Unemployment typically rises when national output falls. So why has Britain’s labour market held up following the most recent recession?
With some economic recovery having finally got underway, the UK is still feeling the repercussions of the so-called ‘Great Recession’. National output, as measured by GDP, fell by over seven per cent from its peak, the biggest fall since the inter-war years, and even in late 2013, it is still about three per cent below pre-crisis levels.

Based on previous experience, we would have expected unemployment to have soared into double digit territory. In fact, the labour market has held up surprisingly well. Unemployment peaked at 8.3 per cent, which, although unacceptably high, is lower than in the 1980s and 1990s recessions even though these took less of a toll on national output.

The flip-side of the unemployment picture is the so-called ‘productivity puzzle’. Labour productivity as measured by output per hour worked has collapsed: in mid-2013 it was it is about five per cent lower than it was pre-recession and at least ten per cent below what would have been expected if past trends had continued. Productivity does tend to fall or stagnate initially in recessions, primarily due to ‘labour hoarding’.

However, the mystery has not been fully solved, an important part of the explanation seems to lie in the flexibility of wages combined with very low investment.

IT’S THE LABOUR MARKET, STUPID

Between 2009 and 2012, average hourly wages in the UK fell 8.5 per cent in ‘real’ terms – that is after taking account of inflation. As a result, average real hourly wages in 2012 were no higher than they were in 2003. The experience of almost a decade of real wage stagnation is unprecedented in the UK and it is still continuing. In most other major European countries and the US, real wages have already regained their pre-recession levels.

One potential explanation that is often given for stagnant real wages in the UK is the relatively high net migration rates that have been seen since the EU expanded in 2004. But net migration has fallen since 2008, at least according to official estimates, and in any case there is little evidence that immigration depressed wages for British workers over the past decade. The fact that other countries with high net migration have not seen similar wage falls also makes this an implausible explanation for the changes seen in the UK.

What is even more surprising is that average wages have fallen despite a shift in the composition of the workforce towards more-skilled workers (who tend to be higher paid): recent research by Richard Blundell, Claire Crawford and Wenchao Jin at the IFS shows that the workforce is now more qualified and experienced than ever before. This means that the same workers must now be doing the same or similar jobs for lower wages.

In fact, the study finds that, among workers who stayed in the same job between 2010 and 2011, one third saw their wages fall or stay the same and another third saw their wages rise by less than the rate of inflation (thus experiencing a real wage freeze or cut). Moreover, these changes occurred across all demographic groups, in all industries and occupations, and for both high and low paid workers. Wage inequality and income inequality have fallen slightly during the Great Recession.

THE EFFECTS ON PRODUCTIVITY AND JOBS

Lower real wages seem to have helped reduce lay-offs because they have made it cheaper for firms to hang on to their workers even in the face of falling demand. But low wages also made it relatively cheaper for firms to take on more workers rather than invest in new machines or technologies. This trend is reinforced because the cost of investment has also increased for many firms. Although
the Bank of England has kept the base interest rate near zero, and has tried to get this passed on by printing money (quantitative easing), the actual cost of capital seems to have increased. The Bank estimates that the cost of capital has increased by two percentage points (from eight per cent) for large firms, with the challenges even greater for small firms. Banks were over-leveraged before the crisis and have been re-building their capital to cover their lending. Part of this ‘rebuilding the balance sheet’ effect is due to tougher standards.

The upshot of this is that the price of capital has increased and the price of labour (wages) has fallen, so that firms have had incentives to substitute cheaper workers for more expensive machinery and buildings. Investment in the UK has fallen by about 25 per cent from 2008 levels and remains low. And while this means employment is much higher than we would have expected otherwise, it means that productivity has fallen as a result of this ‘capital shallowing’ (less investment per worker). Joao Pesoa and John Van Reenen of the CEP argue that once this is taken into account, productivity changes in the UK since 2008 are similar to the picture in the 1980s and 1970s recessions.

**WHY WOULD YOU WORK FOR LESS?**

But why have so many workers been willing to accept lower wages? One possibility is that the recession and slow recovery may have led people to revise down their expectations of future income, meaning that they are willing to work for longer or accept lower wages in order to stay in work.

