

# Bulletin

Institute for  
**IER** Employment  
 Research

## LOCAL LABOUR MARKETS : RECENT RESEARCH DEVELOPMENTS

### Local Labour Markets

Local labour markets represent one of the basic 'building blocks' from which the national labour market is constructed. A labour market is a mechanism through which employers and workers make contact, exchange information about jobs and pay and, ultimately, make contracts of employment. Such interaction however, may be only partial and selective with search being restricted to particular occupations or localities. The geographical scale of the market may be constrained by the limitations of labour market information networks which are often cheapest and most effective at an informal and therefore local level. Equally important are the costs of mobility which limit travel-to-work horizons and require costly changes of residence. The national labour market in reality consists of a set of separable (but related) sub-markets differentiated by location. Each local labour market is characterised by a high level of internal interaction with only marginal interaction with other localities.

### Identification of Local Labour Markets

In practice the identification of local labour markets involves some compromise because the factors limiting the geographical scale of labour markets affect each different group in the market to a different extent. Local labour markets are therefore generally defined in terms of some minimum supply side (residents working in the area) and demand side (jobs in the area filled by residents) self-containment, usually around 70-75 per cent. Thus, in practice, a local labour market is relatively self-contained with the majority of travel-to-work flows internal to the area.

Probably the best known and most widely used definition of local labour markets are the Travel-To-Work-Areas, re-defined in 1984 using the commuting flow data derived from the 1981 Census of Population. There are 322 such TTWAs, each representing a coherent labour market: they represent the maximum level of spatial disaggregation at which unemployment rates are published and they are the building blocks for defining Assisted Areas.

### The Shifting Research Focus

The past decade has seen substantial growth in attention to local labour markets. A number of reasons account for this, including:

- a recognition that national scale changes in employment are the sum of myriad changes at local level. In order to understand the diversity of economic change it is important to focus on the local labour market scale;
- increased demands for local labour market intelligence to assist policy-making by local authorities who have increasingly taken on an economic development role;
- the establishment of Training and Enterprise Councils which will operate at the local level and will need intelligence on local labour demand and supply;
- the need for local recruitment strategies in response to the projected shortage of young entrants to the labour market in the early 1990s;
- the use of case-study methodologies for the evaluation of the effects of labour market policy.

### Labour Market Information

The most fundamental problem facing researchers (and policy-makers) is the lack of reliable, up-to-date information at an appropriate spatial scale. Many official statistical sources cannot be disaggregated to the local level, while the data that is available at this level frequently relates to administrative areas, such as local authority districts or job centres, rather than economically meaningful entities such as the TTWAs. Unemployment and vacancy data is most up-to-date, but most other information is several years out of date.

One consequence of the information problem is that much research can be thought of as facilitating, that is, designed to provide the methodology, or the primary data upon which subsequent research can be conducted. In the sections which follow, brief accounts are given of recent and ongoing research in the IER which contribute to the development of the research methodology and empirical understanding of local labour markets.



### A Classification of Travel to Work Areas

The analysis of the key spatial dimensions of economic change at the local scale has been hampered by the lack of a recognised classification of TTWAs. The IER has developed such a classification by grouping areas together according to their labour market demand and supply characteristics using the technique of cluster analysis. Nineteen classificatory variables were used in the analysis, each measuring different aspects of industrial structure, the gender and full-time/part-time composition of employment, recent employment change, the incidence of unemployment and its duration, occupational composition, demographic structure and labour demand and supply inter-relationships.

The cluster analysis produced ten groups of areas with broadly comparable labour market characteristics. These clusters are summarised below with examples from each type of labour market.

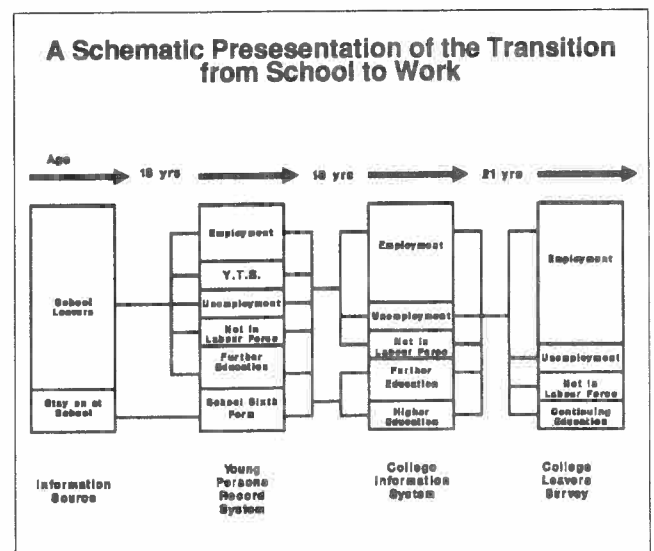
The value of such a classification is two-fold. First, it reveals the diverse pattern of change (and suggests that broad generalisation such as the north-south divide will disguise variations in labour market experience). Second, the classification will allow the disaggregation of national datasets to the level of local labour market types (although not to the level of individual TTWAs). Work is currently being undertaken in the Institute to up-date this classificatory system.

