

Spatial inequality and skills in a changing economy

Briefing Paper Series

September 2011

Spatial Inequality and Skills in a Changing Economy

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September 2011



Views expressed by the author of this Briefing Paper are not necessarily those of the UK Commission for Employment and Skills.

Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and promote economic growth. Our strategic objectives are to:

- provide outstanding labour market intelligence which helps businesses and people make the best choices for them;
- work with businesses to develop the best market solutions which leverage greater investment in skills;
- maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base.

These strategic objectives are supported by a research programme that provides a robust evidence base for our insights and actions and which draws on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring **'relevance'** to our most pressing strategic priorities; **'salience'** and effectively translating and sharing the key insights we find; **international benchmarking** and drawing insights from good practice abroad; **high quality** analysis which is leading edge, robust and action orientated; being **responsive** to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a **co-ordinated** approach to research.

Equality and employment is an important and well-researched field. The Youth Inquiry (UK Commission 2011) explored questions around the unemployment, recruitment and employer perspectives of young people. In May 2011, Joseph Rowntree Foundation published 'Poverty and ethnicity: a review of evidence' and is launching a fuller programme of in this area. In order to add value to the existing body of research, the UK Commission has developed a series of Briefing Papers with a focus on equality and skills in a changing economy. The aim of the series is to inform and enable connected thinking about how to enable opportunity in the labour market through skills. Each paper provides commentary and analysis for an equality group or theme, these are:

- Disability and skills in a changing economy;
- Gender and skills in a changing economy;
- Low skills and social disadvantage in a changing economy;
- Older people and skills in a changing economy;
- Spatial inequality and skills in a changing economy.

The research focussed on policy in England as the development of the papers received England only funding. However, in order to give breadth and strength to understanding of a subject area the review of literature and data drew on UK data and, occasionally, devolved policy, though not in the conclusions or implications.

Together the Briefing Papers in this series provide insight and understanding into the skills related challenges, needs and opportunities for individuals who are disadvantaged in the labour market. These outputs are only the beginning of the process and we will be continually looking for mechanisms to share our findings, debate the issues they raise and extend their reach and impact.

We would like to take this opportunity to thank all of the authors for their work in developing these papers and add extended thanks to Chris Hasluck provided a coordination and editorial role across the series of equality papers.

We hope you find this paper useful and informative. The other papers in the series can be accessed on the UK Commission's website www.ukces.org.uk. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title.

Lesley Giles

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Executive Summary

This paper uses a range of geographical units at different scales to provide perspectives on spatial inequality. At various scales there is evidence for persistence in spatial patterns of inequality. This reflects the role of economic history in helping shape current patterns of employment and skills and also New Economic Geography thinking which suggests that differentials in employment opportunities are likely to diverge over time.

In relation to spatial inequality there is an important distinction between:

- compositional effects – reflecting the uneven spatial distribution of people with different skills levels and other labour market attributes; and
- area effects - which remain once population composition has been accounted for.

Both are important for a focus on skills and employment in a changing economy.

While all areas have felt the impact of recession its spatial imprint has been uneven. Contrary to initial expectations that London and the South East would be disproportionately hard hit because of their greater than average dependence on financial services, it was regions in the north and midlands that experienced the largest percentage point increases in unemployment rates. For example, between 2008 and 2010 the unemployment rate for people aged between 16 and 64 years in the North East region increased by 3.3 percentage points to 10.0 per cent, compared with a 1.9 percentage point increase in the South East to 6.2 per cent. A positive association between local increases in the claimant count and the claimant rate before the onset of recession is indicative of a widening of spatial inequalities during recession. A similar pattern of widening inequalities is apparent at the micro area level.

There is an uneven geographical distribution of skills across the UK. The supply of and demand for higher level skills are disproportionately concentrated in London and the Greater South East. However, spatial variations in employment rates are much less pronounced for those with higher level qualifications than for those with no qualifications: the range at inter-regional level is 2 percentage points for the former but 12 percentage points for the latter. Those with no qualifications saw larger percentage point reductions in employment rates during the recession than those with higher level qualifications.

Labour market projections suggest that spatial inequalities are likely to be maintained over the medium-term. Moreover, London and the South East are well placed to take advantage of future growth in many key sectors.

All areas will need high, intermediate and generic skills in the future, but requirements for such skills are likely to vary in accordance with skills demand, existing skills supply and imbalances. Spatial mobility, whether internally within the UK or internationally, may be needed to mitigate spatial imbalances in the demand for and supply of skills.

The impact of spending cuts is likely to be greatest on regions such as the North East, West Midlands, Wales and Northern Ireland which have above average levels of public sector employment and also in deprived neighbourhoods where there is a strong reliance on public services. In weaker local labour markets a good deal of pre-recession employment growth was in the public sector, whereas in London the private sector accounted for a larger share of overall employment growth.

Spatial variations are apparent in ambitions, aspirations and motivation. Although there is scant evidence for deeply entrenched 'cultures of worklessness', localised outlooks may constrain ambition. Social networks play an important role in access to employment. Along with self-efficacy (i.e. individuals' judgements about skills to perform successfully), they play an important role in sustaining and progressing in employment. Supply side interventions are unlikely to be sufficient on their own to raise demand for skills; the number and quality of available jobs matters too. This underlines the challenge of rebalancing the economy.

Ongoing changes in the Vocational Education and Training (VET) system could have important implications for spatial inequalities in skills, but these are unclear, as yet. Trends towards greater local discretion point to greater spatial diversity in opportunities for skills development. At higher education level, there may be greater pressure on students to 'study from home' rather than 'going away to university' and it is possible that this might have implications for future geographical mobility amongst a section of the population which conventionally displays high rates of mobility.

Employers can play an important role in perpetuating and addressing spatial inequalities in employment and skills through their attitudes and behaviour. For some job roles they might discriminate positively in favour of local workers because they can rely on them to get to work as and when required. In other instances prospective job applicants might find themselves discriminated against on the basis that they come from a poor reputation area. Research has shown some evidence of such address-based discrimination as a second order effect.

It is not clear precisely what form spatial variations in recruitment practices take, since vacancies do not have to be notified to the public employment service. How and where vacancies are advertised is important because it impacts on who has access to jobs and on subsequent prospects for progression. Temporary workers recruited via agencies may have limited opportunities for skills development. Conversely, social benefit clauses to encourage recruitment of local people from disadvantaged groups/areas can offer access to opportunities for training and skills development.

Policy interventions to address spatial inequalities may be justified on grounds of efficiency and equity. There is an ongoing debate about whether policies should focus on particular places or be 'spatially blind' (i.e. focus on people irrespective of where they live). The general trend has been for an increasing emphasis on place-based policies to tackle the most severe disadvantage or to address place-based factors – such as poor transport connections to jobs and training opportunities. Particular focus has been placed on local partnership working to address worklessness and other complementary issues across policies domains – in which skills is part of the 'mix', but not the 'fix'.

The abolition of the regional tier of governance in England following the 2010 General Election has led to an enhanced focus on policy at sub-regional and local levels. The drive to 'rebalance' the economy has an important spatial focus. A key challenge here is whether enough private sector jobs can be generated to compensate for job losses in the public sector in all local areas. The 2010 White Paper on 'Local Growth' emphasised 'local solutions to local issues'. 'Localism' and the 'Big Society' are watchwords of the new policy directions. This is indicative of greater spatial diversity in policy.

It is clear that spatial disparities in employment and skills are entrenched and increased during recession. A key question for policy is whether greater emphasis should be placed on spatial mobility to mitigate spatial imbalance and inequality. It appears that the answer is 'yes': the emphasis has shifted away from 'taking jobs to people' in favour of 'taking people to the jobs'. Attention is focused also on stimulating demand for skills and enterprise development in situ in order to promote local and national growth.

1 Introduction

This section provides an introduction to:

- the range of geographical units used in this paper in measuring and analysing spatial variations and inequality;

and sets the context for subsequent sections by outlining:

- why spatial variations and inequality are important;
- the history and evolution of spatial inequality; and
- spatial variations and area effects.

1.1 Geographical units for measuring and analysing spatial inequality

Economic and labour market data are available for a number of different sub-national spatial units (often referred to as 'geographies') in the UK. The 'administrative geography' of areas relating to national and local government across the UK is perhaps the best known, comprising:

- England - Government Office Regions, counties, local authority districts, unitary authorities and electoral wards;
- Scotland - (unitary) council areas and electoral wards;
- Wales - unitary authorities and electoral wards; and
- Northern Ireland – district council areas and electoral wards.

Also of particular relevance for the economic and labour market statistics is the NUTS (Nomenclature of Units for Territorial Statistics) 'geography' used in international comparisons, including:

- NUTS level 1 – 12 geographical units in the UK, comprising nine regions in England, Scotland, Wales and Northern Ireland;
- NUTS level 2 – 37 geographical units in the UK, comprising 30 counties/groups of unitary counties in England; 4 sub-national areas in Scotland, 2 in Wales and the whole of Northern Ireland.

There are other geographies relating to the Census of Population (wards and output areas) and to postcodes which are important for data collected and coded at the micro area level – including data on commuting and on aspects of economic deprivation.

There is increasing policy interest in ‘functional economic geographies’ (also known as ‘real economic geographies’ or ‘natural economic geographies’’) according with the functional market areas over which local economies operate. It has been emphasised that Local Enterprise Partnerships (LEP) boundaries should reflect the ‘natural economic geography’ of the areas they serve. Such functional economic areas rarely accord with administrative boundaries.

The best known functional economic areas used in economic and labour market analysis are Travel to Work Areas (TTWAs). TTWAs are approximations to self-contained spatial labour market areas based on micro area analysis of journey-to-work flows recorded in the decennial Census of Population data.

Different geographical units and scales provide different perspectives. Spatial patterns and inequalities are driven by both supply side and demand side influences, although at the micro area level spatial patterns reflect supply side differences. The use of different geographical units in the analyses presented in section 2 reflects both conceptual considerations regarding what spatial scale is appropriate for analysis, practical issues concerning what geographical units data is available for and technical considerations concerning the robustness of survey data for different geographical units.

1.2 Why spatial inequality is important

Where individuals live is important for the quantity and quality of employment available to them (Green, 2009) and so for opportunities for skills utilisation and development. The nature of some of these sub-national variations in employment and skills is outlined in section 2. People with poor skills tend to have a relatively weak position in employment and labour and housing markets and tend to be more restricted than those with higher skills in the distance that they are able and can afford to travel. This means that the quantity and quality of opportunities for education, training and employment available locally is of particular importance to them (Green and Owen, 2006).

Hence spatial inequalities have important implications for equity in terms of individuals’ opportunities and also for economic efficiency in terms of optimal utilisation of human capital and other resources.

1.3 The history and evolution of spatial inequality

In general, spatial patterns tend to be persistent over time. The fact many of the same areas were designated as Assisted Areas in successive rounds of regional policy and the long-term performance of the 'Greater South East' are testament to this (see Department for Business Innovation and Skills, 2010). New Economic Geography suggests that spatial differentials in employment opportunities are likely to diverge over time, through processes of clustering and accumulation. Hence it suggests that spatial inequalities are inherent in economic growth and that unbalanced growth is an inevitable consequence of successful economic development (World Bank, 2009). Hence imbalances are inherent in economic growth and the policy challenge is to make such growth as inclusive as possible in order to mitigate damaging inequalities of opportunity – in part through equipping people with the necessary skills and flexibility to benefit from it.

Evolutionary economic geography perspectives indicate that the economic history of particular regions and local areas shapes current and future trajectories and opportunities, so underlining that present patterns of economic opportunities are a function of past (i.e. they reflect previous economic geographies) and current circumstances. Hence sectoral mix, institutional norms and culture from previous eras permeate the present (Boschma, 2004). This suggests that at regional and sub-regional scales, long-term structural decline of particular industries has a role to play in understanding spatial inequality. Webster (2005) has argued that major job losses (e.g. in mining and manufacturing) have a long-term legacy of spatial mismatch between potential workers and jobs, with deficiencies in labour demand playing a key role in spatial inequalities. Indeed, studies of 'hidden unemployment' suggest that those individuals with weak labour market positions (for example, due to poor skills and/or poor health) are more likely to withdraw from the labour market in areas of weak demand for labour (Beatty and Fothergill, 2005; MacKay and Davies, 2008).

It is also important to note that at a local level, in regulationist-oriented accounts labour markets are socially embedded and constituted institutional spaces in which formal and informal customs, norms and practices underpinning employment practices are played out (Peck, 1996). Hence, place-specific developments matter in understanding how local labour markets evolve over time and how employers, agencies and individuals behave. However, to gain a full understanding of the operation and evolution of local labour markets it is important to note that an array of interdependent occupational and sectoral labour markets, each with a distinctive scale of operation and geographical reach, are constantly being reconfigured, so transforming local labour market dynamics (Weller, 2008).

1.4 Spatial variations and area effects

1.4.1 Compositional and area effects

Spatial variations in employment rates and skills profiles are a function of a range of factors. There is an important distinction between 'compositional effects' (i.e. spatial variations reflecting the uneven spatial distribution of individuals with poor skills/suffering labour market disadvantage) and 'area'/contextual effects remaining once the composition of the population has been taken into account – especially at the micro area scale. Of the equalities groups considered in other papers in this series it is notable that ethnic minorities display a particularly uneven spatial distribution: they are particularly concentrated in deprived neighbourhoods (as defined on indices of deprivation) (DCLG unpublished analysis [Spatial Analysis Unit]). People with disabilities and lone parents are disproportionately concentrated in such neighbourhoods also, as are people with no qualifications. Residential sorting mechanisms in the housing market help explain how population sub-groups with different characteristics tend to concentrate together on the basis of their ability to pay and the degree of choice that they are able to exercise. In this way people with disadvantages in the labour market tend to be concentrated in less desirable social and private sector housing (Hills, 2007). Since personal characteristics affect employment and skills outcomes, the differential spatial distribution of individuals helps to explain spatial inequalities.

Once compositional effects have been accounted remaining spatial variations have been attributed to a range of other factors that tend to reinforce advantage and disadvantage:

- socialisation into particular patterns of behaviour through peer influences;
- networks – there are particular concerns that disadvantaged people in neighbourhoods characterised by poor skills and low employment rates tend to have networks that focus inwards to other disadvantaged people, contrasting with more positive links to a wider range of opportunities amongst advantaged people in more prosperous neighbourhoods;
- aspirations, expectations and perceptions of success in accordance with neighbourhood and local area norms;
- discrimination based on place of residence;
- the quality and/or capacity of local institutions and services in different areas to provides support to individuals and address problems;
- physical access to opportunities (for education, training and employment) associated with particular places.

