



<https://theses.gla.ac.uk/>

Theses Digitisation:

<https://www.gla.ac.uk/myglasgow/research/enlighten/theses/digitisation/>

This is a digitised version of the original print thesis.

Copyright and moral rights for this work are retained by the author

A copy can be downloaded for personal non-commercial research or study, without prior permission or charge

This work cannot be reproduced or quoted extensively from without first obtaining permission in writing from the author

The content must not be changed in any way or sold commercially in any format or medium without the formal permission of the author

When referring to this work, full bibliographic details including the author, title, awarding institution and date of the thesis must be given

Enlighten: Theses

<https://theses.gla.ac.uk/>  
[research-enlighten@glasgow.ac.uk](mailto:research-enlighten@glasgow.ac.uk)

PUBLIC RESPONSES TO THE GROWTH OF  
UNEMPLOYMENT IN THE UNITED KINGDOM,  
With Particular Reference To Action  
At The Local Scale

Andrew Alexander McArthur  
\*\*\*\*\*

PhD Thesis Submitted To  
The Department of Town and  
Regional Planning,  
University of Glasgow

December 1984



ProQuest Number: 10390865

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



ProQuest 10390865

Published by ProQuest LLC (2017). Copyright of the Dissertation is held by the Author.

All rights reserved.

This work is protected against unauthorized copying under Title 17, United States Code  
Microform Edition © ProQuest LLC.

ProQuest LLC.  
789 East Eisenhower Parkway  
P.O. Box 1346  
Ann Arbor, MI 48106 – 1346

Thesis  
7118  
copy 2



### Acknowledgements

I would first like to thank the Social Science Research Council for providing the three year funding necessary to carry out this work and the Calouste Gulbenkian Foundation for a small grant which helped me undertake fieldwork and carry out interviews which without this resource would otherwise have been difficult. I am also deeply indebted to the many people who took time to meet and share their thoughts and experiences with me, to those who completed questionnaires, to John Black who helped interview small firms in Clydebank, and to Pip for her patience in typing up this work.

On a lighter note I should thank Bridget for her considerate understanding on the many occasions when movie dates had to be foregone when I was struggling to meet second deadlines, and to Ronnie who frequently found time off his own work to drop in for long cups of tea when I was writing up at home during the day.

But above all I express my sincere and warmest thanks to Professor David Donnison for his support and guidance as my supervisor and especially for his friendship since I began as a research student at Glasgow.

\*\*\*\*\*

## CONTENTS

	<u>Page No.</u>
List of Tables, Figures and Map .....	(i)
Summary .....	(iii)

### SECTION I

#### The Rise and Fall of Full Employment

CHAPTER 1: <u>TOWARDS DEPRESSION, THE RISE OF MASS UNEMPLOYMENT</u>	1
1. Introduction .....	1
2. The Nineteenth Century Legacy .....	2
3. New Explanations and Responses .....	6
4. Organisation and Insurance: The Dual Response .	11
5. The Swamping of Insurance and the Emergence of the Dole .....	14
6. Economising on Unemployment .....	20
7. The Means Test Years .....	22
8. Unemployed Protest and Trade Union Responses ...	26
9. Conclusion .....	29
NOTES .....	32
CHAPTER 2: <u>FULL EMPLOYMENT</u>	33
1. Introduction .....	33
2. The Keynesian Message .....	34
3. War, Beveridge and Full Employment .....	36
4. Coping with Remaining Unemployment - Insurance and Assistance .....	43
5. The 'Butskellite' Consensus .....	47
6. Some Reflections on Post-War Social Policy .....	51
7. Conclusion .....	55
NOTES .....	57
CHAPTER 3: <u>THE COLLAPSE OF FULL EMPLOYMENT</u>	59
1. Introduction .....	59
2. Recent Unemployment Trends .....	59
3. The Real Extent of Unemployment .....	60
4. International Comparisons .....	63
5. Unemployment Changes Since 1966 .....	67
6. Prospects for the Future .....	80
7. Conclusions .....	87
NOTES .....	89

SECTION II  
Characteristics and Costs of High Unemployment

CHAPTER 4:	<u>CHARACTERISTICS OF UNEMPLOYMENT</u>	91
1.	Introduction .....	91
2.	Geography of Unemployment .....	91
3.	Unequal Burden .....	101
4.	Characteristics of the Unemployed Flow .....	102
5.	Characteristics of the Unemployed Stock .....	107
	(i) Age .....	107
	(ii) Young People .....	108
	(iii) The Long Term Unemployed .....	112
	(iv) Women and Unemployment .....	119
	(v) Occupational Unemployment .....	123
	(vi) Racial Minority Unemployment .....	126
6.	Conclusion .....	127
	NOTES .....	130
CHAPTER 5:	<u>THE FINANCIAL COSTS OF UNEMPLOYMENT TO GOVERNMENT AND THE COMMUNITY</u>	133
1.	Introduction .....	133
2.	Costs to Central Government and the Economy ....	133
3.	Costs to Local Government - Some Evidence From Strathclyde .....	144
4.	Conclusion .....	148
	NOTES .....	150
CHAPTER 6:	<u>FINANCIAL COSTS OF UNEMPLOYMENT TO THE JOBLESS</u>	152
1.	Introduction .....	152
2.	The Social Security System and the Jobless ....	153
3.	Incomes In and Out of Work .....	160
4.	Unemployment and Poverty .....	164
5.	Conclusion .....	167
	NOTES .....	171
CHAPTER 7:	<u>HEALTH, SOCIAL AND OTHER EFFECTS OF UNEMPLOYMENT</u>	173
1.	Introduction .....	173
2.	Psychological Implications .....	174
3.	Links with Mortality .....	178
4.	Effects on Mental Health .....	180
5.	Crime and Disorder .....	185
6.	Effects on Social Structure and Mobility .....	187
7.	Conclusion .....	190
	NOTES .....	192

SECTION III  
Local Responses to Unemployment

CHAPTER 8:	GOVERNMENT AND ITS AGENCIES - THE EMERGING TRADITION OF AREA-BASED ECONOMIC REGENERATION	195
1.	Introduction .....	195
2.	Origins and Development of the Area-Based Approach .....	195
	(i) Early Influences and Initiatives .....	195
	(ii) New Definitions and Explanations .....	199
	(iii) Revised Ideas and New Directions .....	202
3.	Assumptions Behind the New Urban Strategy .....	204
4.	Urban Policies .....	210
	(i) The New Urban Programme .....	210
	(ii) Departments and Agencies of Government ..	212
	(iii) Support for Small Enterprise .....	216
	(iv) Conservative Policies .....	220
5.	Conclusion .....	223
	NOTES .....	226
CHAPTER 9:	GOVERNMENT MANPOWER POLICY AND THE UNEMPLOYED	230
1.	Introduction .....	230
2.	Modernising the Public Employment Service .....	230
3.	Temporary Expedients .....	232
4.	Changing Directions in Manpower Policy .....	239
	(i) Policies for Youth .....	240
	(ii) Policies for Unemployed Adults .....	244
	(iii) New Enterprise .....	247
5.	Conclusion .....	249
	NOTES .....	252
CHAPTER 10:	LOCAL GOVERNMENT AND EMPLOYMENT INITIATIVES	254
1.	Introduction .....	254
2.	The Scope for Action: Powers and Resources .....	255
3.	Organising for Economic Development - New Structures and Procedures .....	259
4.	Local Economic Initiatives .....	264
	(i) Industrial Promotion .....	264
	(ii) Improving the Industrial Environment ....	266
	(iii) Premises and Workshops for Industry .....	268
	(iv) Finance and Investment for Industry .....	270
	(v) Manpower and Training Initiatives .....	272
	(vi) Interventionism and Socialising Production in the Local Economy .....	274
5.	Conclusion .....	278
	NOTES .....	281

CHAPTER 11: <u>THE EMERGING CORPORATE RESPONSIBILITY AND PRIVATE SECTOR INITIATIVES</u>	284
1. Introduction .....	284
2. National Developments .....	285
3. Company Initiatives .....	289
4. Enterprise Agencies and Trusts .....	293
5. Special Subsidiaries and Units .....	297
6. Workshops for Small Enterprise .....	299
7. The Underlying Motives of Corporate Initiatives	302
8. Conclusion .....	306
NOTES .....	310
CHAPTER 12: <u>TRADE UNIONS AND THE UNEMPLOYED</u>	313
1. Introduction .....	313
2. Economic Policies .....	314
3. Raising Public Concern .....	316
4. Improving the Lot of the Unemployed .....	319
5. Unemployed Workers Centres .....	322
6. Recruiting and Retraining the Unemployed .....	327
7. The Unemployed's Response .....	330
8. Conclusion .....	333
NOTES .....	336
CHAPTER 13: <u>GRASSROOTS INITIATIVES - COMMUNITY BUSINESSES IN SCOTLAND</u>	338
1. Introduction .....	338
2. Origin and Definitions .....	340
3. Relationships with Government and the Public Sector .....	342
(i) Central Government .....	343
(ii) National and Regional Agencies .....	345
(iii) Local Authorities .....	347
4. Characteristics and Classification .....	351
(a) Providers of Temporary Employment and Training .....	352
(b) Commercially Trading Enterprises .....	353
(c) Home Production .....	354
(d) Micro Development Agency .....	355
5. Employment Impact .....	358
6. Conclusion .....	366
NOTES .....	369

CHAPTER 14: COMMUNITY LEVEL EFFECTS OF LOCAL ECONOMIC REGENERATION IN CLYDEBANK <u>AND THE GEAR AREA</u>	370
1. Introduction .....	370
2. A Legacy of Decline .....	371
3. From GEAR to Clydebank - the Developing Tradition of Area-Based Development .....	375
4. Questions and Issues .....	380
5. Characteristics of Small Firms .....	384
6. The Self-Employed .....	389
7. Employment Generation .....	393
8. Conclusion .....	403
NOTES .....	407
CHAPTER 15: <u>CONCLUSIONS</u>	408
1. Introduction .....	408
2. Synthesis .....	408
3. Assessment .....	414
4. Opportunities .....	420
5. Dilemmas and Reservations .....	432
NOTES .....	436
BIBLIOGRAPHY .....	437
APPENDIX A: Principal Meetings and Conferences During Fieldwork for Section III .....	456
APPENDIX B: Details of Questionnaire Conducted Among Community Business Workers .....	460
APPENDIX C: Details of Questionnaire Conducted Among Small Firms in GEAR and Clydebank .....	461
APPENDIX D: List of Abbreviations .....	466



TABLES, FIGURES AND MAPTABLES

<u>No.</u>		<u>Page</u>
1.1	Seasonal Unemployment, 1894-1908 .....	9
1.2	General Unemployment Rate, 1921-1938 .....	15
2.1	Average Unemployment, 1928-1944 .....	38
3.1	International Unemployment Rates, 1974-1981 ...	65
4.1	Net Employment Decline by Region: March 1979 - March 1983, and Regional Unemployment Rates in March 1983 .....	94
4.2	Estimated Unemployment Rates by Age Group, 1981 and 1982 .....	109
4.3	The Duration of Unemployment: 1950-1980 .....	114
4.4	Unemployment by Age and Duration, Great Britain, July 1983 .....	115
4.5	Occupational Distribution in Great Britain, March 1980 and June 1982 .....	125
5.1	Government Transfer Payments to the Unemployed and Related Costs in 1973 and 1978 .....	136
5.2	Government Expenditure on Unemployment, 1980- 1981 .....	138
5.3	Lost Government Revenue Because of Unemployment in 1980-1981 .....	138
5.4	Direct Exchequer Costs of an Increase of 100,000 in Registered Unemployment (Excluding School Leavers) in 1980-1981 .....	140
5.5	The Micro Cost of Unemployment .....	143
6.1	National Insurance Unemployment Benefit Levels from 21st November 1983 .....	155
6.2	Supplementary Benefit Rate Scales from 21st November 1983 .....	155
6.3	Percentage of Persons in Different Types of House- holds with Gross Disposable Income below the Deprivation Standard .....	168

## (Tables)

13.1	Previous Employment State of Workers in Community Businesses .....	363
13.2	Duration of Unemployment Experienced by Community Business Workers .....	364
13.3	Spells of Unemployment Over Previous Four Years Experienced by Community Business Workers .....	364
14.1	Origins of Relocating Firms - Location of Previous Premises .....	385
14.2	Current Use of Previous Premises .....	387
14.3	Locational Choice .....	388
14.4	The Markets of Firms .....	389
14.5	Residence of Entrepreneurs .....	390
14.6	Employment by Sex and Occupational Structure ..	393
14.7	Employment Change Since Setting Up in Current Premises .....	395
14.8	Method of Recruitment .....	396
14.9	Residence of Employees .....	397

FIGURESNo.

3.1	The Years of Full Employment: 1950- 1966 .....	69
3.2	Unemployment and Vacancies: UK 1965-1983 .....	71
3.3	Comparison of Forecasts of Total Unemployment .	81
4.1	Employees in Employment (Male and Female), 1960 to 1981 .....	120
7.1	The Psychological Experience of Unemployment ..	176
14.10	Previous Employment State of Recent Recruits ..	398
14.11	Job Filtering Process .....	399
<u>MAP</u>	4.1 Small Area Unemployment in Glasgow .....	98

## SUMMARY

From the early years of the Twentieth Century the theoretical understanding of unemployment steadily progressed up until the Second World War, and over the same period, with some short exceptions during the inter-war depression, the State accepted a growing responsibility for the unemployed. The Keynesian revolution in economic thought, coupled with the War, forged a new era. Full employment reached in War was realised in peace by new forms of Government intervention and economic management. Since 1966, however, the consensus which surrounded post-war economic policy has been increasingly undermined. The numbers out of work have grown and the political commitment to maintain full employment has been steadily traded off for other benefits, principally lower inflation. The experience of the full employment era is still reflected in public attitudes and policies relating to the unemployed and its legacy is a source of many constraints on developing responses relevant to the unemployed in the present crisis.

High levels of unemployment and the problems it creates seem likely to continue for some time to come. At present the burden of unemployment falls very unequally across the community, affecting in the main its weaker members and often causing severe financial hardship for unemployed individuals and their families. Although the exact statistical relationships are not always clear, evidence also points to an association between unemployment, mental and physical ill health and numerous other indices of social stress. In addition a large financial cost is borne by the whole community as a result of high unemployment.

Despite the abandonment of traditional policies to maintain high levels of employment by managing the economy on a national scale, the stresses and strains associated with having a large section of the working population excluded from the formal economy have forced Government, and others, to devise alternative measures with which to respond to the problem. Since the late 1970s a new tradition of economic and employment policies and other services for the jobless have emerged. These have been focussed on a variety of local scales ranging from the city to the neighbourhood or community level. While Central Government and agencies allied to it are heavily involved, organisations for whom a direct role in local economic policy is a new one, such as local authorities, corporate bodies, trade unions and community and voluntary groups, are also re-examining their established roles and values in the light of high unemployment and are actively involved in local economic initiatives. As a result, a complex pattern of economic and employment policies is emerging at an urban scale. Local authorities and other agencies are undergoing administrative restructuring and developing new styles of working to enable them to intervene in the workings of local economies. Major changes are taking place in the organisation and delivery of a number of social services as public bureaucracies adopt more decentralised, area-based approaches to economic development. And traditional barriers between public and private and formal and informal sectors of the economy are breaking down as the participation of private sector organisations in the promotion of economic and social welfare increases and as unconventional forms of economic activity - such as community businesses - which do not conform to traditional market or business principles emerge.

The development of local economic initiatives is a fast growing area of activity and systematic evaluative research is required to assess the effects and possibilities of action at this scale. A dominant theme of major public sector regeneration policy during the late 1970s and early 1980s has been that by incurring heavy investment in providing serviced sites and premises for small enterprise in depressed local economies the collapse of large scale manufacturing employment in these areas can be replaced by a dynamic small firm sector with a strong potential for employment growth. However, the results of research into the local employment impact of firms occupying new public sector premises in the Clydeside conurbation suggests that policies of this sort have only a modest impact on the emergence of genuinely new firms and jobs, will be unable to compensate for the scale of job loss, and are particularly ineffective as measures to reduce local unemployment rates and provide jobs for the long term unemployed. Other evaluative work on the employment impact of economic self-help and community initiatives - an area which has received fewer resources and political commitment than the promotion of traditional small firms - suggests that unconventional forms of economic activity potentially offer more effective ways of generating work and incomes for marginal groups in the labour market living in deprived communities if resources and support more suited to their requirements were forthcoming.

Although the potential of locally based action is inevitably limited in that many of the problems faced have their roots in the fluctuations of national and international economies, the prospect of developing more effective approaches to economic and social regeneration at the local scale would be enhanced by a more favourable economic, political and policy climate geared to widening

the scope for initiatives relevant to people and communities excluded from work and the benefits of many contemporary policies. The social security system, manpower policy and economic strategies in general could become more supportive and facilitative of wealth generating activity outside full time employment and the formal economy, attitudes to public expenditure could be rethought to allow resources to be used in new ways to create enterprise and employment in depressed localities, and the institutions of higher education could develop a valuable role in evaluating new policies and providing the trained manpower necessary to staff agencies working at the local level in new and challenging ways. Those operating at an urban scale could develop more effective policy responses if they were able to use the current disparate range of economic and employment programmes more flexibly and develop integrated economic strategies by co-ordinating the resources available for local action. These could be used in part to stimulate new and unconventional forms of productive activity which combine both economic and social benefits and which are tailored specifically with the unemployed and depressed communities in mind.

SECTION I

THE RISE AND FALL OF FULL EMPLOYMENT

\*\*\*\*\*

## CHAPTER ONE

### TOWARDS DEPRESSION, THE RISE OF MASS UNEMPLOYMENT

The lot of man is ceaseless labour,  
Or ceaseless idleness, which is still harder,  
Or irregular labour which is not pleasant.

T.S. Eliot  
Choruses from 'The Rock'

#### 1. Introduction

With the rapid escalation in the numbers out of work in recent years unemployment has become the main political issue of the day. It would be wrong, however, to regard unemployment as a recent phenomenon. From the beginning of this century we can witness a plethora of explanations and policies as society has struggled to understand and respond to the problem of unemployment. Indeed it has only been since the Second World War that the economy has shown itself capable of operating under peace-time conditions with the great majority of the labour force in work and only a tiny proportion unemployed. This state, generally termed full employment, has now collapsed. Much of the present debate is taken up with the possibility of returning to it and the role the central state should play in this process. These issues, along with society's current attitudes and assumptions concerning unemployment and its treatment of the unemployed, cannot be fully appreciated without first reviewing unemployment in its historical context which provides important reference points for any consideration of unemployment and related issues in a contemporary context. This is the task of the first two chapters of the thesis which trace the experience of unemployment since the beginning of the Twentieth Century, the level of theoretical understanding reached, and the State's responses to it up until the period



known as the full employment era. Chapter One will now carry the story to the years preceeding the Second World War where the levels of unemployment then experienced is often cited in comparative terms with the current crisis.

