

Economy & Labour Market Briefing

1. Introduction

1.1. The purpose of this note is to review the available economic and labour market data that are relevant to Glasgow and to make some projections on what they mean for the city.

2. Short Term Indicators

2.1. These indicators give a regular and reasonably up-to-date summary of information. The more frequently used is unemployment as measured by Job Seekers Allowance claims, which is produced each month a month in arrears, giving an immediate impression of the state of the labour market.

- The November 2010 total of 24,375 is in fact a fall from the previous month but is still higher than November 2009 (23,360) and substantially more than the November 2007 total of 13,065 – just after Northern Rock crashed;
- As a rate unemployment stands at 5.9% of the working age population: higher than Leeds (4.1%) and Manchester (5.0%) but lower than Liverpool (6.5%) and Birmingham (6.8%).

Seasonally adjusted data is available at national but not local level. In addition it is best avoided as the recent differential impact of the recession has probably been more important than traditional cyclical influences of labour recruitment.

2.2. Vacancy data is also produced on a monthly basis, but is based on vacancies at jobcentres, which only cover roughly one-third of all vacancies. The November 2010 total of notified vacancies in Glasgow stood at 3,292, a fall from both the October 2010 figure (6,057) and the November 2009 figure of 4,684. The current figure is 29.7% lower than a year ago and shows a greater rate of decline than national levels (Scotland 22.1% lower, GB 5.8% lower). This discrepancy has to be of concern in spite of the reservations over the dataset.

2.3. House price data is available from the Registers of Scotland on a quarterly basis, a quarter in arrears, with the most recent for July-September 2010.

- Average residential property prices in Glasgow increased by 2.9% over the year, compared to a Scottish increase of 5.8%;
- House prices in Glasgow are still to recover and reach the levels at the peak of the boom: the current average of £143,255 is still below the second-quarter high of £150,209 in 2007-08 (Glasgow -4.6% lower);
- Scottish house prices have nudged ahead of the 2007-08 level (Scotland +2.1% higher; currently £163,360 compared to £159,953 in the second quarter 2007-08).

The Glasgow property market is therefore still to recover from the slump in sales, while the overall Scottish market has been more buoyant. The state of the flatted property market in Glasgow appears to be the main problem area.

2.4. Data is also available on new businesses bank accounts set up at clearing banks (BoS, RBS, LloydsTSB and Clydesdale), and the most recent is for July-September 2010. It shows that

- 447 new accounts were opened that quarter, an increase from 432 in the respective 2009;
- Glasgow's share of Scotland's total is 11.1% and has remained broadly stable (comparable 2009 was 11.2%).

The increase is reasonably positive indicator even though Glasgow's per capita business base is still lower than its expected level; given Glasgow's size (the city has 12.0% of Scotland's working-age population).

2.5. Data on the tourism sector is based partly on hotel occupancy rates and revenue, and is available on a monthly basis from Lynn Jones Research. The most recent data, for September 2010, shows that the occupancy rate has grown to 87%, a 6% rise on September 2009 and the highest level for a decade. The papal visit explains much of this buoyancy. Room yields, the standard measure of revenue per available room, are remaining relatively high despite the recession, with an increase of 15% over a 12 month period. Within the sector as a whole, there is less need to reduce prices to maintain levels of occupancy.

3. Medium Term Indicators

3.1. The Annual Population Survey (APS) reports quarterly but is between six and nine months in arrears; it gives an annualised update of information which in theory ought to make it less susceptible to fluctuations.

- The number of Glasgow residents aged 16-64 in employment fell to 250,300 (July 2009-June 2010) from 261,500 in 2008-09 and from a high of 270,000 in 2007-08;
- But it is only just lower than in 2006-07 (254,900) and higher than in 2005-06 (243,900).

While there has been a fall in residents in employment compared to recent years, the more positive sign is that to date overall gains have not been lost.

3.2. The APS also gives information on unemployment and those inactive looking for work. As expected from the JSA figures the APS-defined unemployment has been increasing, to 30,500 in July 2009-June 2010 from 25,700 in 2008-09 and 17,200 in 2007-08. These figures tend to be higher than the comparable annualised JSA figures and are higher for women rather than men, suggesting JSA undercounts female unemployment more than male unemployment.

3.3. Included in the APS is a category of people termed inactive but seeking work which are not counted as unemployed: this stands at 23,900 (July 2009-June 2010) and is lower than the 2008-09 level of 25,200. While the male number rose from 9,700 to 11,200; the female total fell from 15,500 to 12,700. While male unemployment and male inactive but seeking work have both increased, the smaller increase in female unemployment was accompanied by a larger decrease in women inactive but seeking work. The concern is that a large number of women are opting out of the labour market altogether as a response to the recession, which will make it more difficult for them to re-enter the labour market if employment levels recover.

