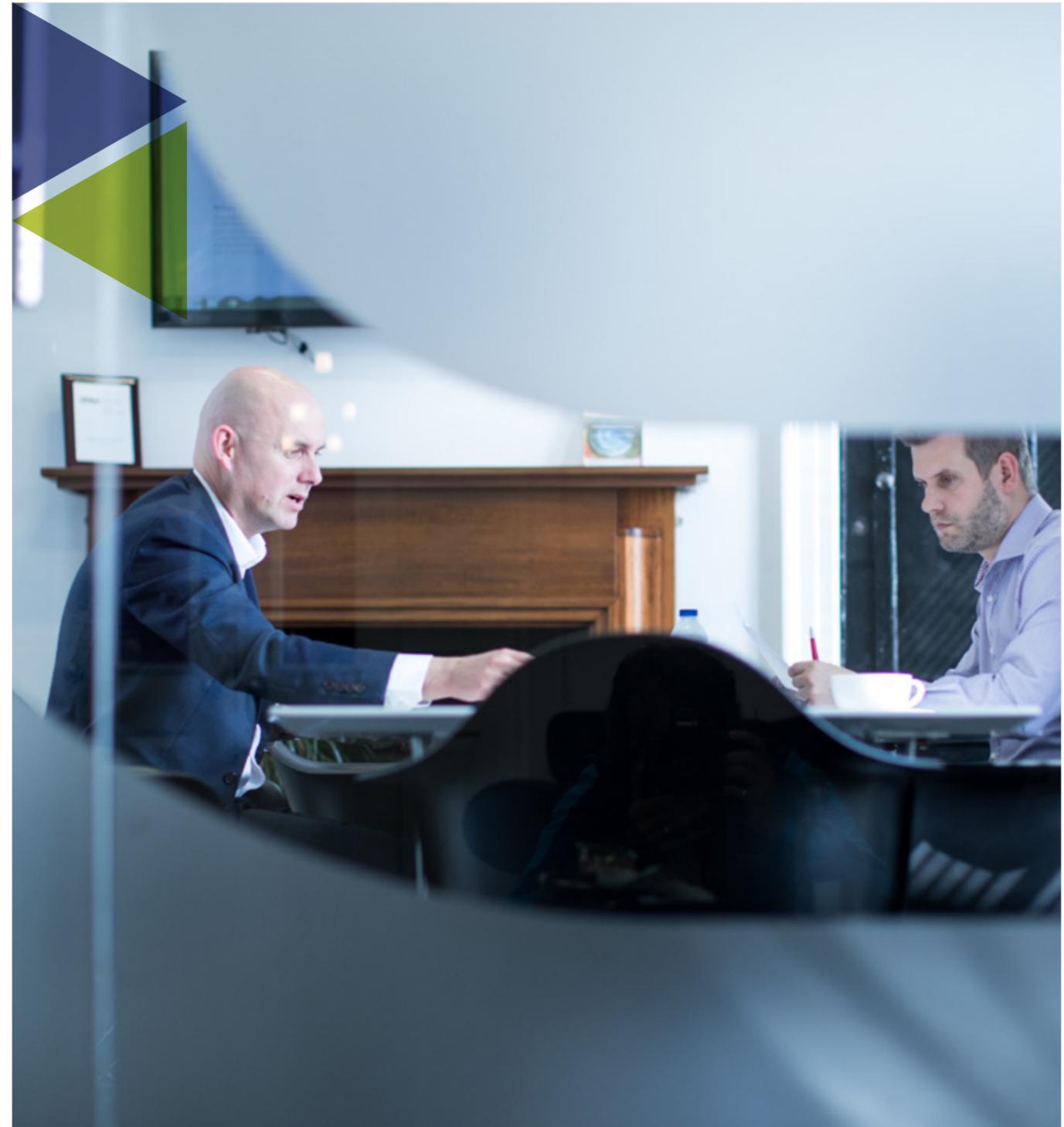


Section 1

Update on
SEP targets



Update on SEP targets

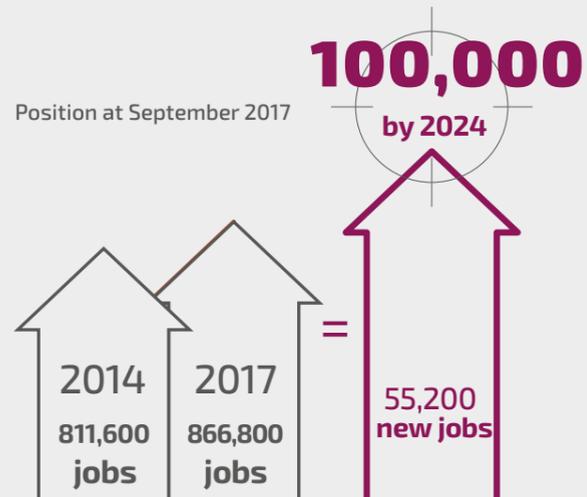
The SEP sets out six targets for the region to achieve between 2014 and 2024. Here is an update on how we are doing.

