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Summary

Britain's older industrial towns are a substantial part of the country – on the definition used here they account for over 16 million people. Over many years these towns have all been hit by major job losses in the industries that once underpinned their economies. This report looks at the contemporary labour market in the towns. Section 1 of the report sets out the background.

Section 2 deploys 'labour market accounts' to examine the flows in the labour market in older industrial towns over the period 2010-16, when the UK economy was recovering from recession. This analysis shows that:

- *The number of jobs in older industrial towns increased by 220,000 over this six-year period*
- *But the rate of job growth was three times faster in the main regional cities and seven times faster in London*
- *Net commuting out of older industrial towns – the balance between travel-to-work flows in and out – rose by 110,000 to just short of one million*
- *An ageing population reduced the workforce in older industrial towns by 190,000 but net international migration added an estimated 160,000*

Section 3 provides a present-day snapshot of the labour market and workforce in older industrial towns:

- *72 per cent of adults of working age in the towns were in work in 2017*
- *Excluding students, who distort comparisons between places, on average the employment rate in older industrial towns is 3 percentage points behind the GB figure but 5-10 percentage points behind in a long list of towns*
- *Almost 830,000 – 8 per cent of all adults of working age in the towns – were out-of-work on incapacity benefits in August 2017*
- *Despite years of job loss, industry still accounts for 930,000 jobs in the towns and a higher share of employment than in the big cities or than the GB average*
- *'Self-employment' in the towns is in line with other places but accounted for 30 per cent of the increase in residents in employment between 2010 and 2017*
- *Compared to the cities, there are far fewer white-collar jobs and far fewer graduates in the local workforce*

- *In 2017, median pre-tax pay in jobs in the towns was only 91 per cent of the GB average – £190 a week behind the level in London*

- *In response to low pay, 900,000 in-work households in the towns claim Tax Credits at a cost to the Exchequer of £6bn a year*

Section 4 looks at the 'real level of unemployment':

- *There is clear evidence of a substantial diversion onto incapacity benefits, distorting official measures of unemployment*

- *Adjusting for this distortion, the real level of unemployment in older industrial towns in spring 2017 is estimated to have been 780,000, or 7.5 per cent of the working age population*

- *Older industrial towns have many of the highest rates of real unemployment in the country*

Section 5 considers three specific issues:

- *Though the commuting flows between older industrial towns and neighbouring big cities are large, the evidence that the big cities are driving growth in nearby towns is patchy at best*

- *There is no evidence that the impressive job growth in London in recent years has been of any direct benefit to the labour market in older industrial towns*

- *International migration has boosted labour supply in the towns and probably allowed some businesses to expand faster than would otherwise have been the case, but it might also have filled some job opportunities in London that would otherwise have been taken by migrants from the Midlands, North, Scotland and Wales*

The final part of the report, Section 6, draws together the findings and identifies 'five fundamentals' of the contemporary labour market:

(1) The economy of Britain's older industrial towns is essentially stagnant

(2) There remains substantial labour market slack in older industrial towns

(3) Pay and conditions in older industrial towns are often poor

(4) Older industrial towns are increasingly becoming dormitories for men and women who work elsewhere

(5) International migration is a prominent feature of recent trends in the towns

1. PURPOSE AND SCOPE OF THE REPORT

Britain's older industrial towns

Britain's older industrial towns are a substantial part of the country. On the definition we use here, they account for over 16 million people or a quarter of the entire UK population. That's about the same as the whole of London plus its vast commuting hinterland in southern England.

Yet surprisingly little is understood about the contemporary labour market in these places. There are plenty of simplistic caricatures. One is that the towns have never recovered from the loss of the older industries that were the reason for their growth and, quite possibly, they never will. In this view, Britain's older industrial towns are in effect a relic of a bygone era, forever likely to languish at the bottom of economic league tables. At the other end of the spectrum there is the view that older industrial towns have long ago bounced back from all those job losses. In this view, successful regeneration means that older industrial towns have become just another component part of the 21st century British economy, all be it with a distinctive backstory.

The truth is likely to be some way between these extremes, though it is fair to say that low unemployment figures over the last two or three years have fuelled the view that recovery in the towns is well underway.

It is also true, however, that recent voting patterns have shaken any complacency. In the 2016 referendum on EU membership, older industrial towns in England and Wales were the heartland of the Brexit vote, generally voting 'leave' by a margin of two-to-one[1]. This has widely been interpreted as a reflection of rising disaffection and disenchantment with economic impacts of globalisation. The big cities, by contrast, mostly voted 'remain'. Perhaps after all the economy and labour market in Britain's older industrial towns is not as healthy and robust as some would like to believe.

This report tries to get to the bottom of what is really happening in the labour market in Britain's older industrial towns. It does so by deploying a wide range of official statistics. There is an abundance of data but far too often analysts fail to look beyond headline national data and rarely if ever drill down further than 'regions', which lump together cities and towns, industrial and rural areas.

It is particularly worth distinguishing older industrial towns from the big regional cities. These cities too nearly all have a strong industrial past but they have always played a wider role in regional and local economies. They have long been service centres for their hinterlands,

[1] W Jennings (2017) 'Cities, towns and the general election of 2017', part 1 of *Cities and Towns: the 2017 general election and the social divisions of* place, New Economics Foundation, London.

administrative headquarters, transport hubs and home to major universities. On the whole, the economies of the big regional cities were therefore never quite as reliant on the older industries that have now shrunk or disappeared.

A further reason for focussing on towns is that in recent years they have been out-of-favour in policy making and academic debate. Instead, the focus has been on cities and their potential to lead economic growth. The dominant assumption has been that cities benefit from agglomeration economies that make them better locations for economic activity. If, exploiting this inherent locational advantage, the economy of the cities can be made to grow, the further assumption is that the numerous towns around them will then be carried along in their wake. Prosperity will be spread from the cities to neighbouring areas via commuting flows and through the overspill of businesses to less congested locations, or so the theory goes.

If the labour market in Britain's older industrial towns really has improved an important question is therefore whether the improvement is the result of new jobs in the towns themselves or growth in neighbouring cities. And if the big cities are indeed the motor of growth in their hinterlands, where does that leave the older industrial towns located far from a big city?

Key issues for investigation

- What have been the recent trends in the labour market in Britain's older industrial towns, particularly since the last recession?
- How do these trends compare with other parts of the country, particularly London and the big regional cities?
- Is the presently low recorded unemployment in older industrial towns an accurate reflection of the local labour market?
- How much is the contemporary problem in older industrial towns one of low pay, job insecurity and reliance on top-ups through the benefit system?
- Have older industrial towns become reliant on neighbouring cities to provide jobs and growth?
- And where do migrant workers, such a prominent feature of the contemporary UK labour market, fit into the dynamics of older industrial towns?

A working definition

A statistical analysis of this kind requires a working definition of Britain's older 'industrial towns'. In broad terms, these are the places beyond the big cities that were once dominated by industries such as coal, steel, shipbuilding, engineering, textiles and clothing – the industries that were the basis of Britain's original industrial revolution. In Britain virtually all these industries have now disappeared entirely (e.g. coalmining, which once employed a million people) or shrunk to a fraction of their former size.

There is, however, no official off-the-peg classification to draw on. In the absence of an official definition, Table 1 lists the local authority districts included here for statistical purposes as covering Britain's older industrial towns. The list is based on our knowledge of the industrial and economic geography of Britain accumulated over several previous research projects[2]. Local authority districts are also the smallest building block for which most of the key contemporary data is available. Reflecting Britain's distinctive industrial geography, the districts in Table 1 are all in the Midlands, North, Scotland and Wales, where job losses from older industries have long posed a problem for the regional economy, and the list excludes the main regional cities. In 2016 the local authorities listed in Table 1 had a combined population of 16.6 million, or 26 per cent of the GB total.

Three points are worth noting. First, some of these 'towns' are actually quite substantial cities – Sunderland, Hull, Bradford, Stoke and Swansea for example. Second, a number of the local authorities – County Durham for example – cover numerous quite small towns, especially in former mining areas. Third, some of the districts stray into rural territory, just as some of the obvious omissions from the list – Northumberland is an example – include sub-areas that are clearly older industrial in character. No local authority-based definition can be perfect.

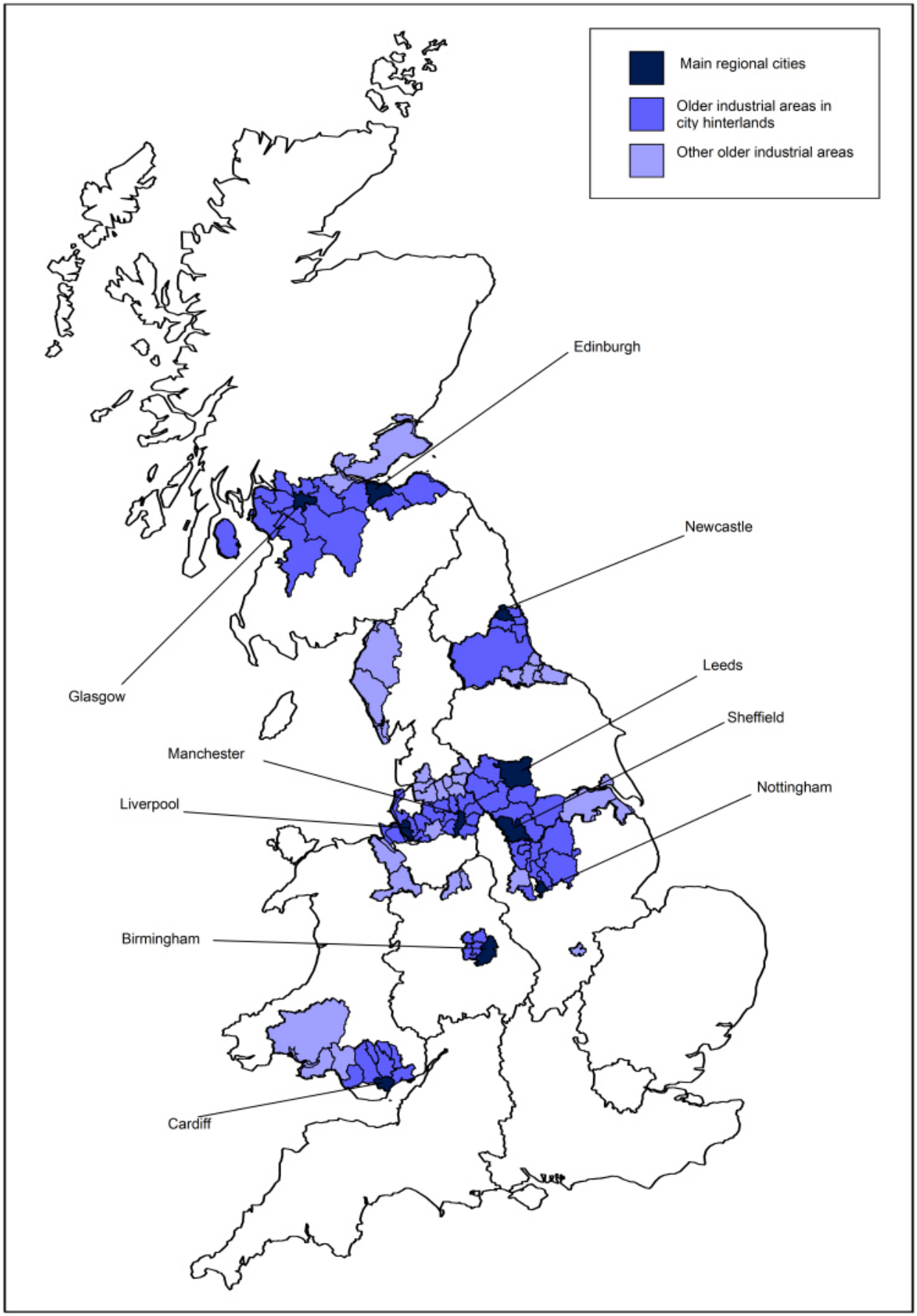
Figure 1 maps these districts. It also shows the location of the ten main regional cities with which we compare older industrial towns and divides the industrial districts into those in the immediate hinterlands of the cities and those further afield, another distinction that is useful at several points.

