Communities in recession: the impact on deprived neighbourhoods

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What impact is the current recession having on disadvantaged communities and what can we learn from evidence from previous recessions?

This paper:

- looks at the impact of this and previous recessions on small neighbourhoods;
- explores what can lessen the damage to communities.

Key points

- Deprived communities gained from positive national trends during 1993–2008 but substantial gaps remained between them and other areas. About 5 per cent of communities were never out of the top 10 per cent in terms of Jobseeker’s Allowance (JSA) claims, whether in times of recession (1985, 1993, 2009) or growth (1990, 2005).
- Some otherwise advantaged areas contain hard-hit communities. However, in both the 1990/91 and 2008/09 recessions, unemployment increased most in the communities with high proportions of manufacturing workers and rented homes, and which already had highest unemployment. In 2008/09 neighbourhoods in the West Midlands and the North of England have been worst hit; places with many public sector workers have been more resilient so far.
- By mid 2009, almost every local authority nationwide had experienced increased demands for services which they attributed to the recession. More than 20 per cent of councils had made compulsory redundancies; a further third had introduced voluntary redundancies or job freezes. Many communities therefore face a ‘double whammy’ of job losses and service cuts.
- To support disadvantaged communities through recession, public, voluntary and community organisations should try to:
  - minimise harm to the hardest-hit neighbourhoods from job or service cuts;
  - sustain new facilities and other gains in neighbourhood conditions made during growth;
  - shift to low-cost but high-impact neighbourhood renewal, for example through continued support to community groups;
  - build on fifteen years of growing positive experience of local help for job seekers, including job and placement creation, employment and training advice and support, and public transport information;
  - mitigate neighbourhood effects of unemployment, for example with more services for young people and crime prevention activities;
  - monitor the situation at neighbourhood level.

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Rebecca Tunstall with analysis by Alex Fenton, drawing on JRF’s wealth of research and on unemployment data at neighbourhood level 1985–2009.
Introduction

In 2007 the global supply of credit shrank. In late 2008 many countries around the world, including the UK, entered official recession for the third time in 30 years – the previous two being in 1980/81 and 1990/01.

It is recognised that past recessions have had very uneven effects across the UK (Green and Owen, 2006). While there is considerable literature on structural economic change, there is less evidence of the impact on local neighbourhoods and the communities that live in them. As the Audit Commission said recently, ‘more is known about the effects on businesses and services than on local people’ (Audit Commission, 2009, p.51).

So just what is the overall impact of recession on small neighbourhoods and the communities living in them? The housing market, local services and community relations are all affected. Some types of neighbourhood are also more vulnerable than others.

The effects of the 2008/09 recession have yet to be fully played out, with spending cuts almost certainly on the horizon. However, there are steps that can be taken in response to the effects of recession to lessen the damage to communities and the very fabric of life.

This report draws on JRF’s wealth of research on communities, as well as data on unemployment 1985–2009. A companion piece – Communities in recession: The reality in four neighbourhoods – looks at the day-to-day reality of recession on four disadvantaged communities: Broad Green in Swindon, Gelli deg in Merthyr Tydfil, Barkerend in Bradford and Hedworth in South Tyneside (Day, 2009).

An experiment to see what a combination of economic growth and renewal policy could do to improve the situation of more disadvantaged communities might well involve many of the conditions seen in 1993–2008.

During this period the economy grew continuously, as did the supply of jobs. There were substantial efforts at public service reform and increases in public spending, particularly after 2000, with public spending taking an increasing share of the growing GDP. It rose from 36 per cent to 43 per cent, and there was annual real growth in health expenditure of 6.4 per cent and in education spending of 5.0 per cent (Larkin, 2009). All this had an impact on services and employment. There were also comprehensive regeneration and renewal efforts targeted on disadvantaged neighbourhoods. In England, the National Strategy for Neighbourhood Renewal aimed to remove gaps between more disadvantaged areas and more favoured areas, so that ‘in 10-20 years, no one should be disadvantaged by where they live’ (Taylor, 2008). Public service agreement ‘floor targets’ formally committed government departments to reduce specific gaps between deprived local authorities, neighbourhoods and other areas (Palmer et al, 2006). The New Deal for Communities in England was probably the most intensive and best known renewal programme, and there were also ambitious programmes in Wales, Scotland and Northern Ireland (Taylor et al, 2007).

JRF produces annual reports monitoring poverty and social exclusion, the most recent of which recorded notable improvements in the period 1998–2008 on some key measures, including employment rates, education, housing conditions, crime and some measures of income and work inequalities across the UK (Palmer et al, 2008). Many neighbourhoods and communities benefited from these positive national trends, and the proportion of people who thought that vandalism and hooliganism, graffiti, crime, dogs, litter and rubbish were problems in their areas declined steadily during 1992–2006/07 (Survey of English Housing, 2009). Disadvantaged areas have also benefited. For example, change in the New Deal for Communities areas during 2001–05 was ‘overwhelmingly positive’ (Beatty et al, 2008, p.6). A study of 20 disadvantaged housing estates showed marked improvements in most ‘floor target’ areas: performance at estate-linked schools, housing conditions and crime levels, and unemployment (Tunstall and Coulter, 2006). Many other neighbourhoods saw investment in social rented homes, the environment, health centres or public areas (Taylor et al, 2007). Some studies concluded that both economic growth and regeneration policy had effects, and probably complemented each other (e.g. Griggs et al, 2008).

