

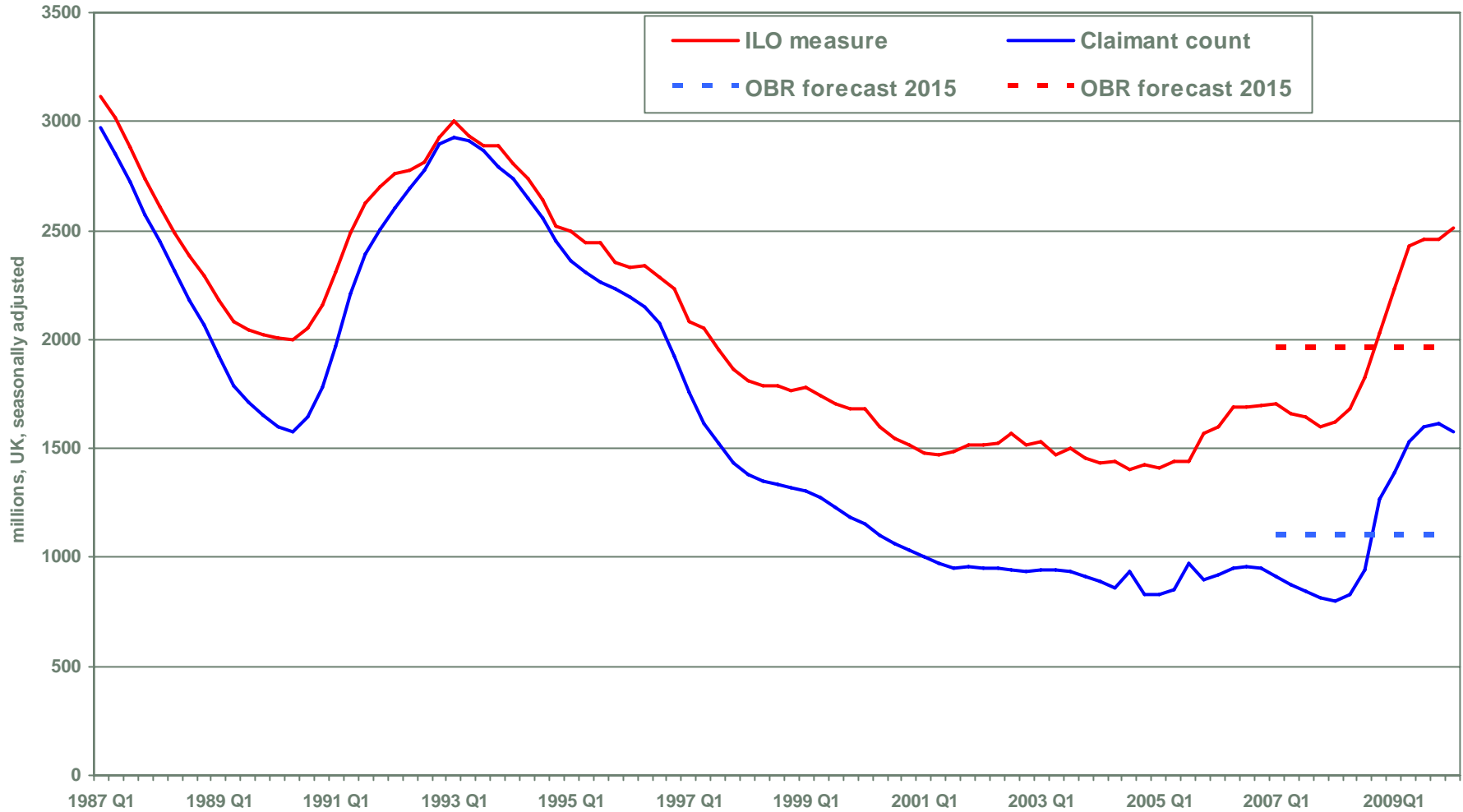
The first Coalition Budget – implications for jobs

