Appendix 1

ECONOMIC STRATEGY EVIDENCE BASE

Policy & Assurance Team

Sheffield City Region

SCR ECONOMIC STRATEGY

Strategic Economic Plan (SEP)

- **Overarching Strategy** to set aspirations & priorities for SCR
- Emphasis on **inclusive economic growth** – economic, social & environmental
- **Medium to Long-term**
- **Developed with stakeholders** – mainly local & regional

Local Industrial Strategy (LIS)

- **Focused Plan** for driving growth in productivity
- Emphasis on **innovation & scaling-up assets**
- **Long-term**
- **Co-developed and agreed with Government** – a bidding document

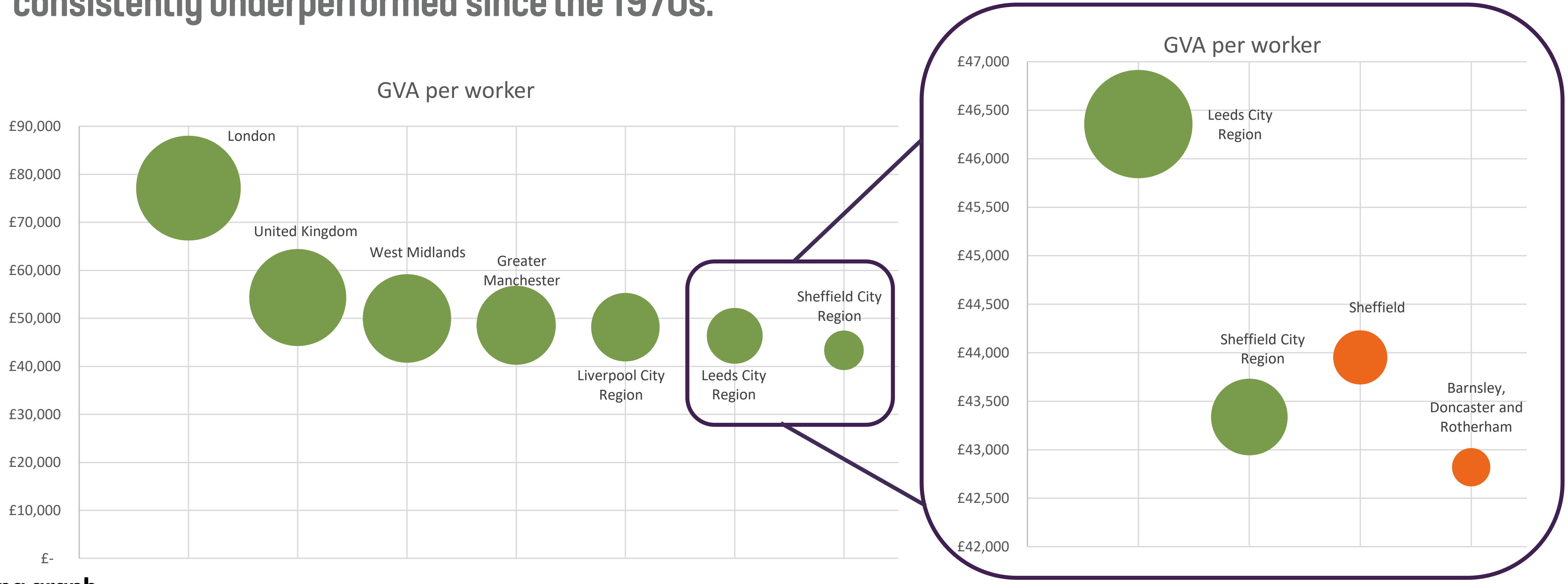
PROCESS & TIMESCALES

- Twin tracking SEP & LIS development
- Intra SCR engagement
- LA officer engagement already underway
- Private sector engagement – combination of set piece sessions & other focused forums
- Online evidence base
- Central government engagement

- **Summer** – engagement on evidence base and emerging priorities
- **September** – Draft documents
- LEP Board (**September & November**)
- MCA Board (**September & November**)
- **November 2019** – final draft of LIS
- **December 2019** – SEP & LIS published

SCR IS THE WORST PERFORMING CITY REGION FOR PRODUCTIVITY

SCR has a growing economy but SCR's economic performance is not changing its relative position. Economic growth is unbalanced in SCR and our economic performance has consistently underperformed since the 1970s.

