The Impact of Recession on Unemployment in Industrial Britain

A report from the Industrial Communities Alliance

October 2009

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Contents

The **Industrial Communities Alliance** *is the all-party association of local authorities in the industrial areas of England, Scotland and Wales. The Alliance was formed in 2007 by the merger of two longer established local authority associations – Coalfield Communities Campaign and Steel Action – and also covers areas where engineering, shipbuilding, textile and other industrial sectors have traditionally been important. The aim of the Alliance is to lobby for the economic, social and environmental renewal of the areas covered by its member authorities.*

Alliance National Secretariat, 9 Regent Street, Barnsley, S Yorkshire S70 2EG
Tel 01226 200768

Website: www.industrialcommunitiesalliance.org

Summary

This report examines the impact of recession on unemployment in industrial Britain. It takes a much wider view of 'unemployment' than usually the case and presents new estimates of the real level of unemployment in a range of districts and counties across England, Scotland and Wales.

The first part of the report explains how Britain's industrial communities entered the recession still nursing the pain of earlier job losses and with only a fragile and partial recovery in place.

The second part of the report shows how the recession has impacted particularly hard on manufacturing output and employment.

The third and main part of the report presents new estimates of unemployment. Over the years, much unemployment has become 'hidden' and as a result the claimant count measure, which counts the numbers on Jobseeker's Allowance, has become a highly imperfect guide to local unemployment even though it continues to be widely quoted. The figures presented in this section of the report add in the non-claimant unemployed (identified by the government's own Labour Force Survey) and the unemployed who have been diverted onto incapacity benefits. The latter group is especially numerous in older industrial Britain.

The report shows that most of industrial Britain entered the recession with a substantial pre-existing stock of unemployed. The recession has made the situation much worse. Industrial areas in Yorkshire, the North West and the West Midlands have experienced particularly large increases in unemployment, though elsewhere the pattern of change is more complex.

The report shows that, as a result, the real rate of unemployment in most of Britain's industrial areas now exceeds 10 per cent – far more than the much lower figures suggested by the claimant count.

The final part of the report argues that five new policy priorities are needed:

- *A re-balancing of the national economy in favour of manufacturing*
- *A selective short-time working subsidy to keep jobs and capacity intact*
- *More support for the workless, including older workers as well as the young*
- *Local delivery in economic regeneration*
- *A new priority for job creation*

1. Background

Scope and purpose of the report

The purpose of this report is to chart the impact of the current economic downturn on the industrial communities of England, Scotland and Wales. The report focuses on the impact on *unemployment* – long the central focus of concern in these areas and a growing problem once again as recession bites.

What the report adds to all previous commentaries is that it takes a much wider view of 'unemployment' than has hitherto been the case. Official measures of unemployment have never captured the full picture, and this has been particularly the case in older industrial Britain, where over the years large numbers of the unemployed have become 'hidden' on other benefits or driven out of the benefits system altogether.

This report up-dates estimates of the *real level of unemployment*. Prior to the recession, most of industrial Britain was still a long way from 'full employment'. The new figures presented here show just how much worse the situation has now become.

Job destruction in previous recessions

The industrial areas of England, Scotland and Wales have long struggled with problems of job loss and economic restructuring. In some places, such as the Welsh Valleys, North East England and parts of central Scotland, that struggle goes back at least to the 1930s.

The current recession has come as a shock but for many areas of the Britain it is just one more in a sequence of setbacks. The destruction of jobs is a recurring theme. The coal industry, for example, lost 250,000 jobs in tightly defined geographical areas from the early 1980s to the beginning of the present decade. The steel industry lost around 200,000 jobs over a broadly similar period and was often located in or close to mining areas.

The socio-economic impact of these job losses has often been documented. Higher recorded unemployment was one of the initial impacts, but over the years the impact spread more widely to create large numbers outside the labour market –'economically inactive' in the official jargon – especially on incapacity benefits. It has even become acceptable in some government circles to talk of the 'hidden unemployed' in these places and elsewhere. What has been harder to quantify is the undeniably deep scarring effect that job destruction has had on the lives of people, on their health, education and skills, and community well-being.

Fragile recovery

During the long period of national economic growth from the mid 1990s up to 2008 it is hardly surprising that the industrial areas previously hit by job losses did begin to recover. For example, an Audit Commission report on England's coalfields[1] concluded that physical regeneration had been largely achieved and jobs growth since the late 1990s had actually been marginally faster than the national average.

Yet it would be entirely wrong to assume that full employment had been restored in older industrial Britain. In fact, although by the mid 2000s claimant unemployment – that is, the number out of work claiming unemployment benefits, mainly Jobseeker's Allowance – had reached historically low levels, vast numbers remained marginalized on other benefits.

Above all, incapacity benefits hid the true scale of worklessness. Even at the end of the long economic boom, it was not uncommon for more than 10 per cent of all adults of working age in Britain's older industrial areas to be out-of-work on incapacity benefits. Many of these men and women would have been in work in a genuinely fully employed economy[2].

Furthermore, many of the wider problems associated with large and concentrated job losses remained stubbornly immune to remedies. These include poor health, low skills and educational under-attainment. These problems are not exclusive to older industrial areas, but some of the worst concentrations are still to be found there[3].

The benefits of the boom years were not shared evenly across the UK. Regional variations associated with ongoing industrial decline still persisted. For example, the share of adults of working age who had jobs barely reached 70 per cent in just about all the North East of England yet the employment rate in the most prosperous parts of southern England reached 85 per cent.

The continuing importance of manufacturing

Manufacturing employment in the UK has been in long-term decline, in absolute terms and as a share of total employment. Partly this reflects competitive failure in world markets, but the phenomenon is deeper rooted. In just about all developed countries the same trends can be observed, as technological progress increases labour

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[1] Audit Commission (2008) *A Mine of Opportunities: local authorities and the regeneration of the English coalfields,* Audit Commission, London.
[2] See in particular C Beatty and S Fothergill (2005) 'The diversion from 'unemployment' to 'sickness' across Britain's regions and districts', *Regional Studies*, vol 39, pp 837-854.
[3] See for example SQW (2007) *Regenerating the English coalfields: interim evaluation*, CLG London.

productivity faster in industry than in the service sector. Compared to a generation ago, the same or greater manufacturing output is produced by far fewer people.

Between the mid 1980s and the onset of the present recession, UK manufacturing shed more than two million jobs, and its share of all employment fell to little more than 10 per cent.

But despite the fall in employment, manufacturing remains a major economic driver, accounting for 13 per cent of the UK's GDP and half its exports. The UK is still the world's sixth largest manufacturer measured by output. Around a quarter of the UK's manufacturing exports are 'high tech' – a higher proportion, it is estimated, than in the US, France or Germany.

Despite all the years of job losses, it is not uncommon to find that in older industrial Britain the proportion of the workforce employed in manufacturing is still twice, or in some instances almost three times, the national average. Taking just a few examples, in 2007 the proportion of jobs in manufacturing in Blaenau Gwent in South Wales was 28 per cent, in Bolsover in Derbyshire 20 per cent, in Easington district in County Durham 25 per cent, in North Lincolnshire (which covers Scunthorpe) 23 per cent, in Rotherham in South Yorkshire 15 per cent, in Knowsley borough in Merseyside 22 per cent and in Stoke on Trent 18 per cent.

