

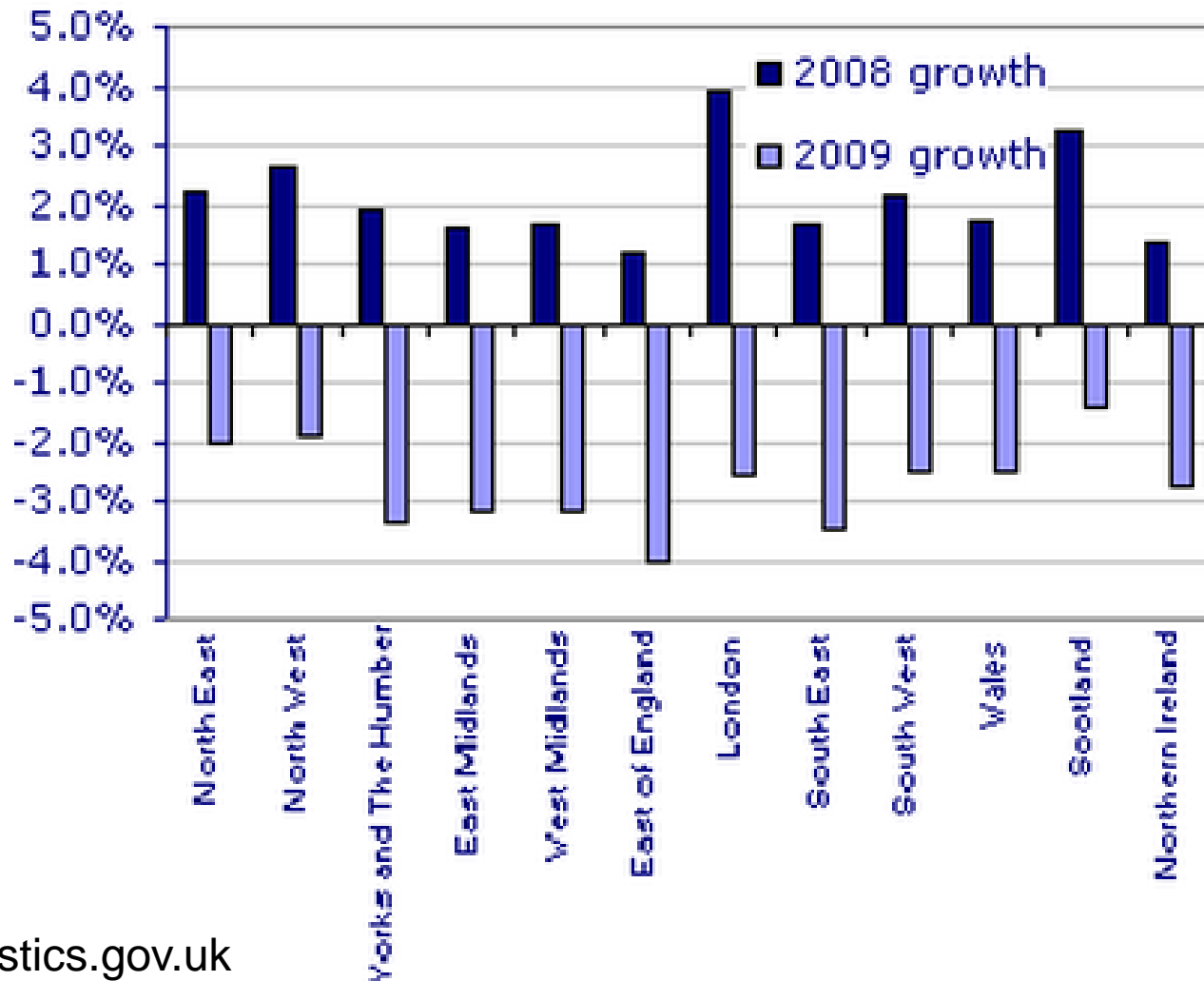


How are weak market cities responding to the economic crisis?

