

From: [REDACTED]
DECON: OCEA-EA
13 February 2018

Cabinet Secretary for Economy, Jobs and Fair Work

LABOUR PRODUCTIVITY STATISTICS, 2017 QUARTER 3

Purpose

1. To notify the Cabinet Secretary of the release of the latest labour productivity statistics and provide briefing on the results.

Priority

2. **Immediate** – for information: the statistics will be published on 14 February.

Background

3. Labour Productivity statistics estimate the average amount of output produced per job and per hour worked, in real terms (adjusted for inflation) and in current prices (not adjusted for inflation).

Key Points

4. Output per hour worked fell by 3.2% on a rolling-annual basis to 2017 Quarter 3 (comparing the latest 12 months to the previous 12 months). In the latest quarter in isolation, the trend growth in output per hour, which strips out underlying volatility, declined by 0.7% following a decline of 1.2% in 2017 Quarter 2.
5. Looking over a longer time period, during the 12 months to September 2017, average output per hour worked has been 5.4% higher in real terms than in 2007, prior to the recession, compared to only 1.4% growth in the UK as a whole over the same period. Further briefing on the statistics is included in **Annex A**.

Handling

6. The statistics will be released at 09:30 on Wednesday 14 February and announced by a statistics news release.
7. We will work with communications colleagues to draft reactive lines to take on these statistics for use if required.

Conclusion

8. **The Cabinet Secretary is asked to note the release of the productivity statistics. Separate clearance will be sought for any lines to be released.**

[REDACTED]
Ext [REDACTED]

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
First Minister Minister for Employability and training			X		X

PS/Perm Sec
 DG Economy
 DG Scottish Exchequer
 Gary Gillespie, Chief Economist
 Roger Halliday, Chief Statistician
 Simon Fuller, OCEA-EA
 [REDACTED], OCEA-EA
 Uzma Khan, OCEA-ES
 [REDACTED], OCEA-ES
 [REDACTED], OCEA-EA
 [REDACTED], OCEA-EA
 [REDACTED], OCEA-EA
 [REDACTED], OCEA-EA
 [REDACTED], OCEA-EA
 Stewart Maxwell, Special Adviser
 Stuart Nicolson, Special Adviser
 Liz Lloyd, Special Adviser
 [REDACTED], Comms
 [REDACTED], Comms

LABOUR PRODUCTIVITY STATISTICS, 2017 Quarter 3

This publication includes quarterly and annual labour productivity estimates for the period between 1998 and 2017 Quarter 3 (July-September). Labour productivity measures the amount of output produced, on average, by each job filled or hour worked in Scotland. The figures exclude output from the North Sea oil and gas sector (extra regio output).

Key Findings

- On a rolling annual basis to 2017 Quarter 3, comparing the most recent four quarters to the previous four quarters, labour productivity in Scotland, as measured by output per hour worked, decreased by 3.2% in real terms (inflation adjusted). Over the same period, output per job fell by 1.3%.
- Productivity falls when hours worked, or total employment, grows faster than output. Over the past year, growth of 0.3% in GDP was outweighed by an increase of 3.6% in the total number of hours worked (and 1.6% in the total number of jobs) in the economy.
- Quarterly movements in labour productivity (comparing the latest quarter to the previous quarter) can be volatile, making short term trends difficult to discern. To aid interpretation, this release also contains a trend-based estimate of productivity growth which gives a better indication of the underlying quarterly rate of change.
- It is estimated that the trend in real output per hour worked declined by 0.7% between the second and third quarter of 2017. This indicates that growth in the number of hours worked has continued to outpace GDP growth, and suggests the recent decline in annual productivity is continuing in 2017.

UK and International Comparisons

- Productivity growth in Scotland has, on average, outperformed the UK over the last decade. In annual terms, Scottish output per hour worked increased by 5.4% between 2007 and the 12 months to September 2017, compared to an increase of 1.4% for the UK as whole over the same period. However, although Scotland has done better over the last decade on average, more recently Scottish productivity has been underperforming relative to the UK, and in the latest 12 months has decreased by 3.2%, compared to growth of 1.4% for the UK.
- Comparisons to the level of UK productivity use a different data source which compares the cash value of Scottish onshore productivity to UK onshore productivity (i.e. excluding oil and gas from both). The results for 2016 are available for the first time in this release.
- Prior to 2008, labour productivity levels in Scotland was around 7 or 8 percentage points lower than in the UK. By 2015 this gap had narrowed to 2 percentage points due to Scotland's productivity growing more quickly than the UK over this period. In 2016, the gap widened to almost 4 percentage points, with Scottish productivity now 96.2% of the UK onshore average.
- In 2016, Scotland was ranked in 19th place (out of 36 countries) for productivity levels amongst OECD countries, placing Scotland at the top of the third quartile. The latest figures (which include revisions to previous years) indicate that Scotland's international ranking within the OECD has been unchanged since 2012. A separate briefing note will be submitted when the Purpose Target Indicator is updated.