The point is manufacturing has not disappeared from the UK, and in some places it still matters hugely to the fate of the local economy.

The current recession

In retrospect it is perhaps easy to see that aspects of the long economic boom, such and its dependence on credit, on an unsustainable property price boom and on rapid growth in the financial sector, would eventually lead to a severe correction. Nevertheless, the current recession has come as a shock.

Initial assumptions were that this was a 'banking' recession, and it was certainly the case that the crisis originated in the banking sector. But that is not the way things have worked out. The banking crisis caused a collapse in confidence and a drying-up of credit. Investment spending was hit hard, and consumers cut their spending on big-ticket items such as new cars. In practice, it has therefore been the construction and manufacturing sectors that have been hit hardest by the recession. This has been the case not just in Britain but across the globe.

In practice, therefore, the present recession has not been so very different from previous recessions. Once more, manufacturing has been badly hit and as a result the greatest job losses have often been in Britain's older industrial areas where manufacturing a key component of the local economy. In effect, the current recession has been hitting many of the same areas that bore the brunt of the recessions in the 1980s and 90s, and it is some of the least well-off people that have again been worst affected.

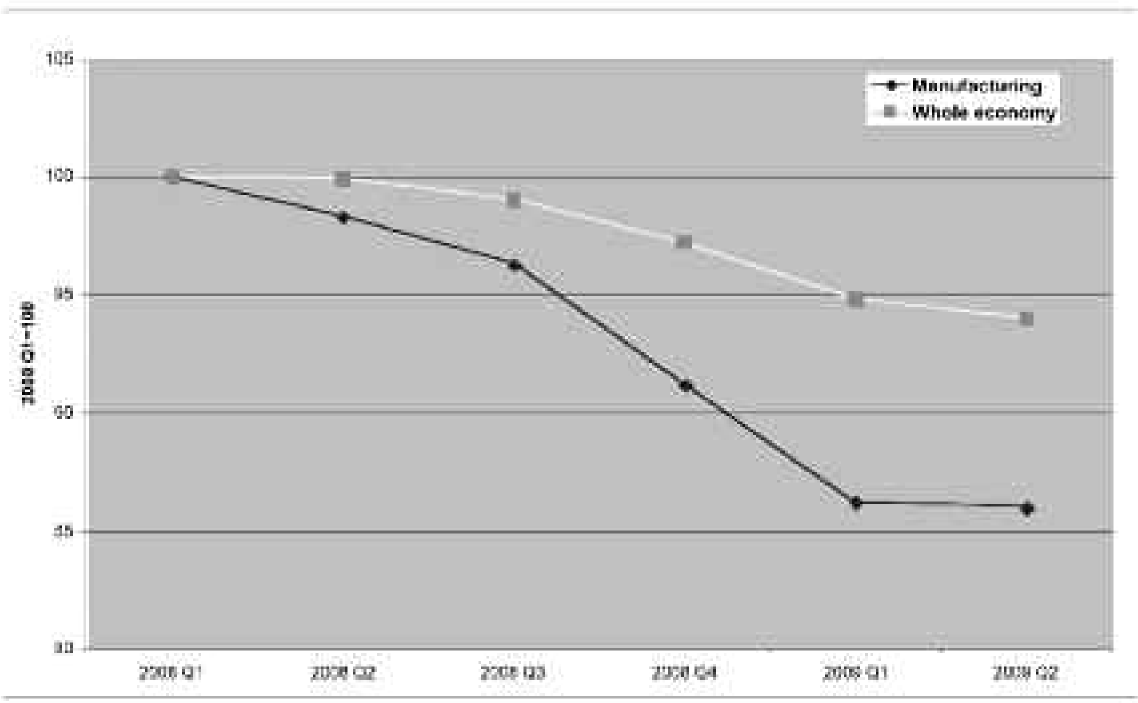
The policies put in place by the government since the autumn of 2008 have probably avoided a repeat of the Great Depression of the 1930s. There is evidence, indeed, that the worst of the recession may now have passed. However, in industrial Britain the damage of the recession needs to be addressed, and the policies need to be put in place to ensure that these places can play a key role in leading the UK into a new period of economic growth.

2. National trends in the recession

Output

Figure 1 shows the fall in UK manufacturing output between the first quarter of 2008 and the second quarter of 2009. The figures are contrasted with the fall in output in the whole economy, which also includes the service sector.

Figure 1 : Trends in UK economic output, 2008 - 2009



Although the overall fall in national output during the recession has been large – some 6 per cent – the fall in manufacturing output has been substantially greater – around 13 per cent between the beginning of 2008 and its trough in the spring of 2009.

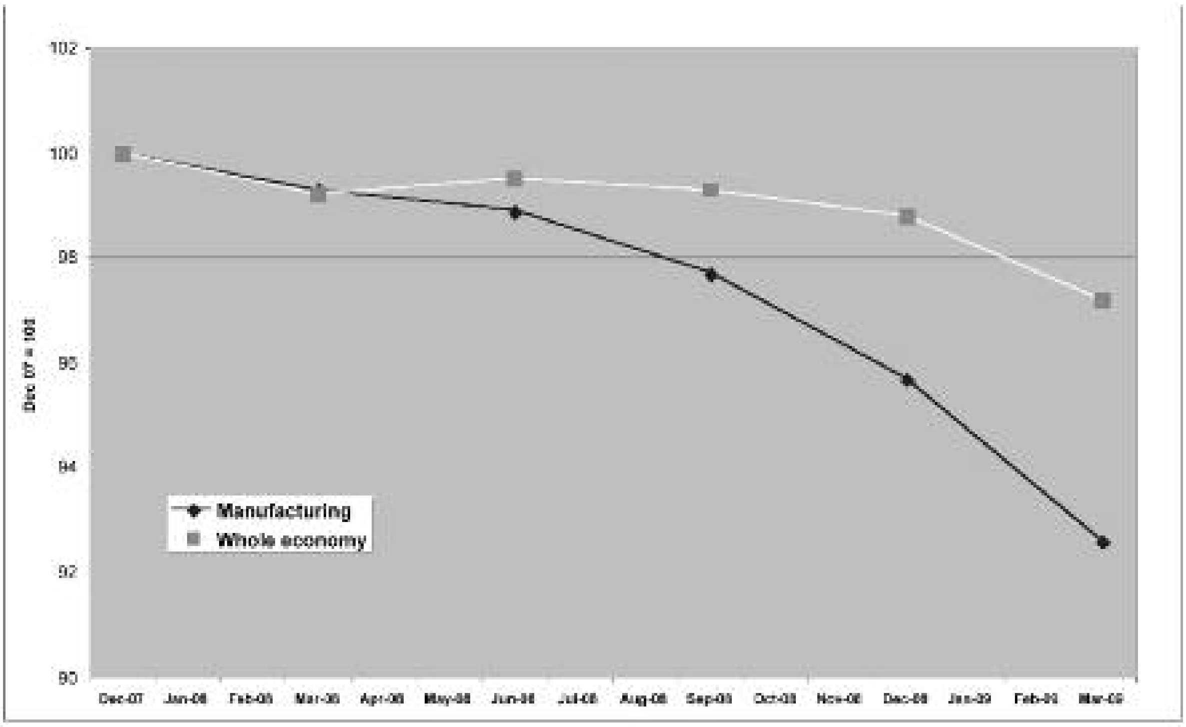
Manufacturing output was already beginning to slide during 2008 prior to the banking crisis. Output then fell extremely sharply in the latter part of 2008 and in early 2009. There are more recent signs of recovery, but manufacturing output still remains well below pre-recession levels.