## 2. The Nineteenth Century Legacy

The second half of the Nineteenth Century witnessed the zenith of Britain's industrialisation and growth. The country's position as 'workshop of the world' was secure and few would have predicted, or accepted, the erosion of the nation's industrial supremacy and the slide into cyclical and structural decline and mass unemployment of the next century. Notions that the economy was guided and determined by a set of natural laws had a long history dating from the Middle Ages. The Eighteenth and Nineteenth Centuries saw these cumulate into a broad school of economic thought which has been variously termed 'classical', 'laissez-faire' or 'naturalistic'. The principal tenet of classical Nineteenth Century economic thought was that in a competitive free market economy self balancing mechanisms operated to create a state of equilibrium between the supply of and the demand for labour. A natural process of adjustment was ensured by the flexibility of wages, prices and interest rates. Where, for example, an excess of supply of goods, labour or money existed, this would be corrected by a corresponding fall in their market prices, thereby ensuring a return to an equality of demand and supply. To classical economists there was, therefore, to borrow a more modern phrase, an automatic tendency towards full employment. Although a periodic crisis in the economy was recognised as a possibility, a situation of general over-production and a large and lasting excess in the supply of labour over demand was given little consideration.

Despite the introduction of alternative explanations of unemployment and the economy by socialist writers such

Marx and Hobson, the century turned with the natural order school and its assumptions largely intact. The classical interpretation of how the economy operated determined both the way that unemployment was perceived and the unemployed themselves treated. As unemployment was not generally recognised to be the result of forces outwith the individual worker's control, to suffer poverty through unemployment in the Nineteenth Century was considered a manifestation of personal failure or inadequacy. The problem was seen as an individual one and society's response was to stimulate self-help through public relief and private charity.

The state's principal institution in the treatment of the unemployed at the turn of the century was the new Poor Law which had operated since its constitution in 1834. This had been designed to deal with the workshy, demoralised and unemployed rural labour, and to restrain and reduce the rising burden of poor rates. Another motive, and one which has proved of fundamental and lasting significance, was to establish industrial discipline by drawing a clear distinction between those in work, whom their employers should support, and those out of work who were the responsibility of the state.

Poor Law relief was administered locally by local Poor Law Guardians and could take various forms. A very large proportion was given in outdoor relief to the destitute although in some cases those in receipt could be compelled to perform a labour test or, worse still, have to enter the hated workhouse. Where an unemployed individual was 'able bodied' public relief was provided on the principle that his situation "on the whole shall not be made really or apparently as eligible as the situation of the independent labourer of the lowest class."<sup>1</sup> It is worth quoting the justification given by the Poor Law Commissioners for the principle of 'less eligibility'. It reminds one, rather ominously, of

contemporary arguments of a similar type which favour restoring work incentives by reducing the level of benefits paid to the unemployed. In 1834 the Commissioners argued,

"...in proportion as the condition of any pauper class is elevated above the condition of independent labourers, the condition of the independent class is depressed; their industry is impaired, their employment becomes unsteady, and its remuneration in wages is diminished. Such persons, therefore, are under the strongest inducements to quit the less eligible class of labourers and enter the more eligible class of paupers. The converse is the effect when the pauper class is placed in its proper position, below the condition of the independent labourer. Every penny bestowed, that tends to render the condition of the pauper more eligible than that of the independent labourer, is a bounty on indolence and vice..."<sup>2</sup>

In the late Nineteenth Century and the early years of the Twentieth the Poor Law found itself operating in the great urban centres of Britain where cyclical fluctuations in the economy were throwing thousands of people out of work and for longer periods than before. In the absence of any 'acceptable' new explanations about unemployment, the Poor Law continued unchanged and carried with it its basic philosophy and assumptions about the poor and destitute derived in an earlier and very different period of history. Its operation in the context where a growing number of workers and their families were suffering poverty as a result of economic change and through no fault of their own meant, that in respect to their treatment, the able bodied unemployed were placed alongside the pauper and the workshy with the associated stigma and humiliation.

In addition to the Poor Law, the unemployed could turn to the local authorities in search of work in times of distress. In 1896, in what has been popularly termed 'the Chamberlain Circular', the local Government Board recommended that in districts where exceptional distress prevailed, the Poor Law Guardians should confer with the local authorities and endeavour to arrange for the execution of works on which

unskilled labour could be immediately employed. The initiative was one of the first attempts to provide relief to the unemployed outside the stigma of the Poor Law. It was a move away from the long established notion that unemployment was a reflection of personal failure and a tacit recognition of unemployment induced by economic trends. The intention was to help those affected by economic depression by providing temporary relief work for those dislocated from their jobs until they secured full time employment again. The reality, however, was different. Those undertaking relief work were those on the fringe of the labour market who knew little of regular employment. They formed part of a reserve of labour occasioned either by fluctuations in the size of labour force required or by seasonal variation. This unintentional characteristic of the scheme hinted that a section of the labour force was 'under-employed' and in great distress; a fact soon to be exposed as widespread and with massive implications for social policy and the treatment of the unemployed.

The relief work scheme was, nevertheless, a significant development during a period when perceptions about unemployment were changing fundamentally. The British middle classes were becoming increasingly aware that poverty had not vanished in the wake of industrial progress and that unemployment was more than merely a problem of the individual but might be associated with complex social and economic factors. The implication was that an emphasis on charity and individual self-help was increasingly less relevant; a mere palliative - a hot water bottle on the tip of the iceberg. New perceptions of the economy and unemployment were endorsed by changes in trade and the performance of the economy. The economic boom of 1890 had severely weakened the argument that surplus unskilled labourers were those most incompetent or unwilling to work. During that year less than 2% of the British workforce were unemployed compared with 13% four years earlier. The cause of unemploy-

ment began to be linked with cyclical economic factors. It was becoming increasingly obvious that many workers were being turned off during a decline in their employers' trade and could expect a prolonged delay in finding new work and experience great hardship in the process. The recognition that the Poor Law was an inappropriate way to deal with these unwilling victims of economic fluctuations was to be a prominent feature of the welfare developments under the Liberal Government between 1905 and the First World War.

### 3. New Explanations and Responses

The first major statutory recognition that distress through unemployment could not be left to general relief under the Poor Law but demanded treatment as a national problem was the Unemployed Workers Act of 1905. This attempted to separate workers unemployed because of business recessions from less deserving types. For every Municipal Borough and Urban District with populations not less than 50,000 a Distress Committee was to be formed, composed of councillors, Poor Law Guardians, and "persons experienced in the relief of distress." These committees were to acquaint themselves with the conditions of labour in their area and had power to receive, inquire into and discriminate between any applications made to them by unemployed people. Where they considered the Poor Law to be inappropriate, they could endeavour to obtain work for the applicant, or undertake themselves to assist him by either aiding emigration or removal to another area, or provide or contribute towards providing temporary work designed to improve the recipient's prospects of obtaining regular work for himself. Although initially relying on funding from voluntary sources, and the rates, the provisions of the legislation were strengthened in 1906 with the addition of Treasury resources.

A fundamental assumption behind the 1905 Act was that

unemployment represented essentially a temporary interruption in the lives of working people. The Distress Committees were therefore expected to provide employment on the basis of tiding the unemployed over until they returned to a normal state of employment, while at the same time increasing their employability and future chance of a job. Both these premises, however, were exposed as fallacious four years later by Beveridge. He argued that the Distress Committees in effect acted not as employers but as relief authorities and did not get, or expect to get, standard output from the men for whom they provided work. In many cases the total cost of the work undertaken had far exceeded the value of work done. Furthermore, given the considerable incidence of re-applications among men having already received help, the desired effect of increased employability was very small indeed.<sup>3</sup>

In its operation the 1905 Act revealed the great difficulty of putting into practice the notion of 'tiding over'. It demonstrated that, in the main, those who took advantage of the help offered were not those normally in employment but temporarily out of work but the ubiquitous under-employed and irregularly employed who had fewer skills and no trade union to fall back on. In the first year of the Distress Committees, for example, over half the 111,000 applicants were general labourers. Despite its fundamental weaknesses the Unemployed Workers Act marked a turning point in national policy. It recognised the right of a man to expect work even though it did little to provide it. To Lloyd George it constituted "the germs of a revolution" and could never be reversed.<sup>4</sup>

A new explanation about the cause of unemployment and a prescriptive outline of the direction new policy should take was provided in 1909 by Beveridge in his suitably titled work, 'Unemployment - A Problem of Industry'. Charting

the extent of unemployment over time, Beveridge demonstrated that unemployment was subject to both cyclical and seasonal fluctuation. Unemployment appeared to flirt, in the main, between 2% and 7% over a cycle of several years while also being prone to a marked seasonal fluctuation within each year, (Table 1.1). These figures were based on trade union data and certainly understate the extent of the problem as the brunt of unemployment was borne by the unskilled who were less likely to belong to unions. A principal 'cause' of this fluctuating unemployment, argued Beveridge, was disorganisation in the labour market. Beveridge reasoned that unemployment was not a phenomenon of the scale of industry, but of its organisation and its changing and fluctuating demand for labour. Unemployment was seen to be the direct result of these fluctuations in demand, arising through the difficulty of workers dislodged in getting re-absorbed into the labour market. Unemployment was, therefore, a temporary idleness enforced on sections of the workforce by cyclical, seasonal and casual fluctuations. It therefore followed that a solution to the problem should consist of: partly smoothing industrial transitions, partly diminishing the extent of the reserves of labour power required for fluctuation or their intervals of idleness, and partly ensuring that the mass of the 'reserve army' of the unemployed were properly maintained both in action and out of it. The approach proposed was one of 'business organisation'; of devising methods which would ameliorate distress caused by the inescapable and inevitable fluctuations of industry in capitalist society. Unemployment, in some degree, was necessary. It was part of the price society had to pay for industrial capitalism and a free market.

The parameters of Beveridge's theoretical perception of unemployment and his conception of a solution within the contemporary economic system are evident in the following quote,

Table 1.1: Seasonal Unemployment 1894-1908

<u>Year</u>	<u>Mean For Year</u>	<u>Year</u>	<u>Mean For Year</u>
1894	6.9	1902	4.4
1895	5.8	1903	5.1
1896	3.4	1904	6.5
1897	3.5	1905	5.4
1898	3.0	1906	4.1
1899	2.4	1907	4.2
1900	2.9	1908	---
1901	3.8		

Source: Adapted from Beveridge (1909).



"Unemployment is not to be identified as a problem of general over-population. There is no reason to suppose that the industrial system has lost permanently anything of its former power to absorb the growing supply of labour. There is no reason to suppose that any new stimulus to the expansion of industry is required. There is conclusive reason for holding that no such stimulus can make any lasting impression upon the causes of unemployment... Unemployment arises because, while the supply of labour grows steadily, the demand for labour, in growing, varies incessantly in volume, distribution and character."5

As some measure of unemployment was a necessary part of the economic system, Beveridge's key concern was to keep this reserve of industrial labour at its 'irreducible minimum'. The creation of this industrial reserve army was illustrated in the following terms,

"...in an industry ... for work requiring ... at most 98 men, there will actually be 30 in regular employment and 80 in irregular employment; there will be 100 in all, so at times 2 at least are out of work."6

This formula was argued to be of "the greatest generality." The independent actions of separate employers, by seeking to maintain a following of labour close to the maximum of their own demand, created thousands of separate pools of labour each clustered round a single establishment, each slightly larger than the maximum ever employed. Therefore, as many men never know at what hour or in what number they would be required, it was commonplace for small groups of men to congregate at the factory gate of establishments where a few extra men might be engaged.

The discovery and exposure of 'under-employment' or 'casual employment' exacerbated by poor organisation in the labour market added an important new perspective on unemployment. Workers subject to under-employment were quite separate from those in full time, steady employment, being essentially an integral part of the reserve of labour. They were people

who could neither be classed as in work or out of work. They pieced together a meagre survival on a succession of brief casual jobs, some of only a few hours duration, but never enough to guarantee their family's livelihood for more than a few weeks ahead. Wharf and dock labourers, market and warehouse porters and innumerable other kinds of casual workers were typical occupations where chronic under-employment prevailed. The scale of the problem was demonstrated when Beveridge pointed out that the actual leakage of labour power through irregularity of employment was more than that involved in the fluctuation of industry as a whole. Inefficiency caused through disorganisation in the labour market was considered the result of the natural tendency for industries to accumulate about themselves reserves of labour. It was realised that the number of men drawn into a trade by the scattered demand of a multiplicity of employers was in excess of what would be the maximum requirements of the trade, if its activity, assuming that it remained unchanged in amount and fluctuation, were concentrated at one place in the hands of a single firm.

#### 4. Organisation and Insurance: the Dual Response

The essence of Beveridge's argument was that unemployment and under-employment were the twin evils of the industrial scene. However, whereas unemployment was a variable if recurrent phenomenon, under-employment was a permanent feature. The experience of the previous fifty years showed that cyclical business troughs occurred with curious regularity every seven to ten years bringing with them associated spells of unemployment. Protection was needed for those men, used to regular work, who found themselves temporarily unemployed. Clearly, as they could not adequately provide for themselves alone, collective cover was required. And, since protection provided by the trade

unions covered only a minority of the labour force, it was for the State to take a leading role in the field. Related to 'protective' measures, steps were also necessary to eradicate much of the inefficiency, waste of labour potential and suffering caused by under-employment and frictional distortions in the labour market.

In the light of the new theoretical perspective and a deeper understanding of unemployment, policy makers in Britain developed a two-pronged strategy to tackle unemployment: organisation and insurance. The idea for insurance drew much of its inspiration from a contemporary debate in Germany about the feasibility of extending the existing imperial system of sickness and accident insurance to cover unemployment. In Britain the principle of insurance already operated in some trade unions, where a number of workmen set aside something of their wages when earning in order to obtain an allowance which would tide them over in case of unemployment. Consideration was therefore turned to giving this practice wider application in the labour market. An indispensable counterpart to protection against unemployment by financial insurance was the need to organise the labour market to reduce frictional unemployment and under-employment. To counter the strong tendency in certain industries to keep excessive reserves of labour characterised by infrequent and irregular employment, and abolish the prevalent and disorganised method of labour recruitment, the establishment of a series of Labour Exchanges was proposed. The Labour Exchange would be the key institution in the better organisation of the labour market. There employers and workers alike could register their needs. The unemployed would be required to 'sign on' each day, as they were required to do by some unions, as proof of need until work was done. The Exchange themselves would be an effective test both of need and willingness to work. For, without their provision, the fact that a man was unemployed could not be known, nor could the man himself

know of openings available to him.

Both Beveridge and the Majority and Minority Reports of the Royal Commission on the Poor Law (1905-1909) recommended the establishment of a national system of Labour or Employment Exchanges as their main proposal and the cornerstone of their policies for dealing with the unemployed. In complement, recognising that some unemployment was unavoidable, they also stressed the importance of preventing distress by an extension of the insurance system operated by trade unions. The purposes of these twin strategies were closely interrelated in the industrial process. As Beveridge outlined,

"The Labour Exchange is required to reduce to a minimum the intervals between successive jobs. Insurance is required to tidy over the intervals that will still remain. The Labour Exchange realises the reserves of labour for fluctuations and hastens re-absorption after changes in industrial structure. Insurance is needed to provide for the maintenance of the reserves while waiting for re-absorption."7

The Liberal Government of the day reacted quickly to these new ideas and the policy lobby based on them. Although originally intended as two great parts to the one great Bill, provisions dealing with Labour Exchanges and Insurance emerged in separate legislative form. In 1909 the National Labour Exchange Act established a network of Exchanges throughout the country. Two years later the National Insurance Act of 1911 introduced under Part II of the Act the first scheme for compulsory unemployment insurance in the world. It began as an experimental provision in July 1912, covering 2½ million people and restricted to a small group of trades with low wages and subject to serious fluctuations in employment, such as engineering, shipbuilding, construction of vehicles, and building and construction of works. An important feature of national insurance as it began and developed in Britain and which set it apart from the German model was its emphasis on dealing with poverty rather than

replacing a proportion of an unemployed worker's previous earnings. Benefits paid were flat rate rather than graduated and part of the cost was met by the state out of general revenues.

#### 5. The Swamping of Insurance and the Emergence of the Dole

During the Great War of 1914 to 1918, profound changes had been taking place both in the national and world economies. Export markets had altered and foreign customers were finding other sources of supplies. As a result, a solid residue of permanent unemployment began to appear in the nation's main export industries such as coal, shipbuilding, tin, wool and cotton and steel. Following a short post-war boom, the post-war depression threw 2 million out of work in 1921. Throughout the 1920s unemployment in Great Britain and Northern Ireland remained steadily higher than pre-war levels, averaging 12%, and in only one year falling below 10%, (Table 1.2).

The experience of war profoundly affected Government attitudes to unemployment and set the precedent for a greater state role in the economy. The near total mobilisation of the country's resources demanded by the war effort meant a greater degree of state intervention and control than before; 'War Socialism' as the Manchester Guardian called it. Following the great collective efforts and successes of the war experience, it was no longer possible to maintain that the country had neither the resources nor the ability to do something about unemployment if it set its mind to it. As the Webbs pointed out, there was no such thing as a "surplus population for which neither occupation nor wages could be found."<sup>8</sup>

A major effect of the war was to accelerate the evolution of public social services, not only in unemployment and health insurance but in education and housing also. In

Table 1.2: General Unemployment Rate, 1921-1938

Year	Percentage Unemployed		Year	Percentage Unemployed	
	Great Britain	Great Britain and Northern Ireland		Great Britain	Great Britain and Northern Ireland
1921	16.6	17.0	1930	15.8	16.1
1922	14.1	14.3	1931	21.1	21.3
1923	11.6	11.7	1932	21.9	22.1
1924	10.2	10.3	1933	19.8	19.9
1925	11.0	11.3	1934	16.6	16.7
1926	12.3	12.5	1935	15.3	15.5
1927	9.6	9.7	1936	12.9	13.1
1928	10.7	10.8	1937	10.6	10.8
1929	10.3	10.4	1938	12.6	12.9

Source: Beveridge (1944), 'Full Employment in a Free Society'.

each of the inter-war years, for example, the proportion of GNP spent on social services totalled at least 1/12 whereas before the war the corresponding figure had been 4%.<sup>9</sup>

Against the background of rising post war unemployment, a large part of this expenditure went on new measures to develop and update existing policies to deal with the jobless.

In 1915 an 'out of work donation' had been introduced to cover any period of immediate unemployment suffered by ex-servicemen. This payment was extended in 1918 to all workers covered by health insurance and a grant for dependents was included. This provision had created a precedent of far reaching significance. By being both non-contributory and set at subsistence level, it established the principal that central government had a commitment to relieve and maintain the unemployed. The scheme's extension to cover all workers was in fact the first direct national relief programme in British history. The next step was to expand and make unemployment insurance universal. This came two years later in the Unemployment Insurance Act of 1920 which extended unemployment insurance to cover all workers with the exception of those in agriculture, domestic service and lower paid non-manual occupations. Largely as a result of these developments, by 1920 expenditure on unemployment and health insurance and other forms of cash transfer assistance were accounting for more than half of all social service expenditure by the state.<sup>10</sup>

No sooner had insurance gone universal than the system was swamped by rising unemployment. The concept of unemployment insurance had been developed to deal with the problem of fluctuating and temporary unemployment, and post-war plans had been drawn up on the basis of pre-war experience, envisaging an unemployment rate of no more than 4%. The reality of the inter-war period was far removed from what

had gone before; unemployment descended in a flood. The insurance fund, comprising Government, but in the larger part employer and employee contributions, was quickly exhausted and benefit periods of those in receipt expired. Although it appeared the bell had tolled for insurance, the Government, by responding in a totally ad hoc and unplanned fashion, preserved its fiction and continued existence. In short, the State's response was to devise expedients as the need arose. 'Need' rather than benefits earned became the criterion for receiving 'insurance'; the cost of payments being met out of general revenues.

