and outpaced GB.***

Chart 6.1 shows the change in the total number of jobs located within the West Region, relative to Scotland and GB, since 1999. In 2007, there were 1,001,200 jobs in the region representing an increase of 10% from the total in 1999. This was faster than the growth of 7% across GB and broadly in line with the equivalent rate of 11% for Scotland.

Chart 6.1

Source: Annual Business Inquiry



#### 6.2.1 Employment by Gender and Type

The growth in workplace jobs in the West Region has been faster among women than men, as shown in Table 6.1. There were 72,100 more women working in the region in 2007 than in 1999, an increase of 16%. This compares with an increase of 21,400 in the number of men in work, growth of 5%.

The expansion of the region's economy has not just been the result of ever greater numbers of part time jobs. The number of part time jobs did grow substantially by 58,900 over the period, but the number of full time posts also increased by around 34,700.

The differences in the types of employment taken by men and women do remain. Just under half (47%) of women employees worked part-time in 2007, slightly higher than the equivalent rate of 45% in 1999. At the same time, 15% of all male employees worked part-time in 2007, an increase from 11% in 1999.

**Table 6.1**

Source: Annual Business Inquiry

<b>Employment Change by Gender &amp; Type in West Region</b>				
	1999	2007	Change 1999-2007	
			No.	%
Male full-time	405,700	408,900	3,200	1%
Male part-time	52,000	70,200	18,200	35%
<b>All males</b>	<b>457,700</b>	<b>479,100</b>	<b>21,400</b>	<b>5%</b>
Female full-time	247,000	278,400	31,500	13%
Female part-time	203,000	243,600	40,700	20%
<b>All Females</b>	<b>449,900</b>	<b>522,100</b>	<b>72,100</b>	<b>16%</b>
All full-time	652,600	687,300	34,700	5%
All part-time	255,000	313,800	58,900	23%
<b>All Employees</b>	<b>907,600</b>	<b>1,001,200</b>	<b>93,600</b>	<b>10%</b>

Figures may not sum to totals as each figure is individually rounded to nearest 100

## 6.2.2 Industrial Structure

The largest employing industries in the West Region are *public services* (31% of all jobs), *financial & business services* (20%) and *retail & catering* (22%). Table 6.2 shows that this industrial structure is broadly similar to Scotland as a whole.

**Table 6.2**

Source: Annual Business Inquiry

<b>Employment by Industry, 2007</b>				
	West Region		Scotland	
	Total	%	Total	%
Agriculture	2,300	0%	39,200	2%
Utilities	9,700	1%	42,500	2%
Manufacturing	91,200	9%	220,900	9%
Construction	57,900	6%	137,600	6%
Retail & catering	218,000	22%	528,700	22%
Transport & communications	62,200	6%	130,300	5%
Financial & business services	198,900	20%	451,500	19%
Public services	310,600	31%	729,600	30%
Other services	50,500	5%	127,300	5%
<b>Total</b>	<b>1,001,200</b>	<b>100%</b>	<b>2,407,700</b>	<b>100%</b>

Figures may not sum to totals as each figure is individually rounded to nearest 100

Table 6.3 shows the change in employment by sector, between 1999 and 2007:

- *Financial & business services* was the fastest growing sector over the period with employment growth of 39%;
- *Public services* also grew rapidly (+26%), providing an additional 65,000 new jobs in the region since 1999;
- *Retail & catering* and *other services* also grew substantial over the period, increasing by 6% and 11% respectively; and
- *Manufacturing* was the only sector to experience employment decline, losing a third of its 1999 total.

**Table 6.3**

Source: Annual Business Inquiry

Employment Change in West Region, 1999-2007				
	1999	2007	Change 1999-2007	
			No.	%
Agriculture	2,200	2,300	100	3%
Utilities	8,000	9,700	1,600	20%
Manufacturing	137,100	91,200	-45,900	-33%
Construction	57,500	57,900	400	1%
Retail & catering	209,600	218,000	8,400	4%
Transport & communications	58,900	62,200	3,300	6%
Financial & business services	143,200	198,900	55,700	39%
Public services	245,600	310,600	65,000	26%
Other services	45,500	50,500	5,000	11%
<b>Total</b>	<b>907,600</b>	<b>1,001,200</b>	<b>93,600</b>	<b>10%</b>

Figures may not sum to totals as each figure is individually rounded to nearest 100

### 6.3 Key and Other Growth Sectors

The Government Economic Strategy outlines six key sectors which provide Scotland with the best prospects to raise Scotland's underlying trend rate of sustainable economic growth. The key sectors are:

- energy
- financial & business services (though the analysis in this report focuses on financial services)
- food & drink
- life sciences
- tourism
- creative industries (digital media & enabling technologies)

Scottish Enterprise focuses on identifying and responding to the needs of the key sectors. Its contribution to the Creative Industries which encapsulates a number of markets and capabilities is focused on Digital Media and Enabling Technologies.

A further five 'other growth sectors' have been identified by Scottish Enterprise which merit further public sector support. These are:

- textiles
- aerospace, defence & marine
- chemicals
- construction
- forest industries

#### 6.3.1 Definition of Sectors

The majority of the six key sectors and five other growth sectors can be defined using Standard Industrial Classification (SIC) codes, which can then be used to gather relatively good, though not perfect, local information on their size and scale based on official data sources. However, some of these industries do not lend themselves well to this method of classification due to the nature of companies operating in their sectors, as well as issues around the characteristics of supply chain firms. For example, many people employed in *life sciences* work in universities and would therefore be classed in official figures as being employed in *education*.

The sectors that cannot be defined easily using SIC codes are *life sciences*, *digital media & enabling technologies* and *energy*. Scottish Enterprise are currently working with the Government to develop a bespoke dataset for *digital media & enabling technologies*, though this is not yet available.

The *energy* sector is made up of three sub-sectors: *oil and gas*, *power generation* and *renewable energy*. The *renewable energy* sector cannot be captured using SIC codes and, whilst the other sectors are partially covered by SIC codes, their respective supply chains are not included. The Scottish Government, Scottish Enterprise and other partners are currently undertaking research to identify the *renewable energy* and *power generation* sectors along with their associated supply chains with a view to extending the supply chain work to the *oil and gas* sector. This research should be completed in 2009. Similarly, aspects of the *aerospace, defence & marine* sector are not adequately covered because of the nature and characteristics of the industry.

Sections 6.3.2 and 6.3.3 look at employment and workplaces in the West Region across the key and other growth sectors. For these, a proxy definition of *life sciences* based upon SIC codes has been used, though it is recognised that this does not cover the whole sector. Analysis of employment and workplaces within *creative industries* has been included to provide a proxy for *digital media & enabling technologies*, though again it should be noted that this is not a wholly definition of the sector. A full list of the SIC codes used in Sections 6.3.2 and 6.3.3 can be found in Appendix 4.

Section 6.3.4 looks at the contribution of some of the key sectors to national economic output. This data is only available at a limited level of detail and so the coverage does not exactly match the definitions of the key sectors. A full list of the SIC codes included in the analysis in Section 6.3.5 can be found in Appendix 5.

### 6.3.2 Employment within Sectors

Table 6.4 shows total employment across the eleven sectors in Scotland and the West Region in 2007. For each industry, it also shows the share of total employment, employment change between 1999 and 2007 and specialisation scores in the region relative to Scotland<sup>8</sup>.

**Table 6.4**

Source: Annual Business Inquiry & SLIMS Calculations

<b>Employment within Sectors, 2007</b>					
	<b>Employment in Scotland</b>	<b>Employment in West Region</b>	<b>% Share of all jobs in Region</b>	<b>% Change since 1999 in Region</b>	<b>Specialisation in Region (Scotland = 100)</b>
<b>Key Sectors</b>					
Energy	40,700	8,500	1%	22%	50
Financial Services	91,600	37,800	4%	-3%	99
Food & Drink	46,000	18,800	2%	-6%	98
Life Sciences	18,400	5,100	1%	18%	67
Tourism	219,900	85,900	9%	24%	94
Creative Industries	62,200	23,600	2%	46%	91
<b>Other Growth Sectors</b>					
Textiles	12,700	4,500	0%	-69%	85
Aerospace, Defence & Marine	30,300	16,300	2%	-25%	129
Chemicals	14,200	4,700	0%	-34%	80
Construction*	215,800	82,500	8%	3%	92
Forest Industries	19,200	5,500	1%	n/a	68

\* it should be noted that this other growth sector includes various elements of the industry supply chain as well as core construction activity, which is why the employment total is higher than that in Tables 6.2 and 6.3. See Appendix 4 for a full SIC definition of what is included in this analysis.

<sup>8</sup> The term specialisation refers to the concentration of employment within an industry locally relative to the Scottish average. A score of greater than 100 indicates that an area has an above share of employment within a particular industry. A score of less than 100 indicates that the area has a below average share of employment in an industry.

To summarise the West Region's performance across the key sectors:

- The share of employment within **financial services** in the West Region is in line with the national average. There has been a slight fall of 3% in the number of jobs in this sector since 1999, in contrast to growth across Scotland.
- **Food & drink** accounted for 2% of total employment in the region in 2007, in line with the average for Scotland as a whole. There was a fall of 6% in the total number of jobs in the sector between 1999 and 2007.
- There was strong employment growth in **life sciences** (+18%) and **creative industries** (+45%) in the region between 1999 and 2007. However, the level of specialisation within each of these sectors was below the national average in 2007.
- **Tourism** the largest of the key sectors within the West, accounting for 9% of all jobs in the region in 2007. The sector has experienced strong growth of 24% since 1999.

Looking at the West Region's performance across the other growth sectors:

- The only other growth sector within which the West has an above average specialisation score is **aerospace, defence & marine**, reflecting the presence of two of Scotland's largest airports – Glasgow International and Prestwick. The sector employs more than 16,000 people in the region, though this is 25% lower than the total in 1999.
- **Construction** is the West Region's largest other growth sector, despite having a below average specialisation score. There were more than 82,000 people working in the sector in 2007, accounting for 8% of all jobs in the region.

### 6.3.3 Workplaces by Sector

#### *Total Workplaces*

Table 6.5 shows the number of workplaces and percentage share of all workplaces within each of the key and other growth sectors in the West Region in 2007<sup>9</sup>. It also shows change in the total number of workplaces within each between 1999 and 2007.

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<sup>9</sup> Workplaces refer to individual places of work, rather than companies. For example, a bank may have several branches and offices within a region, and each one of these would be counted as a separate workplace.

**Table 6.5**

Source: Annual Business Inquiry & SLIMS Calculations

<b>Workplaces by Sector, 2007</b>			
	<b>Total Workplaces 2007</b>	<b>% of All Workplaces</b>	<b>% Change since 1999</b>
<b>Key Sectors</b>			
Energy	170	0.2%	-39%
Financial Services	1,490	2.2%	2%
Food & Drink	360	0.5%	-49%
Life Sciences	150	0.2%	19%
Tourism	7,420	10.9%	5%
Creative Industries	3,350	4.9%	30%
<b>Other Growth Sectors</b>			
Textiles	360	0.5%	-35%
Aerospace, Defence & Marine	250	0.4%	-16%
Chemicals	130	0.2%	-5%
Construction	8,800	13.0%	12%
Forest Industries	380	0.6%	-10%

**Tourism** and **construction** are the largest sectors in the West Region in terms of the volume of workplaces they account for. There were more than 16,000 workplaces in the West operating within these industries in 2007, accounting for around a quarter of all workplaces. The total number of workplaces within each of these industries increased between 1999 and 2007.