The slowdown in real wage growth had already started before the recession, however, this cannot explain the whole story. Part of the explanation may lie in the fact that the loss of income associated with unemployment has risen over time, as unemployment benefits – which in the UK are not linked to previous salaries, as they are in most countries – have risen more slowly than wages. Meanwhile, administrative pressure on benefit claimants to take low waged work rather than hold out for a better paid job has steadily increased. This means that workers may be more likely to trade lower wages in order to keep their jobs now, compared to previous recessions. In addition, unions were weaker now in than in previous post-war recessions so less able to resist wage freezes.

Research by Paul Gregg, Stephen Machin and Marina Salgado of the CEP finds that the sensitivity of real wages to rises in unemployment has increased since the early 2000s. In fact it has more or less doubled, such that an increase in unemployment from 4.5 per cent to eight per cent, roughly what the UK has experienced over the last few years, is estimated to reduce wages by ten per cent now compared to about five per cent in the 1990s recession. The combination of slower trend growth in wages with increased downward pressure from unemployment means that the economic pain in this recession is being felt in terms of falling real wages rather than fewer jobs.

**TRENDS FOR THE FUTURE**

In the long run, productivity growth is the most important driver of material wellbeing, so it is worrying that UK levels of GDP per hour have fallen so much. But in the short run, the positive flip side of this is that unemployment is lower than we would have expected for such a big fall in output. Much of the explanation for this seems to lie in the increased real wage flexibility and lower investment seen in the UK in recent years. The key issue is whether real wages, investment and hence productivity recover when the economy returns to robust growth – if they do not, it would signal the end of the period of continually rising living standards that the UK has experienced since 1945. ■

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www.if.org.uk

This article was written by researchers from the Institute for Fiscal Studies and the Centre for Economic Performance.
WHAT WAS THE IMPACT OF THATCHERITE POLICIES ON THE DECLINE OF BRITISH MANUFACTURING?

THE DEATH OF Mrs Thatcher in 2013 prompted a re-examination of her economic legacy. In retrospect, her two great failures were a huge increase in inequality and excessive faith in monetarism, which prolonged the early 1980s recession. But her big successes were ‘supply-side’ reforms that made labour and product markets more competitive. These were continued under subsequent administrations and helped to reverse a century of relative economic decline.

In 1870, GDP per capita in Britain was a fifth higher than in the US and over 40 per cent higher than in continental Europe. By the late 1970s, US GDP per capita was 40 per cent ahead of Britain; and France and Germany were 10-15 per cent ahead. But over the next three decades, Britain overtook France and Germany once more and significantly closed the gap with the US. There is substantial evidence that policies underpinned much of these economic gains. They included the withdrawal of industrial subsidies, a movement to effective competition in newly privatised sectors with independent regulators and increases in labour market flexibility through restrictions on union power and tougher conditions for receiving unemployment benefits.

A PERIOD OF NEGLECT

Today, however, there is a strong sense that the economy is ‘unbalanced’ and because manufacturing is export-intensive, it needs to grow as a share of the economy. Coupled with this is the view that finance became too large and that Britain’s success over the last 30 years was built on an unsustainable bubble. The global financial crisis of 2008-09 certainly revealed a huge failure of financial regulation that is only now being addressed. But it is wrong to believe that finance was mainly responsible for Britain’s growth. In fact, financial services only accounted for about a tenth of the growth in aggregate productivity from Mrs Thatcher’s 1979 victory to the eve of the crash in 2007. Most of the growth was in areas such as business services, retail and manufacturing.

And there are many strong manufacturing firms in Britain, including Rolls Royce, Glaxo and GKN. There has also been a renaissance in car-making. People fret that the firms are foreign multinationals such as Toyota and Tata, but surely this does not matter so long as high-quality jobs are created for local workers. An economy whose attractiveness means that foreign capital (physical and human) wants to come here is a good model.