Rising and persistent unemployment threatened to dislocate thousands of jobless from the security of insurance, leaving them only the Poor Law to fall back on. In an attempt to keep the unemployed off the Poor Law the Government extended the insurance scheme and introduced a new kind of payment; 'uncovenanted' or 'extended' benefit. This was a quite separate device from the 'standard' insurance benefit secured by contributions made when in employment. The new benefit existed as a privilege, not as a right, and was not subject to a means test as was relief under the Poor Law. The 'dole', as it came to be known, was in effect a new and slightly less humiliating form of outdoor relief. Ideally this was intended as a temporary stop-gap which would be recouped through renewed insurance contributions when conditions improved. But when this confident expectation was threatened by persistent unemployment, the Government responded by devising a further extension of this temporary benefit.

The system of dole introduced with uncovenanted benefit existed ambiguously with the original 'standard' benefit and debased the whole principal of insurance. For those normally in work, but experiencing unemployment for only a temporary



period, the insurance system functioned as intended. But for those faced with long term unemployment caused by irreversible trade depression in certain industries, the dole was destitution relief only marginally removed from the Poor Law. These problems were addressed by the Blanesburgh Committee 1925-1927. In its recommendations the Committee rejected an essential requirement of the 1911 insurance scheme; that the length of benefit be proportional to the amount of contributions. It argued for the merging of the existing 'standard' and 'uncovenanted' benefit into a new 'transitional benefit' which would be earned by a minimum of contributions but unlimited in its duration. This recommendation was based on the notion that so long as a man had contributed something by way of an insurance premium he was entitled to draw benefits according to his need. This suggestion was essentially a further compromise of the insurance principal as originally conceived. It continued to recognise the fiction of insurance in the hope that 'uncovenanted' payments would be recouped when the recipient returned to work, and reinforced the tendency for the maintenance of the unemployed to become increasingly the responsibility of the nation at large and the central exchequer.

The recommended extension of those qualifying for benefit under insurance was brought in by the 1927 Unemployment Insurance Act with the introduction of Transitional Benefit. In another piece of legislation three years later, in the Unemployment Insurance Act of 1930, the Government moved the financial responsibility of maintaining the unemployed further under the auspices of the insurance scheme by making it easier for people with only a minimum of insured employment behind them to qualify for transitional benefit. In addition, the long resented requirement that benefits should only be paid to those 'genuinely seeking work' was abolished and the onus placed on officials to prove clients were not seeking work. These legislative

changes brought a massive rise in the numbers claiming transitional benefit and the demands on public expenditure. In England and Wales, for example, in the first year of the 1930 Act's operation claimants more than doubled from 140,000 to 300,000, the rise costing the Treasury £19 million.

This shift in responsibility for the unemployed towards insurance and away from the Poor Law greatly eased the intense pressures from unemployment which had built up since the war and had posed a problem beyond the capability of the Poor Law to relieve. In England and Wales, for example, the number of Poor Law claimants had risen five-fold between 1914 and 1926 from  $\frac{1}{2}$  million to  $2\frac{1}{2}$  million and had stretched the financial resources of the local Boards of Guardians to their limits. The greater proportion of the unemployed taken on board by the insurance system was complemented by a stricter administration of Poor Law relief and a recovery from the economic crisis of 1926, and all served to bring a decrease in the total numbers relying on the Poor Law in the later years of the decade. By 1931 those receiving Poor Law relief in England and Wales had fallen to 60,000, half of whom were also drawing unemployment benefit.

Another important development which recognised unemployment was a national problem and which also held widespread implications for the Poor Law was the Local Government Act of 1929. This legislation reorganised local government boundaries, created fewer but larger authorities and concentrated major services under County Councils and County Boroughs. After 95 years the Boards of Guardians disappeared and their powers and duties handed over to the local authorities who were required to establish special committees to deal with them. This measure meant it was possible to spread the cost of relief over much wider

areas and provide more efficient services by using scattered institutions to the best advantage. At the same time the Poor Law service was renamed Public Assistance, and the new Committees termed Public Assistance Committees.

## 6. Economising on Unemployment

A financial and political crisis descended on Britain in 1931. The country found itself in a very tenuous position in terms of international trade and finance. Confidence was further shaken and alarm aroused by the escalating cost of unemployment benefit. Unemployment soared to levels touching the 3 million mark with the jobless being out of work for much longer periods than ever before. Payments to the unemployed had risen from £51 million in 1929 to £125 million in 1931, with only £30 million a year coming from employer's and employee's contributions. The Labour Government had spent itself into budget deficit in response to unemployment. The resultant financial crisis and intricate political controversy witnessed a turning point in the handling of the unemployment problem. In a bid to survive the Government bowed to the demands of economic conservatism which insisted that the national budget should be 'balanced' by expenditure reductions and introduced cuts in transitional benefits. The 'dole' was cut by 10% from 17s to 15s 3d although the hardship this caused was slightly offset by the fact that prices were falling and had been since 1924.<sup>11</sup> Throughout the summer of 1931 strong pressure was exerted on the Government to economise by the Royal Commission on Unemployment (1930-1932) and the May Committee appointed to advise on national economies. Counter pressures emerged from within Labour's own left wing, who had long been pressing for stronger measures on behalf of the unemployed. The Government and Prime Minister McDonald were unable to survive the political crisis and resigned in August.

A new National Government was formed in October, and, inspired by what was emerging from the Royal Commission on Unemployment, it embarked on a drive to economise on unemployment benefits. In two National Economic Orders the Government did three things. It increased unemployment insurance contributions while reducing benefits, limited the period of receipt of normal benefit, and most significantly of all, replaced transitional benefits with transitional payments, making these subject to a means test and payable through the Public Assistance Committees.

The implications of these changes were profound. The new system upheld the insurance principal while relief outside insurance, although still assessed by local committees, was made a national responsibility. A result of these provisions was to divide the unemployed into two distinct groups. There were those in receipt of normal insurance benefit while another large group were pushed back onto relief akin to the Poor Law; their benefits means tested and payable through the organs of the Poor Law, the Public Assistance Committees.

The immediate effect of these measures was the transfer of over 1 million people onto transitional payments, the refusal of further aid to  $\frac{1}{4}$  million hitherto receiving transitional benefit and the reduction of payments to  $\frac{1}{3}$  million people. The intended result was forthcoming. Unemployment payments of all kinds fell from £110 million in 1931-32 to £104 million in 1932-33, and, despite a highest ever unemployment rate of 3 million, the cost of normal unemployment benefit fell from £80 million to £54 million.

The economy measures and the association of the new system with the Poor Law caused great hardship and bitter resentment throughout the country. Being exercised by local authority committees, the economies made in assistance were carried out very unequally. Furthermore, the inquisi-

torial tone of the means test and its disqualification of many from benefit produced resentment among applicants and their families. The Minister of Labour reported to the House of Commons in February 1932 that over a period of approximately nine weeks, between 12th November 1931 and 23rd January 1932, there had been cut off from benefit at the Labour Exchanges, by application of the means test, 193,542 men and 77,995 women.<sup>12</sup>

The Royal Commission on Unemployment, reporting in 1932, was motivated by the need to draw a distinction between insurance and relief and endorsed the trends of contemporary legislation. Its main recommendation was that unemployment insurance should be continued and extended to include suitable occupations hitherto excluded from its operation. However, as insurance was essentially a system of limited liability with benefits restricted in time, the Commission recognised that those whose right to benefit had been exhausted would require special assistance outside insurance which should be provided and based on ascertained need. It hinted tentatively that assistance should be subject to some form of central control, and, at the same time recommended that special Unemployment Assistance Committees should be set up by local authorities, separate from and removing the unpopular association with the Poor Law. The Report was weak on what to do about getting those stranded on relief and with little prospect of finding employment back into work. It did, nevertheless, recommend training schemes for young people in order to 'preserve their industrial quality.'

## 7. The Means Test Years

The first definitive restatement of policy emerged with the Unemployment Act of 1934 which placed unemployment insurance, for so long at the mercy of economic conditions

and emergency legislation, on a firmer basis. Part I of the Act dealt with Unemployment Insurance, placing its operation in the care of a semi-independent body, the Unemployment Insurance Statutory Committee. This was charged with supervising the working of insurance, ensuring its solvency, reviewing its finances and recommending to the Ministry of Labour such alterations deemed necessary under changing conditions. As an attempt to make National Insurance self-supporting and maintain flexibility the change was successful. Owing largely to a steady decline in unemployment between 1934 and 1937 of almost 1 million, the Committee was able to amass a reserve fund of more than £60 million before unemployment rose again in 1938. The 1931 cuts in benefit were restored, dependents' allowances increased in 1935 and contributions reduced the following year. By 1936 unemployment insurance covered 14,500,000 people, the chief groups still omitted being domestic servants, nurses, civil servants and railwaymen.

Those who had exhausted their 26 week benefit period were dealt with under Part II of the Act. This established the Unemployment Assistance Board, (UAB), which, due to wrangles over the level of benefits it would pay, did not begin operating until 1936. This measure closed yet another chapter in Poor Law history and built upon the principal of national responsibility for the unemployed. It recognised that the ground made by insurance schemes in eroding the numbers of able-bodied falling onto the Poor Law had been thoroughly negated by mass unemployment. The heavy and long-term unemployment of the mid-1930s meant that many older workers in the depressed areas were unlikely ever to recover their industrial potential to the full. Clearly, a locally raised Poor Law was unacceptable as the only source of available relief. By setting up the UAB, the Act removed responsibility from the local level laying down in its place a common national level of aid.

In 1936 the UAB's benefit rates were 24s for a married couple with varying amounts for children and a small allowance for rent. Payments were based on a household Means Test which differed from the Poor Law in two main ways. The Test took into account the financial means of other members of the family staying in the household in the following way. All those living in the home underwent an assessment based on the amount of money coming into the house if all members were unemployed, without any other means of assistance and in receipt of a UAB allowance. The actual items of family income were then inquired into. Of the earnings of the wife, husband, father or mother, everything over half or 5s, whatever was the lesser, was taken into account. This meant that only 5s of an individual's wages was recognised as belonging to him or her personally, the rest had to go towards maintaining the unemployed members of the family. A similar calculation, only slightly less harsh, was carried out with the earnings of other relatives such as sons, daughters, brothers, sisters and so on. The second difference with the procedure was that instead of being conducted publically before a Poor Law Committee the test took place in the home by an officer of the UAB, known unpopularity as the 'means test man'.

Despite these differences from previous means tested relief the 'household' version still carried with it the stigma of personal failure and humiliation for the tens of thousands unfortunate enough to depend on this form of unemployment relief and created widespread hardship, bitterness and resentment among the working class during the inter-war period. Compelling individual members of a family already living on very slim resources to contribute to the support of others in the family caused not only hardship within the home but encouraged the break-up of families and a dishonesty and evasiveness towards public relief and its administrators. A kind of 'beat the state'

mentality developed with practices like young people either moving from home or fabricating a false address to ensure their independence from the family and guarantee their full rate of assistance. The elderly too were separated from their families. In his book, 'The Road to Wigan Pier', George Orwell tells us that

"Old people, sometimes bedridden, are driven out of their homes by it. An old age pensioner, if a widower, would normally live with one or other of his children. Under the Means Test, however, he counts as a 'lodger' and if he stays, his children's dole will be docked. So, perhaps at seventy or seventy-five, he has to turn out into lodgings, handing his pension over to the lodging house keeper and existing on the edge of starvation."

The financial maintenance of the unemployed and the poor during the recession years did reduce the level of relative deprivation which would have been suffered had laissez-faire been allowed to operate untrammelled. As such it probably defused the possibilities of widespread social unrest which could have broken out under conditions of more intense suffering.<sup>12</sup> Nevertheless, the amount of assistance paid to those out of work was pitched at a level which afforded the unemployed a lifestyle little beyond a subsistence existence. To convey more vividly popular feelings about unemployment and what it meant in human terms it helps to refer to some more writings of the time. Walter Greenwood's novel, 'Love on the Dole' tells of how a young couple's love and hopes are ground down by unemployment and poverty into bitterness, resentment and demoralising drudgery. In a similar vein, the way the potentials in human relationships can be repressed and crushed by poverty and feelings of hopelessness are covered in these verses from C. Day Lewis's poem, 'A Time to Dance':



Come, live with me and by my love,  
And we will all the pleasures prove  
Of peace and plenty, bed and board,  
That chance employment may afford.

I'll handle dainties on the docks  
And thou shalt read of summer frocks:  
And at evening by the sour canals  
We'll hope to see some madrigals.

Care on thy maiden brow shall put  
A wreath of wrinkles, and thy foot  
Be shod with pain: not silken dress  
But toil shall tire thy loveliness.

Hunger shall make thy modest zone  
And cheat fond death of all but bone -  
If these delights thy mind may move,  
Then live with me and be my love.

The jobless were well aware of the divisiveness within the working class created by mass unemployment, reflected in feelings of isolation and worthlessness. The middle class were also increasingly exposed to this knowledge. The voices of the unemployed in the 1930s are echoed in T.S. Eliot's Choruses from 'The Rock':

And some say: 'How can we love our neighbour?  
For love must be made real in act, as desire  
unites with desired; we have only our labour to  
live and our labour is not required.  
We wait on corners, with nothing to bring but the  
songs we can sing which nobody wants to hear  
sung;  
Waiting to be flung in the end, on a heap less  
useful than dung'

#### 8. Unemployed Protest and Trade Union Responses

Throughout the inter-war period the clients of unemployment policy were not passive recipients of fluctuating benefit levels. Protest and demonstration was persistent and at one stage reached a pitch and intensity sufficient to influence a change in Government policy. A good first hand account is provided by Wal Hannington, a

communist grassroots activist who wrote of his experiences among the unemployed between 1919 and 1936.<sup>13</sup> He tells us of the resistance, petitions, marches and demonstrations which took place in the early 1930s against the Economy Measures, the Means Test and the cuts in benefits. Numerous hunger marches against widespread poverty conditions culminated early in 1934 with a massive demonstration in London's Hyde Park where around 100,000 Londoners welcomed contingents of marchers from all over Britain. Faced with this mass mobilisation among the unemployed the Government capitulated and in its April Budget of 1934 restored the 10% cut in benefit made in 1931.

As prices had started to rise again after 1932 organised protest had played an important role in improving the living standards of the jobless. This instance of successful protest by the unemployed was, however, more the exception than the rule. In his review of the period, Runciman (1966) talks more about the disposition of the working class and the unemployed to 'grin and bear' their hardship.<sup>14</sup> Militant discontent was never widespread and despite some outbreaks of violence between demonstrators and police - a greater part of the blame being attached to the latter by Wal Hannington, leader of the unemployed - the jobless did not pose a serious threat to the political stability of Britain. Although the communist-tainted National Unemployed Workers Movement (NUWM) took a leading role in organising demonstrations and hunger marches there was no mass movement among the unemployed. Even by Hannington's own account the membership of the NUWM at no time approached even 10% of the vast masses of the unemployed. Nor did the unemployed flock in any significant numbers towards the Communist or Fascist parties. In 1932-33, for example, when unemployment totalled almost 3 million, the membership of the Communist Party amounted to only 15,000.<sup>15</sup> The demands of the organised unemployed were not for

revolution or the overthrow of the Government. There were morale boosting and slightly provocative slogans, but essentially their requests, expressed in a humble way, were for improved financial support, relief from poverty and hunger, an end to the Means Test and better housing.

Little effective collaboration took place between the trade unions and the militant unemployed. There seems to be several reasons for this. First, the NUWM's communist affiliation made it anathema to trade unions and cut it off from the bulk of organised labour. Second, although the unions were concerned with the fate of the jobless, their first loyalty remained with their own members; those already organised and in work. Similar dilemmas are being experienced by the labour movement today and are discussed in a later chapter. Finally, the stand made by trade unions against reduced benefits and their support for Government relief and contributory unemployment insurance may have had strong self-interest motives. Dole relief, paid through taxation, in effect freed unions from responsibility to support discharged members out of the Insurance Fund. It also reduced competition for jobs, which could have further depressed wages.

Neither the trade unions nor the unemployed were able to come forward with constructive policies to solve unemployment during the depression years. The essentially self protective policies favoured by the unions, and supported also by the NUWM were for keeping young people on longer at school and introducing earlier retirement. In addition, the unions also pushed for measures to force women out of the labour market, repatriate foreign workers and promote the purchase of home produced goods.

## 9. Conclusion

The early years of the Twentieth Century witnessed a number of notable breakthroughs in the understanding and treatment of unemployment. Fundamental to these was that unemployment for many was involuntary and could bring great hardship. Once realised, this meant that established Nineteenth Century methods of dealing with the poor and destitute could be challenged and new notions like the State's obligation to the unemployed and the need for action on a broad front could germinate. It also demanded new notions about the cause of unemployment. When these were soon provided with the exposure of under-employment which laid a large part of the blame with poor industrial organisation solutions appeared possible. A new tradition of policy concerned with unemployment insurance and organising the labour market emerged based on the twin concepts of keeping unemployment at the irreducible minimum possible while at the same time making tolerable the inevitable, but temporary, spells of unemployment.

The theoretical posture adopted did not challenge the supposed natural tendency for supply and demand for labour to adjust towards a situation of ultimate equilibrium. Analysis of unemployment was restricted to phenomena which appeared to frustrate the natural workings of the labour market and, therefore, by implication, full employment. The limitations of this approach and the policies based on it emerged as the inter-war years moved towards massive long term unemployment; phenomena which 'acceptable' contemporary theory could neither accommodate nor explain. The sheer extent of unemployment swamped existing programmes and left the state floundering with conventional responses in the face of a situation racing out of control. Between 1920 and 1934, for example, twenty-one Acts of Parliament dealing with unemployment were passed, their

provisions representing an almost annual juggling of contribution and benefit levels and grafting onto the insurance scheme what in reality was a conflicting system of thinly disguised outdoor relief.