The first, second and third points are addressed in more detail in section 4, the fourth point is considered in section 5 and the fifth point is of particular significance in the light of spending cuts (see section 3.3). The sixth point about physical access to opportunities is considered in more detail below under the auspices of the spatial mismatch thesis as it is of much broader importance to spatial inequalities in the labour market. Some of the policies that have addressed these issues are outlined in section 6.

1.4.2 Spatial mismatch

Spatial mismatch is an important concept for understanding spatial inequality. It occurs when there are 'workers without jobs' in one area and 'jobs without workers' in another area. However, the term 'spatial mismatch' is often used to describe the situation in which the decline of key employment sectors in an area is not compensated for by growth in alternative employment opportunities in the same area or within physical reach of local residents. In practice spatial mismatch tends to accentuate skills mismatch (Houston, 2005). Arguments about the relative merits of promoting mobility of people (either through migration or commuting to areas with more employment opportunities) and/or of promoting employment growth in such areas are of central importance for policy. In the case of promoting mobility of people, there are important local infrastructural issues, including poor public transport in some areas – especially since those with poor skills are likely to be most reliant on public transport to access jobs and services.

2 The impact of recent economic change on spatial inequality

This section is concerned with the impact of recent economic change on spatial disparities and inequalities.

Initially it was expected that the main impact of the 2008/9 recession would be felt in London and other parts of the Greater South East, reflecting the concentration of financial and business services employment in these areas, in a pattern akin to the recession of the early 1990s when unemployment increases were high in the South. This was in contrast to the geography of the recession of the early 1980s, which had a particular impact on areas of manufacturing concentration in the Midlands, Wales and the North. However, contrary to initial expectations, it seems that London has fared better in the 2008/9 recession than expected – and it has been suggested that part of the explanation for this is the over representation of professional jobs in London compared with other regions, along with the breadth and depth of the capital's labour market (Overman, 2011).

This section highlights spatial variations in recent economic change, with particular reference to changes in labour market participation. Note that the spatial scale at which change on some indicators can be analysed is limited by the sample size of relevant survey data and associated robustness of measures of change (as outlined in section 1.1.).

2.1 Spatial variations in labour market participation, 2005-2010

2.1.1 Economic activity rates

In recession a decline in economic activity and employment rates and a rise in unemployment rates and inactivity might be expected.

Some downturn in economic activity rates in recession is evident in Table 1, which shows economic activity rates for people of working age in the regions and nations of the UK. However, most changes are relatively small and what is much clearer is the stability of patterns of variation across the regions and nations of the UK in economic activity rates over time, with substantially higher economic activity rates in the South East, East of England and South West than in Northern Ireland, Wales and the North East. At NUTS 2 level the lowest economic activity rates in 2010 Q2 were in Northern Ireland and some areas traditionally associated with manufacturing – such as the metropolitan West Midlands, West Wales and the Valleys, Merseyside, the Tees Valley and Durham and South Yorkshire.

Table 1: Economic activity rates for people aged 16-64 by regions and nations of the UK (ranked in ascending order at 2010 Q2), 2005-2010

Region / Nation	2005 Q2 (%)	2006 Q2 (%)	2007 Q2 (%)	2008 Q2 (%)	2009 Q2 (%)	2010 Q2 (%)
Northern Ireland	69.2	71.3	71.1	71.2	69.2	70.4
Wales	72.7	72.9	73.0	73.4	73.0	72.8
North East	73.0	73.4	74.4	73.6	74.2	73.7
North West	74.3	74.4	74.8	74.5	74.6	74.5
London	73.3	73.6	74.2	74.4	74.5	74.8
West Midlands	75.7	75.1	75.2	75.3	75.2	75.2
Yorkshire & the Humber	75.7	76.1	75.5	75.5	76.0	75.7
United Kingdom	76.2	76.4	76.5	76.5	76.6	76.2
Scotland	76.6	77.3	77.7	77.7	77.4	76.9
East Midlands	77.2	78.3	77.9	77.9	78.3	77.2
South West	78.6	78.5	79.0	79.3	79.3	78.4
East	79.6	79.2	78.5	79.0	79.5	78.8
South East	80.4	80.3	80.1	80.1	80.1	79.1

Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

2.1.2 Unemployment rates

Changes in unemployment rates (using the International Labour Organisation (ILO) definition) have been more marked. Table 2 shows ILO unemployment rates for people aged 16-64 for the regions and nations of the UK in 2008 Q2 and 2010 Q2. Over this particular two-year period Northern Ireland, Yorkshire and the Humber, the North East, the West Midlands (which had seen a deterioration in its relative position over the period from 2005) and Wales all experienced larger percentage point increase in unemployment rates for those aged 16-64 than the UK average (2.6 percentage points), while the South East and East Midlands saw the smallest increases. Although London has a higher unemployment rate than the UK average, the indices of unemployment rates relative to the UK show that it fared better than average, as did the South East.

Table 2: Unemployment rates for people aged 16-64 by regions and nations of the UK (ranked in descending order at 2010 Q2), 2008 Q2 and 2010 Q2

Region / Nation	2008 Q2 (%)	2010 Q2 (%)	% point change, 2008-2010	2008 Q2 (UK=100)	2010 Q2 (UK=100)
North East	6.7	10.0	3.3	128.8	128.2
West Midlands	6.3	9.1	2.8	121.2	116.7
Yorkshire and the Humber	5.6	9.0	3.4	107.7	115.4
London	6.4	9.0	2.6	123.1	115.4
North West	5.9	8.4	2.5	113.5	107.7
Wales	5.6	8.3	2.7	107.7	106.4
United Kingdom	5.2	7.8	2.6	100.0	100.0
Scotland	4.5	7.7	3.2	86.5	98.7
Northern Ireland	3.9	7.4	3.5	75.0	94.9
East Midlands	5.4	7.3	1.9	103.8	93.6
East	4.3	6.7	2.4	82.7	85.9
South West	3.8	6.4	2.6	73.1	82.1
South East	4.3	6.2	1.9	82.7	79.5

Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

2.1.3 Employment rates

Table 3 shows change in employment rates over the period from 2008 Q2 to 2010 Q2. The overall picture is one of stability in rankings on employment rates over the period. The largest percentage point decreases in employment rates were recorded in Northern Ireland and Scotland (in excess of 3 percentage points) and the smallest percentage decrease was in London (1.9 percentage points). While some of the regions with low initial employment rates saw amongst the largest decreases, the overall picture of change is more complex, since the South West and South East regions (which displayed the highest employment rate of all regions and nations of the UK) also saw percentage point decreases in employment rates in excess of the UK average.

Table 3: Change in employment rates for people aged 16-64 by regions and nations of the UK (ranked in ascending order at 2010 Q2), 2008 Q2 and 2010 Q2

Region / Nation	2008 Q2 (%)	2010 Q2 (%)	% point change, 2008-2010
Northern Ireland	68.5	65.1	-3.4
North East	68.7	66.3	-2.4
Wales	69.3	66.8	-2.5
London	69.7	68.1	-1.6
North West	70.1	68.2	-1.9
West Midlands	70.6	68.4	-2.2
Yorkshire and the Humber	71.3	68.9	-2.4
United Kingdom	72.5	70.2	-2.3
Scotland	74.2	71.0	-3.2
East Midlands	73.7	71.6	-2.1
South West	76.3	73.4	-2.9
East	75.6	73.5	-2.1
South East	76.6	74.2	-2.4

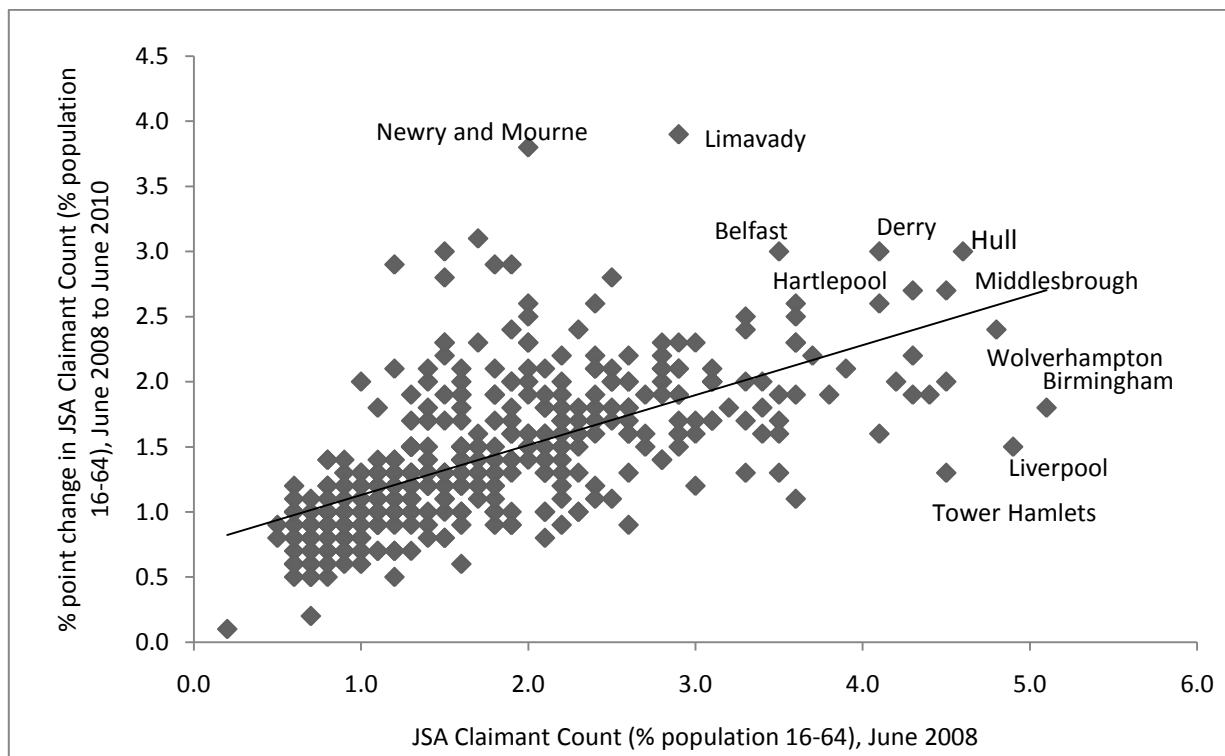
Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

2.1.4 Claimant counts

Insights into spatial variations and change at local and micro area levels are best gleaned from Jobseekers Allowance (JSA) claimant data. Figure 1 shows change in JSA claimant proportions (i.e. calculated by expressing the claimant count as a percentage of the resident population of working age) between June 2008 and June 2010 by the claimant proportion at the start of the period for local authority areas in the UK. There is a positive association between increases in the claimant count proportion and the claimant count proportion at the start of the period. This suggests a widening of spatial inequalities (see also Hills et al., 2010).

Figure 1: JSA claimant count June 2008 and percentage point change June 2008 to June 2010 by local authority areas in the UK

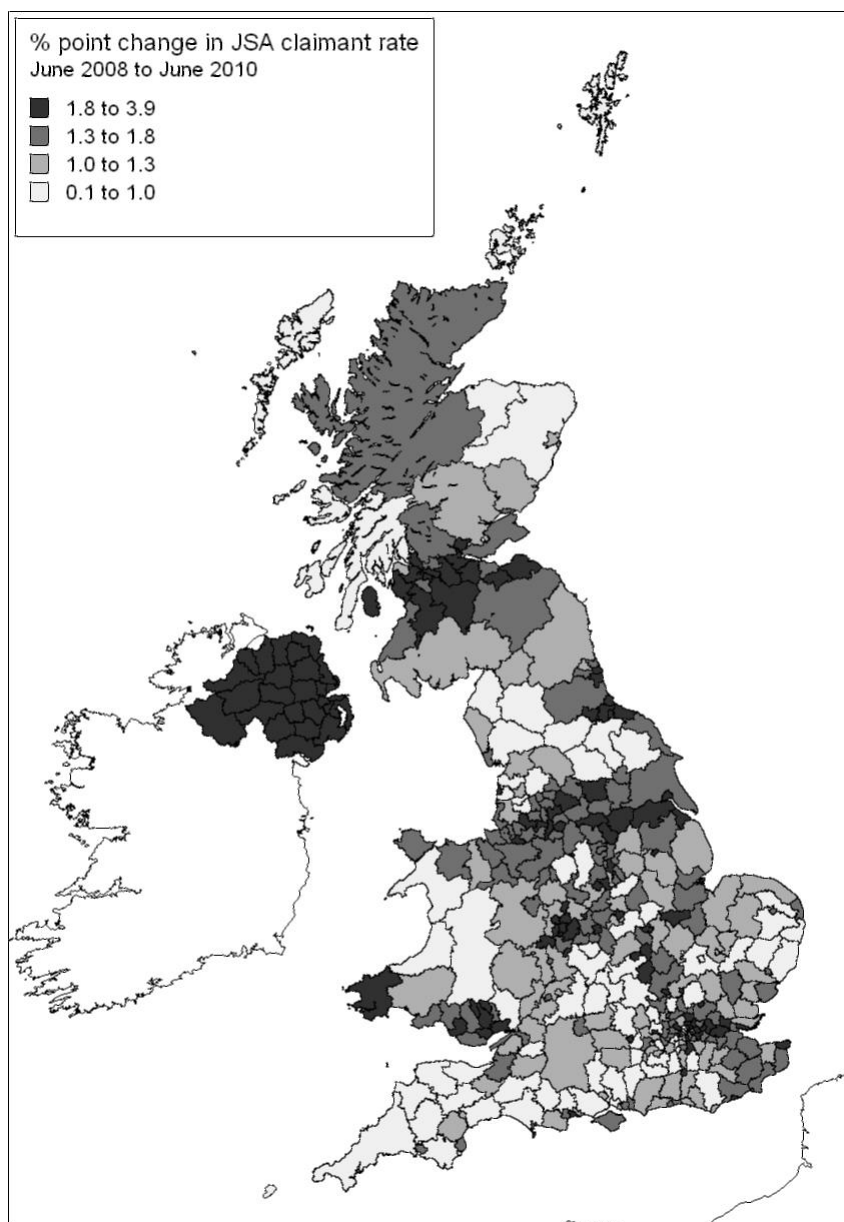


Base: people aged 16-64; the 2010 proportion is calculated using the mid 2009 resident population.

