

# Is the Welsh economy over-reliant on the public sector?

Dr. Eleanor Roy and Martin Jennings

Public sector spending is set to fall by over 10 per cent in real terms over the next four years. This is likely to hit the Welsh economy particularly hard, as the proportion of the workforce employed in the public sector is far greater in Wales than the UK average.

## Impact of the Comprehensive Spending Review

Over the next four years the Welsh block grant is forecast to reduce by £2 billion, or 12 per cent in real terms. Capital allocations are set to fall by over 40 per cent, whilst revenue will reduce by 8 per cent in real terms.

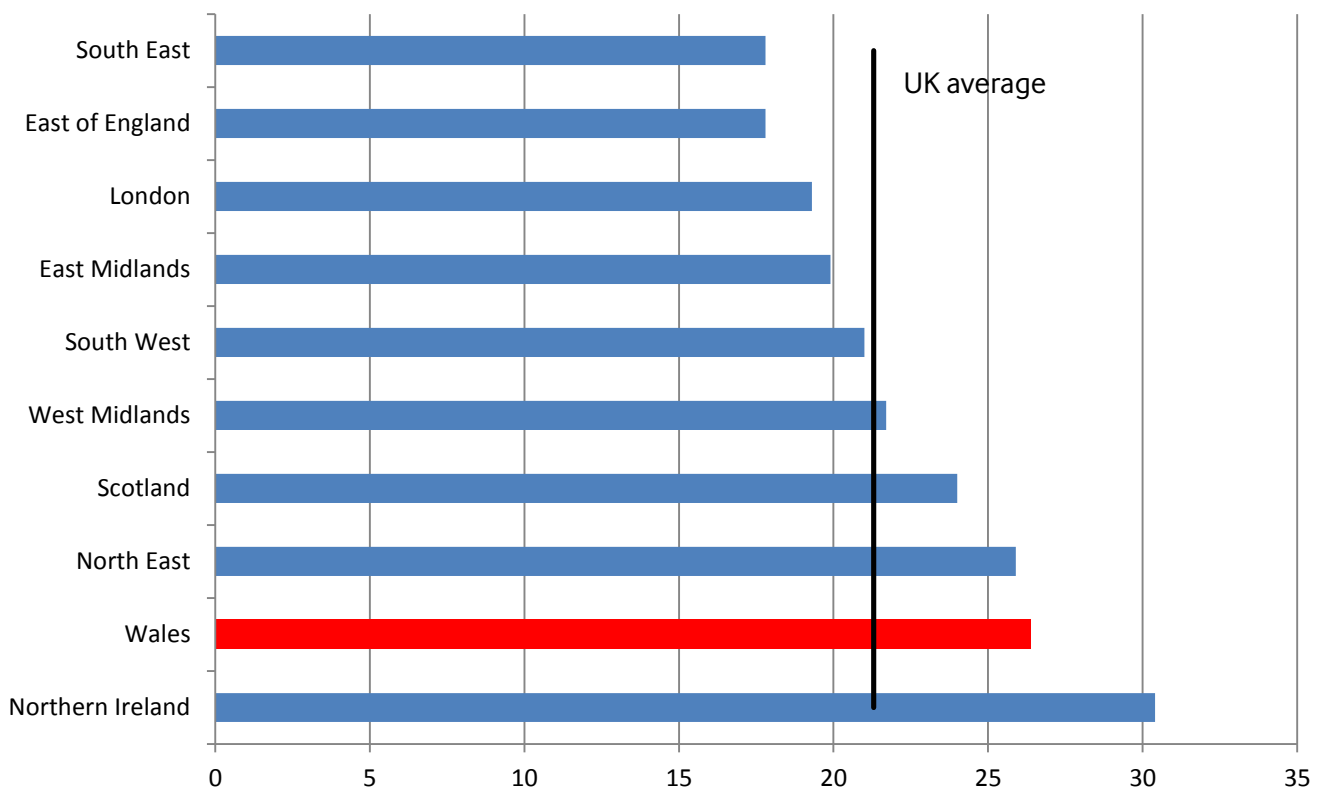
These reductions in spending will directly impact on public sector staffing and there will be considerable knock-on effects on the wider economy, for example, the large fall in capital could have a significant impact on the

construction industry. There would need to be considerable growth in private sector employment to balance these reductions.

## Welsh economy

The Welsh economy appears one of the weakest of the UK regions. The latest statistics on regional GVA demonstrate that in 2009 Welsh GVA dropped 2.2 per cent in comparison to that in 2008. Welsh GVA is the lowest GVA per head of all the UK regions.

Public sector employment as percentage of total workforce, October – December 2010



Source: ONS

Future growth prospects are also uncertain. A recent report forecast average growth over the next 10 years for Wales at 1.6 per cent, compared to 2.2 per cent across the UK.

### **Public sector employment**

The Office for Budget Responsibility's most recent forecast estimates that public sector employment in the UK will fall by around 400,000 between 2010-11 and 2015-16.

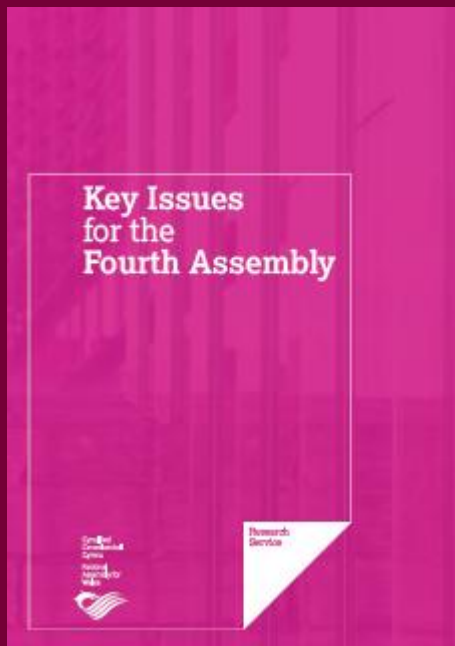
The last Welsh Government estimated that around 30,000 public sector jobs would be lost in Wales as a result of the reductions to public spending.

The public sector in Wales employed 342,000 people in the fourth quarter of 2010. This makes up 26.4 per cent of total workforce in Wales, compared to 21.4 per cent for the UK as a whole. This is second highest of all the UK regions.

In addition to those employed within the devolved public sector, there are a number of UK-wide agencies with a proportionally large presence in Wales, over which the Welsh Government has no control.

For example, the Driver and Vehicle Licensing Authority, Companies House, UK Statistics Authority and the Identity and Passport Service. There have already been significant cuts in staffing at Companies House and the Identity and Passport Service. It will be crucial for the new Government to minimise the impact of public sector cuts on the Welsh economy.

# Article taken from Research Service publication



## Key Issues for the Fourth Assembly

This document has been specially prepared for Assembly Members by the Research Service. It sets out some of the key issues likely to matter to Members during the Fourth Assembly.

**[Key Issues for the Fourth Assembly](#)**

For more publications from the Research Service, see **our pages on the Assembly website:**  
**[www.assemblywales.org/bus-assembly-publications-research.htm](http://www.assemblywales.org/bus-assembly-publications-research.htm)**

Research Service  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Email: **[Research.Service@wales.gov.uk](mailto:Research.Service@wales.gov.uk)**

Twitter: **[@NAWResearch](https://twitter.com/NAWResearch)**