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# **Economic & Regional Policy: Some 'scene setting'**

**Presentation by**

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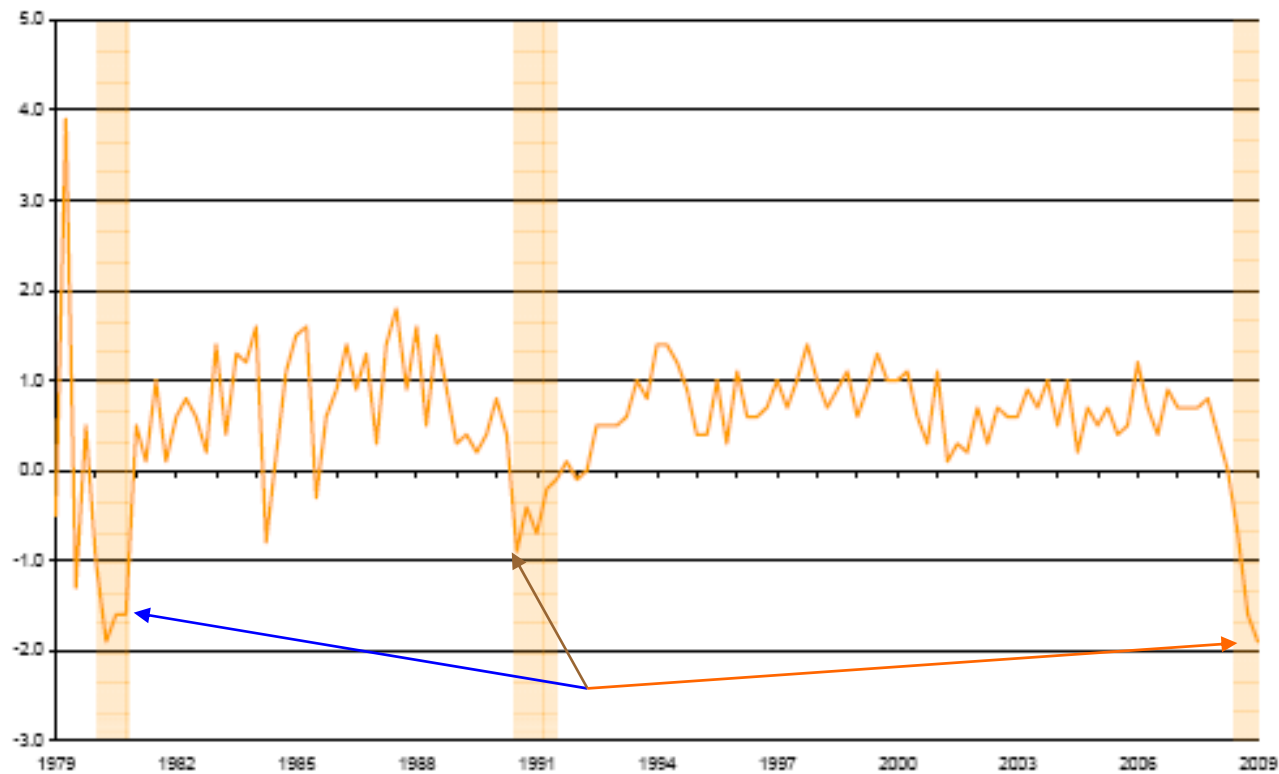
# Motivation

- Where are we currently in this recession?
- How bad might it get?
- Is there a ‘public sector recession’ to come?
- Some thoughts on what can be done

