



University
of Glasgow

Webster, D. (2000) *The geographical concentration of labour market disadvantage*. *Oxford Review of Economic Policy*, 16 (1). pp. 114-128.
ISSN 0266-903X

<http://eprints.gla.ac.uk/59049/>

Deposited on: 16 January 2012

THE GEOGRAPHICAL CONCENTRATION OF LABOUR MARKET DISADVANTAGE

Paper for the *Oxford Review of Economic Policy* special issue on
Labour Markets and Welfare

Final revision 20 March 2000

David Webster

Abstract This paper argues that British ‘welfare to work’ policies are inadequate given the geographical concentration of worklessness in northern regions and in cities and former coalfields. While unemployment has been converging geographically, inactivity has not. All the ‘welfare to work’ target groups – youth unemployed, long-term unemployed, lone parents, the long-term sick and partners of the unemployed – have closely similar geographical distributions. Official arguments that there are adequate job vacancies everywhere are shown to be flawed. The geography of worklessness is largely explained by the weakness of adjustment through migration and commuting to the loss of jobs in manufacturing and mining, the cities being particularly affected by “urban-rural manufacturing shift”. Policy needs to promote more relevant employment in high unemployment areas, through increased spending on derelict land reclamation, transport and other infrastructure. The case for more supportive policies towards manufacturing should also be considered.

Abstract 3 April 2000

David Webster MA MBA FCIH is Chief Housing Officer (Policy Review and Development), Glasgow City Council. This paper does not necessarily represent the views of the Council. The author is grateful to Dr Andrew Glyn of Corpus Christi College, Oxford for comments and suggestions on earlier drafts, and to Nick Bailey of the University of Glasgow for generous help with the analysis of vacancies.

Introduction

This paper argues that supply-side policies of “welfare to work” and welfare reform are inadequate given the nature of Britain’s unemployment problem. There are very large differences in joblessness between local labour markets and it is much higher overall than indicated by the unemployed claimant count or Labour Force Survey. Joblessness is heavily concentrated north west of a line from the Bristol Channel to the Wash. It is also a particular feature of the former industrial cities and coalfields, although the cities’ problem is often obscured by the misleading nature of the official claimant unemployment statistics at sub-regional level. All the target groups for welfare to work programmes are concentrated in the same areas as the unemployed. Policy cannot therefore be fully effective unless programmes aimed at improving “employability” and work incentives are complemented by demand side policies to bring work to these areas. A realistic appraisal indicates that this means much more spending on derelict land reclamation, industrial property development and associated road and public transport infrastructure.

The first section of the paper outlines the geography of British unemployment and its true scale, and shows that when joblessness is defined to include inactivity as well as unemployment, spatial convergence is not occurring. The second section looks at the geographical distribution of the welfare to work target groups - youth unemployed, long-term unemployed, lone parents, the long-term sick, and partners of the unemployed. The third section considers the argument recently mounted by the Treasury and DfEE that there are sufficient job vacancies in every area. The next section briefly looks at the reasons for the spatial patterns of joblessness. The limitations of migration and commuting as mechanisms of labour market adjustment are then briefly discussed. The paper concludes by briefly sketching what would be a more effective set of policies.

THE GEOGRAPHY OF UNEMPLOYMENT

Official commentators argue that there has been a high degree of geographical convergence in unemployment rates during the 1990s (HM Treasury 2000; DfEE 1999b; Bank of England 1999). But the differences are still very large, and systematic. Variation is on both a regional and an urban-rural dimension, with cities and the north having higher unemployment. Former coalfields and some coastal and remote rural areas also have higher unemployment. The Labour Force Survey (LFS) figures for counties and larger local authority districts can be used to bring out this pattern. When these are grouped into 73 areas in such a way as to identify separately the urban cores, outer conurbations, freestanding cities and other areas, a very wide range of ILO unemployment rates is revealed (FIGURE 1). At Winter 1998/99 the range was from 2.6% to 14.0%. The highest unemployment rates (all above 10.0%) were in urban areas : Sunderland, Liverpool and Merseyside, Glasgow, Cleveland, Hull, and S.Yorkshire excluding Sheffield. All of these are former industrial areas in the north, with very large populations. Conversely, the lowest unemployment rates (below 4%) were in rural or small town areas, mainly in the south (further details in Webster 1999c).

These unemployment rates greatly understate the spatial variations in joblessness because inactivity (i.e. non-participation in the labour force) also varies enormously across the country. It has long been established that across areas, inactivity is strongly correlated with unemployment (e.g. Armstrong & Taylor 1993). FIGURE 1 plots LFS inactivity rates against unemployment for the 73 areas at Winter 1998/99, showing a correlation of 0.76. The high unemployment cities of Liverpool, Glasgow and Manchester had economic activity rates (aged 16+) respectively of 50.0%, 51.5% and 52.0%, far below the GB average of 62.3%. These very low activity rates have emerged during the 1980s and 1990s and reflect a movement of unemployed people into other statuses such as sickness and early retirement (Beatty et al. 1997a). Gregg & Wadsworth (1998) noted that overall economic inactivity among working age men rose from 9% in 1977 to 16% in 1997. Green (1994) showed that the increases in inactivity between 1981 and 1991 were strongly concentrated in cities, industrial and mining areas. Glasgow moved from 208th to 10th in the ranking of local authority districts, Manchester from 233rd to 13th, and Liverpool from 239th to 16th.

While there has been some geographical convergence of unemployment rates in the upswing since 1993, inactivity rates have actually *diverged*. Between Winter 1993/94 and Winter 1998/99, the standard deviation of unemployment rates fell across the 73 areas, while that for inactivity rates rose (TABLE 1).

Spatial concentrations of joblessness are not randomly distributed around the country, but have a pronounced regional pattern. FIGURE 2 shows the percentage of the working age population not in employment in each region at Winter 1998/99. The range was almost 15%, from a low of 19.6% in the south east outside London, to 34.1% in the north east. All three southern regions, excluding London, were below 22% and all of the north and west above 27%. For the least qualified, the differences in non-employment between regions are much greater (Glyn & Erdem 1999). The non-employment rate of the lowest educational quartile of men aged 25-64 in 1997 was 21.9% in the south east outside London but over 50% in South Yorkshire and Merseyside and over 40% in Greater Manchester, the North, Wales and Scotland. The “north-south divide” is therefore still evident. HM Treasury (2000) argues that “There is a tail of around 15-20 local authority districts with very low employment rates, high unemployment rates, or, typically, both”. Although true, this greatly understates the scale of the problem.

The TUC has devised a useful “broad” indicator of involuntary worklessness which takes into account both unemployment and inactivity. This “Want Work Rate” (WWR) can be produced readily from the LFS and can validly be used for both historical and international comparisons (TUC 1998). It shows the unemployed plus the inactive wanting work as a percentage of all those working or wanting work. At January 1997 the GB WWR stood at a little over 14%. This was almost exactly the same as the estimate of “real” unemployment produced by Beatty et al. for the same date using a different methodology. The TUC has recently updated its estimates to Autumn 1999, giving a UK WWR of 13.0%, a total of 4m people.

