

Knowledge Economy 2020

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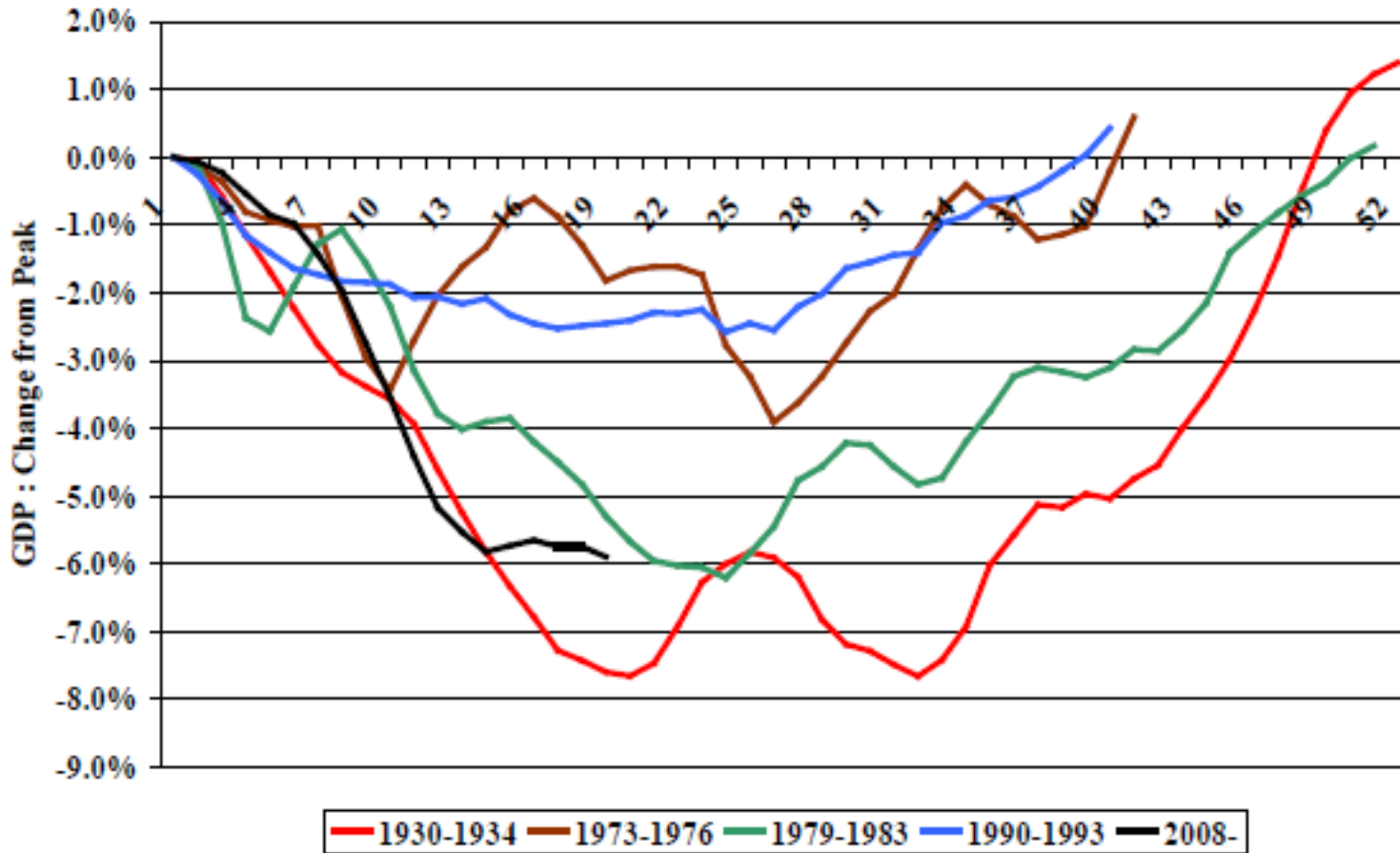


Knowledge Economy Programme2 – forward look to 2020

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- Review where we are today and what are the main factors determining growth and structures over the next decade;
- Analyse the likely trends shaping the knowledge economy and what the outcomes of different scenarios will be for 2020;
- Spell out the vision for what a sustainable knowledge economy will look like;
- What then are the policy actions and frameworks that will lead us there?

