Ideopolis City Leaders Network

Snapshot Analysis 4, February 2009

The Geography of Unemployment: How the recession has affected different cities

"London, not the North, will bear the brunt"[1]. Following over a decade of unprecedented growth, the UK now faces a deep recession and many have predicted that London is likely to fare worst. The LGA report published in November 2008 stated that "London is the region most likely to underperform the national average in a recession" and "major cities outside London such as Newcastle, Leeds and Manchester are likely to do better than the capital". Others emphasise that the core cities are also vulnerable, as well as small cities in the East and South East. As the financial crisis started in the City and the first signs were traders and others leaving their offices in Canary Wharf, much of the media attention has also been on London Eight months after the impact of the downturn was first evident in the UK employment figures and following thousands of jobs losses across the UK, is London faring as badly as predicted? And which cities and regions have seen the highest increases in unemployment?

The latest unemployment figures

The latest claimant counts at local authority level in comparison with the previous year give us the most up-to-date indication of how the recession is impacting on different cities and regions across the UK[2].

At a national level, the ILO unemployment rate stands at just under 2 million or 6.3 per cent and there are now just over 1.2 million people claiming unemployment benefits in the UK. Clearly not all those who lose their jobs will go on to claim unemployment benefits, yet claimant counts provide the most up-to-date indication of changing unemployment rates[3] and at the national level the claimant count has followed the ILO unemployment rate over the past few decades.

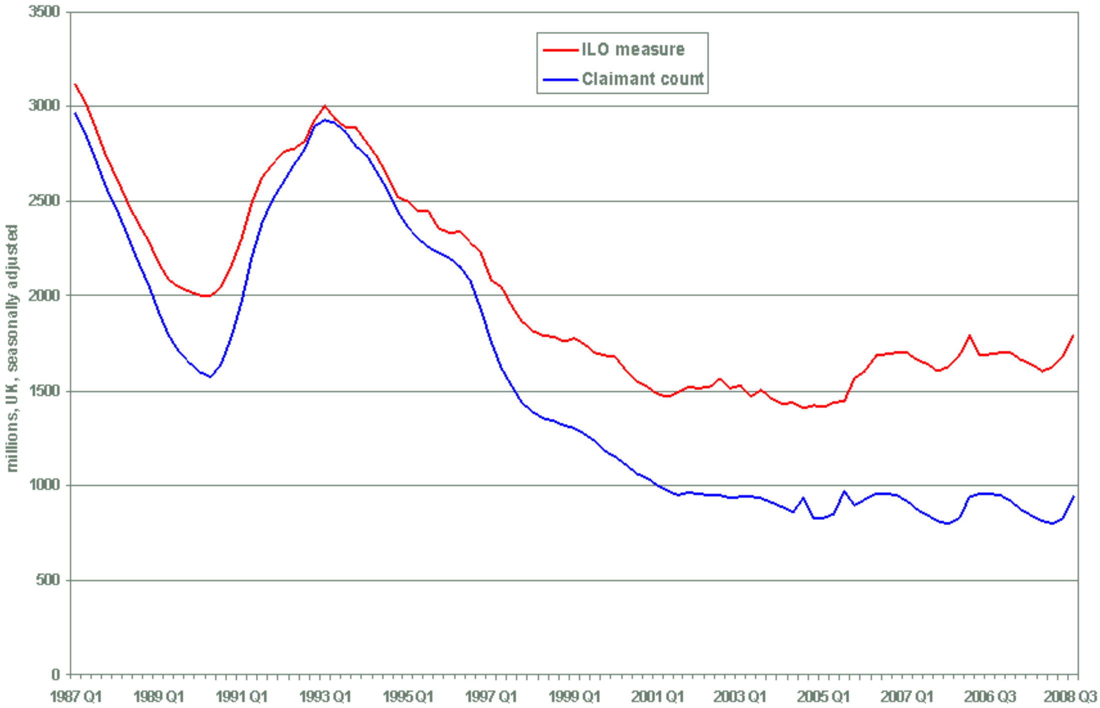
---

[1] Stewart, H. *et al*. (2008) 'It's grim down south', The Observer, www.guardian.co.uk/business/2008/oct/19/creditcrunch-marketturmoil-recession

[2] Comparison with the previous year (January 2008) is necessary as seasonally adjusted data is not available at the local level.

