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# **Underlying influences on health and mortality trends in post-industrial regions of Europe**

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Submitted in fulfilment of the requirements for the Degree of PhD

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of Health and Wellbeing, Public Health research group

2014

## **Abstract**

This Thesis is part of a wider programme of work being pursued by the Glasgow Centre for Population Health (GCPH) which is examining health outcomes in West Central Scotland and other post-industrial regions throughout Europe.

### **Background**

Scotland's health has been improving since the industrial revolution but its position relative to improving trends within Europe has been deteriorating. This is recent, dating from the period since the Second World War and becoming more problematical over the past three decades. While deprivation is a fundamental determinant of health, in the case of Scotland (and particularly West Central Scotland (WCS)) it does not explain the entire extent of the higher levels of mortality. There is, of course, a well established link between deindustrialisation, deprivation and poor health. However, the unexplained additional mortality in Scotland and WCS (the Scottish Effect) compared to other similar post-industrial regions and the time scale of Scotland's worsening relative health status, require further investigation. Other research has examined this question using a range of well established public health principles and methods. This thesis adds to this understanding by providing a comparative analysis of the political and socioeconomic contexts for the observed mortality trends.

### **Setting**

Post-industrial change is discussed at three levels. These are (i) International regions - Eastern Europe and Western Europe (ii) Countries - Scotland within the UK is compared with two Eastern European (Poland and the Czech Republic) and two Western European (France and Germany) countries. (iii) Regions within countries that have been subject to deindustrialisation. Five post-industrial regions are investigated (West Central Scotland, The Ruhr, Germany, Nord Pas-de-Calais, France, Katowice, Poland and Northern Moravia, Czech Republic). These regions were selected because they are analogous in their experience of deindustrialisation but diverse in their political and socioeconomic histories.

## **Methods**

The main aim of the thesis is to determine what aspects of the political and socioeconomic context in WCS have diverged from comparable post-industrial regions of Europe and whether these might form the basis of potential explanations for the region's poor health record. Two methods were employed. First, a detailed narrative literature review was undertaken to examine political and socioeconomic change in the post-war period at the national level with a particular focus on policy responses to deindustrialisation. Second, case studies were conducted on the five regions listed above. These examined political and socioeconomic changes in each of the five regions in some detail using published data and a variety of literatures as source materials. In this way a rich but diverse picture of economic restructuring as a response to deindustrialisation emerged. Insights from the literature review and case studies were then brought together to formulate some conclusions about why health in WCS has suffered more adverse effects than in the other four regions.

## **Findings**

This thesis has shown that there was a broad correspondence between life expectancy and the socioeconomic/political success of states in Central East Europe and Western Europe during the 20<sup>th</sup> Century. When states prosper and their governments enjoy the confidence of the population, health improves. In all the countries covered in this analysis, deindustrialisation damaged health and slowed improvements in life expectancy (in some cases putting it into reverse). The institutional path dependencies and country-specific factors outlined in this thesis help to explain the divergence in policy responses and subsequent economic development that can be observed in each of the five regions and their parent countries. The five countries and regions have each taken a different approach to deindustrialisation, have varied in the levels of social protection provided and each manifests a very different context. In response to economic restructuring (and associated social costs), policy in WCS (and the UK) has focused primarily on narrow economic growth policies, emphasising employment and physical regeneration, but not social outcomes such as community cohesion and sustainability.

## **Conclusions**

Detailed comparisons suggest that WCS negotiated deindustrialisation less successfully than the other regions. However, it is important to note that the other regions are not 'better' than WCS on all factors: there is a complex picture to be understood in each region. Rather, what seems to emerge is that there are a series of national and regional factors at work in WCS which have made the aftershock of deindustrialisation particularly severe and may have contributed to poorer health outcomes.

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I, Gordon Arthur Daniels, confirm that the work presented in this thesis is my own. Where information has been derived from other sources, I confirm that this has been indicated in the thesis.

## **Abbreviations**

**CDF:** The French national coal mining company

**CEE:** Central East Europe

**CEEOL:** The Central East European Online Library

**CHD:** Coronary Heart Disease

**COMECON:** The Council for Mutual Economic Assistance

**CME:** Coordinated market economies

**CSG:** General social contribution (France)

**CVD:** Cardio vascular disease

**CVRP:** Clyde Valley Regional Plan

**DM:** Deutsche Mark

**DME:** Dependent market economies

**EMU:** European Monetary Union

**EPL:** Employment protection legislation

**ESC OKA:** Economic and Social Council of Ostrava-Karvina Agglomeration

**EU:** European Union

**FDI:** Foreign Direct Investment

**FSU:** Former Soviet Union

**GA:** Glasgow Action

**GAPP:** Agency for the transformation of Enterprises

**GARR:** Agency for Regional Development of Upper Silesia

**GCPH:** Glasgow Centre for Population Health

**GDP:** Gross domestic product

**GEAR:** Glasgow Eastern Area Renewal

**HBNPC:** Houillères du Bassin du NPdC

**HQP:** High quality production

**ILO:** International Labour Organisation

**IMF:** International Monetary Fund

**KITS:** Knowledge-intensive-technical-services

**LEC:** Local Enterprise Companies

**LME:** Liberal market economies

**NATO:** North Atlantic Treaty Organisation

**NEB:** National Enterprise Board

**NEET:** Young people not in education or training

**NGO:** Non-governmental organisations

**NRW:** Nord Rhine Westphalia

**NSR:** New social risks

**NIF:** National Investment Funds

**NPdC:** Nord Pas-de-Calais

**NVQ:** National Vocational Qualification

**OECD:** Organisation for Economic Cooperation and Development

**OKD:** Ostrava-Karvina Coal Mines

**OIR:** Old industrial region

**OPEC:** Organization of the Petroleum Exporting Countries

**PFI:** Public finance initiatives

**PHINS:** Public Health Information Network for Scotland

**RAG:** Ruhrkohle AG (German)

**RMI:** National minimum income (France)

**SDA:** Scottish Development Agency

**SEZ:** Special economic zones

**SME:** Small and medium sized enterprises

**SPD:** Social Democratic Party (Germany)

**SSCI:** Social Science Citation Index

**SWS:** South West Scotland

**TNC:** Transnational Corporations

**UCS:** Upper Clyde Shipyards

**UDNMS:** Union for the Development of Northern Moravia and Silesia

**VOC:** Variety of Capitalism

**RDA:** Regional Development Agency (Czech Republic)

**UN:** United Nations

**WHO:** World Health Organisation

**WCS:** West Central Scotland

# **Underlying influences on health trends in post-industrial regions of Europe.**

## **1. Introduction**

This thesis seeks to better understand the health status of the people of West Central Scotland (WCS) in the period following deindustrialisation. It will do so by reviewing the political and socioeconomic history of WCS and comparable regions of both Western and Eastern Europe, examining some key data trends for these areas in more detail and setting these observations in the context of theories which consider links between social and economic systems and health outcomes.

The rationale for the selection of the specific regions is set out in methods section 2.4.1. The four comparator regions selected are: Nord-Pas-de-Calais (France); the Ruhr area (Germany); Katowice/Silesia (Poland); Northern Moravia (Czech Republic). These regions all share an industrial legacy and generally have experienced the most comparable levels of deindustrialisation (measured as the decrease in industrial employment) as WCS in recent decades. In addition, each operated within a distinct geopolitical region and (now) capitalist/socioeconomic system and has been subject to neoliberal change - acknowledged as an uneven process and experienced differently according to national and regional contexts. An understanding of this process and the divergence between these regions should provide explanatory potential for the divergence in life expectancy between WCS and similar post-industrial regions.

Before outlining the main aim and objectives of this thesis and specific research questions to be addressed, this chapter will first introduce the region of WCS and the significance of post-industrial change and will set out some ideas on the determinants of health.

The region of WCS<sup>1</sup> is home to 2.2 million people who form approximately 43 per cent of the total Scottish population (NRS 2011). It comprises the eleven local authority areas shown in Figure 1.1. The centre of the region (historically, economically and culturally) is the city of Glasgow and the adjoining Clydeside conurbation which includes the towns along the lower course of the River Clyde such as Paisley, Renfrew, Clydebank, Dumbarton, Port Glasgow, and Greenock.

Historically, the fortunes of WCS were very much aligned to those of the British Empire with much of the region's wealth derived from trading imported goods and processing raw materials such as sugar, cotton, and tobacco (Gibb 1983). The development of heavy engineering in the 19<sup>th</sup> century, particularly of locomotives and ships destined for markets in the Empire and beyond, led to the formation of an industrial nexus around Clydeside supported by the steel and coal producing industries of the wider region (Hume & Moss 1977).

**Figure 1.1: West Central Scotland Region**



<sup>1</sup> WCS comprises the same eleven local authority areas used in the first *Aftershock* report discussed later in this chapter: East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire, and West Dunbartonshire.

During this period, the pace of industrialisation was rapid and by the beginning of the twentieth century, WCS had “the biggest concentration of heavy industry in Britain” (Foster 2001:417). The region’s burgeoning industrial workforce was augmented by the rural population of the Scottish highlands who were forced by changes in land ownership and agricultural practices to settle elsewhere (Devine 1994). The second major source of migrant labour came from Irish immigrants fleeing the Irish potato famine in particular, and rural poverty more generally (Foster et al. 2011). These developments caused the city of Glasgow and its hinterland to experience rapid population growth until around 1919. Thereafter, the rate of growth slowed, peaking around the middle of the century before moving into a decline that stabilised during the 1990s (Lever 1991:985).

During the period of population expansion in the second half of the 19<sup>th</sup> century, industry in WCS enjoyed a competitive advantage and grew rapidly. However, by as early as the 1920s, heavy industry in the region was in decline, mainly because it was unable or unwilling to adapt to changing circumstances or implement new technologies and practices (Kurth 1979; MacInnes 1995). To some extent, the onset of the Second World War masked this decline as the industries around the Clyde responded to the wartime imperative for increased production. The result was that in the immediate post-war period Clydeside was producing 20 per cent of the world’s output in ships and this prominence was not solely due to the interim dislocation of other suppliers. Steel production in the region was also booming, largely due to the demand from shipbuilders (Foster 2003:58).

The demand created by World War II and subsequent post-war reconstruction led to higher levels of industrial employment, reaching a peak in 1961 (when 51 per cent of the total working population were employed in industry) (Census 1961). However, the truth was more complex: the industrial decline evident in the inter-war period had not been rectified. By the 1950s, WCS’s competitive advantage was effectively lost. This was due to a significant lack of technological investment and modernisation, in part by the state but also inherited from the large but indebted family firms that owned the most important industries (Payne 1996). This was exacerbated by the renewal of

heavy industries in the countries that had experienced damage to their industrial infrastructure during the war.

The shipbuilding industry was particularly affected as it was still using technology from the 1800s which was in the hands of a workforce characterised by multiple, fractious unions (Strath 1987; Lorenz 1991; Bristow 2009). In short, industry in WCS was becoming difficult to manage and extremely costly to sustain: the result was a continuing reduction in its share of world markets (Devine 2000).

By the 1990s, WCS had lost its historical specialisation in engineering and service industries had begun to comprise the majority of the economic base (Foster 2003:60). However, services without a secure and innovative production base tend to be technologically limited. Moreover, a solid manufacturing base is a critical component in the sustained development of service activities (Capron & Debande 1997). Only in the 1990s did employment begin to recover. However, the recovery has not been without its problems and the region continues to face a number of social and economic challenges (Paddison 1993; Dorling et al. 2008).

## **1.1 The Aftershock of Deindustrialisation**

It is within this context of industrial change that Scotland came to be labelled by the media the 'sick man of Europe' (Leon et al. 2003; NY Times 2004). This label is not without justification, as recent analyses have demonstrated that Scotland has the highest levels of premature and working age mortality of any western European country for both males and females (ScotPHO 2007; Whyte 2007). Post-industrial decline and its many associated factors (in particular multiple deprivation) are commonly referred to as the major underlying influences contributing to Scotland's poor health profile (Carstairs & Morris 1989; Scottish Council Foundation 1998; Scottish Office 1999). This is particularly true in relation to WCS where Scotland's post-industrial decline has been most severe.

It is this situation that contributed to the establishment of The Glasgow Centre for Population Health<sup>2</sup> (GCPH) which has sought to develop a better understanding of health and health inequalities with a particular focus on Glasgow and WCS. Two recently published findings from the researchers linked to GCPH have led to deeper debate about the role of deprivation as a single and unproblematic explanation for the poor health profile in WCS. The first was a paper by Hanlon et al. in 2005 entitled: “*Why is mortality higher in Scotland than in England and Wales? Decreasing influence of socioeconomic deprivation between 1981 and 2001 supports the existence of a ‘Scottish Effect’*”. This paper reinforced the centrality of deprivation as the single most important cause of ill health in WCS. However, it also established that Scotland had an excess mortality above that which could be accounted for by standard measures of deprivation, such as the Carstairs Index<sup>3</sup>. Deprivation accounted for much of Scotland’s excess mortality but the proportion of excess deaths that could be attributed to deprivation was much less than had been the case in the 1980s. The additional mortality beyond that which could be explained by deprivation was called the ‘*Scottish Effect*’. It is important to note the ‘*Scottish Effect*’ has an impact across all social strata and throughout Scotland. However, it is most evident in Glasgow and WCS (Hanlon et al. 2005).

A second paper *The Aftershock of Deindustrialisation: Trends in mortality in Scotland and other parts of post-industrial Europe* (Walsh et al. 2008, 2009<sup>4</sup>) examined the same issue (Scotland’s high levels of mortality and the role of deprivation linked to deindustrialisation) from a different perspective. It identified other European regions that had experienced collapses of industrial employment and explored what impacts these had on their health trends.

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<sup>2</sup> The Glasgow Centre for Population Health (GCPH) was established in 2004 as a resource to generate insights and evidence, to create new solutions and provide leadership for action to improve health and tackle inequality.

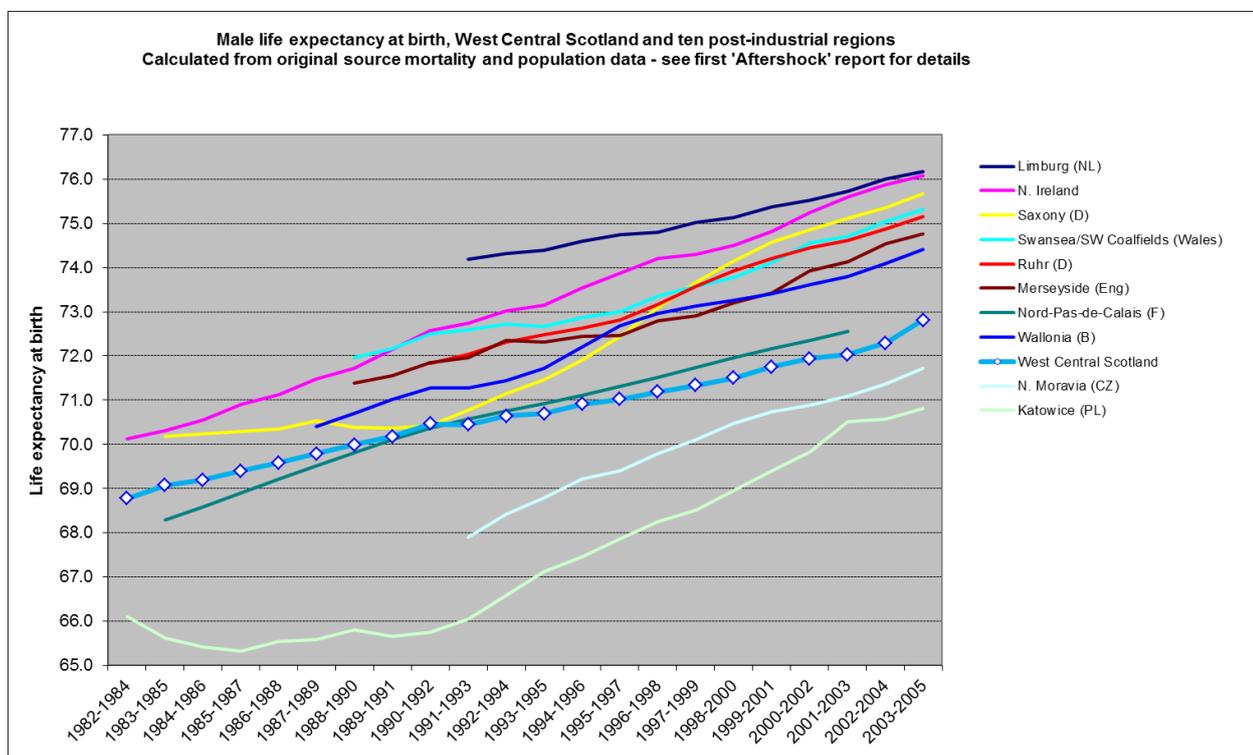
<sup>3</sup> Developed by Carstairs and Morris (1991), the Index of Deprivation is applied in spatial epidemiology to identify socioeconomic confounding. Developed for Scotland it was an alternative to the Townsend Index of Deprivation to avoid the use of households as denominators (Elliot, 1997). The Index is based on four census indicators: low social class, lack of car ownership, overcrowding and male unemployment. Areas are then split by postcode using these variables.

<sup>4</sup> Regarding *The Aftershock of Deindustrialisation*, there is both a detailed report (Walsh et al. 2008) and academic paper (Walsh et al. 2009).

The Aftershock report presented three types of trends for a set of deindustrialised European and UK regions: overall mortality trends, age and sex-specific mortality trends and cause specific mortality trends. In terms of overall mortality, the report found that male (see Figure 1.2) and female life expectancy for WCS was improving more slowly than in almost every other selected European region. As Figure 1.2 illustrates, WCS males at the end of the period analysed (2003/05) had lower life expectancy than those from each of the other regions except Katowice in Poland and Northern Moravia in the Czech Republic. However, the rates of improvement in life expectancy in these two regions compared to WCS suggested that these regions will overtake WCS if those trends continued. WCS females (data not shown) also had lower life expectancy than the other selected regions and improvement rates were also faster in the comparator regions (Walsh et al. 2009).

It should be noted that infant and childhood mortality rates in WCS compared reasonably well with rates recorded in the other regions. However, this was not the case for the working aged populations.

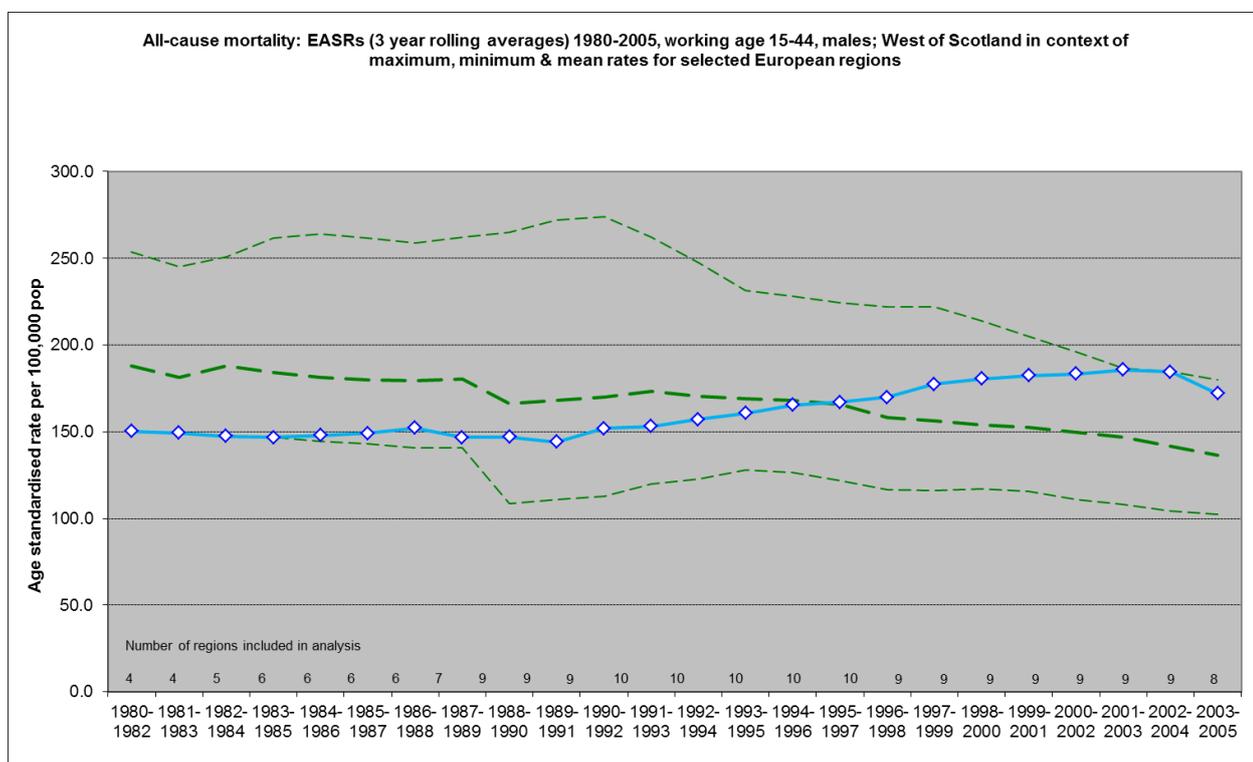
**Figure 1.2: Male life expectancy for WCS and ten post-industrial regions**



Source: Taulbut et al. 2011

In terms of age and sex-specific mortality, Figure 1.3 illustrates all-cause standardised mortality rates for WCS males aged between 15 and 44 years compared to the maximum, minimum and mean rates recorded in other regions (including WCS itself). The findings here are as important as they are surprising. In most cases WCS death rates were improving but at a lower rate than much of the rest of the UK and Europe (that is, a relative decline). However, in younger working-aged men, death rates in WCS had been increasing since the 1990s while death rates in this age group in the other regions that have experienced a similar industrial decline were decreasing<sup>5</sup> (Walsh et al. 2009). In short, for this age group, WCS experienced an absolute as well as relative worsening relative to the other regions.

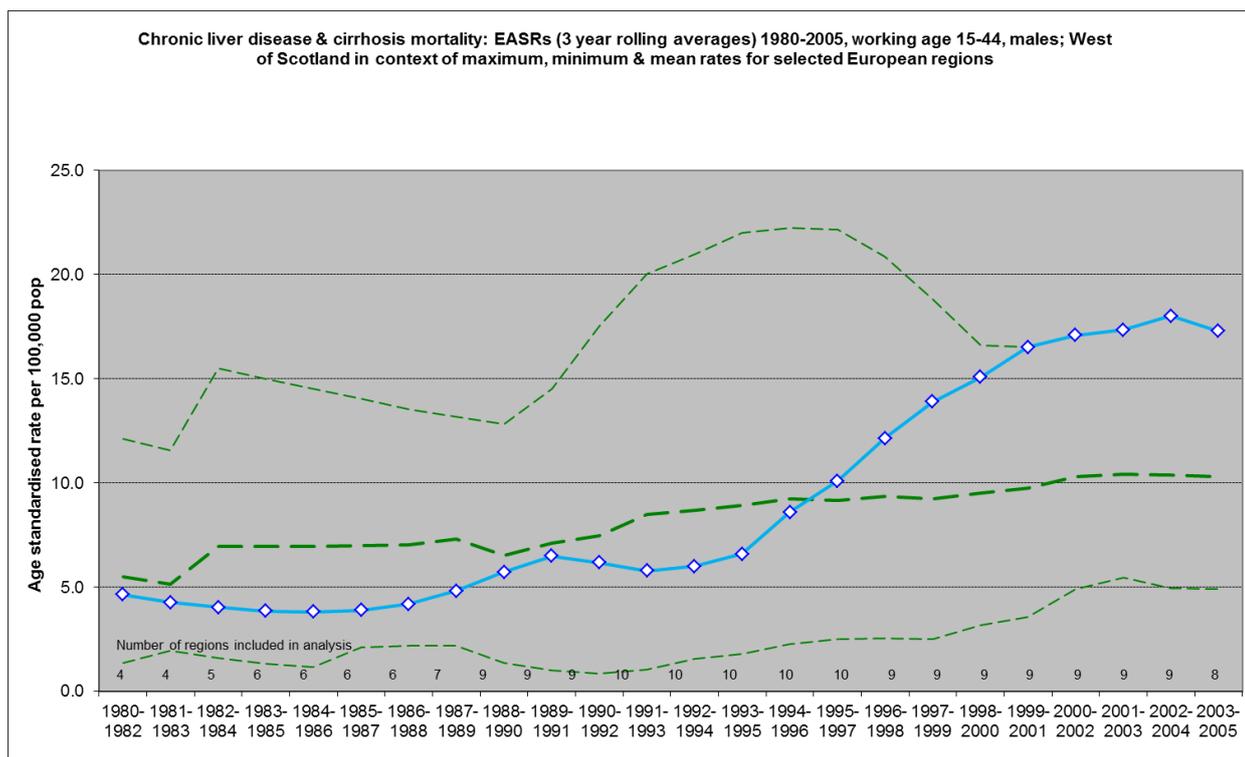
**Figure 1.3<sup>6</sup>: Mortality of working aged men in WCS with European comparators**



Source: Walsh et al. 2009

<sup>5</sup> The pattern for females, although less marked, is similar to the trend for males, with an increase in rates from the mid-1990s onwards.

<sup>6</sup> Selected European regions are: the Ruhr, Saxony, Katowice, Northern Moravia, Nord-Pas-de-Calais, Wallonia, Limburg, Northern Ireland, Swansea and South Wales Coalfields and Merseyside.

**Figure 1.4<sup>7</sup>: Impact of alcohol in WCS among 15 to 44 years old males**

Source: Walsh et al. 2009

In terms of cause-specific mortality, there appeared to be a number of key causes driving the increase in total WCS mortality rates in the 15 to 44 year age group. Deaths from circulatory system diseases or all cancers were not higher in WCS than in other regions for this younger working age group. These conditions become important for older age groups.

Scotland's excess mortality in younger working aged males was primarily due to deaths from suicide, violence, drug use and chronic liver disease due to alcohol. Figure 1.4 illustrates dramatically the impact of alcohol in WCS among 15 to 44 years old males where, over the past 25 years, there has been a marked increase in mortality from chronic liver disease due to alcoholic cirrhosis. The trend for females was similar but less dramatic and in both instances WCS's relative position had shifted from being significantly below the regional average in the earlier years of the analysis to being the highest of all the post-industrial regions analysed (Walsh et al. 2009).

<sup>7</sup> See above.

Figures 1.2, 1.3 and 1.4, highlight life expectancy and health trends since the 1980s. This is the period during which the relatively poor improvement in life expectancy in WCS became evident. However, the narrative of the thesis covers a longer time-frame because it is important to understand longer term political and socioeconomic forces that may have contributed to these trends (the time relationship between social and economic determinants of health and subsequent health outcomes is complex and is discussed in relevant sections later in this Thesis).

Since the publication of the original *Aftershock* Report, two further pieces of work have from the perspective of WCS added to the understanding of this phenomenon.

First, quantitative analyses were carried out to examine a range of important health determinants (socioeconomic factors, environmental factors, health behaviours etc.) in WCS and a subset of the post-industrial regions included in the *Aftershock* Report (Taulbut et al. 2011). While this work added greatly to the texture and detail of the regional comparisons, its most striking finding was that the most marked differences that could be observed were between continental Europe and all the UK regions considered. One example is economic inequality. The continental European Regions demonstrated less economic inequality than the UK regions but there were no important differences between WCS and the other UK regions in this regard (Taulbut et al. 2011).

This challenge was addressed by a second piece of work: the Three Cities study which focused on Glasgow, Liverpool and Manchester (Walsh et al. 2010). This showed the current deprivation profiles of these three cities to be almost identical. If deprivation was the primary determinant of mortality, very similar mortality rates would therefore be expected in all three cities. However, premature deaths in Glasgow were shown to be more than 30 per cent higher and all deaths around 15 per cent higher than in Liverpool or Manchester (Walsh et al. 2010). This 'excess' mortality was seen across virtually all ages of the population (except the very young), in both males and females, and in deprived and non-deprived neighbourhoods.

What these results demonstrate is that while deprivation resulting from post-industrial change adversely affects health in all the post-industrial regions examined, we cannot conclude that the health trends observed in WCS over recent decades can be entirely explained by the aftershock of deindustrialisation. While never losing sight of the centrality of deprivation as a key influence on health, the higher levels of mortality in WCS require other explanations. A number of potential explanations for the 'Scottish Effect' have been identified and summarised in a report published by GCPH in which a total of seventeen candidate 'hypotheses' were identified ranging from 'downstream' health determinants to 'upstream' societal phenomena (for further discussion see McCartney et al. 2012). GCPH is currently engaged in a variety of qualitative and quantitative studies to further investigate the 'Glasgow/Scottish Effects'.

In summary, it is now clear that the Aftershock report challenged a consensus. It called into question the idea that the only important explanation for WCS's poor health compared to the rest of Western Europe (and increasingly Central Eastern Europe) is the nature and severity of deprivation linked to deindustrialisation in this part of Scotland. To be clear, there is no debate that deindustrialisation, associated as it has been with material deprivation and high rates of health damaging behaviours (Carstairs & Morris 1989; Scottish Office 1999; Scottish Executive 2000; Scottish Council Foundation 1998), is responsible for much of Scotland's and WCS's poor health. What is being questioned is the perception that all of the health outcomes in WCS in recent decades can be explained in terms of the region having suffered more and greater industrial shocks than most other parts of Europe (Devine 2005; Payne 1996) and that this provides a sufficient explanation for observed health and social trends.

One important piece of evidence is that Scotland's poor health status within a European context is relatively recent, dating from the period since WWII and becoming more problematical over the past three decades (Leon et al. 2003).

In light of these findings, questions emerge about whether there are aspects of the political and socioeconomic context in WCS that differ from comparable post-industrial regions of Europe and which might form the basis of potential explanations for the region's poor health record. It is against this background

that the more specific research questions addressed in this thesis were developed.

### ***1.1.1 How this work differs and what it adds to GCPH?***

In researching the Glasgow Effect, the GCPH has recognised that its own strengths lie in epidemiology, data collection, public health information and awareness of the determinants of health. A large programme of that research relates to increasing understanding regards why WCS's health differs from other post-industrial regions. GCPH's approach has majored on data-driven epidemiological analyses. However, the findings of those analyses show a clear need for the evidence to be viewed in the context of historical, socioeconomic and political circumstances, all issues that are known to be profoundly important for population health but are outside the GCPH's core area of expertise.

Consequently, they funded this PhD research. The contribution of this thesis, therefore, has been to conduct a deeper exploration of these important factors in order to increase understanding regarding the underlying influence on the divergence in life expectancy between WCS and other post-industrial regions. It provides a complementary analysis which uses epidemiological data (largely) collected in other studies the aim of which is to increase understanding and account for divergence, by providing a detailed analysis of themes such as economic and institutional development, deindustrialisation, economic restructuring and social protection.

What will become evident is that these analyses provide the distinctive contribution of this thesis to the wider body of work still being pursued by the GCPH to better understand WCS's poor health. They also contribute to the wider body of academic literature concerning comparative political economy, economic development, economic/regional geography, new social risks and the wider socioeconomic determinants of health.

## 1.2 The determinants of health in populations

The social and economic changes associated with the structural developments that characterise post-industrialism appear to have an adverse influence on health and wellbeing as a consequence of:

“abrupt changes in ways of life, cultural patterns, migration patterns and losses of income and security especially among the least occupationally-skilled segments of society” (Harvey-Brenner et al. 2011:3).

As Harvey-Brenner et al. note:

“economic growth (or development) may well benefit the ‘average’ population, it may also cause net harm to many distinctive and large population groups who experience loss as a result of skill obsolescence and sweeping change in the international division of labour” (2011:4)

It is clear, even from these short descriptions, that the relationship between deindustrialisation and health is complex. As such, it is important to set an analysis of this relationship in the context of what the public health world refers to as ‘the determinants of health’ (Marmot & Wilkinson 1999).

The historical view from a public health perspective has always been that genetic endowment, expressed through biology, interacts with the environment (physical, biological and social) over the whole life course to determine health outcomes (Evans & Stoddart 1994). The so-called Biomedical Model has been contrasted with this broader public health perspective and has been criticised for being too narrow because it is only concerned with biological and behavioural precursors of disease. For example, the World Health Organisation (WHO) Commission on the Social Determinants of Health (2008) concluded that divergence in health service access alone could not account for health inequalities and that wider social determinants play a central role. So, while the Biomedical Model has its place in medical care, an understanding of population health requires analyses of what are increasingly being called ‘the social determinants of health’ (e.g. Marmot & Wilkinson 1999).

The WHO asserts that political and socioeconomic contexts generate structural determinants of health, defined as including: governance, macroeconomic

policies, social policies (labour, social welfare, housing), public policies (education, medical care) and cultural and societal values (2007:22). These structural determinants are considered, along with socioeconomic position (relating to education income, class, access to resources, status etc.), gender and ethnicity (race), to have an underlying influence on intermediary determinants (material circumstances, behaviours and biological factors, psychosocial factors) which “impact on equity in health and well-being” (2007:48).

The inequalities that exist in the distribution of income, employment, skills, education, housing and so on are determinants of health inequalities (Graham 2000). As such, these determinants are systematically associated with social disadvantage and marginalisation (Braveman & Gruskin 2003). The list above might be considered the ‘material’ determinants of health and health inequalities. Other writers have added to these by suggesting that one’s position in the socioeconomic hierarchy can also have psychosocial influences on health (Wilkinson 1996; Wilkinson & Pickett 2009). The argument here is that the ill health effects of being relatively poor in a rich society are not only mediated through material influences but also impact through the lived experience of being relatively poor (for example, this may give rise to higher levels of chronic stress) (Marmot et al. 1978).

The point that needs to be made in the context of this thesis is that, while the broad association between social factors and health is well established (Marmot & Wilkinson 1999; Solar & Irwin 2007), direct causal relationships are not so well understood or established (Shaw et al. 1999). The pathways are likely to be many, complex and interacting.

Consider some reasonably direct pathways of causation: socioeconomic status can influence health directly through the influence of material deprivation in terms of an individuals or populations health status, or via access to services like health care and education. The reverse is also true to a small extent: health can influence socioeconomic status due to the effect of health on labour market outcomes, such as unemployment and early retirement (Bartley & Owen 1996; Bartley, Ferrie & Montgomery 2006) and earnings (Contoyannis & Rice 2001;

Gambin 2005). However, as far back as the Black Report (DHSS 1980) it has been clear that these more direct relationships (while important) only explain a small part of the variability in health outcomes across the socioeconomic gradient.

It is such complexities that led to the development of models of determinants of health. One of the most recognised is the Evans and Stoddart (1990) model of the determinants of health (see Figure 1.5) which provides a broad conceptual framework for considering the factors that influence health in a community. The model was informed by the 'McKeown Thesis' (McKeown 1979) which posited that the health of populations is determined by many factors in the social and economic environment outwith the formal health care system. Identification and understanding of the pathways by which socioeconomic factors impact health can inform and shape policies designed to mitigate the effects of societal change on population health and health inequalities (Evans & Stoddart 1990; Adler et al., 1993).

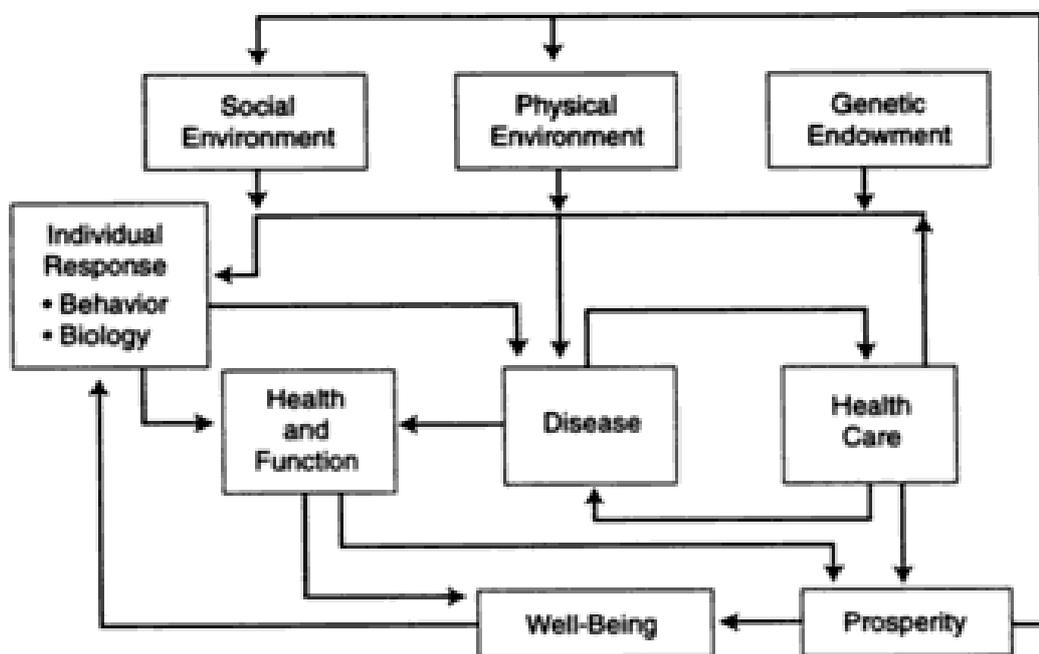
What models of the determinants of health like that of Evans and Stoddart (E & S) emphasise is that the determinants are interactive and, although not easily shown diagrammatically, these interactions take place over time and over the life course. As such, levels of prosperity and inequality interact with the physical and social environment to determine emergent health behaviours and outcomes (that are also influenced by genetics and biology - also subject to environmental factors).

Moreover, they illustrate the societal processes and influences underlying the inequalities which determine health (living and working conditions and the broader social structures in which they are embedded) and individual-level risk factors (like health behaviours). There is no simple determinism here but, as the country/regional analysis that will be reported in this thesis demonstrates, broad patterns can be discerned.

The E & S model has been used previously by the GCPH for its work on both community and regional health profiles. Therefore, it seemed consistent to use it in this context. E & S provided an agenda for the initial literature search and review. It was particularly relevant to the work done on CEE. For example, can the deterioration in life expectancy, experienced from the 1980s and

exacerbated by the collapse of communism, be explained in terms of any single health field - that is via specific changes in physical environment, health services, health related behaviours and so on. The same rationale was then applied to other broad issues investigated by this thesis - namely, the post-war improvement in life expectancy in Europe and the relative decline in life expectancy or increase in health inequalities in post-industrial regions. This work, led to the synthesis of thinking about causal pathways that is outlined below.

**Figure 1.5: Evans & Stoddart (1990) Model of the Determinants of Health**



In terms of why health improves or deteriorates, it is useful to consider four mechanisms:

1. Direct causation - for example industrial pollution leading to lung disease.
2. Complex causation - for example, increased prosperity in Western Europe led to diets richer in fats and sugars and an increase in smoking both of which contributed to the increases in heart disease reported in the 1960s and 1970s. Similarly, the collapse of communism in Central East Europe affected cultural and behavioural pathways that had adverse impacts on health behaviours, particularly in those parts of the region and sections of

society most affected by the associated political and socioeconomic change.

3. Emergent - this refers to circumstances where a complex, interacting system of causation causes the emergence of health outcomes without a clear pathway to explain causation. For example significant political and socioeconomic change influences the economy, the physical and social environment, personal behaviour and the provision of services - the result is emergent changes in health. The rise in life expectancy in the prosperous economies of Western Europe after WWII is an example of this type of emergence.
4. Emergent but with a clearer final pathway - for example the alcohol-related harm experienced in Russia arising out of a historical drinking culture in a country that was then subjected to the social, economic and cultural changes that accompanied the fall of communism. Alcohol-related deaths were responsible for much of the increase in mortality but it would be simplistic to say that alcohol 'caused' the rise in mortality.

All four pathways are relevant to this analysis. However, it will be shown that simple direct pathways like the effects of pollution on respiratory health are considered to be of lesser importance by most analysts. Instead, although cardiovascular and other non-communicable diseases associated with damaging health behaviours are the main, proximal causes of excess mortality in some regions of Europe (in other words, these have been the primary causes of death in the post-industrial era), the progressive consensus is that the 'causes behind the causes' (Marmot 2004) have better explanatory potential. As such, mechanisms three and four are critical. What we are dealing with here is the lifecourse and lifeworlds of individuals and the interaction between them - scaled up to the population level where death rates are measured (Kelly et al. 2006). This is a complex argument. When we say, for example, that rates of heart disease increased, this can often be 'explained' in terms of a well known set of coronary heart disease risk factors. However, what will be understood in this thesis is that health-related behaviours and classical risk factors in and of themselves do not provide a sufficient explanation for the excess rates of

cardiovascular illness and mortality at a population level: other factors are at play.

Those who support the 'Psychosocial Hypothesis' (Bobak & Marmot 1996, 2006; Hertzman et al. 1996; Cornia & Paniccià 2000; Lachman & Weaver 1998; van Oort 2005) maintain that the impact on health of a poor socioeconomic situation is mediated by psychosocial factors. According to this hypothesis, socioeconomic dissatisfaction and people's inability, perceived or real, to influence their own circumstances by engaging in political and civic life results in a situation of relative or perceived deprivation. According to this view, psychosocial wellbeing, mediated by limitations on personal freedom and control, insecurity, social relationships, support and participation, is considered particularly important in terms of health inequalities.

It is important to note that models of determinants of health, such as that of E & S, are about health and not just disease. Protective and health enhancing factors matter: for example, maintenance of prosperity and social protection. Moreover, an individual's or group's situation vis-à-vis society and the economy or political system may, therefore, be particularly germane to developing understanding of the impacts of large-scale processes of economic change on health. This is perhaps best understood in terms of people's position relative to the labour market, for example: security, inequalities in income, skills and knowledge, status and control in the work place, society and family and anomie.

This thesis is primarily concerned with the social and economic context of deindustrialisation and consequential post-industrial change. If it were a work of more orthodox public health analysis, it could be argued that equal weight should be given to each of the fields in the E & S model. However, while this thesis aims to identify possible explanations for patterns of health in Europe's post-industrial regions, in terms of a broad conception of the determinants of health, it will do so from the starting point of post-war economic development onto the period of 'deindustrialisation' and the policy responses that emerged thereafter. As the analysis unfolds it will become evident that the thesis uses an awareness of the broader determinants of health (as expressed in the E & S model) to account for the divergence in life expectancy with a particular focus on 2 aspects of deindustrialisation. First, how severe was the nature and pace of

deindustrialisation and, second, what efforts were made to provide social protection to the populations that were experiencing deindustrialisation? The questions are addressed for each of the countries and regions that are studied. To ensure that differences in the broader determinants of health are not neglected, a third question is asked - what differences in context (determinants of health, political economy, economic restructuring) can be observed in each of the regions studied?

What will become clear is that the E & S model provided the theoretical framework which determined the variables that were examined to understand variation between countries and regions in health outcomes. However, the research aims of the thesis led logically to the selection of variables that answered the three questions set out above: namely what were the differences in (i) speed and nature of deindustrialisation (ii) levels and nature of social support (iii) context between the regions and countries studied?

### **1.3 Aim and objectives**

The main aim of the thesis is to determine what aspects of the political and socioeconomic context in WCS diverge from comparable post-industrial regions of Europe and whether these might form the basis of potential explanations for the region's poor health record. The anticipated outcomes of the thesis are (i) a rich narrative review of the countries and regions, designed to complement the data driven analysis carried out in both the Aftershock Report and subsequent second stage research (ii) enhanced learning among those investigating the Aftershock phenomenon (iii) emergence of hypotheses, for testing in other ways. Although the findings may add to, or detract from, evidence to support any one of the hypotheses under consideration by the GCPH, the research described here is not designed to test hypotheses. Rather, it may help to generate further hypotheses or refine our understanding of existing hypothesis.

To assist in achieving this aim, the GCPH defined a number of objectives. The objectives are listed below and as described in the methods chapter provided and important initial focus, useful in reviewing a wide range of literatures.

1. Describe in broad terms the political and socioeconomic changes that affected them since WWII.
2. Describe what happened to life expectancy in this period and identify/assess hypotheses that explain links between political and socioeconomic change and life expectancy.
3. Describe the pattern (timing, rate and nature) of deindustrialisation/privatisation and identify variations to the general pattern.
4. Define the typologies of policy response to deindustrialisation/privatisation.
5. Define the level of social protection, including welfare provision and broader social protection, available to those affected by deindustrialisation/privatisation.
6. Summarise the factors that emerge as being most important in alleviating the health and social impacts of deindustrialisation/privatisation.

The objectives provided guidelines without a tight enough focus. As such, the results could be unyielding. A framework was required to present the findings in a manner which was coherent yet still reflected the interrelatedness and complexity of the areas discussed. Therefore, as awareness developed, more specific and relevant research questions were formulated. Although informed by the aim and objectives, the research questions were established in order to account for the divergence in life expectancy between these regions as a consequence of the underlying influence of post-industrial change both at the national and regional level.

Those research questions were as follows:

- Why, and to what extent, are there different socioeconomic models (approaches to economic development) in each country/region?

- Why, and to what extent, were the responses to post-industrial change different (in terms of economic restructuring and social protection) in each country/region?
- Why, and to what extent, did policies at the national level help/hinder their respective regions?
- Why might these differences account for the divergence in life expectancy between these countries/regions?

## **1.4 The structure of the thesis**

The structure of this thesis is as follows. Chapter 2, provides a rationale and defence of the methods adopted namely the narrative literature review and case studies. In addition, it provides a rationale for the choice of selected post-industrial regions.

Chapter 3 aims to provide some important context, regarding post-industrial change at the national level, for the selected regions. It provides a synthesis of the detailed narrative literature review included in Appendix A which covers the objectives and research questions outlined previously in section 1.3 at the national level.

Chapters 4-8, constitute the main body of the thesis and provide a case study for each of the selected regions. The structure of the case studies is shaped by the research questions and structured as follows: historical development; deindustrialisation; national response; regional response; changing socioeconomic context and social protection.

Chapter 9 contains 2 main sections. The first, deals explicitly with the research questions. It includes a set of tables that outline the key facts and judgements, in accounting for the divergence between the selected regions. The second reflects a more classical discussion chapter. It expands critically on the judgements made, reflects critically on the strengths and weaknesses and provides a final set of conclusions and recommendations.

## 2. Methods

As described in the previous chapter, descriptions of the influences on health in post-industrial nations are well established in the public health literature. Moreover, although there is no clear consensus as to the relative importance of specific influences or the pathways through which they act, there is a common acceptance that a range of factors impact on health and that social, political and economic processes are key. The broad question, in the context of this thesis therefore, is to explore for each country/region of interest the degree to which these influences are more or less prevalent, why that is, and why these areas might therefore be more resilient than WCS. As this is essentially a comparative piece of research the choice of methods available to meet this purpose is not extensive. A data driven approach could be part of the answer but this was an approach already being conducted by the GCPH.

### 2.1 Overview of methods

This thesis revises a previous submission of work. The first submission adopted what was ostensibly a narrative review, which resulted in a large amount of descriptive and narrative material. In light of the stated aims and objectives for the research, the lack of analysis and evidence of a unique contribution in that initial submission were cited as weaknesses. To rectify this and to facilitate a more focused approach the aims and objectives were developed into research questions that could more adequately account for and explain the divergence between these regions. In addition, different methods have now been used to address the different facets of the research.

The 2008 Report *The Aftershock of Deindustrialisation (trends in mortality in Scotland and other parts of post-industrial Europe)* was a quantitative data driven exercise based on a set of ecological studies. The methods outlined here are appropriate to a complementary approach, drawing upon the data and insights provided by the Aftershock Report but addressing a different set of research questions. When embarking on the work described in this thesis, it was recognised that the research needed to reflect the complexity and inter-relatedness of the issues discussed and compare the regions' political and socioeconomic development in some depth.

Therefore, went back to first principle - asked does this require a quantitative or qualitative methodology - the simple answer was both. Although, quantitative methods were not the author's strength, or, necessarily, the means to answer the questions being researched, they were critically important. The quantitative methods had been the foundation of the 'aftershock' work and as such they were critical in the genesis of this research. Moreover, data included here was identified from a number of sources including data collected for the 'Aftershock' work and associated post-industrial regional comparisons (see Taulbet et al. 2011). Qualitative work was therefore required to interpret the data presented and, more importantly, explain and account for the divergence between the selected regions. In addition, the qualitative work provided a logical framework to decide and present data, see section 3.4, which lent itself to the case study approach used for the regional level and discussed later in this chapter.

The dual-method research design adopted facilitated the thesis aims of going beyond describing post-industrial change in specific countries and regions, to identifying the dominant causal structures shaping post-industrial change and possibly influencing health. While the qualitative methods sought to address 'why' and 'how' post-industrial change and the associated outcomes vary, the quantitative methods mainly describe 'to what extent'.

First, a narrative-literature review was undertaken to examine political and socioeconomic change in the post-war period at the national level with a particular focus on policy responses to deindustrialisation and any link with health inequalities, in particular life expectancy. To varying degrees this contributed to answering the stated objectives and research questions albeit at the national level. Second, case studies were used to examine political and socioeconomic change at the regional level, particularly looking at economic restructuring as a response to deindustrialisation and privatisation and the impact that might have had on health inequalities, in particular life expectancy. This approach addressed the stated objectives and research questions at the regional level. Together these methods provided findings that contributed to an understanding of the divergence between these regions and could be synthesised to yield new understandings concerning the experience of WCS relative to comparable post-industrial regions.

## 2.2 Rationale for methods

Analyses in comparative political and regional economy can contribute to the understanding of health inequalities between societies. Given the evidence of the determinants of health - it is likely that divergent approaches to economic development, economic restructuring and social protection will mediate health inequalities. A comparison between the countries/regions selected here, can further add credibility and contribute to that evidence base. The social gradient in health and cross-regional variation (illustrated by the Aftershock report) suggests these inequalities are not a consequence, solely, of health selection but are in fact socially produced. As such, health inequalities are considered to some extent avoidable and therefore modifiable (Dahlgren & Whitehead 2007).

Research has been done to identify features of societal context that affects health outcomes. Macro comparative design has been utilised by researchers in public health as it offers an efficient way to reveal underlying political determinants, typically homogeneous within nations and thus only identified through studies examining multiple countries (Rose 2001). Such studies compare clusters of nations with common political traditions, democratic systems, or welfare regimes providing an understanding of why some countries exhibit improvements in population health or reduced health inequalities (Esping-Andersen 1990; Huber & Stephens 2001; Navarro & Shi 2001; Bambra 2007). In addition, as discussed, there is a body of research that, for example, has established an association between health and the features of labour regimes (Scott 2004), the availability of work or prevalence of unemployment (Bartley & Owen 1996), job security (Ferrie et al. 2002), and occupational hierarchies (Wilkinson 1999) and so on - many of which will be cited here. However, the wider historic and socioeconomic context has received less attention.

The work and methods employed here are complementary and provide a strong alternative - through an understanding of societal context in reference to the character of the national (or regional) political economy. In particular, this research will identify systematic forms of variation (see Tables 9.1 - 9.8, for summary) and analyse the associated processes of economic development, deindustrialisation and consequent post-industrial change that mediate health

outcomes and assess the relationship between national/regional variations and health. Although common in the comparative political and regional economy literature, the typologies and findings this thesis produces lack coverage in the sphere of public health despite providing explanatory potential about how societal contexts and economic development mediate and help account for inequalities in health.

## 2.3 Literature review

Initially, the feasibility and value of undertaking a systematic review of the literature was considered and discussed. The systematic review has been defined as:

“a replicable, scientific and transparent process . . . that aims to minimize bias through exhaustive literature searches of published and unpublished studies and by providing an audit trail of the reviewer’s decisions, procedures and conclusions’ (Tranfield et al. 2003:209).

Systematic reviews, particularly in medical/clinical research, have increasingly replaced traditional literature and narrative reviews as a means to précis research evidence. They were devised to eliminate the bias often perceived as a weakness in less structured approaches (Collins & Fauser 2004). The key strengths and limitations are summarised in Table 2.1.

As a method, the systematic review identifies, evaluates and synthesises research evidence from individual studies according to a defined protocol (Oliver et al. 2005). Thus, the systematic review involves explicit, transparent methods which are clearly stated and reproducible by others. It is argued that this approach ensures that all potential and germane research sources have been considered and critically reviewed (CRD 2007), thereby removing the dangers of selectivity and reviewer bias. It also permits the reader to derive equivalent conclusions and provide feedback concerning methodological practice (Davies & Crombie 2003). The rationale is that a systematic review is more likely to generate comprehensive accounts of literature and minimise reviewer bias, particularly in fields in which the principal aim is to determine whether a specific intervention has particular benefits. In summary, the strengths of the systematic review are said to include: a ‘tight’ (precise and explicit) focus of the question; a comprehensive search for evidence; criterion-based selection of

relevant evidence; a rigorous appraisal of validity; an objective or quantitative summary; and the production of evidence-based inferences (Cook et al. 1997).

**Table 2.1 Strengths and Limitations of Systematic and Narrative-Literature review**

Feature	Systematic Review	Narrative-literature Review
Question	Typically a focused clinical question	Typically broad in scope
Sources and Search	Comprehensive sources and an explicit search strategy	Not typically specified and potentially subject to bias
Selection	Criterion based selection which is uniformly applied	Not usually specified and potentially biased
Appraisal	Rigorous critical appraisal	Variable
Synthesis	Quantitative summary or meta-analysis	Typically qualitative summary
Inferences	Typically evidence based	Sometimes evidence based

However, the systematic review can also be criticised for inherent bias. Although the methodology is made explicit, the criteria used to select evidence for inclusion and the conclusions derived are also subject to bias (Cooper 1982; Jackson 1980). For example, in setting criteria, pre-existing knowledge, ideological or political outlook and/or an individual's (or institution's) value system and beliefs may have an influence or create bias. Moreover, once that criterion is established, it is very difficult to change course if new information, terminology etc. becomes available. If the search is restricted to electronic databases, comprised mainly of references to published journal articles, the review risks publication bias as this method is unlikely to detect literature not published in peer reviewed journals. Wider searching is required to identify research results circulated as reports or discussion papers.

There are other limitations of the systematic review that should also be considered. For example, there are significant methodological and theoretical challenges facing public health systematic reviewers particularly relating to the

under-populated and heterogeneous nature of the public health evidence base (Millward et al., 2003). Moreover, the evidence that does exist is more widely dispersed than evidence of the effectiveness of clinical interventions (Petticrew & Roberts 2006). Often, in the case of health-care interventions, the interventions can be easily specified, enabling their use as search terms. This is not often the case with public health interventions, which are often complex and long-term. As Petticrew and Roberts conclude:

“If we accept that the main determinants of public health and health inequalities are social, then the interventions of most interest to public health reviewers are social interventions: social projects, programmes, and policies. Everything outside the health sector (as well as some things within it) are potential public health interventions. Interventions within the housing, transport, environment, employment, justice and many other sectors are thus potentially eligible for inclusion in such reviews” (2008:199).

Evaluations of the outcomes of such interventions are, however, uncommon, and studies of their health outcomes even more so. Assessments of the distributive effects of such policies are even rarer. Even sourcing pertinent evidence by utilising electronic searches is difficult. For example, studies of labour market policies may report on the health or social outcomes of such interventions, but this may not always be evident in the titles and abstracts of journal articles. Important studies may thus be easily missed. Often, in databases, older studies are without abstracts entirely and this further increases the chance of overlooking relevant evidence. For this reason, hand searching of journals and books is perhaps even more important when conducting reviews in public health than in other fields (Petticrew & Roberts 2008). Clearly, the systematic review should not be seen as the gold standard for the sorts of issues and evidence covered in this thesis.

The fact is that not all areas of public health and social policy research are concerned with research questions that explore whether a certain independent variable has particular types of effects. They are, therefore, not as amenable to the systematic review approach. Often the subject boundaries are more fluid and subject to change (Bryman 2012) and the questions of interest include matters of process as well as impact (Downie, Tannahill & Tannahill 1996:92). Researchers in medical science acknowledge that the process of identifying

relevant qualitative studies is time consuming and cannot be done on the basis of the abstract or summary in the way that quantitative research studies can (Jones 2004). In addition, systematic reviews frequently but not exclusively employ databases (Petticrew & Roberts 2008), for example PubMed, which are populated primarily from peer-reviewed journals, risking exclusion of what is typically characterised as ‘grey literature’ (for example, conference papers and reports by various bodies).

Advocates of the systematic review acknowledge that social scientific fields are, because of different theoretical approaches, often characterised by low levels of consensus concerning key research questions (Tranfield et al. 2003; Bryman 2012) whereas medical science (from which the method of systematic review emerged) often addresses research questions established to answer the question ‘what works’? This does not preclude systematic reviews from social science fields such as social policy, but emphasises the point that the ‘what works’ question is not always applicable or addressed, and the experimental design (exemplified by the randomised controlled trial) is often not appropriate.

It is not being suggested here that a systematic review method could not be applied to the research questions in this thesis. Systematic reviews can have flexibility and comprise a broad range of research designs and questions. As Petticrew attests:

“there are far too many examples of systematic reviews of non-clinical interventions (including government policies), which include non-randomized studies... Systematic reviews of qualitative research are also becoming more common” (2009:163).

For some review topics, however, the strengths of the systematic review may turn into weaknesses. The primary problem is that the narrow focus and prescribed methods of the systematic review do not always allow for comprehensive coverage. Moreover, there is still a place for review papers that provide a broad overview, discuss a range of evidence and make a contribution to wider debates about what works and why in particular settings.

The breadth of the subject matter in the current investigation and its cross-disciplinary nature meant that inclusion and exclusion criteria were not apparent

at the outset of the project. A research approach that allowed for a wide overview (rather than a specific focus) was needed. Despite its strengths, the tight systematic review method seemed to have little to offer to the task in hand. For example, a formal tabulation of selected, critically reviewed papers is not the best way to determine broad themes or to identify previously unrealised insights. Moreover, as recognised by Bryman (2012), the systematic review emphasises the technical aspects of the approach rather than the analytical interpretations generated.

This research is not assessing direct interventions per se; it is looking at political and socioeconomic systems of deindustrialisation and post-industrial change in light of what is known about underlying influences on health. The methods adopted and coverage of research question here will, like the systematic review, provide information on whether policies/interventions work, but also on the factors that influence how they work, whether they can be adapted, the distribution of benefits and costs, and the underlying influence on health.

In contrast to the systematic review, the narrative literature review provides a means to facilitate a synthesis of disparate literature and generate understanding. It allows for the evaluation and synthesis of information in line with the aim and objectives that have been set for the research. It also facilitates an interpretive or inductive approach allowing flexibility so that the parameters of the research can be modified in light of certain theories, literature or data. The narrative review is considered suitable for wide-ranging topics as they précis different primary studies from which conclusions may be synthesised into a comprehensive analysis supplemented by the researcher's own experience, existing theories and models (Campbell collaboration 2001; Collins & Fauser 2004). A particular advantage of a narrative review is its aim, that is:

“to comprehend the diversities and pluralities of understanding around scholarly research topics and the opportunity to speak with self-knowledge, (and) reflective practice” (Jones 2004:11).

However, with this strength comes a fundamental weakness. While narrative reviews are typically comprehensive and can span a broad range of themes, they are criticised for lacking the rigour of the systematic review (see Table 2.1).

First, they often fail to adhere to search criteria or to reveal the decision-making process regarding the relevance and validity of preferred studies. Second, although there is clearly a selection and assessment procedure at work, the reader is unlikely to be privy to that process, thereby precluding any assessment of the authors' choices (Collins & Fauser 2004).

However, as Collins & Fauser (2004) assert, less explicit methods are the trade-off for broader coverage. Moreover, while such discussions help place evidence in context, they should not as Petticrew states:

“be confused with the evidence-based conclusions of a transparent, scientific review, which systematically attempts to find all the relevant evidence, appraises its strengths and limitations in a transparent fashion, and draws that evidence together in such a way that the more robust studies are given greater weight” (2009:163).

The literature included in the current study mainly comprises historical accounts and commentary on political and socioeconomic change in specific countries and regions. Competing theories, data and case studies were utilised to evaluate conclusions and triangulate across different data sources.

The adaptability of a narrative literature review, which allows for coverage of broad themes and situational choices with regard to the inclusion of evidence, facilitates a full description and deep understanding of evolving political and economic systems and social milieu. Often, contextual factors (such as the institutional structures and arrangements policy makers work within and the sort of factors that inform their decision making) are overlooked when analysing and presenting results in a systematic review. The methods here address those concerns.

### **2.3.1 Application of method**

As stated, the key weakness of the narrative review is the lack of transparency regarding the decision making process. To mitigate that weakness and highlight a key strength of the narrative review - namely, to facilitate synthesis of disparate literature - the application of the method will be described.

The prior knowledge and experience of the author, a key consideration in being awarded this studentship, meant many key texts and authors, relating to the broad political and socioeconomic changes that have taken place in Europe, were already familiar. This, in combination with the aim and objectives outlined by the GCPH, informed the initial reading strategy. In addition, as the primary motivation of this research was to contribute to the field of public health, any understanding of the political and socioeconomic contexts had to be informed by the health and mortality trends that characterised the selected regions and the literature on the determinants of health. An understanding of the health context (and determinants of health) would facilitate a more focused and nuanced enquiry.

A wide range of 'high level' analyses, primarily regarding political and socioeconomic transformation and deindustrialisation/privatisation in each country, were reviewed. Where relevant literature and systematic reviews had been conducted, these were consulted: for example, for health and inequality in CEE (see Bobak & Powles; Walters & Surcke 2005). Key texts were identified and manual searches of their references and citations were then conducted and followed up. To try and reduce any inherent bias, the reading was as extensive as possible. In addition, there was cross checking of reference materials and additional searches in order to corroborate findings and conclusions, support any analysis, and to preclude any significant omissions.

This was supplemented by recommended reading in pertinent course modules and textbooks. From this, further relevant references and authors were followed up. In addition, key words emerged that facilitated the use of electronic databases and the internet, for example Google Scholar, in searching for pertinent research and literature. The primary databases used were the Social Science Citation Index (SSCI) and the Central East European Online Library (CEEOL). These databases provide a citation link which identifies further literature. In addition, it indicates how research has been utilised by other researchers and whether or not it has been supported, challenged or undermined.

Informing this process were further parameters provided by geographical considerations namely, the specific countries and regions and important time frames, notably the initial post-war period, the 1970s and 1980s period of deindustrialisation, the 1989 collapse of communism and so on. Searches regarding the industrial regions covered inevitably lead to the literature concerning regional geography and development. The established themes, key words, authors, geography and time frames enabled the creation of Zetoc and Google alerts (email alerts) regarding new literature as it was published.

To summarise, the core method for the national level and each region was as follows:

1. Conduct background reading and research as indicated above.
2. Produce an extended piece of writing that described findings.
3. Share this writing with supervisors: primary supervisor Phil Hanlon Professor of Public Health at University of Glasgow; second supervisor Professor Carol Tannahill of Glasgow Centre for Population Health (GCPH); and David Walsh a public health programme manager at GCPH and lead author of the 'Aftershock of Deindustrialisation' report.
4. Findings were then discussed in detail and writing was refined and focused in light of this discussion and associated feedback. With the supervisors coming from a public health background and the author from a more traditional social science background this part of the process was critical. As an exercise in collective learning, it was essential to assist the supervisors' understanding of political and socioeconomic themes and for them to aid the author's understanding of the relevance of these themes to public health.
5. It is important to note that the extended pieces of writing formed the raw material used to determine the structure of the thesis and content. They did not form any part of the final thesis.
6. From this, the research questions began to develop. These would provide the focus needed to draft the chapters in a way that would best account for the divergence that exists between these countries/regions. Once this process was well advanced, the final structure of the thesis began to emerge (see section 1.4).

7. Data from the Aftershock report (and subsequent works) along with the data mined from the author's own research was then collected and appraised. This was used to illustrate the comparative elements of the thesis, support any analysis, and demonstrate emerging conclusions.
8. This process was modified and augmented in order to conduct a synthesis of the thesis' findings articulated in chapter 9. This entailed reviewing all writing and data for chapters 3-8 (and Appendix A). Key differences were then noted for discussions with supervisors to note what particular ideas or hypotheses emerged and if there was anything distinctive that might contribute to an understanding of WCS poor health profile in relation to the other regions and in light of the social determinants of health widely recognised in the field of public health.

## **2.4 Case studies**

The findings for each region are presented in a case study. The case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding a process or phenomenon. Typically secured in real-life situations, the case study can produce a rich and holistic account of a phenomenon or process. It offers insights and provides understanding that can expand its readers' experiences. This understanding can then be interpreted into tentative hypotheses that facilitate and structure future research; hence, case studies play an important role in advancing a field's knowledge or research base. For this reason the case study method retains considerable appeal, even among researchers in communities not traditionally associated with this method of research e.g. among political economists and quantitatively inclined political scientists (Bates et al. 1998; Acemoglu, Johnson, & Robinson 2003; Rodrik 2003).

As the discussion above suggests, all research methods can be discussed in terms of their relative strengths and limitations. Shields argues for qualitative case studies:

"The strength of qualitative approaches is that they account for and include difference ideologically, epistemologically, methodologically and most importantly, humanly. They do not attempt to eliminate what cannot be discounted. They do not attempt to simplify what

cannot be simplified. Thus, it is precisely because case study includes paradoxes and acknowledges that there are no simple answers, that it can and should qualify as the gold standard" (2007:12).

It should be noted that there is no greater bias in case studies toward confirming preconceived notions than in other forms of research. Typically the difficulty in summarising case studies is due to properties of the reality studied, not the research method. Its key strengths are its suitability for describing complex phenomena whilst also providing individual case information. It allows the researcher to describe in detail phenomena as they are situated and embedded in local contexts, for the researcher almost always identifies contextual and setting factors as they relate to the phenomenon of interest. Moreover, and particularly useful in this instance, it allows for cross-case comparisons and analysis (Azarian 2011).

At their best, case studies can provide accounts of innovative or good practice, identifying specific problems or issues experienced by a location, group or individual and the actions taken to overcome the problems. Their aim is to promote or provide understanding of these actions to others. They are typically used where there have been limited solutions found to a problem or little understanding of a particular process or phenomenon. Case studies contain a strong narrative element, which often entails a sequence of events and their relationship to each other and to context. They generally report factual information as well as opinions (good and bad) (Yin 1984; Soy 2003), and typically they are based on a mix of quantitative and qualitative evidence (Gerring 2004; Flyvbjerg 2011).

In this thesis, case studies have been utilised to provide a detailed summary of each of the regions of interest, structured according to a standard framework which allows comparisons to be made. Deployed in this way, the case study method enables the different adjustment processes in the study regions to be examined. Local (regional) trends are influenced not only by local policies and regional characteristics, but also by wider influences such as national government policy, regional and local intervention, social and cultural attitudes, and so on. The case studies recognise this, and incorporate information on these wider influences alongside regional evidence to offer a rich examination of post-

industrial change at the regional level and the impact that has on health and mortality.

### 2.4.1 Application of method

As previously stated, the five regions (including WCS) of interest were already established by GCPH as part of the wider programme of research into the health of post-industrial European regions. A decision was made to collect evidence concerning social, political and economic history at three levels. These were:

- International regions - Eastern Europe and Western Europe.
- Countries - Scotland was to be compared with two Eastern European and two Western European Countries.
- Regions within countries that have been subject to deindustrialisation and were included in the Aftershock Report.

There was a desire to choose regions that represent a spectrum of European circumstances and would provide the most useful comparisons to WCS. After investigation and discussions, the following choice of deindustrialised regions and countries was made:

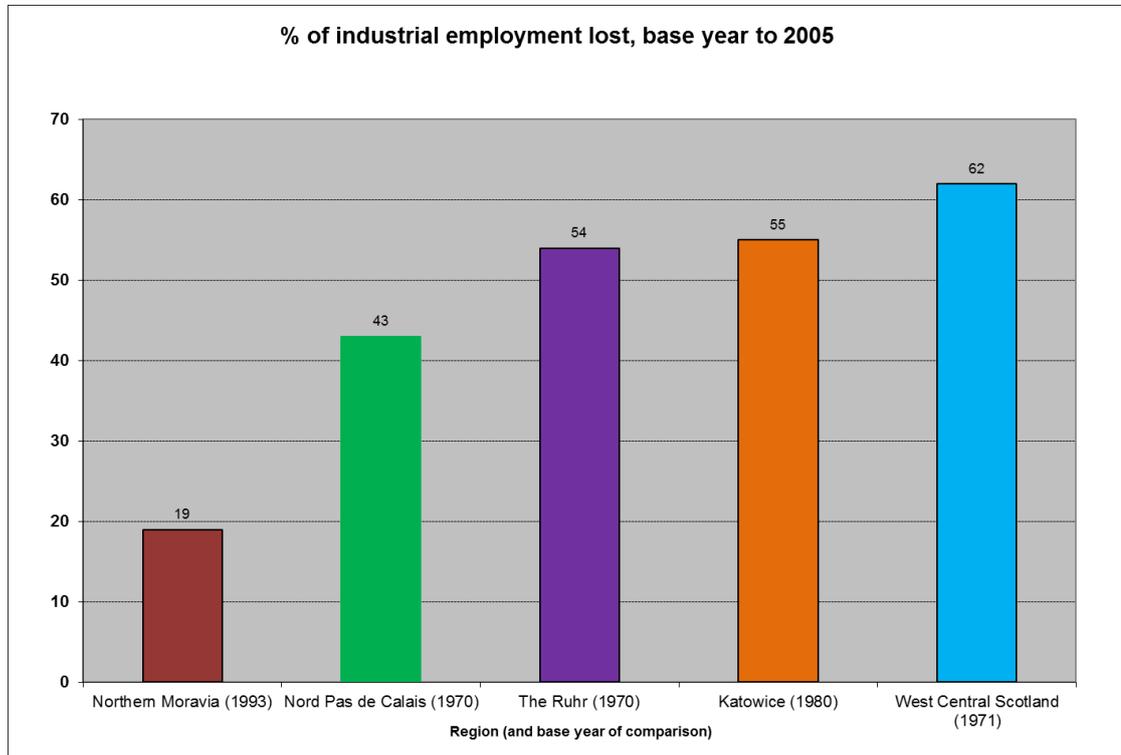
- Ruhrgebiet, Germany
- Nord Pas-de-Calais, France
- Katowice (Upper Silesia), Poland
- Northern Moravia (Moravia-Silesia) , Czech Republic

The first *Aftershock Report* identified 20 regions with a history of deindustrialisation comparable to WCS. The regions which are the primary focus of this thesis and the 2<sup>nd</sup> *Aftershock Report* were chosen by GCPH due to the opportunities for collaborative research with colleagues in the regions' respective countries.

In addition, for the thesis, the selected regions: (a) provided coverage across mainland Europe (two in western European countries (Germany and France), and two in eastern European countries (Poland and Czech Republic)); and (b) had

experienced the most comparable levels of deindustrialisation (measured as the decrease in industrial employment levels) in recent decades, see Figure 2.1 which indicates the amount of industrial employment loss due to deindustrialisation.

**Figure 2.1 Loss of industrial employment in the five selected regions**



Source: adapted from Walsh et al. (2008)

As this figure 2.1 shows, the mainland West European regions that experienced the most similar levels of deindustrialisation were the Ruhr (54%) and Nord-Pas-de-Calais (NPdC). In Central Eastern Europe (CEE) the comparable regions were Katowice (55%) and Saxony (48%) not shown. However, due to a lack of regional co-contributors and contacts for the second phase research conducted by GCPH, Saxony was not chosen and Northern Moravia selected instead. It should be noted that the author of this thesis and the *Aftershock* report acknowledge that Northern Moravian levels of deindustrialisation appear considerably less than those experienced in the WCS, Nord Pas-de-Calais (NPdC), Ruhr, and Katowice. However, this primarily due to the more recent base year.

The case study method applied to each of these regions sought to:

1. Describe the narrative of each region both in terms of the political economy and socioeconomic change.
2. Describe and chart the process of, and responses to, deindustrialisation/privatisation.
3. Describe the degree of social protection, including welfare provision and broader civic support.
4. Describe the post-industrial context both politically and socioeconomically.
5. Synthesise the above into a set of conclusions about the most likely factors to have influenced life expectancy.

In terms of applying an organisational framework to the case studies, from the literature review it became evident that deindustrialisation had the potential to damage health and slow life expectancy. However, that effect was mediated by (i) characteristics of deindustrialisation (speed, intensity, response) (ii) the broader socioeconomic context (and change to that context) and (iii) the level and type of social protection. From this review-based evidence a rudimentary version of the model of determinants of health discussed in the introduction was developed. This model has life expectancy/health in the centre (as the outcome of interest) and these three categories of influence impacting upon it. This became the organising framework for the regional case studies: both in terms of the narrative and in relation to the data presented.

In terms of the narrative for the case studies the approach used was broadly similar to the literature review (particularly as much of the narrative material was so-called 'grey literature'). Although the original research components were used as search criteria (in both topic and title) for each specific region, the results returned lacked specificity and often only referred to the region indirectly. However, the establishment of the themes relating to the organising framework (i.e. deindustrialisation, context, social protection) provided additional search criteria which were then applied. Additional searches which focussed on the issues of Old Industrial Regions (OIRs), regional development,

local government and restructuring were also productive and revealed a vein of location-specific research and authors. Google books proved particularly useful as much of the literature was to be found in area-specific chapters and case studies in books that were not revealed via the more orthodox search approaches, particularly in the case of Nord Pas-de-Calais where less literature was available. In addition, the above processes led to the identification of a number of web or institutional resources.

The quantitative analyses used in the case studies build on extant analyses from the *Aftershock Reports*, supplementing them with additional data. Much of the additional data relates to the comparative data contained in Chapter 3, and discussed within the case-studies, and is included as it allowed comparisons across five regions (rather than region v WCS). In addition and where possible, extant analysis from the Aftershock research was brought up to date, although the periodicity of the data (e.g. census and surveys) prevented this in some cases. Data sources included: OECD, Eurostat, Euro-Barometer, Government statistical offices, Electoral Commissions, Luxembourg income studies, and various social and household surveys. Information on the data sources and details of the variables used are provided in Appendix B.

It should be noted that comparisons are made using multiple indicators drawn from a large number of geographical areas. Such an approach has recognised limitations: it relies on routinely available data (which do not cover all the issues of interest) and the use of information derived from such a variety of sources leads to issues of data comparability as the meaning and quality of data are affected by cultural and social contexts (Taulbut et al. 2011).

However, these acknowledged weaknesses should not detract from the strength of the methods employed. Quantitative comparative analysis combined with qualitative research should provide insights into the questions raised by the *Aftershock Reports* and allow for a 'bigger picture' to emerge concerning the comparative paths and fortunes of each region. Therefore, rather than focusing on comparisons of specific individual indicators across a number of regions, the method adopted seeks to highlight what the data, taken in their entirety, indicate and what they tell us about the relationship between deindustrialisation, post-industrial change and life expectancy.

## 2.5 Final synthesis

Once the literature review and case studies were complete, the challenge of synthesising the findings from the different methods remained. The degree of immersion in the literature and data during the process of undertaking this thesis meant that key themes and research questions became apparent, and these were highlighted for discussion with supervisors. The focus of this synthesis and discussion process was on the extent to which anything distinctive was evident and might contribute to an understanding of WCS poor health profile in relation to the other regions and in light of the social determinants of health.

The *Aftershock* work and WCS's poor health profile generally are of concern and interest to both policy makers and researchers. As such, forums have presented themselves within which this research and its emergent findings have been tested and discussed. These have included a GCPH/Scottish Government Discussion seminar: Health in post-industrial regions of Europe<sup>8</sup>, and the Public Health Information Network for Scotland Seminar (PHINS)<sup>9</sup> 2012. In these and other instances key messages, in particular around the nature of economic development, deindustrialisation/economic restructuring, post-industrial context and levels of social protection, were presented and discussed. This enabled the key differences/similarities between the regions to be considered and deeper understandings to be developed of the path each had taken in terms of economic restructuring, as well as the possible impact this might have had on life expectancy and health.

The synthesis would be an opportunity to highlight the strengths and limitations of the research and research methods, theoretical considerations and any conclusions and recommendations that emerged from the thesis. More

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<sup>8</sup> This was a small, invitation-only, 'round-table' event hosted by GCPH and the Scottish Government to discuss the 2<sup>nd</sup> *Aftershock Report* comparing health and its determinants in West Central Scotland and other post-industrial regions in the UK and mainland Europe. It involved senior civil servants and public health officials and academics experienced in working in a European context.

<sup>9</sup> PHINS is an annual event where research on the Public Health of Scotland is presented and discussed amongst various stake holders. In the context of exploring health at the national, regional and city level-findings from this thesis concerning the underlying influences on health in post-industrial regions were presented and discussed.

importantly, it provided an opportunity to address the underlying weaknesses of the narrative approach and demonstrate that the research questions had been answered. The narrative review and case studies were chosen as they allowed situational choices to be made that reflected the complexity and inter-relatedness of the issues discussed. To account for those weaknesses, the methods employed have sought to be: relevant in terms of facts, details and findings; consistent in terms of research questions and the organising framework<sup>10</sup>; and transparent in presenting both the findings and conclusions.

In discussion with supervisors it became apparent that the complexity and inter-relatedness of the findings should not deter from the research questions being addressed directly. Particularly considering the original research objectives have, as required, been incorporated into a broader narrative structure of the thesis. Therefore, the summary tables and accompanying text were developed (Chapter 9 pg.250-258). These tables highlight the relevance, consistency and transparency of the findings whilst making explicit the divergence between the selected regions. Moreover, they organise the findings in line with the research questions and link them to the relevant sections of the thesis and critical texts cited.

Finally, the synthesis also provided the opportunity to reflect on the main messages emerging from the thesis and the impact this has for WCS. Specifically, to discuss in more detail and in the context of the determinants of health how post-industrial change has had an underlying influence on the health and mortality of WCS. The development and use of an organising framework facilitated the synthesis of the findings (supported with data across the regions) into a set of conclusions that supports current understanding of the social determinants of health and supports an emerging picture of the impact of a state's socioeconomic model on health. Consequently it confirms that health outcomes are a good indicator of the success of a state's institutional arrangements and policies.

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<sup>10</sup> See section 3.4

### **3. Synthesis of the narrative literature review**

The following sections are a synthesis of the narrative literature review contained in Appendix A. It will discuss those factors that emerge as important in limiting the adverse health and social impacts of economic development, deindustrialisation/ privatisation and subsequent post-industrial change. As such, it will provide important context for the regional case studies that follow, helping explain the divergence in terms of policy and socioeconomic and health outcomes.

#### **3.1 CEE**

In the post war period, significant political and socioeconomic changes led to the establishment of communism in CEE. The patterns of health, certainly in terms of life expectancy, effectively mirrored the fortunes of state-socialism in CEE (and FSU). As communism established itself, life expectancy improved: as communism stagnated and deteriorated so did life expectancy. Moreover, these trends reflected the individual experiences of countries in CEE. For example, Hungary, one of the first countries to react to Soviet hegemony, was one of the first to experience a deterioration in mortality trends. Similarly, the Czech Republic and Poland, perhaps the two countries which in relative terms are considered to have coped most successfully with the post-communist transition of 1989, were the first to exhibit (after a period of stagnation during the 1970s and 1980s) improvements in life expectancy. Countries that did not adjust to transition as successfully, such as Russia, Romania and Bulgaria, experienced a further reduction in life expectancy during the transition - a trend that continued well into the 1990s (Hertzman et al. 1996; Cockerham 1999; Cornia & Panicià 2000).

By the time Communism came to be established in CEE it had already produced a marked effect on the Soviet Union. Although the costs of transformation under Stalin were great and millions died due to conflict, famine, mass purges and executions, society developed significantly. Developments in society such as rapid industrialisation, increased social provision, increasing prosperity and the massive expansion in the number of health professionals and facilities, meant

that life expectancy increased and health improved for many (Field 1991; Cockerham 1999).

A modern understanding of the demographic and epidemiological transitions experienced by Russia under the early years of communism would point to the interacting impact of changing physical and social environments, rising levels of prosperity, enhanced services (health, education, etc.) and specific public health interventions. The literature of the time and some of the more politically orientated modern commentaries give more credit to health service developments which were clearly important but need to be seen in the context of the wider determinants of health (Sigerist 1947).

These gains were not exclusive to the then relatively undeveloped Soviet Union. Even in the relatively industrialised and developed countries of CEE, state-socialism had a discernable and immediate impact on health. As the evidence outlined demonstrates, even in the CEE, where life expectancy was much closer to western norms, health improvement was quick and widespread (Mezentseva & Rimachevskya 1990; Eberstadt 1994). These improvements in life expectancy were not exclusive to any one cultural or social group and it is worth reasserting that similar improvements were experienced in communist states in the developing world (Guo 1993).

In accounting for the improvements in life expectancy (and health more generally), one must acknowledge the relative achievements of state-socialism, the source of which was the concentration of power and, with it, the state's ability to mobilise resources and populations. Initial improvements in the Soviet Union, at least, were certainly a consequence of this. The state succeeded in controlling communicable diseases (typhus, cholera, and syphilis), reducing infant mortality and meeting basic needs. Western nations often face problems filling posts in remote and unpopular destinations, whereas, under state-socialism medical professionals were required to carry out compulsory service. However, this is not to say inequalities did not exist according to location (Field 1991, 1994; Eberstadt 1994).

The imperative of industrialisation had a significant impact on political, social and economic change all of which influenced the wider determinants of health.

As society became increasingly urban and industrial, standards of living improved. Benefits, including housing, utilities, nutrition, sanitation, health care, and general welfare services, were used as a form of material incentive and helped to promote acquiescence. This provision impacted on health by reducing deprivation and increasing security among many who had hitherto been economically and socially marginalised (Wnuk-Lipinski 1990; Eberstadt 1994; Cockerham 1999). Basic needs were being met and general levels of education and literacy improved significantly. In comparison with the West, income inequality was minimal due to state controlled salaries. There was 'full' employment and subsidised housing, amenities and food. As society became increasingly urban and industrial, standards of living improved.

This initial transformation, rather than alienating a population under state-socialism, served to ferment an "ethic of comradeship" (Vogel 1965). This, shared with the communist determination to achieve social equality and justice, had a profound effect on attitudes and perceptions. This is particularly the case amongst the growing proletariat and enfranchised 'new class', (Djilas 1957, 1998; Szelenyi 1978, 1983, 2009)<sup>11</sup> two groups that helped to constitute the political base for the state-socialist regimes of CEE (and FSU). This perception was augmented by the further achievements of state-socialism that included rapid industrialisation and development, the defeat of Nazism and an emerging superpower status.

If we judge the 1917 - 1960s period of state-socialism in terms of health it was a significant success. As noted previously, by the mid-1960s, life expectancy in communist Europe equalled and in some cases exceeded what could be found in the West (Sen 1981; Wilkinson 1996; Cockerham 1999). This period was the apogee of European communism, putting the Soviet bloc on a par industrially and militarily with the West. It was also a period where many advanced their status and material position as indicated by the substantial improvements in both intra and inter-generational social mobility (Lovenduski & Woodall 1987).

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<sup>11</sup> The 'new class' were essentially beneficiaries of the new system: communism. Members of this class, frequently of working class and peasant origin, were advanced by the party into positions of power due to their class pedigree. This group soon became accustomed to the power and privileges that went with their elevated status. See (Djilas 1957, 1998; Szelenyi 1978, 1983, 2009).

From the late 1960s, a mounting polarisation of the socioeconomic situation began in CEE. Social mobility slowed and downward mobility became a feature of CEE (Lane 1982). State provision in “education, housing, consumption and control of life became increasingly important” (Lovenduski & Woodall 1987:138). Moreover, it was clear that “new patterns of social mobility did not break down traditional patterns of internal recruitment to privileged positions” (Lovenduski & Woodall 1987:137). As a result, “increasing disparities in socioeconomic conditions were accompanied by a widening socioeconomic gradient in mortality, especially amongst men” (Kopp et al. 2007:3). Evidently, some factors in CEE were either changing or becoming increasingly marked. The failure to realise ideological objectives and the increasing apathy and hostility towards official ideology contributed significantly to popular discord with the system of state-socialism.

The dynamics of state-socialism changed society at every level. Rather than realising a classless society, society became even more fragmented: administrative position, party membership, social cleavages, sectoral employment, factory size, and geographical location replaced the boundaries of white/blue collar, urban/rural, and indicators such as age, sex, and location.

This societal shift defined the attitudes and agency of the CEE populations, shaped the division of life into the public and private spheres, determined opportunities for formal work and informal activity and led to an increasing passivity in state sponsored spheres. As Kolankiewicz & Lewis conclude:

“The apparent schizophrenic nature of life can only be understood in the context of imposed modernisation, an artificial political hegemony, the forced social decomposition and its ad hoc reconstitution of the social order and the overarching rhetoric of transvaluation contained within an official ideology having little or no basis in the cultural signifiers of society.” (1988:25)

Rather than abolish class divisions, the economic policy and ideology of the party-state created a new and complex social order. Failure to meet and reconcile the needs and expectations of the new social order led to the political crises that came to define state-socialism and ultimately led to its demise. Such a pattern of events was always likely to have a profound effect on the physical and mental well-being of the population.

By the 1980s, thanks to the work initially of Davis and Feshback (1980), it was becoming increasingly clear that health trends, particularly life expectancy, since the 1960s had begun to diverge significantly from those observed in the advanced industrial states of the West. The events of the 1960s and 1970s had been devastating to societies under state-socialism and had a profound impact on health. Between 1970 and 1991 no CEE country experienced an increase in male life expectancy and, even at age 45, the difference in male life expectancy between the best and worst European countries in this respect was almost eight years (Shkolnikov et al. 1996).

Evidence previously outlined (Appendix A), demonstrates that the increase in mortality and stagnation and deterioration in life expectancy was not the result of specific pathways like infectious diseases, genetics, medical care, or environmental pollution. Although, they clearly impacted on individual lives they are not regarded as the primary determinant of increased mortality and declining life expectancy in whole populations. Rather, the change from improving to stagnating or declining health in the communist states seems to mirror the more general stagnation and decline of the whole communist experiment and its ability to meet material, social and psychological needs. Of course, these high level determinants of health found various pathways to become manifested as morbidity and mortality (for example, alcohol abuse and stress).

It should be noted, however, that the whole population health outcomes experienced in this period were not uniform: there was divergence in terms of status/occupation, gender, age, locale, education and region. Middle aged males were the worst affected and, of that group, those engaged in manual occupations were most vulnerable (Haub 1994; Mezentseva & Rimachevskaya 1992). This was true for the Czech Republic (Janeckova & Hnilicova 1992), Poland (Okolski 1993; Wnuk-Lipinski 1990), and the former Soviet bloc generally (Eberstadt 1994; Okolski 1993). This affect was often mediated by family status, both in terms of marital status and network (Watson 1995, 1998) and form of state employment (Szelenyi 2009). During state-socialism, much of the labour force in regions such as Katowice and Moravia-Silesia were afforded many privileges. Although the workers in heavy industry were expected to work in

demanding and dangerous conditions, they were also relatively well remunerated and provided with well-regarded employment and job security.

Ultimately, the failure to realise ideological objectives and the increasing apathy and hostility towards official ideology contributed significantly to popular discord with the system of state-socialism. The ideology of state-socialism failed to maintain or guarantee the legitimacy of communist rule at the popular, and increasingly, elite levels. Between 1989 and 1991 the Soviet empire collapsed.

Considering the monolith that was state-socialism and the degree of homogeneity that existed in CEE regardless of national differences, there was a marked divergence displayed in post-communist transitions. This was due to a number of factors. First, due to the reform tendencies of the 1970s and 1980s, the countries of CEE had different starting points when the transition period began. Poland had market elements in their economy prior to 1989. Second, the package of policies and path pursued shaped future developments. Broadly speaking, both the Czech Republic and Poland had the advantage of acceptable living standards and a long legacy of industrial capitalist development. The Czech Republic also enjoyed macroeconomic stability and low foreign debt. Finally, geography was critical: Poland and the Czech Republic benefited greatly from their proximity to the E.U.'s economic powerhouse - Germany.

Both Poland and the Czech Republic were relatively successful in their transition paths. Moreover, they significantly increased social provision during the initial transition phase. Both were able to recover their 1989 output by the end of the 1990s. The situation elsewhere was quite different. For example, in Russia, GDP was still 36 per cent below 1989 levels. As Blaczyca concludes:

“The difference in performance between leaders and laggards reflects a situation in which a market mechanism (of some type) is being fairly successfully installed in the first group but sheer hopelessness appears to prevail in the second, where whatever policies are adopted seem to be incapable of restoring economic dynamism” (2003:221).

What is clear is that the market-based recovery was not immediate and took longer than expected. This was not the predicted outcome. The longer economies struggled and social costs mounted the more flawed the approach favoured by western advisors (the so-called Washington Consensus) appeared.

Orenstein (2009) notes how liberal economists have pointed out that those CEE countries that went farthest with neoliberal policy reforms did better economically than their neighbours. Poland, considered one of the most radically reformed countries, reached 127 per cent of its 1989 GDP by 2000, whilst non-reformers like Belarus had still to recover their 1989 levels. Examples such as this provided evidence to support the view of those for those who advocated neoliberal transition as 'inevitable' and 'necessary': although there would be some tribulations, the alternative was worse (2009:6).

However, many CEE countries also employed more social spending than typically advised by neoliberal reformers. Poland, the exemplar for neoliberal reform in CEE, spent up to 16 per cent of its GDP on pensions in the mid-1990s, before reducing back to 15.5 per cent in 2007 (Orenstein 2009:7). Even at this reduced level it is still one of the highest in Europe. Moreover, the rapid growth experienced in the region post 2000 undermined the assumed association between neoliberal reforms and economic growth. Most CEE countries experienced rapid economic growth after 1998-2000, even those that had not imposed radical reforms. As Orenstein notes:

“this suggests that while neoliberal reforms cannot be burdened with all the responsibility for the collapse, neither can they claim credit for the return to growth. (2009:7)

The transition to market economies created significant inequalities within post-communist societies. There is some consensus regarding the correlation between transition and its social impact, however, different conclusions are reached as to whether it was failures in the procedures of reforms or their inadequacies or incorrect application that caused the social costs (Ionita, Mandruta & Pippidi 2000:2). What is more clear is that the socioeconomic vulnerability of various social groups increased significantly during and post transition period. In addition, a great number of people were exposed to processes of social exclusion including the intensification of social borders based on ethnic, cultural and religious differences and discrimination due to age, sex and wealth (Musiolek 2002). As with the establishment of state-socialism, winners and losers emerged. Generally, inequality increased throughout the former Soviet Bloc. The CEE countries recorded lower levels and smaller increases of income inequality while those in the south and further east (as represented by Bulgaria and Russia),

experienced greater levels and higher increases in inequality. Currently, income inequality is greater in the UK than either Poland or the Czech Republic which has the lowest income inequality in Europe (Taulbut et al. 2011).

The economic contraction (and social change) that followed the collapse of communism had a dramatic human consequence. In this regard, the Stuckler, King & McKee (2009) *Lancet* article “*Mass Privatisation and the Post-Communist Mortality Crisis*” is strongly critical of the neoliberal inspired, rapid and mass privatisation that occurred in the region. This article argues that the model of privatisation is strongly related to the increased mortality rates post-communist countries experienced between 1989 and 2002<sup>12</sup>. Within this period mass privatisation and the rapid economic transformation are associated with a 12.8 per cent increase in adult male mortality rates in the post-communist countries of Eastern Europe and the former Soviet Union (Stuckler, King & McKee 2009:399).

The relationship between mass privatisation and unemployment was also clear. With the implementation of mass privatisation, unemployment increased by 61 per cent compared with countries in which privatisation was more gradual. In the majority of former Soviet countries, unemployment was strongly associated with the increase in mortality. Stuckler et al concluded:

“Four of the five worst countries, in terms of life expectancy, had implemented mass privatisation, whereas only one of the five best performers had done so” (2009:404).

They conclude that social capital, as measured by membership in social organisations, mitigates the effect of mass privatisation, stating:

“This analysis shows how the estimated effect of rapid mass privatisation on adult male mortality rates linearly decreases with increasing social capital. In countries in which more than 45% of the population was a member of a social organisation, mass privatisation had no significant adverse association with mortality rates” (2009:403-04).

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<sup>12</sup> A similar analysis is outlined in Lawrence King and David Stuckler “Mass privatisation and the Post-Communist Mortality Crisis” in Lane, David (ed) *Transformation of State Socialism* (2007)

The controversy that followed is indicative of the emotions provoked by debates around neoliberal reform. The report made the front page of the *Financial Times* (15 January 2009) prompting economist and so-called *shock therapy* advisor Jeffery Sachs to write a letter to the editor of the *Financial Times* (19 January 2009) calling the *Lancet* article a “confused polemic that will not withstand serious epidemiological scrutiny”. His line of defence was confused, noting, in reference to Poland’s radical *shock therapy*, that “Poland did not experience a surge in mortality or decline in life expectancy”. Stuckler et al. note that Poland’s mass privatisation was, as has been noted here, gradual, often hindered, and not on the scale implemented in other countries.

The debate concerning the effects of mass privatisation and more generally neoliberal reforms is ardent because vested interests are at stake. As Orenstein notes:

“it concerns not only whether the neoliberal economic reforms work in post-communist countries, but whether the free market policies will continue to be adopted in other parts of the world and whether such reforms are compatible with democracy” (2009:2).

Henryk Domanski’s examination of social stratification in post-Communist CEE *On the verge of convergence: social stratification in Eastern Europe* concludes: “intergenerational movements in East Central Europe strongly resemble the shape of basic distances and rigidities in the West” (2000:62). His findings chime with much of the analysis outlined here in reference to economic reform. That is that Hungary, Poland and the Czech Republic have come closest to Western patterns (of stratification), while Bulgaria and Russia are the farthest from them (Slovakia falls somewhere in the middle).

Although patterns of social mobility in CEE are converging towards those we would expect in the West, there may be, as Cox explains, an important distinction emerging:

“between classes and social groups defined in terms of competing economic interests, power relations and social outlooks. While some aspects are clearly influenced by long-term modernising trends (as in the West), competing social interests and political cleavages in CEE may be more influenced by post-communist economic and political transformations” (2003:238).

The marginality evident in CEE (and FSU) certainly advanced and became more widespread post-transition as the exposure to social risks and processes of social exclusion for many groups increased significantly.

So, in conclusion, health improved in communist countries during the earlier period because material living standards, equity, social mobility and access to services all improved. This supported and coincided with a sense of social cohesion and a psychological and social identification with the communist project. As communism stagnated, all these favourable features moved into reverse. When communism collapsed, health suffered profoundly. This, basically, is an argument about the links between macro social and economic determinants of health and whole population health outcomes (like life expectancy). Of course, individual and groups will manifest their own particular pathways linking determinants and outcomes. However, the detail of the pathways is not the important part of this analysis.

The other part of this analysis that is important is to make distinction between what happened in the FSU and the two countries that are of primary interest to this Thesis the Czech Republic and Poland. What has been demonstrated is both countries experienced different pathways from each other and profoundly different circumstances from the FSU and their respective health outcomes reflect these differences.

## **3.2 Western Europe**

By the end of WW II a political consensus had established in Western Europe that poverty and unemployment was not solely the product of individual inadequacies. Rather, they were structural and systemic. The political imperative became full employment. Governments, to varying degrees, increased intervention in the distribution of resources, implemented activist industrial policies and on the back of economic growth legislated for progressively munificent social benefits (Beer 1969; Foley 1998; Pierson 2006). During this period in Western Europe there was a steady increase in life expectancy. However, since the 1970s mortality differentials by socioeconomic status have increased significantly for both men and women. As such, widening inequalities are seen in many European countries, including Scotland.

Although all experienced economic growth and increases in productivity, the UK economy was in decline relative to France and Germany who experienced the *trente glorieuses* and *wirtschaftswunder* respectively. The UK, relative to France and Germany, suffered from proximate disadvantages. These included: level of reconstruction; structural capacity for 'catch up' (i.e. increases in productivity due to shift from agriculture to industry); and elastic supply of labour. The UK was also at a comparative disadvantage particularly in terms of management, labour relations and training (Flanders 1975; Crouch 1993; Crafts 1998).

Within this period the UK, France and Germany developed post-war varieties of capitalism (Schonfield 1965; Hall 2007). Economic decline and distributive conflict experienced from the 1960s to 1980s provided a challenge for each country. In order to encourage economic growth and competitiveness, each country, to varying degrees and intensity, pursued: deindustrialisation, liberalisation, privatisation, deregulation and decentralisation. In this regard the UK went furthest, pursuing a strident neoliberal strategy. France and Germany, broadly speaking, pursued solutions within the established structures of local governance and economic relations.

The models of capitalism adopted by France and Germany softened the adverse effects of economic development, deindustrialisation and subsequent post-industrial change compared to what happened in the UK. Stated in this way, such a statement is, of course, an over simplification. Nonetheless, there is a core truth that needs to be explored.

The structural changes in the economy and in modes of production typically characterised as post-industrial, have affected a gamut of political and socioeconomic outcomes, including occupational and class structures (Bell 1999), welfare states (Esping-Andersen 1999; Iversen & Cusak 2000; Wren 2001), wage equality (Iversen & Wren 1998) trade union density (Lee 2005) education spending (Jensen 2009) and, significantly, health and wellbeing (Ostry et al. 2002; Walsh et al. 2010; Collins & McCartney 2011). Although life expectancy in Western Europe has steadily been increasing in the post-war period, since the 1970s, health inequalities have become increasingly prevalent.

