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Global Recession: Spatial outcomes of Jobs, Education, Housing and Health¹

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The recession creates a boom in academic studies. Studies which review other studies are most common. Often they suggest things which, appeared sensible to say in, say, May 2009 and then a little less sensible by November. For instance, on the link between unemployment and suicide one DWP study reported that:

“These studies are unclear about the nature of the causal mechanism that links unemployment and stress with ill-health. Is the increased stress associated with worklessness, the loss of routines and challenges to a person’s identity (work ethic) and/or from the associated financial difficulties encountered”²

It is both and more of course. When it comes to unemployment and schemes to reduce it, the key lessons from the past is that some schemes are as bad as being unemployed in outcome, such as the Youth Training Scheme, whereas others – such as being given the chance to go to university if a government increases places by 10% (at it did in 1997) – have been highly beneficial in the long term, not just to those who would have, mainly indirectly, been out of work otherwise³.

It is not just academic studies that boom in recession, so too with policy work. The audit commission blandly states in its executive summary of the expected effects of recession:

“Long-term social problems may blight whole communities that fail to see growth once the recession has ended.”⁴

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² Department for Work and Pensions Working Paper No 68, 2009: Review of evidence on the impact of economic downturn on disadvantaged groups, Bruce Stafford and Dierdre Duffy, A report of research carried out by the International Centre for Public and Social Policy, University of Nottingham on behalf of the Department for Work and Pensions.

³ Dorling, D. (2009). Unemployment and health: Health benefits vary according to the method of reducing unemployment. *BMJ*, 338, b829:

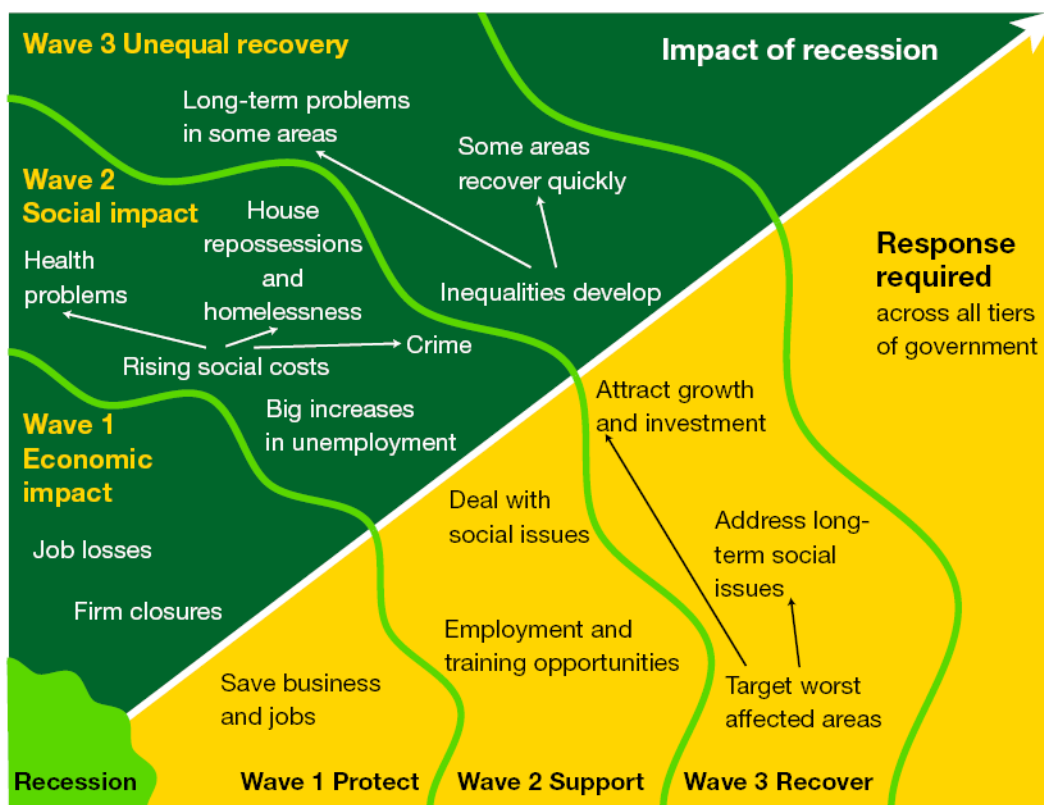
⁴ Audit Commission, 2009. “When it comes to the crunch... How councils are responding to the recession Local government”, London: August 2009

When you read their report and their recommendations for “small but sensible” interventions, it is like reading a plan designed to ensure a very unequal recovery. In fact it is on those very words on that which their arrows end on the graphs they draw, along with greater health problems, homelessness and crime. See Figure 1 below for where the arrows point.