Manufacturing’s share of GDP fell from 25.5 per cent in 1980 to 11.4 per cent in 2010. This trend is common across the rich world as the production of goods is offshore to places like China and India where wages are much lower. Yet this would have mostly happened regardless of the change in policy direction after 1979. For example, in France, where there was a much more activist industrial policy, the fall in manufacturing’s share of GDP was not much smaller than Britain’s. The impact of Thatcherite policies on the decline of manufacturing was modest. But even if different policies could have increased the share of manufacturing, should we have implemented them? British manufacturing has grown more high-tech and knowledge-intensive, which plays to our comparative advantage. And services themselves are increasingly exported – not just finance but also business services such as law, accounting, consultancy, design and marketing. As China and India grow richer, their demand will switch from machine tools that power manufacturing (made in Germany and Japan) towards high-value services. If Britain is open, confident and entrepreneurial, this is a major market opportunity.

A modern industrial policy does not fixate on manufacturing but looks to where our latent comparative advantage lies and constantly scans areas of future growth. Governments need to focus on removing barriers to the growth of these capabilities, regardless of whether they produce heavy goods or ‘weightless’ services like research, games design or health. We have a strength in higher education that is being hindered by the unwieldy visa regime. This must change if we are to seize the opportunities for the next 30 years.
WHAT PRICE A HOUSE?

Britain’s planning system is to blame for damage to the housing market and the retail sector

HOUSES IN ENGLAND are not just expensive: over the past 50 years, they have also got far more expensive relative to incomes and to other things we buy. After adjusting for inflation, the price of houses in England has increased more than four times since 1960 – and by much more in London. Professor Paul Cheshire and Dr Christian Hilber of the ESRC Spatial Economics Research Centre (SERC) have compared their own situations as a way of showing the injustice and inefficiency of England’s housing market.

“One of us owns a house in an attractive part of inner London: the mortgage is paid off and he is living in an asset worth more than all the salary he earned in his 50 years of working. The other moved to Britain ten years ago and only just managed – thanks to a large mortgage – to get his feet on the housing ladder by buying a house in suburban London he can only just fit his family into. The difference is that the older of us bought his first house in 1972 for £2,500 (£27,969 in today’s terms); the younger bought in 2010, paying nearly half a million.”

WHAT’S THE PLAN?
High house prices are not the result of a shortage of land: less than ten per cent of Britain is developed and most city spaces are covered by vegetation not concrete. London is a large and rich city and so housing is expensive. But by far the most important reason that housing is so expensive is policy: our planning system.

The supply of most of what we buy is organised through markets but not the supply of land for houses, offices and shops. That is controlled independently of prices by planners. The trouble is that local communities have virtually no incentives to permit local development: local planning authorities and the residents who elect them bear most of the costs of local development but reap virtually none of the benefits. The result is that ever since 1947, when we first introduced our planning system, it has been providing less and less land relative to demand – and so prices have gone up and up, both absolutely and relative to incomes.

SERC researchers Hilber and Vermeulen have investigated the impact on house prices of local planning constraints compared with other supply constraints. They find that regulatory constraints are largely to blame for the extraordinarily high house prices in most of England. A conservative estimate is that house prices would be 25 per cent lower in the South East if it had the regulatory restrictiveness of the North East, which is still highly regulated by national standards. Physical supply constraints matter too but much less and only in the most urban areas.

Britain’s ‘housing crisis’ is perhaps the most felt unintended consequence of the planning system. But SERC research by Cheshire, Hilber and Kaplanis suggests that the impact on the retail sector – through ‘Town Centre First’ policies introduced in 1996 – may be just as damaging. Forcing retailers into cramped ‘town centre’ sites identified by planners and limiting local competition via the needs test, reduces the output of affected stores by 32 per cent. SERC researchers Cheshire and Hilber and Sanchis-Guarnier are currently investigating one of the claimed benefits of ‘Town Centre First’: more ‘sustainable’ shopping trips. The preliminary findings indicate that since households have continued to move away from expensive town centres and use their cars more, forcing retailers into town centres has actually made shopping trips longer.

“The housing affordability crisis is in full swing again and the economy and the retail sector remain sluggish.” The researchers conclude: “Now would be a good time for policymakers to take notice of research evidence and act decisively.”

www.spatial.economics.ac.uk
High Hopes

Young people from disadvantaged backgrounds need advice early in their education if they are to get into top universities and improve their earnings potential.

