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# Local Economic Assessment Report: Competitiveness January 2017



'A competitive economy, we believe, is a productive one. And productivity leads to growth, which leads to income levels and hopefully, at the risk of sounding simplistic, improved well-being.' *World Economic Forum*

Big  
Numbers  
Box

7th out of 138 economies: UK Globally

## Competitiveness:

UK = 100

Dorset LEP Area = 91.2

**£31.80** GVA per hour worked in the UK  
**£28.90** GVA per hour worked in DCC Dorset  
**£29.40** GVA per hour worked in Bournemouth & Poole

### BOX 1: Global Competitiveness

The World Economic Forum lists the UK as one of the most competitive global economies, rising three places in 2017 to rank 7th out of 138 world economies.

UK competitive strengths:	UK competitive weaknesses:
<ul style="list-style-type: none"> <li>Highly efficient goods and labour markets</li> <li>Highly sophisticated business processes</li> <li>High digital readiness of businesses/consumers</li> </ul>	<ul style="list-style-type: none"> <li>Tax regulations/rates</li> <li>Inadequate supply of infrastructure</li> <li>Inadequately educated workforce</li> </ul>

Drivers of competitiveness embraced in its measurement include infrastructure, health, education and well-functioning markets and extend to technological readiness, business sophistication and innovation. The impact of Brexit on UK competitiveness is as yet unknown.

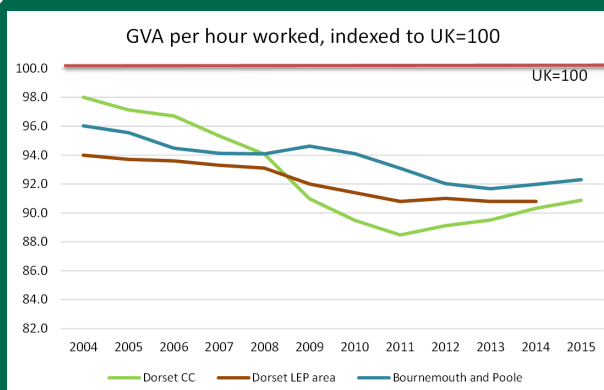
Whilst the UK performs well competitively on a global level, productivity is below average, which is a puzzle.

### BOX 2: Productivity

Productivity is, crudely, how good we are at turning raw materials and labour into valuable goods and services (output). UK productivity per hour worked is only just recovering to pre-recession levels: up until now, economic growth following the crisis has been driven by more people working and longer hours which has not helped raise wages or living standards.

UK productivity is lower than in other major developed economies such as the US, Germany and France - in these countries, workers could produce the same amount in a four day week as we do in five days. It's not clear why, but potential factors are:

- Poor measurement of our economy - maybe we're missing something, especially with technological change;
- Low investment in infrastructure;
- Low literacy and numeracy levels compared with other big European economies;
- Bias towards London and the South East;
- Economic shift towards low pay jobs in low productivity sectors such as accommodation and food;
- Cheap labour - companies don't need to invest in more efficient ways of working.



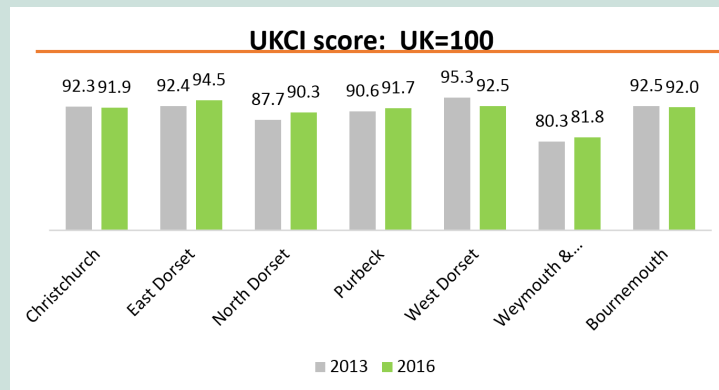
Whilst the UK underperforms relative to the US, Germany and France, Dorset underperforms relative to the UK. Recent data shows Dorset on an upward trend but there is still a long way to go<sup>1</sup>.

<sup>1</sup> LEP productivity data 2015 to be released in April.

## BOX 3: UK Competitiveness Index

The UK Competitiveness Index benchmarks competitiveness in the UK. London and the South East lead the way, followed by the West Midlands.

In 2016 in Dorset, as in 2013, the most competitive area was Poole. Poole ranked 120<sup>th</sup> out of 379 areas nationally, down four places on 2013. Bournemouth ranked 172<sup>nd</sup> nationally, down 12 places. In the DCC Dorset area, East Dorset scored highest, ranking 148<sup>th</sup> nationally. All parts of Dorset performed below the UK average with Weymouth & Portland ranking 326<sup>th</sup> which is among the lowest quartile nationally. The Dorset LEP area as a whole scored 8.8 points below the UK average ranking 20<sup>th</sup> out of 45 LEP areas nationally, down one place since 2013.



Improvements in both score and rank were seen in East Dorset, North Dorset, Purbeck and Weymouth and Portland. North Dorset was among the top ten climbers for rank nationally (4<sup>th</sup>), with Gosport coming top. Climbers tended to be less competitive and often rural - but rural localities were also among the greatest fallers.

Bournemouth and Poole each saw a fall in both rank and (marginally) score. West Dorset saw the greatest fall in Dorset in the index (down 2.8 points). By rank, it fell back 34 places, narrowly missing being in the top ten fallers with Orkney Islands at number 10 seeing a drop of 39.

## What can be done?

Whilst we may have little influence over many of the factors contributing to competitiveness, there are some areas where local authorities could help, particularly through economic development and business support:

- **Infrastructure** - quality of roads; port, air and rail infrastructure; power supply; connectivity
- **Education, skills and health** - quality of primary education; internet access in schools; staff training; HE enrolments and quality (particularly maths and science); specialised training provision; quality of life impact on health and life expectancy
- **Business sophistication** - quantity/quality of local suppliers; cluster development; value chain breadth; production process sophistication; extent of marketing; willingness to delegate authority
- **Market efficiency** - intensity of local competition; ease of business start-up; prevalence of foreign ownership; business support with procedures; customer orientation; buyer sophistication
- **Labour market efficiency** - management and employee relations; pay and productivity; attraction/retention of talent
- **Technological readiness** - technology absorption by firms; FDI and technology transfer; use of internet by individuals; broadband/superfast connections: the UK scores well in terms of digital readiness - but Dorset has only 28% superfast broadband business take-up<sup>2</sup> and one in four Dorset residents lacks basic digital skills<sup>3</sup>
- **Innovation** - university/industry collaboration in R&D; availability of scientists/engineers

## Sources:

[Global Competitiveness Report 2016-2017, World Economic Forum](#)

[Subregional productivity, March 2016, Office for National Statistics](#)

[UK Competitiveness Index, Centre for International Competitiveness](#)

<sup>2</sup> Superfast Broadband Business Evaluation Dorset 2015, Dorset County Council

<sup>3</sup> Basic Digital Skills UK report 2015, Ipsos Mori for Go ON UK