**Financial services** accounts for 2.2% of all workplaces in the West Region, a total of almost 1,500 in 2007. This was 2% higher than the total in 1999. Although **life sciences** accounted for less than 1% of all workplaces in the region in 2007 (a total of 150), this was 19% higher than the total in 1999.

There were over 3,300 workplaces operating within the **creative industries** sector in the West Region in 2007, accounting for 4.9% of all workplaces. The sector has experienced strong growth of 30% between 1999 and 2007.

The other sectors are relatively small in that each accounts for no less than 1% of all workplaces in the region. Furthermore, they have all been shrinking, with particularly sharp falls in the numbers of **textiles** and **food & drink** workplaces.

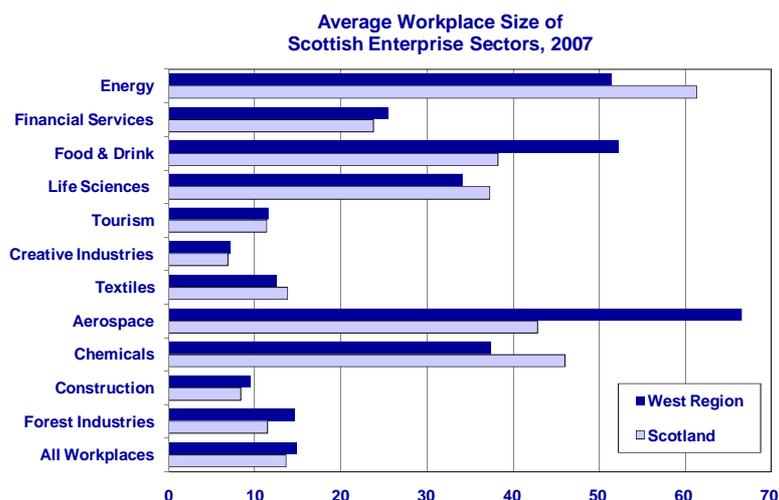
#### *Workplace by Size*

Chart 6.2 shows the average size of workplaces across each of the key sectors in the West Region, relatively to Scotland as a whole. Across all industries, the average workplace in the region employs 15 people, slightly above the Scottish average of 14.

The average size of workplaces in the West Region is above the Scottish average within most of the sectors with the exception of *energy, life sciences, textiles* and *chemicals*. The difference is proportionately widest within *aerospace*, where the average firm in the region employs 66 people, much higher than the equivalent figure of 43 for the Scottish industry as a whole. Average workplace sizes within *food & drink* in the West Region are also substantially higher (+27%) than across Scotland as a whole.

Chart 6.2

Source: Annual Business Inquiry & SLIMS Calculations



### 6.3.4 GVA from Key and Other Growth Sectors

Analysis of the levels of economic output (GVA) from the key and other growth sectors can be used to give a broad indication of their contribution to the Scottish economy. It should be noted that the GVA figures reported in this section refer to GVA at current prices that have not been adjusted to take account of taxes or inflation. That is why the figures appear much higher than those reported elsewhere in this report. The other key difference with these figures is that, in contrast to those contained within Sections 4.3 and 4.4, they **include** offshore oil & gas activity.

Table 6.6 shows GVA and productivity levels within the key and other growth sectors. The figures are taken from the Annual Business Inquiry (ABI) published by the Scottish Government and are the best available fit with the key and other growth sectors, though they are not an exact match<sup>10</sup>. Despite this limitation, the data are useful to give a proxy indication of the contribution of the sectors to the national economy.

Table 6.6

Source: Annual Business Inquiry for GVA and productivity figures; Total for all industries from ONS National Accounts

<b>Economic Output from Scottish Enterprise Sectors, Scotland 2006</b>			
	<b>Total GVA 2006 (£m)</b>	<b>% Scottish GVA</b>	<b>Productivity (GVA per Employee)</b>
<b>Key Sectors</b>			
Energy	15,400	*	£625,400
Food & Drink	3,000	3.2%	£65,200
Life Sciences	1,400	1.5%	£51,000
Tourism	4,000	4.3%	£19,600
Creative Industries	2,200	2.4%	£38,700
<b>Other Growth Sectors</b>			
Textiles	400	0.4%	£37,300
Aerospace, Defence & Marine	400	0.4%	£75,000
Chemicals	2,600	2.8%	£169,000
Construction	5,900	6.3%	£46,800
Forest Industries	700	0.8%	£38,600
<b>All Industry Sectors**</b>	<b>93,361</b>	<b>100%</b>	<b>£47,200</b>

\* calculation not possible as the total for all industries excludes offshore oil & gas activities

\*\* excluding offshore oil & gas activities

<sup>10</sup> A full list of the SIC codes used in this analysis can be found in Appendix 4.

To summarise the contribution of the key sectors to the Scottish economy:

- **Energy** is a large and important part of the Scottish economy, accounting for £15.4bn of total economic output in 2006 and generating over £625,000 GVA per employee<sup>11</sup>;
- The **food & drink** industry is responsible for 3.2% of all Scottish economic output and productivity in the sector is above the national average;
- Productivity levels within **life sciences** are above the Scottish average for all industries, though the sector is relatively small, accounting for 1.5% of Scottish output in 2006. Section 6.3.5 looks in more detail at this key sector in Scotland;
- The **tourism** sector has among the lowest levels of productivity of all industry sectors, partly as a result of the prevalence of part-time working in the industry. The importance of the industry to the national economy is demonstrated by the fact that it accounted for 4.3% of all output in 2006; and
- Overall productivity levels within the **creative industries** sector are below the average for all industries, though the sector accounts for 2.4% of all Scottish output.

Looking at the economic contribution of the other growth sectors in Scotland:

- **Construction** is responsible for generating 6.3% of national economic output, making it the second largest of the key and other growth sectors in Scotland. Productivity levels in the industry are broadly in line with the average for all industry sectors;
- **Chemicals** accounts for 2.8% of the Scottish economy and, with levels of GVA per employee more than three times the national average, it is the second most productive sector shown;
- **Textiles** and **forestry industries** are relatively small parts of the Scottish economy, each accounting for less than 1% of national economic output in 2006 and with productivity levels around a fifth lower than the average for all industries.
- Productivity levels within the **aerospace, defence & marine** industry are above the average for all industries. The sector accounted for 0.4% of total national economic output in 2006.

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<sup>11</sup> It should be noted that these figures include the off-shore oil & gas industry and refer to GVA at current prices, which have not been adjusted to take account of taxes or inflation.

## 7. Infrastructure & Place

### 7.1 Vacant & Derelict Land

#### Introduction

The Scottish Government publish annual estimates of the amount of urban vacant and derelict land located within each local authority in Scotland. This data can be used to give an indication of the scale and quality of the land available for development within an area.

Urban vacant land can be defined as land located within settlements with a population of 2,000 or more, which is currently not being used for the purposes for which it is held and is therefore viewed as an appropriate site for development. This land must either have had prior development on it or preparatory work has taken place in anticipation of future development.

Derelict land is land which has been so damaged by development, that it is incapable of development for beneficial use without rehabilitation. In addition, the land must currently not be used for the purpose for which it is held. Land also qualifies as derelict if it has an unremedied previous use which could constrain future development. For both urban vacant and derelict land, site records must be at least 0.1 hectares in size to be included.

#### Land Availability

In 2008, there was a total of 6,488 hectares of urban vacant or derelict land within the West Region, accounting for 59% of the Scottish total. Chart 7.1 shows how this land was distributed across the region. Glasgow, North Ayrshire, North Lanarkshire and Renfrewshire have the largest overall amount of available land for development, combined accounting for more than three quarters (77%) of the regional total in 2008.

Chart 7.1

Source: Vacant & Derelict Land Survey, Scottish Government

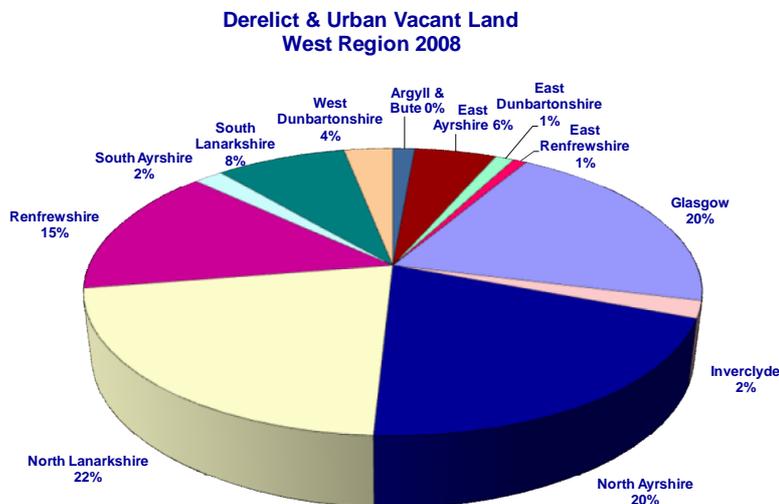


Table 7.1 shows that, in absolute terms, Glasgow, North Lanarkshire and North Ayrshire have the largest volumes of vacant and derelict land within the region, as well as the largest number of sites. Glasgow stands out as being home to the largest number of vacant and derelict sites (38% of the regional total) with the average size of site in the city just 1.4 hectares. The average size of vacant and derelict sites for most areas outside the city is much higher, particularly within Renfrewshire.

Overall, 0.5% of all land in the region was designated as derelict or urban vacant and therefore offering potential for development in 2008. This was five times higher than the proportion of 0.1% across Scotland as a whole. The share of total land available for

development is particularly high within Glasgow, where 7.5% of the entire city falls into this category.

