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DIRECTOR'S REPORT

The past year has obviously been a difficult time for the economy and the reputations of economic forecasters such as the National Institute have suffered from their failure to forecast the recession and, in particular, the sharp downturn which took place in the fourth quarter of 2008 and the first quarter of 2009. The rate of contraction in 2009 is likely to turn out to have been similar to that of 1931, the year of the sharpest contraction of the Great Depression, and to have been exceeded only in the slump which followed the First World War; forecasters can reasonably make the point that such outlying events are likely to be associated with unusually large forecast errors and that, of course, has been our experience. A complaint that forecasts are 'wrong' of course is completely beside the point. The more relevant issue is whether better forecasts could have been produced using methods different from those we employ. This question can, of course, never be answered definitively from a single observation but no work we have found suggests that forecasting methods and models different from those we use are superior. There are, nevertheless, important lessons to be drawn from recent experience about the way in which we represent the errors surrounding our economic forecasts, and these are discussed on page 6.

In any case it is important to remember that an important feature of the UK's economic problems is the dire state of the public finances. The National Institute has been giving firm warnings of this problem since 2002 and its analysis has turned out to be more accurate than that of most other commentators, although, with hindsight, not gloomy enough.

The economic crisis has inevitably affected the Institute although I am pleased to report that, so far, it has not given rise to unmanageable problems. As a charity we are a non-profit making body. We made a surplus of £23,830 in the financial year 2008/9 with a turnover of £2.7 million, and are on course for a similar or slightly larger surplus in 2009/10. Looking further ahead, we monitor our finances by keeping track of the business already contracted for 2010/11 relative, of course, to our expected costs. We are closer to meeting our costs in 2010/11 than we had been for the current year at a similar time in 2008. Thus, while we have much further work to do in bringing in finance for the next financial year, the position at the present time seems manageable. Usage of our macroeconomic model was affected as some of the financial institutions in our user group cut their expenditure very sharply or simply disappeared. However I am glad to say that these losses have been made good in the past few months.

There are, nevertheless, grounds for concern further in the future. We are reasonably diversified in our sources of finance and this has enabled the Institute to avoid, so far, the difficulties which have befallen other similar organizations from time to time. Thus we have, in the course of the past year, competed successfully for substantial contracts from the European Commission which will provide income spread over several years. The income from our model user group, which finances our macroeconomic modelling and analysis, is also provided by a reasonably large number of model users. But research, by its nature, is a public good which tends to be predominantly funded by public money in one form or another. A long period of restrained public spending is likely to make funding of our work more difficult and the problems will be accentuated if spending on research is subject to a more than proportionate squeeze.

One change which has occurred since I took up my current post in 1995 has been an increasing proportion of senior researchers. This reflects the reality of our economic environment. In the past it was possible for Senior Research Fellows to run large teams of more junior staff and the Institute had been structured in this way. But, for a variety of reasons, it has grown increasing difficult for any individual to bring in the volume of work and sums of money needed to finance a large group. Thus, to remain viable, the Institute has needed a larger number of people with the reputation and experience needed to bring in work and this change has obviously required an increase in the number and proportion of senior research staff working at the Institute. It has proven possible to do this while developing a flat management structure which offers the flexibility we need to take advantage of opportunities as they arise.

Any summary of our financial circumstances would be incomplete without thanking both our research sponsors and our corporate donors. Without their financial support, it would not, of course, be possible to function at all.

My thanks are also due to the members of the Institute's Council of Management. They take overall responsibility for our affairs and give up their time so as to support the National Institute's staff in our work; their involvement is a crucial component of our continuing success.

It is sad to record that the past year has seen the deaths of two people who have given a great deal of support to the National Institute and to me personally in my role as Director. Sir Kenneth Berrill was a Governor of the Institute from 1968, joined the Council of Management in 1981 and was Chairman from 1988 to 1996. Sir Brian Corby was a Governor from 1990 and was President of the Institute from 1994 to 2003 and a member of the Council of Management from 1994 to 2005. Both men were valuable sources of guidance to me and their public standing and widely recognised distinction meant that the Institute benefited greatly from its connection with them.

In the rest of this report you will find summaries of work on specific issues. These provide a flavour of the full breadth of topics on which we have worked in the past year and serve to give a good indication of the spread of our research activities.

Manufacturing output falling at fastest rate since 1980s
guardian.co.uk, Friday 9 January

The worse-than-expected news from manufacturers underlined the speed at which the economy deteriorated in the final quarter of last year. The National Institute of Economic and Social Research said the fall in output pointed to a 1.5% contraction in gross domestic product in the three months to December, which would make it the weakest quarter since 1980. The respected thinktank added that there had only been five quarters in which output fell more sharply since quarterly GDP figures were first produced in 1955.

Output from UK factories hits fastest rate of decline for 28 years
The Times, 10 January

A slump in manufacturing, with output plummeting at its fastest annual rate since 1981, sparked fresh warnings yesterday over the depth of the recession facing Britain.

The much worse than expected 7.4 per cent year-on-year plunge in factories' production last month left economists scrambling to downgrade again their forecasts of Britain's prospects.

The economy probably shrank by 1.5 per cent in the final quarter of the year – almost three times the 0.6 per cent contraction suffered in the third quarter – as the toll from industry deepened the downturn, the influential National Institute of Economic and Social Research estimated.

Further cut in UK rates expected
BBC.CO.UK 5 February

The Bank of England is widely expected to reduce UK interest rates to 1% from the current 1.5% when it makes its latest monthly decision later. With the recession showing no signs of easing, most analysts agree the Bank will cut rates further as it aims to help stimulate the economy. However, some business groups do not want a further cut, as they say recent reductions have failed to help. Instead they want the Bank to do more to help restore lending levels. UK interest rates have so far been reduced four times from October's 5% to January's 1.5%, the lowest rate in the Bank's 315-year history. 'Struggling for finance' The Federation of Small Businesses (FSB) is one of the business groups saying it would prefer rates to stay on hold for February. It said that a survey of its members found that 63% wanted rates to remain at their current level, compared with only 24% who wanted a further cut. …..The FSB's position is shared by influential think tank National Institute of Economic and Social Research (NIESR), which said there was "not very much point" to January's rate cut.

Can we build on estate agents' new optimism?
The Observer, Sunday 12 April

This renewed confidence will reassure policymakers, who have unleashed every weapon in their armoury against the deepening recession. The Bank of England has slashed interest rates dramatically and embarked on the drastic policy of creating money; and the Treasury has poured billions of pounds into the economy through the VAT cut and other pump-priming measures. It would be surprising – indeed, alarming – if none of that had made any impact.

However, before we get too carried away with signs of financial spring, it is important to remember just how long it can take flat-lining economies to bounce back….

That view was borne out last week by predictions from the respected National Institute of Economic and Social Research, which pointed out the striking similarity between the pace of the downturn in GDP since the recession began and the devastating early 1980s slump, when it took a full four years for output to return to its pre-downturn level.

Bombed-out assets set to bounce back. Claims that the recession is over spark a hunt for bargains
Sunday Times, 14 June

Investors are scrambling for bombed-out bargains that could rally dramatically following news that the economy may have turned the corner.

The National Institute of Economic and Social Research, one of the country's most respected think tanks, said last week that it believed the recession was over, based on its own growth estimates. It said the economy probably hit bottom in March before growing 0.2% in April and then 0.1% last month.

David Prosser: Chancellor's predictions look too rosy
The Independent, 8 July

The latest disappointing manufacturing and industrial production figures do not tell us that the recession is going to last longer than we had begun to hope in recent weeks, though the widely respected NIESR pointedly said yesterday that it believed GDP had fallen again during the period between April and June, which would mean a fifth quarter of slowdown.

Will UK interest rates go negative?
BBC News, 10 September

One question would be: why would Mr King want to make any changes to QE now?

Recent data has encouraged the view that an end to the recession is in sight. This week, respected researchers the National Institute of Economic and Social Research said the UK economy grew 0.2% in the three months to August.

And official data recently showed UK manufacturing output rose at its fastest rate in 18 months in July.

There's a real sense of economic recovery in the air. Labour's legacy may not be quite as poisonous as predicted, says Jeremy Warner
Telegraph.co.uk, 16 October

The big negative is industrial production. Despite the weakness of the pound, UK industrial production plunged anew in August and has shown little sign of a pick up since.

This has led the respected National Institute of Economic and Social Research to conclude that third-quarter GDP statistics, to be announced next week, will show no growth at all.

Public borrowing surges to record peacetime high
The Independent, 21 October

The National Institute of Economic and Social Research, a respected think-tank, issued a fresh warning about the sustainability of such a debt.

The institute said that it "may reach 93 per cent of GDP by 2015, and will leave a burden for our descendants. Fiscal consolidation will be expensive, but the faster it happens the lower the rise in debt."

Worry over the economy worsens as Bank agrees further £25bn stimulus
The Times, 6 November

Fears over the fragility of Britain's economy were heightened yesterday as Bank of England rate-setters voted to print a further £25 billion to stimulate growth.

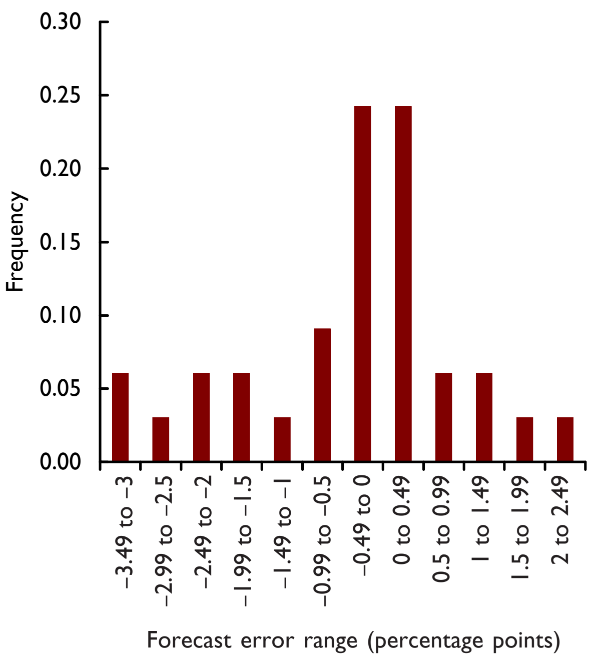
The decision by the rate-setting Monetary Policy Committee (MPC) to take the total quantitative easing stimulus to £200 billion came as an influential think-tank said that Britain had failed to emerge from recession in October……

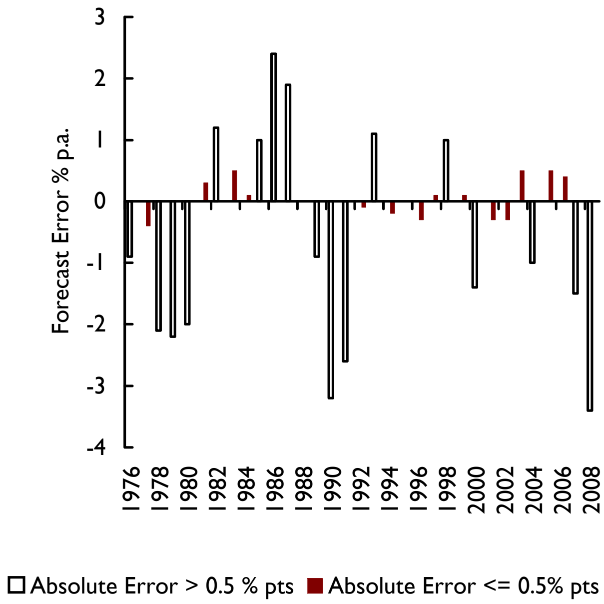
The National Institute of Economic and Social Research (NIESR) said that output had continued to fall in October, dampening hopes that the economy will return to growth in the final quarter of the year.

