

Economy

Chapter 5

- » In 2007 London's **GVA on a workplace basis was £251 billion** and represented 21 per cent, the largest share, of the UK total.
- » In 2007 London's **GVA per head was 66 per cent above the UK average.**
- » Over the ten year period to 2007, the average **annual increase in London's Gross Value Added (GVA) was 6.3 per cent** compared with 5.3 per cent for the UK and **the greatest regional increase over this period.** Inner London contributed 67 per cent to London's GVA in 2006 and 14 per cent to the UK's total GVA.
- » **Financial Intermediation generated 24 per cent of Inner London's GVA,** a marked contrast to Outer London where Financial Intermediation generated four per cent of GVA and the UK where the sector's share was eight per cent.
- » **Gross Disposable Household Income (GDHI) per head London in 2007 was 25 per cent higher than the UK average.** The only two other regions above average on this measure were the South East (12 per cent), and East regions (five per cent).
- » Over the ten-year period to 2007 **London has also shown the highest average annual percentage increase in GDHI per head, 4.1 per cent** compared with the UK GDHI per head increase of 3.8 per cent.
- » Using the productivity indicator of regional **GVA per hour worked** indexed to UK=100. In 2007, **London had an index level of 130,** the South East 105 and the East of England 101 - the top three regions.
- » **Most industry groupings are around a quarter to a third more productive in London** when compared to the UK average for that industry. In 2006 Business Services was 14 per cent above the UK average and has seen the largest index increase since 1996 (14 index points).
- » Although London as a whole is doing well, the Economic Deprivation Index looks at the impact of deprivation on small areas and shows that **London was the third most deprived region** behind the North West and North East over most of the 1999 to 2005 period **until 2005** where it overtook the North West to become the **second most deprived region.** However, for the Income deprivation domain London was the most deprived region over the entire period 1999 to 2005.
- » **Economic Deprivation for London showed some improvement up to 2001 and slight deterioration afterwards;** this trend is mirrored by the performance of both Income and Employment deprivation domains, with the Income deprivation domain for London showing a slightly greater deterioration than the Employment domain since 2001.

Introduction

This chapter focuses on London's key macro-economic measures; regional Gross Value Added (GVA) and regional Productivity, both measures of London's economic performance and regional Gross Disposable Household Income (GDHI), a measure of the money households have available to spend or save. Some balance is also provided by the Economic Deprivation Index which provides a neighbourhood perspective of economic prosperity and highlights inequality.

The macro-economic measures used in this chapter provide a high-level view of London's performance; the lowest geographic level at which GVA is calculated is for NUTS 3 areas which in London equates to five groups of boroughs; these high level measures can mask large inequalities which exist beneath them and should be considered together with, for example, the Indices of Deprivation, which examine inequality at the very lowest geographic levels.

The main measures of regional and sub-regional performance presented here depend on National Accounts data provided in the Blue Book each year. It takes some time to regionalise these data, for example, London GVA for 2007 was published in December 2008. Therefore the effects of the current downturn which can be seen feeding into early measures of GDP at the UK level are not yet accounted for in regional data.

For comparisons of regional performance, London is clearly more than just a region it is also a capital city. As a city with a population of 7.56 million London is strikingly larger than the UK's other main cities.

London houses a major world financial centre and a range of business specialisms as well as the draw of tourism and culture; costs to businesses are much higher in London but the effects of agglomeration, which include drawing in a highly skilled workforce, compensate by driving higher productivity and greater output. A decomposition of GVA per head, using an OECD methodology teases out some of the factors which contribute to London's performance.

Regional GVA

Conceptually GVA should be measured on a workplace basis, allocating income to the region where people work

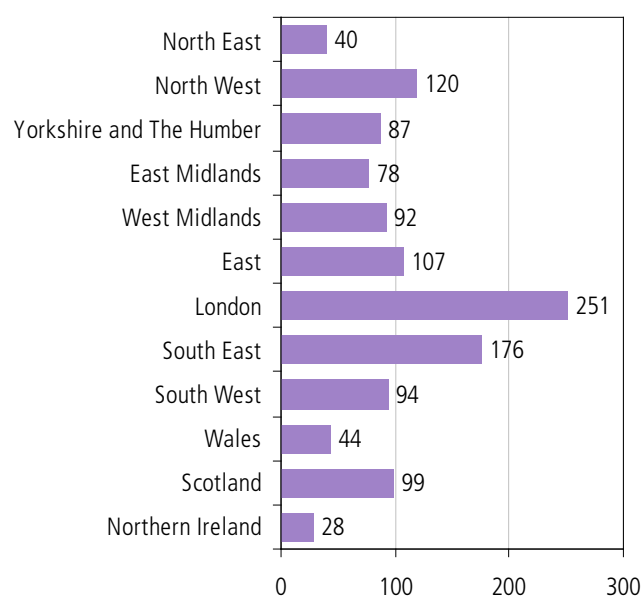
and these are the estimates presented here; residence-based measures are also published by ONS. GVA estimates are provided in current basic prices and include the effects of price inflation; deflated or real regional GVA is not yet available, although in development by ONS. Price inflation may affect regions quite differently so growth rates of current price GVA should be approached with caution as they may overstate or understate London's performance compared with other regions.

It should also be noted that London, has a very high GVA per resident. This is due to several factors such as productivity, commuting and hours worked. The large number of commuters from outside the region contribute to London's GVA, which is then divided by a much lower resident population.

In 2007 London's GVA on a workplace basis was over £250 billion and represented 21 per cent, the largest share of the UK total (excluding extra-regio), the second largest share was provided by the South East at 15 per cent (Figure 5.1). London's share has increased the most over the ten-year period since 1997, an increase of 1.8

Figure 5.1
Workplace GVA in current basic prices: by region, 2007¹

£ billions



¹ Provisional.

Source: Office for National Statistics

Table 5.2
Gross Value Added¹ (GVA) at current basic prices

£ billions and index

	GVA (£ billions)				GVA as a percentage of UK ³			
	2004	2005	2006	2007 ²	2004	2005	2006	2007 ²
North East	34.9	36.4	38.3	40.2	3.3	3.3	3.3	3.3
North West	103.6	107.4	113.0	119.7	9.9	9.9	9.8	9.8
Yorkshire and The Humber	76.5	79.1	82.9	87.4	7.3	7.3	7.2	7.2
East Midlands	67.4	69.9	73.5	77.9	6.4	6.4	6.4	6.4
West Midlands	81.6	83.9	87.5	92.4	7.8	7.7	7.6	7.6
East	91.1	95.0	100.3	106.8	8.7	8.7	8.7	8.8
London	210.9	221.6	235.0	250.7	20.1	20.3	20.5	20.6
Inner London	139.4	147.1	157.1	-	13.3	13.5	13.7	-
West	90.2	95.5	102.0	-	8.6	8.8	8.9	-
East	49.2	51.6	55.1	-	4.7	4.7	4.8	-
Outer London	71.5	74.5	77.8	-	6.8	6.8	6.8	-
East and North East	19.8	20.6	21.4	-	1.9	1.9	1.9	-
South	18.7	19.5	20.5	-	1.8	1.8	1.8	-
West and North West	33.0	34.4	36.0	-	3.1	3.2	3.1	-
South East	152.7	158.3	166.0	176.3	14.6	14.5	14.5	14.5
South West	81.6	84.7	89.1	94.2	7.8	7.8	7.8	7.7
England	900.4	936.2	985.5	1,045.5	85.9	85.9	85.9	85.9
Wales	39.1	40.4	42.2	44.3	3.7	3.7	3.7	3.6
Scotland	84.3	88.1	93.4	98.5	8.0	8.1	8.1	8.1
Northern Ireland	24.1	25.2	26.8	28.4	2.3	2.3	2.3	2.3
United Kingdom ³	1,047.9	1,089.9	1,147.8	1,216.8	100.0	100.0	100.0	100.0

1 Estimates of workplace-based GVA allocated to the region in which commuters work. Data are consistent with headline series published in December 2008 (calculated using a five-period moving average). Components may not sum to totals due to rounding.