The places where industry remains a major employer were always going to be hit hardest by this big fall in manufacturing output.

Employment

Running alongside the fall in output there has been a fall in employment. Figure 2 shows trends in the number of employee jobs in the whole economy and in the manufacturing sector between December 2007 and June 2009.

Figure 2 : UK employee jobs, 2008 - 2009



Overall, the number of jobs in the economy is down by around 3 per cent – less than the fall in GDP - but employment levels tend to lag behind output levels so there is a distinct possibility that employment will fall further in the coming months.

Manufacturing jobs, in contrast, have fallen by around 7 per cent – still substantially less than manufacturing output, but more than twice as fast as employment in the economy as a whole.

In total, manufacturing shed more than 200,000 jobs between December 2007 and June 2009. This is more than one-in-four of all the jobs lost during the recession – from a sector that represents only one-in-ten of the jobs in the national economy.

Recorded unemployment

The government has two official measures of unemployment:

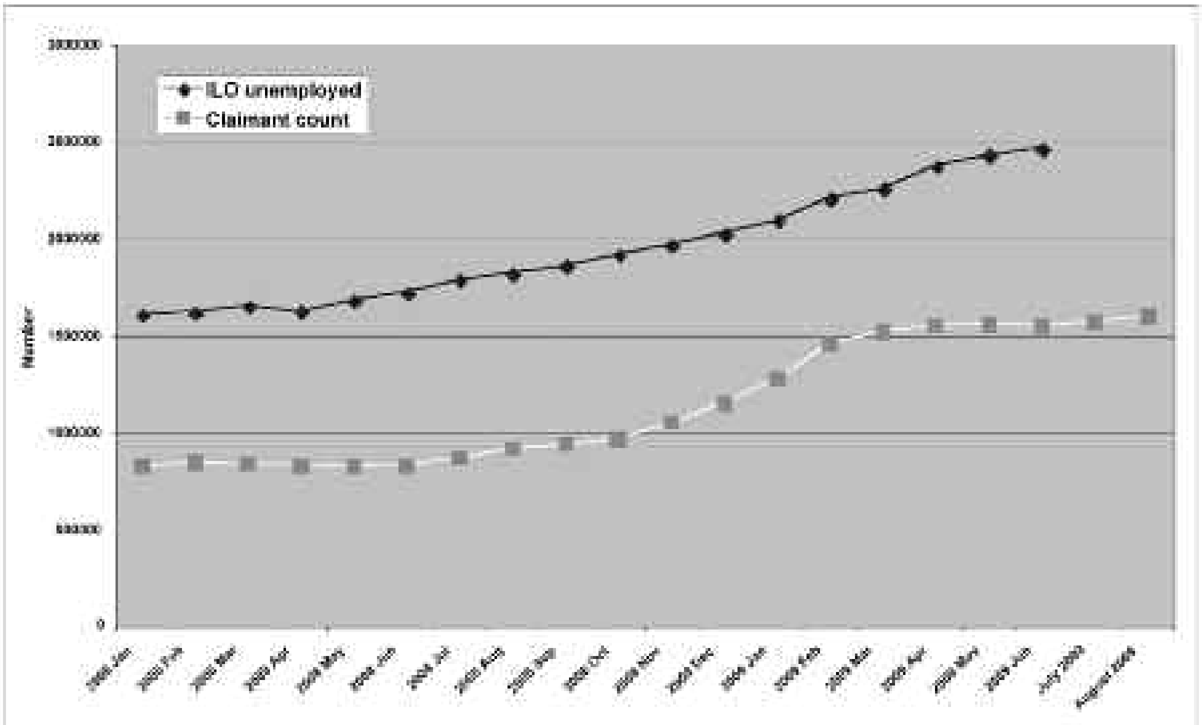
- The *claimant count*. This is the number of people claiming Jobseeker's Allowance[4]. The figures are published monthly and are available for local areas, so they tend to be widely quoted.

- The *ILO measure of unemployment*, derived from the Labour Force Survey. This uses the International Labour Organisation (ILO) definition of unemployment – an individual must be out-of-work, have looked for work within the last four weeks, and be available to start work within two weeks. They need not be claiming unemployment-related benefits. The ILO unemployment figures are published a couple of months in arrears of the claimant count and, because they are based on a survey sample, there are no reliable figures at the local scale.

The ILO measure is in theory the government's preferred measure of unemployment and the national figures are now widely quoted each month. Most commentaries on local unemployment, however, still rely on the claimant count.

Figure 3 shows claimant and ILO unemployment between January 2008 and August 2009.

Figure 3 : UK unemployment 2008 - 09



[4] The claimant count also includes very small numbers who are ineligible for Jobseeker's Allowance but still sign-on and receive National Insurance credits for unemployment.

ILO unemployment tends to be higher than the claimant count, but both measures have increased substantially since the onset of recession. The gap between the two measures has also widened, indicating that the number of unemployed who are not claiming unemployment benefits has increased.

In August 2009, the claimant count measure of unemployment for the UK as a whole stood at 1.6m. In the May-July quarter, the ILO measure of unemployment stood at just under 2.5m.

3. The real level of unemployment

How unemployment becomes hidden

The unemployment figures that are nearly always quoted for local areas are for the claimant count – that is, the number of people claiming Jobseeker's Allowance. Since these are the only up-to-date local figures available, local authorities and others draw heavily upon them. However, the claimant count massively understates the true scale of unemployment. It also understates the extent of disparities around the country.

The claimant count is the component of local unemployment that is 'visible'*.* The rest is 'hidden'.

There are two main components to hidden unemployment. The first is made up of the men and women who count as unemployed on the wider ILO measure but are excluded from the claimant count. They are out-of-work, looking for work and available to start work (the ILO criteria) but they don't claim Jobseeker's Allowance. This arises in a number of ways. In particular, Jobseeker's Allowance is means-tested after six months for all claimants and from day one for many others, so for many of the unemployed it is not worthwhile signing on. Their partner's earnings, for example, will disqualify them from JSA. Large numbers of women, in particular, find themselves in this position. A pension from a former employer or significant savings would usually have the same effect.

A decade or so ago there wasn't much difference between the numbers of unemployed recorded by the claimant count and the ILO measure. But the gap has grown over the years and widen still further during the present recession. In summer 2009 it stood at around 875,000. Since the government officially prefers the ILO measure of unemployment, these non-claimant unemployed need to be added to the local claimant count.

