How enlarged travel to work areas conceal inner city unemployment

An open letter to Steve Hickman, Office for National Statistics, by Ray Thomas, Open University

Dear Steve

What exactly are Travel-to-Work Areas?

I hope you don't mind if I reply in this way, which is both personal and public, to the Review you are conducting of ravel-to-Work Areas (TTWAs) and Small Area Unemployment Rates. I hope that the reasons will become self-evident as you read this letter. After eighteen years of Conservative party rule there is some history which needs to be recalled and some facts which need to be emphasised. I hope that these comments will be of interest to the readers of *Radical Statistics* as well as being helpful to you.

First, I would like to express my appreciation of your explanation of TTWAs, that they are:

> 'approximations to self-contained labour markets i.e. areas where all commuting to and from work occurs within the boundary .. TTWAs have at least 75% self-containment (and) a population of 3,500 and are contiguous over the whole country'.

Those TTWAs which are centred on major towns or cities are similar in conception to the Standard Metropolitan Statistical Area which have been used in the United States for some decades. Like SMSAs, most TTWAs consist of a 'central city' plus its commuting hinterland. TTWAs follow the adaption to Britain of the SMSA idea a quarter of a century ago with the delineation of Standard Metropolitan Labour Areas (see "The Anatomy of Metropolitan England" in Hall et al., 1972).

TTWAs are built up on the bases of concentrations of employment. The unemployment statistics published for TTWAs are calculated on the basis of employment in the TTWAs. It seems very strange therefore that the employment statistics themselves are not published.

It would really be useful to have statistics for employment for TTWAs. Such statistics would be a great stimulus to research on the growth and location of employment in Britain. And such research could reasonably be expected to contribute to the development of policies which might encourage inward investment.

For those TTWAs which are centred on major cities it would also be useful to have statistics on the distribution of employment between the city and their suburban hinterland. It would be a major step forward if your Review recommended publication of such statistics. Geographers, planners, and sociologists in the US have learned a lot from study of changes in the distribution of employment and population between the core and suburban parts of SMSAs.

Such statistics have supported research, like that by Kasarda in the United States, which examined the scale and nature of decentralisation from the core to the suburbs of SMSAs (Kasarda, 1993). Kasarda's study was part of a revolution in understanding of the inner city and unemployment problems in the United States (see Wilson, 1993). In Britain, by contrast to the U.S., there appears to have been little advance in the area since the inner city studies published in the late 1970s (e.g. Shankland et al., 1977).

The availability of statistics for employment for the core and suburban parts of TTWAs would be a good stimulus to studies by geographers, planners and sociologists in this country. I hope therefore that you will be able to recommend publication of such statistics in your report on the consultation exercise.

TTWAs and Unemployment

Publication of employment statistics for TTWAs would be a radical departure from existing practice. Since 1983 TTWAs have been used exclusively for the publication of statistics of claimant unemployment. But it is difficult to see that monthly publications of *unemployment rates* for TTWAs continues to serve any useful purpose. TTWAs have become increasing inappropriate units for the measurement of unemployment because unemployment has become more localised. The use of TTWAs now disguises the location and nature of Britain's unemployment problems.

Steve! You have been given a poisoned chalice!!

There is no case for consultation on a new set of enlarged TTWAs for the measurement of unemployment rates because there is no case for using TTWAs for this purpose. It is a bad and indefensible use of statistics. The measurement of unemployment for TTWAs does not identify the largest concentrations of unemployment, and cannot be regarded as scientific or objective because the statistics give a distorted picture of Britain's unemployment problems.

A bad statistical measure.

The phrase *workforce based unemployment rates* is a key term in the consultation documents and ONS publications. But this apparently simple phrase is perversely ambiguous Steve! I don't think that your bosses gave you a full briefing on the background to TTWAs! Perhaps they have forgotten??

The adjective *workforce* could refer to those resident in an area or those employed in an area. There is no problem with the use of the adjective *workforce* at a national and regional level because the populations working and resident in the areas are practically identical. But at a local level there is ambiguity, and it seems likely that many innocent users are misled by this shorthand terminology into assuming that unemployment and workforce relate to the same areas.