2 Provisional. Data for 2007 is only available for regions at NUTS1 level.

3 Excluding GVA for Extra-regio, which comprises compensation of employees and gross operating surplus which cannot be assigned to regions.

Source: Office for National Statistics

percentage points followed by the South East at 0.5 percentage points (Table 5.20).

London has the highest Regional GVA per head on a workplace basis, £33,200 in 2007, 66 per cent higher than the UK average (Table 5.2). To note, GVA per head uses a resident population denominator with a workplace numerator, so is increased by commuting and other factors examined later in a decomposition of GVA per head.

Not accounting for inflation, between 2006 and 2007 workplace based GVA in London increased by 6.7 per

cent, the strongest regional increase compared with the annual percentage increase for the UK of 6.0 per cent (excluding extra-regio) (Table 5.3). Over the ten-year period to 2007 the average annual increase in London's GVA was 6.3 per cent compared with 5.3 per cent for the UK, and was the greatest regional increase over this period.

Between 2006 and 2007 workplace based GVA per head in London increased by 6.1 per cent, the largest regional increase compared with the annual percentage increase for the UK of 5.3 per cent (excluding extra-regio). Over the ten-year period to 2007 the average annual increase

Table 5.3

Growth of headline Workplace-based GVA¹ at current basic prices: by region

	Percentages			
	Percentage increase			
	GVA ²		GVA per head ²	
	Average 2006- 2007 ³	Average 1997- 2007 ³	Average 2006- 2007 ³	Average 1997- 2007 ³
North East	5.2	4.6	4.8	4.6
North West	5.9	4.8	5.8	4.7
Yorkshire & The Humber	5.5	4.8	4.8	4.3
East Midlands	5.9	5.1	5.0	4.4
West Midlands	5.6	4.3	5.3	4.1
East	6.4	5.6	5.4	4.8
London	6.7	6.3	6.1	5.5
South East	6.2	5.7	5.3	5.1
South West	5.8	5.4	4.7	4.7
Wales	5.1	4.4	4.6	4.1
Scotland	5.5	4.8	5.0	4.7
Northern Ireland	6.2	5.6	5.1	5.1
UK ⁴	6.0	5.3	5.3	4.8

1 The headline regional GVA series have been calculated using a five-year moving average.

2 The difference between the increases in GVA and GVA per head is due to population change.

3 Provisional.

4 UK less Extra-regio and statistical discrepancy.

Source: Office for National Statistics

in London's GVA per head was 5.5 per cent compared with 4.8 per cent for the UK, and again the greatest regional increase.

Inner London contributed 67 per cent to London's GVA in 2006 and provided the largest share of NUTS2 regions, 13.7 per cent, to the UK's total (excluding extra-regio).

Inner London had the largest GVA per head on a workplace basis (£52,857) for 2006, the latest year for which estimates are available. These figures compare with the UK average (excluding Extra-Regio) of £18,945.

The 2006 estimates for NUTS 3 areas of the UK (which in London equates to five groups of boroughs) show Inner London - West had the largest GVA per head (£93,144), almost four times the UK average. GVA for Inner London West represented an 8.9 per cent share of the UK total.

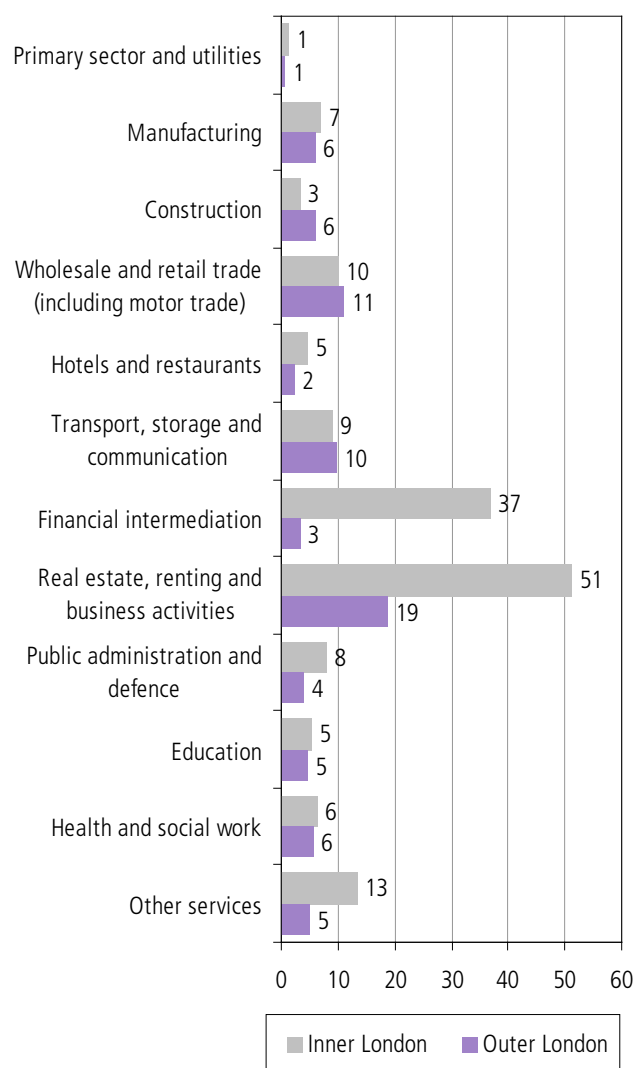
Regional GVA by Industry

The sector Real estate, renting and business activities contributed the most to London's GVA in 2006 (30 per cent) followed by Financial Intermediation which contributed 17 per cent, primarily driven by Financial Intermediation activities in Inner London where the sector generated 23 per cent of GVA, a marked contrast to Outer London GVA where Financial Intermediation generated four per cent of GVA and the UK as a whole where the sector's share of UK GVA was eight per cent. Manufacturing generated a much lower proportion of London's GVA, six per cent, compared with 13 per cent for the UK (Table 5.5).

Figure 5.4

GVA by broad industry group, 2006

£ billions



Source: Office for National Statistics

Table 5.5

Share of GVA^{1,2,3} by industry groups at current basic prices, 2006, London and UK

	Percentages			
	Inner London	Outer London	London	UK
Agriculture, hunting, forestry & fishing	0.0	0.0	0.0	0.7
Mining and quarrying	0.2	0.0	0.1	0.4
Manufacturing	4.4	7.7	5.5	13.3
Electricity, gas and water supply	0.6	0.9	0.7	1.6
Construction	2.1	7.9	4.0	6.4
Wholesale and retail trade (including motor trade)	6.5	14.4	9.1	11.9
Hotels and restaurants	3.0	3.1	3.0	2.9
Transport, storage and communication	5.9	12.7	8.1	7.1
Financial intermediation	23.5	4.2	17.1	7.9
Real estate, renting and business activities	32.7	24.0	29.8	23.8
Public administration and defence	5.1	5.3	5.1	5.3
Education	3.5	6.1	4.3	6.0
Health and social work	4.1	7.4	5.2	7.1
Other services	8.4	6.3	7.7	5.3
Total	100.0	100.0	100.0	100.0

1 Estimates of workplace based GVA allocate incomes to the region in which commuters work.

2 Components may not sum to totals due to rounding.

3 UK Excluding Extra Regio.

Source: Office for National Statistics

At NUTS 2 level ie inner and Outer London, GVA can be broken down into broad industrial groupings. This clearly shows the predominance of Business Services and Financial Intermediation and the high degree of specialisation in Financial Services in Inner London. For industries such as retail which are more closely tied geographically to the resident population, we see a more even balance between inner and Outer London (Figure 5.4).

Transport, storage and communication contribute more significantly to Outer London's GVA (13 per cent) when compared with the London share of eight per cent or the UK share seven per cent, however Outer London's sector profile of GVA is much more similar to the UK's profile than to Inner London.

At NUTS 3 level GVA is broken down into six industrial groupings. Looking at the Business Services and Finance group, which accounts for over half of Inner London's GVA, strong increase is shown for the Inner London areas Inner London - West, and Inner London - East (which includes Canary Wharf) (Figure 5.6).

