



Towards a Wealthier & Fairer Glasgow

Slims Consulting Economic Statement Series

February 2010

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Key Performance Indicators

	Glasgow	Scotland
Economic Growth		
Total GVA 2007 (£bn)	£15.7	£99.1
Average Annual GVA growth 1997-2007	2.7%	2.3%
Total Jobs 2008	413,500	2,420,400
Jobs Growth 1998-08	66,300	258,500
% Jobs Growth 1998-08	19%	12%
Productivity		
GVA per Employee 2007	£39,800	£41,200
% Change in GVA per Employee 1997-07	44%	39%
Businesses per 1,000 adults	28	34
Business Birth Rate per 1,000 adults	3.6	3.4
Business 1-Year Survival Rate	95.3%	96.5%
Labour Market Participation		
Employment Rate 2009	66%	75%
Unemployment Rate 2009	7%	5%
Economic Inactivity Rate 2009	29%	20%
Self Employment Rate 2009	10%	10%
JSA Claimant Rate 2009	5.2%	3.8%
IB / ESA Claimant Rate 2009	13.6%	9.0%
Population		
Total Population 2008	584,200	5,168,500
Population Change 1998-08	-2,800	91,400
% Population Change 1998-08	-0.5%	1.8%
Solidarity & Cohesion		
Median Weekly Wages 2008	£379	£375
% Growth in Weekly Wages, 1998-2008	36%	43%
No data zones in 15% most deprived in Scotland 2009	299	976
% Population living in 15% most deprived data zones 2009	42%	15%
Sustainability		
CO ² emissions per head of population 2007	6.7	7.8
% Waste recycled or composted 2008	18%	32%

1 Introduction

1.1 Introduction

Welcome to the first instalment of the **Slims Consulting Economic Statements 2009**.

Last year, we significantly restructured the Economic Statements as a result of a number of factors:

- the introduction of the **Government Economic Strategy**, which sets a new framework for the co-ordination of public sector activity in support of sustainable economic growth in Scotland;
- the introduction of a new **National Performance Framework**, which identifies key economic and social performance indicators and targets; and
- the **need to better meet the needs of our clients** by providing more effective economic intelligence to support their strategic and operational planning needs.

This year, we have maintained the focus of our reports on measuring progress towards the GES targets, whilst also including some **additional analysis and commentary** around sustainability. We have also added a chapter on the emerging evidence of the impact of the recession on our member areas. The remainder of this introduction sets out:

- a summary of the Government Economic Strategy and the associated objectives and targets for economic growth in Scotland;
- the structure of the Economic Statement Series and how this aligns with the priorities set out in the Government Economic Strategy; and
- details on what you will find in this first instalment of the Economic Statement Series – **Wealthier & Fairer**.

1.2 The Government Economic Strategy

In November 2007, the Scottish Government released The Government Economic Strategy, highlighting the economic development priorities and objectives of Scotland's new Government. The key purpose of the Strategy is to focus central government and the wider public sector on one purpose – **increasing sustainable economic growth**.

Strategic Objectives and Priorities

The strategy sets out a number of Strategic Priorities and Objectives, as well as a set of ambitious targets for economic growth through a National Performance Framework. The five Strategic Priorities, around which public sector action should be aligned to create the conditions for sustainable economic growth, are:

- Learning, Skills and Well-being
- Supportive Business Environment
- Infrastructure Development and Place
- Effective Government
- Equity

These five Priorities in turn give rise to the five Strategic Objectives focussed around creating *A Scotland that is...*

- Wealthier & Fairer
- Smarter
- Healthier
- Safer & Stronger
- Greener

1.3 Slims Consulting Economic Statements

Slims Consulting Economic Statements are focussed around assessing progress made by each of our member areas towards the first two of the five GES Strategic Objectives listed above – **Wealthier & Fairer and Smarter**.

The data, analysis and commentary contained within these reports are aligned to the targets set out in the Government Economic Strategy and the National Performance Framework for Scotland. For each indicator, we look at recent trends and benchmark performance against the Scottish and UK averages.

All the charts and tables included in these reports are available to download from the Members' section of our website – www.slims.org.uk.

1.4 Structure of this report

This first report – **Wealthier & Fairer** – is set out in six main sections which directly relate to the Purpose Targets set out in the National Performance Framework for Scotland¹, namely:

- Economic Growth
- Productivity
- Labour Market Participation
- Population
- Ensuring that growth is Shared and Sustainable

We have also included an additional chapter looking at the **emerging evidence of the impact of the recession on Glasgow**.

In the final section, we set out some conclusions on Glasgow's performance in relation to the strategic objective of creating a **Wealthier & Fairer Scotland**.

¹ Scottish Budget Spending Review (2007)

2. Economic Growth

2.1 Introduction

Economic growth is a key indicator of wealth creation and economic performance. The Government Economic Strategy notes Scotland's economic growth has underperformed relative to both the UK and other small European countries in recent decades. A key target set out in the Strategy is to **raise the country's economic growth rate to the UK level by 2011**.

This section focuses on economic growth within Glasgow and covers:

- Total GVA
- GVA Growth
- GVA by Sector
- Export Levels

2.2 Total GVA

Total economic output (measured as Gross Value Added or GVA) from Glasgow in 2007 was £15.7bn. This represented 16% of Scotland's total GVA of £99.1bn, slightly below the city's share of national jobs (17%).

2.3 GVA Growth

Chart 2.1 shows change in GVA growth rates in Glasgow, relative to Scotland and the UK, between 1997 and 2007. Across the decade as a whole, the average annual growth for the city was 2.7%, compared to 2.3% for Scotland and 2.9% for the UK.

Prior to 2004, the city was outperforming Scotland and broadly matching the UK as a whole in terms of the pace of economic growth. However, since then, the city economy appears to have experienced a slowdown and GVA growth lagged both Scotland and the UK between 2004 and 2007. **The city is therefore currently falling short of the national target to match UK growth by 2011.**

Chart 2.1

Source: ONS and
Slims Consulting
Calculations



The analysis above is based on the latest official GVA statistics for regions, which are only available up to 2007. There was a contraction in economic output across both Scotland and

the UK in both 2008 and 2009 as a result of the recession. We look at the latest available evidence in relation to the impact of this on Glasgow in more detail in Chapter 7.

2.4 GVA by Sector

The service sector accounts for the vast majority of economic output produced by Glasgow. In 2007, services accounted for 82% of total GVA from Glasgow whilst industrial activities, including manufacturing and construction, accounted for the remaining 18%. The city is therefore more reliant on the service sector for economic output than Scotland as a whole, where services account for 73% of total GVA.

Chart 2.2 shows that the largest sectors in Glasgow are financial & business services (accounting for 35% of all output), public sector & other services (28%) and distribution, transport & communications (19%). Manufacturing accounted for just 12% of all GVA from Glasgow in 2007, whilst construction accounted for 6%.

Chart 2.2

Source: ONS and Slims Consulting Calculations

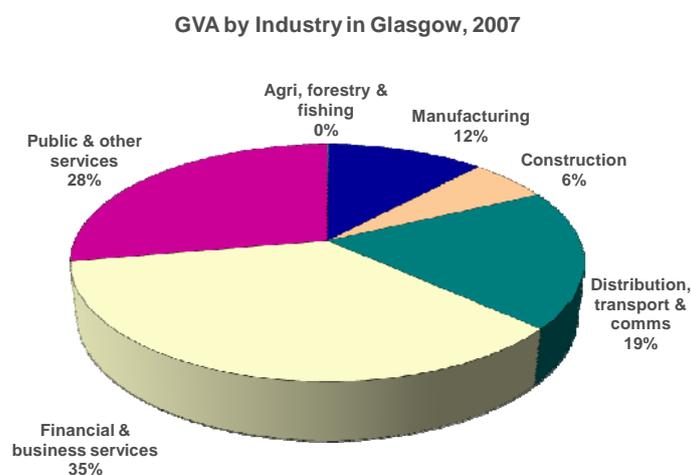


Table 2.1 shows change in the level of GVA generated by the Glasgow economy by sector between 1997 and 2007. It shows that there was some growth in output across all industries over the period, with the exception of agriculture, forestry & fishing, which actually reported negative overall output in 2007.

Financial & business services has been one of the principal drivers of the Glasgow economy over the past decade with the level of GVA from the sector more than doubling between 1997 and 2007. The rapid expansion of the public sector is reflected in the strong growth in output from public & other services in the city. There was also substantial growth in distribution, transport & communications, which includes the retail sector and some call centre activities.

There was a modest increase of 15% in the level of output from the manufacturing sector in Glasgow between 1997 and 2007. The fact that this sector has achieved an increase in output against a backdrop of rapidly declining employment suggests a move within the industry to higher value added activities and increasing levels of productivity.

Table 2.1

Source: ONS and
Slims Consulting
Calculations

GVA by Industry in Glasgow (£m)				
	1997	2007	Change 1997-2007	
			No.	%
Agriculture, forestry & fishing	1	-14	-15	-
Manufacturing	1,611	1,860	249	15%
Construction	444	938	494	111%
Distribution, transport & communications	1,898	2,980	1,082	57%
Financial & business services	2,751	5,579	2,828	103%
Public & other services	2,682	4,375	1,693	63%
Total GVA	9,387	15,718	6,331	67%

It is clear that it will be the service sector that will drive future GVA growth in Glasgow. However, industrial activities still account for a sizeable component of total economic output from the city. It will be important for the remaining businesses in this sector in Glasgow to continue to increase productivity if they are to remain competitive.

2.5 Exports

Exports refer to the sale of goods and services to other countries. The amount of export sales generated by an economy has a direct impact on wealth generation and GVA growth. The National Performance Framework for Scotland has set a national target to **grow exports at a faster average rate than GDP**.

The latest export figures from the Global Connections Survey, produced by the Scottish Government, were published in March 2009. They are only available for Scotland as a whole and cannot be disaggregated for individual local authorities. The remainder of this section provides a summary of the key findings from this dataset for Scotland.

The total value of export sales from Scotland amounted to £20.6bn in 2007, an increase of around 4% on the equivalent figure in 2002. Table 2.2 shows change in the value of Scottish exports by broad industry between 2002 and 2007.

Manufacturing remains Scotland's largest exporting sector, accounting for two thirds of all export sales in 2007 – a total of £13.6bn. This was 5% lower than the total in 2002, in contrast to a rapid increase of 27% in the value of *service* exports over the period. The share of Scottish exports accounted for by the *service* sector increased from 21% to 26% between 2002 and 2007.

Table 2.2

Source: Global
Connections
Survey

Scottish Exports by Industry 2002 - 2007 (£m)				
	2002	2007	Change 2002-07	
			No.	%
Agriculture, Forestry & Fishing	150	105	-45	-30%
Manufacturing	14,360	13,630	-730	-5%
Services	4,215	5,345	1,130	27%
Other	1,155	1,545	390	34%
Total	19,880	20,630	750	4%

Manufacturing Exports

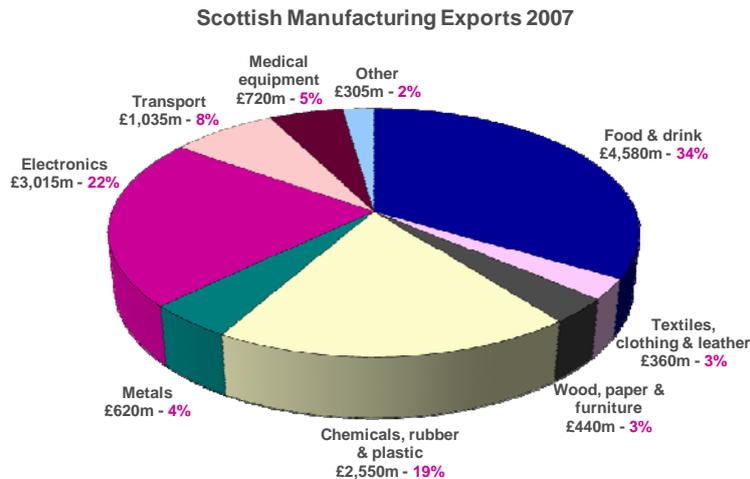
The decline in Scottish manufacturing exports between 2002 and 2007 was primarily a result of a fall in exports to the EU. In 2007, the value of Scottish exports to EU countries totalled £6.9bn, 16% lower than in 2002. This contrasts with an increase of 9% in the value of Scottish manufacturing exports to countries outside the EU, taking the total to £6.8bn in 2007.

Chart 2.3 shows the distribution of Scottish *manufacturing* exports by industry in 2007:

- **Food & drink** is Scotland's largest exporting sector, accounting for over a third (34%) of all manufacturing exports in 2007 – a total of £4,580m;
- Distilled alcoholic drinks account for the vast majority (88%) of all **food & drink** exports from Scotland;
- Following a global downturn in the industry, **electronics** still accounted for over a fifth (22%) of all Scottish manufacturing exports in 2007 – although the total value of export sales from the sector more than halved (-56%) between 2002 and 2007;
- The third largest export sector in Scotland is **chemicals**, which generated overseas sales of £2,550m in 2007 – accounting for around a fifth (19%) of all manufacturing exports; and
- Substantial growth in exports from **food & drink**, **chemicals**, **transport** and **medical equipment** managed to offset the rapid decline in **electronics** exports between 2002 and 2007.

Chart 2.3

Source: Global Connections Survey



Service Exports

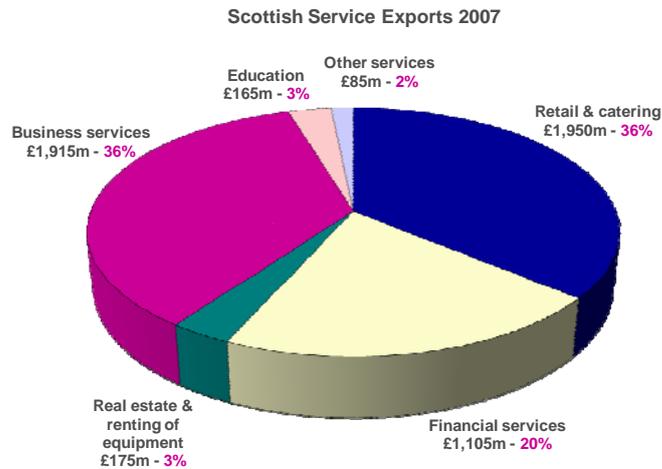
The value of export sales from Scottish service sector firms has grown substantially in recent years, increasing by 27% between 2002 and 2007. Chart 2.4 shows how service sector exports were distributed by industry in 2007:

- **Retail & catering** accounted for 36% of all Scottish service sector exports in 2007, highlighting the importance of tourism to the Scottish economy in terms of generating export sales;
- A further 36% of service exports were from **business services**, a total of £1,915m in 2007. This is a broad category which incorporates a wide variety of activities including computer and software consultancy, R&D, architecture, advertising, call centres and legal services; and

- **Financial services** accounted for a fifth of all Scottish service exports in 2007, a total of £1,105m.