The social welfare measures of the inter-war period, although initiated and organised by central government, essentially concerned the working class and the unemployed with the jobless maintained in the main by the insurance contributions of their working colleagues. Although at times of particularly high unemployment there was a net redistribution of national wealth towards the insurance and assistance schemes the bulk of the cost of supporting the unemployed remained with working class people who had jobs. In 1935, for instance, when unemployment totalled well over 2 million, it has been estimated that the working class were still paying around four-fifths of the cost of the services from which its members benefitted.<sup>16</sup>

Despite its non-revolutionary complexion, from the beginning of this century and particularly following the Great War, the direction of social policy was concerned with improving the lot of the unemployed and the poor. However, in the late 1920s when Britain was sinking into an industrial and economic crisis, and when the political strength of feeling for ex-servicemen and the anxieties about the threat of revolution in the aftermath of Russia's in 1917 had faded, the climate of opinion which earlier had made it impossible to neglect and repress the unemployed changed. Progressive tendencies within social policy slowed down and for a short time actually regressed. During the high points in unemployment in the late 1920s and early 1930s, when the state was devoid of satisfactory explanation or realistic solution, treatment of the unemployed moved back towards the Poor Law in its attitudes and practices. Administration of relief became harsher and

stigmatised, and benefit levels became highly volatile in the face of domestic and international financial difficulties. In short, the depression years witnessed a declining priority for the plight of the unemployed, and their cause was traded off in favour of bolstering the national economy.

Notes: Chapter One

1. Report of the Poor Law Commissioners, XXVII, p.228.
2. Ibid, p.228.
3. Beveridge, W. (1909), pp.177-8.
4. Quoted in Bruce, M. (1961), p.189.
5. Beveridge, W. (1909), p.235.
6. Ibid, p.76.
7. Ibid, p.229.
8. Quoted in Garraty, J.A. (1978), p.146.
9. Peacock, A.T. and Wiseman, J. (1961), p.91.
10. Ibid, p.91.
11. Runciman, W.G. (1966), p.67.
12. This point is supported by Runciman, W.G. (1966), p.69.
13. Hannington, W. (1936).
14. Runciman, W.G. (1966), p.63.
15. Garraty, J.A. (1978), p.186.
16. Clark, C. quoted in Runciman, W.G. (1966), p.72.

## CHAPTER TWO

FULL EMPLOYMENT

Where the bricks are fallen  
We will build with new stone  
Where the beams are rotten  
We will build with new timbers  
Where the word is unspoken we will build  
with new speech  
There is work together  
A Church for all  
And a job for each  
Every man to his work.

T.S. Eliot  
Choruses from 'The Rock'

## 1. Introduction

By the latter 1930s, although the crisis of three million unemployed had passed, the long years of depression had demoralised society into a belief that the economy would not return to the levels of employment experienced during the first two decades of the century. Ten years later the situation and the mood of the people had changed fundamentally. Unemployment was at its lowest-ever peace time level and seemed likely to stay that way, and a welfare state had been established to erase poverty and suffering by providing benefits and services for the whole community. The explanation of this amazing turnaround lies in the combined influences of war, major breakthroughs in economic theory, a new determination within government to control the economy, and a strong commitment towards progressive social legislation. This Chapter discusses these factors and the great advances in British social policy they inspired. It ends by reflecting on some of the critical questions which have since arisen about the particular way social services developed and have performed



and the type of assumptions they were based on.

## 2. The Keynesian Message

In 1936 a largely new understanding of how the capitalist system functioned was offered by John Maynard Keynes in his seminal work 'The General Theory of Employment, Interest and Money.'<sup>1</sup> Posing a profound challenge to contemporary classical theory he argued that frictional and voluntary categories only partly explained the phenomenon of unemployment. A vital missing category was the 'involuntary' unemployed; a new construct which stood in direct defiance of the classical assumption identified in Say's law that 'supply tends to create its own demand'. Keynes' analysis focussed on the determinants of aggregate demand and postulated that as employment and income increased, consumption also increased, though not as much as income. The gap between consumption and income was caused by a person's 'propensity to save', a variable which increased with increasing income. Given this falling marginal propensity to consume, if employment was to be maintained it meant that current investment demand had to be sufficient to absorb the excess of total output over what the community chose to consume. Keynes argued that the level of current investment depended upon the inducement to invest, which, in turn, was determined by the relationship between the marginal efficiency of capital and rates of interest. The equilibrium level of employment was therefore fixed by the current propensity to consume and the rate of interest.

Although a state of full employment was a theoretical possibility, Keynes considered it a special case and an unlikely one if entrepreneurs were left to their own devices. He postulated that in a closed economy the two main components of aggregate demand would behave very differently.

Assuming a falling long run marginal propensity to consume, Keynes considered the level of consumption demand in the short run to be relatively stable, while the level of investment demand was highly volatile. This volatility arose because of changes in the rate of interest and fluctuating entrepreneurial expectations about likely future levels of economic activity which cannot be ascertained with certainty. Furthermore, as decisions to invest needed to equal decisions to save, these being made generally by two separate groups of individuals, decisions concerning income and consumption were therefore largely independent of one another and could not be expected to match automatically. The identity between aggregate savings and investment in Keynesian theory was, therefore, achieved by adjustments of employment and income through a multiplier process. This gave rise to deficient aggregate demand and involuntary unemployment. Keynes' perspective rejected the classical assumption that the rate of interest was the appropriate mechanism for reconciling decisions about savings and investment. He argued the rate of interest fails in this respect because of a possible liquidity trap where liquidity preferences could in a deep depression become highly interest-elastic, whilst investors' demand for money is likely to be highly interest-inelastic. The operation of monetary policy during depression was, therefore, unlikely to create recovery. In the pursuit of full employment, Keynes therefore rejected monetary policy in favour of direct government intervention in the economy to increase the level of effective aggregate demand by stimulating both consumption and investment demand.

Apart from his new theoretical contribution, Keynes' impact on public attitudes to unemployment extended to a broader philosophical level. His approach compelled

everyone concerned with unemployment, poverty and similar social issues to think about the whole population and the consumption and general living standards of the average citizen. The war, for other reasons, was to make similar demands as the nation's leaders became aware that the survival of Britain depended on the loyalty and self-sacrifice of millions of ordinary people.

Acceptance of Keynes' argument that deficient aggregate demand could cause large scale involuntary unemployment was, however, far from immediate or comprehensive and did not result in any major policy changes in the closing years of the 1930s. The General Theory was quite a difficult book to understand and it took several years before a considerable number of people were aware of what he was saying. Text book simplifications which helped disseminate Keynes' message came around a decade later.<sup>2</sup> His ideas also met with strong resistance from eminent contemporary economists closer to the classical school, and, to many politicians and their advisors, the prescriptive notion that the State should spend massively to erase deficient demand and accept an imbalanced budget as the price of full employment was anathema. Despite these drawbacks the new ideas were germinating. Their acceptance was slow and tentative, although no doubt fanned by the great hardships experienced during the depression and a growing disillusionment with the failure of established policies to solve unemployment.

### 3. War, Beveridge, and Full Employment

The great watershed for Keynesian economic theory came in 1939 with the outset of the Second World War. The war effort meant that, paradoxically, the Governments of the industrial nations had no choice but to operate under conditions of budget deficits, heavy public investments and low interest rates. The numbers out of work fell

steadily during the war although it still took three years before unemployment was really abolished. In 1941, for example, there were still almost 400,000 people jobless. By the Summer of 1943, however, it was as low as 110,000, (Table 2.1). By then the Keynesian strategy, by virtue of the unprecedented levels of State intervention in the economy and the community, was seen to be an effective way of 'managing' the economy towards full employment. The great post-war issue was, therefore, how to achieve this under conditions of peace without the infringements of liberty and sacrifices of freedom demanded in war.

Participation in total war demanded a universal effort from the nation. Bombing, rationing and other sufferings were commonly experienced, and the more remote parts of the country previously ignorant of the ills of urban living were exposed to them by large scale evacuation from the great urban centres. All combined to affect profound changes in the State's approach to social policy in general. As Titmus pointed out, the popular mood was that just as risks were shared resources should be too, and these became the guiding principles of social legislation.<sup>3</sup> As with the Great War, the 1939-45 conflict saw a greater proportion of the nation's resources shift under the State's control. The growth of social services had been an integral part of the war effort and perceptively widened the State's area of responsibility for the welfare of the community. In 1950, for example, around one-sixth of GNP was going on expenditure on social services, around double what it had been during the interwar years.<sup>4</sup> Armed with the new explanations and prescriptions provided by Keynes the country turned to the task of social and economic reconstruction at a time when both work and maintenance had become fixed expectations of the working class as opposed to mere aspirations as during the long depression years.

TABLE 2.1 Average Unemployment, 1928-1944

Average numbers of unemployed persons on the registers of employment exchanges in Great Britain and Northern Ireland 1928-44.

Year	Unemployed*	Year	Unemployed*
1928	1,254,904	1936	1,821,700
1929	1,248,588	1937	1,557,001
1930	1,974,501	1938	1,881,357
1931	2,697,868	1939	1,589,801
1932	2,813,042	1940	1,034,672
1933	2,588,358	1941	391,521
1934	2,221,063	1942	165,374**
1935	2,106,121	1943 (Jan.)	143,826**
		(Apr.)	118,160**
		(Jul.)	110,505**
		(Oct.)	106,504**
		1944 (Jan.)	116,273**

\*i.e. wholly unemployed, temporarily stopped, and unemployed casual workers.

\*\*These figures include persons who were classified by interviewing panels as unsuitable for ordinary employment.

Source: derived from Beveridge (1944), 'Full Employment in a Free Society'.

1940 marked the beginning of a new era in social policy. The introduction of supplementary pensions and free school milk, and the many further welfare measures which followed, demonstrated the State's growing acceptance of responsibility for all its citizens, and in particular, weaker members in distress. The following year saw legislation of historical note. The Determination of Needs Act, 1941, is credited with abolishing the household Means Test; that object of long and bitter resentment. It was replaced by a softer form of test, which, instead of the inquisitorial prying into the income of non-dependent members of the family, assumed a contribution from them in the calculation of assistance payments.

The beginnings of a thorough revamping of the Insurance system began with Beveridge's report on Social Insurance and Allied services 1942, although it took a further four years before its vision of a comprehensive universal system of unemployment insurance took legislation form. Beveridge was strongly against a support scheme for the unemployed based on a system of doles, arguing that

"the place for direct expenditure and organisation by the State is in maintaining employment of the labour and other productive resources of the country, and in preventing and combatting disease,"<sup>5</sup> not in patching an incomplete system of insurance."

The new scheme was presented as a co-operation between State and citizen to provide a comprehensive strategy against poverty. In maintaining the unemployed it rejected the possibility of graduating benefits by relating them to previous income as had been followed in other countries such as Germany and the USA. Instead, flat rate benefits would be received as of right in return for flat

rate contributions. In return for a single weekly contribution a cradle-to-the-grave provision of benefits was envisaged. In addition to unemployment the other benefits included were sickness, medical, widows', orphans', old age, maternity, industrial injury and funeral. There would be no differentiation between different groups. Benefits would be selective only in that people had to belong to broadly defined categories like the unemployed, sick, elderly and so on.

Beveridge's plan was based on a unified pooling of risks, founded firmly on insurance and removing all taint of the Poor Law and greatly reducing the use of Means Tests while ensuring adequate support in time of need. It was designed to keep the unemployed out of poverty by providing insurance benefits up to a minimum subsistence level. The plans took care to avoid stifling personal initiative and allow people the freedom to build up to their desired requirements. As the Report outlined, the scheme was:

"not one for giving to everybody something for nothing ..... or something that will free the recipients for ever thereafter from personal responsibilities ..... [it] leaves room and encouragement to all individuals to win for themselves something above the national minimum, to find and to satisfy ..... new and higher needs than bare physical needs."<sup>6</sup>

The insurance scheme was not intended to deal with the problems of the working poor who tended to be families who, because of the burden of children, were below the poverty level. To complement the workings of insurance and lift these people out of poverty, Beveridge recommended establishing a system of family allowances. He also argued that effective insurance would depend on developing a national health service and avoiding mass unemployment.

The irreducible rate of unemployment which the insurance scheme was designed to work with was  $8\frac{1}{2}\%$ . Although this was later lowered to 3%, the first, and much higher level, shows that people had not developed a full confidence in Keynesian policies at that time. It may also have been inspired partly at the insistence of a cautious Treasury, determined not to inflate Government commitments for social insurance.

With reference to employment, Beveridge's scheme for social security was considered beneficial in helping towards the maintenance of employment by 'expanding and maintaining private consumption'. The complementary task of avoiding mass unemployment was taken up in his next work, 'Full Employment in a Free Society' in 1944. This marked Beveridge's conversion as a Keynesian and set out proposals for achieving and sustaining a state of full employment, by then considered a realisable goal and defined as

"having always more vacant jobs than unemployed men, not slightly fewer jobs ..... [and] that the normal lag between losing one's job and finding another will be very short."7

Full Employment did not mean that at any point in time there would be absolutely no unemployment. There would always be some small amount caused by industrial friction, and under a ceiling of full employment a rate of 3% was postulated.

Based on the moral principle that the greatest suffering arising from unemployment fell upon the individual, Beveridge argued that the labour market should be a 'sellers' rather than a 'buyers' market. Given that the prime cause of unemployment was 'deficiency of total



demand', the number of available jobs therefore depended on the volume of spending. The achievement of full employment depended on ensuring that total outlay was sufficient, a task that only the State could fulfill. This new responsibility of taking up the slack when private investment proved inadequate was, therefore, placed on the State. Previous notions about the sanctity of balanced budgets were seen as erroneous. It was advocated that Government should be prepared to overspend in order to realise labour and other productive resources which would otherwise be wasted by unemployment. A new type of budget, a 'human budget', would be the main instrument in a policy for full employment. Furthermore, as a policy of cheap money was considered integral to the overall strategy, it was argued that interest rates should be kept as low as possible.

In the same year as 'Full Employment' was published, the coalition Government released its White Paper on Employment Policy, 1944. Although this fell a little short of a total endorsement of Keynes' General Theory, it accepted a new approach and a new responsibility for the State in 'the maintenance of a high and stable level of employment'.<sup>8</sup> This, along with the acceptance of the employment creating potential of fiscal policy, made the White Paper a major breakthrough. It advocated low interest rates, large scale public works projects, and other techniques designed "to prevent total expenditure from falling away."<sup>9</sup> Although the Government had conceded that, even at a time when the state of trade was poor, it need no longer regard a balanced budget as a central feature of its economic policy, some influence of the old orthodoxy remained. The Government was reluctant to deliberately plan for a future deficit, insisting, rather, that a balance be sustained in the long term. The White Paper was, nevertheless, a document of great significance. It marked the widespread acceptance of Keynesian theory among the economics profession, a new government

responsibility for the level of economic activity and employment, and a degree of intervention that was unthinkable in the inter-war context. Furthermore, as the Times later reported,

"almost for the first time in a State document .....  
~~/it~~.....set forth the vital importance to the economy of maintaining a high standard of purchasing power among the masses of the people."<sup>10</sup>

#### 4. Coping with Remaining Unemployment - Insurance and Assistance

A further White Paper, dealing with Social Insurance, was released in 1944, a delay of two years since Beveridge's original work. Despite some small amendments - for example it rejected the case for an overall Ministry of Social Security - it accepted most of Beveridge's earlier recommendations concerning family allowances, health services and unemployment. The White Paper argued in support of the concept of 'universality', justifying the approach on three grounds. Firstly, that all citizens should stand together without exclusion for reason of differing status, function or wealth. Secondly, many people whose needs for benefit were as great as many of the insured population were currently outside the scope of national insurance. And, thirdly, without the principle of universality, it would be impossible to adequately maintain the cover needed during various normal changes from insurance class to class. The arguments set out in the document formed the basis for a major watershed in social policy, the National Insurance Act of 1946.

During the interim period between the White Paper and the resultant Act, two pieces of legislation, typical of the new policy tradition, had emerged. One was the Family Allowances Act, 1945 which established a 5s child allowance financed from the exchequer for second and subsequent

children. The other was the National Insurance (Industrial Injuries) Act, 1946 which recognised that accidents at work were the responsibility of the whole of society, and used the insurance principle of pooling risk to provide four types of benefit cover: injury, disablement, supplementary (e.g. hardship allowances) and death.

Returning to the National Insurance Act, it was introduced as "a Bill designed to deal with assistance and allied questions on a national scale."<sup>11</sup> The Minister of National Insurance described the legislation as

".....the culmination of half a century's development of our British Social Services"<sup>12</sup>

"Parliament after Parliament passed a series of measures and so a system has grown up in a haphazard, piece-meal, way much like a patchwork quilt.....For a long time it has been apparent that what was needed was a co-ordinated plan for weaving all these together in a unified, comprehensive scheme covering the whole nation."<sup>13</sup>

The Act, therefore, consolidated into one the existing schemes of insurance against sickness, unemployment, and old age. Enacting the concept of universality, it was designed to ensure that every person over school leaving age and under pensionable age would be insured and remain so throughout life.

The actual rates of benefit payments were guided by two main principles. Firstly, leading rates were to be fixed at figures broadly justifiable in relation to the 'cost of living'. Secondly, review of the rates should take place at periodic intervals, suggested as being every five years. The latter concept introduced a new criterion; the principle of a 'national minimum standard'. The leading rates suggested were:

"26s for a single adult; 42s for a couple living

together; 26s for the unemployed, widows, the sick and the retired; 16s for an adult dependent; and 7s 6d for a child's allowance for the first in the family.'

Provisions for unemployment benefit were based on the assumption that full employment would be maintained. The following extract from a speech by the Minister for National Insurance makes it clear that large scale long term unemployment was thought to be a thing of the past:

"If we were - God forbid that we should - to allow ourselves to drift back to the mass unemployment of the inter-war years, this scheme would be sunk. The Government are resolutely determined to secure full employment."14

For any small amount of long term unemployment remaining or if the unforeseeable disaster of mass unemployment returned, it was still accepted that the State would undertake responsibility to maintain the unemployed, though not within the insurance system.

Important new principles were evident in the legislation. It endorsed the notion outlined in the 1944 White Paper on Employment Policy that having a large proportion of the workforce inactive whether through unemployment or ill health was an economic loss to the country because these people were ineffective as consumers. It was necessary, therefore, to achieve and maintain a proper distribution of purchasing power throughout the whole community. Another fundamental principal of the new social security system under construction was a sound economic foundation; the scheme had to be paid for. The 'insurance equation' meant that the sum total of the goods produced and services rendered by the whole community had to be sufficient to provide a decent standard of living for all the people at all times. Its success depended, therefore,

on increasing and maintaining higher levels of production by the national workforce. Also integral to a successful scheme was the need to maintain high levels of employment. To realise this, the nation had to ensure it utilised to the full its resources of labour and materials, skill and scientific inventiveness, and power of organisation.

Although not specifically catered for under the insurance legislation, the Government had now accepted full responsibility for the long term unemployed, the cost of their maintenance borne by the Treasury. Those who had not earned or who had exhausted their entitlement to benefit were dealt with under the National Assistance Act of 1948, presented as:

"the coping stone on the structure of the social services of Great Britain".<sup>15</sup>

Despite the great progress made on national insurance, health and child benefits, a small residual of the population remained dependent on the Poor Law; 400,000 persons were on outdoor relief and 50,000 were in institutions.<sup>16</sup> National Assistance was designed to meet the needs of groups like these who had slipped through the net of the recently constructed social security system, and to assist people with inadequate resources to meet their requirements. As Aneurin Bevan, then Minister of Health, pointed out when introducing the legislation to Parliament,

"There will be a number of persons who will not be eligible for insurance benefit. There will be some who will not be eligible for unemployment benefit, and there will be persons who will be the subject of sudden affliction, like fires and floods and circumstances of that kind, who will need more help from some special organisation."<sup>17</sup>

There was, therefore, seen to be a need for a 'safety net'

to stand behind the existing social services and provide for groups in need excluded from their care. The National Assistance Act filled this vacuum and specifically repealed the existing poor law legislation by categorically stating that "the existing Poor Law shall cease to have effect."<sup>18</sup> Cash payments previously made by Poor Law authorities as outdoor relief were transferred to a new national authority, the National Assistance Board (NAB), thus spreading the local burden of relief over the whole nation.

