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# Comparing the post-crisis performance of the Sheffield, Brighton and Oxford city-region economies.

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The impact of the global financial crisis of 2008 and the UK's subsequent recovery has focused attention on the economic imbalances between the North and South of England. Across the political spectrum there is support for 'rebalancing' the economy to ensure economic growth and opportunities are more evenly shared between regions and thus reduce the UK economy's dependence on the financial sector and economic activity in the City of London and South East of England. In this Brief, the Sheffield Political Economy Research Institute considers the post-crisis structure and performance of three city-region economies, centred around Sheffield, Brighton and Oxford. It explores a range of economic indicators for each city-region economy over the last decade. In so doing it assesses the impact of the crisis and recovery in each area and contributes to ongoing debates about regional variations in the UK economy.

## Background

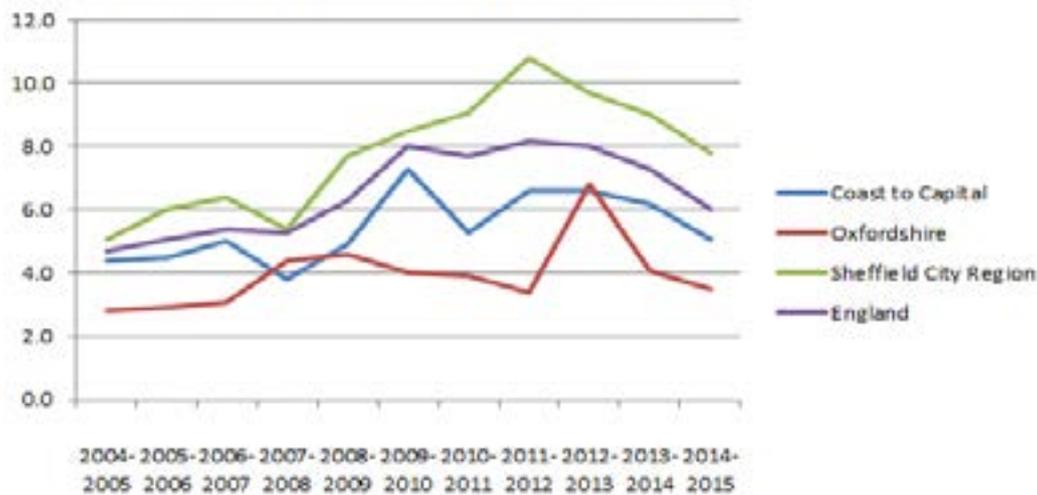
- The economy of the South of England significantly outperforms the North of England. This gap between the North and South is a central feature of the UK's economic growth model.
- Recent debates around the Conservative Government's commitment to economic rebalancing and, more recently, to the creation of a 'Northern Powerhouse' have focused attention on the North-South divide. In May 2015 the Prime Minister pledged to "close the north-south gap".
- The Brief compares the economies of three Local Enterprise Partnership (LEP) areas, Sheffield City Region LEP in Northern England, and the Coast to Capital and Oxfordshire LEPs in the South East. 39 LEPs cover all of England.
- Sheffield City Region LEP covers an area comprised of nine local authority areas in South Yorkshire, North Derbyshire and Nottinghamshire. It is centred around Sheffield and has a population of 1,832,100.
- The Coast to Capital LEP covers an area in the South East from Brighton and Hove to Croydon. It is comprised of 14 local authority areas in East Sussex, West Sussex, Surrey and Greater London and has a population of 1,978,800.
- The Oxfordshire LEP is centred around Oxford. It is comprised of 5 local authorities within Oxfordshire and has a population of 672,500.
- Sheffield City Region and the Coast to Capital LEP have a similar population size and both areas contain one city and several smaller towns, as well as rural areas. The Oxfordshire LEP has a population over 2.5 times smaller than the other two areas and contains just one significant urban area, Oxford.
- The Brief assesses the economy of each LEP by analysing employment and unemployment rates; employment by sector; pay; economic output, as well as considering disposable income levels and housing costs for the period 2004/5 to 2014/15.
- All evidence contained in the Brief has been derived by analysing the latest Office for National Statistics data.