Source: JSA claimant count proportions (via Nomis)

Figure 2 maps the percentage point change in quartiles. It shows the relatively large percentage point increases in JSA claimants in some of the areas traditionally associated with high unemployment, including Northern Ireland, the South Wales Valleys, north-east England, west central Scotland and the Humber and South Yorkshire.

Figure 2: Percentage point change in the JSA claimant rate by local authority areas in the UK, June 2008 to June 2010



Base: people aged 16-64. The 2010 proportion is calculated using the mid 2009 resident population.

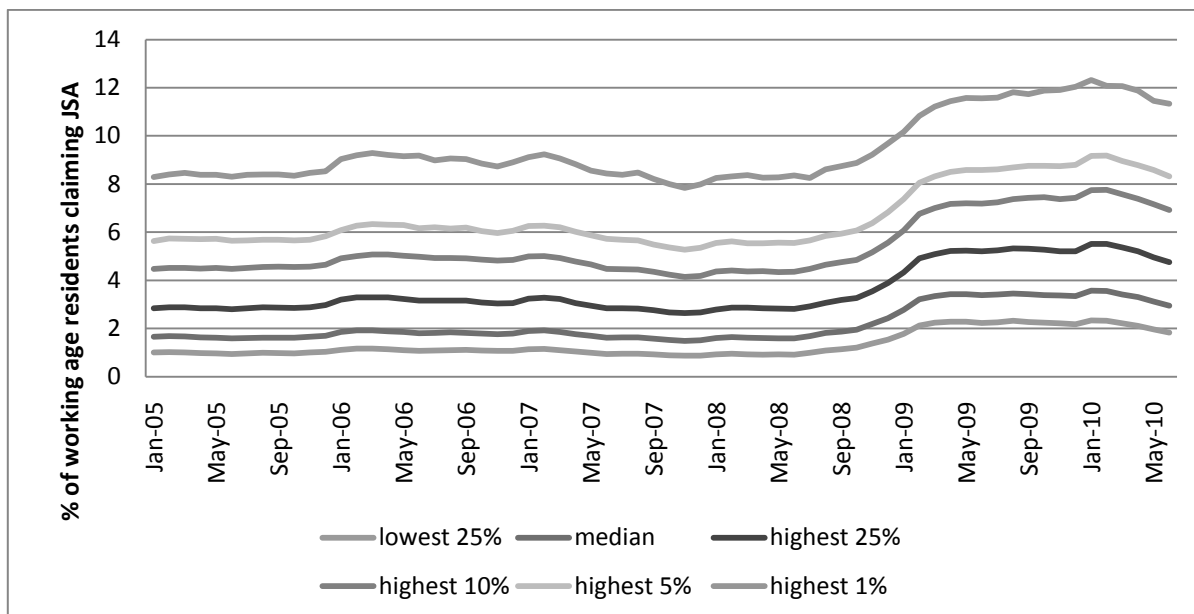
Source: JSA claimant count proportions (via Nomis)

At the micro area level Figure 3 shows JSA claim rates over the period from June 2005 to June 2010 for different groups of 7,013 postcode sectors in England and Wales; (note that the postcode sectors in each quartile and percentile group changes over time). Figure 3 reveals that:

- There is a pronounced absolute gap in JSA claimant proportions between the highest 1 per cent and highest 5 per cent of postcode sectors and the rest.
- The absolute gap became more pronounced in 2008/9 with the onset of recession.

This second point is also borne out in analyses by DCLG Analysis (Spatial Analysis Unit) which show that the JSA claimant count between July 2008 and July 2009 was over 3 percentage points in the 10 per cent most deprived neighbourhoods on the Index of Multiple Deprivation (IMD) for England, compared with just over 1 percentage points in the 10 per cent least deprived neighbourhoods on the IMD.

Figure 3: Different groups of postcode sectors by JSA claim rates in England and Wales, June 2005 to June 2010



Source: ONS claimant count (downloaded from Nomis), Census of Population and ONS Small Area Population Estimates. The data series from which this graph was constructed were analysed and prepared by Alex Fenton, University of Cambridge.

However, analyses by Tunstall with Fenton (2009) and Fenton (unpublished data) over a longer period show that JSA claimant rates and absolute differentials between the lowest and highest quartiles and percentiles are much less pronounced in the 2008/9 recession than they were in the mid 1980s or early 1990s. JSA claimant proportions are likely to understate spatial variations in worklessness, given that in areas with weakest labour markets there is a greater diversion of JSA claimants onto inactive benefits than in stronger labour markets.

2.2 Spatial variations in the skills profile of the population

Key features of spatial variation in the skills profile of the working age population (as measured by highest qualification in 2009) amongst the regions and nations of the UK include:

- the higher than UK average (29.8 per cent) proportions with degree level qualifications and above in London (39.7 per cent), the South East (32.6 per cent) and Scotland (33.9 per cent); and at the opposite end of the spectrum

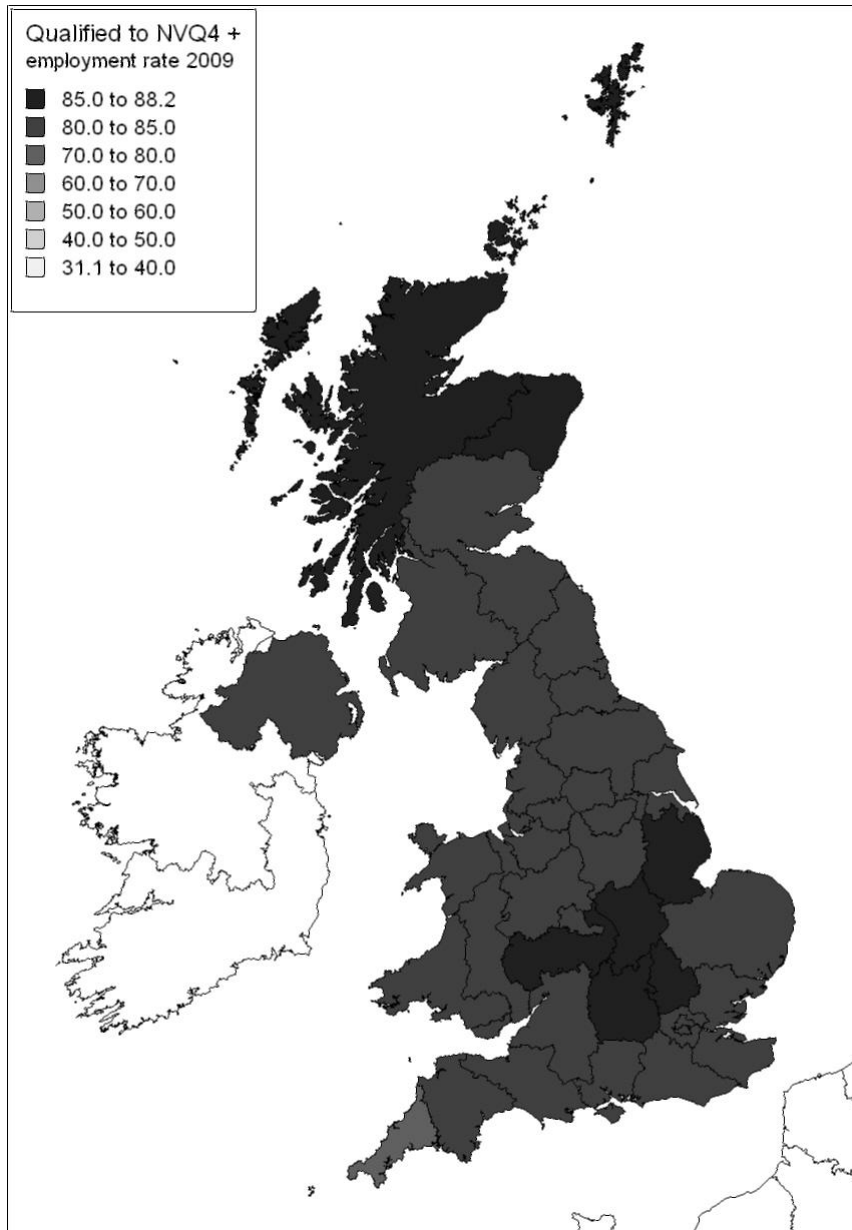
- the higher than UK average (12.6 per cent) proportions with no qualifications in Northern Ireland (22.3 per cent), the West Midlands (16.2 per cent), the North East (14.8 per cent), Wales (14.8 per cent), the North West (13.8 per cent), Scotland (13.3 per cent), the East Midlands (13 per cent) and Yorkshire and the Humber (12.8 per cent).

Of those in employment the percentage of those with highest qualifications at degree level and above ranged from just over 30 per cent in the North East, West Midlands, East Midlands and East of England to just over 48 per cent in London.

Considerable variations in employment rates are apparent by highest qualification level and there are also spatial variations in employment rates across the UK. These are indicated in Figures 4, 5 and 6 which show employment rates at NUTS 2 level using the same fixed scale for people of working age with qualifications at NVQ level 4 and over (Figure 4), those with highest qualifications NVQ levels 1 and 2 (i.e. with low skills) (Figure 5) and those with no qualifications (Figure 6).

The spatial variation in employment rates is lower amongst those with higher level qualifications than amongst those with no or low qualifications. Employment rates tend to be highest in the south midlands and in northern Scotland. For those of working age with a highest qualification at NVQ level 4 and above employment rates range from just under 77 per cent in Cornwall and the Isles of Scilly to over 88 per cent in Herefordshire, Worcestershire and Warwickshire. Amongst those of working age with no qualifications employment rates range from just over 31 per cent in South Yorkshire to over 55 per cent in North Eastern Scotland.

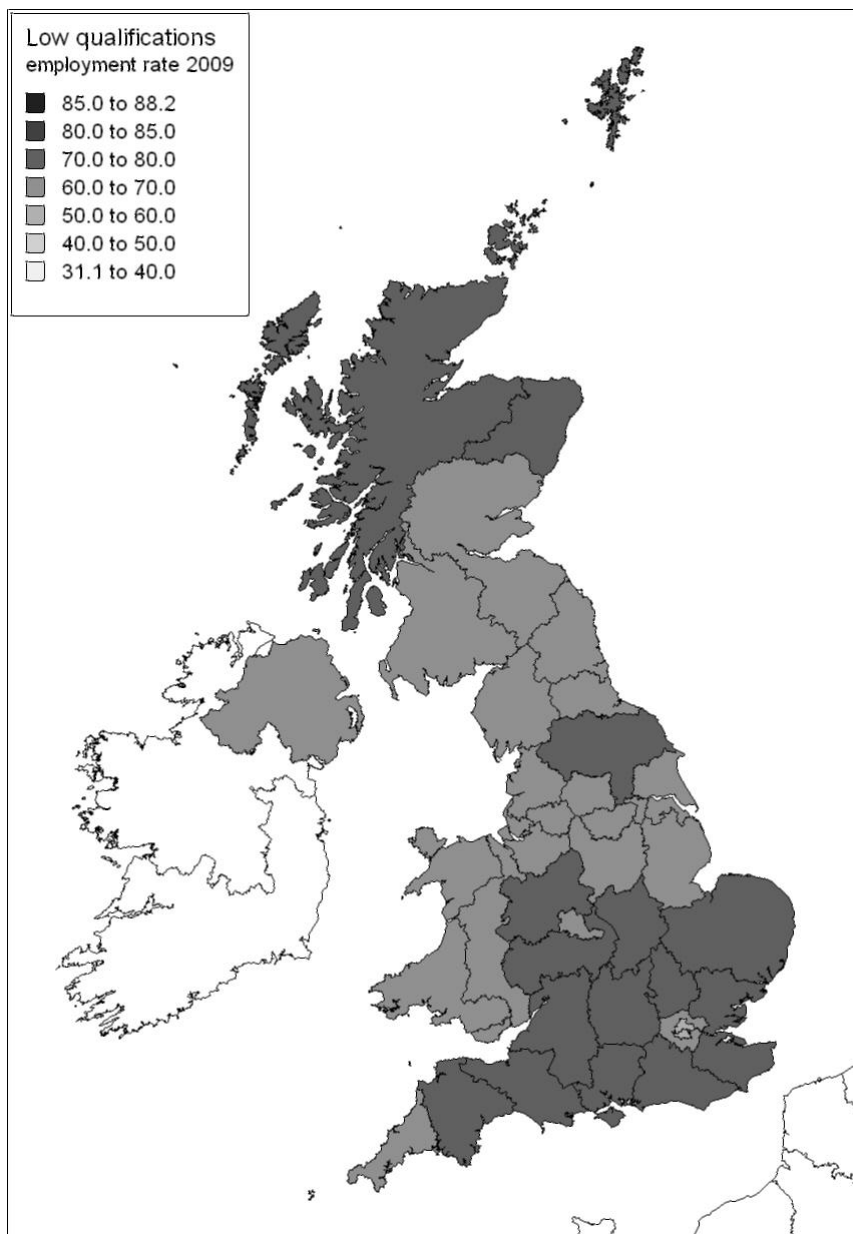
Figure 4: Employment rate for people of working age with a highest qualification at NVQ level 4 and over by NUTS 2 regions, 2009



Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

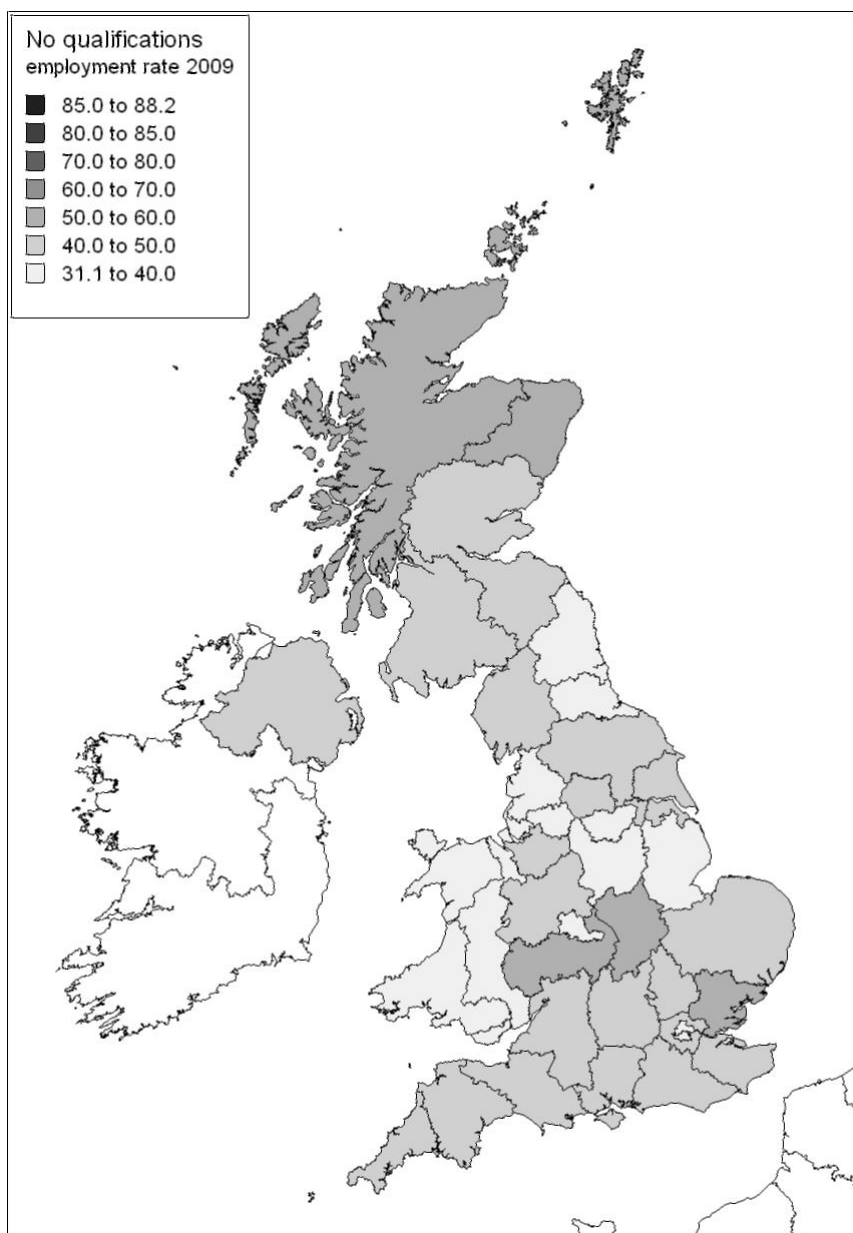
Figure 5 Employment rate for people of working age with a highest qualification at NVQ levels 1 and 2 by NUTS 2 regions, 2009



Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

Figure 6 Employment rate for people of working age with no formal qualifications by NUTS 2 regions, 2009



Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

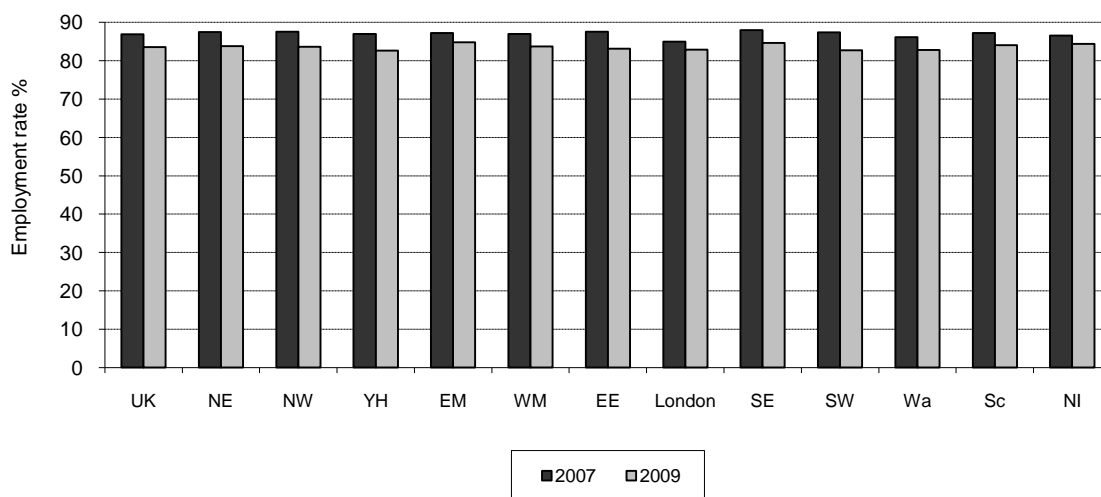
Source: Annual Population Survey (via Nomis)

The impact of recession on employment rates for those with different qualification levels is apparent in Figure 7 (showing changing employment rates for those with a highest qualification at degree level by region and nation for those aged 16-64 years) between 2007 and 2009 and Figure 8 (showing change over the same period in employment rates for those aged 16-64 with no qualifications). It is apparent that:

- all regions and nations of the UK experienced a decrease in employment rates;
- in all regions and nations the reduction in employment rates was greater for those with no qualifications than amongst those with degree level qualifications;

- the decreases in employment rates for those with degree level qualifications between 2007 and 2009 ranged from 4.7 percentage points in the South West to 2.1 percentage points in London, compared with a reduction of 3.4 percentage points across the UK;
- reductions in employment rates between 2007 and 2009 for those aged 16-64 with no qualifications ranged from 11.8 percentage points in the South East to 3.3 percentage points in London, compared with 7.2 percentage points in the UK;
- in 2009 employment rates for those aged 16-64 with no qualifications ranged from 37 per cent in the North East and 37.5 per cent in Wales to 49.5 per cent in the East of England and 47.2 per cent in the South East;
- by contrast the inter-regional range in employment rates for working age people with degree level qualification was much narrower – from 82.6 per cent in Yorkshire and the Humber to 84.8 per cent in the East Midlands.

Figure 7: Employment rate for people of working age with a highest qualification at NVQ level 4 and over by regions and nations of the UK, 2007 and 2009

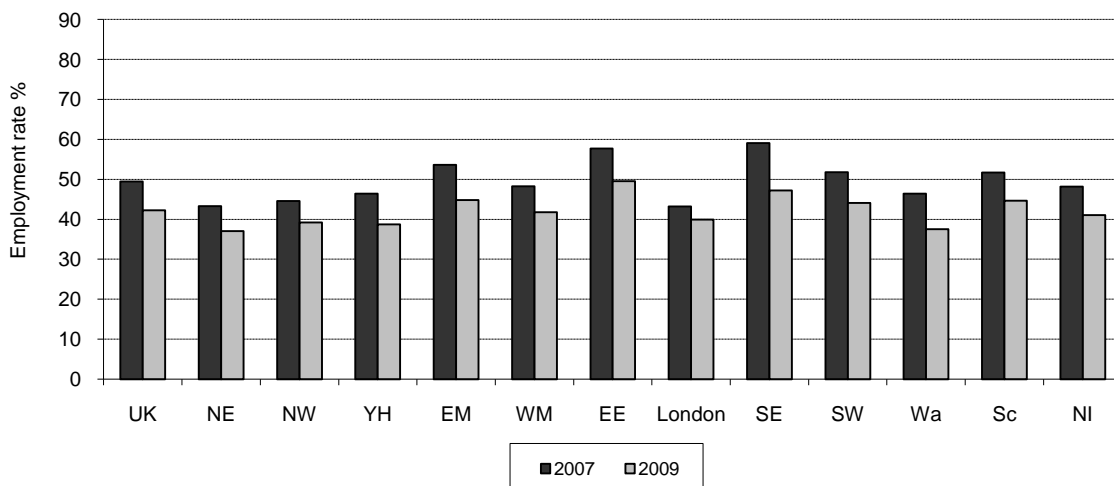


Key: UK: United Kingdom; NE: North East; NW: North West; YH: Yorkshire & the Humber; EM: East Midlands; WM: West Midlands; EE: East of England; SE: South East; SW: South West; Wa: Wales; Sc: Scotland; NI: Northern Ireland.

Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

Figure 8: Employment rate for people of working age with no qualifications by regions and nations of the UK, 2007 and 2009



Key: UK: United Kingdom; NE: North East; NW: North West; YH: Yorkshire & the Humber; EM: East Midlands; WM: West Midlands; EE: East of England; SE: South East; SW: South West; Wa: Wales; Sc: Scotland; NI: Northern Ireland.

Base: people aged 16-64, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

2.3 Spatial variations in the occupational profile of employed residents, 2005-2010

The Standard Occupational Classification (SOC) categorises occupations according to qualifications needed to perform that occupation, so similarities between spatial variations in qualifications and skills would be expected.

Table 4 shows location quotients of the occupational structure of employment by SOC Major Group for the regions and nations of the UK in 2009 Q2. A value of 1.00 indicates that a region/nation has the same share of employment in an occupation as the UK. A value in excess of 1.00 indicates that an occupation is over represented relative to the UK (i.e. it has a greater proportion of employment in that occupation than the UK average) while a value of less than 1.00 indicates that an occupation is under represented relative to the share across the UK as a whole.

Key features of the national and regional variation include:

- greater than UK average shares of employment in SOC Major Groups 4 (administrative and secretarial occupations), 5 (skilled trades occupations), 6 (personal services occupations), 7 (sales and customer services occupations), 8 (plant, process and machine operatives) and 9 (elementary occupations) in the regions of northern England (the North East, North West and Yorkshire and the Humber) and Scotland;

- greater than average shares in SOC Major Groups 5-9 in the East Midlands, West Midlands and Wales; and
- an over representation of employment in SOC Major Groups 1 (managers and senior officials), 2 (professional occupations) and 3 (associate professional and technical occupations) in London and the South East.

Table 4: Location quotients (UK=100) of employment by SOC Major Group by regions and nations of the UK, 2009 Q2

Region/Nation	1	2	3	4	5	6	7	8	9
North East	0.85	0.86	0.91	1.05	1.00	1.12	1.20	1.25	1.07
North West	0.97	0.89	0.94	1.05	1.00	1.04	1.11	1.16	1.01
Yorks & Humber	0.91	0.90	0.91	1.00	1.02	1.06	1.04	1.22	1.15
East Midlands	1.03	0.87	0.85	0.93	1.07	1.05	1.00	1.25	1.14
West Midlands	0.95	0.97	0.87	0.97	1.06	1.02	0.97	1.25	1.12
East	1.12	0.99	0.99	0.98	1.01	0.92	0.96	0.97	0.99
London	1.15	1.32	1.28	0.99	0.71	0.85	0.81	0.65	0.80
South East	1.12	1.10	1.10	1.02	0.92	0.99	0.95	0.72	0.90
South West	1.00	0.94	0.99	0.98	1.16	1.04	1.05	0.90	0.97
Wales	0.83	0.90	0.94	0.97	1.17	1.10	1.05	1.16	1.11
Scotland	0.87	1.01	1.01	1.00	1.07	1.05	1.07	1.04	1.03
Northern Ireland	0.70	0.89	0.88	1.10	1.47	0.96	1.00	1.23	0.99
United Kingdom	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Key: 1: managers and senior officials; 2: professional occupations; 3: associate professional and technical occupations; 4: administrative and secretarial occupations; 5: skilled trades occupations; 6: personal service occupations; 7: sales and customer service occupations; 8: process, plant and machine operatives; 9: elementary occupations.

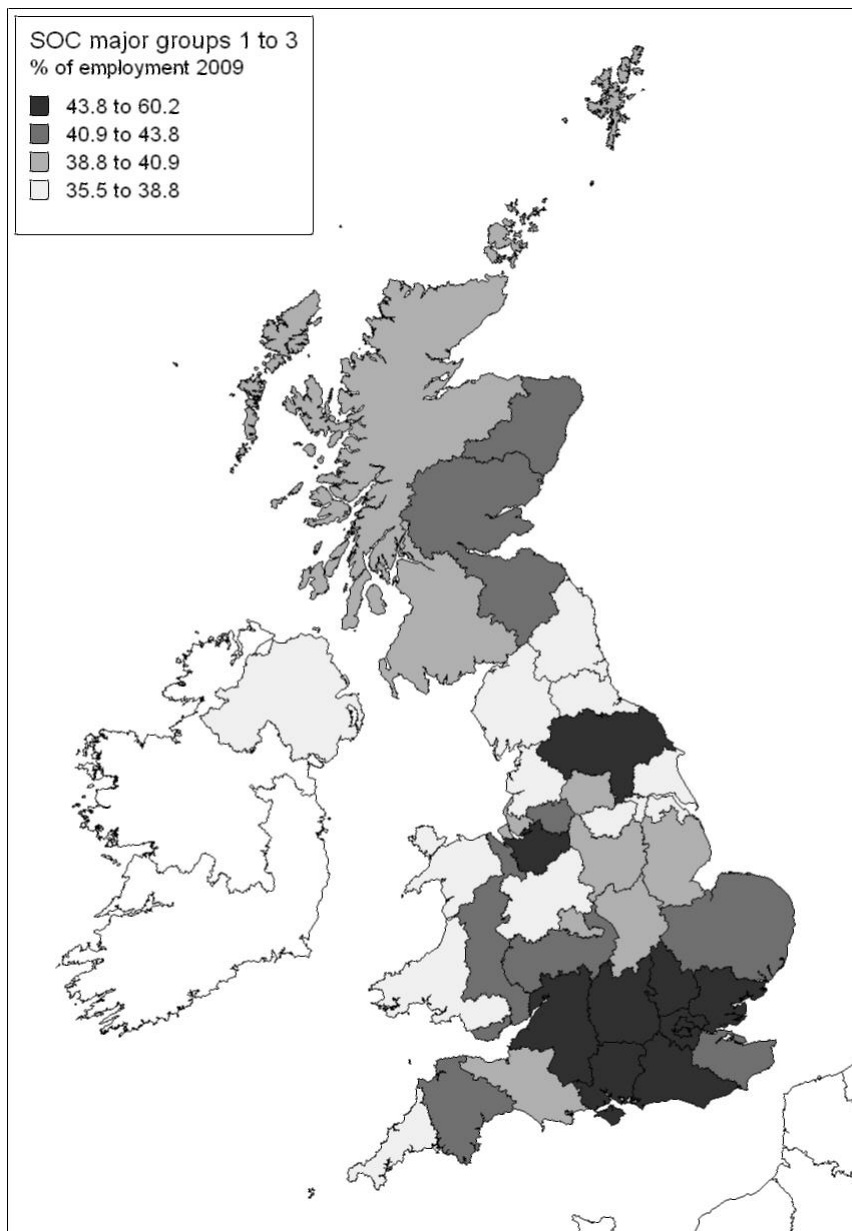
Base: residents in employment, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

Analyses of Labour Force Survey data over the decade to 2007 have emphasised that the public sector has a more spatially even distribution of employment by in higher skilled jobs (SOC Major Groups 1-3) than the private sector (Jones and Green, 2009). This suggests that the public sector plays a particularly important role in 'narrowing the gap' in the geography of more highly skilled occupations across the UK (Hepworth et al., 2005). This is of particular significance given cuts in public spending (see section 3.3).