Howard Davies
LSE

City Reformers Group Workshop LSE
21 March, 2011

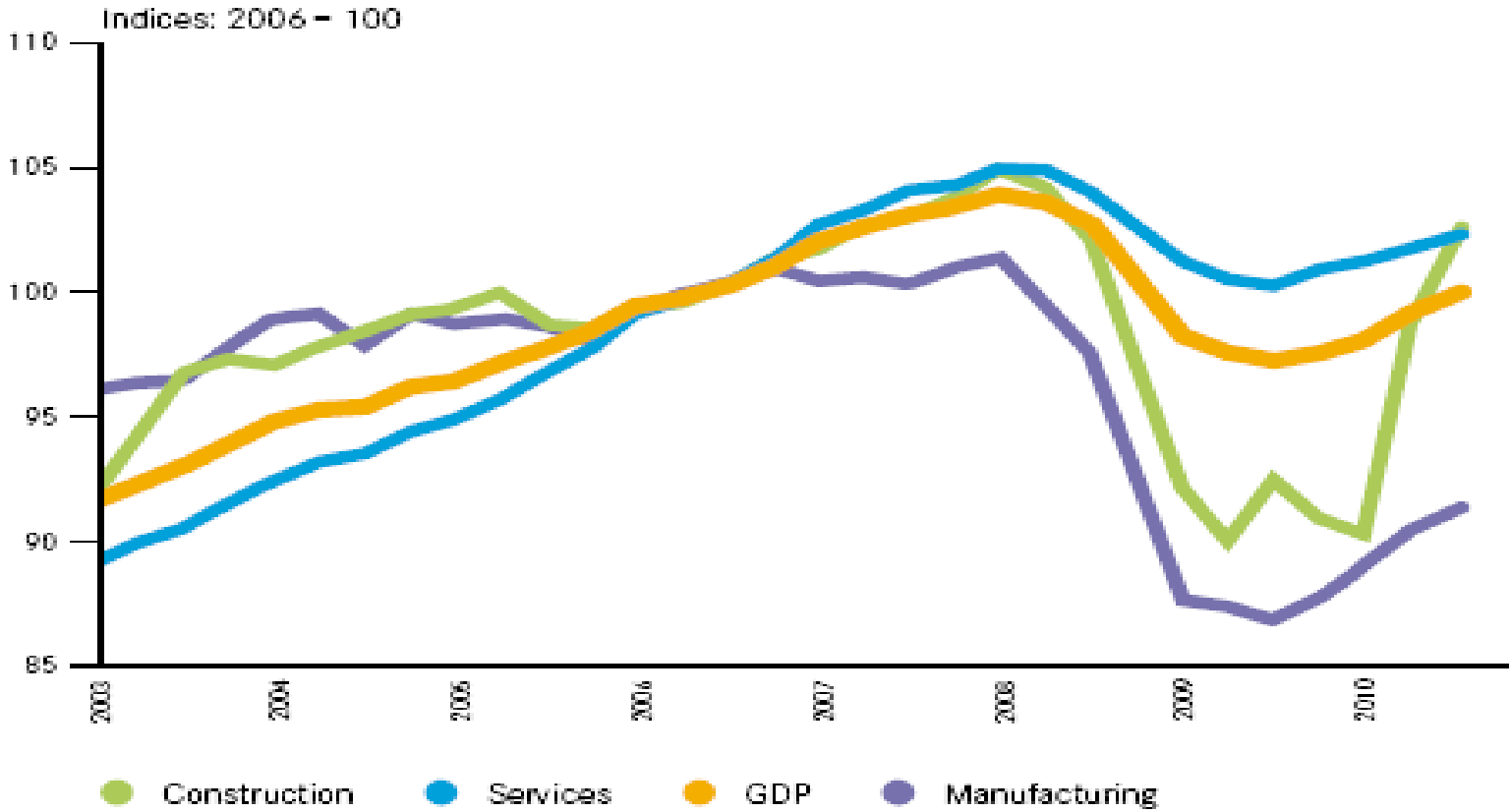
Growth in UK regions



Long-term unemployment jumped