There are large variations in the likelihood of young people from different family backgrounds going to university, primarily because of the contrasts in how well they do at school. There are also big differences in the types of universities they attend. This matters because the 'returns' from going to university – how much more you earn as a result of your degree – varies by subject studied and institution attended. So policies aimed at tackling economic inequalities should ensure that young people from disadvantaged backgrounds have the knowledge and skills to go to 'high-status' institutions to study high-returns subjects.

Young people from disadvantaged backgrounds are far less likely to go to university than those from better-off backgrounds. Analysing data on all students in England, researchers from the Institute for Fiscal Studies (IFS) find that 55 per cent of young people from the richest fifth of the population went to university at either age 18 or 19 in 2009-10. This compares with just 18 per cent of those from the poorest fifth of the population.

These differences are not driven by discrimination on the part of universities in terms of whom they are willing to admit. Instead, they stem from the fact that those from poorer backgrounds are much less likely to get the grades necessary to go to university. This suggests that the roots of these socioeconomic gaps in university participation lie much earlier in children's lives. So policies that aim to influence the decisions young people make at age 18 cannot hope to eliminate these gaps entirely.

Recent increases in the cap on tuition fees in England – to £3,000 in 2006-07 and £9,000 in 2012-13 – gave rise to concerns that young people from poorer backgrounds would be put off going to university because they would now be graduating with substantially higher debt. In fact, more of these young people are going to university than ever before, with the gap in participation rates between the richest and poorest students actually falling slightly as tuition fees have been rising.

But while university participation has been increasing, the proportion of young people going to high-status institutions – around one third of those who go to university – has not changed much. This may be because the top universities found it difficult to expand during the 2000s. It will be interesting to see what happens now that these constraints have been relaxed by the government’s decision to allow universities to recruit as many students with ABB grades at A-level as they like.

Different backgrounds

We have not seen the same reductions in the gap in participation at high-status universities between those from rich and poor backgrounds as we have in participation overall: less than three per cent of young people from the poorest fifth of families attend a top university compared with 22 per cent of those from the richest families. Put another way, young people...
from the most advantaged backgrounds are around eight times more likely to go to one of these institutions than young people from the least advantaged families. This is an enormous gap — and it matters because not all degrees are worth the same. The returns from going to university vary not only according to how well you do while you are there, but also which institution you go to and, in particular, which subject you study. New work by researchers from the IFS and the University of Cambridge has quantified these differences.

It may not be much of a surprise to hear that medical students go on to earn the most – substantially more than graduates from most other degree subjects. It may be more of a surprise to hear that after taking account of an individual’s family background (as well as how well they did in their degree and which subject they studied), it matters far less which type of university they went to.

What lessons can be drawn from this? First, that closing the socioeconomic gaps in higher education participation requires policy action well before young people are deciding whether or not to go to university. Second, that social mobility is likely to increase more if young people from disadvantaged backgrounds make it to the highest status institutions to study the subjects with the highest returns. Third, that a student’s A-level grades and subject choices matter: only those with the right grades in the right subjects will be able to go on to study medicine and other high-returns subjects at university. It is therefore vital that we provide good early advice on these issues to young people from all backgrounds.

www.ifs.org.uk

This article draws on a range of work carried out by researchers at the IFS, the Institute of Education and the University of Cambridge. For more information, contact Claire Crawford at the Institute for Fiscal Studies or Anna Vignoles at the University of Cambridge.
INTEREST RATES

Blunt instrument

Monetary policy is less powerful in recessions

CHANGES TO KEY interest rates by central banks have a significant impact on economic activity during periods when the economy is expanding. Unfortunately, they seem to have virtually no effect during recessions – the time when the stimulus of monetary policy is most needed. These are the central findings of research by Professor Silvana Tenreyo and Gregory Thwaites, published by the new ESRC-funded Centre for Macroeconomics at the London School of Economics.

Their study focuses on the effect of changes in interest rates, the main monetary policy instrument used by the US Federal Reserve and the counterpart of the bank rate set monthly by the Bank of England. The researchers explore the effect of changes in this ‘policy rate’ on US macroeconomic activity over a 40-year period – from 1968 until 2008. Whether central bank interventions of this kind can stimulate activity is a key issue for policy.