# Current recession: where are we now?

## Gross Domestic Product<sup>1</sup>, 1979 to March 2009

United Kingdom  
Per Cent change on quarter

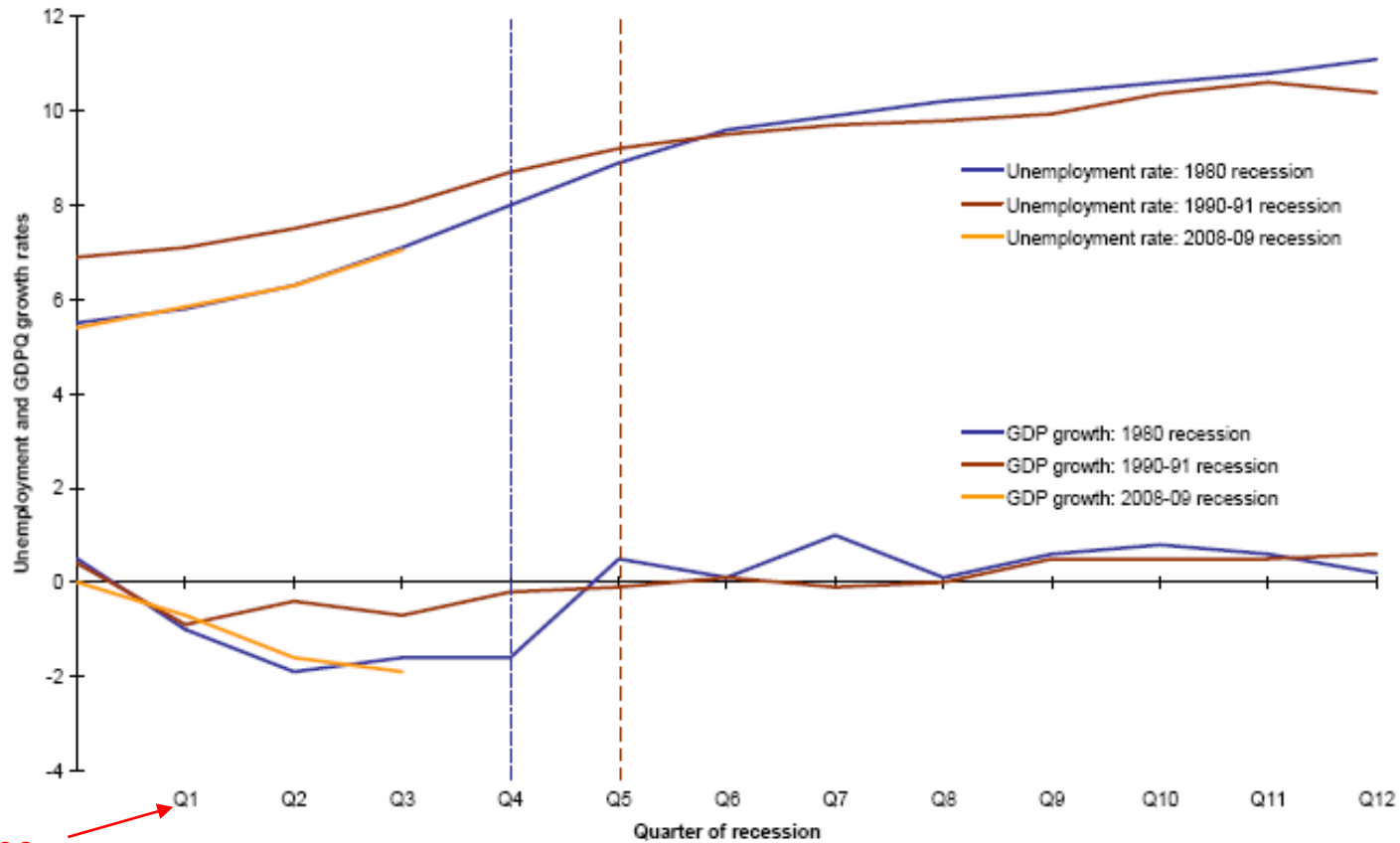


Source: LFS and GDP, Office for National Statistics

Source: Fig. 2.1 ONS (2009)

# Unemployment Rate<sup>1</sup> and GDP

United Kingdom, seasonally adjusted<sup>1</sup>  
Per Cent and Per Cent Change on quarter

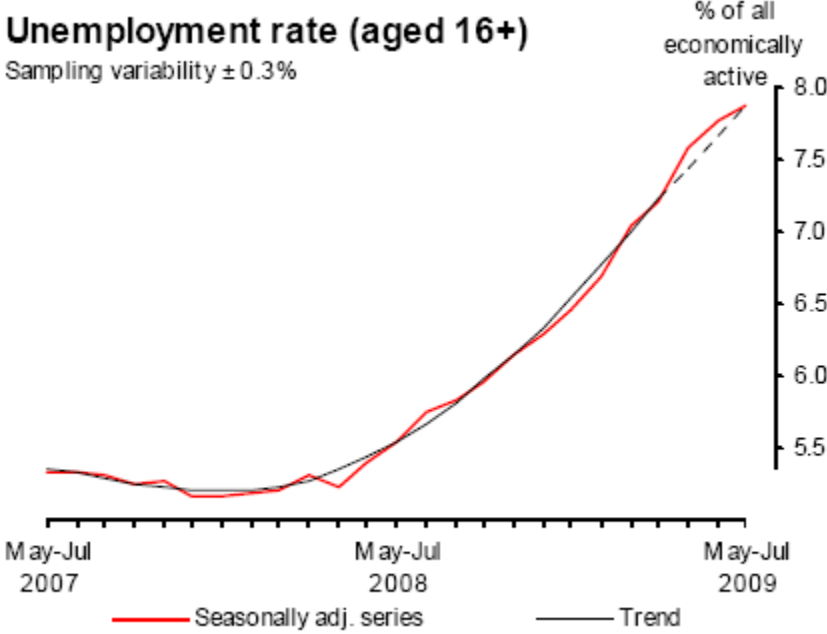
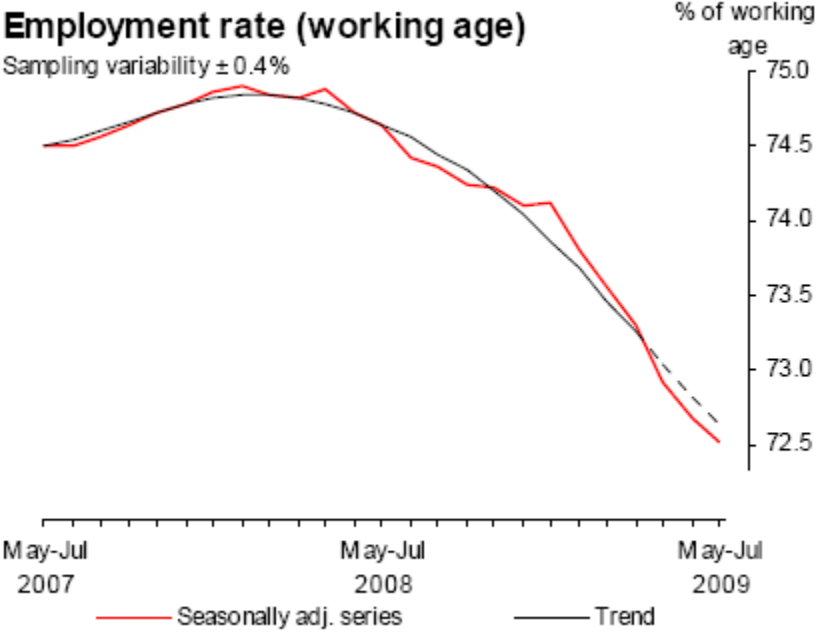