Chart 2.4

Source: Global Connections Survey



2.6 Conclusions – Economic Growth

- Prior to 2004, Glasgow was outpacing Scotland and broadly matching the UK in terms of economic growth. However, over the period 2004 – 2007, the city growth rate lagged the national averages meaning that **Glasgow is now falling short of the national target of matching the UK in terms of economic growth.**
- Economic growth over the past decade has been driven by strong growth in the service sector, which now accounts for 82% of all economic output from the city. **There has been particularly strong growth in output from financial & business services and the public sector.**
- There has been a modest increase in manufacturing output from Glasgow over the past decade, against a backdrop of rapidly declining employment. This suggests a **move within the industry to higher value added activities and increasing levels of productivity.**
- **The value of foreign exports from Scotland increased by 4% between 2002 and 2007** largely as a result of a rapid increase in export sales from the service sector, which was enough to offset continued decline in manufactured exports.
- **Scotland's largest exporting sectors are food & drink, chemicals and electronics**, which combined accounted for around 50% of the total value of Scottish export sales in 2007.

3. Productivity

The Government Economic Strategy identifies increasing productivity and competitiveness as one of the principal drivers of economic growth. In 2005, Scotland (14th out of 30) and the UK (11th out of 30) both ranked in the second quartile for productivity as measured by GVA per employee. The Scottish figure is around 96% of the UK figure. The government has set a long-term target for Scotland **to rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017.**

To assess Glasgow's position in relation to the rest of Scotland, this section firstly focuses on productivity levels within the local economy before examining how the industrial structure of the city economy drives this performance.

The topics covered in this section are:

- GVA per employee
- Productivity by Sector
- Employment Structure
- Key and Other Growth Sectors
- The Business Base

3.1 GVA per employee

Productivity is a central driver of sustained economic growth and is often a key target for economic development policy. A common measure of productivity is GVA per employee, which is calculated by taking economic output of an area (GVA) and dividing it by the total number of employees. Chart 3.1 shows trends in productivity levels within Glasgow, Scotland and GB since 1997.

Chart 3.1

Source: ONS and Slims Consulting Calculations



GVA per employee in Glasgow amounted to £39,800 in 2007, below the equivalent figures of £41,200 for Scotland and £45,800 for GB. There was an increase of 44% in the level of GVA per employee in Glasgow between 1997 and 2007. This was faster than the equivalent rate of 39% for Scotland as a whole, but slower than the 50% increase across GB on this measure. This resulted in a widening of the productivity gap between Glasgow and GB over the period.

3.2 Productivity by Sector

Industrial activities generate higher levels of economic output than service activities and can therefore be considered to be more productive in terms of the level GVA generated per employee. Like most other cities across the UK, Glasgow has a disproportionately high number of service sector jobs and relatively few manufacturing jobs, which partly explains the low productivity levels in the city.

Table 3.1 compares the level of GVA generated per employee from industrial activities in Glasgow with service activities. Industrial activities generated £64,300 per employee in 2007, much higher than the figure of £36,800 for services.

The table also shows that productivity in the industrial sector increased by 64% between 1997 and 2007, much faster than the growth of 45% in services. This rapid increase in output generated per worker in industrial activities has occurred against a backdrop of declining employment in the sector, again suggesting a move within the industry towards higher value added activities.

Table 3.1

Source: ONS and Slims Consulting calculations

GVA per Employee in Glasgow (£m)			Change 1997-2007	
	1997	2007	No	%
Industrial Activities*	£39,200	£64,300	£25,100	64%
Service Activities	£25,400	£36,800	£11,400	45%

*includes manufacturing, energy & construction

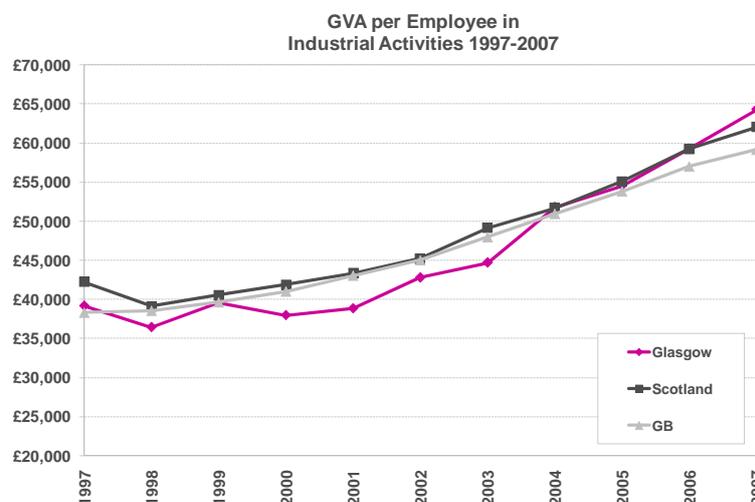
3.2.1 Productivity in Industrial Activities

Chart 3.2 shows the level of GVA generated per employee from industrial activities in Glasgow, Scotland and GB between 1997 and 2007. It shows that productivity from industrial activities in the city was below the national averages prior to 2004, but has since increased to a level higher than that of both Scotland and the UK.

Across Scotland, the trend in industrial productivity levels has broadly mirrored that of GB as a whole, increasing by around 50% since the late-1990s. In Glasgow, productivity in the sector increased at a faster rate of 64% over the period, resulting in the city overtaking the national averages on this measure.

Chart 3.2

Source: ONS and Slims Consulting calculations



3.2.2 Productivity in Services

Chart 3.3 shows the level of GVA generated per employee from service activities in Glasgow, Scotland and GB between 1997 and 2007. It shows that service sector productivity levels in the city have been broadly in line with the Scottish average, and behind the GB average, throughout the period.

GVA per employee in Glasgow's service sector increased by 45% between 1997 and 2007. This was in line with the equivalent increase of 44% for Scotland, but below the GB growth of 53%, resulting in the gap with the GB average widening.

Chart 3.3

Source: ONS and Slims Consulting calculations



3.3 Employment Structure

Some activities can be considered to be of higher value in terms of the level of economic output they generate. Therefore, the total number, as well as the type, of jobs located within an area has a direct impact on productivity levels. This section considers the employment structure of the Glasgow economy in terms of the number and types of jobs available.

3.3.1 Total Workforce

As shown in Chart 3.4, Glasgow outperformed both Scotland and GB in terms of job creation between 1998 and 2008. There were a total of 413,500 employees working in the city in 2008. This represented an increase of 19% (+66,300 jobs) from the total in 1998, faster than the equivalent growth rates of 12% for Scotland and 10% for GB.

These latest official employment figures are only available up to 2008 and so do not fully capture the impact of the recession at the start of 2008. There have been high profile job losses across both Scotland and the UK since the start of the recession. Chapter 7 considers some more recent evidence in relation to the potential impact of the recession on Glasgow in terms of job losses.

Chart 3.4

Source: Annual Business Inquiry



3.3.2 Employment Change by Gender and Type

The growth in workplace jobs in Glasgow has been faster amongst women than men, as shown in Table 3.2. There were 37,500 more women working in the city in 2008 than in 1998, an increase of 21%. This compares with an increase of 28,800 in the number of men in work, growth of 17%.

The expansion of the city's economy has not just been the result of ever-greater numbers of part time jobs. The number of part time jobs did grow substantially over the period (+30,600), but there was an even greater increase in the number of full time posts (+35,700).

The differences in the types of employment taken by men and women do remain. More than two-fifths (44%) of women employees worked part-time in 2008, around two and a half times the proportion among men (17%).

Table 3.2

Source: Annual Business Inquiry

Employment in Glasgow by Gender & Type				
	1998	2008	Change 1998-08	
			No.	%
Male full-time	151,300	165,900	14,600	10%
Male part-time	20,000	34,200	14,200	71%
All males	171,400	200,100	28,800	17%
Female full-time	100,500	121,600	21,100	21%
Female part-time	75,300	91,700	16,400	22%
All females	175,900	213,400	37,500	21%
All full-time	251,900	287,600	35,700	14%
All part-time	95,400	125,900	30,600	32%
All employees	347,200	413,500	66,300	19%

3.3.3 Basic Industry Analysis

The largest employing industries in Glasgow are public services (31% of all jobs), financial & business services (28%) and retail & catering (20%). Table 3.3 shows, that relative to Scotland as a whole, Glasgow has a higher proportion of employment within financial & business services and public services, and a lower proportion within manufacturing and construction.

Table 3.3

Source: Annual Business Inquiry

Workplace Employment by Sector 2008				
	Glasgow		Scotland	
	No.	%	No.	%
Agriculture	*	*	41,000	2%
Utilities	*	*	42,600	2%
Manufacturing	22,000	5%	210,500	9%
Construction	17,700	4%	144,000	6%
Retail & catering	83,700	20%	537,900	22%
Transport & communications	20,500	5%	123,500	5%
Financial & business services	113,900	28%	462,600	19%
Public services	129,300	31%	727,000	30%
Other services	22,700	5%	131,400	5%
All employees	413,500	100%	2,420,400	100%

Table 3.4 shows employment change by sector in Glasgow between 1998 and 2008. It shows that:

- **Financial & business services** was the fastest growing industry in the city over the period, both in absolute and percentage terms;
- **Public services** employment also grew strongly over the period, increasing by 26%;
- The only other industry to experience substantial growth was **retail & catering**, increasing by 18%; and
- **Manufacturing** employment continued its long-term trend decline, losing almost one-third of its 1998 total.

Table 3.4

Source: Annual Business Inquiry

Workplace Employment by Sector in Glasgow, 1998-2008				
	Total Employment		Change 1998-2008	
	1998	2008	No	%
Agriculture	*	*	*	*
Utilities	*	*	*	*
Manufacturing	31,400	22,000	-9,400	-30%
Construction	18,700	17,700	-1,000	-5%
Retail & catering	71,100	83,700	12,600	18%
Transport & communications	20,900	20,500	-400	-2%
Financial & business services	76,700	113,900	37,200	48%
Public services	102,300	129,300	27,000	26%
Other services	19,900	22,700	2,800	14%
All employees	347,200	413,500	66,300	19%

* figures cannot be released to preserve confidentiality

3.3.4 Summary

- Glasgow has enjoyed a rapid expansion in employment since 1998.
- This growth has benefited both men and women, though the rate of growth in female employment has been faster than for males.
- Total employment growth has been fairly evenly split between full and part time work, though the rate of increase among part time employment has been much faster.

- Public services, financial & business services and retail & catering are the largest employing industries in Glasgow and have each experienced strong growth since 1998.
- Glasgow has an above average share of jobs within financial & business services and the public sector, and a below average share in manufacturing, relative to Scotland as a whole.

3.4 Key and Other Growth Sectors

The Government Economic Strategy identifies six key sectors which are believed to offer significant potential for future growth in Scotland. The key sectors are:

- Energy
- Financial Services
- Food & Drink
- Life Sciences
- Tourism
- Creative Industries (Digital media & enabling technologies)

A further five 'other growth sectors' have been identified by Scottish Enterprise which are viewed as meriting additional public sector support. These are:

- Textiles
- Aerospace, Defence & Marine
- Chemicals
- Construction
- Forest Industries

Table 3.5 shows total employment across the eleven key and other growth sectors in Glasgow. For each industry, it also shows the share of total employment, employment change between 1998 and 2008 and employment specialisation scores relative to Scotland².

These employment figures are based on a set of Standard Industrial Classification (SIC) codes agreed by the Scottish Government and Scottish Enterprise. A full list of the SIC codes used to carry out this analysis can be found in Appendix 1.

² The term specialisation refers to the concentration of employment within an industry locally relative to the Scottish average. A score of greater than 100 indicates that an area has an above share of employment within a particular industry. A score of less than 100 indicates that the area has a below average share of employment in an industry.

Table 3.5

Source: Annual Business Inquiry & Slims Consulting calculations

Employment in Key and Other Growth Sectors				
	Total Employment 2008	% Share of Employment 2008	% Change since 1998	Specialisation Score (Scotland = 100)
Key Sectors				
Energy	3,600	1%	-41%	50
Financial Services	25,700	6%	21%	157
Food & Drink	4,800	1%	-27%	64
Life Sciences	800	0%	21%	33
Tourism	30,000	7%	19%	82
Creative Industries	18,200	4%	72%	146
Other Growth Sectors				
Textiles	1,100	0%	-64%	52
Aerospace, Defence & Marine	5,900	1%	-8%	120
Chemicals	200	0%	-74%	10
Construction	29,600	7%	-1%	76
Forest Industries	900	0%	-47%	29

To summarise Glasgow’s performance across the key sectors:

- Glasgow has an above average level of specialisation within **financial services**, which accounted for 6% of all jobs in the city in 2008. There was strong employment growth of 21% in the sector between 1998 and 2008.
- The other key sector within which Glasgow has an above average concentration of employment is **creative industries**, which consists of a range of activities including digital media, TV, music and film. The industry accounts for 4% of all jobs in the city and experienced strong growth of 72% between 1998 and 2008.
- Despite the presence of three universities with large **life sciences** departments, Glasgow appears to have a very low level of employment specialisation within the industry. This is likely to be partly the result of university staff working in the sector being classed in the official employment figures as working in education.
- **Tourism** is the largest employing sector among the key sectors in Glasgow and accounts for 7% of all jobs in the city. The sector experienced strong employment growth of 19% between 1998 and 2008.

Looking at Glasgow’s performance across the other growth industries:

- **Aerospace, defence & marine** is the only other growth industry within which Glasgow has an above average level of specialisation – mainly due to the shipbuilding that still takes place on the Clyde. Total employment in the sector amounted to 5,900 in 2008, representing a fall of 8% since 1998.
- **Construction** is the largest of the other growth industries in Glasgow largest, despite having a below average specialisation score. The sector accounted for 29,600 jobs, or 7% of total employment in the city in 2008.

3.5 Growing the Business Base

The Government Economic Strategy identifies the key role that enterprise must play to help Scotland achieve its productivity target and the National Performance Framework sets a target of **growing the business start up rate**.

This section looks at Glasgow’s performance across a range of key indicators in relation to growing the business base. These include:

- VAT registrations
- Businesses per head
- Business birth rates
- Survival rates

3.5.1 VAT Registrations

Table 3.6 shows that the total number of VAT registered businesses in Glasgow has increased over the past decade, though the rate of growth achieved has been slower than across Scotland and GB as a whole. There were 13,800 VAT registered firms in the city in 2008, an increase of 13% from the total in 1998. This compares with growth rates of 16% for Scotland and 21% for GB.

Table 3.6

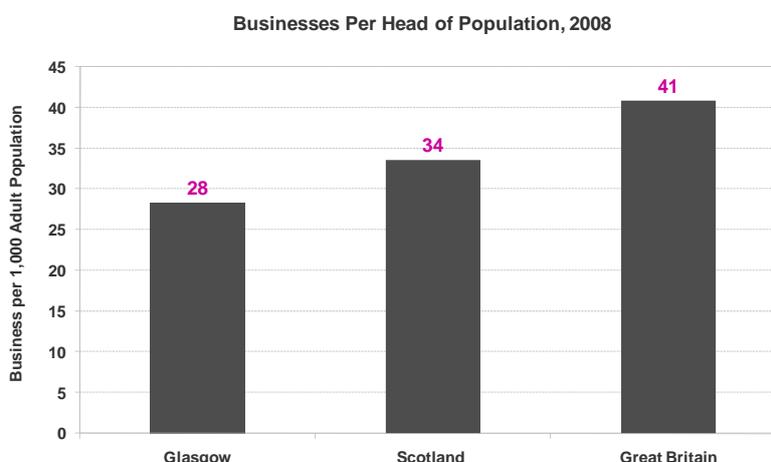
Source: Inter-Departmental Business Register (IDBR), ONS

Start of Year Business Stocks				
	1998	2008	Change 1998-2008	
			No	%
Glasgow	12,200	13,800	1,600	13%
Scotland	122,800	141,900	19,100	16%
GB	1,619,500	1,964,900	345,500	21%

Chart 3.5 shows business density levels, in terms of the number of business per head, in Glasgow, Scotland and GB. There were 28 VAT registered businesses per 1,000 adults in the city in 2008 – below the Scottish rate of 34 per 1,000, and substantially short of the GB figure of 41 per 1,000.