## Evidence

### 1. Employment and unemployment rates

- The employment rate in Sheffield City Region in 2014/15 is 70.6%. This is 5.9 and 6.8 percentage points lower than in the Coast to Capital and Oxfordshire regions respectively. Between 2004 and 2015 the employment rate in Sheffield City Region was lower than the English average in every year. The two southern regions had above average employment in each year.
- The unemployment rate in Sheffield City Region in 2014/15 is 7.8%; 2.7 and 4.3 percentage points higher than in the Coast to Capital and Oxfordshire regions respectively. Between 2004 and 2015 the unemployment rate in Sheffield City Region was higher than the English average in every year. The two southern regions had below average unemployment in each year.
- In 2014/15 the ten Local Enterprise Partnership areas with the highest employment rates are all in the south of England. Oxfordshire has the tenth highest employment rate in the country; Coast to Capital has the twelfth highest rate, and Sheffield City Region the 32nd highest rate.
- Nine of the ten LEPs with the highest unemployment rates in 2014/15 are in the North of England or West Midlands. Sheffield City Region has the 6th highest unemployment rate (7.8%). The Oxfordshire LEP has the second lowest unemployment rate in England (3.5%).
- All three regions saw an increase in unemployment during the economic downturn, but peak unemployment was experienced at different points and at different rates. Peak unemployment in the Coast to Capital region was 7.3% in 2009/10, but Oxfordshire and Sheffield City Region experienced peak unemployment in 2012/13 (6.8%) and 2011-12 (10.8%) respectively.
- After the 2009-10 recession Coast to Capital and Oxfordshire increased their number of jobs in 2010/11 by 3.1% and 2.8% respectively, but Sheffield City Region had an increase of just 0.4%.
- Since 2011/12 the employment rate in the Sheffield City Region has increased by 4.5 percentage points. The employment rate in the Coast to Capital region has risen by 2 percentage points, but in Oxfordshire it has fallen by 0.2 percentage points.
- Sheffield City Region is the only region where the current employment rate (70.6%) is higher than its pre-crisis peak (70.2% in 2004/05), although this employment rate is significantly lower than in the two southern regions.
- The employment rate in the Coast to Capital region is now 76.5, just below its pre-crisis peak (76.6% in 2007/8), but Oxfordshire is still 2.9 percentage points below its peak employment rate which was in 2005/06 (77.4% compared to 80.3%).

### The unemployment rate in the Sheffield, Brighton and Oxford city-region economies, 2004-15.



## 2. Weekly pay

- In 2014 the average weekly pay for full-time employees in the UK was £518. In Sheffield City Region average weekly pay was £478; Coast to Capital £563; and Oxfordshire £584.
- Between 2005 and 2014 average weekly pay in Sheffield City Region increased by 17%. In England the average increase during this period was 20.1%. In the Coast to Capital LEP it increased by 19.3% and in Oxfordshire by 24.3%.

## 3. Employment and pay by sector

### *Public Administration, Education and Health*

- Public services (comprising local and central government, education for all age groups including universities, and health) are the biggest source of employment in all three regions: Sheffield City Region (31.4%); Coast to Capital (29.3%); and Oxfordshire (33.1%).
- The average percentage of people working in public services across all LEPs is 29.2. Oxfordshire has the joint second highest employment rate for this sector across all LEPs.
- All three areas have seen a decline in public sector employment since government spending cuts began in 2010.

### *Service industries*

- Over the last decade the percentage of people working in service industries has increased in each of the three economies. In Sheffield City Region, Coast to Capital and Oxfordshire service industries provide 76.0%, 82.9% and 79.2% of employment respectively. Across all 39 LEPs the average is 79.7%. 82.9% in the

Coast to Capital LEP is the highest rate of employment in service industries in the country.

- Eight of the ten LEPs with the highest levels of employment in service industries are in the South and seven are in the South East.