3<sup>rd</sup> Q 2008 current  
recession

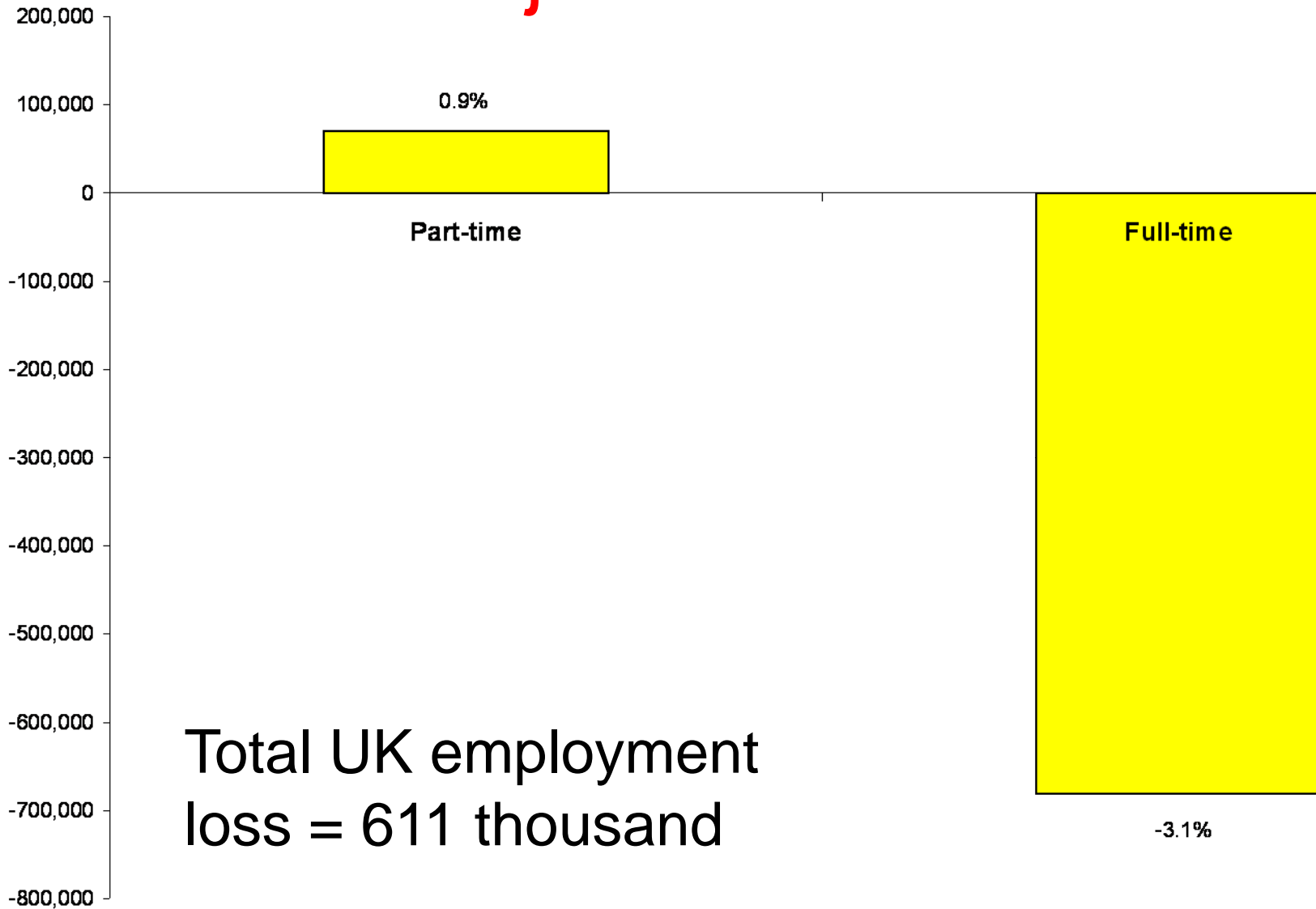
Source: LFS and GDP, Office for National Statistics