REFLECTIONS ON NOT FORECASTING THE RECESSION

2009 has delivered the steepest contraction of any year since the Second World War and, at the time of writing, it is possible that output will have fallen by more than it did in 1931, which showed the sharpest contraction of the Great Depression. Looking further back, we can say that only 1919, 1920 and 1921 have shown clearly bigger contractions over the whole period since 1855, the starting year of Charles Feinstein's annual GDP estimates for the UK. Given the historical rarity of recent experience, it should hardly come as a surprise that the recession was not forecast, or that the error in our forecast for GDP growth was the largest since 1976, the first year for which we can easily compare National Institute forecasts produced in October (to 1995) or November of the previous year with the outcome. We make the comparisons with the first estimates of annual GDP growth from the ONS since, for recent years, 'final' outcomes are not available.

It is perhaps natural to assume that error forecasts are likely to be normally distributed, and that is what we have assumed when providing error margins for our growth forecasts. But in fact this is very far from the truth. The figure below shows that the distribution of our forecast errors is much better represented by a mixture of two





rectangular distributions. One distribution is very tight, covering the interval –0.5 to 0.5, and the other distribution is broad, covering the interval –3.5 to 3. Fitting by maximum likelihood suggests that there is a 27 per cent chance that the error will be drawn from the tight distribution and 73 per cent that it will be drawn from the broad distribution. Insofar as past error patterns provide an indication of future forecast errors, this pattern suggests a much bigger chance of large errors than does the assumption of normality.

Further insight is gained by looking at the forecast errors year by year in the figure above. It is clear that the small errors are concentrated in the period from 1993 to 2008 – the so-called 'Great Moderation'. Thus in providing guidance about the reliability of economic forecasts, any forecaster would have to make some assumption about whether the circumstances of the Great Moderation would continue or not. With no historical experience of the factors which might be expected to bring it to an end, it is no surprise that forecasters assumed it would continue.

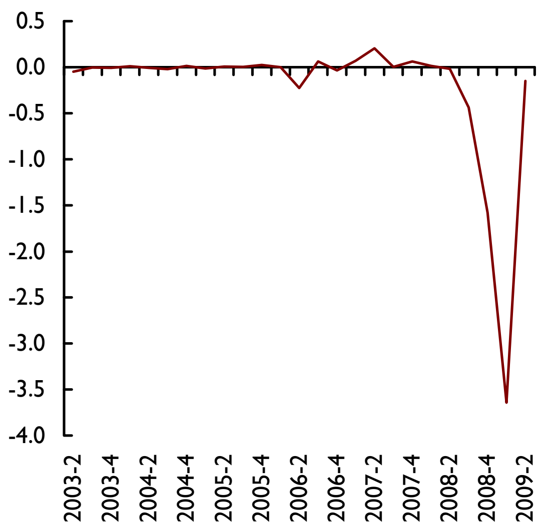
This research was carried out by Simon Kirby and Martin Weale. Enquiries to: s.kirby@niesr.ac.uk or m.weale@niesr.ac.uk.

THE EURO AREA RECESSION AND NOWCASTING GDP GROWTH

GDP data are published after a lag. Eurostat publishes its 'Flash' quarterly GDP estimates for the Euro Area about 45 days after the end of the quarter. Inevitably, this means that economists do not know where we are now, let alone where we might be in the future. This has impeded economists' ability to track, in real time, the course of the recent recession. This project therefore considered the accuracy of nowcasts constructed ahead of Eurostat's Flash estimates at 0 and 15 days after the end of the quarter.

Nowcasts are produced by statistical forecasting models. They seek to explain and then nowcast GDP growth by exploiting information on *indicator* variables. These are variables which are meant to have a close relationship with GDP but are made available more promptly than the data for which they stand as a proxy. In practice there is a large number of potential indicator variables, both quantitative (hard) and qualitative (soft).

Forecasting Euro Area GDP growth over time using real-time data: relative performance of qualitative survey-based nowcasts against an autoregression



The line represents the squared forecast error of a nowcast produced at 0 days using the Economic Sentiment Indicator against the squared forecast error from an autoregression.

This project then assesses the performance of nowcasts for Euro Area quarterly GDP growth from different statistical models over a period which includes the recent recession. The exercise uses real-time data and allows for the staggered release of monthly information on indicator variables throughout the quarter. The results indicate that the recent recession, due to the global financial crisis, led to a dramatic deterioration in the performance of nowcasts at 0 and 15 days, but a clear improvement relative to autoregressive benchmarks. Importantly, as the figure shows, the utility of constructing nowcasts using *soft* indicator variables increased suddenly and dramatically, relative to an autoregression, over the recessionary period. Qualitative survey data, thanks to forward-looking questions, picked up the recession more quickly than *hard* data, like monthly industrial production.

But our results, and the figure below, suggest that now the recession appears to be over in the Euro Area the utility of indicator-based nowcasts will diminish and the autoregressive benchmark will once again become a competitive, if not the best, nowcasting model. They also suggest that, as before the recession, more accurate nowcasts can be produced at 15 days than at 0 days when we know two months of within-quarter industrial production data.

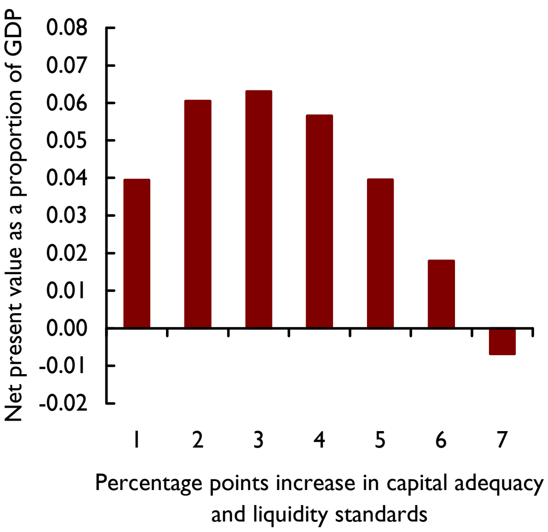
This research was carried out by James Mitchell for Eurostat. Enquiries to j.mitchell@niesr.ac.uk.

OPTIMAL REGULATION OF BANK CAPITAL AND LIQUIDITY

There is a trade-off between using tighter banking regulation to reap the benefits from reducing the incidence of costly financial crises, and the cost imposed by higher regulatory requirements on households and companies via wider bank spreads. The balance between these costs and benefits can be evaluated using data and our understanding of the economy. A study for the FSA used NIESR's global macro model NiGEM, with a new sub-model of the UK banking sector, to estimate the net benefit for the UK economy of tightening bank regulation in respect of capital and liquidity ratios.

Benefits would come from reducing the risk of the long-run scarring of the economy due to higher risk premia after a crisis, which arises in turn from a lower probability of a banking crisis. The research shows that a rise in the capital adequacy ratio or a rise in the liquidity ratio significantly reduces the probability of a banking crisis. House price booms were also shown to increase the probability of a banking crisis as they are often associated with unsound, albeit secured, lending. A 1 point rise in the capital adequacy target would have reduced the probability of a crisis in the UK in 2007 and 2008 by 5–6 per cent.

A cost-benefit analysis of increased capital and liquidity standards
Cumulated gains as a proportion of GDP



The benefits of tighter regulation depend on the costs of banking crises and these may be very large. The costs of crises include the recession that follows and any long-run impact on sustainable output. On the other hand, a rise in risk-adjusted capital adequacy or liquidity requirements is a cost to banks, and to offset this cost banks will increase lending margins. Higher firm borrowing costs raise the user cost of capital and have a negative long-run effect on output.

The research suggests that a 1 percentage point rise in capital adequacy would reduce sustainable output by at most 0.08 per cent in the long run. The results of the cost-benefit analysis, summarised in the figure, show a positive net benefit from regulatory tightening, for a 2–4 percentage point increase in capital and liquidity ratios, depending on the underlying assumptions.

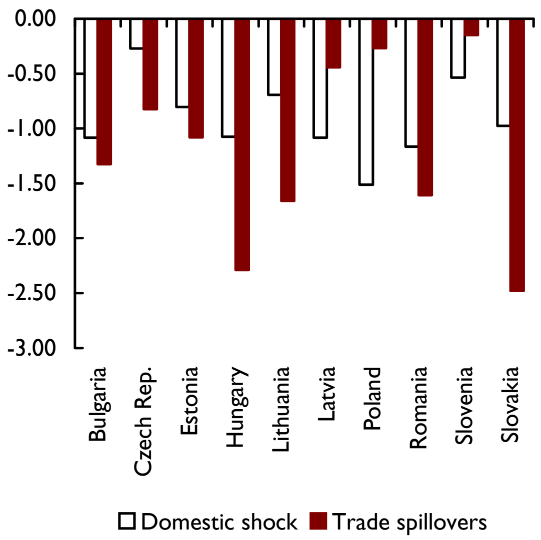
This research was funded by the FSA and a report by Barrell, R., Davis, E., Fic, T., Holland, D., Kirby, S. and Liadze, I., entitled 'Optimal regulation of bank capital and liquidity: how to calibrate new international standards', has been published in the FSA Occasional Paper series (no. 38). Enquiries to Ray Barrell (r.barrell@niesr.ac.uk).

FINANCIAL FRAGILITY IN THE EU'S NEW MEMBER STATES

In a recent study NIESR researchers have developed a toolkit to assess the exposure of the EU's New Member States (NMS) to risks of financial crises, and to assess the expected costs of a crisis were one to materialise. Vulnerability to crises often emerges from the effects of a positive shock that raises growth and investment, which is accompanied by credit and asset price booms. Deregulation or innovation in financial markets may also raise vulnerability. A negative shock may then precipitate a crisis in a vulnerable economy, also spilling over to other vulnerable economies through contagion, in a manner which would not have taken place had the economy and financial system been more robust.

There is an immense premium on timely warnings regarding systemic risks as an input to policy decisions as well as to financial institutions. Accordingly, in the past decade 'macroprudential surveillance' has become a core activity for many central banks and international organisations. Fragility can develop in the banking sector, the household sector or the corporate sector, and contagion can spread through banking systems as well as through equity markets and foreign exchange markets. The toolkit promotes regular monitoring of a wide selection of macroeconomic and financial data to assess the vulnerability of borrowers as well as the robustness of banks.

Impact of risk premium shock on GDP in the NMS after one year



Banking systems are of particular importance in emerging market economies such as the NMS where security markets are typically under-developed. As a solvency crisis develops, banks must find ways to rebuild their capital base or go bankrupt. They will rebuild capital from their gross operating surplus, and we can expect to see a rise in the margin between loans and deposits during a crisis. Banks are unlikely to discriminate between markets when they need to raise their gross operating surplus, and if a bank in an Old EU Member State is in difficulty it is likely to raise its margins in the NMS where it has operations.

The NMS banking systems are particularly exposed to problems that may develop in the Austrian and Swedish banking systems. It is possible that defaults in one NMS country, say in the Czech Republic, could spill over into other NMS countries, such as Hungary, Slovakia and Romania, through its impact on bank margins in Austria. Contagion amongst the Swedish banking sector hosts is even more likely, but the problem is contained within the Baltic States.

Our financial crisis toolkit recommends the use of a structural macro-model, such as NiGEM, to analyse the propagation of financial sector shocks across countries. This allows us to distinguish between the direct effects of a crisis at home, trade spillovers from shocks occurring abroad and contagion effects through banking systems and financial markets. The figure illustrates the expected impact of an EU-wide financial crisis on GDP in the NMS. We distinguish between the response to the domestic shock and trade spillovers from the shock abroad. Very open economies such as Hungary and Slovakia are highly exposed to shocks that originate abroad.