The commission suggests that “Different tiers of government have distinct roles in each wave. Central government has a leadership role throughout but, as the initial effects spread widely into local communities, local government and its partners become ever more relevant.”⁵

In others words the problem will be devolved down to those in the least good position to deal with it. In contrast, those local authorities which are least effected will be places where, for instance, the banking bail out most secured continued high rates of employment. They will benefit both from that initial government action and from not having such great subsequent costs to meet later. IIN the stockbroker belt and the small market towns, recession will not be “their problem”, just as the effects of the early 1980s were not their problem too in “those inner cities”.

Figure 1: The Audit Commission’s map of how the impact is expected to pan out.



Source: Audit Commission

⁵ Ibid, page 13, and graph (figure 1 below) is taken from page 14.

Jobs

Place is partly synonymous with class and also partly with ethnicity. By August 2009 - the month in which the official unemployment claimant rate returned to levels last seen when Tony Blair became Prime minister - in May 1997 - official unemployment rates were highest in the Ladywood, Sparkbrook and Small Heath areas of Birmingham, in the West of Belfast constituency, in Liverpool Riverside (a.k.a. Toxteth), in the constituencies named 'central' in Leeds and Manchester, and in the Bethnal Green, Bow, Hackney and Shoreditch neighbourhoods of London. Rates of official unemployment in the places in this list varied between 12% and 20%⁶. Real rates will be much higher. All these rate are rising at the time of writing.

By contrast, rates in autumn 2009 in England were lowest in West and North Dorset, Henley, Witney, Woodspring, Buckingham, Skipton and Ripon, and in places such as the constituency of Runnymede and Weybridge. Unemployment rates in these places varied between 2.0% and 2.5%. Thus the banking bailout successfully secured the jobs of those living in these leafy Home Counties, in north Somerset near the Bristol banking back-offices and in North Yorkshire retreats, outside those Leeds banks. By the way, if you doubt that Skipton is part of the London banking world ask yourself why a direct train runs from that small town to King's Cross, timed to arrive for ten to ten in the capital each morning.

The job losses are set to rise far higher. They will rise highest in the poorest areas and amongst the poorest groups. Within those groups it will be those who have been least well served by the education system who will suffer most, and then those who employers decide not to favour because, in hard times, employers might be tempted, it is quite possible, more to 'look after their own'. Many of the million or so people who voted or support the BNP will also be employers.

Just 18 years ago racism was required to ensure the a majority of young Black Caribbean, 'other' Asian and Black African men were either unemployed or on a government scheme even as long as a decade after the 1981 recession hit, as were a majority of Bangladeshi and Black African women in 1991⁷. Think of that, and of geography, and look at where the audit commission say will be hard it hardest and which London boroughs are at which end of ellipse below? IN Figure 2 the audit commission produces a neat summary of the national geography⁸

