PRESS RELEASE

New Research Findings from the Centre for Economic Performance

New research reports from the Centre for Economic Performance (CEP) at the London School of Economics are highlighted in the Spring 2014 issue of CentrePiece magazine.

Among the findings:
SOCIAL HOUSING: Natives and immigrants both suffer from failure to increase stock
BIG DATA: Lessons from the economic impact of the transatlantic telegraph cable
MINIMUM WAGES: Growing popularity with voters as a way of tackling inequality
NEW TECHNOLOGY: Gains for nurses, teaching assistants and medical technicians
AMERICAN MANAGEMENT: More intensive use of ICT linked to better practices
GENDER GAPS: Lab experiments find differences in attitudes to risk and competition
PLANNING: Don’t blame the foreigners: it’s we Brits who turned houses into gold
PAY: The prospects of significant wage increases for typical UK workers are bleak
EDUCATION: Better school management is associated with better pupil achievement

UK immigrants’ access to social housing: perception and reality
Although most UK immigrants are likely to be eligible to apply for social housing, there is no evidence that they have preferential access – if anything the reverse seems to have been the case. But it does seem that there is less discrimination against immigrants and ethnic minorities now than in the past and this removal of discrimination, coupled with a failure to increase the social housing stock, has reduced the availability of social housing for UK native households.

According to research by Professor Alan Manning, this is probably the source of the feeling among some white people that social landlords actively discriminate against them in favour of immigrants and ethnic minorities. They are probably right to think that the part of the population attracted to social housing has been neglected, but they are wrong to think that this neglect applies just to them and not to immigrants as well.

Victorian internet: the trade impact of the transatlantic telegraph
The transatlantic telegraph cable that connected Europe and North America in 1866 led to better integration of cotton markets in New York and Liverpool, significantly boosting trade. According to Claudia Steinwender, the introduction of the telegraph was equivalent to abolishing a 6% trade tariff. As a modern comparison, this is twice the average effect of the North American Free Trade Agreement (NAFTA), but it covers only half of the industry that was most affected by NAFTA: textiles.

The telegraph was the Victorian equivalent of today’s ‘big data’, helping firms to forecast future demand. Analysing such unique historical ‘experiments’ helps understand how firms and markets respond when new technology leads to a dramatic change in the availability of information.

Minimum wages: the economics and the politics
The UK’s national minimum wage has tackled extreme low pay – but the wider problem of low pay remains as serious as ever. That is one of the conclusions of Professor Alan Manning in a discussion of the growing popularity of minimum wages as a way of tackling inequality – and the likelihood that it will lead to minimum wages that are much higher than we have seen before in some parts of the world.

He notes that the driving force behind higher minimum wages is that they are very popular with voters – but even most economists now agree that they have little or no negative effect on employment. Big increases in minimum wages will test the view that negative effects on employment must eventually kick in.
New technology: who wins, who loses?
Technology has transformed the once powerful office of ambassador into a glorified sales position, while nurses, teaching assistants and medical technicians all benefit from the ICT revolution. According to an empirical study by Professor John Van Reenen and colleagues, these contrasting fortunes arise from the fact that different technologies can have very different effects on the labour market.

Information technologies, which provide access to stored data, tend to empower frontline workers, while communications technologies like email tend to increase the centralisation of firms, putting more power in the hands of senior managers in corporate headquarters and reducing their employees’ personal autonomy.

Management in America
There are strong links between the performance of US manufacturing plants and the quality of their systems of monitoring, targets and incentives, according to research by Professor Nicholas Bloom and colleagues. Their analysis of data on more than 30,000 establishments, gathered in the first large-scale survey of management practices in America, finds that effective performance monitoring, targets and incentives are strongly linked to more intensive use of IT.

The study also finds that there is huge variation in management in America: for example, establishments in America’s South and Midwest have more structured management practices on average than those in the Northeast and West. Higher management scores have a strong relationship with improved productivity and profits.

Gender and the labour market: evidence from experiments
Lab experiments are an increasingly valuable tool for understanding differences in how men and women are treated in the labour market. Dr Ghazala Azmat and Professor Barbara Petrongolo explore what has been learned about the extent to which differences in men and women’s pay and employment opportunities can be explained by discrimination or by differences in their preferences or productivity.

Among the findings, there is evidence of significant discrimination against women in high-status or male-dominated jobs as well as discrimination against men in female-dominated jobs. But lab experiments tend to find far more limited evidence of discrimination against women in the marketplace, and they also find significant gender differences in attitudes towards risk and competition.

Already released:

Turning houses into gold: the failure of British planning
Britain’s crisis of housing affordability is nothing to do with foreign speculators, according to Paul Cheshire. Rather, it is a result of decades of misguided planning policies that constrain the supply of land and turn houses into something like gold or artworks. Houses have been converted from places in which to live into people’s most important financial asset.

He notes that we have not been building enough houses for more than 30 years – and those we have been building have too often been in the wrong place or of the wrong type to meet demand. For example, twice as many houses were built in Doncaster and Barnsley in the five years to 2013 than in Oxford and Cambridge. And more of Surrey is now under golf courses than has houses on it.

Professor Cheshire also exposes myths about the social and environmental benefits of ‘greenbelts’. Their only value is for those who own houses within them: Britain’s towns and cities provide far richer biodiversity than the intensively farmed land of the greenbelts. He concludes that more land should be released for development while protecting our environmentally and amenity-rich areas.

Falling real wages
The prospects of significant wage increases for typical UK workers are bleak, according to Professors David Blanchflower and Stephen Machin. It is quite clear that the economy is still well below full
employment and there is a large amount of slack in the labour market, they say. There is little evidence of widespread skill shortages, which would push up wages; and public sector pay freezes with continuing redundancies continue to push down on workers’ bargaining power.

Firms have started to perform better so their ability to raise pay levels may have increased slightly – but so far there is no evidence of any change in their willingness to pay. It stretches credulity to believe that all of a sudden bosses will hand over pay increases to their workers when they have shown no inclination to do so for years.

The researchers note that there have been historically unprecedented falls in UK real wages since the start of the Great Recession. What’s more, the long US experience of stagnant real wages (median real weekly earnings in the United States in 2013 were at about the same level as in 1979) might be viewed as a warning sign for the UK.

Management in schools
Better school management is associated with better pupil achievement, according to CEP analysis of the quality of management practices in schools in a range of developed and developing countries. Renata Lemos notes that the quality of school management is related to leadership traits of the head teachers – and that management practices have a greater effect on pupil outcomes than the effects of class size, competition or teaching quality.

The researchers analyse data on the quality of management practices of nearly 1,800 schools across eight countries – the UK, Sweden, Canada, the United States, Germany, Italy, Brazil and India. They create a school management index of 1 to 5, which provides a comparable measure of the level of adoption of basic management practices across schools – operations management, performance monitoring, target setting and talent management.

Autonomous state schools – that is, organisations that are publicly funded but governed by school-specific regulations – have higher scores on the management index relative to regular state schools, which are publicly funded and managed according to region-wide guidelines, and private schools. Heads of autonomous state schools are more likely to have developed and communicated a long-term strategy and to be subject to stronger governance, making them more accountable for pupils’ outcomes.

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Notes for Editors:

1. CentrePiece is the magazine of the Centre for Economic Performance. It is published three times a year. The Spring 2014 issue is Volume 19, Issue 1. Cover price £5; subscription rates on application to +44 (0)20 7955 6648.

2. The Centre for Economic Performance is an independent 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.

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