Noting the post-industrial shift, Eley concludes:

“As the post-war boom came to its end, so too, did the promises of permanent growth and continuously rising prosperity, receding alarmingly before the new norm of high inflation, rising unemployment and low growth. This magnified the consequences of underlying changes in the economy—the reorganising of labour markets, manufacturing decline and deindustrialisation, the reconfiguring of class and general capitalist restructuring” (2011:13).

The liberalisation and deregulation of capital markets and commercial relations has had a significant impact on traditional manufacturing and industrial enterprises and facilitated the shift towards a post-industrial service society. This has transformed both the forms of employment and the labour market, both of which are liable to impact wellbeing.

These changes have occurred to varying degrees and intensity. For, despite similar levels of economic development there is, as has been described, substantial institutional variation in the Western capitalist political economies, in terms of the means of linking production systems, labour markets, and welfare state institutions. Moreover, this divergence continues even in the post-industrial highly de-regulated and globalised environment (Kitschelt et al. 1999; Scharpf & Schmidt 2000; Pierson 2001; Taylor-Gooby 2001). As Gallie notes:

“systems differ in a relatively systematic way in terms of the extent of involvement of organised labour in decision-making, the principles underlying employment policy, the role attributed to the public sector, the salience of quality of working life programmes, the institutional provision to support the combination of paid work and family and the level of welfare protection offered to the unemployed” (2007:17).

These institutional arrangements are primarily conceptualised as ‘welfare regimes’ ‘varieties of capitalism’ (VoC) and ‘production regimes’. The leading approach to the study of welfare regimes is based upon Esping-Andersens *Three Worlds of Welfare Capitalism* (1990), and the lens of a typology using three (sometimes four) types of regime. In the varieties of capitalism and production regime literature, Soskice’s (1994) distinction between flexibly coordinated and deregulated market economies directed researchers towards the degree of convergence or divergence between capitalist societies as determined by their approach to reconciling coordination problems in areas such as industrial

relations, inter-firm cooperation, investment or vocational training (Hollingsworth, Schmitter & Streeck 1993; Soskice 1994, 1999; Hall & Soskice 2001; Hancké, Rhodes & Thatcher 2007; Lane & Myant 2007). As such, it added to the discourse on corporatism and industrial relations that had focused primarily on the institutionalised arrangements between the state, labour and employers. A Gallie notes, they: “provide an account of the inter-linkages of many different institutional characteristics, affecting diverse spheres of social interaction” (2007:13).

Although, each looks through a different lens, the analysis is broadly similar. As Esping-Andersen (1990) and Kolberg (1992) argue, welfare state regimes are interrelated with different labour market institutions and policies. Although the VoC analysis focuses primarily on factors sustaining competitiveness in manufacturing and on the organisation of capital and labour, these institutional arrangements, as observed here, can be seen as national and/or economy-wide and are divergent in the extent and nature of state involvement in capital and labour markets (see Kitschelt et al. 1998; Schmidt 2002, 2003).

The first indicates the divergent types of institutional arrangements broadly related to a state’s welfare policies (Esping-Andersen 1990). The second indicates a country’s “organization of production through markets and market-related institutions” (Soskice 1999:101). A marked and important divergence in these arrangements is between ‘liberal (uncoordinated) market economies’ and ‘coordinated market economies’ (Soskice 1999). The liberal production regime is characteristic of Anglo-Saxon countries (e.g. the UK) and combines deregulated labour markets, short-term time horizons of financial systems and companies, a highly competitive enterprise environment, and an emphasis on general education to provide and maintain skills (Soskice 1999). The coordinated production regime is characteristic of continental and northern European countries and combines, instead, regulated labour markets, a financial system which accommodates long-term financing of companies, more cooperative industrial and inter-company relations, and an emphasis on serious and coordinated vocational training to provide skills (Soskice 1999).

Huber and Stephens state that “the same welfare regime is compatible with different - but not any - labour market institutions and policies” (Huber &

Stephens 2001:109). The liberal or uncoordinated market economies, “due to the imperative to keep labour costs low and maintain managerial prerogatives” (Hult & Svallfors 2002:316), typically have less extensive welfare policies. The UK is a leading example and, as such, spends less on social provision: this is facilitated by means testing and targeted benefits while allowing market forces to influence policy outcomes. Safeguarding against labour-market and life course risks beyond a rudimentary level is left to private insurance and savings schemes sometimes supported by complementary state policies e.g. tax credits (Esping-Andersen 1990; Huber & Stephens 2001).

The coordinated market economies are more dependent on welfare state arrangements where higher levels of social spending are maintained whilst pursuing policies that bolster the prevailing status quo and allow for the reproduction of a skilled workforce. Germany, and to a lesser extent France, where the state played the leading role in this regard, are examples of such a regime where the welfare state is extensive and aims to protect (at least) the working population from the social risks connected to market dependency and the life course (Esping-Andersen 1990; Huber & Stephens 1999, 2001). Both Germany and France have exhibited a tendency towards ‘early exit’ from the labour market, with much lower participation among the elderly (Ebbinghaus 2000). Also, at the height of deindustrialisation, both Germany and France pursued a process of labour shredding to reduce the social costs of unemployment both short-term and long-term. The state, utilised early retirement (and even definitions of disability) and funded many of the social plans designed to mitigate the increase in unemployment. Time spent in education for the younger population was also increased.

In addition, traditionally, they have also limited the entry of women to the labour force via the breadwinner model (Lewis 1992; Ostner 1995). In the initial post-industrial period when there was a demand for labour, foreign labour was imported in large numbers. Moreover, a large percentage of the domestic labour force was covered by union contracts. This prohibited the rapid expansion of a low wage service sector which has been a primary source of employment for women in an uncoordinated economy such as the UK. This limited the extent to which a dualist labour market could exist with low wage sectors based predominantly around routine service jobs (as is the case in the UK). Despite the

early entry of women into the labour market in the UK, social policy was and remains more working mother friendly in coordinated economies like France and Germany (Hubert & Stephens 1999).

The success of the coordinated market economies depends heavily on the continuous reproduction of a highly skilled and highly motivated workforce. Only in this way can they compensate for the comparatively high wages and other labour costs, by competing through quality rather than lower costs. To facilitate this, employers are able to organise collectively in training their labour force. Skills are often specific and linked to a particular occupation or sector. This coordination extends to technology sharing, providing export marketing services and advice for R&D and for product innovation, setting product standards, and bargaining with employees (Soskice 1999; Hall & Soskice 2001). This institutional capacity and culture for a cooperative approach allows for long-term strategising and as Huber and Stephens conclude: “shapes stable patterns of economic governance encompassing a country’s financial system, its vocational training, and its system of industrial relations” (1999:4-5).

There is, broadly, a consensus in the coordinated economies regarding successful competition in the globalised world. That is, where possible, to maintain existing social and economic relations. This necessitates the highly skilled labour force and an ability on the part of unions to maintain a level of wage restraint and flexibility required to maintain global competitiveness. Unions are typically founded along industrial lines and play, particularly in Germany, an effective role in negotiating working conditions within enterprises and in setting wage levels for the economy as a whole. Banks and industries, and in the case of France, the state, are strongly aligned, providing enterprises with stable and preferential sources of long term credit (Hubert & Stephens 1999; Soskice 1999; Hall & Soskice 2001).

In the coordinated economies, the combination of strong unions and dependence on competitive exports necessitated a policy of wage restraint and the institutional capacity of unions, employer’s organisations, and the bargaining process secured such a policy. This has allowed enterprises to remain competitive with skilled and committed workforces, and afforded the labour a high level of social protection.

In the liberal market economies, particularly the UK, relations between management and the labour force are more of a short-term character and based on unilateral control by management. They are dependent on the combination of a highly motivated and dedicated management, and a low-skill, low-wage, mass of workers whose commitment is induced more by external control than by commitment to occupation or enterprise. Training for basic level workers, which in these economies is a sizeable proportion of the labour force, is not undertaken by private business and is generally ineffective. The UK has pursued a voluntarist approach to training, leaving it to the market or firms to organise independently of the education system. Moreover, there are negative attitudes socially regarding vocational education and training, the standard of which is low (Rubery 1994).

Unlike the coordinated economies, trade unions are regarded as impediments to enterprises and, as such, have a marginalised role in employer decision making and coordinating activities. Due to the nature of industrialisation, the state has an arm's length role and bank-industry ties are weak. This puts enterprises at risk from merger and acquisition and forces them to rely on competitive markets to raise capital for investment (Hubert & Stephens 1999; Soskice 1999; Hall & Soskice 2001). Therefore, for large sections of the labour force, job security and, as a consequence, commitment is low. State action in order to augment commitment to employment and work has been meagre and more focused upon various 'workfare' arrangements than towards creating or encouraging conditions for work and employment as a positive choice (King 1999).

An additional concern, is that capital accumulation is no longer dependent on the development of a strong manufacturing and service base. Increasingly, UK policy has encouraged a profit based strategy rather than focusing on the development of what might be called the real economy. As Rubery explains:

"British firms do not see themselves as producers but asset managers; issues such as developing new products and technologies to enhance Britain's long-term competitiveness are treated very much as of second-or third-order importance to ensuring a decent return on capital even if this means divesting all direct manufacturing activities" (1994:342).

This ‘hollowing out’ of the economy, is the reason many individual enterprises in the UK will not commit to or develop a high-value-added skilled production system.

The typologies outlined are idealised types, but are useful in explaining the paths taken by the countries and regions analysed in this thesis. Moreover, despite the different lens of analysis, many aspects of the VoC, production regime and welfare state exist together and complement one another. As Huber and Stephens observe:

“wage levels and benefit levels have to fit, and labour market and social policies have to be in accord such as not to create perverse incentives. In addition, the type of production for the world market has to fit with the qualification of the labour force and with wage and benefit levels. Business, labour, and government coordination in R&D, training, and wage setting makes it possible to engage in high quality production and thus to sustain high wages and a high social wage”

The combined welfare state regimes and production regimes, particularly their labour market aspects, result in very large differences in the distributive outcomes. As is widely reported, relative to France and Germany, the UK has been unsuccessful in combating poverty (as defined as less than 50 per cent of the median income in the country in question). Income inequality is also more prevalent in the UK (Wilkinson 1996; 2005; Wilkinson & Pickett 2009).

Huber and Stephens, note two policies that have been particularly effective in combating poverty: pensions and family policies (1999:8). The aged and single mothers are traditionally two groups most at risk from poverty. Replacement rates in unemployment and retirement are typically greater in France and Germany - particularly during the period of deindustrialisation (Seeleib-Kaiser et al. 2010). However, as Palme’s (1990) demonstrates, the level of minimum pensions, that is those not earning related, were the main factor in accounting for the international differences in at risk of poverty rates amongst the aged.

As for single mothers, the two factors which appear to explain the most variation in poverty rates are child allowances and high levels of labour force participation among young women (which is in turn a product of policies supporting mother’s employment) (Gornick et al. 1998).

As to redistribution via taxes and social transfers, Korpi and Palme's (1998) analysis establishes that systems which combine basic security, a term that usually refers to transfers with flat rate benefits, and income security, transfers with earnings related benefits, have the greatest redistributive impact. In coordinated economies the welfare states were employment based and earnings related. The basic needs of those without employment based benefits were mean tested. However, coordinated economies are still more egalitarian in their impact than the liberal welfare states like the UK with their greater dependence on programs that directly target those in need. Korpi and Palme termed this the 'paradox of redistribution'. The coordinated economies were greater in scale. Although those with employment related benefits were better off, a greater expenditure on welfare generally assured a basic security for those without employment benefits at least as good as the uncoordinated economies like the UK. In addition, where benefits are generous, they work to marginalise private (typically inegalitarian) alternatives.

The neoliberal shift in the UK, although ideological, was advocated as a way to facilitate post-industrial change with a view to sustaining economic growth and stimulating employment. The generous welfare states of the coordinated economies, it was suggested, were limiting economic growth and contributing to unemployment. However, UK growth (i.e. annual per cent increase in GDP) which had been significantly lower in the 1960s and 1970s only marginally exceeded France and Germany in the 1979-1989 period, 2.2, 1.6 and 1.7 per cent respectively. By the 1990-1993 period, UK growth was -0.3 compared with 0.2 and 2.1 respectively. UK unemployment (as a percentage of total workforce) was greater than both France and Germany in the 1980-1989 period and in the 1990-1994 period was still greater than Germany and only marginally better than France (OECD database; Huber & Stephens 1999). Moreover, it is important to note that increases in UK productivity were secured via the expansion of employment rather than technological upgrading, both of which have, in turn, fostered growing consumer expenditure and debt (Wilkinson 2007).

Both France and Germany, had developed their welfare states in economies open to trade. They were also built around the interest of the export sector workers who, along with their unions, had a vested interest in the competitiveness of the export economies. As Huber & Stephens conclude:

“These countries chose a high quality production niche in the global economy based on highly skilled and educated labour, cooperative production, and capital intensive production techniques, which is compatible with both high wages and generous social benefits” (1999:8).

However, as each state attempts to adapt to the New social Risks (NSR's) associated with post-industrialism they are all, to varying degrees and intensity, subject to a prevailing consensus of neoliberal austerity and retrenchment. In the case of these countries, the dynamic for retrenchment appears to be driven by ideology or unemployment. In the 1970s the governments sought to counter the deteriorating economy with traditional Keynesian counter cyclical policies. However, by the 1980s they came to realise that the global economy had changed fundamentally. Moreover, rising unemployment increased public expenditures. As Pierson (1996) argues, the politics of retrenchment were different from those of welfare state expansion.

In France and Germany electoral constraints worked against major departures from the established welfare state models. Despite rhetoric on both sides, the right was limited in its capacity for retrenchment due to the popularity of the welfare settlement while the economic deterioration limited the left's capacity to raise taxes in order to maintain the status quo. In the UK, the cuts were ideological. The majority rule system of the UK meant the conservative government was able to pass legislation which was deeply unpopular with large groups within the population. In the UK the welfare state regime went from one that provided basic income security to one that was residualist and relied greatly on means testing. Although provision is in some ways universal, accounting for means-testing, in terms of the proportion of GDP allocated to the welfare state and the munificence of benefits, the UK lives up to its ideal type: liberal market economy.

The path set out by the Conservatives under Thatcher has endured and both New Labour and the current coalition government have augmented that trajectory. The processes commonly characterised as neoliberalism, which were considered in the UK context to facilitate deindustrialisation and provide a foundation for future socioeconomic development, have impacted adversely on many in the UK. Rather than stimulating economic development and encouraging innovation, an

increased role for the market has to a greater extent increased inequalities; led to skill polarisation; made many jobs less secure; and disadvantaged many in precarious labour market positions. The relative success of the other deindustrialised countries studied here cannot be attributed to one common factor or set of factors but reflects, in each case, a different institutional arrangements and approach to economic development.

The coordinated economies have, despite some periods of high unemployment and inactivity, been better at keeping people out of poverty and protecting against the social costs associated with post-industrial change. This is due to the fact they are embedded in production regimes with greater contract coverage, worker protection and thus less inequality in income distribution. Importantly, the uncoordinated approach to slow economic growth, lack of competitiveness and high unemployment (namely, the deregulation of the production regime and retrenchment of the welfare state into a residual one), is unlikely to be pursued. The reason for this is that the social costs endured as a result of a low-wage and low-skill economy would be politically unpopular. Hence, Germany and France, broadly speaking and relative to the UK, eschewed neoliberalism and pursued a more gradual and socially inclusive path toward economic restructuring and future economic development (Couch 2011).

### **3.3 Conclusion**

As already outlined, there is consensus within the field of public health regarding the effect of socioeconomic determinants upon health outcomes. Social, material and psychosocial factors mediate health. For example work, unemployment, stress, social exclusion, social support and the social gradient (see Marmot & Wilkinson 2003). Divergence in life expectancy between population groups is a product of the characteristics of a society, not differences in health care/systems. Environment determines the risk of disease, when a person's social and cultural environment changes, their disease risk changes. Health inequalities are not solely determined by poverty. There is a socioeconomic gradient, as one moves down that gradient life expectancy gets shorter and the burden of disease gets higher. The experiences outlined in CEE illustrate this acutely and in the advanced industrial states of Western Europe major determinants of health or ill-health are inextricably linked to social and

economic context (Doyal & Pennell, 1979; Townsend & Davidson 1992; Acheson, 1998).

The coordinated economies of Germany and France managed better in terms of employee wellbeing and, ultimately, life expectancy. Their production regimes encouraged market strategies founded upon high quality and niche production (Streeck 1992) that depended on highly skilled employees. This was facilitated by strong initial vocational training systems and specialised skills across the broad spectrum of the workforce (skilled manual workers, technicians, and engineers). This mode of production demanded more cooperative industrial relations to safeguard cooperation from highly skilled and hence powerful employees', with employee elected bodies affiliated with industrial unions playing a substantive role in company decision-making (Soskice 2000; Gallie 2007).

This high skill 'equilibrium' contributed to security and wellbeing as employers were, due the training costs and market power of transferable skills, less inclined to casually hire and fire employees. This situation was augmented by the nature of industrial relations which required long-term and cooperative associations with employees. It also had implications for the welfare systems: where there is investment in skills, employers and employees "prefer welfare programmes and policies that reward and protect these investments for the future" (Estevez-Abe, Iversen & Soskice 2001:160).

In contrast the UK production regime was commonly categorised as a low-skill, low-value added system of production, whose competitive edge was often founded upon low wages and lack of restrictions on the employment of labour (Lane 1992; Finegold & Soskice 1998). Out of this developed a low-skill 'equilibrium' considered beneficial by employers who had adjusted their systems of organisation and production to make few demands on the workforce, other than to accept low wages and atypical employment: a consequence of a long-term attitude towards training and education reinforced by cultural attitudes and practices (Rubery 1994). This has certainly impacted upon industrial relations and contributed to the adversarial relations that have been typical of the UK.

More recently, the UK has been characterised in terms of its highly polarised skill structure. The inadequacies of the vocational training system at post-compulsory secondary education level has left many with no or weakly developed skills. However, the UK liberal economy is heavily orientated toward the provision of internationally competitive services and systems for example finance, defence, telecommunications, which require significant numbers of 'highly trained and mobile' professionals. As Gallie notes:

“The emphasis on rapid technological innovation encourages organizational structures that allow high levels of unilateral managerial control, and the consequent marginalization of unions, while the need to take advantage at short notice of new skills on the labour market requires a regulative system that allows employers to hire and fire employees at low cost” (2007:15).

The path of the CEE countries is still to be determined. Currently, they share characteristics of both the coordinated and liberal economies which, as discussed, in the VoC/production regime literature are described as dependent market economies. They have comparative advantages in the assembly and production of relatively complex and durable consumer goods: based on institutional complementarities between skilled, but cheap, labour; the transfer of technological innovations within transnational enterprises; and the provision of capital via foreign direct investment. At least in terms of social protection, the Czech Republic, due to the levels of social solidarity, is considered closer to the coordinated model. Poland, due relatively low coverage and high vulnerability rates, is considered closer to the UK.

### **3.4 A simple framework for further analysis**

Thus, we see that life expectancy follows successful socioeconomic development within a state that enjoys support from the population. Again, individual determinants of health matter but their importance is subordinated within large economic, social and political processes.

In all the countries covered in this analysis, deindustrialisation damages health and slows improvements in life expectancy and in some cases puts them in reverse. However, the amount of harm to health caused by deindustrialisation and subsequent post-industrial change can be softened by (i) slowing the rate of

deindustrialisation (ii) the broader socioeconomic context specific to individual countries or regions (iii) providing effective social protection.

What emerge here, therefore, are three headings under which we can examine the link between life expectancy trends and the economic, political and social context of regions that have undergone deindustrialisation. These are:

- (i) the speed and nature of deindustrialisation
- (ii) the broader socioeconomic context specific to individual countries or regions
- (iii) provision of effective social protection.

This simple framework will be used to investigate West Central Scotland and the four European regions following this chapter.

### **3.5 Comparable data for the five post-industrial regions**

This section is intended to complement the case studies presented in the chapters that follow this. Presented are a table and series of figures (1-22) comparing data for the five selected regions. The table and figures are referred to in each of the individual case studies that follow. Most of the data has been collected in the context of the previously discussed *Aftershock* work. Where possible these data have been updated. However, due to the use of census and social surveys etc. that has not always been possible. Information on the data sources and details of the variables are provided in Appendix B. As discussed in the methods chapter such an approach has recognised limitations. For example, in some instances, where indicated, proxy geographies have had to be used. Although, the use of proxy geographies highlights the difficulties of obtaining comparable data sets, it also further emphasises the suitability of these regions in the context of this thesis, given the comparable data which is available.

### **3.6 Proxy geographies**

The area defined as WCS is shown in Figure 1.1 (pg.18). However, a number of other geographies have been used to represent WCS. These are: Greater Glasgow

(the boundaries of the old NHS board area before expansion in 2006<sup>13</sup>); and Strathclyde (as defined by the boundaries of the old local government region<sup>14</sup>). In addition, the area of ‘South West Scotland’ has been used. This is defined as the ‘NUTS’<sup>15</sup> region used, for example, by Eurostat. This region includes WCS, but also integrates the more affluent (but less economically productive) Dumfries & Galloway area, and this is likely to impact to a degree on the data presented.

Similar data limitations meant that for the presentation of some indicators for some regions it was necessary to use other proxy geographies. These include, North-Rhine Westphalia occasionally used in place of the Ruhr and South Poland (encompassing Silesia and its neighbouring province, Malopolskie) for Silesia. Note that where a proxy geography has been used, it is indicated below the relevant Figure, and will often be also referred to in the text and Appendix B.

### **3.6.1 Silesia/Katowice**

In the first ‘Aftershock’ report, the post-industrial region in Poland was referred to as ‘Katowice’. This was one of the old provinces (voivodeships) of Poland. In 1999 it became part of the slightly larger province of Silesia (*Slaskie* in Polish). With one or two minor exceptions, the data presented in this report relate to Silesia, and this name is therefore used in preference to ‘Katowice’.

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<sup>13</sup> The former Greater Glasgow Health Board, which existed before 2006, covered Glasgow City, East Dunbartonshire and parts of West Dunbartonshire, East Renfrewshire, North and South Lanarkshire.

<sup>14</sup> The old Strathclyde region approximates to the definition of WCS shown in Figure 1.1, but additionally includes Argyll & Bute.

<sup>15</sup> Nomenclatures of Units for Territorial Statistics (NUTS) are the standard geographies used by the European Union to divide countries into regions and sub-regions. NUTS II regions have populations between 800,000 and 3m.

### **3.7 Case study structure**

Each of the case studies is similarly structured and in each section the comparative data contained in this chapter will be referred to - providing a comparison across the regions. Within each case study there is additional data providing a direct comparison between the region discussed and WCS. The indicators have been selected on the basis of the three previously established headings and highlight the degree of divergence in terms of deindustrialisation, changing socioeconomic context, and effectiveness of social protection.

As discussed, the case studies consider research objectives and questions for each selected region, in light of the national contexts outlined in this chapter and appendix A. The structure of the case studies contained in chapter 4-8 is as follows. First, deindustrialisation is considered with a focus on national and regional responses, the path of economic restructuring and the effect on employment. Second, the changing regional context is described and discussed and the impact of that change in terms of skills and education, social capital and income inequality is considered. Finally, the nature of the change to social protection is discussed.

**Table 3.1: Post-industrial European regions: country, size, industrial specialisation and employment loss.**

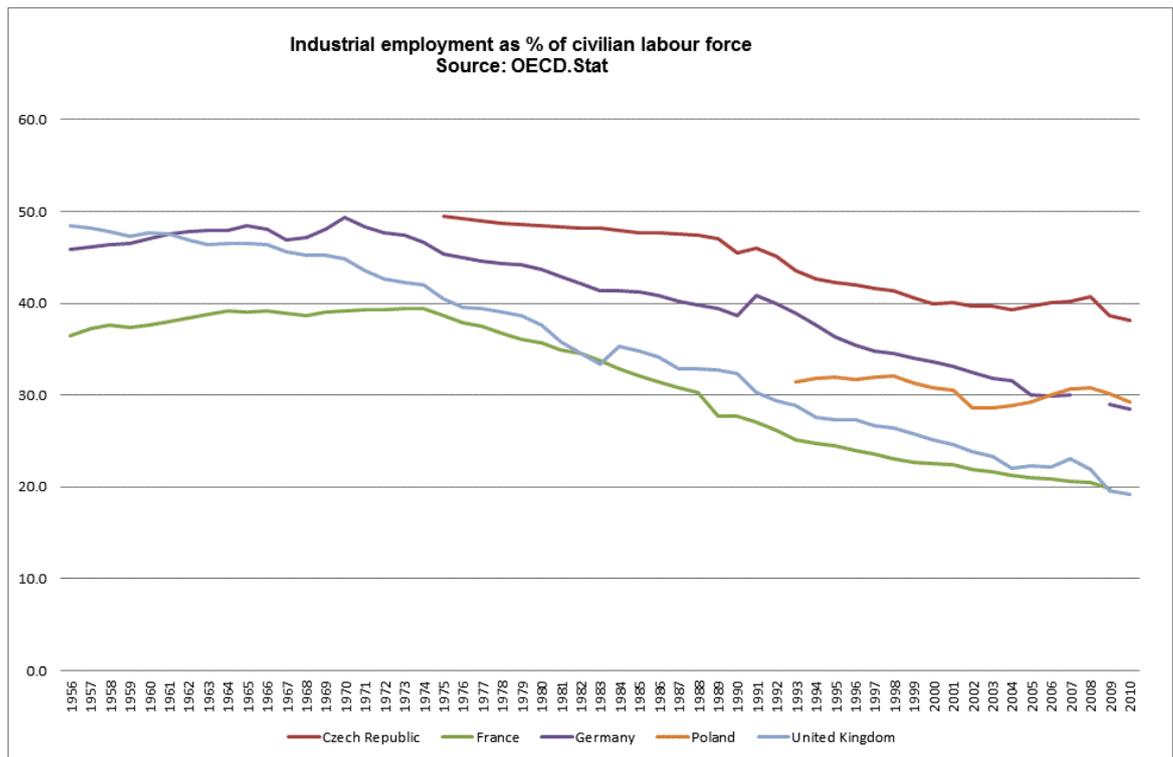
Region	Country	Population <sup>16</sup>	Year of Industrial Employment Peak <sup>17</sup>	Principal Historical Industries	Total Industrial Employment Loss <sup>18</sup>	Percentage of industrial employment. Year 2005
Katowice (Silesia)	Poland	4.1m	1977	Coal, steel, automobiles, zinc	-55% (1980-2005)	42.8
Northern Moravia	Czech Republic	1.9m	1986	Coal, steel	-19% (1993-2005)	42
Nord-Pas-de-Calais	France	4.0m	1974	Coal, textiles, steel	-43% (1970-2005)	26.4
Ruhr area	Germany	5.3m	1970 (West Germany)	Coal, iron steel	-54% (1970-2005)	28.1
West Central Scotland	Scotland	2.1m	1965	Shipbuilding & support industries (iron, coal, engineering)	-62% (1971-2005)	19.9

<sup>16</sup> Population at 2005 for all regions except NPdC, for which the year is 2003.

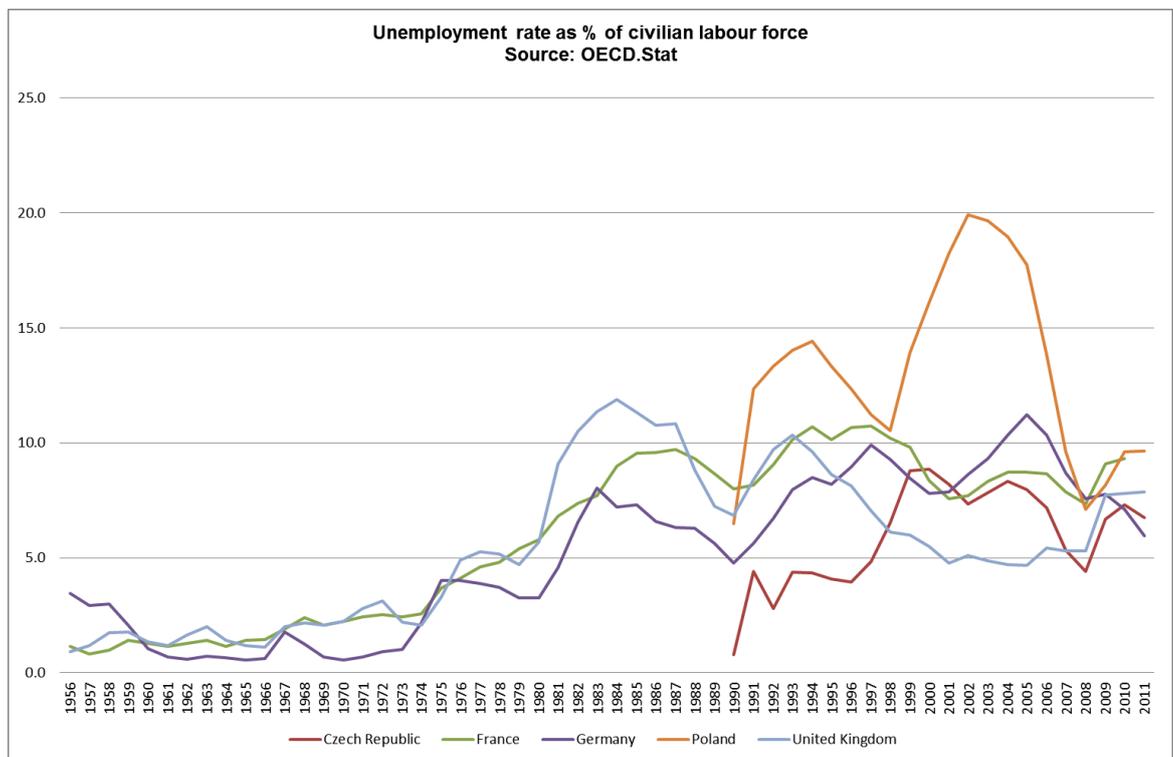
<sup>17</sup> Employment peak of the parent country, rather than the region.

<sup>18</sup> This column shows the percentage decrease in the number of industrial jobs in each region over the time period shown in parentheses. The time period is between a 'base' year and 2005. For Western European areas, the base year is the year closest to 1970 (the peak year of industrial employment in Western Europe) for which industrial employment data were available at the time of undertaking the analysis. For the Central and Eastern European regions, data availability largely determined the base year: 1980 for Katowice/Silesia and 1993 for Northern Moravia.

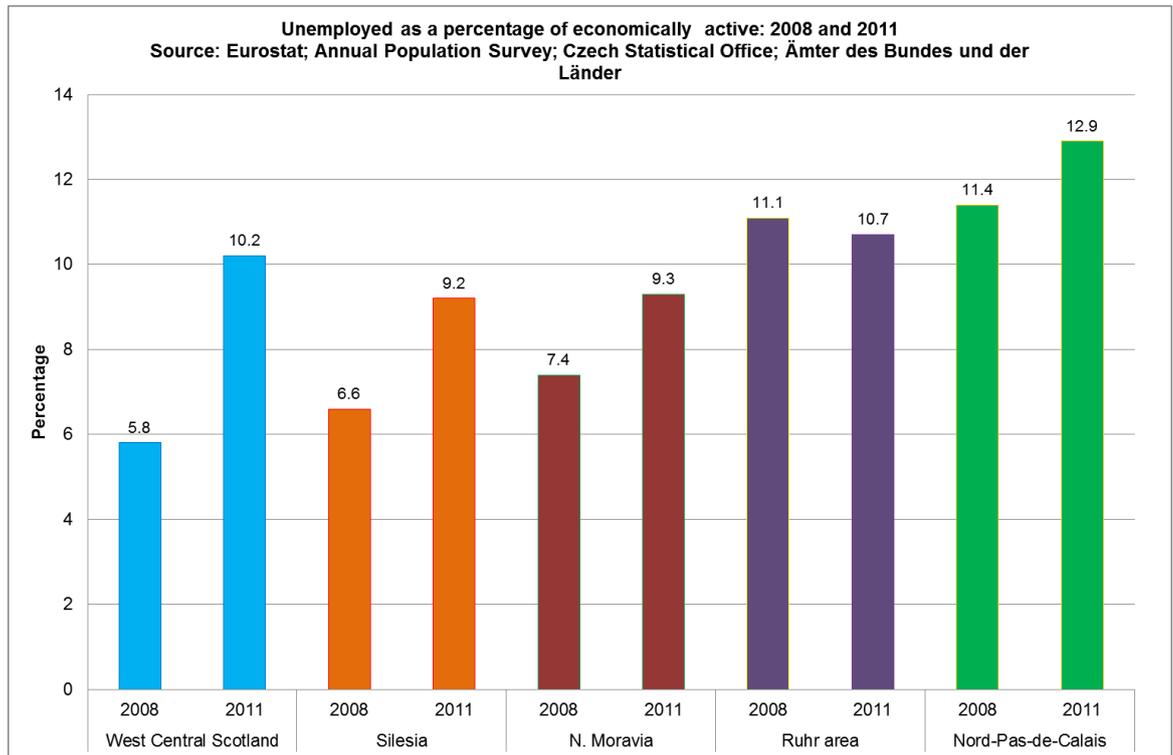
**Figure 3.1: Industrial employment as percentage of civilian labour force for five host countries: 1956-2010.**



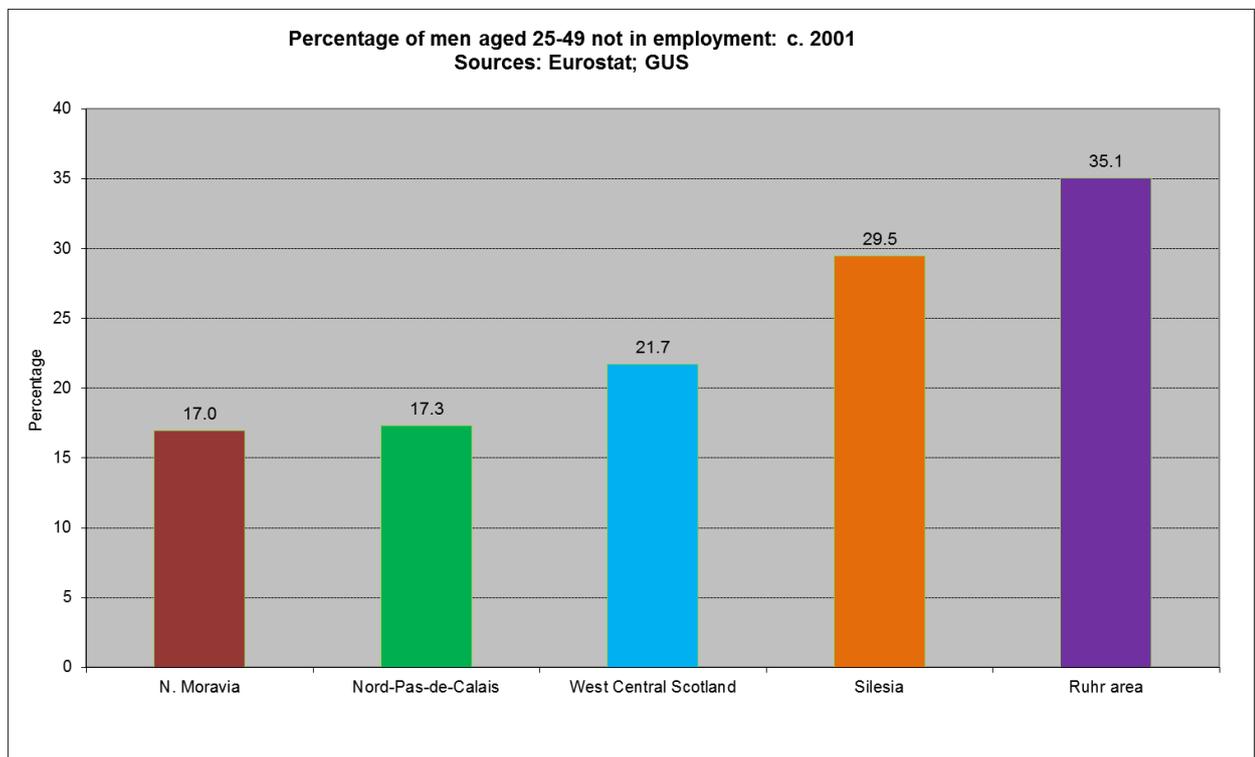
**Figure 3.2: Unemployment as a percentage of civilian labour force for five host countries: 1956-2010.**



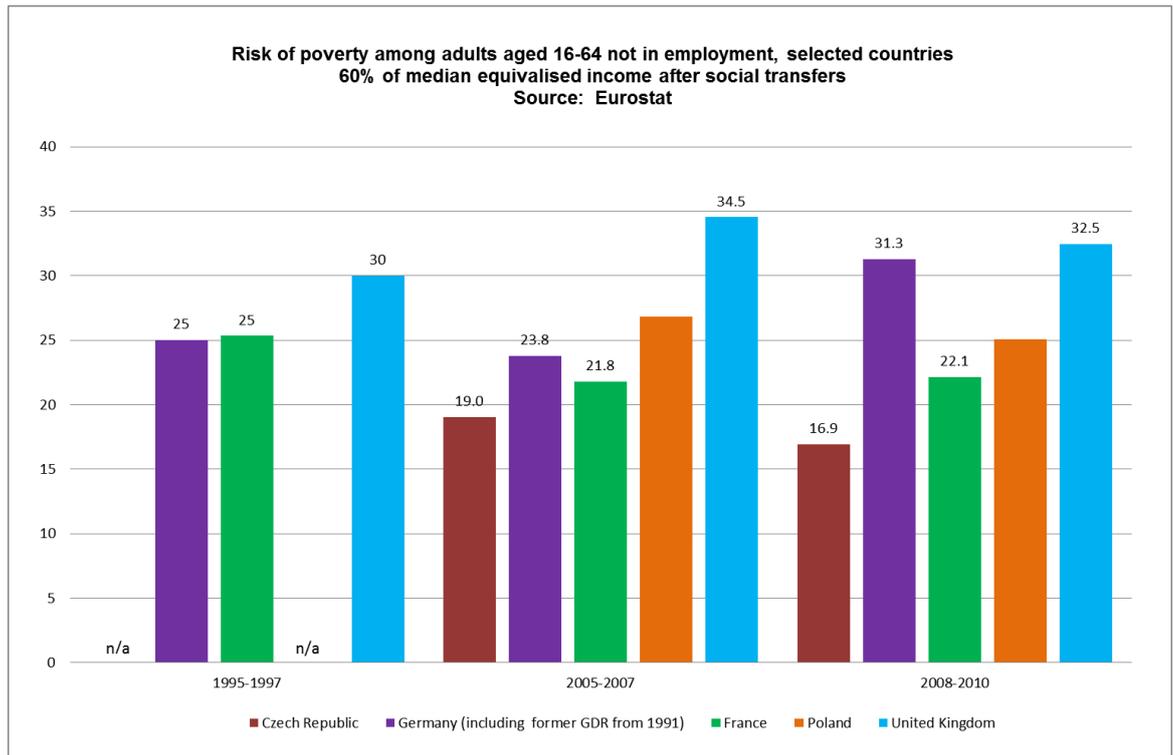
**Figure 3.3: Unemployed as a percentage of economically active population in host countries for years: 2008 and 2011.**



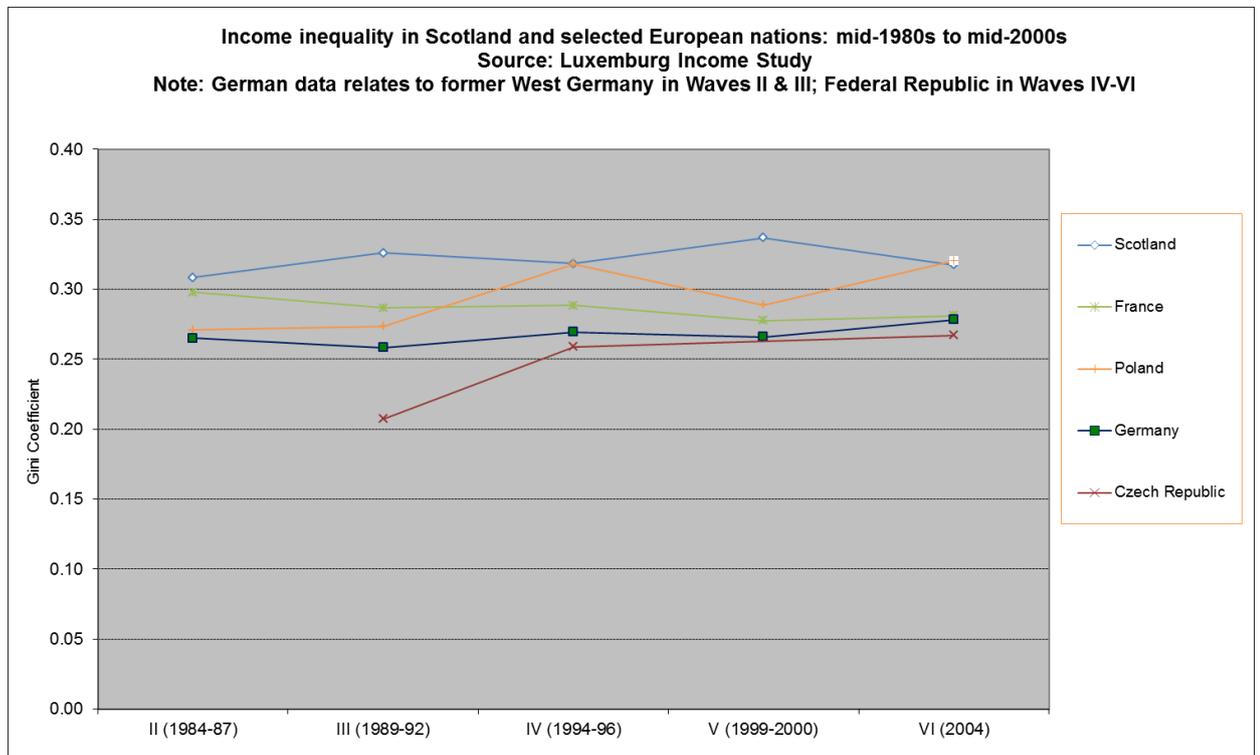
**Figure 3.4: Percentage of men aged 25-49 not in employment in selected regions: 2001.**



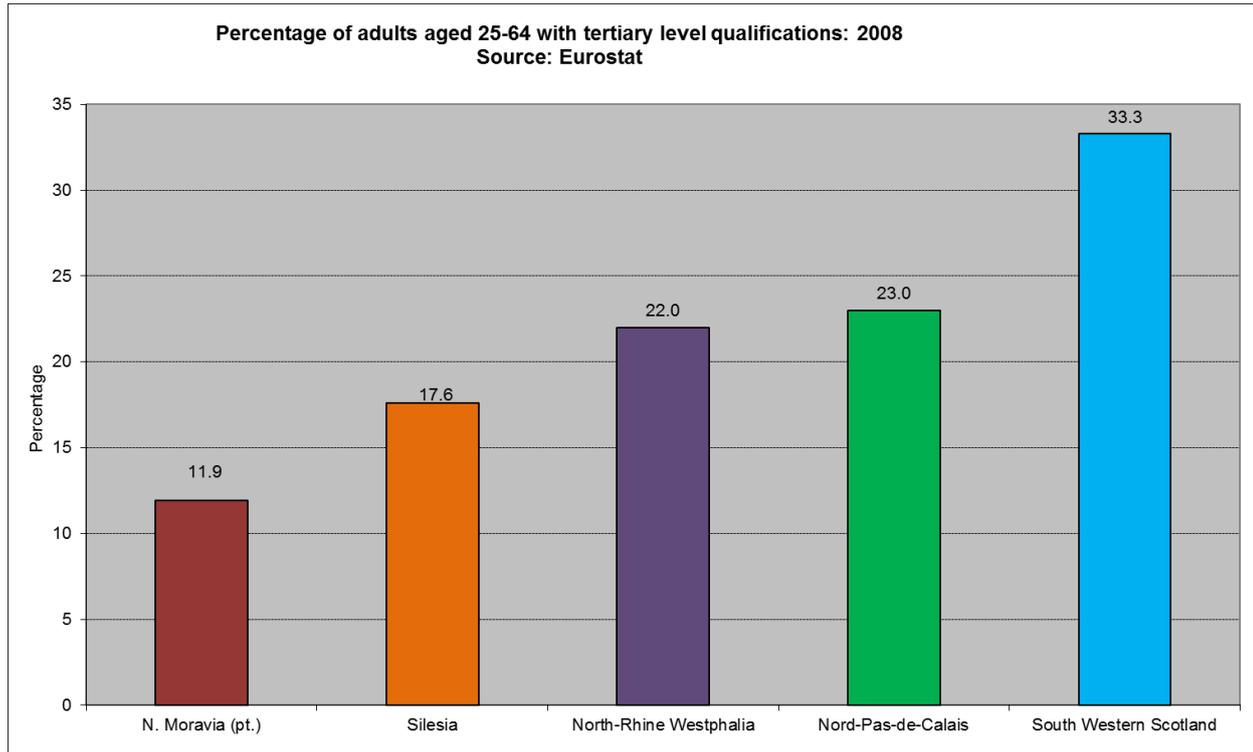
**Figure 3.5: At risk of poverty rates for working age adults not in employment in host countries: 1995-210.**



**Figure 3.6: Income inequality over time in Scotland and host countries: 1984-2004.**

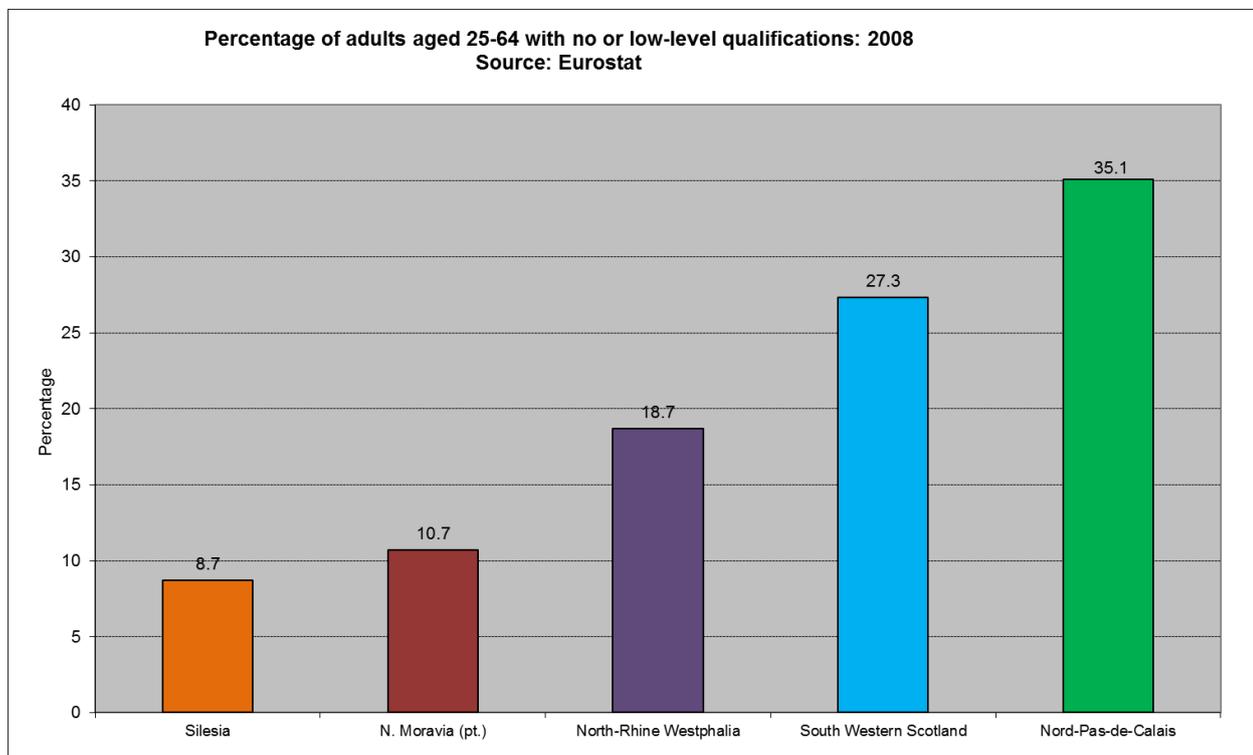


**Figure 3.7: Percentage of adults aged 25-64 with tertiary level qualifications in selected regions: 2008.**



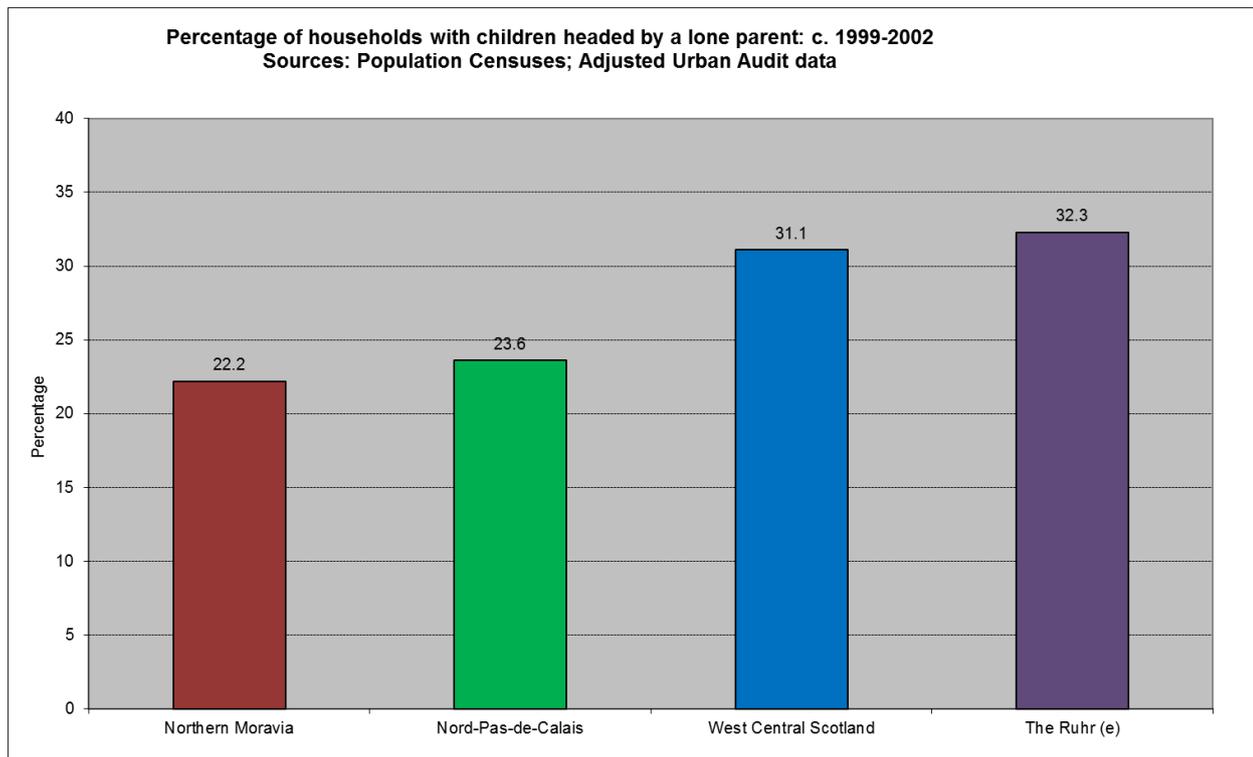
NB: S.W. Scotland used as proxy for WCS. N. Moravia (pt.) figure based on Moravskoslezsko region. North-Rhine Westphalia used as proxy for The Ruhr.

**Figure 3.8: Percentage of adults aged 25-64 with no or low-level qualifications in selected regions: 2008.**



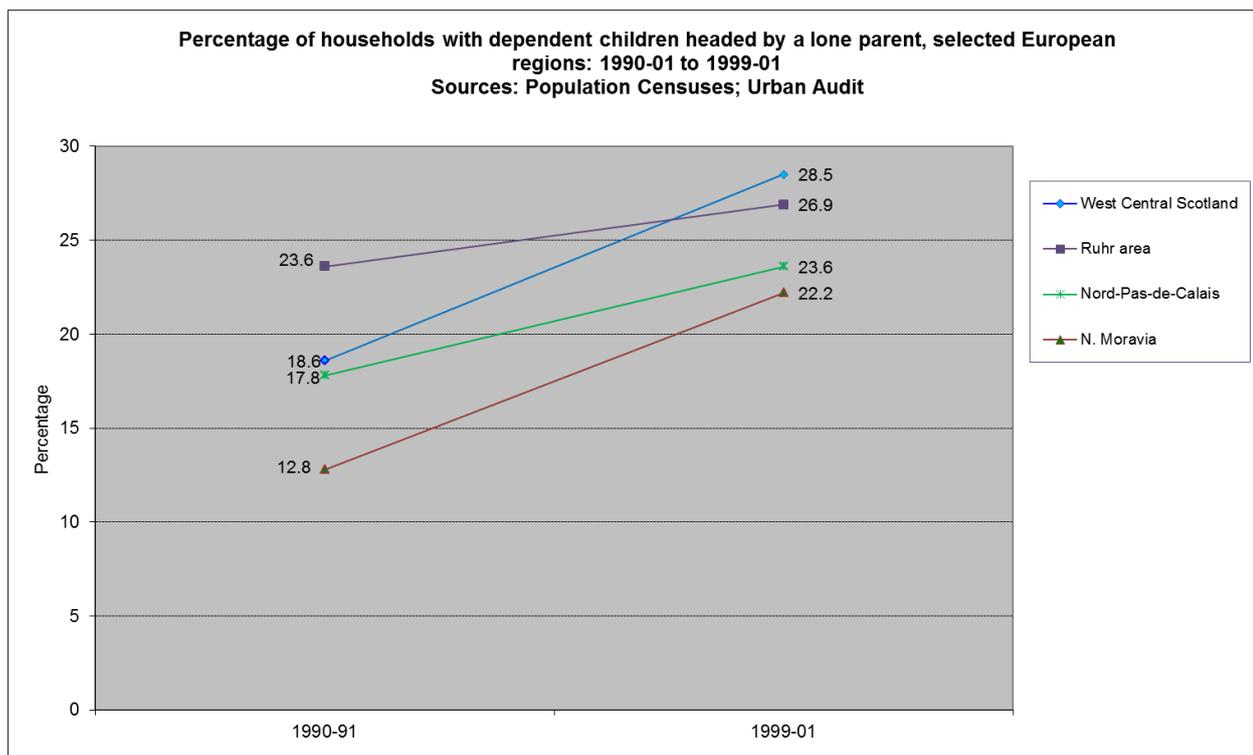
NB: S.W. Scotland used as proxy for WCS. N. Moravia (pt.) figure based on Moravskoslezsko region. North-Rhine Westphalia used as proxy for The Ruhr.

**Figure 3.9: Percentage of households with children headed by a lone parent in the selected regions: 1999-2002.**

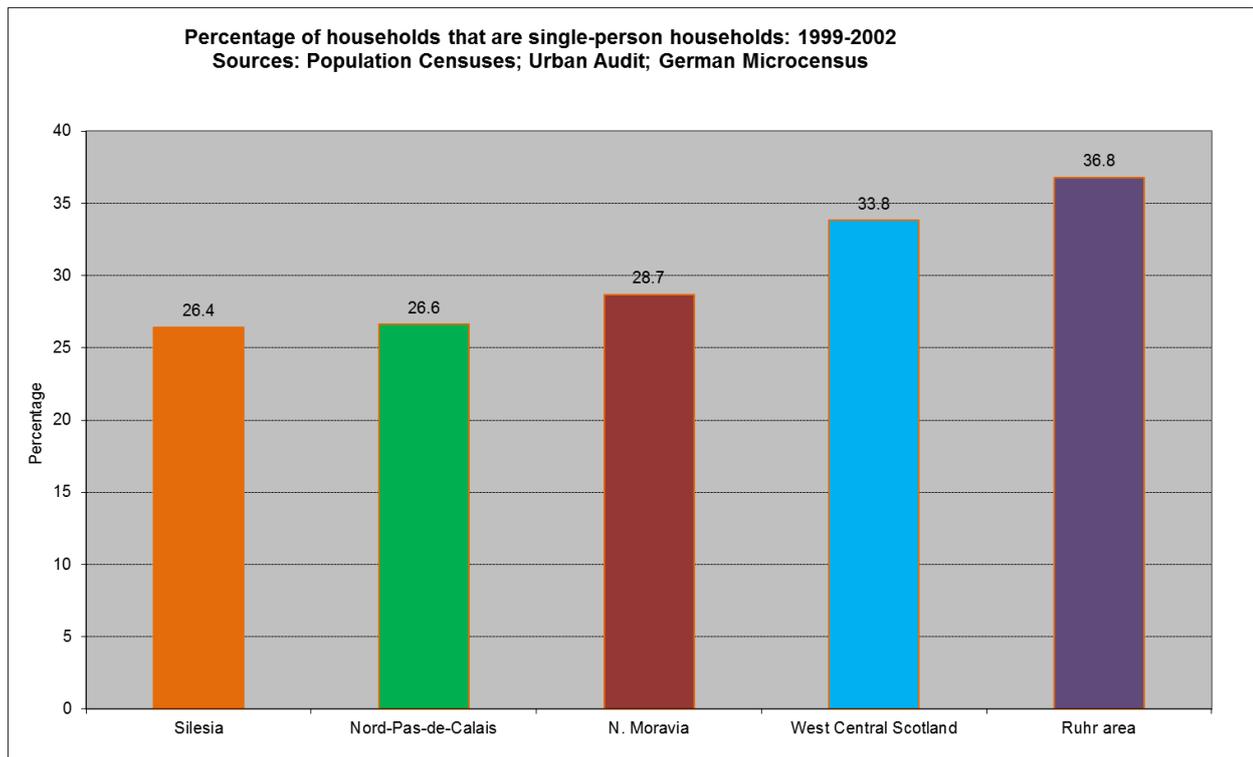


NB: Ruhr data is an estimate, based on adjusted Urban Audit data.

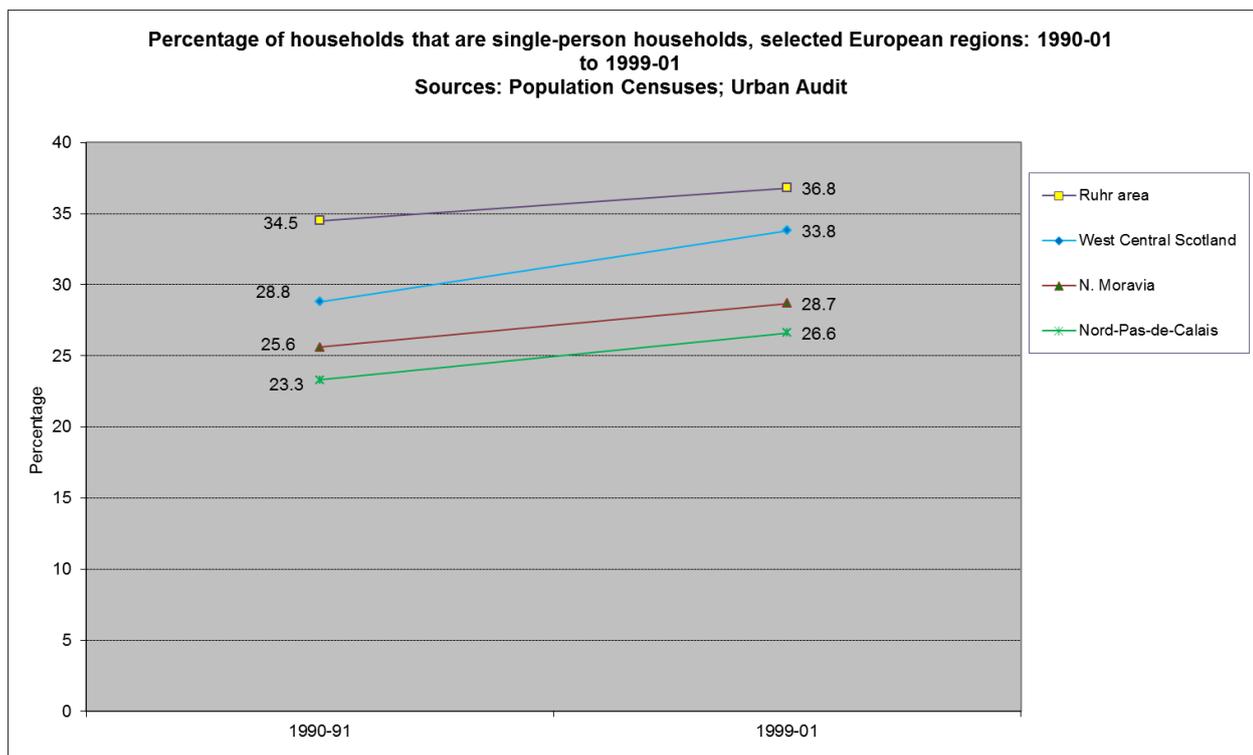
**Figure 3.10: Change over-time in percentage of households with dependent children in selected regions: 1990-2001.**



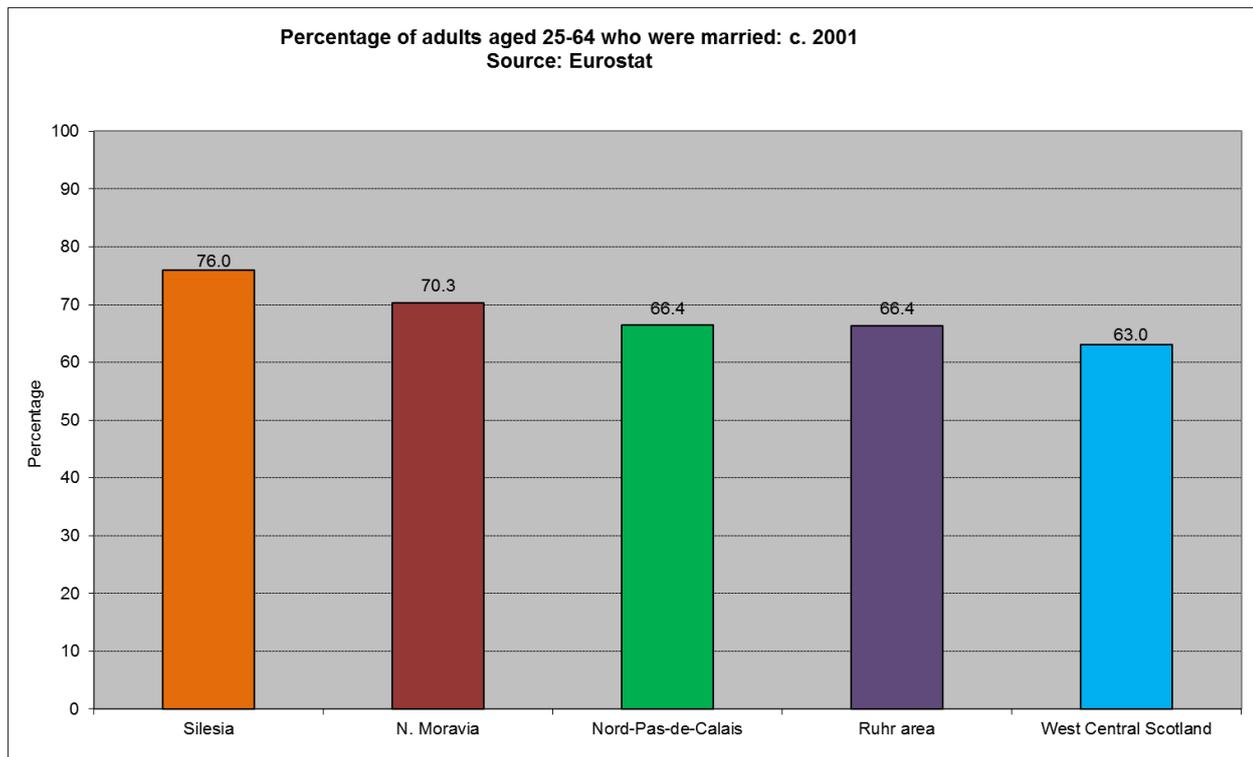
**Figure 3.11: Percentage of households that are single person households in selected regions: 1999-2002.**



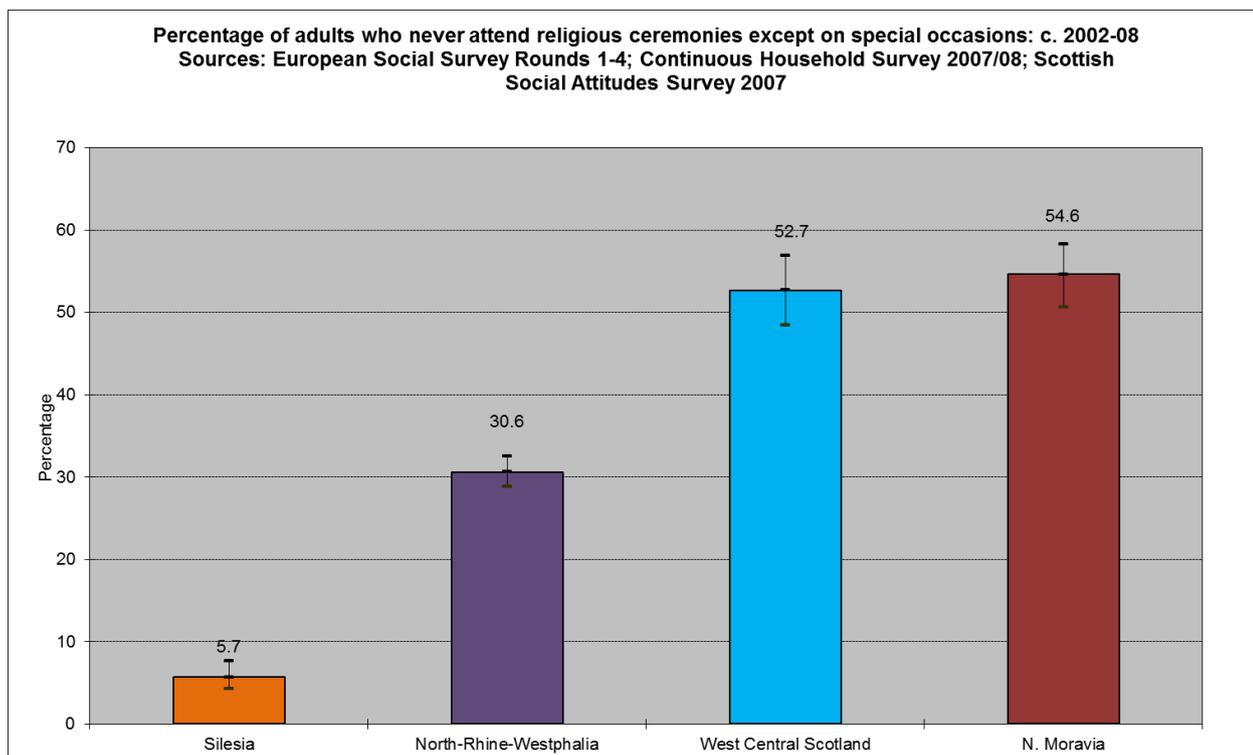
**Figure 3.12: Change over-time in percentage of single person households in selected regions: 1990-2001.**



**Figure 3.13: Percentage of adults aged between the ages of 25 and 64 who were married in selected regions: 2001.**

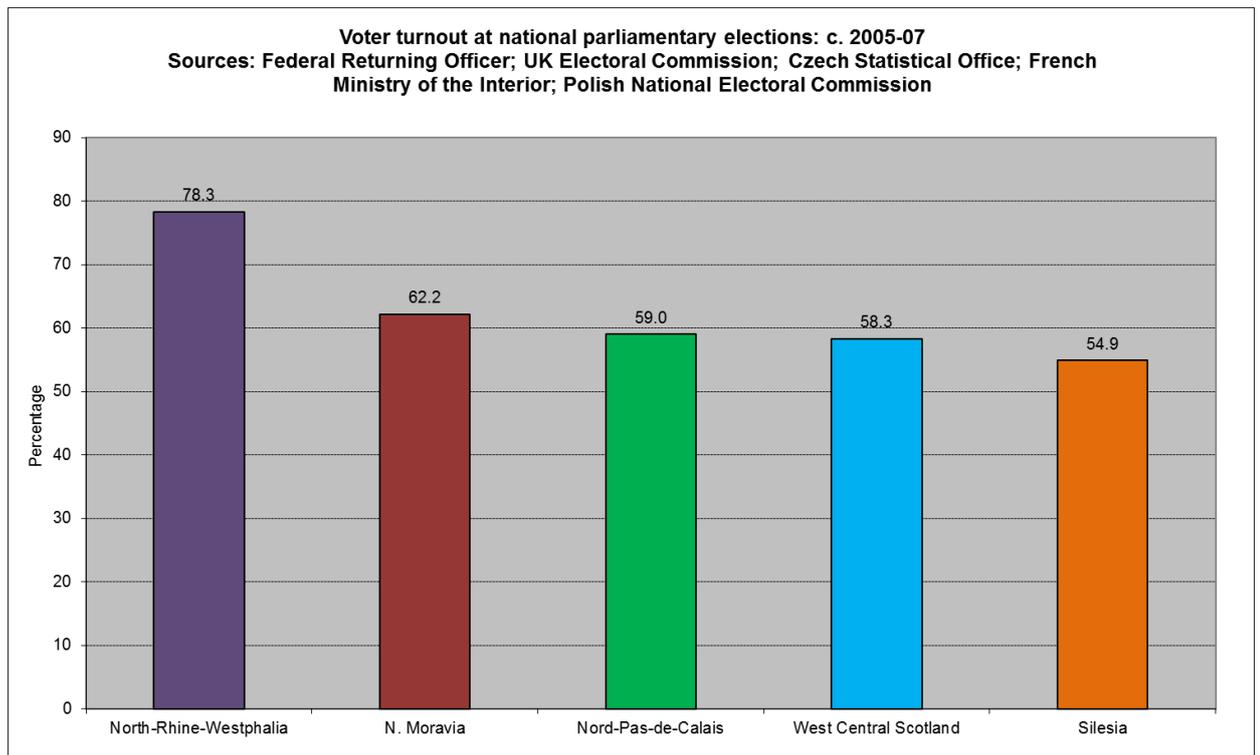


**Figure 3.14: Percentage of adults in selected regions who never attend religious ceremonies except on special occasions: 2002-2008.**



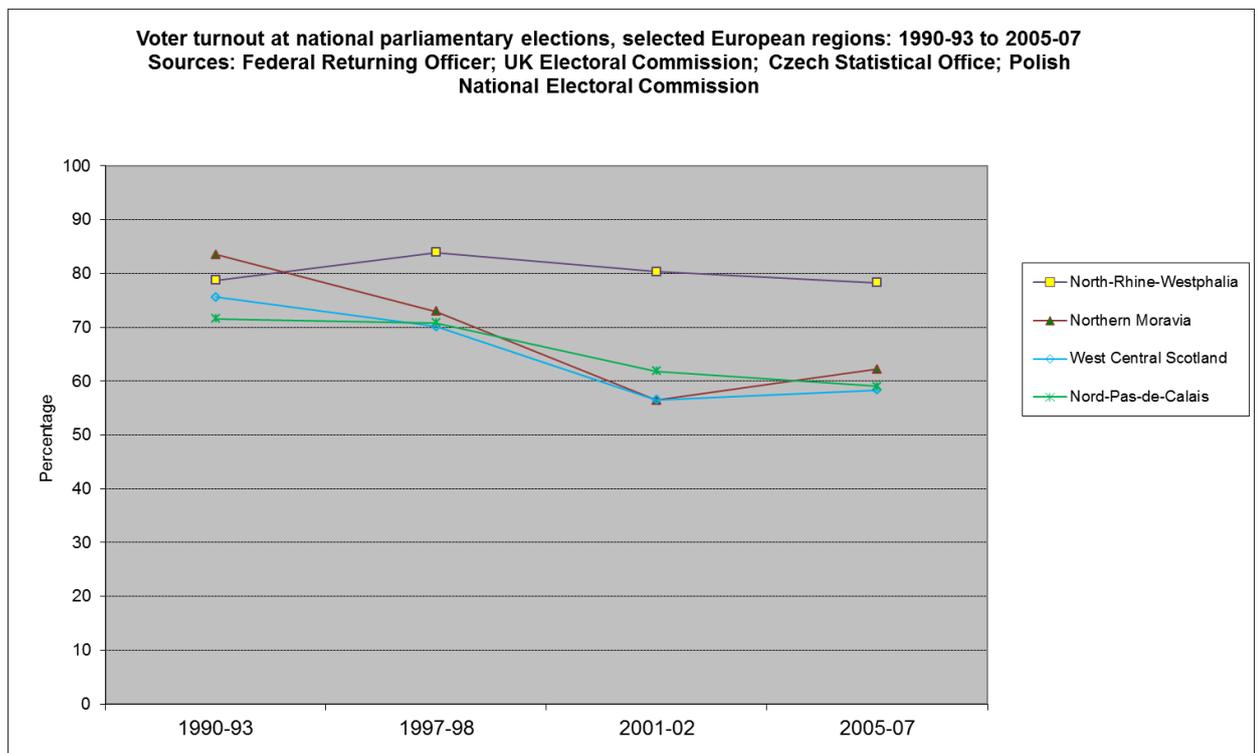
NB: North-Rhine Westphalia used as proxy for The Ruhr.

**Figure 3.15: Voter turnout percentage for national parliamentary elections in selected regions: 2005-2007.**

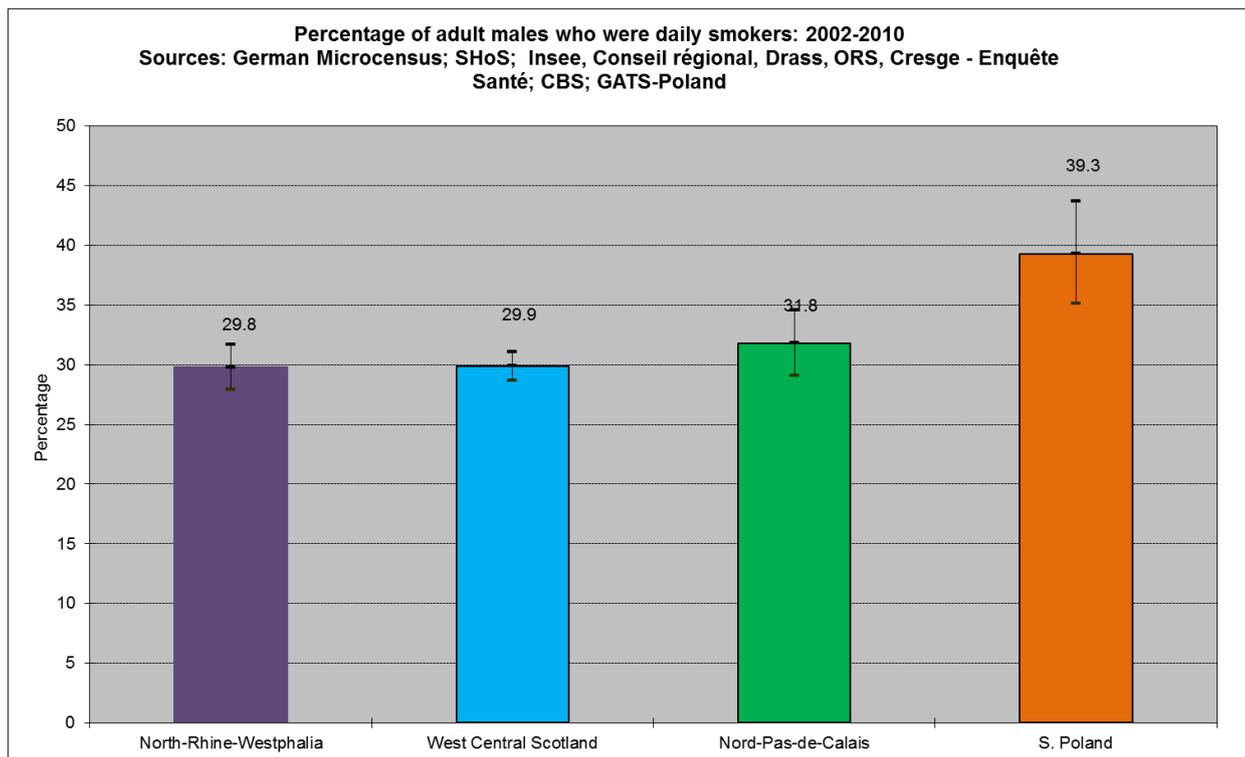


NB: North-Rhine Westphalia used as proxy for The Ruhr.

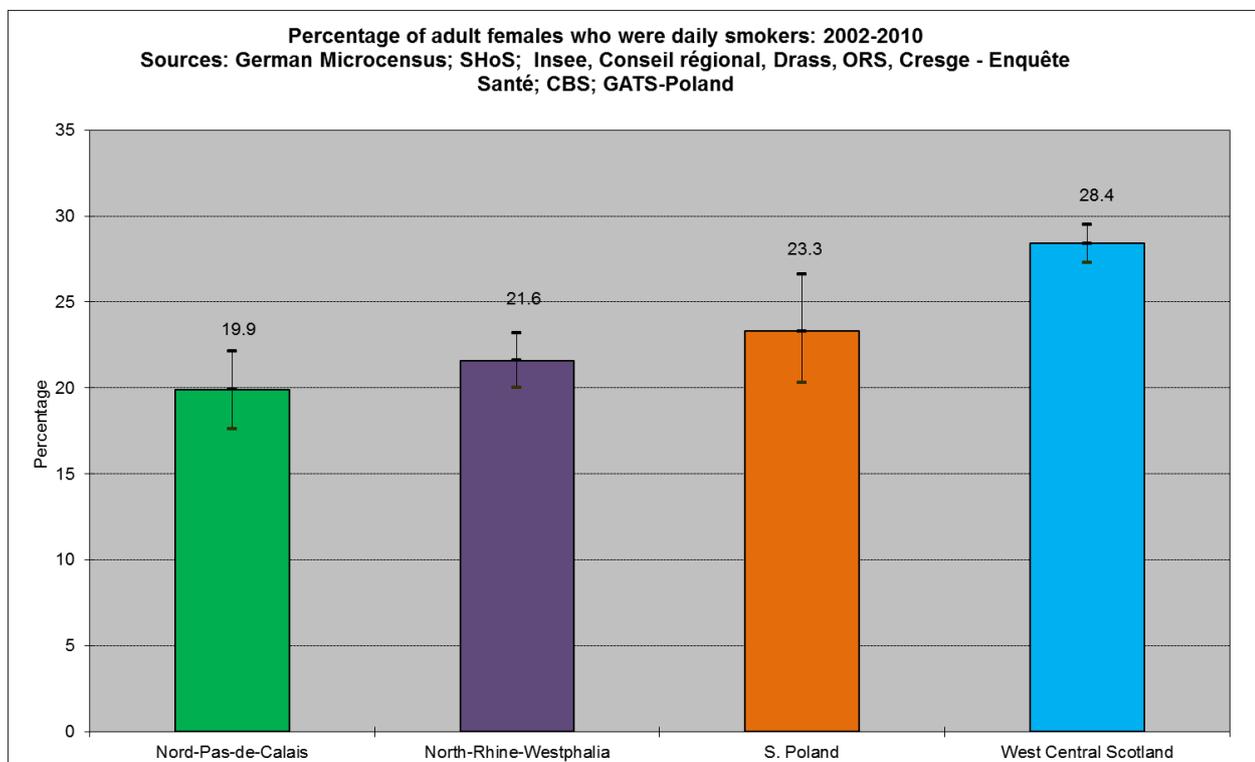
**Figure 3.16: Change over-time for percentage voter turnout in national parliamentary elections in selected regions: 1990-2007.**



NB: North-Rhine Westphalia used as proxy for The Ruhr.

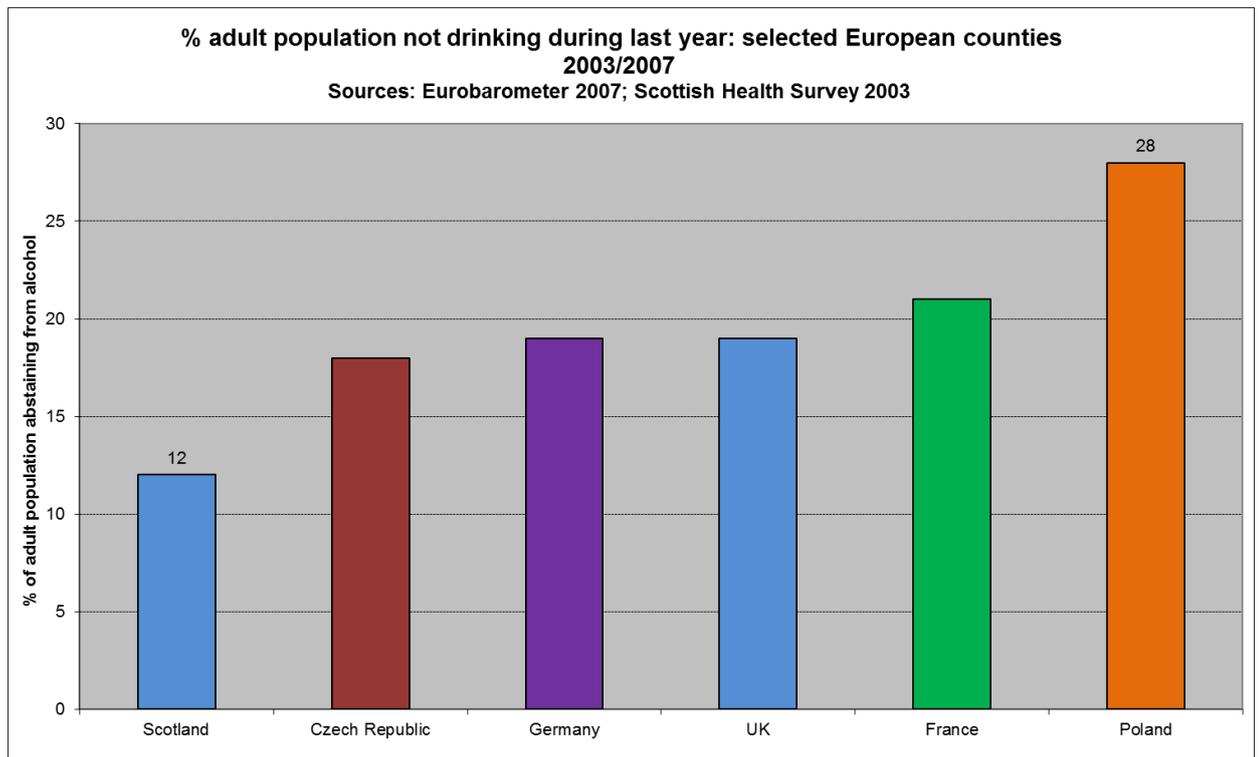
**Figure 3.17: Percentage of adult male daily smokers in selected regions: 2002-2010.**

NB: North-Rhine-Westphalia is used as a proxy for The Ruhr. S. Poland used as proxy for Silesia.

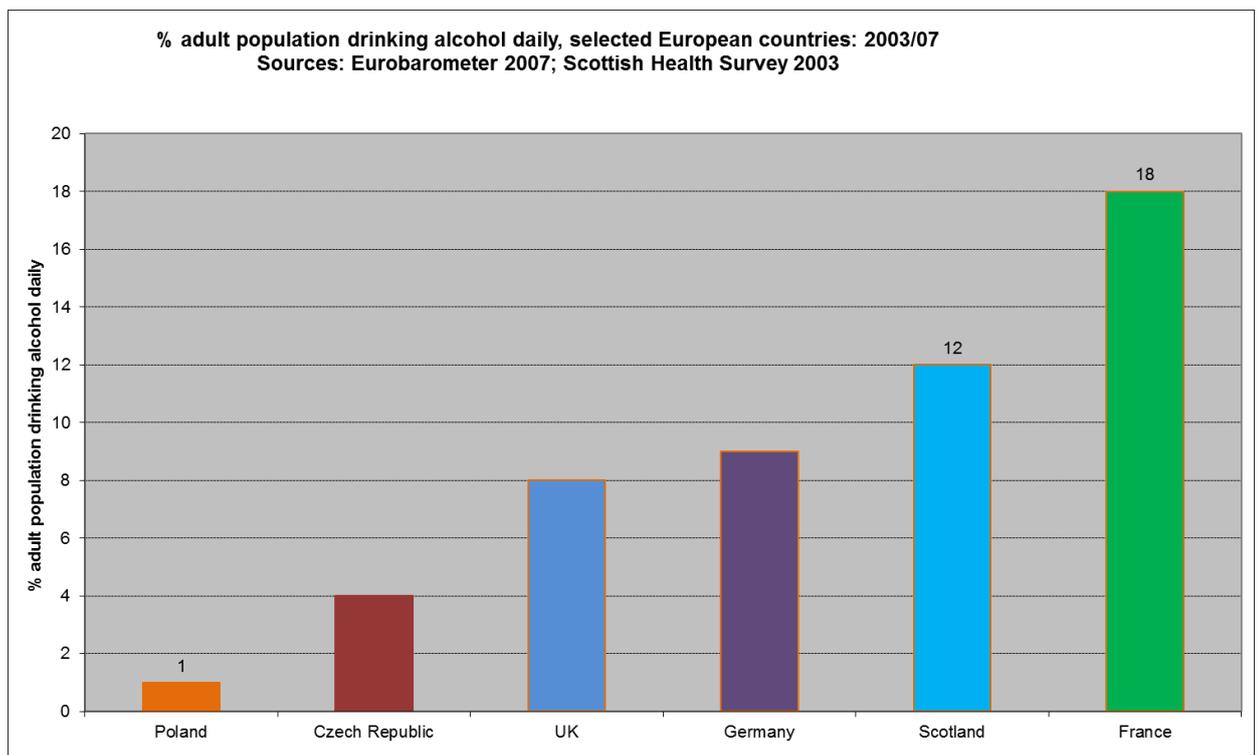
**Figure 3.18: Percentage of adult female daily smokers in selected regions: 2002-2010.**

NB: North-Rhine-Westphalia is used as a proxy for The Ruhr. S. Poland used as proxy for Silesia.

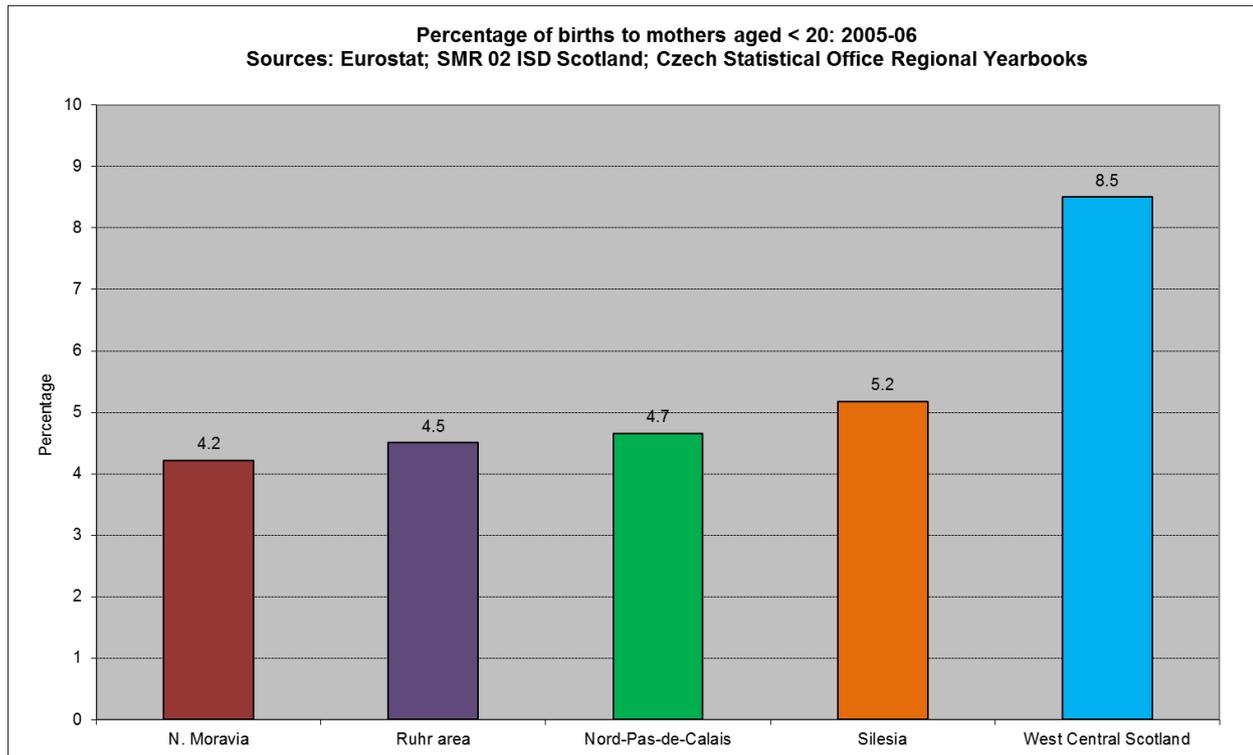
**Figure 3.19: Percentage of adult population not drinking during last year in host countries between 2003 and 2007.**



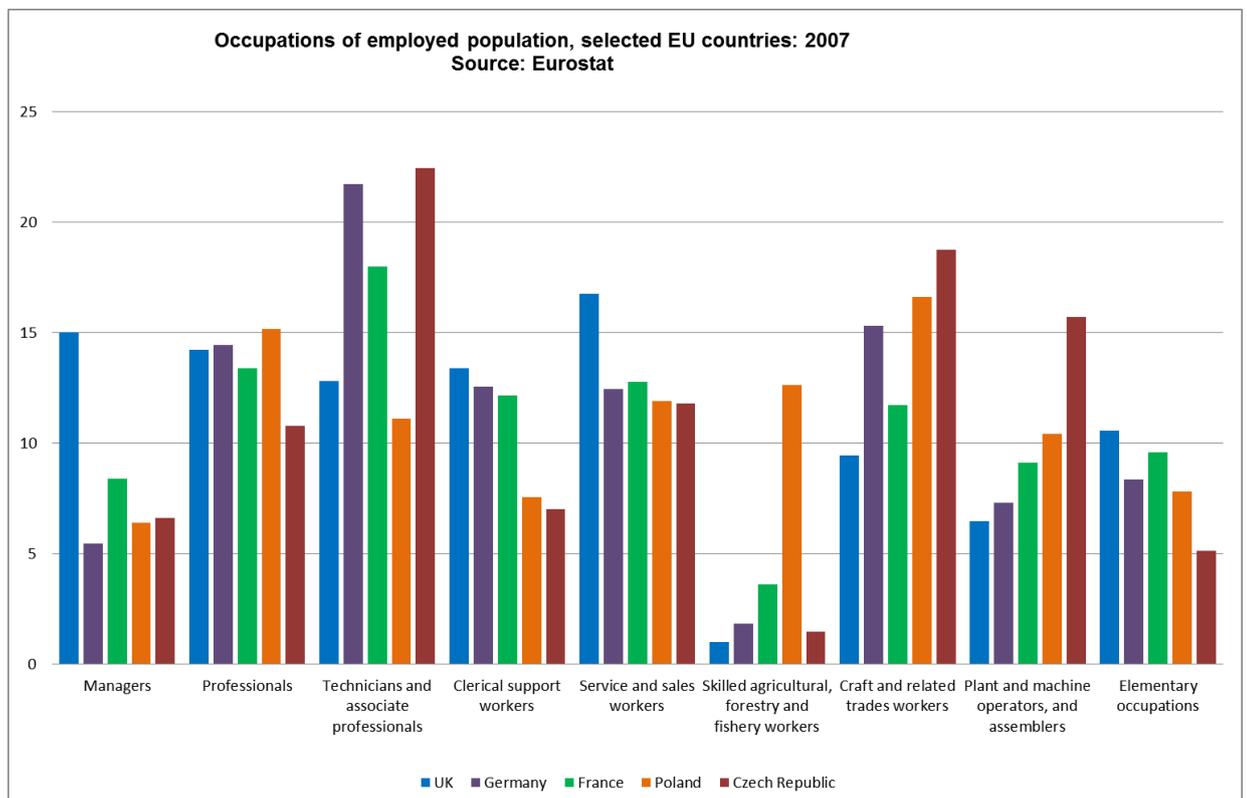
**Figure 3.20: Percentage of adult population drinking daily in selected host countries between 2003 and 2007.**



**Figure 3.21: Percentage of births to mothers under the age of 20 in selected host countries: 2005-6.**



**Figure 3.22: Occupations of employed population for selected host countries: 2007.**



## 4. The Ruhrgebiet (Ruhr region)<sup>19, 20</sup>

*Figure 4.1 The Ruhr Region*



The Ruhr is not an historical or political entity it is an area defined by its economic specialisation: coal and steel. Situated in the Federal Länd (State) of North-Rhine Westphalia (NRW), the Ruhr has an area of 4,400 square kilometres and is home to 5.4 million inhabitants. It is still one of the world's largest industrial agglomerations and one of Europe's most densely populated conurbations. The Rhine marks the western border and its tributaries effectively demarcate three of its four zones. These three zones of the Ruhrgebiet are the Ruhr Zone, the Emscher Zone and the Lippe Zone. It is between the Emscher and Lippe Zones that we find the Hellweg Zone, the industrial heartland of the area. It was here during industrialisation that the medieval towns of Duisburg, Essen, Bochum, Dortmund and Unna transformed into large industrial cities (Bross & Walter 2000; Hospers 2004).

<sup>19</sup> All but three of the Ruhr districts (Wesel, Unna and Recklinghausen) are kreisfreie stadt. Wesel, Unna and Recklinghausen cover both the urban districts of the same name and their surrounding rural municipalities.

<sup>20</sup> Note: map is not to scale.

Extensive urbanisation of the region was a direct consequence of rapid industrialisation due to (i) technological innovations imported predominantly from Great Britain (ii) political and economic liberalisation afforded by progressive Prussian policies (iii) investment capital funding secured from Belgium and France and finally (iv) burgeoning transport connections (Schrader 1998; Van Dijk 2002). As a consequence, between 1850 and 1925, the population increased from approximately 400,000 to 3,800,000 (Hospers 148:2004). Over time other industries, such as power generation and chemicals, integrated into the coal and steel complex (Heinze et al. 1998) and the population continued to grow, peaking in 1961 at 5.7 million and declining modestly thereafter to its present 5.4 million. Second generation immigrants comprise 12 per cent of the population which is a relatively large proportion compared to the rest of Germany (Hospers 149:2004). The Ruhr has experienced two significant waves of immigration. First, from 1890-1918, Poles who had been afforded German rights as part of Prussia came to the Ruhr to work in the coal and steel industries. Second, from the 1960s, many Turks, Yugoslavians and Italians came to fill the low-paid and unskilled jobs unpopular amongst Germans.

## 4.1 Deindustrialisation

Figure 3.1 (pg.81), indicates the level of industrial employment as a percentage of civilian labour force in the five host countries. From these data it is clear that while deindustrialisation was well under way by the 1970s in the UK, in West Germany it was a phenomenon of the 1980s and 90s. Moreover, once deindustrialisation started it was more gradual than in the UK. The same truth is apparent when one compares the levels of unemployment in Figure 3.2 (pg.82) (Singh 1989; Iversen & Cusack 2000; Fleckenstein et al. 2011).

The peak of coal production occurred in 1956 when 124,600 tons of coal was produced and approximately half a million workers were employed in coal mining) (also see Table 3.1 (pg.81). However, by 1958 the coal mining industry was in crisis due to cheaper imported coal and coal substitutes (Hospers 2004:148).

The economic crises of the 1970s sent a shock to the steel industry. Increased competition from low-wage countries and a fall in demand for cars and ships led

to the closure of many firms. Between 1974 and 1988 Duisburg and Rheinhausen, the location for approximately 70 per cent of German steel production, lost 87,000 of its 210,000 steel related jobs (Van Dijk 2002:5). Since the 1960s more than 750,000 jobs in the coal and steel industries, some 10 per cent of the total of NRW's jobs, were lost. At the same time, the Ruhr's share of German GDP declined from 12.2 per cent in 1957 to 8.2 per cent in 1987 (Maggi 2004:49).

Despite this, the region (and country more broadly) sought to maintain industrial capacity by building on existing regional assets and competences and promoting diversification into new and related technologies and the technological upgrading of existing industries (Martin & Sunley 2006; Boschma 2007). In direct contrast to WCS the speed of deindustrialisation in the Ruhr was significantly slower and the process was and continues to be socially managed (Goch 2002; De Spiegel 2007).

Contemporary accounts (Birch & Mykhnenko 2009; Birch et al. 2010) indicate that, between 1996 and 2005, deindustrialisation, as indicated by manufacturing employment, continued in the Ruhr. Broadly speaking, the losses in low tech industries exceeded those in high-tech. Like WCS, there was some increase in service employment. However, the growth was not limited to routine services with areas of the Ruhr recording increases in high-tech knowledge intensive service industries.

Comparing the speed and intensity of deindustrialisation between regions is difficult as the data series are not complete and starting points could be contested. Nonetheless, Table 3.1 (pg.81) shows that, by 2005, the share of industrial employment (as a percentage of total employment) had fallen in the Ruhr but that it still maintained more than a quarter of its workforce in these industries. By contrast, WCS had a lower proportion of its workforce in industry. Also, during the period 1970 - 2005, the Ruhr lost just over half (52%) of its industrial employment while WCS lost roughly two-thirds (62%).