The analysis shows that nearly all of the effect of the policy rate on economic activity over the business cycle is attributable to changes made during good times – and it is particularly driven by the responsiveness to rate changes of business investment and consumer spending on durable goods. In an expansion, output and inflation fall in response to an increase in the policy rate in the textbook fashion. But in a recession, the responses of output and inflation to a rate cut are negligible.

STABILISING THE ECONOMY

These findings have important implications for the design of economic policy. If changes in the policy rate have little impact in a recession, policymakers may need to rely more heavily on fiscal or financial policies to stabilise the economy in a deep or protracted slump.

CONSTRUCTION

HOUSING IN CRISIS

Even in good times the UK didn’t build enough houses

HOUSE PRICES MAY be surging in London once again, but Britain still faces a housing crisis. The short-term fall in prices and construction during the recession has contributed to the slow pace of recovery. But, as Professor Henry Overman of the ESRC Spatial Economics Research Centre has long argued, there is a much more profound issue with the overall shortage of housing and the problems of affordability that this generates.

Reduced demand during the recession has been reflected in falling house prices outside London and the South East. In London, large initial price falls were quickly offset by subsequent rises, while the South East saw similar initial falls and a slightly weaker recovery. Despite these different price trajectories, construction has still slumped.

In response to the housing market downturn, the government has introduced a range of home ownership ‘help-to-buy’ schemes. While it is too early to assess the full impact of these initiatives, initial figures suggest that they may already be driving up prices. Unfortunately, this is not necessarily all good news. While we should not downplay short-term concerns about the impact of falling house prices on consumer demand, it is the construction figures that are most worrying. What’s more, focusing on the short-run slump distracts from the longer-run problem that Britain was building very few houses even during the good times. If, as seems likely, the price impact of help-to-buy is significantly bigger than the effect on construction, this will only exacerbate the problem.

A LONG-TERM SOLUTION

What can be done to tackle the longer-run problems? One possibility is to make better use of the existing stock, perhaps using ‘empty bedrooms’, restoring ‘empty homes’ or banning second homes. Professor Overman has shown that there are significant drawbacks to all of these proposals, but the main one is that they will be insufficient to tackle the scale of the crisis.

In the long run, any solution will require an increase in the supply of housing. In practice, for a variety of reasons (not least, the government’s current restrictions on borrowing), this will need to take the form of a market-led response in the areas of highest demand. This, in turn, requires the planning system to allow a proper supply response.

Addressing long-term affordability is not a matter of short-term stimulus. It requires a private sector response as the market picks up. Developing a planning system that allows that to happen is the real challenge.
**HAPPY FAMILIES**

Flexible working arrangements may benefit family relationships

GOVERNMENT EFFORTS to promote flexibility and ‘family-friendly’ working hours may be having a beneficial impact on the amount of time we get to enjoy our closest relationships. That’s the conclusion of research by Dr Mark Bryan of the Institute for Social and Economic Research (ISER) and Dr Almudena Sevilla Sanz of Queen Mary, University of London.

Campaigners for more flexible working arrangements have long argued that they are not only beneficial for employees by making work more compatible with their other responsibilities. They also benefit employers, making it easier to recruit and retain staff and to encourage greater commitment and productivity. The previous government responded in 2003 by legislating for a ‘right to request flexible working’ for parents of children under the age of six and disabled children under 18. In 2007, the legislation was extended to people caring for adults; and in 2009, to parents of all children under 17.

CHANGING THE BALANCE

Responses to a survey by the Chartered Institute of Personnel Development indicate that although the legislation was primarily intended to support employees’ caring commitments, flexible working has led many people to report an improvement in their ‘work-life balance’. But most previous research has looked at evidence from the point of view of individuals rather than couples or households. The ISER study looks at two key elements of work-life balance: the amount of time that people have available for non-work activities; and, significantly, their ability to co-ordinate their non-work times with others. Using data on couples from the ‘British Household Panel Survey’, the researchers have analysed the daily timings for the members of each couple and their access to flexible working.

The results show that couples with flexible working arrangements are able to arrange for more overlap and can thus spend more time together. This increase in ‘synchronous time’ amounts to an average of half an hour more time together each day. Parents who can work flexibly have even more overlap: an hour more synchronous time every day.