Table 7.1

Source: Vacant & Derelict Land Survey, Scottish Government

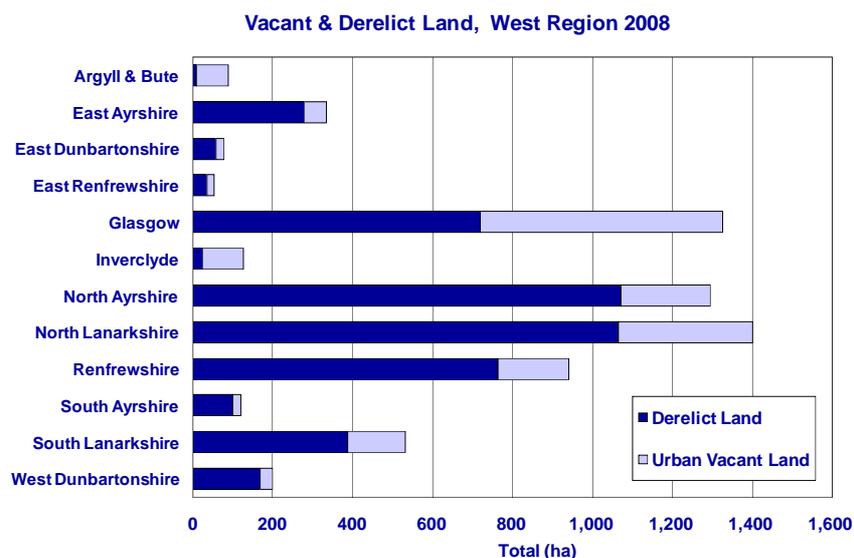
Vacant & Derelict Land in West Region 2008				
	Total Derelict or Urban Vacant Land (ha)	Number of Derelict or Urban Vacant Sites	Average Site Size (ha)	Derelict and Vacant Urban Land as % of all Land
Argyll & Bute	90	65	1.4	0.0%
East Ayrshire	333	110	3.0	0.3%
East Dunbartonshire	77	33	2.3	0.4%
East Renfrew shire	54	38	1.4	0.3%
Glasgow	1,325	919	1.4	7.5%
Inverclyde	126	121	1.0	0.8%
North Ayrshire	1,294	262	4.9	1.5%
North Lanarkshire	1,402	443	3.2	3.0%
Renfrew shire	941	49	19.2	3.6%
South Ayrshire	119	42	2.8	0.1%
South Lanarkshire	531	219	2.4	0.3%
West Dunbartonshire	199	88	2.3	1.3%
<b>West Region Total</b>	<b>6,488</b>	<b>2,389</b>	<b>2.7</b>	<b>0.5%</b>
<b>Scotland</b>	<b>10,970</b>	<b>4,012</b>	<b>2.7</b>	<b>0.1%</b>

Of the 6,488 hectares of available land within the West Region as a whole in 2008, 72% was derelict – that is, it requires remedial work before it can be used for development. The remaining 28% was vacant and therefore available for immediate development. Chart 7.2 shows how each of the areas within the region compare on this measure.

Over 80% of all vacant and derelict land within each of the Ayrshire council areas, Renfrewshire and West Dunbartonshire requires remedial work before it can be redeveloped. By comparison, around half of all vacant and derelict land within Glasgow is ready for immediate development and within Argyll & Bute the proportion requiring remedial work falls to just 10%.

Chart 7.2

Source: Vacant & Derelict Land Survey, Scottish Government



## 7.2 Transport & Connectivity

Effective transport infrastructure is a key contributor to economic performance. Transport provides access to and from local labour markets and goods and services, while strategic networks provide connections to and from the rest of the country and beyond. The quality of a region's transport 'offer' can also influence inward investment decisions, and the attractiveness of a location for tourism.

Connectivity, both internal and external, has been identified as a crucial characteristic contributing to the competitiveness of cities<sup>12</sup>. This view is also reflected in the *Eddington Transport Study*<sup>13</sup>, which reviewed the long-term linkages between transport and UK economic performance. The study concluded that prioritisation of future policy efforts was required to avoid an adverse impact upon the nation's productivity and competitiveness. The study outlined three strategic economic priorities for transport over the next 20 years:

- inter-regional transport connections
- strategic transport linkages between city regions
- international transport links

This section of the report looks at the transport infrastructure of the West Region and provides commentary on the following:

- travel to work patterns
- external connectivity
- internal connectivity

### 7.2.1 Travel to Work

Chart 7.3 compares the method of travel to work for residents of the West Region relative to Scotland as a whole. The car is by far the most popular method of travel to work for residents within the region. In 2006, 64% of all residents travelled to work by car, mainly as drivers. This was in line with the equivalent rate across Scotland as a whole. Less than a fifth of residents (19%) used public transport to travel to work (bus or train) – though this is slightly higher than the national average of 17%.

It should be noted that the headline figure in respect of car usage masks substantial variations across areas within the region on this measure. For example, two thirds of residents in East Renfrewshire, East Ayrshire and East Dunbartonshire travel to work by car. This falls to just 41% for Glasgow, where a much higher proportion of residents travel to work on public transport.

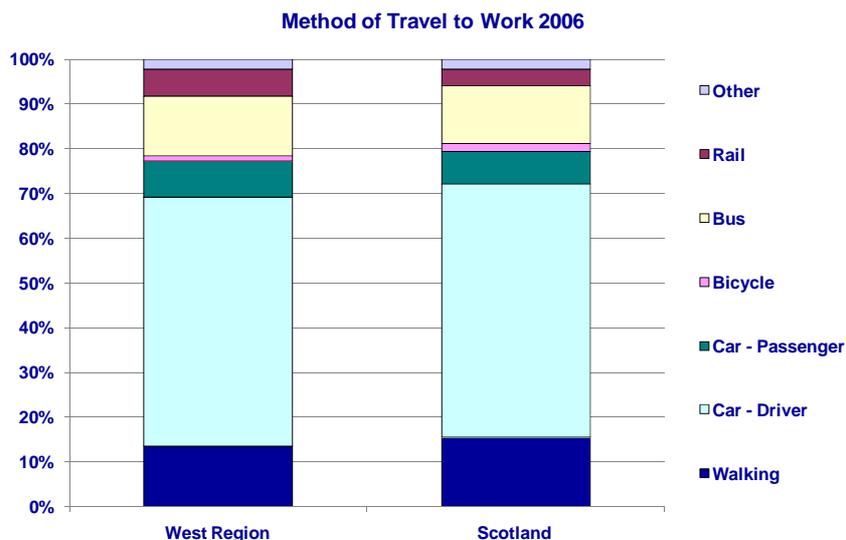
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<sup>12</sup> Hutchins & Parkinson, 2005 *Competitive Scottish Cities?*

<sup>13</sup> *The Eddington Transport Study - The Case for action: Sir Ron Eddington's advice to Government, December 2006*

**Chart 7.3**

Source: Scottish Household Survey



## 7.2.2 External Connectivity

In an international context, Scotland as a whole is considered to have below average connectivity to the rest of the EU<sup>14</sup>, although the West Region appears to be one of the best connected compared to other parts of Scotland. In the latest Cushman & Wakefield UK Cities Monitor<sup>15</sup> Glasgow is ranked as the 8<sup>th</sup> best city in respect of transport links to other cities and the 4<sup>th</sup> best in terms of international transport links.

### Air Connectivity

Proximity to direct international air services is a critical factor in determining the competitiveness of a region as a place for business location and investment. The key international transport links to and from the West Region are the airports at Glasgow and Prestwick. Table 7.2 shows that passenger throughput has grown substantially at both airports since 1997, particularly at Prestwick. Between them, the airports handled around 11m passengers in 2007, making the West Region the third largest metropolitan area in the UK, behind London and Manchester (in terms of passenger throughput).

**Table 7.2**

Source: CAA

Airport Passenger Throughput, 1997-2007				
			Change 1997-2007	
	1997	2007	No.	%
Glasgow	6,011,800	8,726,100	2,714,300	45%
Prestwick	567,300	2,420,700	1,853,400	327%
Total	6,579,100	11,146,800	4,567,700	69%

This should, however, be interpreted in the context of a Scotland to London travel market is that is largely dominated by air travel. Whilst just under half (47%) of all throughput at Glasgow airport was attributable to international passengers in 2007, growth in the number of such passengers has been relatively weak since 1997, relative to other major UK airports. The substantial growth witnessed at Edinburgh airport over the same period (Table 7.3) is particularly relevant, given that it is in part, likely to have come at the expense of Glasgow.<sup>16</sup>

<sup>14</sup> National Planning Framework 2 Discussion Draft, 2008

<sup>15</sup> Cushman & Wakefield UK Cities Monitor 2008

<sup>16</sup> TERU, Glasgow Economic Audit 2005

Table 7.3

Source: CAA

Growth in international passenger throughput at major UK airports, 1997 - 2007 (m)				
	1997	2007	Change 1997-2007	
			No.	%
Stansted	4.2	21.2	17.0	404%
Edinburgh	0.9	3.4	2.5	270%
Bristol	1.2	4.6	3.4	269%
Luton	2.5	8.4	5.9	238%
East Midlands	1.5	4.7	3.2	210%
Belfast International	0.7	1.8	1.1	169%
Newcastle	1.8	3.9	2.2	124%
Aberdeen	0.9	1.5	0.6	70%
Birmingham	4.8	7.6	2.7	57%
Glasgow	2.8	4.1	1.3	48%
Manchester	13.3	18.7	5.4	40%
Gatwick	24.4	31.1	6.8	28%
Heathrow	50.6	62.1	11.5	23%

The UK Government's Air Transport White Paper - *The Future of Air Transport* – provides the strategic framework for the development of air transport until 2030. The White Paper recognises that there is substantial potential for growth of both airports over the coming decades, although concludes that there is presently business no case for a second runway at Glasgow. The central forecast for Glasgow predicts that passenger numbers could swell to over 20m by 2030, while Prestwick's middle range forecast suggests numbers could more than treble to around 9m by 2033.

#### Road & Rail

The West Region is relatively well connected to the rest of the country in terms of road and rail links. Improvements to the M74 (both through upgrades to motorway sections located outside of the West Region, and the completion of the northern extension to the Kingston bridge) should further improve transport links both within the region and to other parts of the UK more generally.

The Glasgow Airport Rail Link (GARL) is expected to be operational by 2013 in advance of the city hosting the Commonwealth Games. This will provide a fast rail link between the city centre and Glasgow Airport, where currently road travel is the only option of travel.

Recent improvements to the West Coast Main Line have significantly reduced the average journey time between Glasgow to London to around four and a half hours (an hour faster than in 2003). Improvements to services between Glasgow and Aberdeen were recently announced in the *Strategic Transport Projects Review*. The *Review* also commits to a number of improvements to rail services aimed at better linking the West Region to Edinburgh, highlighting the growing importance of links between Scotland's two largest cities. Future upgrades to these linkages will support the strategic aim of greater integration of the Glasgow and Edinburgh economies, which it is hoped would allow them to function as a "single, business space" that can be marketed globally.

In the longer-term, proposals for high speed rail (HSR) links between Scotland and England are increasingly on the policy agenda with the UK government are currently exploring options for high speed links between London and the Midlands, and possibly into Scotland. However, the early stage of these proposals means it is likely to be a number of years before any potential economic benefits of HSR would be realised.

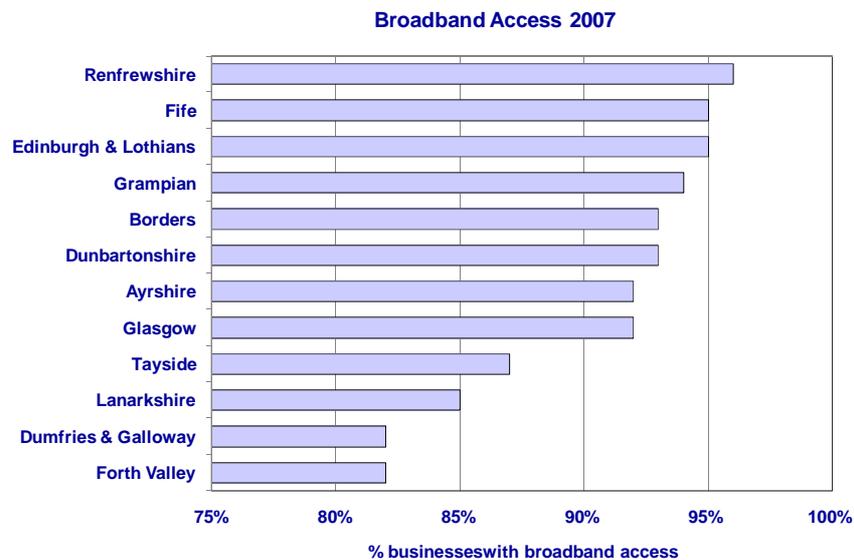
## Electronic Connectivity

The influence of connectivity on competitiveness extends beyond transport infrastructure and encompasses digital connectivity and communications, with the quality of digital infrastructure an important determinant of a location's attractiveness for business investment. Recent evidence from the *Scottish Enterprise e-Business Survey (2007)* suggests that the West Region performs well in respect of business access to broadband services.