[2] See for example C Beatty and S Fothergill (2016) *Jobs, Welfare and Austerity: how the destruction of industrial Britain casts a shadow over present-day public finances*, CRESR, Sheffield Hallam University; C Beatty, S Fothergill and R Powell (2007) 'Twenty years on: has the economy of the UK coalfields recovered?', *Environment and Planning A*, vol. 39, pp. 837-854; S Fothergill and G Gudgin (1982) *Unequal Growth: urban and regional employment change in the UK*, Heinemann, London.

Table 1: Districts and unitary authorities covering Britain's older industrial towns

NORTH EAST	YORKSHIRE & HUMBER	SCOTLAND
County Durham	Barnsley	Clackmannanshire
Darlington	Bradford	Dundee
Gateshead	Calderdale	East Ayrshire
Hartlepool	Doncaster	East Dunbartonshire
Middlesbrough	Hull	East Lothian
North Tyneside	Kirklees	East Renfrewshire
Redcar & Cleveland	NE Lincolnshire	Falkirk
South Tyneside	North Lincolnshire	Fife
Stockton on Tees	Rotherham	Inverclyde
Sunderland	Wakefield	Midlothian
		North Ayrshire
		North Lanarkshire
		Renfrewshire
NORTH WEST	EAST MIDLANDS	South Lanarkshire
Allerdale	Amber Valley	West Dunbartonshire
Barrow in Furness	Ashfield	West Lothian
Blackburn with Darwen	Bassetlaw	
Bolton	Bolsover	
Burnley	Chesterfield	WALES
Bury	Corby	Blaenau Gwent
Chorley	Erewash	Bridgend
Copeland	Gedling	Caerphilly
Halton	Mansfield	Carmarthenshire
Hyndburn	Newark & Sherwood	Flintshire
Knowsley	NE Derbyshire	Merthyr Tydfil
Oldham		Neath Port Talbot
Pendle		Newport
Preston	WEST MIDLANDS	Rhondda Cynon Taf
Rochdale	Dudley	Swansea
Rossendale	Newcastle under Lyme	Torfaen
Salford	Sandwell	Wrexham
Sefton	Stoke on Trent	
South Ribble	Walsall	
St Helens	Wolverhampton	
Stockport		
Tameside		
Trafford		
Warrington		
Wigan		
Wirral		

Figure 1: Local authority districts covering Britain's older industrial towns



2. RECENT LABOUR MARKET FLOWS

Labour market accounts

To help pick apart recent trends in older industrial towns we deploy a tool known as 'labour market accounts'. These disaggregate overall trends into a number of constituent flows.

Whereas it might be naively assumed that an increase in the number of jobs in a locality will lead to a reduction in local unemployment of the same magnitude, in fact the labour market is a great deal more complex. Alongside changes in labour demand there are simultaneous changes in labour supply. Some of the changes in labour supply are independent of labour demand; others (commuting flows are an example) are to a significant extent likely to be responses to the availability of employment.

A great advantage of labour market accounts is that the components are all arithmetically related so it is possible to show how they work together to generate the overall pattern of labour market change. There are a number of different ways in which the accounts can be presented. The one we follow here, for older industrial towns, is as follows:

	Increase in number of jobs
minus	Natural increase in the workforce
minus	Internal net in-migration
minus	International net in-migration
minus	Increase in net in-commuting
minus	Increase in economically active
equals	Reduction in recorded unemployment

In effect, this way of organising the accounts deducts all the increases in labour supply from the local increase in employment to show the resulting reduction in local unemployment. In the context of recent trends in Britain's older industrial towns, where recorded unemployment has been falling, this way of arranging the accounts is particularly helpful because it quantifies the trends that have underpinned the reduction. Falling unemployment may be the result of local job growth but equally it could have resulted from a reduction in local labour supply.

In the UK's former coalfields, previous research using labour market accounts has demonstrated how a big increase in economic inactivity among working-age men blunted the

impact of pit closures on recorded unemployment[3]. In becoming economically inactive, mainly on incapacity benefits, these men dropped out of the labour market and thereby reduced labour supply. In the UK's seaside towns, by contrast, labour market accounts have shown how sustained net in-migration – an increase in labour supply – has helped keep recorded unemployment above the national average[4].

Here we assemble labour market accounts for Britain's older industrial towns for the period from 2010 to 2016. The period begins with the UK economy in deep recession following the financial crisis and from around 2012 onwards covers a period of sustained if unspectacular economic growth. At the time of writing, 2016 is the most recent year for which most of the relevant local economic data is available.

The principal data source is the UK's Annual Population Survey (APS), which is a continuous national household survey incorporating the UK's Labour Force Survey. At the district scale, all APS data is affected by sampling error but by aggregating here into larger groups of towns the bigger sample sizes reduce the confidence intervals and the estimates are broadly reliable.

The changes in the number of jobs, in recorded unemployment and in economic activity rates are all taken directly from the APS. The number of jobs in each area is the number of people who report a primary place of work in the area and differs a little from the total number of jobs in the area because some people have more than one job. The recorded unemployment data uses the International Labour Organisation (ILO) definition of unemployment – that someone is out of work, has looked for work in the last four weeks and is available to start within two weeks – rather than the numbers claiming unemployment benefits. The change in net commuting is the changing balance (positive or negative) between the number of jobs in each area and the number of residents in employment, again from the APS.

The natural increase in the workforce aged 16-64 cannot be measured directly and has been calculated by a cohort survival model based on the age structure of the local population in 2010, the numbers reaching the ages of 16 or 65 by 2016, and deaths of working age. This data is all from the UK's Office for National Statistics (ONS) or from National Records of Scotland.

In the labour market accounts presented here migration is divided into two components: net migration internal to the UK, and net migration from abroad. This is particularly appropriate given the historically high level of international migration to the UK in recent years. For internal migration, the accounts use the ONS figures on internal migration by local authority, adjusted on the basis of GB data to exclude migrants aged 0-15 and 65 plus.

[3] C Beatty, S Fothergill and R Powell (2007) 'Twenty years on: has the economy of the UK coalfields recovered?', *Environment and Planning A*, vol. 39, pp. 1654-1675.
[4] C Beatty and S Fothergill (2004) 'Economic change and the labour market in Britain's seaside towns', *Regional Studies*, vol. 38, pp. 461-480.

Net international migration of working age is more difficult to measure accurately. The Office for National Statistics produces figures on net long-term (i.e. twelve months plus) international migration by local authority, drawing principally on international passenger surveys. These figures can be adjusted onto a working-age basis using national data on the proportion of migrants aged 16-64. However, ONS itself acknowledges that the recording of emigration from the UK by international students is problematic[5] and in university towns in particular this is a potentially serious distortion. Additionally, not all international migrants of working age are necessarily engaged with the labour market – students are an example but there will be others too.

In the figures presented here net international migration is calculated as the residual that arithmetically balances the labour market accounts. Bearing in mind that the other elements in the labour market accounts are all either direct measurements from the APS, or the product of a reliable model (natural increase) or long-standing ONS estimates (internal migration) this is a robust approach. It also has the advantage that, given the way the accounts are structured to link changes in employment to changes in recorded unemployment, it provides an estimate of net international migration by working age adults who are *economically active*[6]. This is the international migration that adds to labour supply.

For GB as a whole between 2010 and 2016, the method followed in the labour market accounts points to net international in-migration of economically active working age adults of 1.1 million. The ONS figure for all net international migration of working age over the same period is 1.4 million. A large part of the difference, perhaps as much as 200,000, is likely to be attributable to economically inactive migrants, so on balance the two estimates are not far apart[7].

A key point is that measuring international migration, especially by the economically active, is an imprecise science and all the figures presented here are therefore estimates.

Older industrial towns 2010-16

Table 2 presents labour market accounts for Britain's older industrial towns for 2010 to 2016. This is an important table in understanding contemporary labour market trends in these places and worth explaining at length.

[5] See Office for National Statistics (2017) *International migration data and analysis: improving the evidence*, ONS, London, and Office for Statistics Regulation (2017) *The quality of the long-term student migration statistics*, ONS, London.
[6] The accounts assume that the natural increase in the workforce and net internal migration represent changes in labour supply, which because of economic inactivity will not always be the case. This will impact to a small extent on estimated net international migration, measured as the residual in the accounts.
[7] The differences are largest in university towns, which is consistent with ONS concerns about migration data.

