



A Step Change for Glasgow – Assessing Progress against Targets

A Report to Glasgow City Council

November 2009

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## 1. Introduction

In 2006, the Glasgow Economic Forum published a ten year economic development strategy for the city entitled **A Step Change for Glasgow**. Slims Consulting were commissioned by Glasgow City Council to provide an assessment of progress towards the targets and themes set out in **A Step Change for Glasgow** and to consider some of the implications of the current recession on the strategy.

### 1.1 Background

**A Step Change for Glasgow** was launched by the Glasgow Economic Forum in November 2006 and is a ten-year economic strategy for the city. It contains a series of ambitious and challenging targets based around accelerating improvement in Glasgow's economic performance, as well as a wide ranging set of supporting actions to be delivered by the City Council and partners over the following ten years.

The strategy was conceived and developed during a period when the Glasgow economy had been, and was continuing to, grow strongly. The last 18 months however have seen a marked deterioration of global economic conditions, and there is recognition that the city will not escape the effects of the recession unscathed.

The recession is likely to have important implications for Glasgow and the targets and ambitions set out in the strategy. In short, a number of the targets may prove more difficult to achieve – and others may take longer to achieve than originally anticipated. On the other hand, the underlying strength of the Glasgow economy may well mean that the city's *relative* position could improve against comparator cities over the next few years.

### 1.2 Approach and objectives

This document attempts to explore some of these issues based on the available evidence we have to date. In turn it:

- Identifies a robust framework for measuring progress against the Macro Indicators and Step Change Themes set out in the strategy;
- Analyses and provides commentary on the extent to which progress has been made to date against the key targets and themes;
- Reviews recent evidence on the impact of the recession on Glasgow and other cities in the UK

- Identifies some key implications for the Step Change strategy and the Glasgow Economic Partnership.

### 1.3 Methodology

There have been two key stages involved with carrying out this research:

- **Stage One** – Development of performance measurement framework;
- **Stage Two** – Data gathering and analysis;

#### *Stage One – Development of performance measurement framework*

The first stage was a review of the key targets and themes set out in **A Step Change for Glasgow**. These fall into two broad categories:

- A set of key **Macro Indicators** that measure the main outcomes of economic development policy; and
- A series of **Step Change Themes** linked to the changes identified as necessary to achieve the aim of making Glasgow a world-class city.

A set of indicators to be used to measure progress towards each of the macro indicators and step change themes was then identified and used to develop the performance measurement framework.

#### *Stage Two – Data gathering and analysis*

The second stage involved gathering and analysing data across the range of indicators set out in the performance measurement framework. This involved:

- Establishing the baseline position for each indicator for 2006;
- Identifying trends in that indicator prior to the establishment of the Strategy and in the time after the establishment of the strategy;
- Identifying whether progress across each indicator was on track, behind or ahead of track prior to the recession;

- Where possible describing the scale of the 'gap' that needs to be closed for the target to be met.

**It should be noted that most of the main official economic indicators used for tracking progress towards the targets are only available up to 2007/08 and so data is only available for one or two years following the launch of the strategy in 2006.** Given the fact that Step Change is a 10 year strategy and the lack of available data, it could be argued that it is too early to make definitive assessment of progress. However, despite this challenge, we have attempted to highlight early areas of over and under-performance.

**In addition official data does not yet capture the full impact of the recession on Glasgow – and will not be available until late 2009 and early 2010.** As a result, we have included a review of the most recently available data on the impact of the recession on the Glasgow labour market. We have also provided some commentary, based on consultations with the Glasgow Economic Partnership and our recent work on the West of Scotland regional economy for Scottish Enterprise, to inform our understanding of the impact of the recession on the city.

#### **1.4 Report Structure**

The remainder of this document is set out as follows:

- **Chapter 2** provides an assessment of progress towards each of the Macro Indicators;
- **Chapter 3** reviews Glasgow's performance across a range of indicators linked to each of the eight Step Change Themes; and
- **Chapter 4** presents a review of data on the recession and offers some views on potential policy challenges.

## 2. Macro Indicators

A Step Change for Glasgow identifies six headline economic targets for the city, progress towards which will be measured using a set of Macro Indicators. These headline targets were to be used to monitor overall progress towards each of the step change themes set out in the strategy.

Table 2.1 lists each of these Macro Indicators. For each, it shows the baseline position in 2006, the most recent figure, the aspiration / target and a brief assessment of progress. It should be noted that progress towards the **GDP per capita** and **labour productivity** targets cannot be measured against the specific Step Change targets in the absence of international benchmarking data from BAK Basel.

**Table 2.1: Macro Indicators**

Indicator	Baseline	Most Recent Figure	Aspiration / Target	Assessment
<b>GDP per capita</b>	18 of 35 (2nd quartile)	n/a	1st quartile average	<i>International benchmarking data from BAK Basel required to track progress towards this target</i>
<b>Labour productivity</b>	34 of 35 (4th quartile)	n/a	2nd quartile	<i>International benchmarking data from BAK Basel required to track progress towards this target</i>
<b>Employment rate</b>	9% below Scottish average	9% below Scottish average	Scottish average	<i>Glasgow's employment rate has increased substantially in recent years, but remains considerably below the national average</i>
<b>Population</b>	11% of Scottish population	11% of Scottish population	12% of Scottish population	<i>The long term decline in Glasgow's population has reversed, but growth will need to accelerate to reach the target</i>
<b>Average earnings</b>	3% below UK average	2% below UK average	UK average	<i>The gap with the UK has narrowed in recent years - if this trend continues, the city will be on course to achieve the target</i>
<b>Quality of living</b>	55 of 215	56 of 215	Top 40	<i>Further progress on sustainable economic and social development would help move the city up the rankings</i>

The remainder of this section looks at each of the Macro Indicators in more detail and provides some commentary on evidence of progress towards the main targets.

### 2.1 GVA per Capita

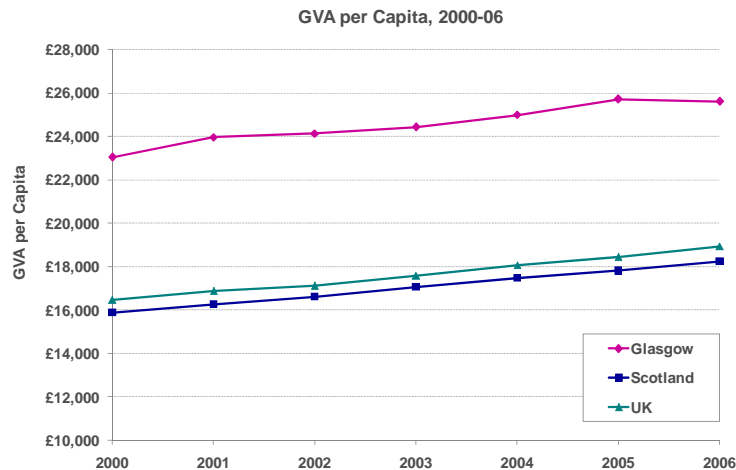
As highlighted in Table 2.1, it is not possible to provide an assessment of progress towards the GVA per capita Macro Indicator in the absence of international benchmarking data from BAK Basel. Furthermore, the latest available official GVA figures are for 2006 – the year the strategy was

launched. **This means that it is too early to make an assessment of progress towards this target using official statistics.**

However, it is still useful to have a look at how Glasgow was performing on this measure prior to the launch of the strategy. Chart 2.1 shows change in GVA per capita in Glasgow between 2000 and 2006, compared to Scotland and the UK.

**Chart 2.1**

Source: Office for National Statistics



The chart shows that:

- GVA per capita in Glasgow was £25,600 in 2006, well above the Scottish and UK averages of £18,200 and £18,900 respectively;
- Glasgow has consistently outperformed the national averages on this measure since the turn of the century;
- Growth in GVA per capita was slower over the period in Glasgow (+11%) than across both Scotland and the UK (both +15%); and
- There was actually a slight fall in the level of GVA per capita in Glasgow between 2005 and 2006 – the most recent year available.

It should be noted that part of the explanation for Glasgow's very high level of GVA per capita is the high levels of commuting into the city from the surrounding areas. Almost half of all people working in Glasgow actually live outside the city boundary. The city's GVA is therefore produced by a large workforce in contrast to the relatively small resident population used to calculate the 'per capita' figure.

This analysis suggests that **Glasgow would need to increase GVA per capita at a faster rate than in recent years to make progress towards the targets.** There are two main ways in which an area can achieve GVA per capita increases:



- Growth in productivity levels within the existing workforce through the adoption of new technologies or processes; or
- Increase the number of high value added jobs either through indigenous growth or inward investment.

## 2.2 Labour productivity

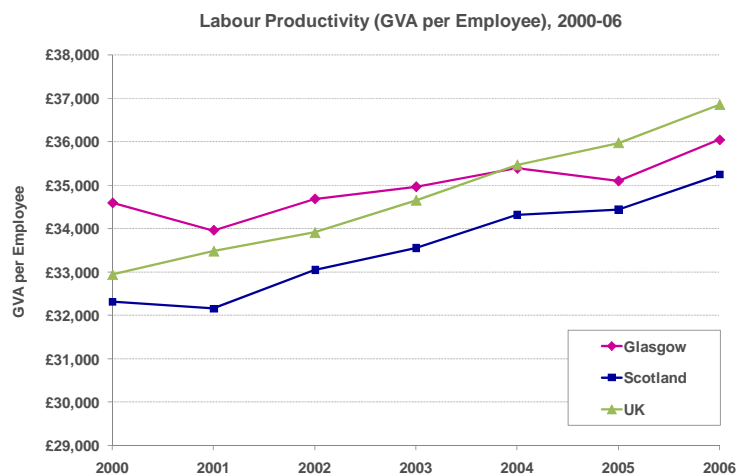
As with GVA per Capita, international benchmarking data from BAK Basel is required to measure progress towards the labour productivity Macro Indicator and official statistics are only available up to 2006. **This means that there is no data available to measure progress on this indicator since the launch of the strategy in 2006.**

However, this section provides an overview of trends of this measure prior to the launch of the strategy. The most common measure of labour productivity is GVA per employee. Chart 2.2 shows trends in GVA per employee in Glasgow, Scotland and the UK between 2000 and 2006:

- GVA per employee in Glasgow amounted to £36,000 in 2006, above the corresponding Scottish figure of £35,200, but just 98% of the UK figure of £36,900;
- Since 2000, labour productivity levels in the city have increased by 4%. This was slower than the equivalent growth rates of 9% for Scotland and 12% for the UK; and
- This slower rate of increase has resulted in productivity levels in Glasgow falling below the UK average since the turn of the century.