Recent evidence from the *Scottish Enterprise e-Business Survey (2007)* suggests that there are some disparities within the West Region in terms of access to broadband. Chart 7.4 shows the proportion of businesses with broadband access across Scottish Enterprise (2007) areas. It shows that 85% of businesses located in Lanarkshire have access to broadband, compared to 96% of business in Renfrewshire. The average for Scottish as a whole was 90%.

Chart 7.4

Source: Scottish Enterprise e-Business Survey



### 7.2.3 Internal Connectivity

Good transport connections offer the opportunity to widen local labour markets and to improve access to goods and services. However, a number of infrastructure constraints can be identified within the West Region, centering chiefly on rail capacity and road congestion issues. The *Regional Transport Strategy* for the West of Scotland identifies the need to improve both cross-city and cross-regional links with strategic corridors as specific priorities.

While the West region has the 2<sup>nd</sup> largest commuter rail network in the UK (second only to London), a key weakness is poor connectivity *across* the region, with no direct routes running from the South East of Glasgow, to the North East of the city. This situation also has national implications in that it prevents direct rail services from major Scottish destinations – such as Edinburgh, Aberdeen, Inverness, and Perth – to both airports located within the West as well as a host of other regional destinations. Longstanding proposals to implement Crossrail Glasgow would seek to address these concerns through a £240m scheme that would see three new stations at Glasgow Cross, the Gorbals and West Street, a re-located and re-built High Street station, and new track linking lines in the North and South of the city.

However, these proposals appear to have been rejected in the *Strategic Transport Projects Review* published in December 2008. As part of a wider package building on improved links with Edinburgh, the *Review* instead favours a multi-billion pound proposal that would see a new, enlarged station in Glasgow city centre, replacing high-level Glasgow Central and Queen Street, while cross-city connectivity would be addressed through implementation of a rapid transit light rail system. At this stage, however, it is not clear how and when these plans will progress with SPT seeking Government reconsideration of the Crossrail scheme, while

the *Review* itself concedes that some of the indicative budget of £1.5bn – £3bn would be allocated outside the *Review's* delivery period (2022).

Reducing road traffic congestion is a central aim identified within the *Regional Transport Strategy* and a number of projects either planned or in progress have this as their key objective. Currently, completion of the M74 from Carmyle to the Kingston Bridge and M8 is moving forward. This is currently the largest transport infrastructure project in Scotland and should help to alleviate congestion in and around Glasgow, while at the same time support Clyde Gateway regeneration efforts. The project is scheduled for completion in mid-2011.

The East End Regeneration Route will provide a transport route from the extended M74 through the East End of Glasgow to the M8/M80 junction. The total cost of this three-phase project has been estimated at £58-69m. Phase one is already complete and it is expected that phases two and three will be completed between 2009 and 2011.

Further efforts committed to in the STPR include a number of targeted improvements such as the upgrading of the A77 around Ayr and the prospect of hard shoulder bus running on the M77, M74 and M8 closely linked to developed park-and-ride schemes. In addition, STPR also recognizes that further potential exists for large-scale expansion of park-and-ride facilities in the West, with the principal aim of reducing congestion levels into central Glasgow.

### 7.3 Physical Development Priorities

A number of major physical developments are either planned or in progress within the West Region, some of which are supported by the transport projects outlined above. Many of the West Regions' major developments reflect the need to regenerate communities that have been detrimentally affected by the decline of heavy industry. Others are principally aimed at addressing existing capacity constraints or supporting key sectors such as financial & business services, digital media, and aerospace.

Incorporating major regeneration initiatives in the Clyde Gateway and Clyde Waterfront, the Glasgow & Clyde Valley Structure Plan clearly identifies the Clyde Corridor as a substantial 'corridor of growth'. The corridor is recognised as a national strategic priority and encompasses a diverse range of ongoing and future physical developments including:

#### Clyde Waterfront

- **The International Financial Services District (IFSD)** – A recent assessment of the economic impact of the IFSD estimates that, since its launch in 2001, approximately 15,000 jobs have been created and more than £1bn of investment generated. While a number of pipeline developments are due to come on-stream over the coming year, the extent to which the current economic downturn will affect the pace of future development remains to be seen.
- **Greater Govan & Glasgow Harbour** – The *Central Govan Action Plan* presents a framework for the £70 million regeneration of Govan through the delivery of a combination of new business, commercial space, and mixed tenure residential development, to be delivered over the next 3-5 years. Scottish Enterprise is also supporting *BVT Surface Fleet* in redeveloping a derelict section of their Govan/Scotstoun facility to increase the productivity of the plant.

#### Clyde Gateway

- **2014 Commonwealth Games** – as host to the 2014 Commonwealth Games, a range of new venues require development across Glasgow, coupled with redevelopment of some existing facilities. It is expected that Games venue requirements will be met by a combination of updated existing facilities (70%) and new strategic developments (30%). One of the largest includes the construction of a new £120m National Indoor Sports Arena and Cycling Velodrome in the Dalmarnock/Parkhead area. Dalmarnock

will also accommodate the £245m Athletes Village, complimented by an estimated 1,000 new homes to house athletes during the games. These will then be made available for private sale and social housing on completion of the Games.

- **Ravenscraig** – The Ravenscraig project, based in North Lanarkshire, is set to be Scotland's first new town in over 50 years. Work is currently underway on the development, which is expected to provide 3,500 new homes, a new town centre with 84,000 sqm of retail and leisure space, and up to 216,000 sqm of business and industrial space, two new schools, a new College campus and a new transport network. It is estimated that Ravenscraig will attract in excess of more than £1.2bn of private sector investment over the next 10-15 years.
- **The Digital Media Quarter (Pacific Quay)** – The Digital Media Quarter is a Scottish Enterprise development initiative, which was designed to house companies working across the digital media industry. Phase one of development is still underway, with the ongoing construction of the Digital Media Quarter's second office building - *The Hub*. Phase 2, which is expected to be delivered over the next two years, includes a restaurant development and the creation of further office space on the site.
- **James Watt Dock Development (Inverclyde)** – Work is currently ongoing on the £180m redevelopment of Inverclyde's James Watt Dock. The development of the dock is expected to be completed over a ten-year period and will provide in excess of £10m of social housing, create a mixture of retail and commercial space, develop a 400+ berth marina and redevelop the A-listed Sugar Warehouse. In addition to this, in late 2008, work began on the construction of a further 27,000 sq ft of flexible office accommodation at Riverside Business Park, with a view to being available for occupation in summer 2009.
- **Clydebank Regeneration** – the revitalization of Clydebank's waterfront is at the heart of the town's regeneration. There are a range of ongoing developments contributing to the regeneration effort through the provision of a mix of housing, office and leisure facilities. Construction is currently underway on The Queens Quay Pavilion 2 (part of the Queen's Quay Learning and Enterprise District), and once completed, will provide 27,000 ft<sup>2</sup> of office space to address the reported under-provision in the area. More business space will be provided in the form of flexible workshop accommodation upon the completion of Phase 3 of the John Knox Street Workshops which is scheduled for completion in early 2009. Also, the regeneration of redundant dockland at Rothesay Pier has created a 10-acre boatyard at Rothesay Dock East, with further planned development for the site including a mix of housing, retail and business use.

## 8. Sub-Regional Performance

This section provides a broad overview of how each of the local authority areas within the West Region perform against the purpose targets set out in the Government Economic Strategy.

### 8.1 Economic Growth

**GES Target: to raise Scotland's GDP growth rate to the UK level by 2011.**

The average annual GVA growth rate for the West Region between 1999 and 2006 was 2.5%. This was below the UK average of 3.2%, meaning that the region as a whole is currently falling short of the national growth target.

Table 8.1 ranks each of the local authority areas within the West Region on how they perform on this measure using the following coding:

- = below the national average
- = broadly in line with the national average
- = above the national average

This analysis shows that GVA growth in Glasgow kept pace with Scotland as a whole between 1999 and 2006, whilst Argyll & Bute, North and South Lanarkshire all achieved GVA growth rates above the national average over the period. Glasgow and the two Lanarkshire authorities combined account for two thirds of all economic output and have therefore been key drivers of economic growth in the region in recent years. North and South Lanarkshire were the only areas within the region to outperform the UK average and match the national growth target.

There are a number of areas within the region that perform less well on this measure. In particular, the economies of East Dunbartonshire, Inverclyde and North Ayrshire contracted throughout much of the period resulting in negative GVA growth rates. An improved performance within these areas, as well as Renfrewshire and North and East Ayrshire, is likely to be required if the region is to achieve a better performance on this measure and be in a position to contribute to the national target.

**Table 8.1**

Source: Oxford Economics

Economic Growth	
	GVA Growth Rate 1999-2006
<b>West Region</b>	<b>2.5%</b>
<b>Scotland</b>	<b>2.8%</b>
Argyll & Bute	●
East Ayrshire	●
East Dunbartonshire	●
East Renfrew shire	●
Glasgow City	●
Inverclyde	●
North Ayrshire	●
North Lanarkshire	●
Renfrew shire	●
South Ayrshire	●
South Lanarkshire	●
West Dunbartonshire	●

## 8.2 Productivity

**GES Target: to rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017.**

In 2006, productivity within the West Region (as measured by GVA per employee) amounted to £34,900. This was slightly below the equivalent figure of £35,200 for Scotland and just 95% of the UK figure of £36,900. Table 8.2 shows how each of the local authority areas within the region perform on this measure, using the same coding as above.

Relative to Scotland as a whole, the only local authority areas in the region with above average levels of GVA per employee in 2006 were East and West Dunbartonshire and Renfrewshire. This can be partly attributed to the fact that they have relatively large manufacturing sectors, which generate higher levels of GVA per employee than service sector activities.

Glasgow, the two Lanarkshire local authorities and North Ayrshire were all average performers on this measure, whilst productivity levels within each of the other areas were below the Scottish average in 2006. In particular, average levels of GVA per employee within Argyll & Bute, East Renfrewshire and Inverclyde all amounted to less than 90% of the Scottish figure. An improved performance across these areas is likely to be required if the region is to be in a position to make a positive contribution to the national target.

**Table 8.2**

Source: Oxford Economics & Annual Business Inquiry

Productivity	GVA per Employee 2006
West Region	£34,900
Scotland	£35,200
Argyll & Bute	●
East Ayrshire	●
East Dunbartonshire	●
East Renfrew shire	●
Glasgow City	●
Inverclyde	●
North Ayrshire	●
North Lanarkshire	●
Renfrew shire	●
South Ayrshire	●
South Lanarkshire	●
West Dunbartonshire	●

## 8.3 Participation

**GES Target: maintain our position on labour market participation as the top performing country in the UK and close the gap with the top 5 OECD economies by 2017.**

The employment rate is a key indicator of labour market participation as it is essentially a measure of the proportion of the working age population that are in work. The employment rate in the West Region was 73% in 2008, below the national average of 76%. The region is therefore currently falling short of the national target.