Table 2: Labour market accounts for older industrial towns, 2010-16

		No.
	Increase in number of jobs	220,000
minus	Natural increase in workforce	- 190,000
minus	Internal net in-migration	- 20,000
minus	International net in-migration	160,000
minus	Increase in net in-commuting	- 110,000
minus	Increase in economic activity rate	120,000
equals	Reduction in recorded unemployment	270,000

Sources: APS, ONS and authors' estimates

The first line shows that the **number of jobs** in the towns increased by 220,000 over this six-year period. In absolute terms the increase was from 6,170,000 in 2010 to 6,390,000 in 2016. This is the number of jobs located in the towns, not the number of residents in work.

The **natural increase in the workforce** in Britain's older industrial towns was actually negative over these years. In other words, the sum of deaths of working age and people reaching age 65 exceeded the number of young people reaching age 16 – an excess of 190,000. What is noteworthy here is that the period 2010-16 spans the years when the large numbers born immediately after the Second World War finally reached state pension age.

The size of the workforce in Britain's older industrial towns also declined as a result of net **internal migration** though the reduction, at just 20,000, was not large. By contrast, over this six-year period net **international migration** increased the economically active working age population of the towns by an estimated 160,000. Both migration flows here are *net* – i.e. the balance between the numbers moving in and moving out, and they cover just 16-64 year olds.

The negative figure in the accounts for **commuting** points to an increase in net out-commuting of 110,000. Commuting between areas has increased over the years as travelling distances have risen, and net commuting is the balance between flows in each direction. In 2010, Britain's older industrial towns had a net outward flow of nearly 860,000 commuters; by 2016 this had risen to 970,000.

The increase in the **economic activity rate** among men and women of working age added a further 120,000 to labour supply in older industrial towns. By 2016, just under 76 per cent of all men and women of working age (16-64) in the towns were 'economically active' in that they were either in work or looking for work.

The final line in the accounts shows the reduction in **recorded unemployment** over the same period. In Britain's older industrial towns this fell by 270,000 between 2010 and 2016. In 2016, recorded unemployment in the towns stood at 440,000.

What the labour market accounts tells us is that over this particular period the reduction in recorded unemployment in Britain's older industrial towns (270,000) was actually 50,000 greater than the growth in local employment (220,000). This was possible primarily because of the excess of retirements over the numbers of young people entering the workforce, and because of an increase in out-commuting. Pushing in the other direction, boosting local labour supply and potentially unemployment, was rising labour force participation and net migration from abroad.

Differences across the country

Table 3 presents labour market accounts for older industrial towns in four different parts of Britain: the Midlands, the North, Scotland and Wales[8].

Table 3: Labour market accounts for older industrial towns in different parts of Britain, 2010-16

		as % of residents of working age			
		Midlands	**North**	**Wales**	**Scotland**
	Increase in number of jobs	1.8	2.4	2.4	1.1
Minus	Natural increase in workforce	-1.5	-1.7	-2.5	-2.5
Minus	Internal net in-migration	0.1	0.8	0.3	1.3
Minus	International net in-migration	2.0	1.8	1.4	0.4
Minus	Increase in net in-commuting	-2.6	-0.6	-2.4	-0.4
Minus	Increase in economic activity rate	1.1	1.2	2.8	-0.6
Equals	Reduction in recorded unemployment	2.7	2.4	2.9	2.7

Sources: APS, ONS and authors' estimates

What is striking is the similarity of the labour market trends in older industrial towns in each of these four parts of the country. Growth in the number of jobs, expressed as a percentage of the base-year working age population, was in the narrow range of 1.1 to 2.4 per cent. The reduction in recorded unemployment was in an even narrower range between 2.4 and 2.9 per cent. Other labour market flows show only subtle differences across the country. For example, Scotland's older industrial towns gained rather more from internal UK migration but rather less from international migration, and Scotland appears to have lagged in terms of rising economic activity rates.

Such modest differences should not however deflect from the main observation which is that on the whole across the Midlands, the North, Scotland and Wales, older industrial towns shared broadly similar labour market trends over this period.

[8] In Table 3 and subsequent tables on changes through time, data is expressed as a percentage of residents of working age at the start of the period (2010).

Comparisons with other areas

Table 4 compares labour market accounts for Britain's older industrial towns with equivalent figures for the main cities in their regions, for London and for Great Britain as a whole. The ten main regional cities here are the local authorities at the core of larger metropolitan areas that also include several older industrial towns.

Comparisons between absolute numbers are compromised by differences in population – whereas the older industrial towns have a combined population of 16.6 million, the main regional cities have a total of 5.6 million, London has 8.8 million and GB as a whole 63.8 million. The labour market flows are therefore also expressed as a percentage of the working age population in each area at the start of the period.

A number of important points emerge from the comparisons:

- Between 2010 and 2016, **recorded unemployment** in older industrial towns fell faster than the average across Britain, at the same rate as in the main regional cities.

- Yet over the same period, the **number of jobs** in older industrial towns grew substantially more slowly than the national average or in the cities. Expressed as a percentage of the resident working-age population, the number of jobs in the main regional cities grew more than three times faster than in older industrial towns, and the job growth in London was nearly seven times faster.

- The reduction in the workforce in older industrial towns attributable to a negative **natural increase** was part of a national GB trend, but not one shared by the main regional cities or in particular by London.

- The small loss of working age population in older industrial towns attributable to net **internal migration** was less than the equivalent losses through internal migration from the main regional cities and in particular from London.

- The increase in the economically active working age population in older industrial towns attributable to net **international migration** was proportionally less than in the main regional cities or in GB as a whole, and markedly less than in London.

- The increase in net **out-commuting** from older industrial towns (110,000) was not counter-balanced by an equivalent net increase in commuting into the main regional cities (just 20,000)

Table 4: Labour market accounts for 2010-16: comparisons

		Older industrial towns		Main regional cities*		London		GB	
		No.	*as % working age*	*No.*	*as % working age*	*No.*	*as % working age*	*No.*	*as % working age*
	Increase in number of jobs	220,000	2.1	250,000	7.0	800,000	14.5	2,010,000	5.1
minus	Natural increase in workforce	-190,000	-1.9	4,000	0.1	80,000	1.5	- 580,000	-1.5
minus	Internal net in-migration	- 20,000	-0.2	- 60,000	-1.6	-320,000	-5.7	5,000	0.0
minus	International net in-migration	160,000	1.6	160,000	4.5	530,000	9.5	1,100,000	2.8
minus	Increase in net in-commuting	-110,000	-1.1	20,000	0.5	150,000	2.7	300	0.0
minus	Increase in economic activity rate	120,000	1.1	40,000	1.0	260,000	4.6	690,000	1.7
equals	Reduction in recorded unemployment	270,000	2.5	90,000	2.5	100,000	1.8	790,000	2.0

* Birmingham, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle upon Tyne, Nottingham and Sheffield

Sources: APS, ONS and authors' estimates

- The increase in **economic activity rates** over this period added proportionally less to the workforce in older industrial towns than to the national average and in particular once again to London.

In summary, the labour market trends in older industrial towns differ in important ways from trends in the cities and the national average. Despite the above-average reduction in recorded unemployment in older industrial towns several of the other trends, notably the growth in local employment, are distinctly less positive.

3. A PRESENT-DAY SNAPSHOT

Labour market status

In providing a snapshot of the present-day labour market in older industrial towns it is useful to begin by looking at the labour market status of working age residents, shown in Table 5 for 2017.

Table 5: Labour market status of 16-64 year olds in older industrial towns, 2017

	No.	%
In employment	7,430,000	72.4
ILO unemployed	400,000	3.9
Students	520,000	5.1
Looking after family/home	590,000	5.8
Temporary & long-term sick	750,000	7.4
Retired	340,000	3.3
Other	230,000	2.2
All 16-64 year olds	**10,260,000**	**100.0**

Source: APS

The figures here show that of the more than 10 million 16-64 year olds in the towns, more than 7 million are in work – an employment rate of 72 per cent.

By comparison, recorded unemployment is modest – just 400,000, equivalent to 3.9 per cent of the working age population[9]. The unemployment figures here are the estimates generated by the government's Labour Force Survey using the International labour Organisation (ILO) definition of unemployment. As noted earlier, to be ILO unemployed a person has to be out of work, to be available to start work within two weeks and to have looked for work within the last four weeks. The ILO measure is independent of benefit status and in recent years in the UK has recorded unemployment figures that are substantially in excess of the numbers claiming unemployment benefits (Jobseeker's Allowance and, more recently, Universal Credit on the grounds of unemployment). What needs to be logged here

[9] Official statistics conventionally express the unemployment rate as a percentage of the 'economically active population' (i.e. the sum of the employed and unemployed), which results in a higher rate. On this official measure, the unemployment rate in older industrial towns in 2017 was 5.1 per cent.

is that especially in the context of older industrial towns the ILO measure of unemployment has shortcomings and this is something to which section 4 of the report returns at length.

The remaining adults of working age fall into a number of categories. In Britain's older industrial towns there are rather more than 500,000 students, many of whom will be 16-18 year olds still at school or college rather than in higher education[10]. There are almost 600,000 who look after family or home on a full-time basis, and almost 350,000 who describe themselves as 'retired'.

One of the most striking figures in Table 5, however, is the number of 16-64 year olds who are temporary or long-term sick. At 750,000[11] they are the single largest group of among the non-employed, accounting for 7.4 per cent of all adults of working age in the towns. Furthermore, the Labour Force Survey, on which Table 5 is based, tends to under-record the size of this group. In older industrial towns in August 2017, Department for Work and Pensions benefit data puts the number of 16-64 year olds out-of-work and claiming incapacity benefits at 826,000[12], or 8.0 per cent (nearly one-in-twelve) of all adults of working age. The interpretation of these very high numbers is again something to which the report returns in section 4.

Table 6 draws comparisons between older industrial towns, the main regional cities, London and the GB average. There are similarities and important differences.

Table 6: Labour market status: comparisons, 2017

	Older industrial towns	Main regional cities	London	GB
	%	%	%	%
ILO unemployment rate	3.9	4.4	4.2	3.5
Incapacity claimant rate*	8.0	8.5	4.6	6.0
Employment rate	72.4	67.8	73.7	74.5
Students	5.1	10.2	7.3	5.9
Employment rate excluding students	76.3	75.4	80.0	79.2

*August 2017. Excludes individuals transferred to Universal Credit

All figures are percentages of 16-64 year old residents

Sources: APS, DWP

[10] Some students are also in part-time employment but because of the way the Labour Force Survey categories individuals they are not included among those 'in employment'.