Chart 3.5

Source: Inter-Departmental Business Register (IDBR), ONS



Low business density is a characteristic shared by many local authority areas across the West of Scotland, particularly those that were previously reliant on heavy industry. Increasing

business density in Glasgow to a level comparable with Scotland or GB as a whole represents a significant challenge:

- to reach the Scottish level of 34 business per 1,000 population would require an additional 2,500 firms in the area, 18% more than the current total; and
- to reach the GB average of 41 businesses per 1,000 would require an additional 6,100 firms, 44% more than the current total.

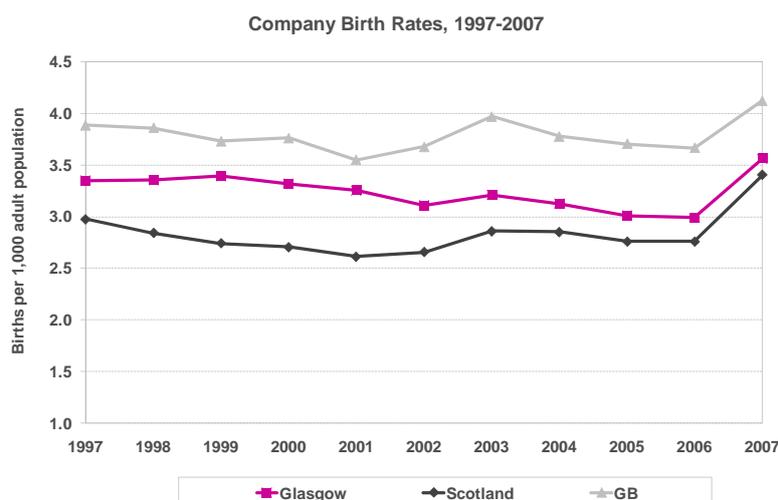
3.5.2 Business Birth Rates

The business birth rate is a calculation of the number of new VAT registrations per 1,000 adults and is a good indicator of the level of entrepreneurial dynamism within an area. Chart 3.6 shows that Glasgow's business birth rate has been consistently higher than the Scottish average, but below the GB average, since 1997.

The company birth rate stood at 3.6 per 1,000 adults in 2007, above the Scottish rate of 3.4 per 1,000, but below the GB rate of 4.1 per 1,000. The chart shows a marked increase in company birth rates across all areas between 2006 and 2007. This could suggest increasing levels of entrepreneurialism across the country prior to the onset of the recession in 2008. It is common for there to be an increase in new business start ups during times of recession as people look for alternative ways to earn a living as a result of a contraction in the jobs market. It will therefore be interesting to see if the recent upward trend in business birth rates will continue.

Chart 3.6

Source: Inter-Departmental Business Register (IDBR), ONS



3.5.3 Business Survival Rates

Table 3.7 shows change in the one-year survival rate of new businesses in Glasgow, relative to Scotland and GB. It shows that new businesses formed in Glasgow are slightly less likely to survive than across Scotland and GB as a whole.

Table 3.7

Source: Inter-Departmental Business Register (IDBR), ONS

One-Year Survival Rates, 2002-2006			
	One-year survival rates		% point change in rate 2002-2006
	2002	2006	
Glasgow	93.2%	95.3%	2.2%
Scotland	93.8%	96.5%	2.8%
GB	92.9%	96.5%	3.6%

Of all firms in Glasgow newly registering for VAT in 2006, 95.3% were still in business one year later. This was slightly below the equivalent Scottish and GB rate of 96.5%. Glasgow's one-year new business survival rate increased by 2.2% between 2002 and 2006, though this was slower than the equivalent increases of 2.8% for Scotland and 3.6% for GB.

3.5.4 Summary

- The VAT registered business base in Glasgow has grown at a slower rate than both Scotland and GB over the past decade.
- Like many urban areas, Glasgow is characterised by relatively low business density – with only 28 businesses per 1,000 adults.
- The business birth rates in Glasgow have been consistently above the Scottish average, but lower than across GB, over the past decade.
- This may well be an issue of concern - while recent increases in employment may be driven by the expansion of existing businesses or Glasgow successfully attracting large scale inward investment, there is less evidence of a strong base of 'indigenous' growing businesses.
- As well as increasing the level of new business start ups, there is evidence to suggest that a focus on improving the survival rates of new firms in the city is also required.

3.6 Conclusions - Productivity

- **Productivity, in terms of GVA per employee, has been consistently lower in Glasgow than across the rest of Scotland and GB over the past decade.** This is partly the result of the low levels of manufacturing activity remaining in the city, which is now dominated by service sector activities.
- **Productivity levels within Glasgow's industrial sector (which includes manufacturing and construction) have increased substantially over the past decade so that they are now above the Scottish and GB averages.**
- However, increases in service sector productivity have been much slower and Glasgow lags somewhat behind GB on this measure. As the service sector accounts for such a large proportion (82%) of the city economy, this has the effect of bringing down overall productivity levels. **Increased productivity within the service sector in Glasgow will therefore be required to raise overall productivity to a level comparable with the national averages.**
- **In terms of job creation, Glasgow has outperformed both Scotland and GB in recent years with over 66,000 new jobs created in the city between 1998 and 2008.** These new jobs have benefited both men and women and have been fairly evenly split between part time and full time work.
- **There is evidence to suggest that the pace of jobs growth in Glasgow had started to slow prior to the start of the recession.** It is likely that, like most other areas across the UK, the city will have experienced job losses since 2008 as a result of the recession. It is too early for these losses to show up in the official employment statistics.
- **The three largest employing sectors in Glasgow are public services, financial & business services and retail & catering.** Combined, these sectors account for more than three quarters of all jobs in the city and each have experienced strong growth since the mid-1990s.
- Glasgow benefits from above average concentrations of employment in two of the key sectors identified within the Government Economic Strategy for Scotland – **financial services and creative industries.** The city also specialises in **aerospace, defence & marine** – one of the Scottish Enterprise other growth sectors.

- **Glasgow's business base has been growing at a rate slower than the Scottish and GB averages over the past decade.** Improvements in the business start up rates will be required if Glasgow is to make a positive contribution to the national target of growing the business base. This is a potential area of opportunity in light of the expected contraction within the jobs market since the start of the recession.

4. Labour Market Participation

Increasing the level of labour market participation in Scotland is identified as one of the primary challenges within the Government Economic Strategy. The Strategy sets a target **to maintain our position on labour market participation as the top performing country in the UK and close the gap with the five top OECD economies.** In addition, the cohesion target outlined in the Strategy sets out to **narrow the gap in participation between Scotland's best and worst performing regions by 2017.**

This chapter provides an overview of labour market participation, inactivity and unemployment levels in Glasgow and focuses on three main areas:

- Resident employment and commuting patterns
- Official measures of unemployment and inactivity including:
 - ILO Unemployment
 - Economic Inactivity
 - Benefit Claimants
- Alternative measures of worklessness including:
 - Hidden Unemployment
 - The jobs gap
 - 'Want to work'

4.1 Resident Employment and Commuting Patterns

In this section we look at resident employment levels within Glasgow, as well as commuting to and from the area. We will cover:

- Resident Employment
- Employment Rates
- Self Employment
- Commuting

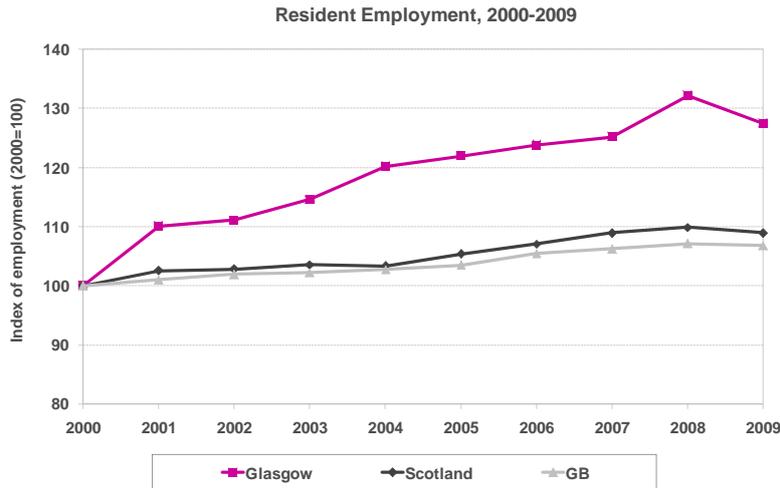
4.1.1 Resident employment

Chart 4.1 shows that the number of Glasgow residents in work has been increasing at a rate much faster than across Scotland and GB as a whole since the turn of the century. There were 252,400 Glasgow residents in work in 2009. This was 27% higher than the total in 2000, a rate of growth more than three times higher than the Scottish and GB averages of 9% and 7% respectively.

The chart shows that there was a dip in the total number of residents in work across all areas in the latest year (2009). This is likely to be attributable to the impact of the recession. We provide a summary of the most recent evidence of the impact of the recession on labour market participation levels in Chapter 7.

Chart 4.1

Source: Annual Population Survey, 2005-09; Local Area Labour Force Survey, 2000-2004



4.1.2 Employment Rates

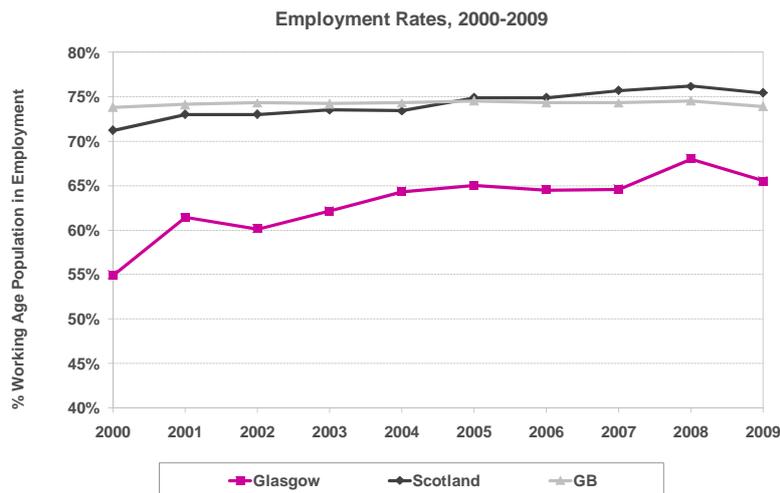
The 'employment rate' of an area is simply the proportion of the working age population that is in a job. It is a key labour market participation measure and one of the indicators used to assess Scotland's progress towards the targets set out in the Economic Strategy.

Chart 4.2 shows that, despite rapid growth in the number of residents in work, the city's current employment rate of 66% remains well below the Scottish and British averages (75% and 74% respectively). In fact, Glasgow has the lowest employment rate of all 32 local authority areas in Scotland.

More positively, the current rate represents a significant improvement from the rate of just 55% in 2000. However, this will need to continue to improve if the employment rate for the city is to match the UK average by 2017 – the target set out in the 2008 Single Outcome Agreement for Glasgow. The impact of the recession on labour market participation levels in the city is also evident from this chart, which shows that the employment rate for the city fell in 2009 for the first time since 2002.

Chart 4.2

Source: Annual Population Survey, 2005-09; Local Area Labour Force Survey, 2000-2004



4.1.3 Self Employment

The figures for resident employment described above include those who are self-employed. Looking at this category separately, Table 4.1 shows that:

- 10% of all residents in work in Glasgow were self-employed in 2009, a total of 25,300 people;
- This was in line with the equivalent rate for Scotland, but below the GB average.

Table 4.1

Source: Annual Population Survey 2009

Self Employment 2009			
	Self Employed	Total in Employment	Self Employment Rate
Glasgow	25,300	252,400	10.0%
Scotland	243,300	2,418,200	10.1%
GB	3,350,500	27,148,800	12.3%

Two possible explanations for Glasgow's relatively low self-employment rate are that:

- rates of self-employment are often higher in rural areas than in urban parts of the UK; and
- self-employment tends to be lower where the economy was previously dependent on traditional heavy industries.

4.1.4 Commuting

The Glasgow labour market is not self-contained in that non-residents who commute in for work each day take a large proportion of the jobs in the city. Similarly, many local residents are employed outside the city. Table 4.2 shows commuting flows across the West of Scotland in 2001.

Table 4.2

Source: Census 2001, General Register Office for Scotland

Commuting Flows in the West of Scotland, 2001		
	% of residents who work outside the area	% of workforce who live outside the area
Argyll & Bute	16%	14%
East Ayrshire	36%	22%
East Dunbartonshire	64%	36%
East Renfrewshire	70%	36%
Glasgow	19%	48%
Inverclyde	27%	23%
North Ayrshire	34%	20%
North Lanarkshire	40%	28%
Renfrewshire	40%	38%
South Ayrshire	26%	27%
South Lanarkshire	40%	28%
West Dunbartonshire	48%	32%
West of Scotland	4%	3%

This analysis shows that around half of all jobs based in Glasgow are taken by non-city residents. Additionally, almost a fifth of all residents in work are employed outside the city. The city is therefore dependent on the surrounding areas for a large share of its workforce, just as they are dependent on the city for employment opportunities.

4.2 Unemployment, inactivity & benefit claimants

This section of the report looks at trends in unemployment, inactivity and workless benefit claimants in Glasgow and focuses on official measures of these groups. This analysis helps to determine the extent of worklessness, as well as the size of the potential labour supply, within the area.

4.2.1 ILO Unemployment

The International Labour Organisation (ILO) definition of unemployment is the UK Government's preferred measure. It is essentially a count of all jobless people who want to work, are available to work, and are actively seeking employment.

Table 4.3 shows that the unemployment total in Glasgow was 19,100 in 2008. This was 38% lower than the total in 2000, a rate of decline than across Scotland and GB over the period.

Table 4.3

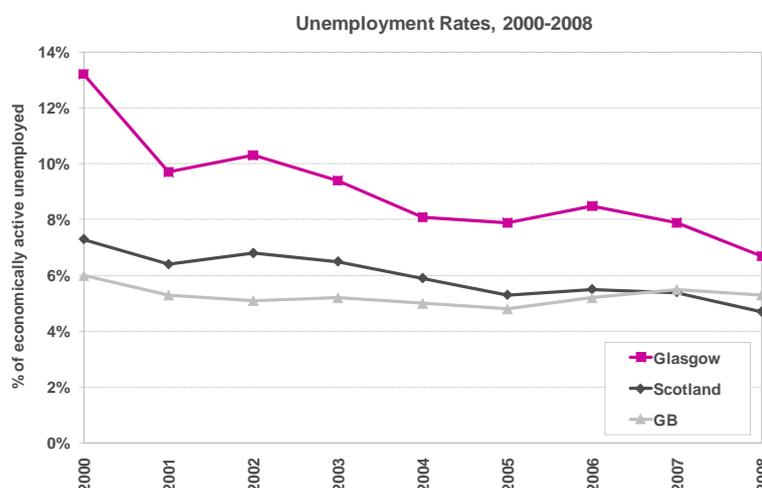
Source: Model-Based Estimates of Unemployment, ONS

Unemployment 2000 & 2008			Change 2000-2008	
	2000	2008	No	%
Glasgow	30,600	19,100	-11,500	-38%
Scotland	174,000	119,900	-54,100	-31%
GB	1,621,000	1,534,200	-86,800	-5%

As a result of this sharp decline, the unemployment rate in Glasgow fell from 13% in 2000 to 7% in 2008. However, this remained above the Scottish and GB averages (both 5%), as shown in Chart 4.3.