3.4. Information on occupational structure is provided by the APS. It shows that

- Glasgow has a relatively low proportion of residents employed in managerial, professional and associate professional/technical occupations: 36.1% in Glasgow compared to 40.9% in Manchester and 43.6% in Leeds;
- In contrast, Glasgow is over-represented in sales & customer and personal service occupations (Glasgow 22.4%, Liverpool 18.3%, Bristol 15.1%), a category that appears vulnerable during a recession when consumer spending and confidence generally falls.

High levels of in-commuting help explain the low proportion of knowledge economy jobs, but the reliance on consumer-orientated jobs is a concern.

3.5. Data on overall worklessness is available around six months in arrears, and groups together JSA with other working-age benefits. Worklessness remains a major problem in Glasgow and appears linked to specific health-related issues that are disproportionately worse in Glasgow than elsewhere. The current (May 2010) rate of 24.6% of the population aged 16-64 is higher than in 2009

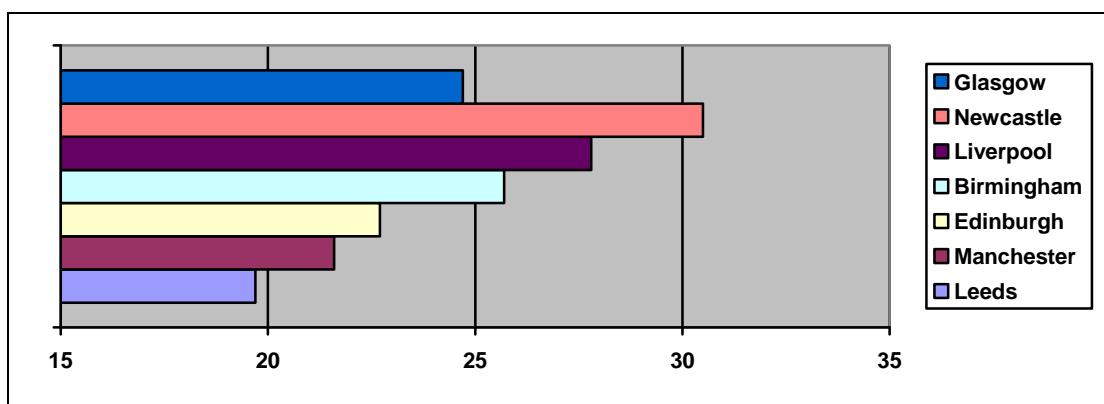
(24.4%), as expected as a result of the recession. It is however lower than in 2006 (25.3%) and a far cry from the rate at the start of the decade (30.9% in May 2000). While the change in rate is partly due to an increase in the working-age population, the data does suggest that the gains made in reducing worklessness have not been entirely reversed.

3.6. The Business Register and Employment Survey (BRES) provides details of employees in Glasgow, regardless of place of residence, and has been produced for 2008 and 2009. It is a useful indicator of the effect of the recession.

- Glasgow has 407,000 employees of which 284,500 are full-time and 122,500 part-time (69.9% and 30.1%);
- The respective 2008 figures were 420,900 employees of which 292,300 were FT and 128,600 PT (69.4% and 30.6%);
- This suggests a -3.3% fall in employees between 2008 and 2009, lower than the Scottish fall of -3.4% but higher than the GB fall of -2.9%;
- In Glasgow the impact has been greater on part-time employees, as while FT employee posts fell by -2.7%, PT positions fell by -4.7%;
- Region-wide, the impact of the recession appears greater in areas surrounding Glasgow, with the fall in employee numbers greater in West and East Dunbartonshire (-9.1% and -9.0%), Inverclyde (-8.0%) and Renfrewshire (-7.4%);
- Between 1998 and 2008 the number of jobs in Glasgow increased by 66,300 or by 19.1%: over the same period the comparable number of jobs in Scotland increased by 12.0%;
- One in four of the total new jobs in Scotland were located in Glasgow.

The historical data stands as a major feature in the city's favour, and illustrates the improvement in the labour market in Glasgow.

3.7. The ABI provides details on the relative size of the public and private sector. The recent Comprehensive Spending Review proposed cuts in public expenditure that will disproportionately affect areas with a large public sector employment base. Information from the Office for National Statistics gives the figure for Glasgow at 2008 as 24.7% of all jobs: higher than Manchester (21.6%) and Edinburgh (22.7%) but lower than in Birmingham (25.7%), Liverpool (27.8%) and Newcastle (30.5%). The highest rates in Scotland were in semi-rural and rural areas: Eilean Siar, West Dunbartonshire, Orkney & Shetland, Argyll & Bute, East Ayrshire and East Lothian all having rates higher than 30%. In terms of the UK the greatest concentration is in north-east England where Newcastle, South Tyneside, Middlesbrough, Durham, Wansbeck and Castle Morpeth all have 30%+ rates. Details for comparable cities are shown below.



