NEW RESEARCH FINDINGS FROM THE CENTRE FOR ECONOMIC PERFORMANCE

GROWTH: GDP remains a valuable indicator of the overall wellbeing of society
UK HOUSING CRISSES: planning system must encourage much more house-building
PEACE DIVIDENDS: house prices provide a measure of the value of ending conflicts
HOME-WORKING: travel agent’s experiment leads to improved staff performance
SEXISM IN SCIENCE?: evidence from student selection into a top French university
SEXISM AT WORK?: evidence from nineteenth century Swedish tobacco factories

Previously released:

AMERICA’S FISCAL CLIFF: what it is and why it threatens a return to recession
UK IMMIGRATION: new focus on the gains to residents rather than simply to GDP

The UK’s housing crises
The UK is facing not one but two housing crises, according to Henry Overman. The first is a short-term fall in prices and construction – which is both driven by and driving the recession. The second and more profound is the overall shortage of housing and the problems of affordability that this generates.

Professor Overman evaluates the wide variety of proposals to address the big problem of ‘not enough houses of the kind people want in the places where they want to live’. The solution, he concludes, is simply to build more houses; the challenge is to develop a planning system that allows the construction industry to respond to demand.

Hooray for GDP!
GDP retains its usefulness as a measure of output and an indicator of human welfare. People’s choices between work and leisure show that they value higher consumption in absolute terms not just relative to others. And rising GDP remains a policy objective that the majority of people support. These are among the conclusions of a combative response by Nicholas Oulton to those who question the desirability of GDP growth.

The idea of GDP – national output of goods and services – as the best measure of human progress and increasing GDP as the main target of economic policy has been under attack in recent years. ‘Hooray for GDP’ answers some of the criticisms and argues that continued GDP growth would be good for the UK – and not just in the short term to reduce high levels of unemployment.

‘Stop fighting and wealth will follow’: measuring the peace dividend
House prices in Northern Ireland before and after the Downing Street Declaration provide an indication of the peace dividend – and can give hope to other places where long conflicts have reduced the quality of life. A study by Tim Besley and Hannes Mueller of the potential gains and losses in the value of fixed assets vividly illustrate Archbishop Tutu’s maxim: ‘stop fighting and wealth will follow’.
The research finds that as the peace process in Northern Ireland began, house prices in violent and peaceful regions converged. What’s more, the possibility of a peace dividend itself helped to build peace. The estimates of the peace dividend in Northern Ireland can be used to ask what would happen if cities in Iraq or Syria were to enter a phase of peace comparable to the peace in Belfast.

‘Working from home’ doesn’t mean ‘shirking from home’
The first randomised experiment on home-working – run by CTrip, a big Chinese travel agent, and analysed by Nicholas Bloom and colleagues – has produced encouraging results for both staff performance and staff satisfaction. Their research finds that employees who started working from home improved their productivity dramatically.

The home-workers also reported substantially higher work satisfaction and less ‘work exhaustion’ in a psychological attitudes survey. The success of CTrip’s experiment led to home-working being rolled out across the firm.

The gender gap in science: profs not to blame
Are professors to blame for the fact that there are so few young women in science? Analysing data on the entrance exam for a top French university, Thomas Breda and Son Thierry Ly argue that it is not the selection process in higher education that is perpetuating this gender gap.

Indeed, their study finds that the more ‘masculine’ a subject is thought to be, the more favoured are female candidates. This may be because professors rationally favour young women in science even if they have negative stereotypes about their abilities.

Sexism at work
Are differences in men and women’s pay an indication of discrimination in the labour market? In a study of Sweden’s cigar-making industry in the late nineteenth century, Tim Leunig and colleagues find clear evidence of sexism at work. But the tobacco firms were internally inconsistent: they were sexist when paying workers by the hour but gender-blind when putting the best workers into their piece rate sections and paying them equally well.

The researchers conclude that for the Swedish tobacco industry, employing men made bad commercial sense. But while the market delivered more jobs for female cigar-makers, it didn’t deliver equal pay.

ALREADY RELEASED

America’s fiscal cliff
The tax rises and spending cuts of the so-called ‘fiscal cliff’ would almost certainly plunge the US economy into recession. What’s more, the fiscal cliff does not address the root causes of the US debt problem – healthcare and pensions.

These are among the conclusions of Ethan Ilzetzki and Jonathan Pinder in a piece explaining the most prominent proposals for addressing the challenge of the country’s long-term public debt – and the economics of the fiscal cliff.

Immigration and the UK labour market
Skills policy remains central to ensuring that business, health and education can meet their labour requirements. But sectors that have relied on less skilled migrants from outside the European Union (EU) must now train UK workers or look to the EU. These are among the conclusions of David Metcalf, chair of the Migration Advisory Committee and an active CEP researcher for three decades.

Setting out the numbers on net inward migration and outlining recent changes in the regulatory framework and other major policy initiatives, Professor Metcalf notes that there is a new policy focus on the gains from immigration to UK residents rather than simply to GDP. But the
government can only directly control migration flows from outside the EU. Greater selectivity has boosted the skill level of work immigrants from outside the EU and cut their numbers.

ENDS

Notes for Editors:

1. CentrePiece is the magazine of the Centre for Economic Performance. It is published three times a year. The Winter 2012 issue is Volume 17, Issue 3. Cover price £5; subscription rates on application to +44 (0)20 7955 6648.

2. The Centre for Economic Performance is an independent ESRC funded research centre based at the London School of Economics and Political Science. Its members are from the LSE and a wide range of universities within the UK and around the world.