By contrast to these measures, claimant unemployment rates give a misleading picture of unemployment. The claimant count omits many people who are unemployed on the internationally agreed “ILO” definition, currently showing a total of only 1.1m compared to 1.7m in the LFS. It was for this reason that on coming to office, the

present government accepted the recommendation of the Bartholomew report (1995) that the LFS should be the primary measure. It is less generally realised that claimant count rates are particularly problematic below regional level where figures for both "Travel to Work Areas" (TTWAs) and local authorities are very distorted by commuting (Green & Coombes 1985; Webster 1998; Briscoe 1999). Some examples of how misleading this can be will be given below. The decennial Census of Population however shows the unemployment relativities between areas with a high degree of accuracy and the comparisons below are mostly taken from it.

THE SPATIAL CONCENTRATION OF WELFARE TO WORK TARGET GROUPS

The government's "New Deals" target five particular groups with programmes aimed at raising their "employability" and placing them in jobs. Two of these groups - the longer-term (over 6 months) 18-25 unemployed and the long-term older unemployed - are included in the claimant count. The other three - lone parents, the long-term sick, and partners of the unemployed - are mostly classed among the economically inactive. However all five groups are spatially concentrated in the areas which already have the highest unemployment and inactivity. This highlights a basic problem: an attempt is being made to place the largest number of people into jobs in exactly the places where jobs are scarcest.

Youth Unemployment

FIGURE 3, using 1991 Census data, shows that across areas the proportion of men aged 20-24 who are unemployed is very strongly correlated (0.96) with the overall male unemployment rate. The correlation for males aged 16-19 (including those on government training schemes as unemployed) is presumably more affected by variations in the numbers in full-time education and is lower at 0.88. This is still very high. In other words, although young people have a higher incidence of unemployment than adults in their middle years, the incidence varies geographically in almost exactly the same way. Areas with high total unemployment have high youth unemployment. The OECD (1999) commented "(young people's) employment and unemployment rates are highly responsive to the overall state of the labour market".

Long-Term Unemployment

Contrary to what has usually been argued, there is also a very close relationship between total unemployment and long-term unemployment (now conventionally defined as a year or more). A given level of total unemployment, as a percentage of the labour force (U), is always associated with approximately the same level of long-term unemployment, as a percentage of the labour force (L) (Webster 1997).

FIGURE 4 shows this relationship using claimant count data for the 60 Scottish TTWAs in October 1995. At this spatial level, differences in the proportion of seasonal unemployment are important, because seasonal workers can by definition never be long-term unemployed even if in practice they are unemployed most of the time. The figures here have therefore been adjusted for the degree of seasonality measured in 1990-96, and the appropriate 9-month lag between long-term and total

unemployment has been applied. The overall correlation is once again very high, at 0.95. Because of the commuting errors in TTWA unemployment rates already mentioned, the true correlation between L and U will actually be somewhat higher than shown here. The unemployment rate for the Forres TTWA - an outlier in FIGURE 4 – has a particularly large error due to a separate problem in relation to the treatment of armed forces personnel.

Machin & Manning (1998), Meager & Evans (1998) and Robinson (1999) have also drawn attention to the close and stable correlation between long-term and total unemployment.

Lone Parents

FIGURE 5 uses 1991 Census data to show the relationship across local authority areas between male unemployment and the proportion of households with dependent children which are headed by a non-working female lone parent. The correlation is once again close (0.89). This close relationship is the result of two other strong relationships, between male unemployment and the proportion of households with children who are female lone parents (correlation 0.85), and between male unemployment and the logarithm of the proportion of female lone parents who are in work (correlation -0.89). This latter negative log correlation means that as the unemployment rate rises, the proportion of lone mothers who are in work falls but at a falling rate.

In 1991 there were half as many lone parent households again (452,000) in local authority areas with above average unemployment as in areas with below average unemployment (312,300), even though the former group of areas had fewer households with children (2.95m compared to 3.62m). The proportion of lone parents in work varied from three-fifths (60.5%) in booming South Cambridgeshire (“Silicon Fen”), where male unemployment was only 4.7%, to one-fifth or less (16.0%-20.5%) in the declining areas of Knowsley, Glasgow and Liverpool, where male unemployment was over 20%. Lone parenthood appears to have continued increasing after 1991, but peaked about 1995.

The Long-Term Sick

Long-term illness is also correlated with unemployment. FIGURE 6, again using 1991 Census data, shows the relationship across local authority areas between male unemployment and the proportion of the working age population who had a long-term illness. The correlation with male unemployment is weaker than for the other variables looked at here, mainly due to particularly high rates of long-term sickness in some former coal and steel areas where industrial illnesses would be expected to be high. But it is still fairly strong at 0.67. The strength of the correlation with unemployment reflects the movement of unemployed people with some kind of health problem on to sickness benefits, drawn by the higher rates of payment and lack of means-testing. Beatty et al. (1997a) reported that the numbers of long-term sick in Great Britain actually increased by a further 707,000 between 1991 and 1997, more than over the decade 1981-91. On their estimates, there were 1.26m people on sickness benefits in January 1997, who, in circumstances of full employment, would

have been in work. This increase during the 1990s goes a long way towards explaining why inactivity has diverged when unemployment has converged.

Workless Households

FIGURE 7 uses 1991 Census data to show the relationship across local authorities between male unemployment and the proportion of households who had no earner. This is a good measure of “work-poor” households. Although there are many workless one-adult, and even multi-adult, households with no partner, it also gives a reasonable approximation to the distribution of workless partners of the unemployed.

A high proportion of workless households comprise pensioners, whose geographical distribution is very uneven. To minimise distortion, pensioner-only households have been excluded from FIGURE 7. However, some pensioners are in work and therefore excluding all pensioner-only households gives figures which are slightly too low for most areas. This is why Isles of Scilly is shown with a negative percentage.

Despite this minor limitation of the figures, the picture is clear. At 0.95, the correlation with male unemployment is approximately as strong as for the youth and long-term unemployed and stronger than for the long-term sick and lone parents. Disregarding Isles of Scilly, this measure has a low of 3.6% in South Cambridgeshire and a high of 33.1% in Knowsley on Merseyside.

UNEMPLOYMENT AND VACANCIES

Given this concentration of the welfare to work target groups in areas of job scarcity, it is not surprising to find early monitoring of the “New Deal” showing worse employment outcomes for participants in high than in low unemployment areas (Martin et al., forthcoming). Indeed this could have been predicted from the US experience of similar programmes (Solow 1998). But the government is now arguing on the basis of data on vacancies notified to the Employment Service (ES) that there really are adequate employment opportunities everywhere. This case has been put formally by the Department for Education and Employment (DfEE) (1999a and 1999b) and HM Treasury (2000). There are essentially three parts to the Treasury/DfEE argument, based on decline over time in the ratio of unemployed to vacancies (the “u/v ratio”); geographical convergence in this ratio; and the geographical invariance of the ratio of vacancies to total jobs with respect to the local unemployment rate.