#### *Retail, Hotel and Restaurants*

- Sheffield City Region has a higher percentage of employees working in retail, hotel and restaurants than the two southern regions. Since the crisis employment in this sector has fallen in Oxfordshire and the Coast to Capital regions, as well as across England. However, in Sheffield City Region the percentage of employment in this sector has remained stable – 19.4% in 2014/15 compared to 19.3% in 2008/9.
- Seven of the ten LEPs with highest level of people employed in this sector are in the North or Midlands. Nine of the ten LEPs with the lowest employment in this sector are in the South. Oxfordshire has the lowest level of employment in this sector in England (12.7%).
- The retail, hotels, and restaurants sector is the lowest paid sector. Average weekly pay in 2014 was £369; £149 below the average pay across all sectors.

#### *Finance and professional services*

- Across England the share of people employed in finance, banking, insurance, property and professional services steadily increased throughout the last decade, even during the economic downturn. This sector provides 17.2% of employment in England and weekly pay is above average at £559.
- In Sheffield City Region just 12.1% of employment is in the finance and professional services sector; 5.1 percentage points below the average across all LEPs. Both Coast to Capital and Oxfordshire have above average employment levels in this sector, 19.4% and 17.4% respectively.
- Nine of the ten LEPs with the highest employment rates for the finance and professional services sector are in the South of England, and eight are in the South East. Coast to Capital LEP has the fifth highest rate and Oxfordshire has the ninth highest rate. All of the ten LEPs with the lowest employment rates in this sector are in the North and Midlands. Sheffield City Region has the fifth lowest rate.

#### *Manufacturing*

- In the last decade manufacturing employment has decreased across England to 9.8% of all jobs; over the same period manufacturing employment fell in each of the three LEP areas.
- In Sheffield City Region 13.6% of jobs are in manufacturing, 3.8 percentage points higher than the average across all LEPs. The sector is the third biggest source of employment in the LEP region (113,600 jobs). Average weekly pay in manufacturing across the UK is above average at £537.

- The share of manufacturing employment in Oxfordshire is 0.8 percentage points lower than the average across all LEPs, and in the Coast to Capital region is 4.1 percentage points below the average. Coast to Capital LEP has the second lowest share of jobs in manufacturing across all LEP areas (5.7%). 2.4 times as many people are employed in manufacturing in Sheffield City Region compared to the Coast to Capital region, relative to population size.
- Nine of the ten LEP areas with the highest manufacturing employment rate are in the North or Midlands. Nine of the ten LEPs with the lowest employment in this sector are in the South.

#### 4. Economic output

- Gross Value Added (GVA) is an indicator used to measure economic output and can be disaggregated to show the contribution of particular regions or industries to the overall domestic economy.
- In 2013 GVA by Local Enterprise Partnerships was £30.6 billion for Sheffield City Region, £45.0bn for the Coast to Capital area and £19.2bn for Oxfordshire. The Sheffield City Region contribution to the total GVA for England was 2.2%, Coast to Capital 3.22% and Oxfordshire 1.37%.

#### GVA per head

- GVA per head is an indication of the output of each area of the country, taking into account differing population sizes.

#### Gross Value Added per head (£), by Local Enterprise Partnership (2005-2013)

	2005	LEP rank	2013	LEP rank	% change 2005-2013
Sheffield City Region	14,066	38/39	16,786	38/39	19.34
Coast to Capital	18,582	15/39	22,935	14/39	23.43
Oxfordshire	22,212	6/39	28,767	4/39	29.51

- GVA per head in Sheffield City Region is 71.8% of the overall UK GVA per head (2013). In the Coast to Capital LEP and Oxfordshire it is 98% and 123% respectively. In 2005 these figures were 72.9%, 96.3% and 115.1%.
- Across all 39 LEPs the average increase in GVA per head between 2005 and 2013 was 19.34%. The increase in Sheffield City Region was also 19.34%. The increase in the Coast to Capital area was 4 percentage points higher and Oxfordshire 10 percentage points higher. The above average increases in GVA per head for the two southern regions show their contribution to the UK economy has increased.
- In 2013 nine of the ten LEPs with the highest GVA per head were in the South East and just one was in the North (Cheshire and Warrington). Seven of the ten LEPs with the lowest GVA per head were in the North. Sheffield City Region was ranked 38th from 39 LEPs and only the Cornwall and Isles of Scilly LEP had a lower GVA per head.