the work foundation



Unemployment 1987Q1 to 2010Q1... and forecast levels in 2015

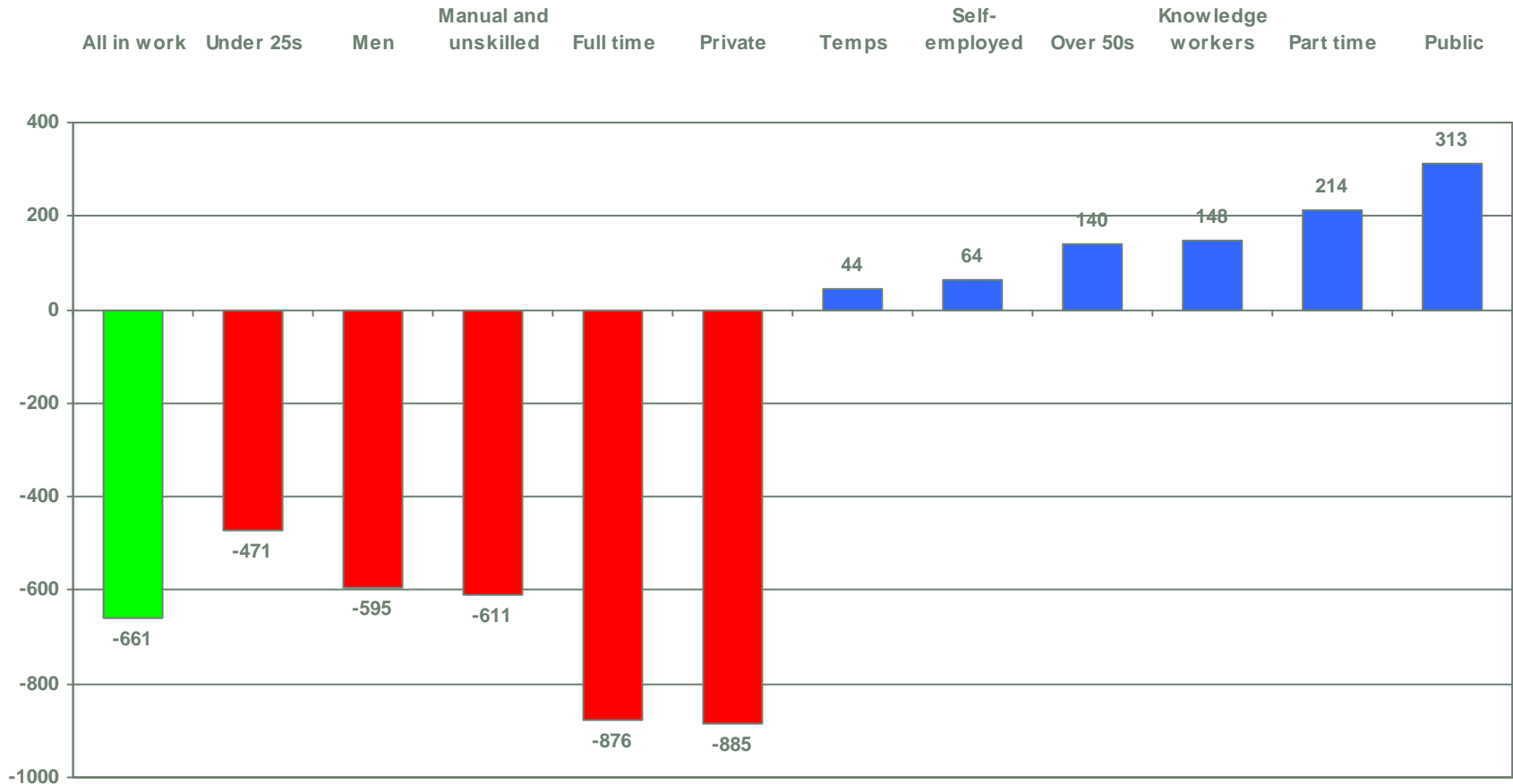
ILO measure – all those who looked for work in 4 weeks prior to survey and able to start a job in 2 weeks time; claimant count all those on unemployment register in receipt of unemployment benefit. Sources: Labour Force Survey, Office for National Statistics, Office for Budget Responsibility.



Employment losses and gains over the recession (Jan-March 2008 to Jan-March 2010)

Note: all figures UK, seasonally adjusted, employees plus self-employed, except temps which are employees only. Total employment also includes unpaid family workers and people on government schemes without a contract of employment. Manual includes skilled trades and semi-skilled operatives and are 2007Q4 to 2009Q4. Knowledge workers are top three occupational categories (managers, professionals, associate professionals and technicians and are 2007Q4 to 2009Q4).