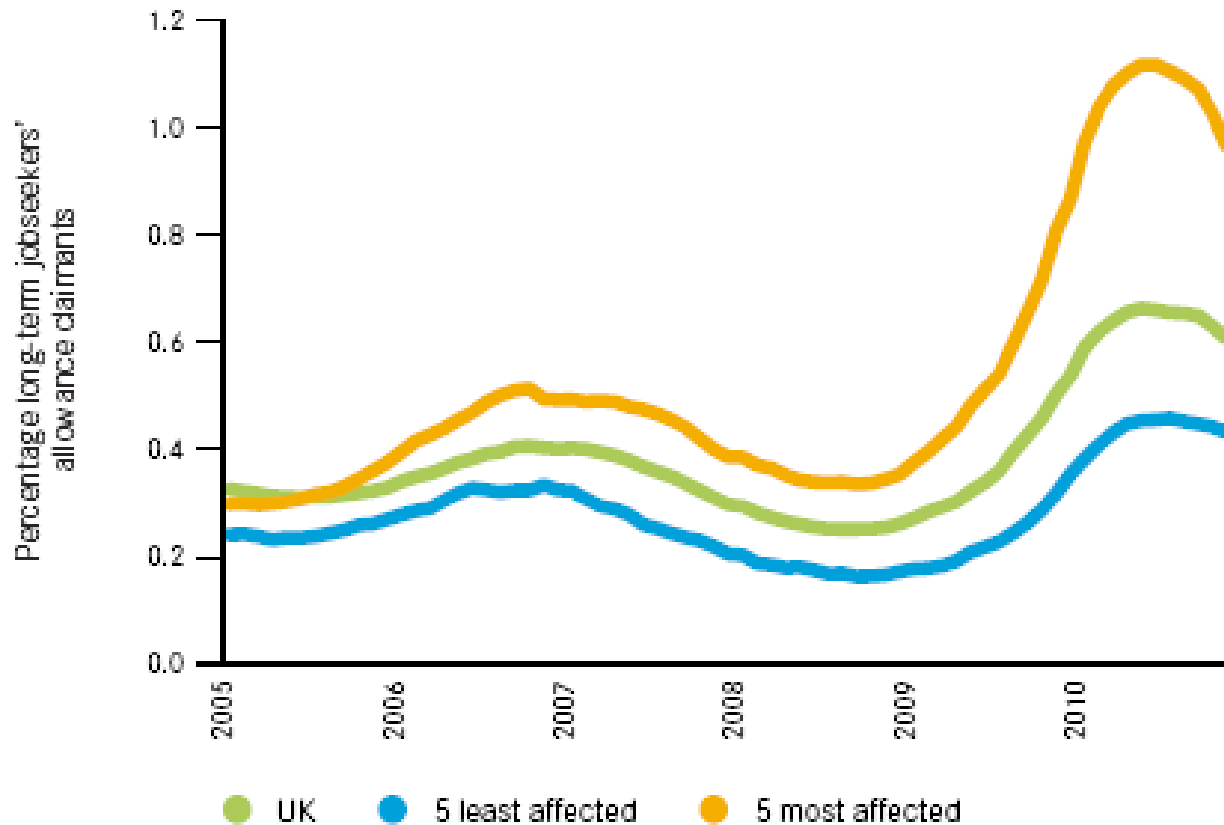


GDP and sector Gross Value Added



Source: Bank of England 2010, inflation report - November 2010. London: Bank of England.