To be more accurate comparing the speed and intensity of deindustrialisation in each region is difficult. Data is unavailable for WCS for the 1970s and 1980s; therefore any estimates would be based upon assumptions about individual

years. Additional data for West Europe in the 1970s and CEE in the 1980s may be available in printed sources and that could be a potential source for further inquiry. Finally, due to the different (and debatable/contested) start points for deindustrialisation there is no established way to accurately measure speed and intensity of deindustrialisation. However, as established, deindustrialisation is regarded as being less intense in Germany than the UK.

The next section will look at the policy responses, both national and regional, to deindustrialisation in the Ruhr.

#### **4.1.1 Federal role**

In Germany, regional policy is principally the responsibility of the Länder or city states. With the exception of sector and macro-economic policy, the role of the federal government is limited to setting guidelines and delivering some investment for regional policies. The '*Gemeinschaftsaufgabe Verbesserung der Regionalen Wirtschaftsstruktur*' (Joint Task for the Improvement of Regional Economic Structures) is an important regional policy tool of the federal and Länd governments as it supports industrial investments and infrastructure developments for those regions most in need of assistance. Due to the federal system and the relative autonomy and power of local governments, economic development is reliant upon:

“Indigenous economic potential, the qualifications of the local labour force and the variety of local conditions, including image, cultural identity, and appropriateness for corporate headquarters” (Rodwin & Sazanami 1991:100).

In contrast to the UK and WCS, decentralisation and autonomy at both the regional and local level have facilitated a strong tradition of planning and policy cooperation. This cooperation is augmented by a constitution, which codifies a commitment to equal living standards across all Länder. However, as the costs of reunification have demonstrated, this commitment can limit the capital available for regeneration.

### **4.1.2 Regional role**

Regional policy was focused on mitigating the impact of industrial decline by facilitating the restructuring of the vulnerable coal and steel sectors through subsidies designed to avoid mass unemployment. These efforts to maintain the economic base, the policies of 'reindustrialisation', were summed up in the motto of the local parties: "defence is the best form of attack" (Hospers 2004). The belief was that if prior prosperity had been driven by a vital industrial sector, and if the economic crises were due to the failure of that sector to maintain its impetus, then a return to prosperity should be facilitated via an industrial revival.

Such policies were pursued during the 1960s and 1970s (Hassink 1993). The large industrial enterprises such as Thyssen, Manesmann and Krupp, faced with exogenous pressures, tried to remain competitive within the coal and steel industries by attracting investment in order to increase their scale and productivity. Cooperation between the major players increased and evolved into a trend for consolidation. Mergers were facilitated between former competitors and closer relationships with customers and suppliers were cultivated. Moreover, from the 1970s onwards these same enterprises began to acquire firms in associated areas such as processing and industrial technologies. The problem was that these new acquisitions were often based outside the Ruhr and, as such, this strategy of 'external diversification' and consolidation transformed major regional players into multinational enterprises but did little to redevelop the Ruhr (Hassink 1993).

Initially, during the 1966/1967 recession, political protests and industrial action took place in reaction to the closures. However the Federal Republic and Länd of NRW responded by implementing Keynesian economic measures. In addition the federal state, industry and trade unions worked together to ensure the contraction of the mining industry was 'socially carried out' (Danielzyk & Wood 1993:131). This led to the consolidation of the collieries into the new enterprise Ruhrkohle AG (RAG), the creation of which allowed trade union representatives to put in place a safety net protecting miners against long-term economic insecurity. In the iron and steel industry, the employee councils negotiated a socially acceptable plan for coping with deindustrialisation. Generally, a regional

model of cooperation between management and labour, assisted by the government, was able to secure a safety net against the costs of structural change (Goch 2002).

In these earlier stages of deindustrialisation, local government continued to subsidise the education of a new generation of miners and steel workers. These strategies were designed to maintain the status quo rather than facilitate restructuring. Local stakeholders still believed that the region's fortunes depended on the coal and steel industries (Hassink 1993; Hospers 2004). By the mid-1980s however, Germany was suffering from eurosclerosis - high unemployment and slow job creation in spite of overall economic growth. The Ruhr was typical of a sclerotic milieu and local stakeholders realised that their defensive policies of reindustrialisation were no longer suitable and needed to be replaced by a more offensive strategy.

Although the immediate policy responses to deindustrialisation (the reindustrialisation) were defensive, local authorities at the time did look beyond the immediate concerns of heavy industry to consider long-term regional growth. To facilitate a diversification of the regions knowledge base, the first university was introduced in the Ruhr Area in 1961 and was soon followed by other universities and polytechnics throughout the region. Programmes such as the 1975 NRW programme (*Nordrhein-Westfalen-Programm*) sought to revitalise the region through modernising the mining industry and attracting inward investment. The nascent educational institutions would aid this process. In 1979 the Ruhr Area Action Programme (*Aktionsprogramm Ruhr*) was established to facilitate urban renewal, environmental protection and technology transfer. However, as Percy notes: "The programme helped to soften the impact of job losses, but it also held back the process of restructuring and creating a new economic basis" (2003:154).

Despite these efforts, the Ruhr in the 1980s still suffered from high unemployment and industrial decline: ongoing initiatives were not adequately resolving the region's economic and structural problems. In a direct attempt to broaden the economic base, the local government encouraged inward investment from industries such as micro-electronics, cars and chemicals.

However, with the exception of the Opel car manufacturing plant in Bochum, the policy was largely unsuccessful (Percy 2003).

The established industrial giants were dismissive of attempts to broaden the region's economic base. In reaction to the establishment of the Ruhr University, industrialist Gustav Krupp, perhaps illustrating the problems of a well established industrial mono-structure, remarked to his colleagues: "what we need in the Ruhr are muscles not brains" (Hospers 2004:151). Moreover, they directly thwarted attempts to attract inward investments by refusing to give up sites and by highlighting unappealing conditions in order to deter potential investors. The local authorities were weak in response. With regard to the refusal to sell land, the government satisfied itself in the knowledge that the established old industries paid higher income taxes. Similarly, calls by lobbyists for state intervention in established sectors were viewed sympathetically, as ties between managers and politicians in the Ruhr were traditionally close. Rather than facilitate structural change in order to drive long-term economic development, the self-sustaining coalition of local interests instead served to undermine it (Grabher 1993; Hospers 2004).

The Ruhr was in the grip of a so-called 'lock-in'. Grabher (1993) identified three forms of lock-in prevalent in this period: economic, institutional, and cognitive. 'Economic lock-in' manifested itself as an industrial mono-structure which inhibited enterprise, innovation and flexibility. (Grabher 1993; Hospers 2004). 'Institutional lock-in', refers to the highly accommodating relations that existed between industry and the politico-administrative system (Grabher 1993:264) that impeded the process of innovation and restructuring. The Ruhr also had to manage a 'cognitive lock-in' both within and outside the region. The regional parties were convinced that the crises were cyclical in nature rather than being due to permanent structural forces. In addition, the outside world perceived the Ruhr to have an industrial mono-structure and be an unattractive and polluted industrial region, although in fact the Ruhr was, and continues to be, one of Germany's greenest regions. As Hospers concludes: "this cognitive distance between the region's identity and its image" may be a factor in understanding why the Ruhrgebiet struggled to attract the inward investment required for its restructuring and renewal (2004:152).

#### 4.1.2.1 Neo-industrialisation

From the mid-1980s, the policy emphasis shifted from one of reindustrialisation to neo-industrialisation (Hospers 2004, 2010). Neo-industrialisation was a bottom up approach concerned with developing new forms of economic activity around the old industries in the region in order to facilitate a structural conversion of the economic base. The larger coal and steel concerns, having realised that industrial decline was a structural concern and not a cyclical event, were proactive in this regard. Firms such as RAG, Thyssen and Krupp diversified from coal and steel into related growth areas such as plant engineering, environmental technology and control services. In 2004, Hospers estimated that these new enterprises accounted for two thirds of the former coal and steel giants' revenue (2004:52).

The major achievement of neo-industrialisation in the Ruhr is the coal and steel industries' diversification into the area of environmental technology (Kilper & Wood 1995; Hilbert et al. 2004). Both industries had a legacy of innovation they could draw upon and, from the early 1970s, environmental concerns formed part of the political agenda in the region. The subsequent introduction of political measures designed to limit pollution and contamination can be considered a critical juncture, facilitating the rise of the Environmental Protection Agency in the Ruhr. The legislation for strict environmental rules and the associated demand for clean technologies amongst local firms since the 1980s encouraged the accumulation of knowledge and expertise in environmental protection. The cluster of enterprises in the Ruhr forms the centre of environmental technology research in Germany (Hilbert et al. 2004).

Regional cooperation between local enterprises, universities, research institutes (Soil Protection Centre, Environmental and Packaging R&D Centre), and environmental agencies led to the development of many pioneering applications. The success of these developments has allowed the Ruhr environmental cluster to increasingly develop markets outside of the region. Similar successful areas of old industrial diversification are energy supplies and waste management. Owing to the considerable quantity of energy resources required and waste emitted by coal and steel plants, R&D in the area of renewable energies, recycling and

waste management was developed in the Ruhrgebiet comparatively early on, as Hospers explains:

“Just as in the case of environmental technology, these branches are future-orientated while they paradoxically emerged from the region’s industrial tradition” (Hospers 2004:152).

They managed to transfer the old competencies and skills situated within the old cluster into new markets, giving rise to the new environment protection industry. New firm formation would prove a critical element for the emergence of high-technology industries (Feldman et al. 2005).

From the 1980s, local authorities began to acknowledge the consequences of technological-economic structural change and to develop new efforts centred upon a tertiary sector with more flexible modes of production (Blotevogel 1998:408).

Although these approaches diverged significantly from their antecedents, focussing as they did on processes of networking at the regional and local levels, and the breaking up of established milieus, they remained within the corporatist tradition of the West German social democratic model.

In 1984, the Land of NRW called for a concerted action approach to economic restructuring to encourage ‘sunrise technologies’ (Deeg 1999:148). Around the same time, the majority of municipalities in the Ruhr rolled back their efforts to secure inward investment in order to preserve the status quo. Instead, in accordance with the policy objective of the State, innovation was encouraged and local technology centres were established to provide advice and service to start-ups. By the early 1990s the Ruhr was host to 29 such centres (Hospers 2004:152).

The neo-industrial approach not only signalled a break from the past in its objective of renewing the economic structure of the region, it also sought to stimulate the region’s endogenous potential from the bottom up rather than the top down, by decentralising responsibilities for structural change in the region. For example, the city of Gelsenkirchen sought to exploit its industrial legacy in which energy supply for steel production formed the mainstay of the local

economy. The new niche is now solar technology, a modern field in which the endogenous capacity of traditional sectors could combine with state of the art technology (Hospers 2004:153).

The IBA Emscher-park exemplifies this shift. This public-private project established in May 1988 by the Land of NRW was central to the economic, ecological and social renewal of an 800 square kilometre area. The Emscher district is the conurbation between Dortmund and Duisburg, covering an area of approximately 800 km<sup>2</sup>. It encompasses 17 cities and towns and is home to approximately two million inhabitants in the heart of the Ruhr, adjacent to the river Emscher. The concentration of heavy industry in the area has meant it has endured structurally induced social and economic deterioration (Kilper & Wood 1995; Knapp 1998; Hospers 2004; also for detailed overview see IBA 1989).

The project proved popular and successful. Funding for the IBA came mainly from the Land and federal governments, with some EU funds and very little private investment. By 1994 approximately 83 projects were either planned or implemented, and around DM 1.4 billion (£461 million) of public money had been directed into the area<sup>21</sup>. Within ten years 123 cooperative projects had been carried out, ranging from the establishment of technology centres to the renovation of apartments and the restoration of industrial sites for heritage tourism.

#### **4.1.2.2 The current situation**

More recently in the Ruhr, service sector growth, a contracting male-dominated industrial workforce, and the growing number of women in the labour market have transformed the post-war configurations of work and welfare.

The current economic structure and labour market in the Ruhr is the product of the region's industrial development legacy and global economic developments. It is the service or tertiary sector that, as in WCS and NPdC, now dominates the

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<sup>21</sup> This was despite the dire financial situation of the Länder in the aftermath of unification. To ensure the project worked, IBA initiatives are given funding priority within the State programme so that different actors are stimulated to cooperate and also accept the State's role of organising the restructuring processes and securing certain ecological, social and other standards (Kilper & Wood 1995:213).

Ruhr economy. The share of the labour force working in services increased from 36.3 per cent in 1961 to 65.4 per cent in 2000 (Hospers 2004). Business oriented services, household services, and banking and insurance services have all developed. Most recent growth areas are in the knowledge and creative industries. However, in comparison with the growth of services in the EU in general, and in Germany in particular, the rate of growth in the Ruhr is limited (as it is in WCS) particularly within business oriented services (Van Dijk 2002:6). Bade and Niebuhr (1999) discern in the German economy a correlation between the number of business services and the creation of jobs in the manufacturing sector. This 'parallel thesis' concludes that future or ongoing tertiarisation is dependent on developments simultaneously occurring in the region's manufacturing sector. For example, the successful growth of information and communication services in Dortmund and logistic services in Duisburg can both be traced to the cities' respectively strong electronic and transport industries (Bömer 2005; Hospers 2004).

Some of the developments have been controversial. For example, in Oberhausen a large area of derelict land has been regenerated as Centro, a regional shopping and leisure complex. The development is well designed and of high quality, is well served by transport infrastructure and has generated service employment. However, in contrast to similar developments in WCS, the development has received criticism for it has generated large volumes of additional road traffic and has had a significant impact on the fortunes of nearby town centres (Percy 2003).

The remaining mines in the Ruhr are due to be phased out in 2018. Currently, the federal and land governments subsidise coal mining by approximately €2.5 billion a year this is set to continue until the last mine is closed. The subsidies are part of an agreement that led to the stock market flotation of the mining corporation: RAG. Their plans for the future are to focus on profitable "white activities" consisting of real estate, power stations and chemicals production. Proceeds from the flotation will be used to pay for miners' pensions and for repairing some of the damage mining has done to the environment. Since the IBA the region's industrial heritage continues to be transformed into leisure parks, exhibition halls and museums (de Spiegel 2007).

Declining employment in the manufacturing sector as a percentage of the national labour force relative to rising employment in the service sector, a feature of the UK since the 1970s, has increasingly been a feature in Germany since the mid-1990s (Figure 3.1 pg.82). As Figure 3.22 (pg.92) indicates, even in 2007 at the national level, relative to the UK, Germany, despite the degree of tertiarisation, still has a significant proportion of its workforce engaged as technicians and in crafts and related trades. As a consequence, the degree of deskilling has been less severe than the UK. That said the skill profile of Germany, like a number of continental European economies, is shifting (see, e.g. Culpepper 2007). It should be noted, particularly in the context of the Ruhr that employment growth in the service sector, as in WCS, could not adequately compensate for the extreme employment losses attributed to deindustrialisation. In fact, the negative economic trend led to the out-migration of 90,000 persons between 1989 and 2006 (Kahl 2012:8).

### 4.1.3 Unemployment

**Figure 4.2: Unemployment in SW Scotland and the Ruhr.**

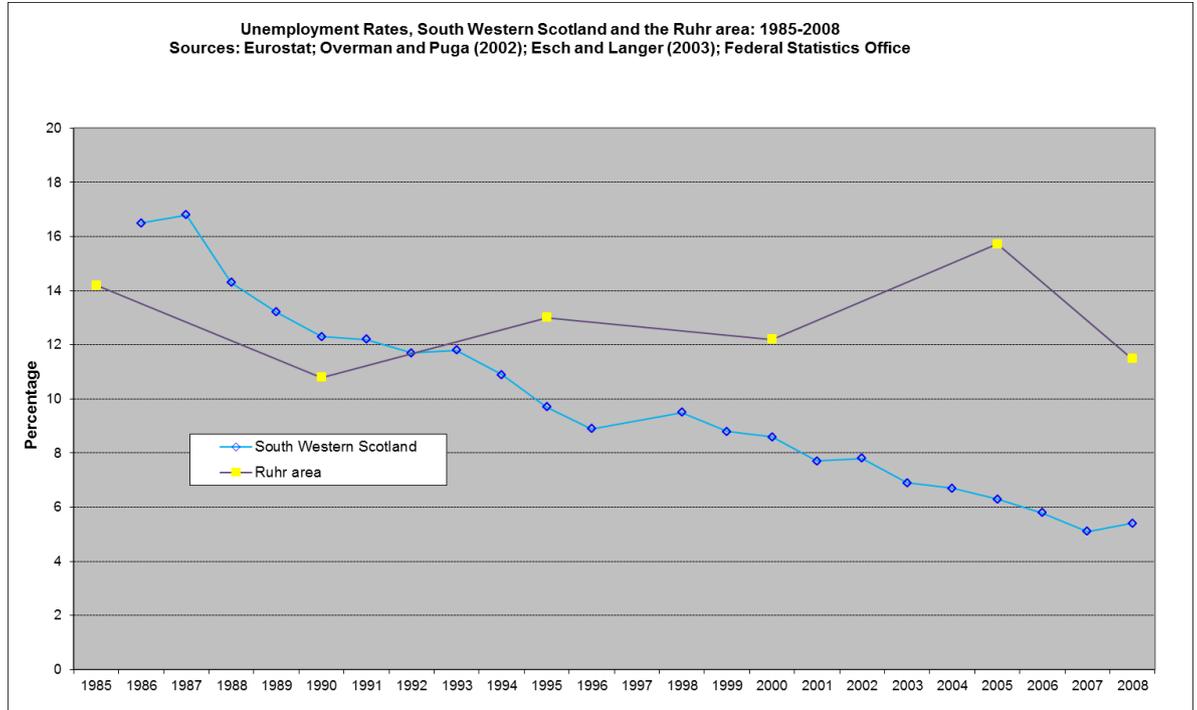


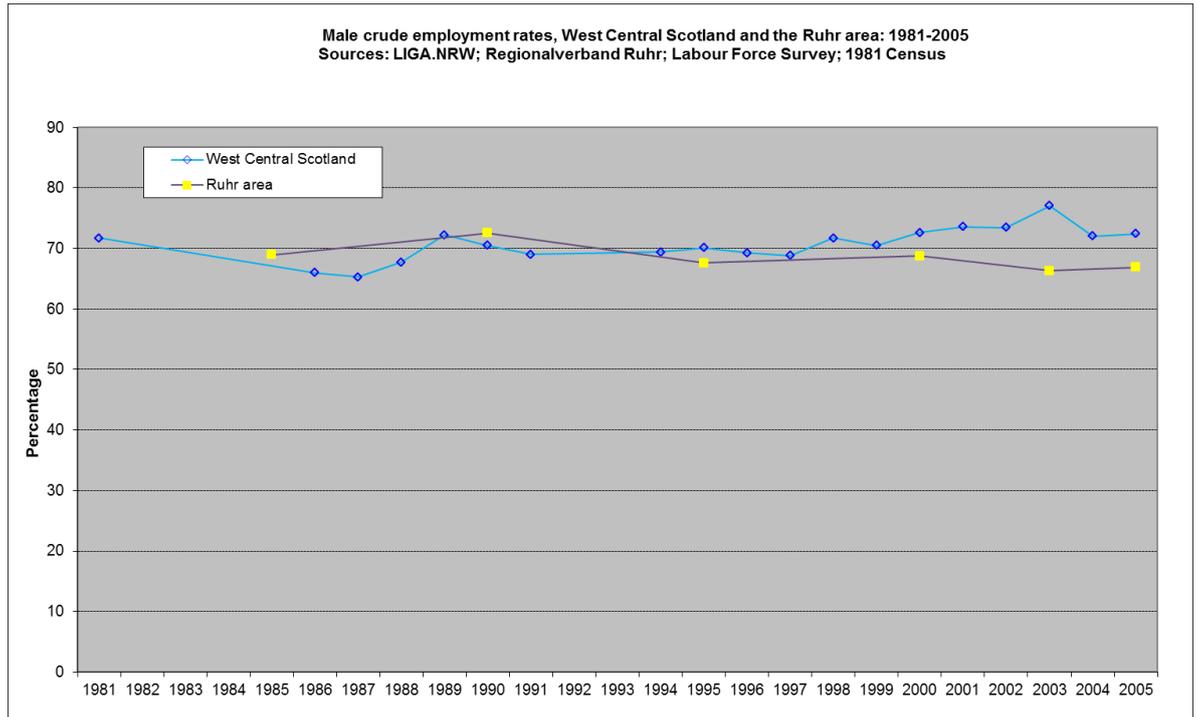
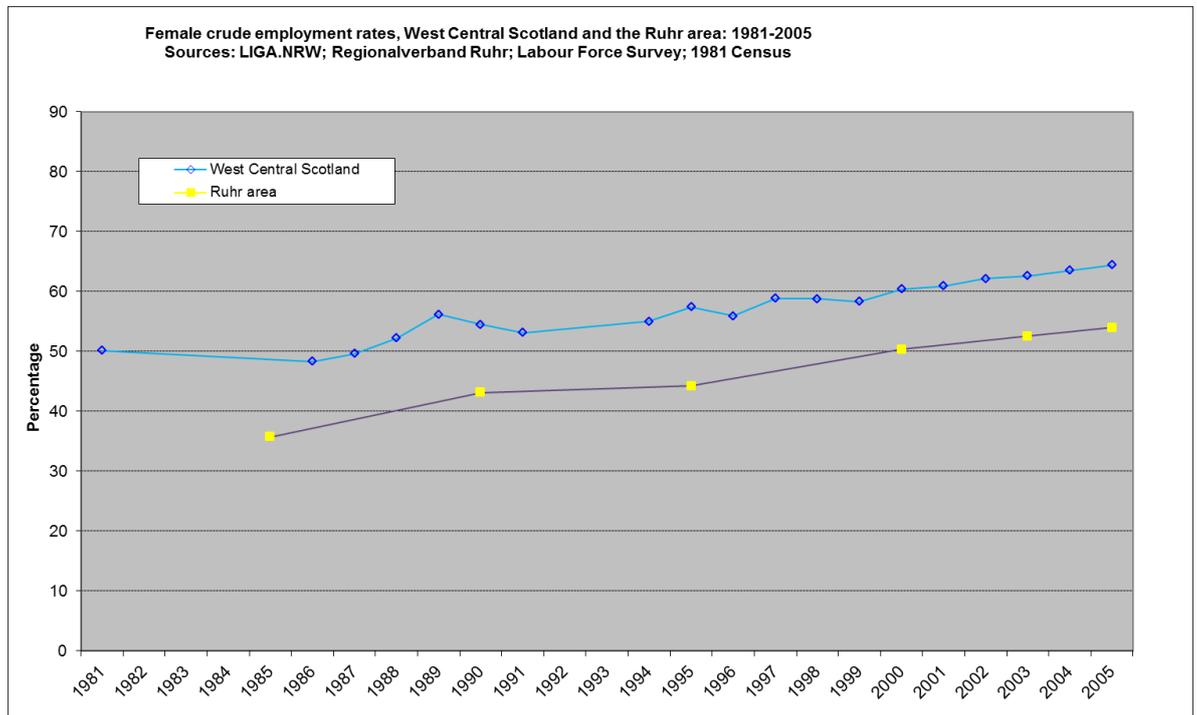
Figure 4.2 shows the change in unemployment between 1985 and 2008 for the Ruhr and South West Scotland (SWS) - a proxy for WCS. From the mid-1980s, unemployment was greater in SWS as the Ruhr benefitted from early retirement schemes and limited female entry to the workforce. However, rising

unemployment in the Ruhr and falling unemployment in the Scottish region meant that rates converged in the early 1990s. These trends continued such that, by 2005, unemployment in the Ruhr was nine percentage points higher than in SWS.

Figure 3.3 (pg.83) presents regional unemployment rates in 2008 and 2011 for the five regions (The measure of unemployment uses the International Labour Organisation (ILO) definition (ONS 2010). The rate calculated is the number of unemployed people divided by the economically active population (employed plus unemployed). In 2008, at 5.8 per cent, the unemployment rate in WCS was lower than the other regions. The situation in the Ruhr was more severe with unemployment at 11.1 per cent. However, as the figures for 2011 show, this is a fluid picture. Rates in WCS are now comparable with the Ruhr. This is a concern for WCS and the UK as historically, the Ruhr and Germany have experienced higher structural unemployment typically attributed to 'Eurosclerosis' or lack of labour market flexibility and generous welfare arrangements (Nickell & Layard 1999). This is a picture that, as shall be discussed, has been changing since the 1990s.

#### **4.1.4 Employment rates**

A problem with utilising unemployment rates as an indicator of labour market disadvantage is the degree of hidden unemployment. In the Ruhr, labour was shed via early retirement and a widening of the definitions of disability. Such individuals would not be measured as unemployed, even though many are likely to be in employment or looking for work. In the UK, many former industrial workers found themselves on incapacity benefits (Beatty et al. 2000). As such, regional comparisons of unemployment have the potential to be misleading. If 'hidden unemployment' is worse in WCS, as has been suggested (Beatty et al. 2002; Webster 2002; Beatty et al. 2012), then unemployment rates alone may not provide an accurate account of labour market change in the regions over time.

**Figure 4.3: Male employment in WCS and the Ruhr.****Figure 4.4: Female employment in WCS and the Ruhr.**

To attempt to accommodate this, crude employment rates were calculated for men and women aged 15-64 for both regions for the period 1981-2005 (note again the proxy of South Western Scotland). As historically Germany has operated a bread-winner model of welfare, gender division is important as female labour market participation has historically been higher in the UK than in

Germany. As Figure 4.3 indicates, employment rates for men aged 15-64 were marginally higher in the Ruhr in the 1980s and similar in both regions until the late 1990s, when they diverged as rates rose in WCS but fell in the Ruhr. For females, employment rates (Figure 4.4) in both regions increased steadily but were, as one would expect, consistently greater in WCS than the Ruhr.

Taulbut et al. (2011) have noted that, at the regional level, direct comparisons have their limitations. For example, employment rates are presented at the individual level. Comparisons of employment (and non-employment) levels at the household level could potentially provide better information but these data are not available. The employment data presented here are also limited due to the absence of WCS employment data for the period 1982-85.

#### **4.1.5 Worklessness**

Due to international and regional variances in pension provision (the potential to affect those aged 50+) and participation in full-time education (greater impact on younger adults under the age of 25) crude employment rates may not fully indicate the level of labour market opportunity. As we have seen in the Ruhr, relative to WCS particularly, historically there have been high levels of retirement and limited levels of female labour market participation. To accommodate this Figure 3.4 (pg.83) shows the percentage of men aged 25-49 not in employment in 2001. Of all the selected regions the Ruhr has the highest proportion 35.1 per cent compared with 21.7 per cent in WCS. This is significantly higher. As we have seen, employment levels are increasing in the Ruhr and unemployment levels are falling.

Unfortunately, as the figures for WCS are based on census data, a more contemporary picture is unavailable. In the Ruhr, the levels high of inactivity in this age group may be a consequence, for some individuals at least, of the relative generosity of unemployment protection and lack of compulsion to return to a job that was beneath their former occupational status. However, due to changes in unemployment insurance and activation policies, this is increasingly unlikely.

## **4.2 Context**

This section will explore contextual factors that were influential in the Ruhr.

### **4.2.1 Skills and Education**

#### **4.2.1.1 Skills**

In Germany and the Ruhr, high labour costs continue to encourage technological (labour-saving) investment rather than increases in labour. This is facilitated by strong initial vocational training systems and specialised skills across the broad spectrum of the workforce (skilled manual workers, technicians, and engineers). This mode of production demands more cooperative industrial relations to safeguard cooperation from highly skilled and hence powerful employees (Soskice 1999; Gallie 2007).

However, the skills profile is in flux nationally and regionally. In Germany and the Ruhr, like WCS, a majority of workers are employed in jobs requiring general skills. However, as Figure 3.22 (pg.92) suggests and research (Birch & Mykhnenko 2009; Birch et al. 2010) indicates, in a UK context, deindustrialisation and deskilling has continued while in Germany, employment requiring high-general skills has increased significantly. Moreover, specific skills continue to be more prominent in the German labour market, although they declined between 1992 and 2007 by nearly a quarter to only 22 per cent of the German workforce (Fleckenstein et al. 2011:1637).

In Germany, as in the UK, the number of females requiring specific skills is marginal (Estévez-Abe, 2006). However, this is a figure that is increasing in both countries (Fleckenstein et al. 2011:1639). It should be noted that women in Britain are still more likely to be employed in low-skilled work. The German labour market, perhaps in contradiction to much of the literature (Estévez-Abe et al. 2001; Iversen 2005; Iversen & Soskice 2001) is becoming increasingly dependent on jobs that require general skills. However, in contrast to the UK and particularly WCS, employment growth in jobs requiring high-general skills has been faster than in the area of low-general skills (Fleckenstein et al. 2011).

This is reflected in the increasing employment levels shown in Figures 4.2 and 4.3.

#### 4.2.1.2 Education

International comparisons in this field are difficult. To overcome this obstacle the International Standard Classification of Education (ISCED), a statistical framework for organizing information on education, was developed. Figures 3.7 and 3.8 (pg.85) show the percentage of adults (25-64) with tertiary (post-secondary) qualifications and the percentage of adults with no or low level qualification (ISCED Level 0-2) in 2008 for all the regions. Again NRW and SWS are used as proxies. It shows that NRW had a smaller proportion of adults with tertiary qualifications<sup>22</sup> than SWS (22 per cent and 33.3 per cent respectively) and that SWS had a significantly higher proportion of adults with low or no qualifications relative to NRW (27.3 per cent and 18.7 per cent respectively).

**Figure 4.5: Educational attainment in adults in WCS and The Ruhr.**

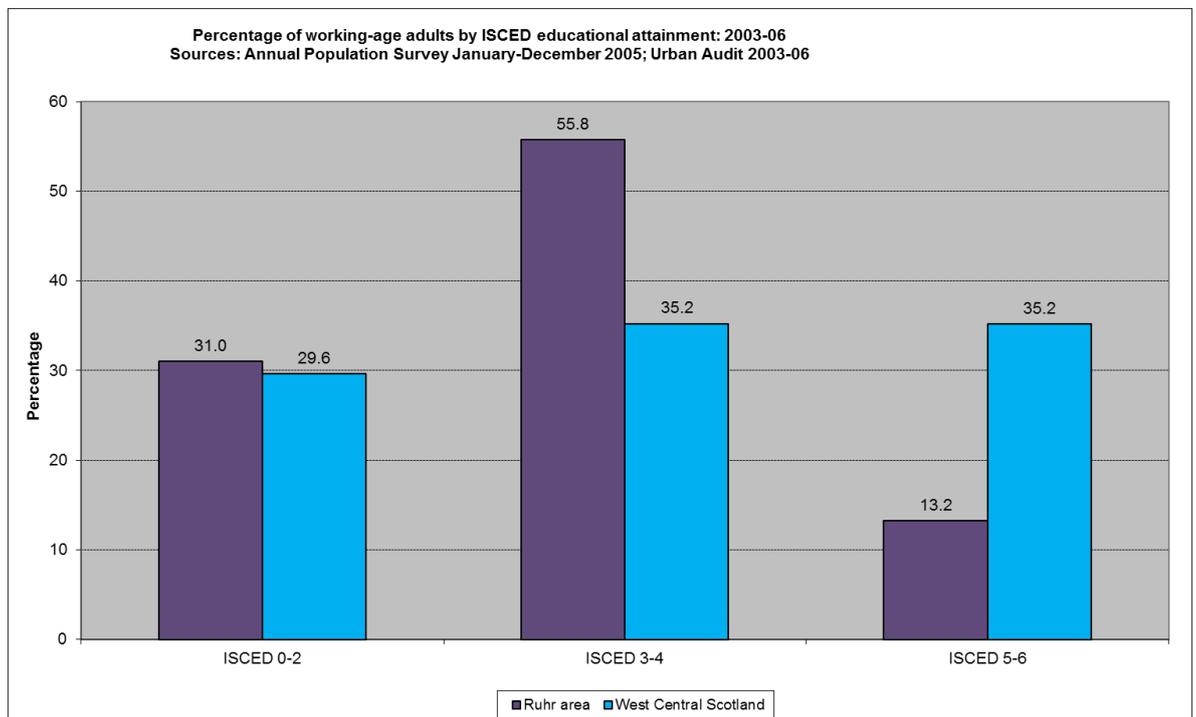


Figure 4.5 provides a more exact comparison of the Ruhr and WCS. It shows the distribution of working-age adults in the Ruhr area and WCS by the highest level

<sup>22</sup> These include university degree or NVQ level 4/5 level qualifications and above.

of ISCED qualification attained<sup>23</sup>. In both regions, the levels of working-age adults with the lowest level of attainment are similar. In terms of intermediate qualifications, the Ruhr had significantly better attainment, 56 per cent compared to 35 per cent in WCS. At the highest level, WCS had significantly better attainment, 35 per cent compared to 13 per cent.

HE and FE institutions did not develop until the late 1960s and this might account for some of the differences in higher levels of attainment. In terms of intermediate qualification's, relative to the UK and WCS, the continued widespread use in Germany and the Ruhr of apprenticeships as a means of entry into intermediate and high level jobs provides an incentive, even when employment prospects are limited. For the training they complete combined with general education that goes with an apprenticeship, equips them with transferable skills useful in many occupations.

#### **4.2.2 Social exclusion**

In the Ruhr it was acknowledged, ex ante, that as a consequence of deindustrialisation, certain groups would become vulnerable to exclusion from the formal labour market and social and cultural opportunities. To combat this exclusion a number of initiatives were introduced. For example, housing stock was improved, living conditions enhanced and opportunities to achieve home ownership provided (Madanipour et al. 1998). Moreover, in the Ruhr, due to the decline in heavy industry and erosion of traditional social networks and milieus, the enhancement of the social fabric of the region is regarded as important. This is exemplified by the IBA and subsequent similar developments such as the former Zollverein mine and industrial complex<sup>24</sup> now a UNESCO world heritage site.

Relative to the UK and France, the level of social housing in Germany is small. German social housing is market-based. Traditionally, the public sector has

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<sup>23</sup> Three levels of qualification were scrutinised: low or no qualifications (ISCED 0-2), intermediate (upper secondary school qualifications, ISCED 3-4) and higher-level (tertiary level qualifications, ISCED 5-6). UK qualifications were mapped to ISCED levels as follows: no qualifications & NVQ Level 1=ISCED 0-2; NVQ Level 2, 3 and Trade apprenticeships=ISCED 3-4; and NVQ 4+ and other qualifications=ISCED Level 5-6.

<sup>24</sup> See <http://www.zollverein.de/#> and <http://whc.unesco.org/en/list/975> .

subsidised private developers to build new social housing, or regenerate existing housing. These homes were never specifically for the poor. Rather, key workers and lower middle class families were the main beneficiaries with the result that these houses were never stigmatised as lower-class homes. Since the late 1980s, special consideration has been given to at risk groups - providing for the aged, single parents and large families (Whitehead & Scanlon 2007).

Access to social housing is managed via a criterion that takes into consideration individual household needs. Public and private landlords can then select tenants from this group and allocate housing according to their judgement. Generally, this facilitates an adequate social mix. However, there are concerns over segregation and marginalisation, particularly in those estates with poor reputations (Droste & Knorr-Siedow 2007).

In (West) German inner urban areas, the degree of social and economic diversity tends to be greater than in the UK. Whilst there are some social problems in the social housing estates of cities, such estates tend to be fewer than in the UK (or France), better built and better maintained (Whitehead & Scanlon 2007). In terms of city development, the function of a city is considered to extend beyond just being a place of intense employment and retail activity. As such, retail hours are tightly controlled and shops are shut on Sundays (Couch 1997).

#### **4.2.2.1 Lone parent households**

Research shows that 'vulnerable' household's often lone parent households are more vulnerable to the more adverse determinants of health (Spencer 2005; Suhrcke et al. 2009). Figure 3.9 (pg.86) shows the percentage of households with children headed by a lone parent in the five regions. In 2001, almost a third (32.3%) of households with children in the Ruhr were headed by a lone parent. Although this is higher than the other regions, it is similar to WCS with 31.1 per cent. Figure 3.10 (pg.86) shows the rate of change in lone parent household with dependent children between 1990 and 2001. Although historically the Ruhr had a higher proportion, WCS, with the fastest rate of change of all the regions, overtook the Ruhr in 2001.

#### **4.2.2.2 Single person households**

Single person households are known to be vulnerable to a number of adverse health and social outcomes. Figure 3.11 (pg.87) shows the percentages of households that are single person households in each region. In the Ruhr, over a third (36.8%) of adults live alone. This is relatively high compared to the other regions but comparable to WCS with 33.8 per cent. Figure 3.12 (pg.87) shows the change in single person households over time: between 1990 and 2001. As with lone parent households, the number of single person households increased in the Ruhr and WCS over time.

#### **4.2.2.3 Marital Status**

In the context of CEE, marriage was a factor contributing to premature mortality, particularly amongst men (Watson 1995). A similar correlation has been discerned in the West (Koskenvuo et al. 1980; Helsing et al. 1982). Figure 3.13 (pg.88) shows the percentage of adults aged 25-64 reporting that they were married<sup>25</sup>. Results are shown for adults aged 25-64. This accounts for different population structures across the regions and the fact that adults in these regions tend not marry until their mid-20s (Eurostat 2006). In the Ruhr it was 66.4 per cent compared with 63 per cent in WCS.

#### **4.2.2.4 Births to teenage mothers**

Teenage mothers have a greater risk of giving birth to pre-term and low birth weight babies and being more vulnerable to associated health risks (Poverty Site 2011). Younger parents are also considered more vulnerable to other adverse health-related outcomes (Graham et al. 2006; Riordan et al. 2006). Figure 3.21 (pg.92) compares the percentage of births to mothers aged below 20 in the five selected regions. It shows that the rate for WCS is almost double that for the Ruhr: 8.5 per cent and 4.5 per cent respectively. Note, the figure for the Ruhr is an average for the regions of Dusseldorf, Munster and Arnsberg and therefore includes more rural areas of NRW.

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<sup>25</sup> Including those separated from their partners but still legally married or in a civil partnership across the regions in 2001.

#### **4.2.2.5 Health behaviours**

Health behaviours - particularly smoking, alcohol consumption (also physical activity and diet) - are known to have a significant impact on the health of individuals and populations (WHO 2009). However, health behaviours are strongly mediated by the choices available to people: choices affected by age, gender, socioeconomic position and other structural constraints that influence behaviour choice (for example, patterns of socialisation and normative behaviours in the home, workplace and community). Although systematic comparisons are hard to establish due to limited data (Leon et al. 2003), comparisons will be made for smoking and drinking, health behaviours in WCS and European regions for which evidence is available.

##### **4.2.2.5.1 Smoking**

Figures 3.17 and 3.18 (pg.90) show the percentage of adult daily smokers, defined as those who smoked at least one cigarette a day, for males and females respectively. Although, male smoking rates were almost identical in WCS and NRW (29.9% and 29.8%), female smoking rates were significantly higher in WCS than in the German region (28.4% and 21.6%).

##### **4.2.2.5.2 Alcohol**

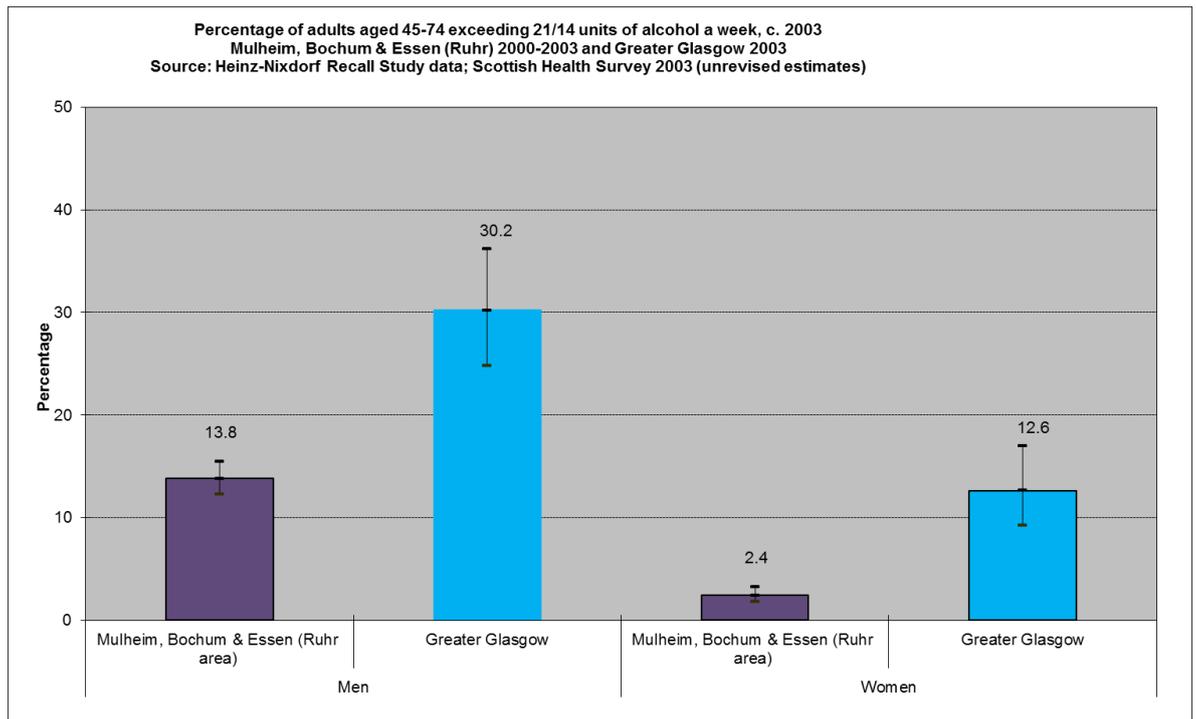
Figure 4.6 shows the percentage of adults aged 45-74 exceeding 21/14 units of alcohol a week, c. 2003. As data for direct regional comparisons are not available, a comparison has been made, using data from the Heinz-Nixdorf Recall Study<sup>26</sup>, between Glasgow and three cities in the Ruhr area.

It shows that older working-age adults (45-74) in Greater Glasgow are significantly more likely to report that they exceeded the recommended weekly limits for alcohol consumption (21 units for men, 14 units for women) than those in the Ruhr cities.

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<sup>26</sup> The Heinz Nixdorf Recall (Risk Factors, Evaluation of Coronary Calcification, and Lifestyle) Study was initiated in 2000 with a particular remit to investigate risk and protective factors related to cardiovascular disease in the urban populations of Bochum, Essen and Mülheim and the Ruhr. More information at: <http://www.uk-essen.de/recall-studie/?L=1>.

**Figure 4.6: Excess alcohol consumption in Greater Glasgow and selected cities in The Ruhr.**



This mirrors international comparisons Figures 3.19 and 3.20 (pg.91) which indicate that Germany has a lower proportion of daily drinkers than Scotland (9%- 12%), it also has higher proportion of abstainers (19% - 12%). Note, the Scottish data is based on consumption over a week as opposed to a month; this may impact the results (Walsh et al. 2008).

### **4.2.3 Social capital**

Social capital is increasingly acknowledged as having a positive effect on individual health (Putnam 1995; Wilkinson 1996; Kawachi, Kennedy & Lochner 1997; Kawachi, Kennedy & Glass 1999; Kawachi, Subramanian & Kim 2008). However, measuring and even conceptualising social capital is difficult. Nonetheless, it is identified as a factor contributing to health outcomes. As has been discussed in relation to CEE, Stuckler et al. (2009) when looking at the impact of mass privatisation on the former communist states concluded that social capital, in this case membership of social organisation (including religious), mitigated against the associated adverse health effects i.e. mortality.

### **4.2.3.1 Religious participation**

A couple of indicators will be used here as proxies for social capital: religious and political participation. Religion is regarded as potentially protective against suicide (McLean et al. 2008). Moreover, participation socialises individuals. Figure 3.14 (pg.88) employs survey-based measurement and indicates the percentage of adults who never attend religious ceremonies except on special occasions in each region. The results indicate that religious affiliation appears to be significantly higher in NRW (again used as a proxy) than WCS (30.6% - 50.7%). Survey data show that half the adult population of WCS reported that they never attended religious ceremonies except on special occasions.

### **4.2.3.2 Voter turnout**

Figure 3.15 (pg.89) shows turnout rates at national parliamentary elections, across each region. In 2005, election turnout in NRW (again used as a proxy) was significantly greater than WCS, 78.3 per cent vs. 58.3 per cent respectively. In addition as Figure 3.16 (pg.89) indicates, voter turnout in WCS has fallen significantly over time while rates in NRW have remained more consistent. As such, the divergence has increased over time. Voter turnout in Scotland is calculated by dividing the number of people who voted in an UK election by the electorate (i.e. those registered and entitled to vote). The Federal Statistical Office of Germany calculates voter turnout by dividing the number of people who voted by the total population over 18 years. In addition, voter turnout in Scotland is measured by constituency, rather than local authority. Taulbut et al. (2011) note that this may underestimate the difference between the regions as the registered electorate will be smaller than the population aged 18 years and over.

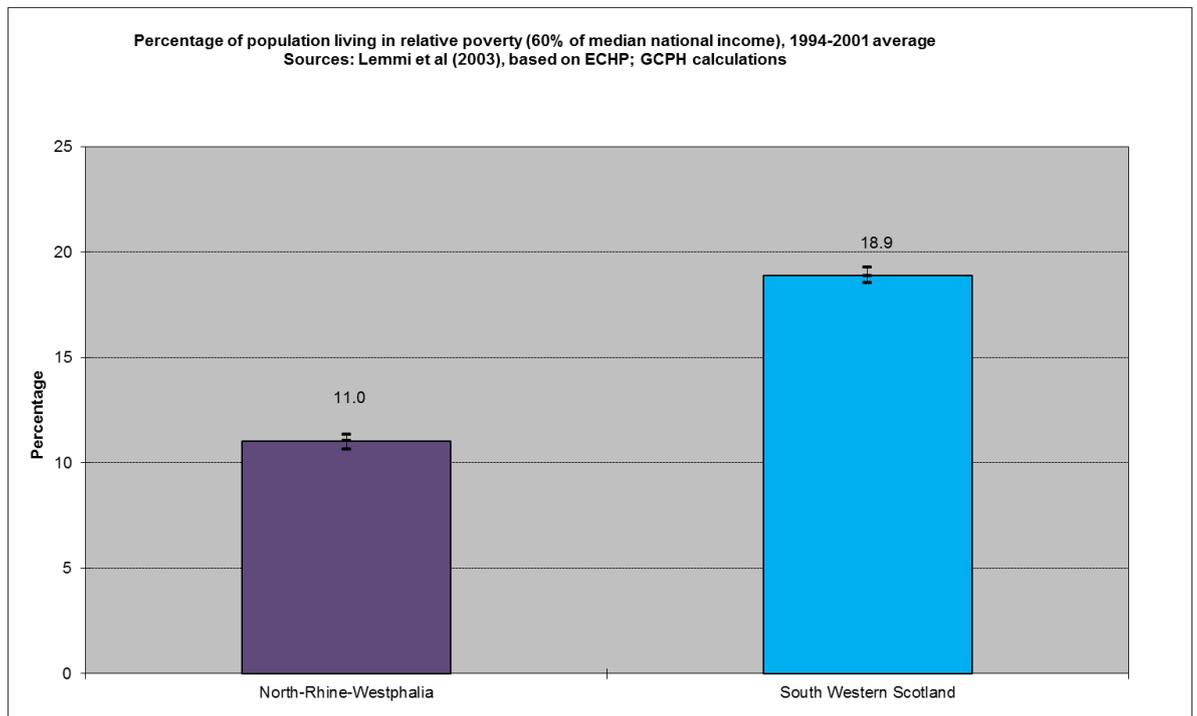
### **4.2.4 Relative poverty**

Most OECD countries and Eurostat measure poverty in relative terms, setting the poverty line as a share of the average or median standard of living in a country. Typically, the indicator used is the percentage of the population living in households with an income below 60% of the median income. Figure 3.6 (pg.84) shows risk of poverty in selected countries across time. Note, although all countries exhibit fluctuations, levels of poverty are consistently higher in the

UK. However, Germany is starting to converge on UK levels and has overtaken Poland.

In terms of the level of regional inequality, Lemmi et al. (2003) have published methods and data that can be used to estimate relative poverty rates for a large number of NUTS II regions, averaged for the period 1994-2001. These were used to estimate poverty rates for NRW (used here as a proxy for the Ruhr area) and SWS (used as a proxy for WCS).

**Figure 4.7: Relative poverty in South Western Scotland and North-Rhine-Westphalia.**

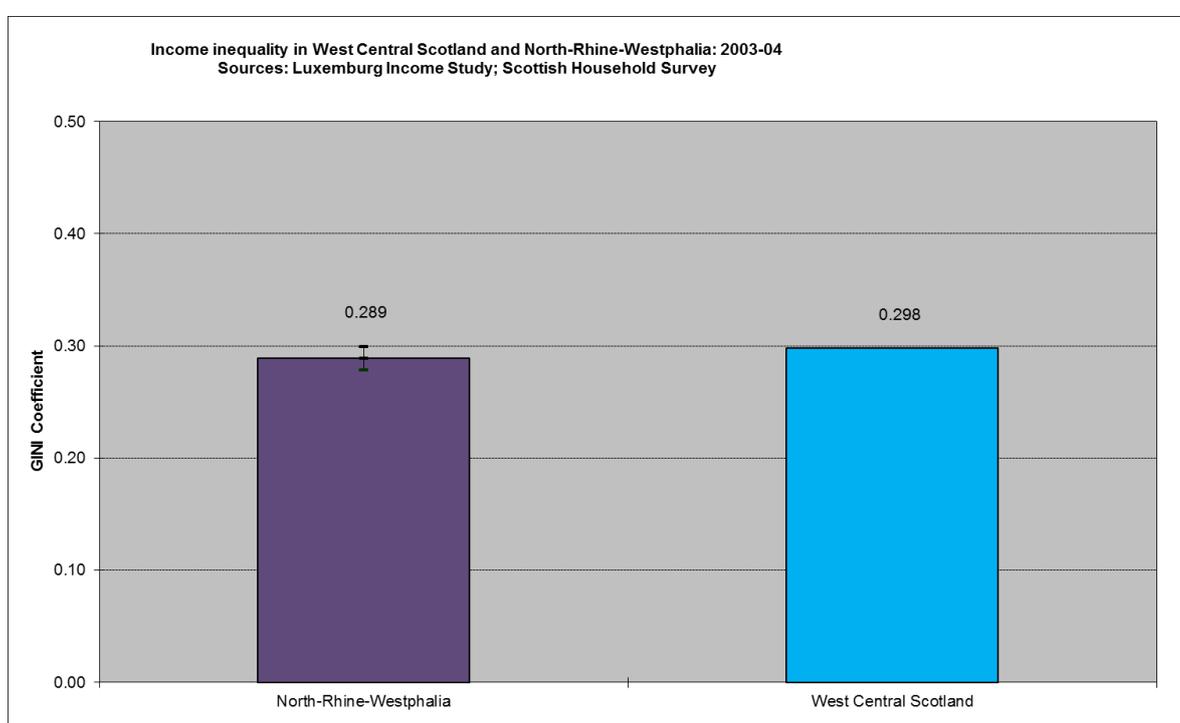


Poverty rates at the national level, until recently at least, have been historically higher in the UK. At the regional level, as Figure 4.7 indicates, the difference is more marked, with relative poverty significantly lower in NRW than in SWS (11.0%vs.18.9%). However, in interpreting these results one should acknowledge, as is widely reported, that poverty rates (particularly among children and pensioners) are significantly higher in the UK and Scotland (HM Government 2011; Scottish Government 2010). Moreover, neither proxy is entirely representative of the OIRs given the greater levels of affluence that exist in each.

### 4.2.5 Income inequality

Within the field of public health it is widely acknowledged that income inequality mediates health outcomes at the national level (Wilkinson 2005; Dorling et al. 2008; Wilkinson & Pickett 2009). As such, it is entirely reasonable to suggest this is also the case for regions. Figure 3.6 (pg.84), tracks income inequality in the selected host countries from the mid-1980s to mid-2000s. It indicates that income inequality in Scotland, broadly speaking, has been high relative to other selected countries since the 1980s.

**Figure 4.8: Income inequality in WCS and North-Rhine-Westphalia.**



With the exception of France, there has been some increase in income inequality in each country over time. With the exception of Poland, the other countries, from the 1990s onwards, have Gini coefficients<sup>27</sup> in the range 0.25-0.28. Scotland with Poland had a coefficient of 0.32. Although these differences may appear marginal, they should not be underestimated: the OECD (2008) considers a difference in the Gini coefficient of +/- 0.025 significant.

<sup>27</sup> A Gini coefficient is a widely used measure of income inequality. It measures the dispersion or inequality of a distribution. The Gini coefficient can have a theoretical value between zero and one, with zero indicating complete equality of income distribution and one complete inequality. In reality, most middle- and upper-income countries tend to have a Gini between 0.20 and 0.40.

At the regional level (Figure 4.8), income inequality is only marginally higher in WCS than it is in NRW. Both in terms of poverty rates and income inequality, the significant increases in German figures are noteworthy and perhaps unexpected, as Germany has historically been closer to France in this regard. As such, these findings probably reflect the impact of reunification and the significant geographical divisions in terms of income and wealth, expansion of low wages, lack of minimum wage and the number of single person and lone parent households. Moreover, since the late 1990s, incomes of the richest people have increased far greater than those of other income groups. As Aust and Bönker conclude:

“The system of social insurance reproduces the distributional effects of the labour market in the welfare systems and is therefore - given the rising numbers of non-standard work and incomplete families highly selective. Those not engaged in standard work arrangement and/or standard family arrangements are particularly vulnerable to social-exclusion and poverty” (2005:4).

### **4.3 Social protection**

As has been noted, to cope with economic restructuring and labour market adjustments during the 1980s and 1990s German governments utilised unemployment protection and early retirement schemes (and even definitions of disability) to protect the long-term unemployed. Income replacement rates in retirement and unemployment were also significantly greater than in the UK and WCS (Seeleib-Kaiser et al. 2011). In the Ruhr, unlike in WCS the programme of closures was gradual and socially controlled. This included providing subsidies to the coal and steel sector to avoid mass unemployment. After consolidation those Miners who lost their jobs received significant sums of money in compensation or were allowed to retire at the age of forty-nine (Danielzyk & Wood 1993).

New regional policies aimed at an integrated policy which was committed to the “triangle of objectives with equal status”: competitiveness, social and environmental compatibility (Schlieper 1988). Not only were the powerful and influential economic interests taken into account, but well-organised social and ecological interests were able to establish their agenda as well (Danielzyk & Wood 1993).

The main elements of social protection at a regional level simply mirror national arrangements. It is clear that the level of social protection available in the Ruhr relative to WCS during the period of deindustrialisation was greater. However, all welfare states are in transformation and subject to increasing austerity. During the 1980s and 1990s, German governments utilised unemployment protection and early retirement schemes (and even definitions of disability) to protect the long-term unemployed. Income replacement rates in retirement and unemployment were significantly greater than in the UK and WCS (Seeleib-Kaiser et al. 2011).

In Germany, employers have lobbied to reduce social insurance contributions. However, as Seeleib-Kaiser et al. note: “In France and Germany, employers had to navigate more complex governance structures to achieve cost reductions” (2010:46). That said, in Germany the major parties have negotiated reforms to reduce the cost to employers. This reform process has exacerbated dualisation or inequality in old-age and unemployment protection. However, the level of social protection is still comparatively high. Germany continues to operate a so-called dualist regime where strong rights have been established for a core workforce of skilled long-term employees, whilst those on the periphery are vulnerable to what are, in the context of their own country (but not the UK), poor conditions and low security.

## 5. Nord-Pas-de-Calais (NPdC)

*Figure 5.1: Nord-Pas-de-Calais Region*



Nord Pas de-Calais (NPdC) is one of the 22 regions of France. It comprises 1,550 communes, including 7 cities of more than 100 000 inhabitants and a metropolis of one million inhabitants: the largest city and administrative centre of the region Lille. The second largest city is Calais, a major continental economic/transportation hub. Other urban centres include Valenciennes, Lens, Dunkirk, Boulogne and Saint-Omer.

The region is densely populated and has approximately four million inhabitants, about seven per cent of France's population, making it the fourth most populous region in France. Eighty three per cent of the region's population live in urban locations (INSSEE 2010). It is the region with the youngest population in France: 37 per cent of the inhabitants are under 25.

During the 19<sup>th</sup> century, NPdC underwent significant industrialisation becoming a major centre of heavy industry, second only to Alsace-Lorraine, with coal-mines, steel-mills and traditional textile manufacturing. Due to the loss of the Alsace-Lorraine region during the Franco-Prussian war of 1870, NPdC was able to

consolidate its pivotal role in French industry. In the immediate post-war period between 1945 and 1974, France experienced 30 years (*Les Trente Glorieuses*) of significant growth making it the second biggest economy in Europe (behind Germany). NPdC, while hampered by its war-related damage, shared in this prosperity.

One consequence of industrialisation has been waves of migrant workers: Belgians, and some Irish and Welsh in the late nineteenth century; Poles, Czechs, Italians and Portuguese in the 1920s and 1930s; North Africans, Greeks, Slovaks and Yugoslavs in the post-war period. As a result, large cities like Lille, Calais and Boulogne are now home to sizeable communities of immigrants and their descendants.

The industrial legacy of the region is reflected in its political traditions, with Socialists controlling the principal cities, in addition to regional and departmental councils (Reid 1993). Many of these same politicians provided the impetus for the decentralisation of power in the 1980s. From which, in recent decades, the region has benefited as regional politicians and policy makers have lobbied successfully for major government and European Union investment and developed mutually beneficial ties with regional partners abroad.

The opening of the Channel Tunnel in 1994 was welcomed in the region as a means of boosting its prosperity. Tourism, particularly in Lille at the apex of the London-Brussels-Paris railway lines, has grown considerably, to the extent that in 2004, seven million passengers used the Eurostar, and there were two million vehicles on the Eurotunnel (formerly *Le Shuttle*). The extension of the TGV network to Lille and the associated Euralille project (high speed train station, large commercial centre and convention centre) also aided regional economic development with 5,000 million francs of public and private funds invested between 1990 and 1994. Consequently, the banking and financial sector developed in the 1990s making Lille one of France's financial & insurance centres (Fraser & Baert 2003).

## 5.1 Deindustrialisation

Deindustrialisation in France is associated with the 1980s (Singh 1989; Iversen & Cusack 2000). As Figure 3.1 (pg.82) indicates, Industrial employment was increasing until the early 1970s, when the decline occurred. Relative to the UK, it was less acute. Similar to Germany and unlike the UK, once deindustrialisation was under way it was to some extent gradual and socially managed. Figure 3.2 (pg.82) indicates that although there was unemployment in the 1980s as a consequence of deindustrialisation, it was less severe than in the UK. As in Germany, the use of early retirement and limited female entry alleviated many of the labour market pressures the UK faced. However, unlike in the UK, unemployment persisted into the 1990s.

The situation in NPdC was more severe than nationally. As Table 3.1 (pg.81) indicates, the selected regions share an industrial legacy of coal and steel. From the end of the 19th century to the 1960s, the economic development of NPdC was based around three dominant industries: coal mining and steel industry dominated in the 'coalfield area' and the textile industry that grew up in the urban region of Lille-Roubaix-Tourcoing (Tuppen 1983). However, as in WCS and the Ruhr, these industries were facing decline by the 1960s.

In 1963, NPdC produced 8.3 per cent of French GDP and 11 per cent of France's industrial output. Between 1962 and 1995 the contribution to GDP fell to 5.6 per cent. Overall, between 1967 and 1992, the number of industrial jobs dropped by 47 per cent in the NPdC region compared with 18 per cent nationally (Paris 2002). Some of this decline was fast, particularly in the textile industry, where an estimated 130,000 jobs were lost between 1945 and 1996. Although decline was steadier in other sectors, similar reductions happened in the agricultural sector (164,000), the mining sector (90,000), the chemical industry (8,000) and the metalworking industry (7,000) (Baert & Fraser 2003).

The scale of decline was not offset by an expansion of the service sector. Although employment increased in the sector, the growth was small and the number of jobs created was modest. Most of this growth occurred in the public sector and deindustrialisation was not offset by tertiarisation, which meant that

the region had to undertake further economic restructuring (Liefhooge 2005). This will be discussed later.

So how severe has deindustrialisation been in NPdC relative to WCS (and the other regions)? As Table 3.1 (pg.81) shows, by 2005 the share of industrial employment (as a percentage of total employment) had fallen in every region but farthest in WCS. NPdC continues to have around a quarter (26.4%) of its workforce engaged in industrial employment. In terms of the number of industrial jobs lost (Table 3.1 pg.81 column 3), during the period 1970 - 2005, NPdC lost 43 per cent of its industrial employment: WCS in contrast lost roughly two-thirds (62 %).

### **5.1.1 National response**

The first steps to reverse the process of deindustrialisation came from central government: the Dirigiste tendency of the French government meant it played an active role in industrial policy and regional development. In response to regional and spatial concerns a specific administration (the *Délégation à l'Aménagement du Territoire et à l'Action Régionale* (DATAR)) was established in 1963. It coordinated the regional aspects of the national economic plans. It served to stimulate, guide and coordinate the regional planning efforts of other agencies and to distribute regional development funds and was directly answerable to the prime minister. In November 1974, the *Comité Interministériel d'Aménagement des Structures Industrielles* was established to handle the process of deindustrialisation at the (national) government level (Newman & Thornley 1996; Leboutte 2009).

Central government established a strategy to divert growth away from Paris (the centre) to other regional (peripheral) centres. This strategy of *Métropoles d'Equilibre* (balancing metropolises) established a means of diverting state investment towards, and within, provincial city regions. Limitations were introduced to restrict the industrial and service development within the Paris region. To offset the predicted growth and relative advantage of Paris, projects for industrial expansion were scrutinised (the proportion of new industrial building did fall), taxes were introduced on office floor construction and special sanctions were required for large scale investments. Attempts were also made to

encourage the development of infrastructure in transport, education and communications within targeted regions. Eight *Métropoles d'Équilibre* were selected, the majority of which were demonstrating at the time significant development in new service and technological industries. Lille-Dunkerque in the NPdC was an exception. Its choice indicated the need for renewal and investment in NPdC, while at the same time recognising its prime geographic position: although peripheral in France, it was a highly favoured location in relation to the major economic regions of north-west Europe (Balchin et al. 1999; Hall & Tewder-Jones 2002).

Subsidies were provided to enterprises locating or expanding in designated areas. National economic conversion policies fostered specific restructuring, supported through the relocation of new industries settled by the state. One example was the development of the automobile industry in NPdC. Finally, decentralisation by the state in 1982 transferred some state functions to the regional councils (*Conseils Régionaux*). The councils manage economic development and, in consultation with the state, establish planning agreements relating to transport, infrastructure and other significant public investment projects (Rodwin & Sazanami 1991:116; Morgan & Nauwelaers 1999:58).

### **5.1.2 Regional response**

Due to the degree of fragmentation at a local government level in France, sub-national policymakers have often been inhibited in their execution of policies. In the case of NPdC, which is divided into 335 communes, the problem of cooperation and coordination was very problematic. For this reason the mayor, able to command several elective offices at once, was a key policy and decision maker, not only in his commune but also in national government. This arrangement, referred to as the *Cumul des Mandats* (Accumulation of Mandates) facilitated the representation of local interests at the national level. Accordingly, the power of any given region was (often) determined by the political proficiency of the mayor (Budd 1997).

A critical influence on the recovery of NPdC region has been the political and technical leadership. Of particular importance on the path to regional economic development has been the role of Pierre Mauroy, Mayor of the Urban Community

of Lille, Roubaix and Tourcoing, and Prime Minister at the beginning of Mitterrand's first Socialist administration of 1981. In fact the whole region was dominated by politicians from the left who had a greater political empathy with similar struggling regions like Wallonia in Belgium rather than D'Estaing's Parisian government of the right. Consequently the political elite of NPdC were assertive in raising the economic and political profile of the region.

In 1977, Mauroy established an economic development service as part of his office as Mayor of Lille and similar initiatives occurred throughout the urban agglomeration of Lille-Roubaix-Tourcoing. In addition, Mauroy was able to exploit his status as one of the *grands patrons*, and later as prime minister to implement his plan for the economic modernisation of NPdC. His commanding regional position and national standing allowed him to utilise national programmes for local and regional development, particularly in a most critical phase, 1976-1980, the period of the VIIth National Plan. Furthermore, for both economic and political reasons, the region actively sought to develop and maintain Pan-European associations, and re-establish itself as the linking economic area between Britain, France and the Low Countries (Budd 1997:190; Wannop 1995:253).

Rather than being ideological or partisan, Mauroy's approach to economic development was pragmatic. His goal was to "stimulate the enterprise and not replace the entrepreneur" (Hayward 1986:119). As Budd notes: "he would set up technically sound schemes backed by financial support and then find an industrialist to run them" (1997:191). At the time, the political right held the centre and the left the periphery. Mitterrand's victory and the introduction of a socialist government in 1981 led to the institutionalisation of this form of politics, as legislation for French regional decentralisation<sup>28</sup> was introduced in 1982 (Regional Studies 1997).

Although decentralisation empowered the French regional councils, the context was unlike that within which the Scottish (and English) councils had been created several years before. A long legacy of central government ensured there were fewer territorial interests for the regional councils to marginalise. The

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<sup>28</sup>The decentralisation legislation introduced even bears the name of Gaston Defferre.

problem for the regional councils was that they did not have the resources to match their new found responsibility. The councils were not providers of public services like those in Scotland. Consequently finance could only be applied indirectly to regional objectives. Nevertheless, as Mauroy and others demonstrated, they had the facility to garner support for regional objectives, thereby enabling them to develop a more coherent public transport network, pursue environmental improvements such as the renewal of derelict land, and develop leisure and cultural facilities – all priorities a central government would not have pursued independently (Wannop 1995:253).

Development agencies were established in each metropolitan area in 1990. The *Agence de Développement et d'Urbanisme de la Métropole Lilloise* coordinated physical planning for Lille, Roubaix, Tourcoing and the new town of Villeneuve d'Ascq. The agency's board was nominated by the *communes* and chaired by Mauroy, who was now leader of the *Communauté Urbaine de Lille*. A primary objective was to develop relationships with London and Brussels and cultivate the area's metropolitan character. Trans-national relationships had already been formalised in RETI (*Régions Européennes de Tradition Industrielle*), an assembly of Europe's OIRs formed in 1984. However, with the opening of the channel tunnel and progressive restructuring of its regional industrial base, the region's sense of itself was somewhat reconstructed. In 1991, NPdC, along with Kent (in England) and the regions of Belgium reached an agreement to form a self-constructed Euro-region. This region had a combined population of approximately 15 million people and programmes concerning collaborative efforts in economic and technological development, land use and transport planning, the environment and promotion and exchanges were proposed (Wannop 1995:255).

Since the 1990s, improvements have been made in the use of the Contrat de Plan Etat-Région and Contrat De Ville. The *contrat* is a legally binding agreement between the state and region or city detailing the programmes which will be achieved between them. This, in theory, should facilitate a more co-ordinated approach. Local Mayors also have the power to grant development permission where there is already an approved land use plan. Similarly, there have been attempts, in the 1990s and 2000s, to improve the organisation of urban initiatives (Reid 1993; Green & Booth 1996; Colomb 2007).

Broadly speaking, the region pursued a policy of diversification into new and related areas and technological modernisation (Martin & Sunley 2006; Boschma 2007). Research (Birch & Mykhnenko 2009; Birch et al. 2010) indicates that between 1996 and 2005 in NPdC, there was, relative to WCS, some increase in overall employment: this growth exceeded the French national trend by some amount. Similarly, there was also an increase in manufacturing employment. This calls into question the narrative of deindustrialisation as inevitable. Importantly, it highlights the potential ameliorating influence of national and regional political economies when they are prepared to be interventionist in nature. Although growth in manufacturing employment was recorded for both low and high-tech employment, the high-tech sector showed the greatest increase. Service employment growth was also significant, outperforming the national trend with significant growth in both routine and knowledge intensive high-tech services (Birch & Mykhnenko 2009; Birch et al. 2010).

#### **5.1.2.1 Coalfield areas**

From the 1960s onwards, it was clear that the French coal mining industry was in decline: the main reason was the cheapness of imported coal. In response, legislation was passed for a national programme of pit closures. Coal mining in France had been nationalised in 1946, and the mines of NPdC were owned by a regional (state-owned) mining company, *Houillères du Bassin du Nord et du Pas-de-Calais et de Charbonnages de France* (HBNPC). Prior to deindustrialisation, the mines employed approximately 200,000 workers and the HBNPC had to consider how to maintain jobs and redeploy those it made redundant (Hough 1982:36).

Initially the HBNPC tried to develop new manufacturing activities. For example, it tried to transform established products in the chemical industry by using coal instead of petroleum. In the construction industry it attempted to utilise by-products such as granules for tennis courts and prefabricated materials for building cheaper houses. Such initiatives attempted to adapt the endogenous capacity of HBNPC to develop new areas and means of employment for the future. Exogenous factors undermined HBNPC's efforts. Much of what the company was trying to achieve was concerned with developing petroleum substitutes, but low petroleum prices and the state of the building market

meant their new areas were never profitable. The HBNPC abandoned these manufacturing innovations and embarked on a new strategy - reorienting the skills developed in the coal industry towards services.

The result was that a number of knowledge-intensive-technical-services (KITS) developed around the mining industry: engineering, data processing, security, project management, quality control and material analysis. New markets were identified - such as the automobile industry, steel industry, and software industry. However, due to the historical high levels of protection towards many French workers, the effect of the high and protected wages of HBNPC workers priced them out of the market (Liefhooge 2005:14).

By the mid-1980s the strategy had changed again. The HBNPC sought to assist its internal service providers into becoming subsidiaries. The purpose of this would be to free them from the path dependency of coal production. No longer was the goal to maintain employment for the coalmine workers: rather, it was to facilitate the conversion and redeployment of managerial and highly qualified employees in the hope they could endure independently of the HBNPC. This was a particular concern as the company was scheduled to close in 1992, when it would be absorbed into the *Charbonnages de France* (CDF, the national coal mining company) which was unlikely to prioritise the fortunes of NPdC-based employees (Liefhooge 2005).

In many instances the measures taken to assist HBNPC subsidiaries were undermined by exogenous factors such as the cheap price of petroleum or the existence of established firms. However, firms were established in construction and were able to establish a presence due to the need to redevelop brownfield sites that were both common place and problematical following deindustrialisation. As a consequence of being awarded EU objective 1 status<sup>29</sup>, contracts were acquired for the building of new houses, schools and hospitals. Similarly, the utilisation of HBNPC knowledge proved valuable in the automobile industry, which first emerged in the area in the 1960s (as a consequence of national economic conversion policies). From the 1980s onwards the coal

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<sup>29</sup> European Union policy (and funds) for the purpose of redeveloping regions seriously lagging behind the EU average.

industry was able to adapt its expertise to areas such as quality control, organisation of industrial process, robotics, and software (Morgan & Nauwelaers 1999:58).

The other significant success can be attributed to the development of expertise in chemical analysis. In the 1990s, in response to new environmental laws which resulted in the creation of new regional markets, HBNPC used existing knowledge to provide chemical analysis services (on coal, dust and industrial atmosphere then on polluted soils). A new independent service firm (called SMC2) was created to carry out environmental studies and consultancy. In order to sustain its knowledge-based enterprise, SMC2 aggressively pursued a strategy of consolidation, buying up regional competitors in order to broaden its knowledge base and maintain its superior position in what is considered a very competitive market. Taking into account the demands for environmental consultancy and advice services in the industrial NPdC Region, regional authorities prioritised support for those sectors, with the aim of facilitating the long-term sustainability of environmental industries. One such initiative has been the establishment of the CD2E, a public service organisation whose objective is to encourage and assist regional firms and new entrepreneurs in the development of new environmental products, services and knowledge (Liefhooge 2005:14-15).

### **5.1.2.2 Lille conurbation**

With approximately 200 firms and 28,500 jobs in 2004, the NPdC is the principal location for France's mail order industry (65 per cent of all activity in France and 15 per cent of the total European market). Most of the major businesses in European distance selling have located in NPdC, based primarily in the Lille Metropolitan Area and in the cities of Roubaix and Tourcoing. The two major French groups in distance selling are La Redoute (Redcats) and Les Trois Suisses, both of which have their headquarters in the region, as does the main French subsidiary of the German Quelle business. Roubaix and Tourcoing are located on the eastern part of the Lille Metropolitan Area and dominate the sector to such an extent that they are known as 'the golden triangle of the distance selling industry' (Schulz et al. 2004:2).

This is a prime example of successful industrial restructuring. The genesis can be traced to measures taken by La Redoute in the 1920s when, in a saturated market, they opted to sell surplus wool by mail order. This proved successful, leading to the development of a catalogue offering first wool and then clothes and linen. Their model was imitated a few years later by Les Trois Suisses, and then by other textile firms of Lille-Roubaix-Tourcoing (Schulz et al. 2004).

The continuing success of this Lille cluster is sustained by the existence of a large variety of knowledge-intensive and highly industry-specific business services working for the mail order firms: logistics, advertising, graphics, photo studios, packaging, printing, direct marketing, call centres, software and so on (Morgan & Nauwelaers 1999). There is evidence to suggest that this local cluster is also embedded in social, familial and professional networks. The cluster, although open to outside influences, has managed to maintain its local critical mass. Furthermore, local entrepreneurs have been particularly effective at “identifying key innovations in external distance selling organisations and then adapting them to the demands of the local situation” (Liefhooge 2005:15). Close social and business contacts ensure this success is replicated in the region via the rapid diffusion of innovations throughout the cluster.

Increasingly, and perhaps inevitably, a number of tasks were being outsourced to business service providers. However, location remains a key factor in this development: external service producers in the ‘golden triangle area’ are able to work collaboratively with internal departments of the mail order firms in delivering industry innovations. The outcome is that the emerging new services are firmly embedded in the NPdC region. This process is aided by the increasing number of large retail company headquarters that have located to the region, again, as a consequence of restructuring and the closure of the regional textiles industry. The overall effect has been to stimulate the creation of a new service employment sector in the Lille metropolitan area (Schulz et al. 2004; Liefhooge 2005).

Although the development of e-commerce could threaten the mail order and retail cluster, it is likely that the endogenous capacity of the region will enable it to take advantage of the increased potential for distance selling provided by the internet. If firms are able to adopt new competitive models, the region

could consolidate its leading position. Such examples already exist: Madeinsport.com, an internet retailer owned by La Redoute and based in Valenciennes, has used its existing expertise in warehousing and logistics and new expertise in e-commerce to provide e-boutique outsourcing services to global customers. It handles all online merchandising for the Tour de France and the Paris-Dakar rally, thereby instantly gaining access to the global sports market served by these events. This re-enforcement of knowledge at the local level, and the interaction and the convergence between the distance selling industry and trade chains are the factors which will determine the future of the mail order cluster in the NPdC Region (Liefhooge 2005).

### **5.1.2.3 Transport infrastructure**

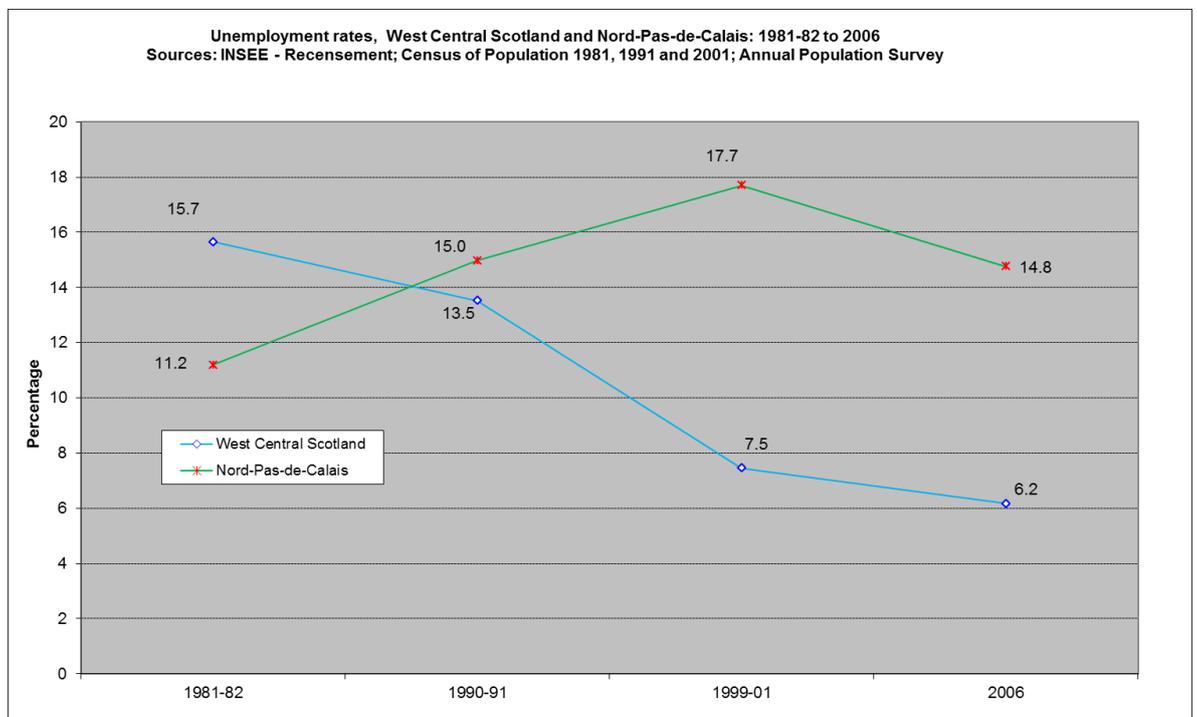
The development of the Channel Tunnel and related transport infrastructure has facilitated the regeneration of the Lille conurbation and the region of NPdC as a whole. Although its establishment was effectively under the remit of a national planning process, a key player was the then prime minister (discussed earlier) Pierre Mauroy, local politician and former mayor of Lille. In 1982, Mauroy and British Prime Minister Margaret Thatcher agreed to the construction of the tunnel and a treaty was ratified in 1986 after intense lobbying by NPdC region and Lille authorities. Their efforts ensured the link from London and Brussels to Paris should pass through Lille instead of going across country. In order to construct a new station and capitalise on the potential benefits of the link, Euralille was established. In 1994, links to London and Brussels were opened providing TGV links to other areas of France, particularly the south, thus ensuring that Lille restored its historic position as the interchange city between Flanders, north-west Europe and France (Simon 1993; Fraser & Baert 2003).

Mauroy described Euralille as a 'tertiary turbine'. The hope was it would facilitate the development of Lille and drive the city's economy into the post-industrial era. Euralille was a large and coordinated project which was able to utilise public land holdings. Although it has received some criticism (Moulaert et al. 2001) the project is generally considered a success and as well as being a location for conference and exhibitions facilities, it serves as a major European transport hub and has become the third largest business district of France after La Defense (Paris) and La Part-Dieu (Lyon).

### 5.1.3 Unemployment

Figure 3.3 (pg.83) presents regional unemployment rates in 2008 and 2011 for the five regions. In 2008 at 5.8 per cent the unemployment rate in WCS was lower than the other regions. NPdC had the worst rates of unemployment at 11.4 per cent. By 2011, unemployment has increased in all regions (except the Ruhr). However, although unemployment remains higher in NPdC than WCS (12.9%-10.2%) the increase in WCS is significantly more severe. This is a concern for WCS as NPdC, like the Ruhr, has historically had higher structural unemployment due to aforementioned *euroclerosis*. Moreover, relative to NPdC, in WCS there is seemingly a significant degree of hidden unemployment.

**Figure 5.2: Unemployment in WCS and NPdC.**

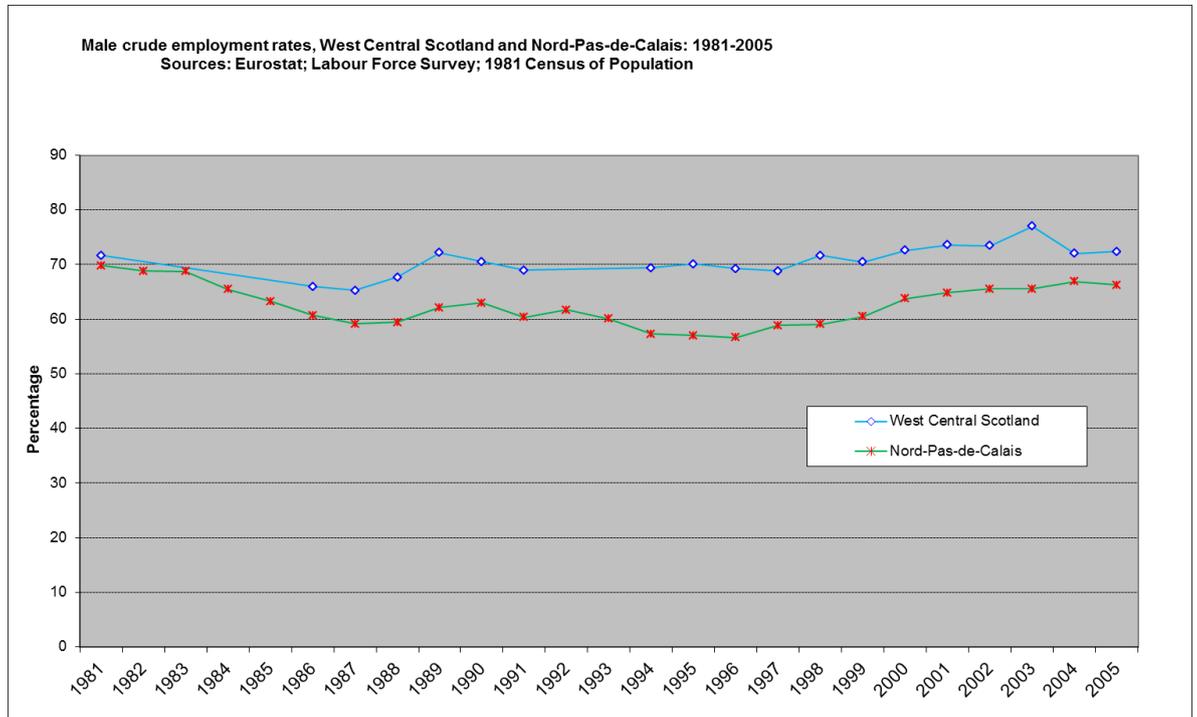


It is also possible to examine trends in unemployment over time. Figure 5.2 shows the change in unemployment between 1985 and 2008. In the early 1980s, unemployment was greater in WCS reflecting the earlier onset of deindustrialisation. Subsequently, rising unemployment rates in NPdC and falling rates in WCS meant that by the mid-1990s the situation had reversed: by 1990-01 unemployment in NPdC was 10 per cent higher than in WCS. This speed is perhaps surprising given the use of early retirement in France as a response to deindustrialisation.

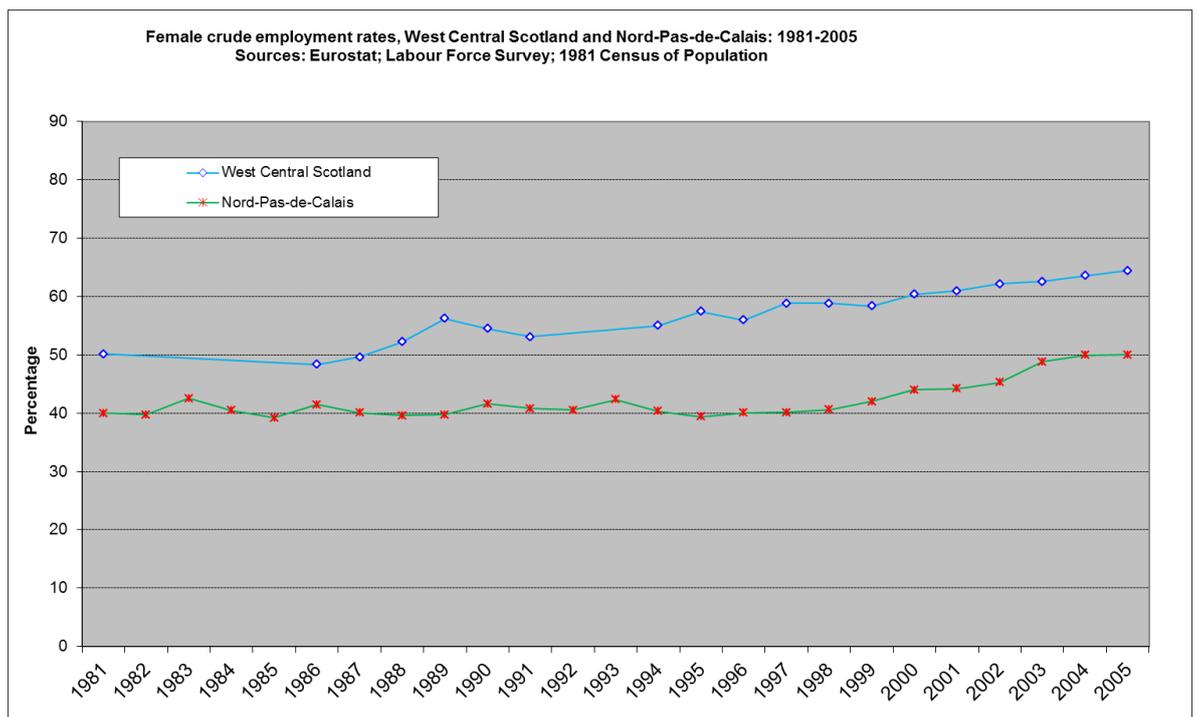
### 5.1.4 Employment rates

As discussed, a problem with utilising unemployment rates as an indicator of labour market disadvantage is the degree of hidden unemployment.

**Figure 5.3: Male employment in WCS and NPdC.**



**Figure 5.4: Female employment WCS and NPdC.**



As historically France has also operated a bread-winner model of welfare, gender division is important as female labour market participation has historically been higher in the UK: Figures 5.3 and 5.4 show this. Figure 5.3 shows that employment rates for men aged 15-64 are typically higher in WCS than NPdC. During the mid-1990s employment rates fell in NPdC, however, they are now increasing and starting to converge on WCS rates. For females, employment rates (Figure 5.4) in WCS have increased steadily since the mid-1980s. In NPdC the level of employment for females has been consistently around 40 per cent. However, since the mid-1990s there has been a steady increase roughly at the same rate as WCS.

### **5.1.5 Worklessness**

Figure 3.4 (pg.83) shows the percentage of men aged 25-49 not in employment in 2001, the significance of this measure in this context has already been outlined. NPdC fairs comparatively well in this regard, with 17.3 per cent of males aged 25-49 not in employment: this is similar to N.Moravia (17%) and significantly lower than the other regions including WCS (21.7%).

## **5.2 Context**

Although discussed earlier and above, a key element of the context of NPdC is the economic and development model that has been applied. Like WCS, the region suffered from being on the periphery which made it an unattractive location for investment. When deindustrialisation occurred, France like Germany, sought to maintain its traditional economic (and social) structure: the state facilitated a consolidation of major industries. Subsequently, the autonomy of firms has been increased but government still retains an active role (Schmidt 2003). Consequently, in France, change is driven by both firm and state action. The autonomy of firms gives them significant influence in terms of business strategy, investment, production and wage bargaining. However, the state continues to exercise control in labour rules and pension systems and when there is a need to adjust the general economic environment to promote competitiveness. In either case, as Schmidt notes: “the interaction is one of hierarchical direction rather than joint decision or unilateral action” (2003:549).

All of these developments facilitated the restructuring of the local economy and helped maintain a degree of economic diversity relative to WCS.

In comparison to WCS, the restructuring of the NPdC industrial base has been relatively successful. Industries such as glass, plastics, automobiles and printing have formed the foundation of a new industrial culture. This transformation has been augmented by the creation of 400,000 new jobs in the service sector between 1946 and 1996. In addition, more recent initiatives have led to the creation of high-tech and service-based industries (Fraser & Baert 2003:91). Since 1990, NPdC has diversified its activity by supporting, for example, the manufacture of new textile fibres and biotechnologies (Colomb 2007). As a result, there are still comparatively high levels of technical workers and craft and related trade workers. The number of managers and professionals also indicates that, although general skills are more prevalent, these are high general skills and therefore the level of deskilling has not been as severe. Research by Estevez-Abe, Iversen, and Soskice (2001) confirms that France still has a high degree of skills specificity and a high level of vocational training.

### **5.2.1 Skills and Education**

France and NPdC have eschewed the low wages-low skills route as pursued in the UK and recognised the difficulties in establishing a high wage-high skills model such as Germany's. Instead, the state gradually reduced its role in the economy affording (preferred) large companies more autonomy. As a consequence, companies restructured their production networks and practices in ways that encouraged the upgrading of skills, production quality and industrial cooperation and coordination. As in the Ruhr, new educational institutions (*grandes écoles*) were also established. As Fraser and Baert conclude:

“This public sector initiative did strike a chord with the private sector as it too realised the assets that the region possessed in terms of potentially educated labour force and a location at the heart of the west European industrial area” (2003:90).

#### **5.2.1.1 Education**

Figure 3.7 (pg.85) shows the percentage of adults (25-64) with tertiary (post-secondary) qualifications in 2008 for all the regions. It shows that NPdC had a

smaller proportion of adults with tertiary qualifications<sup>30</sup> than SWS (used as a proxy for WCS), 23 per cent and 33.3 per cent respectively. Figure 3.8 (pg.85) shows the percentage of adults with no or low level qualification (ISCED Level 0-2) in all the regions: it shows that SWS has a significantly lower proportion of adults with low or no qualifications relative to NPdC, 27.3 per cent and 35.1 per cent respectively. This is a significant difference, although traditionally a lack of formal education would not have necessarily been a barrier to old industrial work. A lack of skills and education in the contemporary labour market are considered significant NSRs.

**Figure 5.5: Percentage of NEETs in WCS and NPdC.**

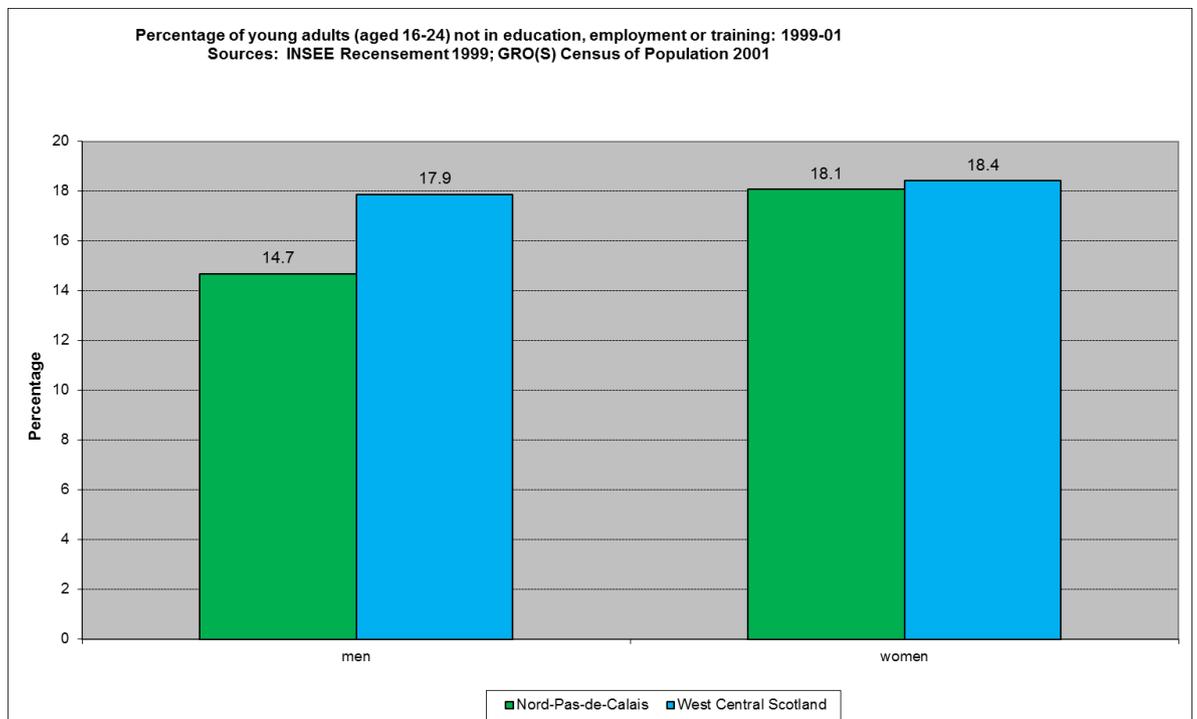


Figure 5.5 shows the percentage of young adults not in education, employment or training: so-called NEET's, in WCS and NPdC. WCS had a marginally higher percentage of young male's NEET than NPdC (18% and 15%). The percentage for young female's NEET was the same for both regions (18%). The figures for WCS were based on census data, so cannot be updated at present. Taulbut et al. (2011) note that some of the difference observed in NEET rates is attributable to low levels of participation for this age group in WCS compared to NPdC. However, as unemployment rates (Figure 3.5 pg.84) suggest and international

<sup>30</sup> These include university degree or NVQ level 4/5 level qualifications and above.

comparisons demonstrate (OECD 2009), this is a rapidly changing picture. In 2009, the level of NEET (aged 15-19) was around 11 per cent in the UK and 6 per cent in France.

### **5.2.2 Social context**

Each country and region, to varying degrees, has had to counter the problems of urban economic restructuring which is an acknowledged problem in OIRs (Boschma & Lambooy 1999; Birch et al. 2010; Couch et al. 2011). In the UK and France this has meant the renewal of neglected neighbourhoods, both in inner urban areas and in peripheral social housing estates (Whitehead & Scanlon 2007; Couch et al. 2011). This has been a concern of the UK, particularly in WCS. However, despite similar issues existing in NPdC, large-scale social housing estates are less prevalent (Whitehead & Scanlon 2007).

In NPdC, social housing accounts for 69 units of social rented housing per 1000 inhabitants compared to the UK figure of 106 per 1000 and the German figure of 30 per 1000. In the aftermath of the Second World War the stock grew considerably, as Levy-Vroelant and Tutin note: “Its mission then was to house the homeless and poorly housed - the majority of the population, given the tremendous shortage of housing” (2007:70). As such, the social or rented sector catered for the majority. Since the 1980s however, various initiatives (tax breaks, interest free loans) have encouraged home ownership and social housing has become increasingly (yet not exclusively) a tenure of the poor. However, as Levy-Vroelant and Tutin conclude: “at the moment, no process of residualisation can be observed, as in some other European countries” (2007:70). One possible reason for this is that, in the 1990s, new laws on planning and ‘*inter-communal*’ assistance aimed to facilitate solidarity between areas and consolidate a greater social mix in communities (Couch et al. 2011).

In terms of city development, and as we shall see in contrast to WCS and Glasgow’s experience, France has pursued different strategies. Authorities were less concerned than their UK counterparts with attracting new employment and retailing to central areas but more concerned with increasing public open space and maintaining housing provision (Couch 1997). More recent policy emphasises developing an attractive, sustainable, socially mixed city, mixing generations

and the different activities of living and working, facilitating a '*nouvel art de ville*' a new approach to living in the city: through limiting urban sprawl, developing public transport, addressing issues of renewable energy, improving the environmental assets of water, air and agricultural land (Kuklowsky & Provan 2011). Such an approach is possible due to the role of national funding programmes which operate with local, regional, and intermediary partners to deliver large scale projects. Typically, such projects emphasise continuity, culture and local traditions in setting the direction and context for planning, not globalisation and internationalisation of capital, but still with the purpose of restoring economic well-being to the city (Power et al. 2010).

Decentralisation measures of the 1980s augmented the power of local stakeholders and there were initiatives that emphasised solidarity between the poorer urban *communes* and other *communes*. The approach was more concerned with social regeneration than physical. In the 1990s new laws on planning and '*inter-communal*' assistance aimed to facilitate even development encouraging solidarity between areas and consolidating a greater social mix in communities. Thereby, reducing the socioeconomic (*and potentially health*) disparities between communes (Couch et al. 2011). In the region and France generally, there was a resistance to the 'Anglo-Saxon' policies of economic development, based upon deregulation and the physical environment (Meunier 2000).

With the divergent approaches of NPdC and WCS in mind, some regional comparisons will be made. First, family structures and relationships acknowledged as having an influence on population health. Second, health behaviours which are indicators of the individual and population health but also markers for the degree of social dislocation present in an area - particularly as a consequence of post-industrial change.

### **5.2.2.1 Lone parent households**

Figure 3.9 (pg.86) shows the percentage of households with children headed by a lone parent in the five regions. In 2001, less than a quarter (23.6%) of households with children in NPdC were headed by a lone parent. This is

significantly lower than WCS (31.1%) and the Ruhr (32.3%) and closer to the CEE regions. Figure 3.10 (pg.86) shows the rate of change in lone parent household with dependent children between 1990 and 2001. Although the rate is increasing in NPdC, the rate and level, as has been case historically, is less than WCS.

