

**Glasgow City Region  
Economic Briefing April 2023  
Intelligence Hub**



# Summary

- **Prospects for Growth:** Overall, the UK economy has proved to be resilient to high inflation and interest rates. However, the IMF predicts that UK's GDP will shrink by 0.3% in 2023, due to high inflation and energy costs.
- **Poor Health:** Economic inactivity due to ill-health in the UK is at record high levels. According to IPPR analysis, poor health cuts the incomes of affected individuals by long-term sickness by up to £2,200 a year on average.
- **COVID-19 impacts on GCR's labour market:** GCR saw the highest increase of economic inactivity due to ill-health from pre-pandemic (2019) across the UK Core Cities, a rise of 17,700.

## SPOTLIGHT ON

This month's spotlight is on the *GCR Business Case Economic Model (BCEM)*

- The GCR Intelligence Hub have developed their own flexible economic model that follows the methodology outlined with HM Treasury Greenbook – called the Business Case Economic Model (BCEM).
- BCEM has been used to *quantify the economic impact of development programmes / projects*, and was used for North Lanarkshire's successful Levelling Up Fund bid.
- Construction, commercial, and residential activity are captured within BCEM to quantify a projects *Total Costs, Net Additional Benefits*, and *Benefit-Cost Ratio*.

*Note: a Glossary of all the terms used in this report can be found at the end*



# The Outlook for the UK Economy

The UK economy has risen above pre-pandemic levels despite not growing in February. However, according to new forecasts by the IMF, the UK economy is forecast to shrink by 0.3% this year.

- Revised January GDP figures push GDP 0.3% higher than its level three years ago. The Chief Economist of Capital Economics said that *"the economy is still proving resilient to the twin drags of high inflation and high interest rates"*.

- Andy Haldane the former chief economist at the Bank of England said that the inflation rate will halve in the next six months.

- A new study shows that *the UK's goods exports is the lowest in G7 following Brexit*. In the last quarter of 2022, UK export volumes were more than 9% below the pre-pandemic average. The OBR expects overall weakness in trade to continue for the next two years.

## GDP

- Monthly GDP is estimated to have no growth in February
- Looking at the broader picture, GDP grew 0.1% in the three months to February

## Inflation

- The CPI fell by 0.3 % points 10.1% in March 2023
- This was mainly driven by inflation in clothes and food

## Pay

- Total pay fell on the year in December 2022 to February 2023 by 3.0%

Sources: [FT](#), [FT](#), [FT](#), [The Guardian](#)

# Headline Labour Market Statistics

The broad picture from this month's statistics is a positive one, but there is some cause for concern with increases in economic inactivity

Table 1: Labour Force Survey estimates from December 2022 – February 2023

	Unemployment (%)	Unemployment (ppts) Quarter Change	Employment (%)	Employment (ppts) Quarter Change	Economic Inactivity (%)	Economic Inactivity (ppts) Quarter Change
Scotland	3.0	-0.3	75.7	-0.4	22.0	0.7
UK	3.8	0.1	75.8	0.2	21.1	-0.4

Source: ONS, Labour Market Overview April 2023

This month's headline figures show a **promising decrease in unemployment, falling to the lowest since records began in 1992**. However, the number of people in work has also declined, meaning that in Scotland there were 18,000 fewer people employed than previous quarter.

ONS figures continue to show rising levels of inactivity because of ill-health. The OECD recently found that, despite the rise in employment, **the UK has suffered the biggest decline in workforce participation of any G7 economy** since the pandemic ([source: The Guardian](#))

