

The jobs gap in Britain's cities

There has been no systematic analysis of employment trends in Britain's cities for a decade. Many government policies do not recognise the significance of widening geographical disparities in labour market conditions. This study, by Ivan Turok and Nicola Edge of the University of Glasgow, examined urban economic change over the last two decades and the impact on local people. The study found that:

- f** Britain's 20 major cities have lost 500,000 jobs since 1981, while the rest of the country has gained 1.7 million jobs.
- f** This drift of jobs from urban to rural areas is long-standing and shows little sign of having abated or been reversed in recent years. The cores of the major conurbations have been worst affected.
- f** The decline of manufacturing is responsible for much of the job loss, in terms of the quantity and type of employment. The contraction of male manual jobs is particularly important.
- f** Service industries have grown more slowly in the cities than elsewhere, even in sectors that make up the emerging 'knowledge economy', cultural industries and consumer services.
- f** One of the main effects of urban job loss has been to increase 'hidden' unemployment. The real rate of unemployment in the conurbation cores is now very high. Commuting to jobs elsewhere has not been a viable option for many people.
- f** National policy-makers seem unaware of the 'jobs gap' in Britain's cities (i.e. the increasing imbalance between labour supply and demand). Many policies misdiagnose urban unemployment as caused by inadequate skills and motivation, rather than a lack of jobs.
- f** The better-performing cities have invested in their physical fabric and infrastructure, made serviced land available for development, provided premises for expanding firms and inward investors, and replaced or modernised their older buildings.

Background

The pattern of employment change in Britain's cities and the impact on unemployment have been neglected in policy and research during the last decade. There have been significant changes in the structure of the UK economy and local governance which should have made a difference to the performance of cities. People have asserted that there has been a rediscovery of cities, based on the growth of high level business, financial and consumer services, but without much supporting evidence.

This research looks at the following questions:

- What has happened to the scale and composition of employment in Britain's cities in the last decade? In particular, has the pattern of major job loss in the 1970s and 1980s abated?
- Do any sectors of the urban economy show signs of leading a revival? Which sectors have been worst affected by decline and decentralisation?
- How have people responded to the economic changes in cities? In particular, how effectively have the adjustment mechanisms of upward occupational mobility, migration or commuting out of the cities offset any job losses?
- What are the implications of these changes for urban and employment policy?

Changes in urban employment

Figure 1 shows the most recent available data on urban employment, indexed to compare trends in different types of area. It shows a steady, continuing divergence between the major conurbations, free-standing cities and the rest of Britain. Looking through the peaks and troughs of the general economic cycle, employment in the conurbations has continued to decline, while the long-term trend for the free-standing cities seems to be little change, or marginal contraction bearing in mind that sizeable losses occurred in the 1979-81 recession. Meanwhile, employment in other parts of Britain has continued to expand.

The period 1993-96 may have prompted some of the speculation about a recent revival of cities because of their expansion of employment. In fact, this is attributable to the upswing of the economic cycle and does not represent a reversal of previous trends. The cities' share of national employment actually fell during this period.

Sharpening the focus, there has been a continuing divergence between the conurbation cores and outer areas since 1981. Employment in the cores fell by 12 per cent between 1981 and 1996. The outer areas of the conurbations were more stable.

The most striking feature of employment in and around London is the sharp divergence between Greater London and the Rest of the South East (ROSE). Between 1981 and 1996 London lost 212,000 jobs while the ROSE gained 556,000. This reflected continuing deindustrialisation and a broader-based decentralisation of employment.

Trends in different sectors

The shift in employment trends from urban to rural areas is apparent across all economic sectors, against suggestions of a revival attributable to the emergence of the 'knowledge economy', cultural industries and consumer services. Broad trends in the 1990s were little different from those in the 1980s, or indeed the 1970s and 1960s:

- Manufacturing jobs have fallen everywhere, but most in the conurbations. Manufacturing is responsible for the bulk of the decline in urban employment.
- Private services have expanded everywhere, but least in the conurbations.
- The financial and business services sector has grown most in all areas, but least in the conurbations.
- Public services have also expanded, but at a more uniform rate across the country.

The decline in conurbation employment is attributable to factors such as the availability of land suitable for development rather than the conurbations' industrial mix. The better-performing cities have invested in their physical infrastructure, made serviced land available for development, provided premises for expanding firms and inward investors, and replaced or modernised their older buildings.

Changes in occupation and employment status

The conurbations lost nearly a quarter of their 1981 stock of full-time male jobs by 1996, equivalent to over half a million (Figure 2). The modest growth in female part-time employment did little to offset the effect on household incomes of the loss of full-time male jobs.