### GVA by industry

- GVA by industry shows which industries are most important to the economy of a LEP area.
- Between 2005 and 2012 the Public Administration, Education and Health sector was the biggest contributor to output in Sheffield City Region (26.5%) and Oxfordshire (24%). In the Coast to Capital LEP area this sector was the second biggest component of output (18.7%).
- The share of Sheffield City Region's economic output from the Public Administration, Education and Health sector increased between 2005 and 2012 from 22.27% to 26.48%. The increase between 2005 and 2012 was 6 times bigger than the average increase across all LEPs; three times bigger than in Oxfordshire; and twelve times bigger than in the Coast to Capital region.
- In the Coast to Capital region the Wholesale & Retail; Transport and Accommodation sector was the biggest contributor to output (19.43%). In Sheffield City Region (19.2%) and Oxfordshire (17.3%) it was the second biggest component of output.
- Manufacturing output in Sheffield City Region decreased by 2.5 percentage points between 2015 and 2012. In 2012 it was 14.38% which was the third biggest contributor to GVA in Sheffield City Region, and 4 percentage points higher than the average GVA for manufacturing across all LEPs. GVA from manufacturing in Oxfordshire and the Coast to Capital region was lower than the average across all LEPs.
- Considering which industries provide an above average share of output in each LEP is an indication of which industries are of most importance to that economy:
  - Sheffield City Region has above average output from the Public Administration, Education and Health sector (7.9 percentage points above the average across all LEPs); manufacturing (4.3); construction (1.3); retail (0.5); and mining and energy (0.1).
  - Oxfordshire has above average output from the Public Administration, Education and Health sector (5.5 percentage points above the average across all LEPs); property (2.0); information and communication (1.8); and the arts sector (0.2).
  - Coast to Capital has above average output from property (2.4 percentage points above the average across all LEPs); professional services (0.7); retail (0.7); construction (0.5); public services (0.5); arts (0.2); and finance (0.1).
- Output from the finance, property, professional services and information and communication sectors in Sheffield City Region are all below the average across all LEPs.
- Across all three regions between 2005 and 2012 the biggest decline in GVA from one sector was the 5.4 percentage points decrease in output from

manufacturing in Oxfordshire, a decline of over one third. The biggest increase was the 4.2 percentage points increase in GVA from the Public Administration, Education and Health sector in Sheffield City Region.

## 5. Disposable income

- Gross Disposable Household Income (GDHI) per head is the amount of money that the average person has available to save or spend.
- In 2013 GDHI per head was lower in Sheffield City Region (£14,793) than in the two southern regions (Coast to Capital, £20,746; Oxfordshire, £20,092).
- Between 2005 and 2013 the increase in GDHI per head was lower in Sheffield City Region (21.6%) than in the two southern regions (Coast to Capital, 22.0%; Oxfordshire, 23.7%).

### Gross Disposable Household Income per head by Local Enterprise Partnership

	2005	2013	05-13 increase
Sheffield City Region	£12,166	£14,793	21.6%
Coast to Capital	£17,002	£20,746	22.0%
Oxfordshire	£16,239	£20,092	23.7%

- The ten LEPs with the highest disposable incomes per head in 2013 were all in the South of England. The ten LEPs with the lowest disposable incomes per head were all in the North and Midlands.
- In 2013 disposable income per head in the Coast to Capital LEP was the fifth highest of all 39 LEP areas; Oxfordshire was seventh highest. Sheffield City Region was 37th and only Greater Manchester and the Black Country LEP areas had a lower disposable income per head.

