

Shared Prosperity Fund (SPF) 2022-2025

Productivity Action Plan guide for Good Growth projects

Introduction

This guidance document has been created to assist Good Growth projects to create their own Productivity Action Plans. These plans are usually required as a condition of Shared Prosperity Fund awards and they play an important role in driving Good Growth behavioural change.

What do we mean by Good Growth?

Projects supported through the Cornwall and Isles of Scilly (CloS) Shared Prosperity Fund (SPF) should deliver environmentally beneficial and inclusive economic development, drive innovation, improve productivity, diversify our economy and provide jobs that are well paid and high quality.

The Cornwall and Isles of Scilly Good Growth Principles

Business/Economy

- Increase % of workforce earning the real living wage
- Improve productivity of businesses in CloS
- Upskilling the workforce

What is productivity and why is it important?

'Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.'

-Paul Krugman, (1994), Nobel prize winner for economics

Productivity measures how efficiently production inputs, such as labour, materials and capital, are being used to produce a given level of output such as manufactured products. For example, the productivity of a factory worker making hats could be measured by how many hats they make in one hour. Productivity is a critical driver of economic growth, competitiveness and therefore it is crucial for increasing living standards. Low productivity is a key challenge for businesses in CloS and the productivity gap between CloS and the rest of the country is actually widening. This means that in order to shift the dial on economic development within the Duchy and 'level up', we have to redouble our efforts. At a local level, poor productivity makes it hard for businesses to compete, to scale and it also makes it more challenging for everyone to share in the benefits derived from growth as low productivity usually translates into low wages.

In addition, increasing productivity makes perfect business sense as a company producing more with a given set of inputs (capital, labour, and materials) or using fewer inputs to produce the same output has an advantage over the company producing less.

What is the purpose of a Productivity Action Plan?

The purpose of this Plan is to provide a structured approach to raising productivity within a Recipient organisation. Firstly, an estimate of current productivity should be produced to understand the baseline, although this may not apply to all Recipient organisations, please speak with your Project Lead in the first instance. The other part of the Plan is to briefly describe the various measures the entity is doing or will do to increase productivity. This may involve explaining how the Good Growth funded project will lead to efficiency gains for example. Likewise, the measures detailed in the other Good Growth Action Plans will be important drivers of productivity increases and should be cross-referenced. For example, we know that skills development is crucial in enabling workers to perform more complex tasks more quickly. Environmental growth and carbon reduction measures such as installing renewables or enhancing energy efficiency will also increase productivity through reducing input costs. Equally employees benefiting from good physical and mental health can be more present and committed in work.

Practical steps

The practical steps outlined below are suggestions for how this Plan can be developed, it is recognised that each organisation will need to tailor their approach to their own context and needs.

1. Assess the current productivity of your organisation

The aim of this Plan is to calculate the current productivity of the organisation and provide a high-level summary of the steps which will be taken to boost productivity. The Plan should typically be 1-2 pages and outlines tangible actions.

- At its simplest, an organisation is a system which converts work into the output of goods and services. Productivity measures this rate of conversion. The first step for the Plan is to calculate a rough estimate of the current organisational productivity. For a businesses, this can be done through using the Government [How productive is your business?](#) calculator. If your project is already delivering to the outcome *Number of enterprises with improved productivity*, then the same evidence for the outcome can be used for this Plan.
- In addition to the numerical calculation of productivity, there could be a broader calculation which incorporates a range of key performance indicators such as reducing down time, the quality of the customer base and the number of repeat purchases.
- A simple approach is to ask; how good is your entity at taking a pile of raw materials, a bunch of machines, stacks of paperwork, and groups of employees, and turning out useful goods or services?
- Because productivity often just measures the efficiency of production, many measures which improve productivity are just ways by which an organisation can work better. A Productivity Action Plan doesn't need to be complex.
- It is recognised that there may be significant crossover with the Employment and Skills, Healthy Lifestyle and Environmental Growth Action Plan. If this is the case, then measures in these plans which may boost productivity don't need to be repeated in full, only referenced.

2. Provide a brief narrative which reflects on the impact of the project and the measures within the other Actions Plans and Statements on the overall productivity of the organisation.

- Describe the projected increases in productivity which will arise as a result of the project.

Please also see the:

- [Action Plan Guidance: Employment and Skills Plan](#)
- [Action Plan Guidance: Environmental Growth Action Plan](#)
- [Action Plan Guidance: Equality and Diversity Plan](#)
- [Action Plan Guidance: Healthy Lifestyle Plan](#)

3. Describe the impact of any other actions to be undertaken which could boost organisational productivity

4. Evaluate the impact

Towards the end of the project and by Final Claim, the productivity of the organisation should be assessed and whether the project and engagement with the Good Growth Fund more widely enabled productivity gains. This could be done as part of the third-party project evaluation.