Table 8.3 shows how the other areas within the region compare to the regional average on this measure, using the same coding as the previous sections. It shows that low labour market participation levels are widespread throughout the region. In fact, Glasgow, Inverclyde and North Ayrshire have among the lowest employment rates of all local authorities in Scotland. Conversely, Argyll & Bute, East Dunbartonshire and East Renfrewshire each have employment rates at or close to the government's definition of full employment (80%).

**Table 8.3**

Source: Annual  
Population Survey

Participation	
	Employment Rate
<b>West Region</b>	<b>73%</b>
<b>Scotland</b>	<b>76%</b>
Argyll & Bute	
East Ayrshire	
East Dunbartonshire	
East Renfrew shire	
Glasgow City	
Inverclyde	
North Ayrshire	
North Lanarkshire	
Renfrew shire	
South Ayrshire	
South Lanarkshire	
West Dunbartonshire	

## 8.4 Population

**GES Target: to match European (EU-15) population growth over the period from 2007 to 2017.**

The total population of the West Region fell by 0.5% between 1999 and 2007, in contrast to growth of 1.4% across Scotland. This downward trend will need to be reversed if the region is to make a contribution to the national growth target.

Table 8.4 shows how each of the areas within the region have performed against the national average on this measure since 1999. It shows that only three areas – East Renfrewshire, North and South Lanarkshire – matched Scottish population growth over the period. Of these, South Lanarkshire was the only area to outpace the Scottish average.

There was a decline in population across each of the other areas over the period. This was particularly marked within Inverclyde and East and West Dunbartonshire. The region therefore faces a key challenge in terms of stemming this widespread population decline.

**Table 8.4**

Source: General  
Register Office for  
Scotland

Population	
	Population Change 1999-2007
<b>West Region</b>	<b>-0.5%</b>
<b>Scotland</b>	<b>1.4%</b>
Argyll & Bute	
East Ayrshire	
East Dunbartonshire	
East Renfrew shire	
Glasgow City	
Inverclyde	
North Ayrshire	
North Lanarkshire	
Renfrew shire	
South Ayrshire	
South Lanarkshire	
West Dunbartonshire	

## 8.5 Solidarity

**GES Target: to increase overall income and proportion of income earned by three lowest income deciles as a group by 2017.**

Average earnings for those working in the West Region were £372 per week in 2008, broadly in line with the Scottish average of £375. However, there are wide variations on this measure within the region as shown in Table 8.5.

Just four of the twelve local authorities in the West Region have earnings levels at or above the Scottish average – Glasgow, East Renfrewshire, Renfrewshire and North Lanarkshire. However, it should be noted that these figures refer to **workplace** earnings. That is, the earnings of those whose workplace is located within each of the areas, rather than the earnings of residents.

As we saw in Section 4.5.4, commuting flows within the West Region are significant with a fifth of the entire workforce of the region working in Glasgow. These variances in wage levels are partly what drive the large volume of commuting flows within the West, with residents from across the region benefiting from higher wage levels in the city.

**Table 8.5**

Source: Annual Survey of Hours and Earnings (ASHE)

Solidarity	
	Average Weekly Earnings 2008
<b>West Region</b>	<b>£372</b>
<b>Scotland</b>	<b>£375</b>
Argyll & Bute	●
East Ayrshire	●
East Dunbartonshire	●
East Renfrew shire	●
Glasgow City	●
Inverclyde	●
North Ayrshire	●
North Lanarkshire	●
Renfrew shire	●
South Ayrshire	●
South Lanarkshire	●
West Dunbartonshire	●

## 8.6 Cohesion

**GES Target: to narrow the gap in participation between Scotland's best and worst performing regions by 2017.**

The indicator identified within the National Performance Framework for measuring progress towards the cohesion target is the employment rate. The extent of progress will be measured by the reduction in the percentage difference between the three local authority areas with the lowest rate and the three with the highest rate.

As we saw in Section 4.7.3, low levels of labour market participation are widespread throughout the West Region. Furthermore, North Ayrshire and Glasgow City are two of the three local authorities with the lowest employment rates in the country meaning that the region has a key contribution to make towards achieving the national target.

## 8.7 Sustainability

**GES Target: to reduce emissions over the period to 2011 and to reduce emissions by 80% by 2050.**

In 2006, the West Region was responsible for around a third of all CO<sup>2</sup> emissions from Scotland. This amounted to 6.9 tonnes per 1,000 population, below the Scottish average of 8.5 per 1,000. Table 8.6 shows how each of the areas within the region fare on this measure.

This analysis shows that the West Region is (literally) very green relative to Scotland as a whole. The only areas with emission rates at or above the Scottish average are Renfrewshire and North Ayrshire. The levels of CO<sup>2</sup> emissions from each of the other areas fall below the national average. In fact, emissions from Argyll & Bute are actually negative when you take account of land use activities such as forestry, which offset carbon.

**Table 8.6**

Source: DEFRA

<b>Sustainability</b>	
	<b>CO2 (t) per Head 2006</b>
<b>West Region</b>	<b>6.9</b>
<b>Scotland</b>	<b>7.3</b>
Argyll & Bute	●
East Ayrshire	●
East Dunbartonshire	●
East Renfrew shire	●
Glasgow City	●
Inverclyde	●
North Ayrshire	●
North Lanarkshire	●
Renfrew shire	●
South Ayrshire	●
South Lanarkshire	●
West Dunbartonshire	●

## **9. Outlook for the West Region**

### **9.1 Introduction**

The production of the economic review has been carried out against a backdrop of huge economic turmoil at the global, UK and Scottish levels. The UK and Scottish economies are now officially in recession and there is emerging evidence that the West Region is beginning to feel the effects of the global economic downturn.

In this final chapter of the report we present our understanding of the future prospects for the West Region. This is based on:

- Our understanding of the recent economic performance of the West Region;
- Oxford Economics recently published Economic Forecasts for the UK, Scotland and the Regions, published in March 2009;
- The insights we have gained from stakeholders during the consultation process to identify the emerging impacts of the recession; and
- Our own understanding of how the recession might impact on the West Region.

This chapter of the report set outs:

- The West Region's historical contribution to the GES targets;
- Oxford's understanding of the drivers of the recession and the impacts thus far;
- Economic Forecasts for the West Region, and the uncertainties and risks that surround those forecasts;
- The implications of the recession for the West Region;
- The potential contribution the Region might make to the GES targets going forward; and
- A framework of potential policy responses.

### **9.2 What contribution has the West Region made to the GES targets?**

#### **9.2.1 An important part of the Scottish Economy**

The West Region is a major and significant part of the Scottish economy and will therefore have a key role to play in terms of helping achieve the purpose targets set out in the Government Economic Strategy. Looking across some key economic indicators, the region:

- Generated 41% of Scotland's GVA in 2006;
- Accounts for 42% of all Scottish jobs;
- Is home to 44% of all Scottish financial and business services jobs; and
- Is characterised by some relatively high value added companies: GVA per head is above the Scottish average across most industries, with the exception of financial & business services.

The West Region is therefore a key driver of the Scottish economy. Since 1999:

- More than 90,000 new jobs were created within the region – this is equivalent to over a third of all new jobs in Scotland over the period;
- The growth of the financial and business services sector has been strong and a major contributor to growth performance; however
- In terms of GVA growth, the West Region underperformed relative to the Scottish and UK averages.

The region has a number of people and place assets that contribute to economic performance:

- The Region has a relatively high proportion of graduates, but also large numbers with no qualifications at all;
- Over 17,000 residents originally from the region graduate from universities across the UK on an annual basis;
- The Region is home to a world-class cluster of Higher Education Institutions, centred in Glasgow; and
- The long-term decline in the region's population has halted and population levels have been stable since the turn of the century.

## 9.2.2 A mixed performance in relation to the GES targets

On the basis of recent performance, the West Region is well placed to contribute to the achievement of some of the purpose targets set out in the Government Economic Strategy. However, across some indicators, the region currently falls somewhat short of the national targets. Since 1999:

- GVA has grown at an average annual rate of 2.5% - below the Scottish average of 2.8%;
- Productivity, as measured by GVA per employee, was £33,900 in 2006, below the Scottish average and just 95% of the UK figure;
- Labour market participation, as measured by the employment rate, is the lowest of all the SE regions;
- Population has been static in recent years in contrast to growth across Scotland and the UK; and
- There are wide disparities in average earnings and income levels across the Region.

**Table 9.1**

Source: SLIMS Analysis

**Relative performance against GES Purpose Targets**

	East Region	West Region	Dundee City Region	Aberdeen City & Shire
Economic Growth	Green	Amber	Red	Amber
Productivity	Green	Amber	Red	Green
Participation	Green	Red	Amber	Green
Population	Green	Amber	Amber	Amber
Solidarity + Cohesion	Green	Red	Amber	Green
Sustainability	Red	Green	Green	Red

Colour coding: **Green** – above Scottish average  
**Amber** – in line with Scottish average  
**Red** – below Scottish average

A key objective of this study has been to understand the potential future contribution that the West Region could make to the achievement of the GES targets. In recent years, during a period of economic growth, the region has been an average performer in relation to the purpose targets. In the remainder of this chapter we set out our understanding of what is driving the recession, outline some uncertainties and scenarios relating to the base Oxford Forecast and the views of the SLIMS/Oxford team on the impact that the recession will have on the West. We conclude by highlighting some potential policy implications from the review findings.

### **9.3.1 What is driving the recession?**

The roots of the financial crisis are complex, involving global savings imbalances, policy & regulatory failures, over-indebted consumers in a number of developed economies and the squeeze on household incomes from high commodity prices. However, the financial crisis that broke in the autumn of 2008 will be remembered as the event that destroyed consumer and business confidence. Activity, which was already weakening, has fallen precipitously in the last 4 months, with investment spending cut back and unemployment rising sharply. Policy reactions saved the banking system from systemic collapse, with the central banks slashing official interest rates and implementing unorthodox measures to supply liquidity to both banks and the rest of the economy. However, credit remains much harder to get even for the best of borrowers, and government finances are deteriorating rapidly as economies weaken and stimulus programmes are enacted.