[11] Of which 700,000 are counted as 'long-term sick'.

[12] Claimants of Employment and Support Allowance (ESA) or its predecessor incapacity benefits, excluding small numbers at that point in receipt of Universal Credit on the grounds of ill health or disability.

On the official, ILO measure of unemployment there is relatively little to differentiate older industrial towns: the rate in 2017 was a little higher than the national average but a little below the level recorded in the main regional cities and indeed in London. In contrast, the incapacity claimant rate in older industrial towns (8.0 per cent) is well ahead of the GB average (6.0 per cent) and the rate in London (4.6 per cent), though a little behind the rate in the main regional cities (8.5 per cent).

The employment rate – the share of adults of working age in work – paints a complex picture. On the raw figures, the employment rate in older industrial towns does not appear unduly low – a little lower than the GB average or than in London but distinctly higher than in the main regional cities. The raw figures are however misleading. The big distortion is the distribution of students across the country, who are disproportionately concentrated in London and the big regional cities where so many universities are located. In older industrial towns students account for 5 per cent of all 16-64 year olds; in the main regional cities they account for 10 per cent. This distortion to the figures has always existed but as student numbers have increased it has become more important.

A better measure is therefore the *employment rate excluding students*. This points to older industrial towns as a whole lagging three percentage points behind the national average and a little more behind London. It also narrows the gap between older industrial towns and the main regional cities to around one percentage point. On this measure the labour market in older industrial towns looks less convincingly healthy.

The employment rate excluding students is arguably the single best indicator of the health of local labour markets because it focusses on those in work and avoids the numerous difficulties in measuring unemployment. At the local scale, however, measurement using the Labour Force Survey is complicated by variability arising from small sample sizes so it is necessary to pool three years' data to begin to assemble a more reliable picture[13].

Table 7 lists the 66 districts covering older industrial towns where over the 2015-17 period the Labour Force Survey shows the employment rate to be below the GB average. These local authorities make up almost three quarters of the 91 local authorities defined here as covering older industrial towns. Adding in the eight authorities where the employment rate is only just at the national average brings the proportion to over 80 per cent.

The older industrial towns covered by the local authorities in the second column of this table are the places where the labour market is most problematic, with employment rates (excluding students) between five and ten percentage points below the national average.

[13] In the small number of cases where the Labour Force Survey supresses data on student numbers for a given year because of a small sample size the figures are two-year averages or one-year figures.

Table 7: Districts covering older industrial towns with an employment rate (excl. students) below the GB average*, 2015-17

	%		%
South Lanarkshire	78	North East Lincolnshire	74
West Lothian	78	Barrow in Furness	74
Mansfield	78	Clackmannanshire	74
Falkirk	78	St Helens	74
Darlington	78	Rhondda Cynon Taf	74
Halton	77	Rotherham	74
North Lanarkshire	77	Barnsley	74
Torfaen	77	Chesterfield	74
Fife	77	Stoke on Trent	74
Gateshead	77	Inverclyde	74
Hyndburn	77	County Durham	74
Gedling	77	Bassetlaw	74
Stockton on Tees	77	Knowsley	73
Pendle	77	Hull	73
North Lincolnshire	76	Caerphilly	73
Carmarthenshire	76	Walsall	73
Bury	76	South Tyneside	73
Salford	76	Sunderland	73
Wakefield	76	East Ayrshire	72
Sefton	76	Bradford	72
Copeland	76	Merthyr Tydfil	72
Swansea	75	Oldham	72
Newport	75	Redcar & Cleveland	72
Preston	75	Dundee	71
Wirral	75	Neath Port Talbot	71
Kirklees	75	Blackburn with Darwen	71
Tameside	75	Rochdale	70
Bridgend	75	Sandwell	70
Doncaster	75	Middlesbrough	69
Ashfield	75	Wolverhampton	69
Dudley	74	North Ayrshire	69
Bolton	74	Blaenau Gwent	69
West Dunbartonshire	74	Hartlepool	67

*GB average = 79 per cent

Source: APS

Employment structure

Table 8 shows the sectoral breakdown of the jobs in older industrial towns. In total 6.4 million jobs are located in the towns. Manufacturing, energy and water – 'industry' – accounts for one-in-seven, or 930,000 jobs in total. These days employment in older industrial towns is dominated by the service sector, particularly by 2 million jobs in education, health and public administration, which will mostly be in the public sector, and by retail, distribution, hotels and related activities (a further 1.3 million).

Table 8: Industry breakdown of jobs in older industrial towns, 2017

	No.	%
Manufacturing, energy & water	930,000	14.4
Construction	490,000	7.6
Retail, distribution, hotels etc.	1,310,000	20.3
Transport & communications	510,000	7.9
Banking, finance & business services	790,000	12.3
Education, health & public admin	2,020,000	31.5
Other services	330,000	5.1
All jobs	**6,430,000**	**100.0**

Source: APS

Different sectors play different roles local economies. In practice, the number of jobs in public services such as schools and hospitals is mostly driven by the size of the local population and many jobs in other parts of the service sector such as retailing follow local spending power, which is population-related. By contrast, jobs in businesses that serve markets beyond the local area, including most manufacturing but also substantial parts of the service sector, play a key role in driving the whole local economy because they bring in income to an area which then recirculates and supports other local businesses and jobs. Manufacturing's on-going significance to the economy of older industrial towns is not accurately reflected in its share of employment.

Table 9 compares employment in older industrial towns with the main regional cities, London and the national average. This bears out the point that jobs in several parts of the service sector – retailing and public services for example – are found in large numbers in all areas because they are tied to population. The differences between older industrial towns and other places are in other sectors.

Table 9: Industry breakdown of employment: comparisons, 2017

	Older industrial towns	Main regional cities	London	GB
	%	%	%	%
Manufacturing, energy & water	14	8	5	11
Construction	8	6	7	7
Retail, distribution, hotels etc.	20	18	15	19
Transport & communications	8	9	13	9
Banking, finance & business services	12	19	28	17
Education, health & public admin	32	34	26	30
Other services	5	5	7	6
All jobs	**100**	**100**	**100**	**100**

Source: APS

In particular, despite years of decline which has often led to the disappearance of whole industries, Britain's older industrial towns continue to have a higher proportion of jobs in industry than the economy as a whole, than the main regional cities or than London in particular. These may be 'older industrial towns' but they remain to a large extent the heartland of British industry. The converse is that older industrial towns have proportionally fewer jobs in banking, finance and business services than either the main regional cities or in particular than London. The drivers of the economy of older industrial towns remain very different from those in London or the main regional cities.

Job quality and the workforce

Table 10 brings together a number of labour market indicators. These cover the nature of the employment in older industrial towns and two measures of the local workforce – the proportion of working-age residents with degree level qualifications and the proportion born outside the UK.

One of the widespread assumptions about the contemporary labour market is that as the UK economy has recovered from recession the growth in employment has been skewed towards part-time and insecure working, including debased forms of 'self-employment'. A common assumption, too, is that these forms of employment have become particularly prevalent in weaker local economies, such as much of older industrial Britain, where welfare reforms have made it increasingly difficult for many claimants to stay on benefits. The proliferation of 'self-employed' delivery workers and taxi drivers, for example, has in the popular view been a defining feature of the last decade.

Table 10: Selected labour market indicators: comparisons, 2017

	Older industrial towns	Main regional cities	London	GB
	%	%	%	%
Self-employed (% of employed residents)	11	11	18	14
Part-time work (% of jobs in area)	26	24	20	25
White-collar jobs* (% of jobs in area)	39	50	60	47
Degree or equivalent (% of 16-64 year olds)	31	40	52	38
Born outside UK (% of 16-64 year olds)	7	22	34	13

*Managerial, professional, associate professional & technical occupations

Source: APS

The first line of Table 10 shows that in fact self-employment is no more widespread in older industrial towns than in the main regional cities and actually accounts for a below-average share of the local workforce. In London, the proportion of self-employed is substantially higher.

This snapshot of data for 2017 does not however tell the full story because 'self-employment' has gradually been increasing. Expressed as a proportion of all employed residents, the increase since 2010 in older industrial towns was only one percentage point, on top of a one percentage point increase between 2000 and 2010, but the absolute numbers are substantial – an increase of 130,000 between 2010 and 2017. In older industrial towns the increase in self-employment was no faster than the national average but in the context of the slow growth in employment in the towns it has mattered a great deal: self-employment accounted for 30 per cent of the increase in residents in employment in older industrial towns between 2010 and 2017.

The increase in self-employment is probably unwelcome. As the government itself has documented[14], the self-employed as a group have seen falling income since the recession, which mostly reflects the changing composition of self-employment. The modern self-employed worker is less likely to be a prosperous entrepreneur or freelance worker than a quasi-employee with diminished employment rights.

The second line of Table 10 deals with part-time employment. This points to a share of jobs in older industrial towns that is only marginally higher than in the main regional cities or the GB average. Moreover, in older industrial towns the share of part-time jobs in 2017 was unchanged from the share in 2010.

[14] Department for Business, Innovation and Skills (2016) *The income of the self-employed*, BIS, London.

Once more, the raw figures do not tell the whole story. According to the Labour Force Survey, 2.6 million people across the UK as a whole were 'underemployed' in 2017, in that they wanted to work more hours, were able to start to do so within two weeks and were already working less than full-time[15]. This was down on the peak level of around 3.1 million in the wake of recession but still higher than the pre-recession figure of just below 2 million. Across the UK as a whole, around one-in-eight part-time workers say they could not find a full-time job, a proportion that has fallen from around one-in-six in the immediate wake of recession.

Additionally, there has been an increase in the number of employees on zero-hours contracts[16]. A government survey of businesses puts the figure for 2017 at 1.8 million contracts that did not guarantee a minimum number of hours and where work had actually been carried out under those contracts. The Labour Force Survey (LFS) puts the national figure for 2017 at 900,000, or 2.8 per cent of all people in employment. Since 2010 the LFS numbers have risen sharply from around 200,000 but the Office for National Statistics (ONS) takes the view that a part of the observed increase appears to be due to increased recognition and awareness of this form of employment. No local figures are available.