Figure 1: Change in employment by type of area, 1981-1996 (1981=100)

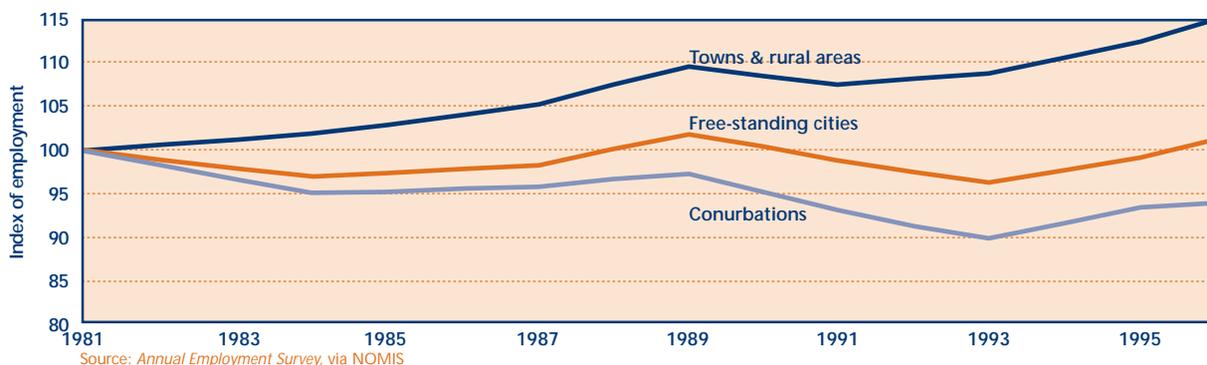
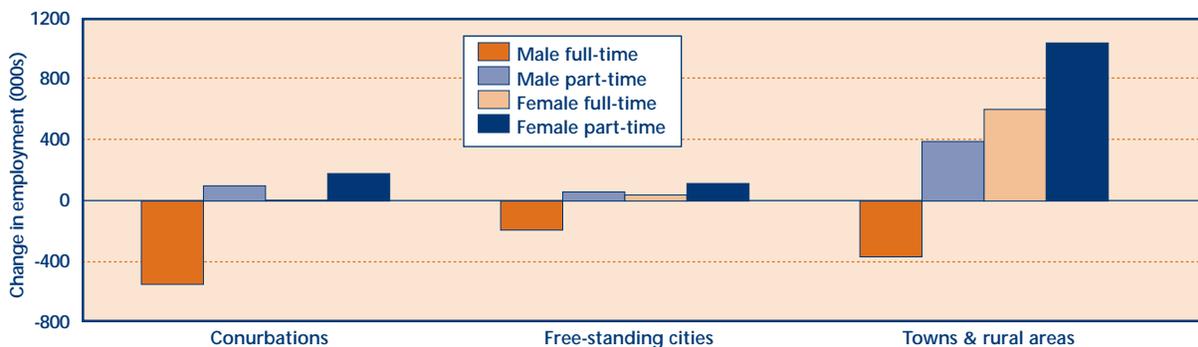
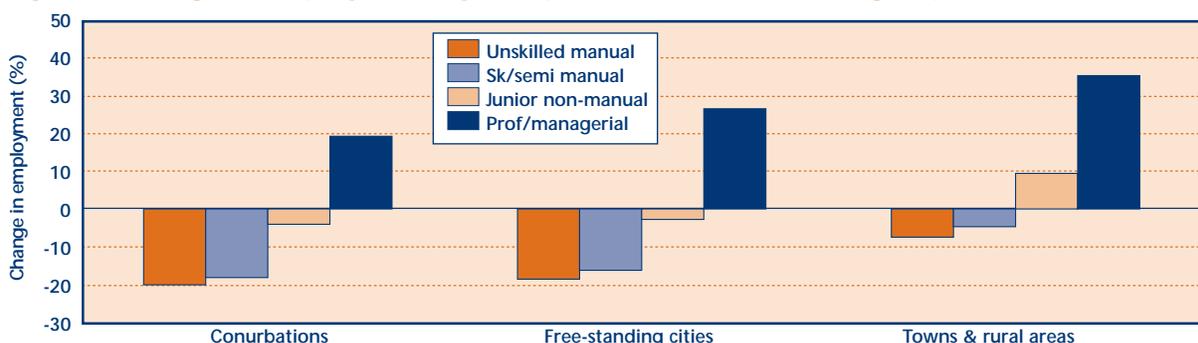


Figure 2: Change in employment by status (000s), 1981-96



Source: Annual Employment Survey, via NOMIS

Figure 3: Change in employment by occupation (socio-economic group) 1981-91 (%)



Source: Census of Population, 1981 and 1991, Special Workplace Statistics

Meanwhile, there was considerable growth in part-time female employment in the towns and rural areas.

The changes in occupation have been just as significant (Figure 3). The conurbations and cities lost between a fifth and a sixth of their manual jobs between 1981 and 1991, far more than the towns and rural areas. They gained some professional and managerial jobs, but these are no substitute because upward mobility is low. The decline of skilled manual jobs has tended to result in downward movement for men into less-skilled, lower-paid jobs or unemployment and casual work.