**Chart 2.2**

Source: Office for National Statistics; Annual Business Inquiry



In short, this analysis has shown that increases in labour productivity in Glasgow were not keeping pace with the national averages prior to the launch of the Step Change strategy.

## 2.3 Employment Rate

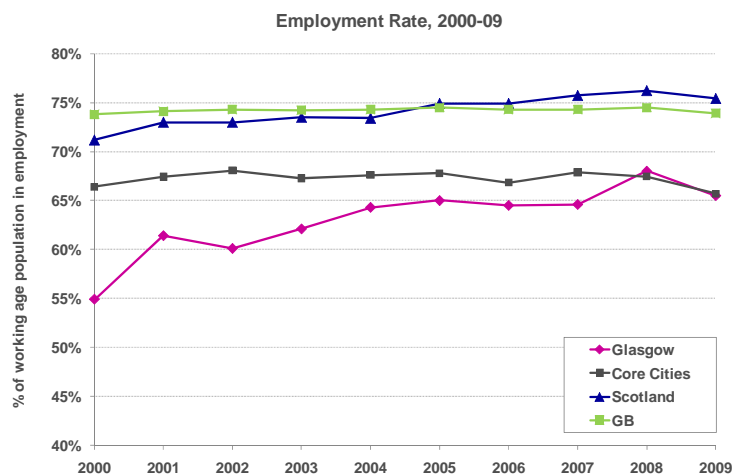
A key macro indicator target set out in A Step Change for Glasgow is **to raise the employment rate of the city to the Scottish average by 2016.**

At the launch of Step Change in 2006, Glasgow’s employment rate was around 64%, considerably below the average for the English Core Cities, and a full 9 percentage points below the Scottish average.

Chart 2.3 shows change in the employment rate in Glasgow, relative to the Core Cities, Scotland and GB, since 2000. **It shows that, following a substantial increase since the turn of the century, the employment rate of the city peaked at 68% in 2008, but fell back slightly to 65.5% in 2009.** In spite of this recent dip, there were still 7,200 more Glasgow residents in work in 2009 than in 2006 and labour market participation levels are now on a par with the average for the other Core Cities. However, at 9 percentage points, the gap with the Scottish average remains the same as in 2006.

**Chart 2.3**

Source: Annual Population Survey



Overall, the city made good progress ahead of the recession in terms of raising labour market participation levels, but a significant challenge remains to bring the employment rate of the city closer to the national average. To put some scale on this challenge, in 2009, this would have meant an additional 38,100 residents in work – a 15% increase on the current total.

Further progress on this measure could be considered to be at risk as a result of the recession, with the last 12 months seeing significant job losses and most official forecasters not predicting a return to jobs growth for another 12-18 months. However, there is some recent evidence to suggest that the impact of the recession on claimant unemployment has been less severe in

Glasgow than across some other parts of Scotland and the UK. We return to this issue in more detail in Chapter 4.

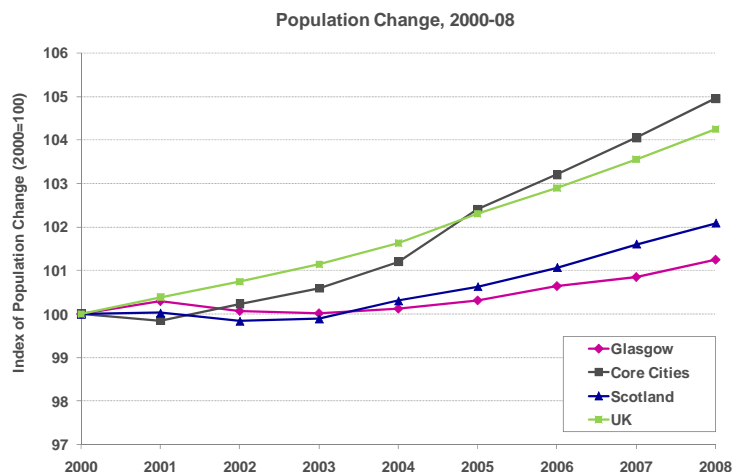
## 2.4 Population

Population growth is a key contributor to, and consequence of, economic performance and is one of the key macro indicators identified within A Step Change for Glasgow. The strategy sets out a target for Glasgow to account for **12% of Scotland's total population by 2016**.

There were 584,200 people living in Glasgow in 2008, accounting for 11% of Scotland's total population of 5.2m. Chart 2.4 shows population change in Glasgow, relative to the core cities, Scotland and the UK between 2000 and 2008. Glasgow's population has been growing consistently since 2004 and this has accelerated since 2006. However, Scotland's population has been increasing at a slightly faster rate meaning that the gap has not closed over the period and Glasgow continues to account for around 11% of Scottish population.

**Chart 2.4**

Source: General Register Office for Scotland



To achieve the target of 12% of Scotland's population there would have needed to be an additional 36,000 people living in the city in 2008.

**Once more the achievability of this headline target may be at risk in the short to medium term as a result of the recession.** There are a number of reasons for this:

- New house building has slowed significantly since start of recession with new housing starts in Glasgow falling by around a half between 2007 and 2008.
- There is emerging evidence that international migration, particularly from the EU Accession countries, has slowed since the onset of the recession.

- People are typically attracted to cities by employment opportunities – and fewer jobs may mean fewer people moving to the city.

## 2.5 Average Earnings

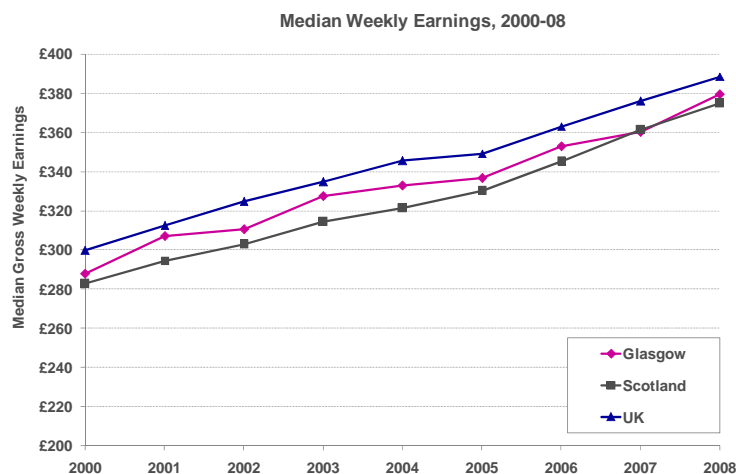
Wage levels are one of the key outcome measures of economic development policy. If Glasgow is successful in its aim of creating a more prosperous city with high value-added jobs, this should be reflected in relatively high wage levels. A Step Change for Glasgow identifies partners' aspiration **to match the UK level of average earnings**.

Prior to the launch of Step Change, the median weekly earnings of those working in Glasgow were some 3% below the UK average at around £353 per week. Chart 2.5 shows change in median weekly earnings of those working in Glasgow, relative to Scotland and the UK, since 2000.

- Median weekly earnings in Glasgow had increased to £379 by 2008;
- This was higher than the equivalent figure of £375 for Scotland, and around 98% of the UK figure of £388; and
- Growth in median earnings in Glasgow has been slightly faster than across the UK since 2006 (8% relative to 7%) **meaning that the gap with the UK average has closed slightly since the launch of the strategy.**

**Chart 2.5**

Source: Annual Survey of Hours & Earnings



Once more there is some evidence suggesting early progress towards the Step Change target, and the rate at which the gap was closing prior to the recession suggests that, if continued, the Step Change target might well be met. Once again however the recession is likely to have dampened wage inflation. **A key sign to look for over the coming 12-24 months is whether Glasgow's relative position to the UK continues to improve.**

## 2.6 Quality of Living

The Macro Indicator for quality of living identified within A Step Change for Glasgow is an index produced annually by Mercer Human Resource Consulting. **The target is to rank within the top 40 of 215 cities on this measure.** The 2009 assessment placed Glasgow 56<sup>th</sup> of 215 cities for quality of living, one place lower than the position of 55<sup>th</sup> in 2006.

The Mercer Index is based on an assessment of 39 separate indicators, covering categories that range from the city's political, social and economic environment to the local quality of recreation, consumer goods and housing. The city's precise ranking on this measure by 2016 will depend, as does its progress on most of the other Macro Indicators, on whether the rate of improvement is faster than in other cities. However, it should be noted that the aim of the index is actually to provide multinational companies with a guide to the degree of hazard faced by staff sent to work in the listed cities. It is therefore not the same as an evaluation of the quality of life led by the residents of each city.

## 2.7 Conclusions – Progress against Step Change Macro Indicators

At this stage, it is difficult to draw a definitive set of conclusions around progress against all of the Step Change macro-indicators. There are a number of reasons for this:

- Step Change is a 10 year strategy – **and is at an early stage in its life cycle;**
- **For some of the indicators**, notably GDP per capita and labour productivity, **there is no data available at the Glasgow level beyond the launch date of the strategy;** and
- **The impact of the recession is difficult to capture at this time due to the relative lack of economic data at the Glasgow level** covering the last two years.

Nevertheless, for those indicators where data is available, there were some early encouraging signs ahead of the recession. In particular Glasgow saw:

- **A considerable increase in its employment rate since the turn of the century** – though the gap with the Scottish average remains at 9%;
- **Continued population growth, maintaining its share of the Scottish population;** and
- **Average earnings in the city growing faster than the UK and Scottish averages** and the gap with UK average falling to just 2%.

### 3. Step Change Themes

A Step Change for Glasgow identifies eight 'Step Change Themes', which are areas of performance deemed to require special focus and leadership over the ten-year life of the strategy. They are therefore key components in the success of the overall strategy. The Step Change Themes are:

- Build the metropolitan core;
- Education at the heart of the economy;
- A culture of entrepreneurship;
- Glasgow-Edinburgh: collaborating to compete;
- Leaders in strategic area regeneration;
- Work for those without;
- International positioning; and
- Success through specialisation.