Source: Fig. 2.3 ONS (2009)

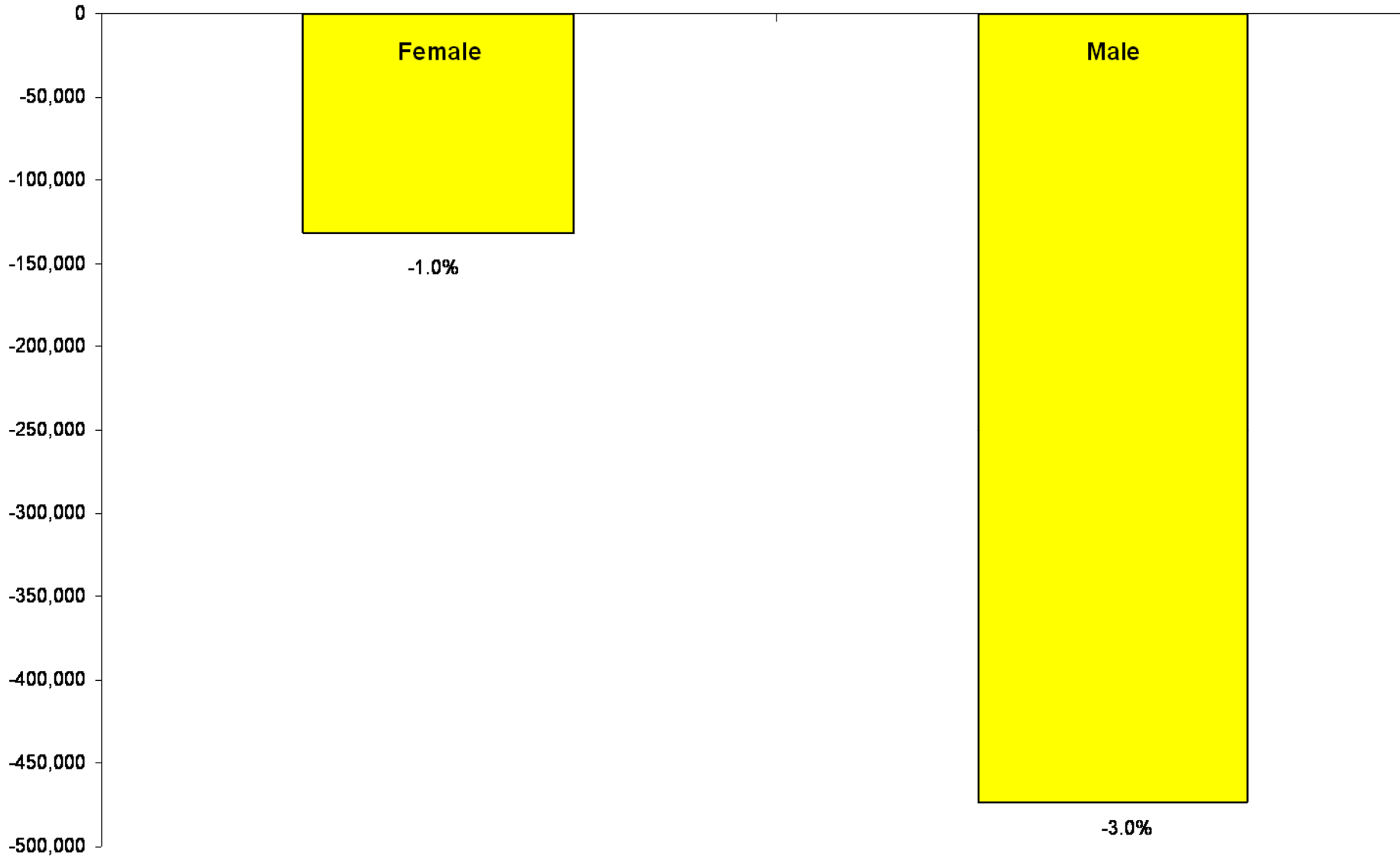
# Labour market effects in 12 months to 2<sup>nd</sup> Quarter 2009



