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The place of public services



Professor Frank Peck of the University of Cumbria's Centre for Regional Economic Development writes for in-Cumbria on the big issues of the day and the data behind them. This month he asks if the unfashionable and squeezed public sector, which employs 60,000 in Cumbria, can be an engine of growth

Recent debates on the economy have included questions about public sector pay and the wisdom (or otherwise) of continued austerity policies. In the aftermath of the economic crisis of 2008, it has been unfashionable, perhaps, to consider public services as vehicles for regeneration. Attention has been diverted elsewhere in the search for local growth in the private sector (no stone unturned).

Yet it remains the case that many people in Cumbria can directly attribute their economic wellbeing to employment in the delivery of public services, either directly via the state or indirectly through private providers and the voluntary sector. The health and social care sector alone accounts for 32,000 jobs in the county, 13.6% of the total. The health sector actually provides employment for more Cumbrian residents than either retailing or accommodation and food services.

Add to this those employed in education, local government, emergency services and various functions of central government and the total employed sums to 60,000, representing around a quarter of all jobs in Cumbria. The wages and salaries paid generate considerable spend that contributes towards the support of many small and medium-sized businesses providing goods and services in the private sector, and stimulates a more buoyant housing market.

The provision of public services is clearly an important contributor to the local economy. To what extent then can we regard Cumbria as dependent on these activities for employment - and should we regard this as a problem? If this is so, Cumbria is not alone. Some comparisons across the North West of England show that employment in Cumbria is actually less dependent on these public services than the average for the region (27%). There are, in fact, much higher levels of reliance on

EMPLOYMENT BY SECTOR IN CUMBRIA	2015	%
Manufacturing	38,000	16.1
Health	32,000	13.6
Accommodation & food services	28,000	11.9
Retail	27,000	11.5
Education	19,000	8.1
Construction	13,000	5.5
Professional, scientific & technical	12,000	5.1
Transport & storage (inc postal)	11,000	4.7
Business administration & support services	11,000	4.7
Arts, entertainment, recreation & other	11,000	4.7
Public administration & defence	10,000	4.2
Wholesale	7,000	3.0
Motor trades	4,500	1.9
Property	3,500	1.5
Information & communication	3,000	1.3
Financial & insurance	2,250	1.0
Mining, quarrying & utilities	2,250	1.0
TOTAL	235,000	99.8%

SOURCE: BUSINESS REGISTER AND EMPLOYMENT SURVEY, NATIONAL STATISTICS. NB DATA EXCLUDES AGRICULTURE



employment in health, education and public administration in Merseyside and Greater Manchester, associated in part with the concentration of large institutions such as teaching hospitals, large universities, parts of national government and local government that have the capacity to act as institutional anchors in these cities over long periods of time.

The national debate regarding

austerity has largely been conducted as a contest between exchequer costs and the quality of service provided to users. While this is an important debate, it overlooks the fact that investment and innovation in public services not only improves services but it can simultaneously stimulate markets directly through the expenditure and linkages of key institutions, and indirectly via various social processes including knowledge exchange. Effective investment in these institutions can also have longevity helping to sustain an impact over a long period of time.

This is by no means a new thought. It was part of the logic that underpinned the creation of new universities across the regions in various phases since the 1960s; the attempts to decentralise the civil service in the 1970s and 1980s; investment in higher education since 2000 designed to stimulate the knowledge economy; the partial relocation of the BBC from London to Salford.

These examples suggest that consideration of the wider impacts of these types of publicly funded institutions needs to be part of the current re-think of local industrial policy in England.