This section begins with an overview of Glasgow's recent economic performance across a range of key indicators linked to the Step Change Themes. This is followed by more detailed analysis of recent performance across each of the Themes.

#### 3.1 Key Indicators

When Step Change was published, the strategy noted that "a measurement framework will be developed to allow the [then] Glasgow Economic Forum to undertake an ongoing review of progress of strategy implementation". A number of pieces of work have been put in place including an internal review of the implementation of the strategy, and this commission to review progress against the Step Change macro-indicators.

To date however a formal measurement framework has not been put in place for the Step Change themes. Table 3.1 on the next page provides an early attempt to develop a set of measureable indicators to track performance, based on Slims Consulting's interpretation of the strategy. The table includes an overview of Glasgow's recent performance across our selected indicators. It should be noted that, in common with the macro-indicators, there is only one or two years' worth of data available since the launch of the strategy in 2006. It is therefore too early to make a definitive assessment of progress across most of the themes. However, this analysis remains useful for giving a general overview of recent performance.

**Table 3.1: Step Change Themes - Key Performance Indicators**

	Baseline 2006	Current Position	Change	Performance*
<b>Build the Metropolitan Core</b>				
Jobs located within the city centre	125,300	124,800	0%	0
No of retail, catering & cultural venues in city centre	7,800	7,600	-2%	-
Creative industries employment	28,600	30,500	7%	+
<b>Education at the Heart of the Economy</b>				
% school leavers in positive destinations	82%	83%	1%	+
% adults with degree level qualifications	31%	33%	2%	+
% adults with no qualifications	21%	18%	-2%	+
<b>A Culture of Entrepreneurship</b>				
Total number of VAT-registered businesses	13,000	13,800	6%	+
VAT-registered businesses per 1,000 adults	27	28	1	+
One-year business survival rate	93%	95%	2%	+
Self-employment Rate	8%	9%	1%	+
<b>Glasgow &amp; Edinburgh: Collaborating to Compete</b>				
Share of Scottish GVA	31%	n/a	n/a	n/a
Share of Scottish Jobs	29%	29%	0%	0
Share of known inward investment to Scotland	28%	40%	12%	+
<b>Leaders in Strategic Area Regeneration</b>				
No of data zones ranked among the 5% most deprived in Scotland	169	147	-22	+
% pop living in data zones ranked among the 5% most deprived	23%	20%	-3%	+
<b>Work for Those Without</b>				
Employment Rate	65%	66%	1%	+
Unemployment Rate	9%	8%	-1%	+
Inactivity Rate	29%	29%	0%	-
Workless Benefit Claimant Rate	24%	23%	-1%	+
<b>International Positioning</b>				
Total number of overseas visitors	700,000	710,000	10,000	+
Total value of overseas tourism (£m)	£218	£232	£14	+
No business conferences	290	203	-87	-
Revenue generated from conference activity (£m)	£148	£131	-£17	-
<b>Success Through Specialisation</b>				
No of financial & business services jobs	23,200	23,700	2.2%	+
No of life sciences jobs	1,100	1,000	-9.1%	-
No of tourism jobs	31,000	31,100	0.3%	+
No of aerospace, defence & marine jobs	5,600	5,500	-1.8%	-
No of construction jobs	27,200	28,100	3.3%	+

\* code: + = improved performance, - = drop in performance, 0 = no change

The key message from the table is that, across each of the Step Change themes, there is some evidence of improved performance, although this is stronger in some areas than others. The remainder of this section looks at progress across each of the step change themes in more detail.

### 3.2 Build the Metropolitan Core

Glasgow's economic success over the past decade has been mainly driven by jobs growth within the city centre, the heart of the 'Metropolitan Core', which also incorporates the Clyde Waterfront and the West End of the city. A Step Change for Glasgow sets out the ambition to continue to build on this success over the coming years.

#### Total Employment

Table 3.2 shows how many jobs were located in the city centre, the metropolitan core, Glasgow and Scotland as a whole in 2007.

- There were almost 125,000 people working in the city centre, which incorporates the central business district and the main retail areas of the city;
- There were 223,000 people employed in the wider metropolitan core, meaning the area was home to nearly one in every ten Scottish jobs; and
- The metropolitan core accounted for more than half (56%) of all jobs located in Glasgow in 2007.

**Table 3.2**

Source: Annual Business Inquiry

Employment in 2007		
	Total	% Scottish Total
City Centre (G1 + G2)	124,800	5%
Metropolitan Core	222,700	9%
Glasgow	395,300	16%
<b>Scotland</b>	<b>2,407,700</b>	<b>100%</b>

Chart 3.1 shows change in the total number of jobs located within the city centre and the wider metropolitan core since 2000. The city centre and metropolitan core both experienced strong, consistent jobs growth between 2000 and 2005. However, there was a sharp fall in employment in these areas between 2005 and 2006, which led to a fall in the employment total for Glasgow as a whole.

This fall can be partly attributed to a change in the way the official figures were calculated in that year. Previously, all employment within Strathclyde Police was allocated to their HQ in Glasgow city centre. From 2006 onwards, they were re-allocated to their place of work. This re-allocation led to a fall of 7,200 in the total number of jobs located within the city centre. However, even taking account of this,



there was still a drop of 8,400 in the number of jobs located within the metropolitan core between 2005 and 2007.

**Chart 3.1**

Source: Annual Business Inquiry



Despite the issues relating to changes in the way in which these official employment figures are calculated, it is clear that there the rate of jobs growth in Glasgow, particularly in the city centre, has slowed in recent years.

### 3.3 Education at the Heart of the Economy

Workforce skills and qualifications have a direct impact on productivity levels and are a key measure of economic competitiveness. In recognition of this, one of the Step Change Themes identified within the Economic Strategy is to put education at the heart of the economy. This section provides an overview of Glasgow's recent performance in terms of this Theme and covers:

- Workforce Skills;
- School Leavers;
- More Choices, More Chances;
- FE Students;
- HE Sector

#### **Workforce Skills**

Table 3.3 shows change in the qualifications of the working age population in Glasgow between 2006 and 2008. There was an increase in the proportion of residents with degrees and with other qualifications. There was also a decline of 2% in the proportion of residents with no qualifications at all. **The data suggests that progress has been made in the recent years towards up-skilling the working age population.**

**Table 3.3**

Source: Annual  
Population Survey

Qualifications of the Workforce*			
Highest Level Qualification:	2006	2008	Change 2006-08
NVQ Level 4+	31%	33%	2%
NVQ Level 3	16%	16%	0%
Trade Apprenticeships	5%	4%	0%
NVQ Level 2	11%	11%	0%
NVQ Level 1	10%	8%	-1%
Other Qualifications	7%	8%	2%
No Qualifications	21%	19%	-2%

\* % of working age population

### School Leavers

A Step Change for Glasgow recognises the need for school education, attainment and achievement to be improved in Glasgow. In particular, the strategy sets out an aspiration to reduce the number of young people aged 16-19 that are not in employment, education or training. The Government Economic Strategy has also set a target to increase the proportion of school leavers in positive and sustained destinations (FE, HE, employment or training).

Table 3.4 shows the destinations of school leavers in Glasgow relative to Scotland as a whole in 2008. The proportion of school leavers in the city entering HE is some way below the national average, though a higher proportion continue their studies within FE. In 2008, Glasgow school leavers continued to be less likely to go into employment, and more likely to be unemployed, than across Scotland as a whole.

**Table 3.4**

Source: Scottish  
Government

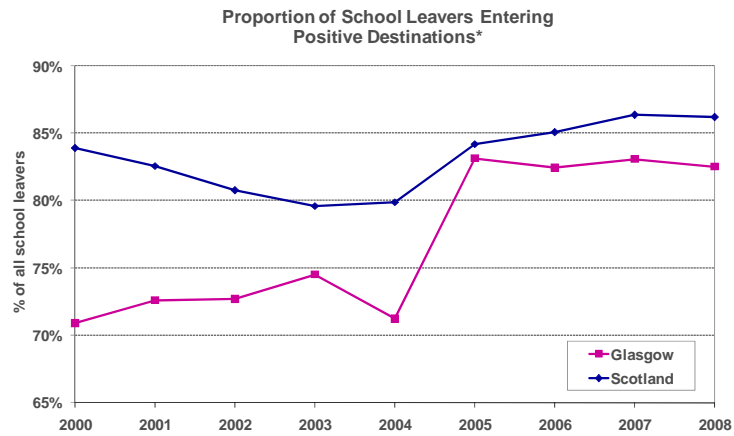
Destination of School Leavers, 2008		
	Glasgow	Scotland
Higher Education	24%	31%
Further Education	27%	25%
Training	9%	5%
Employment	22%	25%
Unemployment	16%	12%
Unkown	2%	1%
<b>Total in positive destinations*</b>	<b>83%</b>	<b>86%</b>

\* HE, FE, training or employment

Chart 3.2 shows change in the proportion of school leavers entering positive destinations in Glasgow and Scotland between 2000 and 2008. The proportion of Glasgow leavers going into positive destinations increased substantially over the period, and has remained relatively stable since then. **Since the launch of the strategy in 2006, there has been a marginal increase in the proportion of school leavers going into positive destinations, up one percentage point to 83% in 2008.**

**Chart 3.2**

Source: Scottish Government



### More Choices, More Chances

The Scottish Government launched the *More Choices, More Chances* strategy in 2006, which sets out an action plan aimed at reducing the number of young people aged 16 to 19 years old that are not in employment, education or training. **Glasgow continues to have a higher proportion of young people in this category than across Scotland as a whole.**

Table 3.5 shows that there were over 2,900 16-19 year olds in Glasgow not in employment, education or training in 2007. This amounted to 9.4% of all people in this age group, above the Scottish average of 8%. There was a decline of 12% in the number of young people in this category in Glasgow between 2006 and 2007, faster than the equivalent decline of 11% across Scotland as a whole. **Since the launch of Step Change in 2006, Glasgow has reduced the number of 16-19 year olds not in Employment, Education and Training at a slightly faster rate than across Scotland as a whole.**