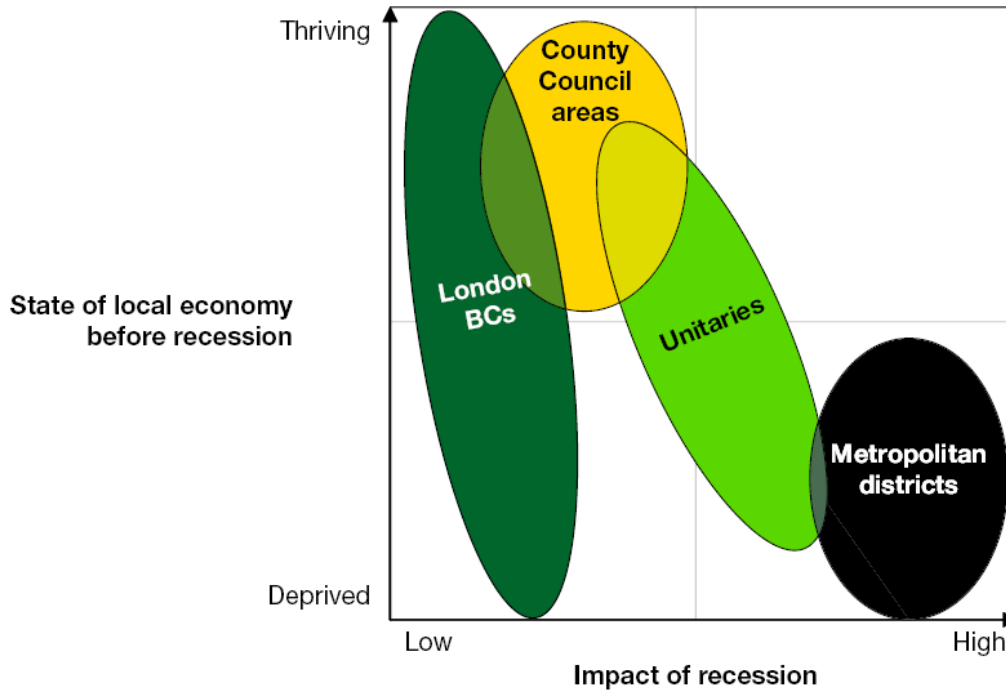
⁶ All figures from <http://www.parliament.uk/commons/lib/research/rp2009/rp09-072.pdf>
Unemployment by Constituency, August 2009, RESEARCH PAPER 09/72 16 September 2009

⁷ Young meaning aged 16 to 24 as a proportion of those in the workforce. Figures from the 1991 census given on page 92 of Dorling, D., 1995, A New Social Atlas of Britain, Chichester, John Wiley and sons. Open access copy at: http://sasi.group.shef.ac.uk/publications/new_social_atlas/index.html

⁸ On page 21 of that report.

Figure 2: The Audit Commission’s map of which areas will be worse effected.

Different types of ST&CCs have been affected differently.



Source: Audit Commission research and statistical analysis

Much later on in the audit commission report they explain that the measures currently being taken to attempt to deal with the recession involve a transfer of resources from the North to the South of England, from black people to white people, from the poor to the rich and from local control to central quango. It is worth quoting their words verbatim as it does not take a minute of academic inquiry or imaginative research to suggest that the response of government has been to look after “people like us” (the majority MPs and their families) first. Here is what the audit commission says⁹.

Redirecting resources

124 Central government has redirected resources to tackle recession issues. For example, £300 million, around 13 per cent of their budgets, has been deducted from regional development agencies to help fund the Homebuy Direct Scheme (HDS) administered by the HCA.ⁱ This is a shared equity scheme that aims to help first-time buyers onto the property ladder and stimulate construction activity, retaining capacity within the sector for when the market recovers. Public investment is matched by participating private developers.

⁹ ON page 77 of their report

125 Although the objectives of the HDS scheme are a pragmatic wave 1 response, redirecting resources involves a number of shifts:

- „ proportionately from investment in regions containing highly deprived areas (the North and London) to prosperous regions (the South and East) (Figure 23).
- „ from planned economic development work into private housing construction;
- „ from regional to national control; and
- „ from schemes focused on employment and investment (issues that are important in waves 2 and 3), to support for business in wave 1.

126 The rationale for these is not clear at a local level, where the impact is difficult to track. Many councils noted the loss of resources to regional development agencies, raising concerns that economic development projects important for local recovery, such as the regeneration of Weymouth's sea front, or a town centre project in Bishop Auckland, will be cancelled or delayed. It is important that councils understand national schemes such as the HDS better, so they see the potential benefits as well as the losses, and can plan to manage the local consequences better.

When apparatchiks say that it is important that local people understand national schemes, what they mean is that it is important that there is not dissent. One result of the 1929 crash was the introduction of regional development through the special areas act of 1934. That may well occur as history repeats five years after 2008. Following 1929 the stock markets zoomed up as well as crashed down, and it took many years to recognise the mess we were in. This time, however, things are a little different. Many in power are fully aware of what is happening and from whom and to whom resources are being channelled.

