

Productivity Insights Network

**RSAI-BIS Special Sessions,
17th July 2019, Cambridge**



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Session 1

Productivity, inclusive growth & wellbeing

Chair: Professor Vania Sena



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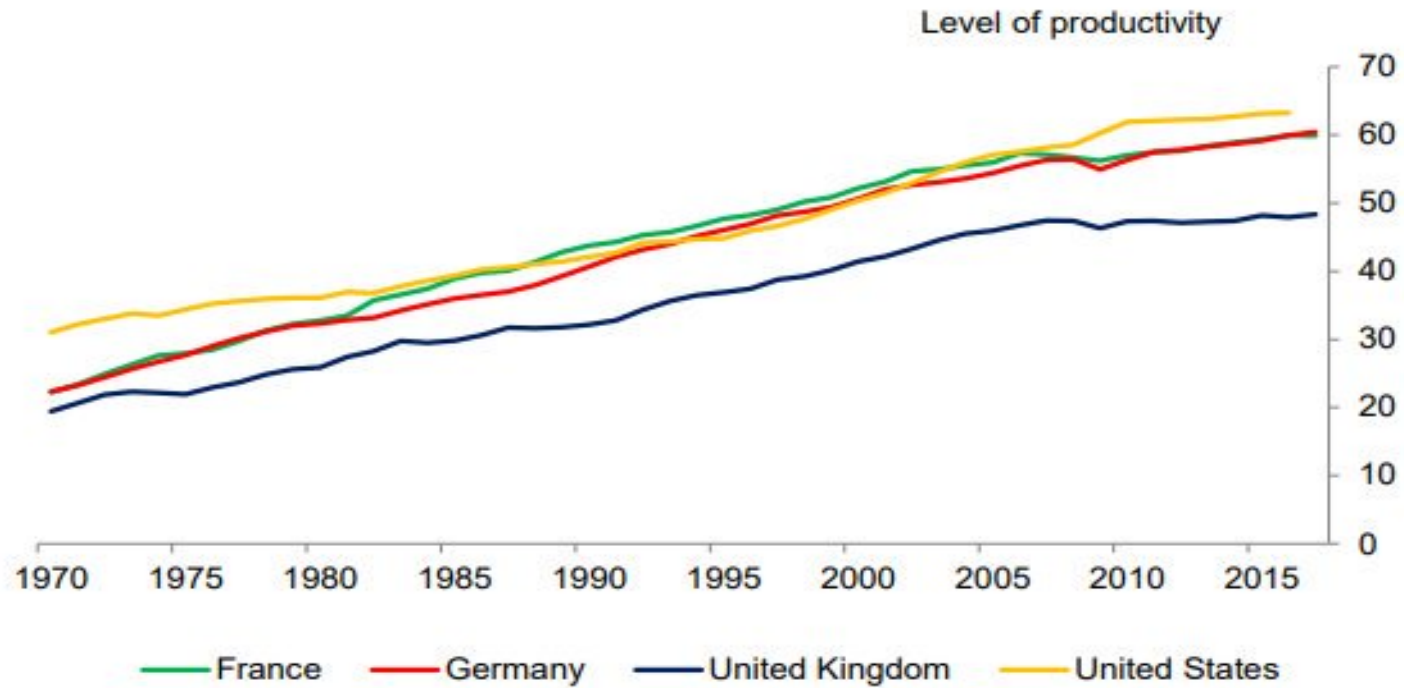


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Wellbeing and (inclusive) productivity growth?

