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**Localisation of Industrial Activity
across England's LEPs: 2008 & 2012**

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BIS commissioned the Enterprise Research Centre (ERC) to undertake an analysis of industrial clusters in the UK and to use the new Local Enterprise Partnerships (LEPs) as the sub-national spatial frame in England. This will update the work undertaken over a decade ago in 2001 and will adopt a similar methodology¹. The analysis is designed as an information source for the LEPs as they prepare their new strategic economic plans and concentrates on both the UK 11 Industrial Strategy sectors as well as a detailed 5-digit Standard Industrial Classification (SIC) analysis for each of the 39 LEPs.

We use a very simple Location Quotient (LQ) measure which is designed to show the extent to which a particular activity is over- or under-represented in each LEP relative to the national average. We do this for 2008 and 2012 using the local unit or workplace version of the Office of National Statistics (ONS) Business Structure Database (BSD). The choice of 2008 as the base year relates to the latest 2007 SIC and also to show if there have been any major changes throughout the economic downturn in the UK. The data for 2012 is the most recent data available from the ONS.

The LQs for the 11 UK Industrial Strategy sectors have already been published in the Witty Review and we present a brief summary here and the maps which were drawn using our analysis.

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For the detailed 5-digit SIC analysis we present for each LEP two tables for each year. First, a table of the top 20 sectors by LQ score with details of the number of workplaces and total employment in the sector and the overall GB share of employment in the LEP. Second, a table of the top 20 sectors by jobs. Viewed together they provide an overall summary of the nature and scale of the clusters in each LEP and an indication of their importance in terms of jobs. LQs for all 5-digit sectors beyond the top 20 reported in this report are available on request from the ERC.

The calculation of LQs is seen as just the first basic step in the process of cluster identification. There are many other dimensions of a cluster not captured by the quantitative LQ analysis such as the way strategically important supply chains in a LEP transcends 5-digit SIC definitions. A large LQ is by no means sufficient to make the activity indicative of a candidate cluster as is evidenced by their small contribution in many cases to total employment in each LEP.

The commentary set out for each of the 39 English LEPs, both for the 11 Industrial Strategy sectors and the top 20 5-digit SIC activities, indicates that although most activities are broadly distributed, there are some industries where particular LEPs have particular concentrations in terms of employment. The identification of these localisations of industrial activity is a starting point for a much more detailed discussion in order to understand how the analysis can be interpreted and connected to local economic strategies. There is no simple 'read-through' from a 'cluster' identified by high LQs to a strategy.

Further work is required to recognise, for example, that measures of the localisation of industrial activity needs to encompass the nature and scale of local supply chains around key OEMs which transcend analysis of individual 5-digit SICs. More generally, analysis of the transactions between businesses in local economies and the sectors they operate in will help develop an understanding of whether concentrations of activity can be seen as a cluster. Finally, workplaces in each individual activity are a mixture of different types of firms ranging from those that are foreign-owned or subsidiaries of firms located outside the LEP to locally-owned small and micro-enterprises.

ⁱ <http://webarchive.nationalarchives.gov.uk/+/http://www.dti.gov.uk/clusters/map>