What at the time seemed to be a commitment of the new legislation to break completely with the last remnants of the Poor Law is probably most evident in its provisions for the elderly. Here a major departure from the past was the scrapping of the 'workhouse' and its replacement by 'residential hotels' for the old. The Act sought to remove the stigma of State charity in dealing with the elderly by scrapping the distinction between the financially independent and those in receipt of means tested social assistance. In operation the NAB would put money into the possession of the individual old age pensioner who would then pay the hotel charges in a respectable and dignified way. Furthermore, the change in principle to weighing up people's 'needs' rather than their 'means' in the calculation of NAB assistance levels demonstrated the move into a new era. With a National Assistance scheme which was expected to dwindle in scope, the British social service network was thought to be complete.

##### 5. The 'Butskellite' Consensus

The immediate post-war economic boom released by the pent up demand for consumer goods and post-war reconstruction exerted intense pressure on industry and the workforce. The main concern was not with finding jobs for the unemployed, but with expanding the size of the workforce in order to

satisfy an acute shortage of labour, particularly in the export industries. There was great concern about this in 1947. The Government appealed to married women to rejoin the labour force and even considered banning the Pools so the women they employed could be steered into more productive work.<sup>19</sup> There was also talk about the selective immigration of foreign workers and attempts were made to clamp down on work dodgers, especially the 'spivs' who were idle but sharp black marketeers.<sup>20</sup>

Unemployment in Britain during the post-war Labour administration of 1945 to 1951 rarely exceeded 2%. By the early 1950s the nation was secure in the belief that such employment levels could be sustainable under normal conditions of peace. In 1951 the Labour Chancellor, Mr. Gaitskell, indicated that Britain had adopted a 'full employment standard' of 3%, this being the figure above which the Government would not allow unemployment to rise.

The incoming Conservative administration of 1951 accorded equal priority to full employment as did its Labour predecessor. The policies of its Chancellor, Mr. Butler, were so similar to those of Labour's Gaitskell, that The Economist created the famous character of Mr. Butskell in recognition of the apparent consensus in economic policy existing between the two main parties.<sup>21</sup> The central feature of Butskellism, generally seen as having lasted from 1948 to 1966, was the priority given to maintaining full employment and a determination that Britain would not return to the bleak days of the 1930s. During these two decades of political consensus about many features of the management of the economy, unemployment averaged 1.7%, with long term unemployment negligible for the largest part of the period. Full employment was adopted as the main objective of policy by both Labour and Conservative Parties. Successive governments operated their economic policies on the neo-

Keynesian belief that the exercise of demand management would ensure the maintenance of full employment and economic growth.

The emotionally charged concern over unemployment, stemming from the inter-war depression, survived until the mid-1960s. The rate of unemployment was a key electoral issue throughout and Governments were loath to let this go beyond 2%. When it did they responded quickly with an expansionary budget. Several commentators have pointed to the very significant influence unemployment exerted during this period upon the popularity of the governing party and the perceived performance of that Government's handling of the economy.<sup>22</sup> The low levels of unemployment experienced throughout the 1950s and early 1960s had marked implications for public attitudes to the unemployed and their maintenance. Only a small proportion of people were out of work for long periods and surveys by the NAB in the late 1950s showed that only around one-third of these, most of whom were handicapped in some way, were considered 'not keen' or 'workshy'.<sup>23</sup> As Deacon (1980) points out, it is hardly surprising that there was little attention paid to allegations of malingering or scrounging or that virtually no pressure existed to reduce the benefits for the unemployed.<sup>24</sup> Indeed, there was actually a positive lobby from certain quarters to raise the payments made to the unemployed. In 1963, for example, The Economist proposed that basic national insurance benefits be doubled, which, in increasing the purchasing power of the unemployed, was a suggestion consistent with the contemporary philosophy of demand management.<sup>25</sup>

Amidst the optimism of full employment, economists became concerned with 'economic indicators'; information thought necessary for the effective monitoring and management of the economy. By closely examining a country's



GNP, trade balance, money supply, price levels, unemployment and other statistics, economists claimed to be capable of controlling severe fluctuations in the economy, whether by way of recession or boom. They needed finer drawn classification and categorisation of the unemployed. The collection of monthly survey data was a welcome advance and allowed the unemployed to be grouped, for example, according to age, sex, education and reason for not working. The more comprehensive statistical breakdowns also served to highlight a number of social and economic problems. It could be observed that unemployment rates tended to be higher among certain social groups, for example the young, the uneducated and disadvantaged minorities. Furthermore, particular areas of the Country appeared to be relatively worse off than others; areas such as Clydeside, Merseyside and Northern Ireland having persistently higher unemployment rates than the South East and the Midlands.

The widespread faith in Keynesian macro economic theory to provide mixed capitalist economies with the ability to maintain full employment during the two post-war decades was not, however, unqualified. In the UK, as in the USA, cyclical unemployment was still evident albeit in a very mild and damped form compared to the inter war era. Nevertheless, economic policy failed to reconcile full employment with price stability. Contrary to Keynes' reasoning in the 'General Theory' that price inflation reflected an excess of demand over the supply of goods and services, and that this excess demand would cause an increase in production and thus reduce unemployment, an anomalous situation existed where inflation co-existed with substantial numbers unemployed. Some people attributed this to the distorting influence of large corporations and trade unions on wage rates, arguing that giant oligopolistic companies could choose to grant large wage increases to powerful unions rather than risk the potentially damaging

consequences of strike action. In industries where price competition was minimal, higher costs could, therefore, be passed on to the consumer relatively easily thus pushing inflation upwards. Another explanation was provided by A.W. Phillips who discovered a close relationship between the level of unemployment and the rate of change of money wages in the British economy between 1862 and 1958.<sup>26</sup> He showed that wage rates were 'sticky', being difficult to reduce in the face of falling economic activity while at the top of an economic boom they tended to rise despite a falling productivity of the labour employed. The implication was that to maintain full employment a certain amount of inflation was inevitable and that inflation itself could only be cured by incurring an increase in unemployment. Governments, therefore, would have to choose between some mixture of inflation and unemployment which could be represented in the form of curve and economists and politicians had a basis to argue that higher rates of unemployment should be accepted in return for lower inflation. Indeed, as later work has shown, the tolerable rate of unemployment gradually crept higher throughout the 1960s, the level of unemployment which acted as a trigger for government reflation of the economy increasing from 2.2% in 1959 to 2.5% in 1963, and to 3.9% in 1972.<sup>27</sup>

## 6. Some Reflections on Post-War Social Policy

The war and the years following it were a period when many of the social and economic ideas we have taken for granted since were either forged or endorsed. Employment from leaving school until retirement was the expectation of all wishing to follow the course of a normal working life. Overwhelmingly, this meant full time work in the formal economy in return for a wage packet from an employer and was the domain of the adult male. Hand in hand with the

male's position as the breadwinning head of the household went an equally rigid definition for the female as mother, housewife and full time domestic unpaid worker. In 1931, for example, only one in eight women were recorded as holding employment outside the home.<sup>28</sup> Women were not expected to work, and this was reflected in the social attitudes of the inter-war years and the legislative advances of the 1940s. As Beveridge wrote,

"On marriage a woman gains a legal right to maintenance by her husband as a first line of defense against risks which fall directly on the solitary woman."<sup>29</sup>

"The attitude of the housewife to gainful employment outside the home is not and should not be the same as that of the single woman. She has other duties."<sup>30</sup>

The vital unpaid service rendered by the housewife in the home was recognised with the introduction of Family Allowances in 1945 which paid benefits directly to her as of right out of Treasury funds without requiring insurance contributions. As later chapters will show, these, and other, assumptions about the allocation of work, the nature of employment and so on, have been progressively undermined since the mid 1960s.

In retrospect some commentators feel Britain should have adopted an alternative approach to social policy in the 1940s. Even at the time, Labour's ambitious programme to expand the social services and make them available to all was criticised by the Conservatives who would have preferred a more cautious and less expensive approach. Nevertheless, it was the view of Richard Titmus, the official historian of social policy over the war period, that the new provisions were successful precisely because they were provided on a universal basis and "were free of the discrimination and indignities of the Poor Law".<sup>31</sup>

The great post-war advances in social welfare were widely believed to be concerned with equity and redistribution in their nature and designed to benefit the less prosperous sections of the community. The reality, however has not lived up to these expectations. Net benefits accruing to the individual from the Exchequer in matters of welfare have tended to be higher among groups with higher incomes and the more educated have proved better at taking up the benefits which have been universally available while the poor have been less well equipped to do so. As recently as the late 1970s, for example, it was estimated that substantial sums of money were being lost to the poor through the failure of around one million of the four million people believed to be entitled to supplementary benefit to claim the money which was due to them as of right.<sup>32</sup> Indeed, the very basis of national insurance can be seen as unfair. Being paid for, by contributions which are levied in very simple, flat rate ways, it has placed a greater burden on the poorer people contributing and represents, in effect, a system of regressive taxation.

These inequities have been seized upon by those favouring a more piecemeal and selective approach to the provision of social services. The case against a comprehensive flat rate scheme of the Beveridge type is based on the observation, as one commentator has put it, that

"to offer equal services or benefits to people in unequal situations is not to offer equality but merely to underwrite their existing relative inequality; that is to counter inequality one must act unequally - that the poor need more than, the rich less than, equal shares."<sup>33</sup>

A universal system certainly involves a larger volume of resources than does providing benefits selectively or on a means tested basis, and much of the resources go to

those who are not in real need. The central argument in favour of greater selective provisions is that more can be done to attack poverty and raise the living standards of the poor. A related point is that, given we have returned to a situation where large numbers have once again come to depend on means tested assistance, we should accept the fact and concentrate not on abolishing it but making the provision more efficient.<sup>34</sup>

A strong case can, therefore, be made for adopting a more selective approach to social policy on the grounds that anti-poverty measures can be made more effective. Its appeal should, however, be tempered by recognising that selective provisions targetted specifically at the poor run the risk of becoming poor services. Although there is nothing intrinsically wrong with providing services to special groups on a selective and means tested basis, a major problem can be the loss of self-respect and dignity experienced by the clients of those services. Emotions like these are largely socially imposed, arising from antagonistic attitudes towards the unemployed from among the working public at large. In a context of rising unemployment, the cost of maintaining the jobless demands more and more resources. If at the same time public expenditure is seen as a millstone around the nation's neck, as it has been widely regarded in recent years, then those in receipt of the special services are more likely to become the objects of social criticism and risk the amount of public resources flowing to them in maintenance being cut back to the bare minimum.

The notion that selective services provide the most effective anti-poverty strategy must also be seriously challenged. The level of benefits paid to the unemployed depends, politically speaking, on the incomes of low paid workers with two or three children to support. These set

the ceiling for benefits which the public is prepared to accept. Hence, a country like Britain with low and inadequately enforced minimum wages and low family allowances will have a low level of benefits. Furthermore, those in poverty tend more to be working families of around this size and less so those officially in receipt of low incomes who tend to be single and are often female. Therefore, a very effective way both of dealing with the working poor and improving the scope for higher levels of assistance to the unemployed is through the provision of higher child benefits - itself a universal service.

## 7. Conclusion

The Keynesian revolution in economics and the emergence of the Second World War were separate phenomena which together, in complement, revolutionised our whole perception and handling of unemployment and shaped the development of Britain's post-war social services. The experience of total war for the second time during the century again fired the State to take on a greater responsibility for the welfare of the community and ensure the individual would be protected from poverty and suffering whether in or out of work. A major difference from the aftermath of the Great War, however, was the belief that unemployment could be solved by Governments' management and control of the economy and mass unemployment abolished forever. Despite the emergence of a few doubts about the performance of Keynesian demand management and the controllability of unemployment, confidence and consensus about many issues of social policy persisted through fully two post-war decades.

The developments in social policy which began in war time culminated in the establishment of what is commonly hailed as the welfare state. The main assumption

underpinning the new comprehensive scheme for National Insurance was that any interruption in a person's working life would only be temporary and, whatever the cause, adequate protection would be provided by insurance. In the few cases of people not protected by insurance benefit they would be dealt with by National Assistance, although it was expected those numbers would be very small. In their operation these, and other principal services of the welfare state, have differed significantly from expectations prevalent when they were introduced. The social services have generally operated with a good deal of inequity, and the insurance and assistance systems have been undermined, as the next chapters will show, by a steady collapse of full employment since 1966. There may well, therefore, be growing political pressure to change to less expensive schemes targetted at those most in need. Although selective and means tested provisions probably have a role to play, to avoid our social services becoming a low quality welfare safety net, it would seem essential to maintain a safety net of universal services which raise the living standards of all those in poverty and which those in need are encouraged to use to the full.

Notes: Chapter Two

1. Keynes, J.M. (1936).
2. For example, P.A. Samuelson's book, Economics, copyright 1948, published in 1951 by McGraw-Hill Inc, USA.
3. Titmus, R.M. (1950), pp.507-8.
4. Peacock, A.T. and Wiseman, J. (1961), p.91.
5. Beveridge, W.H. (1943), para. 22.
6. Ibid, para. 455.
7. Beveridge, W.H. (1944), p.18.
8. HMSO (1944), Employment Policy.
9. Ibid.
10. The Times, February 8th, 1946, p.8.
11. HMSO, Hansard, February 6th, 1946, p.1734.
12. Ibid, p.1734.
13. Ibid, p.1735.
14. Ibid, p.1744.
15. HMSO, Hansard, November 24th, 1947, p.1603.
16. Ibid, p.1603.
17. Ibid, p.1604.
18. Ibid, p.1610.
19. Deacon, A., 'Unemployment and Politics in Britain since 1945', p.63, in Showler, B. and Sinfield, A. (eds) (1981).
20. Ibid, pp.65-6.
21. The Economist, February 13th, 1954.
22. See, for example, Goodhart, C. and Bhansali, R. (1970), and Butler, D. and Stokes, D. (1974).
23. Deacon, A., op.cit., p.69
24. Ibid, p.69.
25. The Economist, January 12th, 1963.
26. Phillips, A.W. (1958).
27. Blackaby, F., 'The Target Rate for Unemployment', in Worswick, G.D.N. (ed) (1976).



28. Supplementary Benefits Commission (1976), p.73, para. 6.2.
29. Beveridge, W.H. (1942), para. 108.
30. Ibid, para. 114.
31. Titmus, R.M. (1950), p.514.
32. Information from Supplementary Benefits Commission, cited in Wilson, T. and D.T. (1982), p.85.
33. Reddin, M., 'Universality versus Selectivity', in Robson, W.A. and Crick, B. (1970), p.27.
34. See, for example, Wilson, T. and D.T. (1982), pp.89-90.

### CHAPTER THREE

#### THE COLLAPSE OF FULL EMPLOYMENT

"Let him that hath understanding count the number of the beast: for it is the number of a man ....."

Revelation 18

##### 1. Introduction

In the early 1980s Britain was again swamped by large scale unemployment with a larger proportion of its labour force out of work than in the depression of the 1930s. Yet, for many years after the Second World War it was believed this would never happen again. More precisely, it was not expected that Government could allow it to happen and survive. Both assumptions have since been overthrown. This Chapter considers why this has happened, and reviews the collapse of full employment by tracing the growth and extent of unemployment and political attitudes to it. It concludes by speculating on what the future may hold.

##### 2. Recent Unemployment Trends

Unemployment in Britain reached the staggering figure of 2 million in August 1980, by December of the same year the jobless total topped 2,244,000 - higher than the bleak spring of 1933 - and one month later, the national unemployment rate rose above 10% of the working population. No let up was envisaged in the underlying jobless rise (around 100,000 a month) in the short term, and according to the Sunday Times, by the summer of 1981, even the Treasury had, albeit privately, abandoned its expectation of a quick recovery and expected unemployment to reach 3 million by 1982 and continue rising thereafter.<sup>1</sup> Total unemployment reached 2.8 million in August 1982, and, despite hovering around this figure for the rest of the year, after allowing

for seasonal adjustment the underlying trend continued to rise each month. From January 1983 unemployment in the UK bobbed below and above the three million mark. The GB figure, however, because it excluded Northern Ireland, the region with traditionally the highest unemployment in the UK, took until July to exceed 3 million for the first time. The steady rise in the underlying trend in unemployment finally slowed in September 1983 after 44 months of steadily rising unemployment over which the total number jobless in the UK had soared from 52.% in December 1979 to 13.3% in September 1983.

### 3. The Real Extent of Unemployment

The basic source of statistical information on unemployment and the official count of the unemployed in Great Britain and the UK is based on Department of Employment (DE) data, collected and published monthly in the Department of Employment Gazette (DEG). In recent years the calculation has included only those unemployed in search of work and registered as such at their local employment offices. It excludes people who may be looking for work but are unregistered, students over the age of 18 years registered unemployed during their vacation, and others who, although not working, are considered to have jobs, such as workers on holiday, temporarily stopped or on short time working, or on Manpower Services Commission (MSC) Schemes.

Assessing the extent of unemployment on the current system of administrative returns, raises the possibility of underestimating unemployment. People may be genuinely unemployed and in search of work but will not be accounted for as they are not registered. This situation can arise for a number of reasons. The actual extent of unregistered or 'hidden' unemployment is difficult to assess precisely. Some evidence of its scale can be obtained from the

General Household Survey (GHS). From GHS data the DE suggests approximately 90,000 and 100,000 unemployed males were unregistered in 1972 and 1973 respectively. The corresponding figures for women were 175,000 in 1972 and 160,000 in 1973.<sup>2</sup> In 1979, if the unregistered unemployed uncovered by the GHS were added to official figures it would have almost doubled the number of married women out of work, increased non-married women by one third and men by one eighth.<sup>3</sup>

More recent information was compiled by the Government's official Labour Force Survey in the second quarter of 1981. This found a pool of 447,000 hidden unemployed which, if taken account of in the official estimate, gave an unemployment rate of 16% as opposed to 13.2%. Almost 67% of those not appearing in the official statistics were women who, probably not having paid a full national insurance stamp, were not eligible for benefit and had, therefore, no incentive to register.<sup>4</sup> Although married women have tended to account for at least half of the hidden unemployed, this dominance is probably changing due to the phasing out of their option to pay reduced national insurance contributions. All married women who joined the labour market after April 1979 have had to pay the full contribution entitling them to full unemployment benefit for which they must register as unemployed.