3.8. The Annual Survey of Hours and Earnings provides information on salary levels at both residence and workplace measures. The most recent data is for 2010, and shows that the median workplace full-time gross annual salary in

Glasgow was £24,857, slightly below the Scottish median of £25,221. The data shows that salary levels in Glasgow fell by -1.3% between 2009 and 2010, while the Scottish level increased by 0.9% over the same period. This is a change from the previous trend, when workplace salary levels in Glasgow basically kept pace with Scottish rates.

3.9. Another contrast is between Glasgow residence salary levels, and the Scottish level; where the current Glasgow residence median of £23,540 is -6.2% lower than the Scottish median of £25,106. At least residential salary levels did not fall between 2009 and 2010 but while the Glasgow increase was +0.5%, the Scottish increase was +0.6%. Since the time series started in 2001 Glasgow's level has always been lower than the Scottish figure; but while the gap was narrowing between 2002 and 2008, in recent years the gap has been increasing.

4. Long Term Indicators

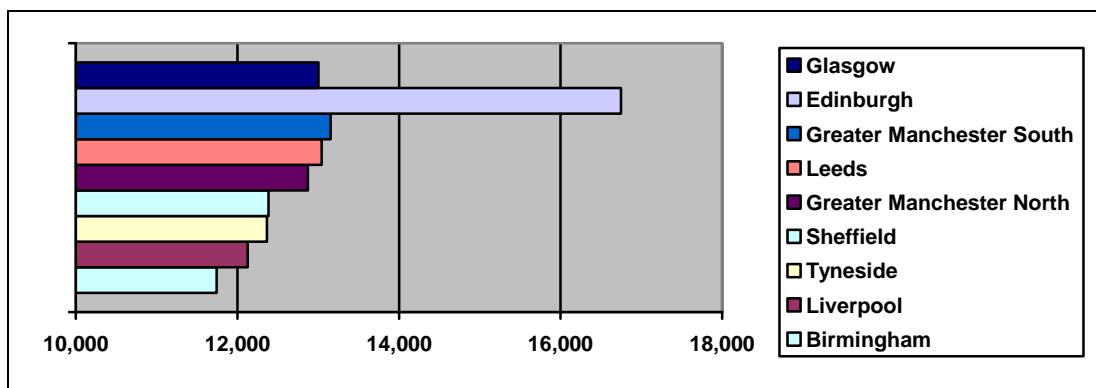
4.1. Statistics of Gross Value Added are produced each December two years in arrears and the current data is for 2008, before the full impact of the recession.

- Glasgow's estimate of £16,888 million was an increase of 4.9% on the previous year and higher than the overall increase Scottish rate of 3.7%.
- The city's share of overall Scottish GVA is 16.3% and is the highest since the dataset was issued in 1995, when the level was 14.9%.

Glasgow's relatively good position is in line with other indicators, which suggest that Glasgow was slow to be affected by the recession.

4.2. Data on gross disposable household income can be used to give a per capita estimate of available income in an area. It includes income from employment and property as well as from social benefits and investments, and subtracts from that income spent on property (ie housing costs) as well as current taxes on income and wealth, social security and pension contributions. The most recent data is for 2008.

- Per capita disposable income in Glasgow stood at £13,005: a 68.1% increase since the time series started in 1995; but 10.0% lower than the Scottish rate which itself increased by 73.0% over the same time period (at current prices);
- The gap between Glasgow and Scotland has widened since 1995, from 6.9% in 1995 to 10.6% in 2006, and then to the current gap of 10.0%;
- Glasgow's current level is higher than Birmingham (£11,742), Liverpool (£12,126), Tyneside (£12,364), Sheffield (£12,384) and Greater Manchester North (£12,873); and similar to Leeds (£13,045) and Greater Manchester South (£13,155); and Edinburgh is predictably higher (£16,747);
- Details are shown on the graph below.



Of concern is that Glasgow's increase in employment has failed to keep disposable income apace with Scottish levels; on the other hand, it compares favourably with other similar cities, and has been achieved with a considerable part of the working-age population inactive and on benefits.