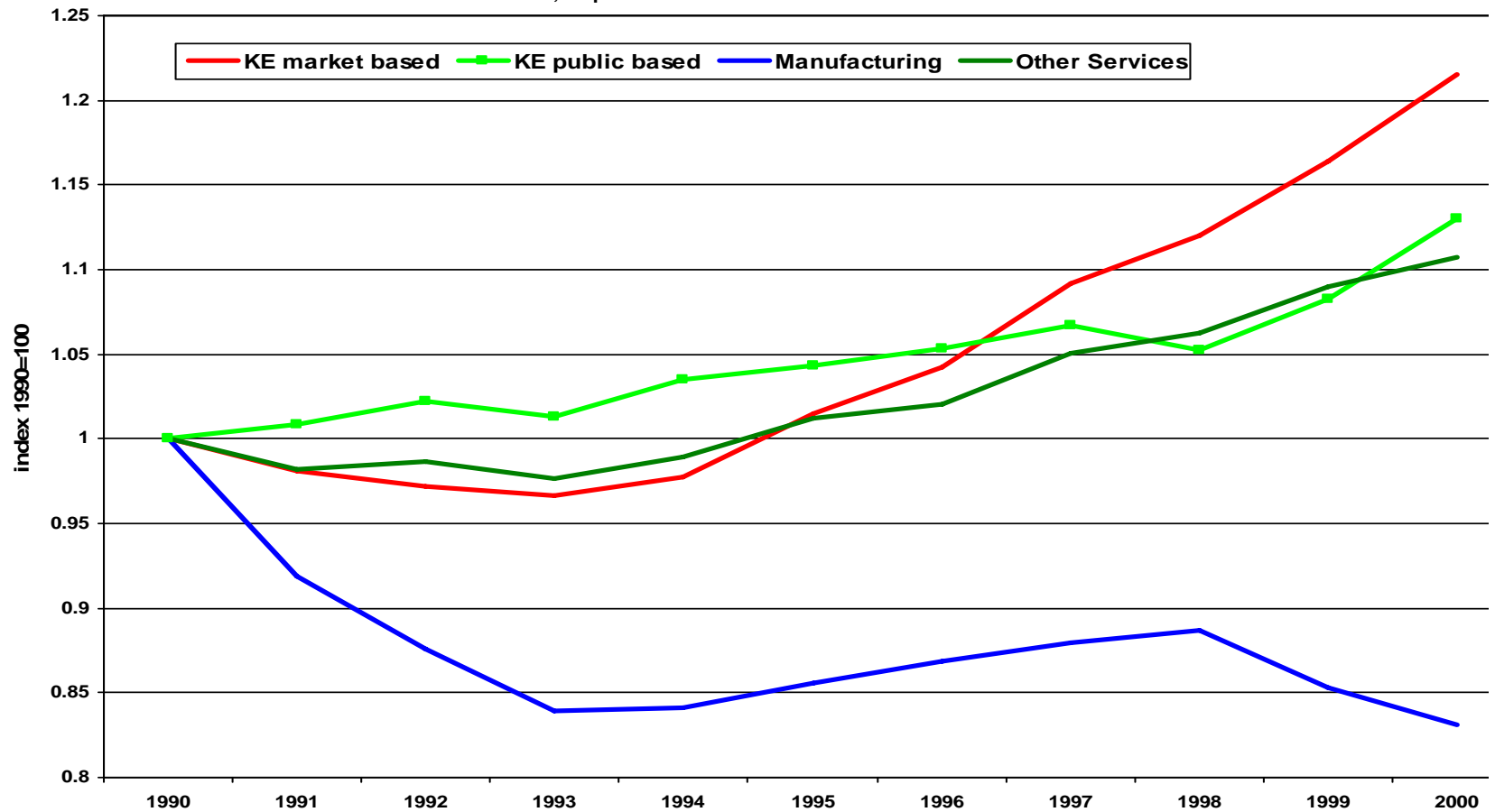
Source: ONS, Eurostat.



Budget prioritising potential sources of growth?

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.