However, some suggest that market forces or change in underlying social mix were the most important (e.g. Meen et al, 2005; Bramley et al, 2007).

There is unfortunately all too plentiful evidence that, almost ten years into the National Strategy for Neighbourhood Renewal and despite the supportive economic context, gaps between better off and more disadvantaged areas have not been eliminated. People in more deprived neighbourhoods, in areas dominated by social housing, and in London, were more likely to name serious problems in their areas and to be dissatisfied with the neighbourhood (Palmer et al, 2006). Deprived neighbourhoods were more likely to experience worse environmental services (Hastings et al, 2005), environmental hazards (Lucas et al, 2004), and worse public transport (Lucas et al, 2008). Three deprived areas studied by Page had continuing high rates of depression, drug and alcohol abuse, and low self-esteem, limited ambitions and expectations (Page, 2006). House prices provide one overall measure of gaps between neighbourhoods, and the sharp differences only increased as prices rose during 2000 to 2007 (Palmer et al, 2006).

On some measures – notably those to do with income and employment – the gaps between different places have stagnated or actually grown during 1993–2008. The concentration of people in poverty in local areas (half the size of parliamentary constituencies) increased during 1991–2001 (Dorling et al, 2007). The proportion of all people claiming out-of-work benefits who were located in the 10 per cent of wards with the highest rates of claim did not change from 1998–2003 or 2003–08 (Palmer et al, 2008). Between 1991–2001, the gap in unemployment between 20 disadvantaged council estates and their surrounding local authorities and the national average reduced, but the gaps on economic inactivity grew (Tunstall and Coulter, 2006). Webster et al. (2004) found that disadvantaged young people in Teesside made little career progress during 1991–97, despite the growing opportunities at a national and regional level.

In summary, while some of the benefits of the growth during 1993–2008 trickled down to less advantaged communities, and public service reform and regeneration had some notable effects even in the poorest areas, there was no unambiguous reduction in gaps. Cole argued that ‘the underlying message is that it is very difficult to direct, channel or contain market processes’ (2007, p.7). On the other hand, Palmer et al. warned ‘the successes of the last ten years need to be stressed in order to confront the damaging idea that everything always gets worse and that nothing can be done about it’ (2008, p.19).
Losing work is a key trigger for falling into poverty, and unemployed people are twice as likely to experience poverty as the average (Smith and Middleton, 2007). Kenway (2009) reminds us that in 2009, JSA for a single person over 25 was worth just £64.30 a week (although below the minimum standard (Bradshaw et al., 2008). People have defined unemployment benefits levels as claims may also receive other benefits). Ordinary people have defined unemployment benefits levels as below the minimum standard (Bradshaw et al., 2008). There are well established links between unemployment and physical and mental ill-health (e.g. Burchell et al., 1999). People may be affected not only by actual job loss, but also by insecurity and the loss of valued job features. It is through individual and cumulative effects on employment and thus lifestyle, income, security and ability of investment that recessions are likely to have the greatest, and most direct, effects on local communities.

In August 2009 1.6m people or 4.2 per cent of those of working age in the UK were claiming JSA, compared with 0.9m or 2.5 per cent in 2005. Previous peaks were 3.0m in 1993 and 3.1m in 1985. This Round-up uses information for ‘postcode sectors’, small areas close to what most people understand as their ‘neighbourhood’ or their ‘community’ (Taylor and Wilson, 2006). Using 2007 population estimates, the average working-age population of a postcode sector was just over 4,500. Almost all communities of this size nationwide saw growth in unemployment during 2005–09, and particularly over the period 2008–09. So far, at least, far fewer communities have been affected by very high rates of unemployment seen at previous unemployment peaks 1985 and 1993. In June 2009, only nine postcode sectors in England had JSA claim rates of 20 per cent or more, compared to nearly 250 in 1993 and nearly 400 in 1985. However, June 2009 is unlikely to be the overall claim rate peak for the 2008/09 recession, as unemployment lags behind other impacts of recession. In addition, changes in JSA rules and increases in people claiming Incapacity Benefit (IB) mean that JSA claim rates are not comparable over time (Beatty et al., 2007). The JSA claim rate is a leading indicator of the impact of recession on the labour market but many communities will also have underlying, and probably increasing, populations of people claiming other out-of-work benefits like IB.

Davies noted that some politicians have talked about a culture of ‘no one works around here’, which shocked and upset some families in poverty (2008). Even in high claims areas, the majority of people of working-age were not claiming JSA benefit. The highest postcode sector claim rate recorded at any point during 1985–2009 was in one neighbourhood in 1985 where 55 per cent of all people of working age were claiming JSA.

The communities with the highest numbers of people claiming JSA and highest claims rates even in periods of growth are the ones that have borne the greatest human cost of recession, and those areas with highest JSA claims at the recent unemployment low in 2005 which have experienced the biggest absolute increase in claim rates and numbers during 2005–09. For example, the 10 per cent of communities with the highest rates have seen an increase in 2005–09 from 7 per cent to 9 per cent, while the 10 per cent of communities with the lowest rates have seen an increase from 1 per cent to 2 per cent (see Figure 1).