The existence of hidden unemployment is also suggested by the observed shortfall between a decline in employment and a subsequent rise in unemployment. A distinction can be drawn between those who define themselves as 'inactive' at times of high unemployment yet register for work when unemployment falls, and the normal or more conventional unemployed. The former make up a 'silent reserve' of unemployed, who emerge when job prospects improve, thereby creating the anomalous situation where

an increase of a certain amount of new jobs in an economy fails to correspond with a requisite fall in unemployment. Alternatively, as has been the case in Britain, despite a growth in the number of people of working age and a fall in employment, there has not been a corresponding increase in unemployment. Between June 1979 and October 1982, for example, although employment fell by around 2.3 million, the rise in unemployment was significantly lower at 1.9 million. Thus, nearly three quarters of a million people who had lost their jobs since the beginning of the slump had failed to register as unemployed. This was probably caused mainly by the withdrawal of married women from the labour force and the retirement, particularly of older men, when the demand for labour fell.

In addition to the unregistered unemployed some agencies involved in estimating the extent of unemployment take account of other factors. Principally these include people temporarily lifted out of the labour market by the special employment measures of the MSC and those on short time working. When unemployment stood at 2 million, for example, the Trade Union Congress (TUC) argued the real total was 3.5 million.<sup>5</sup> In August 1982 when the official jobless total had risen to almost 2.9 million one of the large trades unions calculated the true figure to be 4.3 million or more.<sup>6</sup> By the end of the year with DE statistics showing a jobless rate above 3 million, the Labour Research Department, a body financed mainly from trade union subscriptions, suggested the real level of unemployment was around 5 million; double the official estimate for women and half as much again for men.<sup>7</sup>

In November 1982 another factor emerged which meant subsequent official estimates of unemployment would

further underestimate the true number of people looking for work. The DE introduced a new system of collecting jobless statistics. The previous method of making clerical counts at Job Centres and Careers Offices was replaced by a computer count of those registering for unemployment benefit at benefit offices. Although the change was presented as an improvement to the efficiency of the employment and benefit services, a direct effect has been to exclude people actively looking for work but who choose not to register, presumably because they would not qualify for any unemployment benefit. At first the Government thought the effect would create a shortfall of around 50,000 a month from estimates made by the old system.<sup>8</sup> This, however, was a gross underestimate. It was soon realised that the new count showed a jobless total of between 170,000 and 190,000 a month fewer than the old method,<sup>9</sup> these being excluded by the new count are mainly women. In its first month of operation the jobless figures resulting from the new count would have had to be raised by 13.4% for women and 4.1% for men to equal what unemployment would have tallied under the previous method of calculation.<sup>10</sup>

#### 4. International Comparisons

Britain is not alone in being confronted with a major unemployment problem. Most other industrial countries have also experienced worrying rises in the number out of work. Although Britain has had the highest and fastest rising rate during the current recession among the major developed countries, unemployment has also reached post war highs in the United States, Canada, France, West Germany and the Netherlands. In Italy unemployment in 1982 was the highest since 1959, and in Japan and Sweden, although substantially lower than other

countries, it was higher than the levels normally experienced over the previous two decades.<sup>11</sup> Table 3.1 shows unemployment trends in ten selected countries since 1974. The data has been adjusted so it is compatible with the way unemployment is calculated in the United States thus allowing more accurate comparisons between the countries. If the rate of unemployment as published by each country separately is used, distortions in the comparative picture can emerge because two different systems are used to measure unemployment. The United States, Canada, Australia, Japan, Italy, and Sweden depend on periodic - usually monthly - labour force sample surveys, whereas France, Germany and Great Britain rely on monthly counts of registrants at employment exchanges. Britain's method, in the main, has served to underestimate the extent of its unemployment in comparison with other countries. Throughout the 1970s the shortfall between Britain's official unemployment and that adjusted to approximate US concepts ranged between 100,000 and 600,000 people.

When comparing international unemployment rates one needs to take into account the different economic, demographic, social and institutional differences between countries. The relatively high levels of North American jobless rates in comparison with those in Western Europe and Japan until around 1974 were attributable primarily to large differences in rates of economic growth and labour force increase. Furthermore, because of laws and attitudes restricting employers in Europe and Japan from laying off workers, worker mobility has been much lower in these countries than in North America. As a consequence, frictional unemployment due to job changing in North America, and in particular the US, has been higher than elsewhere. This along with the relatively high rate of job creation in the US suggests that, despite high unemployment rates, the labour market situation in

Table 3.1:

International Unemployment Rates 1974-81  
(approximating US concepts)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
United States	5.6	8.5	7.7	7.1	6.1	5.8	7.1	7.6
Canada	5.3	6.9	7.1	8.1	8.4	7.5	7.5	7.6
Australia	2.7	4.9	4.8	5.6	6.3	6.2	6.1	5.8
Japan	1.4	1.9	2.0	2.0	2.3	2.1	2.0	2.2
France	2.9	4.2	4.6	5.0	5.4	6.1	6.5	7.7
West Germany	1.6	3.5	3.5	3.5	3.4	3.0	3.0	4.2
Great Britain	3.1	4.6	6.0	6.4	6.3	5.7	7.3	11.3
Italy	2.8	3.2	3.6	3.6	3.7	3.9	3.9	4.2
Netherlands	3.8	5.2	5.4	5.1	5.2	5.3	6.1	8.9
Sweden	2.0	1.6	1.6	1.8	2.2	2.1	2.0	2.5

Source: Monthly Labor Review, November 1982



the US has been healthier for several years than that in Britain, where lower rates of job creation and higher rates of long term unemployment have been the norm.<sup>12</sup> Some countries have their labour force swollen by foreign labour migrations. Such is the case in West Germany with its tradition of 'guest workers', migrant Turks and Yugoslavians. In Sweden, for example, state intervention has been used on a large scale to hold unemployment down by funding massive labour market and job creation programmes. Though rising, the Swedish unemployment rate in June 1982 was only 3.1%.<sup>13</sup>

Since around 1974 the international situation has changed noticeably. In addition to generally higher unemployment in the industrialised nations, individual rates have tended to converge.<sup>14</sup> This has been particularly marked among higher unemployment countries such as the US, Canada, UK and France, the UK breaking the pattern from mid-1980 when its jobless total soared above all three. Two principal factors appear to explain the general pattern. First, the wide differences which have characterised the growth rates of the various countries from 1950s until the early 1970s changed dramatically in the second half of the last decade. Growth in the American economy caught up with and outpaced Europe after 1974. Britain, with traditionally the slowest growth rate in the post war era, performed more like its European counterparts. And Japan, whose post-war growth rate was the fastest of all, now has a rate of growth slower than it once was. Second, the baby boom of the 1960s was a general phenomenon. As a consequence, most countries will experience a rapid growth in their population of working age and the rise in the number of young people joining their labour force will continue well into the 1980s.<sup>15</sup> This, set against the background of slower economic growth, will not only make unemployment

problems more difficult to handle; it will also confront many countries with difficult problems surrounding the young and youth unemployment.

The reasons why Britain has fared so badly in terms of unemployment compared to other countries can be traced to poor economic performance and recent monetary policies. The country's growth in manufacturing industry since the the war has been slow. Before the recent collapse in output in 1979, manufacturing production was only 5% above its level at the beginning of the decade whereas industrial production in competing European countries was at least 25% more and those in the US and Japan 40% more.<sup>16</sup> Over the first two years of the current recession the 15% fall in Britain's manufacturing output was higher than that suffered during the inter-war depression and more than any other industrialised country.<sup>17</sup> The restrictive monetary policies adopted by the Conservative Government and the gross overvaluation of the exchange rate can be seen as major causes behind this recent contraction of the UK market. Together they have pushed down expenditure on investment and prompted heavy destocking by undermining manufacturers' and distributors' confidence in future sales. Most other Western governments have pursued less restrictive policies and therefore avoided the scale of market exposure experienced in Britain.<sup>18</sup>

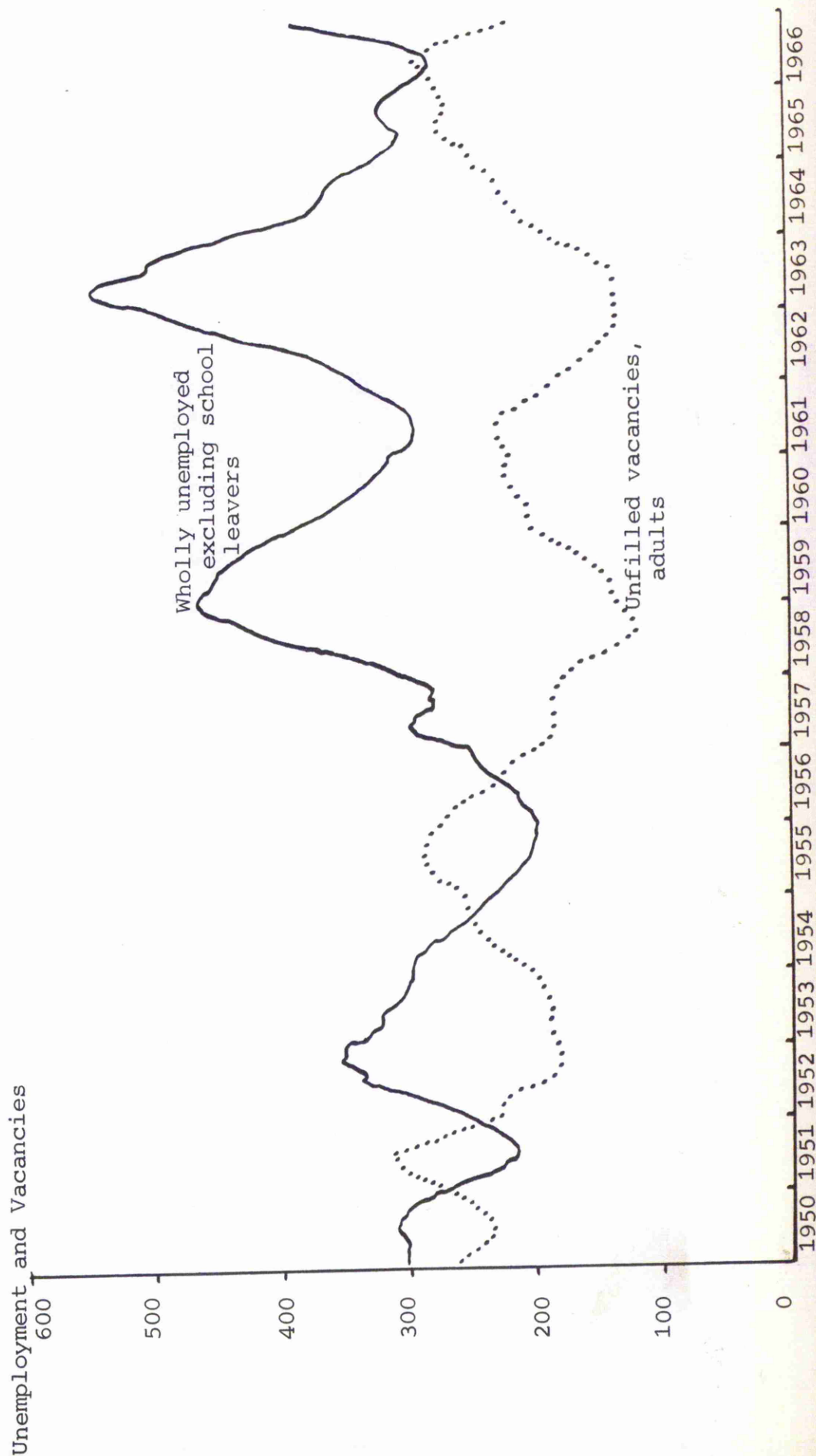
##### 5. Unemployment Changes since 1966

To British society in the 1960s, steeped in the optimism of the post war years and the subsequent confidence and security built up through two decades of full employment, the prospect of finding itself once again ravaged by mass unemployment in the early 1980s would have been an astonishing one. It would be wrong, however, to assume

that the tide turned on full employment only over the past four years or so. Full employment did not drown in the flood of rising unemployment since 1979, but has steadily crumbled since the mid 1960s. The best date for the point when the bell tolled for full employment would be 1966. Between 1948 and then, total registered unemployment in the UK averaged 1.7%, the highest level for any one year being 2.3% in 1963 and the lowest 1.1% in 1955, Figure 3.1.

Not only did 1966 mark the beginning of a mild upturn in unemployment, significant changes in the economy and economic policy took place at the same time. From the early 1960s structural weaknesses in the economy had caused the government increasing concern, and attention turned to economic planning. The new Labour Government of 1964 committed itself to improving the growth rate and restructuring the nation's industrial base by comprehensive economic planning on a national scale. Deflationary measures were introduced in 1966 and unemployment correspondingly rose from 1.1% in July to 2.3% in November. The underlying assumption of policy was based on the notion that a trade-off existed between unemployment and inflation. It has been suggested that the Chancellor of the Exchequer had accepted what has been termed the 'Paish thesis', that by allowing unemployment to rise to between 2% and 2.5% inflation would be curbed and the need for devaluation avoided.<sup>19</sup> Nevertheless, soon after, in November 1967, the pound was devalued yet unemployment remained above 2%. This was shortly followed by a further squeeze on the economy in order to make devaluation work.<sup>20</sup> These measures marked the abandonment of a strategy which, since the war, had been considered a prerequisite to the maintenance of full employment. Holding unemployment down was no longer the principal objective of central fiscal policy. It took second place to growth and restructuring, and higher unemployment levels were accepted as the sacrifice

**Figure 3.1: The Years of Full Employment: 1950-1966**  
 (Three-month moving average: seasonally adjusted)

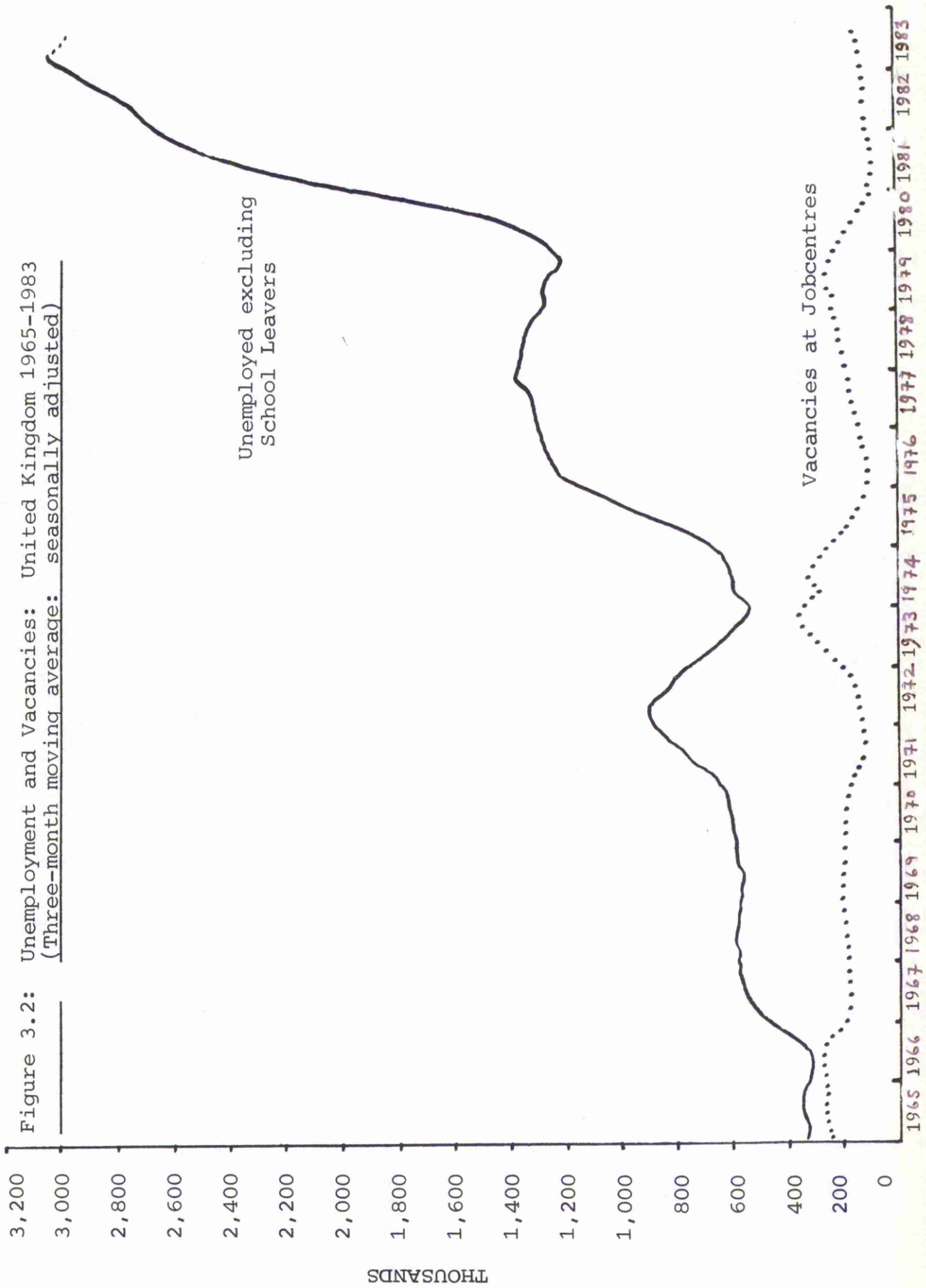


for improving the nation's balance of payments position.

The rise in unemployment following 1966, Figure 3.2, might have been less acceptable and subject to greater criticism had it not been for the way unemployment was perceived. At this time it was certainly not accepted that full employment was in danger. The task of Government was popularly seen as guaranteeing its future preservation by ensuring a faster rate of economic growth and by 'shaking out' unproductive labour from service industries into manufacturing, thereby creating new opportunities for a breakthrough in industrial production.

Unemployment resulting largely from industrial restructuring was not defined as such. The descriptive term attached to the rise in the jobless, and popularised by Prime Minister Wilson, was 'redeployment'; a phenomenon thought integral and necessary to the process of progressive industrial change. These 'redeployed unemployed' were not considered to be in danger of any real hardship as a result of their dislocation. Spells of unemployment were expected to be short and of a job-changing nature. Furthermore, to ease these transitions, the Government had introduced redundancy payments in 1965 and an earnings related payment as a supplement to national insurance benefits. Another factor which possibly held down reaction to rising unemployment was its replacement by the balance of payments as the major political issue of the day. Prime Minister Wilson virtually invited the country to judge his Government on its ability to overcome the nation's trade deficit.<sup>21</sup>

Government attitudes to economic policy and unemployment were summed up by the Prime Minister when he told the Labour Party Conference in October 1966 that "industrial change without labour redeployment is a meaningless concept." He later added that his Government's policies were a "once



SOURCE: Department of Employment Gazette

and for all opportunity to break out of the miserable cycle we inherited" which "by creating the opportunity for a new industrial breakthrough in export production ..... holds out the surest guarantee we have of full employment for a generation."<sup>22</sup>

The slow gradual rise in unemployment after 1966 came to a halt in 1972. The jobless rate turned down from a high of 3.4% in April of that year and continued falling until the end of 1973. Despite this being a boom year for the economy, unemployment still stood 0.6% higher than in 1966. A common explanation for this is that 1966 marked a fundamental change in the nature of unemployment. Comparing vacancies and male unemployment, for example, a stable relationship between the two is evident during the two full employment decades. In boom years such as 1951, 1955 or 1965, unemployment was low and vacancies were high. Correspondingly, in the slump years of 1958 and 1963, unemployment was relatively high and vacancies low. After 1966 the nature of this relationship seems to have changed. Unemployment rose without vacancies falling to the same level as they had been, and over the period 1972 to 1974 a rise of between 300,000 and 350,000 registered unemployed, about 1.4% of the workforce, was noticeable for a given level of vacancies. It is argued that only around half this amount can be attributed to an increase in frictional unemployment, leaving the rest to be explained by an increase in structural unemployment.<sup>23</sup> Put simply, structural unemployment results from a mis-match between the available labour force and the productive structure of the economy. It can be caused, for example, by some regions having too much labour while others are short, a lack of certain skills required by industry, a change in the structure of industrial investment which means that less labour is required in the productive process, and so on.