This research was financed by the European Commission and carried out by Ray Barrell, Phil Davis, Tatiana Fic, Dawn Holland, Dilruba Karim (Brunel University) and Ali Orazgani. Enquiries to t.fic@niesr.ac.uk or d.holland@niesr.ac.uk.

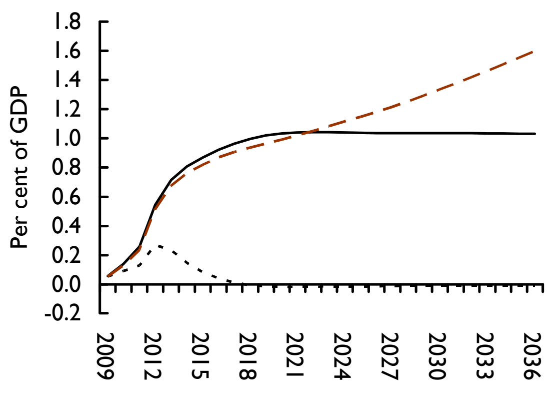
EXTENDING WORKING LIVES AND PAYING FOR THE CRISIS

The current financial crisis and the onset of the recession have caused immense damage to UK public finances. However, the explosion of deficits is not a temporary phenomenon and merely cyclical. Much of the expansion of public sector borrowing is structural. Policies to reduce its magnitude and begin to pay off the cumulated debt have focused on increasing taxes and cutbacks in spending plans. Work at NIESR has highlighted a third route to 'paying for the crisis' – extending working lives.

Based on the Government's announced tax and spending plans, our projections suggest there may be a structural budget deficit of around 6 per cent of GDP. A key policy issue is therefore how to reduce this structural problem. To date this has focused mainly on the discussion of cuts to government expenditure plans and tax increases. We have produced a number of papers highlighting the extension to working lives as an additional approach to reducing the structural budget deficit in the UK.

We analysed the impact of raising effective working lives by one year (the equivalent of increasing the retirement age by 1½ years) and we assumed the policy was announced immediately, with implementation in 5 years time. This analysis was performed using the UK model in the National Institute's Global Econometric Model, NiGEM. Using NiGEM provides us with a framework to determine the impact on the macroeconomy and to account effectively for the announcement of the future policy change. In this analysis we have an effective increase of one working year or around a 2½ per cent increase in labour supply. In the long run output will rise (approximately) in proportion to the increase in the supply of labour, as in a small open economy with capital mobility that factor of production will be available to work with labour at around the existing capital–labour ratio and rate of return.

Budget deficit (difference from baseline)



Note: Government consumption on baseline trajectory.

The effects on the economy of extending working lives depend upon our assumptions about the government reaction. Our main case leaves tax rates unchanged from the baseline and the path for government consumption on its current trajectory. Government transfers to the elderly (pensions and other social security payments) would be reduced because the number of retired people would fall relative to the baseline. The initial improvement in the position of the public finances comes through lower spending on benefits to the retired and an increase in tax revenues from those who continue in work. In addition, government interest payments are lower than projected due to a reducing debt stock. Over the medium term a one-year increase in effective working life should reduce the structural budget deficit by around 1 per cent of GDP. The figure shows this main case and two alternatives: where tax rates are permanently fixed as on the baseline, and where the target rate for the government budget deficit is held.

This work was undertaken by Ray Barrell, Ian Hurst and Simon Kirby. The results are discussed in more detail in NIESR Discussion Paper No. 333, 'How to Pay for the Crisis or Macroeconomic implications of pension reform'. Enquiries to Ray Barrell (r.barrell@niesr.ac.uk) or to Simon Kirby (s.kirby@niesr.ac.uk).

EMPLOYER-PROVIDED TRAINING IN THE RECESSION

The impact of recession on employer-provided training may take several different forms. Some employers may respond to reductions in sales revenue by cutting spending on training. Others may see recession as an opportunity to devote more time to training. Forward-thinking employers seeking to develop new business strategies for surviving the recession may identify raising skills as a key ingredient in those strategies. Others may lose strategic direction as they become caught up in day-to-day survival issues.

Current research at NIESR and the ESRC Research Centre on Learning and Life-Chances in Knowledge Economies and Societies (LLAKES) is exploring the impact of recession on employer-provided training by carrying out in-depth investigations of establishments in five very different sectors: architectural and engineering services; social work; retail; cultural industries (including libraries, museums, publishing and the creative arts); and electronic/electrical engineering.

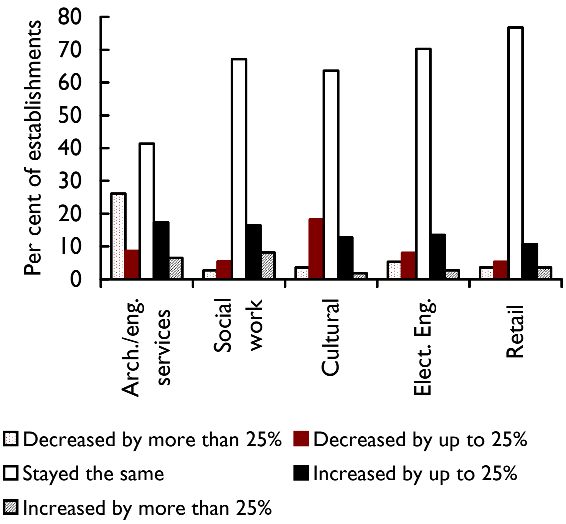
Survey data at two different points in time – mid-2008 and mid-2009 – suggest that the proportion of employers reporting increases in training budgets during the current recession is as great as the proportion reporting reductions in spending on training. The majority of their respondents report no change in training budgets to date, in spite of the fact that the decline in output in the past 15–18 months has been much more severe than in the corresponding period in the last major recession in the UK in the early 1990s.

However, when we examine the extent and nature of training provision for employees deemed most central to success in these establishments, there is evidence of reductions in the proportion of employees receiving training in a majority of firms, and a shift from off-the-job to on-the-job training. This is strongest in establishments which have experienced the sharpest reductions in sales.

Follow-up enquiries have found that many establishments' training plans have been blown off course by the recession and that some skill gaps which were clearly acknowledged in 2008 received less attention in 2009 than 12 months earlier.

This kind of evidence raises important issues for policymakers. Given the serious effects of the recession on unemployment and economic inactivity among young people, there is a strong case for allocating more public sector resources towards that vulnerable age group. However, adult participation in most forms of education and training has been in gradual decline for several years and there will be many downsides if public spending on adult education and training is reduced. In particular, productivity is likely to suffer from adult skills not being updated or improved to required levels. More generally, there may be a reduction in the health benefits and improvements in well-being and civic involvement which are associated with adult participation in learning activities.

Changes in training expenditure between mid-2008 and mid-2009



Source: NIESR/LLAKES Employer Surveys, 2008–9.

This research was carried out by Kate Bishop and Geoff Mason and was supported by the ESRC Research Centre on Learning and Life-Chances in Knowledge Economies and Societies (LLAKES).

AN EMPIRICAL INVESTIGATION OF QUASI-HYPERBOLIC DISCOUNTING

There is a growing consensus based on extensive experimental evidence that people are generally influenced by myopia when making decisions of an intertemporal nature. The view that people are myopic has now become sufficiently main-stream that it features in contemporary debate regarding public policy reform. This is of material importance because the assumption that preferences are time inconsistent suggests a role for paternalistic policy intervention, which is absent from the classical rational agent model of behaviour. Despite its growing influence, however, very few studies have investigated the empirical evidence for myopia beyond controlled laboratory experiments, which leaves open the question of how important it is for decisions taken in the field. I address this issue by considering how far behavioural myopia is supported by econometric estimates for a structural model of household savings and labour supply calculated on survey data for the United Kingdom.

Estimates are reported for a structural life-cycle model of savings, pension scheme participation, and labour supply decisions taken in context of uncertain wages, employment opportunities, demographics, and mortality. The statistics obtained indicate that the structural model considered for estimation is sufficiently flexible to obtain a close reflection of the data without the need to relax the assumption of time-consistent preferences. Allowing for quasi-hyperbolic discounting consequently produced only a very marginal improvement in the overall fit of the model: the estimated short-run discount factor is not significantly different from the long-run discount factor, and the disparity between the two is measured very imprecisely. Nevertheless, the point estimates obtained are interesting, and suggest that the short-run discount rate is 7.8 per cent per annum, just under twice the long-run discount rate of 4.3 per cent.

This work was carried out by Justin van de Ven (jvandeven@niesr.ac.uk) and funded by a grant from the Leverhulme Trust.

Given the paucity of evidence on field data that currently exists regarding the practical importance of myopia, this study has only scratched the surface of what might be done. In relation to this particular study, it remains to consider sensitivity of the results obtained to a range of issues including the moments considered for estimation, and the nature of the assumed economic environment (unemployment rates, interest rates, pension parameters, and the wage generating process). Furthermore, the current study focuses on so-called sophisticatedly myopic behaviour where agents are considered to be aware of their self control problems and to make their decisions accordingly. It would be of obvious interest to explore the plausible alternative where myopic agents are assumed to be naïvely unaware of the time-inconsistency of their preferences. These issues remain for further research.

Structural estimation of preference parameters

Parameter		Restricted model Coefficient	Restricted model Std error	Unrestricted model Coefficient	Unrestricted model Std error
Short-run excess discount factor	beta	1.0000	–	0.9674	0.1893
Long-run (exponential) discount factor	delta	0.9508	0.0249	0.9588	0.0386
Constant relative risk aversion	gamma	2.6169	0.5983	2.8507	0.5311
Intra-temporal elasticity	epsilon	0.5292	0.0558	0.5214	0.0649
Target moments	*Sample*				
Log consumption of singles*	–	0.0892		0.0894	
Log consumption of couples*	–	0.0714		0.0713	
Effect of retirement on consumption – singles	0.3816	0.3794		0.3824	
Effect of retirement on consumption – couples	0.3547	0.3595		0.3549	
Population indebted and member of a pension	0.0697	0.0641		0.0774	
Loss function		*2.3024*		*2.2947*	
J-statistic		*135.29*		*130.73*	
*Test of over-identifying restrictions (p-value)***		*0.0108*		*0.0180*	

Notes: *Mean deviations for age specific targets. **Probability of failing to reject the null-hypothesis that the model is valid, based on a chi-square test statistic with (103-k) degrees of freedom, k = number of parameters considered for estimation.

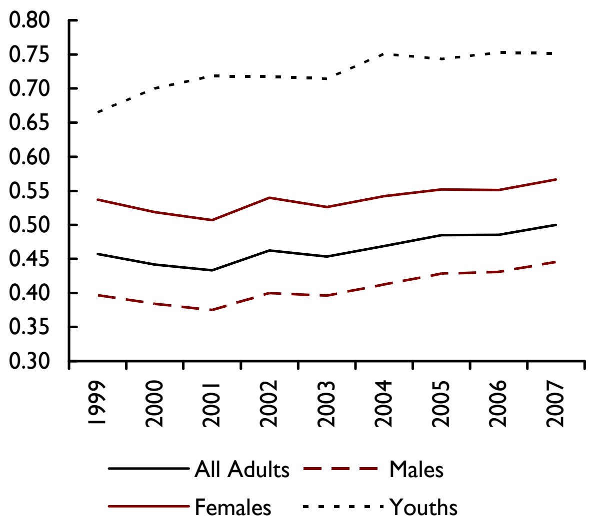
EMPLOYMENT AND THE RISING MINIMUM WAGE

Since its introduction in 1999 the National Minimum Wage (NMW) has risen ahead of average earnings and the number of workers paid the minimum wage has increased. In these circumstances it is important to ask whether the increases in the NMW have affected the employment opportunities of low-paid workers.