Many ‘high unemployment’ neighbourhoods have remained disadvantaged through growth and recession, and over decades. For example, of the 600 communities in the top 10 per cent in England for unemployment in 1985, nearly half were in the top 10 per cent in boom in 1990, in bust in 1993, in boom in 2005, and again in 2009, nearly 25 years later. Of the 600 communities in the top 10 per cent in England for unemployment in 2009, three-quarters were in the top 10 per cent in 2005 when unemployment was much lower, and nearly half had been in the top 10 per cent in boom and bust since 1985. Palmer et al. found similar results, using a broader measure of all benefits claims and Super Output Areas (slightly smaller than postcode sectors). They found that, of the areas in the top decile for benefits receipt in 1999, 86 per cent were still in the top decile in 2005, six years later (2006).
By some measures, this data suggests that recessions spread unemployment slightly more evenly between communities. It is areas with the lowest claims in 2005 that have experienced the highest proportionate increases in claims (change in rate 2005–09 as a proportion of 2005 rate), with the lowest 10 per cent of unemployment areas seeing the rate doubling from 1 per cent to 2 per cent. The ‘Gini coefficient’ is the best-known measure of inequality (widely used to track the distribution of income): using this method to assess the distribution of unemployment rates between neighbourhoods nationwide, the pattern becomes less unequal in recessions. Two-thirds of communities in England have seen their unemployment ranking relative to other areas change during 2005–09, although mostly not by much. Communities in the top 10 per cent in England for unemployment at any one point during 1985–2009 were slightly more likely to move out of the top 10 per cent during recessions than during periods of growth 1985–2009. However, the Gini coefficient analysis shows that while inequality in distribution of JSA claim rate between neighbourhoods reduced somewhat in recessions, it opened up again whenever growth returned, including 1993–2005, and despite the efforts of neighbourhood renewal policy.

Using an exploratory model to investigate the factors behind increases in rates of JSA claim for postcode sectors in the 1990/91 and 2008/09 recession, we found effects at both regional and neighbourhood level. It confirmed that the West Midlands and the North have suffered particularly in 2008/09, while the South and East were worse hit in 1990/91. It showed that in both recessions, neighbourhoods with high proportions employed in manufacturing suffered, and those with large numbers employed in the public sector have been resilient, at least to date. It also showed that areas with much private and social renting experience considerably greater increases in claims than otherwise similar neighbourhoods, both in the last recession and in this one to date. A number of reasons may lie behind this: tenants may start in more insecure employment and be more vulnerable to lay-offs; they may also have, on average, fewer qualifications. Other research has found that unemployment rates for people from minority ethnic groups and people with low skills rise faster than average unemployment during recessions (Berthoud, 2009).

Figure 1: Different groups of postcode sectors by JSA claim rates in England 1985-2009

Source: ONS claimant counts downloaded from https://www.nomisweb.co.uk
Note: The decile and quartile groups are not made up of exactly the same communities at each date.
Other effects of recession on communities

Recession and recession-linked unemployment has knock-on consequences for communities.

Problems for home-owners

Local housing markets affect the wealth and relative debts of local home-owners, and the ability of renters and home-owners to move between homes and neighbourhoods. Around 2000, house prices started to rise steeply in most markets, including disadvantaged areas. But the housing market began to change in 2007, before official recession started. Between 2007 and 2009, there was a 20 per cent drop in average prices in England and Wales and a 70 per cent drop in transactions (Land Registry, 2009).

Price falls have very different effects on households, depending on when they entered the market, and where, and how vulnerable they are to changes (Hamnett, 1999). Twenty-five per cent of those who bought a home in 1988–91 experienced negative equity (Forrest et al, 1997). High prices and increases are concentrated in the more advantaged regions, and 40 per cent of people buying during 1988–91 in Greater London and the South East experienced negative equity (Macennan et al, 1997). Within regions, however, negative equity was associated with cheaper house types, higher mortgage advances and lower social class. Overall, the neighbourhoods that suffered most were the poorer areas in wealthier regions, while the places that were least affected were poor areas in poorer regions (Dorling, 1993). The neighbourhoods most likely to have widespread negative equity and repossession are new or recent developments aimed at the lower end of the market in the South.

The 1990s housing market recession lasted seven years (Forrest et al, 1997), and had lasting effects on households that experienced negative equity or repossession. Nettleton et al. (1999) found that the social costs of repossession include relationship tensions and breakdown, split households, poor housing conditions, declines in physical and mental health, disruption of children’s schooling and friendship groups, and the reduced ability to get work. Some of those with negative equity turned down jobs elsewhere or delayed having children (Forrest et al, 1997) and were less satisfied with their neighbourhoods, perhaps because they felt trapped. There is also some evidence that the crash had lasting impacts on the worst affected neighbourhoods. For example, Forrest, et al. (1997) reported that their Bristol case study area became nationally notorious.

Slowdown in new housing development, reinvestment and regeneration

Since the 1990/91 recession, both social housing development and regeneration programmes have become more dependent on subsidy from private property development. For example, in 2004–05 nearly 20,000 social rented homes were built through s106 funding – things of community benefit given or paid for by developers as a condition of receiving planning permission. (Monk et al, 2006).