### **5.2.2.2 Single person households**

Figure 3.11 (pg.87) shows the percentage of households that are single person households in each region. In NPdC, just over a quarter (26.6%) of adults live alone. This is significantly lower than the other West European regions and more in line with CEE regions. Figure 3.12 (pg.87) shows the change in single person households over time between 1990 and 2001. As with lone parent households, the number of single person households increased in NPdC and WCS over time. However, although the percentage of single person households has increased in both regions, the rate of increase was much steeper in WCS.

### **5.2.2.3 Marital Status**

Figure 3.13 (pg.88) shows the percentage of adults aged 25-64 reporting that they were married<sup>31</sup>. Results are shown for adults aged 25-64. As explained, this accounts for different population structures across the regions and the fact that, predominantly, adults in these regions did not marry until their mid-20s (Eurostat 2006). As indicated, in the western regions the rate of marriage is roughly two-thirds. It was marginally higher in NPdC (66.4%) than in WCS (63.0%).

### **5.2.2.4 Births to teenage mothers**

Figure 3.21 (pg.92) compares the percentage of births to mothers aged below 20 in the five selected regions. It shows that the rate for WCS is almost double that for the NPdC, 8.5 per cent and 4.7 per cent respectively. Longitudinal data (Taulbut et al. 2011) indicates that although the teenage birth rate in both regions is falling, the relative gap between the regions persists.

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<sup>31</sup> Including those separated from their partners but still legally married or in a civil partnership across the regions in 2001.

### 5.2.2.5 Health behaviours

The relevance and impact of health behaviours to individual and population health has been outlined previously.

#### 5.2.2.5.1 Smoking

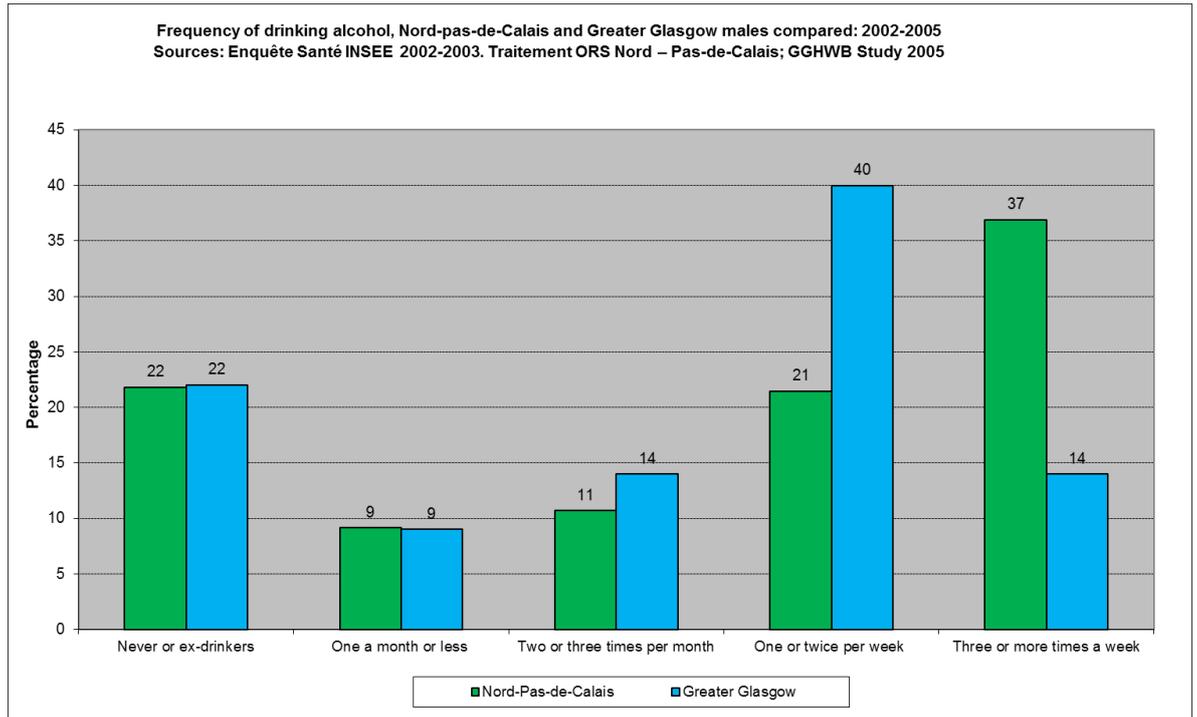
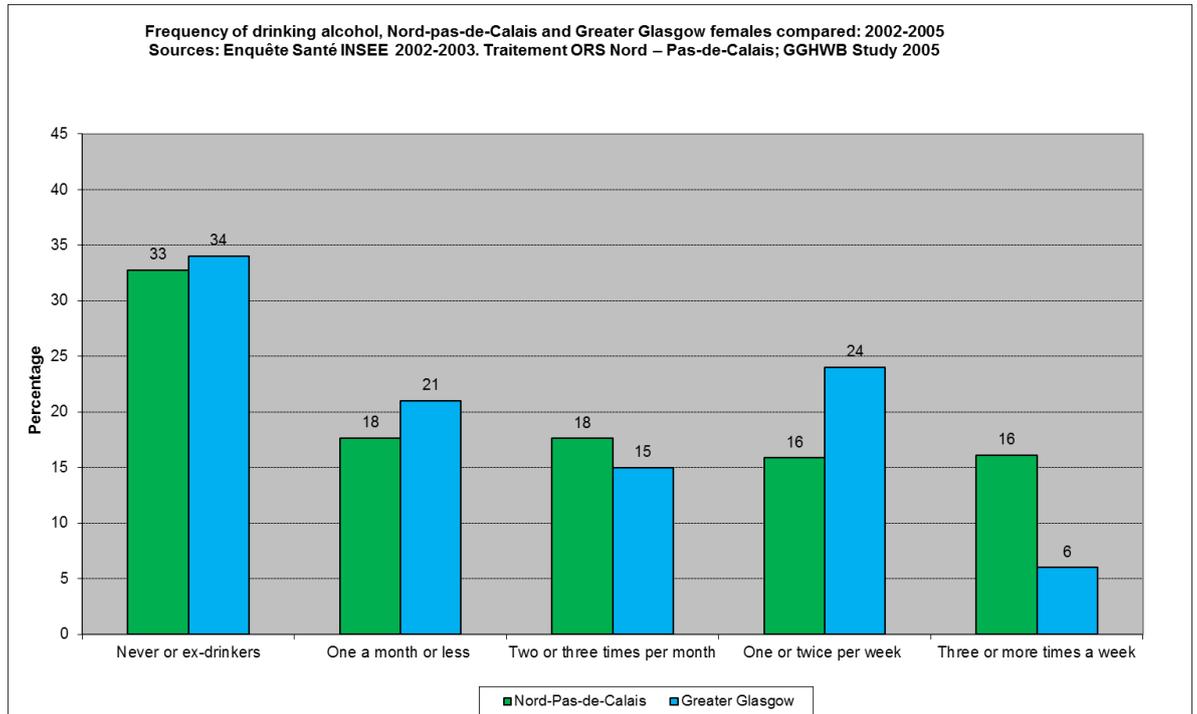
Figures 3.17 and 3.18 (pg.90) show the percentage of adult daily smokers, defined as those who smoked at least one cigarette a day, for males and females respectively. While male smoking rates were similar in WCS and NPdC (29.9% and 31.8%), female smoking rates were significantly higher in WCS than in the NPdC (28.4% and 19.9%).

#### 5.2.2.5.2 Alcohol

Direct comparisons of the total levels of alcohol consumption between the selected regions are not possible. However, *frequency* of drinking alcohol among adults in NPdC and Greater Glasgow can be compared. Figures 5.6 and 5.7 show survey data for the years 2002-2005 comparing the percentage of adults describing themselves as never/ex-drinkers, those drinking once a month or less and those drinking two or three times a month. Habits were relatively similar. However, for both males and females, the key differences were in those reporting they drink *three or more times a week* (considerably higher in NPdC) and those reporting they drink *once or twice a week* (considerably higher in Greater Glasgow). This difference was more pronounced among males than females. This probably reflects historic differences in drinking cultures between the two regions. Although there are similarities in drinking patterns, daily moderate wine drinking with dinner continues to be more common in France, at least amongst adults<sup>32</sup>, whilst heavy drinking concentrated over one or two days is more common in Scotland.

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<sup>32</sup> It is widely reported that young people are drinking less in France (BBC 2013).

**Figure 5.6: Frequency of male alcohol consumption Greater Glasgow and NPdC.****Figure 5.7: Frequency of female alcohol consumption Greater Glasgow and NPdC.**

In terms of international comparisons, Figure 3.19 and 3.20 (pg.91) indicate that France has a higher proportion of daily drinkers than Scotland (18%- 12%), it also has higher proportion of abstainers (21%-12%). Note, the Scottish data is based on consumption over a week as opposed to a month; this may impact the results (Walsh et al. 2008).

### **5.2.3 Social capital**

The significance of social capital has been outlined previously.

#### **5.2.3.1 Religious participation**

Figure 3.14 (pg.88) is based on survey-based measurement and indicates the percentage of adults who never attend religious ceremonies except on special occasions in each region. However, NPdC results not shown as the European Social Survey French sample is not representative at regional level.

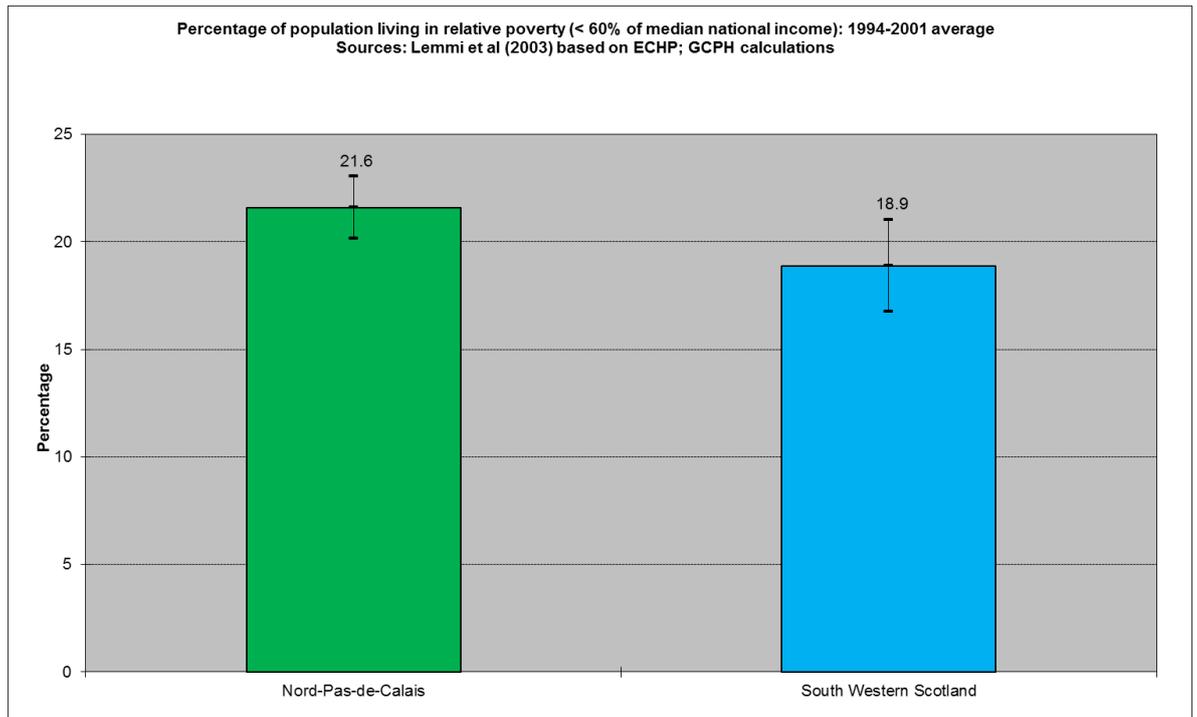
#### **5.2.3.2 Voter turnout**

Figure 3.15 (pg.89) shows turnout rates at national parliamentary elections, across each region. In 2005, election turnout in NPdC was very similar to WCS, 59 per cent and 58.3 per cent respectively. In terms of change over time as indicated in Figure 3.16 (pg.89) NPdC and WCS have broadly followed the same trajectory decreasing over time. However, whereas in 1990 turnout in WCS exceeded NPdC it is now marginally lower.

#### **5.2.3.3 Relative poverty**

Figure 3.5 (pg.84) shows the risk of poverty in selected countries across time. Note, although all countries exhibit fluctuations, levels of poverty are consistently higher in the UK. Moreover, although the level of poverty in France was broadly similar to Germany in the late 1990s, since then, it has been consistently and significantly lower than both Germany and the UK.

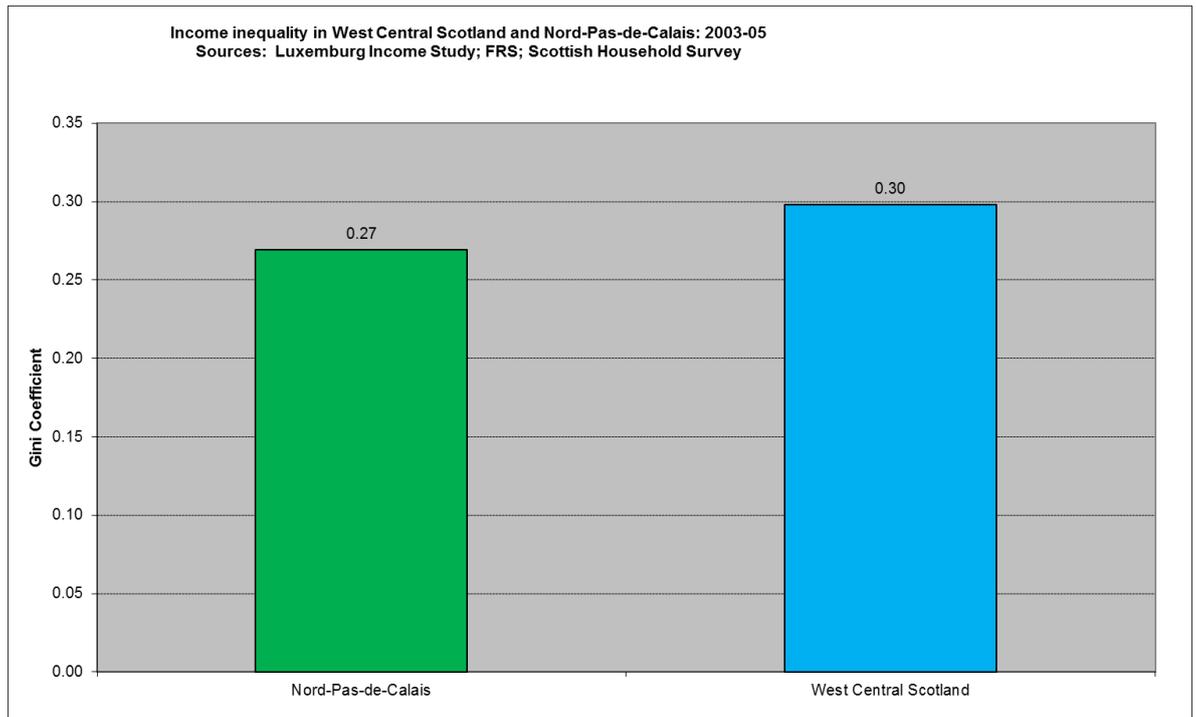
At the regional level (Figure 5.8), roughly one in five people are classified as living in relative poverty. However, the rate was higher in NPdC than SWS (proxy for WCS): 21.6 per cent and 18.9 per cent respectively. This difference is statistically significant but not substantial.

**Figure 5.8: Relative poverty SW Scotland and NPdC.**

### 5.2.4 Income inequality

Figure 3.6 (pg.84), tracks income inequality in the selected host countries from the mid-1980s to mid-2000s. It shows that, relative to the other countries (exception Czech Republic), income inequality has been falling since the mid-1980s in France. Whereas the difference was around 0.1 in the mid-1980s, it is now around 0.5.

At the regional level, as Figure 5.9 shows, income inequality in WCS is also higher than levels seen in NPdC. Household income may also play a role as Figure 3.11 (pg.87) indicates the unemployed are more likely than the UK or German unemployed to be living in a household with other people.

**Figure 5.9: Income inequality in WCS and NPdC.**

### 5.3 Social protection

It is clear that the level of social protection available in NPdC relative to WCS during the period of deindustrialisation was greater. However, as discussed, all welfare states are in transformation and subject to increasing austerity. Policy is primarily determined at the national level with varying degrees of autonomy at the regional level to deliver programmes.

The development of massive unemployment in the 1980s led to concerns regarding social exclusion as a consequence of poverty. As Mandin and Palier explain:

“Social exclusion became an endogenous constraint since it revealed specific problems in the predominantly contributory social insurance system. Evidence suggested that the unemployment compensation system was unable to meet the needs of those that have never worked or have exhausted their entitlement and thus reinforced social exclusion, particularly among young people, women and the long-term unemployed” (2002:27).

Non-contributory minimum welfare benefits are provided to those individuals who require the most support, due to a lack of finances and resources. The

provision of minimum welfare benefits is the key component in the fight towards alleviating poverty.

In France, as in Germany, during the period of post-war prosperity, the core industrial sectors instituted the benchmarks for the wider economy in terms of wages and working conditions, labour contracts, and social protection. In France, this was embedded in the nationalised *champions nationaux* such as Renault and the large public enterprises such as EDF (electricity) or SNCF (railways) that historically fulfilled the role of *vitrine sociale* (“social window”, i.e. setting a benchmark for social practices within companies). As in Germany, the social partners from industry, unions from the public sector and state policies contributed to institutionalising their standards to cover most of the population, either directly for male wage earners, or indirectly for their wives and families (Palier & Thelen 2010).

In NPdC, as in the Ruhr, early responses to the economic crisis of the 1970s and 1980s were centred on maintaining the core manufacturing economy, which provided the foundation for both the economic and the social model. This was accomplished by reducing the size of the workforce employed in the industrial sectors, largely through early retirement schemes, and increasing the productivity among remaining workers through increased internal flexibility and intensification of work.

In France, employers have lobbied to reduce social insurance contributions. However, as discussed, they have had to negotiate within existing socioeconomic relations (Seeleib-Kaiser et al. 2010). Despite many employers advocating cost reductions, the unions and some sectors of the business community remained committed to the idea of social partnerships and effectively vetoed reforms. There is a process of dualisation: this means greater reliance on social assistance programs on the one hand and greater reliance on occupational social protection for certain labour market insiders on the other hand. Although the number of atypical jobs is increasing, these jobs are still subject to extensive state regulation, and even outsiders benefit from state support so that a minimum income is guaranteed.

## 6. Katowice (Upper Silesia)

Figure 6.1: Katowice region



The Upper Silesia industrial region formed the greatest area of the Voivodship (province) of Katowice from 1975 to 1998. The region is situated in the south of Poland and borders the North Moravia region of the Czech Republic. A restructuring of the voivodships in 1999 created the Voivodship of Śląsk/Silesia which contains 86 per cent of the former Voivodship of Katowice (as before the Upper Silesian industrial region forms the centre of the new Voivodship of Śląsk) (Eckart et al., 2003:148). Around Katowice, which is the regional capital, fifteen cities are agglomerated to form a spatial entity of more than two million inhabitants.

During the nineteenth century, many mining sites, coking plants and smelting works were established in the Silesian region. On-going industrialisation and the intensive exploitation of coal mines and steel production led to the urbanisation of Upper Silesia. At that time, power within the region was shared between the Russian, Prussian and Austrian Empires and this shaped significant urban and identity differences within the region (Durand 2009). The development of rail infrastructure facilitated the establishment of urban centres around areas of

industrial production. The main urban areas were formed around Gliwice, Bytom, Zabrze, Katowice and the industrial area of Zagłębie Dąbrowski. Expansion of these areas was achieved mainly through funding from private investors (mainly Prussian) in the burgeoning economy. Industrialisation required manpower and this led to a large influx of people into the region, primarily settlers of Polish and German origin (Durand 2009).

The end of the First World War led to the restoration of the Polish state and the termination of imperial borders. Upper Silesia and its industrial area were divided between the Germans and Polish. Gliwice, Zabrze and Bytom remained affiliated with Germany, while Katowice, Chorzów and Mysłowice became Polish. Continued urbanisation and industrialisation of the region helped the Polish economy and radically transformed the structure of the population. In the early 1930s, 22.5 per cent of Silesian inhabitants earned their living from agriculture and 51 per cent worked in industry or mines (325,000 workers) (Klarner 1934 cited in Durand 2009).

With the establishment of a communist regime after the Second World War, the processes of industrialisation and urbanisation intensified. All boundaries in Upper Silesia were removed and all the cities and industrialised areas were grouped together into a single administrative region: the Voivodship of Upper Silesia. The purpose of creating a powerful industrial centre was to integrate all the Silesian populations to the central state project. The continued expansion of industrial production was complemented by an increase in population. This was the result of the baby boom and the post-war territorial transformation of Poland which forced people of the former eastern territories to migrate to the *Recovered Territories*<sup>33</sup>, particularly Upper Silesia, where labour was in demand (Szczepànski 1997).

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<sup>33</sup> The term *Recovered Territories* identified the Polish territories after the war, which were German territories before 1945 (mainly the regions of Pomerania, a part of the Mazowieckie, the Prussian Silesia).

In 1989, the end of the command economy led to the privatisation of state assets and the creation of private enterprises. By the early 1990s, many of these former state enterprises were in crisis and unable to meet the requirements of the market system. Heavy industries were not efficient or competitive and, as a result, it was necessary to restructure those sectors. These political and economic changes profoundly affected the Silesian area and the region is still marked by the industrial and cultural legacies of the nineteenth century and by the socialist policies of the twentieth century.

## 6.1 Deindustrialisation

When we refer to deindustrialisation in the context of the CEE regions we refer to the rationalisation and privatisation of heavy industry and state enterprises, and tertiarisation that occurred after the collapse of communism.

Figure 3.1 (pg.82) shows the level of industrial employment: the proportion seems low relative to the other countries. This is due to when the figures are available from and the level of agriculture that remains. Like the Czech Republic (and Germany), Poland retains a significant industrial capacity. Moreover, the degree and rate of loss in industrial employment was not as severe as it was in WCS, particularly if you consider the level of over-staffing prevalent. This reflects the gradual path the country and region took in terms of industrial restructuring. However, although Poland pursued a gradual approach, there was still significant restructuring of workforces as a consequence of transition.

Figure 3.2 (pg.82) shows unemployment as a percentage of labour force: it indicates the effect of restructuring on unemployment in Poland was marked. The degree of unemployment in the early years of transition and the late 1990s recession far exceed that experienced in West Europe. However, when considering the level of unemployment, one must take into account several factors, namely: what was effectively full employment prior to transition; the degree of hidden unemployment found in the UK and in particularly in WCS; and, as shall be discussed later, the easy access to unemployment benefits in the early years of transition which likely inflated unemployment rates. Moreover, there are significant geographical variations in the levels of unemployment in Poland (Gawronska-Nowak et al. 1998).

Interestingly, unlike the other selected regions, the situation in Katowice (śląskie) was less severe than it was nationally (Suchacek 2005). As Table 3.1 (pg.81) demonstrates, these regions share an industrial legacy of coal and steel. These industries were particularly vulnerable after the collapse of communism and transition. However, as shall be discussed below, Katowice has had some success restructuring its economy and continues to retain and develop a significant degree of industry.

The problems faced in Katowice should not be underestimated. After the entry of Poland into the global market economy in 1989, the Katowice region found itself in economic crisis and due to the legacy of state-socialism, with serious structural concerns: deteriorating infrastructures, a lack of profitability from production and modes of operation not tailored to the global capitalist system. Massive industrial complexes, such as the steel works Huta Katowice, dominated the local economy. Typically, they employed a disproportionately large workforce, received massive state subsidies and utilised outmoded technology and production methods.

In 1989, the region was the location of 520 state-owned industrial enterprises, some 10 per cent of the state-owned enterprises in Poland. These included 65 hard coal mines, 13 power plants, and 19 steel works. In addition, there were 255 construction firms and 82 farming and agricultural enterprises of which 20 were state farms. The voivodship also hosted 45 foreign enterprises and approximately 35,000 small workshops, the majority of which were private family enterprises. The public sector employed 1.3 million people in 1989, while the private sector employed 265,500 (Szczeпаński & Cybula 1998:99). In the immediate era of transition (until the mid-1990s), the removal of state subsidies, privatisation and the restructuring of heavy industry and mining in the region resulted in acute socioeconomic change and put the local economy further into recession.

The restructuring of the two key industrial sectors, steel and coal, resulted in the closure of many works and mines. In 1989, 70 mines were operational. By 2007 there were only thirty still extracting coal and the number of mineworkers had reduced from 415,700 to 116,400. The story of the steel sector was just as severe. Several works ceased to function and steel production fell significantly,

from 20 million tonnes in 1980 to 11 million tonnes in 1994: over 100 000 jobs were lost in the sector. The remaining (20) works consolidated in 2002 in the *Polskie Huty Stali Consortium*, which is now owned by the Anglo-Indian venture, *Mittal Steel* (Bafoil 2010:3), the Polish headquarters of which is in Katowice.

Although the economic base of the region remains in flux and new sectors are emerging, the traditional sectors persist. In 2010, the extraction of ore and heavy industries continued to employ 38.2 per cent of the working population and contributed up to 22.5 per cent of regional GDP. Poland continues to be the leading producer of coal in the European Union (and the seventh globally). The output in the region amounts to 90 per cent of national production. After a sharp decline in the early years of transition, coal production has now increased again due to concerns over energy dependence (in 2002, Poland depended on 92 per cent of its coal for electricity production) and higher oil prices. Due to these circumstances, the extraction of coal continues to be profitable (Bafoil 2010:7).

Research by Birch and Mykhnenko (2009) demonstrated that in Katowice (Śląskie) between 1990 and 2005 (as expected) the loss of industry exceeded the national average. In the service sector there was growth at just below the national rate. However, although there has been significant deskilling, as in other OIRs, with reductions in both high and low-tech employment, there has been, simultaneously, significant growth in the high-tech services. This so-called path creation of new sectors is the product of what has been described as a weakly coordinated capitalism (Mykhnenko 2007) which as Myant concludes: “had to start as a capitalism without capitalists and also without capital” (2007:105).

So how severe has deindustrialisation been in Katowice relative to WCS (and the other regions)? As Table 3.1 (pg.81) shows, by 2005, the share of industrial employment (as a percentage of total employment) had fallen in every region - but farthest in WCS. Katowice, of all the regions, maintained the largest industrial workforce (42.8%). In terms of the number of industrial jobs lost (Table 3.1 pg.81 column 3), during the period 1980-2005 Katowice lost 55 per cent of its industrial employment. Katowice, like the Ruhr and WCS, has been hardest hit in this regard. However, as established, more accurate comparisons in terms of the speed and intensity of deindustrialisation are difficult.

The next section will look at the policy responses, both national and regional, to privatisation in Katowice and highlight some important developments in the region.

### **6.1.1 National response**

The problems associated with economic restructuring and the large number of job losses in the Katowice region necessitated significant state intervention. It seems that this level of intervention was augmented by the powerful political lobby that exists in the region. Accordingly, the reform programmes of central government consisted of solutions formulated at the national and regional level. On 6 June 1995 the 'Regional contract for Katowice voivodship' was signed. This was essentially an agreement between regional and national government that established the framework for regional transformation not only in industrial and economic terms, but also in education, environment and infrastructure. The primary aim was to rejuvenate the entire region in order to maintain the economic strength of Upper Silesia and its labour force (Szczepański & Cybula 1998; Sucháček 2005).

Eckart et al. (2003) assert that this contract was of particular importance for restructuring of the region. It was critical in attracting inward investment and, as a result, the quality of the environment improved and a vision for the future was established: based on knowledge, innovation, advanced technologies and competitiveness. EU funds subsidised a number of these actions and ensured a favourable legal environment for investors. New economic sectors thrived, particularly in the service sector. As Bafoil explains:

“The aim of regional policy in the medium and long term was to keep the key role played by the industry while developing the activities of services in a region which sorely lacked. This requires a redefinition of industrial activities, either by the modernization of production tools or by creating new economic sectors (particularly in high technology)” (2010:6).

#### **6.1.1.1 Foreign investment**

Since the mid-1990s, Poland has attracted a significant amount of foreign direct investment (FDI) and this has contributed to the expansion and diversification of

the region's economy. In addition, new institutional arrangements have facilitated a favourable juridical and economic framework for foreign investments. Poland's active participation in organisations such as the OECD and NATO, and its successful accession to the EU in 2004 provided the necessary assurances for foreign investors and capital. Since 1996, the share of FDI in the Katowice region has totalled 11,712 billion PLN (2.5 billion Euros), making it the most successful region in Poland to attract FDI. As Bafoil explains:

“Although the economic situation of the region was difficult at the end of communism, the local actors (municipalities, Voivodship, development agencies) have established programs to develop and revitalize the regional space, putting forward the benefits of Upper Silesia: many available lands (including Special Economic Zones), qualified manpower, (*and a*) significant local market” (2010:11).

Furthermore, FDI has created dynamism in the local economy which has led to the creation of many home-grown enterprises in the form of subcontractors and service providers.

The French concern Saint-Gobain was one of the first transnational companies to invest in the region, establishing a float glass factory in Dąbrowa Górnicza. In addition, they established factories for windshields, glass products and the production of insulation materials. Food and beverage companies such as Unilever and Danone have also provided investment for existing factories. Similar to continental Europe in the immediate post-war era, much of the room for expansion has come from the underdevelopment associated, in this case, with state-socialism. The critical question is whether, in the long-term, this will facilitate cumulative causation, as Domanski explains:

“(Will) the recent expansion and diversification of the regional economy provide impetus for self-perpetuating growth based on urbanisation economies including a variety of potential buyers and specialised suppliers as well as a vast pool of labour” (2002:10).

### **6.1.2 Regional response**

In contrast to the Czech Republic, the regional level of self-government was not abolished in Poland post-transition. However, the institutional arrangements at the national and regional level had to be reconfigured in order to provide an

active role for local authorities to manage the post-communist transition and subsequent economic development.

The structure of regional governance in the region is, due to its cultural and economic heterogeneity, at best multifaceted. Major actors include regional authorities, local governments, NGOs, state agencies, state-owned enterprises, local businesses and foreign investors. All of whom have their own agenda, constituencies, politics and practices and vary in their perception of, and commitment to the region. However, since 1990, local government has been augmented, particularly in major cities and regions. In political terms, and similar to France (as illustrated by the NPdC example), mayors are now strong political players. Mayors are elected to office for four years via universal suffrage and this affords them a significant degree of legitimacy and political capital and allows them to directly choose their preferred social partners. In economic terms, municipalities now find themselves with more autonomy and latitude in terms of their development strategies. Although in many areas local government remains financially dependent on central government, decentralisation allows them to respond to local needs and focus their efforts on restructuring and re-stimulating the local economy and to pursue outside investment (Domanski 2002; Bafoil 2010).

Further decentralisation occurred in 1999 as the newly formed voivodships were also granted a significant degree of autonomy. Regional actors acquired new powers in the areas of: definition of regional strategic planning; signing of a development contract State/Region; promotion of economic development; and the design and implementation of a Regional Operational Programme coming from the Structural Funds of the European Union (Bafoil 2010:9). The Katowice Voivodship sought to promote growth in the region by creating favourable conditions within which heavy industry, tourism and the cultural potential of the region could thrive. To achieve this, local decision makers have acted to remove any impediments to that development for example, environmental pollution and infrastructure.

### 6.1.2.1 Development agencies

In order to maintain jobs in light of the inevitable restructuring of the coal and steel industries in the region, local (and national) decision makers looked to revitalise the local economy by encouraging the creation of new business enterprises, part of this strategy entailed the establishment of development agencies.

In November 1992, the Voivodship of Katowice and the Ministry of Regional Development established the Agency for Regional Development of Upper Silesia (GARR). The agency had two primary goals: to promote the region and to advise on the best way to attract and encourage investment. It also served to advise local authorities and entrepreneurs who hoped to establish small and medium sized enterprises (SME) (Blazyca & Klazik 2003).

In January 1994, another development agency was established in the region: the Agency for the Transformation of Enterprises (GAPP). This was again a joint local and national initiative, founded by the Ministry of the Treasury, the towns of Bytom and Zory and a development company in Warsaw. The agency acted to deal with some of the consequences of restructuring in the region and to assist in the creation of new SMEs (Blazyca & Klazik 2003). To achieve its stated aims of creating the conditions, methods and tools to improve the competitiveness of Upper Silesia, the agency provides high quality support in the following fields: consulting, training, information and financial support (assistance in obtaining EU funds) (Bafoil 2010:10).

Other development agencies exist in the Silesian region, such as RCITT (The Regional Centre for Innovation and Technology Transfer, created as a result of the new Structural Funds 2007-2013) and the ARP (Agency for Industry Development) both assist in the transfer of technology. In the 2000s, the main aim of the agencies is to build on the growth poles they have helped established ensuring they maintain their dynamism and competitiveness (Bafoil 2010).

### 6.1.2.2 Special economic zones (SEZs)

In 1994, central government, eager to reduce the structural unemployment which was a consequence of transition, passed the law on Special Economic Zones (SEZs) in Poland. In 1996, four such regions were established in the Katowice region covering a total area of 827 hectares. The zones offered total tax exemption of corporate tax during the first 10 years of activity and 50 per cent in the years up to the expiry of the area. Enterprises were also exempt from property tax. To qualify, investment had to exceed 2 million Euros and at least 100 workers had to be employed. Preferred applicants were manufacturers from the sectors of precision engineering, electronics, automobile industry, food processing, medicine and medical instruments (Sucháček 2005:20).

The sites chosen were brownfield and the SEZs were established in order to facilitate the development of the location within which they were established. The hope was they would create employment and help consolidate the post-communist industrial fabric of the region via the establishment of new industries and overhaul of local infrastructure. As Domanski concludes:

“The establishment of special economic zones proved to be an influential intervention that fostered the influx of large foreign manufacturing capital and the creation of new jobs” (2002:16).

Since 1996, the SEZs have attracted over 268 companies and in excess of 3 billion Euros have been invested creating over 37,000 new jobs. Investment has come from a number of countries and has facilitated economic growth and allowed the region to broaden its economic base. The new industries, although modern, are still concerned with production (Bafail 2010:13). In addition, new SMEs have been established in order to fulfil the industrial and commercial activities that large companies are unable or unwilling to perform in the region. However, with Poland’s accession to the EU, the position of SEZs has become uncertain as the concessions provided contravene the *acquis communautaire*<sup>34</sup>. As a result, the EU has requested Poland abandon them by 2017 (OECD 2008a). It should also be noted that the formation of SEZs has led to economic, and possibly social, inequalities in the region as not all areas contain one. Similar to

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<sup>34</sup> Accumulated legislation, legal acts and court decisions which constitute the body of European Union law.

WCS, many of these areas have sought to establish commercial areas, this often being to the detriment of towns and city centres, as they have been established in peripheral areas where the land is cheaper (and access for consumers and suppliers is easier) (Bafoil 2010).

### **6.1.2.3 Diversification of the economy: new activities**

Post-transition, a major driver of the economic growth experienced in the region, contributing to the creation of new jobs and below average unemployment rates, has been the development of economic activities that had hitherto been of secondary importance (for example, consumer services, retailing and new manufacturing sectors). Although some of the capacity to grow is due to the underdevelopment of these sectors under state-socialism, certain attributes of the region have also been a decisive factor.

Katowice's geographical position is an advantage, being situated on 2 trans-european road routes: corridor III (connecting Berlin - Wroclaw - Katowice-Cracow - Lvov) and corridor VI (connecting Gdansk - Katowice- Zylina), as is the sizeable labour market and sizeable population. Many companies in the region have attained national prominence in a number of industries including construction materials, plastic products and food and drink. In 2000, the number of local industries exceeded 280,000 (Domanski 2002:6).

A particular success in the region is the automotive industry. The region is significant in terms of automotive production and in 2010 accounted for 82.7 per cent national production (Bafoil 2010). Despite no tradition in the region, Fiat was the first to establish itself regionally in 1975. The site chosen was Tychy and was determined by the need to secure employment in this 'socialist new town'. A contract between the Polish government and Fiat in 1987 established Tychy as the production plant for the (then) new small Fiat, the Cinquecento. This ultimately led to Fiat's take-over of the Polish concern FSM and \$1.4 billion of investment. In addition, Fiat in the search for cost-reduction began to use suppliers in Poland: by 1995 more than 40 firms produced car components for Fiat (including their traditional suppliers who were encouraged to invest there) (Domanski 2002; Dyker 2010).

The automotive industry has continued to grow. In 1995, General Motors located in Gliwice-encouraged by the established companies and the incentives provided by the national government in the form of SEZs (including 10 year income tax exemption). The plant began production in 1998 and encouraged further investment from foreign component manufacturers. Many came as suppliers for car manufacturers present in Poland (Delphi, Lear, Electrolux, HP) others (for example Isuzu, who provide engines) served West European markets (Domanski 2002; Dyker 2010).

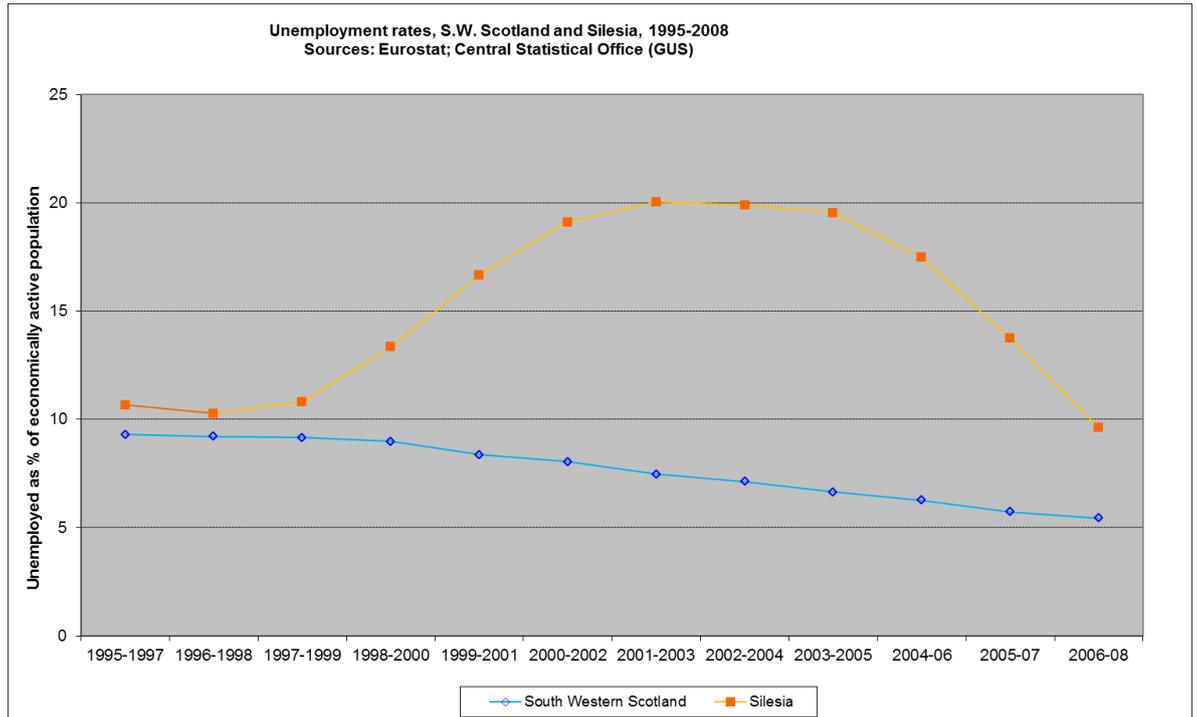
These types of investment in Upper Silesia contradict the theoretical explanations for industrial location, namely weak trade unions and low wages, and are in stark contrast to the experience of WCS, where these were considered as critical location factors. Moreover, the expansion of the automotive industry in the region is not path dependent since it is not an extension of any lasting legacy and could have occurred elsewhere in Poland or CEE.

Before discussing the consequences of deindustrialisation and subsequent post-industrial change on context and the level and nature of social protection, some comparisons on employment will be provided.

### ***6.1.3 Unemployment***

Figure 3.3 (pg.83) presents regional unemployment rates in 2008 and 2011 for the five regions. In 2008, Silesia had unemployment rate of 6.6 per cent almost a percentage point higher than SWS (proxy for WCS) and the second lowest rate of all the regions. As the figures show for 2011, unemployment has increased in all the regions: the gap between Silesia and SWS remains around one per cent. Unemployment in both CEE regions remains below both the Ruhr and NPdC.

It is also possible to examine trends in unemployment over time. Figure 6.2 shows the change in unemployment between 1985 and 2008. Unemployment in Silesia was similar to SWS in the mid-1990s: this reflects the use of early retirement and the gradual and relatively successful approach to economic restructuring.

**Figure 6.2: Unemployment in SW Scotland and Silesia.**

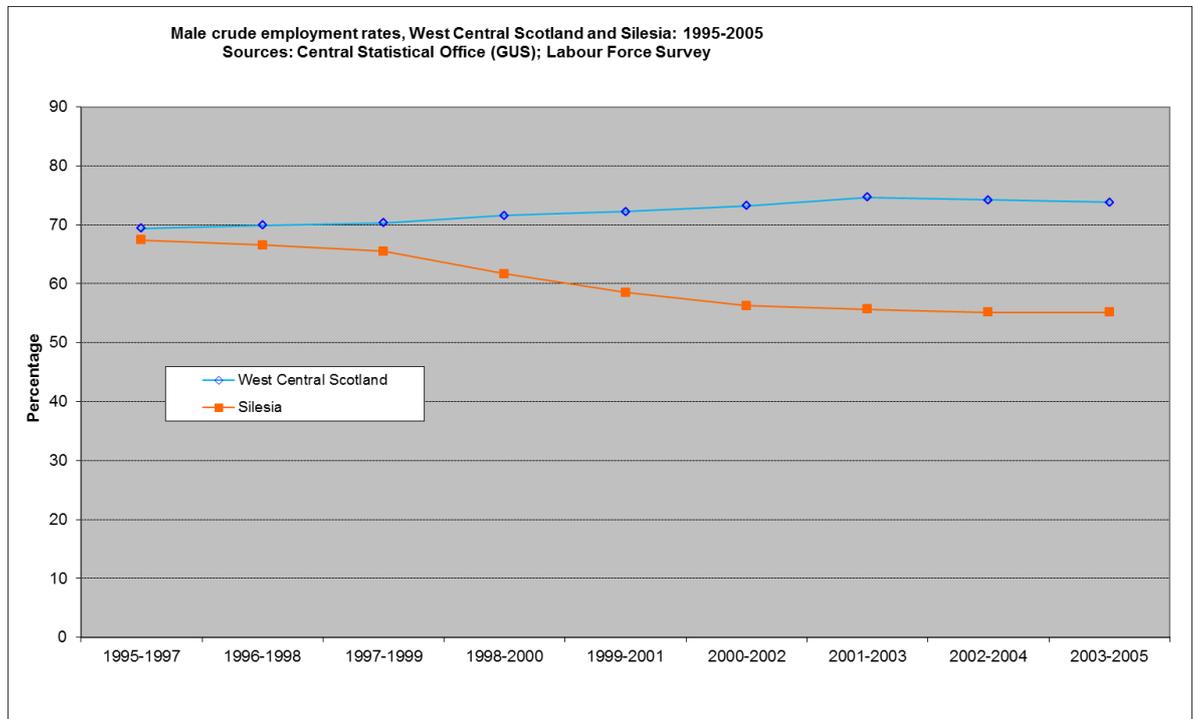
In some respects, this is indicated in the steep increase in unemployment from 1998-2002. At the time GDP was growing, yet the region and the country experienced an increase in unemployment. In part, this was due to the delayed effects of privatisation as newly privatised enterprises continued to rationalise employment. In addition, new technologies were being introduced which lead to reductions in labour, and, as in other OIRs, the service sector was not growing as quickly as might have been hoped. Finally, reforms to the pension and health insurance system led to an increase in the number of registered unemployed people. Since 2002 unemployment levels, broadly speaking, have improved consistently.

### **6.1.4 Employment rates**

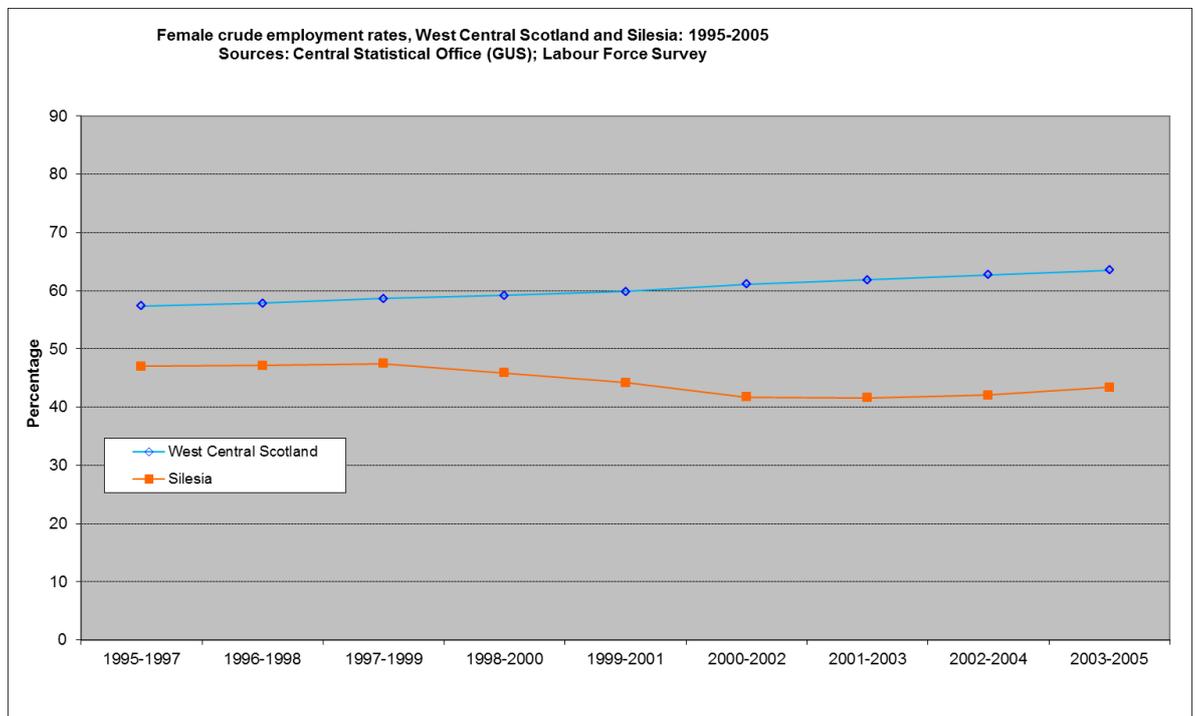
As established, a problem with utilising unemployment rates as an indicator of labour market disadvantage is the degree of hidden unemployment. The comparisons made here are from the 1990s onwards. To compare employment opportunities during the 1980s would present a false picture. Under communism, as discussed, there was ostensibly full employment for people of working age. Before looking at the figures it should be noted that due to early retirement schemes and early retirement in general the average age of retired person in

Poland (2006) is 56 years. Employment levels for both sexes have been low since transition.

**Figure 6.3: Male employment in WCS and Silesia.**



**Figure 6.4: Female employment in WCS and Silesia.**



As Figure 6.3 indicates, employment rates for men aged 15-64 are typically higher in WCS than Silesia. During the late-1990s, employment rates, for reasons

outlined above, fell in Silesia. Although the decrease has stopped, this has severely affected male employment levels, which have plateaued around 55 per cent. Although the same is true for WCS, the rate is healthy in comparison (73%). For females (Figure 6.3) employment levels also fell in the late 1990s. Like the males rates, they recovered. However, unlike the male rates they now show signs of improvement.

As Figures 6.3 and 6.4 highlight, employment rates in the Katowice region are comparatively low. However, this is a situation that is improving both nationally and regionally. This is in part due to improvements in labour market conditions. However, a more probable explanation is the shift in policy in 2004 which curtailed the eligibility for the so-called pre-retirement benefit. Since transition, labour force participation has been particularly low among three groups: older workers, women and youth. The difference between Poland and other EU countries is greatest in the case of older workers, which reflects the (until recently) very generous rules governing early retirement. In 2009, only 35 per cent of persons aged 55-64 were economically active compared with EU average 51 per cent (World Bank 2011:25).

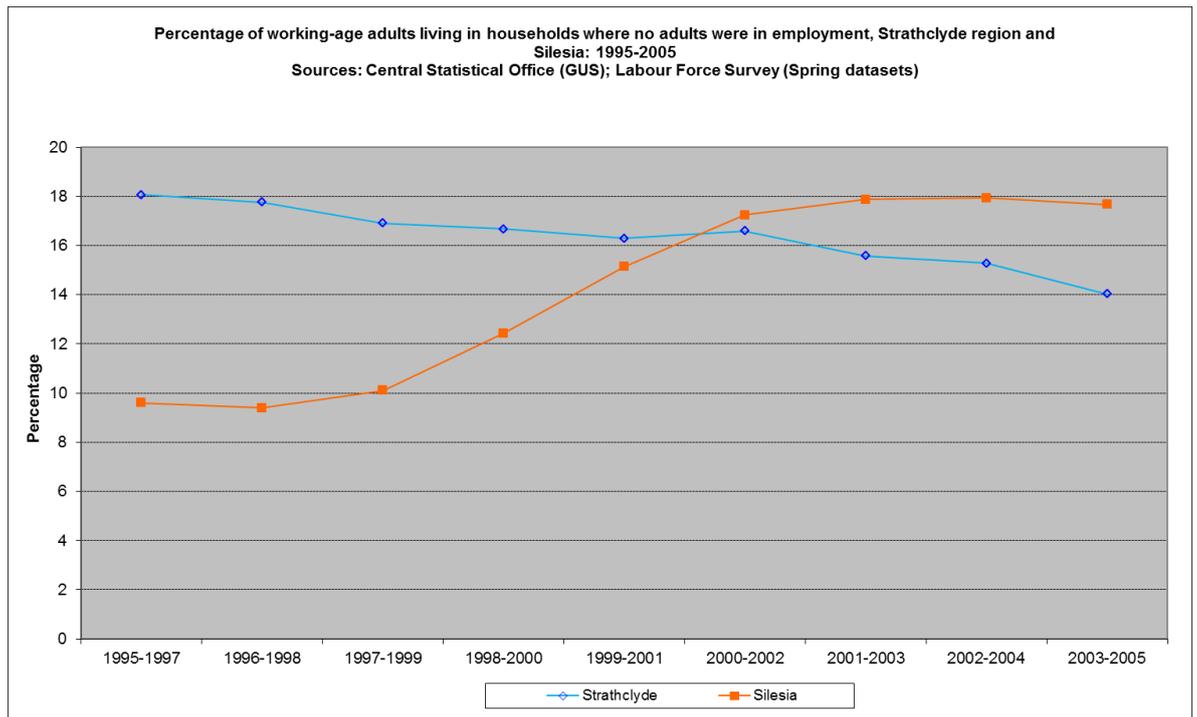
Other contributing factors include the significant reductions in public sector employment which occurred as a result of transition, which, due to retirement, saw people pushed out of the labour force rather than into unemployment (Boeri 1994). Other factors cited include the low regional and trans-professional job reallocation (Bukowski et al. 2007). The shadow economy should also be taken into account as it is significant in CEE across all sectors: it is estimated that 20.2 per cent of employment is informal (Surdej 2004:14). Moreover, in Poland in 2004/5 it accounted for 27.3 per cent of GDP (Aidukaite 2011:3).

### **6.1.5 Worklessness**

Figure 3.4 (pg.83) shows the percentage of men aged 25-49 not in employment in 2001: the significance of this measure in this context has already been outlined. As one would expect, given the early retirement, relatively high unemployment and historically low levels of employment, Silesia does not fare well in this regard, with 29.5 per cent (noticeably lower than the Ruhr).

An additional comparison can be made between Silesia and WCS. Figure 6.5 shows the percentage of adults living in workless households. In the mid-1990s the situation was far worse in WCS than Silesia (18.1% vs. 9.6%). The situation had completely reversed by 2001: as we have seen the unemployment situation in the late 1990s early 2000s was severe. Although the gap continues to widen, the situation is improving in both regions.

**Figure 6.5: Number of working age adults in workless households: Strathclyde and Silesia.**



## 6.2 Context

Due to the reform tendencies of the 1970s and 1980s the countries of CEE had different starting points when transition began. Poland had market elements in its economy prior to 1989. Broadly speaking, living standards were acceptable and there was an historic and institutional legacy of industrial capitalist development. Geography was also critical with Katowice (and Poland) benefitting greatly from proximity to economic powerhouse - Germany.

Unlike many of the workers in the West European regions, those in the region of Katowice (and Moravia-Silesia) have only recently experienced the disruptions associated with post-industrial change. The region and the workers therein have, in the context of CEE, remained central to the economic development of the

region. The closures of mines in the early transition period were not welcome as miners had held a privileged position both regionally and nationally. Many had housing reserved and subsidised, in addition to food benefits and a salary twice the national industrial average. As a result, the region experienced strikes in the winter of 1992-1993 (Bafoil 1997). However, the process of restructuring was gradual. Mindful of the potential social costs and tensions in a region so densely and heavily populated (10 per cent of the Polish population lived in the region) further restructuring of heavy industry was put into hibernation. Central government began to take an active role in the region, which appeared to be suffering in relation to the other regions (Domanski 2002).

The political capital of the region meant lobbying also contributed to the pace of restructuring in the region. Significant financial support was secured from central government, often in the form of tax exemptions. In addition, both metallurgical and mining enterprises received generous bank loans, often as a result of political pressure. By 1995, the debts of all mines in Upper Silesia totalled approximately 8 billion zloty (approximately £1.5 billion). It is noteworthy that every minister of industry between 1989 and 1999 came from the Katowice voivodship and had been employed within heavy industry (Tkocz 2001). In addition, after transition, the old power arrangements were transformed into a powerful and influential mining (and to a lesser extent steel) lobby within the social and political networks of major parties and trade unions. As Domanski concludes:

“Their efforts to preserve the status quo have prevented the decline of the importance of coal institutions and people proportional to its shrinking market role” (2002:5).

As a result, most of the heavy industries in the region remained state enterprises. In spite of this, during the phase of ‘shock therapy’ (1989-1995), production in heavy industry reduced by 32 per cent and employment by 15 per cent. As seen in Germany and France, much of this reduction was in the form of regular and early retirements. Other workers were retrained and absorbed into the service sector and the numerous new enterprises established in the SEZs. As a result, and despite job losses, unemployment in the early to mid-1990s remained below the national average. However, it should be noted that the significant subsidies provided to industry in the region, particularly mining, are

likely to have been secured at the expense of other sectors and social groups in the country. The failure of mines to pay local taxes, royalties and debts meant that many of the towns within which the mines are located were deprived of much needed revenue for investment and infrastructure and firms that supply and service the mines were left out of pocket (Domanski 2002; Sucháček 2005).

As discussed, FDI has been significant in shaping the restructuring of former socialist economies and informs many of the characteristics of the emerging form of capitalism (King 2007; Nolke & Vliegenthart 2009). In 2007, 25 per cent of investment in Poland was FDI. This is the major source of investment particularly in Katowice. It should be noted that the FDI received has meant Katowice has become an integral link in the global network of Transnational Corporations (TNCs) (Birch & Mykhnenko 2009): this is in stark contrast to the branch-plant scenario in WCS.

Although limited innovation and external dependency are likely to prove problematic in future, the approach of Poland and Katowice has facilitated significant economic growth. The existence of relatively cheap but skilled labour gives Katowice (and other CEE regions) a comparative advantage in the assembly and production of relatively complex and durable consumer goods (Czaban & Henderson 2003). Consequently, Poland has undergone a remarkable shift with regard to its export structure, moving from agricultural products and industrial materials to consumer goods such as vehicles and vehicle parts (King & Sznajder 2006).

### **6.2.1 Skills and education**

In many instances, CEE adheres to the low-skill equilibrium of the UK with low levels of employee control, trade union density and wage bargaining which encourages competitiveness in terms of wage costs and flexibility. However, there are high levels of human capital dispersed relatively equally between sexes and socioeconomic class. Due to the state-socialist legacy of high redistribution and heavy investment in public education, CEE generally had higher education attainments than its western counterparts (Cerami 2006). However, many of the skills acquired under communism are becoming increasingly redundant. Moreover, to accommodate the costs of transition and

incentives offered to TNCs, spending on higher education and vocational training has been reduced.

As innovations were transplanted, policymakers, particularly during transition, were unlikely to support generous public education system or invest heavily in workforce-innovation relevant skills. This could potentially prove problematic in the future. In 2007, a period of strong economic growth, Polish employers considered skill shortages their top problem (Rutkowski 2007). However, Poland unlike the UK, does relatively well in vocational training with a similar proportion of upper secondary students on vocational courses to France (Gaille 2011). Moreover, in the case of Katowice, TNCs have accelerated the diffusion of technology and innovation and new sectors are emerging.

### **6.2.1.1 Education**

Figure 3.7 (pg.85) shows the percentage of adults (25-64) with tertiary (post-secondary) qualifications in 2008 for all the regions. It shows that SWS (proxy for WCS) had a higher percentage of adults with tertiary qualifications than Silesia, 27.3 per cent and 8.7 per cent respectively. However, SWS also has a higher percentage of adults with low or no qualifications (Figure 3.8 pg.85) than Silesia, 27.3 per cent and 8.7 per cent respectively. This suggests a greater degree of educational polarisation in WCS relative to Silesia. It also reflects, as discussed, the lack of development in HE and FE sectors since transition in CEE generally and the socialist educational legacy which was orientated towards vocational studies.

### **6.2.2 Social context**

Post-communist geographies such as OIRs and cities are subject to a particular set of challenges stemming primarily from the legacy of socialism. In addition, with the state's policy priorities moving away from heavy industry to service, technology and information services, industrial workers became one of the groups most adversely affected by the political and economic reforms (Dunn 2004; Stenning 2005).

One change popularly associated with post-communist capitalist development in Poland is the growth of single-family housing and spaces of consumption. Szelenyi (1996) notes that post-communist cities (and in this case regions) have distinct patterns of development and are not therefore, simply converging upon a western model. While every region is different, there are common trends emerging across CEE. As has been discussed, with limited and reduced budgets, Municipal governments have sought to promote local economic development, typically by attracting inward (generally foreign) investment. Consequently, public space and infrastructure are becoming increasingly privatised and as a result, development is uneven. For example, when it comes to residential spaces, as the more desirable areas become subject to gentrification, the less desirable areas, such as former state housing, are left to deteriorate. However, researchers also highlight particular positive developments in post-communist geographies, such as the rise in entrepreneurship and a greater role for public participation (Andrusz, Harloe & Szelenyi 1996; Stanilov 2007).

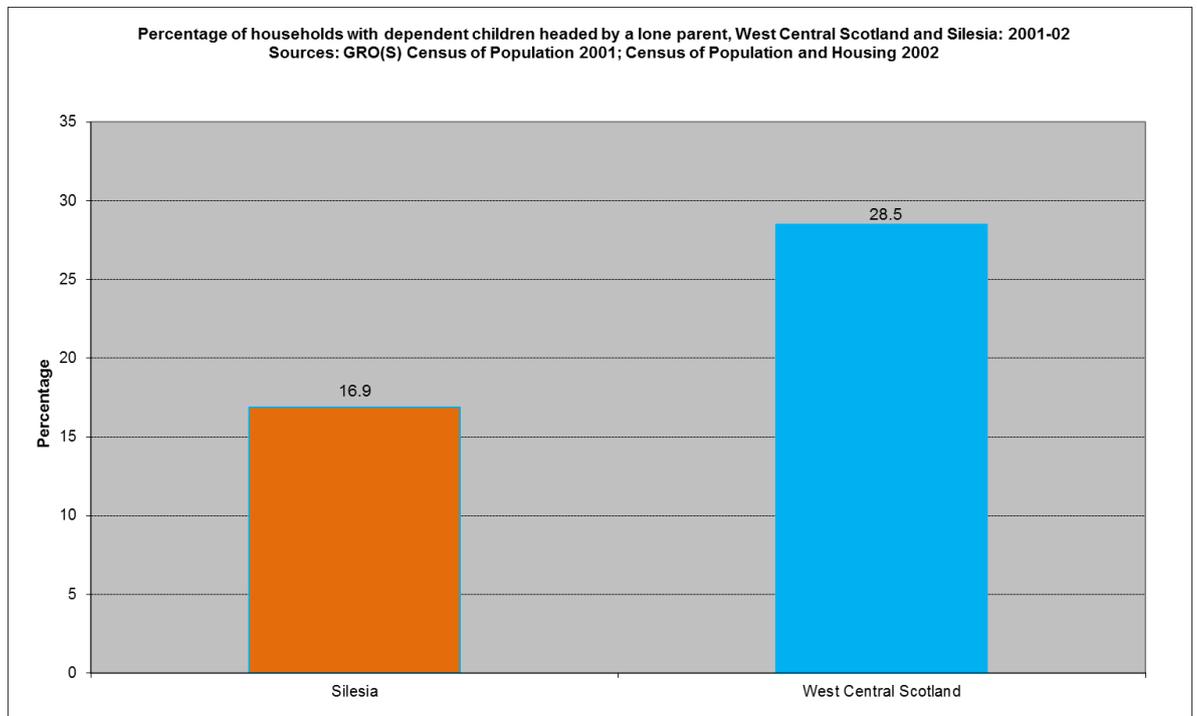
Many regions and cities in CEE have sought to find new foundations for economic development and many have fallen into socioeconomic decline. Katowice, has positioned itself, relatively successfully, as a 'financial, educational and regional metropolis'. As such, the city and region has managed to maintain and augment its position in Poland. However, the region is no longer synonymous with the mining and steel industry. It has been transformed by many forces including commercial investors and developers, both domestic and foreign, and democratically elected local and regional authorities (Murzyn-Kupisz & Gwosdz 2011).

With the approaches of Katowice and WCS in mind, some regional comparisons will be made. First, family structures and relationships acknowledged as having an influence on population health. Second, health behaviours also indicators of the individual and population health but also markers for the degree of social dislocation present in an area-particularly as a consequence of post-industrial change.

### 6.2.2.1 Lone parent households

Information on household composition in both regions is available from Population Censuses conducted in Scotland in 2001 and Poland in 2002. Figure 6.6 shows the percentage of households with children headed by a lone parent in both regions. The proportion of lone parent households is higher in WCS (28.5%) compared with Silesia (16.9%). Given the role of the Catholic Church and socially conservative nature of the country, this divergence is not surprising. Further research by Taulbut et al. (2011) indicates that this household structure is generally a characteristic of the region, even within the most urbanised *powiats* (districts).

**Figure 6.6: Number of lone parent households with dependents: WCS and Silesia.**



### 6.2.2.2 Single person households

Figure 3.11 (pg.87) shows the percentage of households that are single person households in each region. In 2001-02 in Silesia just over a quarter (26.4%) of adults lived alone. The figure was significantly higher in WCS (33.8%). Again this is perhaps indicative of the cultural context of Catholicism and cultural conservatism.

### 6.2.2.3 Marital Status

Figure 3.13 (pg.88) shows the percentage of adults aged 25-64 reporting that they were married<sup>35</sup>. Results are shown for adults aged 25-64. As explained, this accounts for different population structures across the regions and the fact that predominantly, adults in these regions did not marry until their mid-20s (Eurostat 2006). As indicated, in the western regions the rate of marriage is roughly two-thirds. As expected the rate is significantly higher in Silesia with 76 per cent, the highest of all the regions.

### 6.2.2.4 Births to teenage mothers

Figure 3.21 (pg.92) compares the percentage of births to mothers aged below 20 in the five selected regions. It shows that the rate for Silesia (5.2%) is significantly lower than WCS (8.5%) and more in line with the other selected regions. Longitudinal data (Taulbut et al. 2011) indicates that while in both regions the teenage birth rate is falling, the relative gap between the regions persists.

### 6.2.2.5 Health behaviours

#### 6.2.2.5.1 Smoking

Figure 6.7 shows the percentage of adults who were daily smokers in WCS and Silesia (2003-04). For all adults, smoking rates were almost identical in two regions (28% vs. 29%). An analysis by gender was not available for Silesia. Therefore, the Global Adult Tobacco Survey for Poland has been used to provide estimates by gender. This entails using the larger South Poland region (Silesia plus Malopolskie<sup>36</sup>) as a proxy. Note, that as smoking rates are lower in

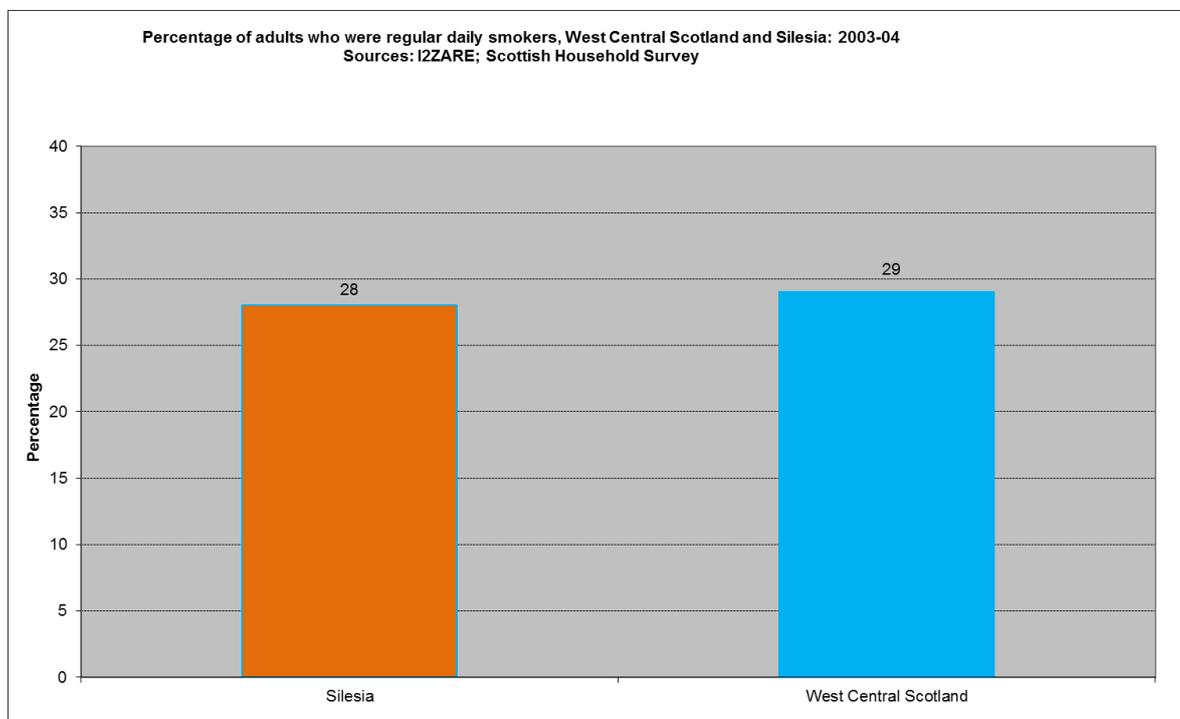
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<sup>35</sup> Including those separated from their partners but still legally married or in a civil partnership across the regions in 2001.

<sup>36</sup> In 2009, Silesia (Slaskie) had a population of 4.6m and Malopolskie a population of 3.3m. Source: GUS. Regions of Poland 2010. GUS: Warsaw; 2010.

Malopolskie, estimates for South Poland are likely to understate smoking rates for Silesia<sup>37</sup>.

**Figure 6.7: Number of adult daily smokers in WCS and Silesia.**



Figures 3.17 and 3.18 (pg.90) show the percentage of adult daily smokers, defined as those who smoked at least one cigarette a day, for males and females respectively. For males, smoking rates were significantly greater in South Poland than they were in WCS, 39.3 per cent and 28.1 per cent respectively. This was not the case for females, 27 per cent of females smoked regularly compared with 23.3 per cent in South Poland.

#### **6.2.2.5.2 Alcohol**

Direct comparisons of the total levels of alcohol consumption between the selected regions are not available. However, Eurobarometer surveys, conducted in 2006 and 2009 allow patterns of alcohol consumption to be compared for Southern Poland and Scotland (note, not WCS).

<sup>37</sup> In 2004, estimated smoking rates were 28% in Silesia and 22.1% in Malopolskie. Source: I2ZARE: <http://www.i2sare.eu/>.

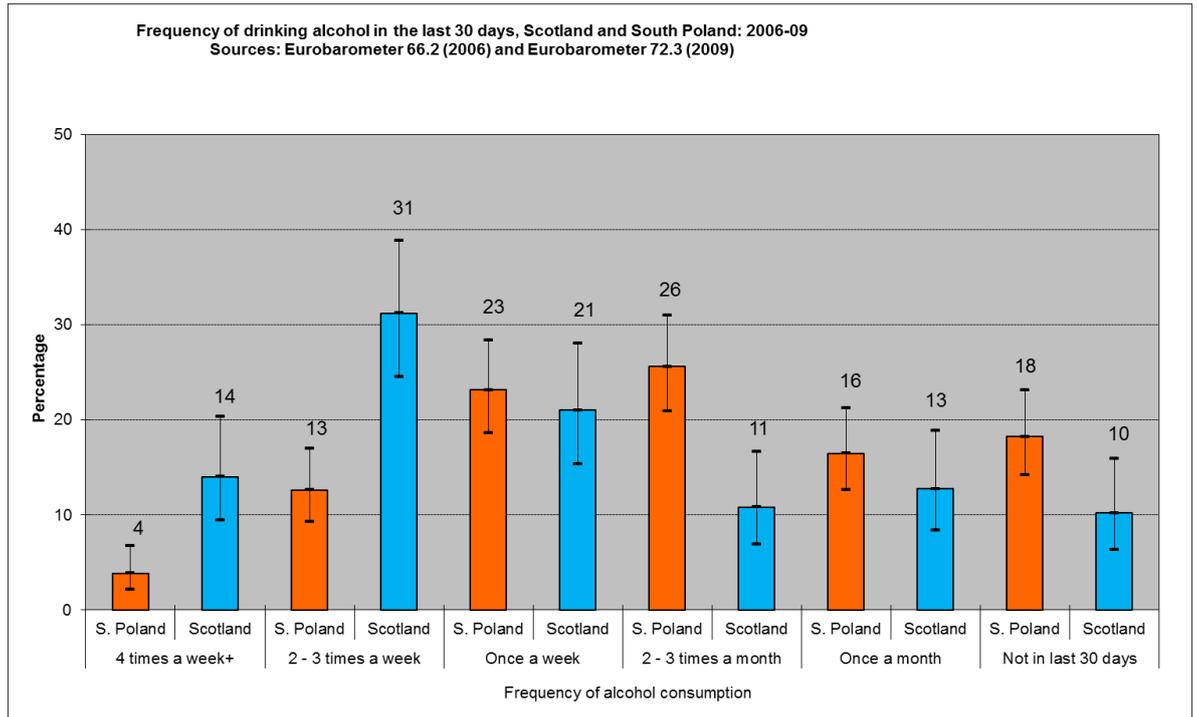
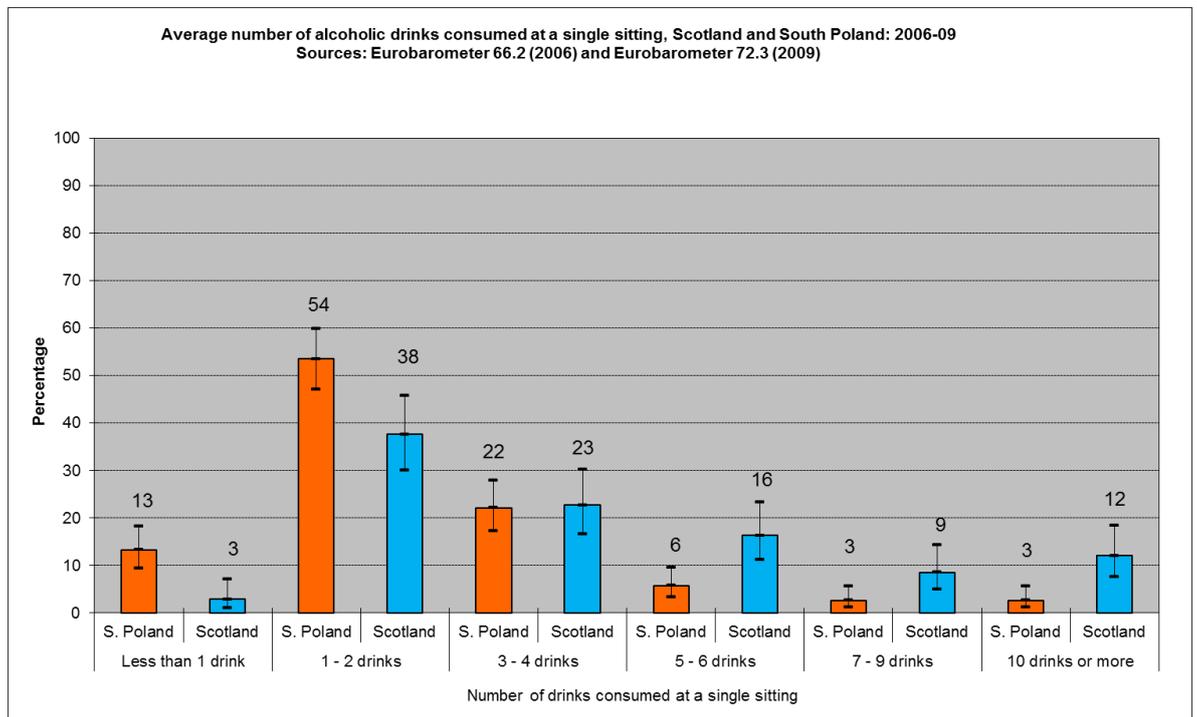
**Figure 6.8: Frequency of alcohol consumption in Scotland and South Poland.****Figure 6.9: Degree of alcohol consumption in Scotland and South Poland.**

Figure 6.8 shows frequency of alcohol consumption in each geography. They indicate that adults in Scotland have a greater tendency to drink more often and regularly than those in South Poland. They were more likely to report drinking two to three times a week (31.2% compared to 12.6%) and four times a week or more (14% compared to 3.9%). They were significantly less likely to report

drinking 2-3 times a month (10.8% compared to 25.6%) or not to have drunk alcohol at all in the last 30 days (10.2% compared to 18.2%).

Figure 6.9 shows, for each geography, the average number of alcoholic drinks consumed at a single sitting. It shows that Scottish adults were significantly more likely than those in Southern Poland to report drinking 5 or more drinks in an average sitting (16% compared to 6%), and significantly less likely to report consuming 2 drinks or less (38% compared to 54%).

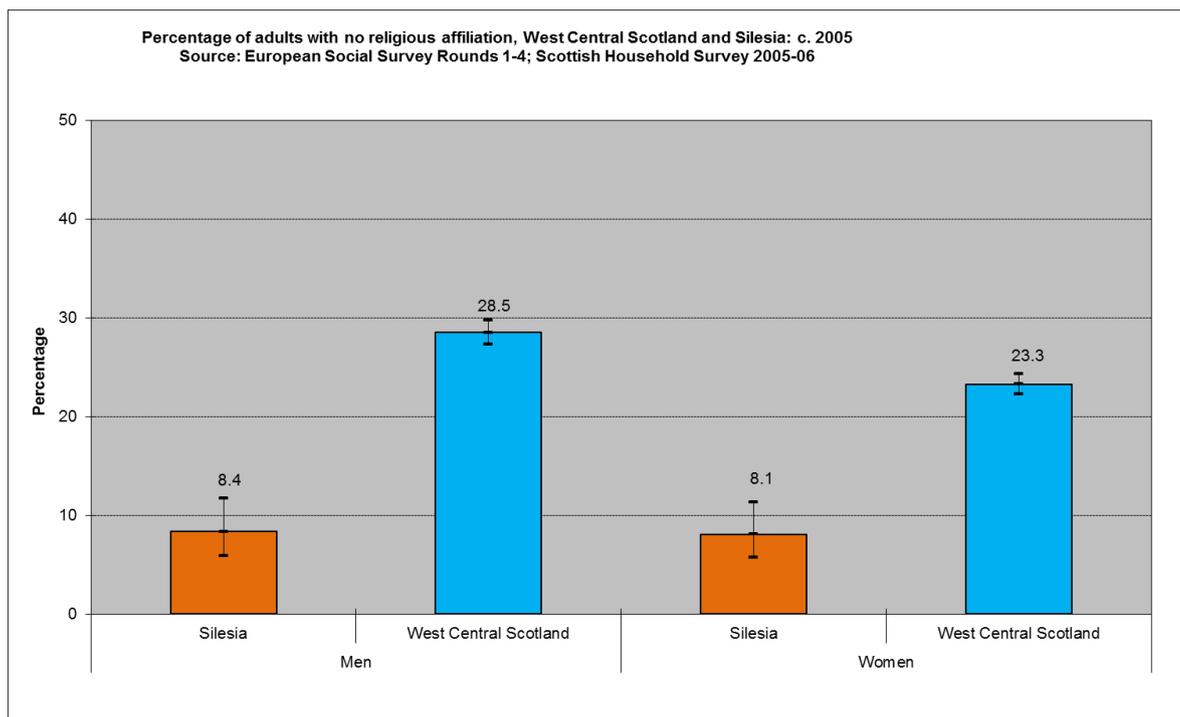
In terms of international comparisons, Figures 3.19 and 3.20 (pg.91) indicate that Poland has a significantly lower proportion of daily drinkers than Scotland (or any of the selected countries) (1%-12%), it also has a significantly higher proportion of abstainers (28%-12%). Note, the Scottish data is based on consumption over a week as opposed to a month; this may impact the results (Walsh et al. 2008).

### **6.2.3 Social capital**

The significance of social capital has been outlined previously.

#### **6.2.3.1 Religious participation**

Figure 3.15 (pg.89) is based on survey-based measurement and indicates the percentage of adults who never attend religious ceremonies except on special occasions in each region. As one would expect, given the role of the Catholic Church in the country, the adult population of Silesia appears far more religious than WCS or the other regions with only 5.7 per cent of adults indicating that they had never attended a religious ceremony. Further data (Figure 6.10) shows only 8 per cent of men and 4 per cent of women have never attended religious ceremonies except on special occasions: the figures for WCS were 56 per cent and 50 per cent respectively.

**Figure 6.10: Number of adults with no religious affiliation in WCS and Silesia.**

### 6.2.3.2 Voter turnout

Figure 3.15 (pg.89) shows turnout rates at national parliamentary elections, across each region. In 2005, election turnout in Silesia was lower than WCS, 54.9 per cent and 58.3 per cent respectively. Comparisons over time, as indicated in Figure 3.16 (pg.89), are not available.

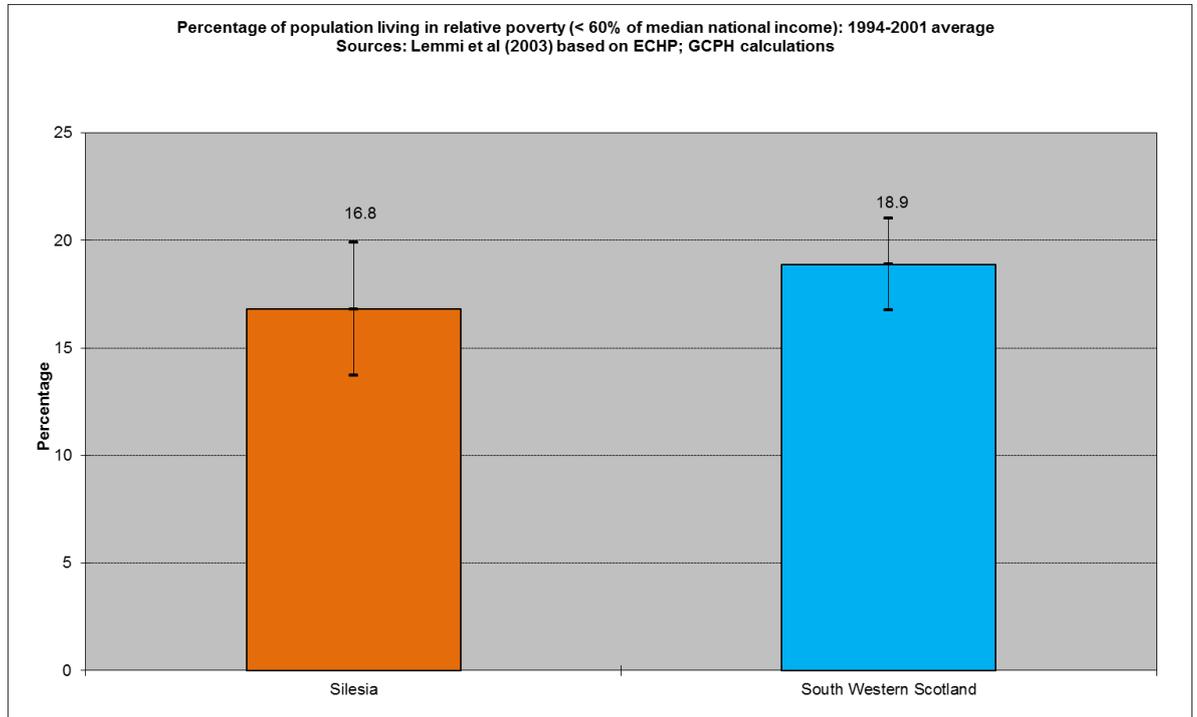
### 6.2.3.3 Relative poverty

Figure 3.5 (pg.84) shows risk of poverty in selected countries across time. Note, although all countries exhibit fluctuations, levels of poverty are consistently higher in the UK. Until recently, Poland had the second highest level after the UK. However, it has now been overtaken by Germany and rates of poverty have recently fallen (Figure 3.5 (pg.84)). In 2010, the rate was 25.1 per cent in Poland compared to 32.5 per cent in the UK.

At the regional level (Figure 6.11), the percentage of people living in relative poverty was marginally lower in Silesia (16.8%) compared to South Western Scotland (18.9%). Although the difference appears insignificant, the data covers a seven year period (1994-2001): within that time relative measures of poverty, particularly in CEE, may have altered. As discussed, in the period 1997-2002 the

level of unemployment increased significantly at a time when GDP continued to grow.

**Figure 6.11: Relative poverty in SW Scotland and Silesia.**



## 6.2.4 Income inequality

**Figure 6.12: Income inequality in WCS and Silesia.**

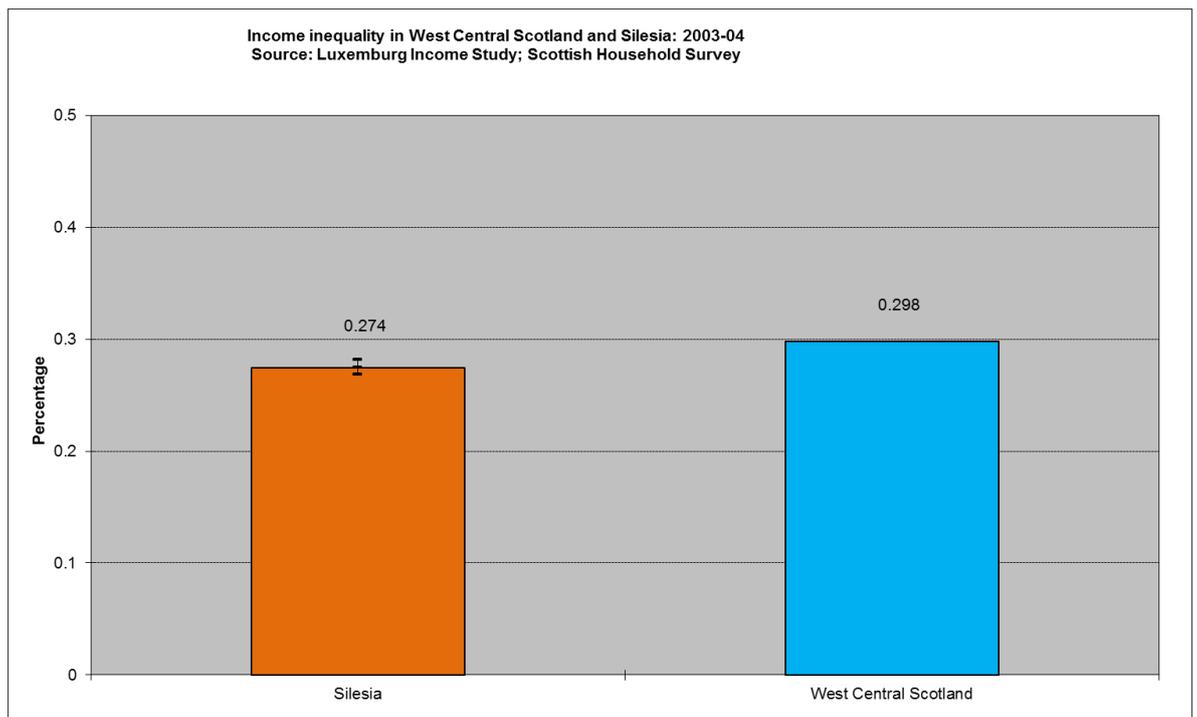


Figure 3.6 (pg.84), tracks income inequality in the selected host countries from the mid-1980s to mid-2000s. It shows that, relative to the other countries, income inequality has fluctuated considerably in Poland and is now significantly higher than it was in the early 1990s. In 2004, at the national level, income inequality was roughly the same in Poland and Scotland. At the regional level (Figure 6.12) in 2003-2004, income inequality was greater in WCS than Silesia. The level of income inequality present in WCS relative to Silesia helps explain why, although there are higher levels of prosperity recorded in WCS (Walsh et al. 2008), relative poverty is marginally higher.

### **6.3 Social protection**

Social protection systems during communism were broad and universal and coverage of important social programmes such as pensions, sickness, family support systems and medical care was very high, often close to 100 per cent. In a region of industrial production like Katowice, the firm was primarily a social unit rather than an economic one and economic and social policy were not separated (Wagener 2002). Social policy augmented and was inherently linked to the production process. Firms and employers provided housing, health services and welfare for workforce and cash benefits linked to the job. A particular feature was the low-wage differentials. Therefore, one might have expected the impact and legacy of transition to be more acute, particularly in terms of income inequality.

However, in the case of the Katowice region, restructuring of industry occurred relatively slowly and was accompanied, as in France and Germany, by early retirement (and disability) and the considered creation of working places in other related sectors of the economy (previously discussed in detail). As such, protracted social conflict and significant increases in income inequality were avoided. Moreover, the unemployment benefit schemes introduced in the first phase of the transition process were rather similar to the corporatist schemes existing in Western Europe, with earnings-related benefits at levels and durations similar in size to the OECD average (for an overview, see Boeri 1997; Boeri & Edwards 1998).

The rationale for this reflects the position of Katowice and industry in the national context. Unemployment was expected to have a relatively greater effect on high-wage sectors (such as heavy industry and mining), governments were afraid that unions would oppose the lower benefits these workers would get under a flat-rate or targeted regime. In addition, long-term unemployment was initially not regarded as an important issue in these countries and the fiscal viability of relatively generous earnings-related schemes was therefore not considered to be a major problem (Nesporova 1999).

Many of the CEE welfare states, particularly those of Poland and the Czech Republic share, as has been described, a Bismarckian legacy. In this respect they reflect the conservative or continental regimes described by Esping-Andersen (1990). However, broadly speaking, in CEE the social protection arrangements established during transition were effectively emergency and interim creations that have become “de-facto permanent structures, no less resistant to reform than the commonly recognised welfare regimes” (Inglot 2009:75; Vanhuyse 2009). With the so-called welfare crisis in the West, there was no real exemplar to follow and, as was the case with labour market policies in Western Europe (Thelen 2004), they have experienced periods of both expansion and retrenchment. The influence such developments have on socioeconomic attainment has typically been framed in terms of ‘winners’ and ‘losers’ (Brainerd 1998; Gerber 2002).

For example, in Poland, policy makers attempted to diminish the threat of reform opposition and protest by fragmenting “groups of well-networked and formally organised at-risk workers into different sub-groups with conflicting interests and fewer common social ties” (Vanhuyse 2009:57). So, in Poland, during the transition period, thousands of workers were awarded early pensions and disability and exited the labour market. The effect was that the number of old age pensioners increased by 46 per cent and the number of disability-pensioners increased by one-fifth (Vanhuyse 2006, 2009).

As discussed, this eased the pressures associated with economic restructuring, mirroring the labour shredding strategies of the advanced continental welfare states. It also created competing social status constituencies: for example, the working age population was split into jobholders, unemployed workers and

'atypical' pensioners on early or disability pensions. Accordingly, policy makers were able to award material benefits to those target groups whose opposition may have hindered the reform process. These processes shaped a distributional conflict between groups that had traditionally shared social cleavages and objective interests. The outcome was "decreasing social ties among the marginalised labour market outsiders and individualistic coping strategies such as informal economy activities by working-age pensioners and unemployed people" (Vanhuysse, 2009:58).

Verhoeven et al., analysed those groups with the least economic resources: the unemployed, disabled and retired, during transition. In the case of Poland, they demonstrated that the relative income of pensioners was higher in 2002 than it had been in 1991. Moreover, in the same period, the relative income of pensioners significantly exceeded the unemployed and workers with few resources. In 2008 (as they had done with the munificent unemployment schemes of the early transition period) the Polish government sought to redress the balance and various early retirement schemes affecting more than one million Poles, were abolished by the Polish *Sejm* (lower house of Polish parliament) despite a veto by (then) President Kaczynski. However, many exceptional pension privileges persist (Verhoeven 2009:113-114).

The unemployment benefit scheme introduced at transition set benefits at 50-70 per cent (depending on the duration of unemployment) of the previous wage for an unlimited duration and was granted to practically everyone, regardless of previous work history (provided they registered with an employment office). Financial strain and widespread abuse prompted the government to take action. In 1992, the Polish unemployment benefit system was reformed in a radical fashion: benefits were made flat-rate at a replacement rate of 36 per cent of the average wage in the economy in the previous quarter; a means-test based on the household income of the unemployed was introduced; eligibility was restricted to those with an employment record of at least 180 days in the past year and the duration of benefits was restricted to one year.

Despite this, as Figure 3.5 (pg.84) shows, in terms of the risk of poverty amongst the unemployed, Poland performs better than the UK, considering the reforms to

benefits and their comparative value, for a number of reasons. Poland, in the context of CEE, does well in terms of minimum wage, benefit levels and social spending. Relative to the West, although the minimum wage is low, it is indicative of the cost of living. In addition, other household income may play a more important role in accounting for that. As Figures 6.6 and 3.11 (pg.87) show, the Polish unemployed (and population generally) are more likely than the UK (or German) unemployed to be living in a household with other people.

Finally, it should be noted that in the context of CEE, poverty rates are somewhat misleading. A reason for this is the pervasiveness of a shadow economy. The shadow economy on average is higher in the new EU countries of Central and Eastern Europe (31 per cent) than in the old EU-15 member states (18 per cent) (Cerami & Vanhuysee 2009). Schneider (2007) notes that paradoxically the shadow economy has a positive function too, as it contributes to the elimination of poverty in low-income societies.

## 7. Northern Moravia (Moravia-Silesia)

*Figure 7.1: Northern Moravia region*



The region of Northern Moravia (Severomoravský) had 11 districts until the 31<sup>st</sup> December 1999. With the introduction of a new administrative structure, the region is now Moravia-Silesia (Moravskoslezský) with the Ostrava region becoming the Moravian-Silesian region on 31<sup>st</sup> May, 2001. Moravia-Silesia is one of the 14 administrative self-governing regions of the Czech Republic. The region lies in the north-eastern part of the Czech Republic and borders two other countries: Poland to the north and Slovakia to the east. The region has an area of 5,427 km<sup>2</sup> (6.8 per cent of the Czech Republic) and a total population of 1.25 million (2010) (12.1 per cent of Czech population) and is the largest region in the Czech Republic. The regional capital, the city of Ostrava, is home to approximately 311,000 citizens (Eckart et al. 2003; Tödting et al. 2013).

After the discovery of coal around Ostrava and Karwin in the mid eighteenth century, the region's development came to be based on coal mining, metallurgy and heavy machinery industries. Coal mining started in 1763 and in 1828, the first steelworks in Vitkovice (then Witkowitz) started production. Further industrial growth was facilitated by the construction of the Emperor Ferdinand

Northern Railway<sup>38</sup> (Kaiser-Ferdinands-Nordbahn) from Vienna in 1847. The rapid industrialisation that followed led to significant immigration of Czechoslovakians, along with Poles and Germans to the region, making it the most populated area in Moravia and the industrial centre of the Austro-Hungarian Empire. However, during World War II, Ostrava (an important source of steel for the arms industry) endured bombing raids that caused extensive damage to the city.

After the war, the Germans were expelled from Ostrava in accordance with the Potsdam Agreement<sup>39</sup>. Thus, the population of the region has become a mixture of Silesians, Moravians, Czechs, Slovaks and Poles. With the establishment of a communist regime after World War II, the process of industrialisation and urbanisation intensified. Throughout the 1950s, Czechoslovakia concentrated on the development of mining, the steel industry and other areas of heavy industry. Ostrava was its centre, becoming that period's "city of coal and iron" and also the "steel heart of the republic" (Rachlík 1958 in Eckart et al. 2003). By the 1980s, the Ostrava region was producing 25 million tonnes of coal, approximately 75 per cent of the total production of Czechoslovakia. At the time, Czechoslovakia was the largest producer per capita in the world (Eckart et al. 2003:276). The suitability of the region's hard coal ensured the largest steelworks were also located in the region. In 1983, the steelwork Klement Gottwald in Ostrava- Vítkovice had 30,000 employees and an annual production of 8 million tonnes of steel (Eckart et al. 2003:285).

Since the Velvet Revolution in 1989 and the subsequent collapse of state-socialism, the region has undergone significant change. Restructuring and privatisation of industry occurred. Mining activities in the area were significantly

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<sup>38</sup> The Emperor Ferdinand Northern Railway was the name of a former railway company during the time of the Austro-Hungarian monarchy. Its main line was supposed to connect Vienna with salt mines in Bochnia near Kraków. The Northern Railway Company was nationalized in 1907 and owned a number of coal mines and other industrial enterprises in the Ostrava region. After the nationalization of its railway network, it continued its coal and industry interests.

<sup>39</sup> The Potsdam Agreement was the Allied (UK, US, USSR) plan of tripartite military occupation and reconstruction of Germany—referring to the German Reich with its pre-war 1937 borders including the former eastern territories.

reduced and the Vítkovice blast furnaces were turned off in 1998. Vítkovice then began concentrating on machine engineering. The steel industry in the region was then centred in Nová Hut' (now Arcelor Mittal). The flood of July 1997, known as the 'thousand-year flood', dramatically affected the Ostrava region and many of its inhabitants. The damage caused by the most extensive flooding in Ostrava's history was estimated at more than four billion Czech Koruna. In 2000, Ostrava became the administrative centre of the newly established Ostrava region, today's Moravian-Silesian Region.

## 7.1 Deindustrialisation

Figure 3.1 (pg.82) shows the level of industrial employment of all the selected countries. The Czech Republic retains the largest industrial workforce. As indicated, the degree and rate of loss in industrial employment is not as severe as it was in WCS, particularly if you consider the level of over-staffing prevalent. This reflects the gradual path the country and region took in terms of industrial restructuring. Relative to Poland, the Czech Republic was slow to restructure its workforce. As Figure 3.2 (Pg.82) indicates, after the initial shock of transition, unemployment didn't start to rise severely until the economic crisis of 1997 when labour hoarding was no longer sustainable.

Moravia-Silesia was hit hard by transition and, unlike Katowice, unemployment was higher than the national average. As Table 3.1 (pg.81) shows, these regions share an industrial legacy of coal and steel. In 1990, the new post-communist government reduced subsidies for coal mines and steelworks and announced that the new enterprise executives were responsible for the further development of their companies. In addition, the former state enterprises would have to contend with a dramatic reduction in demand from their traditional markets (Sucháček 2005). Three enterprises dominated the region: the Ostrava-Karvina Coal Mines (OKD) which had 16 mines and numerous other enterprises, and employed in excess of 112,000 people; Vítkovice steel production which employed 38,000 people and Nova Hut steel works which employed 23,000 people (Eckart et al. 2003; Sucháček 2005).

In the early 1980s, the region of Moravia-Silesia produced 25 million tons of coal. It produced four-fifths of the total production in Czechoslovakia: the largest

producer per inhabitant in the world. OKD, the regional producers, have been active for more than 200 years (Eckart et al. 2003:276). As a consequence of restructuring, OKD reduced its workforce from 62,100 in 1990 to 21,400 in 2001. Although the production in mines decreased from 29.8 million tons to 19.3 million tons, the labour productivity effectively doubled from 481 tons per worker to 900 tons per worker (Sucháček 2005:11).

In the early 1990s, the metallurgy industry in the region already faced major problems: in addition to the necessary restructuring and rationalisation, there were technological and environmental gaps between local producers and foreign competition. There were two major enterprises in the region - Vitkovice and Nova Hut. Vitkovice, the second largest firm in the region, was a massive steel-making and machine building enterprise which employed 40,000 people pre-transition. As a consequence of the restructuring, which will be discussed below, the workforce was reduced from 40,000 in 1989 to 25,000 in 1995, without any major social conflict. The third largest regional employer Nova Hut was, at the time, considered successful in its restructuring. The company reduced its workforce only in the immediate transition period, from 23 000 in 1990 to 21 000 in 1991 avoiding the need to introduce any significant redundancy measures (Nesporova 1998).

