

# British experience with the relocation of public sector jobs

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# Introduction

# Relocation programmes are not new

- Since WWII, the British government has used relocation programmes of public sector workers as a tool to boost regional development
- In recent years, a few cases attracted public attention:
  - the move of 2,000 BBC jobs (and successful TV programmes) from London to Salford (Manchester area)
  - the relocation of the Office for National Statistics headquarters from London to Newport (Wales)

# Rationale for these moves

- Advocates of relocation programmes:
  - relocation programmes = local public investment → help for lagging regions
- Opponents' view:
  - relocation programmes (and the associated redundancy packages) = waste of taxpayers money → no help for lagging regions/possibly detrimental
- Despite the attention given by the government and the media, it is not clear whether relocation programmes are beneficial or detrimental for local development

# 2004 Lyons Review

- Government-sponsored independent review on the scope of public sector relocation
- In 2004, the review proposed the dispersal of 20,000 civil service jobs out of London and the South East to other UK destinations by 2010
- Thanks to effective 'push' factors (e.g., relocation targets and property controls), the original target was delivered a year ahead of schedule
- By its end, the program relocated around 25,000 jobs

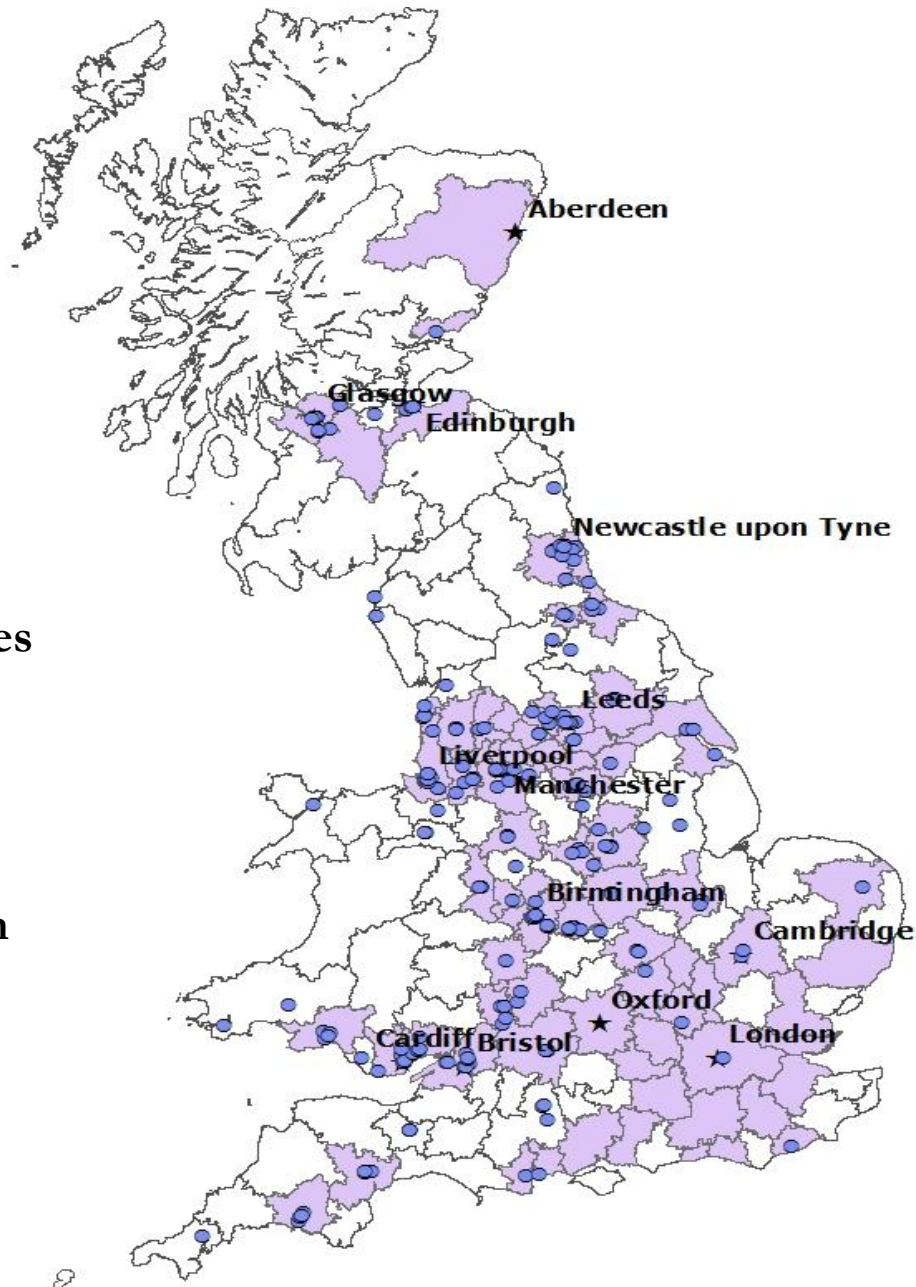
# Exploring the data

- Where do these jobs go?
  - Mostly, to urban areas outside London and the South East
- When?
  - 65% of the relocations were completed by Dec-2007 (before the recession started)
- What department was involved? How did relocations vary by department?
  - ONS and HM Revenue and Customs: small and frequent relocations
  - Ministry of Defence and Home Office: larger and less frequent relocations