# Where jobs have been lost

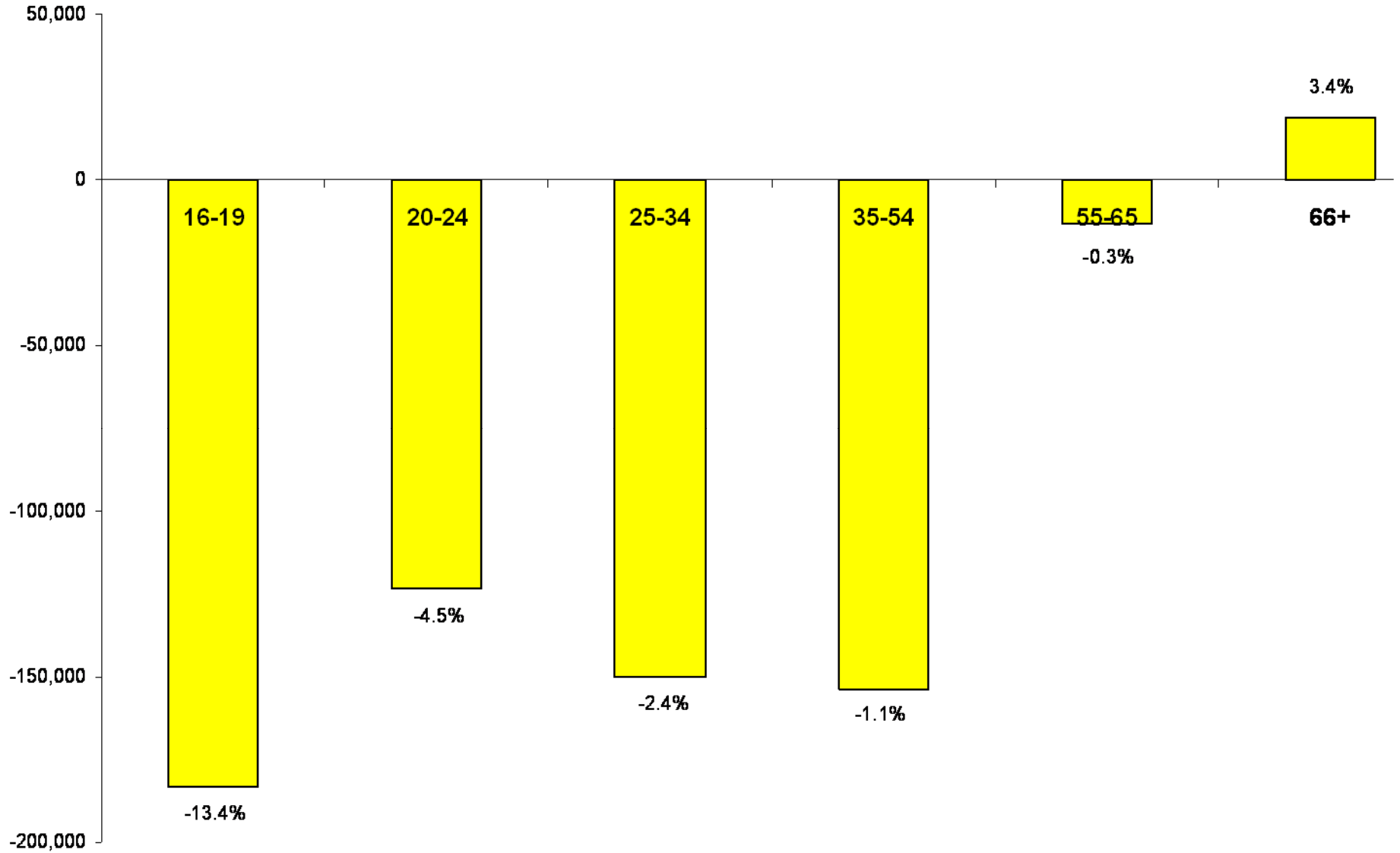


# By gender:



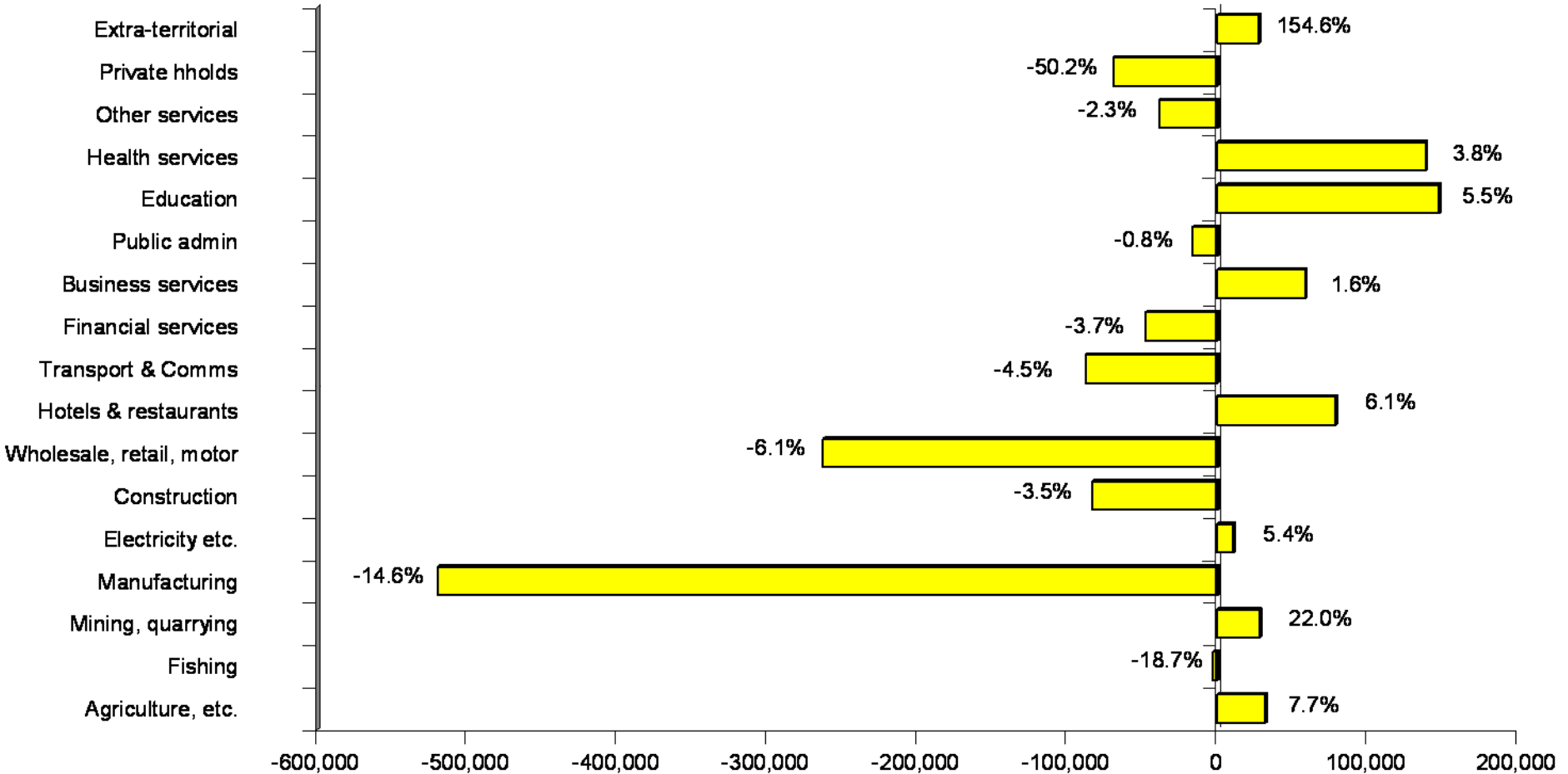
Source: own calculations based on