According to the ONS analysis, the people on zero-hours contracts are more likely to be young, part-time, women or in full-time education when compared with other people in employment. The ONS also finds that only around a quarter of those on zero-hours contracts would like more hours, mostly in their current job.

Across the UK as a whole, 4 per cent of workers have second jobs, and 5 per cent are in temporary employment[17]. Of those in temporary employment, just over a quarter say this is because they could not find a permanent job, a proportion that has fallen from around 40 per cent in the immediate wake of recession. Again, no local figures are available but the small national percentages with second jobs or in temporary employment suggest that both are likely to be relatively marginal features of the labour market in older industrial towns, though that does not rule out the possibility of increases since the pre-recession years.

But if self-employment and part-time working (and possibly zero-hours contracts, second jobs and temporary working) do not sharply differentiate older industrial areas from other places the remaining indicators in Table 10 most certainly do. The share of white-collar jobs is far below the level in the cities, the proportion of the workforce educated to degree level is far lower and so is the proportion of the workforce born outside the UK.

There are issues here of cause-and-effect. One interpretation could be that it is the location of white-collar jobs that follows the location of highly educated workers. There will always be cases that fit this model. A more likely model, however, is that the composition of the workforce in older industrial towns reflects the nature of the job opportunities, and that there is a migration of highly-educated workers out of the towns to the cities where they are more likely to find appropriate employment. At the extreme, London's exceptionally high

[15] Less than 40 hours a week (under 18s) or less than 48 hours a week (18 and over).
[16] See Office for National Statistics (2018) *Contracts that do not guarantee a minimum number of hours: April 2018*, ONS, London.
[17] Source: APS

proportion of graduates clearly reflects the availability of higher-level jobs that attract graduates from elsewhere in Britain and from the rest of the world. The industrial and service jobs that form such a large component of the economy in older industrial towns do not have the same magnetic appeal.

Likewise, the low proportion born outside the UK in the workforce of older industrial towns reflects at least in part the long-term weakness of these local economies. Migrants are attracted to the places where jobs are more readily available. It should be no surprise, therefore, that international migrants are fewer in number in towns where the economic base has been eroded. There are exceptions of course – Bradford and the Lancashire mill towns are the best examples, where there continues to be in-migration to established Asian communities. As a general rule, however, it is the strength of the local economy to which we should look for the prime explanation.

Pay and welfare benefits

Table 11 shows compares the median weekly earnings[18] of employees in older industrial towns with the equivalent figures for the main regional cities, London and the GB average. The table is divided into two parts: the first showing the figures for residents and the second for jobs located in the area. Because of commuting the two are not necessarily the same.

Table 11: Median earnings: comparisons, 2017

	Older industrial towns	Main regional cities	London	GB
Residents				
Gross weekly pay	£ 418	£ 427	£ 559	£ 450
GB = 100	93	95	124	100
Jobs in area				
Gross weekly pay	£ 408	£ 446	£ 599	£ 450
GB = 100	91	99	133	100

Source: Annual Survey of Hours and Earnings

The figures show that on both measures earnings are lower in older industrial towns than in the main regional cities, lower than the national average, and much lower than in London. The median earnings of jobs in London, for example, are around £190 a week (or nearly 50 per cent) higher than in older industrial towns.

[18] The median level of earnings is the level at which half of employees are paid more and half are paid less. It differs from the arithmetic average or mean, which is biased upwards by very high earners.

One of the consequences of low pay in older industrial towns is that there is a substantial financial burden on the Exchequer. This occurs because the UK tax and benefit system operates to prop up household incomes not just for those out-of-work but also for those in low-paid work. Where wages are low, one of the main effects is therefore to trigger public spending.

To illustrate this point, Table 12 looks at in-work households in receipt of Tax Credits during the 2015/16 financial year[19]. The absolute numbers for older industrial towns are large. In total, just over 900,000 in-work households in the towns received an annualised average of almost £6,500 in Tax Credits, at a cost to the Exchequer of £6bn a year.

Table 12: In-work households in receipt of Tax Credits, 2015/16

	Older industrial towns	Main regional cities	London	GB
No. of households in receipt	903,000	303,000	386,000	2,932,000
*GB = 100**	*120*	*108*	*89*	*100*
Average annualised value (£)	6,479	6,922	7,693	6,726
Total expenditure (£bn)	6.0	2.2	3.0	19.7
Expenditure per 16-64 yr. old (£)	576	559	498	490

*No. of households in receipt relative to working age population

Source: HMRC

What is also clear from Table 12 is that the cost to the Exchequer of Tax Credits is greater in older industrial towns than in the cities. This is not because the size of the average claim is higher – in fact it is lower in older industrial towns than in the cities – but because low wages bring larger numbers of households into the scope of Tax Credits. Averaged across the whole of the working age population (the final line of Table 12), the expenditure on Tax Credits is higher in older industrial towns than in the main regional cities or in London, and higher than the GB average.

It should not escape note here that as eligibility for Tax Credits is reduced – a key aspect of the welfare reforms currently underway – an inevitable consequence will therefore be that incomes in older industrial towns are hit harder than incomes in most other places[20].

[19] This is the most recent local data available at the time of writing.
[20] For a full exposition of this effect see C Beatty and S Fothergill (2016) *The Uneven Impact of Welfare Reform: the financial losses to places and people*, CRESR, Sheffield Hallam University.

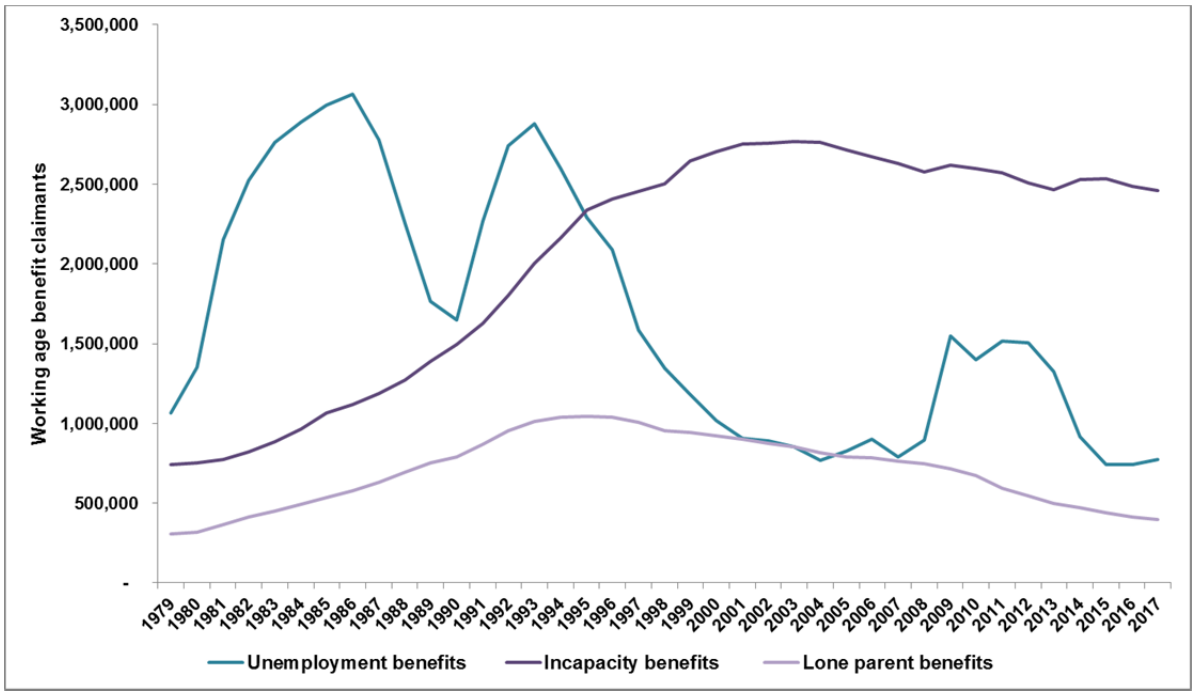
4. THE REAL LEVEL OF UNEMPLOYMENT

The diversion to incapacity benefits

If we take official figures at face value, unemployment is now relatively low in most older industrial towns – not as low as in the most prosperous parts of southern England, admittedly, but well down on the sky-high levels of the 1980s and 90s and down since the post-2008 recession. This is not however the full picture.

To understand how substantial unemployment remains hidden from the official figures it is useful to begin by looking at long-term trends in the numbers claiming the three main out-of-work benefits, shown in Figure 2 for 1979 to 2017 for Britain as a whole.

Figure 2: Working age benefit claimants, GB, 1979-2017



Source: DWP

The numbers claiming unemployment benefits reached 3 million in the mid-1980s, fell back, rose again in the early 1990s, then declined to well under a million. In the wake of the 2008 financial crisis the numbers peaked at around 1.5 million before falling back once more. The numbers claiming lone parent benefits – Income Support for most of this period – rose from around 300,000 at the start of the 1980s to a peak of around 1 million in the mid-1990s.

More recently, the numbers on lone parent benefits have fallen, not least because eligibility has gradually been restricted just to those with the very youngest children.

The striking feature in Figure 2, however, is the rise in the numbers out-of-work on incapacity-related benefits, these days Employment and Support Allowance[21] but previously Incapacity Benefit (Invalidity Benefit before 1995), Income Support on grounds of disability and Severe Disablement Allowance. The numbers on these benefits rose from around 750,000 to a plateau of around 2.5 million in the early 2000s and have subsequently fallen back to only a modest extent. It is impossible to explain the increase in health terms alone, especially at a time when general standards of health have slowly been improving.

The relevance to the measurement of unemployment is that the jobless who suffer from health problems or disabilities generally claim incapacity benefits instead of unemployment benefits. They are therefore omitted from the unemployment claimant count. If they fail to look for work – there is no requirement to do so and most take a dim view of their job prospects – they also drop out of the survey-based ILO measure of unemployment that is the basis of the government's preferred figures and the 'recorded unemployment' data presented earlier.

In practice, many unemployed people have picked up injuries over the course of their working life and there is the effect on physical capabilities of illness, disease and simply getting older. On top of this, mental health problems such as stress and depression are widespread. In practice, therefore, many of the unemployed with health problems or disabilities do qualify for incapacity benefits rather than unemployment benefits.