The other big component of hidden unemployment is made up of the men and women who have been diverted onto incapacity benefits[5]. For the jobless with health problems or disabilities, the difference in benefit payment rates creates an incentive to claim incapacity benefits rather than JSA. The main difference is the much smaller extent of means testing. For example, a partner's earnings are not deducted from Incapacity Benefit entitlement in the way they would be from JSA. In addition, being an incapacity claimant involves a great deal less hassle: you don't have to sign on every fortnight, and you don't have to prove that you are looking for work.

[5] In this context 'incapacity benefits' refers to those who claim Incapacity Benefit (including 'NI credits-only' IB claimants who mostly receive Income Support), Employment and Support Allowance (which is gradually replacing IB) and Severe Disablement Allowance.

Furthermore, to qualify for incapacity benefits a claimant does not have to prove that they are incapable of all work in all circumstances. They simply have to demonstrate a sufficient degree of ill health or disability to be not required to look for work.

The result is that large numbers of unemployed men and women have ended up on incapacity benefits. There is nothing fraudulent about this process – indeed, all longer-term claims have to be authorised by medical practitioners working on behalf of DWP – but the effect is to mask the true scale of unemployment[6].

Across Britain as a whole there are presently around 2.6m non-employed working-age incapacity claimants – around 1m more than the number of claimant unemployed, even at a time of recession. Not all of these incapacity claimants can be regarded as 'hidden unemployed' of course. Some are too ill to work in virtually any circumstances. Nor are most of them active jobseekers. In practice, many of the men and women on incapacity benefits recognise that they face formidable obstacles to finding a job – age and low skills as well as poor health – and give up looking.

However, in a series of reports[7] researchers at Sheffield Hallam University have estimated that around 1m *"could reasonably be expected to have been in work in a genuinely fully employed economy"*. These are the men and women on incapacity benefits who should really be regarded as 'hidden unemployed'.

According to these figures, the hidden unemployed actually comprise a minority of the headline total of 2.6m incapacity claimants. In effect, the estimates suggest that around 1.6m would remain on incapacity benefits in just about any labour market circumstances. The Sheffield Hallam estimates are based on comparisons with incapacity claimant rates in prosperous parts of southern England, where far fewer men and women claim IB, and allow for underlying differences between places in the extent of incapacitating ill health.

The government has never formally acknowledged the scale of this hidden unemployment on incapacity benefits. However, there is a remarkable coincidence between the Sheffield Hallam estimates and the government's stated target of a 1m reduction in the number of incapacity claimants by 2016[8].

The hidden unemployed on incapacity benefits, along with the non-claimant unemployed identified by the ILO measure, need to be added to the claimant count to provide a full picture of the real level of unemployment. The figures presented here up-date the Sheffield Hallam estimates of 'real unemployment' to August 2009[9]. The

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[6] Very few incapacity benefit claimants actually look for work, partly because they think there is little suitable work for them and sometimes because they fear that to look for work would bring into question their benefit status. Very few incapacity claimants therefore meet the ILO unemployment criteria, so there is negligible overlap between the hidden unemployed on incapacity benefits and the ILO unemployed.

[7] The most recent in the series, which began in 1997, is C Beatty, S Fothergill, T Gore and R Powell (2007) *The Real level of Unemployment 2007*, CRESR, Sheffield Hallam University.

[8] Department for Work and Pensions (2006) *A New Deal for Welfare: empowering people to work*, DWP, London.

[9] The Alliance is particularly indebted to Christina Beatty, from the Centre for Regional Economic and Social Research at Sheffield Hallam University, for her assistance in compiling the estimates presented here.

figures provide the most up-to-date and comprehensive assessment of the scale of unemployment in industrial Britain in the wake of recession.

National overview

Table 1 presents estimates of the real level of unemployment across Britain as a whole. The figures for January 2007 were hitherto the most recent published estimates by Sheffield Hallam University. The figures for August 2009 are new[10]. The table also shows the three components that make up the real level of unemployment.

Table 1 : Claimant and real unemployment, Great Britain

	January 2007	August 2009	Change
Claimant count	939,000	1,549,000	+610,000
Additional ILO unemployed	650,000	875,000	+225,000
Hidden on incapacity benefits	1,010,000	940,000	- 70,000
REAL UNEMPLOYMENT	2,600,000	3,365,000	+765,000

Sources : ONS and Sheffield Hallam University

The real level of unemployment in January 2007 was estimated to be 2.6m, of whom 1m were hidden on incapacity benefits. The real level of unemployment in August 2009 is estimated to be nearer 3.4m – an increase of approaching 0.8m[11].

The biggest increase has been in 'visible' unemployment on the claimant count, up by just over 600,000 since the beginning of 2007. Unemployment on the wider ILO measure has grown more quickly than the claimant count, as economic commentators have noted. This widening gap represents an additional 225,000 extra

[10] The 'credit crunch' began in August 2007, the UK economy started to contract in the second quarter of 2008, and the most severe phase of recession, associated with the banking crisis, began in September 2008. The view of unemployment presented here covers a rather longer period (January 2007 to August 2009) but this is unlikely to affect the main conclusions.

[11] The figures for both years are calculated by identical methods and are fully comparable. The August 2009 figures combine claimant count unemployment data for that month with ILO unemployment data for May to July 2009 and incapacity benefit data (including ESA claimants) for February 2009. The 'benchmark' IB claimant rate in fully-employed areas in southern England, included as part of the hidden unemployment calculations, uses data for February 2008 rather than later figures in order to exclude the impact of recession. Full details of the data sources and methods can be found in C Beatty et al (2007) op cit.

unemployed. By contrast, hidden unemployment on incapacity benefits has declined slightly, by an estimated 70,000, but still remains not far short of 1m.

The net effect of these changes is that the real level of unemployment has grown by around 150,000 more than the clamant count.

The rapid growth in the claimant count means that it now accounts for a higher proportion of total unemployment than was the case prior to the recession. Even so, in August 2009 the 1.55m claimant unemployed still accounted for less than half the estimated real level of unemployment of 3.37m.

The enormous scale of hidden unemployment implied by these figures – around 1.8m – has major implications for the measurement of unemployment in local areas up and down the country.

Unemployment in industrial Britain before the recession

Before the recession, there was a widespread myth that the British economy was operating at or near full employment. In reality, substantial parts of southern England and a few other places did achieve very low levels of unemployment. However, in older industrial Britain worklessness remained widespread and the economy never did reach full employment.

To illustrate this point, Table 2 shows the Sheffield Hallam estimates[12] of real unemployment in January 2007 in Alliance member authorities and a number of other industrial areas. As in the national figures presented earlier, real unemployment in all these areas comprises three elements:

- Claimant count unemployed
- Additional ILO unemployed (ie non-claimants)
- Hidden unemployed on incapacity benefits

The calculations underpinning the estimates of real unemployment were carried out separately for each district using official statistics, including benefits data for each area.

Three important points emerge from this table:

- In just about all the local authorities listed here, the real level of unemployment prior to the recession was far from negligible. This is because although many areas recorded quite low claimant unemployment – much lower, indeed, than in the 1980s and early 1990s – in older industrial areas substantial numbers of unemployed had become hidden on incapacity benefits.