Research by Birch and Mykhnenko (2009) shows that between 1990 and 2005 the loss of industry in Moravia-Silesia exceeded the national rate. Although there has been some growth nationally in the service sector, Moravia-Silesia has lost jobs in that sector. The majority of employment loss in the region is in low-tech sectors and exceeds the national trend. Although there is some growth in the hi-tech sector again, this does not reach the national average. The regions fortunes, like many in CEE, are largely dependent on TNCs and foreign banks to supply capital, technology and expertise as well as access to world markets (King 2007). It should be noted that the FDI received has meant that Moravia-Silesia comprises an integral link in the global network of TNCs - in this case automotive manufacturers. As was observed for Katowice, this integration into a global network of production is in stark contrast to the branch-plant scenario in WCS.

So, how severe has deindustrialisation been in Moravia-Silesia, relative to WCS (and the other regions)? As Table 3.1 (pg.81) shows, by 2005, the share of industrial employment (as a percentage of total employment) had fallen in every region and farthest in WCS however Moravia-Silesia maintained an industrial workforce at 42 per cent (high, but marginally lower than Katowice). In terms of the number of industrial jobs lost (Table 3.1 pg.81 column 3), during the period 1993-2005, Moravia-Silesia lost 19 per cent of its industrial employment. Considering the degree of labour hoarding in the early years of transition, this loss, relative to the other regions, albeit over a shorter time period, is not as acute. However, as established, more accurate comparisons in terms of the speed and intensity of deindustrialisation are difficult.

The next section will look at the policy responses at both national and regional levels to privatisation in Moravia-Silesia.

### ***7.1.1 Restructuring***

#### **7.1.1.1 Coal**

With the collapse of state-socialism, the company was forced to rationalise its production. This entailed the closure of unprofitable mines, the modernisation of profitable ones and the privatisation of most non-mining assets. The state would bear the costs (economic and social) of closing the unprofitable mines and OKD would finance the modernisation. The essential steps in restructuring the enterprise were the swift closure of Ostrava mines, leaving the profitable pits in Karvina, the subsequent lowering of manpower and the gradual privatisation of the company (Sucháček 2005).

To mitigate the costs of restructuring, a number of strategies were pursued. The privatisation of subsidiary enterprises reduced the work force by approximately 20,000, and contracts of foreign workers were not renewed. Similar to the restructuring strategies pursued by France and Germany, many older workers retired (50 being the legal age of retirement for miners) and those with disabilities or poor health were entitled to financial compensation. The remaining workers were either transferred to the Karvina mines or offered redundancy pay. Redundancy pay was equivalent to ten months wages, plus an

additional four months for those who worked in hazardous or difficult conditions, plus a bonus payment of CZK 1900 per month for up to 36 months to facilitate re-employment (Nesporova 1998:84).

In addition, an Agency for Business and Employment Support was established: this retrained and redeployed workers and facilitated business start-ups: unused OKD premises were offered to employers creating jobs for former OKD workers. As a result of the gradual restructuring strategy pursued and the cooperation of the miners' union, the restructuring of the mines occurred without any significant social conflicts. In fact, by the mid-1990s there was even a shortage of qualified miners and foreign workers again resumed work at OKD (Nesporova 1998; Bruha et al. 2010).

#### **7.1.1.2 Metallurgy**

The costs of transition were great for two primary reasons: first, Vitkovice was burdened by debt, a consequence of the cessation of the Czech Republic's nuclear programme; second, exports to the east comprised one-third of its output. This was a particular problem as, due to the collapse of communism, these exports were unlikely to continue (Myant 2010). Initial efforts to restructure were nominal and concerned the engineering side of the operation for example, developing new products and finding foreign partners. In contrast to the restructuring of OKD, as Myant notes: "It took acute financial difficulties and direct and persistent government involvement to push Vitkovice into treating restructuring as a matter of urgency" (2010:201).

As in the restructuring of OKD, some of the job losses were reduced via the privatisation of subsidiary enterprises. Redundant workers were offered redeployment and retraining where positions existed. Those not able or unwilling to redeploy were eligible for severance pay or were offered assistance in starting new enterprises. To facilitate this, Vitkovice established a Technical and Innovation Centre to assist business start-ups. The forms of assistance included subsidised loans and renting of premises and equipment. Subsidised rent of Vitkovice premises was also available to enterprises willing to employ redundant workers.

The dissolution of COMECON (primary market) and the economic recession of the early 1990s put the company into severe difficulty. Eventually, however, favourable conditions in foreign markets and a recovery in domestic demand saw a recovery in the firm's fortunes. Consequently, the company started to invest in technological modernisation and, in the late 1990s, obtained approval and a government guarantee for the construction of a new mini mill, co-financed by Nova Hut and a consortium of American banks.

However, the privatisation of the metallurgy industry before the necessary restructuring had taken place proved ultimately to be a mistake. The Vitkovice blast furnaces ceased to function in 1998 and the company began concentrating on machine engineering. By 2000, both Vitkovice and Nova Hut were facing bankruptcy. There were a number of reasons for this. First, each enterprise had failed, in contrast to coal, to reduce the workforce quickly enough. Second, privatisation had taken the form of 'manager privatisation' effectively meaning that the state remained in charge yet neglected their management. Finally, modernisation programmes had created a significant amount of debt in both enterprises (Eckart et al. 2003:289; Myant 2010).

Although there were calls to consolidate the enterprises into one holding the 'Czech Steel Enterprise' (Radio Prague 2002 cited in Eckart et al. 2003), they were eventually sold off. Nova Hut became part of the Ancelor Mittal group in 2003 and, after some controversy, Vitkovice went to Evraz Holdings in 2005 (Daly & Dalli 2005). In both cases there were job losses as a consequence of restructuring by the new owners. In the case of Mittal workers, those who took voluntary redundancy received a severance payment well above the legal minimum requirement (EIRO 2006).

### **7.1.1.3 Diversification of the economy: new activities**

The scale of restructuring in heavy industry, particularly coal and steel, has been significant in Moravia-Silesia. Nevertheless, significant progress has been made including major improvements in the physical environment and the reduction of pollution. Moreover, an expanding service sector, so underdeveloped during socialism, has generated new employment, while inward investment has facilitated the restructuring of the region's economy (Skokan 2002).

As outlined below, the Czech Republic's economic problems of the mid to late 1990s exacerbated what was a fragmented approach to restructuring. Consequently, the development of new activities largely depended on the initiative of local stakeholders. Among other things their concerted efforts contributed to the establishment of the first duty-free zone in the country; the creation of a regional bank (now bankrupt); and the modernisation of the railway corridor that facilitates the connection with other regions. Development agencies have also played a critical role, establishing a technology park, an innovation centre and small industrial zones. However, due to the favourable investment incentives offered in the SEZs in Poland, particularly the Katowice region, the areas remained, until recently, relatively undeveloped.

The relative disadvantage of Moravia-Silesia during the 1990s was compounded by the distribution of public funds. As Sucháček explains:

“Investments in the Czech Republic are not directed in compliance with regional needs and problems, but according to the lobbying of individual regions, which often further augments regional inequalities” (2005:13).

Although Moravia-Silesia established economic zones in 1998, they were at a relative disadvantage. The SEZ in the Katowice region is the most successful in Poland and there was little incentive for established enterprises to move. In terms of new investors, the Moravia-Silesia region not only had to compete with Katowice but also better embedded Czech regions, for example Central Bohemia, home to the Czech Republic's car cluster.

In 2000, the Czech government, in acknowledgment of these problems, identified the region as a priority for economic development. In 2001, a regional development plan was established and approved by the regional assembly. Part of that plan was to encourage an engineering cluster. Today, the cluster accounts for a significant part of the region's manufacturing base. As of 2002, the cluster employed (including related industries) approximately 100,000 people in over 800 companies and represented one third of private sector employment in the region (Skokan 2002:3).

In 2008, Hyundai started production in Nošovice. The FDI of one billion euro was the biggest in Czech Republic and had the production capacity to facilitate economic growth of 1.3 per cent per annum. However, to secure this deal the Czech government, eager to stimulate employment, offered 200 million euro in investment incentives such as tax exemptions. As of 2008, the Nošovice plant had 1,800 employees, a figure which was expected to reach 3,400 by 2011. In addition it was hoped another 9,000 jobs would be created in related industries (Guidote 2008:7).

Augmenting these developments was the creation of the Moravia-Silesia auto industry cluster, where a training and education centre was established aimed at the auto industry, specifically in the area of slim production, project management, logistics and leading people. As Ahrhám and Vošta note:

“The aim of the project is to prepare workers according to the current needs of the auto industry and to expand their knowledge so that they can be deployed in the auto industry cluster” (2011:6).

## ***7.1.2 Political and policy responses***

### **7.1.2.1 National level**

At the national level, in the initial post-war period, there was no coherent response to the accumulating regional problems. Lacking a long-term strategy, central government adopted an ad hoc approach, neglecting not only regional policy, but also housing policy and physical planning. When regional governments were abolished in early 1990, local stakeholders developed their own approaches as the regions served merely as an administrative area for different state departments (Illner 1997). Although self-government existed at the municipal level, it was essentially checked by the excessive power and influence of state administration. According to Sucháček:

“In the Czech Republic the excessive influence of state administration to the detriment of the self-government manifested itself as one of the most important factors of the increase in interregional disparities” (2005:8).

State ministries assumed responsibility for regional matters and established local representation. District Offices (that covered approximately NUTS IV<sup>40</sup> areas) were subordinated to the Ministry of Interior and those matters that were deemed 'regional policy' were developed and implemented at the national level through sectoral policies. The post-communist government's primary focus was fundamental, large-scale national economic, political and social reform (McMaster 2004). The remit of the district offices was limited to the management of public facilities. The degree of centralisation and lack of autonomy is best reflected by the so-called 'manager train', a train that (until 2005 at least) every day transported managers and officials from the region to Prague to fulfil administrative and business duties. The train had two stops, Ostrava and Prague, and the total travel time was 10 hours. Due to this degree of centralisation, many companies are compelled to establish branches in Prague in order to facilitate better communication with central institutions and remain close to information and networks. This phenomenon has been termed 'Pragocentrism' (Sucháček 2005:9).

A number of factors have contributed to the degree of centralisation and lack of decentralisation in the Czech Republic. First, historically there is no tradition of strong self-government or regional autonomy. Second, the tribulations of transition have generally overshadowed the need or will for decentralisation resulting in little political or public pressure for regional reform. Finally, the government, led by Václav Klaus, advocated a highly centralised approach to policy making. At the same time, it pursued a neoliberal policy approach typically opposed to interventionist and redistributive policies (McMaster 2004).

The recession and increased unemployment of the 1990s, particularly in Moravia-Silesia and brought a renewed impetus for change. As such, reforms led to increased levels of participation and involvement of the regions in the development and delivery of policy. In 2001, the Act on Support to the Regions was introduced. However, the Ministry for Regional Development assumed strong overall responsibility for regional policy, including regional business support, housing, regional investment and the development of urban and rural

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<sup>40</sup> NUTS refers to the Nomenclature of Territorial Units for Statistics and are instrumental in European Union's Structural Fund delivery mechanisms.

development. It also coordinated the allocation of Structural and Cohesion funds, with sectoral ministries supervising some areas of regional assistance. Although in 2001 self-governing regions (*Kraje*) were established, the majority of their duties concern state-devolved tasks (McMaster 2004; OECD 2010).

### 7.1.2.2 Regional level

Around 1990, key regional institutions and actors concerned with the future development of the region and the prevailing degree of centralisation created an informal civic association: The Economic and Social Council of Ostrava-Karviná Agglomeration (ESC OKA). The aim was to establish an institution that offered representation for regional stakeholders – district authorities, municipalities, enterprises, trade unions, banks, labour offices, and educational and research institutions at the national level – as well as to provide a forum for deliberating and initiating measures for the economic recovery, restructuring and development of the region. ESC OKA also invited representatives of the Ministry of Economy and the Ministry of Labour and Social Affairs to become members (Nesporova 1998).

The ESC OKA prepared development plans to submit to central government in order to mobilise state resources and ultimately create jobs in the region. The state accepted the proposals codified in the: Government Decree No. 245 of 1991, *Measures for the Restoration and Development of the Ostrava-Karvina Agglomeration for 1991-1992 with an Outlook until 1995* (Nesporova 1998). In 1991 and 1992, the government provided CSK 200 million for the development of SMEs and the creation of new jobs. This sum was fully at the disposal of aforementioned regional District Offices. In 1992, it was put into the newly founded Czech-Moravian Guarantee and Development Bank, which provided credits and credit warranty services within a new national programme promoting SMEs (Nešporová 1998). However, by the mid-1990s the real costs of transition had become clear: the economy was in trouble, and as Sucháček concludes:

“The establishment of the Ministry for Regional Development turned out to be rather formal step, which was not accompanied by the necessary decentralisation of decision-making. Spontaneous restructuring of big enterprises in combination with already limited

absorbing capacity of tertiary sector and national economic problems manifested themselves in a great rise of unemployment” (2005:9).

It should be noted that economic and lobbying interests did and continue to exist in Moravia-Silesia, a consequence of the regionally concentrated heavy-industrial sectors. However, although their interests frequently align with regional concerns, they remain to a great extent “centrally-orientated and motivated by sectoral rather than regional interests” (Ferry & McMaster 2005:182). This is in contrast to Katowice and perhaps indicative of the relative weakness of regionalist structures and regionalist traditions.

### **7.1.2.3 Development agencies**

Since the abandonment of regional government at the end of 1990, there have been numerous efforts to coordinate activities at the regional level. Although performed on an ad hoc basis, the most important of these was probably the establishment of regional development agencies, such as ESC OKA. The development agencies promoted partnerships among public authorities, private sectors and NGOs and attempted to coordinate and stimulate regional development in place of the centrally constrained *Kraje*.

In 1995, the ESC OKA merged with the regional employers’ association (the Northern Moravian Economic Union) and became known as the Union for the Development of Northern Moravia and Silesia (UDNMS). The establishment of the agency was in response to the centralising tendencies of the state and their perceived failure to react to the costs associated with economic restructuring and failing heavy industries (Nesporova 1998). The organisation was regarded as one of the main drivers of change in the region, promoting major regional development initiatives such as: improvements in transport infrastructure and energy production; promotion of international links with other regions; help to establish new institutions such as a regional bank, a regional development agency, a university and other projects and encouragement of cooperation and coordination amongst the region’s institutions and initiatives (Pyke 1998).

Responsibility for the coordination of projects developed under the auspices of the UDNMS lay with the Regional Development Agency (RDA), which was

established in 1993 and funded by the EU's PHARE programme<sup>41</sup>. It was one-third owned by UDNMS, one-third by an association of municipalities and one-third by the Czech Ministry for Regional Development (Balchin et al. 1999). In the absence of significant regional self-government (or decentralised decision making) the RDA effectively became the executive branch for regional development projects (Sucháček 2005). The RDA's primary role entailed the supervision of major regional projects, for example, the establishment of the Ostrava Airport Business Zone and the Technology Park Ostrava. In addition, it also performed a number of other development activities, such as training and support for SMEs and maintaining international contacts with other regions faced with similar concerns. In concertation with the UDNMS, the RDA continued to work on updating regional development strategies.

In Moravia-Silesia, a variety of regional development institutions worked in concertation. The most prominent was the Regional Entrepreneurial Fund, which provided venture capital, principally to SMEs. Other agencies of note included the Business Development Institute Ostrava, the Ostrava-Mosnov Airport Business Centre, the Technology Park Ostrava, the Regional Information Centre and the Chamber of Commerce and Industry. According to Nesporova (1998), the institutions worked closely to promote regional restructuring and development, with the UDNMS playing the leading role in coordinating these activities.

Before discussing the consequences of deindustrialisation and subsequent post-industrial change on context and the level and nature of social protection, some comparisons on employment will be provided.

### **7.1.3 Unemployment**

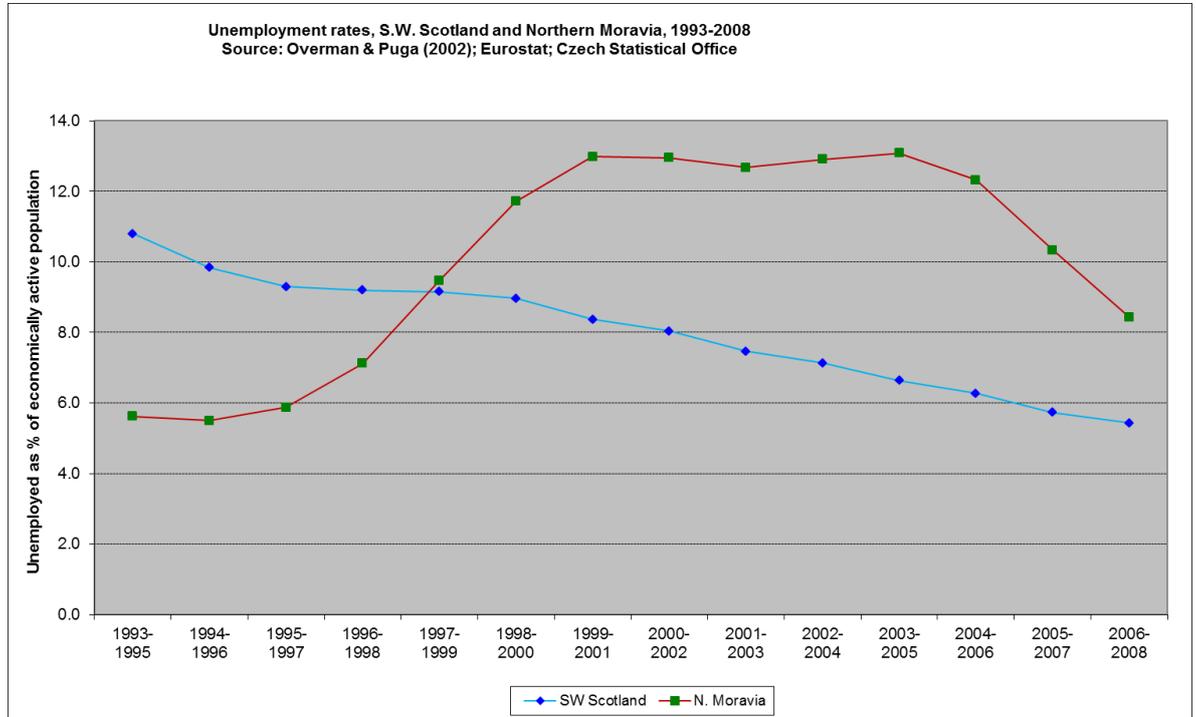
Figure 3.3 (pg.83) presents regional unemployment rates in 2008 and 2011 for the five regions. In 2008 Moravia-Silesia had an unemployment rate of 7.4 per cent - over a percentage point higher than SWS (proxy for WCS) but lower than the other West European regions. As the figures show, for 2011, unemployment has increased in all the regions and the gap between N.Moravia and SWS

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<sup>41</sup> The Phare programme is one of the three pre-accession instruments financed by the European Union to assist the applicant countries of CEE in their preparations for accession to the European Union.

remains around one per cent. Unemployment in both CEE regions still remains below both the Ruhr and NPdC.

**Figure 7.2: Unemployment in SW Scotland and N.Moravia.**

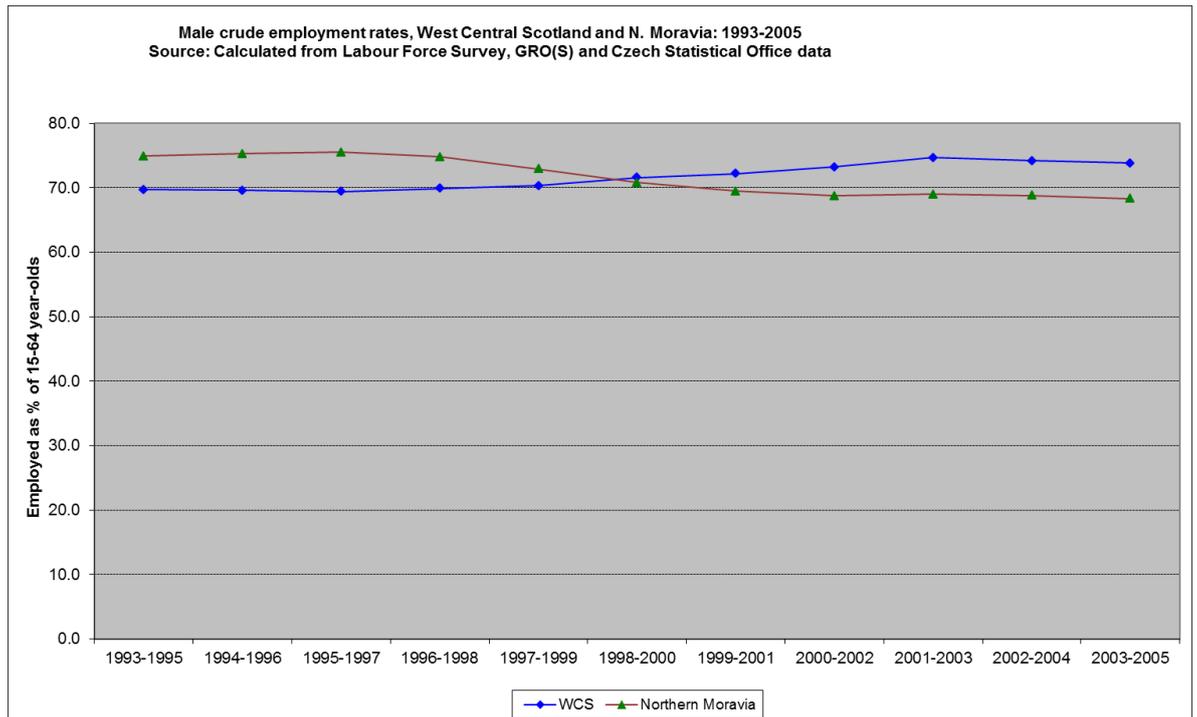


It is also possible to examine trends in unemployment over time. Figure 7.2 shows the change in unemployment between 1985 and 2008. Unemployment in Moravia-Silesia was lower than SWS until around 1997. This reflects the approach to economic restructuring in the Moravia-Silesia and the Czech Republic generally, which as discussed, was gradual and prone to significant labour hoarding. In 1997, unemployment grew significantly in the region just as it did in Katowice. Although there were some similarities, namely the delayed effects of privatisation, as newly privatised enterprises continued to rationalise employment and introduce new labour saving technologies. The Czech Republic, as discussed, also went through a significant depreciation of its currency as the market disciplined the Czech economy for slow economic restructuring and poor control of its deficit (Blazyca 2003). Since 2002, broadly speaking unemployment levels have fallen consistently.

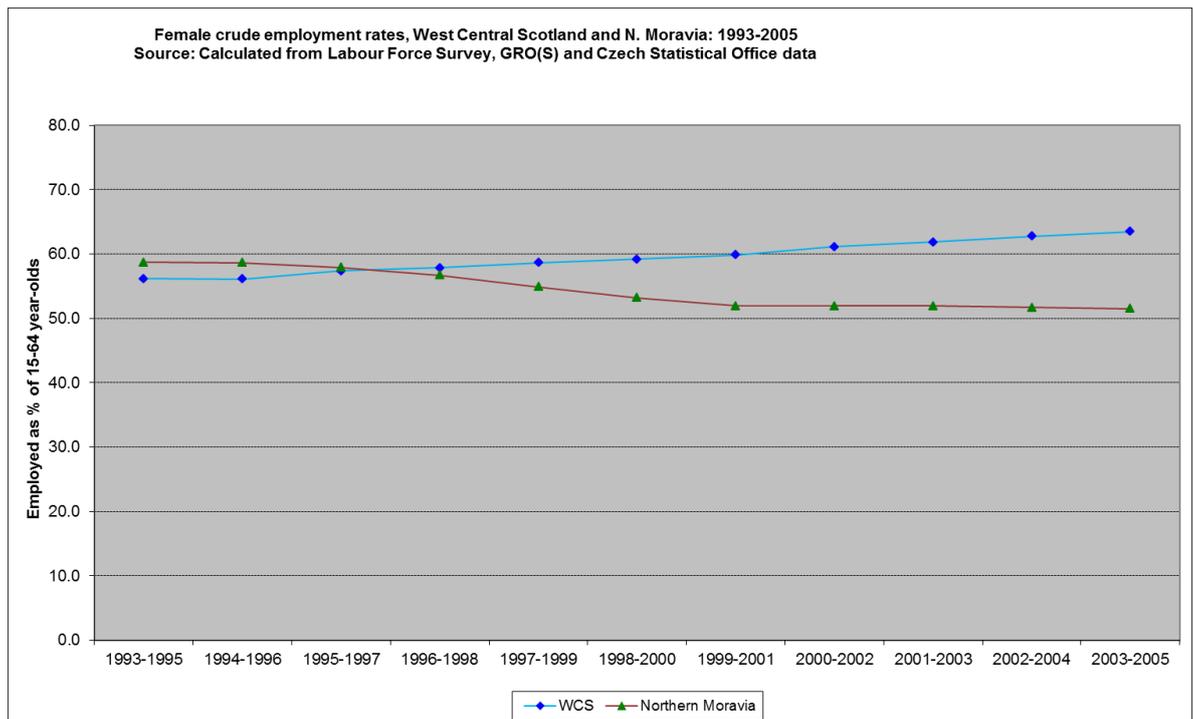
### 7.1.4 Employment rates

As established, a problem with utilising unemployment rates as an indicator of labour market disadvantage is the degree of hidden unemployment. The comparisons made here are from the 1990s onwards. To compare employment opportunities during the 1980s would present a false picture. Under communism, as established, there was ostensibly full employment for people of working age.

**Figure 7.3: Male employment WCS and N.Moravia.**



As Figure 7.3 shows, employment rates for men up until that late 1990s were marginally higher in Moravia-Silesia than WCS. This reflects both the levels of employment that existed during communism and the subsequent labour hoarding prevalent in the region. Since then, the rates have become marginally lower than WCS. In both regions, employment levels seem to have plateaued with little fluctuation between 2000 and 2004. For females (Figure 7.4) employment levels in Moravia-Silesia were marginally higher in the mid-1990s. Since then, broadly speaking, rates in WCS have improved in contrast to a downward trend for Northern Moravia. However, as was the case for the men, these rates seem to be levelling out.

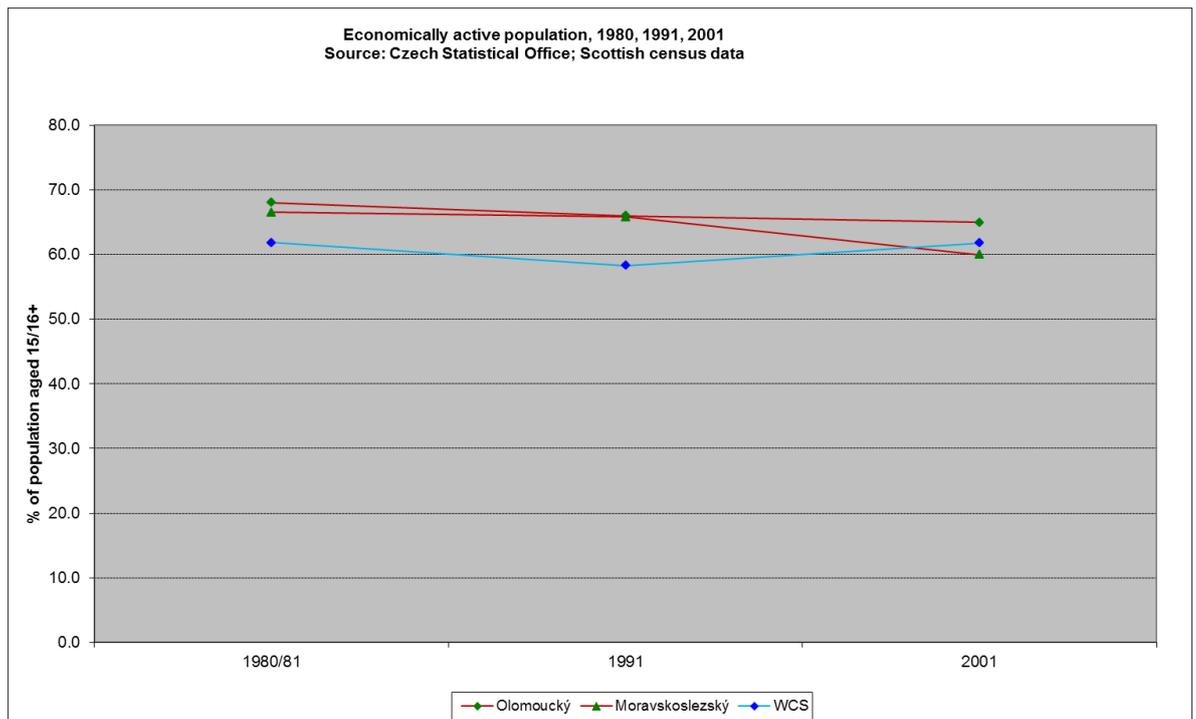
**Figure 7.4: Female employment in WCS and N. Moravia.**

It should be noted that female employment levels in Moravia-Silesia may be exacerbated by the paternal allowance, which created a strong incentive to leave the labour market, particularly for those on low incomes (Večerník 2009:52-53). The shadow economy should also be taken into account as it is significant in the Czech Republic accounting for 18.3 per cent of GDP in 2004/5 (Aidukaite 2011:3).

### 7.1.5 Worklessness

Figure 3.4 (Pg.83) shows the percentage of men aged 25-49 not in employment in 2001: the significance of this measure in this context has been established. Of all the regions, Moravia-Silesia had the lowest level (17%). Considering the high level of unemployment (Figure 7.2) and relatively low male employment (Figure 7.3), this is surprising and difficult to explain.

Figure 7.5 shows the level of economic activity between 1980 and 2001 for WCS and the Northern Moravia region's two constituent parts: Moravskoslezský and Olomoucký. As indicated, in 2001, rates were broadly similar having been marginally higher in Moravia-Silesia. This reflects the policy of full employment during communism. In addition, whereas in WCS rates are slowly improving, there is generally a decline in Moravia-Silesia.

**Figure 7.5: Level of economic activity WCS and N.Moravia.**

## 7.2 Context

Due to the reform tendencies of the 1970s and 1980s, the countries of CEE had different starting points when transition began. Like Poland, the Czech Republic had acceptable living standards and an historic and institutional legacy of industrial capitalist development. In addition, at the time of transition, it also enjoyed macroeconomic stability and low levels of foreign debt. Geography was also critical with Moravia-Silesia (and the Czech Republic) benefitting greatly from its proximity to economic powerhouse Germany.

Like the Katowice region post-1989, Northern Moravia ossified by a legacy of state-socialism, found itself struggling to compete in a global market economy. It appeared that large-scale restructuring was inevitable and, as a consequence, mass unemployment was expected. As this was the most industrialised region in the Czech Republic, social conflict was expected and there were fears the region would become an area of acute crisis. At the beginning of restructuring in 1989, the region provided 86 per cent of Czechoslovak coal mining, 82 per cent of coke production and 70 per cent of steel production. However, the real importance of these industries for the local economy and employment was even more significant than these figures indicate, for numerous other enterprises were directly or indirectly dependent on them as suppliers, customers, or as providers

of consumer goods or services to industrial workers and their families (Nesporova 1998). Approximately 52 per cent of inhabitants worked in the secondary (industrial) economic sector, 7 per cent in the primary sector and 41 per cent in the tertiary sector (Sucháček 2005:8).

Post-transition change occurred quickly. By 1990, state subsidies were no longer available for coal and steel and enterprise managers assumed responsibility for the future development of their industries. There was a reduction in demand domestically and from the traditional markets. Strong currency devaluation in 1990, followed by economic reforms introduced in 1991, protected the Czech Republic from foreign imports and reduced the costs of labour. This provided time for adjustment and alleviated pressure to dramatically reduce the workforce (Sucháček 2005). In addition, as Nesporova notes:

“small privatisations and the restitution of previously nationalised smaller production and service units attracted many workers who had left large enterprises, which helped relieve social tensions and contributed to lower unemployment” (1998:81).

In addition, unlike Katowice, many of the industries, by the mid-1990s, were now under management control and, as a consequence, retained inflated workforces. As such, social costs and social conflict were largely avoided. Post-transition, local government structures ceased: as a result, projects and interventions in terms of economic development were often poorly coordinated. The region was, relatively speaking, neglected by central government. The lack of intervention led to significant endogenous development in terms of local stakeholders and decision makers. However, as Sucháček concludes: “in the situation, when local and regional actors lack the competences and financial resources, transformation based on inner, endogenous potential can be only hardly successful (*sic*)” (2005:22).

Path dependency exacerbated the slow decline of Moravia-Silesia: the recentralisation of government had restricted and in some instances removed formerly influential structures. Accordingly, there was a lower level of mutual trust and cooperation among regional and local actors. The situation eventually changed as regional associations and development agencies, such as the UDNMS facilitated economic development and established itself with central

government. Although there were continued redundancies as heavy industry in the region continued to restructure, there was the development of new sectors such as the automobile and engineering clusters.

### **7.2.1 Skills and education**

The 1990s saw substantial cutbacks in government spending on education (Commandor & Kollo 2008) and a decentralisation of the responsibility for education (Barrow 1998). Between 1995 and 2000, government spending on education in the Czech Republic was reduced from 4.9 per cent to 4.4 per cent of the GDP (Feldmann 2004:278). Although the socialist system's focus on vocational training remained, the orientation changed markedly. Training was now structured to meet demand of TNC's.

The CEE states find it difficult to invest heavily in public education, a major precondition for a comprehensive general skills education, given the fiscal constraints that come as a consequence of the intense competition for FDI. For example, the massive tax reduction packages provided in SEZs (Bohle & Greskovits 2006). As CEE is largely used as an assembly platform for semi-standardised goods existing vocational skills are largely adequate. Any major investment to upgrade required skills would endanger CEE's cost advantages and would be difficult to organise, due to the firm-centred system of industrial relations that has emerged.

#### **7.2.1.1 Education**

Figure 3.7 (Pg.85) shows the percentage of adults (25-64) with tertiary (post-secondary) qualifications in 2008 for all the regions. It shows that SWS (proxy for WCS) had a higher percentage of adults with tertiary qualifications than Moravia-Silesia, 33.3 per cent and 11.9 per cent respectively. However, SWS also had a higher percentage of adults with low or no qualifications (Figure 3.8 pg.85) than Moravia-Silesia, 27.3 per cent and 10.7 per cent respectively. This suggests a greater degree of educational polarisation in WCS relative to Moravia-Silesia. It also reflects, as discussed, the lack of development in HE and FE sectors since transition in CEE generally and the socialist educational legacy which was oriented towards vocational studies.

### **7.2.2 Social context**

As discussed in the Katowice case study, the transition from state-socialism to market capitalism presents a particular set of problems. However, like the post-industrial transition, it is generally industrial workers who are most affected (Dunn 2004; Stenning 2005). In addition, as discussed, although the pattern of development is in many ways different to the West, the result is often uneven development (as it is in the West). A particular feature of Moravia-Silesia, in direct contrast to Katowice, was the removal of government at the regional level and the reliance on the market to create opportunities for those affected by transition and economic restructuring.

The transformation of the region and urban centres has been predominantly propelled by private sector activities, FDI and property led development (Sýkora & Bouzarovski 2012). In some respects, the role of the public sector has been undermined. This is in part due to the removal of local government post-transition and also the aversion to planning, a consequence of the legacy of communism (Sailer-Fliege 1999). To some extent, this is highlighted in the adoption of short-term *ad hoc* solutions accommodating market needs (Sýkora 2002) and neoliberal pro-growth strategies (Rink et al. 2012).

Depopulation continues in the region. As such, it is considered to be in medium-term decline (Turok & Mykhnenko 2007; Rumpel et al. 2010). The restructuring process accompanied by deindustrialisation has led to the creation of many brownfield sites. Moreover unemployment, after the significant growth of 2004-2008, is increasingly becoming a problem again. Since 2009, the unemployed of Moravia-Silesia have been obliged to participate in the 'voluntary work programme' and work at least twenty hours per month in order to maintain their level of benefits (€125 per month). Otherwise, only the subsistence level income is remitted (€81 per month) (Havlíčková 2009). Increasing income polarisation and significant changes to the housing market have exacerbated internal social and ethnic segregation within urban centres of the region. The privatisation of housing and land allocation has led more affluent residents to relocate to the regions hinterlands in the hope of a better standard of living (Solanský 2008, In Rumpel et al. 2010).

With the approaches of Moravia-Silesia and WCS in mind, some regional comparisons will be made. First, family structures and relationships acknowledged as having an influence on population health. Second, health behaviours also indicators of the individual and population health but also markers for the degree of social dislocation present in an area particularly as a consequence of post-industrial change.

### **7.2.2.1 Lone parent households**

Figure 3.9 (pg.86) shows the percentage of households with children headed by a lone parent between 1999 and 2002. It shows that WCS had a significantly higher percentage than Moravia-Silesia, 31.1 per cent and 22.2 per cent respectively. Figure 3.10 (pg.86) shows the rate of change in lone parent household with dependent children between 1990 and 2001. Although the rate is increasing in the region, the rate and level, as it has been historically, is less than WCS. Interestingly Moravia-Silesia and WCS shows, the greatest rates of increase of all the regions. However, the difference between the two persists<sup>42</sup>.

### **7.2.2.2 Single person households**

Figure 3.11 (pg.87) shows the percentage of households that are single person households in each region. In Moravia-Silesia over a quarter (28.7%) of adults lived alone. Figure 3.12 (pg.87) shows the change in single person households over time between 1990 and 2001. As with lone parent households, the number of single person households increased, although at a slower rate, in Moravia-Silesia and WCS over time. However, although the percentage of single person households has increased in both regions, the rate of increase was greater in WCS.

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<sup>42</sup> There are differences in the exact manner in which this indicator is defined in Scotland and the Czech Republic. This is unlikely to significantly affect the differences between the regions, although it may slightly overestimate the figure for Northern Moravia compared to WCS.

### 7.2.2.3 Marital Status

Figure 3.13 (pg.88) shows the percentage of adults aged 25-64 reporting that they were married<sup>43</sup>. As explained, this accounts for different population structures across the regions and the fact that, predominantly, adults in these regions did not marry until their mid-20s (Eurostat 2006). The rate of marriage in Moravia-Silesia (70.3%), although higher than the West European regions, was less than Silesia (76%).

A known strategy to secure higher benefits is to avoid marriage as child allowances for single mothers are higher, this may be reflected in the marriage rates (Maes, Loopmans & Kesteloot 2012).

### 7.2.2.4 Births to teenage mothers

Figure 3.21 (pg.92) compares the percentage of births to mothers aged below 20 in the five selected regions. It shows that births to teenage mothers are far more common in WCS than Moravia-Silesia, 8.5 per cent and 4.2 per cent respectively.

### 7.2.2.5 Health behaviours

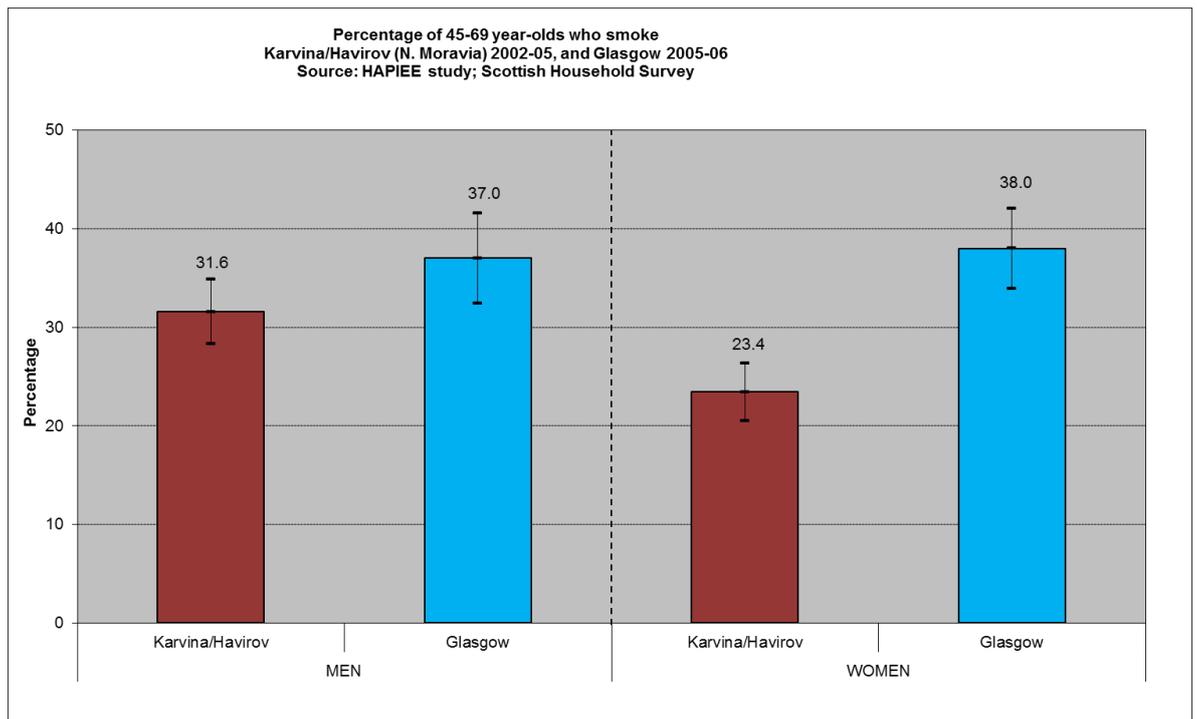
The relevance and impact of health behaviours to individual and population health has been outlined previously.

#### 7.2.2.5.1 *Smoking*

Figure 7.6 compares the percentage of male and female adult smokers (45-69 in Glasgow and Karvina/Havirov. It shows that in both cases, adults in Glasgow are more likely than their Czech contemporaries to smoke. This divergence is particularly evident amongst the females with 38 per cent smoking in Glasgow compared to 23.4 per cent in Karvina/Havirov.

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<sup>43</sup> Including those separated from their partners but still legally married or in a civil partnership across the regions in 2001.

**Figure 7.6: Percentage of adult smokers in Glasgow and Karvina/Havirov.**

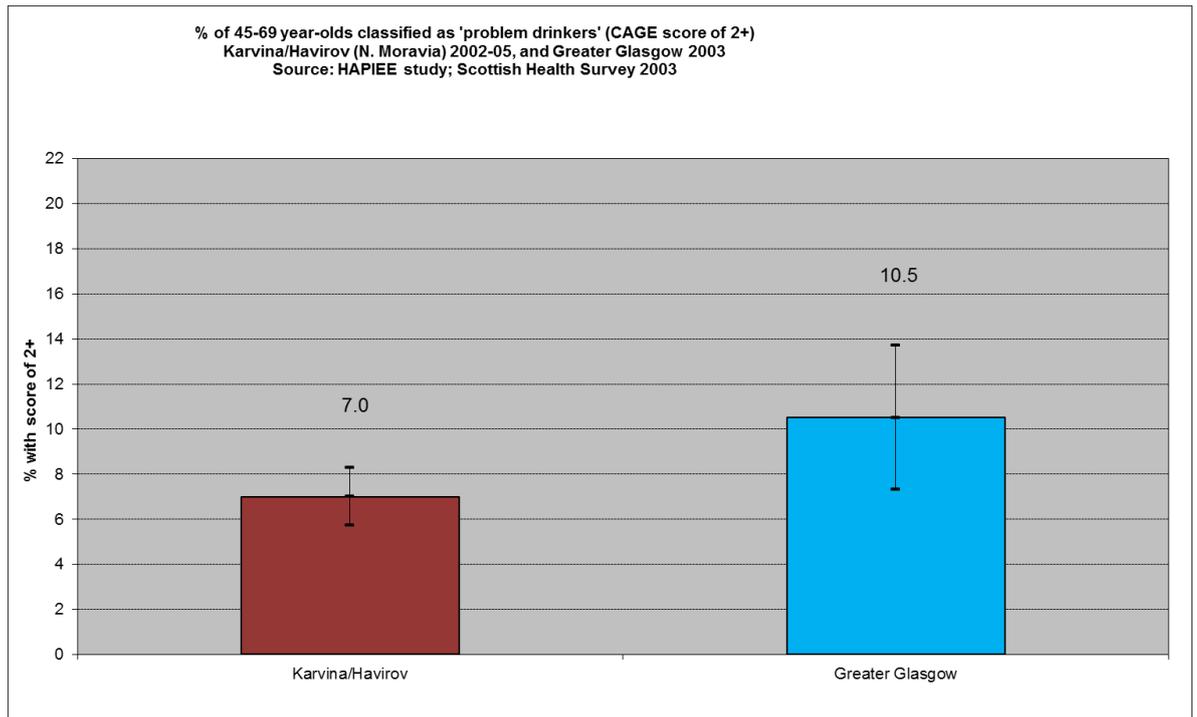
#### 7.2.2.5.2 Alcohol

Direct comparisons of the total levels of alcohol consumption between the selected regions are not available. However, the ‘CAGE’ survey tool allows for some comparisons of ‘problem’ drinking.

CAGE is compiled from answers to four questions relating to whether respondents have: felt the need to reduce their levels of drinking; been annoyed by other people’s criticism of their drinking; felt guilty about drinking; ever taken an alcoholic drink first thing in the morning. A score of two or more has been used to indicate potential problem drinking. As Figure 7.7 shows, although analysis of the two surveys indicates that a higher percentage of respondents in Greater Glasgow obtained a score of 2 or more, the small sample size means any divergence cannot be considered significant.

In terms of international comparisons, Figures 3.19 and 3.20 (pg.91) indicate that the Czech Republic has a smaller proportion of daily drinkers than Scotland (4%-12%), it also has a higher proportion of abstainers (18%-12%). Note, the Scottish data is based on consumption over a week as opposed to a month; this may impact the results (Walsh et al. 2008).

**Figure 7.7: Percentage of problem drinkers in Greater Glasgow and Karvina/Havirov.**



### 7.2.3 Social capital

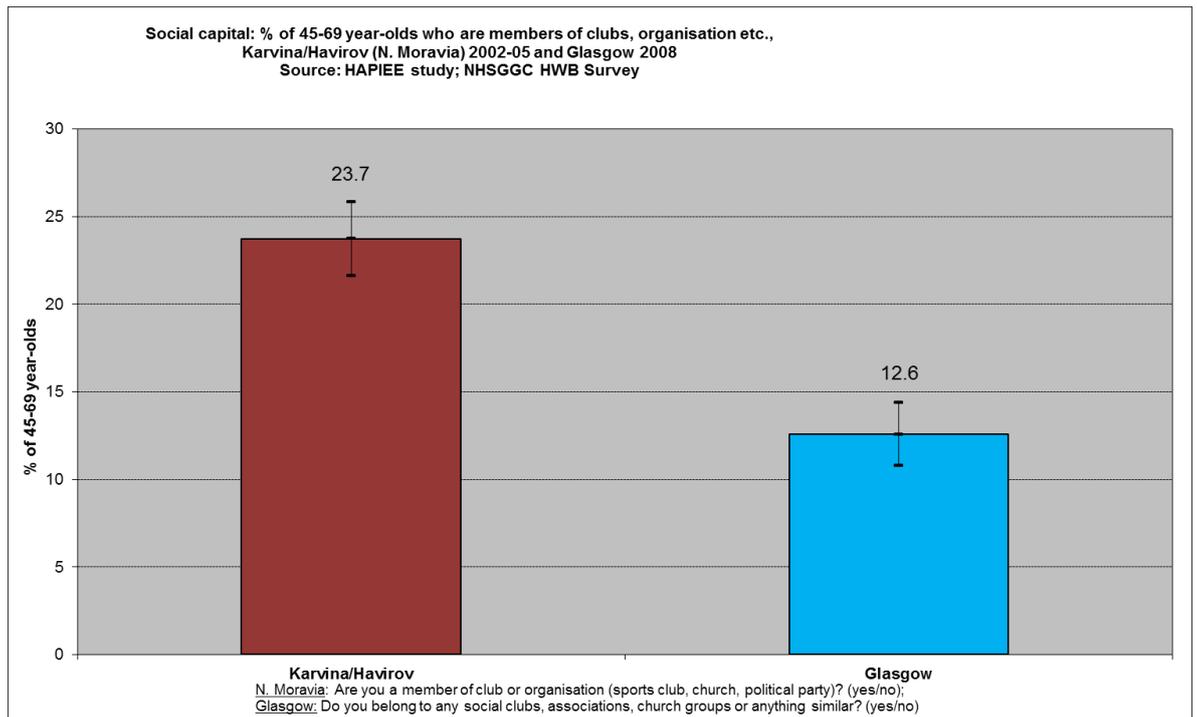
The significance of social capital has been outlined previously.

#### 7.2.3.1 Membership of an organisation

As established, social capital, as measured by membership of an organisation, was one of the potentially mitigating factors against the social costs of mass privatisation outlined in Stuckler et al. 2009. Some comparison can be made between WCS and Moravia-Silesia in this regard. Figure 7.8 shows the percentage of 45-69 year olds who are members of clubs and organisations in Glasgow and Karvina/Havirov. It shows that a significantly lower proportion of Glasgow residents are members of clubs or organisations compared to their contemporaries in the two Northern Moravian towns<sup>44</sup>.

<sup>44</sup> Note, the question is worded slightly differently in the two surveys and this may impact the results to some extent.

**Figure 7.8: Percentage of adults who are a member of a club or organisation in Glasgow and Karvina/Havirov.**



### 7.2.3.2 Religious participation

Figure 3.14 (pg.88) is based on survey based measurement and indicates the percentage of adults who never attend religious ceremonies except on special occasions in each region. Notably, Moravia-Silesia had even less attending Church than WCS, with 54.6 per cent of those surveyed indicating that they had never attended a religious ceremony.

### 7.2.3.3 Voter turnout

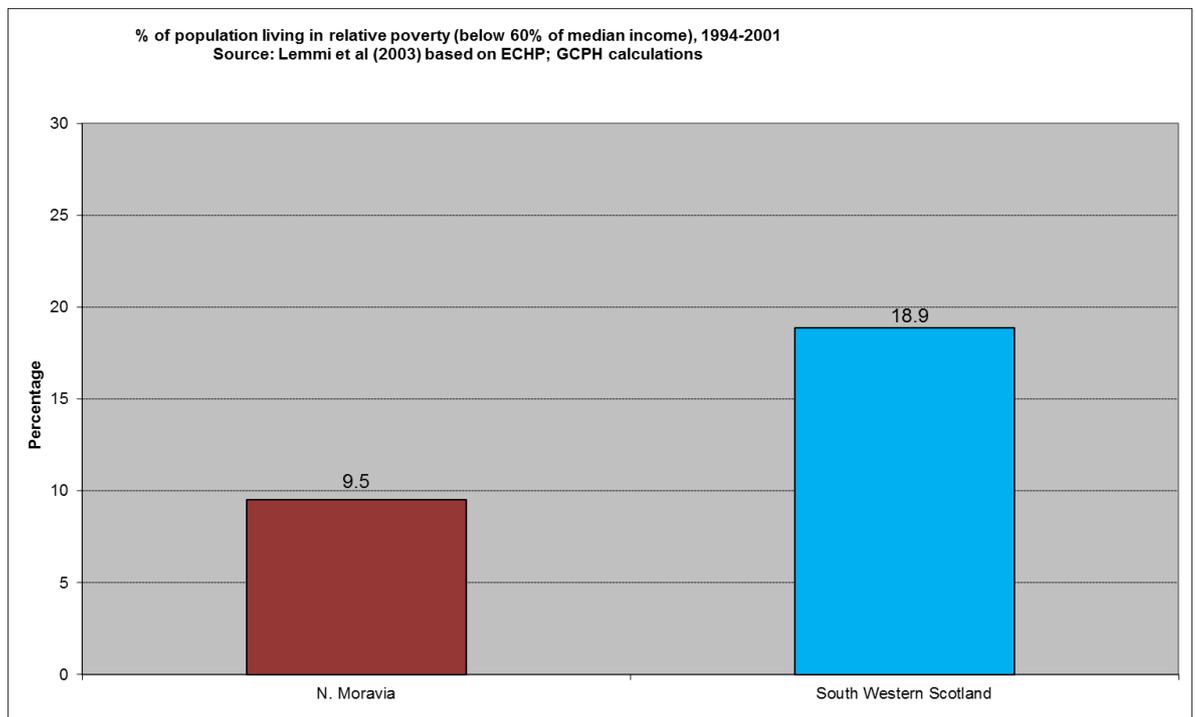
Figure 3.15 (pg.89) shows turnout rates at national parliamentary elections across each region. In 2005, election turnout in Moravia-Silesia was higher than WCS, 62.2 per cent and 58.3 per cent respectively. In terms of change over time, as indicated in Figure 3.16 (pg.89), Moravia-Silesia and WCS have broadly followed the same trajectory, decreasing over time. However, turnout in WCS continues to decline while rates are steadily improving in Moravia-Silesia.

## 7.2.4 Relative poverty

The low levels of poverty and income inequality in the Czech Republic are widely reported (OECD 2008). Figure 3.5 (pg.84) shows the risk of poverty in

selected countries over time. Note, although all countries exhibit fluctuations, levels of poverty are consistently higher in the UK. The risk of poverty rates in the Czech Republic are the lowest of all the regions: 16.9 per cent. At the regional level (Figure 7.9), the rates for Moravia-Silesia and SWS (proxy for WCS) are 9.5 per cent and 18.9 per cent respectively. In absolute terms, residents of WCS are less poor (Walsh et al. 2008) but this difference suggests a significantly higher proportion of the population have a low income relative to the rest of the region.

**Figure 7.9: Relative poverty in SW Scotland and N.Moravia.**



### 7.2.5 Income inequality

Figure 7.9 suggests that inequalities in income in WCS may be greater than in Northern Moravia. Figure 3.6 (pg.84) tracks income inequality in the selected host countries from the mid-1980s to mid-2000s. It shows that although income inequality has increased, as one would expect, in the early years of transition, since the mid-1990s, it has remained comparatively stable and significantly lower than the other regions.

The level of poverty and income inequality in the Czech Republic is the lowest of all the selected countries. Those groups worst affected include unemployed people, single mothers and families with a large number of dependents.

Although access to assistance is straightforward, conditions have been created that tend towards extended periods of state dependency. As Ripka and Mareš conclude:

“even if the recent recalibration of the system has seemed to reduce the scale of dependency, there is not enough evidence yet to support it by analysing its impact” (2009:109).

Although there is no discernible variation in the distribution of poverty according to gender, single mothers remain most dependent on social assistance. Sirovátka (2006) describes an ‘unemployment trap’ for single mothers. Benefit fraud is assumed to be relatively high among single mothers, predominantly due to the ‘refused partnership’ which would affect the subsistence level: that is, they deny or hide their relationship status in order to maintain their level of benefit. Although the system of benefits generally reduces the risk of poverty (in the short term), it clearly contributes to a longer-term dependency. However since 2006, subsistence level and part-time job incentives have been introduced, re-orienting the system to reward activity and to penalise inactivity. Whether these reforms resolve issues regarding benefit/state dependency remains to be seen.

### **7.3 Social protection**

As has been established, a similar system of welfare provision existed across CEE during the period of stage socialism (Deacon 2000; Cerami 2006). Protection was broad and universal and generally linked to place of work. As was typical during state-socialism, workers in these enterprises were afforded a number of services. These included housing in enterprise flats or generous loans for building private houses, childcare facilities, recreational facilities in attractive parts of the country, generously subsidised holiday’s abroad, very good health care in their own hospitals, rehabilitation centres and so on. In addition, they traditionally contributed to the regional economy and society by subsidising the construction of roads and other aspects of infrastructure, or by funding cultural and sporting events (Nesporova 1998:81).

With the collapse of communism and the transition to a market economy, the approach of Moravia-Silesia was much like that of WCS and the UK when faced with deindustrialisation. In Moravia-Silesia, unlike Katowice (and France and

Germany), it was believed that the market would stimulate the economy and create working opportunities. Although levels of unemployment (Figure 7.2) were significant, they could have been more severe. However, the large former state enterprises engaged in labour hoarding and there was limited restructuring of workforces.

Despite the difficulties of transition, the Czech Republic continues to converge with the West in many social indicators. Due to the high levels of social solidarity and low poverty rates, although not unemployment rate, it continues to converge towards the profile of a so-called inclusive regime (typical of Scandinavia): providing relatively generous support to those exposed to labour market vulnerability to enable them access to jobs with good employment conditions. However, although there has been some retrenchment in social protection since transition, as in Poland, the level of benefits available in the early years of transition were, in the context of former communist states, generous. The divergence between outsiders and insiders or winners and losers is not as marked as the relative level of poverty (Figure 7.9) and income inequality (Figure 3.6 pg. 84) indicate.

Family policy remains generous in the context of CEE, although there has been some retrenchment as a result of increased means testing and reductions in the earnings relatedness of maternity insurance. The unemployment benefit system, which previously had benefit levels at 60-70 per cent of the previous wage and duration of 12 months (Ham, Svejnar & Terrell 1998), was reformed in 1992 and replacement levels, duration and maximum benefits were reduced. However, replacement rates are still around 60 per cent for the average worker (in the UK they are around 30 per cent) (SPEC database 2011).

Activation policies have been introduced for the unemployed. The activation policy scheme, although centralised, is administered by local labour offices. Sirovátka characterises the activation policy as “soft”, especially when compared to the more radical policy introduced in Slovakia (2007). Retraining schemes are becoming a key feature of employment policy, with the number of participants doubling between 2000 and 2007. During this period, there was a fall in aggregate unemployment of approximately one third. This may be the

result of incentives, namely higher benefits, or the quality of retraining schemes on offer (MPSV 2008). Long-term unemployment remains a problem, peaking in 2007 with 55 per cent of the unemployed out of the labour market for more than 12 months (Eurostat database). The rise from 30 per cent in 1998, although largely due to economic restructuring, also reflects some degree of welfare dependency. The activation policies, while reasonably successful, have failed to meet the expectations and dependency of the long-term unemployed.

## 8. West Central Scotland (WCS)

The introduction to this thesis defined and introduced the region of West Central Scotland (WCS).

### 8.1 Deindustrialisation

Relative to the other selected regions, the onset of deindustrialisation came earlier to WCS and was more acute (Wells 1989; Thirlwall & Gibson 1992). On the continent, there were attempts to maintain industrial employment and socially manage the speed and costs of deindustrialisation. However, the UK was marked by a different macroeconomic policy (Crouch 1977; Soskice 1984).

By the early 1970s the rate of job loss in WCS was 4,700 a year (compared with an average of 400 per annum in the 1950s). By the late 1970s and into the early 1980s the rate of job loss had reached 25,000 a year (Rodwin & Sazanami 1991:64). The scale of deindustrialisation was significant: in WCS between 1979 and 1981 manufacturing fell by 11 per cent and employment by 20 per cent (Blazyca & Klasik 2003:4). By 1984 the unemployment rate had reached 14.9 per cent. Clydeside was among the worst affected areas in the UK (and Europe) with unemployment rates reaching 21.2 per cent by the end of 1984 (Lever 1984:6). The scale of this decline is emphasised by Paddison, who concludes: “Whether viewed at the European scale or nationally Glasgow represents one of the more extreme cases of an industrial city in decline” (1993:343).

More contemporary research (Birch et al. 2010) shows deindustrialisation and, as a consequence, deskilling is an on-going process in WCS with approximately 40 per cent loss in manufacturing jobs, both low and high skill, between 1996 and 2005. This is despite continued rhetoric from the UK political class concerning manufacturing and export led growth. Although there has been some increase in service employment it has typically been in routine services, with high-tech service employment actually decreasing.

So, how severe has deindustrialisation been in WCS relative to the other regions? As Table 3.1 (pg.81) shows, by 2005, the share of industrial employment (as a percentage of total employment) had fallen in every region but the fall was

greatest in WCS. The result is that, while WCS continues to have around a fifth (19.9%) of its workforce engaged in industrial employment, this is the lowest proportion amongst the five regions. In terms of the number of industrial jobs lost (Table 3.1 pg.81 column 3), during the period 1970 to 2005, WCS lost roughly two-thirds (62%) of its industrial employment - the most of all the regions. As discussed in the previous case studies, more accurate comparisons in terms of the speed and intensity of deindustrialisation are difficult.

### ***8.1.1 National responses***

The legacy of state enterprise relations, poor and fragmented industrial relations and an ongoing failure to rationalise and modernise industry, effectively precluded the kind of path taken through deindustrialisation in, for example, Germany (Carlin 1998). Earlier sections of this thesis have already outlined the broad approach to economic development taken in the UK in the post-war period (Maddison 1991; Crafts 1998; Hall 2007). These arguments will not be repeated here. Instead, some information will be provided about how the UK government sought to respond to the challenges presented by WCS.

In both the inter-war and immediate post-war periods there was already an acknowledgment that the industrial base of WCS required restructuring in order to maintain the region's competitive advantage. Since the mid-nineteenth century, Glasgow had been Scotland's industrial heart (Payne 1985, 1996; Foster 2001, 2003). That position had been a function of geography (Glasgow as a port on the Atlantic), resources (locally available coal and iron ore) and its position in the British Empire. However, since the early 1900s, it had become apparent that the industrial nexus of the region was unbalanced and vulnerable to economic change. The main problem was the industrial mono-structure (Blazyca & Klazik 2003). A government white paper on employment policy highlighted the over dependence in WCS upon a group of related industries that were inclined to fluctuate together (Ministry of reconstruction 1942). An additional concern, in light of the rapid American domination of the world economy, as facilitated by the Marshall Plan, was an over-reliance on export trade, an area not in the control of domestic policy. However, in the immediate post-war period, WCS still, as Foster notes:

“Possessed significant competitive advantages in the production of transport and power equipment: turbines, pumps, aircraft engines, generating equipment, mining equipment, guidance systems, rail locomotives and ships” (2003:57).

The Clyde Valley Regional Plan (CVRP) of 1946 concluded that in order to maintain economic development, planning was required on a regional basis. Furthermore, state intervention was required, particularly in the steel and ship industries (Payne 1985; Foster 2001).

An additional recommendation of the CVRP was to encourage an industrial policy that would develop a wide variety of industrial skills, emulating the diversity found in cities like London and Birmingham. The industrial mono-structure, once able to benefit from the advantages of empire, had now effectively created a ‘lock-in’. The limited skills base, lack of employment opportunities for women and low-wage regime had all restricted the development of a new manufacturing capacity (Abercrombie & Matthew 1949).

The ‘Bruce Report’ (Bruce 1945), commissioned by the city fathers, criticised the CVRP proposals, noting the unsuitability of applying a London solution to the wider Glasgow conurbation. The inherent problems of industry in WCS and arm’s length state enterprise relations led central government and the Scottish Office to attract new manufacturing capacity rather than attempt to restructure or re-industrialise indigenous manufacturing. The location for these firms would be the new towns in the peripheral areas around Glasgow. The primary function of the New Town was, it seems, to facilitate the restructuring of the WCS economy, as advocated by the Scottish Office, by attracting new light or sunrise industries to ‘growth poles’ (Abercrombie & Matthew 1949; Robertson 1998), rather than to resolve the problems of Glasgow’s tenement slums, as commonly perceived.

As Table 3.1 (pg.81) indicates, 1965 marked WCS’s industrial peak. By the mid-1960s, inflationary pressures, a lack of competitiveness and the structural weakness discussed above had begun to take their toll on Clydeside (Foster 2003). In addition, the increased presence of new firms in the ‘growth poles’ had forced up wages (Robertson 1998): WCS had in the past derived some of its

competitive advantage by paying significantly lower wages than other parts of the UK (Slaven 1975).

In 1974, the Labour Party returned to power, perhaps offering a final chance for Scotland, particularly WCS, to pursue a different path for economic redevelopment. There was some nationalisation in order to protect heavy industry, the Scottish Development Agency was established, and there was even a failed attempt to establish a Scottish parliament. These policies were similar to some that we have observed as being successful in NPdC and the Ruhr but they proved to be unsuccessful in the context of WCS.

In 1979, the Conservatives returned to power eager to bring to an end the 'cycle of rising expectations' (Foster 2003:65). National policy created conditions that encouraged capital flight and created the large scale unemployment necessary to end the trade union movement's power and create a context for the repatriation of capital on its own terms (neoliberalism). Interest rates were increased to slow the growth of the money supply and thus lower inflation. The government preference was for indirect taxation rather than taxes on income and VAT was raised sharply to 15 per cent, with a resultant actual short-term rise in inflation (Foster 2003; Mohamed 2008).

The fiscal and monetary squeeze, combined with the North Sea oil effect, appreciated the exchange rate. These moves hit businesses, particularly those in the manufacturing sector. Consequently, unemployment soon passed two million, doubling the one million unemployed under the previous Labour government (Woolfson, Foster & Beck 1997). This served to politically disenfranchise, even radicalise, the inner cities and regions, particularly in WCS, an area with no political representation in government. Such a context only served as a barrier to redirect capital back into Britain, particularly to those areas of most need (Harvey 2005; Mohamed 2008).

From the early 1980s, the government began to push a secondary agenda which entailed comprehensive micro-economic intervention. The economic model would be 'Japanisation' and the goal would be the encouragement of 'sunrise' industries (Ackroyd 1988). What this entailed was the encouragement of new

work place relations and new core periphery relations between large and small firms. In addition, in Scotland, where the Conservatives all but lost any support during the 1982 and 1987 elections, there would be “ambitious experiments in the social re-engineering of urban working class communities” (Foster 2003:65). The focus was on creating the necessary supply-side conditions, the most important being flexible labour (Foster 2003).

The level of intervention that followed was unprecedented. Scotland no longer had a core around which an industrial district could evolve. Therefore, that process and those conditions would have to be encouraged. Scottish agencies lobbied core companies from the US and Japan to establish branch production facilities. Inter-firm relations between the new core and local small enterprises would then be restructured by the Local Enterprise Companies (LECs) (Danson & Whittam 2003).

The key beneficiaries were the multinationals. The maintenance of sterling as a world banking currency and the adherence to Keynesian economics required US support and US dollars (Harvey 2005). Therefore, government policies supported multinational firms in order to compete and survive in the US trading area. It was hoped that regional bases for these firms would facilitate a level of growth comparable to other competing nations. The business of the multinationals was mainly in motors, petrochemicals, and electrical engineering. The old industrial base was now denounced, while the emerging branch plants of the multinationals were portrayed as progressive modernisation (Payne 1996; Foster 2003).

WCS had become a “parking ground for American branch plants” and a dual economy<sup>45</sup> was established (Foster 2003:62). New towns, originally advocated as solutions to urban congestion and deprivation, now formed the geographical centre of the dual economy. Branch-plant industries favoured union free sites

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<sup>45</sup> A dual economy is the existence of two separate economic systems within one country or area. Regions such as South East and South West England and East Anglia were less affected by manufacturing job loss and benefitted more from on-going tertiarisation. The growing divide between north and south led some commentators to describe Britain as a dual economy-with a deindustrialised north and west and a post-industrial south and east (Marshall, Damesick & Wood 1987). At the level of WCS, the deteriorating old heavy industries and the emerging sunrise/branch plant industries created a similar dynamic (Foster 2003).

well removed from the old centres of production. However, WCS never became an integral part of the business model of these multinational firms and when economic circumstances changed or government subsidies ran out, most of these factories closed (Blazyca & Klazik 2003) - this important issue needs to be understood in more detail and will be discussed below under 'regional dimensions'.

Since the mid-1980s, there has been a shift away from equity-based development to promoting economic growth almost anywhere within the region. As this creates intraregional competition, Glasgow, in particular, has pursued development practices and policies that illustrate the lack of regional governmental involvement. Pro-growth strategies were augmented by interventions that promoted job growth in newer towns and suburban areas (Kantor 2000).

### ***8.1.2 Regional dimension***

A government quango, the Toothill Committee, having excluded representatives of Scottish heavy industry from its advisory panel, published an Inquiry Report in 1961 which advocated a widening of the industrial base (Toothill 1961). New hubs of mass production would be centred on New Towns such as East Kilbride and Cumbernauld and labour would transfer from the old industries to the new. The aims of central government seemed conflicted between minimising unemployment and mobilising labour. As MacInnes explains:

“The first aim was congruent with the protection of declining industries to weak regions; the second aim implied letting such industries fail in order to mobilise the surplus labour released” (1995:6).

The branch plants of American owned companies that located in the new towns brought with them two main problems. First, foreign owned companies provided little in the way of training or the development of the industry in Scotland. With core production located elsewhere, they only outsourced low skilled work. This restricted the economic multiplier effect of their investment while simultaneously stifling indigenous development. The jobs created were subject to wholesale change from non-domestic company directors. Second, the jobs

available provided little opportunity for career development, significantly undermining the autonomy and control felt by workers (Payne 1996; Harvie 1998).

It seemed to many that these plants were more aligned with other parts of their parent multinational company than with the local economy (MacInnes 1995) although some saw in these changes the potential for a reform of the local Scottish economy (Firn 1975). For example, MacInnes noted how:

“Inward investing plants competed for the 'labour surplus' with more traditional industries offering less attractive rates of pay and different labour relations traditions. The lines of conflict of outlook and interest here ran in quite complex ways. Foreign plants often brought higher rates of pay, but more hostility to trades unions than indigenous capital” (1995:6).

One example is the Rootes car plant at Linwood, opened in 1963. The company saw the jobs it brought to the area as a gift to the workers, presumably on the back of negotiations and discussions with government over locating there to ease unemployment. As a result they were:

“...taken aback when the workers of central Scotland exhibited an unwillingness to accept their status as a reservoir of cheap labour that could be utilised to lower production costs for manufacturers and ease inflationary pressures within the UK economy” (Phillips 2008:34).

The company failed to agree conditions with the unions before production began and believed that it could maintain regional wage differentials. From the outset the Linwood factory faced difficulties. The Imp car it produced did not sell as well as had been expected. Furthermore, production costs were high because car bodies, and other parts, had to be transported back and forward between Linwood and other Rootes factories. A combination of poor management and powerful trade unions led to frequent and costly breaks in production. Massive losses from 1964 to 1967 led to redundancies and 4 day working weeks and were often blamed on poor industrial relations and a militant workforce, but Phillips (2008) has argued that this is highly unlikely and was instead due to export market conditions and the implausibility of the enterprise in the first place. The American company Chrysler took over the Linwood factory in 1967. Production of

the Imp ceased in 1976 and Chrysler sold the factory to the French company Peugeot-Citroen in 1979. Peugeot-Citroen closed Linwood in 1981.

Another important case study is the shipyards of the Clyde. In 1971, the Conservative government moved to close the remaining Upper Clyde Shipyards (UCS). Their fate had already been outlined, two years prior, when Nicholas Ridley had warned Yarrows, one yard in the conglomerate, that the Conservative government would not be continuing to subsidise UCS and that it would be best to sell off its assets to the Lower Clyde Shipyards immediately. This was not acceptable to the workers of Clydeside, especially in the face of a full book of works to be carried out and 8,000 workers occupied the yard and began a 'work-in' (Foster 2003). The result was the creation of a broader social alliance to act as a bulwark against national objectives. As Foster notes:

“This alliance encompassed most of Clydeside’s small and medium enterprises (SMEs), Scottish Local Authorities and the wider trade union movement. Its unifying demand was a comprehensive reversal of economic policy to save what remained of Clydeside as an industrial district” (2003:64).

In the event, the government eventually reversed its decision and offered substantial aid to the regional economy. In February 1972 the 'rationalisation' of the yards, namely the closure of the less profitable before privatisation, still went ahead, although with fewer job losses than previously declared. The Govan yard received a £35 million rescue package securing 4,300 jobs, and some of the 2,500 jobs at Clydebank were retained by heavily subsidised investment from the Texan firm Marathon. However, this did not prevent the eventual closure of all but the Govan and Scotstoun yards by the 1980s<sup>46</sup>. Consequently, there was massive unemployment. The area became littered with expansive industrial wastelands and abandoned commercial enterprises. This led to unprecedented decline in population, closure of schools, loss of social infrastructure and the break-up of the historical community (Foster 2001).

At the same time the process of rationalisation was also being applied to the coal industry. Scottish employment in coal had fallen drastically: approximately

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<sup>46</sup> These two yards now comprise BAE Systems Surface Ships a wholly owned subsidiary company of BAE Systems plc, specialising in naval surface shipbuilding.

half of all employment was lost between 1963 and 1971 and pay was still artificially low. Following unofficial strikes in 1969 and 1970, the National Union of Miners elected more militant members to office and by 1972 they were able to lead an official strike in protest at their low pay. In comparison to workers at the Linwood car plant, who received £35pw, they were asking for £28pw, which was a 35 - 47 per cent increase on their existing wages. The press portrayed them as militants, manipulated by their leadership (Gilmour 2007). So much pressure was put on the police force by the government in order to save face (especially within the context of the Upper Clyde Shipbuilder's work-in) that, in February 1972, at a picket at Longannet, 13 arrests were made on serious charges of mobbing, rioting and assaulting police officers, the cases for which were later undermined by a lack of evidence (Harvie 2001). Eventually, the government partially conceded following the Lord Wilberforce Enquiry, which recommended a 19-21 per cent pay increase that was overwhelmingly accepted by the workers (Phillips 2008). However, the Conservative government achieved its goal of rationalisation when it returned to power in 1979. Of the eighteen deep mines that were open in 1979, only Longannet had survived by 1981 (Harvie 2001).

Union membership declined after 1978 and organised labour was, thus, less prevalent in Scotland's new industries (Harvie 2001). The foreign-owned branch plants of Silicon Glen<sup>47</sup> preferred part-time female workers and school-leavers with little experience of unionisation, so that while women made up the majority of the workforce, they were still paid on average one fifth less than men for the same work (Devine 2000). The pressures on women, unlike their West European contemporaries, were widening from primary caregiver to encompass the dual role of breadwinner. Their male counterparts, on the other hand, endured chronic unemployment.

The poor structure of the outer Clydeside conurbation became apparent once the competitive growth of the 1960s had slowed. The basis of this lack of competitiveness was low labour productivity (Lever & Moore 1986). The best

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<sup>47</sup> The high-tech sector of Scotland based around the Central Belt triangle between Dundee, Inverclyde and Edinburgh, which includes Fife, Glasgow and Stirling is commonly referred to as Silicon Glen; although electronics facilities outside this area may also be included in the term.

available measure indicates that Clydeside had 65.9 per cent of the national average productivity for manufacturing in 1978. This helps to account for employment disappearing so rapidly relative to national trends (Lever & Moore 1986:18). The root of low productivity lay in firms experiencing “low value added per head because they overspend on labour despite lower wage costs in the conurbation” (Lever & Moore 1986:18-19). They were often geared towards the labour intensive, small batch, specialist and often custom-specific end of the production spectrum. The solution to this problem would be product innovation. Lever and Moore’s study concludes that although product innovation is not synonymous with the establishment of new firms, they are often related. The failure of WCS to encourage a sufficient rate of new firm (or new product) formation presented a severe problem (Lever & Moore 1986).

In the 1980s, Local government ‘councils’ were given the power to intervene in local economies. In Glasgow, the local authorities started a consumer-based recovery policy, based on retail development, tourism (hotels, restaurants), cultural industries (theatre, music, arts, culture, media), and certain services like call centres (16,000 jobs in call centres), shared services and public services (growth in education and services) (MacInnes 1995; Turok & Bailey 2004). These measures, in addition to the physical regeneration of the east end as part of the Glasgow Eastern Area Renewal (GEAR) scheme and the ongoing ‘image’ campaigns (from ‘Glasgow’s Miles Better’ to the more recent Scotland with Style), helped transform (for a while) the city’s international image (Gomez 1998).

However, in reality, these interventions have only marginally compensated for the degree of deindustrialisation WCS endured in the 1970s and 1980s. For instance, the GEAR scheme had very little success in attracting new manufacturing employment to the depressed east end. Between 1975 and 1983 the GEAR area lost 12,000 jobs, and GEAR created only 2-3000 additional jobs (McGregor & MacLennan 1992:52).

In the late 1990s the Glasgow Regeneration Alliance (GRA)<sup>48</sup> set aside investment of £1.5 billion (over 10 years) to be invested in 8 'priority regeneration areas' with a total population of approximately 300,000 (two-fifths of Glasgow's population). At the time, each of these areas had male unemployment rates between 25 and 40 per cent. All had long-term unemployment rates over 38 per cent in 1989. The proportion of council tenants on housing benefit varied between two-thirds and three-quarters (Mooney 1994:15). A clear aim of the GRA was to 'activate' the significant numbers of unemployed, many of whom were unskilled, into employment via the attraction of inward investment (McGregor, Maclennan & Stevenson 1992).

### **8.1.3 Unemployment**

Figure 3.3 (pg.83) presents regional unemployment rates in 2008 and 2011 for the five regions. In 2008, at 5.8 per cent, the unemployment rate in WCS was lower than the other regions. As the figures for 2011 show, unemployment has increased in all regions except for the Ruhr. The increase in WCS is greater than the other regions and this is a concern for two reasons: first, all the other regions have, historically, had higher structural unemployment; second, in WCS there is seemingly a significant degree of hidden unemployment (Beatty et al. 2002, 2012; Webster 2002).

### **8.1.4 Employment rates**

Broadly speaking, employment rates for both males and females have and continue to be greater in WCS than the other regions. However, this is a consequence of the low-skills equilibrium (Rubery 1994). In particular, the processes associated with economic restructuring and deindustrialisation have facilitated significant increases in female labour market participation. Accompanying this shift has been an increase in the use of atypical forms of employment such as part-time, temporary and casual employment contracts (Gallie 2007).

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<sup>48</sup> The GRA was an alliance between District and Regional Councils, Glasgow Development Agency and Scottish Homes. In 1998 it became the Glasgow Alliance. Members include: Glasgow City Council, Glasgow Development Agency, Greater Glasgow Health Board, Communities Scotland (the new Executive Agency formerly known as Scottish Homes), the Scottish Executive, Glasgow Council for the Voluntary Sector, and Scottish Business in the Community.

Moreover, as we have seen, this is a picture that is changing. Whereas WCS seems to have reached some level of capacity, in that new job creation has stalled, NPdC has managed to create low and high skills jobs in manufacturing and services. The Ruhr, although struggling to create and maintain jobs like WCS, has had some success in increasing high skill service jobs. In addition, nationally, the number of low-general skill jobs, considered a major contributing factor to the structurally high unemployment, is now increasing (OECD 2009). In CEE, employment rates, although comparatively low for the reasons outlined, have for women and to a lesser extent men started to recover. Moreover, both Katowice and Moravia-Silesia have recorded growth in high-tech services.

In short, the economic changes attributed to the post-industrial shift experienced in WCS did not increase productivity and failed to create sufficient jobs. As Turok & Bailey note:

“The contrast between the two variables in Glasgow suggests a more segmented economy, possibly reflecting a more severe history of deindustrialisation and the emergence of a narrower economic base” (2004:40).

Writing in the 1990s MacInnes noted with irony how:

“the major criticism levelled at the shift from production to consumption has been that jobs in this sector are more often low-paid, part-time, short-duration jobs for young people and women. The picture is more bleak in Glasgow: even the low-paid part-time jobs are harder to come by than in the rest of Britain” (1995:17).

This, combined with the faster than average falls in manufacturing employment, resulted in a 10 per cent reduction in jobs over the decade 1985-1995 compared to a small increase in the UK as a whole. The wider WCS region fared marginally better and was closer to the UK average, reflecting the continued shift of jobs from the city.

From the late 1990s until the recent economic crisis, the main drivers of employment were the public sector, financial services and construction (SLIMS 2005).

### **8.1.5 Worklessness**

Figure 3.4 (pg.83) shows the percentage of men aged 25-49 not in employment in 2001. In WCS, unemployment for males aged 25-49 is still relatively high (21.7%). Moreover, WCS, like other similar regions in the UK, has a significant amount of hidden unemployment (Beatty et al. 2002, 2012). In the UK there are long-established mechanisms that divert the unemployed between different parts of the benefits system, particularly from unemployment benefits to incapacity benefits, or out of the benefits system entirely. Although some affected are included in the official unemployment figures, others are completely absent (Beatty et al. 2000).

Research undertaken by Beatty, Fothergill and Gore estimates the real level of unemployment for April 2012 in different areas of the UK. For Glasgow, official figures show 24,720 claimants - that is, 6 per cent of the working population. They estimate the real figure to be 61,600 - that is, 14.9 per cent of the working population (2012:35).

In addition, Glasgow City (and WCS) has a remarkably high proportion of its resident population on sickness-related benefits (12.3 per cent, compared to Scottish 8.1% Great Britain 6.6% of the working age population claim ESA and incapacity benefits) (Turok & Bailey 2005).

## **8.2 Context**

The effects of deindustrialisation were exacerbated by the city's poor housing conditions. By the 1950s, Glasgow had the worst housing stock of any major city in Western Europe (Lever 1991). As deindustrialisation progressed, large-scale housing programmes were implemented, city slums were demolished and urban populations were relocated to housing schemes and new towns on Glasgow's periphery and more widely in WCS. What often remained were neighbourhoods fragmented by tenement demolition and deteriorated tower block schemes whose maintenance became increasingly problematic (Pacione 1989; Mooney 1994; Mooney & Danson 1997).

The response to these problems was several waves of 'redevelopment' along with the establishment of a major urban motorway programme which, paradoxically, had the effect of driving jobs out of the city. Whereas previously displaced industry would have relocated within the city core, redevelopment drove firms to find safe locations in the New Towns and ex-urban locations (Lever 1991).

Physical redevelopment was accompanied by serious attempts to address the external image of Glasgow and WCS (Paddison 1993). From the 1980s onwards, Glasgow began to project itself as an area of consumption rather than production. However, the motivation for this strategy was the creation of a new form of post-industrial economic growth (Kantor 2000; Mooney 2004; Trettor 2008).

After a shock defeat by the Conservatives in 1977, Glasgow's Labour Party was re-elected as the city council in 1980 and as Boyle et al. note:

"Reading their rejection at the polls as a reaction to Glasgow's deep experience of deindustrialisation and the failure of politicians to address decline, New Labour in the city had an especially heightened sensitivity to the imperative of promoting local economic growth" (2008:315).

This changing economic structure, decline in national fiscal support, shift away from the Keynesian welfare state and rolling back of the state, probably led regional decision makers to reconsider their constituencies of support and strategic priorities. Consequently, they became less concerned about wealth distribution and welfare and more concerned with facilitating economic enterprise and courting private sector interests (Macleod 2002). As such, Glasgow's potential as a centre of consumption and hub of leisure and entertainment for the wider area, clearly informed the strategies pursued in changing the region's image and securing future economic development.

The Scottish Development Agency (SDA) commissioned a report on Glasgow's potential as a location for corporate headquarters. The report recommended establishing a business-led organisation to steer the way in the city's urban redevelopment. Accordingly, the then SDA pressed the city's political elite to

facilitate more active private sector participation (Boyle & Hughes 1994; Tretter 2008). This led to the establishment of the private-public quango Glasgow Action (GA), the aim of which was to develop “a strong business and consumer service industry base...to stimulate the regeneration of the city as a whole” (Glasgow Action 1985). The city council and the local business power structure now influenced the urban development of Glasgow. GA ‘commissioned’<sup>49</sup> consultancy company McKinsey and Co. who concluded that Glasgow’s deindustrialisation was irreversible and that the city’s future development was contingent upon it emerging as a post-industrial service economy (Boyle et al. 2008; Tretter 2008).

Within this context, ‘place marketing’ (Paddison 1993) would become one of the chief means of establishing and sustaining a post-industrial economy and GA and the City Council pursued numerous strategies for developing the area’s reputation as a post-industrial centre in order to attract service industries and consumers or visitors. These included the 1983 ‘Glasgow’s Miles Better’ campaign designed to combat the image of Glasgow as an area of poverty, crime, violence and squalor; and the designation as the European City of Culture in 1990 (see Booth & Boyle 1993; MacLeod 2002). Although these developments purported to make Glasgow a better place to live, actual tangible benefits to the local population had little basis in policy or reality. In fact some suggested these measures would in fact accelerate existing patterns of inequality associated with post-industrial restructuring (Jones & Wilks-Heeg 2004).

Combined with these initiatives and investments was the substantial and continued investment in what MacInnes (1995) terms ‘cultural infrastructure’. For example the Royal Scottish Academy of Music and Drama (now The Royal Conservatoire of Scotland), a national exhibition and conference centre, the Burrell museum and art gallery complex, the Tramway performance space and, more recently, the Zaha Hadid designed Riverside Museum.

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<sup>49</sup> The reality is McKinsey & co carried out the analysis for free. GA chief executive David Macdonald is alleged to have convinced them to do it free of charge. According to the report ‘Glasgow’s city centre is amorphous and lacks memorable features’. Predictably the report focused on the city’s business environment and gave precise suggestions for a market-oriented economic restructuring (McKinsey & CO 1994; Urban 2013).

It is difficult to assess the true impact of this strategy. For example, in an evaluation report for the leading partners in Glasgow, Myerscough calculated that, for a public sector investment of £33 million, Glasgow saw a net economic return to the Glasgow area economy of between £10.3 and £14.1 million (Myerscough 1992). Moreover, Myerscough's (1988) study estimated that almost 15,000 jobs were dependent on leisure industries and tourism. Although this is likely to have increased, and not discounting the cultural and regeneration aspects of the investment, there was and continues to be little evidence of significant job creation. Moreover, many of the jobs were flexible, temporary and part-time, with few rights and traditionally the preserve of women and now increasingly students and retired workers (Moorhouse et al. 1995).

Figure 3.22 (pg.92) indicates the degree of tertiarisation in the UK relative to the other selected countries: a proliferation of management at the upper end of the scale and significant increase in service/sales and elementary workers at the lower end. The change for WCS is particularly acute (Helms & Cumbers 2004; Danson 2005). The transition to a service-dominated economy has had a significant impact on the traditional (and predominantly male) industrial labour force. Many of the jobs in the old industrial sectors were stable, relatively well remunerated and provided some paths to career advancement. The proliferation of low-skilled and low-waged work in services or occasionally construction has contributed to the polarisation present in the labour market. Between professional and managerial workers able to benefit in sectors such as financial services and information technology and those at the lower end who lack the education, skills and social networks.

As a consequence, contradictions arise from the tensions between processes of capitalist production on the one hand and social reproduction on the other. These are particularly acute in WCS where, as a consequence of restructuring, "a growing residual segment of the labour market is excluded from the mainstream and constituting an emerging 'underclass' of urban poor" (Helms & Cumbers 2004:2). For, even if these former workers moved location, the market and policy regime in place was unlikely to create what they would consider viable employment opportunities (Beatty & Fothergill 1996; Beatty et al. 2002).

In the UK and WCS context, the deregulation of the labour market (while contributing to the growth of low-wage employment) has also led to massive increases in pay for those at the top end of the wage hierarchy, in both public and private sectors and a stagnation or even decline of what are seen as traditionally working class occupations. National systems of wage bargaining and pay grading were first criticised by the Thatcher government as they resulted in over payment of wages for the less skilled relative to the market rates. However, subsequent deregulation and individualisation (a policy pursued by both parties) has not only seen the wages of the low paid reduced but also facilitated excessive rises in managerial and executive salaries, all of which has contributed to income inequality experienced in the UK and WCS (see Figures 3.5 and 3.6, pg.84).

These inequalities are particularly relevant to those with low or obsolete skills. Many employers now emphasise ‘soft’ skills such as customer service, communication skills, IT skills, team working and problem solving (Future Skills Scotland 2002, 2003). More generally, and in line with the low-skill ‘equilibrium’ outlined previously, the skills required are typically the product of school and higher education, rather than apprenticeships. Employers now seek qualifications and accredited learning not the labour power, trades and crafts of old. The perception of a fall in demand serves to limit recruitment and training in these sectors and we now have a situation where the economy is deficient in craft skill (Danson 2005; Future Skills Scotland 2003).

### ***8.2.1 Skills and Education***

A major concern for WCS is that employment opportunities demand new and different skills: there is a mismatch between the skills and attributes of former industrial workers and the new economy (Future Skills Scotland 2002, 2003; Danson 2005). The UK has pursued a voluntarist approach to training, leaving it to the market or firms to organise independently of the education system. The result is a mismatch between educational provision and the jobs market (Gardiner & Wilson 2012). In addition, Rubery (1994) notes, as a feature of the UK social system, the existence of negative attitudes towards vocational education and training. The Scottish Vocational Qualification SVQs (and NVQs) were established to provide an alternative to academic study and are based

upon work place competency. However, they may well be a means of consolidating the low-skill base of the economy. The standards expected do not meet those of, say, the German system, and the focus is on narrow work-related skills. Moreover, many employees fail to recognise or merit vocational qualifications. As Rubery concludes:

“In Britain, outside the apprenticeship system which affected primarily craft male manual workers, the relationship between training and career opportunities has been at best intermediate and at worst negative” (1994:354).

### 8.2.1.1 Education

Figure 3.7 (pg.85) shows the percentage of adults (25-64) with tertiary (post-secondary) qualifications in 2008 for all the regions. It shows that SWS (used as a proxy for WCS) had a higher proportion of adults with tertiary qualifications<sup>50</sup> than any of the other regions. This is the result of UK policy which has seen a massive expansion in Higher Education from 400,000 in the 1960s to approximately 2.5 million in 2012 (Blanden & Machin 2004; HESA 2012). However, differences in the quality of qualification and experience are vast. Moreover, many of the qualifications are for sectors in which there are limited employment opportunities (Gardiner & Wilson 2012).

Figure 3.8 (pg.85) shows the percentage of adults with no or low level qualifications (ISCED Level 0-2) in all the regions. It shows that SWS, with 27.3 per cent in this category, is the second worst placed region (only NPdC has a higher proportion). This is important because, although traditionally a lack of formal education would not necessarily have been a barrier to old industrial work, a lack of skills and education in the contemporary labour market are considered significant NSRs, particularly in the current context of the UK and WCS where job growth, particularly in jobs requiring low-general skills, is stagnating (Leitch 2006).

The problem in the UK, relative to all the countries covered here, has deteriorated further in the past few years. The number of young people not in

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<sup>50</sup> These include university degree or NVQ level 4/5 level qualifications and above.

education or training (NEET)<sup>51</sup> has grown significantly. As discussed in the NPdC case study, in 2000 WCS already had more NEET than NPdC. In the UK, 12.1 per cent of those aged 20-24 came into this category but by 2008 this had increased to 17 per cent. In Germany, the percentage fell over these five years from 12.8 to 11.8; in France it fell from 13.2 to 11.8; in Poland it fell from 6 to 5; in Czech Republic it fell from 6.5 to 5.6 (Eurostat 2010).

Research concerned with OIRS in Scotland (Forsyth & Furlong 2003) and Northern Ireland (McVicar 2000) highlights a number of difficulties regards employability. These include: low social class position of parents; lack of advanced skills and qualifications; poor training offered by employers who are not national or multinational corporations and inappropriate or inadequate placing of the vulnerable in training schemes (Danson 2005:293). It seems reasonable to assume that these are all relevant factors in WCS.

### **8.2.2 Social context**

Glasgow and its hinterland have seen considerable private investment in housing, retailing, hotels and offices. Brownfield sites have been transformed into areas such as parts of the Merchant City and International Financial District. Shopping centres both in the city centre (St Enoch Centre, Buchanan St) and outside (Silverburn, Braehead) have made Glasgow a shopping destination for some and the developers very rich (The Sunday Times, April 26, 2009). However, examining the question of who these developments benefit and the extent to which they stimulate the wider economy, McInnes looked at whether a link could be established in WCS between cultural activity and economic development and concluded:

“Such an effect is very difficult to measure objectively: does a vibrant culture count for more than good housing or golf courses? And do any of these matter as much as a cheap, productive, appropriately skilled and plentiful labour supply?” (MacInnes 1995:19).

Despite these developments and initiatives, the question remains as to how and to what extent shopping malls and cultural centres of Glasgow and the wider area of WCS benefit the wider population and resolve the ongoing legacy of

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<sup>51</sup> Percentage of population not in employment, education or training aged 20-24.

deindustrialisation. Is the situation of the peripheral housing estates dotted about WCS, or the 29.1 per cent of Glasgow's population who are economically inactive, the 14.2 per cent of men and 10.1 per cent of females who are registered unemployed, or the 21.3 per cent of Glasgow's population claiming key benefits<sup>52</sup> being improved (Nomis 2011)? As MacInnes concludes: "In some ways both the virtuous and vicious circles of decline have become stronger" (1995:19).

Economically, in the period between 1970 and 2000, WCS remained the poorest region in the UK (Dorling et al. 2008). Moreover, analyses estimate that, for WCS to achieve employment rates of eighty per cent, as experienced in the South East of England, an additional 131,000 jobs would need to be created (SLIMS 2005).

As we have seen, the various agencies and initiatives involved with the (re)development of Glasgow and WCS have prioritised economic rather than social objectives. In the context of a deindustrialising WCS, national economic issues seem to have taken precedence over local social issues. This is in contrast to France and Germany (and Katowice) - as has been noted. A number of perspectives emerged to account for WCS's ongoing malaise. Webster (2000) noted the lack of employment opportunities; particularly for those with a background of manual employment. The government has cited the lack of 'employability' of the local population as a barrier to economic development (note: not the low job creation rate) (Scottish Executive 2001, 2002). Others suggested a culture, possibly consolidating, of welfare dependency (Middleton 1991). As such, parts of the city and surrounding areas are depicted as areas occupied by a maladapted 'underclass' (e.g. Murray 1996) where problems are social and economic in nature, with high incidences of unemployment and social pathologies. Speaking of the population shift to peripheral housing estates in WCS at the time of deindustrialisation, MacInnes describes:

“(how) the razing of older 'slum' areas rather than their rehabilitation, together with the path cleared for the urban motorway network,

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<sup>52</sup> These figures are for November 2011 and in each case exceed the Scottish and UK totals. In the case of claiming key benefits the Scottish total is 14.2 per cent and Great Britain 12.3 per cent.

destroyed existing communities and scarred the city centre. The peripheral estates were isolated, lacking in any amenities, were drably laid out and had higher than target population densities. Many high rise and other schemes were badly designed” (MacInnes 1995:7).

The peripheral estates that characterise much of WCS continue to be particularly problematic. Although established at a time of relative economic growth and increased housing provision, deindustrialisation and economic decline means many of these areas function effectively as ‘cashless societies’ with high levels of welfare dependency (Jackson 2009). In addition, as Pacione concludes:

“The high levels of poverty have resulted in the closure of local shops because of lack of demand, thereby further restricting consumer choice. The increased indebtedness of many families on the estate has led to an increase in rent arrears, abscondencies, eviction and disconnections by the electricity board” (1989:110).

These peripheral areas came to be regarded as ‘problem spaces’ (Mooney & Danson 1997) where many “are deprived both of a livelihood in the capitalist economy and of support from a welfare economy devastated by the effects of the urban fiscal crisis” (Lee 1989:69). In 1989, unemployment rates in the peripheral housing schemes of Glasgow ranged from 39 per cent to 46 per cent long-term unemployment (Alliance 1993). Despite the poor health, unemployment, poverty and lack of skills present in these areas, there was little opposition to the social and spatial inequalities emerging and consolidating. For as Boyle concluded in 1989:

“Glasgow’s poor are simply no longer part of the city. In the economic, political, or social terms, their alienation from the city is now almost complete. Years of isolation bred hopelessness; the response of the very poorest has been to withdraw into a personal world of survival, far removed from city centre renewal, waterfront housing, and new shopping centres” (1990:129).

Although many of these commentators were writing in the late 1980s, these same problems persist today and have, in many cases, become entrenched. In stark contrast to the city centre investment and regeneration, the peripheral estates and towns were becoming ‘welfare cities’ (Pacione 1989; Mooney & Danson 1997) where residents survived via welfare dependency or through low-skill, poor quality, low paid employment. This degree of ‘dualism’ was

exacerbated as policies for future development regarded these peripheral areas in isolation from Glasgow and the wider WCS economy. Increasingly, they came to be considered an impediment to economic growth and the future fortunes of WCS. As such, the peripheral estate became what Wacquant classifies as spaces of ‘advanced marginality’ where:

“the novel regime of socio-spatial relegation and exclusionary closure...has crystallised in the post-Fordist city (*or region*) as a result of the uneven development of the capitalist economies and recoiling welfare states” (2008:2-3).

A consequence of this, particularly in a WCS context, is territorial stigmatisation (Gray & Mooney 2011). The peripheral estates came “to represent a morally and culturally problematic place(s) where unproductive and flawed lifestyles flourish” (Gray & Mooney 2011:13). The media in particular have sought to promulgate such a notion. In 2008, *The Times* ran the headline ‘Glasgow’s Guantanamo’:

“Shettleston, Barlanark, Garthamlock, Easterhouse, Parkhead ... communities that figure with monotonous regularity both on the charge sheet at Glasgow Sheriff Court and at the top of the lists of the most socially deprived wards in Britain. They might as well be called Guantanamo. For many thousands of welfare prisoners on sink estates, marooned by bad housing, violence, addiction, unemployment, ill health and shattered relationships, there is little chance of escape” (Reid 2008).

Glasgow’s Guantanamo was home to the infamous so-called ‘*Shettleston Man*<sup>53</sup>’ as characterised by conservative MP and now Secretary of State for Work and Pensions (May 2010) Ian Duncan Smith:

“This individual has low life expectancy. He lives in social housing, drug and alcohol abuse play an important part in his life and he is always out of work. His white blood cell count killing him directly as a result of his lifestyle and its lack of purpose” (Smith 2008).