Much research has been conducted examining the employment impacts of the introduction of the National Minimum Wage (NMW) in Great Britain in 1999 and its initial up-ratings. The general conclusion that emerges is that there was limited if any adverse impact of the NMW on employment in the first few years following its introduction. Since then however, over the period 2003–6 in particular, the NMW has risen substantially in excess of average earnings and has risen relative to median pay (see figure).

The impact of the NMW on employment must be determined empirically. Theory does not provide clear guidance on the direction and magnitude of the impact of wage floors on employment. Textbook economic theory, in which all markets are competitive and workers offer homogeneous units of labour, would suggest that wage floors serve to reduce employment if these are set above the market clearing wage. Other theories suggest the story is more complex, with increases in worker productivity and participation in the labour market as a result of better wages helping to offset any adverse effects the minimum wage may have had on employment.

The 'bite' of the minimum wage: 1999–2007
NMW/Median wage



Source: Annual Survey of Hours and Earnings.

We exploit the differential timing and magnitudes of NMW up-ratings to identify its impacts on individuals' transition probabilities in and out of work, comparing employment outcomes for low-paid workers whose pay is directly affected by the NMW to those of other low-paid workers. Identification of employment impacts is also aided by the geographical variation in the pay distribution.

Similar to previous research, we can find no significant disemployment effects from the NMW. However, there is some evidence that the larger increases in the NMW in 2001 and 2003 may have reduced basic hours worked for low-paid adult men. But for women, the majority of low-paid workers, we find no evidence of a worsening of employment opportunities associated with the rising minimum wage.

This research was undertaken by Rebecca Riley and David Wilkinson in collaboration with Richard Dickens (University of Sussex and Centre for Economic Performance, London School of Economics) and was funded by the Low Pay Commission. Enquiries to r.riley@niesr.ac.uk.

Research by NIESR has shown that Pathways to Work, a programme to support those on incapacity benefits into work, has been effective in reducing benefit receipt. However, evidence that it has had a positive impact on work, earnings and self-reported health outcomes for customers is more mixed.

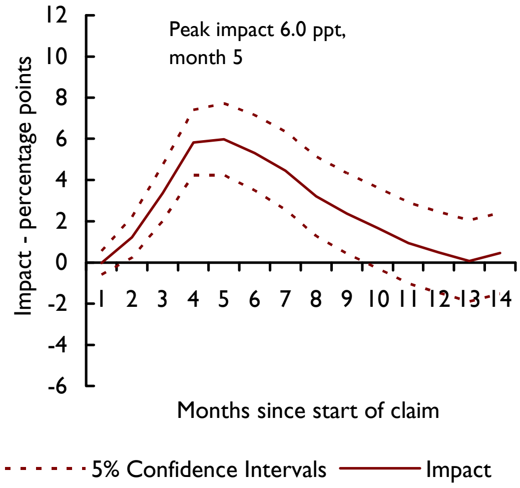
The 2002 DWP Green Paper *Pathways to Work: Helping people into employment* noted that the number of people claiming sickness and incapacity benefits in Britain rose by two million between 1979 and 2002. Pathways was designed to help incapacity benefits customers into work as part of wider efforts to raise the employment rate. It was initially trialled in three Jobcentre Plus districts in October 2003 and a further four districts in April 2004 (the pilot areas). New and repeat incapacity benefits customers were obliged to attend a series of work-focused interviews and were offered financial and non-financial support.

Pathways was extended nationwide in stages and now covers the whole of the UK. The first two expansions were in October 2005 and April 2006. The impact in these expansion areas was explored by comparing outcomes before and after Pathways was introduced and assessing this change against similar non-Pathways areas. The analysis used DWP administrative data to examine benefit effects. The impact peaked around five months after the start of the claim, reducing the proportion of customers claiming incapacity benefits by about 6 percentage points. This was similar to the estimated impact in the pilot areas, but was shorter-lived. Other outcomes were examined using telephone surveys of incapacity benefits customers. There was no evidence that Pathways affected work, earnings or self-reported health in the expansion areas. This is surprising in view of its effect on benefit receipt and contrasts with the pilot areas where it increased the proportion of customers in paid work by 7 percentage points a year and a half after the start of their claim. It also had an impact on self-reported health in the pilot areas, reducing by 11 percentage points the proportion said to have a health problem which severely affected their daily activities.

There are a number of possible explanations for the difference in findings between the pilot and expansion areas. For example, customers in these areas may differ in their characteristics, so that Pathways had a greater chance of being effective in some locations; differences in resources devoted to implementing Pathways might lead to variation in its effectiveness; and, unlike the expansion areas, the pilot areas results captured the impact Pathways had in deterring potential customers from pursuing a claim for incapacity benefits.

The analysis has informed decisions to make Pathways mandatory for existing customers under 25, increase provision for those with mental health conditions and to raise work-related support for existing incapacity benefits customers by moving them to Employment and Support Allowance. Identifying the greater help required by some has informed the debate about the value of offering support tailored to individual needs, recommended by the Gregg Review.

Impact of Pathways on being off IB or SDA, by month since start of claim, October 2005 areas

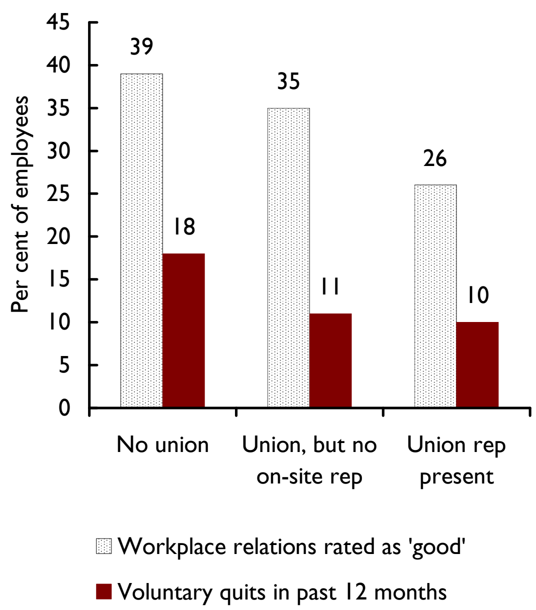


This research was carried out by Helen Bewley, Richard Dorsett (NIESR) and Sergio Salis (PSI) and funded by the Department for Work and Pensions. Enquiries to Helen Bewley (h.bewley@niesr.ac.uk).

Trade unions can heighten tension and conflict at the workplace by bringing issues to the fore which might not be aired in a non-union setting. However, this 'voice' function also has the potential to bring about more stable and more constructive employment relationships in the longer term by addressing workplace problems which may be otherwise left unresolved. Recent research for the Trades Union Congress (TUC) by Alex Bryson and John Forth investigated how workplace union organisation varies in its effectiveness and assessed the impact that effective unions have on the quality of workplace employment relations.

Unions have experienced substantial decline in membership and influence over the past quarter century. If they are to remain effective, they must fulfil three important criteria. First, they must be responsive to their members; second, they must be viewed by employers as having a legitimate claim to represent employees; and third, they must have the organisational and representative structures in place to make a difference in the workplace. The research used linked employer-employee data from the 2004 Workplace Employment Relations Survey (WERS) to identify those features of workplace union organisation which increase employees' perceptions that workplace unions are effective along these three dimensions. The presence of on-site lay union representatives was found to be particularly important across both the private and public sectors – a notable finding given the substantial shrinkage of the shop steward network since the mid-1980s. Other traditional indicators of workplace union organisation, such as membership density and bargaining coverage, were also typically positively associated with employees' perceptions of union effectiveness in the private sector, but were less salient in the public sector, where the most important interactions between employers and unions typically take place at national, rather than workplace, level.

Union organisation and the quality of workplace relations



Source: Workplace Employment Relations Survey 2004.

The research went on to use the WERS data to investigate the relationship between union effectiveness and the quality of workplace employment relations. It confirmed that workplaces with strong union organisation are typically less harmonious than workplaces without unions. However, voluntary quits were found to be lower in workplaces where unions were present, and where unions were stronger, supporting the hypothesis that effective union voice reduces employee exits and thus contributes to stability in employment relationships. This relationship was apparent in both the private and public sectors. In addition, stronger unions were said by private sector managers to be more effective than weaker unions in collaborating to find ways to improve workplace performance. This supports the notion that strong union organisation can help to facilitate workplace change.

A summary report is forthcoming in the TUC's Touchstone series. Enquiries to Alex Bryson (a.bryson@niesr.ac.uk) or John Forth (j.forth@niesr.ac.uk).

STUDENTS' AWARENESS AND KNOWLEDGE OF INSTITUTIONAL BURSARIES

The study finds that bursaries and scholarships for Higher Education students are an effective recruitment tool for a significant minority of students. But it concludes that the overall success of bursaries and scholarships as a financial incentive is being limited by:

This research was undertaken by Rebecca Hopkin and David Wilkinson with Professor Claire Callender (Birkbeck College) on behalf of the Office for Fair Access (OFFA). Enquiries to d.wilkinson@niesr.ac.uk.

- the lack of knowledge, awareness and understanding of bursaries on the part of many students, parents and HE advisors in schools and colleges. A quarter of the students and parents surveyed had not heard of bursaries. Furthermore, among those who had heard of bursaries, there were large gaps in their knowledge.

- the information-seeking behaviour of students, parents and HE advisors, particularly the timing of their information search. Only two-fifths of the students surveyed said they had looked for information on bursaries before submitting their UCAS application form. Consequently, many students did not take bursaries into account when choosing which university to apply to.

- The scope, clarity and accessibility of information provided by universities and colleges and others – almost half of the students thought there was too little information on how to apply for a bursary although most universities and colleges thought that they had covered this.

OFFA has used the research to create a new good practice guidance for universities and colleges on how they can help improve awareness and understanding of bursaries. Working together with the Student Loans Company, OFFA will also use the research findings to help improve the information given to HE advisors working in schools and further education colleges.

Percentage of students reporting effectiveness, awareness, knowledge, timing of information search and scope and clarity of information

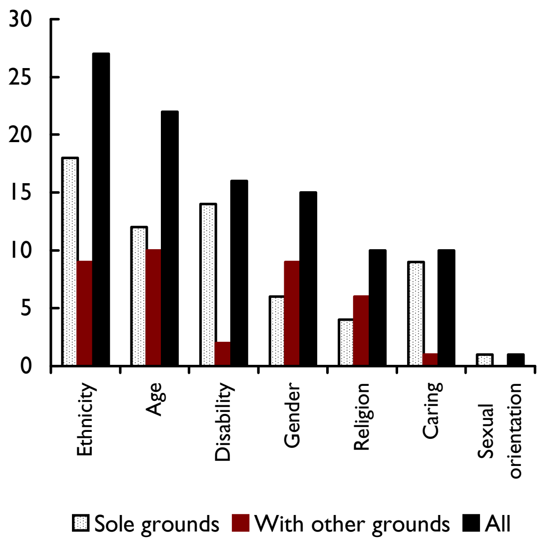
	% of students
Bursaries as an effective recruitment tool	
Believed bursaries important when deciding where to go to university	28
Amount of bursary influenced choice of university	25
Lack of awareness and knowledge about bursaries	
Students who had not heard of bursaries	24
If heard of bursaries:	
Did not know that universities and colleges must give a minimum bursary to students receiving the full state maintenance grant	76
Thought that bursaries were one-off payments given to students in their first year	47
Did not know that bursaries were paid by universities and colleges themselves	56
Timing of information seeking	
Looked for information on bursaries after submitting their UCAS application form	57
Scope clarity and accessibility of information	
Thought there was too little information on how to apply for a bursary	58
Thought there was insufficient information on when they would receive a bursary	44
Could not work out whether receiving a bursary would affect their eligibility for government grants and loans	56

PERCEPTIONS OF DISCRIMINATION IN EMPLOYMENT

NIESR was commissioned by the Government Equalities Office (GEO) to carry out research to improve understanding of perceptions of discrimination in employment. The research focused on establishing what treatment, circumstances and behaviour are perceived as discriminatory and why. It aimed to examine how these perceptions arise, the evidence that individuals draw upon and how they react and respond. The research covered discrimination across six equality strands: gender, race, age, faith or belief, disability and sexual orientation. The figure shows the grounds on which respondents reported discrimination. The research looked at perceived discrimination in employment, in promotion and also treatment within employment. The research involved in-depth interviews with 84 respondents to the Citizenship Survey, who said they had experienced discrimination.