Professor Leaza McSorley, University of
Sunderland

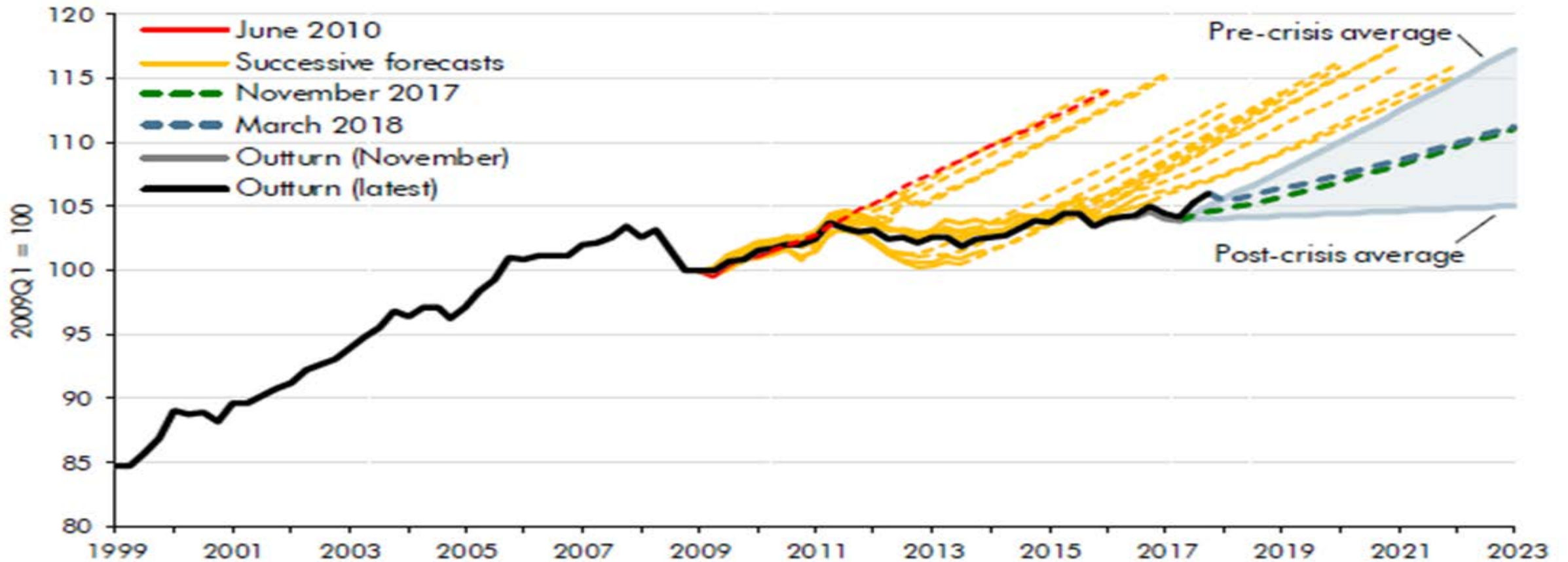
Chart 4: Productivity in UK, US, Germany and France



Sources: OECD and Bank calculations.

Notes: Productivity is output per hour worked in US\$ at constant prices, using 2010 PPPs.

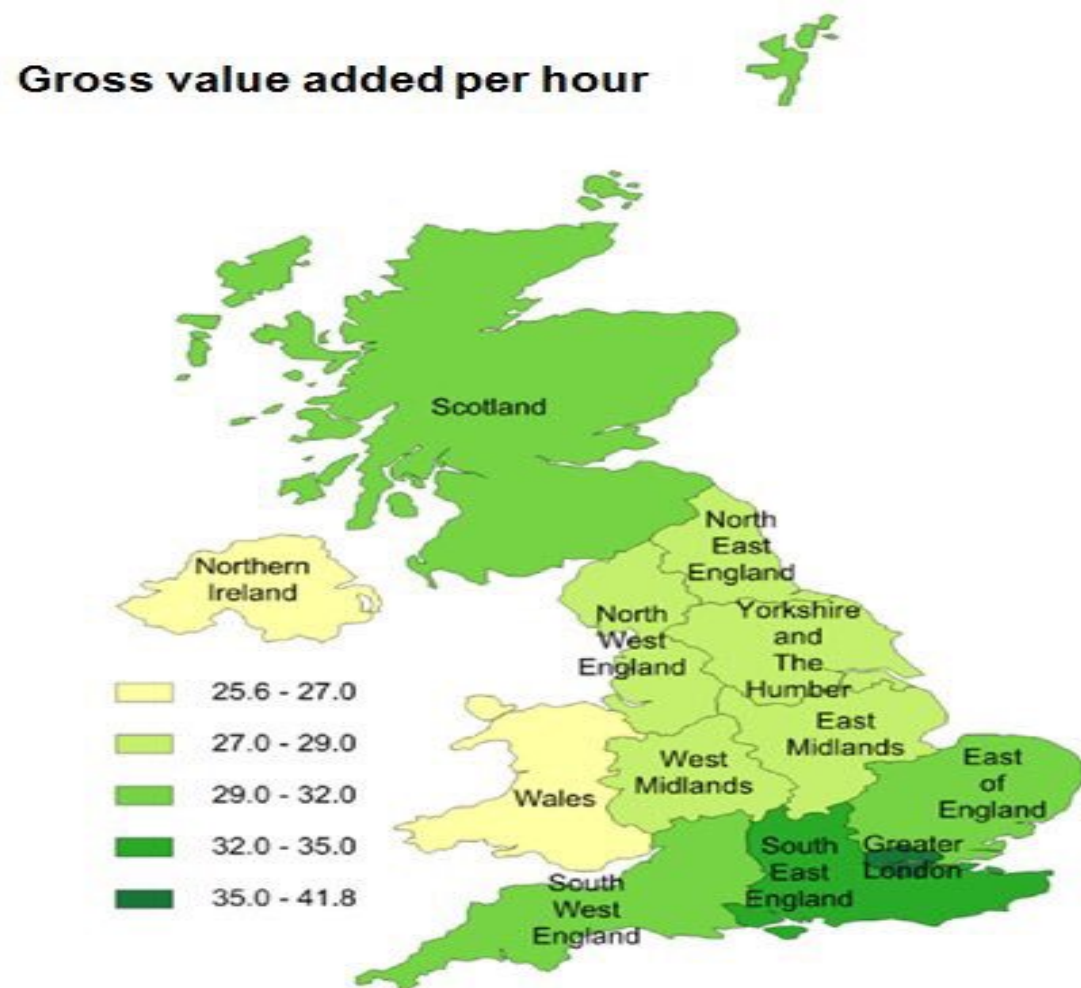
Successive UK forecasts for productivity growth