These developments put into context the extent and nature of Glasgow’s (and by extension WCS’) shift from an area of production to one of consumption: industrial to post-industrial. Social and economic changes and associated policy responses have seemingly deepened and widened socioeconomic polarities,

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<sup>53</sup> Shettleston is a particularly deprived area of Glasgow’s east-end.

creating additional marginalised groups and further excluding strata of society long considered disadvantaged. However, despite the continuing focus on WCS's and Glasgow's issues of poverty, deprivation, health and wellbeing (Scott 2004; Mooney 2004; Walsh et al. 2010; Taulbut et al. 2011) these developments continue. For some, the processes of neoliberalism in the context of WCS constituted a 'political attack' (Collins & McCartney 2011) and the evidence does little to refute that thesis - particularly considering the path destruction (Peck & Tickell 2002; Birch & Mykhnenko 2009) and socioeconomic costs that have been outlined.

As in the previous case studies some regional comparisons will now be discussed.

### **8.2.2.1 Lone parent households**

Figure 3.9 (pg.86) shows the percentage of households with children headed by a lone parent. In 2001, roughly a third of WCS with children (31.1%) were headed by a lone parent. This figure is high compared to all of the selected regions, apart from the Ruhr (26.9%). Figure 3.10 (pg. 86) shows the change in number of lone parent households over time. WCS and Moravia-Silesia had the fastest rate of increase - both almost 10 per cent in a decade. Although rates in the Ruhr were higher, the slower rate of increase saw WCS overtake the Ruhr in 2001.

### **8.2.2.2 Single person households**

Figure 3.11 (pg.87) shows the percentage of households that are single person households in each region. In WCS around a third (33.8%) of households are single occupancy. Although this is lower than the Ruhr (36.8%) it is higher than the other regions where the figure is closer to a quarter. Figure 3.12 (pg.87) shows the change over time. It indicates that the percentage of single person households grew at a faster rate in WCS compared to other regions.

### **8.2.2.3 Marital Status**

Figure 3.13 (pg.88) shows the percentage of adults aged 25-64 reporting that they were married<sup>54</sup>. Results are shown for adults aged 25-64. As explained

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<sup>54</sup> Including those separated from their partners but still legally married or in a civil partnership across the regions in 2001.

previously, this accounts for different population structures across the regions and the fact that, predominantly, adults in these regions did not marry until their mid-20s (Eurostat 2006). With just under two-thirds, the marriage rate in WCS (63%), although lowest of all the regions, was similar to the Ruhr and NPdC. Rates in CEE remain above 70 per cent.

#### **8.2.2.4 Births to teenage mothers**

Figure 3.21 (pg.92) compares the percentage of births to mothers aged below 20 in the five selected regions. In 2005, 8.5 per cent of births in WCS were to mothers under the age of 20. This is significantly higher than the other regions. Silesia (Katowice) is closest with 5.2 per cent.

#### **8.2.2.5 Health behaviours**

The relevance and impact of health behaviours to individual and population health has already been outlined.

##### **8.2.2.5.1 Smoking**

Figures 3.17 and 3.18 (pg.90) show the percentage of adult daily smokers, defined as those who smoked at least one cigarette a day, for males and females respectively. Just under a third (29.9%) of men in West Central Scotland (WCS) reported smoking daily in 2003-04. This is roughly the same in all regions except Southern Poland (used as a proxy) where the rate is 39.3 per cent. Smoking rates for women were lower than men in every region. However, at 28.4 per cent, the percentage of female daily smokers in WCS was highest of all the selected regions.

##### **8.2.2.5.2 Alcohol**

Direct comparisons of the total levels of alcohol consumption between the selected regions are not possible. However, as we have seen, where comparisons can be made, WCS seemingly has higher levels of frequent drinking and lower levels of abstinence. This mirrors international comparisons (Figure 3.19 and 3.20, pg.91) which indicate that Scotland has the second highest proportion of daily drinkers (12%) and lowest proportion of abstainers (12%). Note, the Scottish

data is based on consumption over a week as opposed to a month; this may impact the results (Walsh et al. 2008).

### **8.2.3 Social capital**

The significance of social capital has been outlined previously.

#### **8.2.3.1 Religious participation**

Figure 3.14 (pg.88) is based on survey based measurements and indicates the percentage of adults who never attend religious ceremonies except on special occasions. WCS is close to Moravia-Silesia in this regard with just over 50 per cent falling into this category. The figures for the Ruhr (30.6%) and Silesia (5.7%) are significantly lower.

#### **8.2.3.2 Voter turnout**

Figure 3.15 (pg.89) shows turnout rates at national parliamentary elections, across each region. Turnout was high in the NRW (78.3%) and Moravia-Silesia (62.2%). Silesia had the lowest with (54.9%) comparable with WCS (58.3%) and NPdC (59%). In terms of change over time, Figure 3.16 (pg.89) shows that in 1990-93, Moravia-Silesia had the highest turnout and NPdC the lowest, WCS was mid ranked. Throughout the 1990s, turnout declined steadily in Moravia-Silesia, NPdC and WCS to around 55-60 per cent in 2001. In contrast, turnout in NRW remained constant at around 80 per cent across four elections.

### **8.2.4 Relative poverty**

Figure 3.5 (pg.84) shows the risk of poverty in selected countries across time. Although all countries exhibit fluctuations, levels of poverty are consistently higher in the UK - although rates in Germany are converging, the rates in the other selected countries remain significantly lower. In short, regional level poverty rates are typically higher in WCS. This is indicative of the labour market and level of social protection in the UK. As Nickell notes:

“Britain has a particularly large number of working-age “workless households”... these tend, on average, to have significantly lower earning power than those in work so that getting them to work would

have much less of an impact on poverty than might be imagined, unless they receive other benefits” (2004:2-3).

### **8.2.5 Income inequality**

Figure 3.6 (pg.84) tracks income inequality in the selected host countries from the mid-1980s to mid-2000s. With the exception of France, the selected countries recorded increases in income inequality between the mid-1980s and 2004. However, the ranking has remained and Scotland (and the UK) maintained the highest level of income inequality for that period. In the 2000-2004 period, income inequality in Poland began to converge with Scotland. As discussed in the previous case studies, at the regional level, income inequality is higher in WCS than the other selected regions.

The national context is important. The increased inequality in gross earnings is a consequence of wage inequality and employment polarisation. In the UK, since the 1970s, there has been a significant increase in the inequality of weekly wages for both male and females. The inequality among female workers is greater than between males (Smith 2003). Nielsen et al. (2005) note that the UK is unique among West European nations. Income inequality is generally a consequence of polarisation. However, in the UK more than any other nation, that polarisation is driven by movement from the middle to the bottom of income distribution rather than by movement from the middle to the top. Deskilling and deindustrialisation have contributed to the rise in income inequality which, in a UK context, is exacerbated by the rise of the financial services elite (OECD 2011).

Clearly, given the comparative employment rates and levels of income inequality and poverty, the anti-poverty strategies of successive UK governments that focus predominantly on labour market participation are not working.

## **8.3 Social protection**

As we have seen, due to the process of deindustrialisation and associated pressures of cost-containment, social protection arrangements have been transformed in each country. Typically, in the UK, income replacement rates in unemployment and retirement were and continue to be lower (Scruggs 2006;

Seeleib-Kaiser et al. 2011). As a consequence of deindustrialisation, many in the UK entered into a period of long-term unemployment with meagre benefits: this contrasts with the more generous replacement levels in France and Germany and the high level of replacement (albeit in a lower wage economy) in Poland and the Czech Republic. Also, many in the other regions entered early retirement or enjoyed a greater chance of finding a job similar to the one they used to have (skilled and possibly in industry or manufacturing). In the UK, the process of deindustrialisation itself led to a loss of social protection. The manufacturing sector provided workers with a reasonable level of occupational social protection but the decline of this sector and the limited re-employment opportunities for many of its former workers in the low general-skills service sector jobs has significantly reduced overall coverage and security (Seeleib-Kaiser et al. 2011).

In addition, there has been a steady undermining of the traditionally defined 'standard employment relationship' as a result of the increase in part-time work, fixed-term contracts, temp-agency work and self-employment (Gallie 2007, 2011; Taylor-Gooby 2004). Although some regard this as essential for maintaining flexible labour markets, competitiveness and economic growth (Lisbon Process 2000), many worry about the consequences - such as low or precarious income, 'dead-end' jobs instead of a career ladder, high job insecurity, and poverty in old-age (Schmid 2011). Although these are changes that can be seen in all countries, labour market flexibility has been pushed further in the UK. Scandinavian countries, like the UK, maintain flexibility through low employment protection: however, they ensure income security through a generous benefit system. Since the 1980s, the UK has sought to improve protection in old age. However, for workers that don't have access to extra-statutory redundancy, unemployment protection is becoming increasingly residual and contingent (Seeleib-Kaiser et al. 2010).

In short, the UK's liberal welfare regime emphasises deregulation and is predicated on a logic that assumes market adjustments will naturally lead, in the longer term, to higher employment levels than the dualist coordinated regimes typical of Germany and France (Gallie 2007:17). It needs to be emphasised again that, in WCS, for much of the 1990s and 2000s, the levels of

employment were relatively healthy compared to all the regions covered here. However, as we have seen the nature of employment was often atypical, protection was minimal and the employment situation is now rapidly changing.

Although there is a danger of repetition, it is worth noting that there are other indices that point to social vulnerability: namely (i) with the exception of the Ruhr, WCS has the highest number of lone parent and single person households (ii) income inequality and poverty rates are also indicative of the low living standards. Given the UK skill and production regime, poor levels of income security, relative employment protection, increasing unemployment post the 2008 crisis (relative to the other countries here) this must give rise to concerns.

## 9. Discussion

Health in West Central Scotland (WCS) has been improving since the industrial revolution but its position relative to trends within similar old industrial regions across Europe has been deteriorating. Orthodox public health analyses of this phenomenon have already been conducted (Walsh et al. 2009; Taulbut et al. 2011). Therefore, this thesis has sought to augment this understanding with a comparative inquiry into the socioeconomic and political contexts of deindustrialisation in five countries and regions.

### 9.1 Main findings

This thesis has shown that there was a broad correspondence between life expectancy and the socioeconomic/political success of states in CEE and Western Europe during the 20<sup>th</sup> century. The evidence presented clearly shows that, in CEE, life expectancy during the 20th century followed the fortunes of the party-state (Cockerham 1999; Cornia & Paniccià 2000). For decades, material circumstances improved and the state acquired increasing legitimacy in the eyes of the population - the result was improved health (as reflected in life expectancy). This mirrors the arguments made by McKeown about how life expectancy improved in England and Wales in the 19th and early 20th century (McKeown 1976; Link & Phelan 2002).

When the communist states of CEE (and FSU) moved into a period of stagnation and stasis, improvements in life expectancy plateaued and then life expectancy began to decline (Hertzman et al. 1996; Cockerham 1999; Cornia & Paniccià 2000). These trends reflected not only a failure to meet the population's material needs but also a psychosocial process which involved increasing disenfranchisement from the state. Importantly, as illustrated by the experiences of Poland and the Czech Republic, the degree to which this happened varied between countries of CEE.

The primary drivers of change were privatisation, the associated socioeconomic impacts of transition and the introduction of market forces. Where health impacts were most severe (e.g. FSU), the process typically involved a complete collapse or removal of the state and rapid privatisation on a massive

scale (Stuckler King & McKee 2009). Again, the degree to which this happened varied between countries of CEE: where social and/or political cohesion were preserved for other reasons, health was protected. The examples of Poland and the Czech Republic provide evidence of a relationship between political and economic stability and health/mortality. Relative to the FSU and other CEE countries, both were in a stronger economic position and had relatively well-developed infrastructure. In addition, their societies had been traditionally more open and equal. They were closer politically, geographically, historically and culturally to Western commercial traditions and markets.

Individual determinants of health (like health care, pollution or a single health related behaviour like alcohol consumption) matter but their importance is subordinated within the macro-analysis presented here because they are the more proximal causes of ill health. This thesis has been exploring the so-called 'causes of the causes' or social determinants of health. However, psychosocial factors relating to stress, socioeconomic inequality, and health behaviour are considered a key - and possibly the critical - factor in the health and mortality trends observed in CEE (and the FSU) (Shapiro 1994, 1995; Bobak & Marmot 1996, 2005; Hertzman et al. 1996; Cockerham 1999; Cornia & Paniccià, 2000).

From the review carried out for Western Europe a parallel set of observations can be made. During the three decades that followed the Second World War, a broad political consensus prevailed (even in the UK), genuine economic growth improved living standards, inequalities declined and the state had legitimacy (Ruggie 1982; Berend 2006; Persson 2010). The economic pressure commonly associated with the oil crises of the 1970s heralded a change (Schmidt 2003; Hall 2007). Increasingly, the state was regarded by many as powerless in the face of globalising forces and, although, for a while at least, a level of economic growth was maintained, living standards, particularly in the UK, stagnated and inequalities increased (Pierson 2001; Taylor-Gooby 2004; Armingeon & Bonoli 2006).

It is again clear that life expectancy follows successful socioeconomic development within a state that enjoys support from the population. Economic decline and distributive conflict experienced from the 1960s to 1980s provided a challenge for each country. The institutional path dependencies and country-

specific factors outlined in this thesis help to explain the divergence in policy responses and subsequent economic development. These societal changes also had visible effects on individual determinants of health.

This conclusion - that life expectancy follows successful economic, social and political development - is one of the key findings of this thesis because it suggests that the relative failure of life expectancy growth in WCS compared to the other regions may well reflect relative economic, social and political failure.

A second important finding is that, in all the countries covered in this analysis, deindustrialisation damages health and slows improvements in life expectancy (in some cases putting it into reverse). Clear evidence has been presented that deindustrialisation has damaged the social fabric of countries, regions and communities and contributes to increasing territorial and social inequality. The associated social costs include the loss, to varying degrees, of jobs, homes and social protection; reductions in public revenue, which have led to retrenchment in necessary public services; increases in crime; deteriorating local environments; increases in suicide and other social pathologies; loss of cultural resources and a loss of confidence in institutions such as government, business, unions and traditional political organisations (Iversen & Cusak 2000; Ostry et al. 2001; Wren 2001; Russo & Linkon 2009; Walsh et al. 2009; Collins & McCartney 2011).

Deindustrialisation and the associated job losses increased economic insecurity due to long periods of unemployment, intermittent employment and increased underemployment. The detrimental effects extended beyond the loss of earnings and benefits. Financial insecurity and unemployment contributed to stress and increased health problems (Iversen et al. 1987; Martikainen & Valkonen 1996; Bartley & Ferrie 2001).

In all the countries and regions discussed, deindustrialisation, whether defined in terms of rapid decline in manufacturing employment or increased tertiarisation, has created significant numbers of unemployed who have not been reintegrated into the expanding service economy. This has led to the emergence of long-term and mass unemployment and an increase in social exclusion as secure employment and decent wages are less a feature of the new

economy (Taylor-Gooby 2004; Bonoli 2005, 2006; Pintelon et al. 2011). In the post-industrial labour market, jobs typically are less well remunerated, offer less social protection and are, in many instances, temporary, contingent or part-time. In addition, post-industrial labour markets are characterised by wage and skill polarisation which, in turn, leads to increased inequality (Hamnett 1996; Cornia & Panicià 2000; Danson 2005; Bonoli 2012).

Against this general background, the key point here is that, in common with all the regions examined, WCS experienced deindustrialisation and this has been associated with particularly poor mortality outcomes. The overarching question being addressed by this thesis is why? A series of judgements based on the weight of evidence presented earlier in the literature review and case studies provide some important learning points.

The tables below (Tables 9.1 - 9.8) summarise the key areas of divergence between the selected countries and regions. For each table, a judgement has been made concerning the relative advantage or disadvantage for WCS of the findings presented. It should be noted that these judgements are made within the context of WCS comparative life expectancy and the research concerning the socioeconomic determinates of health. For example, although there is an acknowledgment of the GDP growth and high levels of employment, the model shown in table 9.6, secured for the UK. Those gains relative to the associated social (and health) costs are questionable.

**Table 9.1** summarises the post-war (1945-1980) models of capitalism in each of the countries discussed. There is divergence in the post-war economic models that shaped each of the selected countries and regions. These models influenced both post-war economic development and subsequent post-industrial change. In each country and region, relative to UK and WCS, the state was able to play a greater role in economic development. The role of the UK government is defined as liberal (or arms-length): to some extent a consequence of early industrialisation, low capital requirements and autonomous elite. This meant historically, production in the UK, was decentralised with little state intervention, hence the arbitrator role in industry and bystander role in labour. This did not stop it from providing assistance to industry on an *ad hoc* basis or

intermittently intervening i.e. nationalising industries. However, relative to the other selected countries, it undermined the role of the state in many areas: inter-firm relations; investment sources and priorities; and industrial relations.

The path dependencies, shaped by the divergence in models, as highlighted, help explain post-war policies and subsequent socioeconomic development. The nature of these models shaped the ability of each of the selected countries and regions to respond to exogenous economic pressures and negotiate and implement necessary domestic reforms. In the UK, enterprises were in competition with each other. This affected productivity and labour relations and the limited role of the state meant it had little capacity to affect change. Businesses were liable to takeovers and investment sources relative to the other countries were short-term and motivated by profit. Germany and France by contrast, although coordinated differently, both experienced 30 years of unprecedented economic growth. In each case, the coordinating institutions and state respectively were able direct economic growth. Moreover, due to the level of economic growth and inclusion of social partners, labour relations were relatively stable. In addition, sources of investment were stable and priorities were long-term and in the national socioeconomic interest.

In CEE the state was all encompassing. Although the development of a military-industrial complex was a priority so also was the provision of welfare and basic needs for the population. The regions selected here, due to their industrial speciality, were critical to socialist development as were the workers. This remained the case up until the collapse of communism. Relative to the UK and WCS, in terms of industry, skills, income equality (and health), the features of these models facilitated a more successful economic restructuring and in some cases, greater social protection. It is a key conclusion of this thesis that the other models managed the course of deindustrialisation and/or were better equipped (institutionally) and more concerned ex ante to maintain, to some extent, existing socioeconomic relations and mitigate the social costs. This, ultimately, had a beneficial impact on life expectancy.

**Table 9.2** summarises the industrial development of the five selected regions. WCS lost its competitiveness earlier than the other selected regions. The

industrial development of the region meant the state's role in terms of industry was narrow. Inter-firm relations were competitive and individualistic; investment generally came from private investors and was concerned with profit; industrial relations were adversarial; labour, in terms of its collective power was fragmented; men typically worked for family owned firms and were employed casually with no security. As a result, demarcation proliferated, ossifying customs and practices and preventing modernisation of industry and the effective redeployment of labour. The enterprises were locked-in and reluctant to do this due to the costs and lack of support from unions (and state) (Scott 2004).

The state was unable and unwilling to give direction and reluctant to invest in modernisation or accept the social costs of closures due to the political consequences. Where decisions were made they were based solely on political calculations. Consequently, even by the inter-war period the region was already losing its competitive advantage particularly relative to the other regions. The other states developed the institutional capacity to direct economic development: providing property rights, land reforms, subsidies, state aid and protective policies (Persson 2010). Due to cooperation between large enterprises (not family owned firms) and the state and more stable sources of capital, industries were able to modernise and rationalise more effectively than their UK counterparts. This was done via mergers, re-equipment and closer links with workers.

By the inter-war period, conditions and practices in coal, steel and shipbuilding were superior. For example in coal, mechanisation and electrification was common in the inter-war years. Between 1913-1936 output per man per shift increased: 81.34 per cent in the Ruhr; 72.46 per cent in Upper Silesia; 50.31 per cent in Czechoslovakia; 22.40 per cent in NPdC and only 9.63 per cent in Britain (Scott 2004:3). Subsequently and comparatively, in plant terms, in work-practice terms on the shop floor, in management-skills terms and in strategic planning terms, industry did not develop as its European counterparts had. Moreover, as a consequence of this economic development, many of the workers in these regions would come to be protected by 'bismarkian' corporatist, compulsory health and social insurance schemes (Cerami 2006). It is important to note that

the level of development and institutional legacy present in Poland and the Czech Republic is one source of their advantage after the collapse of communism. Thus, the legacy of industrial development in WCS is judged to be relatively disadvantageous compared to the other regions.

**Table 9.3** summarises the timing and speed of deindustrialisation and the national responses. The deindustrialisation of Europe's economies presented a significant challenge, the greatest since World War II, heralding an era of profound change. In the past four decades, the share of manufacturing employment in France, Germany and the UK has fallen dramatically. In the corresponding regions this decline has been most acute. A similar change has taken place in CEE. However, these regions, and the workers therein, remained critical to the development of socialism until its collapse in 1989. Moreover, although there has been significant privatisation, both of the countries and regions in CEE maintain and continue to develop relatively large industrial sectors.

Deindustrialisation was quick and severe in the UK, particularly in WCS. For reasons outlined, manufacturing and industry were already in decline. The UK's introduction of a Keynesian stimulus and attempt at industrial control to protect against recession were ultimately unsuccessful. The UK model of market or liberal capitalism seemingly lacked the institutional capacity to maintain or diversify its industrial structure. Effectively, this failure to intervene saw the Conservatives under Thatcher come to power. From this point, deindustrialisation became inevitable as monetarist policies were adopted, industrial subsidies scrapped, labour market flexibility sought and further deregulation and liberalisation introduced. Manufacturing and industry experienced a form of 'shock therapy' as the accelerated and blunt 'rationalisation' led to a comparatively high proportion of industrial jobs lost, high unemployment and social discord. Subsequent government policies facilitated the ongoing tertiarisation of the economy which led to deindustrialisation, deskilling, income inequality and a reduction in social protection.

In contrast, both France and Germany pursued solutions with established social partners within the established structures of governance and economic relations. In Germany, this was driven by strategic coordination and in France it was mediated by the State. Both were resistant to the notion of deindustrialisation as an inevitable process and were reluctant to bear the social costs. The process of deindustrialisation entailed a period of state investment and increased subsidies followed by consolidation and diversification into new and related industries and technologies. Both countries sought to improve productivity and also to introduce some labour market flexibility and deregulation. Although tertiarisation is a feature in both countries, broadly speaking there has not been the associated levels of deindustrialisation and deskilling either nationally or regionally. Relative to the UK and WCS, French and German enterprises were able to diversify and, to a degree, maintain some industrial identity, capacity and employment.

In CEE, when communism collapsed both Poland and the Czech Republic were, in the context of CEE (and FSU), relatively stable macro-economically and able to facilitate the transition to market capitalism reasonably effectively. However, the changes were significant and both countries (and the region generally) experienced recession and increasing unemployment as a consequence. Privatisation in terms of economic restructuring or deindustrialisation was gradual and often piecemeal. The timing of deindustrialisation in CEE compared to Western Europe meant the changes occurred in a different global and political context. In CEE, deindustrialisation took place both within the developing globalisation of the 1990s and also within the transition to post-Communist rule. Thus, there were additional pressures of institutional and social change in CEE compared to the context for deindustrialisation in WCS and the rest of Western Europe.

In the Czech Republic, as in the UK, the market was expected to stimulate the economy and create working opportunities. In addition, local government structures were abandoned. As a result, projects and interventions to stimulate economic development were often poorly coordinated. As such there was limited restructuring of workforces, although some alternative employment and training places were established. In Poland, efforts to manage and mitigate the

restructuring process, although not always coordinated or united, were relatively well financed by central government. Moreover, regional governments and authorities were preserved and so, consequently, was a level of mutual trust and cooperation at the regional level. Thus, the rate and severity of deindustrialisation in WCS can be judged as having placed the region at a relative disadvantage.

**Table 9.4** summarises the comparative levels of social protection available during the period of deindustrialisation. In Western Europe, a feature of the post-war period was the further development of social protection to protect against unemployment, sickness and retirement. In this respect, Germany and France went further than the UK. By 1960, spending as a proportion of GDP or per capita was greater than in the UK. Moreover, these countries had a greater hand in achieving some level of equality. While the UK limited its role to redistribution, Germany and France intervened in the labour market to secure social policy objectives via collective agreements and legislation respectively.

In the UK, the advent of deindustrialisation led to a reduction in what was already a comparatively low level of social protection. Typically, benefits were means tested and provided at a flat rate. Moreover, the income replacement rates did not match that of Germany or France. In addition, the proportion of the workforce likely to receive redundancy was also low. As a result, many workers, particularly men from manufacturing and industry, entered into long periods of unemployment and inactivity while all the other countries augmented their social protection to limit the social costs of deindustrialisation and transition in CEE. Successive UK governments, starting with the Conservatives under Thatcher at the height of deindustrialisation, have instigated welfare reform and looked to limit social expenditure even though that has led to increasing inequality.

In Germany, the comparative level of social protection was higher. In addition, labour market pressure was alleviated via the bread-winner model. Although, deindustrialisation nationally was a feature of the 1980s and 1990s, many industrial areas were experiencing deindustrialisation by the 1970s. Consequently, social protection was further augmented and measures were

introduced to mitigate against the expected social costs. Notably, early retirement and disability was used to reduce the size of the workforce. Additional measures included limiting immigration and extending the amount of time the young spent in education. Although, in the mid-1980s there was some reduction in income replacement rates for benefits, they remained comparatively high when compared with the UK. The significant restructuring of the economy in Germany was done gradually, accompanied by creation of working places, training schemes and compensation packages.

In France, the comparative level of social protection was also high. Deindustrialisation and particularly unemployment were a concern for France by the 1980s. However, like Germany, France sought to limit the social costs. The influence and spending of the state saw firms restructure their workforces and put plans in place to provide retraining and compensation packages. In the 1980s, rather than reduce protection and entitlements to compensate for the increases in the unemployed, like the UK, France also expanded its early retirement schemes to alleviate labour market pressures and ensure former workers had adequate incomes. Money that had formerly subsidised industries was now used to increase benefits and subsidise training and job creation schemes. In addition, the minimum wage was increased, working week reduced to 39 hours and many additional public sector jobs created.

In CEE, until 1989 the social protection systems were broad and universal and coverage of important social programmes such as pensions, sickness, family support systems and medical care was very high, often close to 100 per cent. With transition, employment reduced dramatically as GDP declined and foreign and domestic demand for goods reduced. Within this context, Czechoslovakia and Poland's proximity to the West and legacy of civil society was an advantage. For a time, both countries alleviated the transition costs by increasing social spending and providing benefits similar in scope to Germany and France. In addition, the Czech Republic limited levels of unemployment by delaying restructuring of many enterprises - in effect labour hoarding. Poland, like Germany and France, introduced early retirement and extended disability payments. In addition, both used job creation and public works schemes to engage unemployed workers. These measures were clearly designed to limit the

costs of transition. By the mid-1990s, the levels of benefit were scaled back. In addition, employment legislation was revised significantly reducing workers' protection. Thus, the relatively low levels of social protection in WCS can be judged as a relative disadvantage.

**Table 9.5** summarises the regional responses to deindustrialisation. In WCS, the role of local authorities and agencies is somewhat determined by the actions and policy direction of central government. The degree of autonomy or decentralisation, relative to all the other selected regions is limited. Although, local government was a relatively strong player in the post-war era, reforms by the Conservatives in the early 1980s have undermined its role. Since then, governments have imposed financial constraints on local government through the capping of local rates and finally replacing them first by the poll tax and subsequently by the Council tax. The functional role of local government was also curtailed by the Scottish Development Agency, through compulsory competitive tendering (CCT) which exposed traditional local tasks to market forces and the option granted to certain institutions to opt out of local control into Quango's financially dependent on the central government (e.g. grant maintained schools, Housing Associations etc.). Accordingly, the options available to WCS at the local level were restricted, particularly considering the limited role it had in industry. As such, policies implemented at the regional level mirror the approach nationally in that they are primarily concerned with facilitating consumer spending and ongoing development of the service sector.

Attempts to facilitate a new industrial base, in the 'new towns', were largely unsuccessful with many of the so-called branch-plant and sunrise industries eventually closing or relocating. As such, policies implemented at the regional level reflect the lack of a coordinated approach - be that national or regional. They also reflect a lack of concern with national economic context and differences in industrial structure and divisions of labour. The primary driver is growth or competitiveness. As such, they were/are primarily concerned with urban regeneration and facilitating consumer spending and ongoing development of the, predominantly routine, service sector. This policy has contributed to ongoing deindustrialisation and deskilling in the region and has only just maintained the level of employment in the region.

In Germany, federalisation ensures a politically and functionally strong level of regional government. Moreover, the coordinating institutions, a characteristic of Germany nationally, are also a feature regionally. As such, relative to WCS, the Ruhr was able to restructure its economy successfully, whilst maintaining existing social and economic relations to a significant degree.

In France, decentralisation measures were introduced in part as a response to the socioeconomic pressures associated with deindustrialisation. Regional and local government in NPdC have successfully exploited national programmes for economic development and facilitated a degree of concerted action regionally (and inter-regionally). Moreover, industry facilitated by the state was able to diversify into new and related technologies and enterprises.

In CEE, the level of local autonomy was greater in Katowice and this was reflected in the relative fortunes of each region. However, in N.Moravia stakeholders were able to coalesce and lobby effectively for state investment. In addition, the role of inward investment has been particularly successful and durable. Thus, the lack of autonomy and decentralisation in WCS relative to the other regions (with the possible exception of N.Moravia) is considered a significant disadvantage.

**Table 9.6** summarises the current economic models or varieties of capitalism of the selected countries. The typologies outlined are idealised but are useful in characterising the current economic contexts of the countries and regions analysed in this thesis.

Comparatively speaking, in terms of coordination, the UK is if anything more reliant on the market and formal contracts as a means of coordination. France and Germany still rely on inter-firm networks and associations albeit to a lesser extent. If one considers the comparative levels of deindustrialisation, skill and income polarisation in each country and region, this means of coordination has been a particular advantage when it comes to economic restructuring. Moreover, the presence of those coordinating institutions has facilitated restructuring and the necessary implementation of policy reform largely within the sphere of existing socioeconomic relations. Due to the high levels of FDI and

foreign ownership in CEE, which exceed that in the other selected countries (and regions), the investment decisions of transnational corporations (TNCs) have become a significant coordinating mechanism in both Poland and the Czech Republic.

In terms of raising capital, the UK remains reliant on the less stable sources provided by domestic and international markets. Although this is increasingly a feature in Germany and France, the level remains balanced due to the ongoing support of domestic banks and more stable sources of internally generated funds. In CEE, the dependency on foreign capital and foreign owned banks for domestic lending is greater than in Western Europe. This means newly emerging SME's are largely dependent on foreign financing. Moreover, the areas in which Poland and the Czech Republic are most successful, automobiles, manufacturing and electronics are predominantly foreign owned.

In terms of corporate governance, one would expect a degree of change given the increase in globalisation. While the number of family owned interests in the UK has decreased, control was historically exercised in many cases by markets and shareholders. The degree to which this occurs has obviously increased as corporate control based on financial markets ultimately supervises management. In Germany and France, managers remain accountable to holders of large blocks of stock and the domestic banks that continue to provide funding fulfilling their role as social partners. In CEE, the level of foreign ownership means corporate decisions are negotiated between managers of CEE subsidiaries and their supervisors based in the Western headquarters of the TNCs, rather than negotiated between managers and shareholders.

In terms of industrial relations, but for a few remaining agreements (largely in the public sector), they are in the UK increasingly market based, more so than any country or region selected here. In Germany and to a lesser extent France, there remains a significant degree of cooperation and sector-wide and national agreements are still common place. Poland and the Czech Republic have no culture of hiring and firing like the UK or a corporatist system of collective bargaining and agreements such as in Germany or France. Given that high wages and union density might deter TNCs, the position of labour in CEE is relatively

weak. However, given that enterprises and workers in these TNCs are part of a global commodity chain, and that TNCs have invested heavily within the region (in contrast to WCS) it is within their interest to keep labour content. Moreover, replacing skilled labour and avoiding free-rider problems are a concern. As such, TNCs tend not to promote the hire and fire relationships observed in the UK, and seek to conciliate workers in terms of their work conditions.

In terms of technology transfer and innovation, in the UK this continues to be facilitated by the market and formal contracts. Typically, in Germany and France this is facilitated via business cooperation. In Poland and the Czech Republic, broadly speaking research and development is conducted outwith the region and introduced via TNCs when required. However, technology transfer has occurred in the region and this has contributed to their current competitive advantage. Thus, the current variety of capitalism in the UK and, therefore, WCS is considered a relative disadvantage.

**Table 9.7** summarises the current levels of social protection available in the selected countries and regions. Important in comparative terms, is the fact that in the UK social protection can, in the absence of collective bargaining agreements, be curtailed further. The support provided to vulnerable labour market groups is relatively poor and the level of income inequality is high as are the at risk of poverty rates. Income inequality and poverty rates are also indicative of the low living standards for the unemployed: a consequence of a low-level largely means tested, benefits system. This is particularly critical given the UK skill and production regime, poor levels of income security, relative employment protection, increasing unemployment post the 2008 crisis (relative to the other countries here) and experience of WCS within that context. As established, there are wide country variations in the level of state support for the integration of the unemployed. They diverge in terms of the extent to which they provide benefits that maintain the living standards of the unemployed and in the expenditure on training provision and assistance in finding new work.

In light of the experience of OIRs and increased prevalence of New Social Risks more generally, over the last two decades, so-called active labour market policies have been established across OECD countries suggesting some degree of

convergence. The UK has chosen, almost exclusively, to focus on incentive reinforcement i.e. 'welfare to work'. In this context a number of, often local, social inclusion initiatives have emerged to re-regulate local labour markets, by introducing conditionality, increasing the degree of employability of individuals and inducing them into the jobs being created through processes of economic restructuring. As such, contemporary macroeconomic policy practice eschews traditional regional policy interventions tending towards supply-side interventions in the labour market. In WCS, rather than reduce polarisation and exclusion this has created new divisions and increased inactivity. In the UK and WCS, deindustrialisation, as we have seen, has lowered levels of social protection. Again, this is judged to be a comparative disadvantage in terms of health.

**Table 9.8** provides a summary of the wider determinants of health for each of the selected regions. In terms of education and skills, WCS seemingly does well with the highest proportion of the adult population with tertiary qualifications. However, when one also notes the proportion of adults with few or no qualifications and considers the divergence in Higher Education in the UK, the data indicate the level of skill polarisation in WCS relative to the other regions. In terms of household structure, WCS along with the Ruhr, has the highest proportions of lone parent and single person households. In terms of social capital, voter turnout and religious participation, WCS is comparatively low. Two factors which some would consider symptomatic of social dislocation are teenage pregnancy and alcohol and tobacco use. In terms of teenage pregnancy, WCS has a significantly higher rate than the other selected regions. In terms of alcohol and tobacco use, WCS is only exceptional in terms of female smoking, with the highest rate of all the regions. However this is somewhat misleading. As Figure 1.4 (pg.24) illustrates, alcohol harm figures show WCS suffers comparatively more than other regions (Walsh et al. 2009; Taulbut et al. 2011).

It is important to note that the other regions are not 'better' than WCS on all factors: there is a complex picture to be understood in each region. Rather, what is being argued is that there are a series of national and regional factors at work in WCS which have made the aftershock of deindustrialisation particularly severe. Each of the countries and regions that have been analysed in this thesis

took a different path. However, no single common factor seems to emerge as an explanation for this. Rather, a complex picture has emerged which can only be interpreted through judgement and nuanced arguments. That is what this thesis has sought to achieve.

## 9.1.1 Summary tables

Table 9.1: Characteristics of post-war economic models (1945-1980)

	UK (1)	West Germany (2)	France (3)	CEE's (4)
Government Role	Liberal	Enabling	Interventionist	Totalitarian
Policy on Industry	Arbitrator	Facilitator	Director	Controller
Policy on Labour	Bystander	Bystander	Organiser	Representative
Inter-firm relations	Competitive Contractual Individualistic	Cooperative Mutually reinforcing Network based	State led State mediated	Centrally controlled Command economy
Investment sources	Capital markets	Banks	State	State
Time horizons	Short-term	Long-term	Medium-term	Long-term
Goals	Secure profits	Increase firm value	National political economic priorities	Military-industrial complex
Industrial relations				
Management-labour	Adversarial	Cooperative	Adversarial	Determined by the party- State
Wage-bargaining	Fragmented	Coordinated	State-controlled	
Judgement	Disadvantage	Advantage	Mixed	Mixed

Source: adapted from Schmidt 2002

1. UK model discussed section: **Appendix A and section 3.2**. For further discussion see also: Shonfield 1965; Lane 1989; Grant 1995; Schmidt 2002; Hall 2007
2. West German model discussed section: **Appendix A and section 3.2** For further discussion see also: Shonfield 1965; Lane 1989; Katzenstein 1995; Schmidt 2002; Hall 2007
3. French model discussed section: **Appendix A and section 3.2** For further discussion see also: Shonfield 1965; Lane 1989; Schmidt 2002; Hall 2007
4. CEE model discussed section: **Appendix A and section 3.1** For further discussion see also: Lane 1982, Brus 1986; Kornai 1992; Berend 1996

Table 9.2: Industrial development of selected regions

	WCS (1)	Ruhr (2)	NPdC (3)	Katowice (4)	N.Moravia (5)
<b>Historical Industrial development</b>	Initial development linked to geography and wealth originating from the British Empire. 19 <sup>th</sup> century coal, steel and related industries developed within WCS. The region's peak was in the early 1900s. Due to wars affecting competitors region remained competitive until the 1950s.	Development due to presence of coal and ore. Industrialisation in mid-19 <sup>th</sup> century led to urbanisation and population growth. Coal and steel nexus led to power generation and a chemical industry. Region's industry in terms of coal and steel peaked in late 1950s.	Region became industrial centre during the nineteenth century specialising in steel coal and textiles. Due to geography suffered extensively during both wars The region industrial peak was in the late 1950s by which time coal was in decline followed by steel and textiles in the 1970s and 1980s.	Coal and steel led to industrialisation and urbanisation of the region. By 1930s majority of regions inhabitants, unlike Poland generally, worked in industry.  Establishment of communism meant process of industrialisation and urbanisation intensified. The industrialisation was accompanied by increase in population. This continued until 1989.	Coal and steel led to industrialisation and urbanisation of the region.  Establishment of communism meant processes of industrialisation and urbanisation intensified. By the 1980s the region was producing 75 per cent of Czechoslovakia's coal. At the time Czechoslovakia was largest producer per capita in the world.
<b>Historical institutional development</b>	In the inter-war and post-war period the early industrial development and arms-length approach of the state. Meant WCS context characterised by a lack of inter-firm coordination and stable sources of investment, hostile industrial relation hindered economic development, particularly in post-war, and shaped the future path of deindustrialisation.	Institutional legacy developed which in post-war would be developed and augmented. Included: inter-firm networks and technology sharing, stable sources of investment, corporatist industrial relations and skills formation.	Institutional legacy determined by the interventionist role of the state. This was augmented by shared educational background of decision makers at level of government and industry.  Dirigisme facilitated indicative planning and enabled the state to mediate inter-firm relations; sources of investment and coordination with social partners	Initial institutional development similar to that found in Germany. This would prove an important legacy in the future.  Although under communism region subject to central planning and command economy. Due to industrial speciality workers in region remained central to industrial development. In addition region able to develop a strong sense of identity.	Initial institutional development similar to that found in Germany. This would prove an important legacy in the future.  Although under communism region subject to central planning and command economy. Due to industrial speciality workers in region remained central to industrial development.
<b>Judgement</b>	Disadvantage	Advantage	Advantage	Mixed	Mixed

(1) WCS discussed sections: 1; 8; 8.1; 8.1.1; 8.1.2; 8.2 (2) Ruhr discussed sections: 4; 4.1; 4.1.1; 4.1.2; 4.2 (3) NPdC discussed sections: 5; 5.1; 5.1.1; 5.1.1.2; 5.2 (4) Katowice discussed sections: 6; 6.1; 6.2 (5) N.Moravia discussed section: 7; 7.1; 7.2

- For further UK/WCS discussion see: Coates 1994; Grant 1995;
- For further W.Germany/Ruhr discussion see: Katzenstein 1989; Bross & Walter 2000; Hospers 2004
- For further France/ NPdC discussion see: Hayward 1973; Tuppen 1983; Baert & Fraser 2003; Paris 2009
- For further Poland/ Katowice (Upper Silesia) discussion see: Szczepanski 1997; Durand 2009
- For Czechoslovakia/ N.Moravia (Moravia-Silesia) discussion see: Eckart et al. 2003

Table 9.3: Timing and speed of deindustrialisation and national responses

	UK (1)	West Germany (2)	France (3)	Poland (4)	Czech Republic (5)
<b>Timing</b>	Loss of manufacturing employment 1960-1979 which accelerated in the 1980s and 1990s. Unemployment was significant in the 1970s becoming acute in the 1980s.	Loss of manufacturing jobs becomes significant in mid-1970s. The rate of manufacturing employment decline slows after 1980s. Unemployment significant in the 1990s.	Loss of manufacturing employment 1960-1979 which accelerated in the 1980s and 1990s. Unemployment becomes significant late 1980s and through the 1990s.	Loss of manufacturing employment expected post 1989 due to overstaffing. Unemployment significant early 1990s and late 1990s early 00's.	Loss of manufacturing employment expected post 1989 due to over staffing. Unemployment broadly speaking low although became significant in late 1990s.
<b>Speed</b>	Fast and facilitated	Gradual and socially managed	Gradual and socially managed	Fast but socially managed	Resisted and then fast
<b>Policy Response</b> <b>Economy</b>	End of Keynesian economic management and orientation towards monetarism. Unemployment no longer priority. Focus on inflation and interest rates.	Broadly maintained Keynesian approach and introduced 'competitive austerity' to restrain inflation through 1980s.	Broadly maintained Keynesian approach attempted to accommodate inflation via wage restraint.	'Shock therapy' via institutional and market liberalisation, deregulation and macroeconomic stability.	'Shock therapy' via institutional and market liberalisation, deregulation and macroeconomic stability.
<b>Policy Response</b> <b>Industry</b>	Unsuccessful intervention followed by privatisation and blunt rationalisation.  Facilitate tertiarisation via labour market policy.	Maintain and augment where possible HQP for export.  1980s increase productivity via 'negotiated -adjustments' i.e. increased flexibility in working hours and practices.	Increased state support and subsidies to industry - particularly 'national champions'. Mid 1980s state directed privatisation, introduction of market forces and some deregulation.	Privatisation initially by various schemes. Broadly speaking the process was gradual and piecemeal.  Post 1995 so-called mass privatisation however pace still comparatively gradual.	Privatisation seemingly fast however privatised assets indirectly controlled by State. Therefore process gradual and protracted.
<b>Policy response</b> <b>Labour</b>	Undermining and marginalisation of trade unions. Increased labour market flexibility and deregulation.	Labour reduction via breadwinner model of welfare and use of early retirement and disability.  Strengthening of employment protection laws.	Labour reduction via breadwinner model of welfare and use of early retirement and disability. Strengthening of employment protection laws. Increase role for workers and unions in economic decision making.	Labour reduction via use of early retirement and pre-retirement benefits.	Significant labour hoarding in Czech Republic hence increase in unemployment late 1990s once this became unsustainable.
<b>Judgement</b>	Disadvantage	Advantage	Advantage	Advantage	Disadvantage

(1) **Appendix A:** UK discussed sections: 2.3.1; 2.4.1 (2) W.Germany discussed sections: 2.3.1; 2.4.2 (3) France discussed section: 2.3.1; 2.4.3 (4) Poland discussed sections: 1.3.1; 1.3.2 (5) Czech Republic discussed sections: 1.3.1; 1.3.3

- For further discussion deindustrialisation see: Singh 1977; Martin & Rowthorn 1986; Glyn & Rowthorn 1988; Rodwin & Sazanami 1991. For privatisation see: Roland 1994, 2002; Baltowski & Mickiewicz 2000; Meggison & Netter 2001; King 2007; King & Sznajder 2008; Hamm et al. 2012
- For further discussion policy responses to deindustrialisation see : Katzenstein 1985; Esping-Andersen 1990; Hall 1993, 2007; Esping-Andersen 1996; Scharpf & Schmidt 2000; Iversen & Cusack 2000; Wren 2001

Table 9.4: Level of social protection from the state at time of deindustrialisation and privatisation

	UK (1)	Germany (2)	France (3)	Poland (4)	Czech Republic (5)
<b>Existing protection</b>	<p>1970s and 1980s level of social spending as proportion of GDP and per capita less than Germany and France.</p> <p>Typically benefits universal, means-tested and provided at a flat rate.</p> <p>Consequently comparatively low income replacement rates in unemployment and retirement</p>	<p>1970s and 1980s highest levels of social spending of all selected countries.</p> <p>Typically benefits variable linked to occupation and previous earnings.</p> <p>Consequently higher income replacement rates in retirement and unemployment.</p>	<p>1970s and 1980s slightly lower level of social spending than Germany significantly higher than UK.</p> <p>System managed by social partners. Benefits variable generally linked to occupation and previous earnings.</p> <p>Consequently higher income replacement rates in retirement and unemployment.</p>	<p>Unemployment benefit schemes introduced in the first phase of the transition process were similar to the corporatist schemes existing in Western Europe, with earnings-related benefits at levels and durations similar in size to the OECD average.</p> <p>1992 benefit scaled back to means tested flat rate.</p>	<p>Unemployment benefit schemes introduced in the first phase of the transition process were rather similar to the corporatist schemes existing in Western Europe, with earnings-related benefits at levels and durations similar in size to the OECD average.</p> <p>1992 replacement levels, duration and maximum benefits were reduced. Still earnings (not occupation related) related.</p>
<b>Additional protection</b>	<p>Coverage for redundancy packages low.</p>	<p>Early retirement schemes and some use of disability.</p> <p>Increased pension benefits for low-paid.</p>	<p>Early retirement schemes and some use of disability.</p> <p>Public job creation.</p> <p>Increase minimum wage.</p>	<p>Early retirement schemes and some use of disability. Easy access to benefits during transition.</p> <p>Public works.</p>	<p>Job creation schemes.</p> <p>Some use of retirement and disability.</p>
<b>Alleviating Factors</b>	<p>Degree of tertiarisation and labour market flexibility. Led to an increase in employment (albeit atypical) and reduction in unemployment levels relative to Germany and France.</p>	<p>Coordinated economic development.</p> <p>Pace of deindustrialisation.</p> <p>Breadwinner model.</p> <p>Return of migrant workers.</p>	<p>Influence of the State.</p> <p>Pace of deindustrialisation.</p> <p>Breadwinner model.</p> <p>Return of migrant workers.</p>	<p>Pace of deindustrialisation.</p>	<p>Pace of deindustrialisation.</p> <p>Labour hoarding.</p>
<b>Judgement</b>	Disadvantage	Advantage	Advantage	Mixed	Mixed

1. **Appendix A:** (1) UK discussed sections: 2.5; 2.5.1 (2) W.Germany discussed sections: 2.5; 2.5.2 (3) France discussed sections: 2.5; 2.5.3 (4) Poland discussed section: 1.4 (5) Czech Republic discussed section: 1.4

- For further UK discussion see: Esping-Andersen 1989; Whiteside & Salais 1998; Whiteside 2000; Scruggs 2006; Fleckenstein et al. 2011; Seeleib-Kaiser et al. 2011
- For Germany see: Esping-Andersen 1989; Lewis 1992; Scruggs 2006; Palier & Thelen 2010; Fleckenstein et al. 2011; Seeleib-Kaiser et al. 2011
- For France see: Esping-Andersen 1989; Whiteside & Salais 1998; Whiteside 2000; Scruggs 2006; Palier & Thelen 2010; Seeleib-Kaiser et al. 2011
- For discussion use of early retirement (and disability) see: Mirkin 1987; Ebbinghaus 2006
- For CEE see: Nesporova 2002; Cazes & Nesporova 2004; Cerami 2006, 2007; Cerami & Vanhuyse 2009; Izyumov 2010

Table 9.5: Regional responses to deindustrialisation

	WCS (1)	Ruhr (2)	NPdC (3)	Katowice (4)	N.Moravia (5)
<b>De-centralisation</b>	<b>Low:</b> due to level of decentralisation regional responses were indicative of national policy. Carried out by unelected regional representatives of national government or quangos i.e. Scottish Office, Scottish Development Agency etc.	<b>High:</b> Coordinating institutions typical of Germany particularly strong at regional level due to industrial historic legacy. A situation augmented by federal nature of Germany. In that Land rather than federal interests take priority.	<b>Medium:</b> Critical influence was regional mayor Pierre Mauroy who aggregated local interests and raised economic and political profile of the region. This political capital increased the ability of the region to utilise European and national programmes for regional development. Succeeding mayors maintain this influence.	<b>Medium:</b> strong regional lobby and government often well represented at national level. Developed a 'regional contract' as a road map for future industrial and socio economic development of the region.	<b>Low:</b> removal of regional government led local stakeholders to concert efforts. Establishing regional bank and creation of special economic zones. In addition lobbied central government to recognise problems and establish a regional development plan.
<b>Regional response</b>	<p>Interventions in traditional industries effectively limited to nationalisation leading to rationalisation and closure. UK neoliberal model effectively abandoned industrial policy.</p> <p>Up until 1980s development of new towns to create hubs of mass-production and create 'new' industrial base out of Glasgow and Clydeside. Local agencies would lobby or compete to attract inward investment from branch-plant/sunrise industries.</p> <p>Post 1980s UK reduces regional spending. Local authorities/agencies in conjunction with private sector start regeneration and consumer-based recovery based on development of retail, cultural industries and routine services. A policy which effectively continues to this day.</p>	<p>Initially coordinating institutions sought to maintain existing socioeconomic structure through defensive policies: increasing investment and productivity. Closures and redundancies that did occur were typically gradual and socially controlled.</p> <p>Mid 1980s coordinating institutions shifted emphasis to diversification into new and related technologies and enterprises, in particular environmental technologies. Also utilised industrial heritage to great acclaim.</p> <p>Although 'new' approach broke up established milieus it remained in corporatist tradition.</p>	<p>State sought to direct growth from centre to periphery this has meant development of educational institutions and transport infrastructure.</p> <p>Existing industries sought to diversify into new and related technologies and enterprises with some success.</p> <p>Geographical location and development of transport infrastructure and education has consolidated regions position as a hub for home shopping and mail order.</p> <p>'Inter-communal' assistance introduced to facilitate even development and solidarity between poorer urban communes and wider region.</p>	<p>Region although not completely autonomous from central government able to direct restructuring and associated efforts to stimulate regional economy.</p> <p>Number of development agencies established to promote region, encourage investment and facilitate establishment of SMEs.</p> <p>Special economic zones facilitated influx of transnational corporations and creation of new jobs.</p>	<p>Regional enterprises slow to restructure subject to labour hoarding.</p> <p>Had some success in creating economic zones. However, Katowice has the advantage in this regard.</p> <p>Some success in the development of automobile and electronic clusters. Both of which have had success in creating new employment.</p>
<b>Judgement</b>	Disadvantage	Advantage	Advantage	Advantage	Disadvantage

(1) WCS section: 8.1.1; 8.1.2; 8.2 (2) Ruhr section: 4.1.2; 4.1.2.1; 4.2 (3) NPdC sections: 5.1.2; 5.1.3; 5.2 (4) Katowice sections: 6.1.1; 6.1.2; 6.2 (5) N.Moravia section: 7.1.1; 7.1.2; 7.2

- For further WCS discussion see: Payne 1985; MacInnes 1995; Robertson 1998; Kantor 2000; Foster 2003; Tretter 2008
- For further Ruhr discussion see: Grabher 1993; Hassink 1993; Danielzyk & Wood 1993; Kilper & Wood 1995; Goch 2002; Hospers 2004; Hilbert et al. 2004;
- For further NPdC discussion see: Wannup 1995; Budd 1997; Morgan & Nauwelaers 1998; Fraser & Baert 2003; Schulz et al. 2004; Liefoghe 2005;
- For further Katowice (Upper Silesia) discussion see: Szczepański & Cybula 1998; Domanski 2002; Eckart et al. 2003; Sucháček 2005; Bafoil 2010; Dyker 2010
- For N.Moravia (Moravia-Silesia) discussion see: Nesporova 1998; Eckart et al. 2003; McMaster 2004; Sucháček 2005; Myant 2010; Sucháček et al. 2012

Table 9.6: Current economic models i.e. three varieties of capitalism

	Liberal Market Economy UK	Coordinated Market Economy Germany and France	Dependent Market Economy Poland and Czech Republic
<b>Mechanism of coordination</b>	Competitive markets and formal contracts	Inter-firm networks and associations	Dependence on intra-firm hierarchies within transnational enterprises
<b>Primary source of capital</b>	Domestic and international capital markets	Domestic banks and internally generated funds	Foreign direct investment and foreign-owned banks
<b>Corporate governance</b>	Outsider control and dispersed shareholders	Insider control and concentrated shareholders	Control by headquarters of transnational corporations
<b>Industrial relations</b>	Pluralist, market based; few collective agreements	Corporatist, consensual; sector-wide even national agreements	Concessions to skilled labour; company level collective agreements
<b>Transfer of innovation and technologies</b>	Based on markets and formal contracts	Central role of joint ventures and business associations	Intra-firm transfer within transnational enterprise
<b>Comparative advantage</b>	Radical innovation of technology and service sector	Incremental innovation of capital goods	Assembly platforms for semi-standardised industrial goods
<b>Judgement</b>	Disadvantage	Advantage	Mixed

Source: (Nolke & Vliegenthart 2009:680)

- For West European discussion see: Hollingsworth et al. 1994; Soskice 1994, 1999; Hall & Soskice 2001; Hancké et al. 2007
- For CEE discussion see: Lane & Myant 2007; Nölke & Vliegenthart 2009; Drahokoupil & Myant 2010; Myant & Drahokoupil 2012

Table 9.7: Current levels and type of social protection

	UK (1)	Germany (2)	France (3)	Poland (4)	Czech Republic (5)
<b>Character</b>	Underdeveloped 'universal' benefits provide basic and minimal levels of social protection. Social transfers are low leading to strict entitlement criteria; recipients are typically means-tested and many suffer stigmatisation.	Benefits often earnings and occupation related. Comparatively high levels of social protection and historically lower levels of income inequality and poverty. Though there is a distinction between insiders and outsiders. Outsiders receive a level of protection as good as the UK.	Benefits often earnings and occupation related. Comparatively high levels of social protection and low levels of income inequality and poverty-which continue to fall.	Currently system shares features of continental and UK system. Although rights have been established for a core workforce of skilled long-term employees. The regime is more typical of the UK as it has comparatively low coverage and higher vulnerability rates.	Due to high level of social solidarity currently Czech system offers social protection similar to Germany and France. It has the lowest rates of poverty and provides good support to those exposed to labour market vulnerability.
<b>Social spending average (OECD) % GDP</b>	2000s: 25.4%	2000s: 29.2%	2000s: 30.7%	2000s: 19.9%	2000s: 19.3%
<b>Unemployment protection: Funding; Qualifying period; Net replacement rate %; Benefit duration (months).</b>	Social insurance and social assistance; contributions equivalent to 25 and 50 times the lower earnings limit must have been paid in the last 2 years; 54 %; 6 months.	Social insurance and social assistance; 12 months in last 2 years; 69 %; 12 months.  Also social assistance, means-tested): €299, €337, or €374 a month is paid, depending on the person's family composition. Dependent's supplement also available.	Social insurance and social assistance; 6 months in last 22 months; 75 %; 23 months.  Social assistance also available: benefit is the difference between the household income and €1,094.10 or €1,719.30 (a month depending if single or a couple) respectively.	Social insurance; earnings in 18 months prior to claim must be at least equivalent to the minimum wage; 59 %; 12 months.	Social insurance; 12 months in last 3 years; 56%; 5 months.
<b>Family Policy</b>	High level of childcare services but the services are provided on a private basis, therefore high cost to individual.  Period of parental leave short - six to twelve weeks when calculated at full rate of compensation: lowest of all EU countries.  Families with dependents receive economic incentives/compensation in form of family allowance £20.30 a week is paid for the eldest qualifying child, and £13.40 is paid for each additional child (April 2012), plus tax credits.	Germany introduced child care for children aged between 3 and 6. Germany now has almost 100% affordable and high quality child care.  Historically male breadwinner model means long parental leave relatively well compensated.  Benefits' spending is relatively high. Child benefit: €184 a month is paid for the first and the second child; €190 for the third; €215 for each additional child.	High level of affordable institutional childcare (children aged 0-2) and a high quality of services for children.  Parental leave relatively short (16-34 weeks depending on number of children) however well compensated.  Spending on family policy is high. Family allowances: €125.78 a month is paid for two children; €286.94 for three children; €448.10 for four children plus €161.17 for each subsequent child Families also compensated via tax breaks and additional benefits.	Low coverage of institutional child care, typically the mothers stay at home for three years or more caring for their children.  Historically male breadwinner model means long parental leave relatively well compensated.  Cash benefit (2.45% of gross earnings) and Medical benefits: (9% of gross earnings) available for families (30-90 days). In addition Maternity benefit: 100% of the insured's average earnings in the last 12 months is paid for 20 weeks (31 to 37 weeks for multiple births).	Low coverage of institutional child care, typically the mothers stay at home for three years or more caring for their children.  Historically male breadwinner model means long parental leave relatively well compensated.  Due to level of benefits spending is relatively high. Income tested family allowance and birth grants compensate families.

Judgement	Disadvantage	Mixed	Advantage	Mixed	Advantage
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1. For further UK discussion see also: Taylor-Gooby 2001; Daguerre & Taylor-Gooby 2005; Mitton 2009; Fleckenstein et al. 2011
2. For further Germany discussion see also: Ostner et al. 2004; Aust & Bönker 2005; Hegelich & Meyer 2009; Palier & Thelen 2010; Barbier & Knuth 2011; Fleckenstein et al. 2011
3. For further France discussion see also: Mandin & Palier 2002; Gallouj & Gallouj 2009; Palier & Thelen 2010
4. For further Poland discussion see also: Fodor et al. 2002; Cerami & Vanhuyse 2009; Siemieńska & Domaradzka 2009; Siemieńska et al. 2011
5. For further Czech Republic discussion see also: Sirovátka 2006, 2007; Cerami & Vanhuyse 2009; Ripka & Mareš; 2009

Table 9.8: Summary wider determinants of health

Determinant of health	WCS (1)	Ruhr (2)	NPdC (3)	Katowice (4)	N.Moravia (5)
<b>Skills and Education</b> <b>Rating</b>  <b>Character</b>	<p>Highest proportion population with tertiary qualifications. 2<sup>nd</sup> highest proportion low or no qualifications.</p> <p>General skills; high skill and job polarisation.</p>	<p>The Ruhr ranks 3<sup>rd</sup> in both proportion of population with tertiary skills and with low or no qualifications.</p> <p>Company and industry specific skills, vocational training.</p>	<p>2<sup>nd</sup> highest proportion population with tertiary qualifications. Highest proportion with low or no qualifications.</p> <p>General skills, industry specific and vocational skills.</p>	<p>2<sup>nd</sup> lowest proportion population with tertiary qualifications. Lowest proportion with low or no qualifications.</p> <p>High degree of social capital from communist era although this is becoming increasingly redundant. Limited expenditure on further qualifications.</p>	<p>Lowest proportion population with tertiary qualifications. 2<sup>nd</sup> lowest proportion with low or no qualifications.</p> <p>High degree of social capital from communist era although this is becoming increasingly redundant. Limited expenditure on further qualifications.</p>
<b>Household structure</b>	<p>WCS and Ruhr have highest proportion of lone parent households. However rate of increase greater in WCS.</p> <p>Although Ruhr has the highest rate of single person households. WCS with 2<sup>nd</sup> highest rate is increasing at faster rate.</p>	<p>Ruhr has highest proportion of lone parent households although is due to be overtaken by WCS.</p> <p>Ruhr has the highest rate of single person households. However, WCS is increasing at faster rate.</p>	<p>NPdC has significantly lower lone parent households than WCS and Ruhr. However the rate is increasing as in all regions.</p> <p>NPdC 2<sup>nd</sup> lowest proportion single person households increase over time is insignificant.</p>	<p>Although no data to compare Katowice with other regions. Comparison with show WCS number of lone parent households is low.</p> <p>Katowice has lowest proportion of single person households.</p>	<p>N.Moravia has low proportion of lone parent households. Although the rate is increasing at a rate similar to WCS.</p> <p>N.Moravia has 3<sup>rd</sup> highest proportion of single person households. Significantly lower than WCS and Ruhr.</p>
<b>Teenage pregnancy</b>	High 8.5%	Low 4.5%	Low 4.7%	Low 5.2	Low 4.2%
<b>Health Behaviours (national)</b>  <b>Alcohol</b>  <b>Smoking</b>	<p>Lowest proportion for abstinence. 2<sup>nd</sup> highest drinking daily.</p> <p>Male smoking comparable with other nations except Poland. Highest rate female smoking.</p>	<p>Middle ranking for not drinking and abstinence.</p> <p>Male smoking rate comparable with other nations. Female rate significantly lower.</p>	<p>Highest proportion drinking daily. 2<sup>nd</sup> lowest for abstinence.</p> <p>Male smoking rate comparable with other nations. Lowest proportion female smokers.</p>	<p>Highest proportion of abstinence. Lowest proportion drinking daily.</p> <p>Male smoking rates highest. Female smoking rates 2<sup>nd</sup> highest.</p>	<p>2<sup>nd</sup> lowest proportion of abstinence and daily drinking.</p> <p>National rates not available. Regional comparison show smoking rates higher WCS, particularly among females.</p>
<b>Religious participation</b>  <b>Social Capital:</b> <b>Voter Turnout</b>	<p>Low comparable N.Moravia</p> <p>2<sup>nd</sup> Lowest (58.3%)</p>	<p>Significantly higher than WCS lower than Katowice</p> <p>Highest (78.3%)</p>	<p>Not available</p> <p>3<sup>rd</sup> Lowest (59%)</p>	<p>Highest by significant margin</p> <p>Lowest (54.9%)</p>	<p>Low comparable with WCS</p> <p>2<sup>ND</sup> Highest (62.2%)</p>
<b>At risk of poverty</b>  <b>Poverty and inequality</b>  <b>Income inequality</b>	<p>Highest</p> <p>Highest</p>	<p>2<sup>nd</sup> Highest and increasing</p> <p>3<sup>rd</sup> Highest and increasing</p>	<p>2<sup>nd</sup> Lowest and improving</p> <p>2<sup>nd</sup> Lowest and improving</p>	<p>3<sup>rd</sup> Highest and improving</p> <p>2<sup>nd</sup> Highest fluctuating</p>	<p>Lowest</p> <p>Lowest</p>

## 9.2 Have the research aims been achieved?

The main aim of the thesis was to determine what aspects of the political and socioeconomic context in WCS diverge from comparable post-industrial regions of Europe and whether these might form the basis of potential explanations for the region's relatively poor health record.

The objectives for the five specific countries and regions, as described in section 2.3.3.1, were to:

1. Define/describe in broad terms the political and socioeconomic changes that affected them since WWII.
2. Describe what happened to life expectancy in this period and identify/assess hypotheses that explain links between political and socioeconomic change and life expectancy.
3. Describe the pattern (timing, rate and nature) of deindustrialisation/privatisation and identify variations to the general pattern.
4. Define the typologies of policy response to deindustrialisation/privatisation.
5. Define the level of social protection, including welfare provision and broader social support, available to those affected by deindustrialisation/privatisation.
6. Summarise the factors that emerge as being most important in alleviating the health and social impacts of deindustrialisation/privatisation.

It can be stated that all the more specific research objectives have been achieved. The thesis has been structured to address each of these points in turn. The question of whether the overarching aim (*determine what aspects of the political and socioeconomic context in WCS diverge from comparable post-industrial regions of Europe and whether these might form the basis of*

*potential explanations for the region's relatively poor health record*) has been achieved is more open to discussion. In the introduction to this thesis four pathways between determinants of health and subsequent levels of mortality (life expectancy) were outlined. These were:

1. Direct causation - for example, industrial pollution leading to lung disease.
2. Complex causation - for example, increased prosperity leading to diets richer in fats and sugars and an increase in smoking.
3. Emergent - this refers to circumstances where a complex, interacting system of causation causes the emergence of health outcomes without a clear pathway to explain causation.
4. Emergent but with a clearer final pathway - for example the alcohol-related harm experienced in Russia arising out of a historical drinking culture in a country that was then subjected to the social, economic and cultural changes that accompanied the fall of communism.

In each of these four, alternative protective factors can mitigate the potential hazards and positively enhance health. For emphasis, it is repeated that this thesis is not an analysis of the determinants of health in each of the regions of interest. Rather it is a description of socioeconomic and political history in the context of a known public health phenomenon (excess mortality in WCS).

The argument being made is that there are sufficient disadvantageous dimensions to the sociopolitical and economic histories of deindustrialisation in WCS to postulate that lower rates of improvement in life expectancy are an emergent phenomenon arising from these influences (that is option 3 - although there are arguably also some clear final pathways - option 4). This argument needs to be placed in the context of the models of the determinants of health set out in the introduction in section 1.2 (Evans & Stoddart 1990; Adler et al. 1993). These models seek to capture the interaction of a complex set of factors (physical environment, social environment, poverty and prosperity, levels of inequality, health related behaviours, quality of services and so on) which

operated and interact differentially over a lifetime. These are, in short, simplified models of a truly complex system (Rayner & Lang 2012).

Consider, in this context, the issue of the speed and severity of industrial job losses. There is a robust literature on the links between the fear of unemployment and adverse health outcomes (Martikainen & Valkonen 1996; Bartley & Ferrie 2001). There is also clear evidence that being unemployed is bad for health (Iversen et al. 1987; Dorling 2009) and that unemployed individuals report higher rates of poor health (Bambra & Eikemo 2009). However, the true complexity of the situation becomes clearer when interactions with other determinants of health are considered.

This thesis has presented evidence to show that deindustrialisation increased socioeconomic inequalities in all regions but this was particularly true of the neoliberal 'Anglo Saxon' economies (Korpi & Palme 1998; Huber & Stephens 1998; Wilkinson & Pickett 2009). It is well established that the level of economic inequality in a country has adverse effects on life expectancy. Deindustrialisation also has an impact on the social environment: the workplace is a setting for friendship and social support and the loss of established patterns of work can damage social capital - which influences health (Putnam 1995; Wilkinson 1996; Kawachi, Subramanian & Kim 2008). Psychological impacts also have to be considered. The stress associated with job loss is obvious. Less obvious, but perhaps equally important, is the loss of 'identity' and 'a social role' that goes along with job loss (Vinokur, Caplan, & Williams 1987; Siegrist 2000). Thus, when it was observed in the case studies that the Ruhr region succeeded in maintaining a degree of engineering industry and with it high skill jobs, this may carry with it psychosocial benefits that are hard to quantify. The point being made here is that there is a further plausible pathway linking the degree and pattern of job loss and health outcomes. Finally, there is the issue of health related behaviours like smoking, diet, alcohol consumption and drug use. There is good evidence linking these damaging behaviours to the experience of unemployment (Bartley & Owen 1996; Bartley & Ferrie 2001; Rosenthal et al. 2012).

Therefore, it is plausible to make an argument that the speed and severity of industrial job losses in WCS might have led to adverse health outcomes. It is only possible to postulate rather than prove this conclusion because we are considering causation within the context of multiple complexities: the complexities of the determinants of health (Evans & Stoddart 1990; Adler et al. 1993), the complexities of the national socio/economic/political systems (Hollingsworth et al. 1994; Soskice 1994, 1999; Hall & Soskice 2001; Hancké et al. 2007; Lane & Myant 2007; Gaille 2007); and the complexities of the local socio/economic/political systems (Hudson & Williams 1995; Crouch & Voelzkow 2009; Birch & Mykhnenko 2009).

It seems reasonable to claim, therefore, that the research questions have been addressed and answered to the degree that data and information allow.

### **9.3 Political decisions have consequences for health – the example of inequalities.**

Although it is difficult always to demonstrate links to health outcomes, the material presented in this thesis makes it clear that political decisions have consequences. In coping with deindustrialisation and subsequent economic restructuring, context has changed considerably in WCS (and UK) and society has become increasingly unequal. However, this inequality, particularly income inequality, is indicative of, or is a proxy for a range of socioeconomic conditions, mediated through individual and collective, material and psychosocial pathways. This is important because it is too simplistic to argue that income inequality is a single main cause of poorer health. Reality is always more complex (Coburn 2004:43). This thesis has placed inequalities in an historical, geographic and comparative perspective. As such, inequalities can be attributed to fundamental changes in the nature of work (deindustrialisation), context and social protection.

From the 1920s to the 1970s there was an understanding that uneven economic development had a socioeconomic and political impact that affected be it directly or indirectly the population's wellbeing. The introduction of neoliberal economic policies under Thatcher effectively put an end to this. Subsequent policies designed to stimulate economic development (for example, inward

investment and ongoing tertiarisation) have only slowed the decline and in fact contributed to the growth in income and wealth inequality, decline in social mobility and growth in long-term worklessness. Worryingly, increasingly entrenched deprivation and poverty is being passed down through generations. In the UK, globalisation and the associated policies commonly characterised as neoliberal, have returned business to a dominant class position undermining the accommodation of both labour and capital: a feature of the previous epoch of nationally focused capitalism. Since the 1970s, in WCS as across the UK, the proportion of economic growth going to ‘capital’ rather than ‘labour’ has increased, as too few jobs, particularly quality jobs, have been created and wages have stagnated (Harvey 2005; Kristal 2010; Holmes & Mayhew 2012).

The deindustrialisation of WCS left a void that the growth in service employment has failed to fill. Typically, the new jobs, in comparison to manufacturing, do not represent ‘quality work’. They epitomise an insecure work environment characterised by low-wage and low-skill work, with high levels of turnover and increasing casualisation and under-employment. Moreover, efforts to ‘improve’ the region through revisionist branding and marketing have served to exacerbate social exclusion and marginalisation and diminish some of the region’s culture and life. As Lennon notes, the region’s “model of renaissance and regeneration” is also one of “deprivation and disadvantage” (2014:21).

In the developed nations, the onset of neoliberalism has been allied with increasing within-nation inequalities (Gottschalk & Smeeding 2000; Atkinson & Bourguignon 2000). Available evidence also indicates that there is an association between neoliberal policies and health outcomes and health inequalities which is of a *causal* nature (Beckfield & Krieger 2009; Leinsalu et al. 2009). The rise of capital and its complementary neoliberal ideology and policies, undermined both working class rights in the market and citizenship rights to social protection/welfare. As Coburn concludes: “Labour’s lessened market power and fragmentation, and the shredding of the welfare state also led to major increases in social inequality, poverty, income inequality and social fragmentation” (Coburn 2004:44; see also Coburn 2000).

Collins and McCartney (2011) argue that, from 1979, in WCS (and the UK) working class people were subject to a concerted and ongoing '*political attack*'. An explicit aim of the then Conservative and subsequent Labour and Conservative governments has been to weaken, undermine and delegitimise equalising institutions such as trade unions, local government and dimensions of the welfare state. As has been discussed, this has led to increased inequality, erosion of union rights and employment legislation, residualisation of welfare and social housing, increase in the wealth and influence of unelected elites (usually economic), and the ongoing stigmatisation of benefit recipients. Such a course of events has the potential to affect the wider society - as increasing vulnerability becomes a feature across the social scale (see Standing 2011); widening the gap between the rich and poor, whilst, conversely undermining equalising institutions which might curb poverty and income inequality and limit their effect on health.

Contemporary research (Brandolini & Smeeding 2007; Levy & Temin 2007) attributes the rise in income inequality in uncoordinated economies such as the UK (and US) to post-industrial changes in norms and institutions rather than, as is commonly assumed, to skill-biased technological change, immigration and trade. The Scottish and UK economies have polarised into 'good' and 'bad' jobs and that gap is widening, particularly in the current economic climate (Truss 2011). Bad jobs have the potential to undermine and erode social fabric and economic potential (Trebeck 2011). WCS is an exemplar of this polarisation: there are now more (professional) jobs at the top, and more routine jobs at the bottom of the labour market. This polarisation is not accidental. It is a product of UK economic policy and has in fact been facilitated respectively by the establishment of so-called creative clusters, such as the TV industry and the promotion of Glasgow as a regional hub for shopping and entertainment - 'Scotland with style' (Mooney & Danson 1997; Helms & Cumbers 2004; SLIMS 2005; Boyle et al. 2008; Warhurst 2011).

Social protection comprises a set of public and private policies and programmes aimed at reducing and eliminating economic and social vulnerabilities to poverty and deprivation. The extent and nature of social protection is indicative of the social, political and economic institutions and extent to which societies

accommodate an individual's or population's wellbeing or leave that to the market. As such, inequality is a symptom, not a determinant, of societal types (Navarro 2002; Coburn 2004).

Prior to the neoliberal era, income inequality (and health inequalities) in WCS (and the UK) had been relatively low and declining since the Second World War: effectively, the welfare state worked. From about 1977/78 income inequality exacerbated and health inequalities worsened, particularly in WCS. Deindustrialisation and neoliberalism have challenged the welfare state and in many instances lessened social protection. To varying degrees, states have resisted international trends regarding the increased pervasiveness of market-based inequalities. There is divergence in the extent to which each regime decommodifies the population's relationship to the market. Decommodification refers to the degree to which citizens have an alternative to complete dependence on the labour market (on working for money), in order to have an acceptable standard of living (Olsen & O'Connor 1998). As discussed, in each country the means of reconciling the market and state welfare is based on differing class structures and class coalitions and constitute not only welfare state regimes, but distinct sociopolitical cultures (Olsen & O'Connor 1998).

So, what this thesis has shown (and what has been summarised for inequalities above) is that, at both the national and regional level, the political economies/varieties of capitalism have responded and engaged in different ways to the process and change associated with deindustrialisation. This thesis has engaged with these multiple levels of complexity and a narrative have emerged that should be taken seriously.

## **9.4 Theoretical consideration**

The varieties of capitalism (VOC) approach is the leading paradigm in comparative political economy (at the national level). As demonstrated here, it can contribute to our understanding of health inequalities within and between populations. Importantly, this work has also shown that the VOC and the institutional arrangements that characterise them have consequences for regional development and ultimately health.

The typology categorises countries into distinct types of economies: liberal market economies (LMEs), coordinated market economies (CMEs), and dependant market economies (DMEs) which have all been covered here. In the long term, each of these political economies is capable of securing similar degrees of economic development. In addition, to varying degrees, that development will occur unevenly over space and time and be subject to periodic crisis (Harvey 2010; Hadjimichalis & Hudson 2013). The character of this development is, to a great extent, determined on the basis of different institutional arrangements. Broadly speaking, these arrangements manifest in the distinctive comparative institutional advantages/disadvantages.

In terms of regional development, the contemporary regional policy framework in the EU is primarily based on a competitiveness agenda promoting the development of 'knowledge-based' economies and learning regions (Gardiner et al. 2004). This is associated with the rise of a new model of regional policy which aimed to facilitate growth and innovation by utilising local capacities. In contrast to the 'old' regional policy prevalent in the 1960s/70s (Amin 1999), the new model of regional policy emphasises endogenous potential, to facilitate growth and innovation, by utilising local capacities and skills.

However, in the WCS context this meant 'path destruction' (Birch & Mykhnenko 2009). Path dependence, as discussed, is characterised as an overreliance on large organisations and embedded regional institutional arrangements. As Hay (2004) discusses, to erode this path, neoliberalism induced a crisis to which neoliberal adjustment was considered the natural fix. Rising inflation in the late 1970s provided a crisis and 1980s UK monetary policy provided the fix: by stabilising inflation and facilitating the ongoing deindustrialisation of WCS (and other parts of the UK) (Peck 2001). In addition, the new context supported and encouraged those sectors (and regions) least exposed to international competition, namely market-services. This is problematic on a number of levels, above all for WCS, where 'path-destruction' has severely undermined any historical endogenous potential, particularly in regard to industry and manufacturing. More broadly, this approach is founded upon the role of the market in terms of competitiveness. Such an approach demonstrates an ahistorical and asocial understanding of regional economic performance and

development (Gill 2005). Moreover, this policy agenda also treats 'unequal regions equally' (Morgan 2006:189). This contrasts with the 'old' approach to regional policy which unambiguously favoured struggling regions, with the explicit intention of reducing disparities between the core and periphery (Martin 1989).

At the government level, market failure i.e. a lack of competitiveness is generally cited as the root cause of regional inequalities and barrier to future economic development. As such, it is the state's role to facilitate the effective functioning of all markets: product, labour and capital. As Gill concludes: "that means promoting competition, the flow of information, and the swift response of business and workers to price signals" (2005:662). This is in contrast to the historical approach and the approach more generally of the other regions. Where, the state have emphasised the role of the public sector in encouraging regional development. Thus, for example, in NPdC there has been significant investment in transport infrastructure and educational institutions both of which are considered critical in promoting regional development. Contrast this with the efforts to introduce the HS2 links to the north of England and Scotland (BBC 2011).

The current approach to regional development, in the UK and WCS, neglects the differences in industrial structure and divisions of labour that characterise OIRs such as the regions selected here (Gill 2005). The problems OIRs present are not necessarily the result of internal deficits in productivity or competitiveness as dominant policy discourses suggest. Rather, they reflect the structural basis of their economies, in terms of a historical over-reliance on a narrow group of heavy industries, not adequately replaced in recent decades by routine services and foreign-owned manufacturing plants (Hudson 1994). The problem being that while the new approaches emphasise regional assets, such as the endogenous capacity to adapt to change, they tend to neglect the influence and importance of the national level.

As this research indicates, in accounting for regional decline and renewal it is important to account for the inter-relatedness, complexity and diversity of processes of regional development in producing divergent outcomes (Martin &

Sunley 2006). For example, identifying different paths of regional adaptation or 'de-locking' or the upgrading of existing industries and the diversification into technologically-related industries. Although the VOC approach focuses on the national level and although it has a role in shaping them, it still neglects regional institutional arrangements. However, there are similarities between VOC and the contemporary regional policy framework. First, the prominence afforded to the influence of institutional factors over economic ones in their account of territorial divergence in the character and functioning of capitalism. Second, they neglect the dynamic or inter-relatedness that exists between regional and national factors. This research, and the VOC approach, indicates that regional performance will to some extent be shaped by the underlying influence of national institutional frameworks.

Different national institutional arrangements, for example, between the more market-driven approach of the UK and the more statist and corporatist arrangements in France and Germany, have led to different patterns of regional adaptation. The latter states, in particular, have sought path reconstruction and renewal, to build on existing regional assets via the processes of diversification into related technologies and the technological upgrading of existing industries (See NPdC). Whilst the market-centred approach of the UK favoured the transplantation of new technologies and organisational practices into OIRs from outside through the attraction of inward investment (Martin & Sunley 2006; Birch et al. 2010). As such, WCS performance in comparison with the other selected regions (and within the UK context) likely reflects the failure of transplantation process in WCS and the national institutional arrangements that stress factor mobility and price competition, encouraging uneven regional development (Dunford & Perrons 1994). Therefore, the nationally orchestrated regional policy frameworks that are seemingly indicative of each VOC remain central to regional development and performance.

Historically, all the countries discussed here adopted traditional regional policies focused on reducing spatial disparities, although important differences in focus and timescale were apparent. Regional policy was traditionally more centralised in CEE and had a longer history in the UK and France than in Germany (Armstrong & Taylor 2004). In the 1980s, however, the UK effectively reduced

regional spending whilst other European countries like Germany and France doubled it (Tondl, 2001). Policy approaches in OIRs in France and Germany focused on unlocking and facilitating endogenous potential. Whilst attraction of inward investment based upon labour market flexibility was important for UK OIRs such as WCS.

In the UK, and to some extent the Czech Republic, the influence of local authorities became increasingly marginalised as central government sought market solutions as private sector investors defined objectives and financed projects. On the continent different solutions were pursued. In France (and Poland), power was devolved to local communities supported by substantial state expenditure while in Germany “wealthy regional and local governments attempted to spend their way out of the crisis, at least until reunification changed the priorities for investment” (Couch, Fraser & Percy 2003:3).

The importance of systemic coordination and interaction implied by the VOC and confirmed in the regional case studies presented here, indicates that the institutional arrangements at the national level can limit the ability of firms and stakeholders to negotiate changing economic conditions which can lead to path dependency and ‘lock-in’ (Arthur 1989). National institutional structures and different favoured ‘paths’ of regional adaptation play an important role in shaping the fortunes of OIRs. For example, the Interventionist policies adopted in France and Germany, and to some extent in CEE, together with the policy of regional diversification and upgrading in the former cases and transplantation through the attraction of inward investment in the latter. This contrasts with the UK’s more market-orientated approach and failures of inward investment as illustrated by the branch-plant industries of the 1980s and 90s.

Traditional regional policy saw convergence in 1960s and 1970s and divergence from late 1970s as ‘spatial Keynesianism’ (Martin 1989) gave way to a neoliberal emphasis on national and regional competitiveness. As a result, stronger nationally orchestrated policies for supporting the diversification and technological upgrading of OIRs have been maintained in statist and corporatist countries such as France and Germany, but less so in neoliberal ones such as the UK (Cooke 1995). Therefore, the influence of national political economies linked

to different regional 'paths' may be expected to generate significant national differences in the performance of OIRs. In particular, neoliberal models such as the UK may perform better than corporatist economies like France and Germany in terms of GDP growth, but also foster lower quality and less stable forms of employment: both of which are known determinants of health.

## 9.5 Strengths and limitations

Before addressing the strengths and weaknesses in any detail, a personal observation should be addressed. Namely, that the critical weakness of this, and related research, is despite the healthy level of coverage and funding into WCS health profile and the determinants of health more broadly. There is, if one considers the characteristics of the labour market and social protection, little evidence of it informing or influencing policy directly and to a significant extent.

This is demonstrated by the long-standing well-established consensus and growing body of evidence regarding the determinants of health, particularly the influence of income inequality and economic security. It is also demonstrated by the lack of explicit policy and rhetoric coming from the independence campaigns on these issues which so clearly affect Scotland and most acutely WCS. Broadly speaking, this is due to such research being contested or not implemented on political and ideological grounds, often within the context of globalisation and increasing austerity (Glyn 2007).

This context of a global environment undermines a modern welfare state, marked by intervention and publicly provided social protection and threatens to create a 'race to the bottom' (RTB)<sup>55</sup>, or at least convergence along the lines of the more modest social provision characteristic of a liberal welfare state such as the UK (Huber & Stephens 2001). Post-industrial change and the demands of globalisation have led to debate, and in some cases concern, regarding the level of convergence that now exists between economies and the degree to which they engaged in a 'race to the bottom', converging towards a single 'one size fits all' new-liberal version of capitalism.

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<sup>55</sup>For review of race to the bottom argument see Drezner, D. (2001) "Globalisation and Policy Convergence" *International Studies Review*, Vol. 3, No.1, pp.53-78

Capitalism has emerged as the dominant ideology and model for economic growth in the richest, most developed countries, although it's questionable whether or not capitalism has really brought the levels of economic growth and prosperity that were hoped for (Glyn 2007). The discussion at the national level and case studies, presented here, demonstrate that even within the capitalist model the race to the bottom is not inevitable. To varying degrees the other countries/regions have to some extent maintained growth and protected/retained some competitive advantage whilst retaining a commitment to social protection as evident in the degree of deindustrialisation and deskilling, the relative levels of benefits and comparative levels of poverty and income inequality.

Therefore, it is critical to determine the institutional arrangements in each model of political economy and regional economy that mediate health inequalities as these indicate the policy options, available within each model, possible for reducing such inequalities. As this research demonstrates, the institutional arrangements typical of a political/regional economy are mutually reinforcing. Identifying the arrangements and subsequent policies can both inform the political decision makers of the options available and augment the body of evidence required to convince them that policies successfully implemented have a potential health dividend. In that regard, this thesis has pertinence for a wider sphere beyond 'public health', for example, comparative political economy and regional geography. As such, it may facilitate the communication of the socioeconomic determinants of health and health inequalities to a wider audience of relevant stakeholders and researchers.

In terms of specific strengths and weaknesses, as indicated, the poor health of WCS is an important and long-standing concern for both policy makers and citizens. The excess mortality in the region is an issue that continues to receive significant attention and coverage. Consequently, the questions considered in this thesis are of considerable importance and interest and the findings will contribute to a substantial and multifaceted ongoing programme of research coordinated by GCPH. In addition, as a comparative study this research has an objectivity that has undermined national myths pertaining to WCS, for example

the generosity of the UK welfare state. As such, it manages to transcend some of the more common sense explanations applied to WCS and other regions. More broadly, this comparative analysis has contributed to a widening research agenda that seeks to understand how socioeconomically-determined health inequalities vary across (and within) post-industrial countries and regions.

In light of the stated aims and identified weaknesses from the first submission of this PhD study, two main research methods have now been applied. The strengths and limitations of each method have been outlined and discussed in Chapter 2, and informed the author's consideration of their applicability to the research being undertaken. The key strength of the narrative-literature review method was that it facilitated a broad coverage of themes and situational choices in terms of the inclusion of findings that would enable description and understanding of evolving socioeconomic and political change at both a national and regional level. The key strength of the case study method was its inherent suitability: typically case studies are anchored in real-life contexts and can provide detailed and holistic accounts of change and processes. Moreover, the case study method offered the necessary flexibility in terms of an organising framework to combine and present findings (both qualitative and quantitative). As such, the dual methods applied have facilitated a depth and breadth of coverage. Moreover, it has been possible to undertake a degree of triangulation by considering the findings from the narrative literature review in conjunction with quantitative data within the case studies.

Data driven and health-oriented approaches to understanding the context of WCS's health profile and the determinants of health have been conducted by others. From this body of work, research issues and questions emerged that needed further understanding. These have been the primary focus of this thesis. The approach taken to understanding health outcomes has been neither narrow nor reductionist. This is consistent with systems thinking and the complex pathways that affect health (Rayner & Lang 2012). The methods and associated long-term and deep immersion in so many different literatures have led to insights that might not have otherwise emerged. In addition, the work presented in this thesis has provided context and illuminated the findings of the *Aftershock* reports and associated research. Its particular, unique contribution has been to provide a more nuanced account of WCS' (and the other post-industrial regions')

path, in light of its comparative health profile, moving from the old picture of deprivation and deindustrialisation towards a new understanding that might influence future policy discourse.

A key limitation of this work (which is, arguably, also one of its strengths) is its breadth. The history of a region is such a complex phenomenon that even with time and a great deal of reading it is hard to capture all the relevant complexity. In addition, inherent in the methods is the potential for subjectivity and bias. The lack of a systematic review of the literature may mean that material has been missed - although the level of immersion applied, and the scale of literature considered, will have mitigated this risk. The sheer mass of potentially relevant literature available and the scope of the project generally, both geographically and chronologically, is a weakness. It proved to be impossible to comprehensively review any one body of literature far less the whole range. The author had to exercise considerable degree of judgement as to the depth and scope of each part of the investigation. This introduces a degree of subjectivity. Nonetheless, any narrowing of the enquiry would have diminished its final interest and relevance.

## 9.6 Conclusions

The conclusions summarised below have all emerged in previous parts of the thesis. They are listed here in bullet point format to make the main conclusions clear.

- There is a relationship between prosperity and political legitimacy in a state/region on the one hand and life expectancy on the other.
- There is a broad correspondence between life expectancy and the economic/political and social success of states in CEE and Western Europe during the 20<sup>th</sup> Century.
- Socioeconomic institutions affect health inequalities and institutional variation in terms of economic development and associated post-industrial change is an important (and complex) determinant of socioeconomic health inequalities.
- Deindustrialisation in WCS can be largely attributed to the industrial mono-structure of heavy industry, government policy and the failure to

diversify into new and related technologies or lighter consumer-based industries successfully.

- In the short to medium-term deindustrialisation is bad for health - this is true in all countries and regions examined.
- The low levels of life expectancy growth in WCS suggest that the process of deindustrialisation has not gone well - has not been managed well. This is not proof but evidence has been presented to support this contention.
- The five countries and regions have each taken a different approach to deindustrialisation, have varied in the levels of social protection provided and each manifests a very different context - therefore, variable impacts on health are to be expected.
- In response to economic restructuring (and associated social costs), policy in WCS (and the UK) has focused primarily on narrow economic growth policies, emphasising employment and physical regeneration, but not social outcomes such as community cohesion and sustainability.
- Post Thatcher, neoliberal approach adopted and augmented by new Labour and Conservative-Lib Dem coalition. As a result socioeconomic and spatial inequalities have become embedded in WCS. In the current political and economic climate these inequalities are likely to widen and deepen. If this to change, a fundamentally different approach to national and regional socioeconomic policy is required.
- The deprivation and inequality present in many areas of WCS have resulted from social and economic policy, be it intentionally or unintentionally.
- The structure of WCS economy creates inequality. The structural basis for this is the financial and consumer centred economy which transfers wealth from the broader population to a small number of corporations and individuals.
- Policy makers can make a difference to health outcomes. The relative successes of each country and region attests that polices successfully implemented have a potential health dividend.
- Policy makers can make a difference to health, not so much by focusing on health per se, but by creating a successful society with a strong diverse economy. The problem with WCS is that in many key respects it has been weak on both.

## 9.7 Recommendations

Health inequities across Europe are known to be high, and, as the Aftershock work demonstrated, they even exist between post-industrial regions that share an industrial legacy and have experienced similar economic forces associated with post-industrial change. The findings presented in the thesis support and provide additional evidence to the consensus on determinants discussed here and most recently stated in the *Review of social determinants and the health divide in the WHO European Region: final report (2013)*. Namely, that the causes of the causes: the environment and conditions in which people are born, grow, live, work and age and inequities in power, money, and resources - significantly contributed to the increase in health inequalities so acutely experienced in WCS.

The divergence in approach, between these countries/regions, to post-industrial change, provides policy insight and an evidence base for future recommendations. To state it clearly, the work here demonstrates that in terms of health inequalities, an individual or group's situation vis-à-vis society and the economy or political system is particularly germane. This is perhaps best understood in terms of position relative to the labour market, for example: security; inequalities in income, skills and knowledge (and ultimately health); status and control both in the work place, society and family and anomie.

As such, what this thesis illuminates is that the VOC (approach to socioeconomic development) evolved and adopted in the UK, particularly given the associated response to economic restructuring, future economic development (i.e. post-industrial change) and critically, social protection, have health and social consequences. This is particularly evident in WCS given its life expectancy relative to other post-industrial regions. The large body of public health evidence, on health inequalities and the determinants of health, suggests and is supported by the divergence between the regions highlighted here, that by adapting our approach to economic development we can also tackle some of the determinants of health inequalities.

However, it is important to note that many of the policies are the product of particular institutional arrangements or socially embedded cultures. It is noteworthy that these same arrangements and cultures have, relative to WCS, also provided protection and security against the industrial and economic restructuring that has been such a feature of these regions. Consequently, context is critical in understanding WCS trajectory and it is crucial that context is maintained as a theme in future research. For example, in researching WCS in isolation from other regions and country contexts, the importance of the national political economy in terms of a regions trajectory may not have been evident. Moreover, the socioeconomic and political context is likely to determine the viability of certain policy responses.

In addition, policy analysis of public health can be broader both in terms of what is analysed and who it is aimed at. Public health literature often makes reference to socioeconomic and political systems as underlying influences on health. More engagement and dialogue between disciplines can provide more explanatory potential in this regard and also highlight future areas that require inquiry or analysis from those outside public health. This thesis has achieved this to some degree.

As discussed in the strengths and weaknesses one of the inherent problems of research such as this is there is little evidence of it informing or influencing policy directly and to a significant extent. This is particularly apparent when one considers the lack of direct action on income inequality, economic security and poverty. Although this research supports reform in those areas the specific recommendations will not be repeated here. However, there are recommendations pertinent to the findings of this thesis, specifically:

- Further research is needed. The additional mortality in WCS is not trivial in scale. The issues discussed in this thesis speak of human suffering and loss of life. WCS needs a better understanding of the causes of its poor health and, in particular, its additional mortality compared to other old industrial regions. Two areas of research are recommended. First, in terms of continuing European comparisons, it would be useful to combine and maintain the data driven approach of the original *Aftershock of*

*Deindustrialisation Report* (Walsh et al. 2009) with the methods employed by this thesis. As has been demonstrated here this leads to new insights and increases understanding. This is evident when one considers previous confounding findings for example the socioeconomic and educational advantage WCS seemingly had over the other regions. Such an approach could be applied to comparative analysis (currently being pursued) between Glasgow, Liverpool and Manchester.

- The centrality of ‘deindustrialisation’ as a focus needs to be updated. Deindustrialisation is a historical event. However, this thesis has shown that countries and regions need to react to global economic and social forces which are ongoing i.e. post-industrial change. Looking forward, modernisation or the need to constantly respond to or accommodate global market forces might be a more germane focus.
- The current health of the people of WCS has been shaped by decisions of policy makers in past decades. This history needs to be debated and understood if decisions made in the future are to reverse these trends
- If Glasgow and WCS’s regeneration and brand campaigns are not intended to contribute to tackling low life expectancy and inequality, they must begin to as a matter of priority.
- Social protection measures such as education, minimum/living wage regulations and social insurance should be utilised as methods to adequately reduce inequality. In addition, they need to be advocated and utilised as a collective good not a financial burden.
- Interventions and policies to reduce health inequities must not limit themselves to intermediary determinants; but they must include policies specifically crafted to tackle the underlying structural determinants of health inequities. In particular those associated with the labour market and quality of work.
- Seemingly a high proportion of interventions are aimed at those determinants that fall within the domain of regular preventative care, including behavioural factors (individual health promotion and education). Social factors rarely appear to have been the object of interventions aimed at reducing inequity.

The research here has also highlighted some areas in which more novel, yet controversial recommendations could be suggested.

- As the experiences of NPdC and Katowice indicate. Increased autonomy for the region and more concerted planning at the regional level (note not national level i.e. Scottish level) could prove beneficial for WCS. Both in terms of realising and augmenting endogenous potential in order to develop the regional economy and in better securing social policy objectives.
- A particular consequence of post-industrial change in WCS has been the increase in single person and single parent households. Given the enhanced vulnerability and economic insecurity these groups face, they should be given, at least, the same consideration by the state in terms of state support (welfare, tax credits etc.) as traditional family units.
- Given the effect of post-industrial change particularly in terms of increased technology and the impact that has in terms of manpower or employment rates. Serious consideration needs to be given to how we occupy and financially support individuals or certain groups in the future. As we have seen in the case of WCS. Employment rates have only ostensibly been maintained. A significant number of new jobs that have been created are atypical and poorly remunerated. Clearly as things stand the economy is a long way off from supporting full employment: particularly full time and fairly paid employment. One answer may be to reintroduce labour market regulation such as the bread-winner model or lower rather than increase the retirement age.

## **9.8 Concluding remarks/reflections**

What can WCS learn from its own experience and the experience of the other regions? The short answer is (i) the pathway adopted by a region matters (ii) the level of social protection matters, and significantly (iii) the context also matters - whether the UK and WCS could, for example, have followed the pathway adopted by Germany and the Ruhr is questionable - the context is different.

In this regard, all the countries and regions covered here have had some success in relation to WCS. Although various policies have been discussed within this thesis, it is for policy makers to assess particular aspects and discern their

viability in a WCS context. Context is important in understanding WCS's trajectory and it is crucial that context is maintained as a theme in future research. For example, in researching WCS in isolation from other regions and country contexts, the importance of the national political economy in terms of a region's trajectory may not have become evident. Moreover, the socioeconomic and political context is likely to determine the viability of certain policy responses.

Systematic differences across the regions selected here mediate/influence the complex paths/correlation between post-industrial change and health inequalities at multiple points. For example, changes to the labour market, skill formation, work contract, social protection, and income inequality. These and other outcomes should not be regarded as individual-level determinants affecting health, but as features of socially constructed institutional arrangements that can determine health at the population-level.

There is a clear implication from this thesis that the preservation and creation of (good) jobs and high levels of social protection are important determinants of health. Job quality and not just job creation need to become embedded in future policy. Job quality affects individual and family wellbeing, poverty rates, social mobility and social exclusion, even economic productivity.

Health inequalities are to a great extent a consequence of political policies and socioeconomic processes – both of which tend to reflect the value systems and priorities of the societies/contexts in which they form. As such, they are open to debate and possible to transform. This clear message needs widespread dissemination.

# Appendix A: Narrative literature review

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# 1. Central East Europe

This chapter covers research objectives 1-5, within the context of CEE, with a focus on Poland and the Czech Republic. It will describe and discuss the following. First, trends in life expectancy and mortality and the hypotheses that best explain the link between political and socioeconomic change and those trends. Second, the establishment of state-socialism in CEE, its collapse and the subsequent post-communist transitions to market-democracy. Third, the pattern of privatisation in Poland and the Czech Republic and the policy responses at the national level. Finally, the level and nature of social protection and support available to those affected by privatisation and the general population.

## 1.1: Life expectancy

This section explores mortality trends in Eastern Europe during the period of communist rule and into its collapse. The key elements are (i) improvements until the 1960s (ii) stagnation and decline from the 1960s till the collapse of communism (iii) a more abrupt and in some cases serious deterioration associated with collapse and transition. Each will be explored in turn.