[12] C Beatty et al (2007) op cit.

Table 2 : The real level of unemployment before the recession (January 2007)

(Alliance member authorities and selected other industrial areas)

	per cent		per cent
NORTH EAST		MIDLANDS & SOUTH (cont)	
Co Durham	9.2	Corby	9.8
Gateshead	9.6	Derbyshire	7.2
Hartlepool	14.4	Dover	7.3
Middlesbrough	13.8	Forest of Dean	5.3
N Tyneside	8.5	Kent	5.5
Northumberland	7.4	Mansfield	11.2
Redcar & Cleveland	10.9	N Warwickshire	4.8
S Tyneside	11.9	NE Derbyshire	7.5
Stockton on Tees	8.3	Newcastle under Lyme	6.7
Sunderland	10.8	Nottinghamshire	7.5
		Staffordshire	5.5
NORTH WEST		Staffs Moorlands	5.2
Allerdale	6.8	Stoke on Trent	12.1
Barrow in Furness	13.4	Walsall	10.1
Blackburn	10.4	Wolverhampton	11.6
Bolton	9.3		
Burnley	10.8	WALES	
Copeland	9.0	Blaenau Gwent	15.9
Halton	11.9	Bridgend	10.1
Knowsley	14.9	Caerphilly	12.9
Salford	10.5	Carmarthenshire	9.9
St Helens	10.7	Flintshire	6.7
Warrington	5.4	Merthyr Tydfil	15.3
Wigan	9.4	Neath Port Talbot	13.6
		Newport	9.3
YORKSHIRE & HUMBER		Powys	5.0
Barnsley	11.6	Rhondda Cynon Taff	11.7
Doncaster	9.5	Swansea	9.6
Leeds	6.4	Torfaen	9.4
NE Lincolnshire	8.8		
N Lincolnshire	7.2	SCOTLAND	
Rotherham	9.0	Clackmannanshire	11.5
Selby	4.2	Dumfries & Galloway	7.5
Sheffield	7.5	E Ayrshire	10.6
Wakefield	9.0	E Lothian	5.2
		Falkirk	8.7
MIDLANDS & SOUTH		Fife	8.6
Ashfield	9.3	Glasgow	14.0
Bassetlaw	9.7	Inverclyde	13.0
Bolsover	11.3	Midlothian	6.7
Cannock Chase	7.4	N Lanarkshire	10.8
Chesterfield	10.4	S Lanarkshire	9.1
		W Lothian	7.8
GB AVERAGE	7.2		

Source : Sheffield Hallam University

- Only around one in five of the mainly industrial areas listed here had a real level of unemployment that was at or below the national average prior to the recession.

- More than a third of the areas in the table were estimated to have a real level of unemployment in excess of 10 per cent, even prior to the onset of recession.

The key point is that most of industrial Britain entered the present recession with substantial unemployment. Even at the end of the long economic boom, these areas were still some way off full employment.

The increase in unemployment during the recession

Table 3 shows the estimated increase in the real level of unemployment in this same group of local authorities between January 2007 and August 2009. The figures again combine claimant unemployment, the additional ILO unemployed, and the hidden unemployed on incapacity benefits. The estimates for August 2009 are new, published here for the first time.

A number of commentators, such as the Audit Commission[13] and the Local Government Association[14], have already noted that, in England at least, some of the largest increases in claimant unemployment have occurred in the places where claimant unemployment was already highest, and that many of these are in older industrial Britain. Taking a wider view of unemployment, and including Scotland and Wales as well, the estimated increases in real unemployment present a more complex picture:

- In more than half the mainly industrial districts and counties listed in Table 3 the increase in the real rate of unemployment has been greater than the national (GB) average.

- There is clear evidence that industrial areas in parts of England have been hit particularly hard. All the districts in Yorkshire and the Humber listed here, and all the districts In the North West (with the exception of those in Cumbria) have experienced above-average increases in real unemployment.

- Industrial areas in the West Midlands appear to have been hit especially hard.

- In contrast, the picture in Scotland and Wales is more mixed, with some districts faring better than the GB average and others somewhat worse.

- There is only one district here – Barrow in Furness – where real unemployment is estimated to have fallen, and then only very marginally.

[13] Audit Commission (2009) *When It Comes To The Crunch: how local councils are responding to the recession*, Audit Commission, London.
[14] Local Government Association (2009) *The Growth of Unemployment by Broad Occupation and Area*, LGA, London.

Table 3 : The increase in real unemployment, January 2007 to August 2009

(Alliance member authorities and selected other industrial areas)

	no.	% point increase		no.	% point increase
NORTH EAST			MIDLANDS & S (cont)		
Co Durham	7,400	2.3	Corby	1,200	2.9
Gateshead	2,500	2.2	Derbyshire	6,800	1.5
Hartlepool	1,200	1.8	Dover	400	0.7
Middlesbrough	1,800	1.8	Forest of Dean	1,300	2.8
N Tyneside	2,200	1.5	Kent	12,600	1.5
Northumberland	2,400	1.3	Mansfield	1,100	1.6
Redcar & Cleveland	1,600	1.9	N Warwickshire	1,300	3.4
S Tyneside	1,800	1.7	NE Derbyshire	800	1.4
Stockton on Tees	3,300	2.5	Newcastle under Lyme	2,500	3.2
Sunderland	4,200	2.5	Nottinghamshire	6,700	1.4
			Staffordshire	16,800	3.3
NORTH WEST			Staffs Moorlands	1,400	2.6
Allerdale	600	1.4	Stoke on Trent	4,800	3.1
Barrow in Furness	-30	-0.1	Walsall	6,500	4.2
Blackburn	2,500	2.8	Wolverhampton	6,200	4.5
Bolton	4,800	3.3			
Burnley	1,300	2.4	WALES		
Copeland	400	1.2	Blaenau Gwent	900	2.0
Halton	2,000	2.6	Bridgend	2,100	2.2
Knowsley	2,100	1.9	Caerphilly	1,800	1.6
Salford	3,400	2.0	Carmarthenshire	800	0.8
St Helens	2,700	2.4	Flintshire	1,900	2.1
Warrington	3,400	2.8	Merthyr Tydfil	600	1.1
Wigan	5,000	2.7	Neath Port Talbot	1,300	1.3
			Newport	2,400	2.7
YORKSHIRE & HUMBER			Powys	1,200	1.7
Barnsley	3,700	2.5	Rhondda Cynon Taff	2,800	1.8
Doncaster	5,600	3.1	Swansea	2,700	1.8
Leeds	13,700	2.1	Torfaen	1,400	2.6
NE Lincolnshire	3,300	3.4			
N Lincolnshire	3,000	3.0	SCOTLAND		
Rotherham	5,700	3.7	Clackmannanshire	600	1.3
Selby	1,200	2.1	Dumfries & Galloway	900	1.2
Sheffield	8.400	2.2	E Ayrshire	1,500	2.0
Wakefield	5,100	2.5	E Lothian	1,200	1.9
			Falkirk	2,000	2.0
MIDLANDS & SOUTH			Fife	3,900	1.7
Ashfield	1,300	1.7	Glasgow	5,900	1.1
Bassetlaw	600	0.8	Inverclyde	600	1.3
Bolsover	500	1.0	Midlothian	1,000	1.9
Cannock Chase	2,600	4.2	N Lanarkshire	4,400	2.1
Chesterfield	700	1.1	S Lanarkshire	4,400	2.2
			W Lothian	2,600	2.2
GREAT BRITAIN	765,000	1.9			

Source : Sheffield Hallam University

The complexity of some of these patterns will reflect not only the impact of recession and specific local factors but also the simultaneous impact of welfare reform. For example, trends in a number of authorities with exceptionally high incapacity claimant rates will have been influenced by the roll-out of the Pathways to Work initiative, which provides enhanced support to new claimants to rejoin the labour market, and also by the introduction of the new Employment and Support Allowance, which introduces tougher eligibility criteria.