GVA per head decomposition

Regional economic performance is traditionally measured as Gross Value Added (GVA) per head. This measure can be broken down further by an OECD methodology into four components:

- average labour productivity
- employment ratio
- activity ratio
- commuting ratio

In this analysis, average labour productivity (in this case GVA per job) is further separated into two elements:

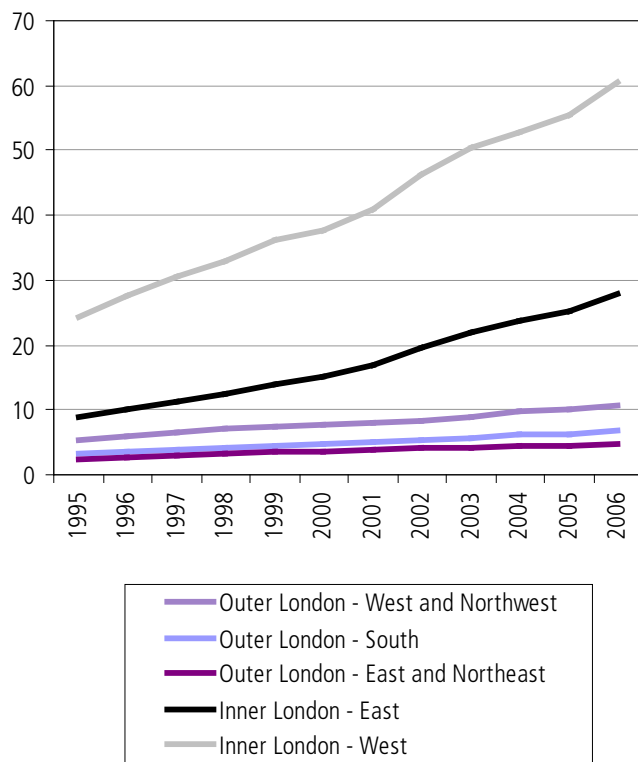
- GVA per hour worked
- hours worked per job

Each of these five components is influenced by regional factors that affect their contribution to the regional divergences from the UK average. These regional characteristics may be natural advantages (such as geographical) or resources which could potentially be developed (such as skills of the labour force or improvements to transport infrastructure).

Figure 5.6

London GVA: Business Services & Finance: NUTS 3, 1995 to 2006

£ billions



Source: Office for National Statistics

Looking at these components helps to explain the reasons for differences in regional economic performance and highlights some region-specific issues.

Each component is calculated independently based on the most appropriate source of published data available. This analysis does not utilise the underlying data sources used in the GVA per head calculation but shows what factors in the economy can explain the differences in GVA per head from the UK average when using other data sources. For example, the commuting rate is based on the numbers of people commuting between regions, based on employment rather than income data.

In 2007 London's GVA per head was 66 per cent above the UK average, Figure 5.7 shows to what extent the above factors contribute to boosting London above the UK average. For all regions shown in the chart, factors on the left hand side of the vertical axis contribute to pushing GVA per head beneath the UK average and

factors on the right hand side contribute to pulling GVA per head above the UK average.

In London for 2007, the greatest positive factor was productivity (34 per cent), followed by commuting (22 per cent) and hours per job (eight per cent); the only negative factor for London was employment (- one per cent) and low employment rates are a known issue for London. The large contribution of commuting for London highlights the disadvantage of using this GVA per resident figure – a workplace-based measure of output per head divided by a resident population.

Regional GDHI

Gross disposable household income (GDHI) per head is a useful indicator of prosperity of the people living in the regions and countries of the United Kingdom.

GDHI approximates to the concept of income as generally understood in economics, where income is often defined as the maximum money that a household has available at its disposal to spend without increasing borrowing.

For London, as in all regions, the greatest positive contribution to GDHI is made by Compensation of Employees (wages) and the greatest reduction by Taxes and Social Contributions (Tax and National Insurance) (Figure 5.8).

GDHI for London was around £136 billion in 2007, an increase of three per cent from 2006. GDHI per head in London was £17,931 in 2007, an increase of two per cent from 2006 and the highest of all regions. Presenting GDHI per head allows comparisons of regional income levels, as it takes into account the total populations, both within and between regions, but not the age structure of the population.

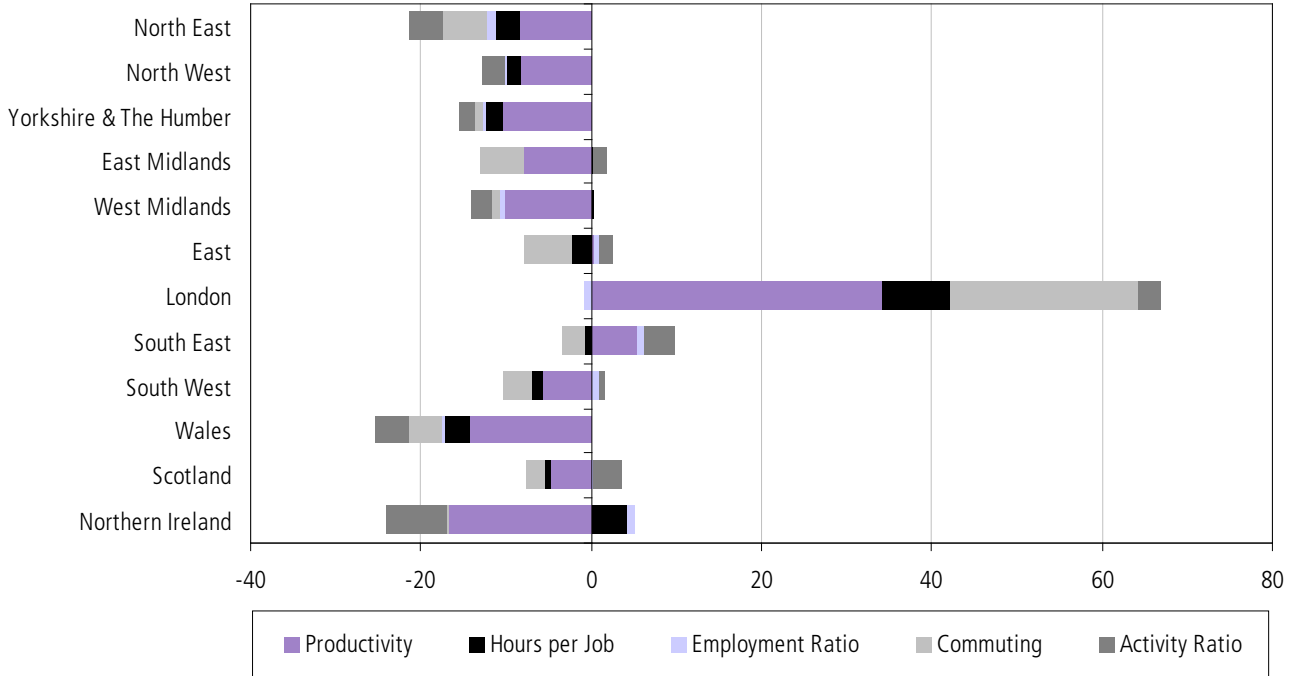
GDHI per head relative to the UK (where UK=100) for London in 2007 was 125, the highest of all regions with the South East at 112, and East of England at 105 the only two other regions with an index above 100 (Figure 5.9 and Table 5.21).