The net result is that the very large numbers claiming incapacity benefits hide unemployment. This does not imply, of course, that the health problems or disabilities are anything less than real, or that the benefit claims are in any way fraudulent. The important point is that ill health or disability is not necessarily always an insuperable obstacle to employment so where jobs are readily available many men and women with health problems or disabilities do hold down employment. But where jobs are in short supply the men and women with health problems or disabilities are one of the prime groups that struggles to maintain a foothold in a competitive labour market.

The significance of this to many older industrial towns is that they are the epicentre of this phenomenon. We have already noted, in section 3, how the incapacity benefit claimant rate in older industrial towns is well above the national average. Indeed, as far back as the 1990s it was clear that job loss in the coal industry, for instance, was not leading to an increase in recorded unemployment in mining communities as had been expected but to a diversion of men out of the labour market onto incapacity benefits[22]. It also became apparent that the same process was occurring in other places affected by job loss[23].

[21] Or, as the changeover takes place, Universal Credit on the grounds of ill health or disability.
[22] C Beatty and S Fothergill (1996) 'Labour market adjustment in areas of chronic industrial decline: the case of the UK coalfields', *Regional Studies*, vol. 30, pp. 637-650.
[23] C Beatty and S Fothergill (2005) 'The diversion from 'unemployment' to 'sickness' across British regions and districts', *Regional Studies*, vol. 39, pp. 837-854.

In older industrial towns the ex-miners, ex-steelworkers and other redundant industrial workers have now mostly dropped out of the figures into retirement. As they have done so the incapacity claimant rate across the towns has dropped from its late 1990s peak of 11 per cent of all adults of working age to the current level of 8 per cent. But in difficult labour markets the redundant industrial workers have often been replaced by the men and women with health problems or disabilities in the generation behind them.

Measuring the extent of this 'hidden unemployment' on incapacity benefits is not straightforward but in a series of reports we have generated estimates[24]. The starting point is the incapacity claimant rate in fully employed parts of southern England[25] – the low claimant rate in this part of the country shows what is possible where there is no shortage of jobs. However, there are also underlying differences in the extent of incapacitating ill health or disability. We take these into account using the ratio between the Standardised Mortality Rate (SMR) in each district[26]. The SMR is a proxy but it is widely regarded as the most objective measure of health in that it adjusts for the age structure of the local population and is undistorted by benefit status or by the vagaries of self-reported health. If the SMR in a locality is 20 per cent above the level in fully-employed southern England we would expect the incapacity claimant rate to be 20 per cent higher[27].

For each district, this allows a 'benchmark' incapacity claimant rate to be established. The benchmark reflects what should be achievable if the local economy was operating at full employment and excesses over the benchmark can be deemed to be a form of hidden unemployment.

This method adjusts for the biggest single distortion to the official unemployment figures. The 'real level of unemployment' is the sum of the official recorded ILO unemployment and the diversion onto incapacity benefits.

National overview

Deploying this approach, our most recent estimate[28] is that in the spring of 2017 the real level of unemployment across Great Britain as a whole stood at just below 2.3 million. This represented an unemployment rate of 5.7 per cent of the working age population.

Across Britain as a whole the hidden unemployment on incapacity benefits were estimated to account for 760,000 men and women. These are the claimants *who might reasonably be expected to have been in work in a genuinely fully-employed economy*. This large number

[24] The most recent in the series is C Beatty, S Fothergill and T Gore (2017) *The Real Level of Unemployment 2017*, CRESR, Sheffield Hallam University.
[25] Defined here as Berkshire, Buckinghamshire, Hampshire (minus Portsmouth and Southampton), Hertfordshire, Oxfordshire, Surrey and West Sussex.
[26] In 2015. Source: ONS.
[27] The results derived by this method have been cross-checked against alternative estimates of hidden unemployment based on local differences in the extent of 'permanent sickness' recorded prior to the big increase in incapacity claimant numbers. For GB as a whole the difference in the estimates for 2017 is small (just 35,000). The SMR-based estimates are preferred because they incorporate up-to-date local data.
[28] C Beatty, S Fothergill and T Gore (2017) op. cit.

needs to be seen in the context of the headline total of 2.45 million out-of-work on incapacity benefits. In effect, the estimates suggest that around 1.7 million men and women would have remained on incapacity benefits even if there were full employment across the whole country. The hidden unemployed are a minority of incapacity claimants (around 30 per cent) even though they are nearly as numerous as the claimant unemployed. Again, it is worth emphasising that there is no suggestion here that the claims are in any way fraudulent or that the health problems or disabilities are anything less than real.

At just under 2.3 million the real level of unemployment in 2017 was actually lower than in previous estimates[29] and more than 1.1 million down on the estimate for 2012. This is clear evidence of progress in reducing unemployment. Even so, a real unemployment level of 2.3 million hardly seems like full employment.

Hidden unemployment on incapacity benefits also appears to be falling. At an estimated 760,000 in 2017 it was nearly 400,000 down on the peak recorded in 2002. The reduction has been gradual it seems, and perhaps not entirely unexpected given the tougher medical test, the wider application of means-testing, the new conditionality for some and the recent improvement in the wider labour market.

The hidden unemployment is however strongly geographically concentrated. The estimates suggest that in the worst affected places in the North of England, Scotland and Wales it accounts for more than 5 per cent of the working age population. By contrast, in much of southern England, including in London, there is evidence of little or no hidden unemployment on incapacity benefits, even beyond those areas assumed to be operating at full employment. This pattern is of course consistent with the view that in weaker local labour markets there is a diversion of many of the unemployed onto incapacity benefits.

Real unemployment in older industrial towns

Table 13 shows the real level of unemployment in Britain's older industrial towns in spring 2017. It also presents the equivalent estimates for the main regional cities, London and Great Britain as a whole. The unemployment rates here are all expressed as a percentage of the *working age population*. This differs from official statistics, which use the *economically active population*, which is smaller[30].

The real level of unemployment in older industrial towns, taken as a whole, is estimated to be 780,000, or 7.5 per cent of the working age population. By any standards, this is some way off full employment. Real unemployment in the towns is made up of 430,000 recorded unemployed (on the ILO measure) and a further 350,000 hidden unemployed on incapacity benefits.

[29] Comparable estimates have been produced for 1997, 2002, 2007 and 2012.
[30] The rates are not therefore comparable. However, as a rule of thumb the real unemployment rate in most districts, expressed as a percentage of the economically active, is around one-quarter higher than the levels in Figure 3 and Table 3.

Table 13: The real level of unemployment, spring 2017

	Older industrial towns		Cities*	London	GB
	no.	%	%	%	%
Recorded ILO unemployment	430,000	4.2	4.4	4.7	3.8
Hidden on incapacity benefits	350,000	3.4	2.9	1.0	1.9
Real unemployment	**780,000**	**7.5**	**7.3**	**5.6**	**5.7**

*Main regional cities

Sources: ONS, DWP and Sheffield Hallam estimates

The figures also illustrate how hidden unemployment on incapacity benefits is particularly though not exclusively an issue in older industrial towns. In the main regional cities there is also a substantial diversion onto incapacity benefits, which is to be expected given the difficult post-industrial labour market in several of them, such as Glasgow and Liverpool. However, across Great Britain as a whole and in London in particular the extent of hidden unemployment is more modest. Indeed, whereas the recorded (ILO) unemployment rate in London is higher than the average in older industrial towns, after adjusting for the hidden unemployment the rate in older industrial towns is well ahead of the rate in London.

To underline the on-going concentration of unemployment in Britain's older industrial towns, Table 14 lists the local authority districts with the highest and lowest real unemployment. The older industrial towns on the lists are highlighted in bold. Among the districts with the highest unemployment, older industrial towns fill nine of the top ten places. Further down, older industrial towns make up 18 of the 25 places with the highest unemployment, and 38 of the top 50 as a whole. Only a handful of the main regional cities (Liverpool, Glasgow, Birmingham), a number of distressed seaside towns and a single London borough match these levels of unemployment. By contrast, older industrial towns do not feature at all in the list of places with the lowest unemployment.

The lists illustrate how high unemployment remains a defining feature of the older industrial towns of northern and western Britain. Places such as the Welsh Valleys, Clydeside, Merseyside and the industrial North East stand out as having exceptionally high levels of unemployment. In this respect the figures here confirm what claimant unemployment data has been showing for many years, but the real unemployment data exposes the extent to which the problem in these places is far worse than official statistics have suggested. Unemployment in these parts of Britain typically remains in excess of 8 per cent, and in some cases above 10 per cent, of the entire working age population.

Table 14: Estimated real unemployment: highest and lowest districts, Spring 2017

		% of working age			% of working age
	TOP 50 DISTRICTS			**(cont)**	
1.	Blackpool	12.1	40.	**Barnsley**	8.2
2.	**Hartlepool**	11.6	41.	**Swansea**	8.2
3.	**Blaenau Gwent**	11.1	42.	Thanet	8.1
4.	**Merthyr Tydfil**	11.0	43.	Tendring	8.1
5.	**Middlesbrough**	10.9	44.	Islington	8.1
6.	**South Tyneside**	10.9	45.	Waveney	8.1
7.	**Neath Port Talbot**	10.7	46.	**St Helens**	8.1
8.	**Knowsley**	10.7	47.	**Wirral**	8.1
9.	**Inverclyde**	10.5	48.	**Bridgend**	8.0
10.	**Sunderland**	10.5	49.	Weymouth & Portland	7.9
11.	Hastings	10.4	50.	**Rotherham**	7.9
12.	**North Ayrshire**	10.4			
13.	Liverpool	10.1		**BOTTOM 20 DISTRICTS**	
14.	Great Yarmouth	10.0	359.	East Hertfordshire	2.4
15.	**Burnley**	9.9	360.	Cotswold	2.4
16.	**Rhondda Cynon Taf**	9.8	361.	Richmondshire	2.4
17.	**Redcar & Cleveland**	9.8	362.	South Derbyshire	2.4
18.	Torbay	9.6	363.	Wokingham	2.3
19.	Glasgow	9.4	364.	Vale of White Horse	2.3
20.	**Hull**	9.3	365.	South Oxfordshire	2.3
21.	**Stoke-on-Trent**	9.3	366.	East Cambridgeshire	2.3
22.	**West Dunbartonshire**	9.2	367.	Test Valley	2.2
23.	**Rochdale**	9.0	368.	Rutland	2.2
24.	**Caerphilly**	9.0	369.	Harborough	2.2
25.	Birmingham	8.9	370.	South Northamptonshire	2.2
26.	**Clackmannanshire**	8.9	371.	Derbyshire Dales	2.2
27.	**Hyndburn**	8.9	372.	Mid Sussex	2.1
28.	**Blackburn with Darwen**	8.9	373.	Hart	2.1
29.	**County Durham**	8.7	374.	Waverley	2.1
30.	**Torfaen**	8.6	375.	Shetland Islands	2.1
31.	**Sandwell**	8.6	376.	South Cambridgeshire	2.0
32.	**Barrow-in-Furness**	8.6	377.	West Oxfordshire	2.0
33.	**Salford**	8.5	378.	Uttlesford	1.9
34.	**Mansfield**	8.5			
35.	**Dundee**	8.4			
36.	**Wolverhampton**	8.4			
37.	**Gateshead**	8.3			
38.	**Sefton**	8.3			
39.	**East Ayrshire**	8.2			

