

## Labour Productivity: October to December 2020 – West Midlands and East Midlands Regions<sup>1</sup>

The Office for National Statistics (ONS) have produced new quarterly regional productivity estimates which provides more timely analysis of movements of gross value added (GVA), labour inputs, and productivity in different parts of the UK during 2020.

Please note, quarterly regional productivity estimates for 2020 are experimental. They may be more volatile than the labour productivity estimates and change more over short periods than the labour productivity estimates for the whole of the UK. Caution should be used when interpreting the data.

### In Summary:

- For the West Midlands region, output per hour decreased by 1.4% in 2020 when compared with 2019. For the East Midlands region, output per hour decreased by 0.6 % in 2020 when compared with 2019. Over the same period the UK as a whole had an increase of 0.4% in output per hour.
- Movements in output per hour worked during 2020 for the countries and regions of the UK broadly follow one of three patterns because of differing changes in GVA and hours worked. The West Midlands and East Midlands both followed the second pattern of change; a muted increase in output per hour in Quarter 3. Both GVA and hours worked show similar declines and recoveries throughout 2020.

### Full Briefing:

- In 2020, output per hour worked in six of the UK regions increased more than in the UK as a whole. Output per hour in Wales also grew but to a lesser extent than in the UK as a whole. In the remaining countries and regions output per hour worked decreased.
- For the West Midlands region, output per hour decreased by 1.4% in 2020 when compared with 2019 – this was the highest decrease across any region in the UK. For the East Midlands region, output per hour decreased by 0.4% in 2020 when compared with 2019 – this was the third highest decrease across any region in the UK. Over the same period the UK as a whole had an increase of 0.4% in output per hour.

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<sup>1</sup> Source: Office for National Statistics (ONS): Labour productivity for UK countries and regions, quarterly: October to December 2020, released August 2021.

The following graph shows output per hour year-on-year growth (2019 to 2020) for the UK and regions:



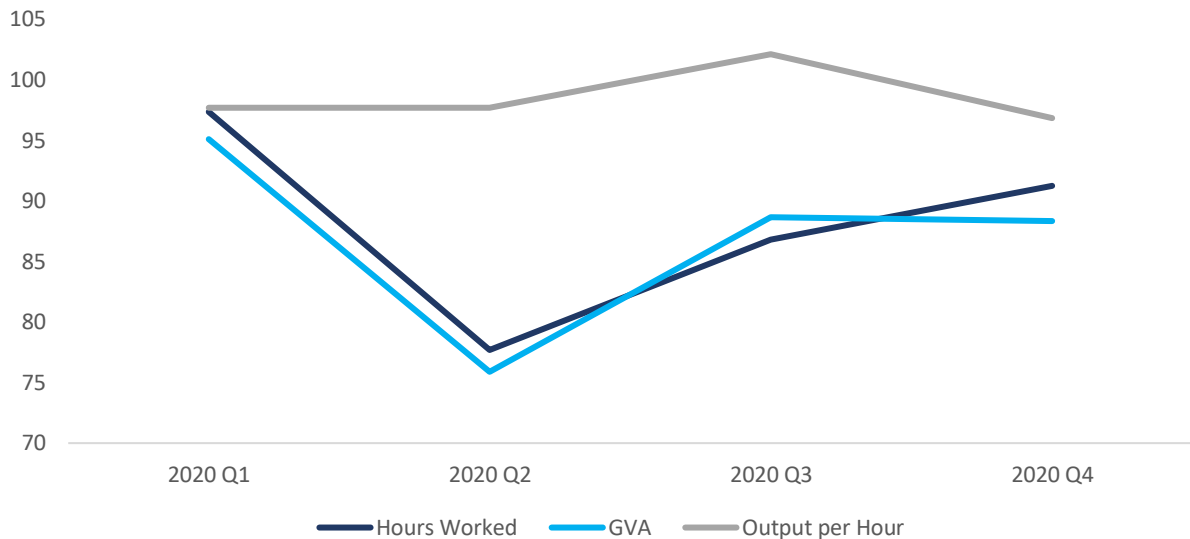
Source: ONS – Annual and quarterly labour productivity, gross value added, hours and jobs

### Regional patterns of output, hours worked and productivity during COVID-19

- Movements in output per hour worked during 2020 for the countries and regions of the UK broadly follow one of three patterns because of differing changes in GVA and hours worked;
  - The first pattern of change, shows output per hour remaining stable in 2020 between Quarter 1 and Quarter 2, followed by an increase in Quarter 3, and subsequent fall in Quarter 4. This pattern can be explained by a large decrease in both GVA and hours worked in Quarter 2, a faster recovery in GVA than hours worked in Quarter 3, followed by a stronger recovery of hours worked than GVA in Quarter 4. Regions showing this pattern include the North West, North East, Yorkshire and The Humber, South East, South West and Scotland.
  - The second pattern of change, shows a muted increase in output per hour in Quarter 3. Both GVA and hours worked show similar declines and recoveries throughout 2020. Regions showing these patterns include the East of England, the West Midlands and East Midlands (more detail below for the Midlands regions).
  - The final pattern of change, shows no notable decline in output per hour in Quarter 4. Both GVA and hours worked decline in Quarter 2 with GVA recovering faster into Quarter 3. However, in this case, hours worked do not recover to a similar level as GVA in Quarter 4, leading to a persistently higher level of productivity. Regions following this pattern include Northern Ireland Wales and London.
- In the West Midlands region, when indexed to 2019 = 100, hours worked declined initially (down to 77.7 in Quarter 2) but had since showed recovery (91.2 in Quarter 4) but continued to remain below their Quarter 1 2020 levels (97.3).

- However, output per hour remained at the same level for Quarter 1 and Quarter 2 (at 97.7), followed by an increase in Quarter 3 (102.1) and then a decline in Quarter 4 (96.8).
- Following an initial decline (to 75.9 in Quarter 2), followed by improvement for GVA, there was a small decline in Quarter 3 (88.6) to Quarter 4 (88.4).

**The following graph shows GVA, hours worked and output per hour, West Midlands region, Quarter 1 to Quarter 4 2020, index relative to 2019=100:**



**The following graph shows GVA, hours worked and output per hour, East Midlands region, Quarter 1 to Quarter 4 2020, index relative to 2019=100:**

- In the East Midlands region, when indexed to 2019 = 100, hours worked declined initially (78.5 in Quarter 2) but had since showed recovery (92.9 in Quarter 4) but continued to remain below their Quarter 1 2020 levels (99.0).
- Output per hour increased from Quarter 1 (96.7) to Quarter 3 (102.1) and then declined in Quarter 4 (99.7).
- Following an initial decline (to 78.1 in Quarter 2), followed by improvement for GVA, there was a decline in Quarter 3 (93.4) to Quarter 4 (92.7).