Between 2006 and 2007 all regions showed an increase in GDHI per head. London had the highest annual percentage increase at 2.4 per cent, followed by the North West 2.0 per cent, Northern Ireland 1.9 per cent

Figure 5.7

Regional percentage differences in GVA per head from the UK average¹ 2007

Percentages



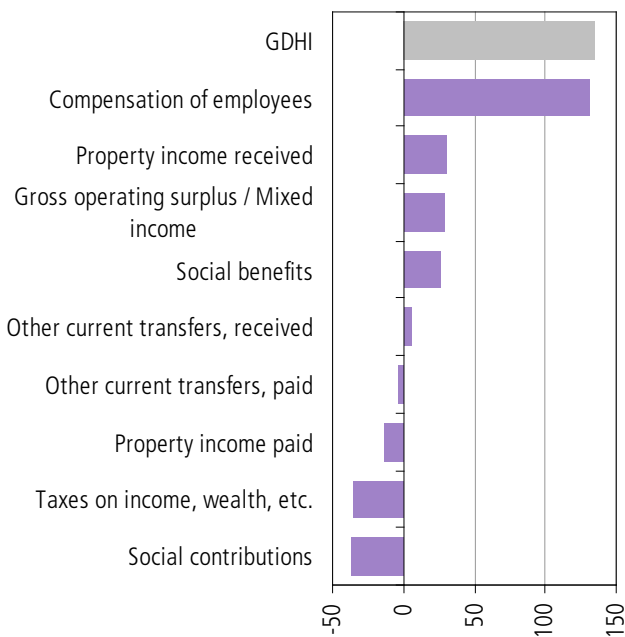
¹ UK less extra-region=0.

Source: Office for National Statistics

Figure 5.8

Components of GDHI: London, 2007

£ billions

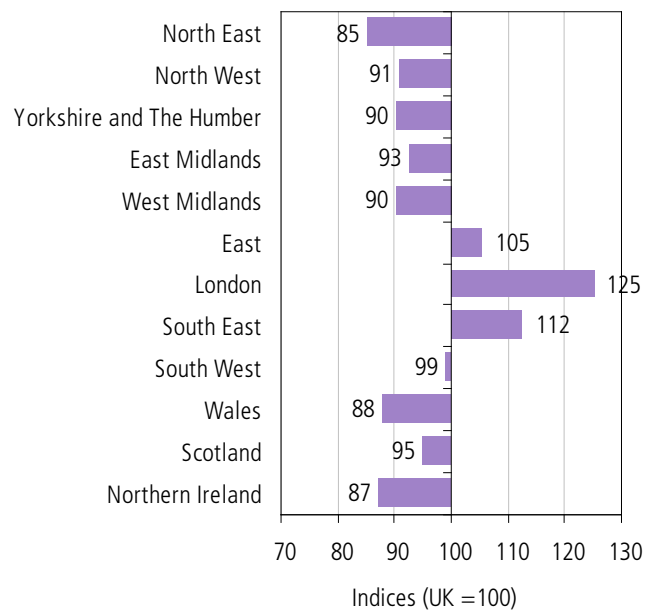


Source: Office for National Statistics

Figure 5.9

Headline gross disposable household income per head, 2007^{1,2}

Indices



¹ UK less Extra-regio.

² Provisional.

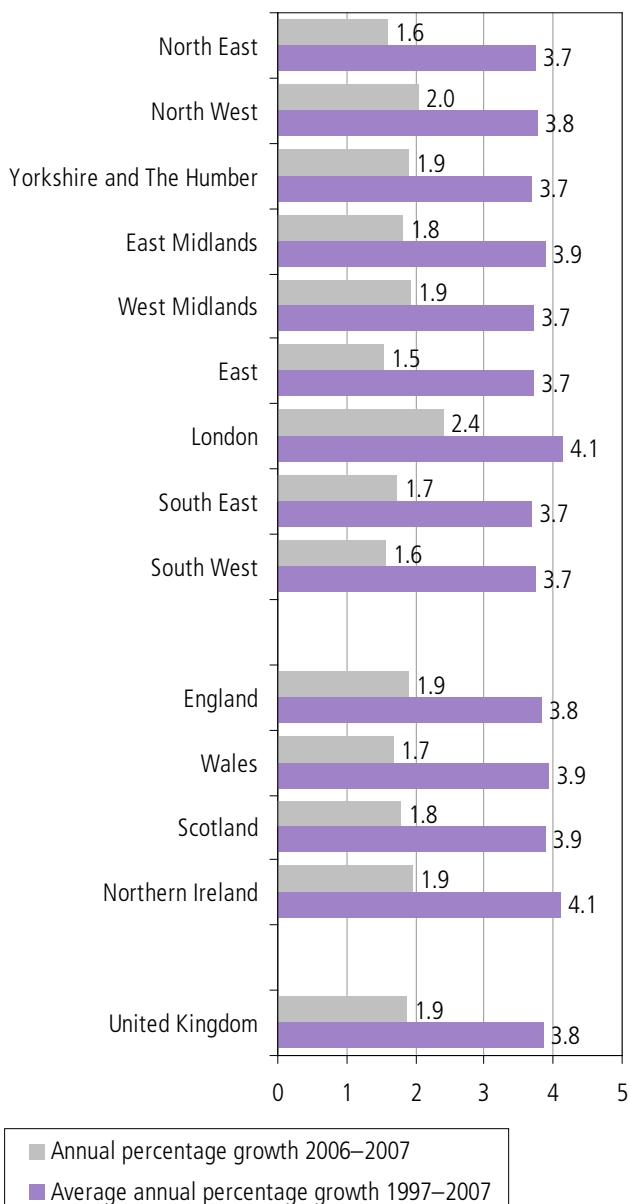
Source: Office for National Statistics

and West Midlands 1.9 per cent. These compare with the UK GDHI per head increase of 1.9 per cent.

Over the ten-year period to 2007 London has also shown the highest average annual percentage increase in GDHI per head, 4.1 per cent, although Northern Ireland (4.1 per cent) had a similar increase, and Wales, Scotland and the East Midlands all increased at an average rate of 3.9 per cent per year. These compare with the UK GDHI per head increase of 3.8 per cent (Figure 5.10).

Figure 5.10
Growth of headline GDHI per head at current basic prices^{1,2}

Percentages



1 UK less Extra-regio.

Source: Office for National Statistics

Sub-regional GDHI

GDHI per head in Inner London was £20,163 in 2007 (an increase of 2.8 per cent on 2006); Outer London GDHI per head was £16,461 in 2007 (an annual increase of 2.0 per cent).

In index terms the London NUTS 3 Sub-region with the highest GDHI per head was Inner London - West at 94 per cent above the UK average, an increase from 92 in 2006, substantially above Outer London – West and North West at 24 per cent above the UK. The London sub-region with the lowest GDHI per head is Outer London – East and North East at just two per cent above the UK average.

At NUTS 3 level, the greatest annual London increase in GDHI per head was in Inner London - West which increased to 27,838 (3.1 per cent) in 2007 and lowest in Outer London - South which increased to 17,093 (1.4 per cent) in 2007 (Table 5.22).

Components of GDHI

Of London’s GDHI per head, £17,931 in 2007, further analysis shows that Compensation of Employees (wages) made the largest positive contribution of £17,411 and Net current transfers (Social benefits eg Job Seekers Allowance less Taxes and National Insurance) the greatest negative contribution of -£5,524. Net current transfers is usually a negative item as aggregate taxes and National Insurance are greater than benefits received by persons. Comparisons of these components across regions, in Table 5.11, show that while London has a higher income level it also pays more in terms of Social Contributions and Taxes.

Both inner and Outer London have a higher GDHI per head than any other NUTS 2 region. Inner London leads the UK in all components of GDHI per head, and pays more in terms of Social Contributions and Taxes than anywhere else (the outflow of net transfers is almost three and a half times the UK average), although Outer London still has amongst the highest GDHI per head in the country.

Labour Productivity

To compare regions in terms of productivity, GVA per hour worked is the preferred indicator. At lower levels of geography, GVA per hour worked estimates are not yet

Table 5.11

Headline gross disposable household income per head and components, 2007¹

	Indices (UK=100)				
	Operating Surplus/ Mixed Income	Compensation of Employees	Net Property Income	Net current transfers, outflow	Gross Disposable Income
North East	65	83	68	37	85
North West	79	88	86	56	91
Yorkshire and The Humber	79	87	94	63	90
East Midlands	86	92	99	84	92
West Midlands	85	88	85	68	90
East	116	105	118	125	105
London	140	143	137	248	125
Inner London	161	169	175	346	141
Outer London	126	125	112	183	115
South East	128	114	122	149	112
South West	113	89	102	63	99
Wales	81	77	76	12	88
Scotland	74	97	92	81	95
Northern Ireland	91	76	85	29	87

1 Provisional.

Source: Office for National Statistics

available and GVA per filled job should be used. These two measures of productivity divide GVA by the labour input, namely hours worked in each job or the number of jobs used to create it.