Before considering these, it is important to note that vacancy data are less reliable than those on unemployment. Newman & Denman (1995) put forward a formidable list of compilation-related factors which may invalidate comparisons of ES vacancy figures across areas or over time. Bivand (2000) notes specific evidence that ES vacancies have recently risen sharply compared to other vacancies data, suggesting an increase in the ES market share. Also, the ratio of vacancies to total employment differs markedly between industries and occupations. Layard et al. (1991, p.327) indicated that in 1982 this ratio varied from 0.12 in mining and quarrying to 1.36 in services, and from 0.49 for managerial and professional jobs and 0.84 for skilled manual jobs to 1.93 for “other non-manual” jobs. Thus if the employment structure of

an area changes, its vacancy rate is likely to change, for reasons unrelated to the balance of supply and demand for labour. In particular, it appears that the rise in service activities relative to manufacturing and mining is in itself likely to have raised vacancy rates. Anecdotal evidence also suggests that the large shift towards part-time employment during the 1990s will have increased vacancies, although there appears to be no research on this issue. Finally, the number of vacancies claimed by the government is a hypothetical figure, grossed up from the actually recorded vacancy count at Jobcentres. The grossing factor of 3 is based on surveys from the 1970s and 1980s which themselves showed not only that the proportion of vacancies reported to Jobcentres varied markedly by region and occupation, but also that the regional differentials changed between surveys (Balls et al. 1991). The Treasury and DfEE have not attempted to control for factors of this kind and their arguments are correspondingly insecure.

Turning to the arguments themselves:-

Decline over time in the ratio of unemployment to vacancies (the “u/v ratio”)

HM Treasury (2000) argues that “The u/v ratio is now lower than at any time since 1975”. It appears to be referring to the ratio of the claimant unemployed count of 1.1m to an estimate of approximately 1m vacancies, obtained by grossing up as explained above. In the light of the foregoing discussion, the problems in drawing conclusions from a change in the u/v ratio are evident. The large movement of unemployed people into other statuses has reduced unemployment as measured by both the LFS and the claimant count, and the claimant count has additionally been reduced by administrative changes. Vacancies are likely to have been affected by changes in industrial structure, turnover rates and recording rates. Moreover, a low u/v ratio does not mean that unemployed people have a correspondingly good chance of getting a job. Gregg & Wadsworth (1998) note that about half (45%) of moves into work come from those inactive in the preceding quarter. Reflecting this, analysis of the LFS shows that across areas, employment change has a much clearer and stronger effect on activity rates than on unemployment rates (Webster 1999c).

Geographical convergence in the u/v ratio HM Treasury (2000) presents a chart showing that the number of unemployed per vacancy has both fallen and converged across regions between 1990 and 1999, stating “unemployment has fallen fastest, and vacancies risen fastest, in those regions that were the hardest hit in the 1980s. Vacancies are now close to record levels in every region of the country and more than one-and-a-half times their 1990 level in Scotland, Wales and throughout the North of England”. As noted earlier, it is correct to say that unemployment has converged across regions. But the divergence of inactivity rates undermines the inference that labour surpluses have reduced. The statement that vacancies have risen fastest in the highest unemployment regions is simply incorrect, indeed the reverse of the truth. All of the regions in the North (Scotland, North, North West, Yorks & Humberside and Wales) had higher ILO unemployment in 1990 than any in the South (E. and W. Midlands, E. Anglia, London, Rest of the SE and South West). On unchanged boundaries, the ratio of average vacancies in 1999 to average vacancies in 1990 was only 1.7 in the North compared to 1.9 in the South. Although it is true that vacancies have risen by about half in Scotland and Wales, these were the smallest increases. The ratio was 2 or more for four of the regions in the South but for only one (Yorks & Humberside) in the North.

The Treasury presents a similar argument in relation to TTWAs, to which similar points apply.

Geographical invariance of the ratio of vacancies to employment with respect to the local unemployment rate The DfEE (1999b) presents charts for October 1998 showing that each TTWA has approximately the same level of vacancies as a proportion of its workforce, across the whole range of claimant unemployment rates. The DfEE argues (1999a, para.33-7) that the “lack of concentration amongst Jobcentre vacancies taken together with the concentration of unemployment and joblessness suggests that any problem of mismatch is *within* local labour markets not *between* local labour markets”.

There are two problems with this argument. On a simple level, it is still true that the higher the unemployment rate, the more unemployed workers are competing for each vacancy. FIGURE 8 presents the same data as used by the DfEE to show that across TTWAs there was a strong positive correlation (0.74) between the u/v ratio and the claimant unemployment rate (the date here is July 1999 rather than October 1998 but this difference is not material). Twice the unemployment rate means about twice as many competing unemployed. This indeed must be the case if vacancies are evenly distributed but the unemployed are unevenly distributed.

A more sophisticated version of the DfEE’s argument, well-rehearsed in the economic literature (e.g. Balls et al. 1991), would be that areas with high unemployment should have lower vacancy rates (as a proportion of total employment), due to pressure from the unemployed workers. The fact that this is not observed is argued to indicate the absence of such pressure. The problem here is whether such unemployment-related variation in vacancy rates would be observable, given all the other influences on vacancy rates already discussed, and given the spatial and skills mismatches resulting from the large changes which have occurred in both the location and the structure of employment.

EXPLAINING THE GEOGRAPHICAL PATTERN OF JOBLESSNESS

The DfEE (1999b) sees joblessness as part of a “trend - running since the late 1970s - towards greater income inequality and the persistence of low income....the lack of jobs is a key manifestation - both cause and effect - of low income....No one knows for sure what lies behind the twenty year trend to greater income inequality”. The misleading nature of the claimant unemployment statistics as to both the scale and geographical incidence of joblessness is undoubtedly one of the main reasons for this sort of agnosticism about the origins of the problem. The map presented by the Treasury (2000), for instance, is hopelessly misleading. This is based on “workforce” claimant statistics whose denominator adds the number of those working in the area to the number of unemployed resident in the area. Areas with large numbers of in-commuters, usually cities, have the incidence of unemployment among their residents understated, often to an extreme degree, as is readily seen by comparison with the LFS. Of the 20 local authorities in the Treasury’s list of those with the highest claimant unemployment rates, about 9 should not be there.

However, when the spatial pattern is correctly described through the LFS, census or corrected claimant figures for local authorities (Webster 1999b), the underlying processes are not difficult to discern. Armstrong & Taylor (1993) comment that the basic inverse relationship between the participation rate and the unemployment rate “is a clear indication that demand factors play a substantial part in determining a region’s participation rate”. Other relationships looked at here also indicate a primary role for labour demand, in particular the very close tracking of total unemployment by both youth and long-term unemployment. Given the spatial distribution of the problem, the obvious underlying factor is the loss of manual jobs in manufacturing and mining, which has not only been very large overall, but has also clearly been concentrated in the cities and coalfields. The anomalously large British loss of manufacturing and its broad spatial impact has been charted by Rowthorn (1999). More particularly, the process of urban-rural manufacturing shift has been analysed by authors such as Keeble (1980), Townsend (1993) and Gudgin (1995). As a result of this shift, most big cities have lost two-thirds or more of their manufacturing employment since 1979, compared to a national loss of around a third. By contrast, small towns and rural areas have maintained or even gained manufacturing employment.

