

'Traffic Light Matrix', a method of sector prioritisation

In the East Midlands region of the UK, researchers advising their Regional Skills Partnership (ESP) recently developed a methodology for selecting priority sectors for intervention. This method has the appeal of apparent simplicity; it consists of looking at selected sectors against a series of criteria and then rating them using a simple traffic light system and presenting it in a matrix. The simplicity is slightly misleading as there is a lot of evidence gathering and sector selection prior to producing the matrix, nonetheless, it is still a useful model.

In summary the process was;

1. Selecting a short list of sectors for consideration
2. Identification of motivation for support
3. Agree criteria for assessing each sector
4. Draw matrix of criteria against sectors
5. Apply traffic light system according to assessment

In the East Midlands example;

1. Selecting a short list of sectors for consideration

The sectors they chose to look at were those previously identified as priority sectors by the Regional Development Agency and the Local Learning and Skills Council. They used current and forecast data as well as qualitative discussions with practitioners.

2. Identification of motivation for support

They identified two types of motivation for support

- i. The need to support current mass employment sectors,
- ii. And the need to identify and prioritise both existing and emerging sectors or clusters due to their contribution (or potential contribution) to the region's productivity.

3. Agree criteria for assessing each sector

Agreed 6 criteria for assessing each sector as well as whether or not there were particular subregions where the sector was a priority;

- i. **Extent of employment:** is the sector currently a significant employer in the region?
- ii. **Economic growth:** does the sector account for a significant proportion of the region's GDP; what are the prospects for its future growth?
- iii. **Employment growth/decline:** is the sector likely to experience significant employment growth or decline that would require a targeted response from RSP partners?
- iv. **Strategic significance:** is the sector already prioritised in national and regional strategy; does it contribute to the region's profile (i.e. include major, high profile employers); does the sector have central strategic significance as an enabler for other industries (i.e. construction, financial and business services)?
- v. **Productivity:** is the sector currently, or is it expected to become, a high productivity sector?
- vi. **Enterprise, Innovation and Investment:** does the sector produce potential for new start-up/spin-out etc (i.e. the potential for private spin-out enterprise from public sector research); is it innovative; does it use new technologies; does it include a significant number of companies that trade in new international markets; does it attract, or is its development a product of, substantial inward investment?

These criteria can of course be modified to suit your region and purposes,

4. Draw Matrix of Sector verses criteria

see Matrix below



5. Apply traffic light system according to assessment

Sectors were then rated against the criteria and the 'traffic light system' applied, such that:

Red sectors were considered as a clear regional priority, across a number of criteria

Amber sectors were those which could be regarded as a regional priority in some cases or could be a priority at a sub-regional level, but less significant to the region as a whole.

Green sectors were those where there was little case for prioritisation as a whole but could be categorised as a sub-regional priority.

They produced the following matrix and then made recommendations to the partnership on the basis of their findings.

	Extent of Employment	Economic Growth	Employment Growth/Decline	Strategic Significance	Productivity	Enterprise/Innovation/Investment	Sub-Regional Priority?
High Performance Engineering/ Engineering Manufacturing	✓	✓		✓	✓	✓	
Health and Social Care	✓		✓	✓			
Medical, Pharmaceutical and Biotech		✓		✓	✓	✓	
Clothing and Textiles	✓		✓	✓			
Food and Drink Manufacture	Sub-regionally significant in employment terms			Of sub-regional strategic significance to Lincolnshire	✓	Some Innovation activity in niche Food Processing	✓
Creative Industries- or 'New Media'/ 'Technological Development'	Bulk of employment picked up in 'sport and leisure'				✓	✓	
Construction	✓			✓		✓	
Retail	✓		✓				
Logistics/ Distribution	✓	✓			Distribution is identified as 'low productivity', whilst Communications is a comparatively 'high productivity' sector	✓	✓





Regional Key Competencies

- a way to manage structural changes (AT6)

Tourism, Leisure and Hospitality	Predominantly in Hospitality			✓		✓	
Education	✓		✓	✓			
Finance and Business Services	✓	✓	✓	Although this is sector is a significant employer with good productivity potential, it is arguable whether it is amenable to intervention	✓		✓
Environmental Technologies				The sector is identified and prioritised in the Regional Economic Strategy- its is however arguable whether it is currently amenable to EMRSP intervention	✓	✓	

Although recommendations were then made, in fact almost all of the sectors were then published as priority sectors in the action plan that followed.

A full report of the workshop process can be seen at

<http://www.esppartnership.org.uk/labour-market-evidence/esp-evidence-and-regional-priorities-workshop>

And click on ESP Sectoral Priorities Workshop paper

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