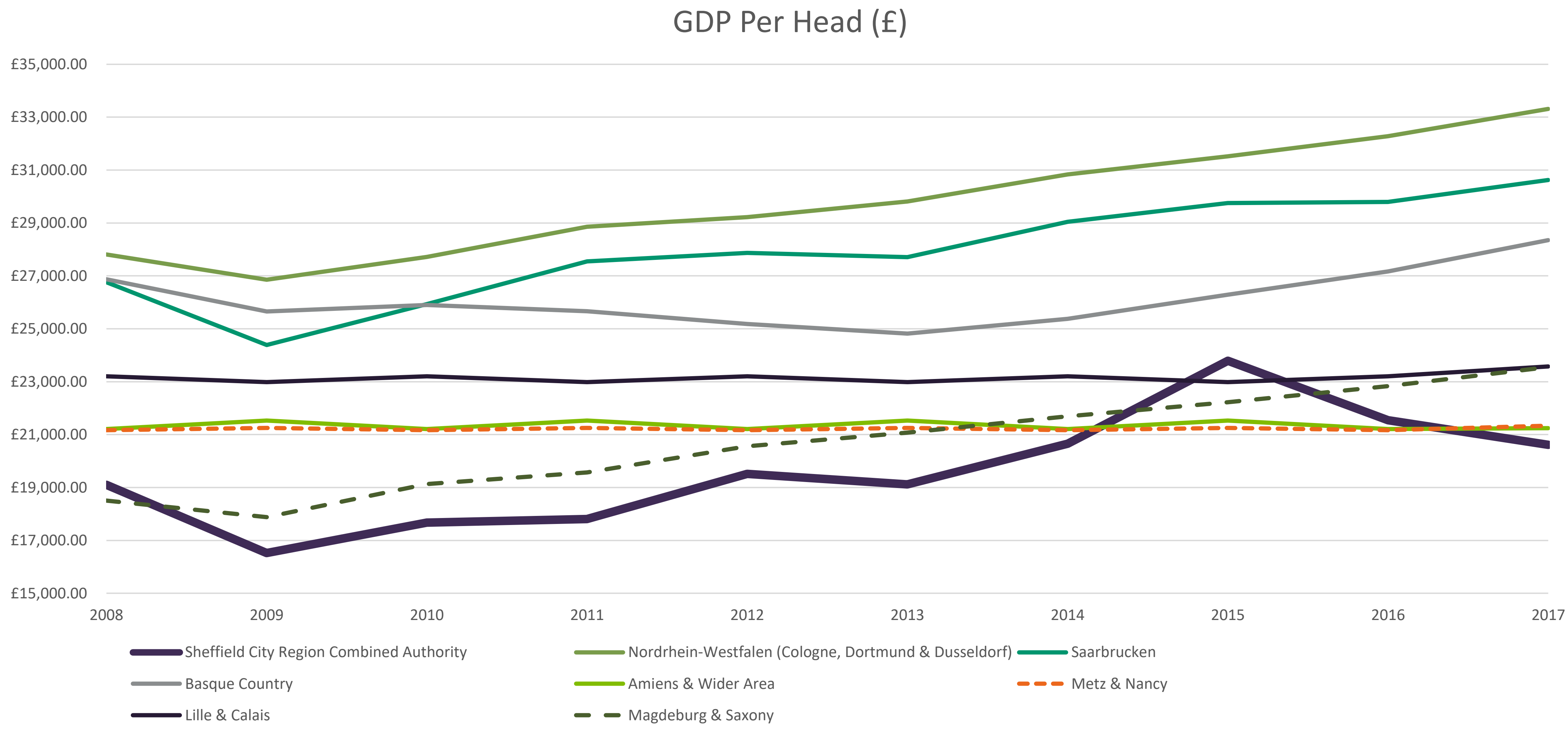


Moving graph:

[GDP per Filled Job (£), 2002 to 2017]

Source: ONS GVA per worker estimates 2018

……….AND AMONGST THE WORST IN EUROPE!



Source: Eurostat GDP Regional Estimates 2018. Note: Per head not a true productivity measure but a proxy indicator.

SIZE OF OUR ECONOMY IF PRODUCTIVITY WAS HIGHER

Current Economy (2017/18): £35bn

Size of economy if productivity matched UK (minus London): £40bn

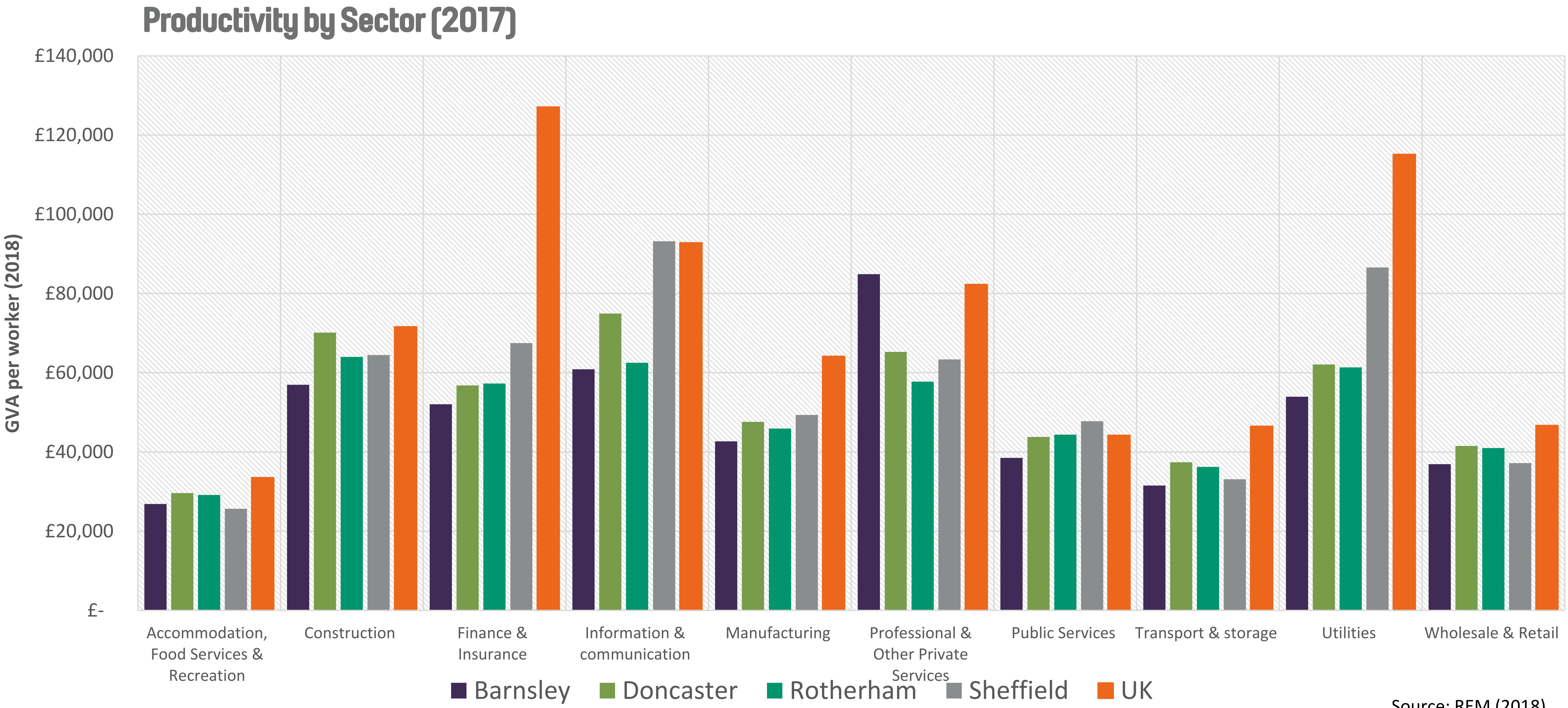
Size of economy if productivity matched UK (with London): £44bn