Chart 4.3

Source: Model-Based Estimates of Unemployment, ONS



It should be noted that, as these figures only go up to 2008, they do not show the recent increases in unemployment that have occurred as a result of the recession. Chapter 7 looks in more detail at this.

4.2.2 Economic Inactivity rates

Economic inactivity is a measure of those of working age that are not in work, but who do not show up on traditional measures of unemployment, as they are not actively seeking work.

Those that are economically inactive represent a much larger group of people than the unemployed. If the labour market participation targets set out in the Economic Strategy are to be achieved, there will need to be a policy focus on bringing some of the economically inactive into the labour market.

Table 4.4 shows that there were 111,000 economically inactive residents in Glasgow in 2009. This was 14% lower than the total in 2000. This rate of decline was faster than across Scotland as a whole and in contrast to an increase of 4% across GB.

Table 4.4

Source: Annual Population Survey (2009); Local Area Labour Force Survey (2000)

Economic Inactivity 2000 & 2009				
	2000	2009	Change 2000-09	
			No.	%
Glasgow	129,000	111,000	-18,000	-14%
Scotland	724,000	649,900	-74,100	-10%
Great Britain	7,414,000	7,732,500	318,500	4%

Chart 4.4 shows that:

- the inactivity rate in Glasgow fell from over 36% in 2000 to 29% in 2009;
- this represented a substantial decline of some 18,000 in the total number of economically inactive residents over the period;
- despite this substantial improvement, the economic inactivity rate in Glasgow remains well above the averages for both Scotland and GB; and
- there was an increase in economic inactivity levels in 2009, which is likely to be attributable to the negative impact of the recession on labour market participation levels.

Chart 4.4

Source: Annual Population Survey, 2005-09; Local Area Labour Force Survey, 2000-2004

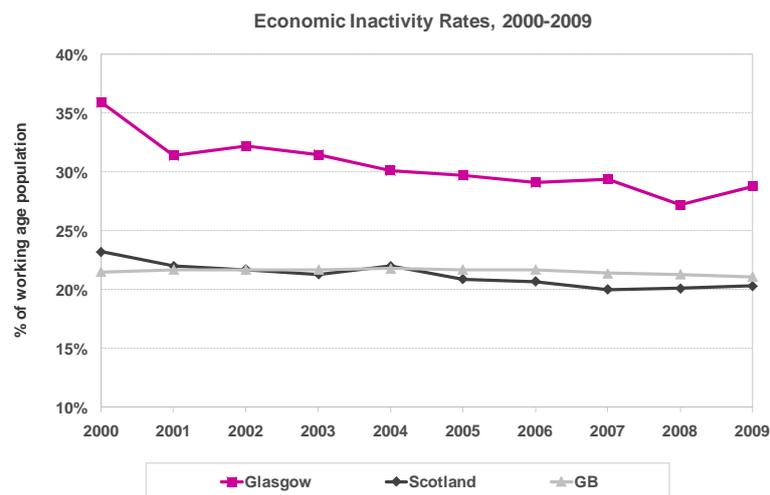


Table 4.5 shows inactivity rates by gender and age group. In Glasgow, the inactivity rate is higher among women than men. This is a pattern that is repeated throughout Scotland and GB and partly reflects the fact that a higher proportion of women of working age leave the job market to look after children or take on other caring responsibilities.

Table 4.5

Source: Annual Population Survey

Economically Inactive as a Proportion of the Working Age Population, 2009			
	Glasgow	Scotland	Great Britain
Males	25%	17%	17%
Females	33%	24%	26%
16-24	40%	30%	34%
25-49	22%	14%	15%
50+	37%	26%	25%
All people	29%	20%	21%

The inactivity rate is higher for both sexes and all age groups in Glasgow than in either Scotland or GB. This demonstrates that Glasgow's above average levels of inactivity affect all groups within the city.

4.2.3 Workless Benefits

There were 88,400 Glasgow residents in receipt of workless benefits in 2009, accounting for 23% of the working age population. This was well above the equivalent rates for Scotland and GB, as shown in Table 4.6.

The total number of workless benefit claimants in Glasgow fell by 21% between 2000 and 2009. This was a faster rate of decline than both Scotland and GB and means that the overall claimant rate has moved closer to the national averages over the period. The 2008 Single Outcome Agreement for Glasgow sets a target of further reducing this gap with the national average to 6% by 2011.

Table 4.6

Source: DWP

Out of Work Benefit Claimants						
	Claimants 2000		Claimants 2009		Change 2000-2009	
	Total	Rate	Total	Rate	No	%
Glasgow	111,600	31%	88,400	23%	-23,200	-21%
Scotland	563,100	18%	488,800	15%	-74,200	-13%
GB	4,960,600	14%	4,931,300	13%	-29,300	-1%

4.2.4 Incapacity Benefit

Incapacity Benefit (IB) is a welfare benefit available to people of working age that are deemed too ill or disabled to be required to look for work. In October 2008, Employment and Support Allowance (ESA) replaced IB as the main benefit to people of working age with health problems. ESA currently only applies to new claimants, but is to be rolled out to all existing IB claimants in 2010.

There were 52,900 Glasgow residents in receipt of IB or ESA in 2009. This was 21% lower than the figure in 2000, as shown in Table 4.7. This rate of decline was around twice as fast as across Scotland as a whole over the period. However, further success in reducing the number of IB claimants in Glasgow will be required to bring the IB/ESA claimant rate closer to the national averages.

Table 4.7

Source: DWP

IB and ESA Claimants						
	Claimants 2000		Claimants 2009		Change 2000-2009	
	Total	Rate	Total	Rate	No	%
Glasgow	66,600	18%	52,900	14%	-13,700	-21%
Scotland	327,900	10%	290,700	9%	-37,200	-11%
Great Britain	2,665,500	8%	2,592,100	7%	-73,400	-3%

This represents a significant challenge as IB/ESA claimants are often the furthest from the labour market and are therefore likely to require the highest level of support in order to return to work. For example, 40% of all IB claimants in Glasgow have been claiming the benefit for at least five years.

Around half (45%) the decline in IB or ESA claimants in Glasgow since 2000 has been in claimants over the age of 55. This might suggest that a large share of the decline in recent years has actually been the result of claimants reaching retirement age, rather than rejoining the labour market.

This is a theme picked up in a recent report, which looked at trends in IB claimants in the West of Scotland over the past five years³. It found that 'on-flows' to the benefit in the region have reduced dramatically, whilst the rate of 'off-flows' has been constant. This trend is attributed to three factors:

- changes to the IB eligibility criteria making it more difficult for new people to start claiming the benefit;
- a constant flow of IB claimants reaching retirement age and therefore moving off the register; and
- relatively few IB claimants moving into work.

If these trends were to continue, the IB claimant total would continue to decline at a steady rate as more and more claimants reach retirement age and are not replaced with new entrants to the register. However, an increase in the numbers moving from IB into work will be required if the rate of decline is to increase.

4.2.5 Jobseekers Allowance

Jobseekers Allowance (JSA) is a benefit available to those of working age that are unemployed and seeking work. There were 20,300 JSA claimants in Glasgow in 2009.

Table 4.8 shows that there was a decline of 2,200 in the total number of JSA claimants in Glasgow between 2000 and 2009. This represented a fall of 10%, faster than the 7% decline across Scotland as a whole. However, the JSA claimant rate of 5.2% in Glasgow remains above the equivalent rates for both Scotland and GB.

³ Brown et al. (2007) *Turning the Tap Off! Incapacity Benefit in Glasgow and Scotland: Trends over the past five years* - Glasgow Centre for Population Research.

Table 4.8

Source: DWP

Jobseekers Allowance Claimants						
	Claimants 2000		Claimants 2009		Change 2000-2009	
	Total	Rate	Total	Rate	No	%
Glasgow	22,400	6.2%	20,300	5.2%	-2,200	-10%
Scotland	132,900	4.2%	123,000	3.8%	-9,900	-7%
Great Britain	1,154,900	3.3%	1,421,400	3.9%	266,500	23%

There has been a rapid increase in the number of JSA claimants across Glasgow, Scotland and GB over the past 18 months as a result of the recession. This is looked at in more detail Chapter 7.

4.2.6 Summary

- The number of Glasgow residents in work has increased rapidly since the turn of the decade, though the employment rate for the city remains well below the national averages and the lowest of all local authority areas in Scotland.
- There has been a substantial improvement across the key indicators of unemployment and inactivity over the past decade, though Glasgow still has above average proportions of residents in these groups.
- There is emerging evidence of the impact of the recession on labour market participation levels in Glasgow. The employment rate fell and economic inactivity rose in 2009. The challenge for Glasgow will be to maintain a focus on addressing long term worklessness in the city, whilst also ensuring that there are suitable services in place to deal with the large volumes of new entrants to the unemployment register.
- Furthermore, a significant challenge remains in that almost a quarter of the entire working age population of the city are currently claiming workless benefits.
- IB/ESA claimants account for the largest share of workless benefit claimants. The numbers claiming IB have been falling steadily in recent years, but at a rate much slower than the decline in JSA claimants.
- If Glasgow is to make a positive contribution to the labour market participation targets set out in Scotland's Economic Strategy, a greater focus on bringing IB/ESA claimants back into work is likely to be required.

4.3 Alternative measures of worklessness

Official statistics have often been criticised as under-estimating the true scale of worklessness in the labour market, particularly at local levels. As a result, a range of alternative measures of worklessness has been developed. In this section, we present data and analysis on:

- Hidden Unemployment
- The Jobs Gap
- Economically Inactive who Want to Work

Each of the three measures uses a different methodology, but in each case the estimates are between the official ILO unemployment figure and economic inactivity.

4.3.1 Hidden Unemployment

Researchers at Sheffield Hallam University have developed an alternative way to measure the total level of worklessness at the local level, using the concept of 'hidden unemployment'.

They define the hidden unemployed as those people who are currently not in employment, that do not show up in traditional measures of unemployment, but who would be in work if the local economy was able to provide full employment. In 2007, they reported that:

- across Scotland, 28% of the economically inactive population would get work in a genuinely fully employed economy – this represents 180,000 people;
- Glasgow has an above average level of hidden unemployment, amounting to 38,000 people, or more than a third (35%) of all those economically inactive; and
- this represents 10% of the entire working age population of the city⁴.

4.3.2 The jobs gap

The 'jobs gap' can be defined as a measure of the shortfall between the number of people currently in work and the number who would have a job if there were full employment.

The South East of England has enjoyed high and sustained levels of employment, alongside a low incidence of unemployment and sickness, for a number of years now. It could therefore be argued that the area's employment rate of 79% represents full employment. Using this definition of full employment:

- there would need to be an additional 50,700 Glasgow residents in work (20% more than the present total) in order for the city to reach full employment; and
- there would need to be an additional 38,300 if the Glasgow employment rate of 66% were to reach that of 75% for Scotland as a whole – an increase of 15%.

4.3.3 The economically inactive who want to work

Findings from the Annual Population Survey (APS) carried out by the Office for National Statistics suggest that a substantial proportion of the economically inactive, particularly among those who are sick or disabled, say that they could in fact do some sort of job.

Of the 111,000 economically inactive people in Glasgow in 2009, 28,300 said that they would ideally like to work. This is somewhat lower than the 2007 Sheffield Hallam estimate of hidden unemployment in the city.

4.4 Conclusions – Labour Market Participation

- The number of Glasgow residents in work has grown substantially since the turn of the decade, but **the employment rate of the city remains well below the national averages and lower than all other local authority areas in Scotland.**
- **There have also been significant improvements across the key indicators of unemployment and economic inactivity over the past decade.** However, workless benefit claimants still account for a quarter of the entire working age population of the city – the majority of which are IB claimants.
- **There is emerging evidence of the impact of the recession on labour market participation levels in Glasgow.** The employment rate fell in 2009 for the first time since the turn of the century.
- **The challenge for Glasgow in terms of labour market participation will be to maintain a focus on addressing long term worklessness in the city, whilst also ensuring that there are suitable services in place to deal with the large volumes of new entrants to the unemployment register.**

⁴ *The Real Level of Unemployment 2007*, C. Beatty, S. Fothergill, T. Gore and R. Powell.

5. Population

Population growth is a key contributor to, and consequence of, economic performance. Historically, Scotland's demographic trends have reflected its economic performance resulting in net out-migration throughout much of the latter half of the last century.

The age profile of the population also directly impacts on economic performance. In particular, it determines the potential supply of labour within an area, economic activity levels and demand for local services. Falling birth rates, combined with increasing life expectancy, has led to an ageing of the population throughout many developed economies in recent decades and Scotland is no exception to this.

Over the past decade, Scotland's population growth has lagged significantly behind the UK despite benefiting in recent years from the substantial influx of people from Central and Eastern Europe. In recognition of the key role that population trends play in creating a more vibrant society and dynamic economy, the Government Economic Strategy for Scotland sets out a target **to match European (EU-15) population growth over the period from 2007 to 2017.**

This section examines population trends and the demographic profile of Glasgow and covers:

- Population Change
- Age Distribution of the Population
- Population Projections

5.1 Population Change

5.1.1 Total Population

The total population of Glasgow was 584,200 in 2008. This was 0.5% lower than the total in 1998, as shown in Table 5.1. This compares with an increase of 1.8% across Scotland as a whole, and the strong growth of 4.9% witnessed across GB over the past decade.

Table 5.1

Source: GRO (Scotland) and ONS

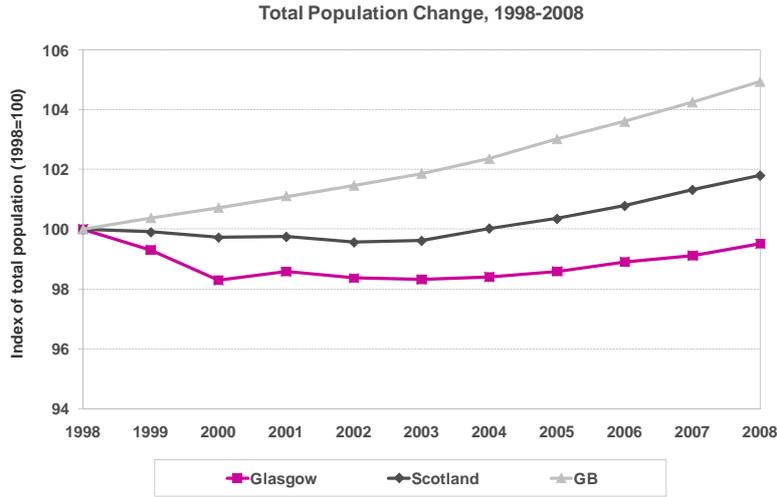
Total Population, 1998-2008				
	1998	2008	Change 1998-2008	
			No.	%
Glasgow	587,100	584,200	-2,800	-0.5%
Scotland	5,077,100	5,168,500	91,400	1.8%
GB	56,797,200	59,608,200	2,811,000	4.9%

Chart 5.1 shows trends in total population levels in Glasgow, Scotland and GB since 1998. It shows that:

- the long term decline in Glasgow's population has halted and the city's population has been increasing since 2000 – this growth has accelerated in recent years;
- the long term decline in Scotland's population also appears to have been reversed and the country as a whole has experienced population growth in recent years; and
- there has been strong, consistent population growth across GB over the past decade.