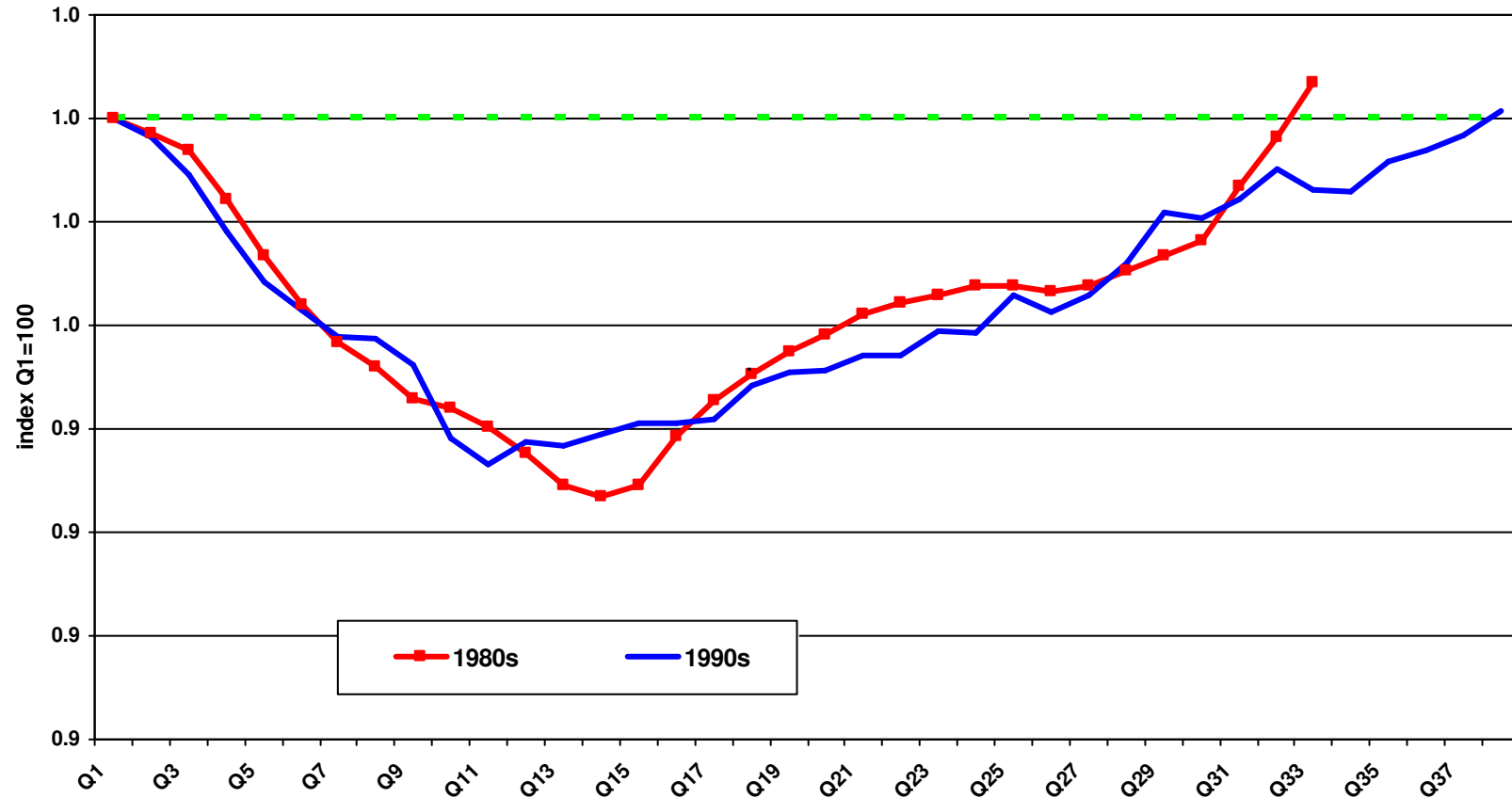
How bad is the recession and how fast might we recover?



How fast will the labour market recover?

Employment recoveries from previous recessions

pre-recession peak of employment (1979Q4/1990Q2) = 100 Q1. Workforce jobs, UK, seasonally adjusted