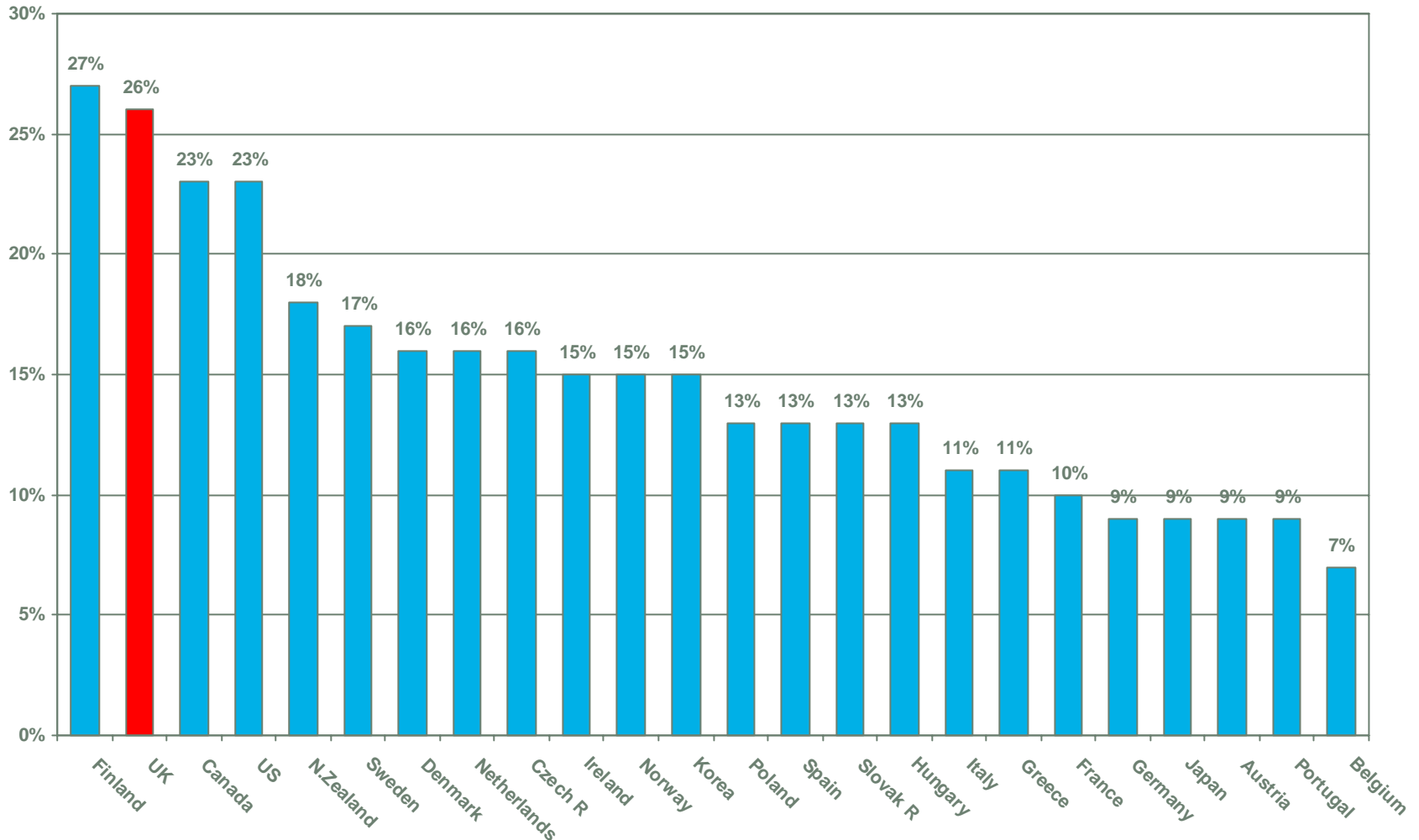


Public sector employment cuts

- Two year wage freeze except for the lowest paid – with some hours flexibility *may* mean less severe employment cuts;
- Likely to be concentrated in the 2 million in public administration and “other public sector” (exc banks) – forecast 25 per cent budget cuts;
- “Jobs gap” analysis suggests OBR unemployment forecasts compatible with 500,000 public sector job cuts over five years – net job growth forecast to be 1.3 million by 2015;
- Cuts approaching 1 million cannot be absorbed by any plausible private sector recovery – and OBR unemployment forecasts will not be met;
- Under any scenario, potential regional and skill miss-matches between public sector jobs cuts and private sector jobs growth;

Share of government spending on goods and services from rest of the economy

Note: proxy measure intermediate consumption by government as share of government spending in 2005. Excludes “social transfers in kind via market producers” such as rebates, vouchers, and refunds of charges for health, education, transport, and housing services. The latter are especially important in Netherlands, Germany and Japan (between 14 and 18 per cent of total government spending). There no comparable figures for the UK. Source: OECD Working Papers on Public Governance No 8, 2008, figures 4 & 5.