### **9.3 Evidence so far**

The shock to the real economy is evident from the recent data releases which show a synchronised, sharp fall in activity. Some of the headline indicators are:

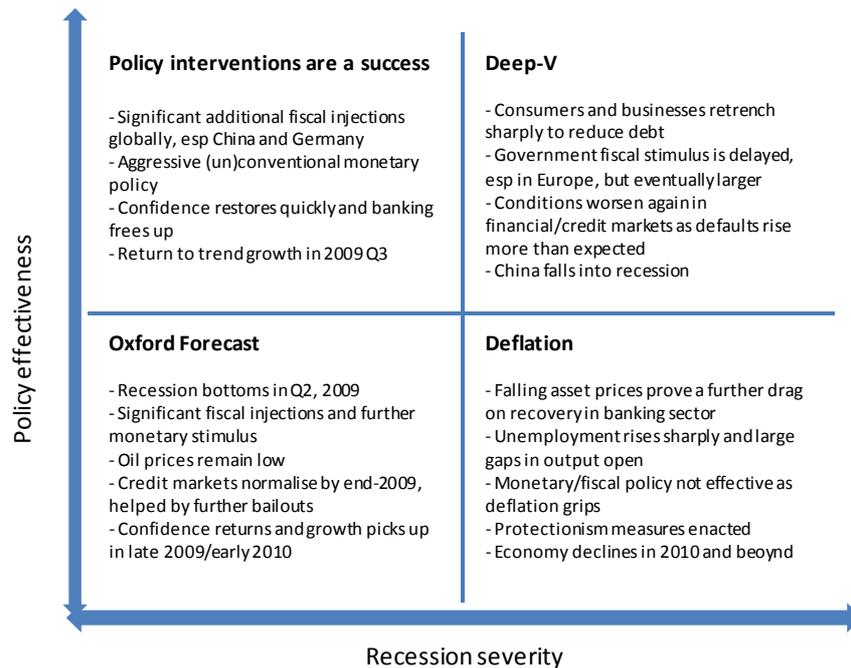
- The loss of nearly three million (one in every fifty) jobs in the US since September – the worst labour market experience in the post-war era;
- German factory orders down 27% in the year to November;
- The transmission of the downturn to emerging nations reliant on trade – with Chinese exports in January 17.5% lower than a year earlier;
- UK GDP down 2.1% in the second half of 2008;
- The PMI employment measure for Scotland in January stood at a record low of 39.5; and
- West Region's JSA claimant total up by more than 23,000 (+57%) since February 2008.

### **9.4 Uncertainties and scenarios**

The sharp falls in output over the last 4 months are now aggravating the financial aspects of the crisis by raising the prospect of corporate failures and further asset write downs, nullifying the efforts to revive the banking system. These feedback loops from the severity of the downturn, combated by the unprecedented policy response, add considerable uncertainty to forecasts for 2009 and beyond.

Oxford Economics believes that the most likely outcome at this stage is for the recession to bottom in the second half of 2009. The recovery led by the US will be anaemic, with GDP not recovering its mid-2008 level in the US until mid 2010 and not until mid-2011 in the Eurozone and the UK. As illustrated in the figure below, other outcomes are clearly possible, and only a little less likely than the base case, particularly if credit markets do not normalise or if the fiscal and other stimulus measures are delayed. This includes a fall into outright deflation with output falls stretching into 2010 and beyond.

## Oxford Economics forecast scenarios



## 9.6 Economic Forecast for the West Region

This chapter provides an overview of economic outlook for the West Region over the decade ahead.

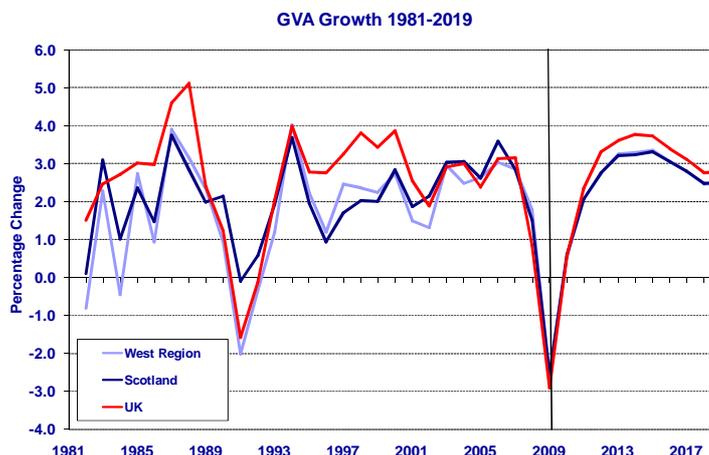
### 9.6.1 GVA growth

Chart 9.1 shows GVA growth for the West Region, Scotland and the UK. The pattern of GVA growth within the West Region has broadly mirrored that for Scotland as a whole since the mid-1980s.

The forecast suggests that total output will fall by 2.9% in the UK, 2.5% in Scotland and 2.6% in the West Region in 2009. As recovery begins, a growth rate of 0.5% is expected for the West Region in 2010, compared with 0.6% for both Scotland and the UK. For the period from 2011 to 2018, when the growth rate is temporarily boosted by the rebound from recession, the West Region's GVA growth is expected to match the Scottish average of 2.9%, compared with 3.3% for the UK. The longer run outlook is below the UK average largely as a result of modest population growth and the knock-on to population driven aspects of public sector growth.

Chart 9.1

Source: Oxford Economics

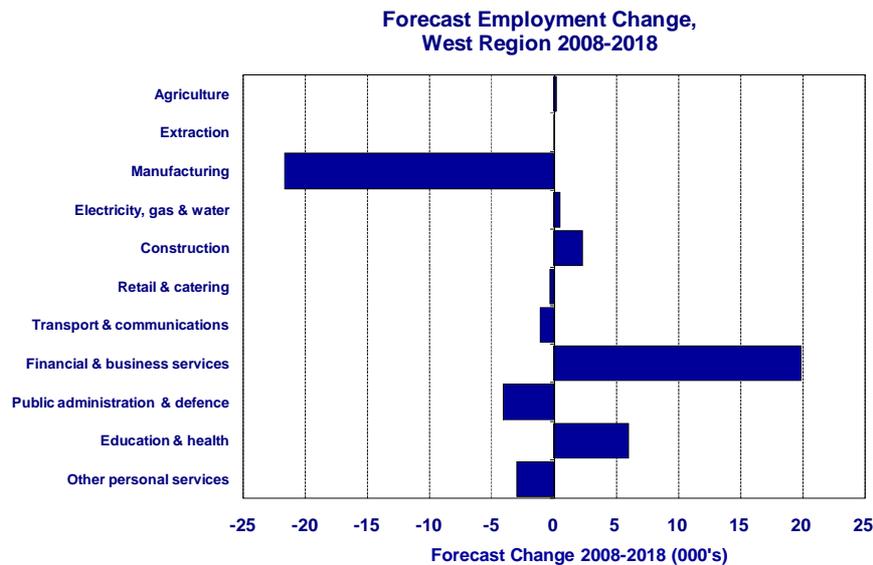


## 9.6.2 Employment

The forecast suggests that it will take the West Region a decade to recover from the recession, with employment not forecast to return to its 2008 level until 2019. The short term job losses will cancel out the longer term growth. Employment is expected to fall in each year from 2009 to 2011, with a loss of 47,200 jobs over the period. Only the public sector provides a limited cushion to the job losses. A return to employment growth is forecast from 2012 onwards, with a net addition of 45,700 jobs forecast between 2012 and 2018. This growth will be lead by financial & business services, with public service sectors and construction also forecast to experience modest growth. Chart 9.2 sets out the full sectoral picture.

**Chart 9.2**

Source: Oxford Economics

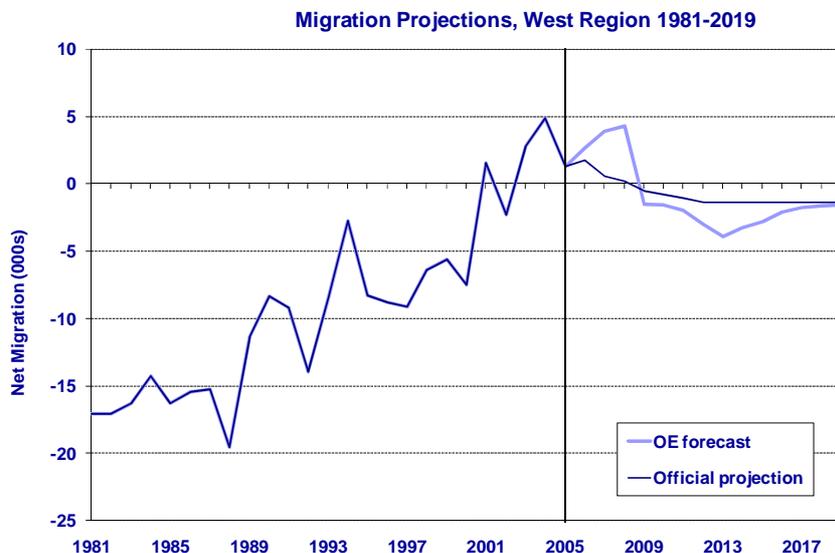


## 9.6.3 Population

After a brief period of population inflows in the middle of this decade, the region will see a return to out-migration between 2008-2018, with the net outflow expected to average around 1,700 per annum. The migration outlook takes account of both the current downturn and the changed medium-term prospects for the UK and Scottish economies. As a result, our forecast is considerably below the trend-based official forecasts. One of the risks associated with the forecasts is how migration reacts to the challenging economic conditions and how much net migration levels fall.

**Chart 9.3**

Source: Oxford Economics



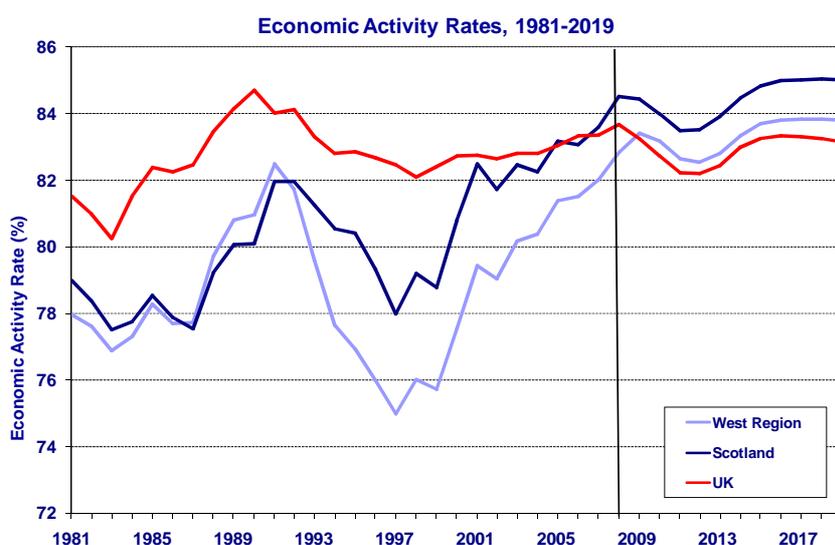
## 9.6.4 Economic Activity

The economically active population consists of those of working age who are either in work or available for and actively seeking work. In other words, it is a measure of the total employed + unemployed and is used to give an indication of the size of the potential labour force available within an area.

The forecasts suggest that a short term fall in economic activity levels is likely in the UK, Scotland and the West Region, with economic activity rates expected to recover to around their recent peaks by 2015 in all three areas. In the short run, unemployment within the region is expected to more than double by 2010 reaching almost 90,000 – a level last experienced in 1996. Over the decade ahead, the fall in working age population-driven by out-migration and the return to job growth from 2012 pushes the economic activity rate back up from its recession-induced fall.

Chart 9.4

Source: Oxford Economics



## 9.6.5 Local outlook

The tables below summarise the outlook for employment and GVA by local authority within the West Region.

