EVERY CITY HAS A UNIQUE PRODUCTIVITY CHALLENGE: LET’S WORK TOGETHER TO CRACK THE CODE

Productivity matters to everyone: households, businesses and communities.

But the UK is in a productivity slump. On average we produce a third less each hour than our French, German and US counterparts.

Productivity varies from place to place. Until now it’s been hard to compare regions because of the effect that dominant industries have on the way we measure productivity.

We call this the ‘industry effect’. If we take these intrinsic biases out of the picture, we can get a much clearer view of each region’s strengths and challenges.

This kind of insight is invaluable for local authorities, policy-makers, economic development units and businesses looking to drive productivity improvements.

The problem is that it’s hard to see all the pieces that make up the productivity puzzle.

That’s why we’ve teamed up with the forecasting and quantitative analysis experts at Oxford Economics.

We’ve devised the Cisco Productivity Index to shed a light on the non-industry factors that may be unique to each area – from technology investments to the quality of road, rail and air connections.

This is the first time that the ‘area effect’ has been addressed, measuring the productivity of 391 UK areas against their industrial benchmark.

**Headline findings**

- London boroughs dominate the top of the Index, with 15 of the 20 strongest-performing areas located in Greater London.
- Eight of the 20 weakest-performing areas are found in Wales.
- If all UK areas achieved their benchmark productivity level their contribution to the UK’s annual GDP would be an extra £140 billion.

The Cisco Productivity Index identifies four key pillars that determine an area’s productivity:

1. Technology
2. People
3. Business structure and innovation
4. Geography and physical infrastructure

**Pillar 1 – Technology**

The availability and quality of technology skills, jobs, infrastructure and hardware in a region directly correlate with its productivity. The UK’s 1.5 million digital tech jobs are disproportionately located in the best-performing areas, including almost half (49%) of all IT directors. Across the board, digital tech jobs make up 6.2% of the 50 top-performing regions’ total workforce. By comparison, the 50 worst-performing areas account for just 3.2% of these roles.

The IT infrastructure of the region is also significant. Enterprises’ technology investment links directly to productivity, even when allowing for factors like the average business size and expected investment as a share of turnover.
Pillar 2 – People

Evidence from the Organisation for Economic Co-operation and Development (OECD) indicates that promoting upskilling through lifelong learning and adult education programmes can improve productivity. By investing in skills for workers of all ages and fostering cultures of lifelong learning, regions can improve their productivity performance.

Pillar 3 – Business structure and innovation

Business structure and size both influence productivity levels, alongside investment in innovation. Regions with a greater share of smaller firms tend to perform better. Larger businesses can also substantially boost an area’s productivity, elevating performance above its wider regional and industrial benchmark.

The presence of newer businesses also improves productivity, perhaps because these firms are more open to new ideas or because they tend to employ fewer people. Spending on R&D is also strongly correlated with productivity, as is the exporting of services. These companies often compete in an international market and have to innovate to survive.

Pillar 4 – Geography and physical infrastructure

Transport links and proximity to other businesses have a positive impact on productivity. Agglomeration - the benefits of firms and employees working near one another - is directly correlated with regional productivity. Rail access in particular is a key indicator of productivity.

Organisations that operate in well-connected areas with good transport infrastructure can draw on a wider pool of talent. This can create natural advantages, such as allowing firms to choose between more candidates for jobs and providing greater access to skills.

Better connectivity can help turn unproductive travel time into productive time. Collaboration tools can make this time even more effective. Digital connectivity can effectively shrink the distance between cities and boost the impact of the transport infrastructure.

Why the country’s productivity matters to Cisco

Cisco is at the heart of digital transformation in the UK. We know that technology can’t deliver on its untold potential in isolation. It has to be part of a bigger, joined-up plan with long-term commitment.

That’s why we’ve made a $100 million commitment to help accelerate the country’s digital innovation. To take advantage of these opportunities and make the country happier and more productive, we need to work in partnership with the public and private sectors across the country.

7 ways Cisco is helping to boost productivity in the UK

Cisco is at the heart of digital transformation in the UK. For the past 30 years we have been connecting the unconnected and in the next 30 years, we will continue to harness technology to make society happier and more productive. Here are seven examples of how we’re doing just that:

1. **Boosting digital skills** – Our NetAcademy has provided digital skills to 9.2 million people worldwide over the past 20 years and we have committed to help improve the digital skills of a quarter of a million people in the UK by 2020. Through the Open University we’re providing support to teachers and making digital training to people in hundreds of libraries across the country.

2. **The vanguard of innovation** – We are at the forefront of emerging technologies with testbeds that push the boundaries of what’s possible. Whether that’s exploring how we can make 5G
connectivity a reality in rural locations to making cities smarter, healthier and more productive through the Internet of Things, or enabling electric vehicles to become a reality through intelligent vehicle-to-grid charging, to enabling companies to test and validate connected and autonomous vehicles in a complex urban environment.

3. **Spaces for collaboration** – It’s easier to innovate when people come together with shared goals. That’s why we’ve invested in two co-innovation centres – IDEALondon in London and Mi-IDEA in Manchester – each designed for start-ups, academia, investors, government and customers to work on the productivity challenges of today and tomorrow.

4. **Access to finance** – A barrier to adoption of new technologies is often access to finance. Cisco Capital offers a range of options, such as 0% leasing and payment options. While Cisco OpenPay provides customers with consumption-based financing so they only pay for what they use.

5. **Faster connectivity on the move** – Regional productivity can be improved by making people’s time on the move more productive through greater connectivity. This can be seen in action at Cisco’s Project SWIFT. We have used trackside fibre technology to deliver superfast WiFi to passengers and on-train staff between Glasgow and Edinburgh. This approach increases passenger productivity, while improving train operations and safety through better telemetry data.

6. **Cyber security** – Nothing stifles productivity more than a cyber attack. The immediate impact of services being lost and the long-term reputational damage to organisations means that security is also a productivity challenge. At Cisco, we see and stop more threats on the Internet than Google sees searches. That puts us in a unique position to help when it comes to cyber security. We work with organisations of all kinds to help them protect themselves, from critical infrastructure, to health services and retail giants.

7. **Collaborative workers** – Working together in smarter ways is the secret sauce to driving productivity. We already host 6 million meeting minutes per month on Webex, and we are incorporating artificial intelligence and machine learning to make the experience smarter and more intuitive. But it goes much further than better video conferencing. We offer tools for all kinds of collaboration – from better document sharing, to enabling spaces to become more connected and smarter.

**The last word on productivity**

The Cisco UK Productivity Index clearly demonstrates that productivity is a complicated issue, determined by specific challenges in each geographic area. But by focusing on the four key pillars most associated with productivity – technology, people, business structure and innovation, and geography and physical infrastructure – every region can unlock more of its potential.

We want to work with you to look at the unique combinations of challenges you face and help devise a strategy that addresses these to accelerate productivity in your area. The answer might be using tools and technology infrastructure in new ways or opening up opportunities for people to improve their digital skills in public spaces.

If every underperforming area improved their productivity to match their industrial benchmark their contribution to UK GDP would be £140bn higher – and the UK would be in a much stronger place to succeed in the future.

For more information on your local area’s performance, check out this interactive tool.