Cluster Classification of TTWAs			
Cluster No.	Title	No. of members	Examples
1	Manufacturing Towns	30	Leicester, Walsall
2	Declining Centres	36	Liverpool, Wolverhampton
3	High Tech Growth Centres	24	Basingstoke & Alton, Cambridge
4	Male Employment Centres	34	Goole & Selby, Cardigan
5	Unemployment Blackspots	34	Rotherham & Mexborough, Lanarkshire
6	Resorts	30	Barnstable & Ilfracombe, Skegness
7	In-Migration Nodes	13	Milton Keynes, Elgin
8	Relatively Prosperous Areas	50	Newmarket, Ripon
9	Service Growth Centres	29	Bournemouth, Totnes
10	Established Service Centres	42	Bedford, Bristol

### A Labour Market Information Framework for Birmingham

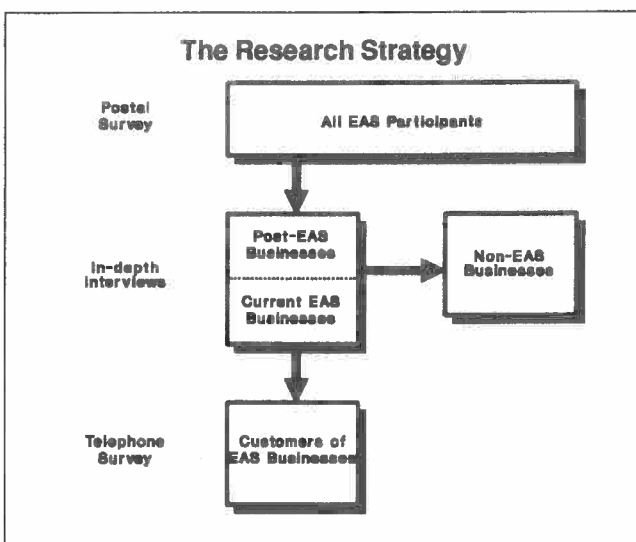
It is widely acknowledged that local labour market information systems have not kept pace with the demand for labour market intelligence by local policy-makers. Against this general background the Institute has been developing a labour market information framework for The Economic Development Unit of Birmingham City Council. The framework will assist in the planning of work-related Non-Advanced Further Education (NAFE) provision to meet the training needs of the City. The specific requirement was for a model of the Birmingham local labour market which would identify the pattern of entry to the labour market from full-time education, against which a range of data on vacancies and recruitment could be measured to enable a reasonably accurate picture of training needs to be built up.

The project consisted of a number of stages. The first concerned the identification of the appropriate area to be covered by the framework and an analysis of readily available data on the Birmingham labour market. The second stage consisted of the integration of information on the transition from full-time education to work using databases compiled by the Birmingham Careers Service (the Young Persons Record System), the eight colleges of Further Education (the College Information System) and a sample survey of college leavers. The diagram below illustrates the pathways from education to the labour market with the corresponding source of information by which the transition can be monitored. Thirdly, a database of employers in the Birmingham TTWA was compiled from a number of different sources. Future stages of the project will entail the surveying of employers for data on recruitment patterns and training needs, and the final integration of the whole framework into a system which will allow future monitoring of the youth labour market and generate training related policy guidelines.



## The Displacement Effects of the Enterprise Allowance Scheme

The Enterprise Allowance Scheme (EAS) is a government scheme designed to encourage the unemployed to form new businesses on a self-employed basis. Like most employment measures it can be predicted to have an adverse (or displacement) effect on existing firms although the magnitude of this effect (if it exists at all) can vary according to a number of economic circumstances. Current attempts to measure the scale of the 'displacement effect' are based upon the answers of EAS participants to questions contained in routine monitoring surveys which are conducted annually by the Training Agency. Earlier work in the Institute has cast doubt upon the reliability of such estimates, mainly on the ground that EAS participants themselves may not be aware of, or may be unwilling to reveal evidence of displacement.



Recent IER research has developed a different methodology for measuring displacement, based upon a research strategy, illustrated above, involving a detailed examination of EAS businesses, their competitors and customers in a local labour market. The locality studied was the Coventry EAS area and analysis was restricted to two industrial sectors: hairdressing, beauty and other personal services (expected to display high displacement) and other business services (expected to display low displacement). First, a postal survey was conducted of all EAS participants in the two industries; second, in-depth interviews were carried out with selected EAS participants who, in turn, provided the names of competitors and customers who were subsequently also interviewed.

This combination of quantitative and qualitative information reveals a rich and complex picture of a local labour market and the processes of adjustment to new job creation. One of the objectives of the research was to assess the feasibility of using a local labour market approach to measuring displacement effects. The conclusion is drawn that such a methodo-

logy is not only practical but also provides more accurate measures than current monitoring procedures. The results of this research will be published shortly.