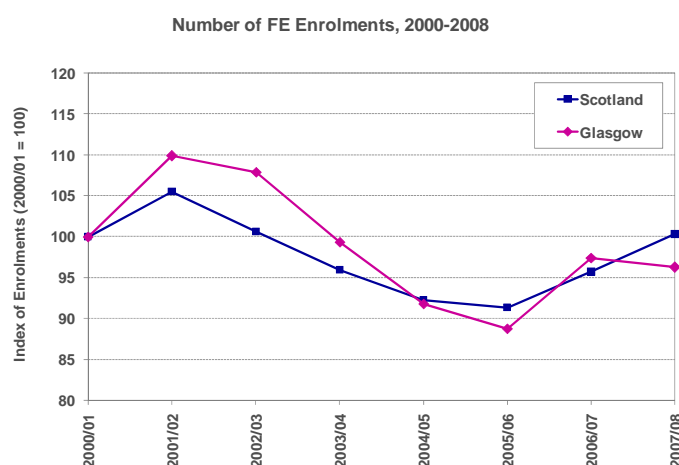
**Table 3.5**

Source: Scottish Government

16-19 Year Olds not in Employment, Education or Training					
			Change 2006-2007		Rate 2007
	2006	2007	No.	%	
Glasgow	3,330	2,920	-410	-12%	9.4%
Scotland	23,530	20,990	-2,540	-11%	8.0%

## FE Students

A total of 69,100 Glasgow residents enrolled on FE courses across the country in the 2007/08 academic year. Chart 3.3 shows that FE enrolments have been increasing across both Glasgow and Scotland since 2005/06, following a period of decline. Anecdotal evidence suggests that there has been a further increase in FE enrolments in the most recent academic year (2008/09) as many people go into (or return to) education as a result of limited job opportunities.



**Chart 3.3**

Source: Scottish  
Further Education  
Funding Council

Glasgow has a strong HE sector with three of Scotland's largest universities located in the city – Glasgow, Strathclyde and Glasgow Caledonian. The city is also home to the world renowned Glasgow School of Art and the Royal Scottish Academy of Music and Drama.

The most recently published Sunday Times ranking shows the University of Glasgow in 22<sup>nd</sup> place; the University of Strathclyde in 39<sup>th</sup>; and Glasgow Caledonian University in 63<sup>rd</sup> place of 122. Glasgow is the third highest ranked Scottish institution behind St Andrews and Edinburgh.

## 3.4 A Culture of Entrepreneurialism

A Step Change for Glasgow identifies Glasgow's entrepreneurial deficit as a *'fundamental weakness in the city's economy'*. The strategy highlights the key role of public sector partners in terms of creating the right environment for business growth and entrepreneurialism.

This section looks at levels of entrepreneurialism in Glasgow and covers:

- Business stock;
- Business birth rates;
- Business survival rates; and
- Self-employment rate.

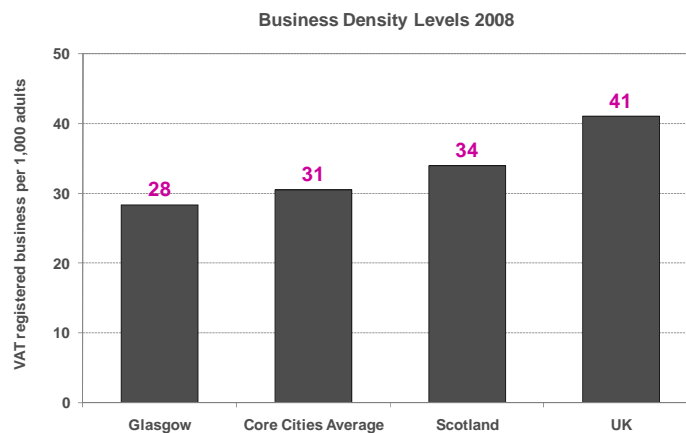
### **Business stock**

In 2008, there were 13,750 VAT-registered businesses in Glasgow. This was 745 more than in 2006, an increase of 6% in two years – in line with the growth across Scotland as a whole. Nevertheless, there is less evidence to date of Glasgow closing the gap with competitor cities and the rest of the country in terms of business density.

Chart 3.4 shows the number of VAT-registered businesses per 1,000 adults in Glasgow relative to other areas. There were 28 VAT-registered businesses per 1,000 adults in the city in 2008. This was below the equivalent rates of 31 per 1,000 for the Core Cities and 34 per 1,000 for Scotland. It was also well behind the average of 41 per 1,000 for the UK as a whole.

**Chart 3.4**

Source: Department for Business, Enterprise & Regulatory Reform (BERR)



To raise business density in Glasgow to a level comparable with the other Core Cities would require the formation of an additional 1,100 businesses – 8% more than the current total. An additional 2,500 new firms would be required to match the Scottish average. This highlights the scale of the current ‘business deficit’ within Glasgow.

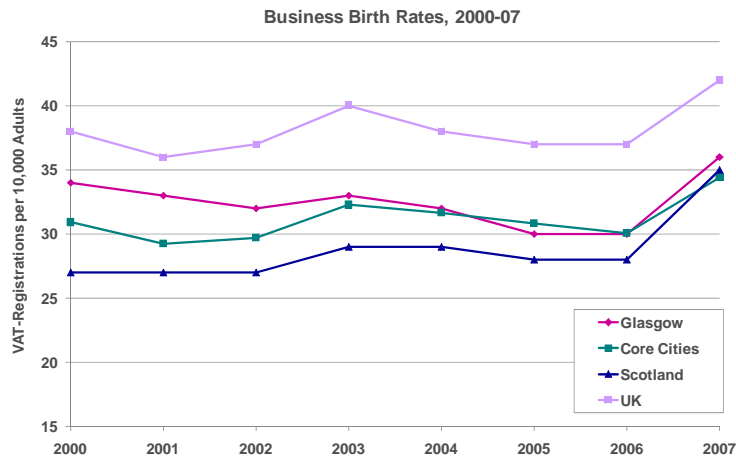
### **Business Birth Rates**

Chart 3.5 shows change in the business birth rate in Glasgow, relative to other areas, between 2000 and 2007. There were 36 new VAT registrations per 10,000 adults in Glasgow in 2007, higher than the rates of 34 per 10,000 for the Core Cities and 35 per 10,000 for Scotland. However, it was below

the rate of 42 per 10,000 for the UK as a whole. **There was a notable increase in this measure across all areas between 2006 and 2007 – the most recent year for which data is available.**

**Chart 3.5**

Source: Department for Business, Enterprise & Regulatory Reform (BERR)

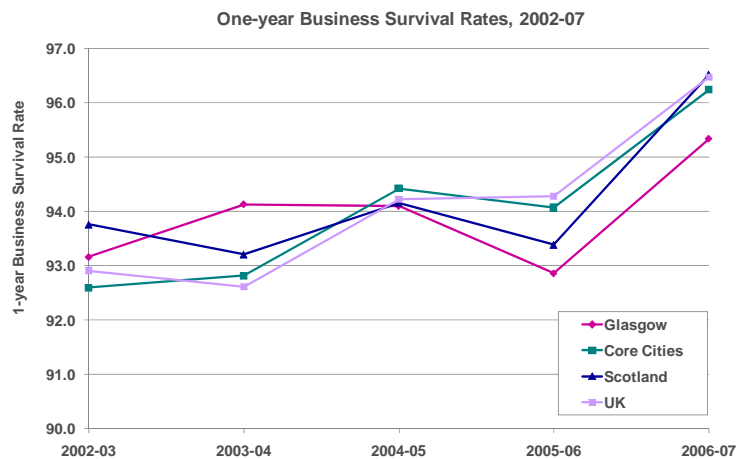


### Business Survival Rates

Chart 3.6 shows that **there was a notable improvement in the one-year survival rate of new businesses in Glasgow and the other areas between 2005/06 and 2006/07.** However, Glasgow's one-year new business survival rate (95%) remains slightly below the averages for each of the other areas (between 96% and 97%).

**Chart 3.6**

Source: Department for Business, Enterprise & Regulatory Reform (BERR)



### Self-Employment

In 2008, a total of 24,300 Glasgow residents were self-employed. This amounted to 9.3% of all people in work. Table 3.6 shows that this was below the core city, Scottish and UK averages, which were all above 10%.

However, the table also shows that **there has been a marked increase in levels of self-employment in Glasgow since the launch of the strategy in 2006. There were over 4,600 more people self-employed in the city in 2008 than in 2006 – an increase of 23%, which was more than double the pace of growth on this measure across each of the other areas shown.** This resulted in an increase of 1.2% in the self-employment rate over the period.

**Table 3.6**

Source: Annual Population Survey

<b>Self-Employment, 2006-08</b>				
	<b>2006</b>	<b>2008</b>	<b>Change 2006-08</b>	
			<b>No.</b>	<b>%</b>
<b>Total Self-Employed</b>				
Glasgow	19,700	24,300	4,600	23%
Core Cities	170,900	184,800	13,900	8%
Scotland	228,100	247,500	19,400	9%
GB	3,316,900	3,430,600	113,700	3%
<b>Self-Employment Rate*</b>				
Glasgow	8.1	9.3	-	1.2
Core Cities	9.7	10.2	-	0.5
Scotland	9.6	10.1	-	0.5
GB	12.4	12.6	-	0.2

\* % working age population in employment that are self-employed

This analysis suggests that Glasgow has made good progress towards addressing the historically low levels of self-employment in the city in recent years. The challenge will be to maintain this upward trend in light of challenging economic conditions. Traditionally, levels of self-employment tend to increase during times of recession as people seek out alternative ways to earn a living as a result of the contraction in the jobs market.

### 3.5 Glasgow: Edinburgh – Collaborating to Compete

Glasgow and Edinburgh combined are home to over a million residents and have been key drivers of the Scottish economy as a whole over the past decade. Successful collaboration on certain areas could offer significant economic benefits that neither could achieve alone, and an opportunity to compete effectively on a global level.

The establishment of *Glasgow: Edinburgh – Collaborating to Compete* as a project is the first major step that will pave the way for future joint work. The project has set itself the aim of making progress on three themes: inter-city connectivity, support for key sectors and international openness and talent attraction.