“Labour market accounts” by Turok and Edge (1999) for the cities in 1981-96 have shown what has happened to unemployment, inactivity, commuting and migration as a result of the loss of jobs. Overall, 12.2% of male jobs were lost. Outmigration made the largest contribution to adjustment (7.4% of economically active men), with net change in commuting (1.2%) playing little role - contrary to what is often assumed. The biggest effect was on male inactivity - disguised unemployment - which rose 5.4 percentage points, while claimant unemployment actually fell by 1.2%. The conurbation cores, particularly Merseyside, Clydeside, Manchester and Inner London, did much worse than the other cities. A later paper shows that migration and commuting adjustment is particularly difficult for manual workers (Bailey & Turok 2000).

Beatty et al.’s (1997b) study of the coalfields in 1981-91 had very similar findings. They showed that the 39 “principal coalfield Districts” in England and Wales on average lost a net 14.1% of their male jobs after allowing for labour force growth. On average there was net outmigration equivalent to 4.2% of their male workforce and an increase in net outcommuting of 1.4%, leading to an increase in the total of unemployment and economic inactivity of 8.6%. In other words outmigration compensated for under one third (29.8%) of job loss and outcommuting for one tenth, leaving most (three-fifths) of the job loss feeding directly into “real” unemployment.

The fact that some seaside towns and remote rural areas have high unemployment and inactivity may appear to contradict this picture, and indeed probably has contributed to the impression that withdrawal from the labour force is a supply-side phenomenon which may occur anywhere. There has often been substantial local loss of jobs in tourism, fishing and manufacturing, but this appears insufficient to account for the observed joblessness. Anecdotal evidence suggests that migration by the unemployed has probably played an important role, as was suggested by Gudgin (1995). People who expect to be out of work for a long time, perhaps permanently, are likely to want to move to somewhere pleasant, and housing has often been readily available in redundant hotels and bedsits, financed by Housing Benefit, or as a result of low house

prices. Unfortunately no one has to date attempted to compile labour market accounts for the seaside towns or to investigate their migration flows.

There is strong evidence that the relationship between male unemployment and female lone parenthood is causal. Time series, cross section and ethnographic evidence both in Britain and the USA indicates that unemployment produces marital and relationship breakdown (Webster 2000). In Britain, lone parenthood is similar to inactivity in that the big increase is comparatively recent. Lone parents as a proportion of households with children doubled between 1981 and 1991, and the increase across areas was directly proportional to the local level of unemployment. For the USA, McLanahan & Garfinkel (1989) wrote “Despite some gaps and anomalies, there is now a strong body of empirical research that documents that one of the costs of increased unemployment is increased female headship”.

The close spatial relationship between unemployment and workless households appears to be the result of three factors. The increase in lone parent households is itself a factor, because the increase itself, and the likelihood of lone parent’s worklessness, both vary in direct proportion to unemployment. Among couples, there is an obvious labour demand effect, since if the local labour market makes it difficult for one partner to get a job it will tend to be difficult for the other. Finally, there is a tendency for partners to have similar levels of education, which in turn are strongly related to unemployment probability. Official analyses tend to argue that the benefits system has had important effects in increasing the prevalence of workless households, but this cannot explain the geographical pattern.

LABOUR MARKET ADJUSTMENT: MIGRATION AND COMMUTING

This analysis shows that worklessness has persisted in the areas where jobs have been lost, and that spatial labour market adjustment through migration and commuting, while real, has been relatively weak. But official policy has placed a heavy emphasis on these types of adjustment.

The Treasury’s UK Employment Action Plan (1997) embraced labour migration uncritically as a way of “making markets work better”. Since then, as controversy has raged over whether and how to make the necessary housing provision in the south east, and the huge scale of housing abandonment in the north has come to light, the costs of this approach have become steadily more apparent. Indeed the official claims that there are enough job vacancies everywhere in the country, which date from October 1999, could be seen as a retreat from this stance - in effect an attempted reassurance that people do not need to move *en masse* from north to south.

Advocacy of adjustment by commuting is however a constant. HM Treasury (2000) argues that “Almost without exception, areas of high unemployment lie within easy travelling distance of areas where vacancies are plentiful. This is particularly clear cut in London, where the areas of highest unemployment lie within a few miles of two of the ten areas of lowest unemployment in the country”. The statement about London is incorrect. The two areas referred to are the Cities of London and of Westminster. Both are very badly affected by the errors in the “workforce” claimant unemployment rates discussed earlier, having respectively 109 times and 6 times as

many workers as employed residents in 1991. Westminster was shown by ONS as having 1.1% unemployment in July 1999. But corrected for commuting error, the true resident rate was actually about 6.2%, well above the national average. Indeed some 340 local authorities had lower rates; Westminster was nowhere near the best 10. At the same date, the City of London's unemployment rate was shown as "0.0", its 94 unemployed claimants being swamped by the huge in-commuting "workforce". On the basis of its 1991 economically active resident population of 2,635, its true rate would be about 3.6%, the same as Telford, below the national average but again nowhere near the lowest 10. Of course the two Cities do have a lot of vacancies, but for the most part these merely represent turnover among the commuter workforce. Most other British cities also have central business districts with numerous, mainly white collar vacancies. This is why it is often true that "areas of high unemployment lie within easy travelling distance of areas where vacancies are plentiful". But the vacancies have to be set against the labour force in the city's whole commuting catchment area.

Although the Treasury clearly considers that the London example self-evidently shows unemployment needlessly persisting in the presence of high demand for labour, the labour market accounts of Turok & Edge show that this is not the case. London's employment losses have been particularly bad.

POLICIES

This analysis indicates that the unemployment problem lies mainly on the demand side of the labour market rather than on the supply side; and on the demand side in particular places, namely the former industrial cities and coalfields together with some other places affected by local manual employment decline. It follows that the main thrust of policy needs to be to promote relevant employment in these places.

There is no mystery about the loss of jobs from the coalfields. The cities however are a more complex case. Their recent particularly poor employment experience appears to have been the result of their initial heavy dependence upon manufacturing, combined with a greatly disproportionate loss of manufacturing due to property constraints (Fothergill et al. 1985). Cities which have been proactive in providing property in order to maintain their manufacturing jobs base have been more successful in doing so. A good example is Leeds. Although widely known for its success in services, this city has in fact also done comparatively very well in manufacturing and its relatively low unemployment reflects this (Turok & Edge 1999). It had the smallest loss of male and of manual employment in 1981-91 of any of the British industrial cities, and the smallest decline in male economic activity. This good performance is not an accident. The city has a proactive policy of land banking and development to anticipate local firms' property needs (Leeds City Council 1997). Urban Development Corporations such as those in Sunderland, Sheffield, the Black Country and Trafford Park have also been strikingly successful in bringing derelict sites back into use. "Brownfield" land is the great asset that most high unemployment areas have in abundance. For instance, 9% of Glasgow's total land area is currently vacant or derelict. Experience shows that in order to open up sites for development, substantial investment is required to consolidate fragmented ownerships, deal with contamination and unstable ground conditions, improve the environment and provide

site infrastructure and access. There is also usually a need for strategic road and public transport investment. British industrial cities have rarely inherited a good road infrastructure, because they were rail-based.