One industry commentator said:

The last 15 years have been the easiest ever… so much so that the terms ‘urban regeneration’ and ‘property development’ have become interchangeable ... a generation is unaware that development in deprived areas used to require public subsidy.

(Brown, 2008)

By late 2007 there were widespread signs of problems in the property and housing markets, and by late 2008 planning applications had slowed in two-thirds of local authorities (IDEA et al, 2008). Renegotiation of s106 and delays and cancellation of schemes can reduce public benefit from private development even during strong housing and land markets (Monk et al, 2006). By mid 2009, 30 per cent of unitary councils, London boroughs and county councils had renegotiated agreements in response to recession. Nearly all local authorities said the recession had affected private sector capital programmes, and more than half had seen an impact on public sector investment. In addition, funding for many of the current 50 central government anti-recession schemes has been ‘top-sliced’ from existing, mainstream programmes, with the unintended and unhelpful effect of diverting funds from more deprived regions and areas (Audit Commission, 2009).

The communities most affected were those where regeneration schemes were underway or planned but have now been postponed or interrupted, leaving uncertainty, and the blight of empty sites.
Potential effects on demand for rented housing

A local authorities survey in late 2008 showed that 25 per cent of them had experienced increases in homelessness applications (IDeA et al, 2008), and these mainly reflect family or relationship breakdown and eviction, rather than repossession of homes. Researchers generally agree that in recession the overall demand for rented housing is likely to increase. However, there is less consensus over whether supply will expand to meet demand, whether demand could co-exist with local over-supply, and what the effects will be on demand and social mix in particular neighbourhoods. For example, unaffordability in the 2000s resulted in former and potential buyers being priced out of the market with the effect of increasing social mix in less popular council estates (Turnstall and Coulter, 2006). Social housing supply is constrained by market pressures, and it is not clear how private landlords will respond. Migration may have ‘propped up’ demand for housing in some areas, and private landlords have predicted reduced immigration-related demand for rental housing (Whitehead and Monk, 2009). Bramley et al. noted that increases in relative property prices in urban areas in the UK were partly due to international investment rather than real domestic housing demand (2007), and Whitehead and Monk predicted a possible over-supply of housing in other areas as a knock-on consequence of housing boom (2009). Green et al. identified excess housing in all tenures in eight neighbourhoods in three South Yorkshire local authorities at a time of high general housing demand and prices (2005), and it is plausible that recession could reduce demand further for at least some types of homes in some areas.

Potential loss of public and voluntary services or access to them

With their broad responsibilities to the public, local authorities ‘face a much broader and more concrete set of challenges than other governmental institutions’ (Gordon et al, 2008, p.1). By mid 2009, almost all local authorities had seen increases and changes in demands for services that they attributed to the recession (Audit Commission, 2009). By late 2008, 73 per cent of local authorities had ‘revised’ their budgets, expecting greater demands or reduced income from fees and charges, rent, sale of assets, s106 and interest (IDeA et al, 2008). By 2009 40 per cent of district councils had substantial shortfalls and half planned budget cuts for 2009–10. All said the recession had worsened their financial position (Audit Commission, 2009). Similarly, by late 2008, 70 per cent of local authorities thought local voluntary organisations had seen an increase in demand for services including debt counselling, housing advice, employment advice and relationship counselling (IDeA et al, 2008). Despite this, by mid 2009, 17 per cent of district councils and 8 per cent of other councils said that they would reduce funding for voluntary organisations (Audit Commission, 2009).

National government’s Comprehensive Spending Review 2007 planned just 1 per cent real annual growth in local authority expenditure for 2008/09–10/11, and then 1.2 per cent over the next three years, compared with 39 per cent in total over the preceding ten years (Gordon et al, 2008). Whatever the future government, many areas of spending and parts of the country may see real term cuts, which would mean a ‘double whammy’ of job and service cuts for communities.

In fact, local authorities have already contributed to job losses and reduced spending in their local areas. Given general pressure on public finance, and on their self-generated income, by late 2008 13 per cent of local authorities had cut jobs, and 22 per cent had put in place a recruitment freeze (IDeA et al, 2008). By late 2009, more than 20 per cent of single-tier and county councils had made compulsory redundancies, as had more than a third of district councils, and a further third had introduced voluntary redundancies or a job freeze, and more planned to do so (Audit Commission, 2009). However, drawing on experience after the end of GLC funding of small community groups in London in 1986, Harris (2009) predicted ‘there is at least one sector which could be relatively unaffected by the downturn, the thousands of grassroots and community groupings’ (p4). In 2000 MacGillivray et al. estimated there were between 500,000 and 900,000 such ‘low flying’ organisations, which made a real contribution to their areas (2001).

Potential effects on local shops and services

Even during growth, shops and private sector services were withdrawing from more marginalised communities, leaving residents with inaccessible or costly shops and services (Speak and Graham, 2000). Part of the role of regeneration projects was in effect to fill in the gaps left by the withdrawal of private services. Almost all local authorities surveyed in 2008 thought that the slowdown had affected local businesses, and 39 per cent had seen increased demand for business support (IDeA et al, 2008). Less than a year later, this figure had jumped to 77 per cent (Audit Commission, 2009).
Potential effects on community relations, social cohesion and crime

Even during growth, competition for resources in deprived neighbourhoods could raise tensions between existing residents and new immigrants, tensions potentially exploited by far right groups (Robinson and Reeve, 2006). Only 5 per cent of local authorities surveyed at the end of 2008 thought that community cohesion had been affected by the slowdown, but half thought it was likely to deteriorate somewhat over the next year (IdEA et al, 2008). However, population mix may be affected by recession too. Half of all Eastern European immigrants to the UK interviewed in 2007 expected to return to their countries of origin at some point, and the most important criterion for staying was a secure job with decent pay (Markova and Black, 2007).