[3] Other potential data sources include the Annual Population Survey from which the latest data available at local authority level is March 2008 and regional data is available from the Labour Force Survey for July to September but is seasonally unadjusted.

Figure 1: Unemployment 1987 to 2008[4]



Source: Labour Force Survey, Office for National Statistics.

Unemployment across UK cities and regions

Looking at the local authority level, if we simply take absolute increases in the number of claimants from January 2008 to January 2009 across the UK, then the labour market downturn is a story of the core cities. The largest increases in the total number of people claiming unemployment benefit have been in the North's largest cities – Manchester, Liverpool, Sheffield, Leeds, Hull, Glasgow and Birmingham. Birmingham has seen a rise of over 9000 claimants amongst the city's resident population from January 2008.

The percentage change in claimant counts presents a different geography. Whilst the absolute figure captures the total increase in numbers of people claiming unemployment benefits, the relative figure is a percentage that varies according to the levels of unemployment that existed before the recession. That means that those places with low levels of unemployment before the recession only need to have a small number of people moving onto unemployment benefits to show a large percentage increase. Concurrent with the recession of the 1990-1992, to date the highest percentage increases in claimant counts have been concentrated in the South East and East Midlands. The absolute increase in the number of claimant counts more generally across these regions has, however, been small. East Dorset, for example, has seen an increase of over 140% in the number of claimants, whilst the increase in the number of people claiming benefits has been just over 400.

[4] ILO measure – all those who looked for work in 4 weeks prior to survey and able to start a job in 2 weeks time; claimant count all those on unemployment register in receipt of unemployment benefit.

To assess the affect on employment at a local level we need to take the local population into account. Figure 2 shows the increase in the claimant rate (the claimant count weighted by population) across the UK at local authority level from January 2008 to January 2009. Interestingly, **increases in the claimant rate present no distinct geography.** In other words, there is no clear North / South or large city / small city divide in these figures. Whilst there been increases across the UK, the highest absolute increases in the proportion of residents claiming unemployment benefits have been in Sedgefield and Easington in the North East, Barnsley and Hull in Yorkshire, Cannock Chase and Walsall in the West Midlands, Corby in the East Midlands, Swindon in the South West and several districts in South Wales. The claimant rates increased significantly across in all of these local authority areas and, with the exception of Swindon where the initial unemployment rate was relatively low, the proportion of residents now claiming unemployment benefits in these areas now stands well above the national average.

We have no national data on employment by industry at present as the statistics lag further behind[5]. The exception is manufacturing where there have been over 100,000 job losses since May 2008. The areas with the highest increases in claimant rate have all experienced large job losses in manufacturing, as well as in retail, distribution and the automotive industry.

Unemployment in the local authorities most affected

Looking at the local authorities with the highest increase in the claimant rate, the following can be noted:

- In **Swindon**, the claimant rate has more than doubled to 3.6% over the last year and is now above the national average of 3.4%, with an increase of over 2500 residents claiming unemployment benefits. There have been mass redundancies in Swindon within the car manufacturers Honda and TS Tech, and following the collapse of Woolworths around 500 jobs were lost in the closure of the chain's main distribution warehouse.

- In **South Wales** (in particular in Blaenau Gwent, Merthyr Tydfil, Caerphilly, Bridgend and Rhondda, Cynon, Taff) there have been hundreds of job losses from manufacturers Hoover, Ford and Bosch. The proportion of residents claiming unemployment benefits is high across South Wales and in particular in Blaenau Gwent, where the claimant rate is over twice the national average at 7.3%.