Individuals gather and interpret evidence of discrimination in very different ways. Some are unsure whether they have experienced discrimination in the face of blatant statements and actions, while others appear to have limited evidence for their beliefs. Discrimination is perceived in both formal processes, such as short-listing and interview and in informal action, for example favouritism towards preferred candidates.

Grounds on which discrimination experienced



Limited feedback following rejection of a new job or promotion led some respondents to suspect an employer of discrimination. The organisational culture of a workplace can play a role in perceived discrimination; a number of respondents felt that the 'male' or 'female' environment of their workplace put them at a disadvantage.

Consequences of perceived discrimination include withdrawal from the labour market, lowering of job expectations and job loss. Few respondents had taken formal action to challenge the discrimination they had experienced. Barriers to taking action included fear of job loss. Some respondents felt stigma associated with complaints of race discrimination. The findings highlight the role of work colleagues, friends and family in providing support to individuals experiencing discrimination. Some respondents reported unsatisfactory or 'text book' responses to their concerns, including reiterating policies rather than explaining practice.

The report makes a number of recommendations, including greater transparency around recruitment and promotion decisions, diverse workforces and management teams to promote an inclusive workplace culture and employee confidence in equality policy and practice. The report also recommends greater support for individuals wishing to raise concerns about the discrimination they experience.

The report, *Perceptions of Discrimination in Employment*, by Heather Rolfe, Amar Dhudwar, Anitha George and Hilary Metcalf, is available at: http://www.equalities.gov.uk/ or through contacting Dr Heather Rolfe at NIESR: h.rolfe@niesr.ac.uk.

THE BENEFITS OF CATARACT SURGERY

As a contribution to a conference organised jointly by the National Institute and the Office for National Statistics, on the measurement of government activity, a paper was prepared on the benefits of cataract surgery. There have been a number of specific ad hoc studies looking to see how vision improves as a result of cataract surgery; this study by contrast exploited information in the English Longitudinal Survey of Ageing (ELSA) to assess how both the development of cataracts and their removal affected people's self-assessed eye-sight.

ELSA is a panel survey which approaches a population of people aged fifty and over every two years, asking a wide range of questions about their health and their activities and circumstances. In particular it asks people to rate their eyesight on a five-point scale between excellent and poor; it also asks people whether they have been told they have cataracts developing and whether they have had cataract surgery. The table below shows the proportion of people reporting their eyesight as worsening, not changing or improving between the successive surveys which were carried out in 2002, 2004 and 2006.

As the table makes clear, the proportion reporting an improvement after surgery is appreciably higher than in the population as a whole, while the proportion reporting a worsening is appreciably lower; these differences are statistically significant.

This work was carried out by Martin Weale who is Chairman of the Advisory Board for the ONS Centre for the Measurement of Government Activity. Enquiries to m.weale@niesr.ac.uk

A parametric analysis allows us to quantify the expected surgery on the latent variable eyesight, and we are also able to draw on studies relating eyesight to welfare more generally. These suggest an average increase in welfare of 0.037 units (where the welfare of someone in perfect health is represented as 1 unit), although the benefits are greater for people whose initial eyesight is poor and absent for those whose initial eyesight is excellent. Over the expected lifetime the average benefit for a 60–62 year old man is 0.58 quality-adjusted life years (QALYS). With a QALY usually valued at £30,000 and the cost of cataract surgery put at £672 it is plain that there are very substantial net welfare benefits; the model estimated suggests that long-term benefits arise even if initial eyesight is excellent.

Measures of government activity are generally and correctly based on costs rather than estimated benefit. But a more complete analysis of government activity needs to show the benefits in a systematic way.

Self-reported changes to eyesight

	Whole sample				People treated for cataract			
	2002–4		2004–6		2002–4		2004–6	
	Number	%	Number	%	Number	%	Number	%
Worsening	1284	29.8	1313	30.5	34	23.9	37	20.7
No Change	1887	43.8	1996	46.3	49	34.5	67	37.4
Improvement	1137	26.4	999	23.2	59	41.6	75	41.9

WAGE RETURNS TO SCARCE TALENT: PROFESSIONAL FOOTBALLERS

Sport matters. Professional sport is a big industry. In 2004 it generated value added of 407 billion euros, accounting for 3.7% of EU GDP. Employment in sports and related activities comprised 5.4% of the EU labour force. Sporting success at national level enhances life satisfaction and well-being. Not surprisingly, economists are devoting more attention to the industry. Labour economists are attracted to professional sports because worker and team performance and rewards are readily observable. Critics question the value of these studies, arguing that professional sports men and women are unusual workers with unusual attributes and unusual wages, making it difficult to extrapolate to the general population. However, a long tradition of focusing on 'extremes' and unusual cases improves our understanding of incentives; witness the behavioural economics literature focused around criminal activity.

At present there is public concern that some workers are reaping huge financial rewards for what appears to be very poor performance. The retort is that these highly paid senior executives are simply being paid their market worth and that attempts to pay them less could lead to lack of motivation and increased likelihood of losing the best talent. The debate is familiar to those with knowledge of sports economics. Some professional sports in the USA have team payrolls that are heavily regulated in a salary cap arrangement but as yet it is not wholly clear what the impact is on incentives, and individual or team performance.

In Europe earnings can be very substantial. Professional football players in particular earn considerable amounts of money, both from endorsements and sponsorship, and from wages. Some supporters think this is deserved, some will say nobody deserves to earn X amount more than the person in the street, but most will say: "it all depends on how they perform on the field". There's the rub. How do we really know whether players receive a wage which is equivalent to their marginal productivity? We may know in considerable detail what they have been doing on the pitch, and this clearly helps, but we also have a variable identifying a rare talent that teams are very likely to pay for. This is two-footedness.

Two-footedness is the unusual ability to use both feet to pass, tackle and shoot. Only around one-sixth of the players in the top five European leagues are two-footed. Furthermore, we can treat two-footedness as a largely pre-determined specialist ability that is capable of generating a return to salary.

Does this talent translate into wages? The answer is 'yes'. There is strong evidence of a clear link between performance and wages among professional football players. But is there anything in it for teams? Are they able to appropriate any of the returns to employing two-footed players? In an efficient labour market, where players are free to move, players should be able to hold onto their hard earned cash. The empirical evidence seems to confirm this. Having controlled for other factors, such as total payroll, the proportion of two-footed players in a team does not significantly affect the number of points the team gets at the end of the season. It seems that two-footed players can appropriate the rents from their talent.

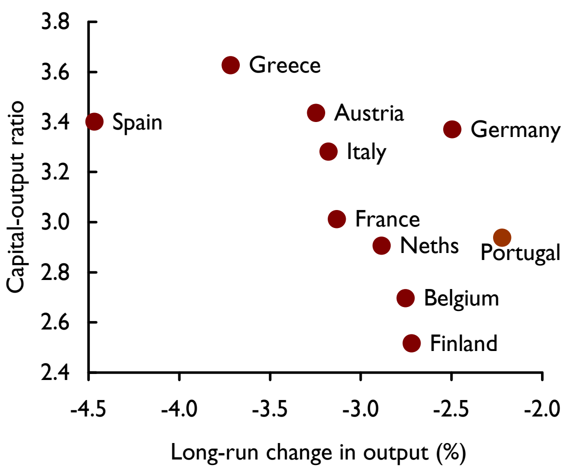
The study of football is beginning to tell us more and more about the operation of labour markets and incentives. Recent contributions have shown how rule changes intended to enhance the returns to winning result in sabotage behaviour; how referee bias occurs in the presence of social pressure from football fans, and how and when owners choose to bribe officials in order to win games. There is doubtless more to come, though it may not silence the critics of sports economics.

This research was carried out by Alex Bryson (NIESR); Bernd Frick (University of Paderborn) and Rob Simmons (University of Lancaster). Enquiries to a.bryson@niesr.ac.uk. **See also Discussion Paper No. 339 listed on page 23.**

The Institute maintains a macroeconometric model of the world economy, NiGEM. NiGEM has been in use at the National Institute for forecasting and policy analysis since 1987, and is also used by a group of about 50 model subscribers, mainly in the policy community. The Institute produces four forecasts a year with NiGEM, published in the National Institute Economic Review, *along with a discussion of alternative scenarios around the central forecast and short notes based on recent model-based research. Many aspects of the global financial crisis can be addressed using NiGEM and recent studies have largely focussed on different aspects of the crisis.*

NiGEM is a global model with most OECD countries modelled individually as well as models of China, India, Russia, Hong Kong, Taiwan, Brazil, South Africa, Estonia, Latvia, Lithuania, Slovenia, Romania and Bulgaria. The rest of the world is modelled through regional blocks. All country models contain the determinants of domestic demand, export and import volumes, prices, current accounts and net assets. Economies are linked through trade, competitiveness and financial markets and are fully simultaneous.

Output scars and the capital–output ratio



Note: Difference in output induced by crisis shocks in 2020 as compared to the ratio of total capital to real GDP in 2009 (see Barrell, R. (2009), 'Long-term scarring from the financial crisis', *National Institute Economic Review*, No. 210, pp. 36-38.

Work with NiGEM is undertaken by Ray Barrell, Dawn Holland, Ian Hurst, Simon Kirby, Tatiana Fic, Iana Liadze and Ali Orazgani. Further details on the NiGEM model are available on http://nimodel.niesr.ac.uk/advert/niesr2nigem.php. Enquiries about NiGEM should be addressed to Ian Hurst: aihurst@niesr.ac.uk.

A major use of the model is in policy analysis. In policy analyses the model can be switched between forward looking, rational expectations mode and adaptive learning for consumers, firms, labour and financial markets. Policy environments are very flexible, allowing a number of monetary and fiscal policy responses.

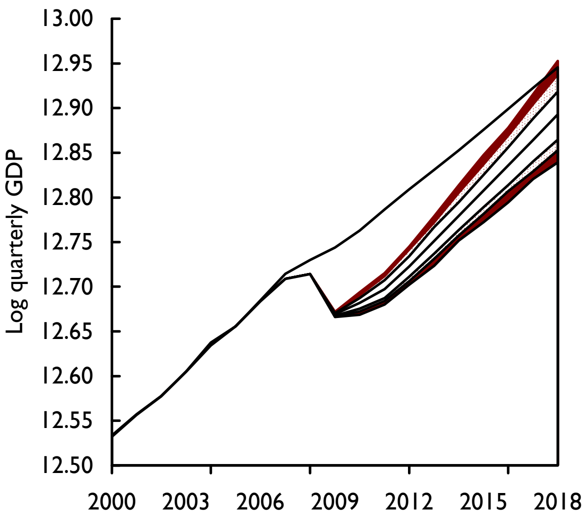
For a macroeconometric model to be useful for policy analyses, particular attention must be paid to its long-term equilibrium properties while ensuring that short-term dynamic properties and underlying estimated properties are consistent with data and well-determined. Output is tied down in the long run by factor inputs and technical progress interacting through production functions. As far as possible, the same long-run theoretical structure of NiGEM has been adopted for each of the major industrial countries, except where clear institutional, or other factors, prevent this. As a result, variations in the properties of each country model reflect genuine differences in data and estimated parameters, rather than different theoretical approaches.