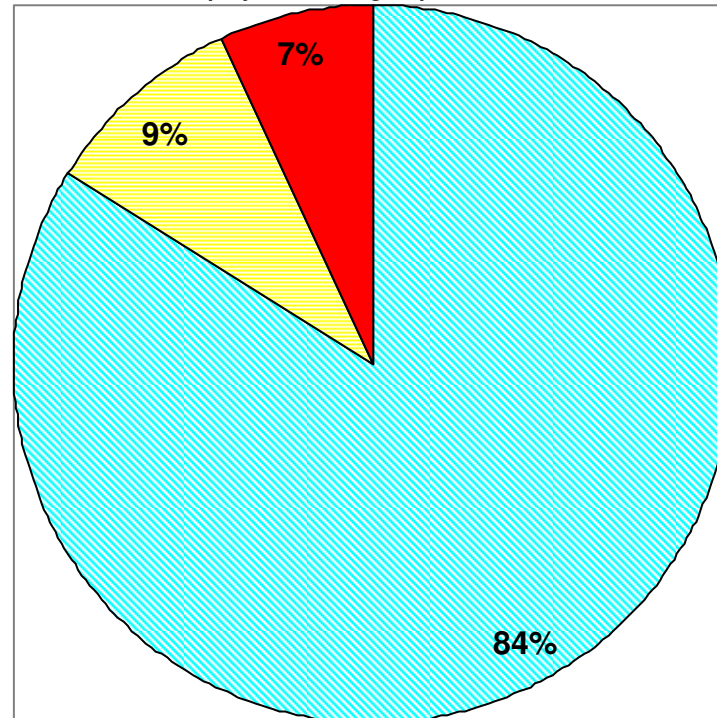
Impact of the recession on jobs

GB employees, seasonally unadjusted, June 2008-2009

	June 2008	June 2009	Change in Employment, 000s
Knowledge Industries			
KE Manufacturing	197	177	-20
Financial Services	1030	983	-47
Business Services	4689	4429	-260
Labour Providers	762	654	-108
Healthcare	3305	3412	107
Education	2348	2377	29
Media, recreational, sport	773	762	-11
All KE Industries	13104	12794	-310
Less Knowledge Based			
Distribution	4455	4308	-147
Hospitality	1793	1746	-47
Public Admin	1415	1411	-4
Non KE Manufacturing	2583	2386	-197
Construction	1275	1241	-34
Other Industries	1861	1897	-45
All Less Knowledge Base	13382	12989	-393

Impact of the recession (so far) on jobs Apr-June 2008 to Apr-June 2009

Recession speeds up structural change
total employment change Apr-June 2008-2009



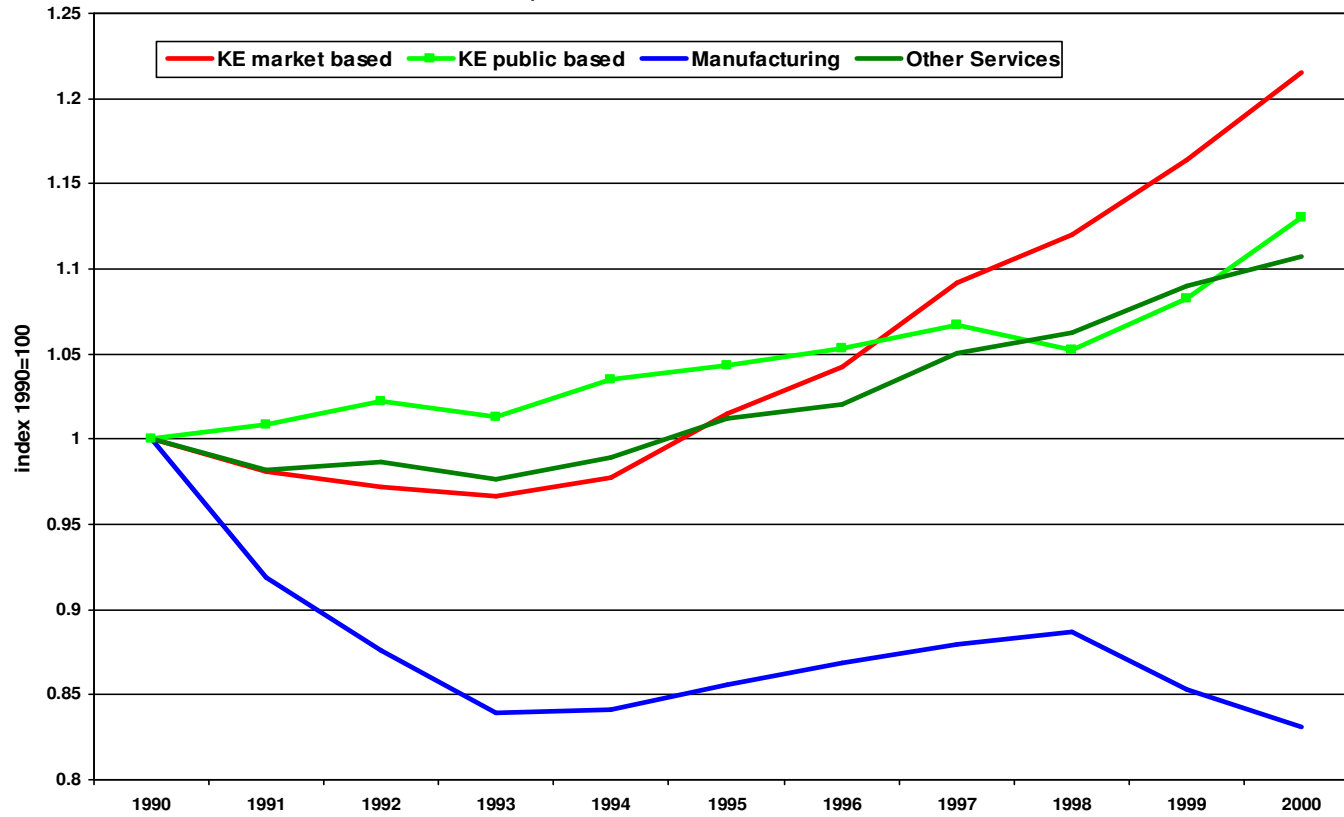
Manual, unskilled, admin Care and sales Knowledge associated