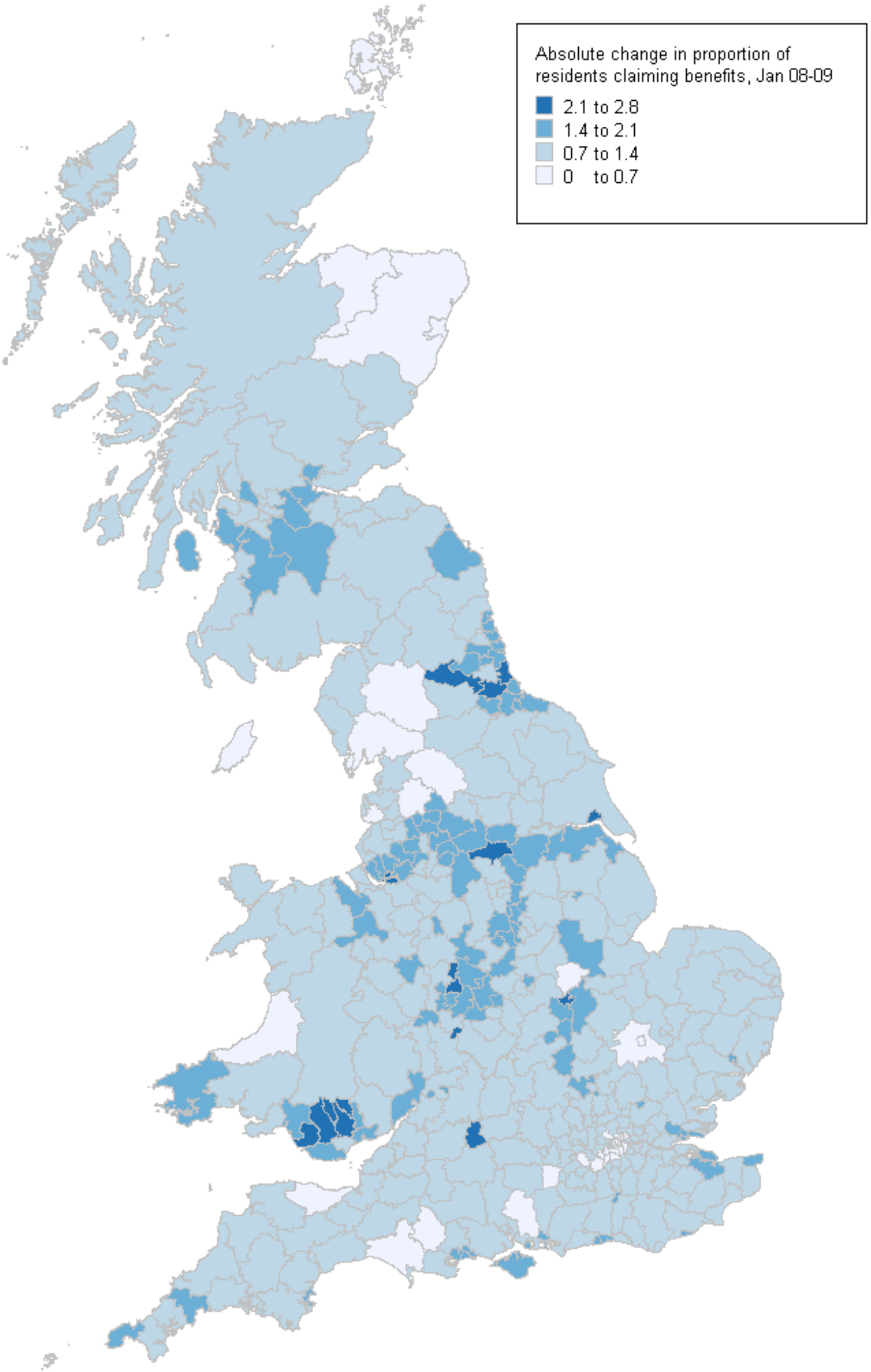
- In **Walsall and Cannock Chase** there have been several hundred job losses within the firms Bolton Brass, Best Value Conservatories and Amtrak. Within Walsall there has been a rise of over 3200 residents claiming Job Seekers Allowance.

- In **Hull** there has been a significant increase of over 4300 in the claimant count and in January 2009 the claimant rate was the highest in the country at 7.4%. There have been large job losses in the caravan manufacturing sector and the construction industry.

[5] Industry statistics at the local level for 2008 are not due to be released from the Annual Business Inquiry until December 2009.

▪ In the **North East** there have been significant rises in Wear Valley, Sedgefield and Durham. Within the North East there have been large scale redundancies from car manufacturers Nissan and the closure of the Electrolux factory has led to a loss of 500 jobs. The claimant rate is highest in Wear Valley at 5.6%.