Figure 9 and Figure 10 show variations in the occupational profile of employment by NUTS 2 regions, focusing on higher level non-manual occupations (SOC Major Groups 1-3) and less skilled operative and elementary occupations (SOC Major Groups 8 and 9), respectively. The greatest spatial concentrations of employment in SOC Major Groups 1-3 are in London and southern England, Cheshire and North Yorkshire (Figure 9). The highest proportions of employment in SOC Major Groups 8 and 9 are in parts of the north midlands, West Wales and the Valleys and Cumbria (Figure 10).

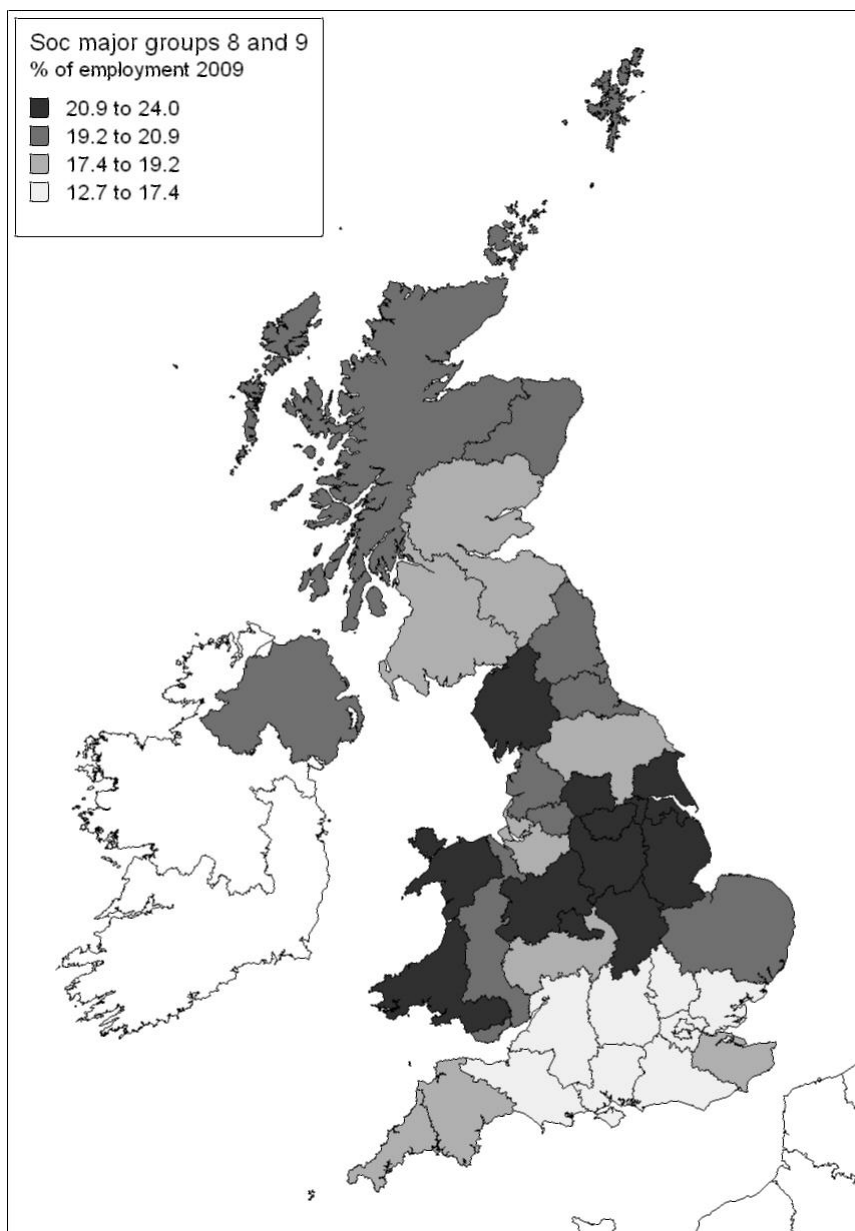
Figure 9: Percentage of employment in SOC Major Groups 1-3 by NUTS 2 regions, 2009 Q2



Base: residents in employment, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

Figure 10: Percentage of employment in SOC Major Groups 8-9 by NUTS 2 regions, 2009 Q2



Base: residents in employment, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Population Survey (via Nomis)

2.4 Spatial variations in skill shortages and skills gaps

Spatial variations in skills shortages and skills gaps are to some extent a function of the sectoral and occupational composition of employment and also of establishment size. Data are available for regions in England from the National Employer Skills Survey for England (NESS) in 2009, together with comparisons for 2007 (Shury et al., 2010). This data set is drawn upon in this section.

In 2009 there was little regional variation in the incidence of vacancies, hard-to-fill vacancies and skill-shortage vacancies. The impact of recession was evident in a reduction in vacancies in all regions compared with 2007. In 2009 London displayed greater than national (i.e. England) shares of all vacancies (19 per cent), hard-to-fill vacancies (20 per cent) and skill-shortage vacancies (22 per cent) than of employment (18 per cent). The East of England displayed a similar pattern of greater than average shares of all vacancies than of employment. By contrast in the West Midlands and North West the proportion of all types of vacancies was lower than the regional share of employment.

All English regions witnessed a reduction in the number of skill-shortage vacancies as a proportion of employment between 2007 and 2009. Reductions were particularly pronounced in London and the South East, which were the two regions with the highest shares of skill-shortage vacancies per 1000 employees in 2007. In London the share of such vacancies per 1000 employees decreased from 8 in 2007 to 3 in 2009. It is evident that London continues to face greater skill shortages in recruitment than other regions of England.

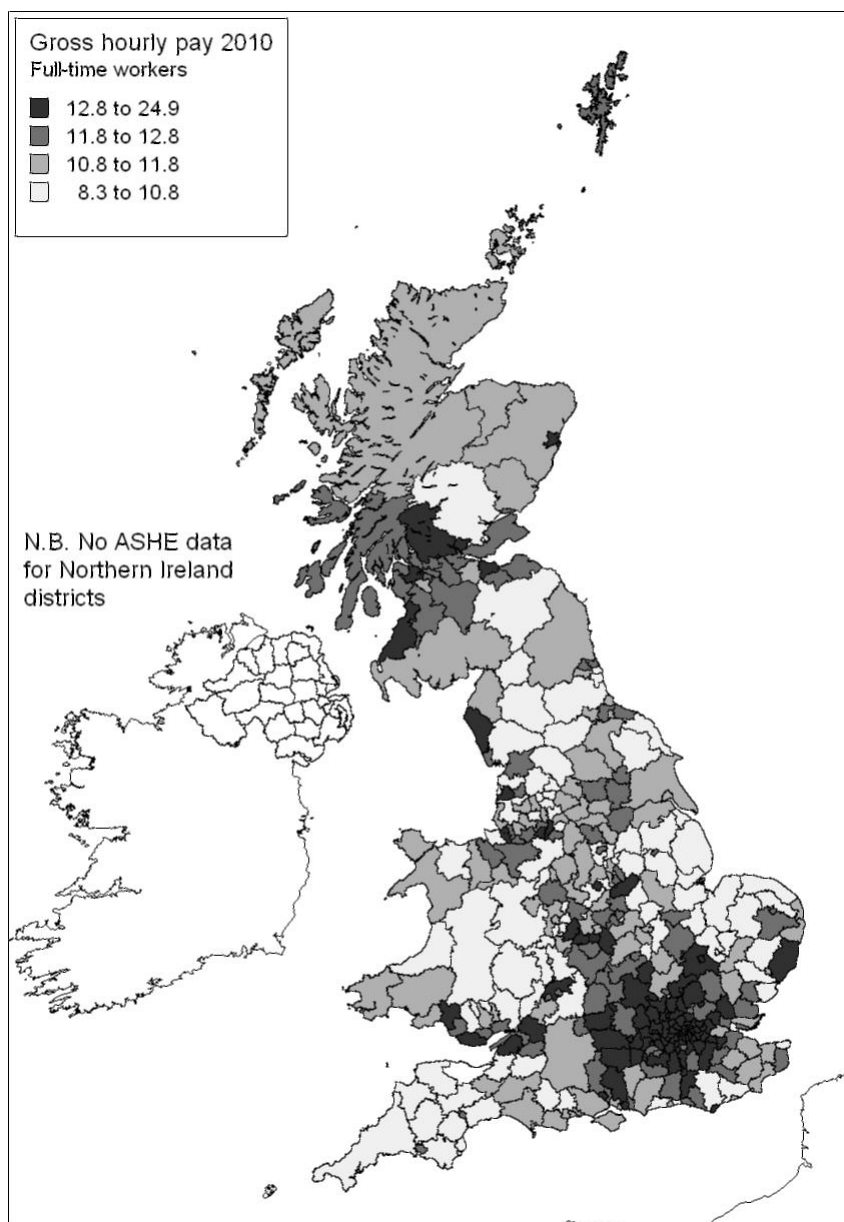
Whereas the proportion of establishments reporting skill-shortage vacancies decreased between 2007 and 2009, the share across England reporting skills gaps increased from 15 per cent to 19 per cent. London and the North East were the only regions not to experience a statistically significant increase in the percentage of establishments with skills gaps. The regions with the largest increases in the proportion of establishments with skills gaps were the West Midlands and the South West.

2.5 Spatial variations in wages

Information on wages is available from the Labour Force Survey and from the Annual Survey of Hours and Earnings (ASHE). The ASHE provides more robust data at the local level and so is used here; (in accordance with Office for National Statistics guidelines data is presented for full-time employees).

Figure 11 shows spatial variations in median gross hourly wages for full-time employees by local authority areas (by workplace) in Great Britain in 2010. Some central London boroughs, some other London boroughs and other local areas close to London display highest median hourly wages, along with local areas with sectors with important concentrations of high technology employment (such as Derby and Copeland). While there is a clear concentration of highest wage levels in London, it should be borne in mind also that the cost of living is highest in London.

Figure 11: Median gross hourly pay (£) for full-time employees by unitary/local authority districts in Great Britain, 2010



Base: residents in employment, data from 2006 weighted on 2009 population estimates, previously 2007 estimates.

Source: Annual Survey of Hours and Earnings (via Nomis)

The lowest median wage rates are evident in peripheral rural areas (such as Torrington [Devon], East Lindsey [Lincolnshire], Thanet [Kent], Fenland [Cambridgeshire] and Powys [Wales]). It is in areas such as these that there are particular concerns that local economies can become trapped in a vicious circle of low value added, low skills and low wages (Wilson et al., 2003; de Hoyos and Green, 2011).

3 Likely future economic developments including the impact of the Spending Review on spatial inequality

This section looks ahead to consider:

- what labour market projections indicate about changing patterns of spatial inequality;
- spatial variations in how well placed different regions are to take advantage of developments in key sectors;
- future skill needs;
- the role of spatial mobility in mitigating spatial imbalances; and
- the employment and skills implications of spending cuts.

3.1 Labour market projections

The most recent set of comprehensive labour market projections with an occupational dimension was commissioned before the recession. These projections pointed to a continuation of patterns of sectoral and occupational transformation and stronger output and employment growth in London and the regions of southern England (the South East, the East of England and the South West), albeit with a reduction in regional disparities in projected employment growth rates over the period from 2007 to 2017 compares with the previous decade from 1997 to 2007 (Wilson et al., 2008).

More recently published data on output and employment points to the increasing concentration of output and employment in London and the Greater South East (UK Commission for Employment and Skills, 2010). This part of the UK benefits from higher than average shares of employment in sectors and occupations that have seen strong employment growth over the medium-term.

Manufacturing was hard hit by job losses in recession, while occupations associated with lower and intermediate skills were more vulnerable than those associated with higher level skills. These sectors and occupations are particularly concentrated in the midlands and in northern parts of the UK. This helps explain why regions such as the West Midlands and North East have witnessed amongst the most severe impacts of recession.

Hence the key message is that spatial variations are likely to be maintained.

Looking ahead regions and sub-regions vary in how well placed they are to take advantage of developments in key sectors (UK Commission for Employment and Skills, 2010). For example, the digital economy and financial and professional services have a strong representation in London and the South East. Southern regions and the North West also have a platform in life sciences and pharmaceuticals and in the creative sector – where London plays a particularly strong role. The position of these regions that have seen amongst the strongest growth in the UK over the medium-term in these key sectors suggests that spatial inequalities may be exacerbated. These same regions, along with parts of the midlands also have a base in advanced manufacturing.

The retail sector and the care sector are more evenly spread geographically, but some of these jobs are associated with relatively low pay and skills, so reinforcing concerns about the low skills equilibrium in some local economies. Some opportunities in the low carbon economy may be place-specific (for example in relation to tidal power) but others are likely to be more geographically widespread.

3.2 Future skill needs and implications for spatial inequality

3.2.1 Skill needs

Spatial variations in the sectoral and occupational structure of employment have implications for future skills needs. The National Strategic Skills Audit for England (UK Commission for Employment and Skills, 2010) highlights that high, intermediate and generic skills matter for future growth. Management and leadership skills, professional skills, technician and equivalent skills, intermediate vocational skills, customer service skills, caring skills and employability skills have been identified as being of particular importance in the medium- and longer-term. While these skills are likely to be needed across all regions and sub-regions, their relative importance is likely to vary in accordance with patterns of skills demand, existing skills supply and imbalances. Sectoral restructuring has implications for skills needs in particular places – with some residents needing to learn new skills not specifically associated with ‘traditional’ local employment.

Despite the growth in employment in occupations associated with higher level skills, a substantial number of low skilled jobs remain. Some of these jobs are associated with relatively high levels of churn (albeit somewhat reduced in recession and a fragile economy) and most are associated with low pay. Areas with relatively high proportions of such jobs – especially with non local service markets, are likely to be particularly vulnerable to change.

3.2.2 Mitigating spatial imbalances via mobility

Spatial mobility may be necessary to mitigate spatial imbalances in the demand for and supply of skills. International migration plays a role here - in addressing skills shortages in high skills jobs (under the auspices of the Points Based System for those from outside the European Economic Area) and hard-to-fill vacancies at lower skills levels.