The consequences for the population

The loss of urban jobs has led to people moving out, reduced economic participation and higher real unemployment among residents. The growth in employment outside the cities has led to increased economic participation, lower unemployment and more people moving into these areas. There has been much continuity in the direction and strength of these trends over the last two decades. This has reinforced the divergence in conditions between the cities and other areas.

About three-quarters of a million male jobs were lost in the cities between 1981 and 1991, equivalent to 12.2 per cent of the 1981 male workforce (Table 1). Recorded male unemployment actually fell slightly because labour supply was reduced through people moving out and increased economic inactivity. Those moving out tended to be those in work and with non-manual jobs. Few city residents were able to respond to urban job loss by commuting elsewhere to work

because of physical access difficulties or a simple shortage of jobs. The rise in economic inactivity disproportionately affected older male manual workers and disguised a reality of higher unemployment.

The situation for women was very different because employment expanded. Where the demand for labour rose quickest, there was strong growth in female economic participation, reflecting employers' efforts to draw additional people into the workforce. There was also an increase in women commuting into these areas.

Differences between cities

Merseyside's decline has been deeper and broader than any other city. Edinburgh and Cardiff have experienced the steadiest growth. The decline of manufacturing has had a big influence in most cities. Job creation in other sectors has not been an effective substitute in terms of quantity or quality.

Although most cities have experienced falls in both labour supply and demand, the latter has fallen faster than the former, creating a jobs gap for men. This is highest in the conurbations of Clydeside, Merseyside and Greater Manchester.

The coincidence between cities with high job loss and high unemployment rates indicates the adjustment difficulties and relative immobility of displaced workers and their families. It also disproves the argument that high unemployment is attributable to welfare dependency and low incentives to work.

Employment expansion for women was greatest in cities and conurbations such as Plymouth, Bristol, West Yorkshire and Cardiff, leading to more women working

Table 1: Labour market accounts for Britain's cities, 1981-91

| | Male | | Female | |
|---|---------|----------------|----------|----------------|
| | Number | % ¹ | Number | % ¹ |
| Loss of employment | 755,000 | 12.2 | -44,000 | -1.1 |
| PLUS natural increase in workforce | 134,000 | 2.2 | 59,000 | 1.4 |
| MINUS net numbers of people moving out of area | 459,000 | 7.4 | 164,000 | 3.9 |
| MINUS net change in numbers of people commuting out of area | 77,000 | 1.2 | -61,000 | -1.5 |
| MINUS decline in economic activity rate | 338,000 | 5.4 | -154,000 | -3.7 |
| MINUS number on government schemes | 93,000 | 1.5 | 59,000 | 1.4 |
| EQUALS change in unemployment | -78,000 | -1.2 | 7,000 | 0.2 |

Source: Census of Population, 1981 and 1991

Note: 1 – as a percentage of the economically active men/women of working age in 1981

and commuting into these areas. Merseyside, Clydeside and Greater Manchester fared less well than the other cities and appear also to have relatively high real rates of female unemployment.

The policy implications

There is a sizeable 'jobs gap' in Britain's major cities, i.e. an increasing imbalance between labour supply and demand. National economic growth will not rectify the situation on its own. Nor will supply-side measures such as training, employment advice, improved work incentives and child-care. They are likely to have limited impact on unemployment in a context of generally deficient labour demand, with growth confined to professional and managerial jobs.

The researchers conclude that national economic and social policies need to give greater emphasis to expanding labour demand in the cities. The city-wide scale risks becoming a blind spot between the current emphasis on neighbourhoods in tackling social exclusion and the region-wide remit of the Regional Development Agencies. The urban jobs gap needs to be taken more seriously since it threatens the functioning of the national labour market, economic growth, welfare reform and social cohesion.

About the study

The study focuses on the 20 British cities with a population of over 250,000 in 1991: eight 'conurbations' with over three-quarters of a million people and 12 'free-standing cities' with between a quarter and half a million population. Together they comprise two-fifths of Britain's population and jobs. The conurbations are West Midlands, Greater Manchester, West Yorkshire, Clydeside, South Yorkshire, Merseyside, Tyneside and Greater London. The free-standing cities are Bristol, Edinburgh, Stoke-on-Trent, Leicester, Wigan, Coventry, Sunderland, Doncaster, Cardiff, Nottingham, Hull and Plymouth. All other parts of Britain, including smaller cities, all towns and rural areas are grouped together in a broad category called 'towns and rural areas'. The two main data sources used are the Annual Employment Survey and the Census of Population.

How to get further information

The full report, **The jobs gap in Britain's cities: Employment loss and labour market consequences** by Ivan Turok and Nicola Edge, is published for the Foundation by The Policy Press (price £13.95, ISBN 1 86134 160 1).