#### Share of Scottish GVA

In 2006, Glasgow and Edinburgh combined generated £29bn of GVA, accounting for 31% of the Scottish total of £93.4bn. Chart 3.7 shows change in the share of Scottish GVA and jobs accounted

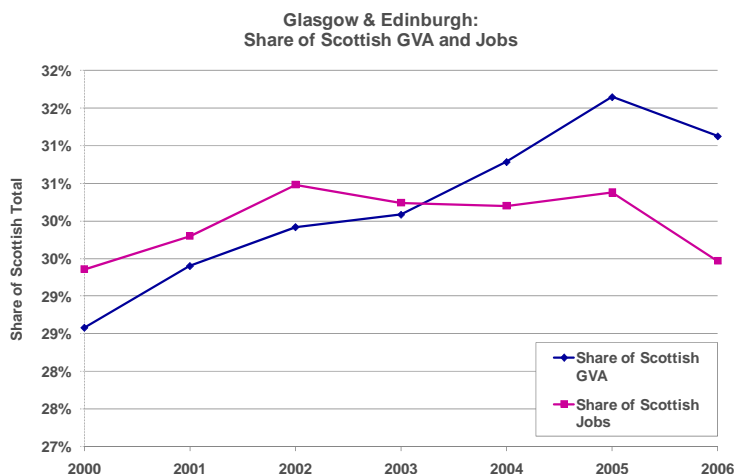
for by Scotland's two largest cities. Glasgow and Edinburgh combined accounted for 30% of all Scottish jobs in 2006, much higher than the cities' combined share of Scottish population (20%).



The two cities could be considered the 'driving forces' of the Scottish economy over the past decade as GVA growth rates have outpaced the Scottish and UK averages. The cities' combined share of Scottish economic output (GVA) was 31% in 2006, compared to 29% in 2000.

**Chart 3.7**

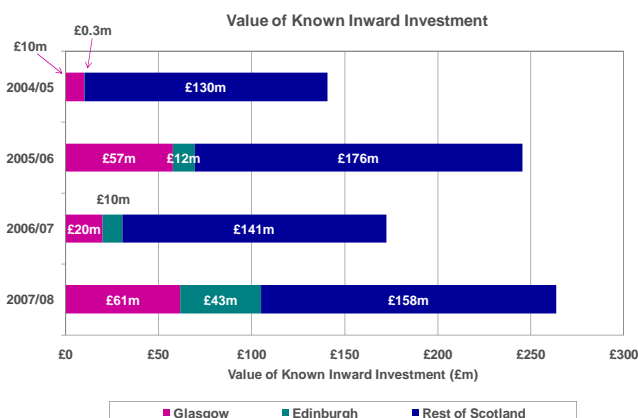
Source: GVA - ONS;  
Employment - Annual  
Business Inquiry



### Share of Known Inward Investment

Chart 3.8 shows change in the value of known inward investment in Glasgow & Edinburgh combined, relative to the rest of Scotland, between 2004/05 and 2007/08. It shows considerable variability in the year-on-year figures for inward investment, meaning that too much emphasis should not be placed on any single years' figures.

Nevertheless, the analysis does appear to show a general trend of an increasing proportion of inward investment in Scotland being attracted by the cities. In 2004/05, Glasgow & Edinburgh combined attracted 7% of the total of £141m known inward investment in Scotland. In 2007/08, this proportion had risen to 40% amounting to a total of £105m.



**Chart 3.8**

Source: Scottish  
Enterprise



### 3.6 Leaders in Strategic Area Regeneration

The regeneration of Glasgow has been in progress since the 1960s and, whilst a great deal has been achieved, a challenge remains in that a large parts of the city continue to be ranked amongst the most deprived in Scotland. The strategy notes the importance of the public sector in Glasgow taking a balanced approach, addressing opportunities for growth but also tackling the physical decay, poor health and social exclusion that remain prevalent across many parts of the city.

The Scottish Government recently published an updated Scottish Index of Multiple Deprivation (SIMD), which is the Government's official measure for identifying concentrations of multiple deprivation. The SIMD is relevant to policies and funding wholly or partly aimed at tackling or taking account of the causes and effects of concentrations of multiple deprivation. Table 3.7 shows change in the concentration of deprivation in Glasgow between 2006 and 2009.

**Table 3.7**

Source: Scottish Index of Multiple Deprivation

Concentration of Deprivation, 2006 & 2009				
	2006		2009	
	No of data zones	% population living in these areas	No of data zones	% population living in these areas
<b>Most deprived 15% of data zones</b>				
Glasgow	330	47%	299	42%
West of Scotland	671	24%	669	23%
Scotland	976	15%	976	15%
<b>Most deprived 5% of data zones</b>				
Glasgow	169	23%	147	20%
West of Scotland	252	9%	249	8%
Scotland	325	5%	325	5%

The data suggests some degree of improvement since the launch of Step Change in 2006:

- The proportion of Glasgow's residents living in the 15% most deprived datazones has fallen from 47% to 42%; and
- The proportion of Glasgow's residents living in the 5% most deprived datazones has fallen from 23% to 20%.

In spite of these improvements, **the key message from the data is one highlighting the continuing importance of strategic area regeneration to the city. More than two in every five city residents (42%) still living in areas ranked amongst the 15% most deprived in Scotland and Glasgow remains home to 45% of all Scottish data zones ranked amongst the 5% most**

**deprived in Scotland.** No other city or local authority area in Scotland has anything approaching this concentration of deprivation.

### 3.7 Work for Those Without

As with many of the UK's former industrial cities and metropolitan areas, Glasgow has above average levels of worklessness and benefit dependency. There have been substantial improvements in the performance of the Glasgow labour market in recent years and A Step Change for Glasgow sets out partners' aspirations to continue to build on these recent successes and to further reduce worklessness and benefit dependency in the city.

This section looks at progress towards the Step Change Theme Work for Those Without and covers:

- Unemployment;
- Economic Inactivity; and
- Workless benefit claimants.

#### Unemployment

In 2009, a total of 22,200 Glasgow residents were unemployed, accounting for 8.1% of the working age population of the city. **This was 9% lower than the total of 24,400 in 2006 when the Step Change strategy was launched – a drop of more than 2,000. This fall in unemployment in Glasgow contrasts with increases across the Core Cities, Scotland and GB over the period.** Following this good performance, the unemployment rate in Glasgow at 8.1% is now below the Core Cities average of 9%, though remains above the Scottish and UK averages as shown in Table 3.8.

**Table 3.8**

Source: Annual Population Survey

Unemployment, 2006-09				
	2006	2009	Change 2006-09	
			No.	%
<b>Total Unemployed</b>				
Glasgow	24,400	22,200	-2,200	-9%
Core Cities	149,400	176,500	27,100	18%
Scotland	139,200	140,500	1,300	1%
GB	1,469,200	1,852,600	383,400	26%
<b>Unemployment Rate*</b>				
Glasgow	9.1%	8.1%	-	-1.0%
Core Cities	7.8%	9.0%	-	1.2%
Scotland	5.5%	5.5%	-	0.0%
GB	5.2%	6.4%	-	1.2%

\* % working age population in employment that are unemployed

## Economic Inactivity

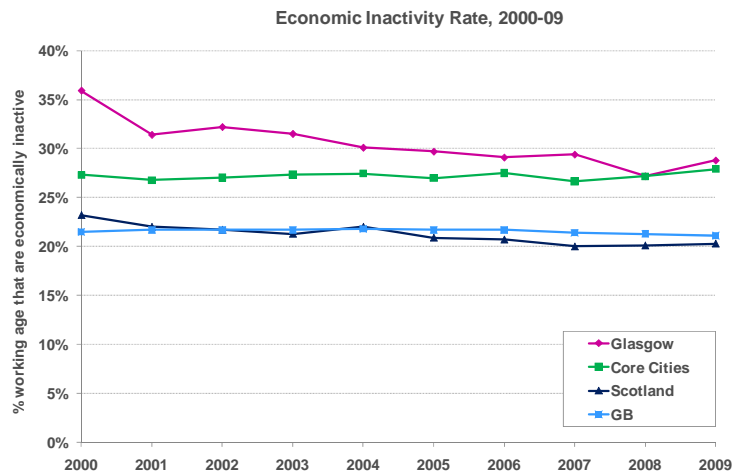
Unemployment is only part of the story of worklessness, those that are economically inactive represent a much larger proportion of the working age population than those that are unemployed. Chart 3.9 shows change in the economic inactivity rate in Glasgow, relative to the other areas between 2000 and 2009.

In 2009, almost one in every three (29%) Glasgow residents of working age were economically inactive – a total of 111,000 people. **The chart shows that the economic inactivity rate in the city has fallen considerably from the level of 36% in 2000.** This downward trend continued following the launch of the Step Change Strategy and in 2008, for the first time in more than 10 years, Glasgow's economic activity rate fell to a level in line with the Core City average.

There was a slight increase in the economic inactivity rate in Glasgow between 2008 and 2009. A possible explanation for this is that, in times of recession, it is common for people who are not in work to drop out of the labour market altogether (i.e. stop looking for work) as a result of a perception that there are limited job opportunities available. This results in an increase in the economically inactive total.

Chart 3.9

Source: Annual Population Survey



## Workless Benefit Claimants

Despite the recent improvements in terms of increasing labour market participation levels in Glasgow, benefit dependency remains a significant challenge for the city. **In February 2009, there were 88,420 Glasgow residents claiming out-of-work benefits, accounting for 23% of the entire working age population of the city.** As shown in Table 3.9, this was above the core city average of 17% and well above the rates of 15% and 13% for Scotland and GB respectively.

However, the table also shows that the total number of workless benefit claimants in Glasgow fell by 4% between 2006 and 2009, in contrast to marginal increases across each of the other areas. This reduction of over 3,600 in the number of claimants resulted in the benefit claimant rate falling by 1% over the period.