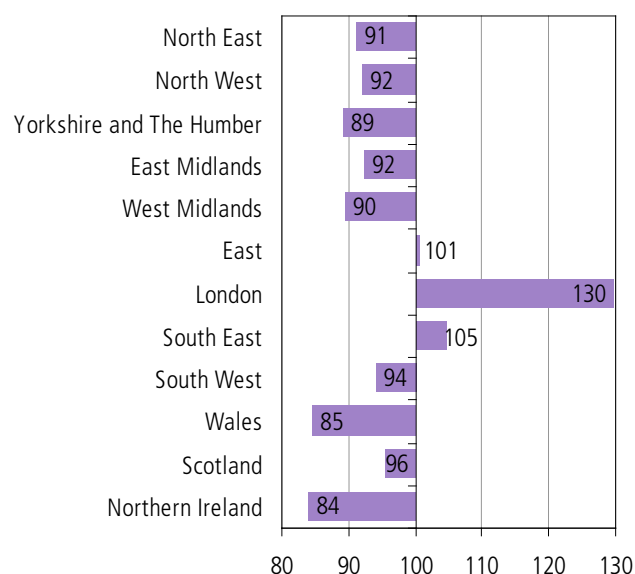
GVA per hour worked and GVA per filled job take account of commuting effects and different age profiles, and the former also accounts for variations in labour market structures, such as full- and part-time working arrangements and job share availability. Therefore, these productivity measures exhibit smaller differences from the UK average than the catch-all indicator of GVA per head; in particular London shows a very high GVA per head, due to a combination of high productivity and commuting.

Using the preferred productivity indicator of regional GVA per hour worked indexed to UK=100. In 2007, London had an index level of 130, the South East 105 and the East of England 101 were the only three regions with a productivity performance above the UK average (Figure 5.12). Given that businesses are attracted to London despite higher costs it is not surprising that

Figure 5.12

Index GVA per hour worked¹ 2007

Indices UK=100



1 UK less Extra-region and statistical discrepancy.

Source: Office for National Statistics

Figure 5.13

Comparison of regional economic indicators: by region, 2007^{1,2}

Indices



1 Indices (UK=100).

2 UK less Extra-regio and statistical discrepancy.

Source: Office for National Statistics

overall productivity is significantly higher than for other regions, in part compensating for additional costs.

London has improved relative to other regions between 2001 and 2006, with a small drop in relative performance in 2007. Between 2001 and 2007, London saw the strongest improvement in relative performance, diverging further from the UK average (Table 5.23). However, over the preceding period 1997 to 2001 London saw a drop in relative performance, so over the ten year period to 2007, London's increase in productivity was fourth, behind the South East, East of England and the South West.

Figure 5.13 shows that in 2007, GVA per filled job and GVA per hour worked showed smaller differences from the UK average than the indicator GVA per head. This is partly due to commuting patterns where productivity of the workforce is divided by a much lower resident population. Whereas Productivity indicators, divide regional GVA by the jobs or hours worked to create it, allocated to the place of work.

London Productivity by Industry

The data used in this section are derived from published outputs, further details are provided in the definitions section of the annex. GVA per employee job data should be interpreted with some caution as industries with high capital intensity, for example Mining, quarrying and utilities have much higher productivity. Indexation where UK equals 100 for a particular industry across all regions allows industries which are relatively more productive in London compared to other regions to be identified.

Across all industries, London was the region with the highest productivity in terms of GVA generated per employee job, at almost £59,000 for the reference year used, for this analysis 2006.

Table 5.14 shows that In 2006, 47 per cent of London's GVA was generated by Finance and Business Services, The UK average for this industry grouping was 32 per cent, so London had an above average contribution to GVA generated by this group of industries.

Fifteen per cent of London's GVA was generated by Public administration and defence, Education and Health and social work. The UK average for this industry

Table 5.14

GVA generated by different industry groups, London 2006

£, Percentages and Indices

		Percentage of total GVA generated (%)	GVA per employee job (£)	Average annual percentage growth 1996–2006 (%)	Indices of GVA per employee job (UK=100)	Index point change 1996–2006
A, B	Agriculture, hunting, forestry & fishing	0.0	3,046	-16.0	10	-32
C, E	Mining and quarrying, Electricity, gas and water supply	0.8	193,785	4.5	133	-3
D	Manufacturing	5.5	67,485	4.1	131	1
F	Construction	4.0	77,882	4.9	135	10
G, H	Wholesale and retail trade (including motor trade), Hotels and restaurants	12.2	32,983	3.4	124	-13
I	Transport, storage and communication	8.1	62,494	2.6	122	0
J, K	Financial intermediation, Business Services	47.0	83,199	5.8	128	14
L, M, N	Public administration and defence, Education, Health and social work	14.7	38,690	4.7	132	9
O, P	Other services, Private households with employed persons	7.7	65,632	6.0	152	11

Source: Office for National Statistics

grouping was 19 per cent. 12 per cent of London's GVA was generated by Wholesale and retail trade and Hotels and restaurants. The UK average for this industry grouping was 15 per cent. Therefore, London had a below average contribution to GVA generated by the last two industry groupings. Not surprisingly Agriculture, hunting, forestry and fishing represents just 0.01 per cent of London's output.

Bearing in mind that the effects of the degree of capital or labour intensity varies significantly by industry, GVA generated per employee job in London was highest for Mining, quarrying and utilities, at £194,000; an industry grouping with high capital intensity. For Finance and Business Services it was £83,000. Productivity was lowest in Agriculture, hunting, forestry and fishing, but with little activity in London for these industries data are less significant for London.

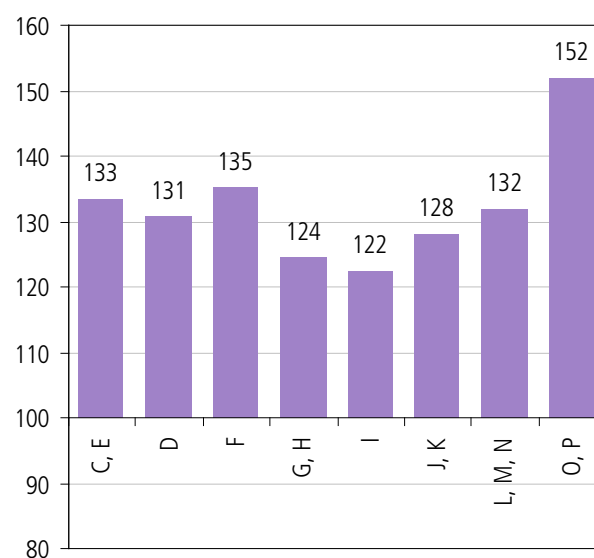
Strongest productivity increase over the ten-year period to 2006 was shown in Other services, six per cent, followed by Finance and Business Services, six per cent. To note, GVA data used in the productivity measure has not been deflated and includes the effects of price inflation.

All industry groups, except Agriculture, hunting and forestry and Fishing had a productivity (GVA per employee job) performance well above the UK average

Figure 5.15

London GVA per employee job, by industry groups¹, 2006

Indices (UK=100)



1 See Table 5.14 for industry groups.

Source: Office for National Statistics

for their respective industry groupings. This shows the high GVA per employee job for London is caused by a high productivity performance of nearly all industry groupings.

In 2006, Other services had the highest relative performance, with 52 per cent above its UK average (Figure 5.15).

Most industry groupings are around a quarter to a third more productive in London when compared with the UK average for that industry. In 2006 Finance and Business Services was 14 per cent above the UK average and has seen the largest index increase since 1996 (14 index points). Excluding primary industries Wholesale and retail trade and Hotels and restaurants saw the largest index decrease over this period, down 13 index points since 1996.