## People and Skills in Coventry

The population of above school leaving age represents a stock of skills and work experience (whether currently being utilized or not) about which little is known. Yet such information is vital to the formulation of labour market and social policies. The stock of skills and work experience can be measured using techniques such as those developed in the Coventry Skills Audit which was conducted in 1989 on behalf of Coventry City Council and the Coventry Taskforce.

The Coventry Skills Audit consists of a random sample of 7,562 persons, aged 20-60 years, living in the Coventry area. Using work history interviewing techniques, a remarkably detailed picture of the work experience, skills and qualifications of the population emerges. The researchers use the new Standard Occupational Classification, developed by the Institute for the coding of jobs and skills (giving a preview of its forthcoming use in the 1991 Census of Population). The project pays particular attention to the detail of sample construction, interviewing, coding and the presentation of results, setting a new standard for the conduct of local labour market surveys.

Some of the key findings of the project are:

- employment in Coventry has grown significantly over the last seven years, predominantly through increases in part-time working and self-employment;
- a large proportion of the resident population still works in the engineering sector: 40 per cent compared with the national average of 11 per cent;
- the local population possesses a wealth of work experience in many skilled and professional areas: over 16 thousand persons have had at least 5 years experience of skilled engineering work; as many as eight and a half thousand have more than 5 years of work experience in scientific, professional and technical areas;
- the population of Coventry is better qualified than the national average, particularly with respect to higher level qualifications;
- there is a tremendous demand for further education and training among the local population, particularly for training in computing, business and clerical skills;
- about 14 thousand people in the city's resident population of 20-60 year olds defined themselves as unemployed, an unemployment rate of 11 per cent in this age range. This figure matches the official count of unemployed persons in this age group. However, there are over 5 thousand women who had no paid job, but did not define themselves as unemployed and were actively seeking work;

- unemployment among ethnic minorities remains high. Among the estimated 9 thousand Asian men in the 20-60 range, the unemployment rate stands at 23 per cent, compared with 12 per cent across the whole of the city. For the estimated 2.2 thousand Afro-caribbeans in the same age range the rate is estimated at 20 per cent;
- 4 out of 10 of unemployed 20-60 year olds are in the 20-29 age group, reflecting the rapid growth of unemployment among school leavers in the late 1970s and 1980s;
- long term unemployment is revealed as a major problem. Half of the unemployed men in the 20-60 age range have been unemployed for more than 3 years.

### Skills and Training in Coventry

A full picture of a local labour market requires a knowledge of both the characteristics of local labour supply and of the patterns of local labour demand. The Coventry Skills Audit has provided detailed information about the former; the Skills and Training project is designed to provide the latter. Again conducted on behalf of Coventry City Council and the Coventry Taskforce, the project represents a collaborative venture between the Institute for Employment Research at the

University of Warwick and the Centre for Local Economic Development at Coventry Polytechnic.

The research involves a major enquiry into employment and training by all Coventry's employers. The project consists of a number of elements and utilizes a variety of different survey techniques. Interviews are being conducted with the 200 largest employers in the City, together with selected employers to represent ethnic businesses, inward investors and co-operatives. All remaining employers, approximately 6,000, have been surveyed by postal questionnaire and telephone follow-up.

The range and quality of information obtained is of far higher quality and detail than is available from other sources. The responses obtained will provide a more detailed and up-to-date account of employment, skill shortages and training, and a more complete coverage of employers than is available from the Census of Employment. The data obtained will enable a description of the reasons for skill shortages in the local economy, the strategies being adopted to overcome them, and the nature of the training initiatives adopted. These results are expected to be available towards the end of 1990.

#### PEOPLE AND SKILLS IN COVENTRY

Authors: Peter Elias and David Owen  
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### THE INSTITUTE

The Institute for Employment Research was established by the University of Warwick in 1981. The fields in which the Institute aims to promote advanced study and research include

- the macroeconomic, industrial and spatial factors affecting employment
- the relationship between the labour market and the rest of the economy
- labour market behaviour and policy
- developments in population, education, training and household behaviour affecting the labour market
- comparative international research in relevant areas.

The Institute has grown out of the former Manpower Research Group which was created in 1975 with a major programme grant from the Manpower Services Commission. This followed previous research in the general field of labour economics and employment forecasting. Since 1978, assessments of the economy and employment at a highly disaggregated level have been prepared each year. This work gave rise to the publication of **Britain's Medium-Term Employment Prospects** (1978) and **Economic Change and Employment policy** (1980). **The Review of the Economy and Employment** was first published in 1981 in order to make the findings of the assessment available more widely on a regular basis and to stimulate discussion about the changing structure of employment and its implications for policy.

The **Review of the Economy and Employment 1989** provides a detailed assessment of the changing structure of employment in the UK economy. It is available, price £30 from: The Publications Secretary, Institute for Employment Research, University of Warwick, COVENTRY CV4 7AL, from whom details of all IER publications can be obtained.