Dr Bryan says: "We find that the introduction of flexible working gives a boost to the amount of time that couples can potentially spend together even after taking account of the different kinds of work that they do. For couples not already in jobs with convenient work schedules, the additional control over work times that flexible working brings appears to be a tangible benefit in helping them to organise their lives."

www.iser.essex.ac.uk

**SUPPLIER INNOVATIONS**

Public procurement spurs innovation, according to a study from the Manchester Institute of Innovation Research. UK public bodies currently spend about £230 billion each year on procurement of goods and services. A survey of 800 companies and social enterprises that supply the public sector confirmed that public procurement can drive innovation. Over two-thirds of organisations said that bidding for or delivering contracts to public sector clients had triggered or increased their innovation activities and more than half claimed they had won a public sector contract in the last three years because of innovation. But there is a widespread aversion to risk in the public sector and too much emphasis on price rather than quality and long-term benefit. Recent austerity-driven trends also seem detrimental to mobilising innovation.

www.mbs.ac.uk

Professor Jakob Edler, University of Manchester

**REGULATION NEEDS**

Small firms want better regulation not necessarily less. A study of small firms in the bio-processing, film and interactive media, environmental services and security sectors found that it is government’s lack of enforcement of regulation that aggravates many small business owners most. Regulation aimed at raising standards in the security industry has not been enforced, so better quality and compliant firms have faced rising costs but gained no competitive advantage. Most regulations are experienced by small firms as routine and as a benefit to business, particularly in growth-orientated firms. But government must adopt clearer and better regulatory regimes to stimulate growth.

www.anglia.ac.uk/ruskin/en/home.html

Simon Down, Anglia Ruskin University

Flexible work hours help families spend more quality time together

FLEXITIME
IF BRITAIN LEFT THE EUROPEAN UNION, WHAT WOULD IT MEAN FOR THE ECONOMY?

BRITAIN HAS ALWAYS been reliant on trade - so the first question on the potential impact of leaving the European Union (EU) is whether trade would suffer. Although trade with fast-growing emerging economies is growing rapidly, the EU is still by far our biggest trading partner and that’s likely to remain true after exit. Our membership of the World Trade Organisation means that tariffs on goods would remain fairly low.

But while the immediate effect of exit on trade might not be large, what about longer-term effects? Economists now think that trade leads to prosperity not only because of standard arguments about ‘comparative advantage’ but also because it intensifies competition and allows economies of scale. These benefits might be eroded if we were outside the single market - which is not just about removing tariffs but also harmonising regulations and standards that allow businesses to trade across borders.

Related to trade is the issue of investment. Previous research from the National Institute of Economic and Social Research (NIESR) on exit found that the largest quantifiable impact would come via a reduction in foreign direct investment, which we know boosts productivity. If exit led to less foreign investment because businesses were no longer certain of easy access to the single market, the damage might be significant. Indeed, some costs are likely to arise simply from debating exit: uncertainty is a powerful deterrent to investment.

A third issue is labour mobility. Given the proportion of people who cite immigration as a reason for leaving the EU, it seems probable that exit would result in significant restrictions on immigration from EU members, presumably with reciprocal restrictions on British citizens. These would cause a lot of disruption for current immigrants, emigrants and their employers - and they would reduce the flexibility of the British and EU labour markets.

Fourth, regulation. Outside the EU, Britain would have more flexibility about some regulation - although if we wanted to maintain access to the single market, we would have to continue observing EU regulations in key areas. Labour market regulation is frequently cited as an area where the EU imposes constraints. But even within the EU, Britain has one of the most flexible labour markets so the potential for gains from greater flexibility is small. Fifth, financial services. It’s difficult to make judgements here since developments in the eurozone will profoundly affect London’s role as Europe’s largest financial centre. What’s certain is that negotiations will be complex and protracted – and exit is unlikely to improve our negotiating position, particularly on vital technical issues such as payment systems.

Finally, our budgetary contribution. We make a net contribution to the EU budget of 0.5 per cent of GDP, so this would be a potential saving. But some non-EU members (Norway, for example) make a contribution to the EU budget, in part for access to the EU market.

WHAT’S REALLY AT RISK?