Long-term unemployment rose differentially

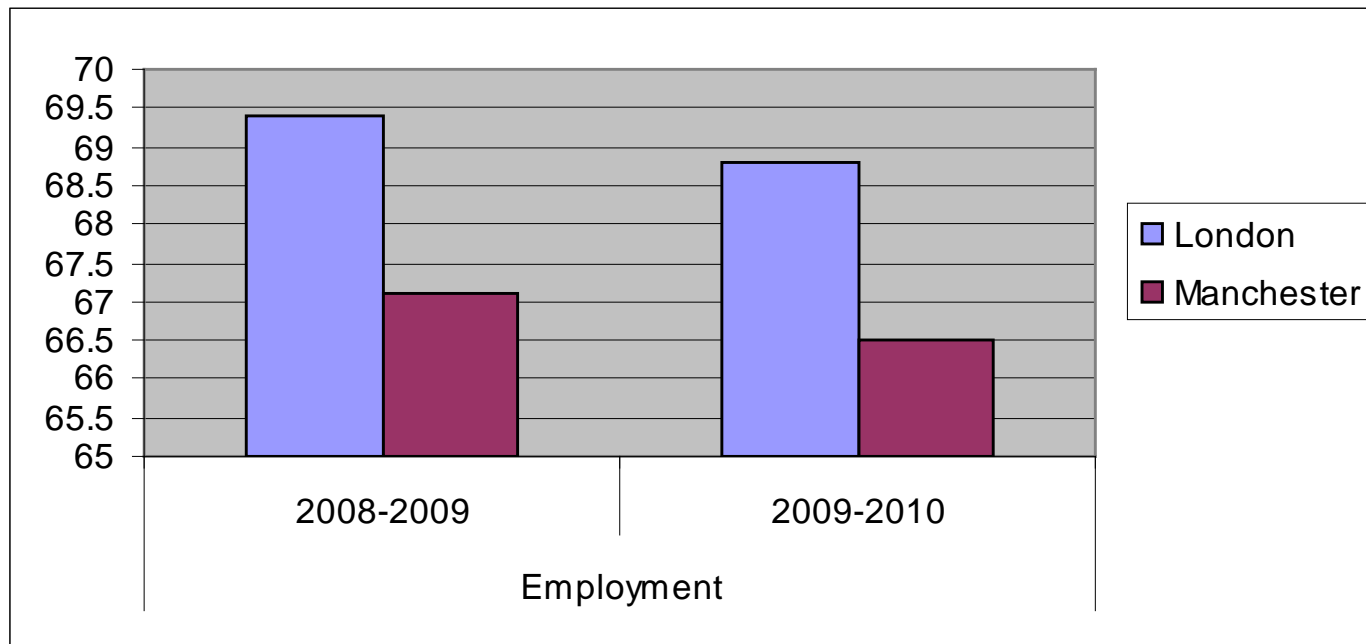


Source: NOMIS 2010, Claimant Count, January 2005 to November 2010, non-seasonally adjusted.

Employment rates have fallen everywhere



City	Employment rate July 2008-June 2009 (%)	Employment rate July 2009-June 2010 (%)	Percentage point change
London	69.4	68.8	-0.6
Manchester	67.1	66.5	-0.6