The Economic Deprivation Indicator

While key macro-economic indicators eg GVA show London as a workplace performing very well, they can mask inequality and small pockets of deprivation of residents.

The Economic Deprivation Index 2008 (EDI) has recently been developed for Communities and Local Government by the Social Disadvantage Research Centre at Oxford University who also produce the Index of Multiple Deprivation (IMD). The EDI was designed to track changes in deprived neighbourhoods between the more complete publications of the IMD. It measures economic deprivation at the Lower Super Output Area (LSOA) level ie small geographic areas with a population of around 1,500. EDI provides an absolute score for each LSOA in England and then ranks LSOAs from one (least deprived) to 32,482 (most deprived); using LSOA geography allows small pockets of deprivation to be identified.

The overall EDI has two domains covering Income Deprivation and Employment Deprivation, both constructed in a very similar way to comparable domains in IMD, but using a methodology which allows time-series comparison over the period 1999 to 2005, bridging the gap between the 2004 and 2007 IMD. It is therefore a much reduced version of the IMD, in that it covers only two (albeit the two with the greatest weight) of the seven domains of the IMD, and even those two

are less complete versions of the equivalent domains in the IMD.

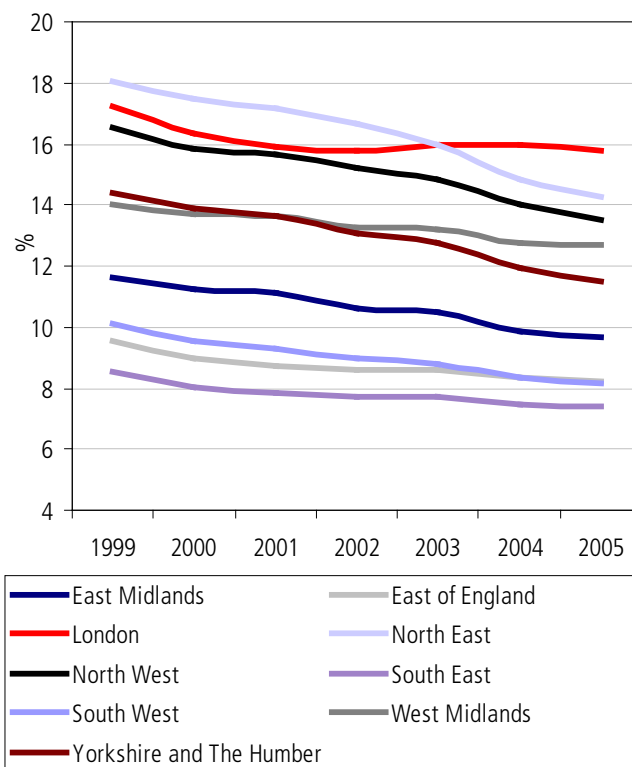
The Income Deprivation Domain represents the proportion of people aged under 60 living in households receiving one of two out-of-work means-tested benefits: Income Support (IS) or income-based Job Seekers Allowance (JSA-IB). Note that it does not include information on any of the tax credits and therefore excludes pensioners and many people in households with low-income earners. It also excludes asylum seekers, so is not directly comparable to the Income Deprivation Domain of the IMD.

The Employment Deprivation Domain represents the proportion of people of working-age claiming one of three out-of-work benefits: Job Seekers Allowance (income-based or contribution-based) (JSA), Severe Disablement Allowance (SDA) or Incapacity Benefit (IB). It therefore excludes participants in the various New Deal schemes that are included in the Employment Deprivation Domain of the IMD as well as people who

Figure 5.16

EDI Income score data by region, 1999-2005

Rate of deprivation



Source: Communities and Local Government, 2008

are unemployed but not claiming (or not entitled to claim) the three benefits listed above.

Both the Income Deprivation Domain and the Employment Deprivation Domain required population estimates to be constructed for each LSOA in England for 1999 through to 2005. These population estimates formed the denominators for the indicator rates, thereby enabling each indicator to be expressed as the proportion of relevant population who are defined as income deprived or employment deprived. The denominator for the Income Deprivation Domain was the entire population under the age of 60. The denominator for the Employment Deprivation Domain was mean ages 18 to 64 plus women aged 18 to 59 (both inclusive).

EDI in London

In terms of rates of deprivation, London stands out in both the Employment and particularly the Income deprivation domain as remaining at a level position since 2001, whereas most regions have shown improvements (Figure 5.16).

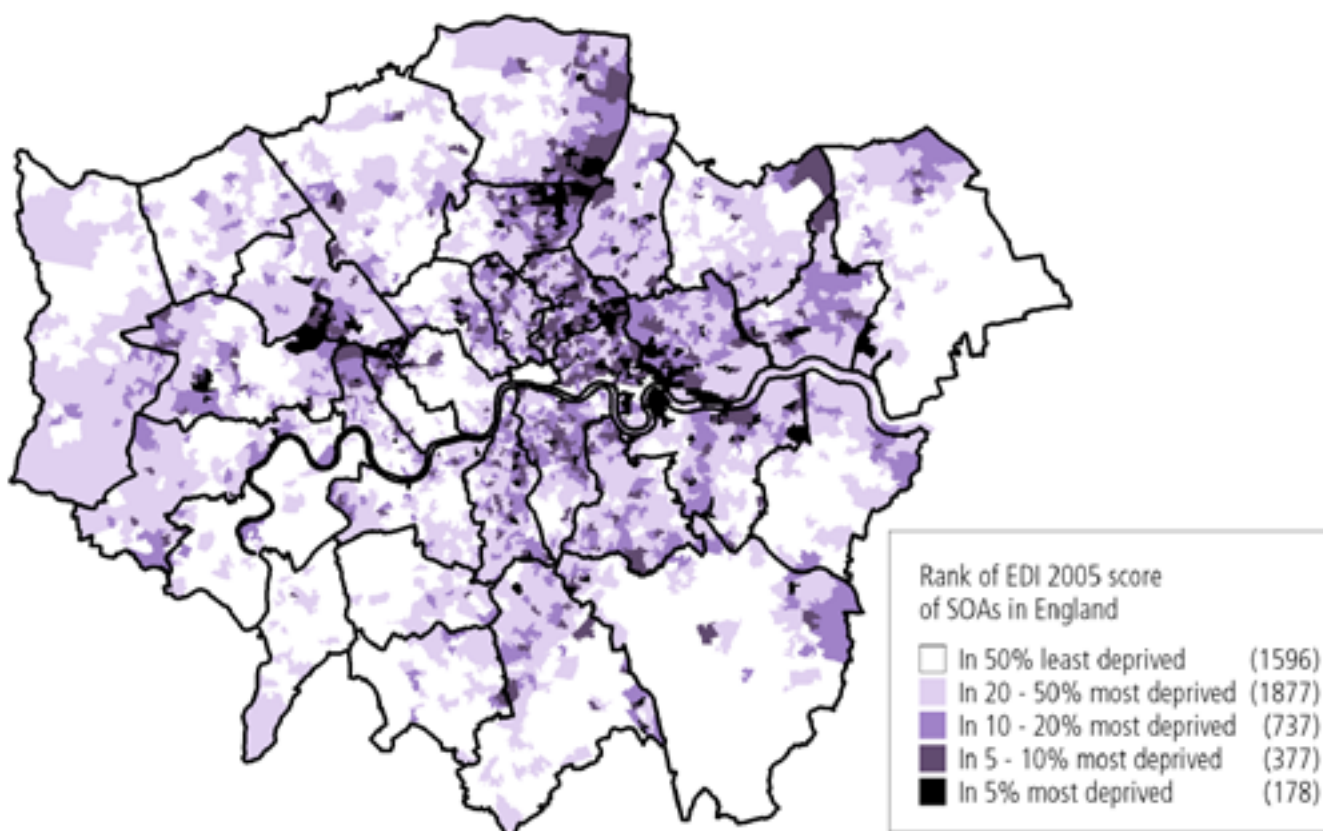
Map 5.17 shows a band with high concentrations of economic deprivation running through Newham, Tower Hamlets, Islington, Hackney and Haringey, but also small areas of deprivation across London and within boroughs which are not usually associated with deprivation. Westminster and Kensington and Chelsea both have areas within the five per cent most deprived for economic deprivation.