Size of economy if productivity matched South East: £46bn

Size of economy if productivity matched London: £62bn

PRODUCTIVITY IS IMPORTANT TO QUALITY OF LIFE

SCR HAS SEVERAL LOW PRODUCTIVITY SECTORS



Source: REM (2018)

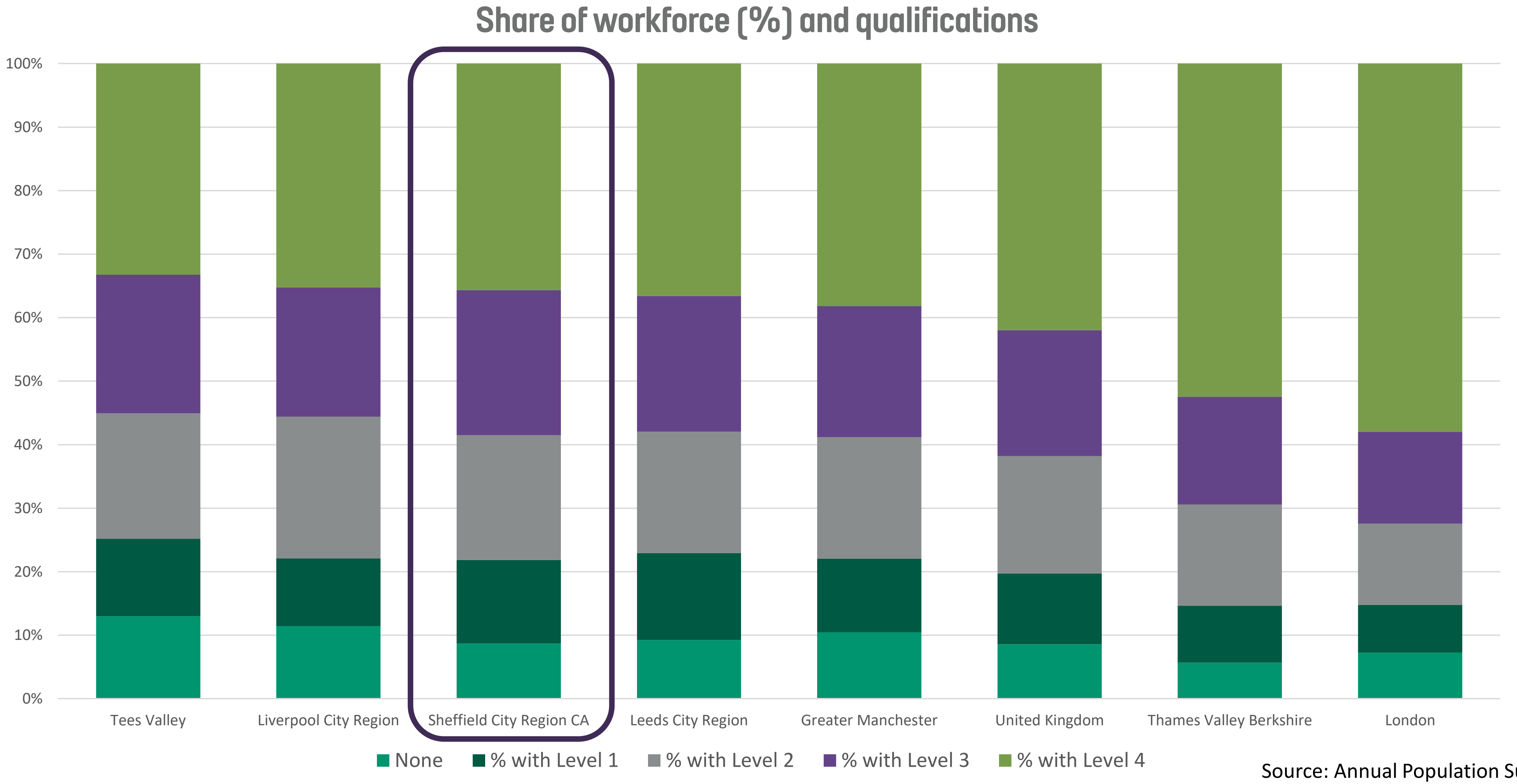
.....BUT WHY PRODUCTIVITY?

"**Productivity** isn't everything, but, in the long run, it **is almost everything**. A country's ability to improve its **standard of living** over time **depends** almost entirely **on** its ability to raise its **output per worker**."