Internal mobility within the UK has also played a role in addressing imbalances and in career progression. Historically, London and the Greater South East has served as an 'escalator region' (Fielding, 1992), attracting aspirational highly skilled young people at the start of their working lives, allowing them accelerated upward social mobility (i.e. being taken up by the escalator) before moving away (i.e. stepping off the escalator). There is evidence that prior to the recession the advantages of such moves in terms of accelerated career mobility remained, but that opportunities in some cities outside London (for example, Edinburgh in the case of young Scots) have meant that migrants to London can return to fulfil other life goals at a young age (Findlay et al., 2008). Whether, and to what extent, the changing pattern of opportunities for skills utilisation and upward social mobility post recession will reinforce London's role as an escalator region is as yet unclear.

Spatial mobility may also be necessary to overcome local imbalances in jobs and skills – whether through migration or commuting. Indeed, spatial mobility may be an important component of employability per se and play a role in addressing spatial inequalities (for further discussion see section 7).

3.3 Employment and skills related implications of future spending cuts

Some regional, sub-regional and local economies are more reliant on the public sector for employment than others and so are more vulnerable to future spending cuts. In England Shury et al. (2010) note that the North East has the lowest levels of employment in the commercial 'for profit' sector: at 69 per cent this is five percentage points below the national average. The North West and West Midlands are also identified as having above average levels of public sector employment.

Prior to spending cuts taking place, Beatty et al. (2010) estimate that the 'jobs gap' is substantial in some of the traditionally more depressed areas. For example, they estimate that to raise the employment rate to the Great Britain average would require 20 thousand jobs in Teesside, 38 thousand jobs in the Welsh Valleys and 55 thousand jobs in Merseyside.

In weaker local economies a good deal of pre-recession employment growth was in the public sector. Beatty et al. (2010) estimate that over the period from 1999 to 2008 in the 100 worst performing local authorities outside London 95 per cent of employment growth was in the public sector (defined as public administration and defence, health and education) compared with 57 per cent in the twelve worst performing London boroughs and 69 per cent across Great Britain. Likewise, in a study of English cities, Webber and Swinney (2010) highlight that some are much better at generating growth in the private sector than others. They identified London, Bristol, Brighton and Milton Keynes amongst the top performing cities on private sector job growth between 1998 and 2008, while cities such as Stoke, Burnley and Birmingham recorded amongst the largest decreases in private sector jobs over the same period. Estimates of the impact of public sector job cuts by the Centre for Cities (2011)¹ suggest that Swansea, Newport, Plymouth, Liverpool, Portsmouth, Stoke, Sunderland, Middlesbrough and Hull are amongst the cities most vulnerable to job losses in the public sector, while Swindon, Milton Keynes, Aldershot, Crawley, Aberdeen, Peterborough and Warrington are estimated to fare better than average.

Despite uncertainties, it is apparent that the employment impacts of spending cuts will be stark and geographically uneven. Moreover, as outlined by Jones and Green (2009), prior to the recession the public sector has been disproportionately important in providing high quality jobs in northern regions of the UK. This suggests a particular need in such areas for a strategy of targeted upskilling and diversification into higher value added sectors in order to generate output growth and employment.

At micro area level residents of deprived neighbourhoods will be particularly vulnerable to cuts in services – including information hubs such as libraries. Rationalisation of certain education and training provision and cuts in public transport could disproportionately disadvantage residents in isolated rural areas, where opportunities for accessing training provision are already restricted.

¹ Figures were estimated by applying cuts to public sector budgets announced in the Spending Review and then calibrating these with the Office of Budget Responsibility's estimates of public sector job losses.

4 Employment needs and preferences

This section builds on the earlier discussion of area effects by considering:

- spatial variations in ambition, aspirations and motivation to develop skills, find work and progress in employment; and
- associated implications for training and employment related support.

It also considers the implications of ongoing changes to the Vocational Education and Training (VET) and Higher Education (HE) systems:

4.1 Spatial variations in ambition, aspirations and motivation

4.1.1 Cultures of worklessness and decision making

As noted in section 1.4, peer influences, social networks aspirations and spatial variations in ambition, aspirations and motivation have been identified as possible contributors to area effects. In particular, concerns have been raised about ‘cultures of worklessness’ in certain neighbourhoods characterised by lowered incentives to work (see Ritchie et al., 2005) where:

- peers are also unemployed;
- the informal economy has a strong pull factor;
- there is a view of joblessness as unproblematic within a context of lowered aspirations; and
- horizons tend to be short-term.

In such circumstances limited motivation to participate in skills development would be expected.

However, qualitative studies focused on particular disadvantaged neighbourhoods find little objective evidence to support contentions that cultures of worklessness exist (for example, Fletcher [2007]). Rather recent research has revealed that in some neighbourhoods the demise of major sources of employment may yield a profound sense of loss, yet residents may distinguish between those who retain a strong orientation to work (albeit in the context of often limited opportunities) and those who do not (Crisp, 2010). For some people with poor skills living in areas with a lack of local job opportunities it may be a rational decision not to participate in the formal labour market; rather they may be motivated by a desire to stay at home and care for family members (Ritchie et al., 2005).

4.1.2 Place and social networks

Localised outlooks may serve to constrain ambition and aspirations. As noted by Green (2009), where people are looking from affects what they see, or choose to see, and how they interpret and act upon it. 'Subjective' geographies of opportunity may be much more limited than 'objective' geographies of opportunity (Galster and Killen, 1995). Studies of young people in Belfast (Green et al., 2005) and in selected urban areas in the midlands and northern England (Green and White, 2007) suggest that 'bounded horizons' may constrain the ambitions and aspirations of some young people, with strong local networks of family and friends potentially compounding these. Narrow place-based social networks and area attachment may contribute to 'bounded horizons', such that people may seek to follow conventional opportunities in familiar locations, such that they do not take advantage of all employment opportunities and/or available transport to access them.

Despite the increasing importance of digital media and the growing importance of the Internet in job search, there is evidence from the Labour Force Survey and from other studies that social networks continue to play an important role in job search (Green et al., 2011). Particular emphasis in the literature has been placed on 'the strength of weak ties' (Granovetter, 1973) – i.e. the theory that weak ties of acquaintances with their own separate friends and social circles are particularly advantageous in job search, by comparison with a smaller circle of more homogeneous stronger ties.

Although analysis of Labour Force Survey data confirms that those currently or previously employed as process, plant or machine operatives or in elementary occupations are more likely than average to use social networks as a job search method (Green et al., 2011), it is salient to note that high quality and far reaching social networks are also important amongst (mainly young) graduates seeking placements and internships en route to gaining access to some careers (e.g. journalism, fashion, etc). Moreover, aside from financial resources, geography matters here too – with those individuals who can stay with family in or close to London having access to the largest number and greatest range of such opportunities.

Social networks of family and friends may also influence willingness or otherwise to engage in further education (FE), higher education (HE) and training. There are particular concerns about increased levels of fees to be charged for HE in England and some young people may be influenced by friends and family not to enter HE because of the associated debt.

4.1.3 Self-efficacy – the importance of individuals’ self-belief

There is increasing recognition that self-efficacy plays an important role in successfully accessing, sustaining and progressing in employment.

Self-efficacy refers to individuals’ judgements about their skills to perform successfully in looking for job opportunities, contacting employers, attending interviews, successfully holding down a job, etc. People who believe that they have the skills to perform these tasks are more likely to be successful than those with low self-efficacy. However, environmental factors can play a moderating role.

Area reputation is one such factor of particular significance here, given that perceived area stigmatisation may impact upon individuals’ motivation and behaviour. Whether area reputation and associated discrimination exists is not an issue here; rather it is the belief that it has a negative impact on outcomes that matters.

A study of selected deprived neighbourhoods in Birmingham highlighted that there was a widespread perception amongst residents that many such deprived areas were heavily stigmatised. Indeed, in the culturally diverse areas studied, area discrimination was considered more problematic than racially driven prejudice (Fenton et al., 2010).

There is evidence from a variety of studies that some potential job applicants from places with poor local reputations believe that employers discriminate against them (Dean and Hastings 2000; Dewson, 2005, Green and White, 2007). This may be the case especially in local contexts where income relativities are wider and there are fewer areas at the bottom of the social scale (Atkinson and Kintrea, 2001). Residents may react by ‘adapting’ or falsifying addresses, and may possibly be deterred from seeking work at all.

4.2 Implications for training and employment related support

The issues raised in section 4.1 have several implications for training and employment related support. Perhaps most important is that narrow supply side interventions alone are unlikely to be sufficient; rather problems may relate more to the demand deficiency and to the quality of available jobs. The evidence suggests that there is a broader nexus of issues to be addressed relating to the geography of jobs, skills, wages, benefits, access to transport and the salience of work for individuals, along with caring responsibilities, health and issues of confidence.

Care responsibilities and poverty can restrict opportunities for training or for skills development in work. This suggests that flexible and innovative skills development programmes delivered locally may help reduce some barriers for some people. Confidence building and promoting self-efficacy is important also. For those with limited spatial horizons, and for young people especially, initiatives to take individuals out of their local area and immediate comfort zone and participate in new experiences may be helpful in building confidence and in encouraging broader perspectives, such that they may be tempted to consider opportunities further afield.

The nature and limited volume of jobs available locally in some areas means that for those with relatively poor skills there are limited opportunities to advance in existing jobs and/or to break out of a 'low pay, no pay' cycle. In such circumstances an appropriate emphasis for policy intervention may be to improve employment terms and conditions through working with businesses to develop higher performance working practices.

As noted in sections 6 and 7, there is growing emphasis on encouraging people to move to areas where prospects for employment and training may be better – i.e. there is a greater emphasis on spatial mobility as part of the 'employability mix'. Yet evidence from qualitative case studies suggests that although the majority of people in disadvantaged neighbourhoods recognise that prospects locally are limited, they are 'settled' rather than 'trapped' (Hickman, 2010). The presences of support networks of family and friends close by means that they are able to 'get by' where they are. Moreover, in circumstances where the economy is fragile, it may be rational to 'stay put' and 'make do'. A higher risk strategy of geographical mobility (or indeed job mobility) may confer higher rewards, but the risk that things might 'not work out' may be perceived as a step too far.

4.3 Implications of changes in VET and HE systems

Ongoing changes in the VET and HE systems could have implications for spatial inequalities in skills. These implications are not entirely clear, but possible pointers are set out below.

The Coalition Government has announced greater freedoms for FE Colleges in England to determine curricula offered and the mix of provision provided. It has also placed even greater emphasis than hitherto on working with local authorities and employers. The freedoms for FE are intended to contribute to the creation of a vision of a dynamic skills system, led by colleges working with learners and businesses to deliver the education and training provision that they need. In theory this direction of change implies greater spatial diversity in skills provision, but it is too early to say what will happen in practice. Given the emphasis on promotion of apprenticeships, it seems likely that there will be a growth in apprenticeship opportunities in most, if not all, parts of England.

In HE a key ongoing change related to funding, including the fees to be paid by students. These debates are most advanced in England, but public spending cuts have implications for all nations of the UK. The withdrawal of public funding from the teaching of non-STEM subjects may mean lead to changes in the mix of subjects provided in some HE institutions, with implications for the spatial distribution of associated provision. Spatial variability in levels of fees charged might be expected to influence prospective students' selection of HE institutions at which to study.

In order to keep down the costs of going to University more students might choose to live at home while studying; the traditional norm in the UK has been one of 'going away' to University. While this might favour regions which have traditionally been net exporters of students, those which are currently net importers of students may 'lose out' to some extent. Given that young people are the most geographically mobile section of the population, any such tendency to increasingly 'study from home' may weaken lifetime geographical mobility. Nevertheless the geography of employment opportunities is likely to remain an important factor: the 'pull' of escalator regions (as discussed in 3.2.2) is likely to remain.

HE students might also increasingly choose to work while studying – whether in term time, in vacations, or both. This may have implications for the local employment opportunities available less skilled people.

In summary, the preceding discussion suggests that changes in VET and HE systems may have some important implication for spatial inequalities related to skills, but these are, as yet, unclear.

5 The role of employers

This section addresses the role of employers in perpetuating and addressing spatial inequalities through their attitudes and behaviour in the more general context of why employers might adopt information short-cuts in recruitment and selection. It sets out:

- why employers might be concerned about where their workers live, why and how address-based selection and discrimination may occur, evidence for address-based discrimination, and conclusions about address-based selection and discrimination by employers in relation to spatial inequalities; and considers
- employer behaviour – including local variations in recruitment and selection processes and implications for progression.

5.1 Employer attitudes: the place of address-based discrimination

5.1.1 (Why) does it matter where workers live?

There are two main reasons why employers might be concerned about where their workers live:

- the ability of workers to get to the workplace to perform their jobs as required; and
- whether workers from areas suffering from the stigma of a poor reputation will be able to meet the requirements of the job.

First, for jobs that require attendance at the workplace at set times, employers need to be confident that they can rely on employees to live sufficiently close to the workplace and/or have access to transport (private or public) such that they can be relied upon to arrive on time. In the case of shift working and/or work involving unsocial hours this is likely to be of particular importance. In such circumstances employers might favour workers living close by rather than those at a greater distance, leading to positive discrimination in favour of local residents.

Secondly, there is considerable evidence that that certain areas and estates suffer enduring poor reputations (Lupton, 2003; Robertson *et al.*, 2008). Such stigma may result from a combination of factors which are both internal and external to the areas themselves, but the important point here is that employers may be wary of employing residents from such areas on the basis that they might not have the necessary employability and other skills to meet the requirements of the job. Such employer attitudes may be based on a preconceived prejudice about people from poor reputation areas or because of previous negative experience concerning workers from poor reputation areas. In these circumstances, employers may discriminate against residents from poor reputation areas.

5.1.2 Why and how might address-based discrimination occur?

Employers need to screen applicants for vacancies on the basis of their suitability for the job in question. There are several criteria on which employers might choose to screen, with the most obvious being previous employment history, qualifications and personal attributes. Address might also be used as a screening criterion, in order to identify local recruits or as a means of discarding applicants from particular areas perceived to be undesirable/'high risk'. In cases where there are large numbers of applicants the need for screening is all the more necessary in order to reduce the number of applicants to a more manageable number. This suggests that the potential for address-based discrimination is greater in slack labour market conditions when there are more applicants for vacancies.

Recruitment and selection practices vary considerably along a continuum from formal to informal. Formal recruitment and selection methods include external advertisement of a vacancy along with a formal job description and person specification, followed by competency-based assessment of applicants. Depending on the size and nature of the employer, elements of the recruitment and selection process may be handled centrally rather than locally, HR professionals might be involved and equalities information might be removed from applications before assessment and screening and assess. By contrast informal methods might involve word-of-mouth recruitment, which tends to privilege those with similar characteristics to existing workers.