The relationship between crime, antisocial behaviour and the state of the economy is complicated and disputed. Crime increased from the second world war until the 1990s, but increased faster during recessions (Pyle and Deadman, 1994). As the 1990/91 recession gave way to the period of economic growth, crime reduced nationwide and also in disadvantaged communities.

Which neighbourhoods are most vulnerable?

By mid 2009, 91 per cent of single tier and county councils said they were targeting their responses to recession on particular neighbourhoods, while many were also targeting particular groups of unemployed people, firms, households or age groups (Audit Commission, 2009). Which neighbourhoods should be targeted?

Communities with high unemployment and large increases in unemployment 2005–09

Communities with JSA claim rates in the top 10 per cent in England in 2009 were concentrated in the North West, West Midlands, London, and Yorkshire and Humberside, and include traditional industrial towns and cities, such as Bradford and South Shields, inner and outer London, new towns such as Skemersdale and Harlow, other large areas of post-war social housing, such as Chelmsley Wood, and coastal and resort towns such as Chatham, Great Yarmouth, Ryde and Southend. When unemployment in a ward (a larger area than a postcode sector) reaches 23–24 per cent, that seems to be a tipping point associated with more sharply increasing difficulty of getting out of poverty and worklessness (Buck, 2001). In June 2009 there were just nine communities where more than 20 per cent of the working population were claiming JSA in 2009 (located in Birmingham, Oxford, Hull, Grays, Northampton and Westminster), but the number is likely to grow until national unemployment peaks, particularly in those areas that experienced high rates in 1993. Absolute numbers of people affected are important too, and in some of these small areas hundreds of extra individuals have joined the claims lists. These areas are likely to experience the biggest knock-on effects of recession and to require the biggest response.

Communities that have been relatively disadvantaged for decades

About 5 per cent of neighbourhoods have been in the top 10 per cent of communities nationwide for JSA claims through economic thick and thin over 1985–2009. These areas are slightly more concentrated in the North West, West Midlands, and Yorkshire and Humberside than 2009 high claims areas generally. Barkerend in Bradford is an example. These areas have warranted, and continue to warrant, special attention and different approaches. They may be at risk of falling back further as recession develops and, as regeneration programmes started over the past ten years, which have produced benefits in many cases, come to the end and are not replaced.

Communities that have lost out in 2005–09 relative to other areas

Broad Green in Swindon is an area that has lost out relative to others. In 2005 it was in the 8th decile according to its JSA claim rate, but by 2009 had dropped to the 10th decile. In postal towns including Worthing, Littlehampton, Kettering, Dewsbury, Trowbridge, Telford, and Boston, more than half of the communities had dropped two or more deciles like this in 2005–09. In others, individual communities had dropped further. Even if claim rates are not as high as other areas, the knock-on impact of change may be significant.

Communities that have seen high proportionate increases in JSA claims 2005–09

Some communities have recorded very high proportionate increases in JSA claims during 2005–09. In general the communities with the highest proportionate increases in JSA claim rates had the
lowest absolute rates in both 2005 and 2009. However, even before rapid increases in demand, many benefits service users ‘experienced lengthy periods trying to get through on the phone, sometimes “for hours at a time”’ (Finn et al, 2008, p.40). A doubling or tripling of the workload of those who support jobseekers most directly – such as DWP, citizens advice bureaux, and job link schemes – requires a response.

**Any of the above, located within more advantaged areas**

Towns with at least one community with JSA claim rates in the top 10 per cent nationwide in 2009 included otherwise more advantaged places like Chester, Gloucester, Worcester and Worthing. While DWP analysis and activities now routinely identify high-claim ‘pockets’ (using NOMIS), the Audit Commission (2009, p.64) warned that some local authorities were complacent about the effects of recession, and might not realise that their areas contain hard-hit communities. Agencies in more advantaged areas may have had experience of growth management rather than economic development or regeneration (Audit Commission, 2009).

**Any of the above located in local authorities and regions where disadvantage is very widespread**

Conversely, individual hard-hit communities in areas where many are affected may have special problems and may struggle for recognition or priority. For example, 150 of the 395 communities with L-prefixed postcodes (in Liverpool) had claim rates that put them in the 9th or 10th highest deciles nationwide in 2009. The fact that a few communities in this group had much higher rates than others, or had experienced a recent increase, could be overlooked.

**Communities hard hit by housing problems**

The neighbourhoods most likely to have widespread empty homes, negative equity and repossessions are new or recent developments aimed at the lower end of the market in the south of England, as well as new developments of city centre apartments. Other areas may be affected by local high or low demand, or rapid population changes, for example where homes intended for sale have switched to private renting.