Older industrial towns in bold

Source: Sheffield Hallam estimates based on ONS and DWP data

Among the fifty places with the highest unemployment there are at least six clusters of adjoining districts:

North East (South Tyneside, Gateshead, Sunderland, County Durham, Hartlepool, Middlesbrough, Redcar & Cleveland)

East Lancashire (Blackburn with Darwen, Hyndburn, Burnley)

Merseyside (Liverpool, Knowsley, Sefton, St Helens, Wirral)

Birmingham area (Birmingham, Sandwell, Wolverhampton)

Glasgow area (Glasgow, Inverclyde, West Dunbartonshire, North Ayrshire, East Ayrshire)

Welsh Valleys (Torfaen, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taff, Bridgend, Neath Port Talbot, Swansea)

These extensive areas could claim to be Britain's main unemployment 'blackspots' and together with the neighbouring cities of Liverpool, Birmingham and Glasgow they are wholly made up of districts covering older industrial towns. In several of these blackspots the hidden unemployment on incapacity benefits accounts for over half the total. In the Welsh Valleys this hidden unemployment is 60 per cent of the total, on Merseyside 58 per cent, in the Glasgow area 55 per cent and in East Lancashire 52 per cent.

This concentration of hidden unemployment in the places with the weakest local labour markets is consistent with the view that where decent jobs are hardest to find, many men and women give up looking for work and therefore fail to meet the ILO unemployment criteria. The concentration of hidden unemployment in these places is also consistent with the view that in difficult labour markets the men and women with health problems or disabilities are especially disadvantaged in finding work and thereby boost the numbers claiming incapacity benefits.

Unemployment, perhaps more than any other indicator, is the one by which the health of a local economy is often judged. It is unfortunate, therefore, that the official unemployment statistics provide such a partial view and that the UK continues to hide large numbers of unemployed on incapacity benefits. The numbers have come down since the recession, but the distortions are still more than big enough to cast a different light on the state of the labour market.

What the real unemployment data shows is that big variations in the strength of regional and local economies are still very much with us. Hidden unemployment tends to be concentrated in the weakest local labour markets so the effect of its inclusion is to widen the gap between the best and worst areas across the country. Some parts of southern England do indeed seem to be fairly close to full employment, but that is emphatically not the case in most of the older industrial towns of the North, Midlands, Scotland and Wales.

5. CONTESTED ISSUES

The relationship to regional cities

As we explained in the introduction to the report, the relationship between towns and their neighbouring cities has become an important issue. The dominant view is that cities are the motor of regional and local growth and surrounding towns are increasingly expected to function as their satellites. This is very different from the way in which Britain's industrial towns first developed, when they were nearly all locations of business growth in their own right. Nevertheless, in practice there has been relatively little hard evidence on the extent to which the labour markets of cities and surrounding towns have become intertwined[31].

What is undeniable is that a large number of Britain's older industrial towns are indeed located in the immediate hinterland of the main regional cities. On the definitions used here, mapped in Figure 1 earlier, some 11.9 million of the 16.6 million people in Britain's older industrial towns live in the hinterlands of the main regional cities.

By way of contrast, the remaining 4.7 million live in older industrial towns located further afield – in places such as Barrow in Cumbria or Grimsby on the south bank of the Humber, or in smaller cities such as Hull, Swansea, Dundee and Stoke on Trent that stand at some distance from the main regional cities. These places are all far less likely to be connected to the big cities by strong commuting flows.

To examine whether distance from one of the main regional cities is an important determinant of growth, Table 15 compares labour market accounts for older industrial towns in the city hinterlands with equivalent figures for the older industrial towns further afield. If proximity to a major city is an important determinant of growth it should be evident in these figures.

In fact, job growth between 2010 and 2016 was virtually the same in towns close to the cities as in towns further afield – around 2 per cent (expressed as a percentage of working age residents) in both, an unimpressive rate of job growth when compared to the main regional cities and in particular to London, as we noted earlier. Likewise, there was little difference in the reduction in recorded unemployment – around 2.5 per cent both in towns closer to the cities and in towns further away. There is little evidence in these figures that proximity to a city is crucial for growth.

[31] 'Overshadowed cities', several of which are actually large older industrial towns, are one of the categories of UK cities identified as facing relative decline in Pike, A., MacKinnon, D., Coombes, M., Champion, T., Bradley, D., Cumbers, A., Robson, L. and Wymer, C. (2016) *Uneven growth: tackling city decline*, Joseph Rowntree Foundation, York.

Table 15: Labour market accounts for older industrial towns in city hinterlands and more remote locations, 2010-16

		as % of residents of working age	
		City hinterlands	**More remote**
	Increase in number of jobs	2.1	2.0
minus	Natural increase in workforce	-1.7	-2.3
minus	Internal net in-migration	0.0	-0.7
minus	International net in-migration	1.4	2.1
minus	Increase in net in-commuting	-1.3	-0.7
minus	Increase in economic activity rate	1.1	1.1
equals	Reduction in recorded unemployment	2.6	2.4

Sources: APS, ONS and authors' estimates

The data on commuting tells a subtly different story. Older industrial towns in both groups have experienced a net increase in out-commuting (this is indicated by the negative figure in the labour market accounts). Furthermore, the increase in out-commuting was greater in the towns in the city hinterlands. This is consistent with job growth in the cities drawing in increasing numbers of commuters from surrounding older industrial towns.

The labour market links between cities and their neighbouring towns are certainly very real and powerful. In 2016, net commuting out of the older industrial towns in the cities' hinterlands totalled 920,000, equivalent to 18 per cent of all residents in employment. Not all this commuting will have been into the main regional cities of course, but this particular figure is a *net flow* – the daily flow outwards will be significantly larger, offset in part by in-commuting. Looking at commuting flows from the other direction, in 2016 the ten main regional cities covered here had a net in-flow of 910,000 commuters, equivalent to 27 per cent of all the jobs located in these cities. In the cities where the boundary is drawn tightly the proportion is higher still – 37 per cent in Newcastle upon Tyne, 39 per cent in Nottingham and 45 per cent in Manchester. The figures are lower for Leeds (14 per cent) and Sheffield (10 per cent) where the city boundaries are drawn more inclusively.

As Table 16 shows, there are three cities where trends in commuting point unequivocally to rising dependence of an older industrial hinterland on jobs in a nearby regional city. The first of these is Manchester, where net in-commuting rose by 24,000 at the same time as net out-commuting from the surrounding older industrial districts in Greater Manchester rose by 28,000. The second is Edinburgh, where net in-commuting rose by 17,000 while net out-commuting from three surrounding older industrial districts rose by 12,000. The third is Cardiff, where net in-commuting rose by 15,000 while net out-commuting from surrounding older industrial areas in the Valleys and the South Wales coastal strip rose by 27,000.

Table 16: Change in net in-commuting, 2010-16

	City	Older industrial towns in hinterland
Manchester	24,000	-28,000
Edinburgh	17,000	-12,000
Cardiff	15,000	-27,000
Leeds	4,000	19,000
Sheffield	3,000	- 3,000
Newcastle upon Tyne	- 6,000	- 9,000
Glasgow	- 6,000	7,000
Nottingham	- 7,000	- 8,000
Liverpool	-12,000	- 5,000
Birmingham	-13,000	-28,000
Total	**20,000**	**-95,000**

Source: APS

In each case the growth in city employment has been impressive – up 51,000 (a 14 per cent increase in the stock of jobs) over this period in Manchester, up 36,000 (12 per cent) in Edinburgh and up 26,000 (13 per cent) in Cardiff. This compares with employment increases in the surrounding older industrial districts of just 23,000 (3 per cent) in the case of Manchester, 3,000 (1 per cent) in the case of Cardiff, and a fall of 3,000 (2 per cent) in the case of Edinburgh.

Elsewhere, the rate of growth in employment in the main regional cities was less impressive – 9 per cent in Leeds, 7 per cent in Glasgow and Nottingham, 6 per cent in Birmingham and Sheffield, 5 per cent in Newcastle and just 2 per cent in Liverpool – though still mostly faster than the average for all older industrial towns (3.5 per cent when expressed as a percentage of the stock of jobs).

A slower growth in employment is less likely to draw in new commuters. Indeed, it is the balance between job growth in neighbouring areas that will normally drive changes in net commuting so if a city's hinterland is also experiencing job growth this acts as a countervailing pull on commuting flows. This helps explain why there is no consistent pattern of rising net flows into the main regional cities. In addition, it is worth remembering that older industrial towns are not the sole source of commuters to the main regional cities and that cities are not the sole destination for commuters from older industrial towns. In all parts of the country commuting flows are complex.

Overall, the increase in net out-commuting from older industrial towns in the cities' hinterlands (more than 90,000 between 2010 and 2016) was not matched by the increase in net in-commuting into the main regional cities (just 20,000).

A warning needs to be attached to the local data on commuting: the Annual Population Survey from which it is taken is subject to sampling errors that are larger for small areas (such as individual cities) and especially for changes through time. Nevertheless, Manchester, Edinburgh and Cardiff apart, the labour market accounts provide little evidence of a surge in net in-commuting to cities from neighbouring older industrial towns.

The role of London

Although London is some distance from nearly all Britain's older industrial towns its huge and dynamic labour market might still be expected to exert an important influence. This is less likely to be felt through commuting patterns (though there are unquestionably Monday-to-Friday flows from long distance into London) than through its impact on migration. Other things being equal, a strong and growing labour market such as London can normally be expected to attract migrants from elsewhere, including from older industrial towns.