Note: Solid lines represent the outturn data that underpinned the forecast.

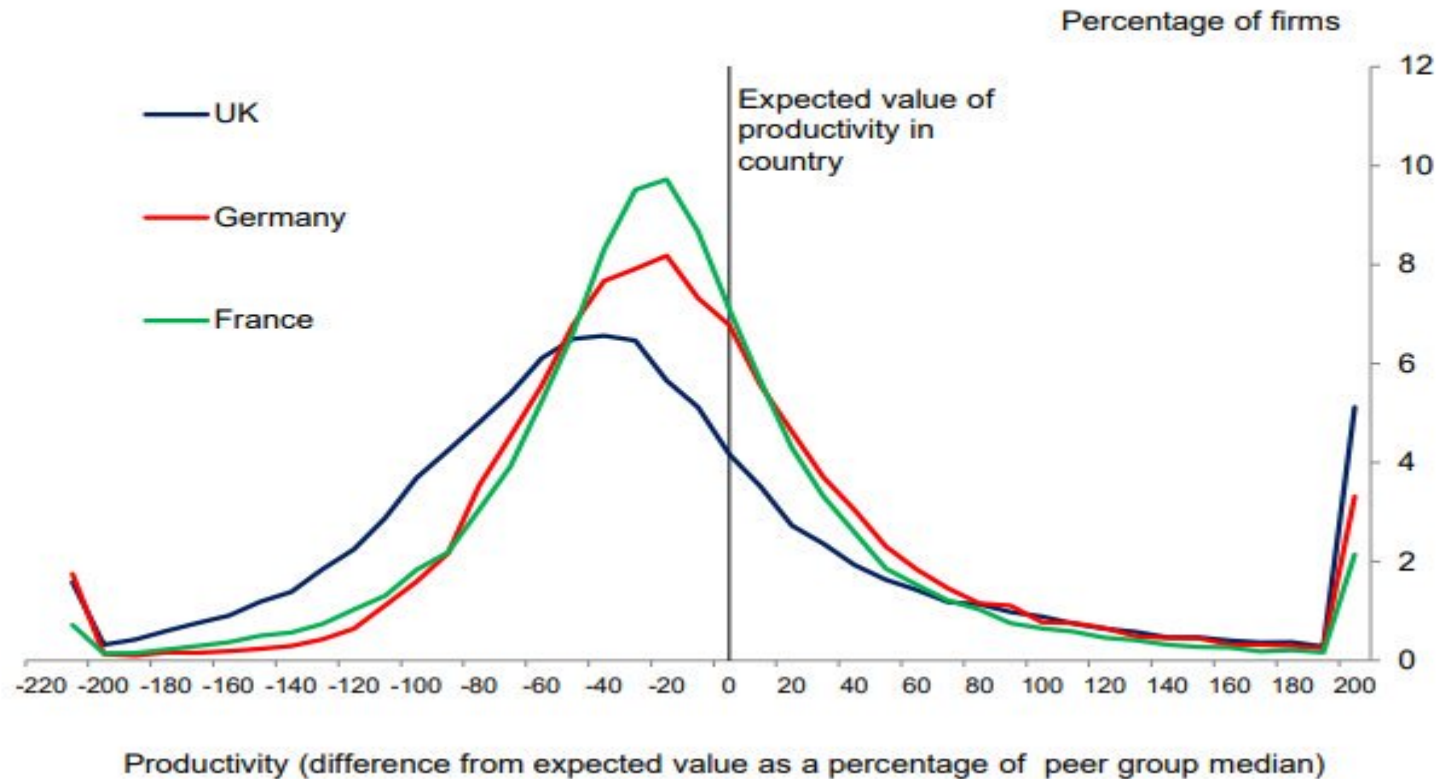
Source: ONS, OBR

The UK National- Regional Problem



The Long Tail of low productivity firms

Chart 7: UK, Germany and France firm-level productivity (data for 2013)



Inequality, Inclusiveness and Wellbeing

- The OECD (2016: 5) highlights: “there is no guarantee that the benefits of higher levels of growth, or higher levels of productivity in certain sectors, when they materialise, will be broadly shared across the population as a whole. On the contrary, there is a risk of a vicious cycle setting in, with individuals with fewer skills and poorer access to opportunities often confined to operate in low productivity, precarious jobs”
- Young people have now replaced the elderly as the group most at risk of relative poverty (OECD 2016)

This poses an important question for productivity research. Can the distribution of productivity gains contribute to reducing inequalities, improving societal well-being and delivering inclusive growth?