Chart 5.1

Source: GRO (Scotland) and ONS



5.1.2 Components of Population Change

There are two factors that can affect population change:

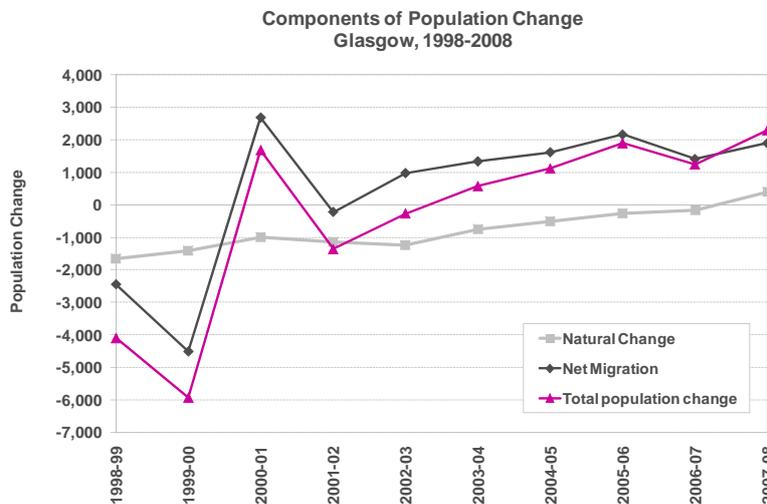
- **natural change** – the difference between births and deaths
- **net migration** – the balance of people moving into and out of an area

Chart 5.2 shows trends in these two components of population change in Glasgow over the past decade, as well as overall change. It shows that:

- natural change has been negative throughout most of the period, though was positive in the most recent year (2007-08);
- prior to 2001, this was compounded by net out migration, resulting in a declining population;
- since 2001, net migration has been mainly positive resulting in a slight increase in total population; therefore
- **it is predominantly the influx of new migrants that has prevented further population decline in Glasgow.**

Chart 5.2

Source: GRO (Scotland)



5.2 Age Distribution of the Population

As well as total population levels, the age profile of residents of an area also has important economic and labour market consequences. This section looks at trends in the working age population, the current age distribution of residents of Glasgow relative to Scotland as a whole and changes that have occurred in the demographic makeup of the population over the past decade.

5.2.1 Working Age Population

Table 5.2 shows changes in the working age population in Glasgow, Scotland and GB over the past ten years. It shows that:

- growth in the working age population in Glasgow has been much faster than across Scotland and GB since 1998;
- the proportion of Glasgow residents that are of working age is above the averages for both Scotland and GB.

Table 5.2

Source: GRO
(Scotland)

Working Age Population					
	1998	2008	Change 1998-2008		Working Age Pop as % of Total Pop 2008
			Total	%	
Glasgow	363,600	392,000	28,400	8%	67%
Scotland	3,145,000	3,238,000	93,000	3%	63%
Great Britain	34,759,000	36,976,500	2,217,500	6%	62%

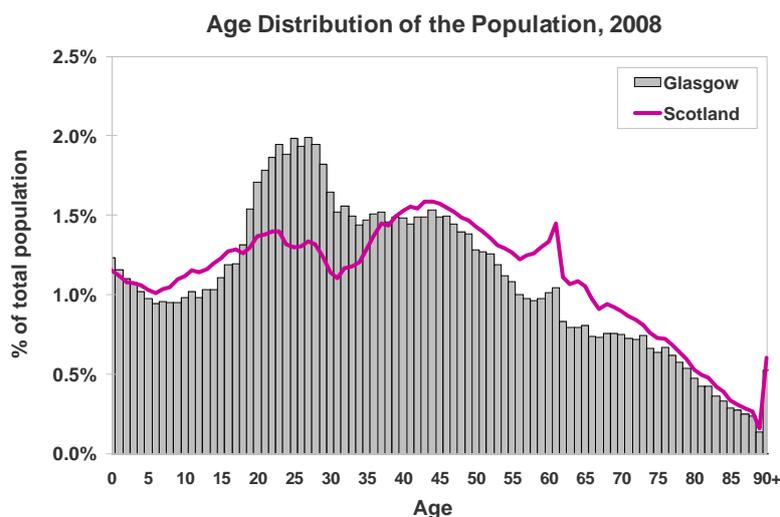
This analysis suggests that the majority of new migrants to the city over the past decade have been people of working age.

5.2.2 Age Distribution

Chart 5.3 shows the current age distribution of the population in Glasgow relative to Scotland as a whole.

Chart 5.3

Source: GRO
(Scotland)



Relative to Scotland as a whole, Glasgow's population is characterised by a substantially higher proportion of adults aged between 19 and 35. In addition, there are fewer young people in the city under the age of 18 and fewer residents over the age of 40 – the difference

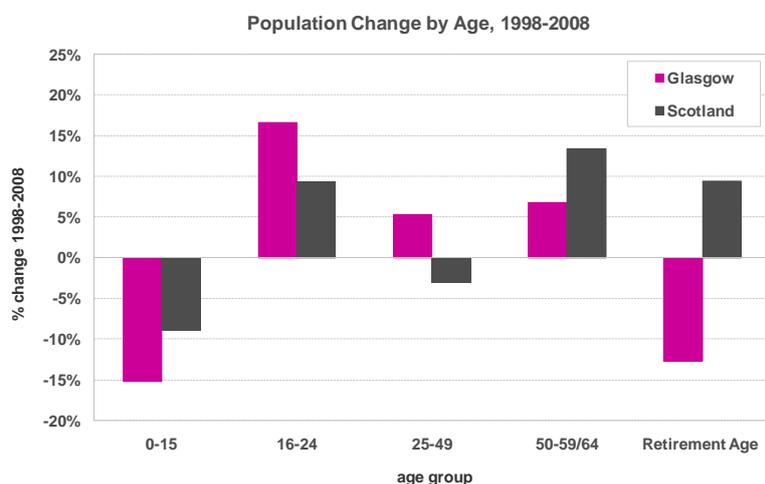
is particularly marked among those over the age of 50. This age profile is typical of a major city with a large student population.

5.2.3 Population Change by Age

Although there has been only a slight decline in the total number of Glasgow residents over the past decade, there have been some important shifts in the age structure of the population as shown in Chart 5.4.

Chart 5.4

Source: GRO (Scotland)



This analysis shows that:

- the greatest population increases in Glasgow over the past decade have been among the 16-24 year old age group;
- there was also an increase of 5% in the 'prime' working age group of 25-49, in contrast to a fall in this age group across Scotland;
- there has been a fall of 13% in the proportion of residents of retirement age in the city, in contrast to an increase in this age group across Scotland; therefore
- **Glasgow does not appear to be experiencing the same ageing of the population witnessed elsewhere in Scotland.**

5.3 Population Projections

The General Register Office for Scotland (GROS) publishes a set of population projections for the country every two years. The latest release contains 2008-based estimates, though these are currently only available for Scotland as a whole and cannot be disaggregated by local authority areas. This section provides an overview of the projected population trends for Scotland over the coming decade based on this dataset.

Chart 5.5 and Table 5.3 show that Scotland's population is expected to continue to increase over the coming decade, though at a slower rate than that expected for GB as a whole.

Total population is expected to reach 5.4m by 2018, 3.7% higher than the total in 2008. Whilst this rate of growth is more than double that achieved over the previous decade (+1.8%), it is slower than the strong growth of 6.9% expected for GB.

Chart 5.5

Source: GRO (Scotland); GAD (GB)

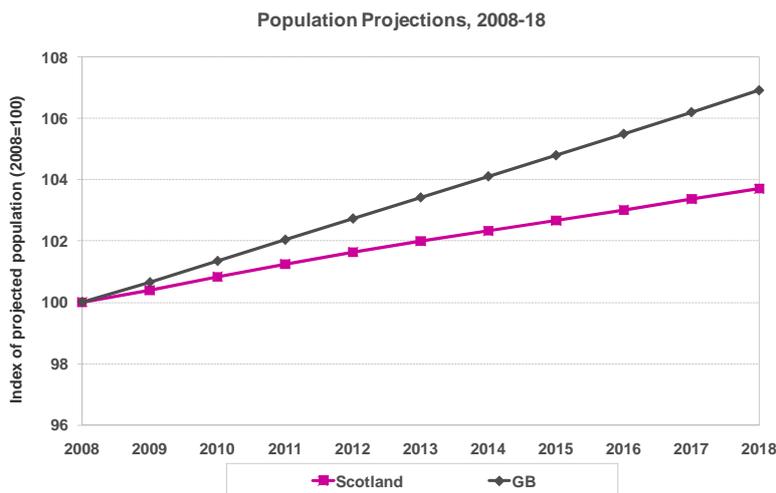


Table 5.3

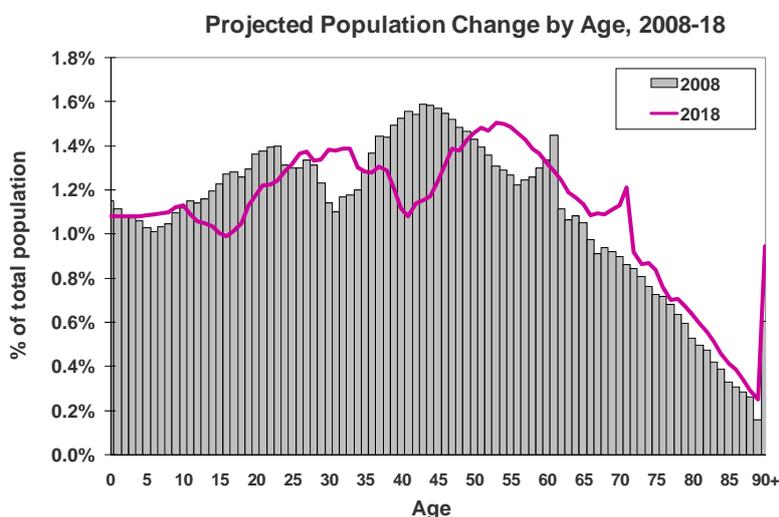
Source: GRO (Scotland); GAD (GB)

Population Projections, 2008-18				
	2008	2018	Change 2008-18	
			No.	%
Scotland	5,168,500	5,359,800	191,300	3.7%
GB	59,618,300	63,749,400	4,131,200	6.9%

The age profile of Scotland's population is expected to continue to change over the coming decade. In particular, the aging of the population experienced in recent years is expected to continue. The bars in Chart 5.6 show the current age profile of the population, whilst the line shows the expected age profile in 2018.

Chart 5.6

Source: GRO (Scotland)



The 'aging' population that has occurred throughout Scotland in recent years is expected to continue over the decade ahead. By 2018, there are expected to be fewer teenagers and young adults in their early 20s, as well as fewer people aged 35-45. Conversely, substantial increases are expected across all age groups over the age of 50. The proportion of the population that are aged over 50 is predicted to increase from 36% in 2008 to 40% by 2018.

5.4 Conclusions – Population

- **The long-term decline in Glasgow’s population has reversed and the total population of the city has been growing since the turn of the decade.** This growth appears to have accelerated in recent years.
- **The recent upturn in the city’s population can be mainly attributed to increased in-migration,** which has managed to offset natural decline. Support services designed to attract and retain migrant communities within the city may help support continued growth.
- Glasgow’s population is characterised by **many more young adults and fewer children and older residents, particularly those above retirement age, relative to Scotland as a whole.** The city has not experienced the same ageing of the population that has occurred throughout many other areas in Scotland in recent decades.
- If Glasgow is to contribute to Scotland’s target of matching EU-15 population growth over the coming decade, **population growth will need to increase at a much faster rate than it has in recent years.**
- Measures that could be used to help achieve a faster rate of population growth include continued development and support for projects such as Clyde Waterfront, which have a significant new housing component. In addition, **the hosting of the Commonwealth Games in 2014 will offer a unique opportunity to promote the city on a global scale, as well as leaving a legacy of new housing.**
- Scotland’s population is expected to continue to increase over the decade ahead, though at a slower rate than the growth expected for GB. **The ‘aging’ of the population experienced in recent years is expected to continue, with the greatest population increases expected amongst those over the age of 50.**

6. Ensuring that Growth is Shared & Sustainable

The Government Economic Strategy identifies a set of desired characteristics for equitable economic growth in Scotland. These fall under the categories of:

- Solidarity
- Cohesion
- Sustainability

This section looks at the performance of Glasgow in relation to each these desired characteristics.

6.1 Solidarity

The Scottish Government has identified *persistent levels of inequality* as one of the biggest challenges facing the economy. The GES sets a specific target **to increase overall income and the proportion of income earned by the three lowest deciles as a group by 2017**.

There is no data available with which to track progress towards this specific indicator at local authority level. This section looks at some broader income measures for Glasgow and covers:

- Earnings
- Household Income

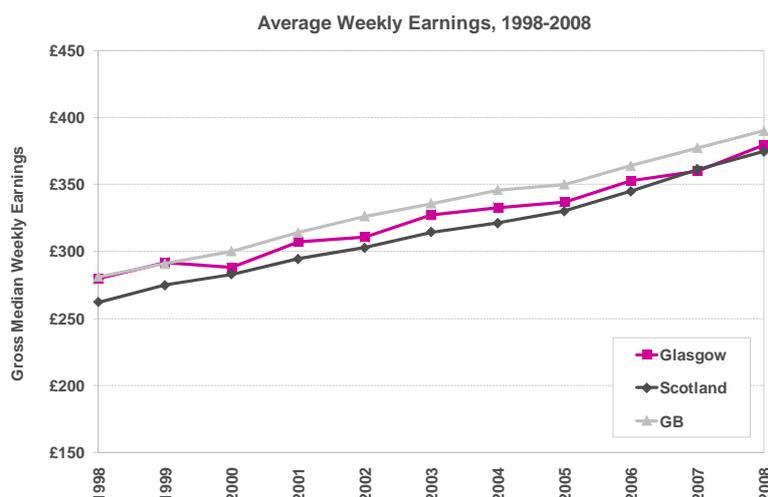
6.1.1 Earnings

Chart 6.1 shows that the average weekly earnings of those working in Glasgow were £379 in 2008⁵. This was slightly above the equivalent figure for Scotland (£375), but below that of GB (£390).

It should be noted that these figures refer to the earnings of those whose jobs are located within Glasgow, rather than the earnings of residents. The average earnings of those living in Glasgow (£364) were lower than those working in the city (£379) in 2008, suggesting that commuters to Glasgow are disproportionately concentrated within higher paying jobs.

Chart 6.1

Source: ASHE



There was an increase of 36% in the average earnings of those working in Glasgow between 1998 and 2008. This was slower than the equivalent growth rates for both Scotland and GB

⁵ These figures are **workplace-based** – that is, they refer to the average earnings of all those employed in Glasgow rather than the average earnings of residents.

over the period (+43% and +39% respectively). In 1998, average earnings in Glasgow were in line with GB and above the Scottish average. However, the slower growth rate achieved over the past decade has led to average earnings in the city falling behind the GB level.