It is also possible that when the Conservatives took office in June 1970, the Government anticipated that some rise in unemployment would have a beneficial effect in dampening down wage claims. However, when the emotive figure of 1 million unemployed was reached during the winter of 1972, the Government effected a turn-around in its economic policy. It was feared that jobless levels of 1 million would be seen as electorally disastrous and an obstacle to securing trade union acceptance of changes in industrial relations. In a bid to reduce unemployment the Government made substantial cuts in personal taxation as part of a programme of demand expansion that was intended to achieve a growth in output of 5% per annum. This began the 'dash for growth'. In June 1973, the economy moved to a floating exchange rate and an incomes policy was introduced in November. Initial signs were encouraging and optimistic predictions about recovery were common during the first two-thirds of 1973. Unemployment in the UK had begun to fall down 3.7% in September 1972. By December of the same year it stood at 3.3% and continued to drop throughout 1973 to 2.2% in December.

By September 1973, however, serious problems were developing to undermine the Government's success on unemployment. A balance of payments deficit was evident and a shortage of labour and materials had arisen. Soon after came the oil crisis of October and the miners' overtime ban in November and their declaration of a three day week a month later. As a consequence of these combined crises, the expansionist aspirations of the Conservative Government were, over a period of about six months, swamped by a mounting trade deficit, rising inflation and industrial conflict. The decision of the miners to strike in February 1974 forced the Government into a General Election. The Conservatives lost and a new Labour Government was returned but without an overall majority.



The period 1966 to 1974 was one of 'dynamic disequilibrium' of the British economy.<sup>24</sup> Despite the brief improvement in unemployment in 1972 and 1973, over these years structural unemployment was growing and inflation accelerating. Fundamental changes in the movement of the economy and the associated rate of unemployment had become evident during the 1970s. Where in 1971/72 the economy experienced a trough in the trade cycle, much more severe than any since the 1930s, the peak that followed it in 1973/74 involved a relatively inadequate recovery in the level of unemployment. In 1975 unemployment rose again. The seasonally adjusted figure increased from 3% in June to 4.4% in December, well above the relatively low levels of 1971/72 and without there being the strong check to the rate of inflation that had always previously been expected in such a situation. The Government, therefore, found itself fighting unemployment and inflation simultaneously.

Important changes were also taking place in the way unemployment was perceived. In 1955 when cyclical and structural unemployment was considered zero, the jobless rate totalled 1.1%. In fact 1955 can be considered as possibly the purest example of full employment, the rate of unemployment during this year constituting the 'irreducible minimum' possible under conditions of peace, the numbers made up wholly of persons frictionally unemployed. Since 1966, and more so the early 1970s, the concept of the 'irreducible minimum' has been pushed gradually upwards, both influencing and being affected by political perceptions of unemployment. It is estimated that by 1973 an unemployment rate of between 2% and 3% would have corresponded to full employment as it was understood before 1966, this figure rising to just below 4% in 1977.<sup>25</sup>

Various reasons have been given to explain this rise

in irreducible minimum. A popular position among some commentators in the 1970s was that voluntary unemployment had risen because redundancy payments and the Earnings Related Supplement raised the relative value of unemployment benefits compared to employment income, thus creating a disincentive to work. Although this case was widely argued it has been undermined by critical analysis. Research suggests it was not those in receipt of Earnings Related Supplement who were most likely to remain unemployed for longer periods,<sup>26</sup> nor could any real association between the size of redundancy payments and the consequent time people spent out of work be uncovered.<sup>27</sup> Another set of reasons argued that higher unemployment could be partly explained by industrial friction in the labour market caused by various aspects of intervention and legislative provision which interfered with the normal market forces in the supply and demand for labour. The monopoly position of trades unions and their strength to push up minimum wage offers, the reduction in wages flexibility consequent with incomes policies, and the impediment in the free flow of labour as a result of local authority rigidities in the allocation of council houses are some of the explanations given. It is difficult to sustain a case for these having a major influence. No doubt they have had some effect, although exactly how much is difficult to quantify.

Political toleration of unemployment was also rising in the 1970s. By the time Labour formed a new Government in February 1974 unemployment had begun to rise again after the mild boom of the previous two years. In March 1974, when unemployment had reached 590,000, fears were expressed that there was a risk that politicians would discover they could run the country with one million unemployed without committing electoral suicide.<sup>28</sup> This

speculation was realised with rapid speed. Sixteen months later unemployment breached one million under a Labour Government which continued to serve out its remaining two and a half years of office.

The Labour Government of 1974 to 1979 presided over almost four full years of recession which saw unemployment in Britain escalate at a rate and to a level unprecedented in the post-war era. The seasonally adjusted jobless rate had risen from 2.1% in December 1973 to 6.3% in January 1978. Whereas before such levels of unemployment might have aroused public and political furore severe enough to bring down the presiding Government such a reaction failed to materialise. Partly this may have been because of the increasing plateau of the 'irreducible minimum'. However, more important was the phenomenon which stood traditional economic nostrums on their head - 'stagflation' - the co-existence of high and rising unemployment along with escalating inflation. When the jobless total reached one million in the summer of 1975 inflation was rampant at 25%.

Political attitudes to unemployment changed profoundly over this period. Attention switched from unemployment to rising inflation with a concern similar to that in which mass unemployment had been held in the years following the Second World War. The rationale for this switch came from the view that unemployment arose from excessive wage rises forced through by the monopoly power of trade unions which reduced the demand for labour and created unemployment. In this context a Government obsessed with returning to full employment and adopting reflationary policies to reduce the jobless level would only create more inflation which in turn would spark off higher wage demands. More workers would, therefore, be pricing themselves out of a job, and the consequent rise in unemployment met again by a new

expansion of demand by Government. This scenario of a vicious cycle of runaway inflation and escalating unemployment was widely seen as inevitable should Government persist with its pursuit of full employment in a traditional way. Indeed some commentators began to speculate that democracy in Britain was under threat as a result.<sup>29</sup> The widespread concern surrounding inflation and the popular view of its causes created a climate of hostility to wage and price increases within which advocates of reflation and full employment could gain little hearing. It meant that unemployment, despite rising, was seen as the lesser of the two evils. The last Labour Prime Minister, Mr. Callaghan, told his Party Conference in 1976 that "the cosy world ..... where full employment could be guaranteed by a stroke of the Chancellor's pen was gone." The cause of unemployment was "paying ourselves more than the value of what we produce." The option of spending "your way out of recession ..... no longer exists, and that insofar as it ever did exist it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy."<sup>30</sup>

While there was a slight improvement in unemployment between January 1978 and September 1979, public and political concern remained focussed on inflation. The monetarist strategy upon which the Conservatives won the 1979 General Election promised to curb inflation not unemployment. Indeed the new Government made no secret that it expected unemployment to rise in the short term. The Conservative's position has been that excessive wages, trade unions' restrictive practices, weak management and high public spending are the principal causes of Britain's poor industrial performance. However challengeable these assumptions, the remedy pursued has been to inject a new industrial discipline by exposing both sides of industry

to market forces and to attempt substantial cuts in public expenditure. Inevitably, in a context of world economic recession coupled with the comparatively weak position of British manufacturing industry, the consequence has been massive job loss. Although it is unlikely that many foresaw unemployment doubling over the following two years, there was, initially, a strong unity among Conservatives that some unemployment had to be suffered in the interim if full employment was ever again to be realised on the basis of a healthy economy.

By the close of the 1970s the country had come full circle from the public perceptions and economic doctrines of the full employment decades. Inflation had overthrown unemployment as the principal political issue and policies traditionally held to be necessary to ensure full employment were now regarded as having helped create the problem and utterly inappropriate in the context of 'stagflation'. Previous employment generating measures such as large scale reflation of the economy and expanding consumer demand were abandoned in favour of monetarist policies designed to restrict the money supply in a bid to starve inflation out of the economy.

Although monetarism remains the dominant economic ideology within the present Conservative administration as it proceeds with its second term of office, the phenomenal rise in the jobless total since 1979 is pushing the pendulum of political and public concern back towards unemployment. The fear for democracy, associated a few years ago with hyper-inflation has been replaced by a fear of social unrest and turbulence linked largely with high unemployment among young people. Concern about the persistence of large scale long term unemployment and the damaging human and social consequences it brings - issues

covered in later chapters - is also growing. More generally, people are increasingly asking how much longer unemployment can be tolerated before dramatic action is taken to reduce it. Indeed, demands for alternative policies to bring the jobless rate down are no longer restricted to opposition parties and the trades unions. The Government's economic policy has been subject to strong criticism from some Conservative MPs who are advocating a return to more traditional policies to reduce unemployment. In his book 'Britain can Work' - an attack upon the conventional political wisdom within his Party - Sir Ian Gilmore begins by quoting a remark by Sir Robert Peel: "I see no dignity in persevering in error."<sup>31</sup>

Despite these growing concerns and the limited outbreaks of violence which have taken place in Britain's cities the country has probably remained much calmer under conditions of large scale unemployment than many politicians and administrators might have expected. It is worth giving some brief reasons - the basis for which will be elaborated on in later chapters - why this has probably been so.

One reason why people have accepted the growth of unemployment so docilely can be explained by the type of people who become unemployed. In the main they tend to be the weaker groups in society - the young, the old, the sick, the unskilled, immigrants, and so on - for whom being unemployed often brings increasing isolation from each other and other members of the community. These are very diverse groups of people and not those which can be easily mobilised into a collective political force. The scope for this is further undermined by the fact that most of the jobless find a job and leave the register - if only rather briefly - and may therefore, not think of themselves as members of the unemployed. Thus, despite

the enormous rise in the numbers out of work, the reserve army of the unemployed is one which people are reluctant members of and is one which is constantly changing.

Another reason why public reaction to high unemployment has been so tolerant may be because those in work often do reasonably well. The level of real incomes for those who have jobs - still the great bulk of the workforce - have recently been rising quite strongly while unemployment has been growing too.

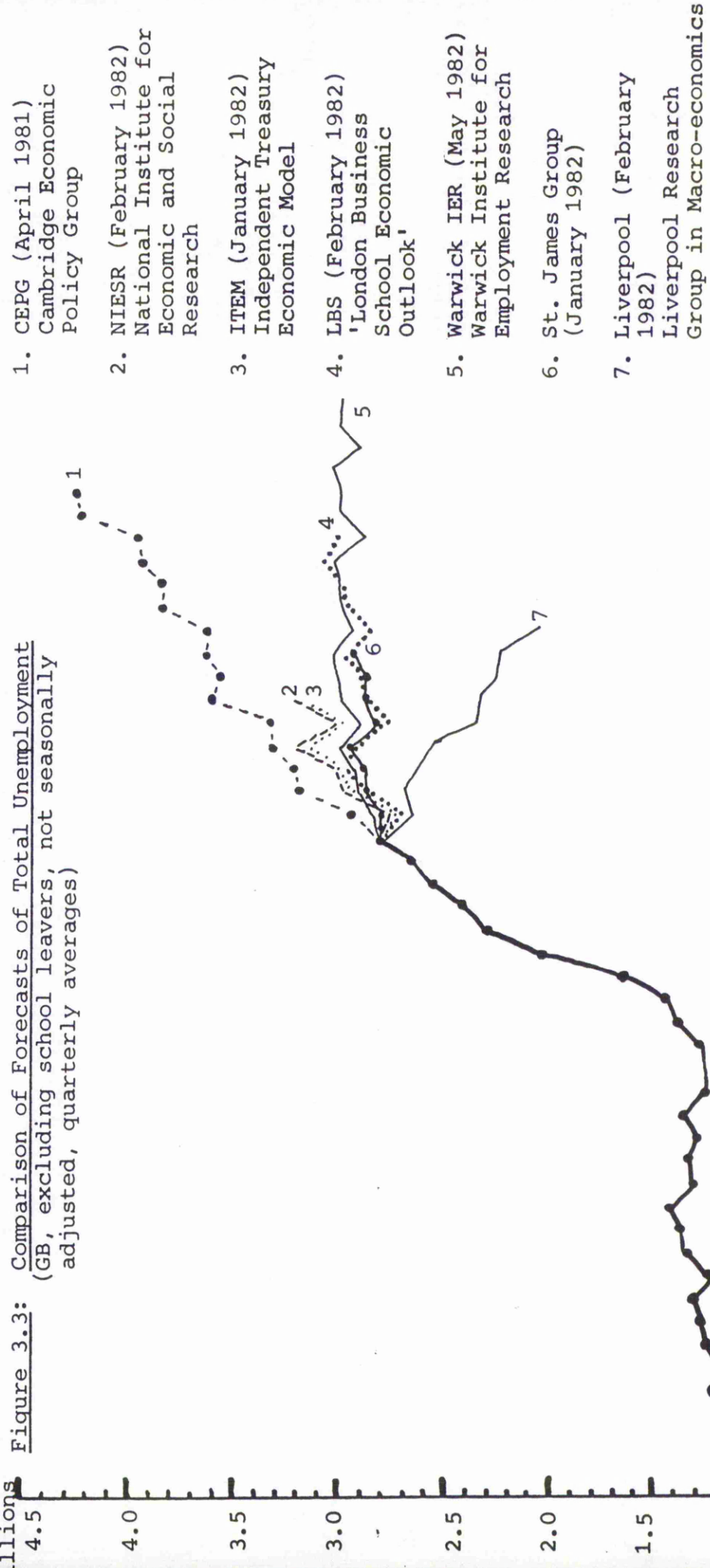
## 6. Prospects for the Future

The massive rise in the jobless total during the early 1980s was largely unexpected and took place over a very short time. For those people affected, and individuals and organisations who must respond to the crisis, it is important to consider what future levels of unemployment are likely to be. Predicting future prospects is fraught with difficulty and depends on making a number of assumptions and predictions about economic policy, wider economic changes, the future size of the labour force, and so on. Several predictions have already been made by experts. These can vary significantly even over the short to medium term and can disagree fundamentally when looking forward over longer periods.

The projections of seven forecasting agencies were reported in the MSC's Manpower Review of 1982 (Fig.3.3 ). Only four of these projections extended beyond the end of 1983. One of these, by the Liverpool Research Group in Macro-economics, has proved ludicrously wrong since its outset and predicted unemployment to fall to two million by the second quarter of 1984. None of the other three agencies foresaw unemployment falling much below three million over the period of their forecast. Since making its prediction in April 1981

Millions

Figure 3.3: Comparison of Forecasts of Total Unemployment  
(GB, excluding school leavers, not seasonally  
adjusted, quarterly averages)



SOURCE: MSC Manpower  
Review, 1982



the Cambridge Economic Policy Group has proved ominously correct in forecasting the general trend of steadily rising unemployment and expects the numbers out of work to go on rising until late 1985 when they predict unemployment will total 4.2 million. Only the Warwick Institute for Employment Research forecasts further ahead than this and expects unemployment to fluctuate below the three million mark until late 1986. Much the same level of unemployment is projected by the Independent Treasury Economic Model which forecasts up to the second quarter of 1985.

Certain specific factors add to the pessimism surrounding unemployment trends over the next few years. The size of the labour force is likely to grow, although by what amount will depend on changes in the demographic base and on certain qualifying factors such as the numbers of young people remaining in full time education, trends in retirement and the numbers of married women remaining in the labour force. The DE, after making assumptions about future levels of unemployment and activity rates by sex and age, suggests that over the period 1981 to 1986 the national labour force will grow by 700,000.<sup>32</sup> It predicts that the 4% growth of 16 to 24 year olds, experienced between 1977 and 1981 will continue at the smaller rate of 3% up to 1986, with the population aged 16 to 19 peaking in 1982 while those aged 20 to 24 will grow until 1986. For men, a reversal of the gentle decline in activity rates experienced in the 1970s was expected in 1982, although this was thought dependant on an improvement in the economy which did not materialise during that year. Activity rates for older men have been falling in recent years, the retirement rate in the 60 to 64 age group doubling to 16% between 1975 and 1979. An even sharper fall is expected between 1977 and 1986, activity rates predicted to decline by 18%. Non married women are expected to be subject to similar influences as those affecting men, including the trend

towards earlier retirement and a fall in participation because of low labour demand. Activity rates among married women between the ages of 24 to 34 will decline, reflecting, in part, a projected increase in the birth rate. Activity rates among women aged 35 to 55 will increase, albeit slightly, and among older women, regardless of marital status, activity rates will fall.

The working assumption behind these labour force forecasts was that unemployment would peak at around 2½ million in 1982 and thereafter decline to around 2 million in 1986. This did not happen. Unemployment is currently much higher than expected, and, as a consequence, a lower rate of growth in the labour force can be expected. This inverse relationship between growth in the labour force and unemployment relates only to official unemployment. As was discussed earlier, high or rising unemployment can either cause people to withdraw from the labour market entirely or discourage people from registering as unemployed even if they are still actively seeking work, thereby boosting the ranks of the hidden jobless.

Even with the onset of economic revival, improvements in employment might be limited and delayed. The tendency for productivity to rise and increase faster in the context of a stronger growth in output bites into the scope for improved employment prospects. In the light of this, for revival to improve employment prospects, the recovery in the economy would have to be substantial. Projections from most forecasting models imply that, though the slackening of inflation should also aid competitiveness and so help stimulate increased output and employment, activity will not revive sufficiently to bring a very substantial fall in unemployment.<sup>33</sup> The potential employment effects of any increased demand could be diluted or negated by reductions in short-time working, the reintroduction of overtime

and the lengthening of order books before additional recruitment was considered. Furthermore, many employment opportunities have been destroyed by large plant closures. The emergence of new opportunities would have to wait until this 'job vacuum' is filled by new investment and training programmes. Economists from the Cambridge Economic Policy Group, for example, concede that recent Government policies may bring an improvement in the performance of British industry but conclude that to reduce unemployment even by one million over the remainder of the 1980s would require manufacturing industry to grow by around 5% a year, which is far in excess of anything ever achieved for longer than a year or two at a time.<sup>34</sup>

The rate at which new technologies are introduced is also dependent on overall economic performance. To date this has been slow, and manpower reductions as a consequence have been tiny in comparison with those induced by recession.<sup>35</sup> This is only to be expected. When output is constrained or reduced by recession the potential productivity and employment gains from new technology may not be achieved and, moreover, the incentive to invest in it may be lacking. The situation will probably be different under conditions of a sustained economic upturn when new technologies are more likely to be introduced to boost efficiency and productivity with resulting labour displacement.