Drivers of the Knowledge Economy – Now and to 2020

Drivers	Key factors	Examples	Possible changes to 2020
Demand	Consumer demand	Digital services, finance and insurance, cultural and recreational, private/co-financed education and health	“high demand” society for education, health, cultural and “green” services
	Organisational demand	Business and financial services, high tech, communications services, design, brand equity, human and organisational capital	High and growing demand for knowledge based intangibles
	Collective demand	Public education and health related spending, cultural services, environmental services	Public supply highly constrained Public sector efficiency drive
Supply	General purpose technologies	Computers, internet, lean production, networks	More intensive application of existing technologies
	Knowledge based intangibles	R&D, software, design, brand equity, human and organisational capital	Low carbon technologies and applications
Globalisation	High tech manufactures and knowledge intensive service exports High skilled labour	Bigger and more diverse markets Global production chains Ideas, best practices and technologies	Non-OECD “middle class” Migration to UK more constrained

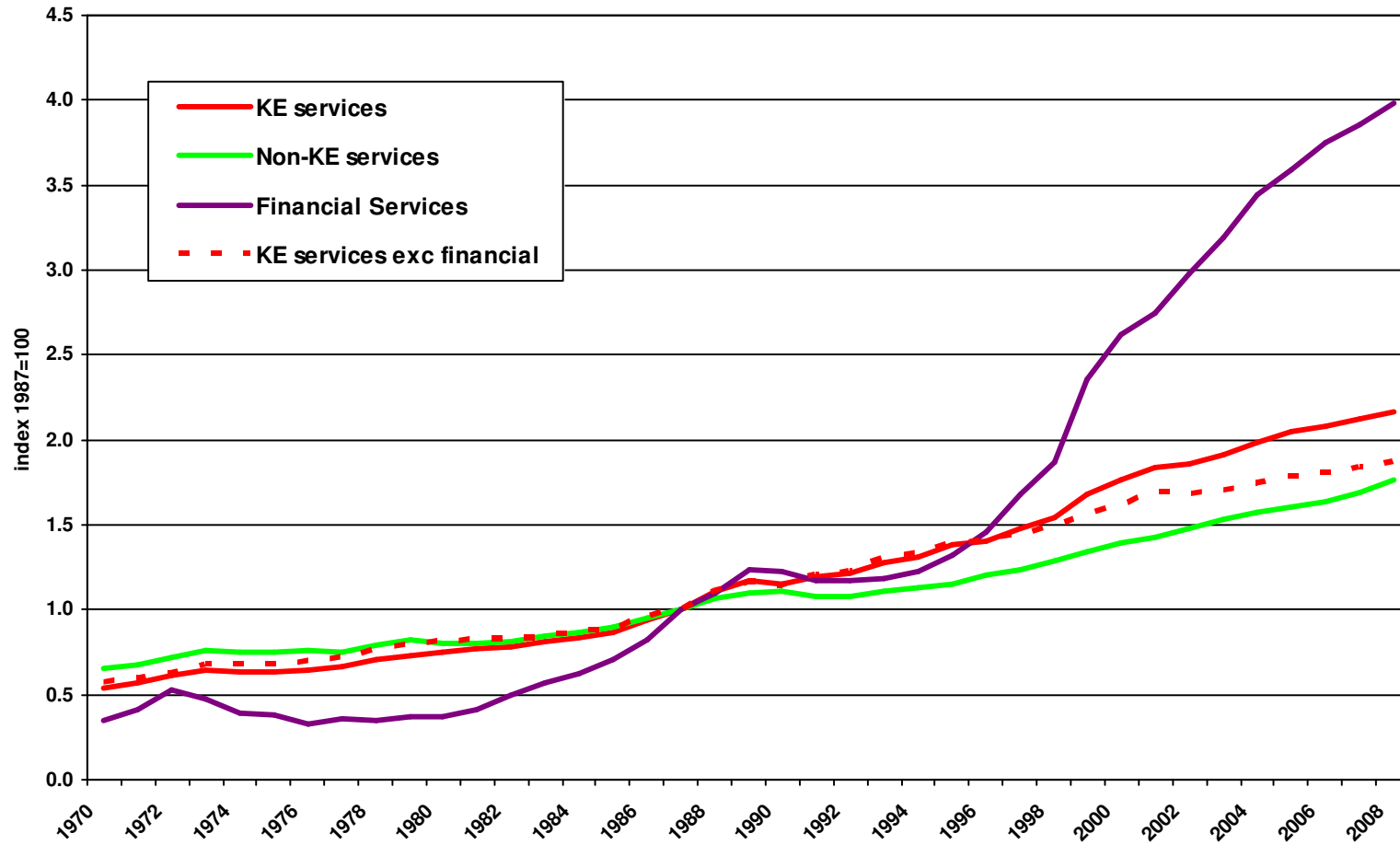
Knowledge economy and 1990s recession and recovery

