



Spatial Economics Research Centre

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Productivity: every little helps?

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In current economic circumstances, one would assume most people would want to increase UK productivity. After all, as the Director of CEP [writes in the current issue of Centrepiece](#): *'in the long haul the basic determinant of material wellbeing is the growth of wages, which is determined by productivity growth.'*

If some well meaning group wanted to restrict working hours in manufacturing to 28 a week, reducing productivity by 20 percent, they would not get far unless they could demonstrate overwhelming gains in environmental or social terms. Yet a recent SERC study (summarised [here](#)) estimates that [planning policies combine to reduce productivity in supermarkets by more than 20 percent](#). Retail is the UK's second largest industry. Poorer households spend a disproportionate share of their incomes in supermarkets. Moreover, unlike the output of manufacturing competing foreign imports are all but unavailable (discounting day trips to Calais).

So if productivity in the retail industry suffers so does the welfare of society. But somehow British planning policies are taken by us British as an apparent fact of the natural world.

Having an international perspective helps put this in context, as the March 2011 [OECD survey of the British economy](#) makes clear. We do mean well with our planning system in the UK: but these good intentions come at really serious costs. Not just to [the price of housing](#) but increasingly, the evidence shows, to the productivity of our economy.

Some earlier SERC work already showed we were imposing the equivalent of a 250% tax on the costs of office space in even depressed economies like Birmingham. Now we find we are suffering a 20% loss of productivity from what is on reasonable measures the second largest industry in Britain.

Of course, retail and town centre planning rules were partly designed to protect small shops. So we might not object to costs on supermarkets if the benefits to independents outweighed these. But [it turns out that small shops have lost out too](#). As supermarkets have reacted to planning restrictions by moving into town centres, many small stores have been out-competed or out-priced. [Mary Portas](#), take note.

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