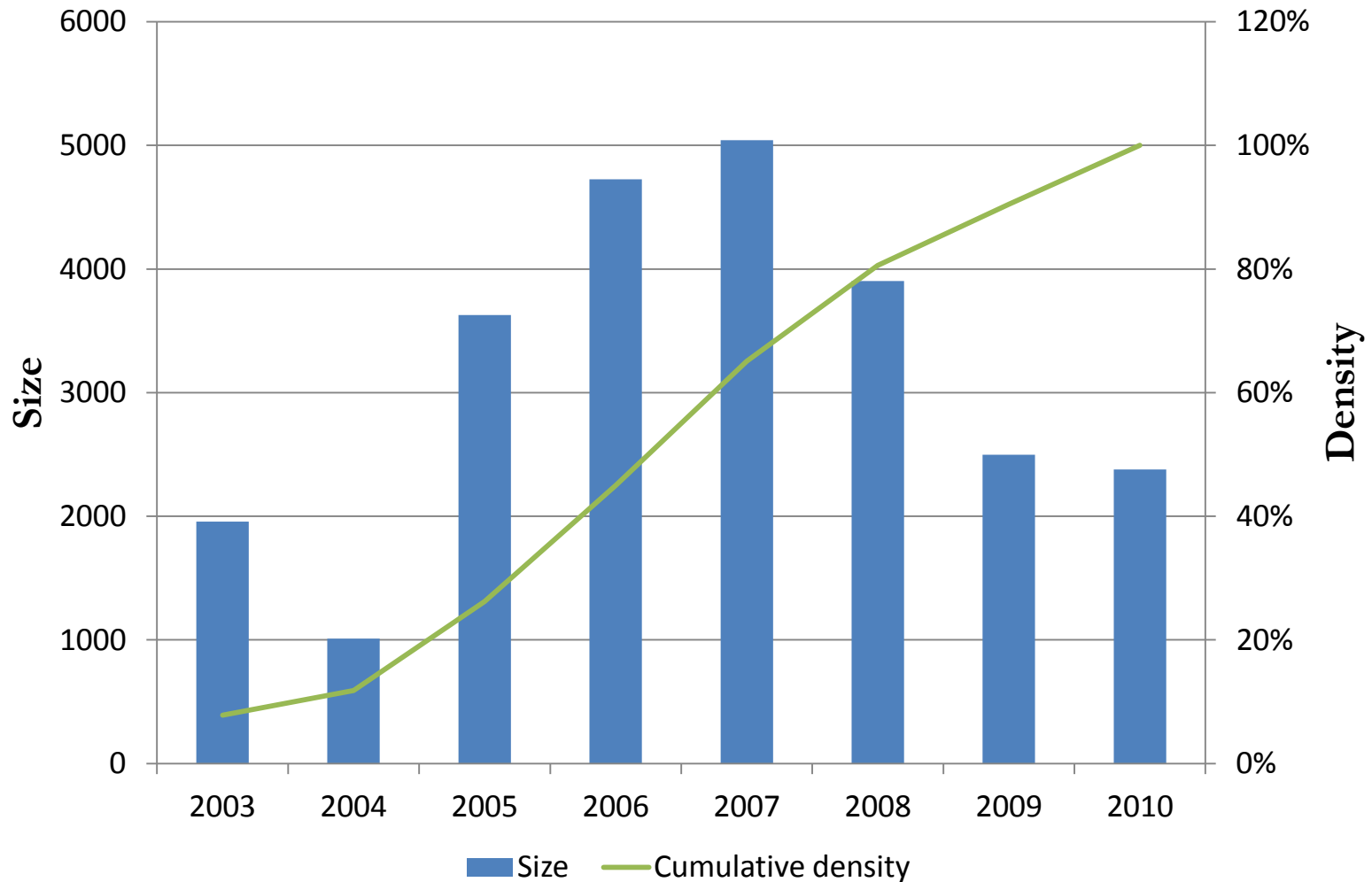
# 2003-2007 Relocations

Blue dots = job moves  
Job moves not  
adjusted by size

White areas = rural  
Purple areas = urban



# Total size and density of relocations





# Relocations by Gov. Department

Department Name	Relocation size		Frequency of relocations
	Mean	SD	
Department for Business, Innovation and Skills	13.2	20.2	58
Competition Commission	25.0	0	1
Commission for the Compact	11.2	4.4	6
Crown Prosecution Service	7.2	8.2	6
Department for Communities and Local Government	5.2	10.7	76
Department for Culture, Media and Sport	22.5	29.9	42
Department for Children, Schools and Families	26.3	37.7	58
Department for Environment, Food and Rural Affairs	16.1	21.4	49
Department for International Development	2.3	2.5	39
Department for Work and Pensions	33.7	75.0	125
Department for Transport	10.3	8.3	6
Department of Health	23.0	32.1	53
Foreign and Commonwealth Office	24.1	14.6	19
HM Revenue and Customs	<b>5.7</b>	<b>16.0</b>	<b>635</b>
HM Treasury	3.7	4.0	10
Home Office	<b>54.9</b>	<b>89.9</b>	<b>56</b>
Ministry of Defence	<b>207.6</b>	<b>282.3</b>	<b>29</b>
Ministry of Justice	16.7	44.8	58
Office of Fair Trading	3.0	0	1
Office for National Statistics	<b>4.3</b>	<b>5.5</b>	<b>139</b>

# Policy Evaluation

# Purpose of my analysis

- Answering the question: Is a rise in public employment good or bad for local businesses?
  - Limited evidence of the interaction between public and private sector employment in a local labour market
- The arrival of public sector jobs into an area can have contrasting effects (see Moretti, 2010):
  - Local multiplier effects: higher demand for locally-produced goods and services
  - Crowding-out/displacement effects: upward pressures on renting/housing costs lead businesses to move out of an area