The ONS usage specifies that *workforce* refers to those employed in the area. There is therefore no way of accurately describing how *workforce-based unemployment rates* are calculated which is both clear and brief. Unemployment is being measured as:

> *Unemployed residents of the area as a percentage of the sum of unemployed residents of the area plus the total of persons working in the area.*

Thus the two populations used in the denominator of the ONS statistics for *workforce based* unemployment statistics relate to different areas. The population working in any local area, because of commuting in and out, is different from the population of residents in the area in employment. The population working in the areas may differ greatly in both size and social composition from the population resident in the area in employment. Such differences can be expected to increase with the growth of commuting.

The combination of unemployed residents for an area with persons employed in the area in the calculation of *workforce based*

unemployment rates violates a basic statistical principle that like should be compared with like. In this way ONS *workforce based* measures for local areas fail to produce statistics which are *objective, scientific and unbiased*, as specified in the second Key Principles for producers of official statistics (GSS, 1996, p 5).

A little history

It is fair to point out to you, Steve, that the use of *workforce based* unemployment rates at the local level does have a long history. Let me tell you, Steve, of some of the potions which may have made your poisoned chalice seem potable.

Thirty years ago in the post-war era of full employment there were Employment Exchanges - as Job Centres used to be called - and *Employment Exchange Areas*. At that time it could reasonably be argued that employment in the Employment Exchange Area was a good proxy for employment opportunities available to the population living in the area. In that period it could be assumed that nearly all unemployment was 'frictional', i.e. unemployment was just a short period between leaving one job and finding another.

At that time there were local Unemployment Committees constituted for Employment Exchange Areas including representatives of labour and employers. One of the prime functions of these Committees was to comment on the unemployment statistics for the Employment Exchange Area. These Committees could interpret *workforce based* unemployment rates for the Employment Exchange Area in the light of their knowledge of local conditions.

The situation you face today, Steve, is very different! Since the 1960s the level of unemployment has multiplied five or tenfold. Unemployment is no longer frictional. It cannot be assumed, Steve, that the composition of the unemployed population is similar to that of the employed population.

The local Employment Committees were replaced by Manpower Boards in the 1970s and the Manpower Boards themselves were a casualty of Thatcherism. No new institutions have developed to keep ministers, local authorities, or the general public aware of the scale or nature of local unemployment problems. These are the deadly potions in your chalice, Steve!

Computerisation

The statistics have also changed. Before computerisation in 1981 the unemployment statistics covered those registered as seeking work at a particular employment exchange. So individuals 'belonged' to particular employment exchanges - seemingly independently of where they actually lived. The advent of post-coding made it administratively possible to produce statistics based on place of residence. After computerisation in 1981 statistics were produced for the number of claimants based upon home address.

The delineation of TTWAs was supported by, and started as a result of, this computerisation. Up until December 1982 unemployment rates for local areas were regularly published for 179 Jobcentre areas (i.e. the former Employment Exchanges areas). Then 322 TTWAs came into existence apparently as a means of providing local unemployment statistics for the whole of the country.

At that time it might have seemed an innocuous development. The main problem was then seen, by nearly everybody outside the Thatcher Government, as the dramatic growth in the level of unemployment. But that increase in unemployment heralded some seemingly permanent changes in the nature of the British labour market. Employment is no longer frictional but structural. The unemployed population is not just larger than it was earlier. The unemployed population offer skills and experience which are different from the skills and experience wanted by employers.

It has become evident that the unemployed population who live in inner city areas, for example, is different in composition to the population working in the nearby city centre. The use of *workforce based* unemployment rates with the numbers working in the area as a denominator to measure unemployment in such a situation has become statistical nonsense.

Steve! Do not allow the potion to blind you to the importance of this reality!

Failure to identify areas of high unemployment

Steve, these problems are of course recognised by some of your bosses. The TTWA palliative enlarges the areas covered - which makes the use of an inappropriate denominator less visible. It seems that your bosses are divided, Steve. Some want to measure unemployment, and some want statistical correctness.

Perhaps it would be a fair summary to say that under the Tories those who favoured a solution which goes in the direction of statistical correctness dominated. Enlargement of the area makes the inappropriate denominator less visible. Enlargement also makes geographical variations in unemployment less visible. The problem is disguised. In this way the *workforce* measure complies formally with the second key principle for producers of official statistics on objectivity, at the expense of the sixth key principle which specifies that that the statistics should be *fit for the purpose intended* (GSS, 1996, p 5). The size of TTWAs is such that the objective of measuring local unemployment is defeated.