**Are there any silver linings?**

Recessions act not only to reduce overall national income and employment rates, but to redistribute opportunities between people and places. This is one of the elements of risk and sources of worry. However, it means recessions can have some unexpected effects. We have seen that by some measures recessions spread unemployment slightly more evenly between communities. Recessions can also mean that average real incomes increase. ‘In most recessions a significant majority of people will be slightly better off (although not necessarily feeling so, because of higher risks), because of falling prices’ (Whitehead and Monk, 2009, p.3; see also Hirsch et al, 2009). Recessions can reduce income inequality, depending on who loses their jobs and what pay increases those in work receive. However, Dickens and McKnight found that in fact the 1990/91 recession increased earnings and income inequality (2008).

Some kinds of social problems are associated with economic growth, and may be lessened by recession. In 2007, at the height of the growth period, thousands of people taking part in a JRF web survey named consumerism and greed, individualism, poverty, inequality, and a decline of family and the community as among the ‘social evils’ of the twenty-first century (Watts, 2007; Mowlam and Creegan, 2008). The most frequently reported neighbourhood problem is traffic (Survey of English Housing, 2009), but traffic levels tend to fall in recessions, as do deaths in car crashes (Bezrucha, 2009). Drinking patterns also mirror economic trends, and drink-related accidental deaths are reduced in recessions, and there is some evidence the overall effect of recession is to reduce total death rates at least in the short term (Ruhm, 2000; Bezrucha, 2009). Falls in house prices mean greater affordability for those house-buyers with deposits and mortgages. Cheaper land means registered social landlords (RSLs) and local authorities as well as developers can get more for their money. Local authorities have already reported getting better value for money across a range of services, and improved partnership working (IDeA et al, 2008).

Economic slowdown and delays in some programmes may also provide an opportunity to rethink recognised policy problems. For example, it is known that homes built in the 2000s for sale have not been meeting purchaser aspirations, and those built for social renting have not been located on more attractive or strategically-chosen sites (Monk et al, 2008).
**What might happen next…**

Even if growth returns to the UK economy in 2009 or early 2010, the overall social and economic effects will continue to develop and will last much longer. In fact, the Audit Commission terms the official recession period just Wave 1 of the overall life cycle of a recession (2009). In the longer Wave 2, growth returns but unemployment continues to rise, and social problems worsen. If unemployment continued to grow from 2009 at the same rate and in the same pattern as after the 1990/91 recession, by 2010–11 nearly 2,000 more communities are likely to be hit by unemployment rates of 10 per cent or more, about 700 will see rates reach 15 per cent, and about 200 will have 20 per cent unemployment. These are likely to include at least half of the neighbourhoods with very high rates in 1993. Higher unemployment and other effects are like to persist for years after the official end of the recession. If unemployment continues to rise for as long as it did after the 1990/91 recession, it will peak in 2011 at perhaps three million JSA claims. If it follows the 1980/81 pattern no green shoots will appear until 2013.

The 2008/09 recession in the UK will be complicated and its effects exacerbated because the next government is almost certain to cut public spending. Based on the 2007 spending review, the IFS has predicted annual real cuts of 2.3 per cent in central government departments for 2011–14 (Muriel and Sibieta, 2009), but it is possible that there will be further, deeper cuts.

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**Responding to recession**

We have a rich supply of evidence on neighbourhood renewal at different parts of the economic cycle, but there is less information or evidence on the impact of specific ‘anti-recession’ activity, particularly at a local level. We have limited understanding of the effectiveness of regeneration and protective interventions at different parts of the economic cycle, and what might be particularly effective in recessions. And we can not be sure how this recession will develop. In principle, there are several different kinds of approaches public, voluntary and community organisations could take in responses to recession (see Table 1).

By late 2009, there was a growing amount of advice and ideas available on practical responses to recession that had been or could be taken by local authorities and their partners (IDEA et al, 2008; LGA, 2009; Audit Commission, 2009). Gordon et al. argued that before getting involved, any agencies must consider whether activities are achievable, including given the finance available, and then whether they are the most appropriate organisations to be carrying them out, and whether they can be carried out at the right time. Of course, there are limits to what any agency can do in the face of macro-economic problems. Local authorities and more locally based organisations can play some role in contributing to local demand. However, in practice they are likely to focus on mitigation. In the 1980/81 and 1990/91 recession, even the most active

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**Table 1: Responses to recession**

Potential roles for public, voluntary and community agencies in responding to recessions:

- Contributing to restoring national economic growth
- Targeted attempts to restoring economic growth in the most affected areas
- Mitigating social effects
- Attempting to limit effects on most disadvantaged or redistributing social effects
- Responding to specific market or government failures
- Sustaining long-term investments for which a clear economic case remains
- Preparing for recovery

Source: Adapted from Gordon et al, 2008
local authorities, usually those with both Labour control and access to some finance, concentrated on support to people and encouragement of companies rather than physical investment or encouraging inward investment (Gordon et al., 2008). In the 1990s recession, local authorities’ responses were even more constrained, with ‘little explicitly counter-cyclical activity’ (Gordon et al., 2008, p.3). By 2009, almost all local authorities had taken some action, but in the opinion of the Audit Commission, most responses had been ‘basic and low risk’ (2009, p.35).