The SEP sets two targets that relate to creating more and better jobs for the North East LEP area.

More jobs

In 2014, there were 811,600 jobs in the North East LEP area. The aim is to increase this by 100,000 to 911,600 by 2024.

Progress: By September 2017, the total number of jobs in the North East LEP area had increased by 55,200.

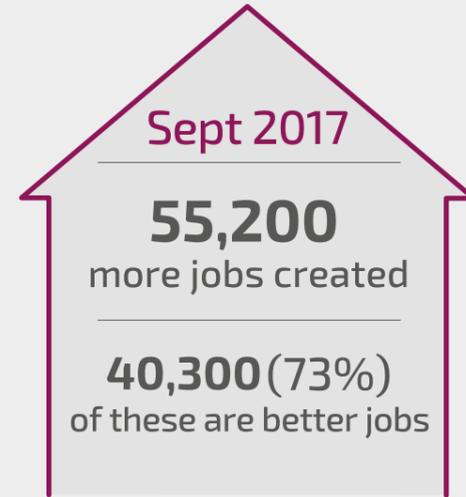


Source: Annual Population Survey - Workplace Analysis (Nomis)

Better jobs

We want 70% of the additional 100,000 jobs to be 'better jobs'. Better jobs are defined as managers, directors and senior officials; professional occupations (such as civil engineers and doctors); and associate professional and technical occupations (such as laboratory technicians and graphic designers).

Progress: Of the 55,200 additional jobs since 2014, 73% 40,300 are 'better jobs'.



Source: Annual Population Survey - Workplace Analysis (Nomis)

We also have four targets that compare the North East LEP area performance with English averages, excluding London.

Private sector employment

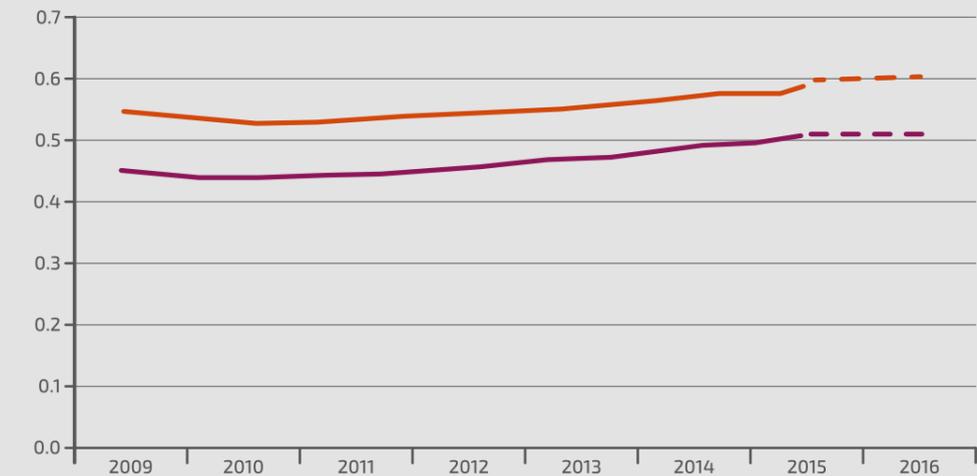
We want the number of private sector jobs per head in the region to increase and close the gap with England excluding London by 50% by 2024.

This target is based on data from the Business Register and Employment Survey (BRES). Between 2014 and 2015, the gap between the North East LEP area and England excluding London had reduced by 16%.

In 2016, the businesses counted within BRES was broadened to include businesses with employment counts of less than 20 that paid PAYE but not VAT. Data was published for both 2015 and 2016 using the new coverage. Unfortunately, this means there has been a discontinuity in the availability of data to measure against this SEP target indicator. We propose to continue to measure against this target using the revised dataset, with 2015 as a revised baseline year.



Progress: Between 2015 and 2016, the gap had widened on this measure. This reflects a small increase in private sector employment per head across England excluding London, whilst the rate remained stable in the North East LEP area.



— North East LEP — North East LEP (revised method) — England excl. London — England excl. London (revised method)

Source: Business Register and Employment Survey - (Nomis)

Employment rate

It is important that residents in the North East LEP area are benefiting from the additional jobs created.

To measure this, we set a target to close the gap between the North East's employment rate for 16-64 year olds with England excluding London by 100% by 2024.