The history of health in CEE and the Former Soviet Union (FSU) is a complex one (Eberstadt 1990; Field 1991, 1995; Makara 1991; Miller & Wolchik 1994; Nanda et al. 1993) which has been discussed in enormous detail (Hertzman et al. 1996; Cockerham 1999; Cornia & Panicià 2000), with different theories and views (Shapiro 1994; WHO 1994; Bobak & Marmot 1996, 1996a; Watson 1995, 1998). From the end of World War II until the late 1960s, health improvement in the Soviet Bloc was rapid, consistent and prevalent (Mezentseva & Rimachevskya 1990; Eberstadt 1994; Cockerham 1999). Indeed, improvements were such that, by the mid-1960s, life expectancy in communist Europe equalled and in some cases exceeded what could be found in the West: communism, it appeared, was good for health (Sen 1981; Wilkinson 1996). Evidence for such a conclusion was supported by similar improvements in some of the poorer socialist countries of the developing world. For example, by 1982 life expectancy at birth was approximately 75 years in Cuba, 67 in China, and 64 in Vietnam. These figures are approximately 15 years greater than an average non-communist country at a similar stage of economic development (Guo 1993:288).

In the USSR, where life expectancy had hitherto been significantly lower than in Western Europe, life expectancy increased for males from 40.4 years in 1938 to 64 years in 1965. In Poland, life expectancy in the inter-war period (1931-32) was 48.2 years for males and 51.4 years for females. In France the equivalent was 54.7 years for males and 59.7 years for females. By 1965, life expectancy in Poland was 66.8 years for males and 72.8 years for females. In France it was 67.5 years for males and 74.7 years for females. This comparison is not an isolated example. For example, life expectancy for males in the USA in 1965 was 66.8 years whereas in Czechoslovakia it was 67.8 years (Cockerham 1999). By the 1960s the East, in terms of life expectancy at least, had caught up and in some cases overtaken the West.

To the outside world and the general population of the Soviet Bloc, the Soviet Union appeared to be in rude health. In 1961, Khrushchev boasted to the West that “we will bury you” and on the surface, this was no idle threat. Between 1950 and 1960 the Soviet economy grew faster than that of any other European country and at a rate that was double that of the United States. In 1964, when Khrushchev was ousted and Brezhnev was installed as Premier, communism had just experienced its peak period of productivity (Skidelsky 1995:2).

However, the truth was more complex. From the 1960s onwards the Soviet Bloc economies began to stagnate and decline and from that point onwards life expectancy began to diverge from what was happening in Western Europe and other developed market economies. This was a trend which, at the time, few people were aware of: in the East it was a state secret while, in the West, the details were unknown (at least for a while) (Cockerham 1999).

By the early 1970s this situation began to change as both infant and adult mortality rates started to increase in the Soviet Union. The rise in infant mortality was short-term (1972-1975) but adult mortality continued on an upward trend. By 1970, life expectancy in the USSR was already four years lower for men and one year lower for women compared with CEE (Marmot & Bobak 2000:1124). Increases in adult mortality led to a fall in life expectancy for Soviet men and this trend was also seen in Bulgaria, Czechoslovakia, Hungary, Poland and Romania (Eberstadt 1994; Cockerham 1999). Not all countries experienced

an increase in adult male mortality rates but, during that period, no CEE country recorded an increase in male life expectancy (Notzen et al. 1998; Shkolnikov et al. 1996). Conversely, in all Western European countries, life expectancy improved significantly between 1970 and 1991 (by three to four years on average).

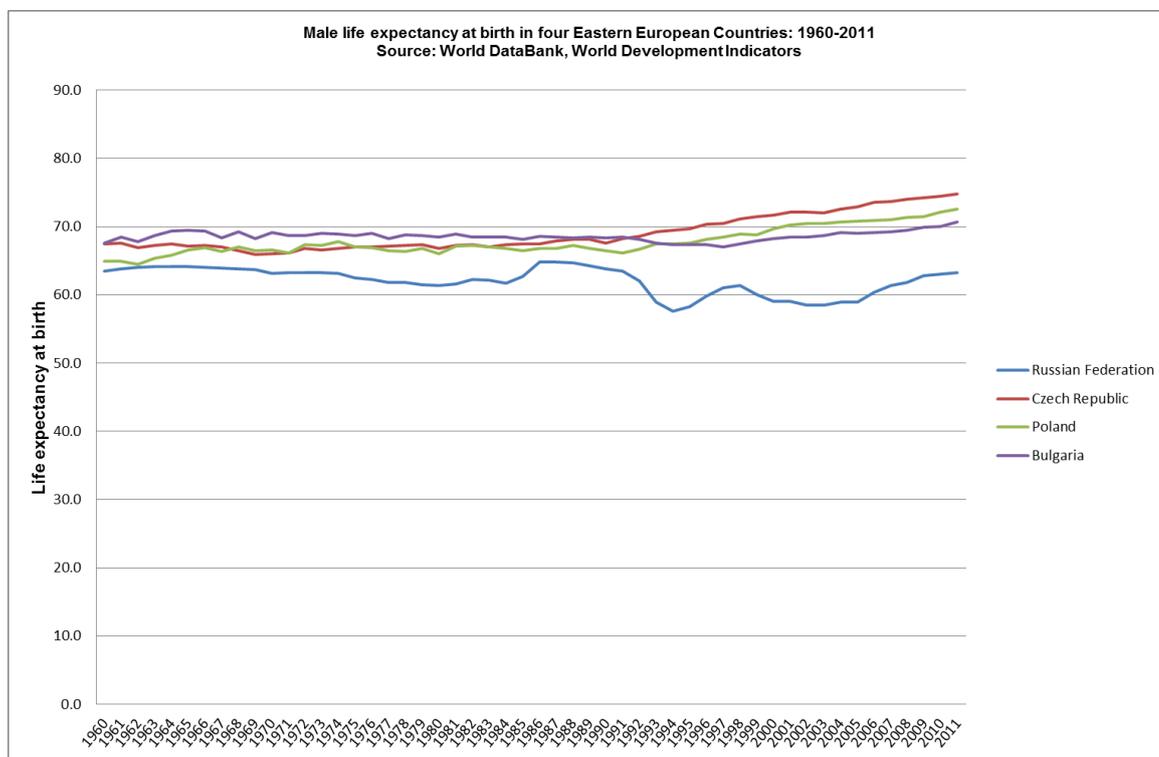
With the collapse of communism in 1989 this negative tendency intensified. The deterioration of health and mortality in CEE became more severe and seems to have arisen for a new set of reasons (Cockerham 1999; Cornia & Paniccià 2000). What was being observed was a new adverse trend associated with the transition that differed from the gradual but enduring deterioration of the 1970s and 1980s. Moreover, this new adverse trend occurred in an era initially marked by high expectations of improvements in living standards (Cornia & Paniccià 2000). Regardless of expectations, the health impact of transition was adverse. As Figure 3.1 indicates, during the early 1990s, male life expectancy at birth fell in Russia (and most other Soviet Bloc countries), stagnated in Poland and Czechoslovakia and, by the end of 1996, was still lower than its 1989 level in Russia, Bulgaria, Ukraine, Romania and Belarus (data not shown for last three).

The longer term stagnation or decline in life expectancy before the collapse of communism seems to have been mainly due to increased deaths from circulatory diseases (ischemic heart disease, stroke and hypertension) and trauma (accidents, homicide, suicide, and poisonings) (Cockerham 1997, 1999; Eberstadt 1990, 1994; Marmot 1996; Marree & Groenewegen 1997; Notzen et al. 1998; Shkolnikov et al. 1996). Yet, while these remained important causes of death during and after the transition, they do not explain what happened after transition as trauma and chronic diseases only accounted for some of the observed decline in life expectancy.

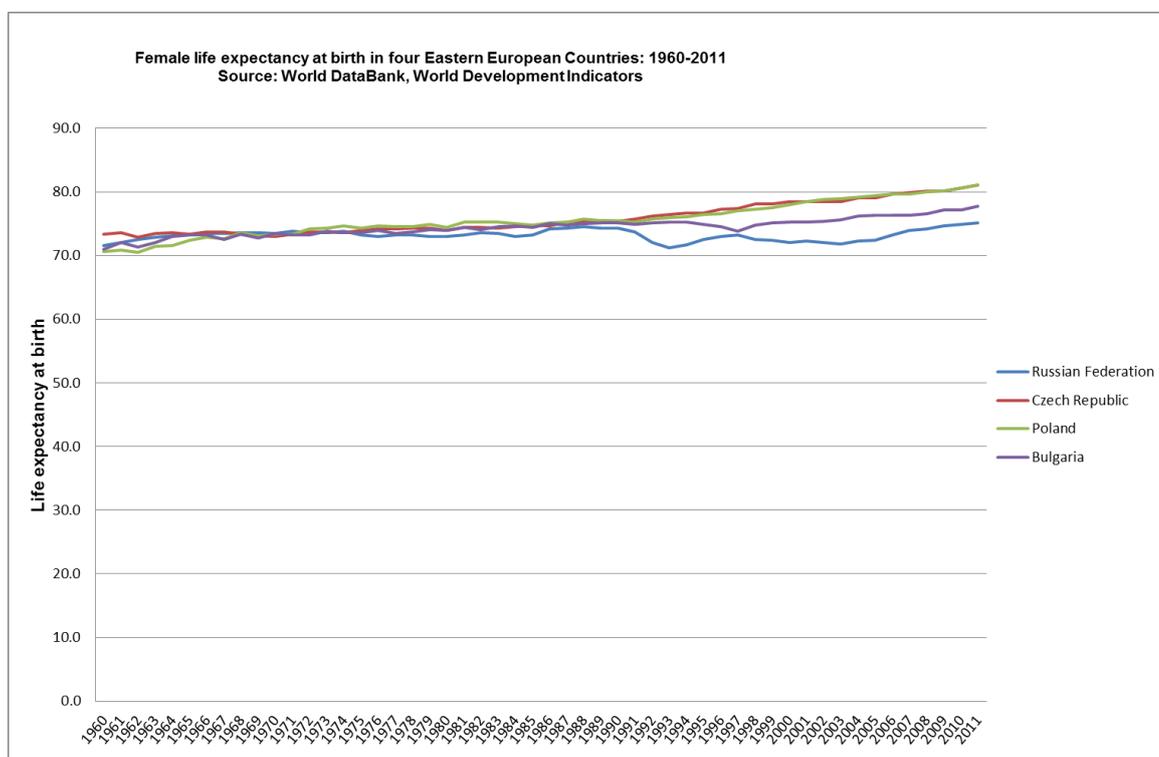
The paragraph above describes an analysis which has now emerged as orthodoxy (Bobak & Marmot 1996; Cockerham 1999; Cornia & Paniccià 2000). However, a more detailed country by country analysis reveals greater complexity and heterogeneity: as Figure(s) 3.1 and 3.2 illustrate, some countries experienced better life expectancy pre-transition and suffered less adverse health

consequences as they experienced the transition from state-socialism to a market economy.

**Figure A.1: Male life expectancy in four Eastern European Countries**



**Figure: A.2: Female life expectancy in four Eastern European Countries**



Poland and the Czech Republic (the host countries for the two CEE regions that will be examined in more detail later in this thesis) do not represent the most extreme examples of the broad mortality trends reported (and now widely understood) for the region as a whole. As Figure(s) 3.1 and 3.2 indicate, any so-called *mortality crisis* attributable to post 1989 developments took place primarily in the FSU and Bulgaria. Indeed, the narrative of improvement, stagnation and then collapse really only fits Russia (and former Soviet states like the Ukraine and Belarus) - although these countries represent a large part of CEE.

By 1997 the life expectancy gap between FSU and CEE exceeded ten years for men and six years for women. By this estimate, life expectancy in the FSU fell by approximately five years over an eight year period. In terms of the developed world, this is perhaps the greatest peace time public health disaster in the modern era (Marmot & Bobak 2000:1125).

### **1.1.2 Explanations for mortality trends**

Many explanations have been offered for the trends described above. First the quality of data has been questioned. However, it is now recognised that the rise in adult mortality in the Soviet Union and CEE is genuine and not a statistical artefact (i.e. as a consequence of improvements in vital registration systems following the collapse of communism) (Eberstadt 1994; Field 1994; Leon et al. 1997).

Some have argued that Eastern Europe had always suffered a shorter life expectancy than Western Europe and that mortality trends were typically behind the West. This so-called 'historical long wave' explanation (Hertzman 1994) gives the impression that Eastern Europe simply needed time to catch up. However, as noted previously, life expectancy in CEE exceeded the West at some stages of their respective developments so this explanation fails.

The standard of medical care has also been suggested as an explanation. There was an institutionalised, geographical and informal inequality in care and provision. Institutionally, the best services and professionals were only available to elite groups. All CEE states had a "hierarchy of medical facilities, access to

which was determined by a person's political, military, or economic role in society" (Cockerham, 1999:22). Informally, bribes and *blat*<sup>56</sup> networks were often utilised in order to obtain good service and treatment. Geographically, the best facilities and best trained professionals were predominantly located in the major urban centres, whilst the worst and least trained operated in remote or rural locales. In the 1990s, during and after the post-transition period, the health and mortality situation remained the same or improved in Poland, Czech Republic and the GDR where health expenditure increased, improving services and increasing the number of interventions particularly in regards to cardiovascular disease (Cornia & Panicià 2000). In spite of this evidence, the judgement of the most informed commentators is that while inadequate medical care needs to be considered it is not a major contributing factor to excess mortality during communism or during and post-transition period (Boys et al. 1991; Bobak & Marmot 1996; Cockerham 1999; Cornia & Panicià 2000).

Pollution was and remains a serious problem in industrialised and mining areas throughout the former Soviet bloc and there is evidence, pre and post-transition, of an increase in respiratory disease, hepatitis, lead contamination and low birth weights (Hertzman 1995; Keep 1995). However, environmentally influenced diseases do not account for much of the considerable regional deterioration and stagnation of adult life expectancy (Hertzman 1995; Watson 1995). In Poland, a wide-ranging study of cancer and mortality established that deteriorating trends in life expectancy should not be attributed to pollution. The report concludes that:

"risk factors other than pollution, such as diet, tobacco use, alcohol consumption, hard living and working conditions, and various socio-political and economic factors, may, in fact, better describe the observed cancer statistics" (Brown et al., 1995:65).

After the collapse of communism, emissions of harmful pollutants declined in accordance with the scaling down of industrial production and the gradual implementation of less polluting technologies. In addition, the move to international market prices for energy and raw materials encouraged a more efficient and less polluting use of resources (Pavlínek & Pickles 2004). So, once

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<sup>56</sup> Blat is a Soviet term used to denote the use of informal agreements, exchanges of services, connections, Party contacts, or black market deals to meet needs or to 'get ahead'.

again, pollution needs to be considered but is not judged to be a major influence on the observed trends.

Although there were shortages of food and consumer goods during communism, food intake was high (Cornia 1994). Moreover, in the context of CEE during communism, income distribution was typically more equitable than in the West. Less inequality might have been expected to lead to lower mortality rates (Marmot & Bobak 2000; Wilkinson 2005). Yet, adult mortality in CEE was significantly higher, which, as Marmot & Bobak conclude: “suggests that their general economic position does not explain the entire difference between East and West” (2000:131). The likely reason is that while economic gradients may not have been large, certain groups were disadvantaged under state-socialism: groups that were likely worst affected by the deterioration in health and mortality experienced in CEE (Cockerham 1999; Cornia & Paniccià 2000).

Infectious diseases have, in the past, also been suggested as a possible cause of mortality trends. However, data indicate that it was not infections but a wide range of chronic diseases (diseases of the circulatory system, respiratory system etc.), cancers and accidents, poisonings and injuries that accounted for the longer term increases in mortality (Haub 1994; Marree & Groenewegen 1997; Okolski 1993; Shkolnikov 1996).

In short, a wide range of possible causes of the relative deterioration in life expectancy in the East have been explored but none has sufficient explanatory power to account for the entirety of the observed trends.

### ***1.1.3 Critical explanations/factors***

The most favoured explanations for the stagnation and deterioration of life expectancy in CEE (and FSU) relate to a range of health behaviours which have been influenced by a number of psychosocial factors which are, in turn, influenced by other (upstream) determinants of health. This argument aligns with ideas about the determinants of health and emergent health outcomes outlined in the introduction to this thesis.

The health behaviours that have attracted most attention are: excessive use of alcohol with a particular pattern of 'binge' drinking; high levels of smoking and tobacco use; a lack of leisure activity; and poor diet. Each as individual risk factors and all in combination are considered to be factors underlying the mortality trends in CEE and FSU before, during and after communism (Bobak & Marmot 1996; Cockerham 1999; Cornia & Paniccià 2000). Of course, the identification of behavioural risks merely begs the question - why did these behaviours become more problematical - what are the causes of the causes?

State-socialism is considered particularly detrimental to health behaviours as it led people to take a passive and often fatalistic approach to their health. This was understandable, as the dominant policy orientation under state-socialism was to endow responsibility with the state as opposed to the individual, and this orientation extended to health. Speaking with regard to Poland, Ostrowska (1997) notes the lack of personal strategies to maintain healthier practices. Although people were aware of the harm done by certain behaviours, their attitudes tended to be fatalistic (Ostrowska 1997 cited in Cockerham 1999).

However, diet, use of tobacco (WHO 1994) or excessive alcohol consumption (Eberstadt 1990; Varavasovsky et al. 1996), although clearly significant factors (Leon et al. 2003), only account for some of the rise in mortality both during and post communism (Cornia and Paniccià 2000). Health-related behaviours are often based on the choices available to people. These choices are affected by age, gender, socioeconomic position and other structural constraints that influence behaviour choice (for example, patterns of socialisation and normative behaviours in the home, workplace and community).

For this reason, psychosocial factors relating to stress, socioeconomic inequality, and health-related behaviours (Marmot et al. 1997; Lachman & Weaver, 1998; van Oort 2005) are considered key factors in the health and mortality trends observed in CEE and the FSU (Shapiro 1994, 1995; Bobak & Marmot 1996, 2006; Hertzman et al. 1996; Cockerham 1997, 1999; Cornia & Paniccià, 2000).

The argument that is being made by these authors is that health-related behaviours and classical risk factors do not provide an adequate explanation for

the excess rates of, for example, cardiovascular mortality: other factors are at play (Hertzman et al. 1996; Bobak & Marmot 1996, 2006; Cornia & Paniccià, 2000). Whilst health-related behaviours clearly contribute to the East-West health gap as proximal factors, the role of social and economic factors are judged to be the more important drivers, even if it is more difficult to establish direct evidence to prove this argument. In addition, those who support or are sympathetic to the 'psychosocial hypothesis' maintain that the effect of a poor socioeconomic situation is mediated by psychosocial factors (Bobak & Marmot 1996, 2006; Hertzman et al. 1996; Cornia & Paniccià 2000; Hertzman et al. 1996; Lachman & Weaver, 1998; van Oort 2005).

According to this hypothesis, socioeconomic dissatisfaction and people's inability, perceived or real, to influence their own circumstances by engaging in political and civil spheres of life find themselves in a situation of relative or perceived deprivation in comparison with, say, the West traditionally, and/or other social groups nationally. A consequence of this may well be an increased tendency to adopt unhealthy behaviours such as excessive alcohol consumption or smoking (Cornia & Paniccià 2000).

In summary, therefore, the Eastern Bloc (dominated as it was by the former Soviet Union) experienced initial improvements in life expectancy followed by stagnation and then slow decline which was overlaid by a more precipitous decline after the collapse of communism. Importantly, different states within the Eastern Bloc experienced variations on this theme and the two countries of greatest interest in this thesis (Poland and the Czech Republic) experienced their own particular trends that will be explored in more detail later. The main purpose of this section is to establish what is now the 'orthodox explanation' for the wider CEE trends in mortality and to note that 'unhealthy behaviours' (in particular alcohol consumption) are influenced by wider determinants of health.

## 1.2 Political and socioeconomic change in Central East Europe: communist to post-communist

The previous section described how, in the last decades of state-socialism, life expectancy stagnated and then deteriorated. Yet, during the 1960s, the Communist project appeared to be on a successful trajectory as both economic output and life expectancy increased. Why did it lose momentum? This is the question that will be discussed in this section.

By the time CEE became absorbed into the Soviet sphere of hegemony in the post-war period, a major social transformation had already taken place in the Soviet Union. The dynamic for this political, economic and social transformation was accelerated industrialisation: Russia was transformed from a largely agrarian society to an industrial nation (Kornai 1980; Lewis 1994; Fowkes 1995; Berend 1996). Joseph Stalin<sup>57</sup> (1878 - 1953) was the architect of these developments and his main organising principle was coercion. After Stalin, material incentives became more important inducements (Zaslavsky 1995) while patronage of the party state became the primary mechanism for redistributing the nation's wealth, with priority given to the *nomenklatura* (leading members of the communist party). The structure of Soviet society was engineered by the state which was a single party state. The Communist Party created a command economy in which a burgeoning military-industrial complex emerged (Spencer 1972). This Stalinist model allowed the Soviet Union to pursue its military and technological objectives and enabled "Soviet society to live with the trauma of industrialisation and to endure the privations Stalin required" (Schöpflin 1993:81).

In the aftermath of World War II, even though many of the countries of CEE had previously looked west rather than east for political, cultural and economic relationships, communism was imposed on CEE and accepted to varying degrees

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<sup>57</sup> Stalin, a minor player in the Bolshevik revolution of 1917, rose through the ranks of the Communist Party becoming General Secretary in 1922. After the death of Lenin in 1924 Stalin utilised and augmented his position to become, essentially, dictator of the Soviet Union. By 1928, Stalin had replaced Lenin's State Capitalism with a highly centralised command economy. He initiated a series of Five-Year (economic) Plans, launching a period of rapid industrialisation and economic collectivisation in the countryside. As a result, the USSR was transformed from a largely agrarian society into a great industrial power and created the foundation upon which the Soviet Union emerged as a global super power.

(Swain & Swain 2003; Bideleux & Jefferies 2007). The post-war aims of the new political order were the imposition of communist party rule and enforced 'modernisation'. As in the Soviet Union, the dynamic for this political, social and economic transformation would be accelerated industrialisation. The key mechanisms for industrialisation were full employment, mass re-settlement, mass migration from the countryside and collectivisation (Kolankiewicz & Lewis 1988:22-23). This Soviet model was implemented across CEE. Pro-Stalinist forces dismissed their national contexts and sought to shape society according to ideological models imposed by the Kremlin. One consequence was that patterns of consumption and the areas of (post-war) reconstruction were wholly determined by the state (Brus 1986).

The Soviet model was inapt in CEE for two main reasons. First, CEE was already in the grip of industrialisation and second, as an entity, the region was socially, economically and politically more complicated. Consequently, after 1945 CEE initiated political systems that contained progressive institutions and which permitted some aggregation and articulation of interests (Kornai 1992). In contrast, Stalinism offered little autonomy and sought to replace local solutions with "a single, homogenised, centrally directed set of imperatives, which sought to eliminate rather than reconcile these variations and this differentiation" (Schöpflin 1993:84). The Stalinisation of CEE meant the adoption of a Soviet style apparatus: state-socialism. Changes impacted every level of society as long established patterns of life were altered and everybody had to adjust to the new status quo.

Stalinism and the establishment of state-socialism in CEE had one further impact: the fusion of public and private spheres (Garcelon 1997). Although less developed and more regulated than the West, CEE did have separate spheres. Stalinism and state-socialism colonised and merged both spheres as a way to maintain and enhance control. This included the family which, like all other institutions, was expected to serve the state:

"Society and polity, whether as individuals or as groups, were to be as far as possible wholly insulated from alternative and thus deviant values, whether these were pre-existing or non-Soviet. All unsanctioned values were to be extirpated and replaced by the new value system of Marxism-Leninism" (Schöpflin, 1993:89).

When Stalin died and Nikita Khrushchev<sup>58</sup> (1894 - 1971) denounced him and his legacy in his 'secret speech' of 1956<sup>59</sup>, all the CEE economies sought to relax and reform their respective systems. The 1960s saw decentralisation, firm accountability, increased labour incentives and some shift toward real or market prices (Brus 1986). The result was improved living standards and social mobility (Lovenduski & Woodall 1987:141-142) but the state still controlled travel, education, and employment; marginalised and punished dissent and fostered narrow careerism. Above all, the state systematically penalised independent thought (Maier 1991).

In short, state-socialism in CEE was economically successful (at least for a time) but went against the grain of diverse CEE national cultures and tended to be authoritarian and inflexible. As such, there was divergence in the extent to which it was accepted, tolerated, or rejected by the populations of different states (Kornai 1990, 1992; Schöpflin 1990, 1993).

The Hungarian Uprising of 1956 (an armed rebellion) and the Prague Spring of 1968, (a peaceful revolution sparked by the top-down innovation of reform-minded elites) (Smolar 1996:24), provided evidence of the tensions within CEE and were both suppressed by force. Both were motivated by a desire to remain within state-socialism but deviate from the model prescribed by Moscow. Both had sought to introduce liberalisation and democratisation within a framework of Marxist-Leninism. In both cases, Moscow intervened with military might (Fowkes 1995; Berend 1996).

By the end of the 1960s, the Soviet leadership retrenched into "a reflex of centralisation, (and) retreated back to the safe ideological priorities of central planning" (Maier 1991:43). The Brezhnev doctrine<sup>60</sup> was clear. The USSR would

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<sup>58</sup> Khrushchev as First Secretary of the Communist Party of the Soviet Union was able to consolidate a position of power becoming 'Premier' in 1956.

<sup>59</sup> In February 1956, Khrushchev made a secret speech to the 20th Party Congress, denouncing Stalin. The speech initiated a campaign of partial 'de-Stalinisation' and encouraged people living in CEE to believe that there was some scope for independence from the Soviet Union.

<sup>60</sup> This doctrine was declared to retroactively legitimate the Soviet invasion of Czechoslovakia in 1968 that ended the Prague Spring, along with earlier Soviet military interventions, such as Hungary in 1956. These interventions were meant to put an end to liberalisation and reform efforts that had the potential to compromise Soviet hegemony.

not remain passive in the face of 'anti socialist degeneration'. This explains the homogeneity in the subsequent development of CEE countries. The result was poorly realised reforms that proved insufficient to halt a growing deterioration which manifested itself in production bottlenecks, the stagnation of consumer goods production and internal conflict. However, propitious external circumstances in the form of Western demand and cheap commodities from COMECON<sup>61</sup> ensured the economies of CEE did not completely stagnate until the mid-1970s and 1980s (Brus 1986).

The fundamental problem was that the system was neither equitable nor efficient. The result was economic stagnation and social conflict arose as the public proved unwilling to reduce consumption or accept inflation. Yet, the reforms needed to avoid such a situation conflicted with the imperatives of the centralised planning apparatus. The elite, who ran and depended on the apparatus, sought to protect their status and therefore failed to implement the necessary reforms (Lovenduski & Woodall 1987).

The economic pressures of the 1970s<sup>62</sup> resulted in rising energy costs and inflationary pressures in all oil-dependent industrialised economies, both east and west. In the West, this led to technological adaptations and advancements: in short, Western industrial economies restructured, albeit painfully at times. These same forces led CEE states to accept Western credits in order to postpone the destabilising forces of structural reform and immediate economic decline. This created a contradiction that undermined state-socialism in CEE, as Maier explains:

“Party leaders (had) embarked on a staunch effort to save or resurrect as much centralised planning as possible. But this was a strategy that could work only in isolation from the West. Yet, at the same time, each country became more involved in world markets, if only by virtue of the Western loans they contracted to give central planning a new lease of life” (Maier 1991:43).

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<sup>61</sup> The Council for Mutual Economic Assistance (COMECON) was an economic organization comprising the countries of the Soviet bloc along with a number of communist states elsewhere in the world.

<sup>62</sup> In particular the oil price crisis that followed the Arab Israeli War.

State-socialism was, it appeared, unable to adjust. Surplus labour in the countryside and the capital resources amassed before the introduction of communism had previously sustained it but these had been exhausted by the early 1960s (Schöpflin 1990:5). Success had depended upon a stage of industrial development based around large productive units and heavy industry (Fordism - assembly lines methods, mechanisation, and repetitive and intensive labour - had been pursued as much as it had in the West). However, the Western economies were embarking on a shift from the old industrial base to new competitive industries which CEE seemed unable to follow. The system of centralised planning suited maintaining a mono-industrial structure that, it soon became clear, would struggle to adjust to the challenge of the increasingly globalised world market<sup>63</sup>.

To summarise, the command economies of CEE failed to keep pace with the West and began to decline in absolute terms but their governments sought to resist the structural and cultural shift that would have been needed to respond effectively. In many cases, to maintain acquiescence, the state spent reserves on Western consumer goods to be made available in shops. However, the artificial improvements in living standards were unsustainable and as a result the economies worsened. The shortages of goods and services and the ongoing deterioration in the economy led to widespread discontent (Kornai 1992).

As it had in agriculture, CEE sought to expand the proportion of workers in its heavy industry sectors: the party state needed to maintain the illusion of full employment. The Soviet Bloc could not persist as an enclave. It had based its ideological legitimacy on its performance in relation to the West and it was now failing (Firkowska-Mankiewicz et al. 1990; Maier 1991). Moreover, the populations knew this was the case because ties with the West were too extensive to be closed. As Maier concludes:

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<sup>63</sup> It is worth noting in passing that state organised strategies to protect the old industrial regions of the West usually suffered a similar fate. This, of course, is a politically contentious observation but there is no doubt that many of the arguments for market-led solutions in the West gathered strength from the failures of Eastern Europe.

“the Communist claim to political and societal leadership could no longer be sustained in view of the developmental deficit that had to be remedied...by the 1980s, the continuing afflictions in the East testified to the pathology of communism” (Maier, 1991:50)

Yet, the unproductive and increasingly impotent nature of state-socialism in CEE was concealed for a long time - mostly through denial. Political leaders disregarded popular concerns in favour of militarisation and industrialisation: this afforded the population little or no political agency (contrast this, for example, with the demands baby boomers placed on western political elites and the state). Party elites failed to counter political and social pressures, tensions and conflicts. They did not formulate coherent policies, reforms and strategies. The result was an internal and external crisis of legitimation (Ekiert 1991). Grievances accumulated which precipitated the emergence of collective protests that would ultimately expose the structural deficiencies of state-socialism and the inability of party elites to institutionalise reform.

Internally, decisions were increasingly based on pragmatism rather than ideology. This created a crisis of legitimacy as it became evident that the impetus of rule was little more than the maintenance of power. The stated objectives and goals of state-socialism were now secondary goals, if goals at all. As Schöpflin explains:

“The parties were effectively caught in a trap of origins. They claimed to rule in the name of the Marxist revolution by which they had initially seized power and this was neither negotiable nor convertible to any other kind of power, one legitimised by elections, for example. Nor could it be bargained in any way, for any attempt to argue that the initial revolutionary impulse was no longer valid would immediately question the entire basis of the regime”. [1993:160]

Soviet leaders had created a false identity. They claimed to rule in the name of the proletariat yet, in reality, the system was a bureaucratic oligarchy. In this context, the elites faced the increasingly difficult task of maintaining legitimacy while resolving forces arising from demands for representation and a distribution of power.

The legacy of the Brezhnev era, when detente ceased in light of the invasion of Afghanistan and the command economies stagnated, could be seen to mark the beginning of the end. However, this would be a myopic view. The crises of state-

socialism, as has been argued above, developed much earlier. The events of 1958 and 1968 had, in hindsight, defined the limits of state-socialism in a CEE context. In reality, conflict and disenfranchisement had always been features of state-socialism within CEE. It is simply that the 1970s and beyond saw a widening and deepening of these feelings within a context of economic decline and increasing outside influence.

Although from the 1970s economic decline was the most proximate cause of the crisis in state-socialism, its most salient manifestation was the growing disconnect between the party-state and the population. The state's loss of authority and de-legitimation was replaced by a resignation to a status quo often defined by distributive injustice and a broad dissatisfaction with material well-being. By the end of the 1980s state-socialism in a CEE context was no longer capable of self-production (Schöpflin 1990:5).

In 1989, the swift collapse of party-states in CEE marked a tipping point: the conclusion of ongoing economic, social and political decline and the removal of Soviet imperial will (Ekiert 1991). With varying degrees of urgency and conviction, the countries of CEE, entered a period of transition (Schöpflin 1991; Holmes 1997; Lewis 1997). The term 'transition' has been widely used to represent, what was ostensibly, a planned transformation from command economies and one-party states to market economies and western-style democracies (Elster et al. 1998). The collapse of communism and the end of state-socialism in CEE saw the emergence of new democratic governments keen to implement programmes of reform. The goal was to replace the stagnating command economies, characterised by state ownership and central planning, with market-based economies founded upon private ownership (Ekiert & Hanson 2003). The impact was immediate and often dramatic, characterised as Ekiert notes:

“by the rapid disintegration of existing political institutions, the further aggravation of economic dislocations, the proliferation of various political movements breaking into the political arena and the establishment of transitory power arrangements in which opposition forces acquired varying degrees of access to the official political process and institutions” (1991:287).

One important consequence was that social conditions deteriorated across the region. In CEE, GDP decreased markedly, state-owned enterprises collapsed, and the paternalistic system of social protection was, to a significant degree, dismantled. Unemployment, whether created or made explicit, once again became a feature in a region where it had previously been masked. Increases (often rapid) in inflation eroded already meagre living standards. The removal of state subsidies led to dramatic increases in rent and utilities. Health care facilities and educational institutions, already disadvantaged by the legacy of state-socialism, were often unable to function under the new cost-accounting frameworks. The outcome was dramatic. Several million workers lost their jobs and increases in poverty rates and income inequality resulted in large swathes of the population subsisting below the poverty threshold (Deacon 2000; Cerami 2006, 2007).

No longer able to command the economy for public expenditures, the countries of CEE sought to implement new revenue raising policies: payroll taxes, corporate taxes, personal taxes and value added taxes were established in most countries by the mid-1990s. However, as a consequence of structural deficiencies and cultural norms, tax evasion and poor tax collection were common place. Accordingly, there were cutbacks in producer and consumer subsidies on energy, housing, food and much else. In addition, public sector wages were eroded by inflation. Conversely, social protection expenditure increased (as a percentage of the total) primarily due to unemployment benefit and pensions (exacerbated by the policies of early retirement) (Cerami 2008).

The transition from state-socialism to capitalism was unprecedented for three reasons, as King observes:

“It was the first where there was no class of private proprietors, and it was the first where capital accumulation had already taken place on a huge scale. Crucially, in most cases industrialisation was obsolete and inefficient from a global perspective” (2008:1)

For the transition to be successful, there had to be a strategy to create a new socioeconomic order oriented towards capitalism (and the West, in the case of potential EU candidates). King goes on to state:

“This would be a massive exercise in social engineering, as large as any attempted, including the Stalinist period of industrialisation and collectivisation. Not surprisingly, different ways of transforming private property had different political, economic and public health consequences” (2008:1).

The collapse of Communism coincided with the rise of neoliberalism, as advocated in the U.S. by President Ronald Reagan and in the U.K. by Prime Minister Margaret Thatcher. Neoliberalism prescribed a transition from command to market economies and the ‘road map’ for such a transition was articulated in the so-called ‘Washington Consensus’. The term ‘Washington Consensus’ refers to an orientation towards neoliberal policies that was influential among many mainstream economists, politicians, journalists and global institutions like the International Monetary Fund (IMF) and World Bank. In a CEE context, it meant a combination of shock transition and macroeconomic stabilisation, both of which were considered necessary to remedy the macroeconomic imbalances present in most state-socialist economies (namely, disparity between supply and demand, trade deficits and high levels of foreign debt). According to the doctrine of the Washington Consensus, as it was applied to CEE, a programme of stabilisation, liberalisation, privatisation and restructuring was required (Gabrisch & Hölscher 2006).

The transition economies of CEE were vulnerable to inflation. Therefore, stabilisation was critical if market mechanisms were to function. Liberalisation of the economic sphere was also necessary, particularly in light of the failures of state-socialism. Some aspects, such as freeing prices and creating space for economic enterprise, were essential and widely welcomed. Other aspects, such as wage restraint and open and free trade, were less welcome due to their disproportionate impacts on certain elements of society and sectors of the economy. Privatisation was a critical element of the Washington Consensus for it was viewed as a fundamental element of a market economy. The belief was that the creation of a private sector would result in the emergence of ‘correct’ economic incentives and would facilitate the removal of the state from economic life. Structural change, such as the creation of new institutions, would be more difficult for, unlike the other elements, it is costly and time consuming (Roland 2002).

The free market emphasis of the Washington Consensus came to typify the neoliberal approach to post-communist transition. As Blazyca states:

“It set broad parameters on policy choice even if the detailed experience of countries across the region showed particular solutions could vary a great deal, a feature especially noticeable in privatisation. But what it did most forcibly was to foreclose any more ‘statist’ approach to post-communist reconstruction” (2003:216-17).

Two options were available to transform communist economies wishing to establish a market-led economy and secure integration into trans-national institutions, such as the European Union (E.U<sup>64</sup>), and the global economy. There were the, so-called, radicals who supported an immediate transition to a market economy and the, so-called, gradualists who recommended gradual change on the grounds that it would bring better economic results and avoid the social dislocation often associated with immediate transition.

The more radical approach was popular and had an immediate and dramatic effect on the post-communist countries. Thousands of companies previously orientated towards the Soviet and COMECON markets were now competing with Western firms who often had more finance, greater experience and more advanced technology. As trade shifted West (approximately 90 per cent within the first two years), enterprises often laid off staff or shut down completely. Simultaneously however, liberalisation and privatisation opened up space for whole new enterprises. This was most discernible in the previously under-developed consumer sector. As Orenstein notes:

“In Warsaw, Gdansk, and Sopot, kiosks arose selling all manner of goods on main thoroughfares and in marketplaces. Shops began to transform themselves from dingy operations to glitzy Western palaces of consumption... launching entirely new patterns of consumer behaviour and choice” (2009:5).

CEE countries were also keen to attract and promote foreign direct investment (FDI) which required liberalisation and deregulation in order to ensure free movement of capital and profits. Securing foreign investment was a critical

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<sup>64</sup> Functioning market economy was a precondition to E.U. accession. Privatisation was considered critical in establishing a competitive enterprise sector and financial sector in CEE.

element of economic strategies in CEE since it stimulated economic growth and increased capital, productivity, employment, innovation and technology transfer. Foreign exchange was vital to secure imported industrial inputs and imported consumer goods. Typically, FDI was attracted to successful export industries, providing important foreign currency for the CEE countries (Nowak & Steagall 2003).

The rapid transformation of CEE and FSU created many opportunities for enrichment. Chief amongst these were those who were able by corrupt means to exploit the system and the entrepreneurs who made fortunes trading consumer goods or transformed ailing state enterprises. Importantly, these same forces also caused massive social dislocations, particularly among more vulnerable populations. As Orenstein concludes:

“While neoliberal economists and politicians promised a quick recession, the transitional recession in CEE proved much more long-lived. According to the European Bank for Reconstruction and Development, in 2002, twelve years after the start of transition, most post-Communist countries had not returned to their 1989 levels of economic output” (2009:6)

There is some consensus regarding the correlation between transition and its social impact (e.g. Cornia & Panizza 2000), but different conclusions are reached as to whether it was failures in the procedures of reforms or their inadequacies or incorrect application that caused the social costs (Ionita, Mandruta & Pippidi, 2000:2). What is certain is that the socioeconomic vulnerability of various social groups increased significantly during and after the transition period. In addition, a great number of people were exposed to processes of social exclusion including the intensification of social borders based on ethnic, cultural and religious differences and discrimination due to age, sex and wealth (Musiolek 2002).

Although some forms of disparities existed under communism and were accepted for various reasons (see Milanovic 1998) the transition to market economies revealed existing and created new inequalities within post-communist societies. As with the establishment of state-socialism, winners and losers emerged. Spatial and social inequalities were exacerbated and material inequality increased. This is important, for access to vital services such as health and

education in CEE was increasingly determined by the market. The prolonged economic downturn, high rates of unemployment and income inequality all contributed to feelings of frustration, disenfranchisement, and mounting political and social tensions.

In summary, this section has shown that, in the aftermath of World War II, communism was imposed on CEE even although many of the countries of CEE had previously been aligned with the West rather than East. Initial economic success concealed profound societal tensions and in time, the contradictions within the system made the economy inefficient and inequitable. As a result, the legitimacy of party elites came under a strain that would finally snap. Finally, under neoliberal western influences the movement to a market economy following the collapse of communism was rapid and caused considerable hardship.

### **1.3 Pattern of privatisation in CEE**

This section will examine the impact of privatisation on CEE with a particular focus on Poland and the Czech Republic.

#### ***1.3.1 Shock therapy***

After the collapse of communism the economies of CEE began a dramatic transition (Bradshaw & Stenning 2004; Hamm, King & Stuckler 2012) and a key element of the change from command to market-based systems was privatisation. For the purpose of this thesis the important point to note is that this historically unprecedented change was accompanied by dramatic deindustrialisation. As Kuttor and Hegyi-Kéri note:

“the crash of the markets within the Council of Mutual Economic Assistance, the non-realisation of investments, the lack of competitiveness, the unfavourable sectoral structure and the economic slump in Western Europe led to a marked decrease in industrial output” (2012:292).

In short, CEE went through a period of deindustrialisation which makes it analogous, up to a point, with what happened in West Central Scotland.

For several years leading up to the mid-1990s Poland and the Czech Republic (along with other countries in the region except Hungary) experienced economic decline. This decline manifested itself in indicators like 'industrial value-added', GDP, incomes and unemployment. These deteriorations can be linked to structural problems that preceded the collapse of communism and the paths selected towards privatisation. Importantly, the degree and duration of economic dislocation varied according to the intensity and speed of change (Frydman, Rapaczynski & Earle 1993; Dabrowski et al. 2004) and the consequences varied from country to country depending on the prevailing political environment, the degree of adaptability of economic agents and cultural differences (Bennet, Estrin & Urga 2007; Giannaros 2008; Hamm, King & Stuckler 2012).

The Washington Consensus dictated privatisation and the introduction of market forces rather than the exploration of other means by which the economy might be restructured (Megginson & Netter 2001; Blazyca 2003; Gabrisch & Hölscher 2006). Kornai (1990), for example, argued that for real competition to exist between privatised firms, it was essential that the entrenched monopoly positions of state-owned enterprises should be eliminated before going to market. As highlighted previously, once this primary goal was agreed, two options were available: the radical approach commonly referred to as 'shock therapy' and a more 'gradual approach'. As discussed, the radical approach involved immediate and widespread economic system changes, including removal of price controls, elimination of most regulations and significant privatisation of industries and enterprises. The gradual approach introduced the same set of economic system changes but much more slowly. The argument for shock therapy was that, without a rapid transition to a market-based economy, less efficient systems would become entrenched. Also, the immediate transfer of ownership would allow new private market orientated owners to perform any necessary restructuring (Marangos 2003; Dehejia 2003; Alam et al. 2009).

Others, although in favour of prompt transition, believed this was not possible and, therefore, advocated a gradualist approach. In short, the argument for gradualism was pragmatic. For example, Roland (1994) argued that political constraints dictated the need for a gradual approach for two reasons. First, privatisation necessitated redistribution and this was likely to be contentious

and met with public and political opposition, and second, entrenched sectoral interests were likely to promote or prevent policies that were sensible economically. Burawoy (1996) argued that a radical approach would lead to asset stripping rather than investment and create economic winners who would exploit emerging opportunities (see also Aslund 1999).

Advocates of both approaches agreed upon certain objectives of the transition, such as the creation of competitive markets and of incentives for firms to respond to market signals. The introduction of flexible price structures through the stabilisation of the macro-economy was also seen as important by both sides of this debate. Institutions to aid stability in the transition were considered to be essential and it was argued that they should protect property rights and prevent so-called *rent-seeking* from pressure groups (Roland 2000). In short, both positions considered the market to be the solution to problems, including social and environmental problems (Scricciu & Stringer 2008). It is important to note, however, that with hindsight, radicals made one significant concession: “institutions and other initial conditions mattered more than they had previously acknowledged” (Hamm, King & Stuckler 2012:298). Radicals never regarded mass privatisation as detrimental and argued that countries are “better off after the flawed privatisations they carried out than they would have been had they avoided or delayed divestiture” (Nellis 2008:81).

Privatisation was not merely a means of generating private ownership: it was also a policy mechanism by which certain economic aims could be achieved. These included the generation of private enterprises; intensification of market forces and competition; facilitation of a fit and functioning market economy; reduction in state intervention; establishment of new management and organisational structures; increased efficiency and productivity; balanced budgets; raised revenues and the attraction of inward investment (Blommestein, Geiger & Hare 1993). Privatisation also diffused control from the state to other interests. The transfer of ownership, rights and power would weaken any remaining legacy of state-socialism and marginalise any Nomenklatura that might remain in public office or state employment. It would also create a constituency for the market transition and prevent asset stripping. In short,

privatisation would remove the structures of state-socialism and obstruct their reinstatement (King 2007).

In the event, the transformation proved to be both demanding and risky. Extensive economic resources were reallocated, change was required in the management of resources, technology, employment and pricing and financial systems and economic institutions were indeed transformed. However, the dislocations that accompanied the transition also resulted in a loss of productivity, income and employment and the socioeconomic conditions of the populations expected to endure these changes were compromised (at least in the short to medium-term) (Cornia & Panicià 2000; Orenstein 2009).

In normal circumstances, such a transformation would have been unpopular and might have been expected to encounter resistance from special interest groups and the general population. However, when communism collapsed, many of the groups that might have been expected to mount resistance were in disarray (Cerami & Vanhuyse 2009). Having made this point it should be noted that some lobby groups did emerge later. Moreover, the popular goodwill gained from new political freedoms and independence meant the population was more open to change and people were accepting of the associated cost (even if they did not wholly understand what was going to unfold). These circumstances provided a window of opportunity for what Balcerowicz described as the 'period of extraordinary politics' (Balcerowicz 1994).

### **1.3.2 Poland: 'shock therapy' and privatisation**

In 1990, Poland implemented a programme of shock therapy. The first objective of the 'Balcerowicz Plan' was to address macroeconomic concerns regarding the budget deficit, inflation, foreign exchange reserves and foreign debt. The view was that issues concerning economic efficiency were complex and time-consuming and should therefore be concluded at a later date. As a result, shock therapy was implemented to foster macroeconomic stability and promote liberalisation, while institutional changes (including privatisation) were carried out more gradually (Baltowski & Mickiewicz 2000:426).

In July 1990, Poland introduced legislation to begin privatisation. Privatisation, it was believed, would secure foreign investment and/or create a new property owning class with a stake in maintaining and developing the economy. Out of this arrangement would emerge competitive firms and sectors. The legislation set the road map for the transition and a Ministry of Property Transformation was established to oversee the process (Smit & Pěchota 1994:120). However, among the state and their advisers (both foreign and domestic) there was no solid consensus regarding the course of privatisation nor was there a clear programme of reform put in place to facilitate the process (Baltowski & Mickiewicz 2000:426).

Essentially, the modes could be grouped into two categories. 'Equivalent' privatisation meant that the enterprise was sold on the open market for its real value and was considered more likely to create businesses that could flourish on stock markets. 'Non-equivalent' privatisation involved a transfer of resources at below market value and was often used to make forms of employee or mass ownership of shares possible. The non-equivalent schemes received popular support because they were seen as egalitarian (Baltowski & Mickiewicz 2000) and employee ownership schemes were strongly supported by union activists in major industrial sites. As Baltowski & Mickiewicz explain:

“It was argued that those demands were justified historically (the contribution of the Solidarity trade union to the abolition of the communist system) and it was also believed that preferential terms granted to the work force would ensure vital social support for privatisation as well as other structural reforms” (2000:427).

In other words, the non-equivalent schemes provided a social solution for the social costs incurred by those enduring the transformation.

Those who supported the Washington Consensus were wary. They argued that such measures would curb the development of a market economy and consolidate a legacy of state-socialism resulting in the perpetuation of businesses that were unproductive and inefficient. Moreover, the collective ownership of shares (a critical feature of employee ownership plans) would be a barrier to the development of a capital market with a strong stock exchange. These advocates wanted a system where financial considerations were

paramount in all investment decisions. The key point to make is that the choice between equivalent and non-equivalent privatisation was a political one: “a choice between different social groups that would obtain economic gains” (Baltowski & Mickiewicz 2000:429).

Initially, Poland tried to pursue equivalent privatisation and sought to sell firms on the open market. However, there were far too few investors and inevitably the state retained majority ownership. The next strategy was to secure single western buyers or foreign direct investment (FDI). Typically FDI was pursued via a closed tender negotiated between the government and foreign investors (King 2008). This practice proved controversial with many critics asserting that firms were being sold below their perceived real value in return for personal reward or to ingratiate the State elites with their western counterparts. Yet, this strategy was only adopted because there was a real difficulty in securing the perceived market value of the businesses for sale. The problem was that the real value of these businesses was obscured under the previous system. This is a problem with which all CEE countries had to contend (Berg 1994:177).

The Solidarity government of that period then afforded Deputy Prime Minister and Finance Minister Balcerowicz the space to implement his neoliberal policies. The effect was certainly ‘shocking’. The fall in Polish output was immediate and rapid, far exceeding what was expected. According to projections, GDP in 1990 was expected to fall by 3.5 per cent and then recover strongly in 1991. In fact, it fell by 11.4 per cent in 1990 followed by a further 7.4 per cent in 1991. As Bauman concluded:

“Neither the workers of the communist built industrial dinosaurs, nor the state-tied farmers, got what they bargained for, but they got much which they did not bargain for (including mass unemployment and the cancellation of state credits)” (1994:22).

The willingness of Solidarity to pursue neoliberal policies, given their syndicalist roots, is surprising. The fact they eschewed the ‘managed capitalism’ more typical of continental Europe for the ‘market capitalism’ of the Anglo-Saxon model demonstrates the pervasiveness of neoliberal thinking, particularly in a context previously characterised by excessive state intervention and centralised institutions. The choice also alluded to the unequal power relation between

donor and recipient which, in this case, was the western international community and the nascent transitional governments of CEE. The conditionality of EU accession and IMF and World Bank assistance is typical of these relations at the time (Grabbe 1999).

Despite this, by the end of February 1992, only 407 enterprises had been privatised just 5.3 per cent of firms in the state sector (Price Waterhouse 2003). Sectoral interests, particularly in heavy industry, (such as politicians and trade union leaders looking to maintain their constituencies and political capital) effectively lobbied against privatisation. Instead of mass privatisation and radical restructuring, they were concerned with maintaining the state-owned sector and securing preferential government treatment for chosen enterprises or sectors. Moreover, the social costs of the reform (high inflation and unemployment) were becoming increasingly apparent. From 1994 to 1996, the Democratic Left Alliance, incorporating the former Communist Party and the Peasant Party, were in government and plans for privatisation were stalled. The government was forced to make concessions and trade union and employee interests were effectively bought out by increased privatisation rewards in return for self-liquidation (Iankova 2002:107).

The Polish 'mass' privatisation scheme, years in the making, finally came into effect in 1995. The scheme relied on fifteen government appointed National Investment Funds (NIFs). The NIF legislation formed the basis for the mass privatisation programme. It afforded every Polish adult the opportunity to acquire a stake in national assets for a nominal fee. The programme was designed to accelerate privatisation whilst simultaneously providing capital for future restructuring (Błaszczuk & Woodward 1999:8). Experienced foreign institutions played an important part in the management of these funds and the World Bank provided funding for administration. The Poles pursued this policy believing good governance was as important as privatisation. They also understood that faster privatisation could speed integration with the EU and also facilitate structural reforms (Błaszczuk & Woodward 1999:20).

After the elections of 1997, the ruling coalition was defeated by a new government of free market fundamentalist and conservative nationalists. The new government committed itself to accelerated privatisation and to lifting

limits on previously restricted sectors. Parallel to this programme, the Polish Government started preparations to privatise the country's telecom system and large banks. Ultimately, direct privatisation in the form of management employee buyouts or leases proved to be the most common form of privatisation (Ellerman 1998).

In spite of the various means of privatisation available, the pace of privatisation in Poland was relatively protracted. This was due to a lack suitable people to whom assets could be sold: the legacy of state-socialism was a 'private sector' inhabited by artisans, small traders and farmers all of whom were under-resourced and therefore unable to take over state enterprises (King 2007). This led to a context in which those with any economic capital were at an advantage. In essence, their capital was converted into a 'non-equivalent' share of national assets, thanks to its low market price. In 1995, Guzek estimated that the supply of assets to be sold totalled approximately \$100 billion, against a demand of \$10 billion (1995:156). Consequently, equivalent privatisation was in effect non-equivalent with preference being afforded to existing owners of financial resources. This was problematic because this group typically comprised of (1) former nomenklatura members, (2) participants in the so-called shadow (i.e. illegal) economy, or (3) representatives of the old, licensed, private sector, many of whom were directly linked to the former communist power structures (Baltowski & Mickiewicz, 2000:429). This, in turn, led to a situation common throughout CEE and FSU, where:

“This reallocation of property rights is regarded as unjust by broad segments of the population, because the acquisition of competence, information and assets by former members of nomenclature is not perceived as legitimate” (Brucker 1997:103).

In summary, therefore, Poland did employ 'shock therapy' in as much as it rapidly liberalised and marketised its economy. However, privatisation progressed more slowly and was only achieved after several failed attempts.

### **1.3.3 The Czech Republic's 'mass privatisation'**

In the Czech Republic privatisation was implemented as a mixed programme of radical (shock) and slow (gradual) processes. This is important because these

two are sometimes presented as a dichotomous choice. Thus, the programme of 'mass' privatisation was executed via a range of means: small enterprises were sold via auctions; some property was returned to its original owners and foreign investors acquired some major plants. The main practice however was voucher privatisation (Jeek 1997).

In 1992, all Czech citizens were invited to purchase, at a nominal price, a book of stock shares or '*points*', which could then be invested in company shares. This was a mass distribution of property rights to the Czech population for a nominal fee. The Czech elite, through the adoption of the voucher system, hoped not only to enfranchise the population but also to break one of the legacies of state-socialism (namely state-dependence) and introduce the market concepts of risk, profit, and ownership. In short, they believed attitudes could be reconstructed and redeveloped. Voucher privatisation offered the state the opportunity of "renewing the people's ability to look after their own assets" (Ministry of Privatisation report on the privatisation process in McMaster 2001).

This Czech approach to privatisation was launched in 1992 and completed by 1995 and, although there were critics, it was regarded as successful. Moreover, it was popular: there were high levels of participation and its proponents enjoyed electoral success (especially Czech Prime Minister, 1992-1997 Václav Klaus). Part of the idea was that the voucher scheme would prove popular, providing legitimacy for market-based reforms and, therefore, affording the government enough time to privatise. *The Economist* described the Czech path to privatisation as a "march to a free market system with panache" (19<sup>th</sup> April 1997). By 1995, only ten per cent of all large and medium-sized enterprises remained state-owned in the Czech Republic. In Poland the figure was approximately 54 per cent (World Bank 1995). Klaus himself, who as Finance Minister and then Prime Minister had been critical to its implementation, referred to it as a "small miracle", that had facilitated a:

"very quick, very successful, relatively painless and non-confrontational transition from communist society to a free and open society and market economy" (Lidové noviny 18 June in McMaster 2001).

With hindsight, it can be seen that there were problems with the Czech programme of privatisation. The main problem was that, in practice, the voucher system was not particularly inclusive. Quite quickly, investment funds and banks, predominantly controlled by the state, purchased the majority of citizens' vouchers. In 1997, eighty per cent of all shares were owned by nine investment companies, of which seven were owned by state banks (McDermott 1997). The Czech Ministry of Finance report on capital markets was a case of self-criticism, stating:

“The investment funds made the process of finding real owners of companies difficult. They obstructed the restructuring and revitalisation of the Czech economy and prevented the progress in increasing labour productivity and restarting economic growth” (reported in *Ekonom weekly* No.45 in Williams & Balaz 2000:96).

The report also noted that a lack of regulation and oversight in the capital markets facilitated the dubious and often illegal actions that enriched fund managers at the expense of minority shareholders, stating that:

“Privatisation created space for those people who are interested in personal profits, at any price. Those who organised the privatisation process did not take into account the advice given by lawyers and international experts with respect to supervising the property redistribution. By now, we (the public sector) are lagging behind the aggressive class of new owners, who do not respect any of the rules commonly applied in the modern world” (*Ekonom Weekly* 1997 in Williams & Balaz 2000:96).

The outcome, notes Ellerman, was a: “two-sided grab-fest by fund managers and enterprise managers...accompanied by drift, stagnation and de-capitalisation of the privatised industrial sector” (1998:11).

In the autumn of 1997, it became apparent that the ruling Civil Democracy Party had accepted millions of dollars from ‘unknown sponsors’ to support electoral campaigns: in effect bribes to ease the acquisition of attractive enterprises. The scandal led to the resignation of the Klaus government and new elections. As it transpired, the main opposition party, the Social Democrats, had also been offered ‘sponsorship’ from a group of Czech-Swiss entrepreneurs if, on winning the next election, they secured privileged access to privatised companies. This kind of controversy stirred public condemnation.

The voucher system had, it appeared, been a means to consolidate state control. This persistence of state control removed any urgency for enterprises to restructure. As a result, the Czech Republic avoided many of the social costs associated with rapid restructuring, preferring to delay adjustment and incur any costs, such as low growth and unemployment, at a later date.

### ***1.3.4 Foreign Direct Investment (FDI)***

In the early 1990s, during the initial transition phase, there was significant deindustrialisation across CEE, both in terms of economic activity and the labour market. Against this backdrop, both Poland and the Czech Republic brought about an early recovery of output, as indicated by GDP, with Poland returning to 1989 levels by 1996 and the Czech Republic by 2001 (UNECE 2002). Both countries facilitated broader and more equal access to new entrepreneurial and employment opportunities which cushioned the social costs of transition.

In each country the relative macroeconomic stability, institutional progress, political predictability and the prospects of EU integration attracted a significant inflow of foreign investments. The paths of privatisation in Poland and the Czech Republic and across the former Soviet Bloc fundamentally determined the development and volume of FDI. In this respect both Poland and the Czech Republic have been successful: accordingly, they are characterised as dependent market economies (DMEs) (Nolke and Vliegenthart 2009; Bohle & Greskovits 2007; King & Sznajder 2006). The reason why this term is accurate is that, unlike developed Western states, the key nexus of economic decision making remains largely outside the country (predominantly with transnational corporations). The main source of investment is FDI, rather than bank-firm networks or stock markets. In addition, many of the foremost companies are wholly-owned subsidiaries of foreign firms and this includes a banking sector which is majority owned by foreign banks (Epstein 2008). Foreign bank ownership was considered by many as a functional means of transferring both capital and knowledge to CEE. Moreover, CEE countries showed little concern about the forfeiture of domestic control over the economy (Orenstein 2011). For DMEs such as Poland and the Czech Republic their competitive advantage stems from a combination of low labour costs and high skills, making these countries prime locations for the manufacture and assembly of relatively high-value consumer durables.

Significantly, rather than asset stripping, diverting profits and undermining domestic firms, as many critics feared, these companies proved to be successful. In addition to the capital required for restructuring, they had access to technology, knowledge and advanced capitalist markets. A survey of a random sample of Polish firms conducted by the World Bank found foreign firms were 190 per cent more likely to increase sales, 322 per cent more likely to increase exports, and 395 per cent more likely to increase employee numbers (King & Sznajder 2006:786). This inflow of capital, technology and knowledge led to significant expansion of the production capacities of CEE and, simultaneously, an increase in the number of industrial jobs and volume of exported goods (Kuttor & Hegyi-Kéri 2012).

### **1.3.5 Summary**

During the transition period in CEE, the dynamics of deindustrialisation and re-industrialisation operated in unison. The FSU experienced a protracted period of macroeconomic instability and high inflation damaged the economy undermining state institutions and placing swathes of the population into poverty. In addition, piecemeal reform and gradual progress in terms of liberalisation, privatisation and institution building maintained significant remnants of the command economy and created new problems (for example the oligarchs<sup>65</sup>). This narrative is in contrast to what is described above for Poland and the Czech Republic. The transition period was extremely painful but early and radical macroeconomic stabilisation and liberalisation and relatively early commencement of privatisation helped to limit the 'recession' and widespread pauperisation (WEO 2000; EBRD 1999, 2002; World Bank 2002).

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<sup>65</sup> The oligarchs were able to gain numerous 'rent opportunities' such as direct and indirect subsidies, tax exemptions, selective trade barriers, widespread licensing, export and import quotas, restricted and non-transparent privatisation process (see Gelb, Hillman, & Ursprung 1995). As such they were, in some cases, able to exert influence on basic public institutions - executive, legislative and judicial power, regional and local self-government, political parties, and mass media. Not only has this denied society equal access to enterprise, it has also led to frustration and political apathy and created a context for political manipulation and populism.

## 1.4 Social protection during and after transition

This section will outline the level and type of social protection provided in CEE to counter the legacies of communism and the costs of transition: the focus will primarily be on Poland and the Czech Republic.

During the communist period the social security system served to maintain the paternalist and closed order of the party-state. Thus, social security and the command economy were an apparatus which helped lead to the acquiescence of the (majority of the) population. A broad range of benefits subsidised groups such as the working class, farmers in cooperatives, the ‘socialist intelligentsia’ and nomenklatura (Večerník 2006). Although all social security was financed from the state budget, enterprises rather than the state were often the main providers of key services such as housing, childcare and social security (Izyumov 2010).

In the socialist system work was both a duty and a right. The Soviet concept of *nezaniaty* (not employed) defined those who for some *legitimate* reason were not employed. In CEE (and FSU), the general understanding was that economies faced labour shortages rather than excess labour (Nutti 1996). So-called labour hoarding (widespread overstaffing) was prevalent in many sectors and this distorted the allocation of labour and contributed to low levels of labour productivity (Kornai 1995; Blanchard 1998). Wages were low and this had a demotivating effect on workers. Employment was typically concentrated in heavy industries and not on the production of consumer goods. There was a very weak small business sector and although private enterprise was tolerated, it was generally in agriculture. Patterns of foreign trade were determined by economic planners within the framework of COMECON which governed trade within the Soviet Bloc.

With the collapse of communism, former command economies were subject to world markets. In response, price liberalisation was combined with policies to achieve macroeconomic stability. The outcome was a marked deterioration in the economic performance which was much steeper than anyone predicted. Demand for labour collapsed immediately and after a while, levels of

employment also started to fall (Nesporova 2002; Cerami 2006, 2007 Hamm et al. 2012).

Under state-socialism the main risks encountered were predominantly related to the shortage and quality of goods and services (see the 'shortage economy', Kornai 1992). In the post-communist setting, New Social Risks (NSRs) came to light. This term refers to the social consequences of deindustrialisation and tertiarisation of employment. These changes tend to be associated with more women entering the labour market which places new kinds of pressures on the family. Typically, the literature concerning new social risks focuses on Western Europe and the post-industrial pressures exerted on mature welfare states (Esping-Andersen 1999; Pierson 2001; Taylor-Gooby 2004; Armingeon & Bonoli 2006). The risks that are described include, for example, the challenge of balancing paid work with family commitments and care for the elderly. Other new social risks include workers finding that their skills are now obsolete or simply not suited to the new labour market.

These new social risks were now becoming a feature of CEE society. In addition, the traditional risks, such as the instability that arises from no longer having access to a job, pension, health care, or minimum income also affected CEE to a greater degree than they had under communism. In summary, many of the risks known to the West became manifest in the East, often in a more extreme form.

In all transition economies, the output shocks were more severe than the advocates of neoliberal economics had predicted and labour flows did not follow the expected trajectory. The prediction was that workers would move rapidly from state employment to unemployment and then into private employment. In the event, unemployment became a growing problem not due to large cohorts of workers being laid-off from state enterprises but as a result of low outflow rates from unemployment to private sector jobs (Boeri & Terrel 2002; Cazes & Nesporova 2004).

Consequently, for transition countries, the population affected by new social risks tended to be larger and more diverse than in the West. They comprised those established groupings, extant in the West, such as the unemployed,

women, young, elderly, disabled, minorities, single parents, and the working poor (Armingeon & Bonoli 2006; Kitschelt & Rehm 2006) as well as other groupings, such as those unable to convert their material, cultural and social capital to the new socioeconomic context (for example, middle-aged employees of former state-owned enterprises, party apparatchiks, and people outside of emerging social networks) (Cerami 2008).

At this stage, the former command economies began to diverge, with CEE countries faring better than the FSU. In CEE, nascent political parties and grass-roots organisations, such as the ‘Solidarity’ Trade Union in Poland and ‘Charter 77’ movement in Czechoslovakia, were active in the development of the reform agenda. These countries, with their relatively short experience of communism, stronger working-class movements, and legacy of civil society, embarked on a path of democratic capitalism similar to the West European social-market capitalist model (for discussion see Marangos 2007; Boyer 2005). The result was the development of rights (including job security, higher wages, retirement entitlements and welfare benefits) that were already well established in the West. Conversely, in the FSU reform was often in the hands of the former nomenklatura and, therefore, developed with much greater difficulty (Layard 1998; Izyumov 2010).

The initial stage of transition from 1990 until 1994 was a period of acute transformation driven by unprecedented economic and social reforms aligned with macroeconomic austerity and exogenous shocks. Employment fell sharply as the region adjusted to transition shocks through shedding jobs rather than cutting wages. Demand, both foreign and domestic, for goods and services reduced. As a result, GDP declined markedly in all transition countries - resulting in the so-called *transition crisis* (see Kornai 1992). The degree and duration of the crisis depended, to a large extent, on extant conditions such as the speed of transition, the proximity to Western markets and the level of entrepreneurship and so on (Nesporova 2002; Boeri & Terrell 2002; Hamm et al. 2012).

Poland’s ‘shock therapy’ saw almost complete liberalisation of prices, currency devaluation and the introduction of strict macroeconomic austerity measures (only gradually relaxed after 1991). However, as noted in the previous section,

privatisation and the structural reform of certain sectors (agriculture, coal mining, and steel) was prolonged. Although this path allowed Poland to traverse the transition crisis relatively quickly and achieve high economic growth, it led to mounting structural problems and economic imbalances. The Czech Republic also opted for a fast and comprehensive price and foreign trade liberalisation and severe devaluation of its currency. Restructuring, as noted previously, relied mainly on voucher privatisation and the restructuring of those enterprises with strong ties to domestic state-owned banks. Although this path facilitated structural change and reform in the economy with comparatively low social costs, it eventually resulted in increasing macroeconomic imbalances, the indebtedness of many enterprises and a virtual collapse of the banking sector (Renshaw 2000; Hamm et al. 2012).

A key part of the economic stabilisation measures was an incomes policy designed to limit wage inflation via a punitive tax rate. Most state-owned enterprises were subject to this tax, the rationale being to link wage increases with enterprise performance. The outcome, however, was a marked decline in real (consumer) wages in 1993 equal to around 80 per cent of their 1989 level in the Czech Republic and 71 per cent in Poland. Wage regulation undermined the link between wages and productivity. Profitable enterprises were unable to increase wages above the agreed limit while poorly performing enterprises, under pressure from workers, increased their wages to the limit. This restricted investment and led to the non-payment of loans, often forcing enterprises to seek more credit. As a consequence, the difference in wages between profitable and non-profitable enterprises was not sufficient to facilitate the reallocation of labour from the latter to the former. Moreover, it was a significant factor in delaying enterprise restructuring. Large enterprises persisted in labour hoarding while profitable enterprises could not increase wages to attract workers. Equally, monopolistic enterprises (principally in the extraction industries, metallurgy and energy), adapted their profits (artificially inflated by price increases) into greater and faster growing wages than in other industries. Often this was achieved without technological upgrading or productivity increases (Nesporova 2002; Cazes & Nesporova 2004).

In the heavy industries, such as coal mining and steel, strong trade unions were able to use industrial action to limit mass dismissals and negotiate higher severance payments. In Poland, trade union power resulted in stronger protection of jobs but the expiry of privatisation clauses after 1998 was one factor in the rapidly increasing unemployment experienced thereafter (Cazes & Nesporova 2004).

During this most difficult period of transition, the governments of the Czech Republic and Poland introduced policies that alleviated the cost of transition for those disadvantaged and attempted to limit income inequality (Nesporova 1999; Cerami 2008; Izyumov 2010). Welfare institutions, modelled on western European experience, played a major role in compensating for real income falls. In Poland, social spending in 1991 increased to 32 per cent of GDP from 25 per cent in 1990 (Inglot 2009). In the Czech Republic, during the first years of transition, citizens were compensated for cuts in consumer subsidies with direct cash payments (Orenstein 1995).

Unemployment peaked in the early 1990s in most CEE countries and then stabilised or fell. The Czech Republic was something of an exception. In terms of unemployment, the Czech Republic kept employment losses well below what might have been expected in light of lower production. The result was a decrease in labour productivity. Poland, in contrast, improved labour productivity. However, this was achieved through reductions in employment. These employment losses led to open unemployment and economic inactivity. Nesporova (2002) notes, in all transition countries a decline in participation rates of the population aged between 15 and 64 years and that outflows to inactivity generally exceeded those to unemployment. The author concludes:

“This imbalance was marked in the initial period of economic transition, indicating that strong labour market tensions were resolved primarily by pushing certain disadvantaged, less competitive groups of workers out of the labour market - and only secondarily resolved by open unemployment” (2002a:10).

One response was the expansion of pension schemes. Poland, for example, relied largely on early retirement and to a lesser extent disability payments. The result was that between 1989 and 1996 the number of old-age pensioners increased by

46 per cent in Poland (disability by one-fifth), in contrast to a 5 per cent increase in the Czech Republic (Vanhuyse 2006, 2009). It has been argued that this targeting of welfare expansion defused potential social conflict (Greskovits 1998; Vanhuyse 2006) although this might have been an unintended consequence of welfare policy (Inglot 2009) rather than a conscious 'divide and pacify' strategy (Vanhuyse 2006). Whatever the initial motivation, a strong lobby emerged for maintaining the newly-established pension provision.

Employment legislation was extensively and repeatedly revised during the transition. The prevailing Washington Consensus demanded workforce adjustments: the rationale was to make former state enterprises more flexible and economically competitive, whilst maintaining some employment protection for workers. A key point, however, is that the new employment protection legislation (EPL) significantly reduced workers' protection compared with the situation that had prevailed under communism (Boeri & Terrell 2002; Cazes & Nesporova 2004).

Labour market institutions were significantly restructured to cope with the new economic context and the new dynamic between employer and worker. Across CEE, labour market policies, both active and passive, were established. In comparison to FSU, the countries of CEE, due to their earlier transition, more successful reforms and better economic conditions, were able to allocate greater resources to social protection. Unemployment benefits, due to the assumed transitory nature of unemployment, were generous both in terms of eligibility criteria and the level and duration of payment. However, in the mid to late 1990s, as the number of beneficiaries increased rapidly, the rules and benefit levels became significantly more restrictive. In the Czech Republic, the maximum duration of unemployment benefits was halved. In Poland, where an open-ended system had been established, a maximum duration of one year was set. This saved money and was intended to motivate jobseekers into new employment (Boeri 1997; Boeri & Terrel 2002).

Post-transition, Poland and the Czech Republic shifted responsibility for assisting redundant workers away from enterprises onto public institutions. Nesporova noted that: "The... model stimulates more effective allocation of labour among

sectors. This results in higher labour productivity but may lead to higher unemployment and lower participation rates” (2002a:34). Between 1991 and 1993, the Czech Republic was noted for the success of its employment promotion programme that contributed to the high flexibility of the labour force and to low unemployment (Boeri & Burda 1996; Večerník 2001). In this period, factors such as limited privatisation, asset restitution and high demand for services contributed to the development of small businesses in the private sector. In addition, job creation schemes provided grants to private entrepreneurs for self-employment or for the creation of new jobs for unemployed persons. Employment promotion was further supplemented by public works and labour market training. In 1992, over two-thirds of the registered unemployed participated in some kind of labour market programme (Nesporova 2000:216). In the same period, Poland established so-called intervention work (subsidised employment) that was offered to 45 per cent of jobseekers participating in active employment programmes. In the late 1990s, in response to rising youth unemployment, Poland augmented its youth employment promotion programmes with vocational guidance, extensive subsidised vocational training and subsidised first employment (Nesporova 2002a).

Long-term unemployment also became a feature of transitional economies and varied according to age and gender across CEE. In both Poland and the Czech Republic the elderly endured higher long-term unemployment rates. Although youth unemployment was significant, young people, due to their labour flexibility, were less affected by long-term unemployment (Nesporova 2000).

The empirical literature on transition economies outlines a scenario of winners and losers (Terrell 1999). Various studies have established the types of individuals more liable to become unemployed or experience difficulties re-entering the labour market (for example, Sorm & Terrell (2000) for the Czech Republic and King & Adamchek (1999) for Poland). Those marginalised by the emerging labour market included working pensioners who were among the first to be dismissed when economic pressures emerged; migrant workers (both foreigners and commuters from other regions within the country) because employers preferred local workers; disabled persons pushed to accept disability

pensions because of their real or perceived low labour productivity; and members of some ethnic minorities (e.g. Roma) (Nesporova 2000; Boeri & Terrell 2002).

Restrictions on the eligibility for unemployment benefits limited access to benefits for some categories of potential claimants. As a result, Poland opted to introduce income-tested unemployment assistance (paid from the employment fund) for individuals whose benefits had expired, while the Czech Republic referred these people to social welfare. Typically, the level of social welfare was low. However, for the Czech Republic, Večerník (2001) concluded that for a family with low-wage earners, the difference between income from employment and income from social transfers was minimal. In the late 1990s the Czech Republic increased the minimum wage to make employment a more attractive alternative than living on social benefits.

Marginalised groups and individuals typically lower skilled, lower paid and often with health problems, generally existed on social welfare supplemented with subsistence farming and informal casual activities. The extent of informal sector employment is estimated to have been between 20-30 per cent of total labour input in CEE (Cazes & Nesporova 2004:29). To encourage workers into the labour market, there have been varying degrees of retrenchment. However, due to the limited amount of regular low-skilled work and the poor wages provided, retrenchment has increased deprivation and the marginalisation of disadvantaged groups (Nesporova 2000, 2002).

The population responded to these pressures in several ways, these included: education, self-employment, multiple employment and emigration/migration. Returns to higher education increased sharply after 1989, particularly among young people. This was partly an acknowledgment of the higher economic returns education might provide in the labour market and partly due to the difficulties of finding a job. According to Boeri and Terrell (2002) a year of education increased earnings by only 2 to 5 per cent during communism. However, by the mid-1990s, the wage premium was between 5 and 9 per cent per year of education. In addition, at the time, employers were unwilling to bear the additional costs of on-the-job training of inexperienced young workers.

Due to unemployment and/or falling wages the number of self-employed workers increased significantly across CEE. Many of them became unregistered one-person businesses, in activities such as the resale of consumer goods, shuttle trade<sup>66</sup> and home-based businesses such as sewing, repairs, cleaning, day-care, and tutoring etc. In the Czech Republic, by the end of 1993, nearly one million individuals were registered as private entrepreneurs, more than one fifth of the total labour force (Renshaw 2000:13). The levels of self-employment have stabilised in recent years largely due to administrative barriers and limited opportunities. In addition, increasing job opportunities and better wages have meant that many self-employed people have returned to waged employment (Cazes & Nesporova 2004; Izyumov 2010).

The combination of political instability, economic hardship, ethnic conflicts and the opening of borders that followed the collapse of communism led to a significant amount of international migration both from these countries to established advanced market economies, and between transition countries.

The fact that the Czech Republic and Poland became attractive destinations for populations from other transition economies indicates how well these two countries negotiated the transition. The comparatively smooth economic transformation that took place in the Czech Republic encouraged immigration, with the country becoming a destination for international migrants during the 1990s. In Poland, the mass exodus to countries with established market economies was, by the time of transition, already well established. While official Polish sources indicate a total outflow of some 260,000 people between 1981 and 1989, information from other countries suggests that the number of émigrés was around 1.8 million. With transition, emigration waned to 21,000 per year in 1990-1994 (203,000 according to other sources) and to 22,500 in 1995-1998 (121,000 according to other sources) (UN 2002:77). Iglicka (2001) cites the new opportunities created by the political and economic transformations, particularly among young cohorts of urban professionals, as the main reasons for this fall in emigration. Moreover, due to the scale of pre-transition migration flows, Poland's migration potential was inevitably smaller than that of other countries

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<sup>66</sup> Essentially buying goods abroad and selling them at home on street markets.

in the region when the transition started. Immigration to Poland has, according to Polish sources, increased as a consequence of transition.

In the late 1990s, sluggish economic performance saw a reintroduction of macroeconomic stabilisation programmes and structural reforms in some enterprise sectors in some CEE countries. After 1998, further structural reforms, often associated with the progress in EU accession negotiations, also led to increases in unemployment. In the Czech Republic austerity measures introduced in 1997 led to an economic recession, mounting layoffs and open unemployment. Recovery was achieved only in 2000. In 1998, in response to structural problems and economic imbalances, Poland tightened monetary policy and accelerated structural reforms. Four major reforms (to the pension system, the territorial-administrative system, in health care and in education) were introduced with many initial problems. These measures, coupled with negative exogenous shocks, slowed economic growth and increased unemployment (Nesporova 2002). In 2004 'successful' reformers including Poland and the Czech Republic who had achieved economic recovery and stabilised their economies were awarded with EU accession (see Baldwin, Francois & Portes 1997, for costs and benefits of EU enlargement).

What emerges here, therefore, is a complex and mixed picture. However, the dominant theme is that while Poland and the Czech Republic experienced unemployment and a variety of old and new social risks associated with transition, their path was less difficult than much of the rest of CEE and the level of social protection provided by the state softened many of the potentially adverse impacts of transition.

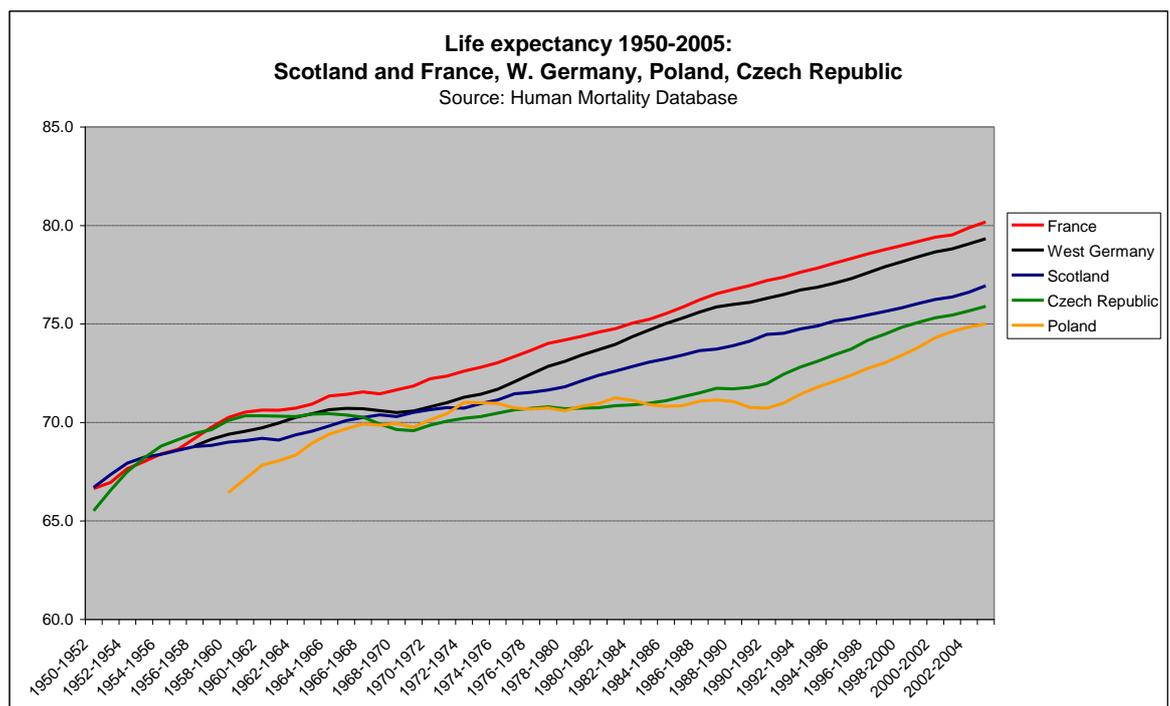
## 2. Western Europe

This chapter covers research objectives 1-5, within the context of Western Europe, with a focus on UK, Germany and France. It will describe and discuss the following. First, trends in life expectancy and mortality and the hypotheses that best explain the link between political and socioeconomic change and those trends. Second, the establishment of post-war economic social models and the subsequent political and socioeconomic change. Third, the pattern of deindustrialisation in the UK, Germany and France and the policy responses at the national level. Finally, the level and nature of social protection and support to those affected by deindustrialisation and the general population.

### 2.1 Life expectancy

The pattern of life expectancy trends since the Second World War in Western Europe is less complex than for CEE. Figure 4.1 shows life expectancy for selected countries between 1950 and 2005. It is clear that since the 1950s life expectancy in Western Europe has increased each decade and for each country. As such, Western Europe has experienced a steady increase in life expectancy and most of the countries therein have longer life expectancies than the countries of CEE (Bobak & Marmot 2006; Walsh et al. 2009; Leon 2011).

**Figure A.3: Life expectancy between 1950 and 2005 in the five selected countries**



Also, in Western Europe, significant progress was made during the decades following WWII in reducing social inequalities in mortality (Mackenbach et al., 2003). If we set this observation in the context of the model of determinants of health outlined previously we can attribute much of this progress to changes in the major 'health fields' namely general advancements in living and working conditions; improvements in the physical environment - for example less industrial pollution (de Hollander & Staatsen 2003); increasing levels of prosperity (Wilkinson 1999; Mackenbach 2012); declining risk factors e.g. smoking (E.U. Observatory 2008; Leon 2011); and better disease management, for example, of coronary heart disease and cancer (WHO MONICA 1994; E.U. Observatory 2008). This is an important conclusion that improvements in life expectancy in Western Europe have followed positive changes in almost all of the health fields in the models of determinants of health.

When attention is focused on specific causes of death, a different impression can be created. The main causes of death in Western Europe during the period since the war have been CHD (coronary heart disease), stroke, cancers and respiratory disease (WHO 2010). The age-specific death rates of these chronic diseases peaked in the 1970s and have been declining ever since (WHO 2010). CHD is the best example. Scotland and Finland once had the highest rates of CHD in the world - these figures peaked in the late 1960s and early 1970s - however CHD age specific rates are now almost half what they were at their peak (WHO 2010; Whyte & Ajetunmobi 2012). The reason for this improvement seems to be a combination of lower levels of risk factors (less smoking, better control of high blood pressure) and better treatment, meaning that people with CHD can now survive for much longer. Similar progress has been made in the reduction of cancer as a cause of death (Walsh et al. 2009; Whyte & Ajetunmobi 2012). The synthesis of these two perspectives is that management of risk factors and management of chronic disease has become increasingly successful in advanced European economies where prosperity is high and social and physical environments are increasingly favourable.

As a result of these developments in the market-economies of Western Europe, the proportion of the population living to an advanced age increased significantly. The highest life expectancy rates were and are to be found in

France, Italy, Luxembourg, Spain, Austria, Sweden and Finland. In all of the West European countries (as in all of CEE) women are expected to live longer than men. The gap is as large as seven years in some countries such as France, Finland and Spain. However, there has been a narrowing gender gap in life expectancy among Western European countries since the mid-1990s. An increase in smoking-related mortality among women contributed importantly to this pattern. Despite these advances, men still have a lower life expectancy than women did more than 20 years ago (WHO 2008; E.U. Observatory 2008).

Generalised increases in health mask important trends in inequality. Despite general progress and advances in health care and treatment and an overall pattern of improving life expectancy, life expectancy (and mortality) differentials according to socioeconomic status have deepened and widened during more recent decades having narrowed during the decades of immediate post-war reconstruction (Drever & Whitehead 1997; Valkonen 1999; for a review, see Mackenbach 2006). Serious inequalities in health now persist in all European countries: when measured in relative terms, the overall trend is increasing rather than decreasing. This widening is caused by a relatively slower improvement in health among lower socioeconomic groups than among higher socioeconomic groups (WHO 2007).

The mortality rate in lower socioeconomic groups is estimated to be 25-50 per cent higher than in the upper socioeconomic groups (WHO 2007). This inequality is typically greater among men than among women, beginning early in life, peaking during the working years and persisting into old age (WHO 2007). The WHO estimates that in most European countries, almost half of the excess mortality is explained by social inequalities in cardiovascular diseases. Other major diseases with marked social inequalities are certain cancers, psychosocial problems and injuries. However, a social gradient is evident for almost all common diseases (WHO 2007:12).

The work of Wilkinson (1996, 2005) and Wilkinson and Pickett (2009) has demonstrated that mortality in developed countries is affected more by relative than by absolute living standards. Broadly speaking, mortality correlates more closely to the level of economic inequality than it does to the gross national

product. More egalitarian developed countries have better health and social outcomes than less egalitarian countries with higher gross national product. Consequently, countries with a long history of redistributive government tend to have better population health outcomes (Wilkinson & Pickett 2009).

Over the past two decades, many west European countries have experienced an unexpected and significant increase in social inequalities “without much evidence that the widening of the mortality gap will stop in the near future” (Mackenbach 2006:6). Often these health inequalities are wider and more problematical within the deindustrialised regions of Europe (Walsh et al. 2009).

In terms of the model of determinants of health, these regions have, historically and characteristically, had less good physical and social environments, less prosperity and less good health-related behaviours. In many instances deindustrialisation exacerbated existing conditions. In these regions, although the social costs of deindustrialisation were felt across society, men were particularly affected. In many former industrial communities, unemployment and inactivity, often due to long-term sickness and disability, have become a norm. Subsequently, particularly in the UK, recruitment into replacement jobs favoured new entrants and women returners to an increasingly flexible labour market. The new labour market came to be characterised by a secondary or peripheral workforce with much poorer conditions, lower wages, security, status and prospects (Beatty & Fothergill 1996; Beatty et al. 2002.; Danson 2005). All of these combine in post-industrial regions to influence health outcomes.

This is a particular problem for the UK which has greater inequalities in income and in health than other countries in Europe. Income inequality grew dramatically in the UK in the 1980s and has failed to reduce since then (Marmot 2010). Wilkinson and Pickett (2009) have produced work which maps the correlation between inequality and an index of health and social problems. It shows the UK at the less desirable end of the spectrum along with the USA and Portugal. The situation in Scotland is even graver as there has been a relative decline in life expectancy when compared with the rest of Europe and the UK (Whyte & Ajetunmobi 2012).

Comparisons of life expectancy and mortality trends between Western Europe and CEE reveal important differences (set out above) but also some similarities. For example, the major causes of death are similar for both East and West Europe but trends over time are different. Between 1970 and 1991 while, with the exception of Greece, there was a fall in male mortality from cardiovascular disease (CVD) across Western Europe, CVD was on the increase in CEE where the Czech Republic, Poland and Hungary had the highest rates. The pattern for CVD mortality in women was comparable. The trends for the more specific category CHD followed a similar pattern with rates falling in Western Europe, yet increasing in CEE for both sexes. The Czech Republic and Hungary had the highest mortality, approximately three times that for Mediterranean countries (Bobak & Marmot 2006:24). With regards to cancer, in Western Europe incidents of all cancers were typically lower than in CEE, although as Marmot & Bobak conclude: “the magnitude of difference is smaller than with CVD and the pattern in women is less clear” (Bobak & Marmot 2006:30). In both East and West Europe, despite advances in care and treatment, mortality differentials according to socioeconomic status have also deepened and widened.

In summary, Western Europe has seen continuing progress in life expectancy since the end of the War. This progress is offset by widening inequalities in health between socioeconomic groups and between more prosperous and less prosperous regions.

This section of the literature review is important in as much as it establishes these general facts. The real focus of this thesis is socioeconomic change. Therefore, the task now is to set out the differences and similarities that have emerged in Germany, France and the UK during the period since the war that improved health and worsened inequalities.

## **2.2 Political and socioeconomic change in post-war Western Europe**

This section will discuss the capitalist political economies of Britain, West Germany and France with a primary focus on the significant growth experienced during the post-war economic boom between 1945 and 1973.

Hall (2007) outlined a 'core problematic' for Western economies: that is, three problems that the post-war institutions of the political economy were required to address. The first was the wage problem: how to distribute economic returns between capital and labour with a minimum of industrial conflict. The second was the work problem: how to maintain rates of employment high enough to warrant national prosperity, whilst compensating those without work adequately to secure social stability. The third was the productivity problem: how to maintain investment and deploy labour and capital efficiently (2007:42-43).

Each nation developed institutional frameworks and divergent policies to reconcile these three problems. The Governments and political classes that drove these were critical as were the various interest groups lobbying for particular types of settlements. The post-war institutional structures were shaped by various coalitions with diverse interests (Esping-Andersen 1985; Horowitz 2002). Accordingly, rather than merely seeking to drive economic performance, many of the arrangements that unfolded were also intended to achieve a desired distribution of resources.

Ruggie notes that the institutions embodied specific visions of social purpose (1982). Beer (1969) notes with reference to the UK how institutions reflected new understandings of collective purpose and how economic and political institutions served that purpose. The political economies that developed were typically categorised into three ideal-typical models (Shonfield 1965) based upon government policies, business practices, and industrial relations. In Europe, the UK exemplified market capitalism, West Germany was the leading example of managed capitalism (Katzenstein 1989), while France adopted state capitalism (Schmidt 2002). The divergence in state policies during the post-war period in each of these countries will now be explored.

### **2.2.1 UK**

In the immediate post-war era, the UK was Western Europe's largest economy both in terms of population and GDP. West Germany overtook the UK population in 1952 and, by the mid-1960s its economy was also larger (Maddison 1991). As such, a critical feature of the early post-war British economy was economic decline and the loss of competitive advantage relative to France and West

Germany. In this period both surpassed British income and productivity levels. Between 1950 and 1974 the average annual economic growth (in GDP) in West Germany was 5.8 per cent, France 5.0 per cent and Britain 2.8 per cent. In terms of productivity, between 1950 and 1974, total factor productivity<sup>67</sup> increased on average by 2 per cent in West Germany, 3.1 per cent in France and 1.7 per cent in Britain (OECD 1996; Foley 1998).

With the post-war economy needing a boost, British policy makers developed institutional solutions that were heavily reliant on competitive market interactions underwritten by formal legal contracting. Under the market capitalist model, Britain's liberal or 'spectator' state typically afforded business a great deal of autonomy (Grant 1995). The state aimed to restrict its role to arbitrating among economic actors while leaving the supervision of the rules to self-governing bodies. This, however, did not preclude the state from granting aid to industry on an *ad hoc* basis or intervening in other ways (through new forms of planning policy, nationalized industries or government-sanctioned, privately regulated cartels) (Shonfield 1965).

In Britain, industrial relations were highly adversarial and wage bargaining among the loosely organised employer associations and unions was fragmented. This, typically, resulted in industrial conflict and inflationary pressure on wages. To counter the wage problem, steps were taken to normalise collective bargaining between trade unions and employers. However, the British tradition of craft unionism meant that, even when settlements were negotiated at the sectoral level, firms often had to negotiate several such settlements because more than one union was represented in their workforce and shop stewards remained influential in many parts of the economy. The state, therefore, limited its role to one of bystander, as voluntary or free collective bargaining was pursued. This, however, did not preclude the intermittent intervention of the state. When the pound came under pressure, wage controls were typically pursued by government and the so-called 'social contract' between the Labour

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<sup>67</sup> In economics, total-factor productivity (TFP) is a variable which accounts for the effects in total output not caused by inputs. If all inputs are accounted for, then TFP can be taken as a measure of an economy's long-term technological change or technological dynamism.

government and the unions of the mid 1970s was introduced in a failed attempt to co-ordinate wage restraint<sup>68</sup> (Edwards 1995).

Britain never secured the high levels of wage coordination that is often associated with post-war European growth (Eichengreen 1996). Levels of industrial conflict were relatively high and rates of investment and growth correspondingly low. The wage issue was never adequately resolved and remained high on the political agenda throughout the post-war years (Howell 2005; Hall 2007).

In order to address the work problem, post-war British governments adhered to a few policy principles. The creation of a 'liberal' welfare regime was founded, as Beveridge recommended, on benefits administered by the state. However, replacement rates offered by UK benefits were low. Also, the policy of full employment was restricted to macroeconomic budgetary politics: the regulation of demand was to guarantee jobs for all. As Whiteside explains:

“Direct state intervention - to shape working practices, to enforce wage bargaining outcomes, to ratify levels of skill, to determine demarcations between skilled and unskilled work - was unacceptable. Full employment meant that the state underwrote job security, but exercised minimal influence over job content or workplace rationalisation” (2000:3).

The rationale was to provide full employment, but limited support for those who did not work (Esping-Anderson 1989). That regime influenced the direction of Britain's post-war economic development. It ensured a significant section of the labour force sought employment, limited the strain on firms to increase wages and provided workers with few incentives to develop industry-specific skills (Finegold & Soskice 1988).

Britain adopted a Keynesian activist macroeconomic policy. That is, the realisation of full employment via demand management policies, which entailed fighting recession by using deficit spending as a lever to boost consumer demand. Keynesian economics, although influential amongst policy makers

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<sup>68</sup> Although concessions were promised on housing and pensions, the social contract lost credibility as public expenditure, inflation, and public sector wages appeared out of control.

across Europe, were never employed elsewhere to the degree they were in Britain (Crouzet 2001; Hall 2007). Up until the end of the 1970s, despite being constrained by a weak balance of payments, governments operated an activist fiscal policy and were content to use deficit spending, as it augmented the influence they could have in managing the course of the country. However, by the 1970s, continued deficit spending came to be increasingly regarded as problematic. Deficit budgets exacerbated the cost-push<sup>69</sup> inflation characteristic of the 1970s. In addition, it became more difficult to combine low unemployment with price stability as trade union membership and militancy increased. The emphasis in economics in Britain (and the U.S.) shifted from managing demand in the economy to making supply more efficient. In the era of neoliberal renaissance, Keynesian practices came to be considered less appropriate (Hall 1989; Crouch 2009).

In Britain, the problem of productivity was influenced by the institutional inheritance of early industrialisation. Low capital requirements and the existence of commercial and autonomous elites allowed decentralised production and did not require major state intervention (Kurth 1979; Crafts 1998). Businesses were typically competitive, contractual and individualistic. Although ‘gentlemanly’ agreements, tacit understandings and cartel-like arrangements moderated relations to some extent (Coates 1994), financial markets, as the main source of investment capital, put pressure on firms for steady profits on a quarterly basis or risk take-over. Capital, skills and technology were obtained via competitive market dynamics. Typically, capital was raised via short-term bank credits and securities on terms linked to current profitability (Lane 1992).

Although a few sectors supported active apprenticeship programmes, most simply relied hopefully on the formal education system to equip a suitably skilled workforce (Fine gold & Soskice 1988; Soskice 1994). The absence of serious legal limitations on lay-offs discouraged workers from investing in specific skills as, in the UK, they provided no guarantee of additional job security or income. Firms secured technology through licensing arrangements or

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<sup>69</sup> Cost-push inflation is a type of inflation caused by substantial increases in wages or the cost of important goods or services.

the acquisition of companies with appropriate technology. Organisation within firms was highly hierarchical (Lane 1989).

The market-led approach Britain pursued and the institutional arrangements it adopted influenced the productivity strategies of British firms. Some retained long-standing reputations for high quality production (HQP) based on highly skilled labour. In Britain, industrial relations were frequently adversarial and this restricted the cooperation many firms could secure or expect from their employees. The profusion of general, relative to specific, skills encouraged firms to rely on high volumes of production and low labour costs for competitive advantage (Porter 1990; Rubery 1994; Nolan & Harvie 1995). Consequently, many British firms found it difficult to move up the value chain to compete in HQP niches. As a result, rates of productivity were less than in France or West Germany as were rates of growth.

In summary, British economic (and social) development, relative to France and West Germany, could be explained in terms of a number of interacting factors. British monetary policies created an unstable and unfavourable economic environment for business. Its industrial policies did little to promote research and development or training. Business practices, as dictated by the market, placed an emphasis on profit rather than on investing in new plants, machinery, technology or human resources. Finally, industrial relations and labour policies cultivated low-waged, poorly trained labour and high production costs. All of the above led to products that were low in quality and high in cost, especially when the pound was high (Lane 1989; Rubery 1994; Coates 1994).

### **2.2.2 Germany**

West German economic growth in the period following WWII was, in relative terms, exceptional. The year 1947 marked the start of the Cold War, the division of Europe and the beginning of West Germany's so-called *Wirtschaftswunder* (economic miracle). The U.S. committed itself to West Germany's economic restoration and reintegration in the Western sphere of influence. The assurance of Marshall Aid in the same year secured Germany's position in the West European economy and in the burgeoning international trade and exchange rate system (Abelshauser 1995). By 1948, with the security

provided by Marshall Aid, currency reform and economic liberalisation was made possible. The 21st June 1948 saw the introduction of the Deutsche Mark and all restrictions on the availability of goods were revoked (Katzenstein 1989). The transition proved successful. Unlike the post-communist transition that took place in CEE, post-war West Germany had an ordered supply side. As Carlin explains:

“In West Germany, a recovery of production has already taken place following the collapse at the end of the war and businesses had owners and managers in place. A rapid supply side response to the removal of distortions in the economy could have been expected” (1998:28).