Paul Krugman – 2008 Nobel Prize winner for Economics

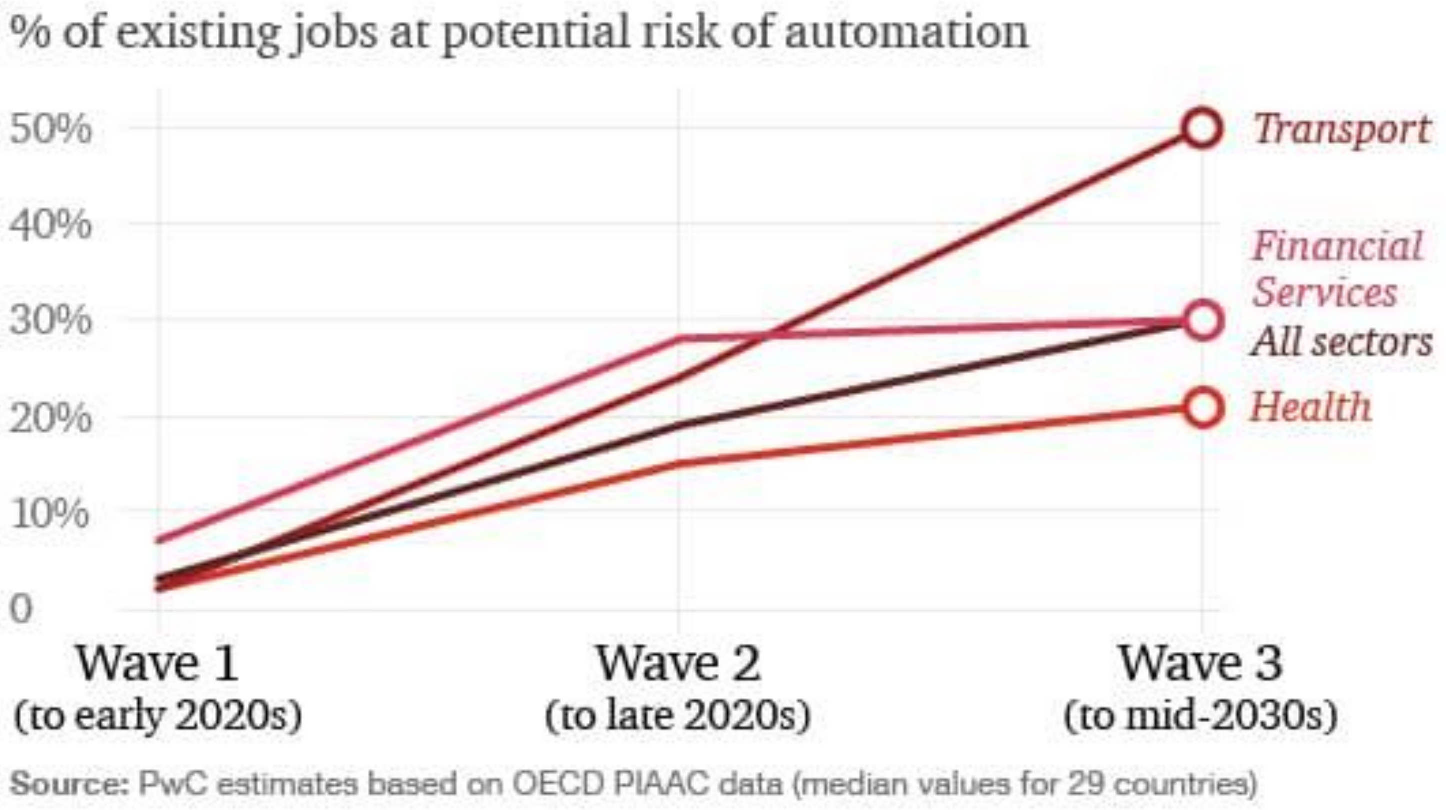
DRIVERS OF PRODUCTIVITY

SCR IS A LOW SKILLS ECONOMY



Source: Annual Population Survey 2018

THE PROSPECTS FOR A LOW SKILLS ECONOMY ARE CONCERNING

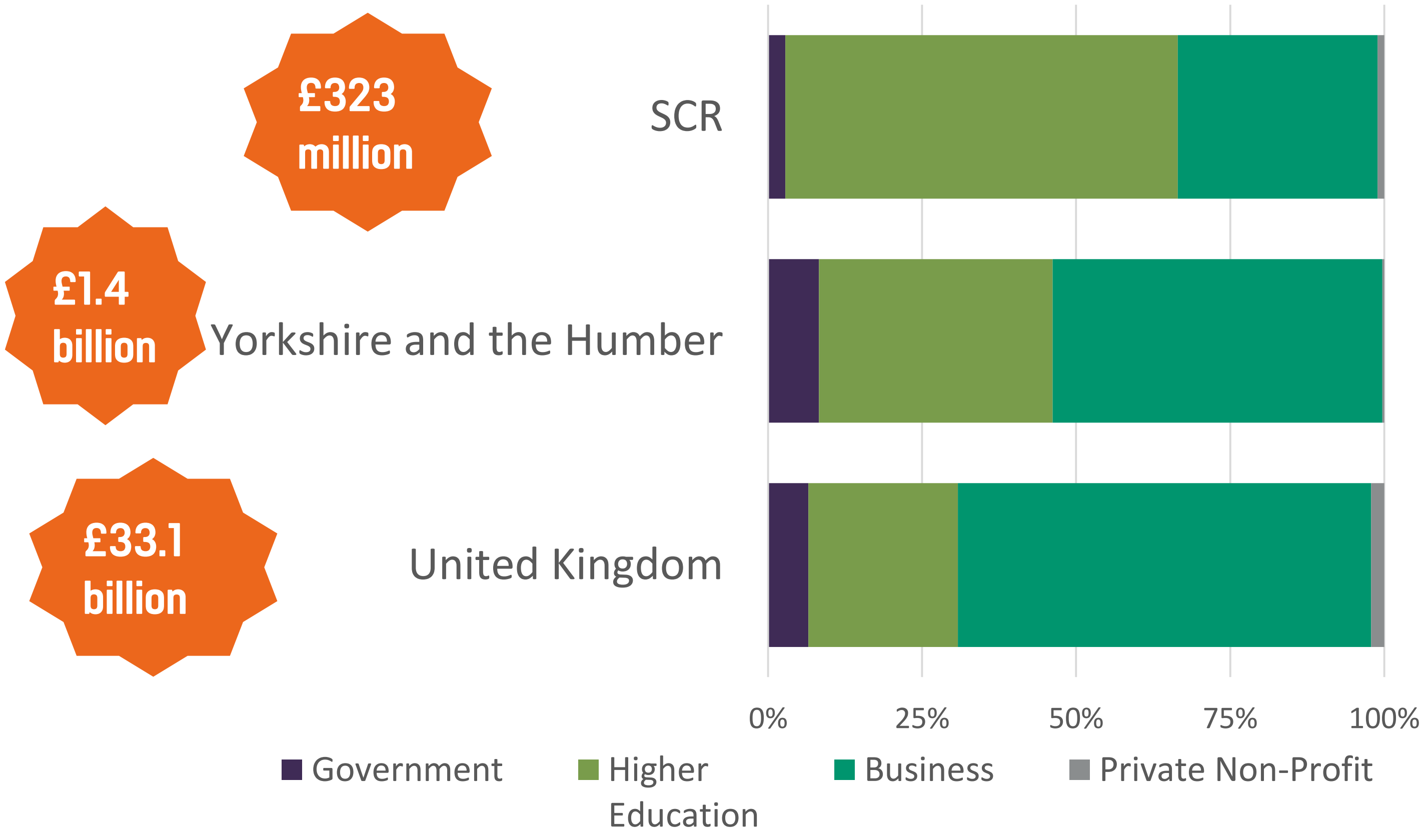


- According to ONS, **47% of SCR jobs are at risk of automation** over the next two decades, compared to 39% in London. The **sectors and occupations at the highest risk are** unfortunately **the same sectors that have created the most jobs in SCR**.