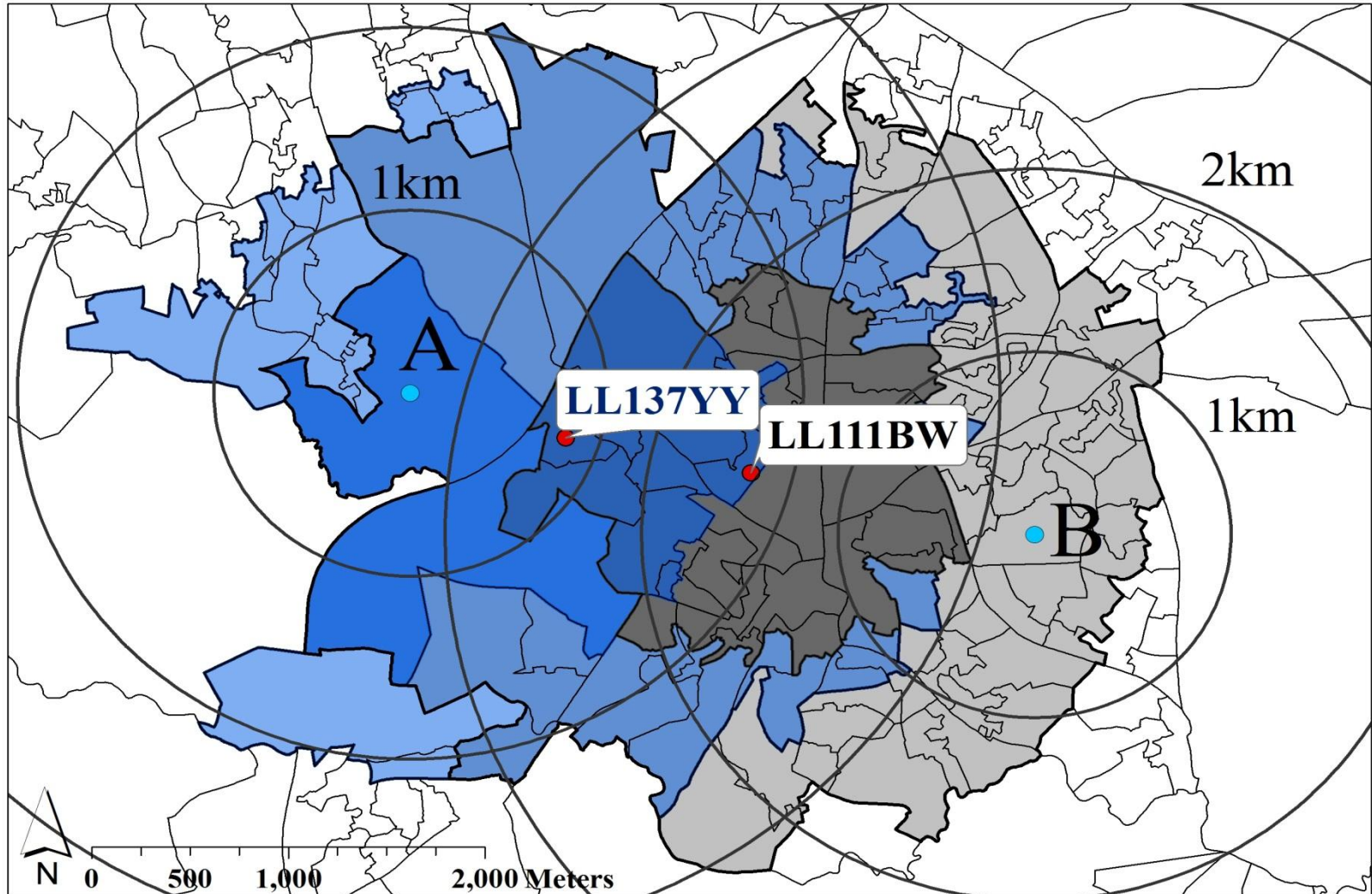
# Two complications

- The analysis is complicated by two factors:
  - The geographical spread of the policy is unknown *a priori*
  - Locations are not randomly chosen
- To solve these issues:
  - Looking at effects within the receiving areas and allowing for potential spillovers in neighbouring areas
  - Assume the policy impact decreases by distance

# Research question

- Is the arrival of public sector jobs good or bad for private businesses?
  - $\Delta$  *public sector jobs*  $\rightarrow$   $\Delta$  *private sector jobs*
  - Analysis conducted at the OA level
- Spatial Unit: the Census 2001 Output Area
  - OAs are small areas of about 1km diameter (average)
  - Britain is divided in about 200,000 OAs:
    - 165,665 in England
    - 9,769 in Wales
    - 5,022 in Scotland

# 2001 Census Output Areas



# Results

# Impact of public sector relocation on the private sector

	Total private sector	Manufacturing	Services
	(1)	(2)	(3)
Receiving OAs	0.544 (0.257)**	-0.196 (0.114)*	0.663 (0.256)**
<b>Spill-overs</b>			
0-1km	0.066 (0.026)**	0.003 (0.013)	0.083 (0.027)***
0-2km	-0.024 (0.007)***	-0.008 (0.014)	-0.014 (0.004)***
0-3km	-0.009 (0.006)	-0.008 (0.012)	-0.007 (0.005)
Controls	√	√	√
Pre-trends	√	√	√
Obs.	151,074	36,120	145,593



# Main results

- Total private sector employment:
  - Positive effects in receiving OAs:
    - OAs that received relocated jobs: the arrival of 100 public sector jobs → additional 50 jobs created in the private sector
  - Some evidence of displacement:
    - OAs further away: Private sector jobs moving out of areas at 2km distance and moving into areas at 1km distance
- Manufacturing: weakly negative effect localized in receiving OAs (20 fewer jobs)
- Services: positive impact in receiving OAs (70 additional jobs) + displacement