The real level of unemployment, August 2009

Table 4 shows the estimated real rate of unemployment in August 2009 in this group of mainly industrial areas. The table also contrasts these estimates with the claimant unemployment rate in the same places. Once more, ‘real unemployment’ adds in the non-claimant unemployed (identified by the Labour Force Survey using the ILO criteria) and the hidden unemployed on incapacity benefits.

The contrast between the two measures of unemployment is striking:

- On the whole, the claimant unemployment rate in most industrial areas remains surprisingly modest, typically in the 3 to 7 per cent range – higher than is acceptable, higher than before the recession, but far below the sorts of levels that were reached during the recessions of the 1980s and early 1990s.

- But in contrast, the real level of unemployment in industrial Britain is far higher, typically in the 8 to 15 per cent range. 53 of the 75 of the districts and counties listed here have a real level of unemployment in excess of 10 per cent.

What these figures tell us is, first, that the claimant count is a highly misleading measure of local unemployment. It is reliable in counting the number of people out-of-work and claiming Jobseeker’s Allowance, but they are only part of the overall stock. The claimant count massively understates the scale of the unemployment problem, nationally and locally. As a rule of thumb, in industrial Britain in August 2009, the real level of unemployment was rather more than double the claimant count.

Second, the figures tell us that in industrial Britain the recession has made an already worrying unemployment problem much worse. These areas did not enter the recession with full employment. They already had large numbers of unemployed, many parked on incapacity benefits or pushed out of the benefits system altogether. The recession has now hoisted the real level of unemployment to disturbing levels.

Table 4 : The real level of unemployment, August 2009

(Alliance member authorities and selected other industrial areas)

	Claimant count (%)	Real unemp. (%)		Claimant count (%)	Real unemp. (%)
NORTH EAST			MIDLANDS & S (cont)		
Co Durham	4.7	11.6	Corby	6.0	12.7
Gateshead	5.3	11.7	Derbyshire	3.8	8.6
Hartlepool	6.9	16.1	Dover	3.5	8.0
Middlesbrough	7.3	15.6	Forest of Dean	3.5	8.1
N Tyneside	4.9	9.9	Kent	3.3	6.9
Northumberland	4.0	8.8	Mansfield	4.5	12.8
Redcar & Cleveland	6.2	12.8	N Warwickshire	4.0	8.2
S Tyneside	6.7	13.6	NE Derbyshire	3.8	8.9
Stockton on Tees	5.5	10.8	Newcastle under Lyme	3.9	9.8
Sunderland	6.0	13.3	Nottinghamshire	3.5	8.8
			Staffordshire	3.8	8.9
NORTH WEST			Staffs Moorlands	2.7	7.8
Allerdale	3.1	8.2	Stoke on Trent	6.0	15.3
Barrow in Furness	3.7	12.9	Walsall	7.3	14.3
Blackburn	5.0	13.2	Wolverhampton	8.1	16.1
Bolton	5.2	12.6			
Burnley	4.9	13.2	WALES		
Copeland	3.3	10.3	Blaenau Gwent	8.0	17.9
Halton	6.1	14.6	Bridgend	4.8	12.3
Knowsley	6.8	16.7	Caerphilly	5.7	14.5
Salford	5.3	12.5	Carmarthenshire	3.5	10.7
St Helens	5.3	13.0	Flintshire	3.9	8.9
Warrington	4.2	8.2	Merthyr Tydfil	7.1	16.5
Wigan	5.2	12.1	Neath Port Talbot	4.6	14.9
			Newport	5.8	12.0
YORKSHIRE & HUMBER			Powys	2.9	6.7
Barnsley	5.6	14.1	Rhondda Cynon Taff	5.1	13.5
Doncaster	5.8	12.6	Swansea	4.3	11.4
Leeds	4.8	8.5	Torfaen	5.3	12.0
NE Lincolnshire	6.4	12.2			
N Lincolnshire	5.1	10.2	SCOTLAND		
Rotherham	5.7	12.7	Clackmannanshire	5.1	12.8
Selby	3.4	6.3	Dumfries & Galloway	3.5	8.7
Sheffield	4.8	9.6	E Ayrshire	5.8	12.6
Wakefield	4.7	11.5	E Lothian	3.0	7.1
			Falkirk	4.5	10.6
MIDLANDS & SOUTH			Fife	4.8	10.3
Ashfield	4.5	11.0	Glasgow	6.1	15.1
Bassetlaw	3.5	10.5	Inverclyde	5.8	14.3
Bolsover	4.5	12.3	Midlothian	3.5	8.6
Cannock Chase	5.2	11.6	N Lanarkshire	5.5	12.9
Chesterfield	4.7	11.5	S Lanarkshire	4.7	11.3
			W Lothian	4.4	10.0
GREAT BRITAIN	4.2	9.1			

Sources : ONS and Sheffield Hallam University

To underline the point, Table 5 lists the highest and lowest local authority districts across Britain in terms of their estimated real rate of unemployment in August 2009. The top 20 districts in this list reads like a roll-call of Britain's industrial heartlands. Not a single one of the top 20 is located south of a line from The Wash to the Severn. The bottom 10 districts, where the real rate of unemployment is only a quarter that in top 20, are nearly all in southern England.

Table 5 : The real level of unemployment, August 2009 : highest and lowest districts in Britain

		Real unemployment (%)
Top 20		
1.	Blaenau Gwent	17.9
2.	Liverpool	16.8
3.	Knowsley	16.7
4.	Merthyr Tydfil	16.5
5.	Hartlepool	16.1
6.	Wolverhampton	16.1
7.	Middlesbrough	15.6
8.	Sandwell	15.4
9.	Stoke on Trent	15.3
10.	Glasgow	15.1
11.	Neath Port Talbot	14.9
12.	Birmingham	14.9
13.	Halton	14.6
14.	Caerphilly	14.5
15.	W Dunbartonshire	14.5
16.	Rochdale	14.4
17.	Inverclyde	14.3
18.	Walsall	14.3
19.	Barnsley	14.1
20.	Hull	14.1
Bottom 10		
370.	Wealden (Sussex)	4.1
371.	Mole Valley (Surrey)	4.0
372.	Winchester (Hants)	4.0
373.	Runnymede (Surrey)	4.0
374.	W Oxfordshire	3.9
375.	Waverley (Surrey)	3.9
376	Elmbridge (Surrey)	3.8
377.	Hart (Hants)	3.8
378.	Rutland	3.8
379	Orkney Islands	3.3

Source : Sheffield Hallam University

4. What's needed?

The government was right to introduce a raft of emergency initiatives, including the bailout of the banks, to avoid the economy plunging into a depression like the one in the 1930s. A stimulus of this magnitude, since repeated in many other countries, will have a positive impact.