Your Consultation documents do not make clear proposals which would resolve this problem, but give the impression that the ONS do not see the identification of areas of high unemployment as part of its responsibilities. The current proposals are a further development in the concealment of concentrations of unemployment in that the new TTWAs would be larger than the old. The levels of unemployment in 1984 were already high enough to make nonsense of workforce based unemployment rates for the revision of the TTWA areas which occurred in that year. The further increase being considered in the present review would constitute nonsense on stilts as far as the measurement of unemployment is concerned.

In the case of London for example the TTWA is more extensive than the former GLC area, and extends to the east as far as Southend. The TTWA unemployment rate for June 1997 is 6.8% - little more than 1% above the national average. But there are twenty two parliamentary constituencies in inner London with more than 5,000 claimants, as compared with ten in other parts of England. The statistics for constituencies help identify the biggest single concentration of unemployment in Britain. The TTWA statistics conceal that concentration!

Concentrations of unemployment in other inner city areas are also concealed by the TTWA statistics. The TTWA unemployment rate for Birmingham is 6.8% the same as London. But there were 8000 claimants in the Ladywood constituency, and there were three other constituencies in inner Birmingham with more than 4000 claimants. The TTWA unemployment rate for Glasgow is reported as 7.3% - below the national average of 7.9%. But the inner areas of Glasgow include seven of the eight constituencies in Scotland with more than 3000 claimants (See Webster, 1997, for more detailed discussion of unemployment in Glasgow and Scotland).

Parliamentary constituencies are not of course designed to be used for examination of the location of unemployment. But constituencies have a limited size range, so that the claimant statistics can be used directly without the troublesome problem of finding a suitable population denominator. There is some systematic variation: the average size of constituencies in England (69 thousand) is greater than that in Scotland (55 thousand). But the variation in size of constituencies within England is small: 423 out of 529 constituencies are within 10% of the mean (Electoral Statistics 1996). The concentration of claimant unemployment in inner London indicated probably understates rather than overstates the real concentration because most constituencies in inner London have been losing population and are below average size for England.

Unemployment nowadays occurs in many social groups and many different locations, which makes it difficult to generalise. But it is beyond dispute that the TTWA statistics give a picture of claimant unemployment which is systematically distorted. Inner city areas contain large concentrations of claimants. But TTWAs could well have been designed to conceal these concentrations. No one who is using TTWA unemployment statistics could get any idea of the importance of inner city unemployment.

Whose responsibility?

The most surprising information given in the Summary Report is that the Department of Trade and Industry use TTWAs as building blocks for the construction of the Assisted Areas map, and that allocations from the European Social Fund have been based on TTWAs (ONS, 1997, Annex D). Does this mean that some major concentrations of unemployment have not been classified as Assisted Areas because the concentration was concealed by the use of TTWAs? Does this mean

that Britain's allocations from the European Social Fund have been limited because the such concentrations have been concealed by TTWAs? Does this mean, that in the next round of submissions to the Fund, there will be no bid for assistance for Britain's largest single concentration of unemployment in inner London?

Steve! Your Report acknowledges that there have been 'strong arguments' about the use of TTWAs as a basis for the Assisted Area map, but states that this matter falls outside the scope of the Review, and that respondents' views will be forwarded to the Department of Trade and Industry. This procedure raises questions of statistical responsibility.

Have they told you, Steve, who is responsible for deciding on the nature of the statistics used in the delineation of Assisted Area maps? Do the ONS include a health warning in the statistics for unemployment by TTWAs they send to the DTI? Do members of the DTI assume that because the statistics come from the ONS that they give a true picture of the distribution of unemployment? Which department - the ONS or the DTI - really takes the decision?

Your Consultation Document gives the impression that these responsibilities are not clearly allocated, and that the outcome in not the intention of any kind of clear governmental policy. Is that how it really seems to you, Steve?