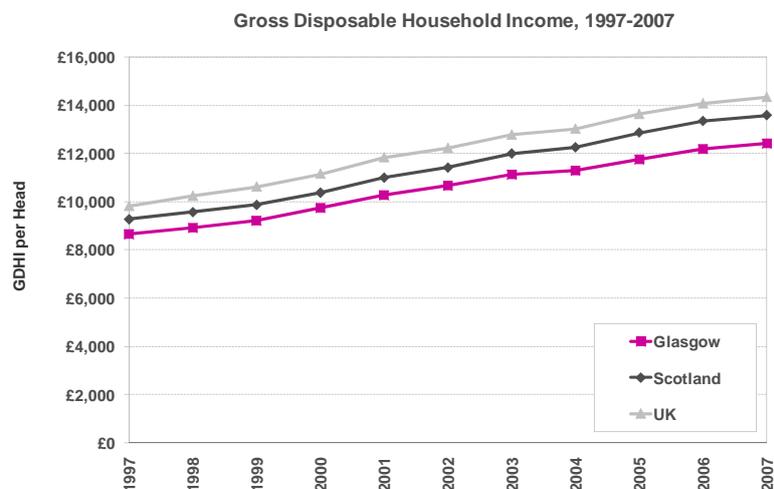
6.1.2 Household Income

Average weekly earnings only covers those in work. Gross Disposable Household Income (GDHI) is a measure of the total amount of money available to each person in the average household after taking account of all types of income, and allowing for essential financial outgoings.

The average GDHI figure for Glasgow in 2007 was £12,400 per person. This was below the Scottish average of £13,600 and well below the UK figure of £14,300. In fact, Glasgow's GDHI per person was just 87% of the UK average in 2007.

Chart 6.2

Source: ONS



The average level of GDHI per person in Glasgow increased by 43% between 1997 and 2007. This was slightly slower than the equivalent growth rate of 46% for both Scotland and the UK, meaning that the gap in household income between the city and the national averages has widened in recent years.

6.2 Cohesion

The GES identifies low participation rates in some regions as a drag on Scotland's overall economic performance. The Cohesion target focuses on the need to address regional disparities in labour market performance and sets a specific target **to narrow the gap in participation between Scotland's best and worst performing regions by 2017.**

This section looks at the level of cohesion within Glasgow and covers:

- Participation
- Deprivation

6.2.1 Participation

The indicator identified within the National Performance Framework for measuring progress towards the GES cohesion target is the employment rate. The extent of progress will be measured by the reduction in the percentage difference between the three local authority areas with the lowest rate and the three with the highest rate.

Table 6.1 shows the three Scottish local authorities that had the highest employment rates, and the three that had the lowest, in 2009. It shows that, at 65.5%, Glasgow had the lowest employment rate of all 32 Scottish local authorities in 2009. The city will therefore have a key role to play to help achieve the national cohesion target.

Table 6.1

Source: Annual Population Survey

Highest & Lowest Employment Rates in Scottish LAs			
	Local Authority Area	Rate 2009 (%)	Ranking 2009
Top 3	Orkney Islands	85.7	1
	Shetland Islands	85.5	2
	Moray	83.1	3
Bottom 3	Clackmannanshire	70.0	30
	Dundee	69.1	31
	Glasgow	65.5	32

6.2.2 Deprivation

The Scottish Government's commitment to tackling poverty and social exclusion has led to the development of a broad approach to measuring deprivation at the local level that covers a wide range of factors such as education and housing. The current measure is the Scottish Index of Multiple Deprivation (SIMD), which is published every two years by the Scottish Government and was last updated in 2009.

Table 6.2 shows the number of data zones ranked within the most deprived 15% in Scotland for local authority areas across West Central Scotland in 2006 and 2009. The results show that deprivation is unevenly distributed around the country. Glasgow was home to almost a quarter (299) of the 15% most deprived neighbourhoods in Scotland in 2009. To look at this information in another way, over two-fifths (42%) of Glasgow's population lives in areas that are among the 15% most deprived in Scotland. **No other authority in Scotland has anything like the same concentration of deprivation.**

Table 6.2 compares the SIMD 2009 findings for local authorities in the region with those from the SIMD 2006. However, it should be noted that, due to methodological changes, the two data sets are not directly comparable. Furthermore, as it is a relative measure, areas with more data zones in the most deprived 15% in 2009 may not necessarily have become more deprived in absolute terms.

Bearing this in mind, the SIMD 2009 reported that there were 31 fewer data zones in Glasgow in the most deprived 15% in Scotland than the SIMD 2006. Despite issues with the comparability of the two datasets, it would appear that local measures to tackle poverty and social exclusion are having some impact on the city.

Table 6.2

Source: SIMD 2006 & 2009

Concentration of Deprivation in West Central Scotland, 2006 & 2009				
	Most deprived 15% of data zones, 2006		Most deprived 15% of data zones, 2009	
	No. of zones in each area	% of local population in these zones	No. of zones in each area	% of local population in these zones
East Ayrshire	28	18%	30	19%
East Dunbartonshire	3	2%	4	3%
East Renfrewshire	3	2%	5	4%
Falkirk	19	9%	20	9%
Glasgow	330	47%	299	42%
Inverclyde	42	36%	43	36%
North Ayrshire	33	18%	45	24%
North Lanarkshire	84	20%	90	20%
Renfrewshire	36	15%	41	17%
South Ayrshire	13	9%	19	13%
South Lanarkshire	56	14%	52	13%
West Dunbartonshire	33	27%	31	25%
Scotland	976	15%	976	15%

Please contact a member of the Slims Consulting team if you would like further analysis of the SIMD 2009 results for local authority areas across Scotland.

6.3 Sustainability

The GES identifies the quality of Scotland's environment and natural heritage as a key asset and source of competitive advantage. It states that economic growth should not occur at the expense of this and has set a target **to reduce emissions over the period to 2011 and to reduce emissions by 80% by 2050.**

This section looks at Glasgow's performance in relation to sustainable growth and covers:

- CO² Emissions
- Waste Recycling

6.3.1 CO² Emissions

In 2007, Glasgow generated a total of 3,900kt of CO² emissions. This amounted to 6.7 tonnes per head of population, below both the Scottish and UK averages (7.8 and 8.4 respectively). Part of the reason for Glasgow's relatively low emission rate is the lack of heavy industry now located within the city. Large manufacturing plants in particular tend to generate large volumes of emission.

Table 6.3 shows how CO² emissions are disaggregated by sector in Glasgow, relative to Scotland and the UK. It shows that industrial and commercial activities account for a slightly lower share of emissions from the city than across Scotland and the UK.

There was a fall of 2.3% in the total level of emissions from the city between 2005 and 2007. This was in contrast to an overall increase of 1.6% across Scotland. The city is therefore on the right course to make a positive contribution to the national target.

Table 6.3

Source: DEFRA

CO ² Emissions 2007					
	Total Emissions (kt)	% Industry & Commercial	% Domestic	% Road Transport	% Change 2005-07
Glasgow	3,900	43%	34%	23%	-2.3%
Scotland	40,400	47%	34%	28%	1.6%
UK	513,200	45%	28%	27%	-1.8%

Columns do not sum to 100% as allowance is taken off for emission limitation activity e.g. forestry

6.3.2 Waste Recycling

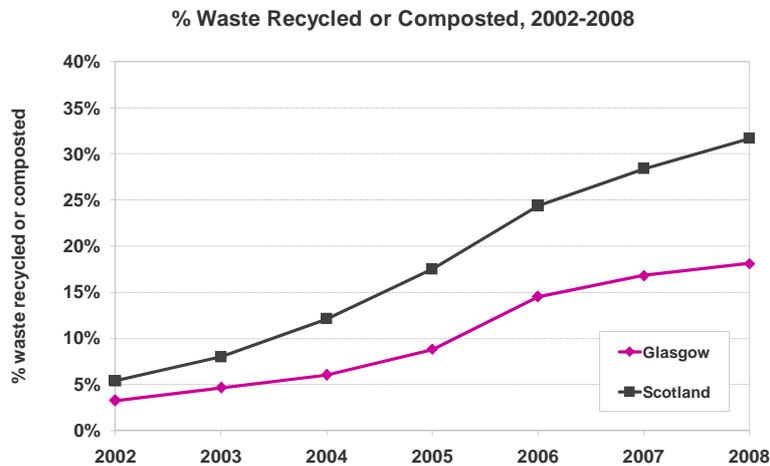
The Scottish Government have announced their commitment to reducing the amount of waste currently sent to landfill. In relation to this, they have set long-term targets **to increase the level of waste recycled or composted to 70%, and to decrease the levels sent to landfill to just 5%, by 2025**. In addition to the longer term target, the Scottish Government has also set an interim target for **40% of all waste to be recycled or composted by 2010**.

Chart 6.3 shows recent change in the proportion of waste recycled or composted within Glasgow and Scotland. In 2008, 18% of all waste from Glasgow was recycled or composted, compared to the equivalent figure of just 3% in 2002. However, this remains some way below the national average of 32%.

The chart does show substantial increases across both Glasgow and Scotland in terms of the proportion of waste being recycled or composted. This upward trend will need to be maintained if the 70% target is to be achieved.

Chart 6.3

Source: SEPA



6.4 Conclusions – Ensuring Growth is Shared and Sustainable

- The average earnings of those working in Glasgow are higher than across Scotland as a whole. However, the earnings of Glasgow residents are below the national average, suggesting that **many of the highest paying jobs in the city are taken by in-commuters**.
- Average household income levels in Glasgow were just 87% of the UK average in 2007. This suggests that the city has **more to do in terms of addressing poverty and social exclusion**.

- **Glasgow has the lowest employment rate of all 32 Scottish local authorities.** It will therefore have a key role to play to help achieve the national cohesion target of reducing disparities in labour market participation levels across the country.
- The findings from the SIMD 2009 suggest that **Glasgow has made some progress in recent years in terms of addressing deprivation and social exclusion.** The city had fewer data zones ranked amongst the 15% most deprived in Scotland in 2009 than in 2006. However, it also showed that **Glasgow still has by far the highest concentration of deprivation of all local authority areas in Scotland.**
- **The level of CO² emissions per head from Glasgow is below the Scottish average.** This is to be expected from a predominantly service-based economy, which has relatively low levels of manufacturing and heavy industry. There has been a decline in the overall level of CO² emissions from Glasgow in recent years, in contrast to an increase across Scotland as a whole.
- In 2008, 18% of all waste from Glasgow was recycled or composted. Whilst this represents a significant increase from the level of just 3% in 2002, **it remains some way below the Scottish average of 32%.** The level of waste from the city that is currently recycled or composted would need to double to achieve the Scottish Government target of 40% by 2010.

7. Impact of the Recession

7.1 Recent Evidence

In January 2010, the publication of official GDP data for the UK signalled that the UK economy had returned to growth of 0.1% in the last quarter of 2009. This heralded the official 'end' of **one of the longest and most severe recessions in the UK economy since the end of the second world war:**

- Since the start of the recession in early 2008, **the UK economy contracted by 6.2% over 18 months;**
- Scottish GDP started to decline one quarter later, but **fell by 6.3% in the 15 months from April 2008.**

Across Scotland, the recession has resulted in:

- **A rapid increase in the number of JSA claimants:** between April 2008 and December 2009 there was an increase of more than 60,000 (+82%) in the total number of JSA claimants in Scotland. As a result, the claimant rate increased from 2.3% to 4.1%.
- **More Professionals claiming unemployment benefits:** like the recession of the 1990's, this recession has seen a rise in 'white collar unemployment'. There are many professionals, such as lawyers, architects and chartered surveyors, working in the hardest hit sectors such as financial services and construction. Across Scotland, the percentage rise in JSA claimants has been the greatest in managerial, professional and skilled trade occupations.
- **Fewer job opportunities:** falling consumer demand and restricted credit conditions means that many businesses have been either making redundancies or 'shelving' recruitment until a later date. There were 1,600 fewer vacancies notified to job centres in Scotland in December 2009 than in the same month the previous year, a fall of 8%.
- **More unemployed people competing for fewer jobs:** in December 2008, there were five JSA claimants to every vacancy notified to job centres across Scotland. By December 2009, this ratio had increased to 7:1.
- **A slump in the number of house sales:** in November 2009, around 6,700 houses were sold across Scotland – 38% fewer than in April 2008.
- **Fewer houses being built:** between Q2 2008 and Q2 2009, house building by both private and local authority developers fell dramatically. The number of developments which started work on-site fell by 55%, whilst the number of house building completions fell by 22%.

7.2 Drivers of the Recession

The drivers of the recession are complex and open to significant debate amongst economic commentators, particularly in terms of 'what came first' and 'which was the most important'. Nevertheless, there is broad consensus that a number of factors in combination drove the UK and Scottish economies into recession:

- **Rising commodity and oil prices** through 2007 and early 2008 stoked inflationary pressure in the world economy and limited scope for interest rate cuts, which in retrospect may have been useful.

- **Systematic collapse of confidence in the world financial system** typified by the collapse of Lehman Brothers in September 2008 and the effective nationalisation of HBOS and RBS by the UK government to avoid their collapse.
- **The bursting of the UK housing market bubble** where house prices in some parts of the UK had more than doubled in five years.
- **Significant losses of personal wealth, equity and savings** as stock markets and the housing markets tumbled.

The nature of this recession has been significantly different from other recessions (for example the 1980s) and has some particular characteristics that have influenced the impact it has had on the economy:

- **The speed and synchronicity of the recession has been unprecedented** in modern times with the entire developed – and most of the developing – world moving into recession at the same time.
- **Banking has been at the heart of the crisis** and this has led to a massive tightening of capital available for lending and the rates at which that lending is available. This has impacted on:
 - **Consumers** who have been cutting debt and increasing savings;
 - **The commercial property sector** which has found it extremely difficult to secure capital for new projects;
 - **The residential property sector** that has faced a double hit with restrictions on the availability of finance for development and the lack of availability of mortgages to fund acquisitions by purchasers; and
 - **Business in all sectors** that have been reliant on bank funding and overdrafts to fund working capital – quite often growing businesses.
- **The scale of the policy response by government has been rapid and enormous** and, whilst economic catastrophe may have been averted by increasing government debt to 14% of GDP, ‘bailing out’ the banks and introducing a demand stimulus, this will have implications for the medium term as the UK government reduces this debt by cutting spending.

7.3 Which sectors have been hardest hit?

Figure 7.1 below highlights some of the sectors that have been hardest hit by the recession in Scotland and is drawn from a recent presentation delivered by Slims Consulting. Whilst the recession has impacted on all sectors, the most visible impacts have been in financial services, property and construction and manufacturing. The retail sector has also been badly hit.

However, some elements of domestic tourism have remained strong. This is largely as a result of the weakness of Sterling, which makes the UK a ‘cheaper’ location to visit for incoming tourists and the Euro Zone more expensive for British tourists considering holidaying abroad. Similarly, the public sector has acted as a stabiliser with relatively few job losses to date. Indeed, economies that have larger shares of their economy in the public sector are likely to have been less severely impacted by the recession so far.

Figure 7.1

Source: Slims Consulting



7.4 Labour Market Impacts

The current recession has led to increased unemployment and jobs losses across Scotland, with no area left unaffected. It is too early to make a definitive assessment of the impact of the recession on economic output and job numbers, due to a time lag of 1-2 years in the release of the official statistics used to measure these. However, there is some emerging evidence available on the impact of the recession so far on labour market participation levels. This section provides analysis of some of this evidence and covers:

- Jobseekers Allowance (JSA) Claimants
- Jobcentre Plus Notified Vacancies
- Ratio of Jobseekers to Vacancies
- Labour Market Participation

7.4.1 Jobseekers Allowance (JSA) Claimants

There were 23,100 JSA claimants in Glasgow in October 2009. This was 48% more than the total of 15,600 for the same month the previous year, as shown in Table 7.1. Across Scotland and GB, the number of JSA claimants also increased by 55% and 63% respectively.