Over the past twelve months NIESR has made a number of interventions in the policy debate based on its research on the world economy. Studies include evaluating policy reactions to the financial crisis and analyses of the fiscal stimulus packages introduced; budget consolidation over the medium term, including an estimate of the budgetary impact of extending working lives; optimal banking regulation; the effect of the global economic crisis on world trade; an assessment of the impact of the global crisis on sub-Saharan Africa; an assessment of the sensitivity of the EU's New Member States to the financial crisis; estimates of the long-term scarring expected in different countries.

We expect the financial crisis to leave a permanent scar of about 3 per cent on Euro Area output, due to a permanent rise in the perceived level of lending risk and the rise in the debt burden, which holds up long-term real interest rates. As illustrated in the figure on page 20, expected differences across countries are partly related to the capital–output ratio. The higher the capital–output ratio, the larger the effect on output of a given rise in the user cost of capital.

NiGEM also features a stochastic option which provides confidence bounds for both forecast projections and scenarios, enabling a more measured approach to determining forecast accuracy and the potential effects of a crisis.

Stochastic bounds around UK GDP projections



Note: 95, 90 and 80 per cent confidence bounds around the October 2009 forecast as compared to the July 2008 forecast.

NiGEM WEB

NiGEMWEB is a companion product to NiGEM, provided both as part of the NiGEM program suite and as a separate product. This is an interactive website designed to provide economists with the latest NiGEM forecasts and economic scenarios as well as access to the latest Institute macroeconomic research. NiGEMWEB has proved popular both within the NiGEM user group as well as with the current NiGEMWEB subscribers who have aided in its development. In particular, the ECB and MoD have made extensive use of the forecast data provided.

While providing full access to over 50 country and region forecasts and scenarios based on the most recent version of NiGEM, the interactive choice of data by country, sector or individual variable means you can tailor your data requests so you download only the data you need. With no download limits on the data provided or the need for model-specific software, NiGEMWEB is an important tool enabling you to produce your own reports more easily.

NiGEMWEB is still expanding its range of features with both confidence bounds and increased numbers of country reports planned for 2010.

More information on NiGEM WEB is available on our website at http://nimodel.niesr.ac.uk/nigemweb/nigemweb.php or contact i.hurst@niesr.ac.uk.

MONTHLY GDP

The National Institute publishes monthly and rolling quarterly estimates of UK GDP. Estimates of growth in calendar quarters are published about three weeks ahead of official data. Subscribers are notified of the estimates ahead of public release. Further information can be obtained from Goran Stankov at g.stankov@niesr.ac.uk or by telephone on 020 7654 1931.

NATIONAL INSTITUTE ECONOMIC REVIEW

In line with our recent custom, each edition of the *Review* contained articles on a special theme. Articles which appeared during 2009 were as follows:

No. 207 (January)
Quality assessment of early years education
Editor: David Wilkinson

Good quality childcare for all? Progress towards universal provision
Ivana La Valle and Ruth Smith

International perspectives on quality in mixed economies of childcare
Helen Penn

Contextual issues in assessing value for money in early years education
Verity Campbell-Barr

Using foundation stage profile assessments to assess outcomes from early years education
Rebecca Hopkin, Lucy Stokes and David Wilkinson

No. 208 (April)
Ten years of economic and monetary union
Editor: Ray Barrell

The euro: past successes and new challenges
Marco Buti and Paul van den Noord

Ten years of EMU: convergence, divergence and new policy priorities
Nikos Christodoulakis

The impact of EMU on real exchange rate volatility of EU countries
E. Philip Davis and Olga Pomerantz

How much is the Euro Area common cycle affected by the UK?
Julien Garnier

The impact of European and global integration on the mark-up of prices over costs
Dawn Holland

No. 209 (July)
Work and well-being
Editor: Alex Bryson

The effect of work status and working conditions on mental health in four OECD countries
Ana Llena-Nozal

Valuing jobs via retirement: European evidence
Andrew E. Clark and Yarine Fawaz

Is leisure contagious? The relationship between sickness absence and spousal retirement
Patrick Hesselius

A tale of two continents: insuring workers against loss of income due to sickness in North America and Europe
John Treble

No. 210 (October)
Confidence and leading indicators
Editor: James Mitchell

A system of rapid estimates to improve real-time monitoring of the economic situation: the case of the Euro Area
Gian Luigi Mazzi and Gaetana Montana

Nowcasting is not just contemporaneous forecasting
Jennifer L. Castle, Nicholas W.P. Fawcett and David F. Hendry

Nowcasting Euro Area economic activity in real time: the role of confidence indicators
Domenico Giannone, Lucrezia Reichlin and Saverio Simonelli

Architects as nowcasters of housing construction
Mark J. Holmes, James Mitchell and Brian Silverstone

Using real-time output gaps to examine past and future policy choices
Christopher Adam and David Cobham

NATIONAL INSTITUTE DISCUSSION PAPERS

Discussion papers exist to foster debate on Institute research. Recent papers listed below are available on our website www.niesr.ac.uk or free on request.

325. The economics of a reduction in VAT
R. Barrell and M. Weale

326. Employee involvement, technology and job tasks
E. Green

327. Unions and workplace performance in Britain and France
A. Bryson, J. Forth and P. Laroche

328. Collective sentiment in qualitative business surveys
S. Lui, J. Mitchell and M. Weale

329. Employee voice and private sector workplace outcomes in Britain 1980–2004
A. Bryson, R. Gomez, T. Kretschmer and P. Willman

330. Bank regulation, property prices and early warning systems for banking crises in OECD countries
R. Barrell, E.P. Davis, I. Liadze and D. Karim

331. A fiscal stimulus to address the effects of the global financial crisis on sub-Saharan Africa
R. Barrell, D. Holland and D.W. te Velde

332. Optimal design of means tested retirement benefits
J. Sefton and J. van de Ven

333. How to pay for the crisis or macroeconomic implications of pension reform
R. Barrell, I. Hurst and S. Kirby

334. A model of household savings and labour supply responses to the policy environment
J. van de Ven

335. The business case for equal opportunities
R. Riley, H. Metcalf and J. Forth

336. A structural dynamic micro-simulation model for policy analysis: application to pension reform, income tax changes and rising life expectancy
J. van de Ven and M. Weale

337. Macro modelling with many models
I.W. Bache, J. Mitchell, F. Ravazzolo and S.P. Vahey

338. Fiscal policy, fairness between generations and national saving
R. Barrell and M. Weale

339. The returns to scarce talent: footedness and player remuneration in European Soccer
A. Bryson, B. Frick and R. Simmons

340. Saving and the national economy
Martin Weale

341. The extent of collective bargaining and workplace representation: transitions between states and their determinants. A comparative analysis of Germany and Great Britain
A. Bryson, J.T. Addison, P. Teixeira, A. Pahnke and L. Bellmann

342. Measuring output gap uncertainty
J. Mitchell, A. Garratt and S.P. Vahey

343. The utility of expectational data: firm-level evidence using matched qualitative-quantitative UK surveys
S. Lui, J. Mitchell and M. Weale

344. Project on Consumption and Saving for the DWP – Comparative analysis of consumption and saving in the UK and US
R. Barrell and I. Liadze

345. Pensions policy and the recession
M. Weale

346. Consumption, employment uncertainty and capital losses
J. van de Ven and M. Weale

347. Rates of return and alternative measures of capital input: 14 countries and 10 branches, 1971–2005
N. Oulton and A. Rincon-Aznar

348. Monthly and quarterly GDP estimates for interwar Britain
J. Mitchell, M. Weale and S. Solomou

349. A cost-benefit analysis of cataract surgery based on the English Longitudinal Survey of Ageing
M. Weale

OTHER PUBLISHED REPORTS AND ARTICLES AND PAPERS PRESENTED

Al-Eyd, A., Barrell, R. and Davis E.P., 'Consumer confidence indices and short-term forecasting of consumption', *Manchester School*, 77, pp. 97–112.

Bach, S., Kolins Givan, R. and Forth, J., 'The public sector in transition', in Brown *et al.*, *op.cit*.

Bache, I.W., Mitchell, J., Ravazzolo, F. and Vahey, S.P., 'Macro modeling with many models', in Cobham, D., Eitrheim, Ø, Gerlach, S. and Qvigstad, J. (eds), *Twenty Years of Inflation Targeting: Lessons Learned and Future Prospects*, Cambridge, Cambridge University Press (*forthcoming*).

Barrell, R., Davis, E., Fic, T., Holland, D., Kirby, S. and Liadze, I., *Optimal Regulation of Bank Capital and Liquidity: how to calibrate new international standards*, FSA Occasional Paper no. 38.

Barrell, R., Gottschalk, S., Kirby, S. and Orazgani, A., 'Projections of migration inflows under alternative scenarios for the world economy', Department of Communities and Local Government economics paper No. 3.

Barrell, R., Fitz Gerald, J. and Riley, R., 'EU enlargement and migration: assessing the macroeconomic impacts', *Journal of Common Market Studies* (*forthcoming*).

Barrell, R., Holland, D., Liadze, I. and Pomerantz, O., 'Volatility, growth and cycles', *Empirica*, 36, pp. 177–92.

Barrell, R., Hurst, A.I. and Kirby, S., 'The current financial crisis and the economic impact of future regulatory reform', in MacNeil, I. (ed.), *The Future of Financial Regulation*, Glasgow, Hart.

—, 'The macroeconomic implications of pension reform', in Franco, D. (ed.), *Pension Reform, Fiscal Policy and Economic Performance*, Bank of Italy.

Barrell, R., Hurst, I. and Mitchell, J., 'Uncertainty bounds for cyclically adjusted budget deficits', in Larch, M. and Martins, J.N. (eds), *Fiscal Policy Making in the European Union*, London and New York, Routledge.

Barrell, R. and Weale, M., 'Fiscal policy, fairness between generations and national saving', *Oxford Review of Economic Policy* (*forthcoming*).

—,'The economics of a reduction in VAT', *Fiscal Studies*, 30, 1, pp. 17–30.

Bewley, H. and Dorsett, R., 'The impact of Pathways to Work on benefit receipt for the under 25s', Department for Work and Pensions Working Paper no. 65.

Bewley, H., Dorsett, R. and Salis, S., 'The impact of Pathways to Work on work, earnings and self-reported health in the April 2006 expansion areas', Department for Work and Pensions Research Report no. 601.

Bishop, K., Lenzi, C., Breschi, S., Buenstorf, G., Llerena, P., Malerba, F., Mancusi, M. and McKelvey, M., 'New innovators and knowledge intensive entrepreneurship in some European sectoral systems: a field analysis', in *Knowledge Intensive Entrepreneurship and Innovation Systems*, Oxford, Routledge (*forthcoming*).

Bishop, K., Mason, G. and Robinson, C., *Firm Growth and its Effects on Economic and Social Outcomes*, National Endowment for Science Technology and the Arts.

Brown, W., Bryson, A., Forth, J. and Whitfield, K. (eds), *The Evolution of the Modern British Workplace*, Cambridge, Cambridge University Press.

Bryson, A. and Blanchflower, D.G., 'Trade union decline and the economics of the workplace', in Brown *et al.*, *op.cit*.

Bryson, A., Cappellari, L. and Lucifora, C., 'Workers' perceptions of job insecurity: do job security guarantees work?' *Labour: Review of Labour Economics and Industrial Relations*, 23, pp. 177–96.

Bryson, A. and Forth, J., *Union Organisation and the Quality of Employment Relations*, London, Trades Union Congress (*forthcoming*).

Bryson, A., Forth, J. and Brown, W., 'Competition and the retreat from collective bargaining', in Brown *et al.*, *op.cit*.

Bryson, A. and Willman, P., 'Accounting for collective action: resource acquisition and mobilization in British unions', *Advances in Industrial and Labor Relations*, 16, pp. 23–50.