Below is the image of what is currently occurring and has been planned to occur. It shows the simple regional transfer of funds that has resulted from just one of the schemes. The scheme in question is Homebuy direct. What is HomeBuy Direct? You might ask:

“HomeBuy Direct is a new shared equity scheme designed to help First-Time Buyers into affordable home ownership. The scheme will also help participating house builders by enabling more First-Time Buyers to purchase their newly built properties. The scheme will be offered on specific new build properties brought forward by developers. Buyers will be offered an equity loan of up to 30 per cent of the purchase price, co-funded by Government and the developer”¹⁰

Homebuy direct is being funded by a cut in Regional Development (RDA) monies:

¹⁰

<http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/HomeBuyDirect/>

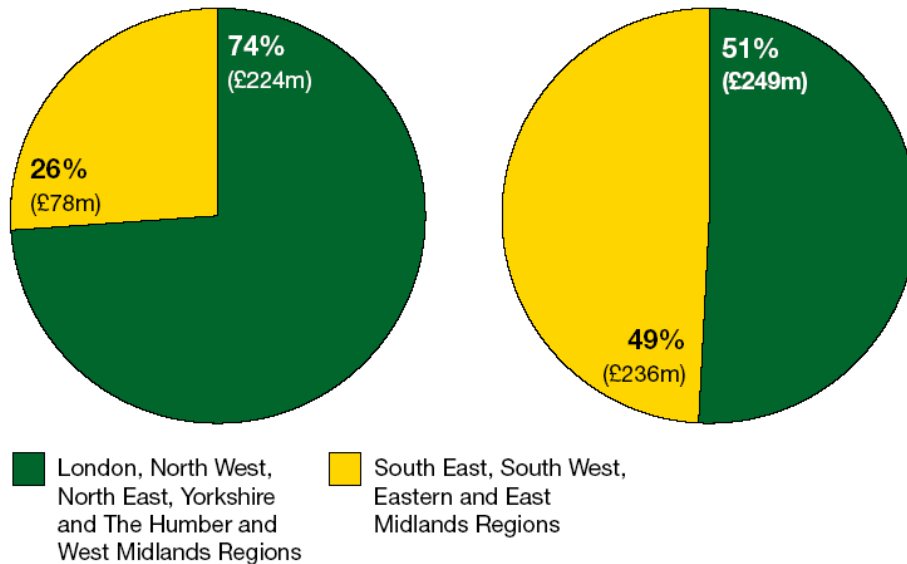
Figure 3: The Audit Commission’s map of which regional transfers of funds are occurring

Figure 23: **The Homebuy Direct scheme redistributes funds**

About a quarter of the regional development agency contributions came from four regions (South East, Eastern, East Midlands and South West). But this group of regions will receive about half of the money from the new scheme.

Proportion each group of regions contributed to the £300 million deduction from RDA budgets

Proportion each group of regions is expected to receive based on the £485 million of bids accepted for the Homebuy Direct Scheme



Source: *Communities and Local Government, and Business, Innovation and Skills*

Local versus national delivery and control

As house prices are protected in the south the job losses in the north are set to rise far higher. They will rise highest in the poorest areas and amongst the poorest groups. Within those groups it will be those who have been least well served by the education system who will suffer most.

Education

Education inequalities are also set to grow given current government policy and trends to move towards the market while supporting the South and East of England with state monies.

High priest amongst those in power in Britain who see salvation in market mechanism, and who have been key in current deliberations is Peter Mandelson¹¹. Throughout early 2009 Baron Mandelson came under sustained pressure to alleviate the worst effects of the recession, including demands he increase university places in line with official aspirations and

¹¹ First Secretary of State, Secretary of State for Business, Innovation and Skills, President of the Board of Trade and Lord President of the Council, former member of Parliament for Hartlepool (3,872 claimants as of August 2009, up 1204 in the year).

the huge increase in demand that came with recession (applications up 11%). Much of the flack was deflected to the more junior Higher Education Minister, David Lammy MP¹².