**Table 3.9**

Source:  
Department for  
work & Pensions

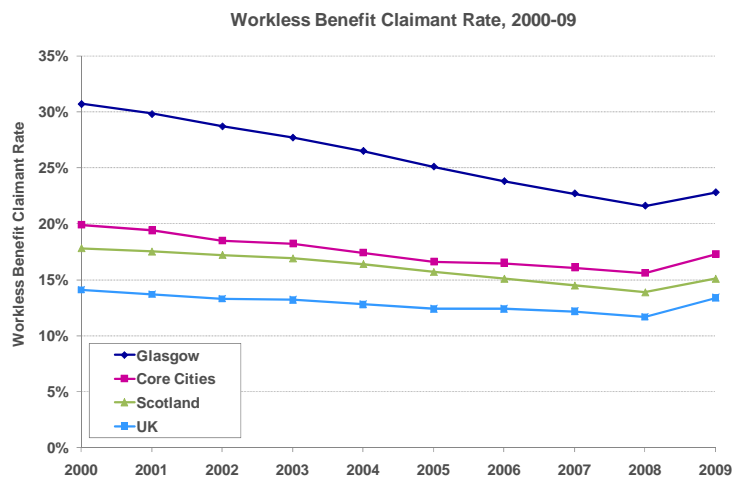
Workless Benefit Claimants 2006-09				
	2006	2009	Change 2006-09	
			No.	%
<b>Total Workless Benefit Claimants</b>				
Glasgow	92,050	88,420	-3,630	-4%
Core Cities	445,170	472,990	27,820	6%
Scotland	486,150	488,820	2,670	1%
GB	4,558,380	4,931,330	372,950	8%
<b>Workless Benefit Claimant Rate*</b>				
Glasgow	24%	23%	-	-1.0%
Core Cities	17%	17%	-	0.8%
Scotland	15%	15%	-	0.0%
GB	12%	13%	-	1.0%

\* % working age population in employment that are unemployed

Chart 3.10 shows change in the workless benefit claimant rate in Glasgow, relative to the other areas, between 2000 and 2009. Prior to 2008, the workless benefit claimant rate had been falling consistently since 2000 and successfully narrowing the gap with the national averages. However, there has been an increase in the benefit claimant rate over the past 18 months mainly as a result of the recession.

**Chart 3.10**

Source: DWP



The key message from this analysis is that Glasgow was making good progress towards increasing labour market participation levels and reducing benefit dependency prior to the recession. The recent increase has been predominantly the result of a rapid rise in new JSA claimants. **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.**

### 3.8 International Positioning

Glasgow's position in the world can be assessed in a number of ways, from success in trade and inward investment to growth in tourism and its overall reputation as a good place in which to do business. This section provides an overview of Glasgow's performance against some of these factors and covers:

- Business Location
- Business Conferences
- Tourism

#### ***Business Location***

Glasgow appears to be highly regarded as a business location within the UK, but less so internationally. From a domestic perspective, the 2008 Cushman & Wakefield UK Cities Monitor ranked Glasgow 6th out of 15 cities as the best place in which to locate a business.

The Cushman & Wakefield European Cities Monitor, which is based on the views of 500 senior executives in European companies, ranked Glasgow 29th out of 34 cities as the best place to locate a business. The findings from the research suggest that the city is less well known internationally as a business location than many other European cities. If the city's business location profile could be raised internationally, there are likely to be benefits, particularly in terms of attracting mobile inward investment.

#### ***Business Conferences***

Figures published by the International Congress and Convention Association (ICCA) show that Glasgow was the UK's top international conference destination in 2008/09, attracting more international delegates than any other city including London. In recent years, the City Marketing Bureau has had a deliberate strategy of targeted large international conferences and this appears to have been successful.

In the period from April 2008 to April 2009, Glasgow hosted a total of 203 major business conferences. These conferences generated revenue totalling £131m for the city economy. There has been a slight decline in business conference activity in the city over the past 12 months, though this is likely to be attributable to the impact of the recession on the overall number of conferences held by businesses.

## Tourism

In 2008, there were 1.7m tourism trips to Glasgow by visitors from elsewhere in the UK. This was 12% lower than the total in 2006 as shown in Table 3.10. Tourism expenditure in the city by UK visitors also fell by 11% from £436m to £388m over the period.

There were 0.7m trips made to the city by international visitors in 2008, which was slightly higher (+1%) than the total in 2006. Expenditure from this group also increased by 6% over the period, though there was a fall of 9% in the number of bednights taken by international visitors.

The key messages from this analysis are that there has been a decline in UK tourist trips, bednights and expenditure in Glasgow between 2006 and 2008. At the same time, there was an increase in the number of trips and level of expenditure by international tourists.

**Table 3.10**

Source:  
VisitScotland

<b>Tourism in Glasgow</b>				
	<b>2006</b>	<b>2008</b>	<b>Change 2006-08</b>	
			<b>No.</b>	<b>%</b>
<b>UK Visitors</b>				
Trips (m)	1.9	1.7	-£0.2	-12%
Bednights (m)	5.2	4.2	-£1.1	-20%
Expenditure (£m)	£438	£388	-£50	-11%
<b>International Visitors</b>				
Trips (m)	0.7	0.7	0.0	1%
Bednights (m)	4.7	4.3	-0.4	-9%
Expenditure (£m)	£218	£232	£14	6%

Table 3.11 lists Glasgow's top tourist attractions and the total number of visitors to each in 2008. Kelvingrove Art Gallery & Museum is Glasgow's top attraction with almost 1.5m visitors in 2008. The rest of the list includes some of Glasgow's most well-known museums and galleries.

**Table 3.11**

Source:  
VisitScotland

<b>Top Visitor Attractions in Glasgow</b>	
	<b>Total Visitors in 2008</b>
<b>Kelvingrove Art Gallery &amp; Museum</b>	<b>1,445,098</b>
Gallery of Modern Art	562,595
Glasgow Science Centre	480,834
Museum of Transport	456,324
Glasgow Botanic Gardens	400,000
People's Palace	252,205
The Burrell Collection	202,750
Centre for Contemporary Arts	186,000
Glasgow Cathedral	153,498
St Mungo Museum	152,352



The city's good record in attracting inward investors and as a major conference destination is perhaps a more accurate reflection of its position as a business location than the relatively low position in the European Cities Monitor. Moreover, Glasgow appears to perform well as a visitor destination with a 6% rise in expenditure from overseas visitors to the city between 2006 and 2008. However, to become a top UK tourist destination, the city is likely to need to attract significantly more visitors.

### 3.9 Success through Specialisation

Table 3.12 shows employment in Glasgow across the range of 'Key' and 'Other Growth Sectors' identified by the Scottish Government and Scottish Enterprise as offering considerable potential for future growth within the Scottish economy. For each, it also shows Glasgow's level of employment 'specialisation' relative to Scotland as a whole.

It should be noted that the latest available employment figures relate to 2007 and it is therefore not possible to make a definitive assessment of change since the launch of the strategy in 2006. However, we have included a column showing employment change between 1999 and 2007 to give an indication of employment trends across each prior to the recession.

**Table 3.12**

Source: Annual Business Inquiry & Slims Consulting calculations

Employment in Key Sectors			
	Employment 2007	Specialisation Score (Scotland = 100)	% Change in Employment 1999-2007
<b>Key Sectors</b>			
Energy	3,900	58	9%
Financial Services	23,200	154	-17%
Food & Drink	5,400	72	-15%
Life Sciences	1,100	36	88%
Tourism	31,000	86	18%
<b>Other Growth Sectors</b>			
Textiles	1,200	58	-59%
Aerospace, Defence & Marine	5,600	113	19%
Chemicals	300	13	-66%
Construction	27,200	77	-2%
Forest Industries	1,100	35	-8%

To summarise Glasgow's performance across the key sectors:

- Glasgow has a high level of specialisation within **financial services**, which accounted for over 23,000 jobs in the city in 2007. However, these official figures suggest that this was 17% lower than the total in 1999.

- Glasgow experienced strong employment growth in **life sciences** (+88%) between 1999 and 2007. The industry is relatively small in that it accounts for just 1,100 jobs, but this rapid expansion suggests that it could offer significant potential for future growth.
- **Tourism** the largest of the key sectors in Glasgow, accounting for 31,000 jobs in the city in 2007, though the level of specialisation in the sector is below the Scottish average. The sector has experienced strong jobs growth of 18% between 1999 and 2007.

Looking at Glasgow's performance across the 'other growth sectors':

- The only 'other growth sector' within which Glasgow has an above average specialisation score is **aerospace, defence & marine**. This is mainly as a result of the shipbuilding activities that remain on the Clyde. The sector employed 5,600 people in the city in 2007, almost a fifth (19%) higher than the total in 2006.
- **Construction** is Glasgow's largest 'other growth sector', despite having a below average specialisation score. There were more than 27,000 people working in the sector in 2007, only slightly lower than the total in 1999.

## 4. Emerging evidence of the impact of the recession on Glasgow

In this final section of the report we review some of the early evidence of the impact of the recession on Glasgow to date. At the present time, official data on the recession at the Glasgow level is scant. Data on output and employment is unlikely to be available until late 2009 and early 2010.

As a result we base the evidence in this section on a number of sources:

- Published forecasts by the Fraser of Allander Institute and recent data from the Office for National Statistics
- Slims Consulting's recent work on the performance of the West of Scotland economy for Scottish Enterprise
- A review of data on joblessness and vacancies published by the Department for Work and Pensions
- Consultation with partners at the Glasgow Economic Partnership meeting in October 2009

The section is set out in a number of sections:

- The scale of the current recession
- What has driven this recession
- Sectoral impacts in Scotland
- Emerging evidence on impacts in Glasgow

### 4.1 The scale of the recession

The Fraser of Allander Institute's latest economic forecast, and the recent publication of initial data on UK GDP by the Office for National Statistics, suggest that this has been the **longest - and one of the most severe - recessions in the UK economy since the end of the second world war.**

- Since falling into recession in early 2008, **UK GDP has fallen by 6.2% over a period of 18 months.**
- Scottish GDP started to contract one quarter later, but went on to fall by **5.9% over the 12 months from April 2008.**
- **There is some evidence that the recession – looking at the fall in GDP – is moderating:** UK GDP fell by 2.5% between January and March 09 and then by 0.6% between April and June 09. However, against the expectations of most commentators, **UK GDP contracted by a further 0.4% between July and September 2009.**

- Scottish GDP data is published one quarter behind that for the UK. **Latest Scottish GDP data suggested a fall of 2.4% in January to March this year**, much in line with that of the UK, and a contraction of **0.8% for the period April to June 09**.