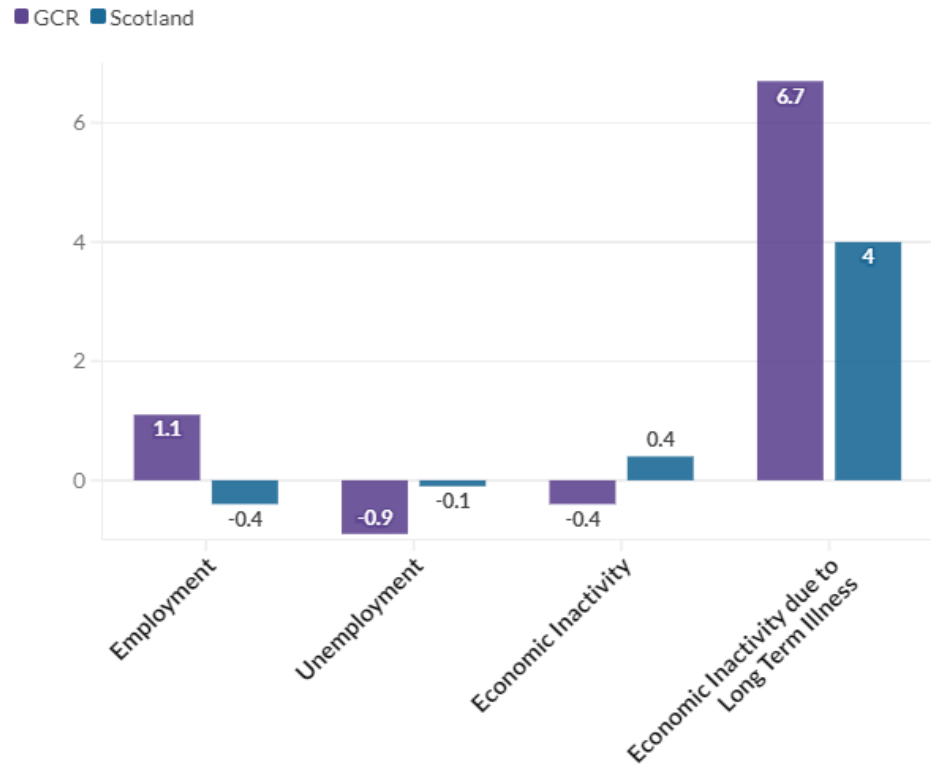
Jane Gratton of the British Chambers of Commerce said that this declining participation will act like 'anchor' on a firm's ability to operate ([source: British Chambers of Commerce](#)). To help the hiring and retaining of staff ONS figures show private sector wage averages, excluding bonuses, were 6.9% higher in February 2023 than they were the year prior ([source: ONS](#)). This will likely prompt the Bank of England to further increase interest rates.

# Covid Impacts on the GCR Labour Market

The recent release of the APS allows for first time a detailed look at change in labour market over the Covid-19 period. Whilst there was positive employment news, the Region's long standing challenge of economic inactivity due to ill-health became even more acute

- Across the UK Core City Regions, GCR saw the joint highest percentage point increase in employment from 2019 to 2022, **an increase of 12,500 workers.**
- GCR's unemployment rate saw a larger reduction over 2022 than the Scottish and UK average. **- 0.9% points: 7,600 people).**
- Over 2022, GCR saw the highest reduction in economic inactivity from 2021 levels by -0.4 % points. **This equates to 5,500 less people**
- However, the Region saw **the highest increase of economic inactivity due to ill-health** from pre-pandemic (2019) across the UK Core Cities, seeing **an increase of 6.7 percentage points – rise of 17,700.**

Change from 2019-2022



Source: APS

# Longer Term GCR Labour Market Shifts

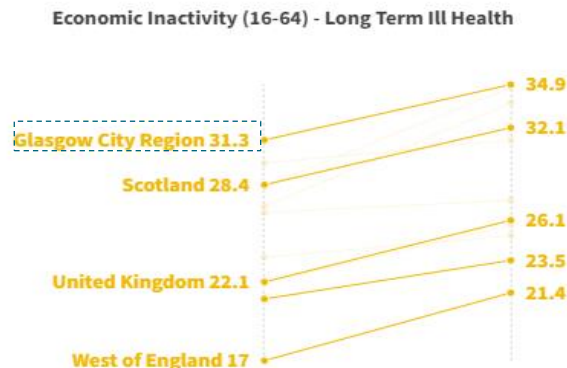
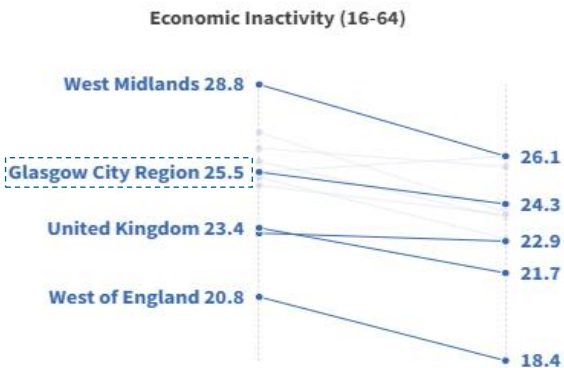
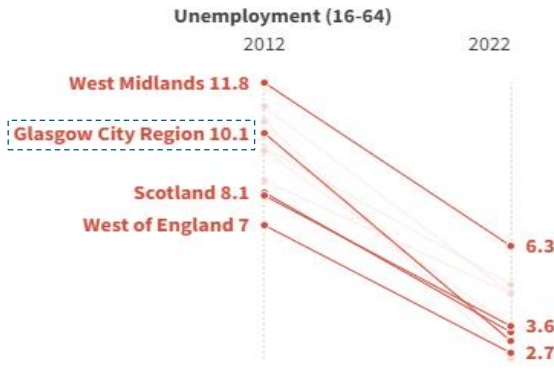
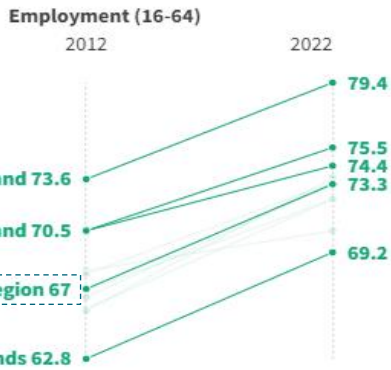
Looking the further back, the Region's relative performance over the last decade has been positive – with 2<sup>nd</sup> largest fall in unemployment and employment growing faster than national averages. But, again, economic inactivity (specifically ill health) remains a major challenge.