Methods of getting residence based unemployment rates

The title of Annex E of the Consultation document *Options for calculating unemployment rates for small areas* is misleading in that the first two methods put forward are refer to workforce based rates (i.e. using persons employed in the area in the denominator) which are suitable for only very large areas. But the Annex does also describe methods of calculating unemployment rates which can properly be used for small areas because they use measures resident population, which includes the unemployed population, in the denominator. It appears that 'Method 3' an 'Method 5' are the most capable of identifying concentrations of unemployment. (ONS, 1997, Annex E)

Method 3 would calculate unemployment rates using the population of working age as a denominator. This is the best solution for fine grain analysis, and would allow for more detailed analysis than that based on parliamentary constituencies. The ONS could well issue guidance to local authorities as to how to best make these calculations on the

basis of the mid year population estimates. You don't have to try to make this a matter of Departmental policy, Steve. You could just ask for approval to write an article on the subject for *Labour Market Trends*.

Method 5 would involve the use as denominator estimates derived from the Labour Force Survey of economically active population resident in the area, and is suitable for coarser grain analysis. It is suggested that estimates of the resident economically active population, together with estimates of sampling error should as a matter of routine be made available to all local authorities with population about a given threshold. Another interesting article for *Labour Market Trends!*

But if such LFS estimates are made of the resident employed population, it would be appropriate to also use other LFS estimates. Wherever the sampling fraction justifies this, local authorities could also be supplied with estimates of the number of LFS unemployed and, in particular, the number of LFS unemployed who are not claimants - usually called *LFS non-claimants*. Those kinds of statistics would be particularly useful to employers who are looking to women as well as to men for recruitment. What I'm asking for, Steve, is estimates of unemployment according to an *integrated* measure of unemployment. If you don't understand what I mean, have a look at the article I wrote in the last issue of *Radical Statistics* (Thomas 1997).

I would also suggest that 'Method 3' and 'Method 5' should be combined so as to get statistics for claimants, LFS unemployment, and *employment* all expressed as a percentage of *population of working age*. The value of such statistics is that they would give an indication of the scale of unemployment which is not covered by the Count of Claimants or the LFS definition of unemployment. If you look at the statistics published OECD you will see that statistics for employment as a percentage of population of working age throw quite new light on international comparisons of unemployment rates (see OECD, 1995, Statistical Annex).

Clearly there would be sampling problems in producing such statistics for areas with small populations. But areas with small populations are not the same as small areas. The publication of such statistics for inner London and other major cities could be expected to make a substantial contribution to the identification of Britain's unused labour supplies.

Unemployment policy implications

The lack of identification of geographical concentrations of unemployment represents a barrage of difficulties in the formulation of solutions to unemployment problems. On the labour supply side the most obvious problem is the concealment of inner city unemployment. As we should learn from both US and UK experience, unemployment problems in inner cities are different from, and seemingly less tractable than, those of former mining and heavy industry areas.

On the employment side Britain's most successful programme for the creation of new jobs was the new towns programme. The new towns have been the only major new centres of employment growth in Britain the past half century. It is estimated that the new towns in England generated more than 300 thousand new jobs (Thomas, 1996). It has been estimated that the impact of the new and expanded towns programme on the growth of employment 1960-1978 was as great as the total impact of the assisted areas (Fothergill, et al.,1983). This experience of pinpointed employment growth may indicate the importance of pinpointing concentrations of unemployment.

The new towns programme originated in the early years of the century in response to inner city problems. The growth of inner city problems actually led to the fading of the new and expanded towns programme in the late 1970s. Inner city problems have grown dramatically since the late 1970s in spite of the ending of new and expanded towns programmes. It is ironic that the diverging experience of the new towns and that of inner city problems is now being obscured by disguising the concentration of inner city unemployment.

Steve, you have my sympathy. Your brief is indefensible. I can only ask you to take courage and go back to the key principles which have been adopted by the GSS What sort of statistics on local unemployment are objective, scientific and unbiased? What statistics on local unemployment would be fit for the purpose of measuring local unemployment?
If you keep these key principles in mind I think you will agree with most of the points in this letter. And perhaps that is what your bosses want you to do! Perhaps they want you to help get them off the hook? They surely must realise that any government with a serious interest in unemployment problems does not want its intelligence blunted by unemployment statistics for enlarged TTWAs.

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