Measures of Well-Being

OECD Better Life index:

On average UK performs relatively well compared to other OECD countries across a range of well-being indicators.

- significant variances between categories of indicators, and between UK regions
- it is within the domains of **earnings, income and housing affordability** that the UK performs poorly

Income growth remains below the OECD average.

Average UK household spends 24% of their disposable income on housing costs, which is above the OECD average of 21%

Measures of Well-Being

Relatively low disposable income growth and high housing costs, the higher than average proportion of low paid jobs (19%) and the proportion of people working very long hours of over 50 hours per week (12.7%), also drag down the UK's performance across the well-being index.

Across all indicators of 'deprivation' the UK performs poorly, being classified in the top or middle third of OECD countries in 15 out of 20 indicators of deprivation.

Notably, many of these measures of well-being were below the OECD average prior to the financial crisis.

Housing affordability and long working hours have remained relatively stable since 2005

It is disposable income growth which has slowed.

	UK Region	Education	Jobs	Income	Safety	Health	Environment	Civic engagement	Accessibility to services	Housing	Community	Life Satisfaction
		Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]	Score [0-10]
	North East England	7.7	6.7	4.2	9.1	5.6	7.4	3.4	8.8	7.2	8.1	5.9
	North West England	7.9	7.3	4.4	9.1	5.6	5.5	4.1	9.0	6.7	9.0	6.3
	Yorkshire and The Humber	7.6	7.3	4.3	9.0	6.1	6.8	3.9	8.8	6.7	9.6	6.7
	East Midlands	7.7	8.2	4.6	9.1	7.1	7.0	4.7	9.3	6.7	9.3	6.7
	West Midlands	7.3	7.4	4.4	9.1	6.6	6.8	3.9	8.7	6.7	9.4	6.3
	East of England	7.8	8.7	5.4	9.3	8.2	4.5	4.9	9.0	6.7	9.1	6.7
	Greater London	8.8	7.5	6.8	8.6	8.5	5.0	4.4	9.7	5.0	8.4	5.9
	South East England	8.4	8.9	5.9	9.5	8.2	5.6	5.1	9.6	6.1	8.7	6.7
	South West England	8.1	8.8	5.2	9.5	7.9	5.7	5.4	9.4	6.7	9.1	7.0
	Wales	7.8	7.4	4.4	9.7	6.0	6.6	4.5	8.7	7.2	9.3	6.3
	Scotland	8.2	7.9	4.9	8.8	4.7	7.3	5.8	8.6	5.6	9.7	7.4
	Northern Ireland (UK)	7.1	7.2	4.0	8.8	6.2	7.7	2.7	8.8	5.6	9.3	7.0

Source: OECD 2016

Measures of Productivity in the Context of Well-being, Inequality and Inclusive Growth

- “UK’s ‘soft’ infrastructure, or in other words investment in human capital through universal education and health and social care services, also faces significant challenges. Addressing shortfalls in soft infrastructure will be an important aspect of improving living standards and economic potential in towns and areas that are not going to be part of a high-productivity urban agglomeration” (Industrial Strategy Commission 2017: 52).
- Basic social infrastructure (Coyle 2017)

Himmelweit (2016: 84) argues that high quality childcare increases wealth and well-being of the society both now and in the future, and thus it should be viewed as **“a form of capital rather than current spending”**.

Heckman (2011, 2006) also demonstrated the links between investments in early years education and childcare and the **long term economic benefits** of reduced social exclusion

Conclusions

Consideration of pre-market and non-market factors which affect inclusive productivity growth, including and beyond the care economy.

Well-being and inequality and their contribution to (inclusive) productivity growth require more attention, research and analysis to quantify the **long term investment** is social capital/well-being on productivity performance, particularly at regional level.

- Prioritise **analysis**, knowledge, expertise we have over gaps in data!

Move from calling well-being indicators 'soft' to 'essential' factors under pinning the long term productive capacity of the UK economy.

It is unlikely that productivity will return to pre-crisis levels without these structural changes being addressed (McSorley 2018)