For Britain's older industrial areas, which never did achieve full employment and which have suffered grievously during the recession, the policies now need to be put in place that will allow recovery.

Five proposals are outlined here.

PROPOSAL 1: Re-balance the national economy

The old model of economic growth, based on ever-rising personal and corporate debt and the expansion of the financial services sector, is surely bankrupt. It reached its limits in the final stages of the long boom. There is no appetite, or capability, for more debt-fuelled spending.

Future economic growth needs to be more solidly based, which means rooting consumer spending in incomes generated in the production of goods and services. Manufacturing has a key role to play in this respect, and the fall in the sterling exchange rate is excellent news in that it makes UK exports more competitive.

Re-prioritising manufacturing industry would be good news for the national economy, which still operates a massive trading deficit with the rest of the world. It would also be particularly good news for Britain's industrial areas. These places have for too long been by-passed. But for the future they can offer plentiful labour, plentiful supplies of development land and, in some cases, a surprisingly large manufacturing sector on which to base future economic growth.

This is not about 'picking winners'. There is an understandable concern, for example, to reposition industry to take advantage of low-carbon opportunities. But it should also be recognised that the potential contribution of manufacturing goes much wider, including high-tech and knowledge-based industries as well as the more hum-drum and traditional.

PROPOSAL 2: A short-time working subsidy

If manufacturing industry is to be in a position to lead a new era of economic growth, productive capacity needs to be kept intact. The recession is not over quite yet. More to the point, perhaps, production levels are still way below capacity.

The TUC and the Federation of Small Business, in particular, have been calling for a short-time working subsidy for some months. Such a scheme would encourage employers to retain skilled workers by reducing working hours. It would keep capacity intact. This approach has been adopted in France and Germany, and scheme is available in Wales to small firms.

The TUC has estimated the net cost of a subsidy at £1.2 billion a year. This is based on up to 600,000 workers each year receiving support. The proposal takes into account income tax revenue, National Insurance contributions and savings on unemployment benefits. Compared to the support given to the financial sector, the sums are modest

As the very worst of the downturn passes the demand for a short-time working subsidy will ease. Some car plants, for example, have resumed production after a break. But a short-time working subsidy would still remain a powerful tool in the armoury of economic policy. The steel industry, for example, might be a prime candidate for help, as illustrated by the continuing crisis on Teesside, where a highly productive modern plant remains under threat because of the downturn in demand.

PROPOSAL 3: More support for the workless

There are three aspects to the need for support for the workless. Each has training at the core.

First, unemployed young people need to be routed into work as soon as possible. This work needs to have an integrated training element to help with longer-term employability. The government has introduced the Future Jobs Fund, which will run until March 2011. This is intended to provide temporary employment for 100,000 young people and is a welcome contribution.

Second, older workers with skills need to be found opportunities to receive further training to adapt to a changing industrial landscape. A short-time working subsidy, of the kind proposed above, could involve training initiatives to make productive use of down-time.

Third, support for the long-term, harder-to-reach benefit claimants should be maintained. In an economic downturn it would be all too easy to give no priority to these people and write-off their potential and aspirations to eventually return to work.

PROPOSAL 4: Local delivery

Recovery from recession will be partly dependent on global and national policies. Yet the impact of the recession is not the same from country to country, region to region or locality to locality. The demographics, industrial structure and skills levels vary from place to place.

It is therefore important that full consideration is given to empowering regional and local organisations to deliver the right policies for each locality, bringing to bear local knowledge, experience and expertise.

Local authorities have a crucial role to play here. They are increasingly being asked by government to develop local economic strategies, to co-ordinate the contributions of other public sector players, and to involve the private and voluntary sector. They are increasingly experienced in doing all this. But they are all too often starved of the financial resources that allow them to make a powerful contribution to economic development in their own right.

PROPOSAL 5: Prioritise jobs

In the latter stages of the long economic boom it became fashionable for central government to talk as if full employment had already been created, and to develop new initiatives and policies on the assumption that there were plenty of jobs for everyone. The Treasury emphasised the need to raise ‘productivity’ rather than ‘employment’. The Department for Work and Pensions developed new programmes to try to move claimants back to work without worrying about where all the new jobs would come from.

The assumption of full employment was always profoundly wrong in Britain’s older industrial areas, where so much worklessness remained hidden from official statistics. The recession has now blown the myth apart. Just as in the recessions of the1980s and 1990s, there is now an obvious need to prioritise job creation.

‘More jobs’ – and perhaps more specifically, ‘More jobs where they are needed most’ – needs to become the new mantra in Whitehall and Westminster, Edinburgh and Cardiff.

Case study of recession: REDCAR & CLEVELAND

Redcar and Cleveland, on the north east coast of England, has a population of 139,000. The local authority area covers the eastern part of the Teesside conurbation and includes one of the largest concentrations of heavy industry in the country.

The employment rate In Redcar and Cleveland is around 8 percentage points lower than the national average and before the recession more than 17 percent of jobs were in manufacturing. Nearly 14,000 people of working age in the borough have no formal qualifications.

The crisis in the steel industry triggered by the recession is particularly concerning for the area. The collapse of the 'off-take' agreement for 80 per cent of the output of Teesside Cast Products – a subsidiary of steel giant Corus, itself now a subsidiary of the Indian conglomerate Tata - threatens the whole future of local steel-making. The planned mothballing of the plant would lead directly to the loss of up to 2,000 jobs and a further 1,500 contract workers. There would also be knock-on consequences. For example, 600 port workers have received letters warning of likely redundancies. The port handles around two million tonnes a year of steel from Teesside Cast Products.

Keeping steel production costs down relies on continuous high volume production. The blast furnace has been operating at just 60 per cent of capacity with short-time reduced shift patterns. There have been efforts to keep the plant in production and an internal Corus order for 400,000 tonnes has helped. Yet the future of the huge site is still very much in doubt.

The recession is also having an impact on local chemical plants. In July 2009, Artenius announced 130 job cuts from a workforce of 240. Earlier, the chemical company Dow announced it would pull out of Teesside in 2010 with the loss of 260 jobs. Croda, which relies on Dow for feedstock, consequently said production would have to move to another site. Trade unions fear the job losses could run to over 3000 because of the interdependence of the chemical plants in the area.

It is estimated that in January 2007 the real unemployment figure in Redcar & Cleveland was 9,000, or 10.9 per cent of the working age population.

It is estimated that the real level of unemployment is now 10,600, or 12.8 per cent.