4.3. Glasgow's share of Scotland's deprived population has been falling, as shown by the Scottish Index of Multiple Deprivation and trends comparing 2004 and 2009 levels. According to the 2009 SIMD, 41.9% of Glasgow's population lives in the bottom 1%-15% deprived datazones, compared to 53.3% in 2004. But if deprivation was distributed equally across Scotland then Glasgow's share would be 15%; so although major strides have been made to reduce deprivation in the city, it is still of huge concern to the city. Further analysis of the data also shows a pattern of huge change within the city: not only are areas moving out of the 15% deprivation category, there are also substantial moves up into other categories that show that other areas are improving. The downside is that there is a large core of extremely deprived areas in the bottom 1%-5% that show little sign of improvement.

4.4. Demographic trends suggest that along with other areas Glasgow's elderly population will increase in overall numbers and as a share of the overall population. But it is anticipated that this process will start later than for Scotland as a whole. In addition, Glasgow will continue to have a larger working-age component in the population compared to other areas.

- Glasgow's working-age population is projected to fall at a lower rate than elsewhere (by -4.7% between 2006 and 2031 for Glasgow, -12.5% in the surrounding conurbation and -6.0% in Scotland);
- More people in Glasgow will be of working age than elsewhere (Glasgow 66.3% in 2031, 57.5% in the surrounding conurbation, 58.7% in Scotland);
- Glasgow's elderly population is projected to increase at a smaller rate (+26.6% between 2006 and 2031) than in the surrounding conurbation and Scotland (+59.5% and +62.4% respectively), with implications on the future demand for services.

5. Short term cyclical

5.1. Short-term and some of the medium-term indicators give a good contemporary account of the state of the economy and the labour market. But they are often influenced by cyclical influences such as seasonal variations and fluctuations in the overall economy. In terms of trends over the last year, the data in Glasgow is not particularly encouraging:

- JSA unemployment claims increased by 4.3% between November 2009 and November 2010 (+1,015) while Scottish levels fell by -0.5% (-690);
- Employment numbers in Glasgow fell from 261,500 for the year ending June 2009 to 250,300 in for the year ending June 2010, with the rate correspondingly falling from 64.6% to 61.8% over the same period;
- While the Scottish rate also fell during the same period, Glasgow comprised nearly one in five of all job losses in Scotland (-11,200 in Glasgow, compared to -51,000 in Scotland);
- Glasgow is still more heavily represented in occupations that rely on discretionary spend than in the rest of Scotland;
- House prices lag behind Scotland in terms of recovering from the price falls of 2008 and 2009.

5.2. This data, and others similar to it, has been used by some commentators to show that Glasgow has been uniquely disadvantaged by the recession and that

the city's economy and labour market will be further weakened in the coming years.

6. Long term structural

6.1. Other medium-term and the long-term indicators are better at showing the underlying structural strengths and weaknesses of an area. Often this is because they are produced less frequently than the short-term indicators. But they also show how the cumulative development of an indicator over time can lead to radical changes in the way an area is regarded. While we cannot predict the future, they suggest the city may be better placed than elsewhere to cope with the recession:

- Demographic trends show the city less affected by an ageing population than elsewhere, and retaining relatively more of its working-age population;
- Glasgow reduced its share of Scotland's deprivation between 2004 and 2009 in part by developing a more diverse urban economy, and as this option is not open to more isolated and disconnected communities, indicators of multiple deprivation are more likely to worsen in these locations;
- Infrastructural improvements are on site and will begin to have an effect in the short to medium term (completion of the M77 motorway link, Clyde Gateway URC, Clyde Waterfront improvements, Commonwealth Games, regeneration on fringe of the city centre) to centralise and focus activity in and around the city centre.

6.2. As deprivation in Scotland is measured in relative terms, and as other areas may be affected more by the recession than Glasgow, the city's relative position could improve as a result of other areas becoming more deprived, rather than the city improving. A sign of this is the recent update of the SIMD employment domain, with Inverclyde now having proportionately more of its datazones employment deprived than Glasgow.

7. Outlook

7.1. Some of the short term indicators suggest that Glasgow is still to fully recover from the recession, particularly around employment and unemployment levels. Slower to be affected by the recession, the Glasgow economy also appears slower to recover. On the other hand, and while other long-term indicators are more positive, their potential gains may be lower than expected if the short term indicators continue to worsen.

7.2. One interpretation is that the short term indicators are the first sign of some structural weaknesses in the Glasgow economy – and details of the occupational structure of residents would tend to support this view. Another interpretation is that once the longer-term structural improvements begin to have an effect, they will more positively influence the cyclical indicators from the city's perspective. There is also a difference between workplace and residence indicators, with the former often more positive than the latter. This distinction may form the basis for further monitoring of the city's prospects in the future.

James Arnott
Economic & Social Initiatives, DRS
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