Tables  
9.2 – 9.4

Source: Oxford Economics

Employment (000's)	2008	2009	2010	2011	2012
Argyll & Bute	48	47	46	46	46
East Ayrshire	46	45	44	45	45
East Dunbartonshire	29	28	28	27	27
East Renfrewshire	23	22	22	22	22
Glasgow	416	405	399	398	401
Inverclyde	32	31	31	31	31
North Ayrshire	47	45	45	45	45
North Lanarkshire	144	141	139	139	140
Renfrewshire	94	91	90	89	90
South Ayrshire	55	54	53	53	53
South Lanarkshire	147	143	140	140	142
West Dunbartonshire	37	37	36	36	36
<b>West Region Total</b>	<b>1119</b>	<b>1089</b>	<b>1072</b>	<b>1071</b>	<b>1079</b>

<b>Employment Change (%/year)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Argyll & Bute	4.0	-2.0	-1.3	0.0	0.7
East Ayrshire	1.9	-2.0	-1.0	0.2	0.8
East Dunbartonshire	1.2	-3.4	-2.3	-0.8	-0.1
East Renfrewshire	2.2	-2.4	-1.3	0.2	0.9
Glasgow	0.9	-2.8	-1.5	-0.2	0.8
Inverclyde	-0.7	-3.3	-2.0	-0.8	-0.1
North Ayrshire	0.4	-2.8	-1.6	-0.1	0.5
North Lanarkshire	2.5	-2.4	-1.3	0.2	0.9
Renfrewshire	2.7	-2.7	-1.7	-0.3	0.4
South Ayrshire	1.2	-2.5	-1.5	0.0	0.6
South Lanarkshire	2.2	-2.7	-1.5	0.1	0.9
West Dunbartonshire	1.9	-2.3	-1.4	-0.1	0.5
<b>West Region Total</b>	<b>1.6</b>	<b>-2.7</b>	<b>-1.5</b>	<b>-0.1</b>	<b>0.7</b>

<b>GVA Growth (%/year)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Argyll & Bute	3.0	-1.8	0.6	1.8	2.5
East Ayrshire	1.2	-2.5	1.0	2.4	3.0
East Dunbartonshire	1.2	-3.4	-0.1	1.4	2.1
East Renfrewshire	2.8	-2.4	0.5	2.0	2.7
Glasgow	1.6	-2.3	0.5	2.0	2.8
Inverclyde	0.4	-3.1	0.0	1.4	2.0
North Ayrshire	0.3	-3.4	0.4	2.0	2.6
North Lanarkshire	2.3	-2.7	0.7	2.3	3.0
Renfrewshire	2.5	-2.9	0.5	2.0	2.7
South Ayrshire	1.2	-3.2	0.6	2.1	2.8
South Lanarkshire	2.0	-2.8	0.6	2.3	3.1
West Dunbartonshire	2.2	-2.4	0.6	1.9	2.4
<b>West Region Total</b>	<b>1.8</b>	<b>-2.6</b>	<b>0.5</b>	<b>2.1</b>	<b>2.8</b>

- Given their sectoral mix, East Dunbartonshire and North Ayrshire suffer most from the downturn in 2009 and associated difficulties in financial services, with GVA falling by 2.6%.
- A return to GVA growth is expected within almost all local authorities within the City Region from 2010 onwards with East Ayrshire and North Lanarkshire enjoying the fastest growth. East Dunbartonshire takes longer to recover than the surrounding local authorities.
- All local authorities are expected to gain jobs from 2012 onwards with the exceptions of East Dunbartonshire and Inverclyde, where growth doesn't return until 2013. It is expected that East Renfrewshire, North Lanarkshire and South Lanarkshire will lead the way in employment growth.

### 9.6.6 Forecast Summary

At the time of writing (March 2009), the economy is heading into perhaps its sharpest setback since the war, with the weakness in 2009 likely to be widespread. The West Region will not escape the impacts of the recession, with GVA forecast to decline by 2.6% in 2009, with only modest growth forecast for 2010 (0.5%).

Employment is set to fall between 2009 and 2011 with the loss of 47,000 jobs and a return to growth in employment terms is not expected until 2012. The problems are not confined to the financial services sector but are spread across all industry sectors, with only the public sector

escaping from job losses. The recovery process is likely to be slow, with the region expected to underperform until 2011.

The longer term outlook for the region is more favourable. From 2011 onwards the West Region is expected to outperform GVA growth in the other SE regions with the exception of the East. In employment terms, an additional 47,600 jobs are forecast between 2011 and 2019, driven by primarily financial and business services and the public sector.

### 9.6.7 Risks and opportunities

There are a number of risks and opportunities which could impact upon the outlook for the West Region. These are outlined briefly below:

**Risk: Changed credit markets** – individuals and companies will find credit hard to access and for many this will prevent spending or at worst lead to closures and insolvencies. Even if government interventions to free up credit markets are successful, lending criteria are likely to remain much tougher than in the recent past, with worries over the economic outlook underscoring a cautious approach by the banks. And on the demand side fears over the economic outlook may also hit demand for credit for investment, house purchase and consumer finance from more risk-averse businesses and households.

**Risk: Stalling of strategic and regeneration work** – many existing projects requiring private finance may grind to a halt further weakening the fragile economy. Private sector money is unlikely to be available for many construction schemes and thus housing schemes and regeneration projects could be left unfinished, or fail to start on schedule – if at all. This will be damaging in a direct sense, but also indirectly as it will reduce the attractiveness of many locations, particular in urban centres and partially completed developments.

**Risk: Adoption of 'survival' mode strategies** – the growing expectation that the recession will be more prolonged than first thought, difficulty in accessing credit and the desire to conserve cash reserves will lead many firms to move into a survival mode that sees investment, R&D, marketing spend and jobs cut, with implications both for both short-term trends and long-term dynamism.

**Risk: Labour market challenges** – the labour market will be under considerable strain as unemployment rises sharply, with the numbers claiming benefit potentially doubling from the 2007 level. This is a sharp reversal of the strong labour market conditions over recent years and will be a new experience for many younger workers and a challenge for employment services organisations.

- **Skills related issues:**
  - unemployed workers face an erosion of their skills while they remain out of work
  - many workers, even if highly educated and trained, will face a need to retrain or to re-orient their skills in the face of reduced demand from previously fast growing sectors such as finance
  - the flow of young workers into sectors under particular stress, such as construction, may aggravate skill-shortages when the economy recovers
  - youth unemployment will rise significantly in the short-term and graduates may not be able to find jobs commensurate with their educational attainment or on-the-job training needs.
- **Participation issues**
  - some people of working age will drop out of the labour force, potentially adding to the existing challenge of bringing many long-standing benefit recipients back into gainful employment

**Risk: Public sector restraint** – given the damage to the public finances from the downturn, growth in public expenditure is likely to be heavily constrained over the medium-term, with

implications for jobs growth in the sector and for businesses dependent on the public sector as a purchaser.

**Opportunity: Tourism** – a weak pound and cost conscious UK consumer should provide a boost to the tourist sector if prices can be kept competitive and service maintained. Though the boost may be temporary, promoting Scotland as a location to travellers both within the UK and further afield should be an easier 'sell' than in the recent past.

**Opportunity: Trade** – the weak pound should also provide a cost benefit to Scottish producers, both in competing against imports in the home market and in export markets. This is particularly the case for the service sector where imported inputs make up a smaller portion of total costs. For example, many firms with contracts in Dollars and Euros will already have seen a direct boost to profits over the last 3 months. Against this weak demand abroad will limit the scope for export growth and may encourage foreign suppliers to lower their margins in an attempt to hang on to market share.

**Opportunity: Restructuring** – weak demand and reduction in capacity in some sectors could become opportunities for local economies that hold specific attractions for businesses that decide to consolidate their operations into a single or fewer locations. In particular West Region may be able to attract or retain consolidating activities in financial services.

**Opportunity: Slack to innovate** – a period of weaker growth that creates slack within organisations may provide the room for some businesses to innovate in terms of products or processes, or to explore new markets.

**Opportunity: Older skilled workers** – older workers with specific skills whose retirement income plans have been disrupted by the financial crisis may decide to continue working for longer providing a pool of skilled workers that would not otherwise have been available to firms.

**Opportunity: Necessity entrepreneurship** – with employment opportunities limited by the recession there may be an increase in the number of people with a desire to start their own businesses.

**Opportunity: Falling cost base** – high quality resources may become available to businesses and organisations much more cheaply than when the economy was working much closer to full capacity. Space costs, which are high for good quality offices in Scotland, particularly in Glasgow, are likely to fall. This provides an opportunity for service based businesses to lock into a lower cost base without compromising on either location or quality of accommodation. Similar effects could also operate in the labour market as highly-skilled, experienced staff become more readily available.

**SLIMS / OXFORD ECONOMICS: MARCH 2009**

## Appendix 1 – Geographical Definitions

<b>Functional Economic Geography</b>	<b>Local Authority Areas</b>
<b>Aberdeen City &amp; Shire</b>	Aberdeen City Aberdeenshire
<b>Dundee City Region</b>	Angus Dundee City Perth & Kinross North East Fife*
<b>East Region</b>	Borders Clackmannanshire East Lothian Edinburgh City Falkirk Fife (excluding NE Fife) Midlothian Stirling West Lothian
<b>West Region</b>	Argyll & Bute East Ayrshire East Dunbartonshire East Renfrewshire Glasgow City Inverclyde North Ayrshire North Lanarkshire Renfrewshire South Ayrshire South Lanarkshire West Dunbartonshire
<b>South of Scotland</b>	Scottish Borders Dumfries & Galloway

\* *parliamentary constituency area*

## Appendix 2 – GES Targets

Purpose Target	Description	Scale of the Gap	GES Measure	Measure used in Economic Review	Why different
Economic Growth	To raise Scotland's GDP growth rate to the UK level by 2011  To match the GDP growth rate of small independent EU countries by 2017	1995 – 2005: GDP Growth:  Scotland: 2.2% UK: 2.8% Small EU: 3.1%:	Growth in Gross Domestic Product (GDP)  (Scottish Government)	Gross Value Added  (Oxford Economics)	GDP data is not available at the sub-national level.
Productivity	To rank in the top quartile for productivity amongst Scotland's key trading partners in the OECD	2006 data on productivity:  - Scotland: bottom of second quartile in 2006 (14 <sup>th</sup> out of 20) - UK: top of second quartile (11 <sup>th</sup> out of 20) - Scottish GVA per hour 97.5% of UK level	GDP per employee per hour worked	GVA per employee	As above – plus data on average hours worked not available at sub-national level
Participation	Maintain Scotland's position as the top performing country in the UK and close the gap with top 5 OECD economies by 2017	Employment rates for UK countries, 2007 – Q2: Scotland – 77.2% England – 74.4% Wales – 72.3% N. Ireland – 70.5% New Zealand – n/a (5 <sup>th</sup> OECD)	Employment rate	Employment rate	-
Population Growth	To match average EU population growth over the period 2007 - 2017	Population change EU 15 and Scotland  EU – 15: 4.0% (95-05); 2.6% (00-05) Scotland: -0.2% (95-05); 0.6% (00-05)	Population change	Population change	-
Solidarity	To increase overall income and the proportion of income earned by the lowest income deciles as a group by 2017.	Income earned by deciles 1-3 in 2005/06 was 14% (unchanged since 2001/01)	Equivalent net disposable income before housing costs	Gross Household Disposable Income	ENDI not available at sub-national level and data not regularly published
Cohesion	To narrow the gap in participation between Scotland's best and worst performing regions (Local Authority areas) by 2017	Gap in participation between best three and worst three LA areas:  1995: 22% - 2006: 16%	Employment rate	Employment Rate	-
Sustainability	To reduce greenhouse gas emission over the period to 2011  To reduce greenhouse gas emissions by 80% by 2050	Scottish greenhouse gas emissions (Mt Carbon Equivalent) 1990: 18.6Mt 1996: 17.9Mt 2005: 15.3Mt	Greenhouse gas emissions (Mt Carbon Equivalent)	CO2 emissions (KT equivalent)	Data on other greenhouse gases (CH4, N2O, HFC's etc) not available at sub-national level)