The cuts in public sector employment will be severe

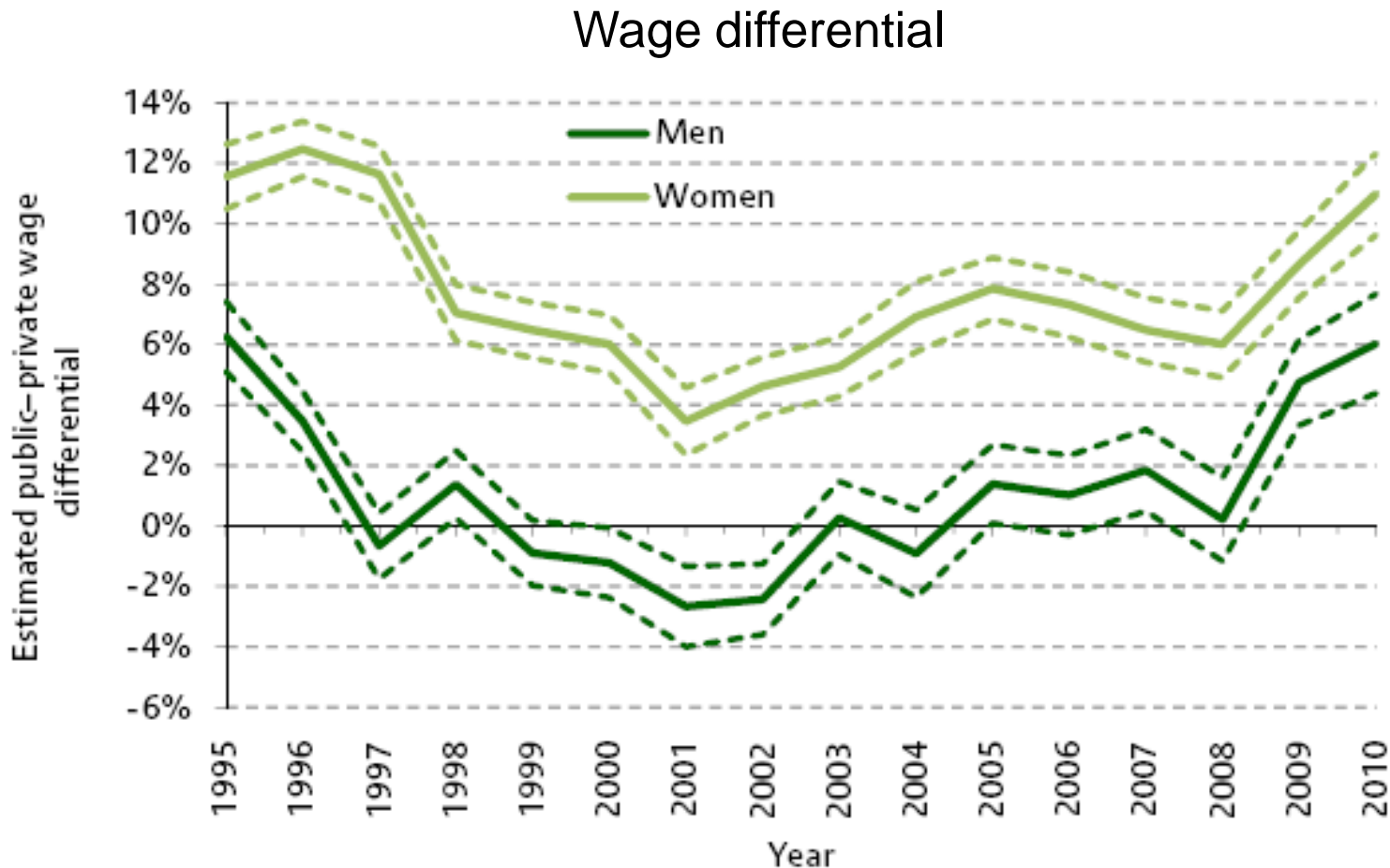


Projected government job losses

	2011-12	2012-13	2013-14	2014-15
A) Non-investment spending on public services^a	0.3%	0.4%	1.6%	-0.3%
Basic settlement	0.4%	0.4%	2.7%	2.7%
Pay drift	0.4%	0.4%	0.4%	0.4%
Employer pension contributions	0.2%	0.0%	0.0%	0.0%
Other (incl. NICs)	0.1%	0.0%	0.0%	0.0%
B) Total pay bill per head growth	1.2%	0.8%	3.1%	3.1%
C) Implied GG employment growth (i.e. C = A-B)	-0.9%	-0.4%	-1.5%	-3.4%
D) Implied cumulative GG employment losses	-40,000	-70,000	-150,000	-320,000

Source: The UK Institute for Fiscal Studies

Public sector pay is, on average, well above private sector, especially for women