Although this is an under researched topic, there is some evidence that sectoral and occupational variations in the recruitment and selection practices (Keep and James, 2010), with public sector jobs and professional posts tending to be advertised formally, while in construction, manufacturing and in some less skilled jobs there is greater reliance on informal methods. There is less scope for address-based discrimination in formal recruitment and selection methods than with informal methods. Informal methods may be more cost effective at a time of austerity and so this might mean that in a slack labour market the potential for address-based discrimination is greater.

Whatever the recruitment and selection practices of an employer, a prerequisite for address-based discrimination to occur is that individuals involved in recruitment and selection possess sufficient local knowledge to be able to recognise particular residential areas and understand their relative reputations. This is most likely to occur when the staff involved in decision making are local to the labour market concerned and/or have lived or worked in the area for some time. This means that the potential for address-based discrimination is likely to be greater where recruitment is handled locally rather than centrally. Longstanding, independent, family-based firms in the private sector might possess many of the prerequisites to exercise address-based discrimination.

5.1.3 Evidence on address-based discrimination

As noted in section 1, there is some evidence from case study research that some residents perceive that their address has a negative impact on their employment prospects, such that they might be discouraged from applying for jobs. There has long been anecdotal evidence that some employers discriminate against job applicants on the basis of address, yet hard evidence has been lacking. To date no experimental test has been reported providing direct evidence on the existence and extent of address-based discrimination in employment.

An early indirect insight into address-based discrimination on the part of employers compared the experiences of a group of residents in a particularly renowned deprived public housing estate in Paisley with the experiences of the residents of the town more generally (McGregor, 1977). Once corrections had been made for a range of personal characteristics, the study found that residents in the renowned deprived area suffered increased durations of unemployment in relation to their counterparts in other parts of the town. It was concluded that employers' use of address screening was one part of the explanation for this.

More recent research has shed some light on address-based discrimination by interviewing employers about their recruitment and selection processes (Nunn et al., 2010). Qualitative research based on interviews with around 20 employers in each of six local areas across Great Britain indicated that in labour market conditions where employers receive large numbers of applicants they may use information short-cuts to make the task of short listing and selection more manageable. In line with expectations set out in 5.1.2, the study found that screening of this sort was less likely to occur where recruitment and selection was in some way professionalised, for example, by the involvement of HR professionals in some or all of the process and/or when recruitment and selection procedures were controlled from outside the local area. Construction, manufacturing, hotel & catering and retail employers were most likely to use informal recruitment methods. Likewise, in accordance with expectations in 5.1.2, informal recruitment methods were more prominent for unskilled or semi-skilled roles than for others. Moreover, the geographical scope of recruitment for higher skilled jobs was greater.

A small number of employers acknowledged taking address into consideration in recruitment. Where reference was made to address-based criteria, this tended to be in relation to access to the workplace location from the place of residence. Distance to the workplace, ease of travel and access to private and public transport were amongst the factors cited. A few others made reference to advantages of a local workforce reflecting the local customer base. The most prominent considerations cited by employers in recruitment and selection decisions were related to employment history and experience; qualifications and education and a range of employability skills (commitment, willingness to work specific hours, etc). There was some evidence of a marginal degree of willingness among employers to screen on the basis of address (albeit on a secondary basis vis-à-vis other factors – including personal characteristics of applicants), or at least a recognition of the reputational problems of certain areas, even if they then suggested that they would not use this knowledge in making recruitment decisions. However, some respondents who maintained that they used merit-based criteria to guide their decisions admitted that they may subject an applicant from an area that they perceived to have a poor reputation to additional scrutiny in the recruitment process. Hence, it is possible that the Nunn et al. (2010) research understates the extent of address-based discrimination because employers may have been unwilling to admit to various prejudices.

5.2 Employer behaviour: local variations in recruitment and selection processes and implications for progression

There is no single source of information on either the number of vacancies in an area or on how those vacancies are advertised. The single most comprehensive spatially-disaggregated series of data on vacancies relates to Jobcentre Plus vacancies. However, these do not provide comprehensive measures relating to all vacancies in the economy.² The proportion of vacancies which are notified by employers varies over time, according to the occupation and industry of the vacancies and also by geographical area.

To some extent local variations in recruitment and selection processes would be expected to reflect local differences in the sectoral and occupational structure of employment. However, local labour market norms and traditions are likely to play an important role also. So in one local area vacancies in a particular job type might be advertised in the press, in another area recruitment might be through informal channels, while elsewhere they might be handled by agencies. In part, these local differences reflect the role of labour markets as social and institutional structures (Peck, 1996).

How vacancies are advertised is important because it has implications for who finds out about them and who applies, and further down the line it has implications for progression. In general, advertising jobs through a variety of different recruitment channels will help increase opportunities for a wide spectrum of applicants to apply. The policy objective of utilising digital services to a greater extent than formerly in advertising jobs and in job search should enhance information about available jobs, as long as potential workers can use and access the Internet effectively. Informal recruitment through 'families and friends' of existing workers is likely to exclude some people from disadvantaged areas who are outside such networks. In this way some potential workers may not have the opportunity to utilise and develop their skills in the workplace.

There is evidence from the USA (Peck and Theodore, 2007) and emerging evidence from the UK³ of increasing use of agencies and temporary working in current fragile economic circumstances. Agencies offer employers numerical flexibility to cope with changing requirements. However, temporary workers often have little time or opportunity to undertake training and often face limited opportunities for progression. This has implications for utilisation and development of skills of people in areas where temporary work agencies have a strong hold locally.

² In 2002, ONS used one such survey to estimate the proportion of total vacancies advertised at Jobcentres at 44 per cent. Allowing for sampling variation, the ratio was likely to be in the range of around a third to a half

³ The increased use of agencies is one of the emerging findings from a project being undertaken at the Institute for Employment Research and funded by the UK Commission for Employment and Skills on employment opportunities for low skilled people .

In recent years there has been growing interest in encouraging employers to take on people from specific neighbourhoods suffering labour market disadvantage. Such initiatives may involve use of outreach activities, guaranteed interviews and 'fitting' of individuals to specific vacancies – as in the case of the Halifax call centre in Northern Ireland and the Highcross retail centre in Leicester (Green *et al.*, 2010). These two examples are large scale new developments, which arguably offer a particular fruitful context in which to broker such arrangements.

The Local Employment Partnerships announced in the 2007 Budget represented a more wide ranging attempt to build on the work of Jobcentre Plus with employers to support the long-term unemployed and other priority groups into employment. Moreover, there has been increasing interest in using procurement as a policy tool to deliver targeted recruitment and training for local people through using social benefit clauses as core requirements. This has been extensively used in Wales in the construction and related sectors (see, for example, the case of Heads of the Valleys City Strategy [City Strategy Learning Network, 2010]), and involve not only access to employment but also training to develop certified skills within employment.

Employers can play an important role in extending their geographical reach for potential employees, retaining workers and facilitating access to skills development. In the first instance, when facing labour and skills shortages one solution might be for employers to provide transport to work. This solution is particularly appropriate for large employers requiring workers at unsocial hours when public transport services are not running. Airports are one such example. Provision of transport, and/or provision of information about demand-responsive transport options and public transport services, can help in retention of staff – so saving costs in education and training.

Help with transport might also be a means of facilitating access to training by employees, while provision of in-house training, where feasible, can obviate such travel difficulties. In general, difficulties in physically accessing training are likely to be most acute in rural areas, where transport might be a confounding factor in locking some businesses into a situation of low skills equilibrium.

There is an emphasis on promotion of high performance working (HPW) in order to promote more effective development and utilisation of skills (Giles *et al.*, 2010). There is no reason why HPW practices should be, or need to be, spatially specific. Hence, there is no reason why greater adoption of HPW would exacerbate spatial inequalities. Rather, it is necessary for management and leadership skills to be developed and promoted in all areas and sectors such that no employers are at an undue disadvantage in adopting such practices, should they aspire to do so.

6 The role of the system

This section is concerned with policy interventions to address spatial inequalities. Section 6.1 provides an introduction and overview to policy interventions to address spatial inequalities and is concerned with the policies prior to May 2010. It considers:

- the rationale for intervention;
- people-based and place-based policies (with a particular focus on the latter);
- tailoring of policies to different types of place;
- appropriate spatial scales for intervention; and
- the context of recession and its aftermath - including a tightening of resources available for intervention.

Section 6.2 considers policy changes post the General Election of May 2010. It emphasises both continuities and differences with what has gone before and sets out the direction of policy for the future.

6.1 Policy interventions to address spatial inequalities

6.1.1 The nature of spatial disparities and the case for intervention

Section 2 provided selected evidence on the existence of spatial disparities and inequalities. It was noted in section 1.3 that spatial inequalities are inherent in economic development. But just because spatial inequalities exist, is there a case for policy intervention? The presence of disparities is not necessarily justification for the system to intervene to address such disparities. However, there is a case for intervention on grounds of:

- efficiency - where spatial market and government failures undermine economic performance and welfare; and
- equity - if people are disadvantaged by where they live or are constrained from taking advantage of opportunities in other places. (Department for Communities and Local Government, 2007).

6.1.2 People- and place-based policies

An important initial question is should interventions to mitigate spatial inequalities be focused upon particular areas or should they be 'spatially blind'?

Appropriate policies to address spatial inequalities are not necessarily place-based since compositional effects are an important component in spatial inequalities. Indeed, national policies and spatially blind people-based policies - involving both a 'major focus' on people and an 'intended impact' on people – have played a major role in addressing spatial inequalities (Griggs et al, 2008). Likewise there has been a foremost emphasis on supply side rather than either demand side interventions or interventions designed to tackle institutional barriers in the labour market that underlie spatial inequalities. This supply side emphasis is exemplified by the strong tradition of training programmes to address individuals' skill deficiencies and skills mismatches.

However, there has been an increasing emphasis on place-based policies at various spatial scales to address spatial inequalities (as emphasised in section 6.2) – generally to complement mainstream policies rather than to substitute for them. Typically, place-based policies involve greater discretion than mainstream ones. Some of these policies have a focus on particular places with the intention of impacting on people living there, while others focus simultaneously on people and places – as in regeneration initiatives. Others may be more overtly place-based, as in the case of making local areas more attractive to business – in order to aid business expansion and promote employment growth.

So what is the case for place-based policies? Some place-based policies are justified specifically on grounds that place-based factors (for example, poor transport links to areas of opportunity [for education, employment, etc]) may exacerbate spatial inequalities. However, more generally they are concerned with tackling specific challenges (e.g. poor skills, skills mismatches, etc) that are concentrated in particular places in particular ways which mainstream programmes find it difficult to address, and where local partnership working can help provide a focus for joined-up interventions. A neighbourhood/local focus is also appropriate for the delivery of specific 'wraparound' services in accordance with the needs of people in particular places. Economies of scope may also be realised by combining activities in skills, worklessness and other policy domains at local level. Moreover, since places play different roles in the spatial socio-economic system, it follows that is not necessarily the case that 'one size fits all' in terms of policy interventions.

Indeed, there is increasing interest in different types of areas and in how different types of interventions may be pertinent in each (see Lupton et al., 2011). For example, Robson et al (2008, 2009) have used migration data to distinguish types of deprived area at the micro area level (see Table 5). There are particular concerns for those in ‘isolate’ areas where comprehensive policy interventions may be applicable in the face of seemingly intractable problems.

Table 5: Classification of deprived neighbourhoods

Type	Description
Transit	Most in-movers come from less deprived areas and most out-movers go to less deprived area.
Isolate	Households come from and move to areas that are equally or more deprived - they are neighbourhoods that are associated with a degree of entrapment, with poor households unable to break out of living in deprived areas.
Escalator	Most in-movers come from areas that are equally or more deprived, the neighbourhood becomes part of a continuous onward-and-upward progression through housing and labour markets
Improver	Most in-movers come from less deprived areas and out-movers go to similarly or more deprived neighbourhoods (as often associated with a process of gentrification).

Source: Robson et al. (2008, 2009)

If neighbourhood characteristics matter, what about the broader context within which neighbourhoods are located? There is evidence from analysis of area regeneration initiatives that the broader sub-regional context within which neighbourhoods are located matters. In an evaluation of the National Strategy for Neighbourhood Renewal in England (AMION Consulting, 2010), econometric modelling showed that the most significant determinants of socio-economic improvement related to the broader spatial context (regional GVA, access to low skilled jobs and skills at levels 3-4). When a neighbourhood had low skills levels, poor access to low skilled jobs, was in the bottom 10 per cent on the Index of Multiple Deprivation and had a high level of social housing, the chances of socio-economic improvement were low.

There are several examples of place-based (sometimes know as ‘area-based) policies to tackle worklessness (see Syrett and North, 2008). Inherent in many of these interventions have been attempts to improve employability skills to help individuals secure employment. Examples of such policies (in chronological order) include:

- Employment Zones – to test innovative ways of helping the long-term unemployed in the 15 Employment Zones characterised by persistent long-term unemployment to access employment (Hasluck *et al.*, 2003);
- Action Teams for Jobs – set up in 65 local authority areas with low employment rates to provide community-based outreach and locally-relevant initiatives designed to help the long-term unemployed and others facing significant barriers in accessing work;

- Working Neighbourhoods pilots – testing the provision of intensive support to workless people in 12 neighbourhoods characterised by ‘cultures of worklessness’ – and barriers to work such as a lack of job opportunities, poor skills, low motivation to seek employment, and poor childcare facilities and public transport (Dewson et al., 2007).
- the Local Enterprise Growth Initiative (LEGI) – focusing on enterprise development and investment, and on linking of local people in deprived areas to those opportunities;
- the City Strategy initiative – which is intended to combat the issues of worklessness and poverty in selected urban areas in Great Britain by empowering local institutions to develop local solutions, with a particular emphasis on significantly improving employment rates (particularly amongst the most disadvantaged) by helping people find and retain work, and progress in work by improving their skills levels (Green et al., 2010);
- the Working Neighbourhoods Fund – providing 65 deprived local authorities in England with non ring-fenced funding to tackle low levels of skills and enterprise in the most disadvantaged areas.