Progress: By September 2017, the gap between the North East LEP area and England excluding London had reduced by 28%.



Source: Annual Population Survey (Nomis)

Economic activity rate

The economic activity rate measures the proportion of people aged 16-64 who are participating in the labour market, including those employed and those out-of-work but actively seeking a job. We want to reduce the gap between the North East's economic activity rate and England excluding London by 50% by 2024.



Progress: By September 2017, the gap between the North East LEP area and England excluding London had reduced by 35%.



Source: Annual Population Survey (Nomis)

Gross Value Added per full-time equivalent (FTE) job

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or region in the United Kingdom. GVA per full-time equivalent (FTE) job is a way of measuring productivity.

The SEP aims to reduce the gap between the North East and England excluding London on GVA per FTE by 50% by 2024. Between 2014 and 2015, the gap between the North East LEP area and England excluding London had increased by 9%.

However, there has been a discontinuity in the data that underpins this measure. Changes have also been made to regional GVA data (with a new balanced GVA figure published for the first time in December 2017).

Whilst it would be possible to use 2015 as a revised baseline, the North East LEP is taking this change as an opportunity to review the target with its partners and will report on next steps in due course.



Overall Performance of North East LEP area economy

This report will explore a wide range of different elements of the North East's economy. Before doing this, it is worth considering overall performance.

Size of the North East economy

Gross Value Added (GVA) measures the value of the goods and services produced in an area, industry or sector - and is used to estimate the size of their economies. In 2016, the GVA of North East LEP area was £38.7 billion, which is 2.6% of English GVA.

As different areas vary in size, it can be difficult to compare regional economies using GVA. To overcome this, GVA is divided by the number of people living in the area to allow comparisons to be made across geographies of different sizes.

In 2016, the GVA per head of the North East LEP area was £19,658. This is below the GVA per head of England excluding London (£23,659) and England as a whole (£27,060).

GVA per head increased by 5.2% between 2014 and 2016 in the North East LEP area, slightly below the England excluding London rate of increase (5.4%).

Care must be taken in interpreting this increase, as inflation will mean the rate of growth is much lower in real terms. However, the ONS does not currently publish data at a LEP level.

Gross Value Added (GVA) per head, North East LEP, England excluding London and England, 2016



Source: Regional Gross Value Added (income approach) (ONS)



In 2016, the GVA of North East LEP area was £38.7 billion, which is 2.6% of English GVA

Understanding the North East's performance

In How Regions Grow (2009), the Organisation for Economic Co-operation and Development (OECD), outlined the key factors that underpin the size of a region's economy. These are:

- The size and structure of the region's population
- The proportion of the region's population that are in employment
- The productivity of those in employment.

In relation to the North East, the key issues that underpin our lower level of GVA per head compared to England excluding London are:

- A lower proportion of population that are in employment
- A lower level of productivity.

However, both have increased since 2014 and the gap between the North East LEP area and England excluding London on the employment rate has narrowed.

Components of GVA

$$GVA = Population \times \frac{Working\ age\ population}{Population} \times \frac{Economically\ active}{Working\ age\ population} \times \frac{Employment}{Economically\ active} \times Productivity\ per\ worker$$

Overall performance of North East LEP area economy

Indicator	Most recent data	Change since 2014W	NE as % of England excl. London	Gap closing with England excl. London
GVA per head	£19,658 (2016)	Increased by 5.2% (nominal)	83	No change
Population	1.97 million (2016)	Increased by 0.7%	-	-
Working age population as % of total population	63.3% (2016)	Decreased by 0.5 percentage points	102	No change
Economically active as % of working age population	76.1% (Oct 2016 to Sep 2017)	Increased by 1.6 percentage points	97	Yes
Employment as % of working age population	71.2% (Oct 2016 to Sep 2017)	Increased by 3.1 percentage points	95	Yes
Productivity (GVA per hour worked)	£28.70 (2016)	Increased by 4.5% (nominal)	88 (UK)	No change (UK)

Sources: Regional Gross Value Added (income approach) (ONS); Population estimates (Nomis); Annual Population Survey (Nomis); and Subregional productivity (ONS)
 Notes: 1. 'Employment as % of working age population' used instead of the OECD measure of 'employment rate as % of economically active population' as this is the more commonly used (and understood) measure in UK and is used in the SEP targets. 2. To ensure that seasonal factors are not affecting comparison, the same time periods are used for both the most recent year and the 2014 benchmark year for each indicator. For example, the most recent Annual Population Survey data is for the period July 2016 to June 2017 - so July 2013 to June 2014 is used as the comparator. 3. Productivity (GVA per hour worked) is nominal unsmoothed