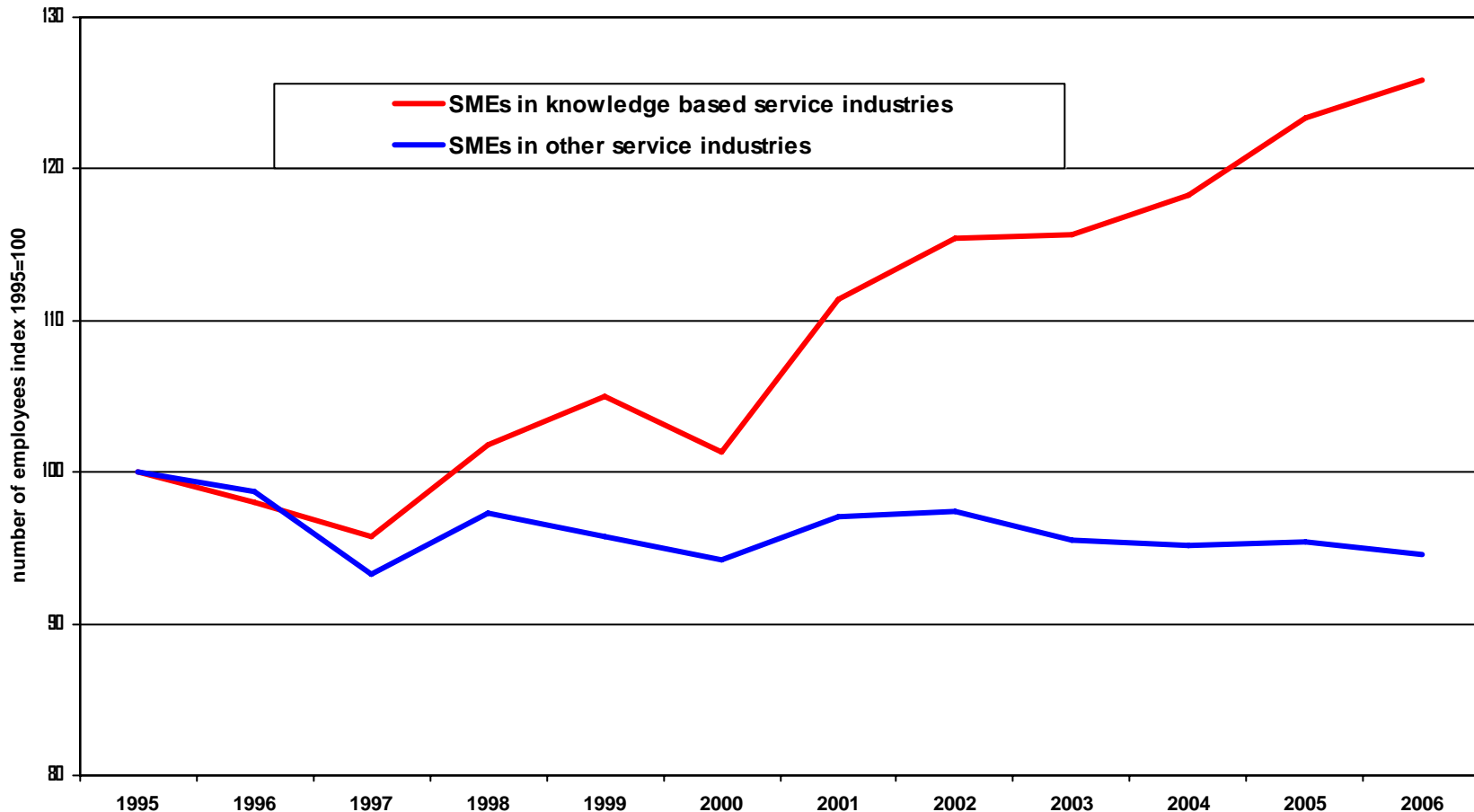


Growing the private sector recovery in the regions

- Some welcome regional measures
 - regional hiring subsidies
 - regional infrastructure projects
 - Regional Growth Fund
- Regional hiring subsidies for new firms well intentioned but may be ineffective
 - high “deadweight costs” (would have hired anyway)
 - high displacement costs (displaces existing businesses)
 - better ways to spend the money on SMEs

Better focus would be support for knowledge intensive and high growth SMEs

Note: all figures employees, excluding health employment. Knowledge service industries are OECD definition and include business, high tech, and financial services . Other sectors include transport, retailing, hospitality and other services delivered by non-public organisations. SMEs defined as all with less than 250 employees.



First Coalition Budget 2010 – main conclusions

- Government has to simultaneously solve two problems
 - tackling the deficit
 - new sources of growth, innovation, exports and jobs
- Budget strong on first, weak on second
- White Papers over Summer and the CSR will have to fill the gap
- Pace, scale and regional distribution of public sector job cuts major influence on whether the OBR unemployment forecasts can be met