Source: APS, PIACC, Frey and Osbourne 2018

LOW PAY & LOW INVESTMENT IN R&D CHARACTERISE THE BUSINESS BASE

Make up of investment in UK R&D

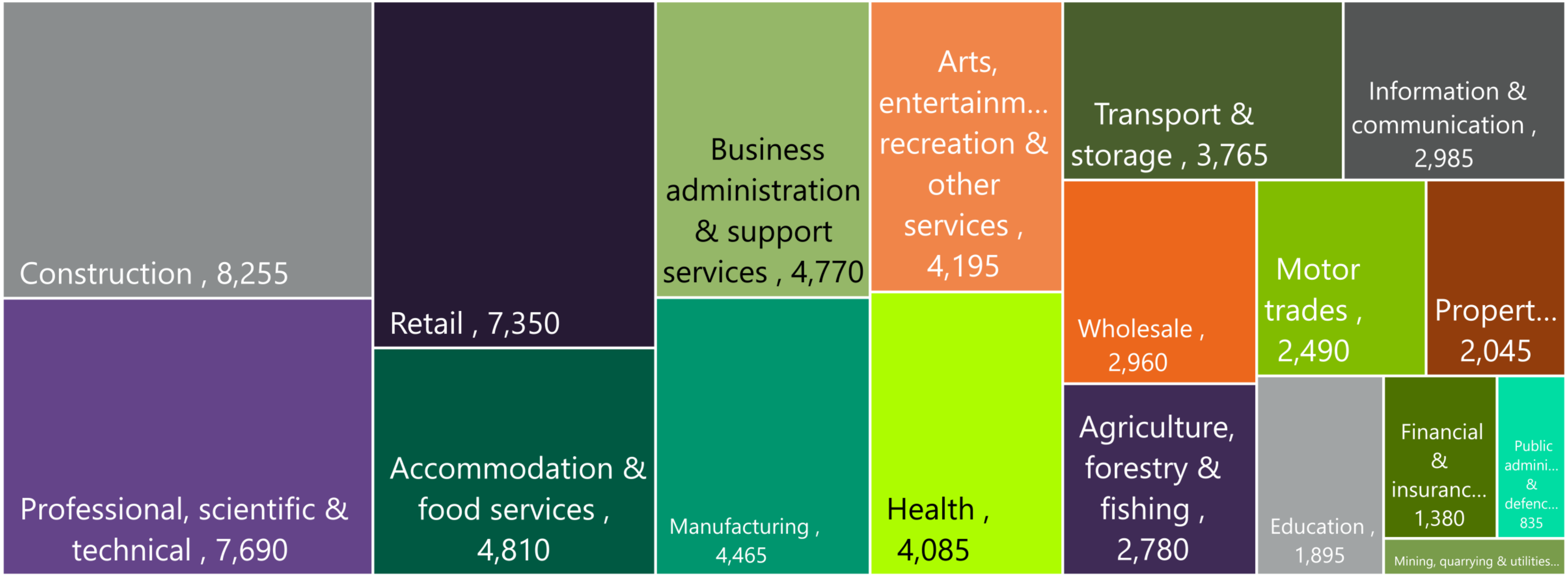


- UK Government Target for R&D expenditure is 2.4% of GDP by 2027
- Current R&D investment in SCR is 0.9% of GVA
- Expenditure would need to triple to £1.1billion (from £323 million) to meet this target.

Source: ONS (2018) UK gross domestic expenditure on research and development and BRES 2018