Figure 2: Rising claimant rates across the UK, January 2008 to January 2009



Source: Claimant Count, ONS

How much has London been affected?

Unemployment is predicted to rise in London because of the high levels of employment in financial services and associated industries but also the knock-on effect of redundancies in these sectors on personal services. But what is perhaps most striking about the map is that London does not stand out as having large increases in the proportion of residents claiming unemployment benefits. Neither have there been large increases in absolute number of claimants in London over the past year.

Rather than this map showing that the recession is not impacting on the labour market in London – there has been a significant number of redundancies reported in the capital – it is more likely that the statistics distort the picture. The rise in people claiming unemployment benefit in London is likely to be lower for several reasons. High earners who are made redundant are less likely to claim unemployment benefits. London also has a higher number of migrant workers who are not likely to claim unemployment benefit if made redundant and migrant workers who have been made redundant may choose to leave London rather than claim benefits and so not show up in the figures. In addition, the figures might be quite different if we were to look at the increases in claimants by workplace as there are large numbers of people commuting into the capital. Redundancies in the capital therefore might well lead to increases in people claiming unemployment benefits elsewhere.

Whilst there is some early indication from the ILO unemployment rates that unemployment is rising in London, the lags in data mean that it is really too early to tell. Yet given the reliance of London on financial services and associated jobs, and the global changes that are happening in that sector, it is highly likely that there will be some industrial restructuring in the capital, as well as the figures on unemployment increasing as the statistics catch up in coming months. In previous recessions, London has been hit hard, but bounced back fastest. In this recession, there are questions about how London can build on its diverse skills base, connectivity, reputation and specialist sectors to do the same.

Conclusions and Policy Recommendations

Unemployment has risen across the country and the likelihood is that the recession will continue to impact on every city and region across the UK. It is clear so far however that some places have suffered worse than others with significant increases in claimant rates. To date it seems that the downturn has exacerbated problems in less economically successful cities; high claimant counts in these areas have been pushed way above the national average. The employment services in these areas now have to cope with massive increases in caseloads. However, the short-term impact on cities that have been growing in the past decade should not be underestimated, nor should the importance of policymakers considering how to invest in the innovation and skills required for all our cities to thrive in the longer term.

To minimise the adverse consequences of recession, policy makers will need to use a range of supply-side and demand-side measures. The challenge is to keep people in or close to work, as well as getting those made redundant back into employment. On the supply side, high quality job search support needs to be sustained. Skills and training provision needs to be tailored to the needs of the individuals but also the needs of local employers. Skills provision should not just focus on re-training but also improving skills in existing sectors: in the last recession many employers let experienced staff go and then needed to re-hire them in the upturn. Demand-side interventions should include support for SMEs under pressure, encouraging employers to retain human capital by reducing working hours rather than making staff redundant, and using the public sector to create employment opportunities through procurement and by bringing forward public works programmes.

One of the key challenges facing national government and local partnerships is whether to continue investing as much in long-term unemployment or to switch some of those resources to addressing the needs of people who are closer to the labour market. This is no easy choice but The Work Foundation's view (as expressed in *Hard Labour*[6]) is that some resources do need to be diverted to helping keep people in the labour market, for example through the demand side measures mentioned above of short time working hours (with partial wage compensation provided by government through the benefits system) and providing public sector funded contracts and opportunities. Long-term worklessness initiatives may need to be re-focused, with investment being made in addressing longer-term barriers to employment rather than rushing people in and out of 'revolving door' jobs, which works less well when there are fewer jobs available.

All interventions seeking to mitigate the effects of the recession – both supply-side and demand-side – need to be rooted in the principles of partnership working. Effective partnerships at the local level between stakeholders in the community and voluntary sector as well as the public and private sectors, with clear priorities for joint working and effective coordination, will be vital if the short-term impact on cities is to be minimised and if cities are to invest in longer-term prosperity.

Naomi Clayton
Senior Researcher, Ideopolis
February 2009

[6] Coats, D., Brinkley, I., Clayton, N., Overell, S. & Hutton, W. (2008) *Hard Labour*: The Work Foundation