Within a conurbation, commuting patterns conform to the well-known “gravity model”. The share of jobs in each area held by the residents of a given area declines exponentially with distance, in other words very fast indeed. Most commentators have focused on what they see as the barriers to employment of the jobless *even if* new jobs were located nearby. But the implication of the observed patterns is that unless new jobs are located within about 3 miles of the target unemployment blackspots, their residents will not get any significant share of them (Webster 1999d). Leaving the location of development entirely to the market is therefore not a realistic option.

Such a switch of strategy - in effect a return to the approach of the previous Labour government’s inner cities white paper of 1977, carried on as a subordinate theme by Michael Heseltine and Peter Walker throughout most of the intervening period - would require a switch of resources. This could well be achieved by redirecting money from the labour supply-side programmes. But it also needs to be remembered that huge sums are going to be spent on infrastructure anyway. If there is no serious programme of physical renewal of the cities, development pressures in the exurban south will force government spending on infrastructure there, and indeed the government has already found itself shifting Regional Development Agency resources to the south for this reason. It would make sense to head off such development by spending the same money proactively in the areas where it would have most benefit in reducing joblessness. The programme put together by the Coalfields Taskforce is of this type, but it is thinly funded. There is no parallel programme for the cities. “Employment Zones” and the New Deal for Communities are supply-side programmes, not development programmes; they target the employability of the labour force rather than the lack of jobs. Roads and transport infrastructure investment is running at a very low level, and there is now widespread agreement that it needs to be increased. From an employment point of view it will be essential to ensure that it supports job growth in high unemployment areas.

Physical investment is required to promote any kind of additional employment growth in the cities. But this analysis also raises the issue of policies towards manufacturing. Manufacturing is the main source of manual jobs and particularly of male manual jobs. Being almost always part of an area’s export base, it brings additional jobs in its train through supplier linkages and the local income multiplier. Gudgin (1995) showed that manufacturing remained the major part of the export base for all British regions except the south east. The recent example of the US mid-west shows how big an impact a revival of manufacturing employment has on urban problems, and Ireland has demonstrated the effectiveness of discriminatory corporate taxation in promoting manufacturing employment. While a great deal could be achieved simply by addressing the causes of the urban-rural contrast in manufacturing employment change, without improving overall British manufacturing performance, it is difficult to see anything like full employment being reached without such an improvement. This would require a fundamental reappraisal of attitudes to both microeconomic and macroeconomic policy.

REFERENCES

- Armstrong, H. & Taylor, J. (1993) *Regional Economics and Policy*, 2nd ed. Hemel Hempstead, Harvester Wheatsheaf
- Bailey, N. & Turok, I. (2000) *Adjustment to Job Loss in Britain's Cities*, draft paper, University of Glasgow
- Balls, Edward, Katz, Lawrence F. & Summers, Lawrence H. (1991) 'Britain Divided: Hysteresis and the Regional Dimension of Britain's Unemployment Problem', paper presented to the National Bureau of Economic Research Conference on Unemployment and Wage Determination, Cambridge, Mass., October
- Bank of England (1999) *Inflation Report*, February
- Bartholomew, D. (Chair) (1995) *The Measurement of Unemployment in the UK*, report of a Working Party, *Journal of the Royal Statistical Society A*, Vol.158, Part 3
- Beatty, Christina et al. (1997a) *The Real Level of Unemployment*, Centre for Regional Economic and Social Research, Sheffield Hallam University, March
- Beatty, Christina et al. (1997b) 'Geographical variation in the labour-market adjustment process: the UK coalfields 1981-91', *Environment and Planning A*, Vol.29
- Bivand, Paul (2000) 'A long way to full employment', Working Brief, Issue 112, London, Unemployment Unit, March
- Briscoe, Simon (1999) 'ONS figures can only confuse the issue', *Financial Times*, 24 August
- Department for Education and Employment (1999a) *Employability and Jobs: Is there a Jobs Gap?* Memorandum to the Employment Sub-Committee of the House of Commons Education and Employment Committee, October
- Department for Education and Employment (1999b) *Jobs for All*, Report of the policy action team on jobs, National Strategy for Neighbourhood Renewal
- Department of the Environment, Scottish Office, Welsh Office (1977) *Policy for the Inner Cities*, Cmnd 6845, London, HMSO
- Fothergill, Stephen, Kitson, M. & Monk, S. (1985) *Urban Industrial Change: The causes of the urban-rural contrast in manufacturing employment trends*, Dept of the Environment and Dept of Trade & Industry Inner City Research Programme No.11, London, HMSO
- Glyn, Andrew & Erdem, Esra (1999) *The UK Jobs Gap - Lack of Qualifications and the Regional Dimension*, Memorandum submitted to the Employment Sub-Committee of the House of Commons Education and Employment Committee, October

- Green, Anne E. (1994) *The Geography of Poverty and Wealth*, University of Warwick, Institute for Employment Research, Coventry, July
- Green, Anne E. & Coombes, M.G. (1985) 'Local Unemployment Rates: Statistical Sensitivities and Policy Implications', *Regional Studies*, Vol.19 No.3
- Gregg, Paul & Wadsworth, Jonathan (1998) *Unemployment and Non-Employment: Unpacking Economic Inactivity*, Employment Policy Institute Economic Report, Vol.12 No.6, June
- Gudgin, Graham (1995) 'Regional Problems and Policy in the UK', *Oxford Review of Economic Policy*, Vol.11 No.2, Summer
- HM Treasury (1997) *United Kingdom Employment Action Plan*, October
- HM Treasury (2000) *The Goal of Full Employment: Employment Opportunity for All throughout Britain: Trends in regional and local unemployment and vacancies and unemployment*, February
- Keeble, D.E. (1980) 'Industrial decline, regional policy and the urban-rural manufacturing shift in the United Kingdom', *Environment and Planning A*, Vol.12
- Layard, Richard, Nickell, Stephen & Jackman, Richard (1991) *Unemployment: Macroeconomic Performance and the Labour Market*, Oxford University Press
- Leeds City Council (1997) *Maintaining Leeds as One of the UK's Principal Manufacturing Centres*, Report of the Director of Leeds Development Agency to the Development Services Group Committee, 30 June
- Machin, Stephen & Manning, Alan (1998) 'Long-Term Unemployment: Exploding Some Myths', *Employment Audit* No.8, Employment Policy Institute, Summer
- McLanahan, Sara S. & Garfinkel, Irwin (1989) 'Single Mothers, the Underclass and Social Policy', *Annals of the American Academy of Political and Social Science*, January
- Martin, R., Nativel, C. & Sunley, P. (forthcoming) 'The Local Impact of the New Deal: Does geography make a difference?', in Martin, R. & Morrison, P. (eds) *Local Labour Markets: Processes, Problems and Policies*, London, The Stationery Office
- Meager, Nigel & Evans, Ceri (1998) *Unemployment: Recent Trends: United Kingdom*, *Employment Observatory Trends* (European Commission) No.30, Summer
- Newman, Peter & Denman, James (1995) 'A guide to the statistics on jobcentre vacancies and placings', *Labour Market Trends*, November
- OECD (1999) *Employment Outlook*, Paris, June