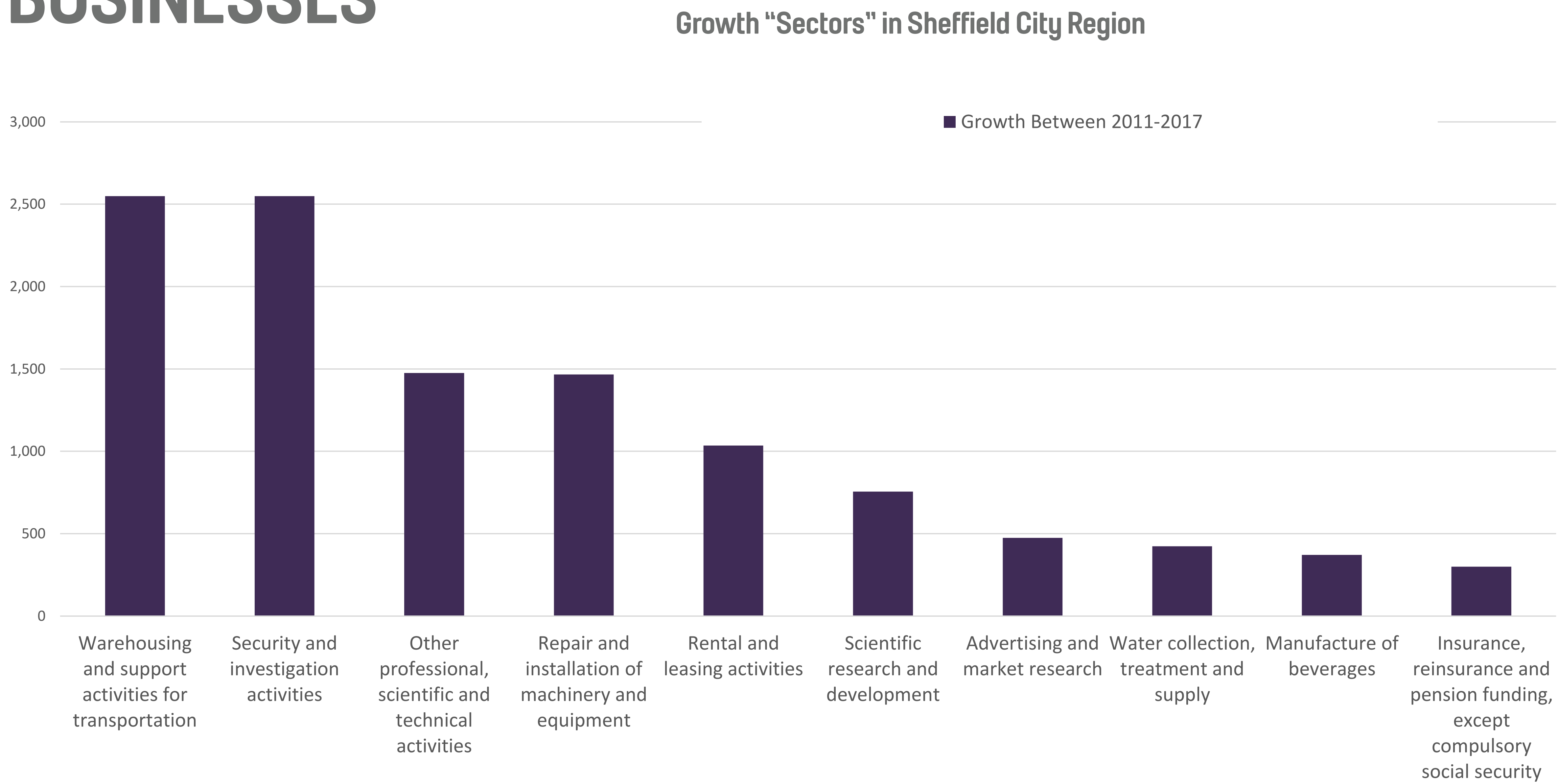
BUSINESSES

BUSINESSES BASE BY SECTOR (67,200)



- Business start up is on target (SEP 2014) but growth rate lags national average

BUSINESSES



Source: ONS Enterprise Estimates & EMSI

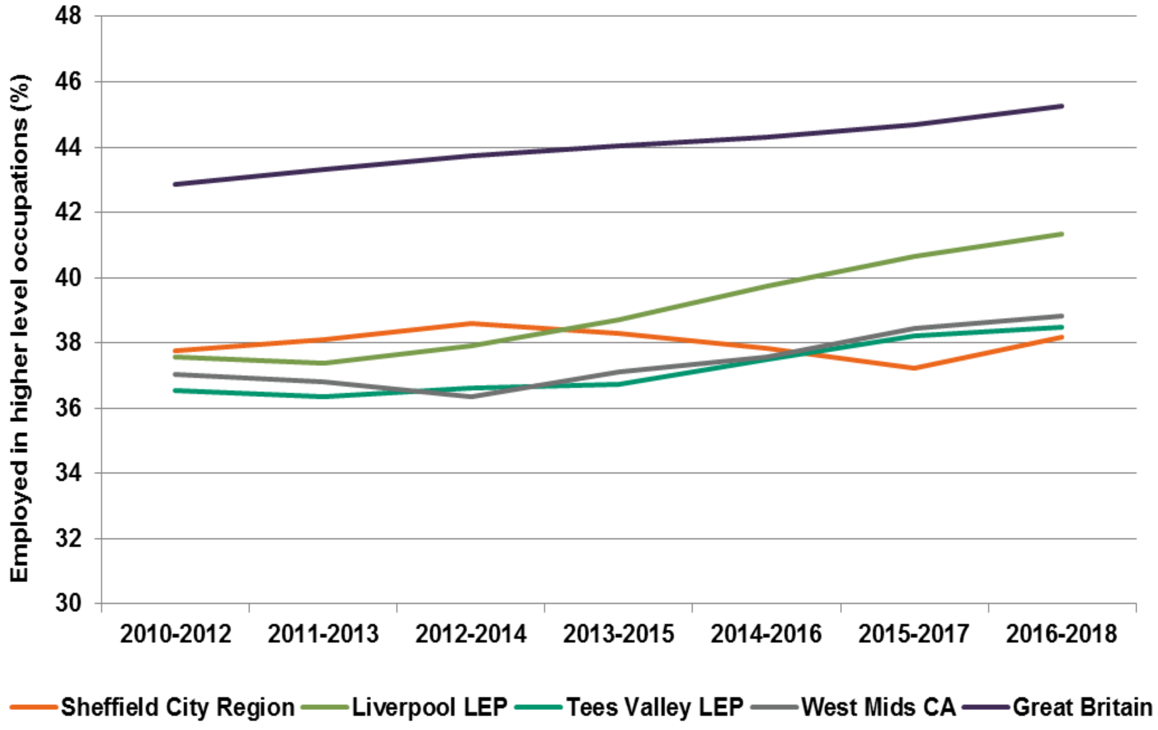
HIGH GROWTH BUSINESSES

High Growth Businesses in the City Regions
Source: ONS High Growth Businesses 2017