Quarterly Labour Force Statistics

# By age-group:



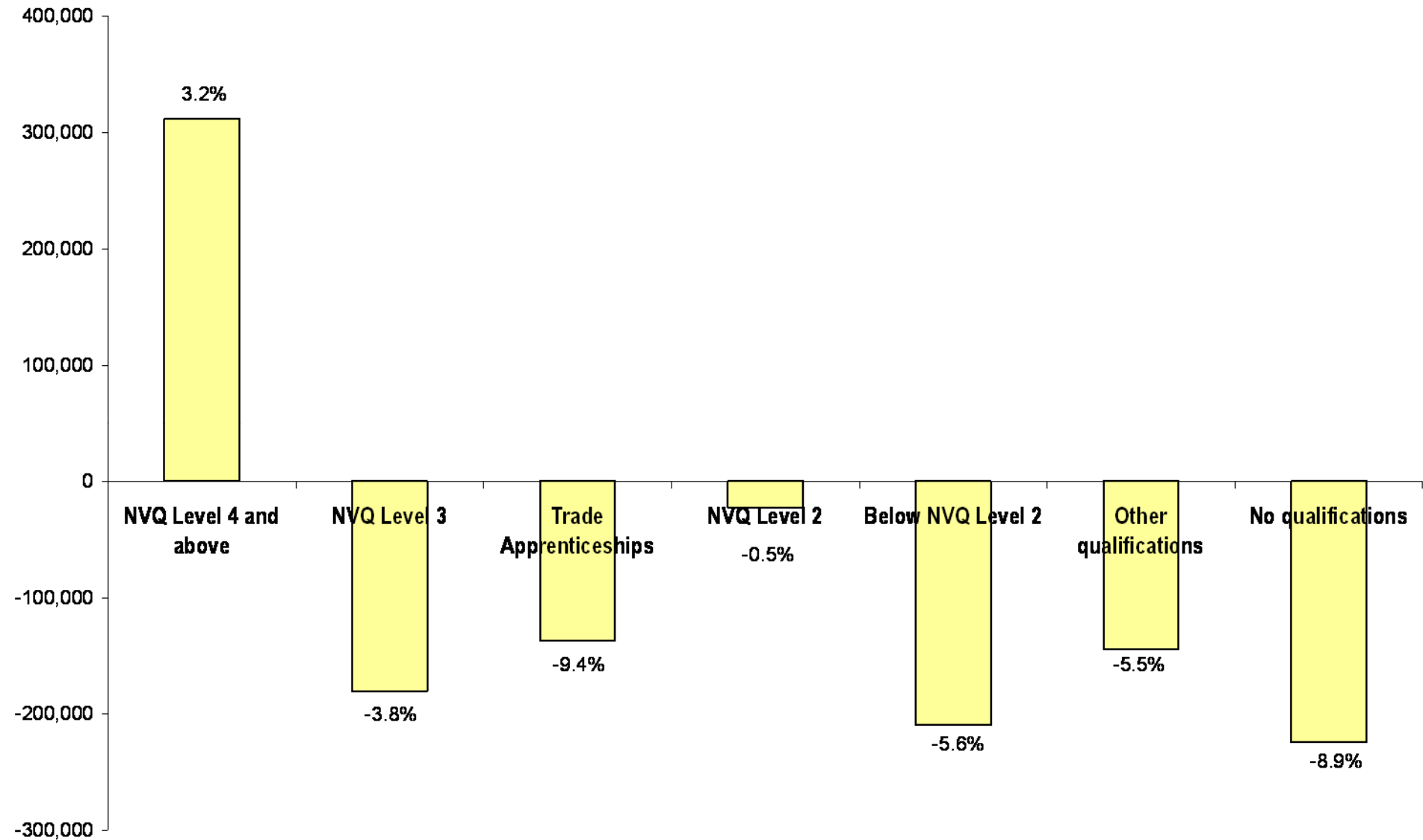
Source: own calculations based on Quarterly Labour Force Statistics