While these data suggest that the rate of contraction in the economy is slowing – and moving in the right direction – **it is clear that we are not yet out of this recession**.

#### 4.2 What's driven this recession?

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

- **Rising commodity and oil prices** through 2007 and early 2008 stoked inflationary pressures in the world economy and limited the scope for interest rate cuts, which in retrospect may have been needed;
- **Systemic 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;
- **The bursting of the UK housing market bubble** – where house prices in some parts of the UK had more than doubled within 5 years; and
- **Significant losses of personal wealth, equity and savings** as stock markets and housing markets tumbled.

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

- **The speed and synchronicity of the move into recession has been unprecedented** in modern times with the entire developed – and most of the developing – world moving into recession at the same time. The drop off in world demand for goods has hit the manufacturing sector hard;
- **Banking is at the heart of the crisis** and this has led to a massive tightening of capital available for lending and the rates at which lending is offered. This has impacted on:
  - **Consumers** – who have been cutting personal 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 for mortgages to fund acquisitions by purchasers; and
- **Businesses in all sectors** who were reliant on bank funding and overdrafts - quite often growing businesses.
- **The speed and scale of the policy response by government has been rapid and enormous, but it will have long term consequences for the economy.** While economic catastrophe may have been averted by increasing government debt to 14% of GDP, ‘bailing out’ the banks and introducing a demand stimulus will have implications for public spending in the medium-term as the UK government looks to reduce the debt burden.

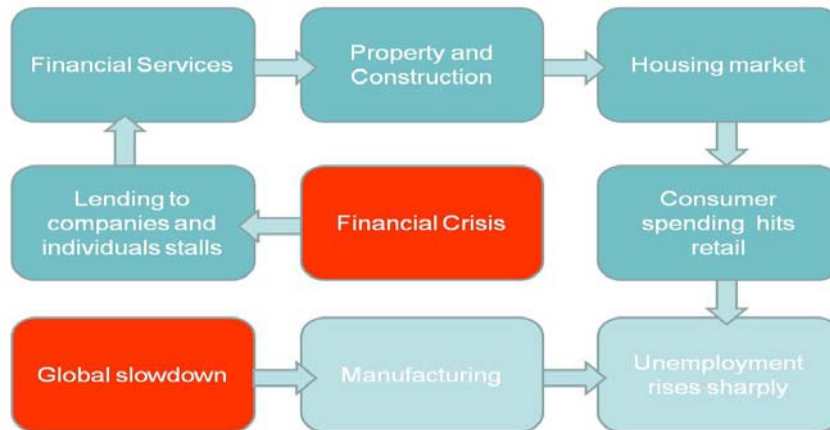
#### 4.3 What sectors have been hardest hit in Scotland?

While the recession has impacted on businesses in all sectors across Scotland, the figure below highlights some of those sectors that have been most severely affected.

- The **financial services** sector has experienced significant restructuring, particularly with the merger of some financial institutions and the requirement of banks to rebuild their balance sheets.
- The **construction sector**, where output was falling as far back as 2006, has also been badly hit particularly the residential development market, where the number of new housing starts has fallen to less than half pre-recession levels.
- Less remarked upon, but equally significant, is the impact on ‘white collar’ professional jobs, **especially in business services related to property** including architects, surveyors, agents and lawyer, where a number of high-profile – and previously fast growing businesses – have been shedding employment rapidly.
- The **retail sector** – a strong area of employment growth over the last ten years – has also been badly hit, most obviously by the disappearance of well established high street names such as Woolworths, Adams and Zavvi.

Figure 4.1

Source:  
Slims  
Consulting



Finally, across Scotland and the UK the **manufacturing sector** has also borne the brunt of significant closures and redundancies as firms respond to the downturn in global demand. The consequence of all of the above has been a **rapid and significant increase in unemployment** with the **number of people claiming Jobseekers Allowance in Scotland increasing by almost 53,000 between August 2008 and August 2009** – an increase of 64% in just twelve months.

#### 4.4 How is Glasgow faring?

As noted above, evidence relating to the impact of the recession on levels of economic output or employment in Glasgow is not yet available. However, what is clear is that, like the rest of the country, the city has not escaped the clutches of this recession.

The key question is **to what extent is the city faring worse or better than other UK cities?** One source of up-to-date evidence is Jobseekers Allowance (JSA) claimant data, which is published monthly by the DWP. Slims Consulting have been tracking JSA claimant totals and rates since the start of the recession. For Glasgow, the key messages from this analysis are:

- There was an **rise of 8,000 in the total number of JSA claimants** in Glasgow in the 12 months to August 2009 – an increase of 51%;
- However, this was **slower than the equivalent increase of 64% across Scotland** as a whole over the period;
- The rise in claimant unemployment in Glasgow has also been **slower than across most of the other English Core cities**. For example, Bristol and Leeds experienced JSA claims rising by 90% and 73% over the same period; and

- The **increase in JSA claimant rates has been broadly in line with other UK cities**, in stark contrast to the recession of the 1980s<sup>1</sup>.

In terms of the impact of the recession on labour demand, a further source of up-to-date information is the number of vacancies notified to job centres. In August 2009, there were a total of 3,900 job vacancies notified to job centres in Glasgow. This was 39% lower than the equivalent figure of 6,500 for August 2008. The rate of decline in notified vacancies was **much faster than across Scotland as a whole (-28%) and almost six times faster than the average rate of decline across Core Cities (-7%)**<sup>2</sup>.

The fall in the number of vacancies advertised to job centres, combined with the increase in JSA claimants, has led to an increase in the ratio of jobseekers to jobs. In Glasgow, there were six JSA claimants for every vacancy notified to job centres in August 2009. This was higher than the equivalent rates for Scotland and most of the other core cities with the exception of Birmingham.

#### 4.5 Which sectors have been most badly hit?

**Looking across some of the sectors that have been most severely impacted by the recession in Scotland, there are some signs of encouragement in terms of Glasgow's performance.**

In **financial services**, the International Financial Services District remains on target to meet its long term job creation targets of 20,000 new jobs by 2011. The last 12 months have also seen the completion of the £42million public realm development and the creation of the new Tradeston Bridge. In a sign of continuing strength in the IFSD, August 2009 saw Tesco Financial Services announcing the creation of 800 new jobs in Glasgow, while ESure plan to increase their presence in the IFSD with the creation of a further 500 posts.

The city's **hotel sector** has been supported by continuing success in the domestic and business tourism offer. Data from Deloitte on hotel revenue suggested that across the UK average revenue per available room (RPAR) fell by 10.9% across the first 9 months of 2009. **Glasgow saw the smallest fall of all UK cities in RPAR of only -1.4% and had the highest hotel occupancy rate of all cities outside London of 75.6%.**

**The city's tourism offer will be further strengthened by the opening of the Riverside Museum in 2011.** Work has continued on the completion of the building throughout 2009, with the completion of structural steelwork. The Museum is anticipated to attract some 400,000 visitors in its first year of operation.

The **retail sector across the UK has experienced its most difficult trading environment for a number of years. Nevertheless the sector in Glasgow, while not without its difficulties, has continued to show some continued signs of life.** The 20,000 sqft extension of the St Enoch centre is on track for completion by the end of this year, while Buchanan Street continues to attract

<sup>1</sup> Please refer to Appendix 1 for detailed tables showing JSA claimant total and rates

<sup>2</sup> Please refer to Appendix 2 for detailed figures relating to change in JCP vacancies

investment from major retail operators. **TK Maxx, H&M and Boots have all committed to substantially increasing their floorspace in the city centre this year.**

The city's **construction** sector has seen a significant slowdown in the residential sector, however **commercial property** activity has been supported by **the completion of more than 900,000 sqft of prime office space in Glasgow City Centre in 2009** – although most of these developments were commenced prior to the credit crunch. Looking to the near future however **the completion of the M74** and the unlocking of development sites in the east end of the city, and **the development of the infrastructure for the Commonwealth Games in 2014** will also provide opportunities for local construction businesses.

The transformation of Glasgow's economy from one dominated by heavy industry to a service based economy means that the city is now much less susceptible to downturns in manufacturing than it once was and the city's **significant public sector employment base** is also likely to have provided a cushion in the short term in terms of job losses.



## 5. Conclusions – Progress against Step Change Targets

### 5.1 Introduction

The aim of this report was to provide an analysis of the progress that has been made towards the Step Change Macro Indicators and Step Change Themes, and identify some of the challenges facing the strategy in light of the recession.

In this final section of the report we outline our key conclusions.

### 5.2 Progress against the Macro Indicators

**At this stage, it is difficult to draw a definitive set of conclusions around progress against all of the Step Change macro-indicators.** There are a number of reasons for this:

- **Step Change** is a 10 year strategy – and **is at an early stage in its life cycle**;
- For some of the indicators, notably **GDP per capita and labour productivity**, **there is no data available at the Glasgow level beyond the launch date of the strategy**; and
- The **full impact of the recession on the city is difficult to capture at this time** due to the relative lack of official economic data at the Glasgow level covering the last two years.

Nevertheless, **for those Step Change macro-indicators where data is available, there were some early encouraging signs ahead of the recession.** In particular, **Glasgow saw:**

- Its **employment rate** increase substantially since the turn of the decade;
- Continued **population growth**, maintaining its share of the **Scottish population**; and
- **Average earnings** in the city growing faster than the **UK and Scottish averages** and the gap with UK average falling to just 2%.

### 5.3 Progress against the Step Change themes

At this time there is no formal monitoring framework in place to measure progress against the Step Change themes. Slims Consulting have developed an indicative framework for this commission which is outlined in section 3. The key messages based on the available data against this indicative framework are as follows.