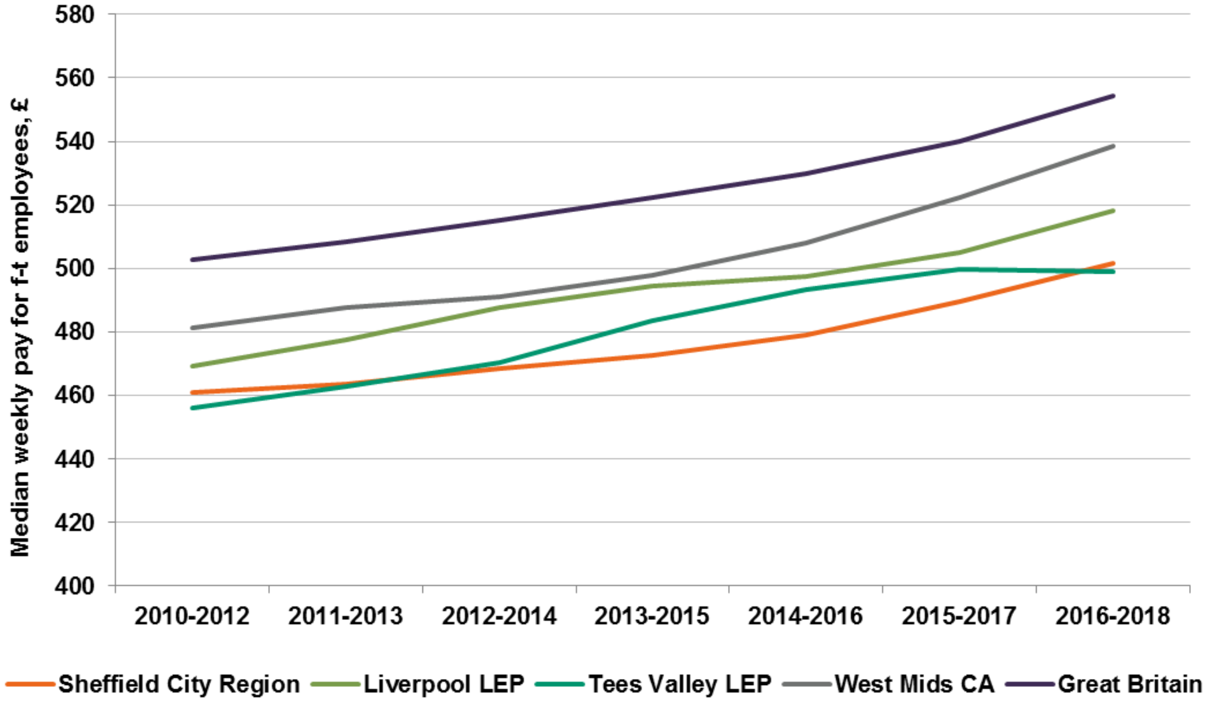
		United Kingdom	Tyne and Wear	Greater Manchester	West Midlands	Sheffield City Region	Tees Valley
All New Enterprises		381,885	4,475	23,590	30,735	**7,135**	2,415
Employment 20% growth	Count	13,165	185	580	1,010	**295**	90
	% of all enterprises	3.4%	4.1%	2.5%	3.3%	**4.1%**	3.7%
	Employment	1,814,673	28,208	78,646	159,692	**32,109**	9,456
	Turnover(£'000s)	365,427,696	1,977,649	11,439,762	20,894,901	**2,952,305**	814,643
Turnover 20% growth	Count	30,650	415	1,300	2,295	**750**	215
	% of all enterprises	8.0%	9.3%	5.5%	7.5%	**10.5%**	8.9%
	Employment	2,646,977	44,985	106,063	214,310	**52,282**	12,896
	Turnover(£'000s)	1,232,968,212	6,592,595	19,790,498	46,699,699	**6,163,092**	1,487,225
Both employment and turnover 20% growth	Count	7,305	105	350	525	**170**	50
	% of all enterprises	1.9%	2.3%	1.5%	1.7%	**2.4%**	2.1%
	Employment	1,013,620	20,233	45,423	86,181	**17,082**	5,760
	Turnover(£'000s)	282,452,572	1,574,272	8,686,249	14,451,401	**1,432,900**	540,887

SCR HAS EXPERIENCED EMPLOYMENT AND SOME PRODUCTIVITY GROWTH. BUT THIS HAS LARGELY BEEN IN LOW PAY AND LOW PRODUCTIVITY SECTORS AND NOT AT THE SCALE THAT CAN DRIVE TRANSFORMATIONAL ECONOMIC GROWTH