## Appendix 3 – Sources of Key Performance Indicators

Indicator	Source
<b>Economic Growth</b>	
Total GVA 2006 (£bn)	Oxford Economics
Average Annual GVA Growth Rate 1999-2006*	Oxford Economics
Total Exports 2006 (£bn)	Global Connections Survey, Scottish Government
Change in Export Sales 2002 -2006	Global Connections Survey, Scottish Government
<b>Productivity</b>	
GVA per Employee 2006	Oxford Economics
Change in GVA per Employee 1999-2006	Oxford Economics
% school leavers entering positive destinations 2007	Scottish Government
% adults with degree level qualifications 2007	Annual Population Survey
% adults with no qualifications 2007	Annual Population Survey
Businesses per 1,000 adults 2007	Small Business Statistics, ONS
Business Birth Rate per 1,000 adults 2006	Small Business Statistics, ONS
Inward Investment 2007/08 (£m)	Scottish Enterprise
Change in Inward Investment 2004/05 - 2007/08	Scottish Enterprise
<b>Labour Market Participation</b>	
Employment Rate 2007	Annual Population Survey
Unemployment Rate 2007	Annual Population Survey
Economic Inactivity Rate 2007	Annual Population Survey
Self Employment Rate 2007	Annual Population Survey
Jobseekers Allowance Claimant Rate 2008	DWP
Incapacity Benefit Claimant Rate 2008	DWP
<b>Population</b>	
Total Population 2007 (m)	General Register Office for Scotland (GROS)
Population Change 1999-07	General Register Office for Scotland (GROS)
% Population Change 1999-07	General Register Office for Scotland (GROS)
% Working Age Population Change 1999-07	General Register Office for Scotland (GROS)
Projected Population 2018 (m)	General Register Office for Scotland (GROS)
% Change Projected Population 2018	General Register Office for Scotland (GROS)
<b>Solidarity &amp; Cohesion</b>	
Median Weekly Wages 2008	Annual Survey of Hours & Earnings, ONS
% Change in Weekly Wages, 1999-2008	Annual Survey of Hours & Earnings, ONS
% Residents living in 15% most deprived data zones	Scottish Index of Multiple Deprivation 2006
<b>Sustainability</b>	
CO <sup>2</sup> emissions per head of population 2005	Dept for Environment, Food & Rural Affairs (DEFRA)
% CO <sup>2</sup> emissions domestic 2005	Dept for Environment, Food & Rural Affairs (DEFRA)
% CO <sup>2</sup> emissions industrial 2005	Dept for Environment, Food & Rural Affairs (DEFRA)
% MSW recycled or composted 2007/08	Scottish Environment Protection Agency (SEPA)

\*calculated by averaging growth rates over the period from 1998/99 to 2005/06

## Appendix 4 – SIC Definitions of Key and Other Growth Sectors

<b>Key Sector: Energy</b>	
<b>SIC</b>	<b>Description</b>
10	Mining of coal & lignite, extraction of peat
11	Extraction of crude petroleum & natural gas: Related service activities
23	Manuf of coke, refined petroleum products & nuclear fuel
40	Electricity, gas, steam & hot water supply
41	Collection, purification & distribution of water

<b>Key Sector: Financial Services</b>	
<b>SIC</b>	<b>Description</b>
65	Financial intermediation, except insurance & pension funding
66	Insurance & pension funding, except compulsory social security
67	Activities auxiliary to financial intermediation

<b>Key Sector: Food &amp; Drink</b>	
<b>SIC</b>	<b>Description</b>
15	Manuf of food & beverages

<b>Key Sector: Life Sciences</b>	
<b>SIC</b>	<b>Description</b>
244	Manuf of pharmaceuticals, medicinal chemicals & botanical products
331	Manuf of medical & surgical equipment & orthopaedic appliances
731	Research & experimental development on natural sciences & engineering

<b>Key Sector: Tourism</b>	
<b>SIC</b>	<b>Description</b>
5510	Hotels
5521	Youth hostels and mountain refuges
5522	Camping sites, including caravan sites
5523	Other provision of lodgings not elsewhere classified
5530	Restaurants
5540	Bars
633	Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified
925	Library, archives, museums and other cultural activities
926	Sporting activities
927	Other recreational activities

<b>Key Sector: Creative Industries</b>	
<b>SIC</b>	<b>Description</b>
2211	Publishing of books
2212	Publishing of newspapers
2213	Publishing of journals & periodicals
2214	Publishing of sound recordings
2215	Other publishing (50%)
2231	Reproduction of sound recording (25%)
2232	Reproduction of video recording (25%)
2233	Reproduction of computer media (25%)
5248	Other retail sale in specialised stores (5%)
7221	Publishing of software
7222	Other software consultancy & supply
7481	Photographic activities (25%)
7487	Other business activities not elsewhere classified (2.5%)
9211	Motion picture & video production
9212	Motion picture & video distribution

9213	Motion picture projection
9231	Artistic & literary creation & interpretation
9232	Operation of arts facilities
9234	Other entertainment activities not elsewhere classified (50%)
9272	Other recreational activities not elsewhere classified (25%)
525	Retail sale of second-h& goods in stores (5%)
742	Architectural & engineering activities & related technical consultancy (25%)
744	Advertising
922	Radio & television activities
924	News agency activities
<i>Also includes 0.5% of 9 subsectors of clothing manufacturing -</i>	
<i>SIC Codes 1771, 1772, 1810, 1821, 1822, 1823, 1824, 1830, 1930</i>	

#### Other Growth Sector: Textiles

SIC	Description
17	Manuf of textiles
18	Manuf of wearing apparel; dressing & dyeing of fur
19	Manuf of leather & leather products
2954	Manuf of machinery for textile, apparel & leather production
5141	Wholesale of textiles
5142	Wholesale of clothing & footwear

#### Other Growth Sector: Aerospace, Defence & Marine

SIC	Description
1752	Manuf of cordage, rope, twine & netting
2830	Manuf of steam generators, except central heating hot water boilers
2911	Manuf of engines & turbines, except aircraft, vehicle & cycle engines
2960	Manuf of weapons & ammunition
3110	Manuf of electric motors, generators & transformers
3320	Manuf of instruments & appliances for measuring, checking, testing, etc.
3340	Manuf of optical instruments & photographic equipment
3511	Building & repairing of ships
3512	Building & repairing of pleasure & sporting boats
3530	Manuf of aircraft & spacecraft
7122	Renting of water transport equipment
7123	Renting of air transport equipment
7522	Defence activities

#### Other Growth Sector: Chemicals

SIC	Description
23	Manuf of coke, refined petroleum products & nuclear fuel
24	Manuf of chemicals & chemical products

#### Other Growth Sector: Construction

SIC	Description
1411	Quarrying of stone for construction
2030	Manuf of builders carpentry & joinery
2523	Manuf of builders ware of plastic
2640	Manuf of bricks, tiles & construction products, in baked clay
2651	Manuf of cement
2652	Manuf of lime
2653	Manuf of plaster
2661	Manuf of concrete products for construction purposes
2662	Manuf of plaster products for construction purposes
2663	Manuf of ready-mixed concrete
2664	Manuf of mortars
2665	Manuf of fibre cement
2666	Manuf of other articles of concrete, plaster & cement

2812	Manuf of builders' carpentry & joinery of metal
2952	Manuf of machinery for mining, quarrying & construction
4511	Demolition & wrecking of buildings; earth moving
4512	Test drilling & boring
4521	General construction of buildings & civil engineering works
4522	Erection of roof covering & frames
4523	Construction of highways, roads, airfields & sports facilities
4524	Construction of water projects
4525	Other construction work involving special trades
4531	Installation of electrical wiring & fittings
4532	Insulation work activities
4533	Plumbing
4534	Other building installation
4541	Plastering
4542	Joinery installation
4543	Floor or wall covering
4544	Painting & glazing
4545	Other building completion
4550	Renting of construction or demolition equipment with operator
5113	Agents involved in the sale of timber & building materials
5153	Wholesale of wood, construction materials & sanitary equipment
5154	Wholesale of hardware, plumbing & heating equipment & supplies
5182	Wholesale of mining, construction & civil engineering machinery
7132	Renting of construction & civil engineering machinery & equipment
7420	Architectural & engineering activities & related technical consultancy

#### **Other Growth Sector: Forest Industries**

<b>SIC</b>	<b>Description</b>
201	Forestry & logging
202	Forestry & logging related service activities
2010	Saw milling & planing of wood, impregnation of wood
2020	Manuf of veneer sheets; Manuf of plywood, laminboard, particle board, fibre board & other panels & boards
2030	Manuf of builders carpentry & joinery
2040	Manuf of wooden containers
2051	Manuf of other products of wood
2111	Manuf of pulp
2112	Manuf of paper & paperboard
2121	Manuf of corrugated paper & paperboard & of containers of paper & paperboard
2122	Manuf of household & sanitary goods & of toilet requisites
2123	Manuf of paper stationery
2124	Manuf of wallpaper
2125	Manuf of other articles of paper & paperboard not elsewhere classified

## Appendix 5 – SIC Definitions used in Table 6.6

Industry	SIC	Description
<b>Energy</b>	10	Mining of coal & lignite, extraction of peat
	11	Extraction of crude petroleum & natural gas: Related service activities
<b>Food &amp; Drink</b>	15	Manuf of food & beverages
<b>Life Sciences</b>	-	Scottish Government source book data used - no SIC definition
<b>Tourism</b>	551	Hotels
	552	Camping sites & other provision of short-stay accommodation
	553	Restaurants
	554	Bars
	633	Activities of travel agencies & tour operators; other tourist assistance activities
	925	Library, archives, museums and other cultural activities
	926	Sporting activities
	927	Other recreational activities
<b>Creative Industries</b>	-	Same definition used in Sections 6.3.2 and 6.3.3 - See Appendix 4, Page 85
<b>Textiles</b>	17	Manuf of textiles
	18	Manuf of wearing apparel; dressing & dyeing of fur
	19	Manuf of leather & leather products
<b>Aerospace</b>	34	Manufacture of motor vehicles, trailers and semi-trailers
	3511	Building and repairing of ships
	3512	Building and repairing of pleasure and sporting boats
	352	Manufacture of railway and tramway locomotives and rolling stock
	353	Manufacture of aircraft and spacecraft
	354	Manufacture of motorcycles and bicycles
	355	Manufacture of other transport equipment nec
<b>Chemicals</b>	23	Manuf of coke, refined petroleum products & nuclear fuel
	24	Manuf of chemicals & chemical products
<b>Construction</b>	45	Construction
<b>Forest Industries</b>	2	Forestry, logging & related service activities
	20	Manuf of wood & wood products
	21	Manuf of pulp, paper & paper products