Robinson, Peter (1999) IPPR Indicators: Defining Full Employment, *New Economy*, Vol.6 No.2, June

Rowthorn, Robert (1999) The Political Economy of Full Employment in a Globalised World, Kalecki Memorial Lecture, University of Oxford, Department of Economics, 19 October

Solow, Robert M. (1998) *Work and Welfare*, ed. Amy Gutmann, Princeton University Press

Townsend, Alan R. (1993) 'The urban-rural cycle in the Thatcher growth years', *Transactions of the Institute of British Geographers*, N.S. Vol.18

Trades Union Congress (1998) *Jobs, Unemployment and Exclusion: Labour Market Performance in the UK and the EU*, 16 February

Turok, Ivan & Edge, Nicola (1999) *The Jobs Gap in Britain's Cities: Employment Loss and Labour Market Consequences*, Bristol, The Policy Press

Webster, David (1997) The L-U Curve: On the non-existence of a long-term claimant unemployment trap and its implications for employment and area regeneration, University of Glasgow Dept of Urban Studies Occasional Paper 36, May

Webster, David (1998) 'Local Unemployment Statistics and the Diagnosis of Britain's Unemployment Problem', BURISA 134, British Urban and Regional Information Systems Association, September

Webster, David (1999a) Corrected Claimant Unemployment Rates for 1998 TTWAs, 2 February, at www.mailbase.ac.uk/lists/unemployment-research/

Webster, David (1999b) Corrected ONS Workforce Unemployment Rates for July 1999, Unemployment Change 1998-99 and Employment Change 1997-98, 5 October, at www.mailbase.ac.uk/lists/unemployment-research/

Webster, David (1999c) 'Unemployment Convergence in 1990s Britain: How Real?', *Employment Audit* Issue 12, Winter, London, Employment Policy Institute

Webster, David (1999d) 'Targeted local jobs - the missing element in New Labour's "social inclusion" policy', *New Economy*, December

Webster, David (2000) 'Lone Parenthood: Two Views and their Consequences', in Isobel Anderson & Duncan Sim (eds.), *Social Exclusion and Housing: Context and Challenges*, Coventry, Chartered Institute of Housing

TABLE 1
 GB REGIONS: DISPERSION OF ILO UNEMPLOYMENT
 AND WORKING AGE INACTIVITY RATES
 73 areas, Winter 1993/94 and Winter 1998/99

	1993/94	1998/99
Unemployment %		
Mean	10.1	6.7
Standard deviation	0.36	0.31
Inactivity %		
Mean	38.6	38.1
Standard deviation	0.53	0.57

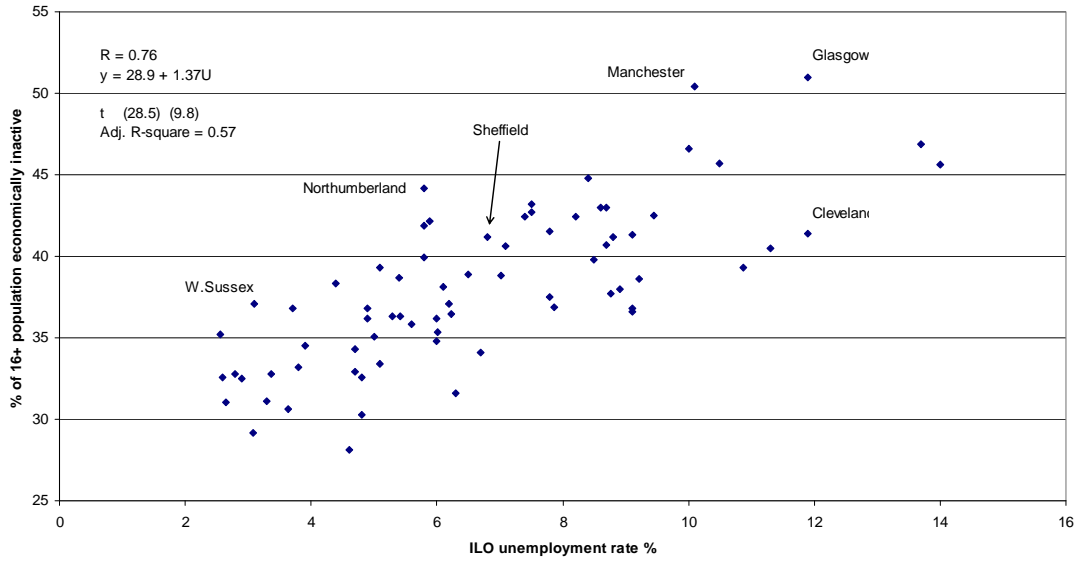
Source: LFS Quarterly Bulletin/Supplement

Note: The 73 areas have been selected to highlight the urban/rural dimension

and constitute complete and mutually exclusive coverage of GB.

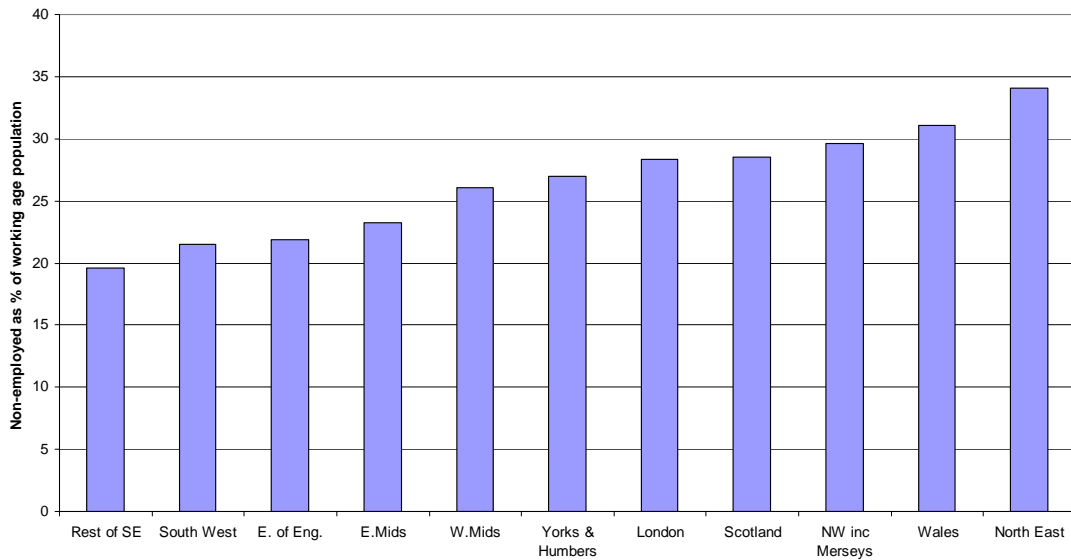
Source: LFS *Quarterly Bulletin/Supplement*