Bryson, A., Willman, P. and Gomez, R., 'Voice at the workplace: where do we find it, why is it there, and where is it going? in Brown *et al.*, *op.cit*.

Cappon, P., Duke, C., Hasan, A., Meissner, W., Thornhill, D. and Metcalf, H., *Thematic Review of Tertiary Education, Country Note: Croatia*, Paris, OECD (*forthcoming*).

Charlwood, A. and Forth, J., 'Employee representation', in Brown *et al.*, *op.cit*.

Dex, S. and Forth, J., 'Equality and diversity at work', in Brown *et al.*, *op.cit*.

Dix, G., Forth, J. and Sisson, K., 'Conflict at work: the changing pattern of disputes', in Brown *et al.*, *op.cit*.

Fic, T., 'The business cycle in Poland. A Markov switching approach' (in Polish), *Ekonomista*, 1, pp. 49–65.

Forth, J., Allen, S., Amosse, T., Le Guel, F., Lorenz, N., Pahnke, A., Van Cruysen, A. and de Vroome, E., 'Methodologies for surveys of employers and employees', in Greenan, N. and Lorenz, E. (eds), *Measuring the Dynamics of Organisations and Work: The MEADOW Guidelines*, Luxembourg, European Commission (*forthcoming*).

Hall, S. and Mitchell, J., 'Recent developments in density forecasting', in Mills, T.C. and Patterson, K. (eds), *Palgrave Handbook of Econometrics, Volume 2: Applied Econometrics*, Basingstoke, Palgrave.

Jore, A.S., Mitchell, J. and Vahey, S.P., 'Combining forecast densities from VARs with uncertain instabilities', *Journal of Applied Econometrics* (*forthcoming*).

Lloyd, C., Osborne, M. and Payne, J. 'It's just the nature of the job at the end of the day: pay and job quality in UK mass market call centres', in Lloyd, C. and Mayhew, K. (eds), *Low Paid Work in the UK,* New York, Russell Sage Foundation (*forthcoming*).

Mason, G., Bishop, K. and Robinson, C., *Business Growth and Innovation: The Wider Impact of Rapidly-growing Firms in UK City-regions*, Research Report BGI/36, London, National Endowment for Science, Technology and the Arts

(NESTA).
Mason, G. and Nohara, H., 'How well-rewarded is inter-firm mobility in the labour market for scientists and engineers? New evidence from the UK and France', *Economics of Innovation and New Technology* (*forthcoming*).
Mason, G. and Salverda, W., 'Low pay, living standards and employment', in Gautié, J. and Schmitt, J. (eds), *Low Wage Work in the Wealthy World*, New York, Russell Sage Foundation.
Mason, G., Williams, G. and Cranmer, S., 'Employability skills initiatives in higher education: what effects do they have on graduate labour market outcomes?', *Education Economics*, 17(1), pp. 1–30.
Matheson, T.F., Mitchell, J. and Silverstone, B., 'Nowcasting and predicting data revisions using panel survey data', *Journal of Forecasting* (*forthcoming*).
Metcalf, H., *Pay Gaps Across the Equality Strands: A Review*, Equality and Human Rights Commission.
Metcalf, H., Meadows, P., Rolfe, H., Dhudwar, A., Coleman, N., Wapshott, J. and Carpenter, H., *Evaluation of the Impact of Skills for Life Learning: Longitudinal Survey of Adult Learners on College-based Literacy and Numeracy Courses, Final Report*, Department for Innovation, Universities and Skills (*forthcoming*).
Metcalf, H. and Rolfe, H., *Employment and Training in the Finance Sector: A Gender Analysis*, Research Report 17, London, Equality and Human Rights Commission.
Metcalf, H., Rolfe, H. and Dhudwar, A., *Employment of Migrant Workers: Case Studies of Selected Employers in Wales and Scotland*, Welsh Government Assembly.
O'Mahony, M., 'International comparisons of output and productivity in public service provision: a review', in Boyne, G.A., O'Toole, L.J., Meier, K.J. and Walker, R.M. (eds), *Public Service Performance: Perspectives on Management and Measurement*, Cambridge, Cambridge University Press.
Riley, R., Wilkinson, D. and Dickens, R., *The Employment and Hours of Work Effects of the Changing National Minimum Wage*, Low Pay Commission.
Rolfe, H., Dhudwar, A., George, A. and Metcalf, H., *Perceptions of Discrimination in Employment*, Government Equalities Office.
Rolfe, H. and Metcalf, H., 'Recent migration into Scotland: the evidence base', Scottish Government.
Sefton, J. and van de Ven, J., 'Optimal design of means tested retirement benefits', *Economic Journal*, 119, F461–F481.
van de Ven, J. and Weale, M., 'A general equilibrium of annuity rates in the presence of aggregate mortality risk', in Alho, J.H., Hougaard, J. and Lassila, J. (eds), *Uncertain Demographics and Fiscal Sustainability*, Cambridge, Cambridge University Press (*forthcoming*).
Weale, M., 'Economic progress and health improvement', *British Medical Journal*, 339, pp. 1097–8.
—, 'Prosperity and productivity', in Uberoi, V., Coutts, A., McLean, I. and Halpern, D. (eds), *Options for a New Britain*, Basingstoke, Palgrave, pp. 33–50.
Weale, M. and Vines, D., 'James Meade', *Economic Journal*, 119, F423–F429.

PAPERS PRESENTED

Bache, I.W., Mitchell, J., Ravazzolo, F. and Vahey, S.P., *Combining VAR and DSGE forecast densities*, Centre for Growth and Business Cycle Research Conference, Manchester, June, and Dynare Conference, Norges Bank, August.
Barrell, R., *The Future of Financial Services in the UK*, Parliament Trust Parliamentary Seminar, House of Commons, April.
—, *Migration since EU enlargement and potential migration DG Employment*, Social Affairs and Equal Opportunities Conference: The Economic Impact of Post-Enlargement Labour Mobility within the EU, Brussels, May.
—, *Optimal regulation of bank capital and liquidity: how to calibrate new international standards*, Causes and consequences of the current financial crisis: What lessons for European Union countries, EFN Conference, British Academy, June.
—, *Banking crises and optimal bank regulation*, *macroeconomics, theory and applications*, Brunel University, July.
—, *Banking crises and optimal bank regulation; how to calibrate new international standards*, Causes and Consequences of the International Financial Crisis, Vienna Economics University, September.
—, *Longer-term consequences of the financial crisis*, Kiel Business Cycle meeting, September.
—, *The UK: recovery postponed?*, Kiel Business Cycle meeting, September.
—, *How to pay for the Crisis? Extending working lives. Employment and contributions: the changing patterns and needs of working lives*, Equal Opportunities ACE seminar, October.
Bryson, A., 'Retaining and growing membership', Unions21, TUC, London, December.
—, 'The evolution of the modern British workplace', Manchester Industrial Relations Society, Manchester, December.
Bryson, A., Barth, E. and Dale-Olsen, H., *How does innovation affect worker well-being*? Centre for Economic Performance, LSE, March, European Association of Labour Economists, September.
Bryson, A., Barth, E., Davis, J. and Freeman, R. B., *The dynamics of workplace wage inequality in the United States*, Comparative Analysis Enterprise Data COST Conference, Budapest, May.
Bryson, A., Dale-Olsen, H. and Barth, E., *A tale of two countries: unions, closure and growth in Britain and Norway*, Paris, OECD, March.
Bryson, A. and Forth, J., *Union effectiveness*, Presentation to the TUC on changes in union effectiveness since the mid-1990s and the implications for union organizing, June.

—, 'What makes unions effective and what impact do they have?', TUC South West Annual Conference, Croyde, December.

Bryson, A., Frick, B. and Simmons, R., *The returns to scarce talent: footedness and player remuneration in European soccer*, Work Economics Group Conference, Nottingham, July.

Dickens, R., Riley, R. and Wilkinson, D., *The National Minimum Wage at 22: a regression discontinuity approach*, Conference of the Royal Economic Society, University of Surrey, April.

Forth, J., *Twenty five years of change in British employment relations*, European Trade Union Institute (ETUI) Experts' seminar on Working Conditions and Health and Safety Surveys in Europe, Brussels, March.

Forth, J., Bryson, A. and Laroche, P., *Unions and workplace performance in Britain and France*, Royal Economic Socieety Annual Conference, April.

Forth, J. and Dix, G., *Employment relations in Britain: key trends over the past 25 years*, Acas/TUC Leading Change Seminar, January.

Garratt, A., Mitchell, J. and Vahey, S.P., Measuring output gap uncertainty, Seminar, ECARES, Université Libre de Bruxelles (ULB), October, Seminar, Economics Department, Sheffield University, November, and EC^2 Conference, Aarhus, December.

Kirby, S., *Prospects for the UK economy*, Presentation to theWater UK Financing Utilities Seminar, September.

Lui, S., Mitchell, J. and Weale, M., *Qualitative business surveys: signal or noise?*, Presentation at 1st Macroeconomic Forecasting Conference, ISAE, Rome, Conference co-hosted by ISAE, INSEE and IFO, March; Royal Economic Society Annual Conference 2009, University of Surrey, April; and at Statistical and Economic Workshop, ONS, Newport, October.

Mason, G., *Demand-led training provision and employer demand for skills: the challenges for UK policy-makers*, Westminster Education Forum Keynote Seminar: UK Skills – Preparing and Developing the 2020 Workforce, July.

—, *The UK labour market in recession: what is happening to employer-provided training?*, ESRC/ HM Treasury Public Policy Seminar on 'Labour market, recession and social impacts', September.

—, *Researching the economic impact of mass higher education in the UK*, UK-China Pathfinder Workshop on Economic Restructuring, Higher Education and Social Equality, School of Social Development and Public Policy, Beijing Normal University, UK Economic and Social Research Council and RCUK Office in China, December.

Metcalf, H. and Dhudwar, A., *State approaches to protecting workers from low-paid, insecure work*, International Labour Organisation Conference 'Regulating for Decent Work – Innovative labour regulation in a turbulent world´. Geneva, July.

Mitchell, J., *The Euro-area recession and nowcasting GDP growth using statistical models*, UN/Eurostat International Seminar on Early Warning and Business Cycle Indicators, Scheveningen, December.

Mitchell, J., Bache, I.W., Jore, A.S. and Vahey, S.P., *Combining VAR and DSGE forecast densities*, Forecasting and monetary policy conference, Bundesbank, Berlin, March.

Mitchell, J. and Wallis, K.F., *Evaluating density forecasts: forecast combinations, model mixtures, calibration and sharpness*, Conference in honour of Adrian Pagan, Sydney, July.

van de Ven, J. and Sefton, J., HMRC International Conference on Institutional Taxation Analysis, September.

van de Ven, J. and Weale, M., *Aggregate mortality risk and the annuities market*, Invited lecture, Humboldt University, Berlin, October.

Weale, M., *Savings adequacy*, Presented to Statistics Canada, Ottawa, January.

—, *Qualitative business surveys: signal or noise?*, Presented to Statistics Canada, Ottawa, January; invited Paper presented at IFO Conference on Business Surveys and Forecasting, Munich, November.

—, *Are we saving enough?*, Royal Economic Society Annual Conference Panel Session, University of Surrey, April.

—, *The recession in the EU and UK*, InterTrade Ireland Forum, Dublin, June.

—, *Fiscal policy, fairness between generations and national saving*, Conference on Macro-economics, Brunel University, July.

—, S*orting out the savings mess*, Gleneagles Conference on Saving, September.

—, *Fairness between generations*, September.

—, *The National Institute Benefit and Tax Model- NIBAX*, September.

—, *Fiscal policy and economic management*, Talk to Manchester Statistical Society, October.