Employment in higher level occupations

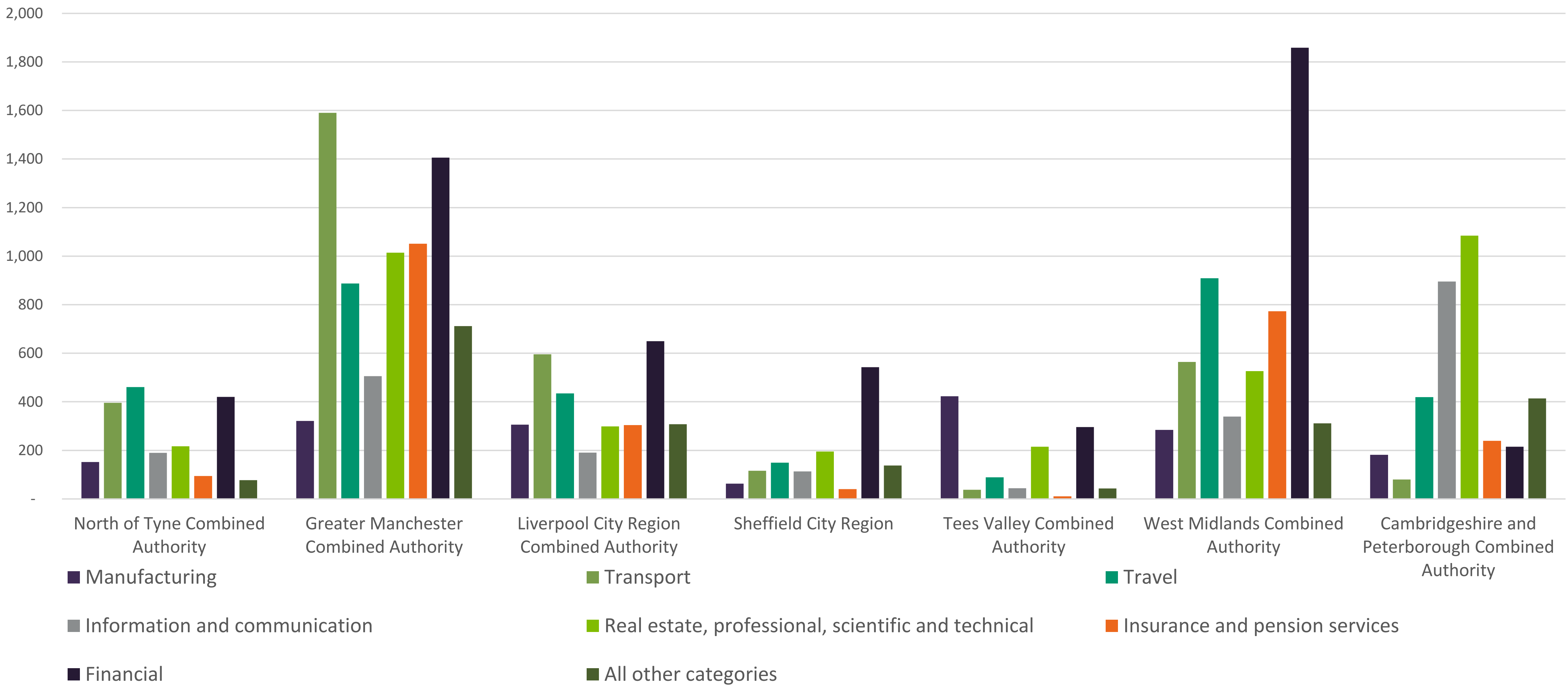


Median gross weekly pay, full-time employees



Source: CRESR Inclusive Growth Report 2019

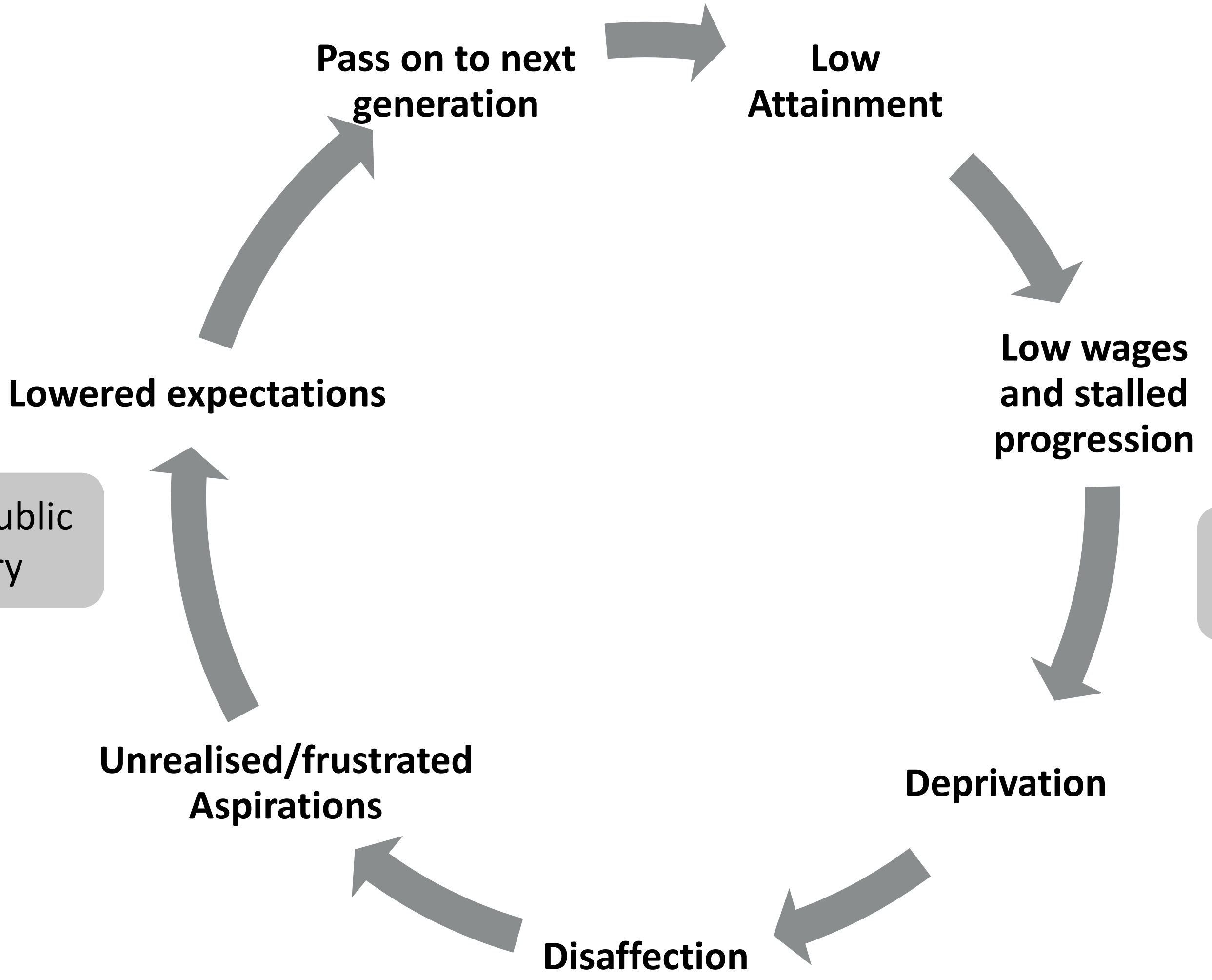
SERVICE EXPORTS VALUE (2016)



Source: ONS service export estimates (2018)

CONCLUSION

CONCLUSION: DESPITE DECADES OF INVESTMENT AND SOME GREAT WORK, FOR TOO MANY, THIS IS STILL CURRENT REALITY



Over stretched public service delivery

Businesses create low value jobs

VISION

In the Sheffield City Region, every person will have an opportunity to take part in one of the most prosperous, dynamic and resilient global economies.

Opportunity

Community

Prosperity

PROSPERITY

OUTCOMES

- ➔ Productivity Growth
- ➔ Diversified & Specialised Business Base
- ➔ Improved Density
  - Jobs
  - Businesses
- ➔ Reduced Inequality
- ➔ Increased Business Investments
- ➔ Improved Global Linkages & Trade

POLICIES

- ➔ **Create enabling conditions for innovation and growth**
  - Whole economic base
  - Innovation districts
- ➔ **Targeted intelligence-led, business growth model for scale –up and trade**
  - Segmentation-led engagement package
  - Relational not transactional
  - Focus on market opportunity, networks
  - Support & invest in entrepreneurship
  - New model to commercialise research and innovation
- ➔ **Leadership & convening**
  - Business charter
  - Networks
  - Capacity

TO SUPPORT THE SEP DEVELOPMENT PROCESS

Based on the evidence and your experience

- ➔ **Are the proposed outcomes about right?**
- ➔ **Are the proposed areas of policy focus about right?**

THANK YOU

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