**FIGURE 1 ECONOMIC INACTIVITY (all 16+) BY ILO UNEMPLOYMENT RATE, LFS Winter 1998/99
73 urban and county areas**



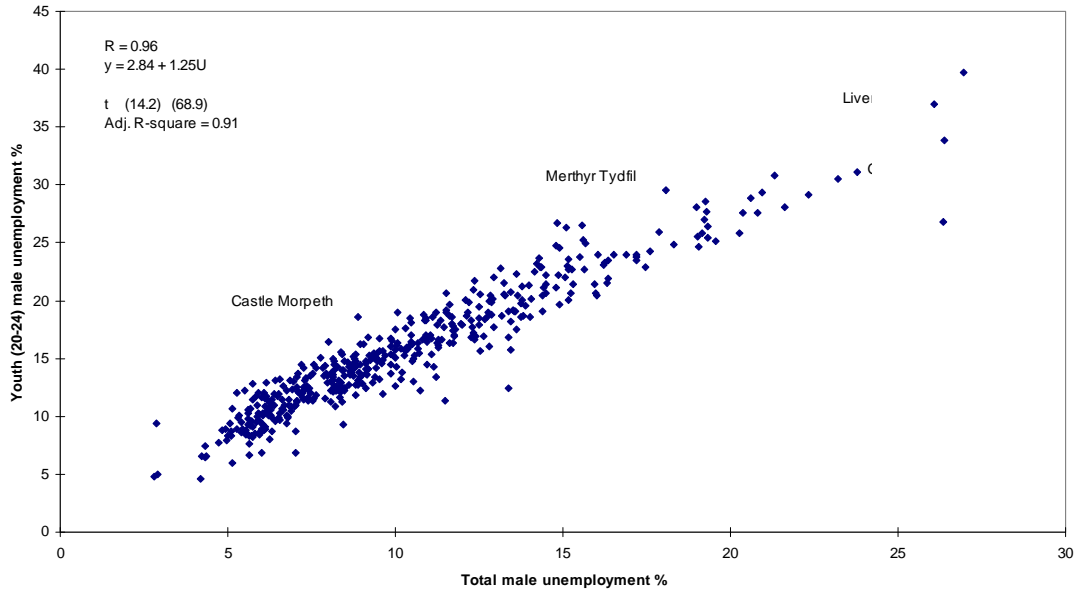
Source: LFS *Quarterly Supplement*

**FIGURE 2 GB REGIONS: PROPORTION OF WORKING AGE POPULATION NOT IN EMPLOYMENT
Winter 1998/99, seasonally adjusted**



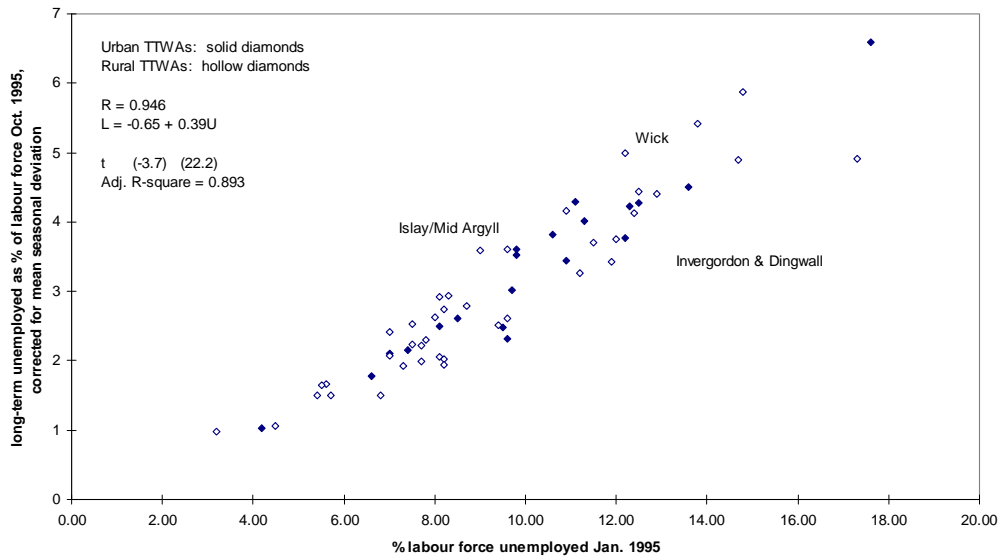
Source: LFS *Quarterly Bulletin/Supplement*

FIGURE 3 GB DISTRICTS 1991: YOUTH (age 20-24) MALE UNEMPLOYMENT BY TOTAL MALE UNEMPLOYMENT



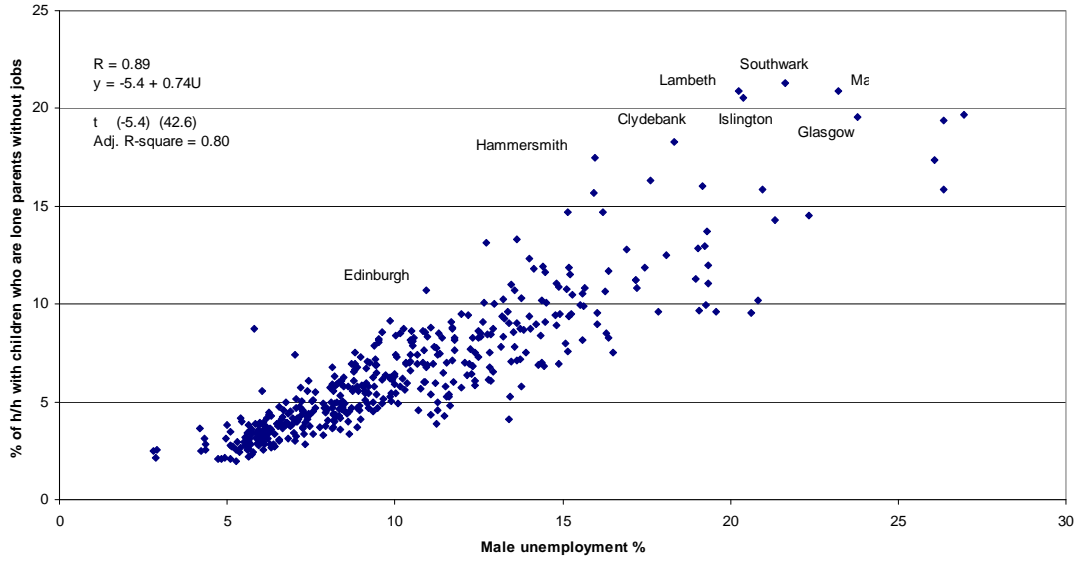
Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 4 SCOTTISH TTWAs: LONG-TERM UNEMPLOYMENT October 1995 CORRECTED FOR SEASONALITY (mean quarterly deviation in U), BY TOTAL UNEMPLOYMENT January 1995