Headline Labour Market Indicators, GCR 10-year change (2012-2022)

## GCR Gaps to Top Performing Core City Regions

- **Employment: 72,000** (growth in last 10 years was 83,000)
- **Unemployment: -5,800** (reduced by 60,00 over last 10 years)

- **Economic Inactivity: -70,000** (reduced by 12,000 over last 10 years)
- **Economic Inactivity Due to Ill Health: -39,000** (increased by 6,600 over last 10 years)



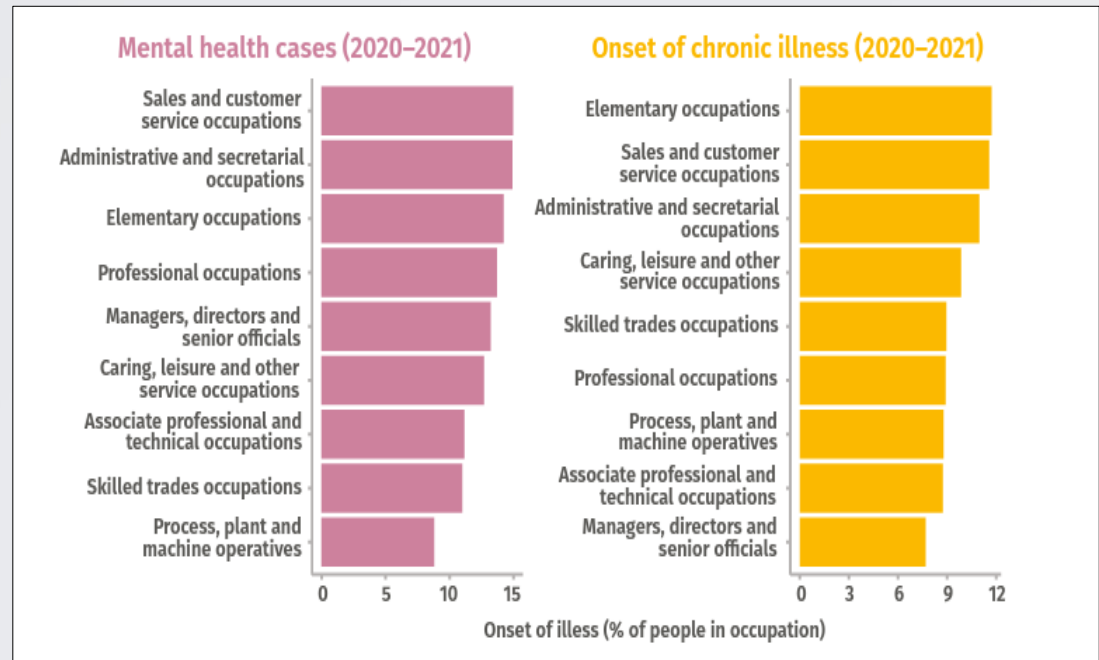
Source: APS

# Poor Health Impact on the Economy

According to new analysis from the Institute for Public Policy Research (IPPR), Britain's poor health costs the economy £43bn a year and cuts the annual incomes of affected individuals by long-term sickness by up to £2,200 a year on average.

- **Pre-pandemic:** Those with a new mental illness faced an average fall in annual earnings of around £2,200.
- **Post-2020:** someone with a new chronic physical illness experienced on average a £1,400 annual earnings fall, while the onset of a mental illness has meant an average annual earnings fall of around £1,700.
- **Occupations:** Most affected occupations were Sales and Customer Service, Administrative and Elementary Occupations.
- **Policy implications:** Much sickness is preventable – through *better housing, better jobs and action on public health challenges*.