# By industry:



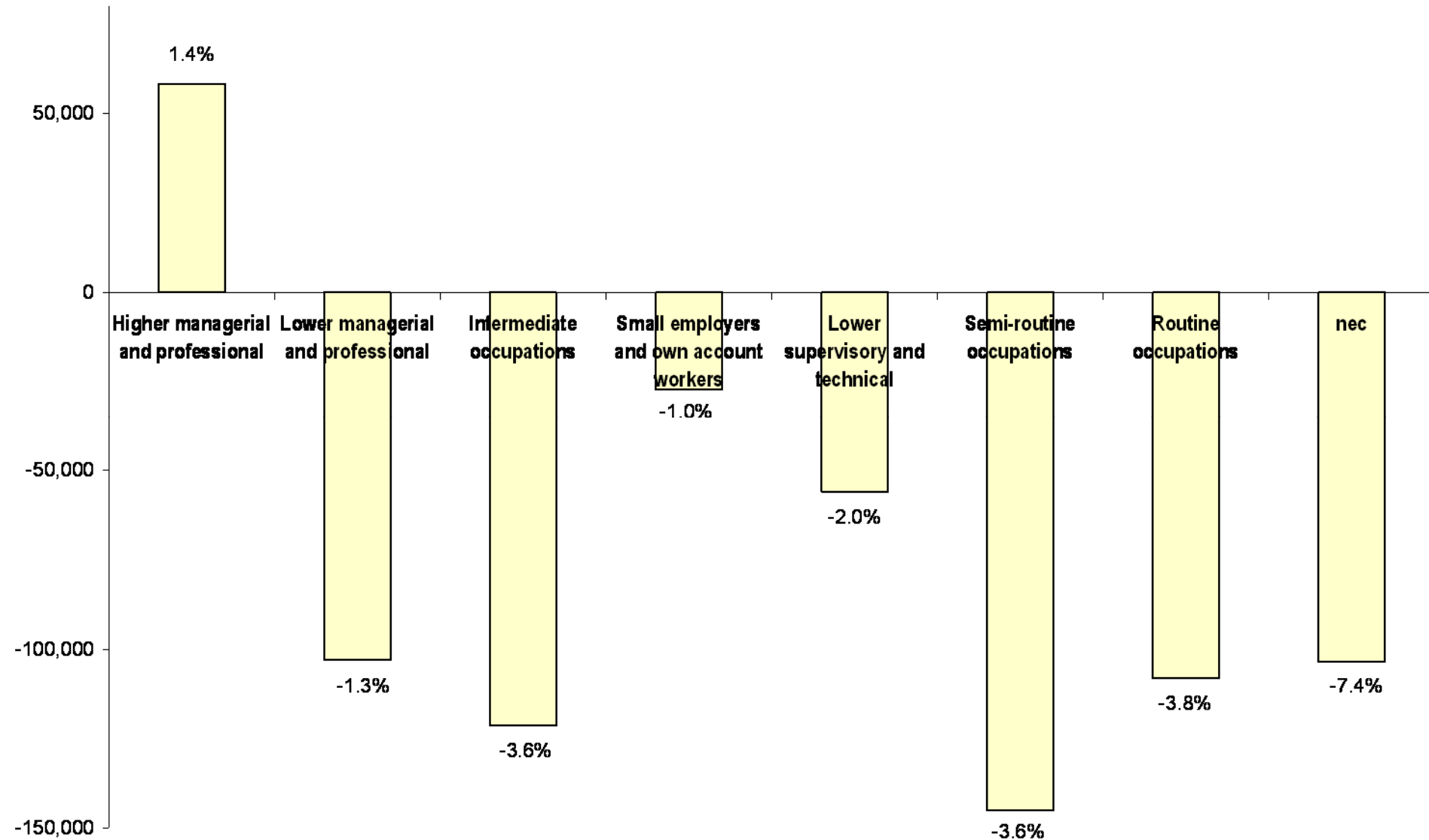
Source: own calculations based on Quarterly Labour Force Statistics

