UK's output lags in retail and financial services

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BRITAIN'S low productivity performance is largely the fault of a few sectors such as retail and financial services, a Government report has revealed. Several sectors of the British economy were among the worst in the advanced economic world in terms of their productivity.

The report said that they included the financial services sector — ranked fourteenth out of 15 countries — and the wholesale, retail and car repairs sector, which was placed last among the 14 countries.

An adviser from the Sector Skills Development Agency (SSDA), the Government taskforce for improving skills levels across the economy, said that there were possibly too many managers in the financial sector. Vicki Belt, a senior research adviser at the SSDA, said: "There's a negative relationship between levels of productivity and the amount of managers. There could be too many managers in the financial services sector." Retailers were not attracting enough graduates, she said.

Productivity, which is measured as output per person, grew at an annual pace of just 0.3 per cent in the second quarter this year, the weakest since 1993. By contrast, in America output per hour grew by an average of 2.5 per cent a year between 1995 and 2004.

Studies have put a large part of America's strong productivity performance down to an IT-driven surge in efficiency in retailing. A study by the Centre for Economic Performance at the London School of Economics suggested that 80 per cent of the performance gap was down to the effectiveness with which IT was used. However, the SSDA highlighted Britain's "excellent" performance in those sectors, where the country came at or close to the top of the league table. Britain's productivity levels in the manufacture of food, drink and tobacco were ranked second only to Canada.

It also had the highest level of productivity in the manufacture of furniture, jewellery, musical instruments and toys.