Lammy had to field the complaints, but it was Mandelson who got to decide what to do. In the end, Mandelson offered an extra 1% of places, not full-funded to allow universities to take a tenth of those extra applicants. Given the profile of who gets to go to university, and the social and ethnic make-up of the majority of additional applicants from non-traditional backgrounds, it is not hard to work out who loses out most directly from Mandelson's penny-pinching. It is a little harder to see the knock-on effects of not taking more young people into universities in a time of recession.

The 10,000 extra students who were allowed to attend university in 2009 have been given a chance not just to study, but to duck out of one of the worst youth labour markets seen since the 1930s. However, the alternative is unlikely to have been the dole; these are mainly highly qualified young people. The places were reserved for students to study science, technology, engineering and maths. Had they not become students, almost all of them would have found work. That is what happens to most highly qualified young people, even in recession.

The curtailing of University funding will not greatly hurt the old and ancient universities - the ones where fresher's fairs are attended by second (or higher) generation students in a sea of mostly white faces, with the odd exception from minority groups that reoccurs every year with remarkable predictability as to which groups are the exceptions. Along with the North of England, Wales, Scotland and Northern Ireland, inner London too is set to loose most in this recession. The slashing of funding will greatly affect places such as London Metropolitan University, one of the most ethnically diverse in the country where about 550 staff are facing the threat of redundancy because of errors not of their making.

There is a particular irony in that the most pressing problem that will cross Mr Lammy's desk in his last few months as the first black minister of Higher Education will be trying to decide what to do about London Met when his boss tells him there is no cash. He should ask a question, as they did in the United States 75 years ago: is there really no cash? Average incomes in Britain actually rose by 2.3% in May and 2.5% in June 2009, but only if banker's bonuses are included in the calculation, exclude them and on average wages are slowing down rather than rising¹³.

Next year, with the backlog created by this year, with fewer opportunities abroad, there may well be as many as 100,000 extra young people who would rather be studying, than competing in the job market. These are made up not just of the 40,000 who did not manage to get in this year, and a similar 40,000 we can expect next year, but also some slightly older young people who have found that going straight into work from age 17 or 18 was not so

¹² Member for Tottenham (5,685 claimants as of August 2009, up 1544 in the year).

¹³ Figure B3: Average Earning Index and table on page 8 of House of Commons Library Economic Indicators, September 2009 RESEARCH PAPER 09/71.
<http://www.parliament.uk/commons/lib/research/rp2009/rp09-071.pdf>

great for them, and returning gap year people who will not be replaced by so many going on gap years in future.

Housing

In the same week that the paltry 10,000 extra university places were taken up, Vince Cable suggested a tax on those properties worth more than £1 million pounds¹⁴. He did this to explain how it was possible to ensure that no one earning less than £10,000 need pay tax, but still take as much in taxes. This was the first time a mainstream politician in Britain in the current crisis had made the suggestion to replicate part of how the British coped with the last great financial crash.

In the 1920s and especially the 1930s various costs, including death duties, led to many of the great families 'donating' their homes to the National Trust and finding something a little cosier to live in, a place without a household of forty servants say. Most of the land in Britain is still owned by the descendents of those immigrants who took it by force after 1066. If you are short of about £175bn (and counting), there are things you can do other than slash public spending with savage cuts. Today's household servants in the grand homes of London and mostly not white.

A land-tax, of the kind such as that tiny half a percent over a million flat-rate tax Mr Cable suggests, is hard to avoid. If you can't pay the tax, you sell a little of your land to pay it. Farms don't go out of production, if anything the land is used more efficiently. Divided by the 24 million hectares of land in Britain, £175bn is only £7265 per hectare, or 73p a square metre. I (nearly) own a house and would happily pay my share. I've got a garden too, but 73p for having each square metre of that is cheap.