Although the conditions for recovery were encouraging, additional macroeconomic stabilisation was introduced in 1949 as inflationary pressures returned. Although the German authorities were encouraged to reintroduce price controls and rationing, they declined and chose instead to tighten credit conditions. This choice of tight macroeconomic policy was probably important for economic growth for it prohibited a return by German business to their historical price fixing arrangements. The authorities, by declining to commit to full employment by maintaining demand at home, obliged businesses to re-establish and augment their markets abroad (Carlin 1998:28).

Germany's model of managed capitalism was designed to limit and avert conflict (Padgett 2003). Industrial relations were co-operative and wage bargaining was centrally administered between stable, amalgamated employer associations and unions. This limited conflict facilitated the politicisation of distributive conflicts and promoted wage restraint. The 'enabling' state typically remained a bystander: wage restraint meant it lacked the motivation and legislation meant it lacked the right to intervene (Katzenstein 1989). All this is in stark contrast to Britain and France and, indeed to other managed capitalist countries such as Sweden and the Netherlands, where the state was the equal third party at negotiations along with management and labour (Thelen 2001). The issue of wages demonstrates the institutional structure Germany developed to facilitate strategic coordination in the national interest.

In 1952, the government introduced the *Works Council Constitution Act*, a system of co-determination that gave workers a seat on the supervisory boards of many large firms. This, coupled with a labour movement that was influential and organised at a sectoral level, meant German employers began to collaborate in sectoral wage negotiations, often steered by a leading settlement in the metalworking sector<sup>70</sup> and mediated by coercion from an independent central bank to react against inflationary increases (Thelen 1991). Augmented by an ample supply of labour and a national will to rebuild the economy, this institutional arrangement meant wage increases stayed in line with productivity throughout the 1950s and 1960s. Significantly, it also created a managed and consistent upwards pressure on wages that led firms to invest in the high quality forms of production that became a characteristic of Germany's economic development (Lane 1989, 1992; Thelen 1991).

As Hall notes, its corollary was the German solution to the work problem: a problem exacerbated by the ten million refugees from the east seeking work. West Germany transformed its economy, reaching full employment by the early 1960s (2007:47). To achieve this, investment was centred on an industrial core where modes of production depended on a predominantly male labour force trained to a high degree in industry-specific skills. Strong institutional mechanisms developed such as wage coordination, which reduced incentives for workers to free-ride and employers' associations, which scrutinised the conduct of firms and punished poaching. These mechanisms allowed Germany to achieve high skill equilibrium (Finegold & Soskice 1988) and to develop and invest in a system of vocational training schemes run collaboratively by employers' associations and the trade unions. The state contributed by providing schools for trainees and by establishing national standards for vocational qualifications. As has been noted, both in studies of matched plants in Germany and the UK, and in econometric work, skill differences, particularly at the tertiary or intermediate level, were a key explanatory factor for the productivity gap

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<sup>70</sup> This bargaining sector covered 13 diverse industries, such as automobiles, mechanical and electrical engineering, shipbuilding and aerospace. A series of informal consultations and discussions between unions, employers' associations, the government and the Bundesbank led to the adoption of the metalworking settlements as the basis for agreements across most industries. This produced overall pay settlements which were generally sensitive to the macroeconomic situation, yet showed little differentiation at the micro level.

between British and German manufacturing (Steedman 1988; O'Mahony & Wagner 1994; Soskice 1994; Broadberry & Wagner 1996; Broadberry 2007).

The German system encouraged (and continues to encourage) young people to invest in apprenticeships in two ways: explicitly, through accepting low wages during the apprenticeship; and implicitly, through their academic performance at school. As Carlin explains:

“There is competition for apprenticeship places due to the differences in quality of the internal labour market to which the training place provides access and the value of the training in the external labour market (the best places are in large companies and specific sectors such as banking)” (1998:41).

Earnings related pension and unemployment benefits provided young men with the incentives to secure the sector-specific skills that would ensure them high wages. By raising the relative income of high-skill workers during periods of unemployment, the incentive to accept a wage that did not correlate with their skill qualifications was reduced (Mares 2003). The result was a system capable of accommodating skilled men, but less able to employ women or those without the necessary skills. This system was founded upon the traditional notion of the male as breadwinner. As a result, once the industrial economy had been reconstructed, further expansion of the labour force was discouraged and the proportion of the population in employment grew more slowly than in France or the UK (Lewis 1992; Ostner & Lewis 1995).

The German institutional set up encouraged a particular approach to issues concerning productivity: banks provided capital and guidance and inter-firm relations were co-operative. German banks were at the centre of corporate finance. They assumed a key role in industry, guiding corporate strategy, representing investors, and providing capital based upon longer term prospects, rather than profits in the short-term (Zysman 1983). Powerful employers' associations facilitated inter-firm relations creating mutually reinforcing networks of firms and a degree of codetermination to operate vocational training schemes or to secure technology through collaborative ventures. While British firms acquired finance, technology, and skills in competitive markets, German companies relied more heavily on collaborative relationships with other

firms rooted in the reputations they built up in the concentrated inter-corporate networks (Streeck 1992).

Regulatory regimes that privileged stakeholders (including creditors, managers, collaborators, and workers) over shareholders, reinforced this type of strategic non-market coordination (Casper 1999). Influential works councils and the two board supervisory system advantaged consensus decision-making. The job security provided by the German institutional arrangements meant firms regarded their competitive edge as a consideration of quality rather than cost. As Hall concludes:

“rather than move aggressively into new lines of business, many firms found it easier to cultivate a skilled workforce and use it to make continuous improvements to existing product lines and production processes” (Hall 2007:48).

In short, the German Model of managed capitalism ensured steady profits over the long-term from export-led growth fuelled by high-quality, high-cost, but highly competitive goods achieved via cooperation and investment in skills (Streeck 1997).

### **2.2.3 France**

In the immediate post-war period, France was regarded as politically unstable and economically weak. In addition, the basic infrastructure - ports, roads, railways and energy - were in ruins. Consequently, France became the second largest recipient of Marshall Aid with the result that pre-war levels of GDP were reached in 1948/9 (Wakeman 2003:48). The problem, however, was that France faced a competitive and open world economy with a third of its labour still engaged in agriculture and with many of its firms lacking the capacity to compete. In response, France pursued a policy of modernisation, garnering support wherever available among the factious parties of the Fourth Republic<sup>71</sup>. France's *dirigiste* or interventionist state directed economic activities via planning, an active industrial policy and state-owned enterprises. These levers

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<sup>71</sup> The French Fourth Republic was the republican government of France between 1946 and 1958, governed by the fourth republican constitution. It was effectively a revival of the Third Republic, which was in place before World War II.

enabled the state to selectively direct resources into regions, industries and even products, making up for the chronic under-investment of the pre-war decades (Hayward 1973; Schmidt 1996).

A key institutional advancement was the development of medium-term national planning, particularly on the supply side of the economy. Traditionally, compared to the UK, France had been more centralised and interventionist in its approach to the economy. French administrators of the 1940s and 1950s utilised state resources to enable French industry (and agriculture) to improve the scale of production via mergers and acquisitions, to shift capital and labour into high-technology sectors and to advance those firms with the capacity to compete in international markets. State administrators were also able to organise domestic investment. Restricted mobility of international capital limited foreign competition and encouraged bankers and financiers to invest domestically (Judt 2005). As Schmidt notes:

“planning was an unquestioned success between 1946-1963 when it had a clear set of goals and limited set of programs focused on restoring health to a small number of industries”(1996:78).

By the late 1950s the role of planning in France’s economic recovery, as Foley notes:

“Was beginning to achieve almost quasi-mythical status in the public mind, but its contribution to the growth of the post-war economy was already in doubt by the mid-1960s” (1998:49).

Despite contemporary accounts and criticisms<sup>72</sup>, the expansion of the economy throughout the 1950s was typically credited to the policy regime: in an era distinguished by serious difficulties it provided much needed continuity.

In France, although industrial relations were adversarial and conflict was common, employers’ associations and unions were fragmented and ineffective. Industrial relations were coordinated by legislation that gave unions legal

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<sup>72</sup> Dirigisme was criticised for among other things (a) its political objectives i.e. the building up of French heavy industry to compete with Germany and control energy resources of the Ruhr (b) excessive control of capital (c) preference for energy and transportation over manufacturing-thereby denying private sector of valuable resources (for further discussion see: Lynch (1984)).

recognition and mandated collective bargaining at the sectoral level. However, policy makers were reluctant to embolden a labour movement dominated by a communist union. Consequently, the State, rather than act as a bystander, assumed the presiding role in wage bargaining and even imposed wage settlements where business and labour failed to reach agreements, thereby restraining wage rises and managing industrial conflicts more effectively than in Britain although not as effectively as Germany (Howell 1992; Schmidt 2003). To manage the wage problem, a minimum wage was set to which the wages of 40 per cent of employees were eventually linked and allocated the legislative authority to enforce wage settlements negotiated with some unions on entire sectors. By the 1960s, approximately 80 per cent of employees were covered by such settlements (Hall 2007:49).

The French approach to the work problem was multifaceted. A coordinated and assertive (Howell 1992; Hall 1986) policy of agricultural modernisation shifted labour into the industrial sector. Post-war social security developed, gradually attracting independent sub-contractors or agricultural workers into formal employment structures with assurances of statutory social protection and a pension at the end of a working life (typically determined by one's employment status and financed by social charges on employers and employees (Hesse 1999)). Full employment translated as formal subordination to one employer and a single employment (and single profession) emerged as a common norm. As Whiteside explains:

“Guaranteed social protection under schemes of social insurance compensated workers for the status of employee, thus acknowledging the traditional respect for independent artisanal workers, the backbone of French trade unionism” (2000:3).

In spite of state funding for child care, many women remained outside the workforce. Similar to Germany, France retained what Esping-Andersen (1990) characterised as a *continental* welfare state.

The French administration's solution to productivity (and business practice) was, in comparison to the UK, interventionist. An active industrial policy meant investment production targets for industrial sectors were set and capital was channelled into priority sectors with the support of the financial system

dominated by state-owned banks. The state would provide investment, rather than the stock exchange or international finance markets. There was a consensus in the post-war period, between the state and (social) stake holders, that socioeconomic change could be induced via intervention. In the 1970s Zysman noted:

“the anti-market tradition in France has its origins in the very process of industrialisation, which was initiated by a strong and centralised state...Closed borders, active entrepreneurial intervention by the state, and negotiation rather than competition between businesses within France have all served to insulate the economy from the market” (1977:51).

Control over nationalised enterprises in coal, steel, energy and automobiles allowed the state to coerce other firms to comply with national objectives. In some cases, if the state’s medium-term goals were being fulfilled, such as maintaining employment or increasing production in strategic areas, the state would forego any return on investment. By the 1960s the government was providing significant subsidies to firms designated ‘national champions’ (Zsyman 1977; Hall 1986; Cohen 1995). Consequently, large French firms modernised rapidly, but became dependent on the state for access to capital, technology and skills. The policy created large state firms in key sectors, such as energy (GDF, EDF, CEA, and CDF), transport (Air France), industry (Renault) and banking and insurance. The result, as Cole notes, was that: “the state was thus simultaneously a gatekeeper, a mobiliser and an agent of economic development” (2005:218).

A cohesive set of social networks, formed within the *grandes écoles*, linked senior executives closely to industrial policy makers. It was routine for public officials to enter the private sector where, as executives and senior managers, they joined a cohesive elite linking French corporation closely to the state, thereby facilitating the coordinated pursuit of national objectives (Suleiman 1978). Among larger firms, there was a significant degree of strategic coordination steered by the state. Relations at a micro level were less progressive. There was often a social divide between middle management recruited from the ranks of the firm in question and senior managers often transplanted from the outside world of public affairs. In addition, a fractious labour movement compelled firms to maintain rigid job classifications and foster

steep managerial hierarchies. This allowed firms to operate mass production successfully but restricted the autonomy of workers, limiting the scope for innovation in production processes (Maurice, Sellier, & Silvestre 1986).

The modernisation strategy of *dirigisme* was a great success and for many years the economy was a source of pride for the French political elite. Thirty years of significant economic growth 1945-1974 (*les trente glorieuses*) meant France more than doubled its GDP per capita (Maddison 1996). This placed the French economy second behind Germany in Europe (and 4<sup>th</sup> in the world). French competitiveness was somewhere between Germany and Britain. It benefited from monetary policies that created an unstable but favourable economic environment and from industrial policies that underwrote business investment and product innovation in strategic areas (Schmidt 1996). As such, France established a commanding presence in steel, armaments, aircraft, consumer goods and agricultural products. However, it suffered from business practices that, without state support, neglected or were unable to invest in new infrastructure, machinery, technology or human resources (Schmidt 1996; Hall 1986). French policy makers and politicians were eager to accept credit for the successful modernisation, despite the influence of a number of contributing factors, and the growth in the economy was used to finance significant social and industrial subsidies to supplement declining sectors and those employed within them.

#### **2.2.4 Summary**

The UK, Germany and France each achieved significant economic reconstruction during the decades following WWII. However, the model of capitalism that each followed was distinctive and these differences, as will become evident later in the thesis, impacted on the path of deindustrialisation experienced by the regions of interest.

### **2.3 Economic challenges since the 1970s**

This section will further discuss the capitalist political economies of Britain, Germany and France with a primary focus on: the impact of the liberalisation of international trade during the 1960s; the deceleration of growth post 1974; the

rising inflation and unemployment of the 1970s and, finally, the ‘economic liberalisation’ of the 1980s, 1990s and beyond.

### **2.3.1 The economic challenges of the 1970s**

Regardless of their political economy or relative competitive advantage, the economic decline and accompanying distributive conflict of the late 1960s through to the 1980s proved a serious challenge to the economies of the UK, Germany and France. The institutional path dependencies that ensued from divergences in the post-war models of capitalism and country-specific factors (vulnerability to exogenous economic pressure; capacity to negotiate and implement reform; legitimacy of national discourse) best explain the differences in each country’s policy responses and subsequent economic development (Schmidt 2003; Hall 2007).

The exogenous pressure in the international economy, the collapse of the Bretton-Woods system of fixed exchange rates and the two OPEC<sup>73</sup> crises in the mid-1970s, created a serious economic challenge resulting in mounting currency volatility, rising inflation and declining competitiveness. The political rhetoric of the time routinely cited such events when accounting for the economic problems of the era. However, although serious, these were not the only determining factors, as Hall notes:

“the history of this period suggests that some of the most profound challenges facing political economies are endogenous by-products of existing institutions or the patterns of economic development they promote” (2007:52).

Nonetheless, the collapse of the Bretton-Woods exchange-rate regime in 1970 supported the analysis of those who had suggested the effectiveness of domestic institutions depends on the character of international regimes (Eichengreen 1996). Its ‘pegged’ exchange rate limited wage demands and inflationary pressures and enabled countries to use the exchange rate as a lever. In Germany, the continuation of undervalued exchange rates improved export-led

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<sup>73</sup> Organization of the Petroleum Exporting Countries.

growth. In France, where the failure of domestic institutions to resolve industrial conflicts had led to inflation, state coordinated devaluation offset the impact of wage increases on the country's international competitiveness. The Bretton Woods system provided a lever by which domestic institutions could regulate distributive conflict. The transition to a system of floating rates would remove that lever - thus, diminishing the state's ability to control inflation (Hall 2007).

Post-war structural economic developments had increased distributive pressures. By the 1970s the rapid increases in growth and productivity that resulted from the shift of labour from agriculture to industry could no longer be sustained (Blanchard & Wolfers 2000). The following shift of employment from industry to services that began on a large scale during the 1960s reduced the rate of growth of productivity further, because the capacity for productivity gains in services were typically less than those available in industry. The question for each political economy was, therefore: 'are the institutional arrangements established fit for purpose when it comes to resolving new distributional conflicts and encouraging continued economic development'?

The institutional arrangements and paths to economic development European nations fostered to aid economic development now seemed prohibitive. Trade union movements, empowered by collective bargaining institutions and high levels of employment, had the weight to negotiate settlements that increased the share of value-added<sup>74</sup> going to labour relative to the share going to capital, leading in some cases to disinvestment (Armstrong, Glyn, & Harrison 1991).

The late 1960s and 1970s saw increasing rates of inflation and unemployment leading to 'stagflation': stagflation was a combination of inflation and reduced growth. Theories based on the Phillips curve had suggested that this could not happen<sup>75</sup>. The increased influence of the trade union movement and the threat of industrial conflict had resulted in inflationary wage settlements that could no

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<sup>74</sup> The difference between the sale price and the production cost of a product is the value added per unit.

<sup>75</sup> In economics, the Phillips curve is a historical inverse relationship between the rate of unemployment and the rate of inflation in an economy. It indicated that lower unemployment in an economy is correlated with a higher rate of inflation.

longer be offset by a 'pegged' exchange-rate anchor (Crafts & Toniolo 1996; Hall 2007).

Unemployment levels grew as an increasing number of people sought work in an economic climate that reduced capital and discouraged investment. The OPEC crises of 1973-1974 (Arab oil embargo) and 1979-1980 (Iranian revolution) aggravated a deteriorating situation, driving inflation up and rates of growth down (Judt 2005). In response, governments in Britain, Germany and France all pursued reform in order to increase economic growth and competitiveness. This generally meant: deindustrialisation, liberalisation, privatisation, deregulation and decentralisation.

The socioeconomic challenges of the 1970s and 1980s intensified existing and awakened latent distributive conflicts. Each government's response came in two waves. Initially, during the 1970s, administrations responded to the challenges by established means. To counter the increase in unemployment, a Keynesian stimulus was introduced. In France and Britain, where the formulae was tried and tested, this could be expected. However, it was something of a departure for Germany. Instead of cutting public expenditure, the economic downturn led governments to increase spending and introduce social policies designed to protect the populous against the effects of recession (Tanzi & Schuknecht 2000). As a proportion of GDP, the increase in social spending in the 1970s was unprecedented (Pierson 2006). To some extent this was a result of new initiatives but it was also due to a deceleration in GDP growth (OECD 1996). Many of the social benefits facing scrutiny in the 1990s and 2000s were instigated during the 1970s. The reality is that many policy makers viewed the economic downturn as a temporary recession rather than the structural adjustment it proved to be.

The second wave of policy making grew out of dissatisfaction with the real and perceived effectiveness of increased state intervention. To varying degrees and with different ideological commitments, each government implemented more restrictive fiscal and monetary policies and a supply-side view of employment that led to cuts in industrial subsidies in favour of manpower policies. This ideological shift was eventually embodied in The Single European Act of 1986. This institutionalised a 'move to the market' that was a response to the

economic decline and activist state intervention associated with the 1970s and 1980s (Hall 1986).

In Britain, crisis came early and its model of market capitalism was therefore first to respond. The crisis provided the Thatcher government with an opportunity to progress an approach that saw market forces widen and deepen as many of the post-war policy legacies were withdrawn. By the late 1970s the UK was experiencing the full force of economic restructuring and the associated unemployment and social discord. France and Germany, by contrast, were still experiencing post-war prosperity, with relatively low levels of unemployment and high levels of GDP per capita.

Whilst the UK pursued a strident neoliberal strategy, France and Germany, who became vulnerable during the 1980s, were more inclined to pursue solutions within established structures of local governance and economic relations (Crouch et al. 2011). In Germany, strategic coordination remained a central feature of its model of managed capitalism, although its real crisis would come in the 1990s, a consequence of reunification and increased international competition. France, like Britain, was in some difficulties by the early 1980s. Although initially seeking to increase competitiveness through *dirigiste* intervention, it soon exhibited a more neoliberal tendency via, at least to a degree, privatisation, financial market liberalisation, business deregulation and labour market flexibility (Schmidt 2003). However, relative to the UK, these changes were more socially inclusive and not implemented to the same extent.

## **2.4 Post-industrial challenges of the 1990s and 2000s**

Those socioeconomic challenges most typically associated with ‘globalisation’ seem to form the biggest problem for political economies today. However, rather than the import of cheap foreign goods, something each economy is used to, it is the expansion of emerging economies and the internationalisation of finance that seems to pose the greatest challenge (Hall 2007). This has led to the expansion of flexible labour markets which as Whiteside notes:

“Has been associated with the collapse of full employment, the breakdown of post-war settlements and the development of unsustainable levels of social security expenditure. Economic

recession, job insecurity, growing social disparities...reflect a crisis of previous faith in the benefits of state action" (2000:2).

The expansion of emerging economies since the collapse of communism and on-going economic growth in China, Brazil and India has led to a shift in investment. Particularly affected are those enterprises that use low-skilled labour, something the emerging economies can provide more cheaply and copiously (Wood 1994). As a consequence, all European political economies are seeking to increase skill levels and create jobs in high value-added manufacturing and services. This is probably most explicitly articulated in the EU Lisbon strategy which calls for:

"The most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (E.U. 2000).

The increased internationalisation of finance has seen levels of foreign investment, in recent years, rise exponentially. Foreign capital is now the prevailing source of investment for many large enterprises and the large European banks have eased their commitments to domestic interests in order to secure global market share (Schmidt 2003). As a result, firms are no longer able to rely on the 'domestic funders' that provided investment on terms that permitted them to pursue strategies of long-term growth rather than immediate profitability. In addition, it facilitates investors to intensify lobbying for increased deregulation and liberalisation (Hall & Soskice 2001).

In addition to the exogenous forces associated with globalisation, there are also endogenous challenges most importantly: the influence of the EU and the structural changes each country is experiencing. The establishment of the single market heralded a shift in trade and monetary regimes. It forced enterprises to restructure in light of increased European competition and also forced governments to create policies that facilitated the redeployment of workers displaced by economic change. The influence and direction of the EU is also significant: it now pursues and expects market liberalisation. Members are expected to:

"Deregulate protected markets, eliminate industrial subsidies and promote free flows of capital. Across its member states, the European Union imparts a liberal bias to initiatives for institutional reform" (Hall 2007:65).

In the case of France and Germany, membership of the European Monetary Union (EMU) limited the macroeconomic levers available to governments when faced with economic crises. This limited the use of fiscal stimulus and removed the lever of devaluation, used in the past to alleviate the impact of wage inflation on national competitiveness.

Structural and demographic changes exacerbate the problems each country faces. Although the expansion of the service sector continues, it has failed to replace the jobs lost as a consequence of deindustrialisation or deploy all those with industrial skills. At the same time, these structural changes in the economy have led to increases in part-time and temporary employment. Such factors gave rise to what Iversen and Wren term '*the trilemma of the service economy*' that is:

“The declining capacity of the manufacturing sector to generate employment in most OECD countries...presents governments with a trilemma, or three-way choice, between the goals of earnings equality, budgetary restraint, and employment growth. Employment growth can be achieved only in the private services sector, at a cost of higher levels of wage inequality; or in the public services sector, at a cost either of higher taxes or of higher deficits. Strict adherence to the goals of budgetary restraint and wage equality simultaneously will therefore result in an inferior employment performance” (1998:554).

In addition, falling birth rates and welfare retrenchment have increased the pressure governments face to secure high levels of employment, particularly now a smaller workforce will have to support an increasing proportion of the population in retirement<sup>76</sup> (Pierson 2001).

### **2.4.1 UK**

During this period which effectively covers the New Labour years, Britain, relative to France and Germany, performed well in terms of employment and domestic product. The introduction of the single market and liberalising tendencies of the EU suited a Britain used to the market as a coordinating force. By the 1990s Britain's share of European market had increased. Thatcherism,

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<sup>76</sup> According to OECD (2007), the OECD population aged 65 and over in relation to total population will grow from 13.8 per cent in 2005 to 20 per cent by 2030 and 25.2 per cent by 2050.

consolidated under Blair, radically altered the reign of British firms: union presence was just about absent and wage structures and work practices could be transformed liberally. This was exhibited in the widening of pay differentials, relative to France and Germany (and most other European countries) (Bailey & Funk-Kirkegaard 2004).

In terms of industrial employment, Britain was well equipped to redeploy workers into services, which constituted 75 per cent of the workforce in 2003 (OECD 2004). The low-skill equilibrium of the UK favours general skills, facilitating labour mobility. In addition, UK governments have been able to supplement the level of general skills by extending general education (Hayward & James 2004). The welfare state also meets the demand of this service based economy. Low levels of employment protection led to increases in part-time and temporary employment. Social policy such as New Labour's 'new deal' were intended to discourage long-term unemployment, as the receipt of benefit is based on so-called 'activation' policies, in this instance, seeking work or participating in training schemes (Deakin & Reed 2000).

In terms of labour relations, Thatcherism decimated the capacity of the British labour movement. Between 1979 and 1992, union membership fell from 50 to 30 per cent of the workforce and the proportion of firms in employers' associations fell from 25 to 13 per cent (Rhodes 2001). This eased some of the pressures of wage inflation. In addition, the British government's decision to remain outside the European Monetary Union (EMU) afforded them the macroeconomic levers required to maintain domestic demand at high levels. This is reflected in the size of the current account deficit, which averaged \$25 billion from 1995 to 2005 compared with an average of \$15 billion in Germany and France (Hall 2007:84).

In Britain, business continued to be more financial market-led than in Germany or France. The levels of market capitalisation, mergers and acquisitions, access to venture capital, and foreign direct investment in the UK exceeded those in Germany or France (Schmidt 2003). This exposure to financial markets and capital movements resulted in the British economy being labelled as 'globalisation in one country' and an 'over-internationalised economy in an under-globalised world' (Hirst & Thompson 2000). This reliance on the financial markets means the primary focus was on profitability, rather than firm value,

strategic business interests or employee concerns. Notably, in the UK, the mainstream political consensus continues to reflect:

“the interests of capital in seeking to extend more variable forms of employment, to raise productivity, to reduce company overheads, to shore up defences against a rising tide of unemployment and social dependency” (Whiteside 2000:11).

### **2.4.2 Germany**

Germany’s model of coordinated capitalism managed well during the economic crises of the 1970s and the deindustrialisation of the 1980s because its institutional arrangements were able to secure strategic wage coordination. However, in the 1990s, when faced with the costs of reunification and increasing pressures of international competition, Germany’s institutional arrangements meant reform had to be more gradual (Schmidt 2003; Hall 2007). In order to reorganise production regimes and introduce reforms, negotiations had to take place between government, German firms, powerful work councils and trade unions. These structures were hesitant to agree layoffs, wage differentials and changes to work conditions. However, concessions were made and the reform process was generally successful. There was liberalisation of the financial markets and small numbers of (West German) enterprises were privatised. In addition, there was deregulation of public utilities including telecommunications and electricity. However, the government lacked the political institutional capacity to secure reform of the labour markets and pension system (Thelen 2001). As Schmidt explains:

“...it was stymied not only by entrenched union interests but also by its own inability to come up with a discourse able to reframe the terms of the debate about the social market economy (2003:533).

Labour market reforms would have been sought by the government as reunification had greatly exacerbated the work problem (Streeck 1997). High unemployment became a significant challenge, largely due to the poor state of the East German economy. The command economy of state-socialism meant authorities rather than entrepreneurs had been the decision makers. As a result, firms had too many workers and too little capital (Burda 1991). The inability of firms to compete in the open market saw many East German workers become

unemployed. The 'Solidarity Pact', a political decision to equalise wages, exacerbated an already grave situation such that, by 2000, unemployment was around 20 per cent in the East (compared with approximately 7 per cent in the West). The situation in East Germany significantly increased the fiscal demands on government.

Membership of the EMU created some additional problems for Germany and its institutional arrangements because the government was no longer in full control of monetary and fiscal policy. Nonetheless, the institutional arrangements of Germany enabled strategic wage coordination in light of competition from the single market and the east which restored competitiveness. However, the restriction of wage inflation depressed domestic demand and contributed to a macroeconomic environment that was not propitious for the type of growth other governments depended on, that is, consumer led expansion of the economy. In addition, as nominal interest rates were set by the European Central Bank in response to EMU inflation, Germany, due to its coordinating mechanisms, payed more in real terms than those countries less able to coordinate wage bargaining and effectively control inflation (Hall 2007).

Germany's high skill equilibrium also affected its ability to manage high levels of unemployment and low levels of demand. When faced with high levels of unemployment, a labour force equipped with industry specific skills found it more difficult to secure jobs at similar wage rates than those equipped with general skills. This in turn affected domestic demand as the workers' response in times of unemployment is to increase their level of savings (Estevez-Abe, Iversen & Soskice 2001). In the past, the solution would have been reflationary fiscal or monetary policy however, membership of the EMU removed this option for Germany.

Many German firms depended on the stability the established institutions of strategic coordination provided. Accordingly, in response to the challenges faced, Germany loosened rather than liberalised its institutional arrangements and, as a consequence, residual capacities for coordination remained (Thelen 2000). For example, wage rates in the east settled at rates significantly lower on average than those in the west. In the prevailing economic conditions, unions and associations made concessions (Thelen & van Wijnbergen 2003). Although

the institutions of coordination demonstrated a degree of flexibility, their capacities remained fully functional such that they could be employed should labour-market conditions contract. As Hall notes:

“Wages and working conditions continue to be bargained with work councils and unions. Sixty per cent of the German workforce is still covered by a collective bargain, compared to 20 per cent in Britain, and industry and labour continue to operate collaborative training schemes conferring high levels of industry specific skills” (2007:69).

Reform in the financial sector followed a similar tendency. The large German banks retrenched their commitment to domestic industry in order to invest and therefore compete in the global economy. Although the need to secure ‘shareholder value’ led to some restructuring, most firms still used earned income and bank finance for investment. In addition, the government continued to take preventative measures designed to limit hostile takeovers (Callaghan & Höpner 2005).

A significant institutional transformation in the German political economy was the ‘development of a dual labour market’. In order to encourage labour market flexibility there part-time work and marginal employment (so-called ‘mini jobs’) increased. However, long-term unemployment persisted, as did the low employment levels of the elderly and the slow increase of female labour force participation. Germany’s institutional arrangements, therefore, maintained security at the core of the labour market while gradually increasing flexibility at the margin (Ebbinghaus & Eichhorst 2009:119-20).

### **2.4.3 France**

France was a strong advocate of the single market and EMU. In thrall to the German Bundesbank as they were in the 1980s, they believed the new arrangements would provide them with more monetary stability and restrain German monetary independence. Instead, they experienced a relatively austere macroeconomic environment and consistently high levels of unemployment. The government, in response, encouraged the role of markets in the allocation of resources, whilst at the same time increasing public spending.

In 1993 the state resumed the privatisation programme that had stalled since the late 1980s. However, the approach, relative to the UK, was *dirigiste* in practice. Instead of a ‘big bang’ the government selected a ‘hard core’ of investors, making available around 10 per cent of shares to employees and up to 20 per cent for foreign investors (except for firms related to national security). This, as Schmidt explains:

“...intended to provide privatised firms with stable leadership akin to that of German managed capitalism as well as with protection against hostile takeovers and foreign acquirers” (2003:534).

In France, some of the best performing enterprises continued to be nationalised in full or in part and many others retained ‘auto-control’ through high levels of self-investment: for example, LVMH and Cap Gemini. Where mergers and acquisitions did take place, the primary driver continued to be a firm’s strategy with regard to products, rather than the financial markets (Hancké 2001).

Although deregulation was to be introduced, it would not be on the scale experienced in the UK or even Germany which, having resisted deregulation (like France), in the face of EU pressure, deregulated to a degree beyond that advocated by the EU. In France, public utilities and infrastructural services have a symbolic importance as ‘national champions’. Therefore, in practice, deregulation would be the minimum required by EU directives and only in telecommunications were wide-scale deregulatory reforms accepted (Schmidt 2003).

In terms of industrial relations there was some decentralisation, with government initiatives encouraging bargaining at the firm, rather than the sector, level (Howell 1992). However this, as Schmidt concludes:

“may be less a necessary consequence of the reform of former state-led capitalist systems than of the particular circumstances of French industrial relations, namely, the weakness of employers’ associations and unions<sup>77</sup>” (2003:535)

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<sup>77</sup> In European countries such as Italy and Spain where there are stronger employers’ associations and unions there has been a tendency to recentralise wage bargaining in a more corporatist direction.

To protect against the unemployment created as French firms were being 'rationalised', the government increased public spending, effectively subsidising jobs for, most notably, the young and unemployed (Smith 2004). The initiatives of the Jospin government, elected in 1997, were, unlike those of the previous Juppe government, widely accepted. The reason was the Jospin government consulted extensively with labour and business, created new positions in the public sector and made few cuts to the generous benefits available to those in the most privileged positions of France's welfare state. As a consequence, public spending rose faster in France than elsewhere in Europe, reaching Nordic levels at 51 per cent of GDP in 2004 (Hall 2007). Reforms were made to social security such as the introduction of private pensions and industrial relations: for example, the introduction of the 35 hour working week. The government legitimated its path with a "discourse that claimed to balance equity with efficiency in policies that mixed progressive and neoliberal elements" (Schmidt 2003:535).

France had to some degree converged with Britain by intensifying market forces and diverged from Germany by reforming its *continental* welfare state to a greater extent. France, like Germany, continued to operate a social policy regime that funded benefits from social charges on labour and which discouraged the creation of low-wage jobs (Scharpf 1999). However, like Germany, France had begun to facilitate the expansion of a dual labour market. The established link between work contract and benefits rights began to be undermined. An increase in the general social contribution (CSG) has shifted some of the costs of social protection to general taxation. In addition, the introduction of a national minimum income (RMI) had encouraged the unemployed to take low-wage jobs (Caroli, Gautié & Askenazy 2008). As Whiteside notes:

"Far from flexibility parading as a solution to labour market problems, as in Britain, in France a deregulated labour market still embodies a threat-to personal security and to republican principle. So it is introduced through the back door" (2000:21).

The outcome was the expansion of a secondary labour market where part-time and temporary employees work with fewer benefits and lower job security.

### **2.4.4 Summary**

By the 1970s the era of sustained growth was coming to a halt as the exogenous economic shocks associated with rising oil prices gave rise to recession. In the West, economic growth was no longer assured and the social costs of capitalism were becoming apparent once again. Unemployment and industrial decline increased as firms pursued improved productivity or were shut down due to a lack of competitiveness (Couch, Fraser & Percy 2003). It is within this context that countries restructured their economies. By the 1970s in the UK, and by the mid-1980s in France and Germany, the traditional industrial structure was transforming rapidly. Unemployment and deprivation became critical political issues. The UK, Germany and France each took a different path in response to the forces that created economic liberalisation during the 1980s, 1990s and beyond. Again, as will become evident later in the thesis, these strategies had an impact on the regions that will be examined.

## **2.5 Policy responses to deindustrialisation in the UK, Germany and France**

This section will briefly discuss policy responses to deindustrialisation in the UK, Germany and France. Of course, deindustrialisation was more problematical in regions that had previously been heavily dependent on heavy industry. In these Old Industrial Regions (OIRs), a significant and increasing proportion of the population experienced poverty and became increasingly socially excluded from the formal economy (Fothergill 2001). This thesis will soon focus on these regions in some detail but, for the moment, the discussion will remain at the level of national policy.

### **2.5.1 The UK**

Although there was some reprieve in the early post-war period, deindustrialisation had been a feature of the UK since the interwar period. Manufacturing was being overtaken by foreign competitors: mainly as a result of the UK's forms of ownership; low levels of capital investment and poor industrial relations (Lane 1989; Maddison 1991; Craft 1998). Deindustrialisation, when it came, occurred quickly. As MacInnes notes:

“the shift from manufacturing to services in terms of both output and employment has resulted from the British state's failure to appreciate the strategic role of industry in generating wealth and the strength of the legacy of 'laissez faire' in a country which embarked on the industrialisation with hardly any state involvement of the kind found in countries which industrialised at a later stage” (1995:2).

By the 1970s, the economic stagnation and the declining competitiveness of key industrial sectors in international markets had led to increased industrial action and class-based conflict. The British model of market capitalism lacked the institutional arrangements for effective wage bargaining and, regardless of increasing unemployment, was unable to offset rising inflation (inflation peaked at 23 per cent in the spring of 1975)(Crouch 1979:103). To control inflation governments developed institutions for wage bargaining, albeit each attempt at this policy was unsuccessful.

The Conservative government of Edward Heath (1970-1974) was unable to reform the political economy or moderate the distributional conflict<sup>78</sup> that resulted from stagflation. Heath's government met opposition from both traditional business allies and an animated trade union leadership (Bogdanor 1996). The Labour governments of Harold Wilson and James Callaghan (1974-1979) had intended to pursue what was, in UK terms, a strong interventionist industrial policy in order to stem the decline in manufacturing employment. Their chosen tool was a new National Enterprise Board (NEB), created in 1975. However, participation by industry was voluntary rather than compulsory (as had been intended). In addition, plans for a 'social contract' designed to mitigate distributional conflicts via wage coordination also proved unsuccessful. The Labour Government was initially successful in negotiating a 'social contract' that united the parliamentary and industrial wings of the Labour movement and reduced inflation by means of wage coordination. However, the trade unions became increasingly aggravated by wage increases that came in well below the rate of inflation. The result was a split from the government in 1978 (Woodward 2004).

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<sup>78</sup> Unions were intent on recouping through wage-bargaining income they had lost through taxation. By the mid-1970s (after the abolishment of the lower rate of tax in 1969) union leaders would cite taxation to legitimate pay increases (Crouch 1977:98).

As the distributional conflict intensified, the country became beleaguered by strikes throughout the winter of 1978-1979 - the 'Winter of Discontent'. Labour's inability to control its own constituency, the trade unions, led to its demise at the general election in May 1979.

By the time of the oil crises in the 1970s and the election of the Thatcher government in 1979, deindustrialisation had a political salience and was regarded, within many political circles, as inevitable. This was a marked change. The Conservatives under Margaret Thatcher came to power in 1979 on a platform that promised to roll back state intervention in the economy. Thatcher reoriented the state. Monetarism would replace Keynesianism as the new economic doctrine and the state would encourage overall economic growth and productivity by reducing social expenditure and the size of the public sector. This policy was achieved by trimming its work force and privatising nationalised industries. Monetarism was a radical departure from the post-war consensus on economic management. Not only was state intervention deemed redundant, it was also considered disadvantageous and destabilising. Thatcher would respond to the challenges of the 1970s and 1980s by augmenting Britain's historical model of market capitalism (Hall 1986; Pierson 1996; Harvey 2005).

The electoral arithmetic of the UK parliament and a divided opposition provided the Thatcher administration with the capacity to impose reform. From the early 1980s, the Thatcher administration deregulated the financial markets culminating with the 'big bang' of 1986. Nationalised monopolies were privatised which meant that they now had to survive within the context of market competition. Deregulation meant that voluntary self-regulating regimes and formal government-industry relationships were replaced with independent regulatory agencies (Schmidt 1996). Labour markets were made more flexible through deregulatory labour policies that restricted unions' organising and strike powers while increasing employers' capacity to hire and fire as required. Resistance to these changes by the institutions of organised labour were restricted by the effects of mass unemployment and the defeat of the coal miners' strike (Howell 1999). Under Thatcher, Britain became even more market-orientated, providing a legislative framework that located decision-making power in companies and restricted trade union powers (Wood 2001).

The 1970s and 1980s, under Thatcher, would mark the peak of deindustrialisation. What happened can be seen as a form of 'shock therapy': blunt rationalisation of formerly dominant manufacturing industries and an accelerated shift to a more service-oriented economy. The Thatcher government advanced the idea that the process of deindustrialisation was inevitable - the consequence of economic maturity and development. To mitigate the process via state intervention, as attempted by Wilson and Heath, would only hinder 'natural' structural economic change (Lloyd-Jones & Lewis 1998). This discourse of inevitably reframed deindustrialisation as an opportunity for businesses to become more competitive by rationalising in accordance with market logic, rather than, as a crisis of employment created by a lack of public and private investment and antagonistic industrial relations. In this context, advocates argued, state intervention would be futile and counter-productive, delaying an inexorable outcome. The removal of restrictions on capital export and denationalisation advanced the overseas location of manufacturing increasing the deindustrialisation of industrial regions such as WCS. As a result, interregional inequalities were exacerbated as market forces increasingly shaped the geography of manufacturing (Hudson & Williams 1995).

In the period that followed, any expansion of employment in the UK was generally the result of service sector employment secured via low wages and cuts to social protection: relative to Germany and France, the UK fostered lower quality and less stable forms of employment. Employers adjusted their systems of organisation and production to make few demands on the workforce, other than to accept low wages and atypical employment. Institutional support for expanding the workforce through low-wage employment discouraged firms from high quality production (Finegold & Soskice 1988). What this meant was that growth in economic activity was increasingly being secured through the expansion of employment rather than technological upgrading. One outcome of this complex set of changes was growing consumer expenditure and debt (Wilkinson 2007). A second outcome was the development of a highly polarised skill distribution within the UK workforce made worse by the inadequacies of the vocational training system at post-compulsory secondary education level which left many with no or weakly developed skills.

By the 1990s Thatcher's inevitability thesis and associated fiscal and industrial policies had achieved a degree of hegemony forming as it did the mainstream political consensus (only recently challenged in the aftermath of the 2008 financial crisis). New Labour, under both Blair and Brown, maintained the same economic priorities as their Tory predecessors, concentrating on keeping inflation as low as possible. That said, supporters of New Labour will likely cite the increased investment in education as a policy designed to recover Britain's manufacturing base. However, in reality, this investment was intended to meet the needs of British employers, the majority of which are not involved in manufacturing. As Coutts et al. conclude:

“The decline in the importance of tradeable goods production in providing employment has continued in the past decade; distribution, public services and business and financial services all provide more jobs than tradeable goods” (2007:1).

Market-capitalist Britain has become, if anything, more driven by financial market in business relations, more liberal in state relations with business and labour and more market-reliant and decentralised in industrial relations. Financial markets and autonomous firms, without any real input from labour and little state intervention, drive and demand economic or political change. This reflects an approach to policy making in the UK that privileged the interests of finance above those of industry. Conservative and Labour governments both strongly believed that the future development of the UK economy could be ensured through specialising in the provision of financial services (Harvey 2005; Clark et al. 2011).

### ***2.5.2 West Germany***

West Germany experienced significant declines in manufacturing during the 1970s and 1980s, particularly around coal and steel. However, deindustrialisation in the German national context is often considered a feature of the 1990s, starting in the period that followed reunification during the final years of the Kohl government (Webber 1994; Hall 2007). Deindustrialisation extended throughout the 2000s through the Agenda 2010 reforms of the Social Democratic (SPD) and Green coalition led by Chancellor Gerhard Schröder. These reforms were designed to facilitate increased labour market flexibility in the

face of a structural economic crisis characterised by high unemployment. Although there was some service job replacement, the country was (and continues to be) considered a service employment laggard (Smith 2003). Importantly, the dominant thinking during the 1970s and 1980s, which continues today, was that deindustrialisation was and is not inevitable (in all industries at least). This belief is bolstered by Germany's comparatively high levels of manufacturing employment.

The German model of 'managed capitalism' had become well established by the 1970s and had many admirers (Paterson & Smith 1981). However, by the 1970s, Germany faced a number of challenges that would continue into the 1980s, when the country emerged from the period of economic uncertainty, characterised by some as *Eurosclerosis*<sup>79</sup> (Olson 1982). West Germany's industrial relations system, linking wages to productivity, had hitherto been successful. However, it came under increased pressure during the 1970s: profits fluctuated unexpectedly as industrial conflict led to an increase in labour costs (56 per cent between 1972 and 1975) (Hall 2007). Inflationary wage settlements led the independent Bundesbank to introduce a more restrictive monetary policy which put it at odds with a government that preferred to adhere to a more Keynesian approach to economic management. Nonetheless, the German system of wage bargaining was able to withstand the exogenous shocks of the 1970s and negotiated wage increases moderate enough to restrain inflation throughout the 1980s (Hassel 2006).

The economic miracle that continued into the 1960s created a work problem of labour scarcity. The result was that, between 1959 and 1971, over two million *gastarbeiter* (guest workers) entered Germany. However, by the 1970s, as employment began to shift out of industry into services, one of the most severe issues confronting the German administration was increasing unemployment and the costs associated with supporting the long-term unemployed.

The collapse of the Bretton Woods system undermined one of the key levers used to maintain high levels of productivity, namely, the undervalued exchange rate that had made the cost of German goods competitive internationally. The loss of

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<sup>79</sup> High unemployment and slow job creation in spite of overall economic growth.

a low exchange rate resulted in inflation and increased competitive pressures on German firms. Because the institutional arrangements for wage-bargaining had empowered the works councils and unions, firms could not easily pursue a strategy of wage reduction and restraint. Instead, strategies were adopted that would increase the productivity of labour. In order to increase productivity, firms pursued two main strategies: first, to promote labour flexibility and second, to increase productivity. Major unions became proactive on issues such as flexible work organisation. For example, IG Metall developed the principle of group work which came to characterise the West German auto industry (Thelen 1991; Streeck 1992). Increased flexibility helped raise productivity and cut costs. Between 1970 and 1985, the capital intensity of German industry escalated considerably and the percentage of employees who were male decreased from 93 to 82 per cent (Hall 2007). Investment in plant equipment continued as union 'sacred cows', such as prohibitions against night and weekend shifts, were replaced with flexible working hours and practices (Turner 1991).

Germany weathered the crises of the 1970s comparatively well and the institutional arrangements of its political economy remained intact. In the area of industrial relations, these mediated the trade-off between inflation and unemployment effectively. In terms of production, these maintained high-quality production and were able to fine tune and diversify it. Germany's economic performance in the 1980s, relative to France and Britain, was good.

In the 1990s, to encourage job creation and growth in the service sector, deregulatory measures in the labour market and new rules regarding the issuance of fixed-term contracts to workers were made under Kohl.

Today, the inevitability of deindustrialisation is still refuted by many German policy makers who regard Germany's manufacturing decline as an outcome of failure to increase specialisation in niche and high quality areas of production and to adapt to the pressures of global competition. To combat this, Germany, although it maintains its institutions of strategic coordination, has facilitated flexibility in its labour markets and wage moderation, opened itself to foreign investment and reasserting its commitment to high-quality production (Baldi 2011).

### 2.5.3 France

Despite the economic growth of the 1950s and 1960s, the *dirigiste* role of the French state was, by the end of this period, under threat. The arbitrary mode of decision making and lack of consultation had provoked a momentous reaction: in May 1968 a wave of strikes and demonstrations brought the country to a halt. The interventionist autocratic manner of the state, in universities, workplaces and political institutions had bred resentment and led to the mobilisation of diverse groups of students, workers, artists, and professionals. What followed was years of intense labour militancy such that, by the early 1970s, strikes were common place.

As the economy stagnated and discontent increased, French policy makers were forced to address a changing economic environment that undermined the state capitalist model of development. *Dirigiste* planning had been successful at building basic infrastructure in sectors that required investment such as steel and transport. However, it lacked the capacity to reform the French economy: to decentralise decision making and make changes that would allow France to compete successfully in the global economy. The initial response of French policy makers, like those in Britain, was to regard the economic downturn as a temporary recession, rather than a structural change, and, therefore, to address it with established policy responses. A series of right wing administrations under President Valéry Giscard d'Estaing increased state support to industry and expanded social programmes for the unemployed (Hall 2007). However, the competitiveness of industry was severely compromised under d'Estaing whose policy of rescuing companies on the verge of bankruptcy essentially turned Gaulle's policy of support for 'national champions' into one of support for 'lame ducks' (Hayward 1995). Growing discontent over economic performance brought the Left into power for the first time during the Fifth Republic.

By the early 1980s, deindustrialisation became a critical concern for France. The *dirigiste* approach had, it seemed, reached its capacity as France, without the policy levers of inflation and currency devaluation, struggled to adjust to the demands of the global economy and experienced increasing unemployment. The Socialist government elected in 1981 under President François Mitterrand initially deepened the *dirigiste* response. Despite the austerity of the times, the

government of 1981 extended subsidies and loans and nationalised industries: between 1981 and 1985, the 16 largest French firms received 64 billion Francs in subsidies and the newly nationalised firms the equivalent of \$5 billion (Schmidt 1996: 108). The total investment to industry far outweighed what private industry had committed in the preceding years. Amable and Hancké conclude that this allowed “these companies not only to accelerate investment, but also to increase R&D expenditure by over 20 per cent between 1982 and 1985” (2001:124).

Mitterrand’s strategy of *dirigiste* modernisation reformed the economy, society and state in the long-term. Social benefits were expanded, mechanisms were established to increase participation in economic decision making by workers and unions and areas of industry were improved due to public investment. However, in the short-term, it failed to restore rates of growth or investment. The short-term result was increased budget and trade deficits which resulted in a devaluation of the franc. In March 1983 Mitterrand was forced to choose between his *dirigiste* strategy and his commitment to the European Monetary System (established in 1979 to stabilise exchange rate in Europe). Mitterrand abandoned the strategy in an effort to revive the economy by advocating more open European markets, a goal codified in the Single Europe Act of 1986 (Levy 2008).

The French political elite now faced a problem - how to restructure the institutions and regulatory regimes of France’s political economy to ensure it prospered in new more competitive international markets. Some advocated the German model of managed capitalism (Maurice, Sellier & Silvestre 1996). Its egalitarianism and success in high-value added sectors were appealing to many in France. However, the effectiveness of the German model was contingent on the existence of strong employers’ associations and trade unions. Conditions in France meant it would have been difficult to implement such a model because the labour movement was fragmented and some within the political elite were wary of fortifying a labour movement that had disrupted many governments and in which a communist trade union was important. Consequently, measures to afford the unions a greater hand in bargaining (the Aroux laws of 1982) and to

enhance regional cooperation between business and labour were less effective (Culpepper 2006).

From 1983, a succession of administrations, left and right alike, pursued a neoliberal modernisation strategy which included regulatory changes that would increase competition between firms and enhance the extent to which they depended on markets to coordinate their endeavours (Goyer 2006). In a shift away from the post-war period of active state intervention, by the 1980s the state had exposed firms to reform from below, driving modernisation by exposing them to the demands of market competition. State assets in banking and industry were privatised and companies were encouraged to seek capital on the international markets. The Paris Bourse was expanded, foreign investment was actively encouraged and a competitive market was fostered for corporate control. As a result, industrial subsidies diminished, markets were deregulated and French firms were required to compete in the new single European market (initially under a high exchange rate that reduced their competitive advantage). However, the state continued to set minimum wages and impose wage agreements across sectors, although it used these powers cautiously to encourage firm-level bargaining instead (Lallement 2006).

The net outcome was a transformation in corporate governance. By the end of the 1990s almost 40 per cent of shares in France's leading firms of the CAC40<sup>80</sup> were held by foreign investors (Culpepper 2005:191). It is worth noting that the alliances forged at the elite educational institutions continue to provide French companies with the capacity to coordinate their endeavours. This was much less the case in the UK where market mechanisms shaped the coordination of business activities. However, in many respects, the French model was shifting towards the model of market capitalism. Typically, one might expect increases in market competition to lead to a reduction in social spending. France, however, made its markets more competitive and increased its levels of social protection at the same time. Moreover, the role of the state had undergone a significant transformation. As Hall concludes:

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<sup>80</sup> Bench mark for French stock market index.

“In 1960, the French state provided minimal social benefits but lavished subsidies on protected industrial firms. By 1990, it had given up on industrial protection in favour of social protection” (2007:56).

### **2.5.4 Summary**

Deindustrialisation has been and continues to be a source of concern for a variety of reasons. A particular concern of the 1970s and 1980s (and post 1990s in CEE) was the fall in demand for labour, a consequence of the defensive restructuring of capital associated with maintaining profitability (Massey & Meegan 1982). In pursuit of greater profits, production in many industries shifted from more to less developed countries where labour costs were lower. It is this restructuring by relocation which creates and sustains spatially uneven development as places ‘rise and fall’ (Castree et al. 2004:69; Hudson, 2001:261).

Rodwin & Sazanani refer to a “hollowing” of economies (1988: viii) - a ‘moving up’ and ‘moving out’ of manufacturing industry. By ‘moving up’ the manufacturing industry in the mature industrial economies adopted advanced technologies which lead to capital intensification and higher value-added and, as a result, higher profits. By ‘moving out’ manufacturing relocates to lower wage economies. As a result, the more immediate concerns in the short and long-term were: the redeployment of manual workers when the only growth is in the service/white collar sectors and the long-term viability of a service-based or tertiary economy.

As a consequence of deindustrialisation, there have been both losers and winners, and significant socioeconomic and human costs:

“blighted communities and regions, loss of infrastructure, disappearance of jobs, erosion of skills, increasing inequality of income and sheer human misery. Fear, hostility and concern have been aroused in many quarters and many persons are convinced that a better way to handle the incidence of costs and benefits must be found” (Rodwin & Sazanami, 1991:4).

In order to encourage economic growth and competitiveness, each country, to varying degrees and intensity, pursued: deindustrialisation, liberalisation, privatisation, deregulation and decentralisation. In this regard the UK went furthest, pursuing a forceful neoliberal strategy. France and Germany were able

to mitigate many of the social costs associated with deindustrialisation by pursuing a more gradual and socially inclusive path toward economic restructuring and future economic development. That said, all the countries covered here have, to various extents, privatised national enterprises and public services, introduced austerity measures, and increased the role of the market.

Currently, the socioeconomic challenges commonly associated with globalisation and increasingly austerity have led to the abandonment of full employment, post-war settlements and increases in social expenditure and provision. Consequently, and to varying degrees and intensity, governments have pursued policies of labour market flexibility and austerity in a context of economic recession, job insecurity and widening social inequalities.

## **2.6 Social protection during deindustrialisation**

This section focuses on the policy context and levels of social protection offered to the population of the UK, Germany and France during and after deindustrialisation.

From the conclusion of WWII till the 1970s and 1980s politicians throughout Western Europe, mindful of the mass unemployment faced during the inter-war era and (perhaps) conscious of the sacrifices many made during the war, established a consensus that poverty and unemployment were not the product of individual inadequacies. Rather, they were structural and systemic (Bowles & Gintis 1982). The political imperative during this period was full employment. Governments, to varying degrees, increased interventions in the distribution of resources, implemented activist industrial policies and, on the back of economic growth, legislated for progressively munificent social benefits. During this golden age of welfare capitalism in West Europe the key concerns were protecting (predominantly) the income of the male breadwinner against unemployment, sickness and retirement (Esping-Andersen 1990; Pierson 2001).

However, deindustrialisation placed these arrangements under intense pressures and the associated socioeconomic changes commonly characterised as post-industrial presented new social risks (NSRs) (Taylor-Gooby 2004; Bonoli 2006; Pintelon *et al.* 2011).

Between 1945 and 1973, the so-called ‘Golden Age’, the welfare states of Britain, Germany and France developed rapidly, outpacing even the (often) significant growth in real GDP. This was an era of expansion in welfare state provision (see Table 4.1). Countries established policies of social protection and labour market regulation in order to cover the traditional social risks associated with industrialisation such as poverty due to retirement from work, unemployment and illness. In Western Europe, the number of eligible recipients increased over time as did the benefits provided by pensions, disability payments and unemployment insurance programmes. In the 1930s roughly half the labour force was covered by some form of social protection: approximately a fifth was insured against unemployment. By the 1970s more than 90 per cent of the labour force was protected during old age, invalidity and sickness; more than 80 per cent were covered by accident insurance; and 60 per cent had unemployment coverage (Pierson 2006:131). However, as Table 3.9.1 shows, if social expenditure as a percentage of GDP is used as a measure, levels of commitment varied. France and Germany, like most major OECD economies, were, by 1975, allocating in excess of 25 per cent of GDP to social expenditure. Of the seven major OECD economies, only the UK (19.6 per cent) along with the United States and Japan allocated less than a fifth of GDP (OECD 1988:11).

**Table A.1: Social expenditure, 1960-1975, as percentage of GDP in the UK, West Germany and France.**

<u>Country</u>	<u>1960</u>	<u>1975</u>
UK	12.4	19.6
West Germany	17.1	27.8
France	14.4	26.3

Source: OECD 1988:10

The political and socioeconomic order of the post-war period was founded upon several mutually supporting policies. These were: Keynesian economic policies to secure full employment and sustain domestic economic growth within what

Pierson describes as “the agreed parameters of an essentially liberal capitalist international market” (2006:131); creation and expansion of the welfare state to deal with the social costs of an industrial market economy; a (very) broad based consensus across the political spectrum, and between capital and labour, concerning the social institutions of a market economy and welfare state and the accommodation of their competing interests through institutionalised negotiation (Bowles & Gintis 1982; Pierson 2006:131-132). As a result, advanced industrial states experienced some success in tackling both horizontal and vertical income inequalities<sup>81</sup> (Atkinson 1998; Berthoud 2004; Taylor-Gooby 2004).

Economic growth was the glue that held the consensus together and was the foundation of welfare state development. It was the purpose of Keynesian policies to encourage capital investment which was the stimulus to support economic growth, in order to secure full employment and finance health, education, welfare and social services. As Pierson concludes:

“It was economic growth that made a reconciliation of the opposing interests of capital and labour viable and sustainable. Fittingly, what has been described as the ‘the Golden Age of the welfare state’ was also a period of unprecedented and unparalleled growth in the international capitalist economy” (2006:133).

In the case of the UK, France and Germany, up until the periods of deindustrialisation, quite different means were utilised to achieve greater equality. The UK limited state intervention to redistribution whilst France, via legislation and Germany, via collectively negotiated agreements, intervened in the functioning of the labour market to achieve social policy objectives (Whiteside & Salais 1998; Bonoli 2006). The socioeconomic change associated with deindustrialisation, and the shift from industrial to post-industrial economies and societies, led to the emergence of new risk groups that did not fit the traditional clientele of the post-war welfare state and, as such, experienced major welfare losses (Bonoli 2005).

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<sup>81</sup> Vertical inequality refers to inequality among individuals or households, while horizontal inequality is defined as inequality among groups, typically culturally defined, for example, by ethnicity, religion or race.

### **2.6.1 UK**

We have already seen that the UK struggled for competitiveness in the immediate post-war era compared to Germany and France. As a result, work conditions and practices, particularly in heavy industry and manufacturing, were typically inferior. By the 1970s, the UK was in decline economically and, it appeared, socially. Britain was the first major West European country to be in the grip of deindustrialisation: plunged into manufacturing decline, stagflation, social conflict and the practice of restructuring a post-industrial society (Iversen & Cusack 2000).

By the end of the decade unemployment was significantly greater and GDP per capita significantly lower than in either Germany or France (Smith 2003). As has been discussed, the UK augmented its low-skill, low-value added areas of production and market-led economy with neoliberal policies (Finegold & Soskice 1988; Lane 1989; Rubery 1994). Neoliberal policies of deregulation, privatisation and lower taxes, appealing to individual self-reliance, were regarded as a remedy to the increasing burden of welfare capitalism and would also facilitate the emergence of a global open-market economy. The Thatcher government eradicated institutions for protecting wages and working conditions and statutory constraints were placed on industrial action (Howell 2005).

Although for a short time (1965-1982), public unemployment insurance provided improved replacement rates, in contrast to Germany and France, income replacement rates in unemployment and retirement were low. Moreover, apart from a few core labour market 'insiders' with occupational schemes, unemployed workers had to rely on what were, comparatively, very low benefits (Fleckenstein et al. 2011; Seeleib-Kaiser et al. 2011). Typically, there was no earnings-related link and benefits were means-tested and provided at a flat rate. At the end of the 1960s, only 53 per cent of the workforce could, with 40 years employment, expect a replacement rate of 70 per cent of the standard wage in retirement (Seeleib-Kaiser et al. 2011; Blake 2003). Moreover, there were significant differences according to gender, skill, industry and sector. Reforms in the 1980s led to a significant decline in what were already comparatively meagre pension benefits.

Redundancy payments were also problematical. For example, in 1981, a year when unemployment in the UK exceeded 2.5 million, only 36 per cent of the unemployed received redundancy pay (traditionally dominant industries such as coal and steel were more likely to provide redundancy payments) (Seeleib-Kaiser et al. 2011).

In the UK while the majority entered into a period of long-term unemployment with meagre benefits, many of their counterparts in France and Germany entered early retirement or a period of unemployment with more generous benefits and perhaps a greater chance of finding a job similar to the one they had lost (i.e. skilled and possibly in industry or manufacturing).

In the UK, the process of deindustrialisation itself led to a loss of social protection. The manufacturing sector provided workers with a reasonable level of occupational social protection. Therefore, the decline of this sector and the limited re-employment opportunities for many of its former workers in the low-general skills service sector jobs significantly reduced overall coverage and security (Fleckenstein et al. 2011; Seeleib-Kaiser et al. 2011). After the economic crisis of the 1970s and associated deindustrialisation, the question of how to best finance the welfare state became a political issue. Insurance benefits were not paid at a high enough level to prevent many senior citizens from becoming poor and full employment no longer seemed like an achievable goal. The latter was a result of the secular decline in manufacturing jobs which was itself a product of deindustrialisation.

Since the early 1980s, there has been a sequence of radical welfare reforms, usually motivated by the desire to re-establish Britain's economic competitiveness. Conservative governments, in particular, have advocated a reduction in the size of the state which in their later terms in office targeted the welfare state specifically. Their position was ideological, rather than pragmatic, because the question of whether or not welfare spending actually curtailed competitiveness and encouraged a 'benefit culture' was moot. The government alleged it did and acted accordingly to reduce the welfare state (Clarke & Newman 1997).

Both conservative governments (Thatcher (1979-1990) and Major (1990-1997)) advocated and encouraged private sector involvement in welfare provision (Mitton 2009). The 'marketisation' of welfare involved two processes: first, encouraging individuals to finance their own welfare, either by establishing their own pension or by taking out private health insurance and second, 'sub-contracting' the provision of publicly financed welfare services to commercial or voluntary not-for-profit suppliers (Mitton 2009) - for example back to work programmes for those on Jobseekers Allowance.

New social policies were established that would consolidate this shift, via the integration of the public and private spheres in welfare provision. This would require new types of welfare state administration: markets for public services, decentralised system, networks of multiple welfare providers and new roles for commercial and voluntary providers (Timmins 1996:475). Quasi markets, particularly for health, were introduced and welfare provision became increasingly residual in character. The government wanted to cut public expenditure even if that meant increased inequality. Critics accused the conservatives of 'selling off' the welfare state (Le Grand 1990).

When New Labour came to power in 1997, they augmented many of the conservative welfare reforms via public finance initiatives (PFI), regulation of the public sector (where it was argued free markets do not serve the public interest), and through what some may deem as populist measures: that is, by 'empowering' service users and conducting public consultation on planning and policy. Although Prime Minister Blair stressed the need to implement policies that targeted the poor and the most vulnerable, the Labour party rejected their introduction on the grounds that such policies would be both ineffective and unfair. As Taylor-Gooby concludes: "both main parties now endorse cost-constraint, the expansion of private provision and workfare" (2001:192), thus leading to the establishment of a new, implicit (neo) liberal consensus in the UK.

In Germany and France, government eschewed neoliberalism and pursued a more gradual and socially inclusive path toward economic restructuring and future economic development (Couch et al. 2011).

## 2.6.2 Germany

The post-war (West) German settlement was founded upon the notion of a 'social state', typically referred to as a 'social market economy'. The central tenet of the system was that coordinated economic development was the best way to achieve social welfare. Rather than pursue a policy of full or maximum employment, the system provided subsidies to so-called 'outsiders', who were compensated for leaving or not entering the labour market making space for those who were more productive. Therefore, in the post-war period until the 1980s labour market and employment pressures were mitigated by the so-called 'male breadwinner'<sup>82</sup> model of welfare that limited female entrants (Lewis 1992; Ostner & Lewis 1995).

When faced with the pressures of deindustrialisation, particularly unemployment, the government response was to advocate a more instrumental approach to macroeconomic management: restrictions on immigration were introduced while time spent in education for the younger population was expanded. One of the more noteworthy initiatives was the policy to reduce the size of the workforce. An ambiguous definition of disability increased the eligibility of older workers for munificent benefits and those who had been unemployed for a year could claim full pension entitlements at age 60, thereby making it possible for firms to compel workers into early retirement at the age of 59. Further legislation in 1972 increased pension benefits for the low paid and mandated early retirement at age 63. By 1985, the proportion of German men between the ages of 55 and 64 in paid employment had fallen to 60 from 80 per cent in 1970. Concerned about the fiscal legacy of these policies, the Kohl government adjusted the replacement rate for unemployment insurance from 68 per cent to 63 per cent of previous wages and the social assistance rate down two per cent to 56 per cent in 1983-4. However, these measures did not substantially alter a strategy designed to limit the size of the labour force (Mirkin 1987; Hall 2007).

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<sup>82</sup> The state in corporatist countries such as Germany and a lesser extent France have, unlike the UK, been disinclined to encourage growth in the service sector. Considering it a threat to the 'breadwinner' model in which fathers earn the wages and mothers oversee the household.

Meanwhile, large industrial enterprises pursued a policy of consolidation in order to remain competitive and increase their scale and productivity (Hassink 1993; Hospers 2004). In those sectors most vulnerable to the prevailing economic circumstances, such as the heavy industries, government policy was able to limit the rapid decline in employment. Klodt (1990) and Giersch et al. (1992) note protectionist policies, such as increased subsidies, limited the loss of employment. For example, in the coal industry between 1980 and 1992 employment in the UK fell from 294,000 to 44,000. In Germany the numbers fell from 187,000 to 115,000 (Cited in Carlin 1998).

The cost of unemployment was not the only problem: there were also significant structural concerns. Could Germany's system of vocational education and apprenticeships continue to absorb new entrants into the labour market as a central foundation of the German model was the continued supply of skilled workers? In a coordinated effort, the Federal and State (*Lander*) governments, employers' associations, trade unions and work councils employed a range of formal and informal institutional mechanisms to develop this central feature of the labour market. Policies were formulated to satisfy regionally specific needs. Automobile and machine tools were targeted in the Stuttgart area, industrial electronics in Munich and the declining steel industry in the Ruhr valley. The existing institutions of codetermination and works councils allowed stake holders (employers, unions and governments) to design a curriculum to fulfil the specific requirements of each region (Allen 2009).

Generally, after first a period of state investment and increased subsidies, and then consolidation of the major industries, the process of deindustrialisation or rationalisation occurred. However, unlike the UK, the restructuring of industry would be comparatively gradual and mitigation would be the result of considered creation of working places, training schemes and compensation packages. In the UK, by contrast, the main emphasis was on the market to create working opportunities for newly redundant or unemployed workers (Kilper & Wood 1995; Hospers 2004).

The mechanisms introduced to mediate unemployment (the work problem), the cap on the size of the labour force and reduced working hours, had, in the short-

term at least, been successful. Those who had work were well paid and those who did not enjoyed generous social benefits.

The reunification of Germany exacerbated existing concerns and raised the possibility of further reform and even retrenchment. The Kohl administration had underestimated the costs and institutional resources required to integrate the East German Länder. Since reunification, four per cent of GDP a year has been spent on social transfers to the East and, to finance these transfers, the government had to implement considerable tax increases (Hall 2007). Germany's deteriorating fiscal situation, in addition to anxieties over industrial competitiveness, engendered growing criticism of the welfare state. The 1990s were a period of fiscal consolidation which saw first cuts in unemployment benefits then a series of improvised, yet significant, reforms in almost all fields of social policy, including pensions, health care, social assistance and labour market policy. The reforms were inspired by the neoliberal discourse on the eroding competitiveness and viability of the German economy (Aust & Bönker 2005).

The Schroder government of the late 1990s and 2000s reduced social benefits and introduced 'activation' style policies, where benefits require individuals to actively seek work or commit to training (Clasen & Clegg 2004). However, the established structures of the welfare state remained in place: benefits continued to be financed via social charges and early retirement programmes still facilitated efforts to take labour out of the market (Streeck & Trampusch 2005).

### **2.6.3 France**

Like Germany, the French welfare system is founded upon social insurance: entitlement is conditional upon a contribution record; most benefits are earnings-related; financing is provided mainly by employers' and employees' contributions and the social partners are substantially involved in the management of the system. This system is divided into different sectors (*branches*): health care, old age, family and unemployment insurance and highly fragmented into different schemes (*régimes*) covering different occupational

groups. Schemes are made up of different funds (*caisses*) and are organised at the national, regional and local level (Mandin & Palier 2002:3).

The socioeconomic changes associated with deindustrialisation put the French system of social protection under great pressure. By the 1980s, unemployment had become a key concern. In 1981 Mitterrand was elected and France had its first left-wing government in 23 years. In order to mitigate the social costs that resulted from firms restructuring their workforces, the state funded many of the social plans designed to mitigate the increase in unemployment such as retraining. According to Freyssenet (1998), Renault reduced its workforce by approximately 20 per cent - a reduction wholly mitigated by government-financed social plans.

With regards to the work problem, rather than reduce unemployment protection and entitlement to counteract unemployment as had happened in the UK, the French administration of the 1980s, like Germany, reduced the numbers seeking work by expanding early retirement programmes, thus restricting the size of the working population. This reduction was achieved despite the ever increasing number of women now entering the workforce. As a result the proportion of the male workforce aged over 50 years fell significantly. For example, the proportion of those aged 55 to 59 years who were in work fell from 83 per cent in 1976 to 68 per cent in 1984 (Mirkin 1987). French social benefits became increasingly munificent: whereas once the state had heavily subsidised industry it now provided similar sums to subsidize training schemes and the social charges of employers who took on young or unemployed workers. By 1986, the French state was spending four per cent of GDP on such schemes (Hall 2007:56).

In addition, Mitterrand adopted a policy of redistributive Keynesianism. This involved: increasing the minimum wage to reflate the economy; creating 100,000 public sector jobs; reducing the working week from 40 to 39 hours; increasing funding for manpower training and early retirement to reduce unemployment; nationalisation of firms critical to French banking and industry and increasing subsidies to industry (35 billion francs in 1981 to 86 billion in 1985) on the premise that public investment could be used to replace private investment, which had been stagnant since 1974. All these changes were

financed through increases in social insurance and corporate taxes and expanding the budget deficit (Machin & Wright 1985).

The Socialist government under Mitterrand was, perhaps unsurprisingly, committed to protecting workers rights. As a result retirement was set at 60 years, a new shorter working week and fifth week of paid holiday were introduced while union rights were guaranteed and state-funded work and schemes of social protection (pensions, family allowances, and unemployment benefits) were extended (Whiteside 1999).

In addition, during the 1980s, political powers were decentralised and *Métropoles d'Equilibre* were established to correct geographical inequalities and encourage economic development around regional centres. The intention of the policy was not purely to redistribute growth away from Paris. It also sought to counter the costs of deindustrialisation such as unemployment and draw inward investment to the blighted regions, such as Nord-Pas-de-Calais (NPdC). The decentralisation of 1982 was also important in strengthening the role of the regions in planning their own future economic development and infrastructure (Balchin et al. 1999; Hall & Tewder-Jones 2002).

Although, in 1986, the new right-wing government of Chirac facilitated a programme of deregulation and privatisation, France, in light of the new terms of employment associated with increased flexibility, continued as Whiteside notes:

“to codify the new terms of employment resulting from extensions in labour market flexibilities, to reinforce mutual obligation by mediating the possible consequences by sustaining the marriage between work contract and social protection. This objective also underpins wider social policies which have been introduced to shore up employment: the programmes of social insertion for the disadvantaged, the extension of subsidies to employers creating jobs...” (2000:21)

Since the 1990s, reforms have been effectively neoliberal in their challenge to the established social protection system. However, the French social welfare system is often considered to be one of the most “immovable objects” in French political life (Pierson 1998:558). In 1995, Prime Minister Juppé attempted to

introduce the Juppé plan: austerity measures which proposed an extensive program of welfare cutbacks, intended to reduce the budget deficit as required by the 1993 Maastricht Treaty. It provoked the biggest social conflict since May 1968. On 23<sup>rd</sup> November of that year, public sector employees (of SNCF, RATP etc.) decided to go on strike, and the strikes continued until 22<sup>nd</sup> December, 1995. Although the Juppé plan was effectively abandoned it was, in Palier's words: "a pivotal phase or moment in the changes in government in intervention in the area of social protection" (2006:13).

## **2.7 Conclusion**

In Germany and France, the vast majority of (male) workers were better protected than in the UK during periods of deindustrialisation. For example, in Germany in the mid-1970s income replacement rates were 70 per cent for the standard pensioner: as such, few had to rely on social assistance. Seventy per cent of unemployed workers received insurance benefits equal to 68 per cent of prior net earnings. Moreover, there was less pressure to accept a job with a lower income or in a different field (Seeleib-Kaiser et al. 2011). In France, net replacement rates were roughly 80 per cent for pensioners while unemployment insurance could offer a 72 per cent replacement rate for minimum wage workers and a 90 per cent replacement rate for laid-off workers (Daniel & Tuchsirer 1999). The stagflation and slow rates of growth associated with the era of deindustrialisation led to an increase in the neoliberal tendency in all three countries but this trend was much more marked in the UK. Broadly speaking, a new emphasis in welfare state policy emerged. Whereas the traditional welfare state ostensibly sought to protect people from the market, the 'new' welfare state sought to integrate people into the market. Post-industrialism created new social risks for the welfare state: long-term unemployment; low skills; feminisation of labour market; reduced social security; reconciling work and family life. These changes occurred first in the UK. In light of increasing pressures such as fiscal instability, political uncontrollability and diminished social solidarity, governments are, to varying degrees of commitment and success, realigning welfare states to the new risk structures.

### 3. Appendix B: Notes, definitions and sources for data presented in the thesis

Figure	Description	Definition	Sources and notes
Figure 1.1	Map showing location of WCS region.		Map produced using boundaries provided with ESRI ArcGIS 9 software.
Figure 1.2	Male life expectancy at birth, WCS and ten post-industrial regions.	Male life expectancy at birth using Chiang (II) methodology.	<p>Nord-Pas-de-Calais (CépiDc, Institut National de la Santé et de la Recherche Médicale (INSERM). Data made available for individual years: 1983; 1987; 1991; 1995; 1999; and 2003. Data imputed for years where no data was available).</p> <p>Katowice (Department of Cancer Epidemiology and Prevention, Cancer Centre and Institute of Oncology, Warsaw: 1975-2005).</p> <p>N. Moravia (Institute of Health Information and Statistics of the Czech Republic, 1991-2005).</p> <p>Limburg (CBS Statsline; GGD Nederland, Utrecht, 1996-2005).</p> <p>Merseyside (ONS, 1988-2005).</p> <p>Swansea &amp; S. Wales Coalfields (ONS, 1988-2005).</p> <p>WCS (GROS, 1982-2005).</p> <p>N. Ireland (NISRA, 1979-2005).</p> <p>Ruhr area (North Rhine-Westphalia Institute for Health and Work (LIGA), 1990-2005).</p> <p>Saxony (Statistical Office of Free State of Saxony, 1983-2005).</p> <p>Saxony-Anhalt (Statistical Office Saxony Anhalt, 1995-2005).</p> <p>Wallonia (Scientific Institute of Public Health, Centre of Operational Research of Public Health, Brussels, 1987-1997)</p>
Figure 1.3	All-cause mortality: EASRs (3 year rolling averages) 1980-2005, working-age 15-44, males; WCS in context of maximum, minimum and mean rates for selected European regions.	Male European age-standardised mortality rates per 100,000 people aged 15-44.	See above
Figure 1.4	Chronic liver disease & cirrhosis mortality:	Male European age-standardised mortality rates per	See above

	EASRs (3 year rolling averages) 1980-2005, working-age 15-44, males; WCS in context of maximum, minimum and mean rates for selected European regions.	100,000 people. Causes of death included in the chronic liver disease & cirrhosis were: 571 (ICD 9) and K70, K73, K74, K76 (ICD 10).	
Figure 1.5	Evans & Stoddart (1990) Model of the Determinants of Health.		Evans, R. & Stoddart, G. (1990) Producing health, consuming health care. <i>Social Science and Medicine</i> , 31(12):1347-63.
Figure 2.1	% industrial employment lost, 'base year' to 2005.	Absolute change in the number of industrial employees for each region, between the base year and 2005, expressed a percentage.	Base year data: Eurostat Regional Statistics Yearbook, 1971 (all Western European regions except: the Ruhr (Regionalverband Ruhr); Northern Ireland (Department of Manpower Services9); and UK regions (Linking Censuses through Time ( <a href="http://cdu.mimas.ac.uk/software/lct/">http://cdu.mimas.ac.uk/software/lct/</a> )). Other sources: Eurostat (Saxony); Czech Statistical Office (Northern Moravia) and Polish Central Statistical Office (CSO) Regional Statistics Yearbook 198110 (Katowice). 2005 data: Eurostat On-line Database; Annual Population Survey (UK regions); Czech Statistical Office (Northern Moravia); and the Polish CSO Regional Data Bank.
Figure 3.1	Industrial employment as percentage of civilian labour force: UK, France, Germany, Poland and Czech Republic	Level of industrial employment	OECD statistical database
Figure 3.2	Unemployment as percentage of civilian labour force: UK, France, Germany, Poland and Czech Republic.	Level of unemployment	See above
Figure 3.3	Unemployed as a percentage of economically active population in selected host countries for years: 2008 and 2011.	ILO unemployed as a percentage of economically active population aged 15+ (16+ for UK areas).	WCS (Annual Population Survey). German regions (Statistische Ämter des Bundes und der Länder) N. Moravia (Czech Statistical Office). All other regions (Eurostat).
Figure 3.4	Percentage of men aged 25-49 not in employment: 2001.	Calculated as: (Total men aged 25-49 resident in region - Total men aged 25-49 in employment)/Total men aged 25-49 resident in region.	All regions except Silesia: Eurostat Regional Statistics, Census: Regional level census 2001 round. Total residents figure from population structure folder, residents in employment figure from active population folder. Silesia data from the Central Statistical Office of Poland (GUS).
Figure 3.5	At risk of poverty rates for working age	Calculated as 60% of median equivalised income	Eurostat database 2011

	adults not in employment in selected host countries: 1995-210.	after social transfers	
Figure 3.6	Income inequality over time in Scotland and selected host countries: 1984-2004.	Gini Coefficient (from 0-1), with 0 indicating maximum equality of income distribution and 1 maximum inequality. LIS method uses the 'square root scale' method: household disposable income was divided by the square root of the number of people in each household and this new set of income figures was then used to produce Gini Coefficient estimates.	Luxemburg Income Study for all countries: 2004 data except France (2005)
Figure 3.7	Percentage of adults aged 25-64 with ISCED tertiary level qualifications.	Percentage of adults aged 25-64 with tertiary level qualifications. (Level 5-6: Degree/NVQ level 4/5 level qualifications and above).	Eurostat database 2008 Proxy geographies used: South Western Scotland (WCS), North-Rhine Westphalia (Ruhr area), West Wales & the Valleys (Swansea & S. Wales Valleys).
Figure 3.8	Percentage of adults aged 25-64 with <ISCED Level 3 qualifications.	Percentage of adults aged 25-64 with qualifications at levels 0-2 (Level 0-2: No qualifications to NVQ Level1).	See above
Figure 3.9	Percentage of households with children headed by a lone parent.	Lone parent households as a percentage of all households with children, regardless of age/dependent status of children, except for Nord-pas-de-Calais, Northern Moravia and Ruhr area. For Nord-Pas-de-Calais and Northern Moravia, figure shown is lone parent households with dependent children (< 25 years of age) as a percentage of all households with dependent children (< 25 years of age). For Ruhr, Urban Audit figure for 2001 (which excludes households with children aged 18+) was adjusted using published data on North-Rhine Westphalia on percentage of lone parent families as percentage of all families (19.9%) and lone parent families with children < 18 as percentage of all families with dependent children < 18 (16.6%) in 2006.	Silesia (Central Statistical Office of Poland (GUS) Census of Population and Housing 2002). Nord-Pas-de-Calais (Recensement de la Population 1999). N. Moravia (CSO Population and Housing Census 2001). WCS (GROS Census of Population 2001). Ruhr area (Urban Audit 2001).
Figure 3.10	Percentage of households with dependent children headed by a lone parent 1990-91 to 1999-01, selected European regions.	Lone parent households with dependent children as a percentage of all households with dependent children. Note this uses the dependent children definition to allow time series comparisons. Dependent children are defined as: Age 0-25 and economically inactive (N. Moravia); Unmarried	N. Moravia (CSO Population and Housing Census 1991 and 2001). Nord-Pas-de-Calais (INSEE Recensement de la Population 1990 and 1999). Ruhr area (Urban Audit, 1991 and 2001). WCS (GROS Census of Population 1991 and

		children living with their parents and under 25 years old (Nord-Pas-de-Calais); Aged 0-15 or aged 16-18 if in full-time education (WCS). Aged 0-18 and living with their parents (Ruhr area).	2001).
Figure 3.11	Percentage of single person households, 1999-2002.	Single person households as a percentage of all households.	Silesia (Central Statistical Office of Poland (GUS) Census of Population and Housing 2002). Nord-Pas-de-Calais (Recensement de la Population 1999). N. Moravia (CSO Population and Housing Census 2001). WCS (GROS Census of Population 2001) Ruhr area (Urban Audit 2001).
Figure 3.12	Percentage of single person households 1990-91 to 1999-01, selected European regions.	See above	N. Moravia (CSO Population and Housing Census 1991 and 2001). Nord-Pas-de-Calais (INSEE Recensement de la Population 1990 and 1999). Ruhr area (Urban Audit, 1991 and 2001). WCS (GROS Census of Population 1991 and 2001).
Figure 3.13	Percentage of adults aged 25-64 who were married: c. 2001.	Calculated as: (Adults aged 25-64 married or separated/Total adults aged 25-64)*100.	Eurostat. Note that the GROS/ONS published data excludes those legally separated from marriage data.
Figure 3.14	Religious participation.	Percentage of adults aged 15+ who never attend religious ceremonies apart from special occasions. (For WCS, percentage of adults aged 18+ who never or practically never attend church apart from special occasions, varies too much to say, refused or not answered excluded from base).	WCS (Scottish Social Attitudes Survey 2007). All other regions (European Social Survey Rounds 1 - 4 combined). *Excluding those unable to attend. Proxy geographies used: North-Rhine Westphalia (Ruhr area).
Figure 3.15	Political participation.	Voter turnout at national parliamentary elections, c. 2005-07.	North-Rhine-Westphalia (Federal Returning Officer, 2005). N. Moravia (Czech Statistical Office, 2006). Nord-Pas-de-Calais (French Ministry of the Interior, 2007). WCS (UK Electoral Commission, 2005). Slaskie (National Electoral Commission, 2007). Proxy geographies used: North-Rhine Westphalia (Ruhr area).
Figure 3.16	Political participation.	Voter turnout at national parliamentary elections, selected European regions: 1990-93 to 2005-07.	North-Rhine-Westphalia (Federal Returning Officer).

			Nord-Pas-de-Calais (French Ministry of the Interior; lefigaro.fr). WCS (UK Electoral Commission). N. Moravia (Czech Statistical Office) Parliamentary Election data years used were: 1992, 1997, 2001 and 2005 for UK. 1993, 1998, 2002 and 2007 for France. 1990, 1998, 2002 and 2005 for Germany. 1992, 1998, 2002 and 2006 for the Czech Republic.
Figure 3.17	Male smoking rates.	Percentage of adult males smoking at least one cigarette daily. Age bands were as follows: □ North-Rhine-Westphalia, 15+ □ WCS, 16+ □ Nord-Pas-de-Calais, 15-75 □ South Poland, 15+ □ WCS, 16+	North-Rhine-Westphalia (German Microcensus, 2005). Nord-Pas-de-Calais (Insee, Conseil régional, Drass, ORS, Cresge - Enquête Santé, 2002-03). WCS (Scottish Household Survey 2003-04). S. Poland (GATS Poland, 2009-2010). Proxy geographies used: S. Poland (Silesia), North-Rhine Westphalia (Ruhr area).
Figure 3.18	Female smoking rates.	Percentage of adult females smoking at least one cigarette daily. Age bands were same as for males (see above).	See above
Figure 3.19	% adult population not drinking during last year.	Special Eurobarometer: Attitudes towards Alcohol, 2006; and Scottish Health Survey (SheS) 2003.	SHeS 2003 defines adults as aged 16+, while Eurobarometer defines adults as aged 15+.
Figure 3.20	% adult population drinking alcohol daily.	See above	NB (and as noted in main report) Scottish data are based on a much shorter time period than that reported in the Special Eurobarometer - consumption over a week compared to consumption over a month - which may impact on figures presented. SHeS 2003 defines adults as aged 16+, while Eurobarometer defines adults as aged 15+.
Figure 3.21	Percentage of births to mothers under the age of 20.	(All live births where mother aged <20/All live births) * 100.	N. Moravia (CSO Regional Yearbooks 2005-06). WCS (GROS 2005-06). All other regions (Eurostat 2005-06). Note: Figure for Ruhr area is an estimate based on data for Dusseldorf, Munster & Arnsberg.
Figure 3.22	Occupations of employed population selected countries: 2007.		Eurostat database 2008
Figure 4.1	Unemployment rates WCS and Ruhr.	Standardised Overman and Puga (S.W Scotland, 1986-96) trends in unemployment rates (as percentage of	South West Scotland used as proxy for WCS

		economically active adults), South Western Scotland and the Ruhr area.	
Figure 4.2	Male employment rates WCS and Ruhr.	Crude male employment rate=All males in employment/all males aged 15-64, except for 1986-1991 WCS when rates directly calculated from Labour Force Survey	WCS Population data Mid- year population estimates, GROS. Employment data 1995-2003: total in employment (Labour Force Survey); 2005 (Annual Population Survey) Ruhr area Population data 1980-2005: North-Rhine Westphalia Institute for Work and Health (LIGA) Employment data 1979-2005: employees in employment (Regionalverband Ruhr).
Figure 4.3	Female employment rates WCS and Ruhr.	Crude female employment rate=All See above females in employment/all males aged 15-64.	See above
Figure 4.4	Percentage of working-age adults by highest banded ISCED education attainment level achieved. WCS and Ruhr.	ISCED 0-2, 3-4 and 5-6. Annual Population Survey January-December 2005 (WCS). Scottish data mapped to ISCED as follows: No qualifications & NVQ 1: ISCED Level 0-2 NVQ Level 2, 3 & Trade apprenticeships: ISCED 3-4. NVQ 4+ and other: ISCED 5-6.	Urban Audit 2003-06 for the Ruhrgebiet LUZ, via Eurostat (Ruhr area). Annual Population Survey January-December 2005 (WCS). Age bands 16-64.
Figure 4.5	Frequency of adult drinking WCS and Ruhr.	Percentage of adults aged 45-74 exceeding 21/14 units of alcohol a week, by gender, Mulheim, Bochum & Essen (2000-03) and Greater Glasgow (2003).	Heinz Nixdorf Recall Study (Mulheim, Bochum & Essen) and Scottish Health Survey 2003 (Greater Glasgow).
Figure 4.6	Percentage of population living in relative poverty WCS and Ruhr.	Relative poverty (< 60% of median national income). Lemmi et al. Regional Indicators to reflect social exclusion and poverty VT/2003/43. Original source is the European Community Household Panel, pooled data from 1994-01 inclusive.	South Western Scotland used as proxy for WCS. NUTS II Relative poverty rates calculated by national figure
Figure 4.7	Income inequality WCS and North-Rhine-Westphalia.	Gini coefficient for household incomes.	Luxemburg Income Study 2004 (North-Rhine-Westphalia). Scottish Household Survey 2003-04 (WCS).
Figure 5.1	Unemployment rates WCS and Nord-Pas-de-Calais.	Unemployment rates as percentage of economically active adults. Age bands for WCS are 16+ for 1981, 1991 and 2006, 16-74 in 2001. Age bands for NPdC adults aged 15+ for all time points	GRO (S) Census of Population 1981, 1991 and 2001, Annual Population Survey 2006 (WCS). INSEE recensement (Census of Population) 1982, 1990, 1999 and 2006 (NPdC).
Figure 5.2	Male employment rates WCS and Nord-Pas-de-Calais.	All males in employment/all males aged 15- 64, except for 1986-91 WCS when rates directly calculated from Labour Force Survey.	WCS: 1981, 1986-1991: directly calculated employment rates for 15-64 year olds (Labour Force Survey) Population data 1981-2005: Mid-year population estimates, GROS. Employment

			<p>data 1993-2003: total in employment (Labour Force Survey); 2005 (Annual Population Survey).</p> <p>Nord-Pas-de-Calais: Population data 1981, 1983-2005: Eurostat INSEE recensement (Census of Population) 1982. Employment data 1982: working (Census of Population) 1981, 1983-2005: total in employment, including self-employed and armed forces (Eurostat).</p> <p>Note: Central Clydeside Conurbation used as proxy for WCS for 1986-1991. 1993-2005: LGF definition.</p>
Figure 5.3	Female employment rates WCS and Nord-Pas-de-Calais.	All females in employment/all males aged 15-64, except for 1986-1991 WCS when rates directly calculated from Labour Force Survey.	See above
Figure 5.4	NEET % of WCS and Nord-Pas-de-Calais.	Percentage of young men and women (aged 16-24) not in education, employment or training (NEET) in WCS and NPdC, 1999-01.	Census of Population 2001 (WCS). INSEE recensement (Census of Population) 1999 (NPdC). NEET categories included all those unemployed, retired or other inactive (excluding economically inactive students).
Figure 5.5	Frequency of alcohol consumption, adult males Greater Glasgow and Nord-Pas-de-Calais.	Greater Glasgow Health and Wellbeing Survey 2005 (WCS). Insee, Conseil régional, Drass, ORS, Cresge - Enquête Santé 2002-2003 (NPdC).	Greater Glasgow used as proxy for WCS: adults aged 15+ for NPdC and adults aged 16+ for Greater Glasgow.
Figure 5.6	Frequency of alcohol consumption, adult females Greater Glasgow and Nord-Pas-de-Calais.	See above	See above
Figure 5.7	Percentage of population living in relative poverty WCS and Nord-Pas-de-Calais.	Relative poverty (< 60% of median national income). Lemmi et al. Regional Indicators to reflect social exclusion and poverty VT/2003/43. Final Report. Household Panel, pooled data from 1994-01 inclusive.	South Western Scotland used as proxy for WCS. NUTS II Relative poverty rates calculated by national figure.
Figure 5.8	Income inequality WCS and Nord-Pas-de-Calais	Gini coefficient for household incomes.	Luxemburg Income Study (2005). Scottish Household Survey 2003-04 (WCS).
Figure 6.1	Unemployment rates WCS and Silesia.	South Western Scotland and Silesia between 1995-1997 and 2006-2008. Age bands are 16-74 for WCS, 15-64 for Silesia. Unemployment rate = unemployed as percentage of	Eurostat (South Western Scotland) and Central Statistical Office for Poland (GUS) (Silesia). Note: South Western Scotland as proxy for WCS

		economically active population.	
Figure 6.2	Male employment rates WCS and Silesia.	All males in employment/all males aged 15-64, except for 1986-1991 WCS when rates directly calculated from Labour Force Survey.	WCS: Population data Mid- year population estimates, GROS. Employment data 1995-2003: total in employment (Labour Force Survey); 2005 (Annual Population Survey). Silesia All data from Central Statistical Office for Poland (GUS).
Figure 6.3	Female employment rates WCS and Silesia.	See above	See above
Figure 6.4	Percentage of adults aged 18-59 living in households where no-one worked- WCS and Silesia.	Silesia and Strathclyde region, 1995-1997 to 2003-2005.	UK Labour Force Survey Household Datasets (Spring datasets). GUS Census of Housing and Population 2002 (Silesia). Note: Age bands are adults aged 18-59 for both regions. Strathclyde used as proxy for WCS. Workless includes households where all unemployed, all inactive or mixed inactive/unemployed. 'All student' households excluded from UK data.
Figure 6.5	Percentage of households with dependent children. WCS and Silesia.	Headed by a lone parent for WCS and Silesia 2001-2002.	GRO (S) Census of Population 2001 (WCS). GUS Census of Housing and Population 2002 (Silesia). Note: Scottish definition=all lone parents with dependent children/all families with dependent children. In WCS, a dependent child is a person aged 0-15 in a household (whether or not in a family) or aged 16-18, in full-time education and living in a family with his or her parent(s). Polish definition= (single mothers with children + single fathers with children)/all families with children. In Silesia, a dependent child is a person aged 0-24 years in the family household /institutional household.
Figure 6.6	Percentage of Adult WCS and Silesia.	Population aged 15+/16+ who were regular daily smokers, Silesia and WCS.	I2ZARE (original source: Polish Health Interview Survey 2004) (Silesia). Scottish Household Survey 2003-2004 for WCS.
Figure 6.7	Frequency of alcohol consumption in Scotland and South Poland.	Distribution of adults aged 15+ by frequency of alcohol consumption in last 30 days.	Eurobarometer 66.2 and 72.3 (pooled data), extracted from ZACAT database.
Figure 6.8	Degree of alcohol consumption in Scotland and South Poland.	Distribution of adults aged 15+ by average number of drinks consumed at a single sitting.	See above
Figure 6.9	Religious participation WCS and Silesia.	Percentage of adults aged 15+/16+ reporting their religion as none, by gender, WCS (2005-2006) and	European Social Survey Rounds 1-4 (2002/03 to 2008/09) for Silesia. Scottish Household Survey

		Silesia region (2002-2008 average).	2005-2006 for WCS.
Figure 6.10	Percentage of population living in relative poverty WCS and Silesia.	Relative poverty (< 60% of median national income). Lemmi et al. Regional Indicators to reflect social exclusion and poverty VT/2003/43. Final Report. Household Panel, pooled data from 1994-2001 inclusive.	South Western Scotland used as proxy for WCS. NUTS II Relative poverty rates calculated by national figure
Figure 6.11	Income inequality WCS and Silesia.	Gini coefficient for household incomes,	Luxemburg Income Study 2004 (Silesia). Scottish Household Survey 2003-2004 (WCS).
Figure 7.1	Unemployment rates WCS and Northern Moravia.	Data show total numbers of unemployed adults (based on ILO definition) as percentage of the economically active adult population aged 15+ in each period. Data are shown as three year rolling averages.	Data for 1997-2008 from Eurostat. Data for earlier period from: Overman HG, Puga D. Unemployment clusters across Europe's regions and countries, published in <i>Economic Policy</i> 34, April 2002: 115-147. South Western Scotland used as proxy for WCS.
Figure 7.2	Male employment rates WCS and Northern Moravia.	Crude employment rates, WCS and NM, 1993-2005, ages 15-64. Total number of employed adults aged 15-64, expressed as a percentage of the total population of same age group.	Calculated from data from: Labour Force Survey and GRO(S) for WCS; CSSR Yearbooks and Czech Labour Force Survey for NM.
Figure 7.3	Female employment rates WCS and Northern Moravia.	See above	See above
Figure 7.4	Economically active population WCS and Northern Moravia.	Total number of economically active adults, expressed as a percentage of total population of same age group. For NM, adults are defined as 15+ in all periods; for WCS, numerator and denominator in 1981 and 1991 were adults aged 16+, but in 2001 the 16-74 age group was used. However, comparative analyses show this to have no impact on difference in rates.	GRO(S) and Czech Statistical Office (Scottish and Czech census data). Note: there are a number of other differences in the definitions of 'economically active' in the two countries: for example in the Czech Republic the category includes those in prison, and those undertaking military service. However, such differences are unlikely to impact on the data presented to any great degree.
Figure 7.5	Rate of smoking WCS and Northern Moravia.	Smoking prevalence among 45-69 year-olds, Havirov and Karviná (NM) (2002-05) and Glasgow (2005-06).	HAPIEE study; Scottish Household Survey.
Figure 7.6	Degree of alcohol consumption in WCS and Northern Moravia.	Problem drinking among 45-69 year-olds, Havirov and Karviná (NM) (2002-05) and greater Glasgow (2003).	HAPIEE study; Scottish Health Survey.  Note: Problem drinking defined as a score of 2+ on the CAGE survey questionnaire tool. The four 'CAGE' questions are: 1) Have you ever felt you needed to Cut down on your drinking?; 2) Have people Annoyed you by criticizing your drinking?; 3) Have you ever felt Guilty about

			drinking?; 4) Have you ever felt you needed a drink first thing in the morning (Eye-opener) to steady your nerves or to get rid of a hangover?
Figure 7.7	Social Capital WCS and Northern Moravia.	Social capital: % of 45-69 year-olds who are members of clubs, organisation etc., Havirov and Karviná (NM) and Glasgow, 2002/05 and 2001.	HAPIEE study; NHS Greater Glasgow & Clyde Health & Wellbeing Survey.  Note: slight differences in the two survey questions: the HAPIEE questionnaire asks, 'Are you a member of club or organisation (sports club, church, political party)?', while the Scottish survey asks, 'Do you belong to any social clubs, associations, church groups or anything similar?'
Figure 7.8	Percentage of population living in relative poverty WCS and Northern Moravia.	Relative poverty (< 60% of median national income). Lemmi et al. Regional Indicators to reflect social exclusion and poverty VT/2003/43. Final Report. Household Panel, pooled data from 1994-01 inclusive.	Moravskoslezský region used as proxy for N. Moravia. South Western Scotland used as a proxy for WCS.
<b>Appendix B</b>			
Figure A.1	Male life expectancy at birth: Czech Republic, Poland, Russia, Bulgaria		World Databank 2012
Figure A.2	Female life expectancy at birth: Czech Republic, Poland, Russia, Bulgaria.		See above
Figure A.3	Life expectancy 1950-2005: Scotland, France, West Germany, Poland and Czech Republic.		<i>Human Mortality Database</i> . University of California, Berkeley (USA), and Max Planck Institute for Demographic Research (Germany). www.mortality.org www.humanmortality.de

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