# By highest qualification:



Source: own calculations based on Quarterly Labour Force Statistics

# By socio-economic group:



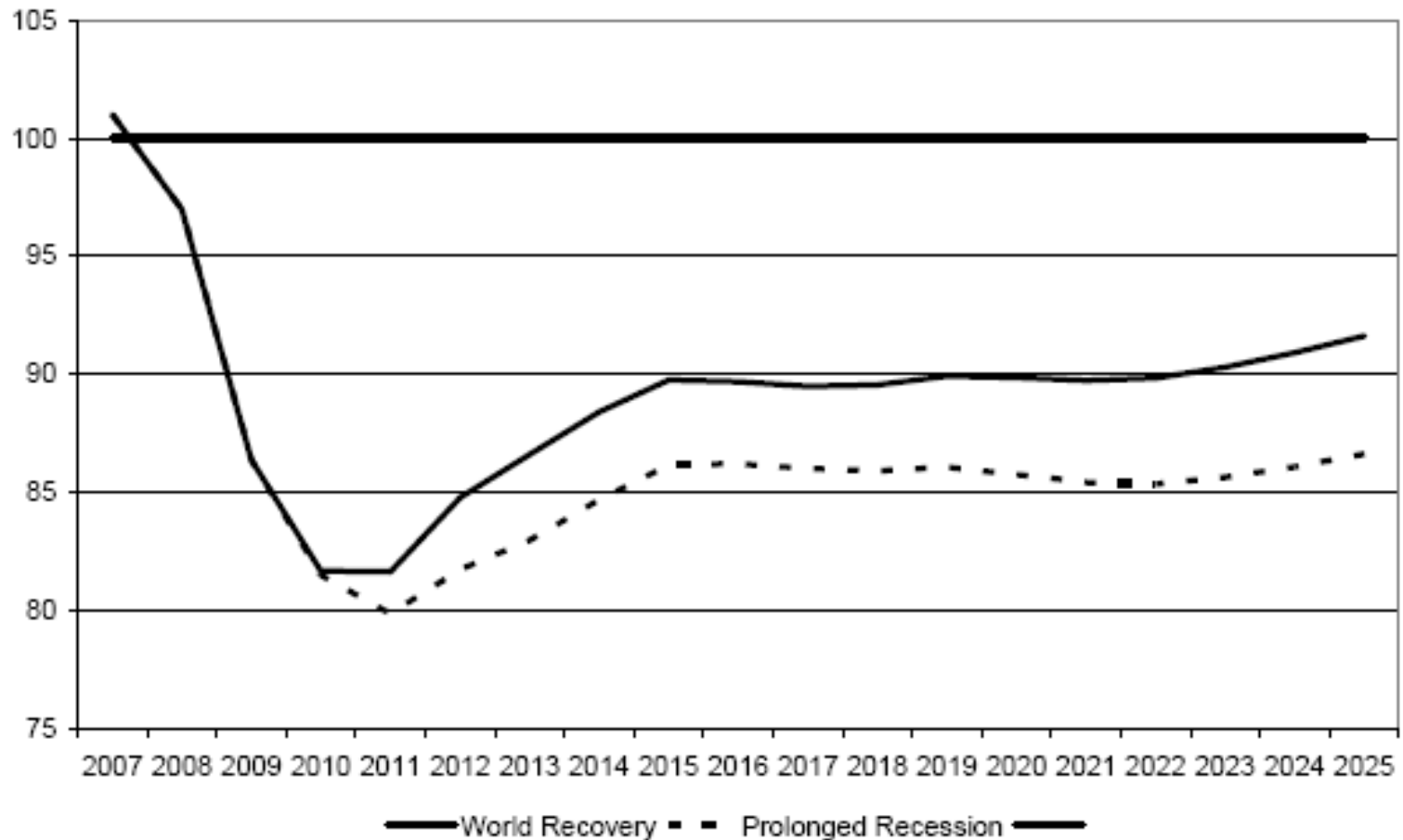
Source: own calculations based on Quarterly Labour Force Statistics

# Public sector recession?

- Previous has shown:
  - Possible return to growth 4<sup>th</sup> quarter 2009, but weak for several quarters
  - Unemployment still rises (albeit more slowly after return to growth) for at least one more year
- But UK has very large public sector deficit (more than in previous recessions)
  - In Scotland CPPR predicts that discretionary spending will be 8.5% lower in real terms in 2013-14 compared to 2009-10
  - In 2010-11 (compared to 2009-10) real spending falls by only -0.9% - so much more to come!
- So recovery is fragile and possibly in jeopardy

# Impact in Republic of Ireland

Figure 1: Permanent Loss of Output Due to the Recession



Source: Recovery Scenarios for Ireland, ESRI, Research Series no. 7, May 2009

# What can/should be done?

- Governments face a difficult macroeconomic trade-off:
  - Lowering public sector deficit
  - Engendering/sustaining fragile growth
- Under current set-up Scottish Government is largely passive on macroeconomic scene
- Microeconomic scene?
  - Need to continue to concentrate on enhancing productivity (efficiency and innovation) in tradeable goods sectors
  - to ensure can take full advantage of future growth