The JSA claimant rate in Glasgow was 5.9% in October 2009, up 1.9 percentage points from the previous year. This was a greater increase than across Scotland and GB, meaning that the claimant rate in Glasgow moved even further ahead of the national averages over the period.

Table 7.1

Source: DWP

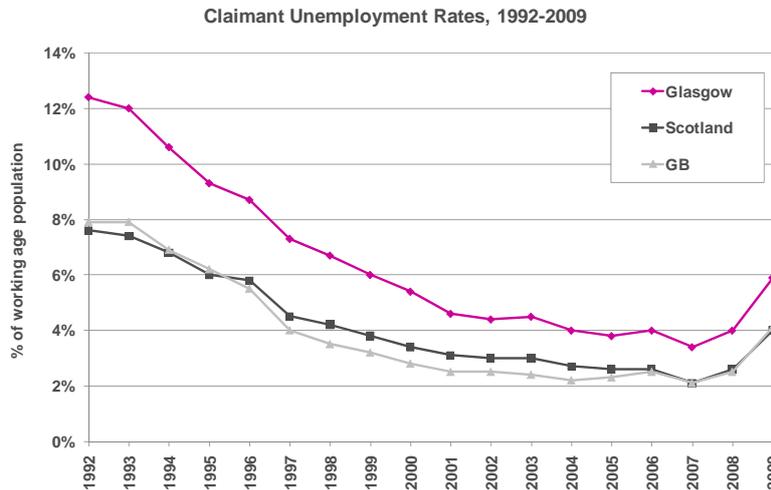
JSA Claimants 2008-2009						
	JSA Claimant Totals			JSA Claimant Rates (%)		
	Oct-08	Oct-09	Change 2008-09	Oct-08	Oct-09	Change 2008-09
Glasgow	15,600	23,100	48%	4.0	5.9	1.9
Scotland	83,400	129,500	55%	2.6	4.0	1.4
Great Britain	939,900	1,529,800	63%	2.5	4.1	1.6

Chart 7.1 shows that the claimant rate in Glasgow, Scotland and GB fell considerably throughout the 1990s and the early part of this century, though the claimant rate in Glasgow has been consistently higher than the national averages throughout this period.

The chart shows that JSA claimant rates in Glasgow, Scotland and GB are now at their highest level in a decade. Furthermore, it is likely that this rise in claimant unemployment has yet to peak. Most economic forecasters are predicting a return to jobs growth within the next 12-18 months. However, there will be a delay before this filters through to the claimant count meaning that unemployment is likely to continue to rise for the next 2-3 years.

Chart 7.1

Source: DWP



7.4.2 Jobcentre Plus Notified Vacancies

In October 2009, a total of 4,480 vacancies were notified to job centres across Glasgow. This was 34% lower than the equivalent figure for the same month in the previous year, as shown in Table 7.2. This decline in notified vacancies demonstrates the scale of the impact of the recession on available job opportunities in the city. The decline was faster than across both Scotland (-20%) and GB (-5%).

Table 7.2

Source: Jobcentre Plus

	Jobcentre Notified Vacancies 2008-2009		
	Oct-08	Oct-09	Change 2008-09
Glasgow	6,740	4,480	-34%
Scotland	33,510	26,690	-20%
GB	366,690	347,940	-5%

7.4.3 Ratio of Jobseekers to Vacancies

The recent increases in claimant unemployment taken together with the fall in the number of advertised job vacancies, has led to a substantial increase in the ratio of jobseekers to vacancies. In October 2009, there were 5 Jobseekers Allowance claimants for every vacancy notified to jobcentres in Glasgow. This compares with a ratio of 2:1 in 2007, when the claimant rate was at its lowest level in two decades.

In short, there are fewer vacancies and more people applying for them, making it a very competitive jobs market. This has clear implications for the long-term workless, as well as those facing other barriers to work, as they are likely to be even further towards the back of the queue for jobs. Glasgow has made good progress in recent years in terms of addressing long term worklessness. **The challenge will be to ensure that provision is in place to support these new entrants to the unemployment register, whilst a focus on addressing long term worklessness is maintained.**

7.4.4 Labour Market Participation

So far, this section has focussed on the rise in JSA claimants, combined with the increase in vacancies notified to job centres. However, this is only a partial measure of the impact of the recession on labour market participation levels. Many people who become unemployed do not make a claim for unemployment benefit for a range of reasons, including:

- They are not eligible due to their overall level of household income;
- They choose not to make a claim in the hope that they will find work again soon;
- They feel that there is a certain stigma attached to claiming the benefit and therefore choose not to; or
- They decide to drop out of the labour market altogether and therefore become economically inactive.

Table 7.3 shows recent change across some of the broader measures of labour market participation in Glasgow, relative to Scotland and GB. The key messages from this analysis are that:

- The employment rate of the city fell by 2.5% over the 12-month period, much faster than the equivalent decreases of less than 1% across both Scotland and GB;
- The economic inactivity rate increased by around the same amount as the unemployment rate, suggesting that many people are choosing to leave the labour market altogether;
- This was in contrast to the trend across Scotland and GB, where there was little change in economic inactivity levels over the period; and
- The self-employment rate in Glasgow increased by 0.3%, which could indicate that many residents are looking for alternative ways to earn a living as a result of the contraction in the jobs market.

Table 7.3

Source: Annual Population Survey

Labour Market Participation, 1st Quarter 2008-2009			
	2008	2009	Change 2008-09
Glasgow			
Employment Rate	68.0	65.5	-2.5
Unemployment Rate	6.6	8.1	1.5
Economic Inactivity Rate	27.2	28.8	1.6
Self-employment Rate	6.3	6.6	0.3
Scotland			
Employment Rate	76.2	75.4	-0.8
Unemployment Rate	4.7	5.5	0.8
Economic Inactivity Rate	20.1	20.3	0.2
Self-employment Rate	7.7	7.6	-0.1
GB			
Employment Rate	74.5	73.9	-0.6
Unemployment Rate	5.3	6.4	1.1
Economic Inactivity Rate	21.3	21.1	-0.2
Self-employment Rate	9.4	9.1	-0.3

NB: all figures refer to % of working age population

7.4.5 Conclusions – Labour Market Impacts

- There has been a rapid increase of almost 50% in the total number of JSA claimants in Glasgow over the past 12 months taking the claimant rate to the highest level since the turn of the century;
- This has coincided with a contraction in the jobs market, demonstrated by the notable reduction in the number of vacancies notified to job centres which has resulted in a ratio of 5:1 in the number of jobseekers to vacancies;
- However, this is only a partial measure of the impact of the recession on the labour market. Analysis of wider participation measures suggests that Glasgow has seen an increase in both unemployment and economic inactivity over the past 12 months;
- There appears to have been a small increase in self-employment in Glasgow since the start of the recession. Increased entrepreneurialism can be common during times of recession as some people look for alternative ways to earn a living and could offer an opportunity.

7.5 Looking to the Future

7.5.1 Recovery

Data published by the ONS in January 2010 confirmed that the UK economy grew by 0.1% in the three months to December 31st 2009. Whilst this data may be revised upwards or downwards, the media have heralded the 'end of the UK recession'. Data on Scottish output will follow in the next couple of weeks.

However, this 'return to growth' does not mean that the UK and Scottish economies will cease facing problems. In line with previous recessions, unemployment is expected to continue to rise over the coming 12 months. Corporate failures are also likely to continue, with previous experience suggesting that corporate insolvency peaks some 12-18 months after the end of a recession.

There is strong evidence that the pace of recovery will be slow and protracted. The recently published Fraser of Allander Institute Economic Review points to a number of reasons for this:

- **Households have been and are likely to continue to reduce debt and increase savings.** This means that consumer demand will remain weak and consumption accounts for 70% of the economy.
- Companies similarly faced with high debt levels and declining demand are also **running down debt and cutting back significantly on investment.**
- The impact of the fiscal stimulus and the bringing forward of public investment means that, whilst government spending has been strong throughout the recession so far, **it is likely to weaken considerably after 2010-11.**
- The public sector, which has acted as a stabiliser in terms of jobs, **is likely to contract from 2010 onwards.**
- **Export markets remain fragile** with the IMF forecasting an 11% decline in world trade during 2010.
- **Even as demand growth recovers there is concern that the banking sector has insufficient equity capital** (or incentive) to enable credit to be supplied on a sufficient scale to support the recovery.

- Taken together, this means that **there is a medium risk of the economy suffering a 'double dip' recession**, with recovery stalling after a couple of quarters of positive growth.

7.5.2 Employment Forecasts

The most recent employment forecasts from Oxford Economics (produced in May 2009) predict that there will be a total of 18,400 jobs lost in Glasgow as a result of the recession. This will amount to an overall decline of 4.4% between 2008 and 2011, which is higher than the expected falls of 3.9% for Scotland and 4.2% for the UK.

Chart 7.2 shows that a return to jobs growth is expected for Glasgow and Scotland from 2012 onwards. Across the UK, a modest return to jobs growth is expected from 2011 onwards. The impact of the recession is expected to be more severe in Glasgow than across Scotland, but the pace of recovery in the city is expected to be faster than across the country as a whole, though slower than across the UK. It is expected that employment in Glasgow will return to its 2008 peak by around 2015. Across Scotland, employment is not expected to return to 2008 levels until at least 2017.

Chart 7.2

Source: Oxford Economics

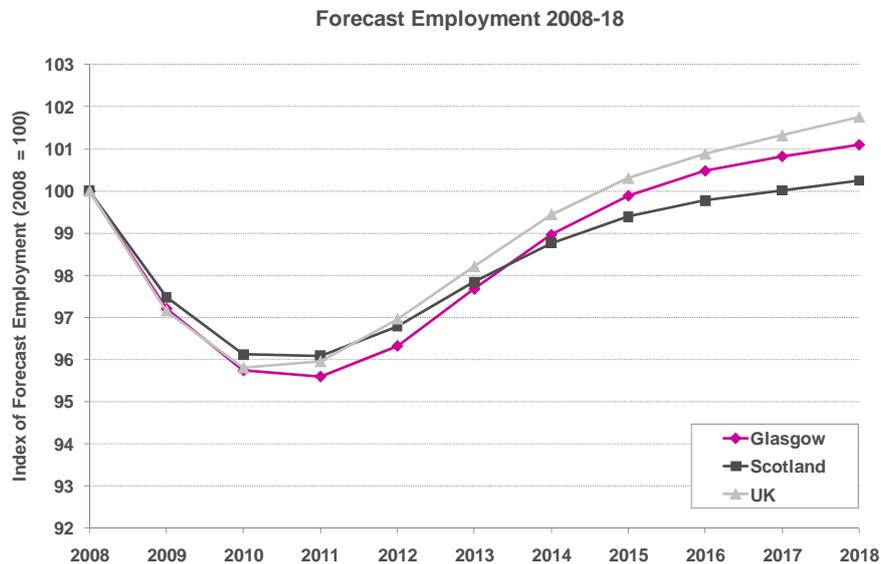
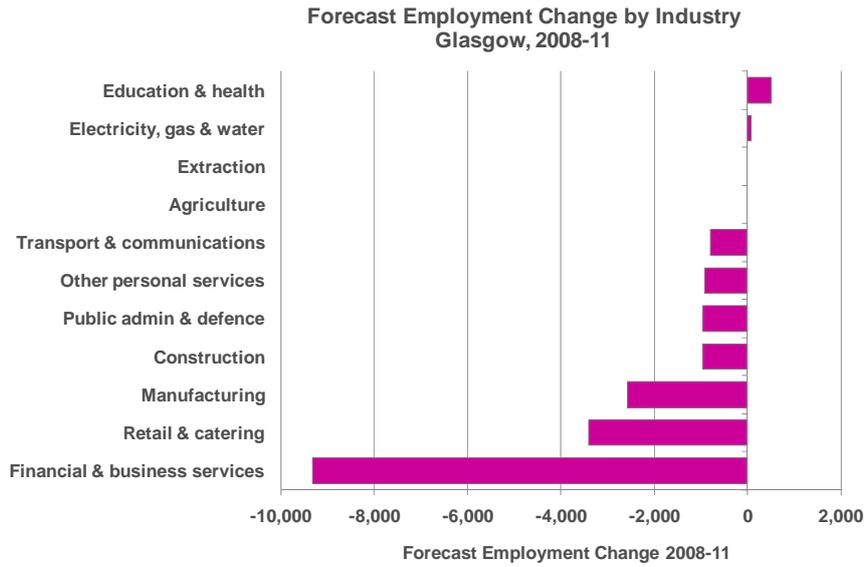


Chart 7.3 shows forecast employment change by industry in Glasgow between 2008 and 2011. The industry that is expected to be most severely impacted by the recession in the short term is financial & business services, which is expected to lose over 9,000 jobs by 2011. Retail & catering (-3,400 jobs) and manufacturing (-2,600) are also expected to experience substantial job losses as a result of the recession. Education & health is the only industry expected to continue to experience growth in the short term.

Chart 7.3

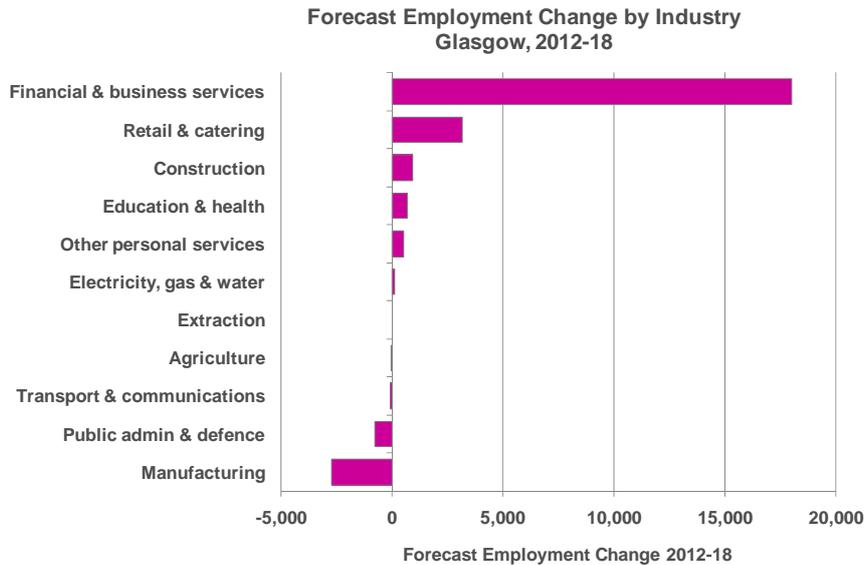
Source: Oxford Economics



A return to employment growth is expected from 2012 onwards. Chart 7.4 shows that this growth will predominantly be driven by the financial & business services sector. There is also expected to be some growth in retail & catering over the longer term. Manufacturing is expected to continue its long term trend of decline and there are also expected to be some job losses within public administration & defence as a result of the expected budget cuts across the public sector.