Occupations most impacted, 2020-2021



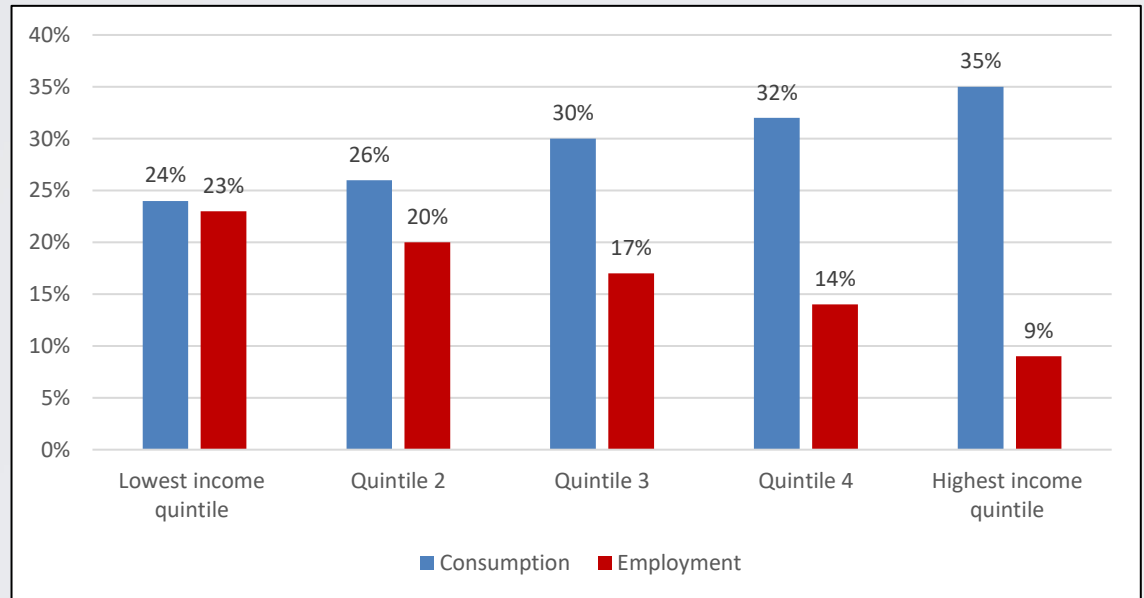
Source: *Healthy People, Prosperous Lives*, IPPR April 2023

# Job Quality

The Resolution Foundation (RF) has published the 13<sup>th</sup> Low Pay Britain report. This edition highlights that too many low-paying jobs do not offer good work (i.e. security, autonomy, voice in the workplace, career progression) and job satisfaction among low earners has fallen.

- The analysis shows that ***better pay and conditions in non-tradeable services would benefit low income households***, while any price effects would be mainly felt by higher-income households.
- The RF highlights that policy needs to focus on improving the jobs we already have rather than hoping that 'better' types of jobs will emerge, which is why it is important to continue focusing on improving productivity and working condition in the Foundational Economy in GCR.

Retail, leisure and hospitality as a share of consumption and employment, by after-housing-costs income quintile: UK, 2019-2020



Source: Low Pay Britain 2023, Resolution Foundation



# Training among low paid workers

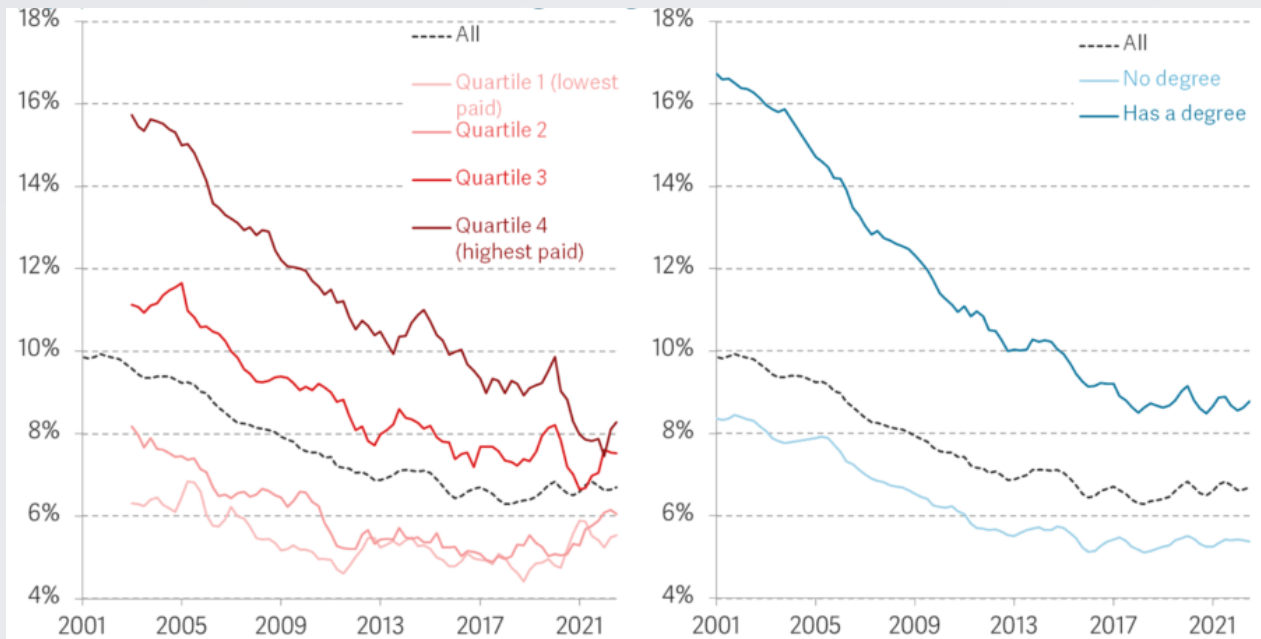
Skills and human capital are a crucial driver of productivity and economic growth over the long term. But, work-related training is in decline, despite big shifts needed to thrive in the workplace.