total employment, EU KLEMs database 1990=100. KE market based is telecoms, high tech, business, financial, and cultural services; KE public based is education and healthcare.



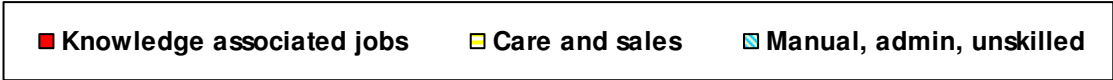
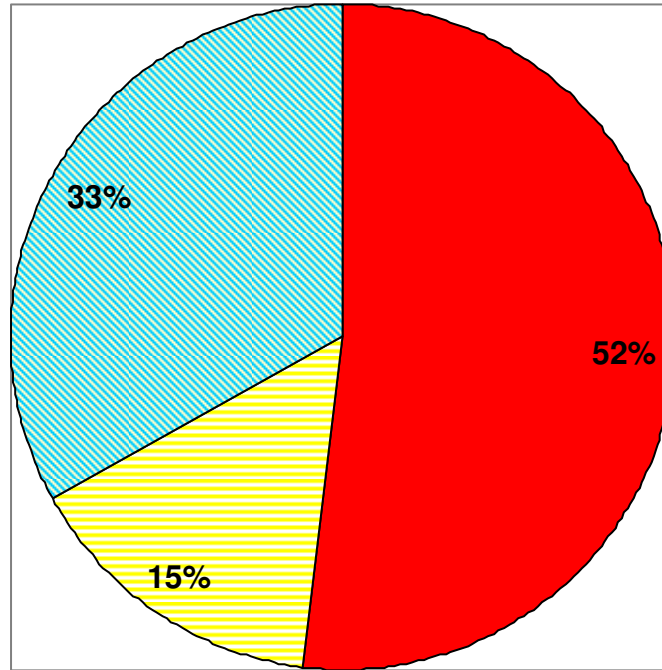
Consumer spending on knowledge services 1970-2008

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Implications for the 2020 workforce

Workforce in 2020



Conclusions

- **Bigger fall but faster turn-round in GDP than in previous downturns – but could still take up to 4 years to restore lost output;**
- **Job loss much lower than expected because of bigger use of pay and hours flexibility and “labour hoarding” – but past labour market recoveries have taken between 8 and 10 years;**
- **The recession is speeding up structural change – the economy is becoming even more based on knowledge intensive activities and jobs than anticipated;**
- **The recovery will be led by advanced manufacturing, knowledge based market based services, and non-taxpayer funded education and healthcare services;**
- **Policies need to be centred on reinforcing and removing barriers to growth in knowledge based industries and knowledge based enterprises and organisations in all sectors;**
- **The debate about relative size of the financial sector in 2020 needs to focus on what we want the sector to do (provide long term capital at competitive prices) and what structural changes are required to achieve them.**