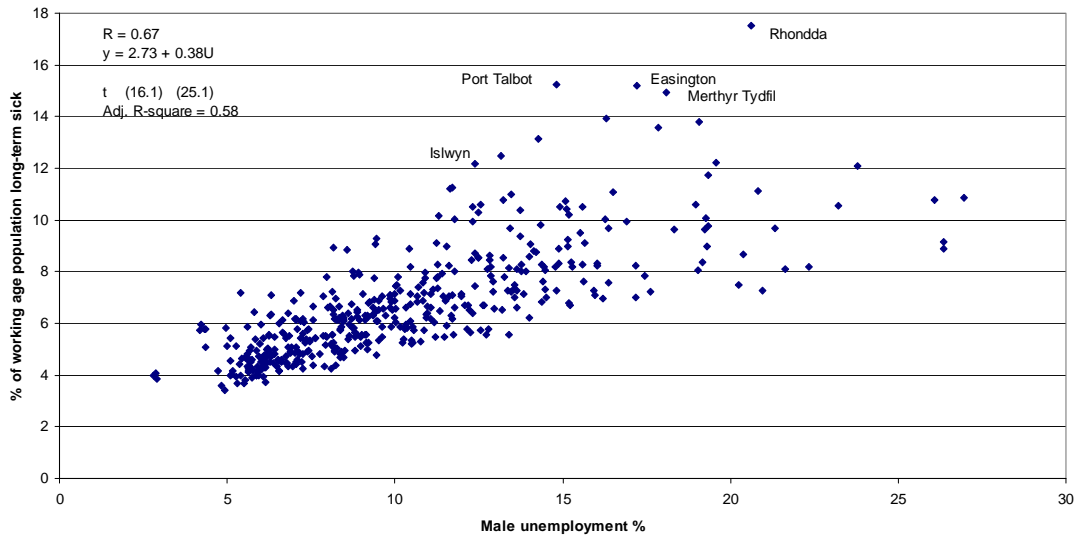
Source: *Employment Gazette*, NOMIS

FIGURE 5 FEMALE LONE PARENTS WITHOUT JOBS AS A PROPORTION OF HOUSEHOLDS WITH CHILDREN, BY MALE UNEMPLOYMENT, GB LOCAL AUTHORITIES 1991



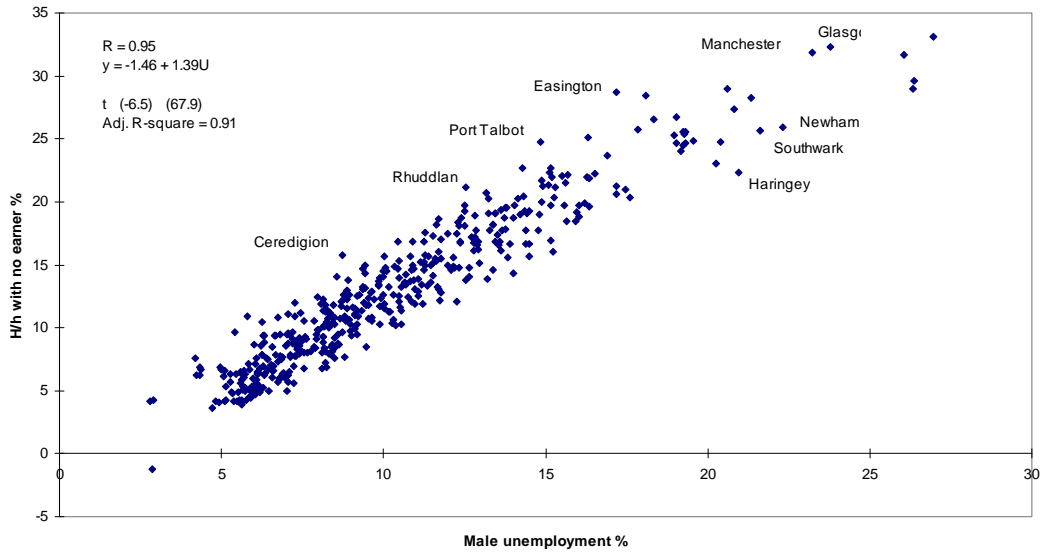
Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 6 PROPORTION OF WORKING AGE POPULATION LONG-TERM SICK BY MALE UNEMPLOYMENT GB LOCAL AUTHORITIES 1991



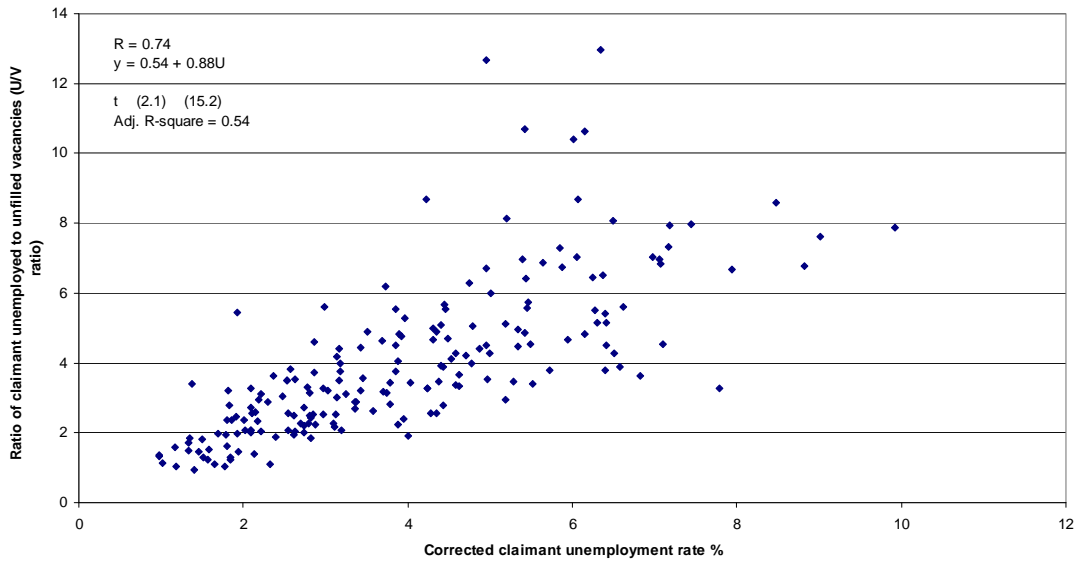
Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 7 PROPORTION OF HOUSEHOLDS WITH NO EARNER (excluding pensioner-only h/h) BY MALE UNEMPLOYMENT - GB LAs 1991



Source: Census 1991, 'Key Statistics for Local Authorities'

FIGURE 8 U/V RATIO BY CORRECTED CLAIMANT UNEMPLOYMENT RATE, GB TTWAs July 1999



Source: NOMIS (job-centre-based unemployment and vacancies), Unemployment rate corrections as in Webster (1999a).