- *Recent declines in training has most impacted higher paid workers and graduates.* But, still:

- **Highest paid workers receive 1.6 x more training** than lowest paid
- Those **with degrees are 1.7 x more likely to receive training** than those without

- Lower-qualified adults are also more likely to undergo training for health and safety and **their training is less likely to be for career progression.**

Proportion of employees receiving off-the-job training\* in the past four weeks, by hourly pay quartile (left) and whether they have a degree (right): UK



\*off-the-job training includes formal training such as courses, professional qualifications etc

Source: Labour Market Outlook Q1 2023, Resolution Foundation

# Making the Case for Investment

The Green Book is guidance issued by HM Treasury for appraising policies, programmes and projects. A recent review highlights key issues in business case development. The Intelligence Hub has developed a tool to help partners model the economic benefits of development projects

## Criticisms and risks

- West Midland City REDI unit, their city region research unit, has recently conducted a review of the use of the Green Book business case guidance.
- When funding isn't approved it's often the Green Book that it is blamed. However, as the book says it is ***"not a mechanical or deterministic decision-making device"***.
- Business case (or bid) writers need to see themselves as offering advice to decision-makers on the most efficient and effective solution to solving a problem.
- ***"If you come to use the Green Book with a ready-made idea, the guidance will not work as intended"***.

## GCR Business Case Economic Model

- The GCR Intelligence Hub have developed their own flexible economic model that follows the methodology outlined with HM Treasury Greenbook – called the Business Case Economic Model (BCEM).
- BCEM has been used to ***quantify the economic impact of development programmes / projects***, and was used for North Lanarkshire's successful Levelling Up Fund bid.
- ***Energy efficiency benefits*** have recently been added to ***quantify savings made due to reduced energy consumption and reduced Greenhouse Gas Emissions***.
- Construction, commercial, and residential activity are captured within BCEM to quantify a projects ***Total Costs***, ***Net Additional Benefits***, and ***Benefit-Cost Ratio***.
- Please contact the Hub for further details

Source: [City REDI Blog](#)



The background features a white central area surrounded by several overlapping, semi-transparent geometric shapes in various colors: yellow, orange, red, pink, purple, blue, teal, and green. These shapes are arranged in a way that they appear to be layered, creating a dynamic and colorful composition.

For queries, please contact Christina Kopanou:

[christina.kopanou@Glasgow.gov.uk](mailto:christina.kopanou@Glasgow.gov.uk)

# Glossary

**Gross Domestic Product (GDP):** The total monetary value of final good and services produced in a country in a given time period.

**Consumer Price Index (CPI):** Is a weighted-average of a basket of consumer goods and services purchased by households. Changes in measured CPI tracks changes in prices overtime.

**Unemployment rate:** Unemployed people are out of work but actively looking for a job and available to start work in the next two weeks. It is measured as the number of unemployed people divided by the number of economically active population (those in employment and those unemployed).

**Economic Inactivity rate:** Economically inactive people are out of work but are not actively looking for a job. The headline inactivity rate is calculated by dividing the inactivity level for those aged from 16 to 64 divided by the population for that age group.

**Economic inactivity due to ill-health:** Economically inactive people whose primary reason for being out of work is ill-health.

**Off-the-job training** off-the-job training includes formal training such as courses, professional qualifications etc as opposed to on the job training and peer learning.