Potential responses in communities

Potential responses for local authorities, RSLs, voluntary organisations, community organisations and partnerships include efforts to restore growth in the most affected areas, mitigation of social effects, and responding to specific market or government failures.

Minimise the effects of cutbacks

Many of the organisations that could be involved in anti-recession efforts are already cutting jobs or other spending or making plans to do so, which will have knock-on consequences for unemployment and service levels nationwide and in disadvantaged neighbourhoods. In the 1990s, new government policies were assessed to ensure they were ‘social exclusion proof’. To an even greater extent, plans for cuts should be assessed and monitored for their likely impact on vulnerable groups and neighbourhoods.

Sustain the recent gains in neighbourhood conditions

Neighbourhoods and communities nationwide have seen benefits from years of growth, public investment and renewal, but now face a period of reduced investment and cuts. Local agencies need to plan ahead to sustain new buildings, improved services and strengthened community organisations through difficult times. Past experience shows that neglect of buildings, the environment, and social infrastructure creates a need for regeneration and is costly in the long run. Research in the 1990s found that sustaining the benefits of regeneration demands explicit and early planning, sensitive management, and community involvement (Fordham, 1995). More recently, New Deal for Communities partners have been developing succession strategies focused on sustaining relationships and ways of working, rather than maintaining funding or particular structures (Shared Intelligence, 2008). Small ongoing expenditure can support community self-help (Taylor et al., 2007). Another model is provided by local authority and partnership schemes to help low-income home-owners with maintenance. In partnership with owners, advice, training, handy people, discounts, and tool loans could prevent home and area decline and represented good value for money (Groves et al., 1999).

Maintain neighbourhood renewal activities

The basic arguments for neighbourhood renewal apply at all stages in the economic cycle. Neighbourhood renewal is the main example of targeted attempts to restore economic growth in the most affected areas and to overcome local market or government failures. The aims and principles of neighbourhood renewal are well established at national level (e.g. SEU, 2001), and within local partnerships and communities, for example through Local Area Agreements, and are not affected by recession. Decades of experience and research evidence point to the dangers of ‘stop-start’ initiatives and the importance of long-term approaches (Taylor, 1995; Fordham, 1995; Low, 1998 and 2000; Crow et al., 2004; Green et al., 2005; Beatty et al., 2007; Taylor et al., 2007; Griggs et al., 2008). Maintaining housing and other property development is one of the main ways that local authorities and RSLs can contribute to national demand in recessions (Gordon et al., 2008).

Potential resources and methods for renewal, however, are affected by recession and by policy change. Many neighbourhood regeneration programmes are coming to a close (for example the New Deal for Communities and Working Neighbourhoods Fund both end in 2011 (Taylor, 2008). Regeneration has become increasingly dependent on the private housing and land markets which are in abeyance.

Nevertheless, some local authorities are already monitoring and providing some support to stalled schemes (IDEA et al., 2008). Neighbourhoods that have experienced low demand for housing in the 1990s warn that empty sites can attract vandalism and crime and make the area less pleasant for residents (Power and Mumford, 1999), but they also suggest how sites can be maintained or put to temporary uses. New neighbourhood renewal activities are likely to be small-scale with less emphasis on physical change than in the past (Shared Intelligence, 2008), but again experience points to the importance of sustaining partnerships and resident involvement. Small-scale support to community groups is likely to be an effective way to use available
resources. Taylor (1985, p.20) says ‘The wealth of small-scale activity on estates that residents run for themselves is an essential, though largely unsung, foundation for regeneration’.

Maintain and expand local job creation

Green and Owen argue that ‘supply-side’ measures on employment, working with potential employees, must be complemented by demand-side measures to increase the number of jobs (2006). This is because much of the explanation for persistent higher unemployment during 1985–2009 in certain places is structural (Kearns, 2000; Lakey et al, 2001), and in times of growth as well as recession, there is a ‘jobs gap’ in urban areas, with insufficient demand for labour, particularly less skilled labour (Turok and Edge, 1999).

There is now substantial experience of alternative forms of job creation by public and voluntary sectors (Marshall and MacFarlane, 2000). In 2009 40 per cent of local authorities were encouraging contractors to use local labour (where legally possible). One-third of local authorities had introduced or increased job placements and nearly half had introduced or increased apprenticeships (Audit Commission, 2009). In 2000, intermediate labour market placements cost £14,000 a year, had low drop-out, high and sustained employment rates and relatively good incomes compared with mainstream welfare to work programmes (Marshall and MacFarlane, 2000). Around 9,000 people were being helped nationwide, and most schemes were locally based and targeted. Allowing people to work for voluntary organisations while claiming benefits could create around 80 part-time jobs in each housing estate or postcode sector, a very substantial contribution (Arradon and Wyler, 2008). However, many projects have had uncertain funding even in growth, and funding from regeneration and s106 activity has reduced (MacFarlane, 2000). Marshall and MacFarlane also warned that the social effects of these programmes might be less effective applied at increased scale (Marshall and MacFarlane, 2000).