—, *A cost-benefit analysis of cataract surgery based on the English Longitudinal Survey of Ageing*, Presented at ONS/NIESR Conference on Measurement of Government Activity, Cardiff, November.

Weale, M. and Kirby, S., *Reflections on (not) forecasting recessions*, Conference on Modelling Risks in Financial Markets, CRASSH, Cambridge, October.

OUR EVENTS PROGRAMME 2009

The National Institute of Economic and Social Research continued to develop its wide-ranging programme of events in 2009.

In 2009 the Institute collaborated with the National Audit Office to organise a series of seminars under the banner EVERYDAY ECONOMICS. These seminars were presented by some of the leading economists in the country and their aim was to present high quality research on topical issues in a way which is accessible to a non-specialist audience.

We held three seminars which focussed on the present economic crisis. In February, NIESR Director, Dr Martin Weale, CBE, spoke on *The financial services sector and its importance to the economy as a whole and what happens when it goes wrong!* This was followed by Professor Charles Goodhart from LSE who addressed the question, *Monetary policy and why are measures such as interest rate cuts used to stimulate growth?* and Ray Barrell, Director of Macro Economic Research and Forecasting at NIESR, on *Fiscal stimulus – how do we get ourselves out of recession?* These seminars were held initially at the National Audit Office but proved so popular with a predominantly policymaking audience that we had to hold repeat events at NIESR to accommodate all those who were interested in attending. They attracted wide media interest including from Bloomberg TV who filmed the events for live streaming.

The now well-established ESRC/NIESR WESTMINSTER ECONOMICS FORUM series continued in 2009 with seminars relating to the financial markets sector. Professor Charles Goodhart, CBE, FBA spoke to an audience at NIESR on, *Are policymakers revising financial regulation correctly in the aftermath of the financial crisis?* The 2009/10 series is chaired by NIESR Council member, Head of Wadhwani Asset Management and former member of the Monetary Policy Committee, Dr Sushil Wadhwani, CBE.

Professor Charles Goodhart, CBE, FBA, from the London School of Economics

Dr Sushil Wadhwani, CBE, of Wadhwani Asset Management

In June 2009 NIESR organised the 6th conference of Euroframe (European Research Forecasting Association for the Macro-Economy) on ECONOMIC POLICY ISSUES IN THE EUROPEAN UNION. The event's focus was: *The causes and consequences of the current financial crisis: What lessons for European Union countries?* Speakers included academic experts from a number of research institutes throughout Europe (including NIESR) and US universities, plus representatives of European central banks and the European Commission. The conference attracted a multi-national audience from both academia and policymaking. The Institute is grateful to the ESRC, who sponsored the event.

NIESR collaborated with the ONS UK Centre for the Measurement of Government Activity (UKCeMGA) in November to organise a major international conference on THE MEASUREMENT OF PUBLIC SERVICES. This conference aimed to address the following issues: *Why is there a need for better* *measures of public services? How do we assess the quality of public services? In what ways can we measure the output of a collective service such as fire or defence? And how can these measurements be used by policymakers to inform decision making?* The keynote speakers were Joe Grice, ONS, Erwin Diewert, University of British Columbia, Paul Schreyer, OECD, Martin Weale CBE, NIESR, and Jack Triplett, Brookings Institution USA.

In addition to the above, the Institute holds regular LUNCHTIME SEMINARS concentrating on employment issues. Presentations have included *Employee Involvement, Technology and Job Tasks*, by Francis Green, University of Kent; *How well are workers rewarded for their generic competences? An investigation of core employees, supervisors and managers in Catalan firms*, by Ferran Mane, Rovira & Virgili University in Reus, Catalonia; *Job seeker's allowance in Great Britain: How does the*

Professor Richard Blundell, FBA, from University College, London

regional labour market affect the duration until job finding? by Ralf Wilke,University of Nottingham, *Employment, hours of work and the optimal design of earned income tax credits*, by Professor Richard Blundell, University College, London; and *Access to flexible work and informal care*, by Mark Bryan, University of Essex.

NIESR has hosted a number of events in collaboration with the Institute of Education as part of the dissemination activities of the ESRC

Professor Duncan Gallie, from Oxford University

Centre for Lifelong Learning and Life-Chances in Knowledge Economies and Societies, including a seminar presented by Professor Duncan Gallie, University of Oxford, on *Institutional Regimes, Skills and Employees' Experience of Work*.

We are grateful to all those who have given their time to contribute to our seminar and conference programme. We have been fortunate to have benefited from their valuable research and insight into current economic and social issues. We should also thank those who have chaired events and acted as discussants.

Many of the presentations from our previous events are available to download from the NIESR website as well as information about our forthcoming activities. We also produce a monthly e-newsletter which contains details of future events. To subscribe to this please contact Goran Stankov on g.stankov@niesr.ac.uk.

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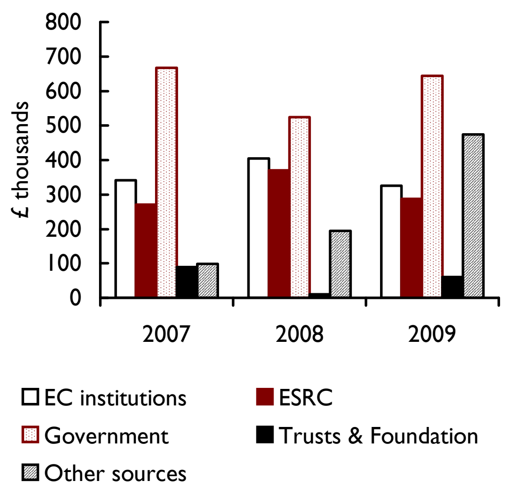

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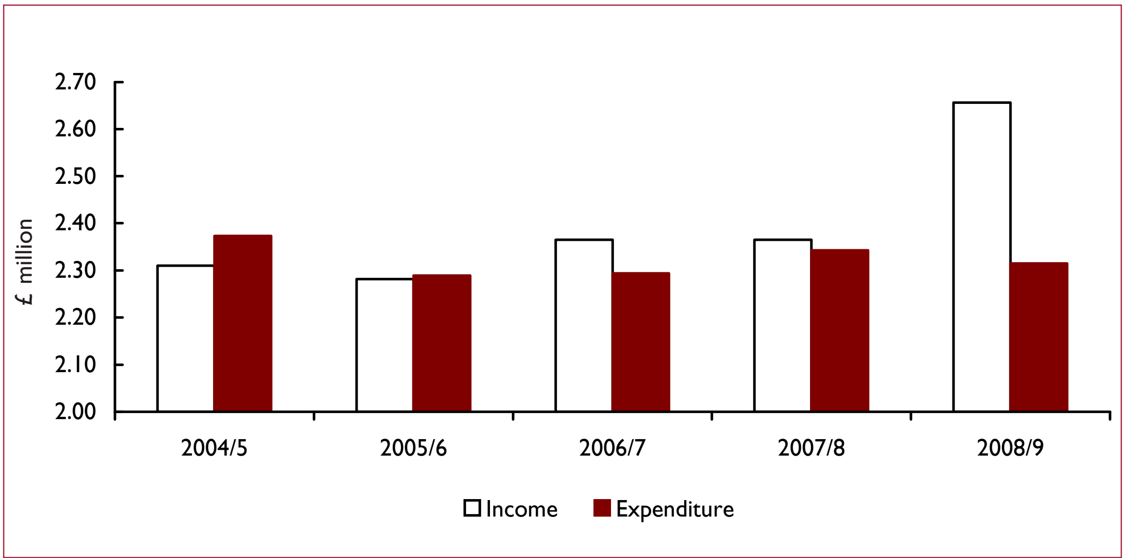
	2005/6	2006/7	2007/8	2008/9
Income				
Donations	35,000	26,500	27,040	44,000
Publications	282,967	231,966	244,766	195,846
Econometric model fees	391,862	413,477	376,630	422,451
Misc income	30,141	31,955	40,662	56,408
Fees for research work	1,408,324	1,466,656	1,505,854	1,792,584
Investment Income	133,241	194,410	169,884	145,275
Total Income	2,281,535	2,364,964	2,364,836	2,656,564
Expenditure*				
Research including library	1,649,816	1,954,573	2,047,483	2,314,746
Publications costs	529,973	239,833	189,817	187,576
Premises	51,465	48,221	36,824	71,255
Governance and professional costs	57,361	51,163	68,646	54,157
Total expenditure	2,288,615	2,293,790	2,342,770	2,627,734
Operating Surplus/(Deficit)	**(7,080)**	**71,174**	**22,066**	**28,830**

* The categorisation of publications and research costs was changed from 2006/7 onwards hence the seemingly large discrepancy in the figures relating to these categories between financial years 2005/6 and 2006/7.



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Justin van de Ven, BCommerce (Hons), BEng (Civil, Hons), MEcon, Melbourne; DPhil, Oxon
David Wilkinson, BA, Liverpool; MSc, Bristol

RESEARCH FELLOWS
Helen Bewley, BSc(Econ), Cardiff; MA, Warwick; PhD, London
John Forth, BSc, UMIST; MA, Warwick
Simon Kirby, BA, Keele; MSc(Econ), London
Rebecca Riley, BA (Econ), Copenhagen; MSc (Econ), London
Heather Rolfe, BA, Sheffield; PhD, Southampton

SENIOR RESEARCH OFFICERS
Tatiana Fic, MSc, PhD, Warsaw
Iana Liadze, MSc (Econ), London; PCEF, London; Diploma (Physics), Tbilisi, Georgia
Ana Rincon-Aznar, BSc(Econ), MSc, Valencia; MSc(Econ), London

RESEARCH OFFICERS
Kate Bishop, BSc(Econ), Warwick; MA, PhD, London
Nathan Foley-Fisher, BSc, MRes(Econ), LSE
Anitha George, BSc(Econ) Buckingham; MSc, City
Silvia Lui, BSc (Econ), MSc (Econ), PhD, London
Ali Reza Orazgani, BSc, UCL; MSc(Econ), London
Lucy Stokes, BSc(Econ), Surrey
Rachel Whitworth, BMus; PGDip (Econ), London

ADMINISTRATION AND HUMAN RESOURCES
Michele Ockenden, BA, East Anglia; Grad CIPD

COMMUNICATIONS
Goran Stankov, BSc., BEng(Hons), Zagreb
Pat Shaw

COMPUTING
Hassan K Feisal, BSc, London

FINANCE
Anne Stewart, BA, London; DipLib Aberystwyth, MA, UEL

LIBRARY
Patricia Oliver, BA, Reading, MCLIP

PREMISES
Jean MacRae

PUBLICATIONS
Fran Robinson, BA, London

VISITING FELLOWS
Ali Al-Eyd, BA, Hampden-Sydney; MSc(Econ), Warwick; PhD, London
John Arrowsmith, MA, Oxon; MSc(Econ), London
Simon H Broadbent, BA, Dunelm; BPhil, Oxon
Professor Philip Davis, MA, MPhil, Oxford
Professor Stephen Hall, BSc, MSc, PhD, London
Professor PE Hart, DSc (Econ), London
Brian Henry, MSc (Econ), London
Pamela Meadows, BA, Dunelm; MSc, London
Mary O'Mahony, MA, Dublin
Nicholas Oulton, BA Oxon, MSc London
Professor Richard Smith, MA, PhD Cantab; MA, Essex
Philip Stevens, BA Leeds Metropolitan; MA (Econ), Leeds; DPhil, Oxford
Christopher Taylor, MA, Cantab; MA, McGill
Francis Terry, BA, Oxon; MA, Nottingham; FCILT; MIMgt
Professor Jack Tripplett, Brookings Institution, Washington
Dr Bart Van Ark, University of Groningen.
Michela Vecchi, Laurea, Macerata; MSc, Glasgow; PhD, Ancona
Paul Wallace, MA, Cantab; MPhil, London