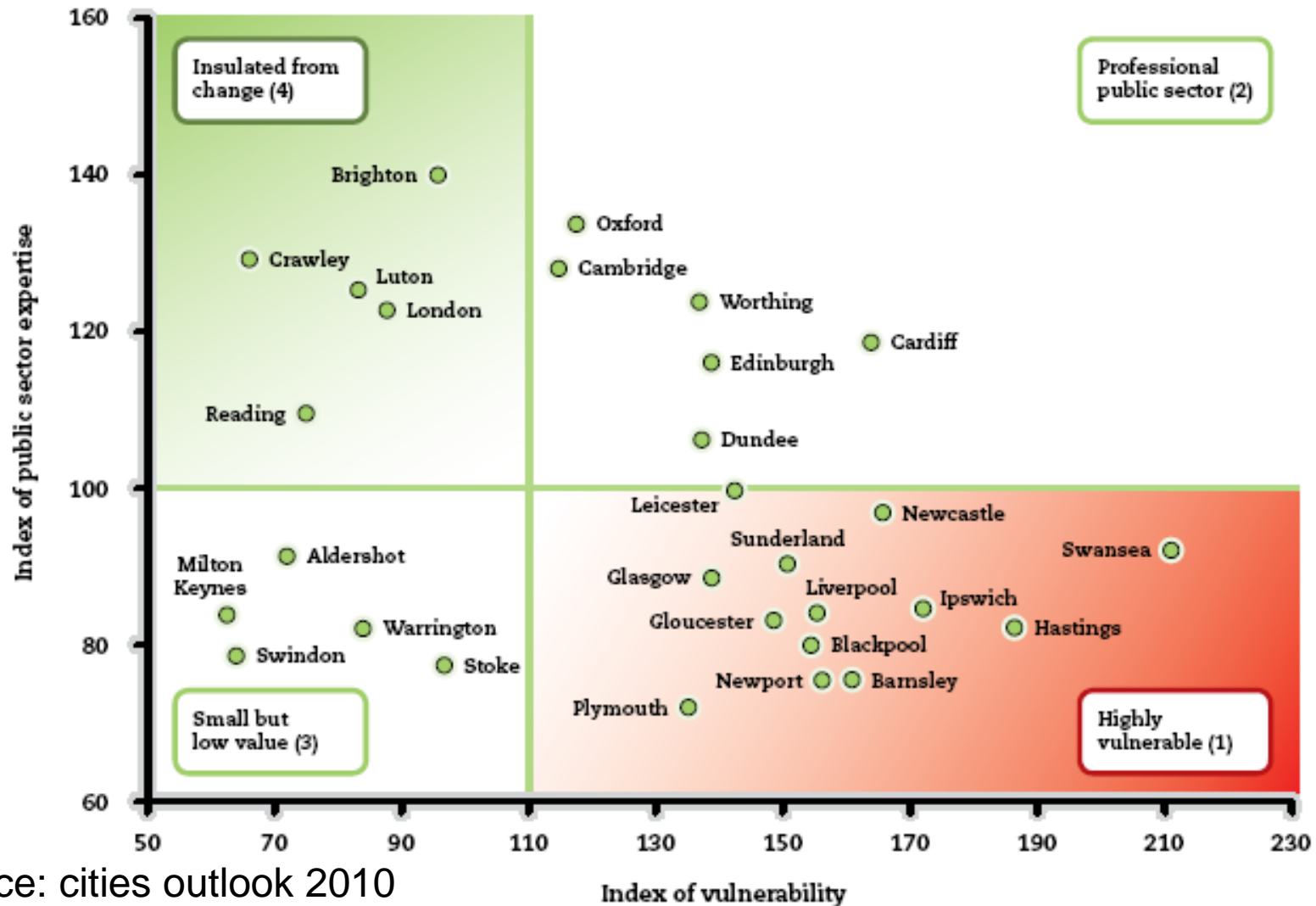


Source: The UK Institute for Fiscal Studies

In some regions, public sector pay is particularly high



Cities with many low skilled workers in the public sector are in most danger



Source: cities outlook 2010



How are weak market cities responding to the economic crisis?

Howard Davies
LSE

City Reformers Group Workshop LSE
21 March, 2011