## 6. Housing costs

- Between 2004 and 2014 house prices in Sheffield City Region increased by 24.6%. In 2014 the average house price was £135,806 and average monthly rent was £487.
- Between 2004 and 2014 house prices in Oxfordshire increased by 37.5%. In 2014 the average house price was £280,000 and average monthly rent was £893.
- Between 2004 and 2014 house prices in the Coast to Capital area increased by 41.4%. In 2014 the average house price was £289,888 and average monthly rent was £920.
- Over the last decade house prices in each area increased at a higher rate than the increase in average weekly pay in each area.

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## Analysis

- Significant differences exist between the economy of Sheffield City Region and the two southern regions. This is demonstrated by a range of economic indicators, including: a lower employment rate and higher unemployment rate; GVA per head that is over 40% lower than Oxfordshire and 25% lower than the Coast to Capital region; disposable income per head that is £5000 lower than the southern regions; and a lower increase in average weekly pay during the last decade.
- The differences between Sheffield City Region and the two southern regions are also highlighted by the higher employment rate in manufacturing and in the low wage retail, hotel and restaurant industries, and the lower employment rate in finance and professional services.
- However, there are also similarities between the three economies. Retail and the public sector are the two biggest components of economic output in each of the three LEP regions. In 2013 output from the public sector and retail sector in Sheffield City Region was 26.5% and 19.2% respectively; in the Coast to Capital area it was 18.7% and 19.4%; and in Oxfordshire it was 24% and 17.3%. Output from the public sector across all 39 LEPs was 18.5% and 18.7% from retail.
- The Public Administration, Education and Health sector provides the largest number of jobs and contribution to output in both Sheffield City Region and Oxfordshire. Despite public spending cuts, this sector has become more important to both economies, as shown by its increasing share of output over the last decade in both areas. This highlights a vulnerability in both areas to public sector spending cuts. The Office for Budgetary Responsibility predicts 400,000 public sector job losses over the next 5 years.
- The large percentage of output from the retail sector in all three economies highlights a vulnerability to a reduction in consumer spending which would be likely to occur if there is a further economic downturn.
- Sheffield City Region has had strong jobs growth since 2012, but the biggest increase has been in low-paid and low-skill jobs in the retail, hotels and restaurant sector. The prevalence of part-time hours and zero-hours contracts in this sector raises questions about the nature of the recovery.
- The economies of Oxfordshire and, in particular, the Coast to Capital region have a higher share of employment and output in high-value services, especially finance, property and professional services, compared to Sheffield City Region. The greater number of higher paid jobs is reflected in higher GVA per head and a higher disposable income. Closing this gap would result in an improvement in the economic output of Sheffield City Region which is extremely low compared to the two southern regions.

- Another route to higher economic output for Sheffield City Region is to build on the strengths of its manufacturing sector which is considerably stronger than in the southern regions. Growing this sector would tilt the regional economy towards more exports and a higher output level.
- Significantly higher house prices, higher house price increases, and a higher percentage of people working in the property sector in the South of England compared to the North are an indication of the importance of property and property wealth to the southern economy.

## Conclusion

Comparing the post-crisis structure and performance of the Sheffield, Brighton and Oxford city-region economies highlights clear differences between Sheffield City Region in the North and the two southern economies. The weaker post-crisis performance of Sheffield City Region is an indication that the decades-long trend of the South of England significantly outperforming the North persists. Further, this contributes to the increasingly prevalent view that the UK economy has not been ‘rebalanced’ away from London and the South East, nor is in the process of being ‘rebalanced’. The Prime Minister’s promise to close the regional gap is a bold ambition, but the evidence suggests that to do so would require a fundamental restructuring of the economy to reduce its reliance on London and the South East, retail consumption and property wealth, and would require significant investment in the North of England. The questions being raised about the Government’s commitment to turn the ‘Northern Powerhouse’ rhetoric into economic reality suggest there is little appetite at Westminster to address the significant structural imbalances inherent in the British growth model. Without such a shift, and in the context of austerity politics and the prospect of further reductions in government spending, the economy of the South of England looks set to continue significantly to outperform the North of England.



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