

EMBARGO: 00.01 hours Monday 18<sup>th</sup> April 2005

## **NEWS RELEASE**

**Sheffield, UK, 18th April 2005**

### **REGIONAL DISPARITIES LEAD TO SLUMP IN UK COMPETITIVENESS SINCE 1997 Dominance of the Public Sector as the Generator of Employment Growth**

The *UK Competitiveness Index 2005* report, which is published today, benchmarks the competitiveness of the UK and its regions and localities. The report shows that the competitiveness of the UK economy has weakened since 1997, with a composite competitiveness benchmark of leading nations finding that the UK has slipped from a ranking of 9<sup>th</sup> position in 1997 to only 17<sup>th</sup> position by 2004.

According to Dr Robert Huggins, who is the report's principal author and a Senior Economist at Sheffield University's Management School, 'the competitiveness of the UK economy as a whole has been compromised since 1997 by the continued disparities that exist between the nation's leading and lagging regions'.

The report compares the competitiveness of UK regions in 1997 and 2005. It finds that the top three positions remain the same as in 1997, with London being followed by South East England in second position and Eastern England in third. These three remain the only regions performing above the UK average. However, the relative competitiveness of London has weakened considerably since 1997, resulting in an overall competitiveness score for 2005 that is only very marginally higher than that of South East England. East England achieved the greatest improved in its relative competitiveness for all UK regions.

The East Midlands is ranked fourth, rising from a ranking of 5<sup>th</sup> in 1997, with South West England improving two places from 7<sup>th</sup> to 5<sup>th</sup> position, while the West Midlands remains static in 6<sup>th</sup> position. The North West has moved up one position from 8<sup>th</sup> to 7<sup>th</sup>. Aside from London, the region that has witnessed the biggest decline in its competitiveness since 1997 is Scotland, which has fallen from a ranking of 4<sup>th</sup> in 1997 to 8<sup>th</sup> position in 2005.

The rank of the bottom four regions remains unchanged from 1997, with Yorkshire and the Humber in 9<sup>th</sup> position followed in 10<sup>th</sup> by Northern Ireland 11<sup>th</sup> Wales and 12<sup>th</sup> North East England. The report finds that the competitiveness gap between these four regions and the rest of the UK remains 'unacceptably' wide, with the rate of improvement far below that required to ensure the catching-up of these continually lagging regions. Dr Huggins states 'be it in relative competitiveness or overall

economic terms, the disparities inherited by the Labour Government in 1997 remain largely in place’.

The report finds that the continued output growth that the UK has achieved since 1997 has been more than partly due to large increases in public sector employment. It shows that at a national level almost three-quarters (74.5%) of employment growth in the UK between 1997 and 2004 occurred in the public sector. While the UK’s public sector grew by 1.4 million employees between 1997 and 2004, there was an increase of only 481,000 private sector jobs during the same period.

In North East England, the East Midlands and the West Midlands there was an overall fall in the number of private sector employers, which means that the public sector accounted for all employment growth in these regions. In Scotland, which saw the introduction of its Parliament during this period, 77.6% of employment growth is accounted for by the public sector. Similarly, in Wales – where the National Assembly has been established – more than one half (55.4%) of employment growth occurred in the public sector.

Only London (53.1% private sector employment growth) and Northern Ireland (65.9% private sector employment growth) saw more jobs growth in their private, rather than their public, sectors between 1997 and 2004.

According to the report ‘the dominance of public administration as the UK’s biggest growth sector, and the increased dependency of our more peripheral and lagging regions on public sector employment, highlights the government’s continuing impotency in effectively connecting with and positively influencing the development of business communities across the UK’.

Dr Huggins states that ‘the UK has clearly become more public sector dependent since 1997. From a competitiveness and long-term economic perspective this is worrying, since it is the private sector that is the engine of growth and development. Unless this imbalance is rectified, the UK will fall further down the global competitiveness league in coming years, with the competitiveness of most of its regions becoming further beleaguered’.

The report argues that the UK remains a highly polarised economy that is not keeping pace with changes resulting from the emergence of the global knowledge economy. It finds that at a global level only the regions of London, South East and Eastern England are able to compete effectively with the most competitive regions around the world. It further finds little evidence of the UK becoming a more innovative and knowledge-based economy since 1997, with government R&D expenditure as a proportion of total GDP falling from 0.25% in 1997 to 0.22% in 2002, and the proportion of business expenditure on R&D remaining static at 1.19%.

According to the report, the government’s desire to stimulate the UK’s enterprise economy has not been matched with any concrete improvement. The UK’s business start-up rate per 1,000 inhabitants has remained at the same level as in 1997 – 3.2 per 1,000 inhabitants, while self-employment rates actually fell between 1997 and 2003, from 12.9% of all those in employment to 12.6%.

Dr Huggins states that ‘the inability to further develop levels of entrepreneurship and business-building in the UK is a serious barrier that will continue to undermine the economic competitiveness of the nation’.

**Notes to Editors**

Copies of the full report and accompanying Excel datasheets are available in PDF and Hard Copy from Robert Huggins Associates. Orders can be placed at [www.hugginsassociates.com](http://www.hugginsassociates.com)

Dr Robert Huggins can be contacted on +44 (0) 7974 206009. Robert Huggins Associates can be contacted on **Tel: +44 (0) 1443 202 300** or **info@hugginsassociates.com**.

**END**