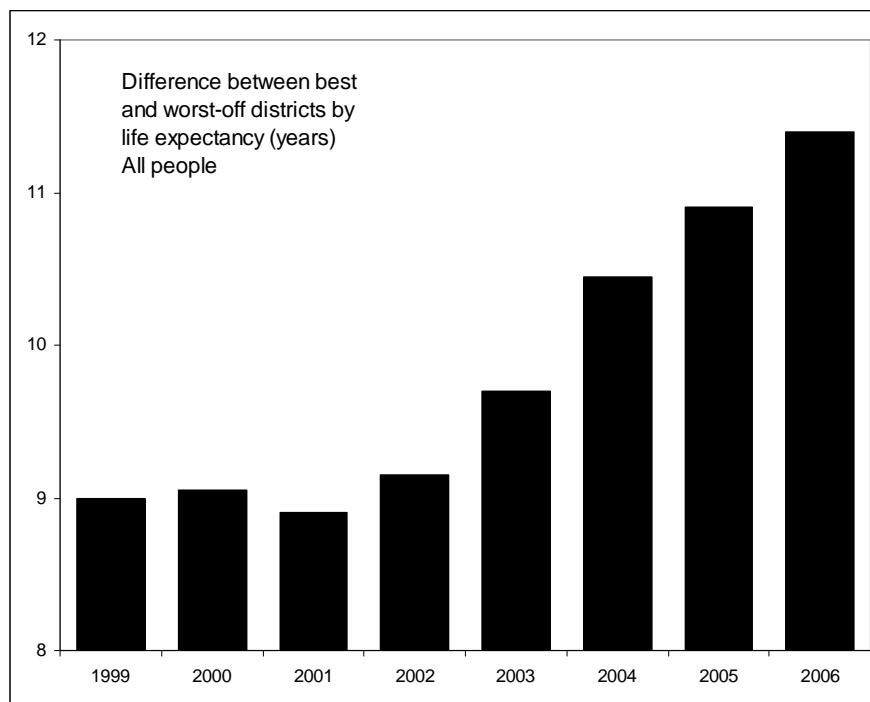
Obviously it wouldn't be that fair to charge every metre the same. The Duke of Westminster's land holding could be worth a tad more per square metre than the crofters of Sutherland, even my garden in Sheffield, but the money's there. Live in a tower block on the other hand, and (to get back to race, although we never really left it) remember that half the children who live above the fifth floor in England are not white, and your tax would be paltry. In fact the combined land value tax of all the families of all those children who live in tower blocks could be less than that Duke might have to pay. Property owners like Madonna would complain. Others might quite like the idea of buying up the Duke's property so he could pay his fair share of the new national debt, given how much of the nation he owns. After all, whose debt is it?

¹⁴ Vince Cable also said that Britain's £158 billion public sector pay bill should be frozen by reducing the highest incomes in the public sector. This too was partly done before in the 1930s. In contrast on the same day the 'bosses union', the Confederation of British Industry said tuition fees should be raised, students should pay higher interest rates on their loans, and maintenance grants should be scaled back. They have not yet suggesting putting small children back up chimneys but they too are acting much like their predecessors after that last financial crash, being the last to see the light from the way out.

Health

Much could be said about help in the recession, but I've run out of space so here is a graph showing how quickly health inequalities between areas in Britain were growing before the crash. There was very much wrong with the country before the banks went bankrupt. There is much worth not returning too¹⁵:

Figure 4.2: A measure of social integration between geographical areas: Life expectancy estimates diverging in the United Kingdom 1999-2006



Conclusion

What would happen to race, regional and class relations in Britain if there was redistribution as happened before in America and here in the 1930s, and as happened in Germany and Japan following the Second World War? What happens when people are less divided by differences in the wealth they inherit and how their life chances are so much determined by their families' wealth, by the places they grow up in, through the schools they can go to? Where are the ethnic minorities in countries where inequalities in wealth are so much lower than those which have remerged in places such as Britain and America over the course of the last few decades?

¹⁵ 1. Dorling D. and Thomas, B. (2009) Geographical inequalities in health over the last century, Chapter 1.3 in Graham H. (Ed.) Understanding Health Inequalities, Open University Press. Pp. 66-83.

Two of the most equal affluent nations in the world are Iceland and Japan. Do people in Japan talk of how they had it tough growing up in the far north of their country? Do Icelanders cope with the current crash through the rich cutting off as much support to the poor as they can get away with? Regional identity, race and class is as much made by contemporary inequality as by circumstances of history. Great financial crashes are rarely wasted, but when it comes to region, race and class, they have either been used to greatly reduce division or greatly increase it, in different places but all at the same times. There is no reason to believe it will be different this time.