Hackney, Islington, Newham and Tower Hamlets have been within the ten most deprived local authorities on average rank of EDI for the entire 1999–2005 seven-year

Map 5.17

Rank of Economic Deprivation Index score 2005

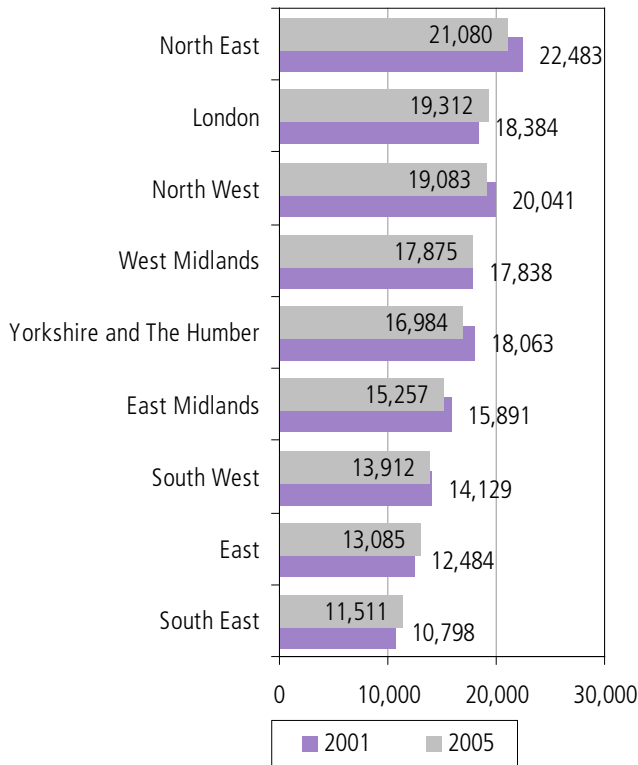
Rank of LSOA



Source: Communities and Local Government, 2008

Figure 5.18
Population weighted average rank overall Economic Deprivation Index, 2001 and 2005¹

Average rank



1 32,482 = Most Deprived.

Source: *Communities and Local Government, 2008*

period; additionally Haringey and Barking and Dagenham have spent the last two years of this period within the ten most deprived local authorities.

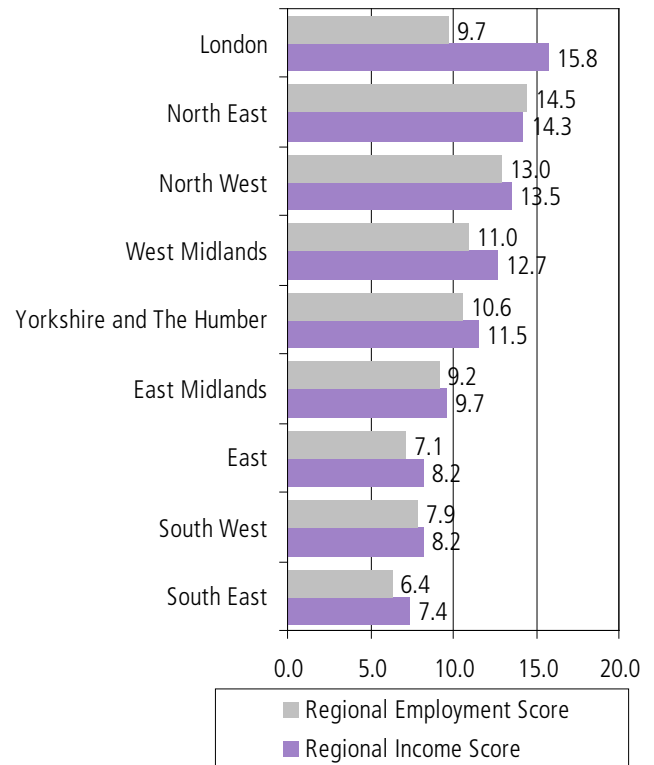
Hackney, Haringey and Tower Hamlets have also seen the largest increase in the percentage of LSOAs in the most deprived decile of English LSOAs over the 1999–2005 period.

Using population-weighted averages, it is possible to compare economic deprivation of London's LSOAs relative to the other English regions.

Figure 5.18 presents data by LSOA average rank for each region in 2001 and 2005. On this basis overall Economic Deprivation for London has shown some improvement up to 2001 and slight deterioration afterwards; this trend is mirrored by the performance of both the Income and Employment deprivation domains, with the Income

Figure 5.19
Rates of employment and income deprivation by region, 2005

Rates



Source: *Communities and Local Government, 2008*

deprivation domain for London showing a slightly greater deterioration than the Employment domain since 2001.

On the overall EDI score (by average rank), London was the third most deprived region behind the North West and North East over most of the 1999–2005 period until 2005 where it overtook the North West to become the second most deprived region. For the Income deprivation domain London was the most deprived region over the whole period 1999–2005, whilst for the Employment domain London was the fifth most deprived region throughout the period (Figure 5.19).

Table 5.20

Workplace-based gross value added¹ (GVA) at current basic prices, 1992 to 2007

	£ million and indices							
	1992	1997	2002	2003	2004	2005	2006	2007 ²
£ million								
North East	20,772	25,601	31,199	33,116	34,946	36,389	38,254	40,231
North West	59,078	74,944	93,627	98,804	103,630	107,375	112,955	119,667
Yorkshire and The Humber	42,085	54,810	68,713	72,831	76,535	79,091	82,864	87,393
East Midlands	35,986	47,419	59,754	63,780	67,375	69,887	73,528	77,864
West Midlands	45,510	60,336	74,644	78,380	81,564	83,913	87,491	92,356
East	46,565	61,933	80,321	85,865	91,109	95,039	100,303	106,753
London	100,563	136,402	187,152	199,688	210,914	221,564	234,990	250,732
South East	73,704	101,186	137,307	145,509	152,706	158,274	166,003	176,291
South West	41,223	55,556	72,627	77,394	81,572	84,681	89,090	94,215
England	465,486	618,187	805,342	855,366	900,353	936,213	985,477	1,045,501
Wales	22,685	28,760	35,348	37,350	39,149	40,443	42,193	44,333
Scotland	48,014	61,483	75,172	79,853	84,335	88,085	93,361	98,520
Northern Ireland	11,840	16,476	21,246	22,564	24,109	25,180	26,787	28,445
United Kingdom less extra-regio ³ and statistical discrepancy	548,024	724,906	937,109	995,133	1,047,945	1,089,921	1,147,819	1,216,799
Extra-regio	9,576	14,619	19,985	19,876	20,629	25,201	29,417	30,092
Statistical discrepancy	0	0	0	0	0	0	0	834
United Kingdom ⁴	557,601	739,524	957,094	1,015,008	1,068,574	1,115,121	1,177,232	1,247,721
GVA per head: indices (UK⁵=100)								
North East	84	80	78	78	79	79	79	79
North West	91	89	87	87	87	87	87	87
Yorkshire and The Humber	89	89	87	87	86	86	85	85
East Midlands	94	93	90	90	90	89	89	89
West Midlands	91	92	89	88	87	87	86	86
East	95	95	94	94	94	94	94	94
London	155	156	161	162	163	164	165	166
South East	101	104	108	108	107	107	106	106
South West	92	93	92	93	92	92	92	91
England	102	102	103	103	103	103	102	103
Wales	83	80	77	76	76	76	75	75
Scotland	99	97	94	94	95	96	96	96
Northern Ireland	77	79	79	79	80	81	81	81
United Kingdom	100	100	100	100	100	100	100	100

1 Estimates of workplace based GVA allocate incomes to the region in which commuters work. The data are consistent with the headline workplace based series published in December 2008. See Notes and Definitions.