Maintain and expand employment and training support

Supply-side employment measures which aim to help more disadvantaged people overcome information, skills, transport or childcare barriers to work are very important too. Thanks to regeneration efforts in more deprived areas, these activities are much more developed and better understood than in previous recessions. Summarising research, Campbell and Meadows argue that ‘successful projects are both developed and delivered at local level. Allowing local discretion in national programmes is not enough’ (2001, p.21). Results depended on knowledge of the local market, working with both the more and less ‘job ready’, partnership with local employers, complementing mainstream Department of Work and Pensions (DWP) work, and high quality staff (Sanderson et al, 1999). These schemes influenced national policy such as the New Deal and mainstream DWP services (Marshall and MacFarlane, 2000), which now aim to use some of the key principles. Employment support is popular, for example, ‘almost without exception’ among young people with multiple disadvantages (Lakey et al, 2001). However, even in growth periods, expectations should be realistic. For a fifth to a quarter of clients, local projects played a ‘key role’ in their getting employment, but even in these cases ‘did not appear to change fundamentally the overall employment prospects’ and even these sensitive projects were least successful with the harder to place, including poorly qualified men and lone parents (Sanderson et al, 1999, p.1). Supported work experience may need to last as long as 6–9 months for long-term unemployed people to regain employability (Marshall and MacFarlane, 2000). Policies introduced in the context of high employment may be more expensive, less effective in times of recession, or need redesign to recognise higher rates of involuntary unemployment and insecure and low-paid employment (Dickens and McKnight, 2008). By mid 2009, two-thirds of unitary councils, London boroughs and county councils surveyed were providing employment and training support and advice (Audit Commission, 2009). Caution is required before setting up new schemes as the range of employment advice and services available can be bewildering (Finn et al, 2008, p.27), and services will need support to maintain quality while coping with increased demand.

Maintain and expand services for young people

Unemployment rates for people under 25 are twice as high as the average, at all phases in the economic cycle (Meadows, 2001), and unemployed young people are even more concentrated in particular areas. Even during growth, two-thirds of disadvantaged young people interviewed in one North Eastern town ‘had spent their working lives in and out of temporary, casual or part-time jobs’ (Lakey et al, 2001), and there has been growing concern about the numbers of young people not in education, employment or training. Any period of unemployment is generally associated with increased risk of future unemployment, but periods of at least six months before the age of 25 appear to have a ‘scarring’ effect (Meadows, 2001). One role of intermediate labour markets has been simply to keep people employable until the demand for labour increases.
(Marshall and MacFarlane, 2000). Johnson and Burden (2003) argue that responsibility for improving young people’s employability falls on a range of people and organisations, from schools and parents to employers and agencies.

In addition to potential long-term effects, youth unemployment can also have very immediate short-term effects on young people and their communities, and young people’s needs may be broader than education and employment. Some postcode sectors saw hundreds of extra claimants in 2008/09, and youth unemployment is likely to mean a big rise in youth demand for all kinds of services, ranging from advice, education, youth work, leisure and opportunities to be consulted and to volunteer. When concentrated in particular neighbourhoods, and not responded to, youth unemployment brings a risk of nuisance, crime and even disorder (Power and Tunstall, 1997). The universal Connexions service provides advice and information to 13–19-year-olds on training and employment, with a particular focus on those not in education, employment or training (Coles et al, 2004), but may struggle under the volume of demand. At the other end of the scale, an intensive five-year demonstration project, Communities That Care, specifically addressed protective factors for individual youth through the neighbourhood context, and had some impact (Crow et al, 2004). Crimmens et al. (2004) found that street-based youth work, while patchily distributed, was useful for the hard-to-reach, and was able to help young people in many areas of their lives, including employment and training.

Maintain and expand crime prevention activities

In the 2000s many communities were spared the high levels of burglary and car crime that plagued them in the 1980s and 1990s. Attention has switched to managing anti-social behaviour, and there has been relatively little research on crime prevention in recent years. However, agencies should be aware that things might change, and be prepared to prevent problems.

Consult on difficult issues

Numerous JRF reports attest to the value – and difficulties – of consultation between local authorities, voluntary organisations and other agencies and communities in neighbourhood regeneration (e.g. Taylor, 1995; Low, 2000). Much consultation has been over new or improved services. However, consultation may be all the more important in making difficult decisions (including which services to move away from neighbourhoods or reduce) or in mitigating cuts. Experience from housing demolition shows that public consultation can provide better information and more legitimacy for difficult decisions (Cole and Flint, 2007).

Monitor the impact of actions

In a self-assessment survey, 30 per cent of local authorities said they thought they did not understand their local economies well (Audit Commission, 2009). Few local authorities have establishment monitoring for their anti-recession work, despite the very extensive experience and capabilities developed over the past ten years of attempts to improve services and in neighbourhood renewal (Audit Commission, 2009).

Publicly accessible data for understanding the impact of recession at neighbourhood level includes:

- NOMIS data on benefit claims at local level, available at www.nomisweb.co.uk;
- indicators of poverty and low income at local authority level across the UK, and data and maps on recipients of out-of-work benefit and pension credits at ward level in England, available at www.poverty.org.uk;
- a range of indicators for neighbourhoods and trends over time from 2005, available at http://jrf.web.lts.manchester.ac.uk/ (site under development).
About this Round-up

This paper was written by Becky Tunstall, of the London School of Economics, and Alex Fenton, of the University of Cambridge, and is based on work conducted for the Joseph Rowntree Foundation since the 1990/91 recession, analysis of NOMIS data on benefit claims at local level 1985–2009, and other sources.

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