Case study of recession: ROTHERHAM

Rotherham, in South Yorkshire, has population of 253,000. Situated east of Sheffield in the Don valley, the area has been dominated by steel and metal working for over a century. The coal industry was also hugely important in parts of the borough until the pit closures of the 1980s and 90s. Rotherham is a town that has had more than its fair share of problems as these major industries have contracted.

Before the present recession, manufacturing accounted for 15 per cent of employment. The employment rate was about 4 percentage points below the national average. Over 16 per cent of the working age population have no formal qualifications.

Job losses during the current down turn have occurred in manufacturing and services but the main blow to the local economy has been the job losses announced by the steel company Corus. Around 1,500 jobs have been lost leaving just 1,100 at three plants. The cuts are part of the Corus “fit for the future approach” to try to maintain capacity for a recovery. Nevertheless, there are fears that the Rotherham plants may not feature in the global plans of the parent company Tata, based in India. The fall in UK demand for Rotherham engineering steels may prove difficult to turn around.

A conservative estimate of the impact on the supply chain of these job cuts is that there will be at least 3,000 additional job losses.

It is estimated that in January 2007 the real unemployment figure in Rotherham was 14,000, or 9 per cent of the working age population.

It is estimated that the real level of unemployment is now 19,700, or 12.7 per cent.

Case study of recession: EAST AYRSHIRE

East Ayrshire, in the south west of Scotland, covers Kilmarnock and most of the former Ayrshire coalfield. The local authority has a population of 120,000.

Prior to the recession, manufacturing accounted for 13 per cent of the jobs in the area. 12,200 people of working age had no formal qualifications.

In July 2009 Diageo Ltd announced its intention to close its packaging plant in Kilmarnock within the next two years with the loss of approximately 700 jobs. Diageo also plans to contract out its warehouse in nearby Hurlford by early 2010, affecting a further 64 people.

Diageo may not be a household name but it is the multinational drinks company behind brands such as Smirnoff and Guinness. In Scotland alone it operates 28 malt whisky distilleries and two grain distilleries, with many bottling, packaging and distribution centres including the one in Kilmarnock. It employs around 4,500 people in Scotland and exports 85 per cent of its production.

The iconic brand of Johnnie Walker whisky has been associated with Kilmarnock since 1820 and generations of families have shown tremendous commitment and loyalty to the company. East Ayrshire Council is acutely aware that the economic impact of the closure on Kilmarnock and the wider area will be catastrophic and says that Diageo's proposal has the potential to take Kilmarnock to the top of Scotland's unemployment figures. A high profile community campaign, with strong support from the Scottish Government, was undertaken to try to get Diageo to re-think its plans. However, Diageo, to date, has rejected the campaign's proposals.

It is estimated that in January 2007 the real unemployment figure in East Ayrshire was 7,800, or 10.6 per cent of the working age population.

It is estimated that the real level of unemployment is now 9,300, or 12.6 per cent.

Case study of recession: STOKE-ON-TRENT

Stoke-on-Trent, in the West Midlands, is the main city in the North Staffordshire conurbation. Although Stoke is best known for its pottery, other manufacturing industries have also made major contributions to the local economy. Until the 1990s coalmining was a further important sector and, further back in time, steel production too.

The City of Stoke-on-Trent has a population of 240,000. Prior to the recession, the employment rate was 5 percentage points lower than the national average. 18 per cent of jobs were in manufacturing – well above the UK average. The share of adults with no formal qualifications was 11 percentage points above the national average.

The potteries industry around Stoke has been in decline for many decades so it hardly registers as 'news' when jobs disappear, as they do on a regular basis. The biggest recent loss of jobs came at the end of 2008 with around 350 redundancies at Wedgewood. The acceleration of job losses during the recession amongst renowned local companies such as Wedgewood, Churchill, Royal Worcester and Spode appear to some to herald perhaps the final chapter in a centuries-old industry in the area

It is estimated that in January 2007 the real unemployment figure in Stoke was 18,000, or 12.1 per cent of the working age population.

It is estimated that the real level of unemployment is now 22,800, or 15.3 per cent.

Case study of recession: MERTHYR TYDFIL

Merthyr Tydfil, in South Wales, has a population of 56,000. Merthyr has a long industrial past, starting with iron works and going on to coal mining and steel. The last colliery in the borough closed in 1992; the last steel-making came to an end much earlier.

Prior to the recession, the employment rate in Merthyr was already 7 percentage points below the GB average. 17 per cent of jobs were in manufacturing – well above the national average. Some 20 per cent of the working age population had no formal qualifications – 8 percentage points more than the GB average.

The attraction of inward investment has long been a central aspect of regeneration in Merthyr. As long ago as 1948, in the heyday of regional policy in the immediate post-war years, the Hoover company came to Merthyr as part of the efforts to rebuild the economy of the South Wales valleys. For the next 60 years, Hoover was Merthyr's iconic manufacturing plant, employing 5,000 at its peak. However, the plant has been shedding jobs for many years. In 1995 the factory was sold to the Italian company Candy. The town still has some employment with the company, retaining some jobs with headquarters functions, but in March 2009 the factory itself finally closed with the loss of more than 300 jobs.

Those job losses, and their knock-on consequences along the supply chain, serve to paint a grim picture for Merthyr, which already had the dubious distinction of being the district with the highest proportion of its working age population out of the labour market on incapacity benefits – 16 per cent in February 2009.

It is estimated that in January 2007 the real unemployment figure in Merthyr Tydfil was 5,100 or 15.3 per cent.

It is estimated that the real level of unemployment is now 5,700, or 16.5 per cent.

Case study of recession: KNOWSLEY

Knowsley borough, in the North West of England, is part of Merseyside. It covers the outer fringes of the Liverpool conurbation, including Huyton and Kirkby as well as Knowsley itself. The borough has a population of 151,000.

Prior to the recession, Knowsley had an employment rate of just 65 per cent – one of the lowest in the country. The share of jobs in manufacturing was 20 per cent - nearly twice the national average. 24 per cent of the working age population have no formal qualifications – also almost double the national average.

As part of the major efforts in the 1960s to rebuild the Merseyside economy, the Ford Motor Company was persuaded to build a large car plant on the Halewood site within what is now Knowsley borough. At its peak the plant employed some 14,500. The best-selling Ford Escort was built there. Ford eventually bought Jaguar and Land Rover, and in 1998 the plant was converted to build Jaguars and the Land Rover Freelander. In 2008, Ford sold the Jaguar and Land Rover brands to Tata. Responding to a big drop in car sales as a result of the recession, in July 2009 the new owners announced 300 job losses. Production of the Jaguar X-type is to finish at the plant at the end of 2009. It was subsequently announced that a new Range Rover would be built at Halewood – but not until 2011.

It is estimated that in January 2007 the real unemployment figure in Knowsley was 13,500, or 14.9 per cent of the working age population.

It is estimated that the real level of unemployment is now 15,600, or 16.7 per cent.

Alliance National Secretariat
9 Regent Street, Barnsley, South Yorkshire S70 2EG
Tel: 01226 200768

www.industrialcommunitiesalliance.org