Table 17 therefore compares labour market accounts for three parts of Britain: London, the three regions making up the rest of the South (South East, South West and East) and the rest of the country, which includes all the older industrial towns under consideration here.

London's labour market dynamics over the 2010-16 period are truly astonishing. The number of jobs in London grew by 800,000, at a pace four times faster than in the rest of the South or in the rest of Britain. London also experienced a vast net inflow of economically active adults of working age from abroad – more than 500,000 on the figures presented here. London also experienced a surge in net in-commuting (up 150,000), a big increase in labour supply from rising economic activity rates (an extra 250,000) and a natural increase in its workforce (80,000) that reflects a population structure skewed towards younger groups.

The relevant question here is whether any of this spectacular growth spilled over into the labour markets of the Midlands, the North, Scotland and Wales, where Britain's older industrial towns are to be found.

Internal migration is the key variable. It might have been expected that London's employment growth would have attracted workers from the rest of the country. In fact, though London did experience net in-migration this was entirely attributable to international migration. The internal migration flow (i.e. the flow of UK residents) was actually strongly out of London – a net outflow in excess of 300,000. Furthermore, the corresponding net inflow of internal migrants was nearly all to the rest of the South of England. This meant that, taken as a group, the Midlands, the North, Scotland and Wales neither gained nor lost from internal migration. Likewise, but less surprisingly, the increase net in-commuting into London was almost exclusively from the rest of southern England.

Table 17: Labour market accounts for London and the rest of Britain, 2010-16

		London		Rest of South		Rest of GB	
		No.	*as % working age*	*No.*	*as % working age*	*No.*	*as % working age*
	Increase in number of jobs	800,000	14.5	460,000	3.7	740,000	3.5
minus	Natural increase in workforce	80,000	1.5	-240,000	-1.9	-420,000	-2.0
minus	Internal net in-migration	-320,000	-5.7	300,000	2.4	30,000	0.1
minus	International net in-migration	530,000	9.5	140,000	1.1	430,000	2.0
minus	Increase in net in-commuting	150,000	2.7	-130,000	-1.1	- 10,000	-0.1
minus	Increase in economic activity rate	260,000	4.6	200,000	1.6	230,000	1.1
equals	Reduction in recorded unemployment	100,000	1.8	200,000	1.6	490,000	2.3

Sources: APS, ONS and authors' estimates

In effect, the figures demonstrate that over the 2010-16 period London's impressive job growth was largely detached from the labour market north of a line from the Severn estuary to the Wash. There was little or no spill-over via commuting or migration. This confirms an earlier observation relating to the pre-recession years that the net flow of internal migrants into London and the South of England has essentially come to a halt[32].

There is scant evidence, therefore, that London's spectacular employment growth since 2010 has had a positive impact on the labour market in older industrial towns. The Exchequer may have gained from London's growth and there may therefore have been fiscal and macroeconomic benefits to towns in the Midlands, the North, Scotland and Wales but the figures reveal that the direct benefit of job growth in London has been wholly confined to London and surrounding parts of the South.

The role of international migration

Where exactly does international migration fit into this jigsaw? What needs to be emphasised here is that although the labour market accounts quantify net international migration into older industrial towns and other parts of the country they do not in themselves pinpoint its impacts. In practice, the volume of international migration is likely to interact with the scale of several other labour market flows. However, the labour market accounts do provide a basis for informed comment.

Over the 2010-16 period, net international migration – the balance between flows in and out of the UK – was certainly a major feature of the labour market. The figures in the labour market accounts put the net inflow of economically active working age migrants at 1.1 million.

Turning to the impact on older industrial towns, two comparisons stand out:

- Though working-age net international migration into the towns provided a substantial boost to labour supply (an estimated160,000) it failed to fully offset the decline in the size of the local workforce (190,000) arising from the excess of retirements and deaths over the number of young people reaching working age. In the absence of net international migration, the size of the workforce in Britain's older industrial towns would have declined.

- At an estimated 160,000, net international migration of economically active working age adults was equivalent to roughly three-quarters of the job growth in older industrial towns over the same period (220,000). Additionally, it is worth bearing in mind that the figures here are for *net* migration, which hides larger gross in-flows.

[32] R Rowthorn (2010) 'Combined and uneven development: reflections on the North-South divide', *Spatial Economic Analysis*, vol. 5, pp. 363-388.

It is very unlikely, however, that all the new jobs in older industrial towns would have been created in the absence of international migration. Workers from abroad have probably allowed some firms to expand more than would otherwise have been the case by filling skill shortages for example or, in at least some cases, by providing a source of cheap labour. On the other hand, in towns with persistent unemployment, especially during the earlier part of the decade, it is questionable just how much firms' growth would have been constrained by labour supply.

In practice, the data is unable to tell us exactly what the impact of international migration has been on employment levels in older industrial towns. All that can be said with certainty is that over the period under consideration here, from 2010 to 2016, the net inflow to the towns was substantial.

Britain's older industrial towns have not, however, been the prime destination for international in-migrants. Rather this has been London, which over the 2010-16 period accounted for almost half of all net international migration to the UK. Again, there are two key statistical observations:

- At an estimated 530,000, net international migration by economically active working age adults increased London's working age population by almost 10 per cent in just six years

- At 530,000 this net international migration was equivalent to two-thirds of the quite spectacular growth in London's employment over this period (800,000).

Again, it is impossible to tell how much of this job growth in London would have happened in the absence of international migration. However, in London, where labour has generally been in shorter supply than in older industrial towns, it is reasonable to assume that in the absence of international migration more firms would have been constrained by labour supply.

What, then, would have been the knock-on impact on older industrial towns if this huge international inflow to London had not occurred? It is impossible to be certain of course but if London had still generated substantial numbers of new jobs these might have attracted more internal migrants from within the UK, including from older industrial towns. The labour market accounts confirm that London's rapid job growth since 2010 has not resulted in a net flow of migrants from the North, Midlands, Scotland and Wales. That net international migration into London and the South may have in effect 'choked off' the flow from other parts of the UK is at least consistent with earlier evidence[33].

[33] R Rowthorn (2010) op. cit.

6. CONCLUSIONS

Let us now attempt to draw overall conclusions from this mass of data. Although the detailed picture regarding older industrial towns is complex the evidence on the labour market points clearly to *five fundamentals*.

First, the economy of Britain's older industrial towns is essentially stagnant. That is not to say there has been no job growth in the towns since the depths of recession – during a national economic upturn it would have been extremely surprising if there had been none at all – but the rate of job growth since 2010 has been slower than the national average, much slower than in the main regional cities, and massively slower than in London. Also, stagnation does not imply that there is no change at a finer grain, sector by sector, firm by firm. However, on balance the level of employment in Britain's older industrial towns appears to be little better than stable.

Paradoxically this observation might be a relief because it at least indicates that Britain's older industrial towns are not locked into a spiral of decline. It might have been expected that the loss of most of their former industrial base, which in historical terms happened quite recently, might have triggered a longer-term knock-on loss of jobs and people. If these negative consequences are still happening in the towns they are, it seems, being offset by other more positive developments, including no doubt the impact of substantial public sector efforts to rebuild their local economies.

Second, there remains substantial labour market slack in Britain's older industrial towns. Except in a few places this is not evident in the official unemployment figures. However, employment rates often remain well below the GB average and there is evidence of a major diversion onto incapacity benefits. The idea that the unemployment problem in Britain's older industrial towns has been solved is well wide of the mark.

That said, the nature of the unemployment in the towns is almost certainly different from what it was twenty or thirty years ago. Even allowing for the distortions to the official figures, unemployment in the towns is down on peak levels and down on the immediate post-recession years. For many of the workless the problem is therefore likely to be not that they cannot find any job at all, which was probably the case in the era of three million claimant unemployed, but rather that they have difficulty finding suitable work with acceptable pay and conditions. In older industrial towns there are simply not enough of these 'good' jobs to satisfy everyone, not least because the destruction of so much industry over so many years has removed the layer of jobs that once filled this important gap in the labour market.

Third, pay and conditions in older industrial towns are often poor. This is a direct consequence of the slack in the labour market because it gives employers the upper hand in recruitment and in setting terms and conditions. In older industrial towns, this is less evident

than is sometimes supposed in the scale of part-time working, in 'self-employment', zero-hours contracts and temporary working, but it is clearly reflected in levels of pay and in the extent to which the Exchequer now has to step in via Tax Credits (and their replacements within Universal Credit) to support in-work household incomes.

It does not help too that the composition of employment in older industrial towns is weighted towards manual jobs rather than white-collar jobs. This is a manifestation of a wider spatial division of labour that has developed. The big regional cities, and London in particular, have shed most of their former industrial jobs and become centres of banking, business services and higher education. Britain's older industrial towns, by contrast, still retain substantial numbers of manufacturing jobs despite the years of job loss.

Fourth, older industrial towns are increasingly becoming dormitories for men and women who work elsewhere. This too is a direct consequence of slack in the labour market because when there is a shortage of local jobs it encourages commuting to jobs in neighbouring areas and further afield. The growing role of the towns as dormitories is reflected in rising net out-commuting since 2010 from an already high base.

The scale of commuting should be kept in perspective: the net outflow from the towns is presently just below a million whereas more than seven million residents of the towns are in work. Nevertheless, commuting on this scale represents a significant redefinition of the role of the towns within wider urban networks. It is not always the big regional cities that are the destination of the additional commuting: there is clear evidence of rising net commuting into Manchester, Cardiff and Edinburgh from surrounding older industrial towns but elsewhere the picture is more mixed. The evidence that older industrial towns are becoming dependent on growth in neighbouring cities is distinctly patchy, and there is no evidence that London's spectacular recent growth has been of any direct benefit at all.

Fifth, international migration is a prominent feature of recent trends in the towns. The substantial net in-flow of migrants from abroad demonstrates that it has not been impossible to find work in older industrial towns. Some of the migration will have plugged skills gaps and it is also likely to have allowed some firms to expand faster than otherwise would have been the case. But in adding to labour supply, migrant workers may also have eased the pressure on employers to offer better pay and conditions.

That said, Britain's older industrial towns have not been the prime destination for international migrants – this has been the big cities, and in particular London. But this too may have had drawbacks because there is no evidence that London's spectacular job growth since 2010 has triggered a net flow of migrants from the Midlands, North, Scotland and Wales.

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