# Splitting services by type

	Baseline	Construction	Transport	FIRE & Business	Trade & Catering
	(1)	(2)	(3)	(4)	(5)
Receiving OAs	0.663 (0.256)**	0.025 (0.017)	0.074 (0.112)	0.437 (0.163)***	0.268 (0.114)**
<b>Spill-overs</b>					
0-1km	0.083 (0.027)***	-0.001 (0.004)	0.008 (0.022)	0.063 (0.022)***	0.056 (0.024)**
0-2km	-0.014 (0.004)***	-0.002 (0.002)	0.002 (0.012)	-0.013 (0.006)**	-0.011 (0.004)***
0-3km	-0.007 (0.005)	0.000 (0.002)	-0.009 (0.008)	-0.006 (0.005)	-0.004 (0.004)
Obs.	145,593	48,681	19,222	76,077	94,441

Note: Relocation size measure; All columns include controls and pre-trends.

# Splitting services

- When we split services into different sub-sectors:
  - Transport services: no effect
  - Construction: no effect
  - FIRE and Business:
    - Receiving OAs: local multiplier effect (100 public sector jobs → 40 jobs in FIRE and business services)
    - Neighbouring OAs: displacement effects (100 public sector jobs → 6 jobs created at 1km distance; 1 job destroyed at 2km distance)
  - Trade and Catering:
    - Receiving OAs: local multiplier effect (100 public sector jobs → 30 jobs in trade and catering)
    - Neighbouring OAs: displacement effects

# Conclusions

- Conducted an ex-post policy evaluation exercise:
  - Looked at the dispersal of 25,000 public sector jobs out of London and the South East
- Was the policy beneficial for local labour markets?
  - It raised total private sector employment in the receiving areas
  - It had, however, little impact on neighbouring areas
  - It changed the sectoral distribution of local employment towards services and away from manufacturing
- Was the policy designed to differentially stimulate the provision of locally-produced goods and services?
  - Probably not, but this is *de facto* what it did