It is worth disposing of two red herrings. The first is that leaving the EU would put millions of jobs at risk. Over the longer term, the main determinant of employment and unemployment is the flexibility of the labour market and the skills and qualifications of potential workers. Trade makes us richer and more productive, but economic analysis does not suggest that it creates (or destroys) substantial numbers of jobs. The second is that we would benefit from exit because of our large trade deficit with the EU. This misunderstands the principle of comparative advantage and why trade is good for prosperity. Buying things that foreigners can produce more cheaply raises our welfare rather than lowering it. If exit were to reduce imports, that would make us poorer.

It’s difficult to assess the overall impact of leaving the EU without knowing broadly what the post-exit relationship would look like. But the effects on investment, the financial sector and labour mobility might well be more important than the more commonly discussed topics of trade and regulation. Nor should we discount the risks of a prolonged period of uncertainty.

By Jonathan Portes

Director of NIESR and former chief economist at the Cabinet Office. A longer version of this article first appeared in Total Politics magazine.
JOBS ALL AROUND THE UK
How different industries are employing across the UK, and which industries are growing and where

Jobs across the UK
The top three employment sectors in each of the UK’s 12 regions as of March 2013 (figures in thousands). Arrows indicate whether the figure is down \( \downarrow \) on the previous six months, or up \( \uparrow \). The numbers in brackets are figures for December 2008. We also show the industry in that area that has increased its employment percentage the most since 2008.

## SCOTLAND
1. Human health: 404 \( \uparrow \) (372)
2. Wholesale & retail: 378 \( \uparrow \) (396)
3. Admin: 199 \( \uparrow \) (203)
4. Mining: 13.8% \( \uparrow \)

## NORTHERN IRELAND
1. Wholesale & retail: 139 \( \leftrightarrow \) (147)
2. Human health: 127 \( \leftrightarrow \) (122)
3. Manufacturing: 82 \( \rightarrow \) (88)
4. Human health: 4% \( \downarrow \)

## NORTH WEST
1. Wholesale & retail: 530 \( \uparrow \) (652)
2. Human health: 474 \( \rightarrow \) (447)
3. Manufacturing: 363 \( \leftrightarrow \) (342)
4. Info & comms: 30.4% \( \uparrow \)

## WALES
1. Human health: 219 \( \uparrow \) (197)
2. Wholesale & retail: 204 \( \uparrow \) (215)
3. Manufacturing: 146 \( \rightarrow \) (155)
4. Other services: 35% \( \uparrow \)

## WEST MIDLANDS
1. Wholesale & retail: 430 \( \uparrow \) (444)
2. Human health: 344 \( \rightarrow \) (305)
3. Manufacturing: 310 \( \rightarrow \) (313)
4. Admin: 27% \( \uparrow \)

## JOBS by industry
Here are the rest of the nation’s industries, not represented above. Figures for the UK, as above, in thousands, arrows indicating whether the figure is down on the previous six months. Numbers in brackets are figures for December 2008. Source: ONS

- Mining & quarrying: 69 \( \leftrightarrow \) (69)
- Agriculture, forestry & fishing: 372 \( \uparrow \) (390)
- Financial & insurance: 1,127 \( \downarrow \) (1,212)
- Construction: 2,006 \( \uparrow \) (2,322)
- Accommodation & food: 2,080 \( \uparrow \) (1,992)
- People employed by households, etc: 68 \( \leftrightarrow \) (133)
- Real estate activities: 562 \( \uparrow \) (490)
- Information & comms: 1,334 \( \leftrightarrow \) (1,208)
- Transport & storage: 1,553 \( \downarrow \) (1,526)
- Other service activities: 800 \( \uparrow \) (798)
- Water supply: 198 \( \downarrow \) (175)
- Arts & recreation: 884 \( \downarrow \) (886)
- Public admin: 1,563 \( \downarrow \) (1,759)
- Electricity, gas: 118 \( \uparrow \) (94)
- Water supply: 24 \( \rightarrow \) (21)
- Other service activities: 800 \( \uparrow \) (798)
- Transport & storage: 1,553 \( \downarrow \) (1,526)
- Public admin: 1,563 \( \downarrow \) (1,759)

*Figures are for December 2008. We also show the industry in that area that has increased its employment percentage the most since 2008.

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