2 Provisional.

3 The GVA for extra-regio comprises compensation of employees and gross operating surplus which cannot be assigned to regions.

4 Components may not sum to totals as a result of rounding.

5 UK less extra-regio.

Source: Office for National Statistics

Table 5.21

Gross disposable household income¹, 2000 to 2007

	£ million and indices							
	2000	2001	2002	2003	2004	2005	2006	2007
Gross disposable household income (£ million)								
North East	24,011	25,348	26,295	27,529	28,139	29,549	30,734	31,327
North West	68,854	72,779	75,211	78,726	80,466	84,396	87,571	89,495
Yorkshire and The Humber	50,241	53,176	54,997	57,820	59,499	62,686	65,100	66,789
East Midlands	42,448	45,447	47,474	50,217	51,854	54,822	56,873	58,376
West Midlands	53,568	56,779	58,728	61,533	62,773	65,750	68,142	69,646
East	64,212	68,907	71,585	75,114	76,658	80,402	83,283	85,383
London	99,556	106,604	110,415	115,708	119,026	126,385	131,559	135,502
South East	102,786	109,678	112,763	117,839	119,794	125,945	130,327	133,724
South West	54,468	58,182	60,434	63,490	65,163	68,809	71,574	73,462
England	560,144	596,902	617,902	647,975	663,372	698,745	725,163	743,704
Wales	27,858	29,715	31,166	32,666	33,578	35,263	36,676	37,470
Scotland	52,558	55,720	57,719	60,701	62,251	65,577	68,294	69,895
Northern Ireland	15,790	16,781	17,473	18,552	19,123	20,325	21,306	21,940
United Kingdom less extra-regio	656,350	699,119	724,261	759,893	778,325	819,911	851,440	873,008
Extra-regio ²	938	975	1,006	1,023	1,014	1,000	1,003	1,023
United Kingdom ³	657,288	700,094	725,267	760,916	779,339	820,911	852,443	874,031
Gross disposable household income per head, indices (UK⁴=100)								
North East	85	84	85	85	85	85	86	85
North West	91	91	91	91	91	91	91	91
Yorkshire and The Humber	91	90	90	90	90	90	90	90
East Midlands	91	92	92	93	93	93	93	93
West Midlands	91	91	91	91	91	90	90	90
East	107	108	108	108	107	106	106	105
London	123	123	123	123	124	125	125	125
South East	115	116	115	114	113	113	113	112
South West	99	100	100	99	99	99	99	99
England	102	102	102	102	102	102	102	102
Wales	86	86	87	87	88	88	88	88
Scotland	93	93	94	94	94	95	95	95
Northern Ireland	84	84	84	85	86	87	87	87
United Kingdom ⁴	100	100	100	100	100	100	100	100

1 Household income covers the income received by households and non-profit institutions serving households.

2 Parts of the UK economic territory that cannot be attached to a particular region.

3 Components may not sum to totals as a result of rounding.

4 UK less extra-regio.

Source: Office for National Statistics

Table 5.22

Gross disposable household income¹, 2004 to 2007

£ million and £ per head

	GDHI £ million				GDHI £ per head			
	2004	2005	2006	2007	2004	2005	2006	2007
North East	28,139	29,549	30,734	31,327	11,069	11,590	12,026	12,216
North West	80,466	84,396	87,571	89,495	11,799	12,339	12,778	13,038
Yorkshire and The Humber	59,499	62,686	65,100	66,789	11,749	12,273	12,660	12,901
East Midlands	51,854	54,822	56,873	58,376	12,083	12,668	13,032	13,268
West Midlands	62,773	65,750	68,142	69,646	11,785	12,288	12,697	12,941
East	76,658	80,402	83,283	85,383	13,910	14,453	14,855	15,083
London	119,026	126,385	131,559	135,502	16,108	16,951	17,512	17,931
Inner London	51,967	55,804	58,311	60,495	17,878	18,953	19,614	20,163
West	26,149	28,276	29,575	30,818	24,745	26,127	26,997	27,838
East	25,818	27,528	28,736	29,677	13,956	14,784	15,306	15,675
Outer London	67,059	70,580	73,248	75,007	14,961	15,644	16,136	16,461
East and North East	21,184	22,127	22,913	23,390	13,406	13,941	14,355	14,597
South	18,134	19,105	19,794	20,227	15,657	16,385	16,858	17,093
West and North West	27,741	29,349	30,541	31,390	15,907	16,689	17,264	17,726
South East	119,794	125,945	130,327	133,724	14,744	15,388	15,821	16,095
South West	65,163	68,809	71,574	73,462	12,925	13,527	13,968	14,187
England	663,372	698,745	725,163	743,704	13,238	13,846	14,285	14,556
Wales	33,578	35,263	36,676	37,470	11,396	11,939	12,366	12,574
Scotland	62,251	65,577	68,294	69,895	12,258	12,871	13,347	13,587
Northern Ireland	19,123	20,325	21,306	21,940	11,181	11,787	12,234	12,472
United Kingdom ²	778,325	819,911	851,440	873,008	13,005	13,611	14,053	14,317

1 Household income covers the income received by households and non-profit institutions serving households. Components may not sum to totals as a result of rounding.

2 UK less extra-regio.

Source: Office for National Statistics

Table 5.23

Labour Productivity¹, 2000 to 2007

	Indices							
	2000	2001	2002	2003	2004	2005	2006	2007
GVA per filled job² (UK = 100)								
North East	92.6	93.2	91.5	89.7	91.7	90.2	88.1	89.3
North West	92.9	92.6	91.7	89.9	89.5	90.2	90.2	91.4
Yorkshire and The Humber	91.1	91.5	92.4	90.4	88.7	89.3	88.2	88.0
East Midlands	91.9	94.6	95.9	97.0	96.1	92.8	93.6	92.3
West Midlands	92.7	93.3	92.8	91.4	91.0	90.0	88.3	89.9
East	95.9	96.0	94.6	97.1	97.6	98.3	97.6	98.4
London	129.6	129.1	131.5	133.9	136.0	137.4	138.3	137.7
South East	103.2	103.0	102.5	103.5	102.8	102.8	104.5	103.1
South West	92.8	92.9	92.2	92.5	91.7	92.2	92.0	91.6
England	101.3	101.5	101.5	101.7	101.6	101.7	101.8	101.8
Wales	89.4	89.6	89.7	87.0	87.6	85.2	83.6	83.4
Scotland	95.4	93.9	95.2	93.9	95.1	95.1	95.3	94.8
Northern Ireland	88.5	87.3	85.1	85.2	85.5	85.0	85.8	87.3
GVA per hour worked³ (UK = 100)								
North East	94.3	96.8	93.6	92.1	92.9	93.5	89.9	91.2
North West	93.2	93.5	92.6	90.8	90.4	90.8	90.8	92.2
Yorkshire and The Humber	93.1	93.9	93.2	91.0	89.7	90.2	89.7	89.2
East Midlands	92.0	94.6	96.1	96.9	97.0	92.6	93.4	92.3
West Midlands	92.3	93.3	92.6	91.4	90.2	89.7	88.1	89.6
East	96.7	95.8	95.8	98.2	98.4	99.4	98.8	100.6
London	124.2	122.6	124.9	126.2	128.7	129.4	131.4	129.7
South East	104.6	104.2	103.9	105.8	104.5	104.5	105.5	104.7
South West	95.4	95.0	94.9	95.6	94.1	94.3	94.6	94.2
England	101.4	101.5	101.5	101.7	101.5	101.6	101.7	101.8
Wales	90.7	89.7	90.4	87.8	88.6	87.1	84.3	84.6
Scotland	95.1	94.6	95.9	94.8	96.9	97.2	96.5	95.6
Northern Ireland	85.7	86.5	82.2	81.2	81.5	81.2	82.9	84.1

1 These data are on a workplace basis.

2 Filled jobs is measured by workforce jobs.

3 The annual hours figure used is an average of the four quarters and includes employees, self employed and Government supported trainees.

Source: Office for National Statistics