Chart 7.4

Source: Oxford Economics

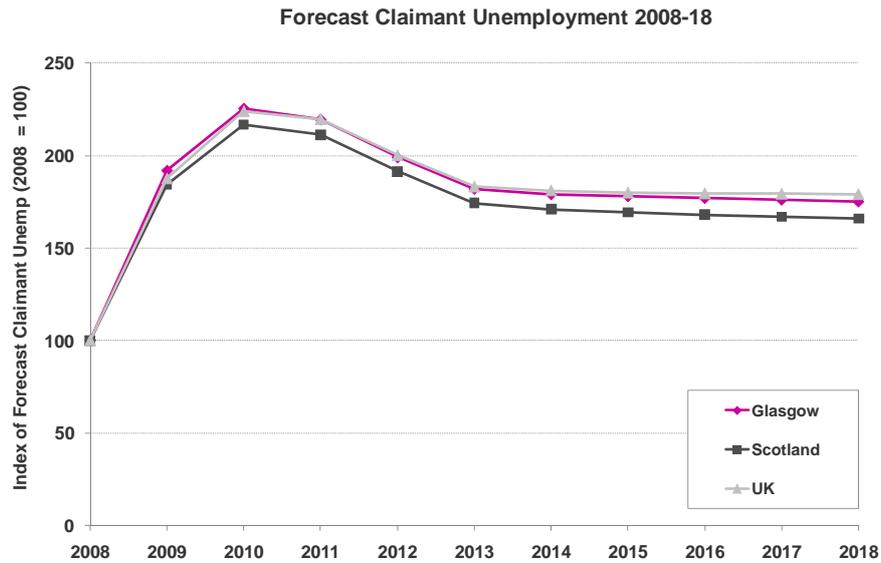


7.5.3 Forecast Claimant Unemployment

Chart 7.5 shows forecast change in claimant unemployment in Glasgow, Scotland and the UK between 2008 and 2018. The total number of claimants in Glasgow is expected to more than double between 2008 and 2010. The return to jobs growth from 2011 onwards will lead to a reversal of this upward trend. However, this is expected to be fairly protracted and the claimant total is not expected to return to 2008 levels until after 2018.

Chart 4.4

Source: Oxford Economics



7.5.4 Conclusions – Looking to the Future

This chapter has provided an overview of forecasts and prospects for the recovery from the recession. The key messages arising from this analysis are:

- **The recovery from the recession is expected to be slow and protracted** as consumer demand remains weak and companies and individuals continue to experience difficulties accessing credit. Furthermore, substantial budget cuts are expected across the whole of the public sector over the next couple of years which could lead to further job losses.
- Despite a reported return to modest growth within the UK economy in the final quarter of 2009, **there is the medium risk of a ‘double-dip’ recession with recovery stalling after a couple of quarters of positive growth.**
- **The impact of the recession on Glasgow is expected to be more severe than across Scotland and the UK** with a return to jobs growth not expected until 2012.
- However, as the recovery will be predominantly driven by the service sector, **Glasgow will outpace the national averages in terms of jobs growth from 2012 onwards and is expected to recover 2008 levels of employment by 2015.**
- The return to jobs growth will result in a reversal of the recent increases in JSA claimants. However, **claimant unemployment is expected to remain higher than in the recent past for the decade ahead.**

8. Towards a Wealthier and Fairer Glasgow

This report has taken a detailed look at Glasgow's performance in relation to the strategic objective set out in the Government Economic Strategy of creating 'A Scotland that is Wealthier & Fairer'. This final section summarises the main findings from this analysis, provides an assessment of the area's contribution towards achieving the targets set out in the National Performance Framework and highlights what this might mean in terms of the likely challenges for Glasgow.

Economic Growth

GES Target: to raise the country's economic growth rate to the UK level by 2011

- Through the late 1990s and early part of the century, Glasgow was outpacing Scotland and broadly matching the UK in terms of economic growth. However, following a slowdown in recent years, the growth rate in Glasgow is now below both the Scottish and UK averages meaning that **the city is currently falling short of the national growth target.**
- Economic growth in the city has been driven by the service sector, which now accounts for 82% of all output. **Financial & business services and the public sector in particular have experienced rapid expansion** since the mid-1990s.
- Manufacturing output has also been increasing, though at a much slower rate than that for services. This has occurred against a backdrop of rapidly declining employment in the sector, suggesting a **move within the industry towards higher value added activities.**
- The **value of foreign exports from Scotland increased by 4% between 2002 and 2007** largely as a result of a rapid increase in export sales from the service sector. It is likely that Glasgow has made a positive contribution to this performance given its status as Scotland's largest centre for services.
- **Employment growth in Glasgow has outpaced both Scotland and GB over the past decade**, with over 66,000 new jobs created in the city between 1998 and 2008. Again, it is financial & business services and the public sector that have largely driven this growth.

Productivity

GES Target: to rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017

- Despite substantial growth over the past decade, **there remains a productivity gap between Glasgow and the rest of Scotland and GB.** The city is therefore currently falling somewhat short of achieving the national productivity target.
- Productivity levels within the industrial sector are higher than in services. The Glasgow economy is dominated by service sector activities, which explains the comparatively low productivity levels in the city.
- Glasgow specialises in two of the Key Sectors identified within the Government Economic Strategy as offering the most potential to contribute to sustainable economic growth in Scotland – **financial services and creative industries.** The city also has an above average level of specialisation within **shipbuilding**, one of Scottish Enterprise's Other Growth Sectors.

- Glasgow has a lower number of businesses per head than Scotland and GB as a whole. Furthermore, growth in the VAT-registered business base in Glasgow has lagged behind the national averages over the past decade. **An increase in the business start up rate is likely to be required in order to address this.**

Labour Market Participation

GES Target: *to maintain our position on labour market participation as the top performing country in the UK and close the gap with the five top OECD countries*

- The number of Glasgow residents in work has been growing rapidly, but the employment rate of the city remains well below the national averages and the lowest of all local authority areas in Scotland. **The rate of improvement achieved over the past decade will need to continue if the city is to help achieve the national participation target.**
- There is emerging evidence of the impact of the recession on labour market participation levels in Glasgow with **recent increases in recorded unemployment and economic inactivity**. This resulted in a fall in the employment rate in 2009 for the first time since the turn of the century.
- Interventions designed to address long term worklessness in Glasgow appear to have had some success with notable reductions in the numbers dependent on welfare benefits since the turn of the century. However, as with most areas across the UK, there has been a **rapid increase in the number of Jobseekers Allowance claimants over the past 12 months** as a result of the impact of the recession.

Population

GES Target: *to match European (EU-15) population growth over the period from 2007 to 2017*

- Glasgow's population has been growing steadily since the turn of the century, following a long period of decline. **This recent growth will need to accelerate if the city is to contribute to the national growth target.**
- The reversal of population decline in Glasgow has been **mainly driven by increased in-migration to the city**. However, natural change (that is, the difference between births and deaths) has also turned positive recently making a contributing to growth.
- Glasgow's population is characterised by an above average proportion of young adults, and fewer children and older residents, relative to Scotland as a whole. The city has not experienced the same ageing of the population that has occurred throughout many other areas in Scotland in recent decades.

Ensuring that Growth is Shared & Sustainable

GES Targets:

Solidarity: *to increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017*

Cohesion: *to narrow the gap in participation between Scotland's best and worst performing regions by 2017*

Sustainability: *to reduce emissions over the period to 2011 and to reduce emissions by 80% by 2050.*

- The average earnings of those whose job is located in Glasgow are above the Scottish average. However, the average earnings of city residents fall below that national average suggesting that **many of the highest paying jobs in Glasgow are taken by non-city residents.**
- Average household income levels in Glasgow were just 87% of the UK average in 2007 and this gap has widened over the past decade. **This suggests that more needs to be done to reduce income disparities in the city.**
- Despite a substantial improvement in recent years, **Glasgow still has the lowest employment rate of all local authority areas in Scotland.** The city will therefore have a key role to play to help achieve the national cohesion target.
- There is evidence to suggest that **efforts to tackle social exclusion and deprivation in Glasgow have been having some effect.** In 2009, there were 31 fewer data zones in Glasgow ranked amongst the 15% most deprived in Scotland than in 2006. However, a **challenge remains in that the city still has the highest concentration of multiple deprivation of all local authority areas in Scotland.**
- The **lack of heavy industry now located within Glasgow is demonstrated by the city's low CO² emission rate relative to Scotland as a whole.** The level of emissions from the city has been falling in recent years in contrast to growth across Scotland. This means that the city is currently making a positive contribution to the sustainability target.
- Glasgow **performs less well when looking at the proportion of waste that is recycled or composted which, at just 18%, is around half the Scottish average.** This will need to improve if the city is to help contribute to the national target to increase the level of waste recycled or composted to 70% by 2025.

Key Challenges

The analysis contained within this report has highlighted some **potential** future challenges facing Glasgow in terms of creating a **Wealthier & Fairer** society and making a positive contribution to the targets set out in Scotland's Economic Strategy. These include:

- Continuing to **attract and retain high value added jobs within the city**, particularly in the key and other growth sectors within which the city specialises, in order to close the current productivity gap with the rest of the UK.
- **Increasing levels of entrepreneurialism** in order to improve the business birth rate and raise business density levels in the city to a level more in line with the national averages. The recession may offer an opportunity in this area as people look for alternative ways to earn a living as a result of the contraction in the jobs market
- The challenge for Glasgow in terms of labour market participation will be to **maintain a focus on addressing long term worklessness in the city, whilst also ensuring that there are suitable services in place to deal with the large volumes of new entrants to the unemployment register.**
- Continuing the city's excellent record in local area regeneration in order to build on the recent successes in terms of **addressing the deep seated geographical concentrations of deprivation which remain widespread throughout the city.** This should in turn help to reduce benefit dependency and income disparities across the city.
- **Maintaining population growth is likely to continue to be a challenge**, although measures to attract and retain new migrants and continued support for new housing developments may help contribute to this.

Appendix 1 – SIC Definitions of Key and Other Growth Sectors

Key Sector: Energy	
SIC	Description
10	Mining of coal & lignite, extraction of peat
11	Extraction of crude petroleum & natural gas: Related service activities
23	Manuf of coke, refined petroleum products & nuclear fuel
40	Electricity, gas, steam & hot water supply
41	Collection, purification & distribution of water

Key Sector: Financial Services	
SIC	Description
65	Financial intermediation, except insurance & pension funding
66	Insurance & pension funding, except compulsory social security
67	Activities auxiliary to financial intermediation

Key Sector: Food & Drink	
SIC	Description
15	Manuf of food & beverages

Key Sector: Life Sciences	
SIC	Description
244	Manuf of pharmaceuticals, medicinal chemicals & botanical products
331	Manuf of medical & surgical equipment & orthopaedic appliances
731	Research & experimental development on natural sciences & engineering

Key Sector: Tourism	
SIC	Description
5510	Hotels
5521	Youth hostels and mountain refuges
5522	Camping sites, including caravan sites
5523	Other provision of lodgings not elsewhere classified
5530	Restaurants
5540	Bars
633	Activities of travel agencies and tour operators; tourist assistance activities not elsewhere classified
925	Library, archives, museums and other cultural activities
926	Sporting activities
927	Other recreational activities

Key Sector: Creative Industries	
SIC	Description
2211	Publishing of books
2212	Publishing of newspapers
2213	Publishing of journals & periodicals
2214	Publishing of sound recordings
2215	Other publishing (50%)
2231	Reproduction of sound recording (25%)
2232	Reproduction of video recording (25%)
2233	Reproduction of computer media (25%)
5248	Other retail sale in specialised stores (5%)
7221	Publishing of software
7222	Other software consultancy & supply
7481	Photographic activities (25%)
7487	Other business activities not elsewhere classified (2.5%)

9211	Motion picture & video production
9212	Motion picture & video distribution
9213	Motion picture projection
9231	Artistic & literary creation & interpretation
9232	Operation of arts facilities
9234	Other entertainment activities not elsewhere classified (50%)
9272	Other recreational activities not elsewhere classified (25%)
525	Retail sale of second-h& goods in stores (5%)
742	Architectural & engineering activities & related technical consultancy (25%)
744	Advertising
922	Radio & television activities
924	News agency activities

*Also includes 0.5% of 9 subsectors of clothing manufacturing -
SIC Codes **1771, 1772, 1810, 1821, 1822, 1823, 1824, 1830, 1930***

Other Growth Sector: Textiles

SIC	Description
17	Manuf of textiles
18	Manuf of wearing apparel; dressing & dyeing of fur
19	Manuf of leather & leather products
2954	Manuf of machinery for textile, apparel & leather production
5141	Wholesale of textiles
5142	Wholesale of clothing & footwear

Other Growth Sector: Aerospace, Defence & Marine

SIC	Description
1752	Manuf of cordage, rope, twine & netting
2830	Manuf of steam generators, except central heating hot water boilers
2911	Manuf of engines & turbines, except aircraft, vehicle & cycle engines
2960	Manuf of weapons & ammunition
3110	Manuf of electric motors, generators & transformers
3320	Manuf of instruments & appliances for measuring, checking, testing, etc.
3340	Manuf of optical instruments & photographic equipment
3511	Building & repairing of ships
3512	Building & repairing of pleasure & sporting boats
3530	Manuf of aircraft & spacecraft
7122	Renting of water transport equipment
7123	Renting of air transport equipment
7522	Defence activities

Other Growth Sector: Chemicals

SIC	Description
23	Manuf of coke, refined petroleum products & nuclear fuel
24	Manuf of chemicals & chemical products

Other Growth Sector: Construction

SIC	Description
1411	Quarrying of stone for construction
2030	Manuf of builders carpentry & joinery
2523	Manuf of builders ware of plastic
2640	Manuf of bricks, tiles & construction products, in baked clay
2651	Manuf of cement
2652	Manuf of lime
2653	Manuf of plaster
2661	Manuf of concrete products for construction purposes
2662	Manuf of plaster products for construction purposes

2663	Manuf of ready-mixed concrete
2664	Manuf of mortars
2665	Manuf of fibre cement
2666	Manuf of other articles of concrete, plaster & cement
2812	Manuf of builders' carpentry & joinery of metal
2952	Manuf of machinery for mining, quarrying & construction
4511	Demolition & wrecking of buildings; earth moving
4512	Test drilling & boring
4521	General construction of buildings & civil engineering works
4522	Erection of roof covering & frames
4523	Construction of highways, roads, airfields & sports facilities
4524	Construction of water projects
4525	Other construction work involving special trades
4531	Installation of electrical wiring & fittings
4532	Insulation work activities
4533	Plumbing
4534	Other building installation
4541	Plastering
4542	Joinery installation
4543	Floor or wall covering
4544	Painting & glazing
4545	Other building completion
4550	Renting of construction or demolition equipment with operator
5113	Agents involved in the sale of timber & building materials
5153	Wholesale of wood, construction materials & sanitary equipment
5154	Wholesale of hardware, plumbing & heating equipment & supplies
5182	Wholesale of mining, construction & civil engineering machinery
7132	Renting of construction & civil engineering machinery & equipment
7420	Architectural & engineering activities & related technical consultancy

Other Growth Sector: Forest Industries

SIC	Description
201	Forestry & logging
202	Forestry & logging related service activities
2010	Saw milling & planing of wood, impregnation of wood
2020	Manuf of veneer sheets; Manuf of plywood, laminboard, particle board, fibre board & other panels & boards
2030	Manuf of builders carpentry & joinery
2040	Manuf of wooden containers
2051	Manuf of other products of wood
2111	Manuf of pulp
2112	Manuf of paper & paperboard
2121	Manuf of corrugated paper & paperboard & of containers of paper & paperboard
2122	Manuf of household & sanitary goods & of toilet requisites
2123	Manuf of paper stationery
2124	Manuf of wallpaper
2125	Manuf of other articles of paper & paperboard not elsewhere classified