- Ahead of the recession there were some signs of progress towards the aspirations of the strategy under each of the **Step Change themes**, however within most themes progress was mixed
- In terms of **Building the Metropolitan Core** Glasgow City Centre remains a key part of the Scottish economy, and accounted for more than 1 in 20 jobs in Scotland. Nevertheless there is evidence that in the time since the launch of Step Change, the **rate of jobs growth in the city centre and the wider Metropolitan Core was slowing ahead of the recession**
- Glasgow has continued its strong progress in terms of placing **Education at the Heart of the Economy** since the launch of the strategy. The **polarisation of the skills base in the city has continued to narrow** and there has been an **increase in the number of school leavers in the city entering positive destinations**. The city has reduced the proportion of 16-19 year olds not in **Employment, Education or Training at a faster rate than across Scotland**.
- In terms of **Creating a Culture of Entrepreneurialism** the City has witnessed an **increase in the VAT registered business stock of some 6% - or 745 new firms – since 2006**, however this performance has been matched across the country and **there is less evidence of Glasgow closing the gap in terms of business density**. At the same time **however business birth rates and survival rates are improving**.
- Progress against **Glasgow: Edinburgh – Collaborating to Compete** is difficult to measure – however between them the **cities now account for around one third of Scottish GVA and are attracting an increasing proportion of known inward investment attracted to Scotland**
- The focus on **Strategic Area Regeneration** and in particular the Clyde Waterfront and the Clyde Gateway has continued over the last two years and has been accelerated by the City winning the right to host the 2014 Commonwealth games. **Data from the SIMD suggests there has been some degree of improvement since the launch of Step Change in terms of reducing concentrations of deprivation in the city**. **In spite of this the scale of the challenge remains stark**. **More than 2 out of every five Glaswegians live in neighbourhoods ranked as the 15% most deprived in Scotland**.
- In terms of **Work for those Without** Glasgow had continued to make great strides in **reducing unemployment in the City ahead of the recession**. **Between 2006 and 2009 the number of people unemployed fell by around 9%, in contrast to increases across Scotland, GB and the other Core Cities**. **This progress has been stalled and reversed by the recession** - with the number of people claiming JSA increasing by 51% in the twelve months to August 2009. **However the rate of increase in JSA claimants has been lower in Glasgow than the Scottish and the Core City averages**. In spite of these relative improvements –

worklessness remains a key challenge for the City with 23% of the working age population claiming some form of workless benefit in 2009.

- In terms of **International Positioning**, there is some evidence to suggest that Glasgow is less well known internationally as a business location than some other European cities. However, the city has done well in recent years in terms of attracting inward investment and was recently **ranked the UK's top international conference destination, attracting more international delegates than any other British city**. Since the launch of Step Change in 2006, there has been a slight increase in the number of trips made to the city by overseas visitors and an **even greater increase in the level of expenditure made by this group**.
- Progress towards **Success through Specialisation** is difficult to measure due to the lack of data beyond 2007 from the Annual Business Inquiry, however ahead of the recession:
  - **Glasgow had strong representation in the financial services sector, accounting for 23,000 jobs**
  - **Tourism was one of the largest sectors in the city** accounting for more than 31,000 jobs,
  - the **Life Science** sector in the City remained small at around 1,100 jobs, but had seen employment almost double in the last 10 years
  - Glasgow played a key role in Scotland's **Aerospace, Defence and Marine sector with around 5,600 jobs in the city – up 18% in the last 10 years**

#### 5.4 The impact of the recession

Step Change for Glasgow was conceived and developed in a period of strong and consistent economic growth across the UK. The last 18 months however have seen a deterioration of the economic conditions

- **The recession being experienced by the UK economy is now the longest – and one of the deepest – since the end of the Second World War**. UK GDP has contracted by 6.2% since Q2 2008.
- **Unemployment has risen sharply across the UK** as the economy contracts
- **There are some signs that the fall in GDP is now moderating, but it is clear that the UK economy is not yet out of recession** – though a return to growth is expected late 2009 or early 2010
- **A number of sectors have been particularly badly hit** across the UK including **manufacturing, financial services, business services, construction and retail**.

The full impact of the recession in Glasgow is difficult to measure in the absence of official data on output and employment. What is certain is that the city will not escape the effects of the recession unscathed. Indeed **the number of people claiming JSA in the city rose by 51% over the 12 months between August 2008 and August 2009**. Notified vacancies in the City have also fallen by more than a third – much faster than the fall across Scotland.

## 5.5 Looking to the future and issues for Step Change

Looking to the future is fraught with uncertainty, and we do not pretend to have a definitive view or comprehensive forecast about what will happen over the next few years. Nevertheless it is important to recognise that:

- Be it this year or next, **economic recovery will come**. However most commentators are suggesting that the **recovery is likely to be slow and protracted**, and annual growth rates may not return to pre-recession levels until 2014.
- **There remains a risk of a ‘W’ shaped recession**, with some quarters of growth being followed by further contraction
- On the experience of previous recessions, **unemployment is likely to continue to rise over the next 12-18 months** albeit at a slower rate than experienced over the 12 months. **We may not see a return to jobs growth until 2012**.
- **Public sector finances are coming under increasing pressure** – with Audit Scotland warning that the Scottish Budget in 2013-14 may be cut by between 5 and 13% in real terms.

Taken together these factors means that, in our view **it will be extremely difficult for Glasgow to exceed or ‘better’ the very strong levels of economic growth and performance that were achieved over the 10 years prior to the recession**.

Rather it may be more appropriate to the focus on **improve Glasgow’s relative position against competitor cities** and against Scottish and UK averages. This is one of the key – and explicit messages of the Step Change Strategy.

In this respect **there are some encouraging signs that this could be achieved** with a continued focus from the Partnership:

- The **increase in the number of JSA claimants during the recession has been slower than that of most of the English core cities**, and Scotland
- **Glasgow continues to attract employment in the financial services sector** – with the announcement of 1,300 new posts in the IFSD this summer
- The **city’s hotel sector saw the lowest fall of all UK cities in terms of revenue per available room this year**

- The City Centre continues to attract new retail investment with the completion of the **St Enoch Centre expansion** this year, and some **major retailers increasing their presence** in the city
- This year saw the **completion of 900,000 sqft of office space in the City Centre** – providing a basis for future jobs growth

At the same time it is important that the Partnership recognises that some **deep-seated challenges remain in terms of social equity**. Glasgow still suffers from the highest concentrations of worklessness and deprivation in Scotland. There is a strong case for continued action to ensure that when growth returns, ordinary Glaswegians do not get left behind.

## Appendix 1 – Jobseekers Allowance (JSA) Claimants

JSA Claimants 2008-2009						
Geography	JSA Claimant Totals			JSA Claimant Totals		
	Aug-08	Aug-09	12 month change	Feb-08	Aug-09	18 month change
Birmingham	35,862	50,527	41%	33,274	50,527	52%
Bristol	6,070	11,507	90%	5,057	11,507	128%
<b>Glasgow</b>	<b>15,892</b>	<b>24,054</b>	<b>51%</b>	<b>14,403</b>	<b>24,054</b>	<b>67%</b>
Leeds	14,165	24,461	73%	12,628	24,461	94%
Liverpool	15,712	21,844	39%	15,208	21,844	44%
Manchester	11,598	17,968	55%	10,836	17,968	66%
Newcastle upon Tyne	6,073	9,025	49%	5,910	9,025	53%
Nottingham	7,931	12,067	52%	7,451	12,067	62%
Sheffield	9,489	16,529	74%	8,463	16,529	95%
<b>English Core Cities Average</b>	<b>106,900</b>	<b>163,928</b>	<b>53%</b>	<b>98,827</b>	<b>163,928</b>	<b>66%</b>
<b>Scotland</b>	<b>82,425</b>	<b>135,384</b>	<b>64%</b>	<b>76,111</b>	<b>135,384</b>	<b>78%</b>
<b>GB</b>	<b>894,678</b>	<b>1,548,678</b>	<b>73%</b>	<b>824,298</b>	<b>1,548,678</b>	<b>88%</b>

JSA Claimants 2008-2009						
Geography	JSA Claimant Rate (%)			JSA Claimant Rate		
	Aug-08	Aug-09	12 month change	Feb-08	Aug-09	18 month change
Birmingham	5.7	8.0	2.3	5.3	8.0	2.7
Bristol	2.1	4.1	2.0	1.8	4.1	2.3
<b>Glasgow</b>	<b>4.1</b>	<b>6.2</b>	<b>2.1</b>	<b>3.7</b>	<b>6.2</b>	<b>2.5</b>
Leeds	2.8	4.9	2.1	2.5	4.9	2.4
Liverpool	5.5	7.7	2.2	5.3	7.7	2.4
Manchester	3.7	5.7	2.0	3.4	5.7	2.3
Newcastle upon Tyne	3.4	5.1	1.7	3.3	5.1	1.8
Nottingham	4.0	6.1	2.1	3.7	6.1	2.4
Sheffield	2.8	4.9	2.1	2.5	4.9	2.4
<b>English Core Cities Average</b>	<b>3.9</b>	<b>6.0</b>	<b>2.1</b>	<b>3.6</b>	<b>6.0</b>	<b>2.4</b>
<b>Scotland</b>	<b>2.6</b>	<b>4.2</b>	<b>1.6</b>	<b>2.4</b>	<b>4.2</b>	<b>1.8</b>
<b>GB</b>	<b>2.4</b>	<b>4.2</b>	<b>1.8</b>	<b>2.2</b>	<b>4.2</b>	<b>2.0</b>

## Appendix 2 – Notified Vacancies to Job Centres

JCP notified vacancies 2008-2009							
Geography	Aug-08	Aug-09	Change 2008-09		JCP Vacancies	JSA Claimants	Ratio of Vacancies to Jobseekers
Liverpool	4,530	5,095	12%		5,095	21,844	4.3
Newcastle upon Tyne	2,301	2,544	11%		2,544	9,025	3.5
Birmingham	7,032	7,384	5%		7,384	50,527	6.8
Sheffield	4,053	3,584	-12%		3,584	16,529	4.6
Manchester	5,681	5,020	-12%		5,020	17,968	3.6
Nottingham	2,924	2,557	-13%		2,557	12,067	4.7
Leeds	7,364	6,299	-14%		6,299	24,461	3.9
Bristol	4,322	3,185	-26%		3,185	11,507	3.6
<b>Glasgow</b>	<b>6,471</b>	<b>3,933</b>	<b>-39%</b>		<b>3,933</b>	<b>24,504</b>	<b>6.2</b>
English Core Cities Average	38,207	35,668	-7%		38,207	163,928	4.3
Scotland	37,822	27,261	-28%		37,822	135,384	3.6
GB	405,470	341,538	-16%		405,470	1,548,678	3.8