The more recent initiatives represent part of the tendency outlined above to devolve power (at least to some extent) in addressing problems and finding solutions to regions, local areas and neighbourhoods. Generally, the rationale for devolving decision-making to local and sub-regional levels in order to address problems is that local areas and people face different problems and therefore require different solutions (although this not need necessarily be the case). Additionally, there is a widespread assumption local actors are better placed to understand the specific challenges of local level – and so contribute to solving them. The introduction of Multi Area Agreements (MAAs) in parts of England fostering strategy development across local authorities covering functional sub-regions – including on employment and skills issues, duties on local government in England to prepare an assessment of the economic conditions in their area and the greater role for local government and local partners (Houghton et al., 2009; Department for Communities and Local Government and Department of Work and Pensions, 2009) in understanding, planning and implementing solutions to tackle worklessness, are illustrative of this trend.

6.1.3 Appropriate spatial scales for intervention

Given that concentrations of disadvantage evident at the micro area level are the spatial manifestation of economic and social processes operating at higher spatial scales, and that the operation of local labour markets is best understood within a broader spatial (and institutional) framework, what are appropriate spatial scales for strategy formulation and for delivery of policy relating to skills and employment? It seems that the sub-regional level is the finest spatial scale appropriate for developing employment and skills strategy – within a broader framework set at regional/national level.

The neighbourhood level is an appropriate scale for planning to inform implementation and delivery to help the most disadvantaged residents in the most disadvantaged areas. One example of such planning is provided by the development of Neighbourhood Skills and Employment Plans (NESP) in the Birmingham, Coventry and Black Country City Strategy Pathfinder. The NESP sought to bring together in one place information on the nature of worklessness (i.e. the profile of worklessness - including the relative size of different claimant groups, their demographic profile, etc, relatively to other wards and city region data), a local perspective on the problems and issues faced by workless people at ward level (for example, poor skills, poor health, transport problems in accessing jobs, etc); and how the needs of the workless are met (or not met) by current interventions (Green and Orton, 2009). The neighbourhood level is also an appropriate level for delivery – especially of outreach services – given the relatively restricted geographical outlooks of some of the most disadvantaged individuals (as outlined in section 4).

6.1.4 Recession and funding constraints

Recession, fragile recovery and budgetary constraints pose a number of questions for the nature and scale of policy interventions in the short- and medium-term. These include:

- Will there be an increased emphasis on efficiency gains (i.e. foregrounding of ‘efficiency’ rather than ‘equity’ considerations)? – if so, does this mean that there will be a greater focus on alignment of funding streams at sub-regional and local level?
- Will there be greater focus on ‘outcomes’ (i.e. getting people into any job) as opposed to activities such as moving people towards employment by investing in their employability skills and enhancing skills so as to aid progression in employment?)
- Amongst workless people, will there be a greater focus on those who are nearest to employment, such that the focus will shift away from those who are furthest from employment (and who are hardest help)?

- Will those in deprived areas who tend to benefit most from cross-domain interventions (that may rely on a number of different sources of funding) given the multi-faceted nature and complexity of the challenges that they face, stand to lose out most in the face of budgetary cuts?

There is likely to be increased emphasis on making existing money go further in the context of budgetary constraints. It follows that there is likely to be greater priority given to mapping flows of public spending in local areas (as in the Total Place initiative [HM Treasury and Department for Communities and Local Government, 2010]). Utilisation of other sources of funding for skills interventions is likely to be increasingly important.

6.2 The direction of policy

Both changes and continuities in policies are apparent since the Conservative-Liberal Democrat Coalition Government took office in May 2010.

One significant change is the abolition of the regional tier in England, with the closure of Regional Development Agencies (RDAs) in England by March 2012. The RDAs have put substantial funds into promoting business development, employment and employability. They also had a skills remit at regional level. The October 2010 White Paper on *Local growth: realising every place's potential* outlines measures to empower local partners to lead action to improve economic growth. The emphasis is on 'local solutions to local issues' – giving business, local authorities and other partners (including universities) the responsibility for and ability to driver local economic growth through the creation of Local Enterprise Partnerships (LEPs). Increased flexibility for colleges (as outlined in section 5.2) is also part of the reform.

Another key tenet is the emphasis on 'rebalancing'. In November 2010 HM Treasury and BIS published *The path to strong, sustainable and balanced growth* (HM Treasury and Department for Business Innovation and Skills, 2010). This emphasised the policy objective of achieving "strong, sustainable and balanced growth that is more evenly shared across the country and between industries".

Such balanced growth will require spatial rebalancing, sectoral rebalancing and a shift from the public to the private sector. The £1.4 billion Regional Growth Fund is designed to stimulate private sector expansion throughout England, in particular in those areas and communities that are dependent on the public sector. This complements an announcement in the 2010 Budget of the introduction of a regional employer National Insurance Contributions holiday for new businesses setting up in target areas where there is greatest dependence on public sector employment. Also in relation to spatial issues Government policy is to: “create the conditions that enable every place to reach its growth potential and that allow people to access opportunities regardless of where they live” (HM Treasury and BIS, 2010). But there are associated dilemmas between ‘efficiency’ and ‘equity’. ‘Balance’ implies ‘equity’, but ‘growth’ implies ‘efficiency’. The drive for growth and constraints on public spending may mean that it will be ‘equity’ that loses out. As outlined in section 1.3, New Economic Geography perspectives suggest that unbalanced economic growth is an inevitable consequence of successful economic development.

A feature of Coalition Government policy is that it is less prescriptive in approach than has been the norm previously. Hence there is scope for greater sub-national diversity. The expectation is that LEPs will set out and deliver local leadership in economic development and play a key role in rebalancing the economy towards the private sector, with businesses and local authorities working together to create the right environment for business growth by tackling issues such as local transport, housing, employment and opportunities for business development. The reforms announced by the Coalition Government also imply a stronger role for local government. There are plans for reforms to the planning system in order to facilitate labour market flexibility and mobility and to meet business needs.

‘Localism’ and the ‘Big Society’ are watchwords of the new policy direction. Localism is the ethos of doing everything at the lowest possible level and only involving central government if necessary. It involves the ceding of power to individuals, professionals, communities and local institutions. Hence local partners have a critical role in the delivery of employment and skills outcomes. The aim is to achieve a Big Society where people, neighbourhoods and communities have more power and responsibility.

The Spending Review means that there are reduced resources for national and local government funding. Hence, there is a need to avoid duplication and develop cost effective approaches to addressing challenges. There is growing emphasis on joint working across departments to address problems in local areas. A recent approach is DWP Worklessness Co-design. Building on Total Place this is a project in which DWP and five local authorities (Birmingham, Bradford, Lewisham, South Tyneside and Swindon) are working on new solutions to address specific problems of worklessness (DWP, 2011). In a similar vein, as part of a national cross-sector Resolving Multiple Disadvantage project being championed by the Cabinet Office, DWP and other government departments, a range of Big Society partners are seeking to work with a small number of localities from April to September 2011 to find ways to reduce multiple disadvantage amongst adults. In February 2011 expressions of interest were invited to become so-called 'Local Inclusion Labs'.

For those people claiming out of work benefits the Work Programme, replacing a range of programmes delivering support to those who need additional help to get back into work, represents a major change. The 'black box approach' and incentive structure means that providers will be free to determine the most appropriate way to deliver personalised local solutions. Given the payment structures for the Work Programme a key question is how cash incentives for providers can be designed to avoid 'creaming' (i.e. focusing on those individuals who are easiest to help) and 'parking' (i.e. leaving those individuals who are most difficult to help) in difficult local labour market contexts? Other challenges include whether there will be enough private sector jobs created to compensate for job losses in the public sector in all local areas. Cuts in complementary services raise issues of how barriers to sustainable employment that typically need to be addressed alongside skills can be tackled successfully.

Some associated high level policy issues, including those relating to spatial mobility and skills development, are addressed in section 7.

7 Summary of key policy issues

Following the discussion of various policy issues in section 6, this section concentrates on selected key high level questions for policy. These include:

- Is spatial inequality inevitable?
- Should greater emphasis be placed on spatial mobility to mitigate spatial imbalance and inequality?
- Does undue emphasis on the supply side negate the question of utilisation of skills and attempts to raise the demand for skills in particular areas?

Although the precise contours of spatial inequality may evolve over time, it is clear that spatial disparities are entrenched. Yet there is a rationale for policy interventions to tackle such spatial inequality on grounds of both equity and efficiency. The fact that spatial inequality is inherent in processes of economic growth and development suggests that the interventions need to 'go with the grain' of economic and social processes rather than resist them. Hence spatial rebalancing needs to be about 'sharing' of growth rather than curtailing growth in some areas and attempting to reallocate it elsewhere.

From a skills perspective there is a tension here between:

- developing skills where people are currently located in order that they are equipped for future jobs – whether those jobs are where people are currently located or elsewhere; and
- developing skills solely where the jobs are.

The former implies that people need to be geographically mobile to access jobs that best utilise their skills.

There have been ongoing concerns about the relative immobility of labour in the UK – especially amongst some sub-groups of the population who occupy relative weak labour market positions. Mobility – job-to-job and geographically – is a feature of a dynamic and healthy labour market.

Given concerns that policies of 'moving jobs to people' are not necessarily sustainable in the medium- and long-term (since recipient local economies may be vulnerable to closure/offshoring of branch plant activity), as noted above it may be better to work with the forces of economic geography in shaping economic growth, rather than trying to counter them. Hence the policy emphasis has now shifted towards stimulating local enterprise in situ and – ensuring that local people have the skills (to overcome potential 'skills mismatch'), and the flexibility and spatial mobility to move/travel to jobs (to overcome potential 'spatial mismatch'). Online sources for information, advice and guidance have increased, as have online learning opportunities to develop and enhance skills, so facilitating mobility. Labour market information (e.g. on employment opportunities) and travel information is increasingly available digitally – so potentially opening up knowledge of opportunities, and access to them, in the local area and beyond. Hence the exhortations to 'get on your bike' (Norman Tebbit in 1981) and 'get on the bus' (Iain Duncan Smith in 2010) in search of work. Yet the evidence suggests work (including skills) and non-work factors may coalesce in particular neighbourhood and local contexts such that people remain immobile.

At micro area level there is a tendency for policy addressing spatial inequality to focus on supply side issues such as poor skills, motivation and health, along with complementary issues such as caring responsibilities and health, along with local contextual issues such as the physical location of jobs and access to transport. Monetary issues such as benefits vis-à-vis wages also play a role. There is a danger that these concerns may distract attention from attempts to raise demand for skills and to enhance the utilisation of existing skills. Given the demise of the regional level infrastructure in England, it is likely that efforts to address these issues will take place increasingly at sectoral and sub-regional levels – yet the Local Enterprise Partnerships (LEPs) lack powers over skills. It remains to be seen how the LEPs develop to address issues of stimulating enterprise and working with sub-regional and other partners to ensure that the skills and jobs are in place to redress spatial inequality and to foster growth.

8 Conclusions

Changes in the sectoral, skills, occupational, spatial and temporal distribution of employment pose potential challenges for existing workers and for those seeking to access employment. Processes of adjustment are not always smooth. The New Economic Geography literature suggests that spatial differentials in employment opportunities and in the skills profile of jobs are likely to diverge over time, through processes of clustering and accumulation. Evolutionary economic geography perspectives indicate that the economic history of particular areas shapes current and future trajectories and opportunities, so underlining that present patterns of workplaces, residences and the transport systems that link them are a function of the past (i.e. they reflect previous economic geographies). These perspectives imply that the policy challenge is to foster integration to current and newly emerging opportunities.

The evidence presented in section 2 suggests that there are longstanding spatial variations in patterns of employment and output growth and labour market projections indicate that these are likely to be maintained. Over the medium-term there has been an increasing concentration of jobs – particularly those associated with high level skills – in the Greater South East. This region also has a strong platform in many key sectors with potential for future growth. The public sector has played an important role in providing higher skilled jobs in the midlands and northern regions of the UK. Peripheral rural areas are characterised by a larger than average share of low skilled jobs and low wages.

There are spatial variations in the extent to which local areas are reliant on employment in the public sector. The public sector was a strong driver of employment growth prior to recession – particularly in the most disadvantaged areas. In these areas the recession exacerbated the existing 'jobs gap'. This suggests that there is an important role for interventions on the demand side, as well as on the supply side. Public spending cuts will affect all regions, sub-regions, local areas and neighbourhoods, but their impact will be spatially uneven. In terms of access to opportunities for employment and training, residents of rural areas may be particularly hard hit by cuts in public transport and rationalisation of services – including opportunities for further education and training.

There was little change in economic activity rates during the recession. The most marked change was the rise in unemployment rates. All regions, sub-regions and local areas have been affected. However, there is evidence for a widening of spatial inequalities, especially at the micro area level.

Processes of labour segmentation suggest that some individuals tend to be confined to particular parts of the labour market. Spatial variations in employment rates are most apparent amongst those with no and low qualifications, for whom aggregate employment rates are lower. Those with poor skills are particularly disadvantaged in the face of localised job loss. Despite concerns in the literature about the corrosive effect of localised 'cultures of worklessness', qualitative evidence suggests that many residents in disadvantaged neighbourhoods have a strong work orientation, but also prioritise their roles in strong local support networks of family and friends and may 'make do' with relatively poor quality jobs available locally rather than seek to improve their skills and move away to take advantage of opportunities elsewhere.

Individuals with poor skills living in neighbourhoods with adverse reputations are most susceptible to negative consequences to address-based discrimination on the basis of their place of residence. People with poor skills are disproportionately vulnerable to such discrimination because of the recruitment and selection practices that employers adopt to fill vacancies in occupations where they are likely to seek work. The potential for such discrimination is greater in fragile economic conditions than in the context of a tight labour market. Hence, current conditions are working against those with poor skills in disadvantaged areas.

Traditionally, policies to address spatial inequality and to enhance employability and skills have been focused on particular population sub-groups irrespective of place. Yet it is clear that the spatial context for policy intervention matters – in terms of broader sub-regional labour market circumstances and access to jobs. A growing emphasis on place-based policies is apparent, latterly with a stronger emphasis on devolving power to the local level. Local partnership working is important in designing and delivering complementary services – across skills, health, housing, transport, etc⁴ - for those who are most disadvantaged, while the sub-regional scale is appropriate for employer engagement activities and the development of local skills ecosystems. Looking ahead, the policy framework is such that there is scope for enhanced sub-national diversity. Moreover, part of the 'rebalancing the economy' and 'growth' agenda is concerned with redressing spatial inequality.

⁴ The implication is that skills are part of the 'mix' but are not the 'fix' in combating spatial (and other dimensions) of inequality.

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Produced by Institute for Employment Research, University of Warwick for the UK Commission for Employment and Skills.

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