Prospects for the longer term are even less clear than those for the remainder of the decade. Settled conclusions on the likely effect technological change will have on employment are difficult to arrive at. Where, how quickly, and to what extent jobs will disappear and what the replacement rate will be are uncertain. Amongst other things the outcome will depend on overall economic fortunes, the job displacing and creating potential of new

technologies, the rate at which technological change is allowed to happen and structural changes within industry and the workforce. The views of contemporary writers do not form a consensus. Both pessimistic and optimistic scenarios of the future are adopted, although it is generally recognised that the outcome will depend largely on whatever political-economic strategy is followed.

Many consider that contemporary developments in science and technology hold new and very different implications for the nature and structure of employment compared to the impact technological progress has had previously in history. The onset of micro-processor technology has been heralded as the 'third industrial revolution'. Some predict that the microchip will fundamentally alter the traditional manufacturing process by enabling certain stages within this process to be integrated into one or more silicon chips thus eliminating the jobs they provided.<sup>36</sup>

A pending watershed in technical progress which will bring a new sort of technical change can also be envisaged in another way. In the past, the nature of technical advance in the manufacturing process can be seen as introducing 'specific' machinery either for potentiating workers or for replacing particular contributions made by a worker in the production of a particular good. Technical change in the future may switch from being specific to being generalised. For the motorcar industry, for example, the spread of automation is likely to result in the growth of industrial robots which will be designed not to carry out particular tasks but rather to learn to carry out any task just as a human worker does. As one commentator concludes, this amounts to a "generalised technology for replacing the process worker in manufacturing production."<sup>37</sup> An employment destroying role for new technologies has been

predicted from yet another perspective. If one accepts that capitalism has advanced to a stage when, under conditions of low or non-growth, decision makers will plan to use new technologies primarily to save labour costs and not to increase output, then productivity increases but output does not. Thus, so long as total demand shows no evidence of increasing, once long term planning of this kind develops, it is very difficult to alter a trend towards lower levels of employment in productive industry.<sup>38</sup>

Those offering gloomy scenarios tend to agree that what has become known as full employment since the second world war will remain a thing of the past. If, therefore, capitalism is seen as shifting permanently to a different plane leaving massive sections of the workforce discarded and redundant in its wake, a major task of the future must be how to plan for a society with unprecedentedly high and permanent levels of unemployment. In this context it is attractive to see Britain as faced with two options. One is to go timid on technological advancement in order to restrain the growth of unemployment. This would probably mean accepting low profits, low productivity and low incomes, and a chronically declining position in the world economy. The alternative, and seemingly more acceptable option, is to accept 'technological unemployment', high growth, high profits, and the maintenance of a highly competitive manufacturing and service base with high incomes for the dwindling numbers in work. Many believe that it will only be by embracing new technologies, incurring the resulting large scale unemployment, but pursuing high economic growth that society will be able to generate adequate wealth from which resources can be drawn to fund constructive social policies, avoid poverty and ensure that the future leisure society is a good place to be.

Other commentators refute that pessimistic employment prospects and the choices they throw up are inevitable and claim it is alarmist to predict permanent large scale unemployment as a result of new technologies. They seem to have a good case. Japan, for example, a model country for high technology, has the lowest unemployment rate among the developed market economies. Towns in Britain with larger relative proportions of high technology industry, such as Bradford, Cambridge and Luton, have had much smaller proportions of their labour force becoming unemployed than other places. More generally, since 1979 the rate of introduction of new technologies in Britain has been low, research and development has lagged behind competing nations and industrial training has fallen, yet unemployment has increased faster than in any other major OECD country.

Some writers feel, therefore, that Britain will eventually get back to full employment and that labour displaced as a result of industrial change will be reabsorbed into the productive process in other activities so long as Government ensures that adequate demand for labour is maintained.<sup>39</sup>

## 7. Conclusions

For fully two post-war decades it was widely assumed that, given a commitment by central government to certain economic policies, full employment was the norm we could rely on permanently. Since the mid 1960s, however, growing political pressure was exerted on Government to give less than wholehearted commitment to maintaining full employment and more to solving other economic problems, particularly rising inflation. Higher levels of unemployment as a result were essentially seen as a temporary

expedient necessary for the restoration of a healthy economy. Even with the emergence of mass unemployment since 1979, full employment is still assumed by many to be the norm when the recession ends. Others, however, challenge this hypothesis. Some people think a more fundamental change is occurring in the economy which will leave large numbers permanently out of work and that what is happening cannot properly be described as a recession in a traditional sense at all. Although this raises an interesting question about the future of work, the answer is not terribly important for practical purposes. The evidence assembled about the extent of unemployment and its future prospects strongly suggests that large scale unemployment is unlikely to disappear soon. Hence, a lot of people are going to be effectively excluded from work for a long while whatever happens. To understand what unemployment means for those affected and for society in general, and to set the context for a review of recent responses to it later in the thesis, we must consider first the characteristics and consequences of high unemployment more fully. This will be the task of the remaining four chapters in the next section of the thesis.

Notes: Chapter Three

1. The Sunday Times, 12.7.81, p.49.
2. Department of Employment Gazette, December 1976, 'The Unregistered Unemployed in Britain', pp.1331-6.
3. Sinfield, A. (1981), p.11.
4. Huhne, C. 'Unravelling the web that hides the real number of jobless,' The Guardian, 13.2.82, p.2.
5. Sinfield, A. (1981), p.13.
6. Association of Scientific, Technical and Managerial Staff (1982), Quarterly Economic Review, August.
7. Labour Research Department (1982), Labour Research, December.
8. Department of Employment Gazette, September 1982, 'Compilation of Unemployed Statistics,' pp.389-93.
9. The Guardian, 13.12.82, 'Real jobless figure may be 3,865,000', p.26.
10. Huhne, C. op.cit.
11. Moy, J. (1982), 'Unemployment and Labor Force Trends in 10 Industrial Nations: an update', Monthly Labor Review, November, pp.17-21.
12. Sorrentino, C., 'Unemployment in International Perspective', in Showler B. and Sinfield A. (eds) (1980), pp.167-214.
13. The Guardian, 25.8.82, p.20.
14. Sorrentino, C. op.cit.
15. Sorrentino, C., op.cit.
16. Begg, I. and Thodes, J., 'Will British Industry Recover?' in University of Cambridge, Department of Applied Economics (1982), p.18.
17. Ibid, p.19.
18. Ibid, p.19.
19. Crossman, R. (1976), p.123.
20. Blackaby, F. (ed) (1978), pp.43-51.



21. Butler, D. and Stokes, D. (1974), p.399.
22. Prime Minister, Harold Wilson, quoted in Deakon, A., 'Unemployment and Politics in Britain since 1945', in Showler, B. and Sinfield, A. (eds) (1980), p.71.
23. Scott, M. with Laslett, R.A. (1978), p.15.
24. Ibid, p.103.
25. Ibid, p.134.
26. For example, see Hill, M.J. et al (1973), p.82.
27. Major case studies of redundancy include Parker et al (1971), Mackay and Reid (1972), and Daniel (1972).
28. Blackaby, F. (1976).
29. See, for example, Beckerman, W., New Statesman, 1st November 1974.
30. Labour Party (1976), p.188.
31. Gilmore, Sir I. (1983).
32. Department of Employment Gazette, April 1981, 'Labour force outlook till 1980', pp.167-73.
33. MSC (1982), 'Manpower Review', p.15.
34. Begg, I. and Rhodes, J., in University of Cambridge, Department of Applied Economics, (1982), op.cit. p.25.
35. MSC (1982), op.cit., p.21.
36. This is the argument of Jenkins, C. and Sherman, B. (1978).
37. Gershuny, J. (1979).
38. This is the view of Jordan, B. (1981).
39. See, for example, Metcalf, D. (1979).

SECTION II

CHARACTERISTICS AND COSTS OF HIGH  
UNEMPLOYMENT

\*\*\*\*\*

## CHAPTER FOUR

### CHARACTERISTICS OF UNEMPLOYMENT

"Two nations; between whom there is no intercourse and no sympathy; who are as ignorant of each other's habits, thoughts, and feelings, as if they were dwellers in different zones, or inhabitants of different planets; who are formed by a different breeding, are fed by a different food, are ordered by different manners, and are not governed by the same laws."

Benjamin Disraeli, *Sybil*, 1845  
book ii, chapter 5

#### 1. Introduction

The problems associated with having unprecedented numbers of people out of work are widely regarded as national in scale. Although many people are aware of them, evidence from a closer examination of the characteristics of unemployment shows that its impact is highly unequal, both geographically and in the type of people it affects. Whereas the previous Chapter was about 'how much' unemployment, Chapter Four considers the 'where' and the 'who' of the problem. Disaggregating unemployment by considering in turn its different characteristics is necessary to present a clearer picture of what it means in spatial and human terms.

#### 2. Geography of Unemployment

Although unemployment is now undeniably a problem affecting the whole country it has not always been seen

as such. In the 1930s wide gulfs existed in the experience of different regions and the jobless from the depressed areas had to take to the streets to educate the nation of their plight. In 1936, for example, unemployment rates in Scotland, the North East and the North West were about three times the rate in London and the South East, while in Wales it was nearly five times the London rate. In the post war period inter-regional differences, although persisting, have been slowly diminished by a gradual diversification in the economies of the relatively depressed regions. Since 1973, all regions have been subject to rising unemployment and the general pattern has been for regional rates to move in unison. Despite this, there has been little change in the geographical incidence of unemployment. The regions of historically high unemployment still tend to bear the heaviest rates. Northern Ireland has been the worst hit of these in the post war era, for years experiencing jobless rates three to four times the national average. Rising unemployment has reduced this differential. Although still the worst hit region, Northern Ireland's jobless rates are now less than twice the UK average and over the first year of the current recession the rate of jobless growth was the second lowest regional rate in the UK.

Over the last decade some other notable changes have taken place in the geography of unemployment which breaks with the established pattern. The employment performance of the West Midlands and the North West, for example, have been subject to a greater relative deterioration since the mid-1970s. In recent years the West Midlands in particular, secure for around two and a half post war decades on its prosperous manufacturing industries, has suffered massive job loss particularly in engineering. Between March 1979 and March 1983 employment in the region

fell by 16% while unemployment more than trebled to total over 16%, (Table 4.1). Next to the West Midlands the regions which have done relatively poorly over the recent recession have been the North, Wales and the North West, whose unemployment rates in March 1983 totalled 17.5%, 16.7% and 15.8% respectively.

Regional differences in employment loss nevertheless still reflect the historical tendency for regions with traditionally lower unemployment to do relatively better under recession. The better off regions - the East Midlands, East Anglia, South East and South West - have for the greater part of the recession experienced lower rates of unemployment growth than the national average. In the South East and South West, for example, this can be partly explained by the larger share of the service sector in these regions, though job loss in the manufacturing sector has also been lower than the national average. The percentage decline in the South East should not, however, be allowed to mask the scale of that decline. About one third of Great Britain's employment is in the South East and between 1979 and 1983 accounted for over 23% of net employment decline in Great Britain (Table 4.1).

In the regions of higher unemployment the average time spent out of work tends to be longer than in regions with lower unemployment. Moreover, long term unemployment among men aged between 24 and 54, many of whom are likely to be married with dependent children, is even further above the average for all men in the most depressed areas. In Northern Ireland for example, 55% of men in this group had been out of work for at least six months in November 1980.<sup>1</sup> The particularly impoverishing effects of unemployment on a region where jobless rates have traditionally

Table 4.1: Net Employment Decline by Region: March 1979 to March 1983, and Regional Unemployment Rates in March 1983

Region	March 1979 (thousands)	March 1983 (thousands)	Employees in Employment Net Decline (thousands)	Percentage decline(1)	Unemployment* Percentage Rate, March 1983
West Midlands	2,220	1,870	340	16	16.1
North	1,240	1,060	170	14	17.5
Wales	1,010	870	140	14	16.7
North West	2,670	2,320	350	13	15.8
Yorks and Humberside	1,990	1,750	240	12	14.5
East Midlands	1,540	1,390	160	10	12.2
Scotland	2,060	1,860	200	10	15.3
South West	1,560	1,440	120	8	12.0
South East (2)	7,390	6,860	530	7	9.6
East Anglia	690	650	40	6	9.6
Great Britain	22,360	20,070	2,290	10	13.1
(Revised Series) (3)	(22,300)	(20,310)	(2,050)	(9)	

NOTES: (1) based on unrounded figures.  
 (2) including Greater London.  
 (3) not available at regional level

\*unadjusted including school leavers

SOURCE: Department of Employment

been high are, therefore, obscured by referring to the situation at any one particular time or over a short period. The problems created by high and prolonged unemployment are very different from those arising from high levels of unemployment of only short duration. Some areas of the country, particularly Northern Ireland, have lived with long term unemployment well before the current recession could work its way through and lengthen unemployment durations.

Two studies of the unemployed in North Shields, Tyneside, demonstrate how the reality of unemployment for many workers may be very different from what appears to be the case when analysing contemporary levels or durations of unemployment. At the time of the first survey in 1963-64 North Shields had an unemployment rate just below the national average and an apparently small amount of prolonged unemployment. Nevertheless, when all spells of unemployment had been added up, the jobless interviewed had still spent one quarter of the previous five years 'signing on'. Over the following twelve years unemployment in the town rose at a faster level than the regional average, reaching around 15% when the second survey was carried out in 1975-76. The second survey found that over half of the men of labour force age were likely to have experienced some unemployment in their recent past, while one in eight were likely to have had patterns of frequent, predominant or continuous unemployment.<sup>2</sup> The two studies indicate the problems of repeated and prolonged unemployment in a depressed economy. Whereas less than one in ten of the original sample of workers had been previously or continuously unemployed before they were interviewed the figure had risen to one in three by the second study.

With high unemployment having crept to cover all regions of the country, a phenomenon being given increasing attention is pronounced local differences in jobless rates. Unemployment blackspots exist within all regions. In the South East, the region with one of the lowest unemployment rates - 9.5% in October 1983, in Margate and Sheerness unemployment was around 20% while corresponding figures for Guildford, Crawley and Alton were well below 6%. In the region of highest unemployment - Northern Ireland - where 21.5% were out of work in October 1983, unemployment ranged from slightly more than 17% in Belfast to over 36% in Cookstown and over 40% in Strabane. These wide disparities between towns and cities with the same region suggests that the problem of regional unemployment could perhaps be conceptualised as the summation of a number of local situations which may vary widely.

The discovery that structural imbalances can exist at an intra-regional as well as at an inter-regional level is not new. The 'problem of the inner cities' has been a popular perspective and research topic for a number of years and has been associated with the particular problems faced by old, decaying communities in the central areas of the large cities and conurbations. Many commentators have pointed to the strong tendency for employment decline to be more intense in these areas than in the wider conurbations. To a large extent this has been the result of an uneven distribution and movement of people and jobs. As one commentator has pointed out,

"there is clear evidence that population and employment movements are resulting in a disproportionate number of semi-skilled and unskilled manual workers living in the inner cores of the conurbations. In 1971, for example, 23% of the economically active population of England and Wales was accounted for by unskilled and semi-skilled manual workers. In the



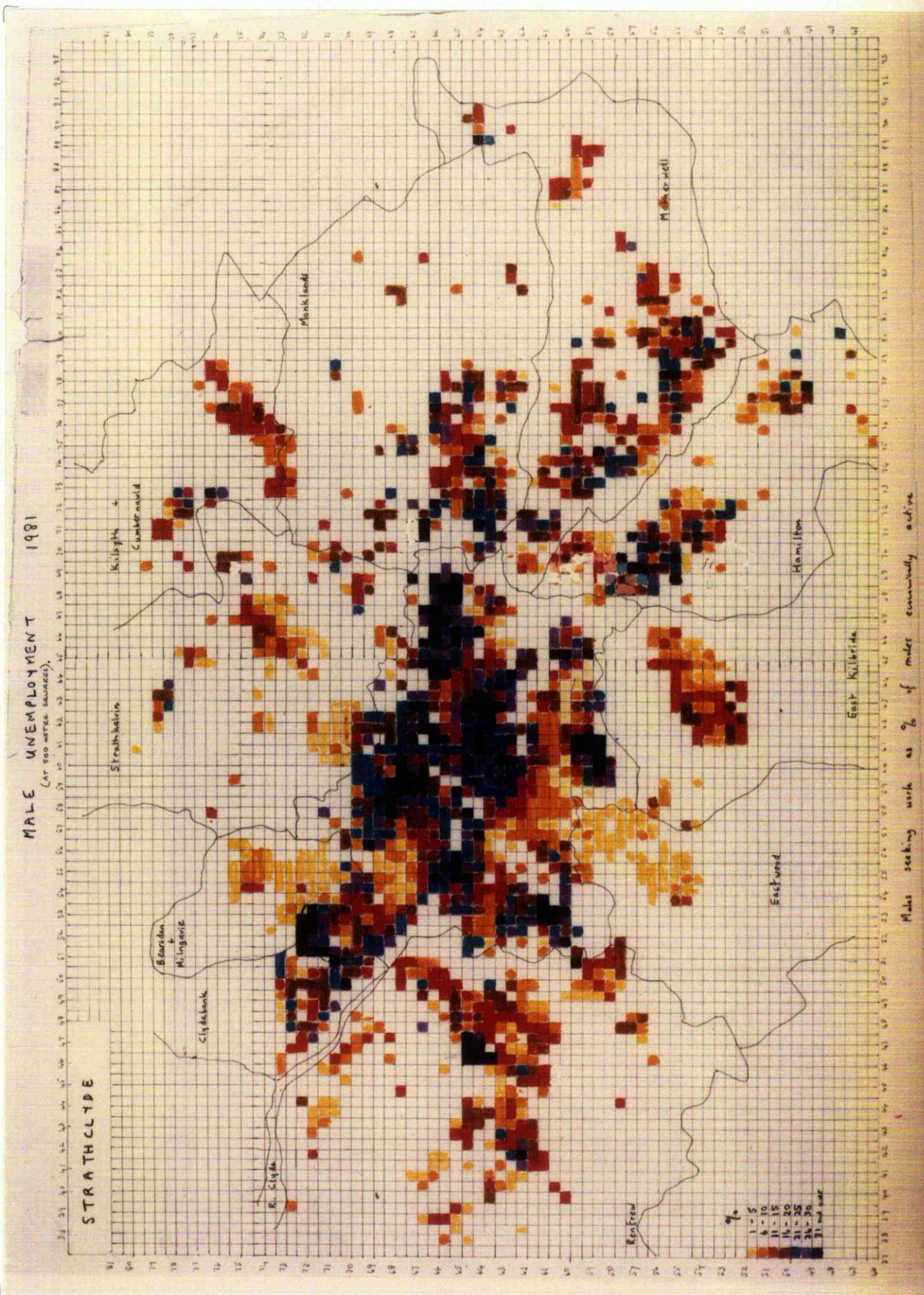
"inner areas of Birmingham, Clydeside, Liverpool and Manchester however, the corresponding figure ranged between 35% and 40%."3

An important causal influence in this pattern was the tendency for the new and mobile industries of the 1960s and 1970s to demand higher skills and a more favourable ratio of floor-space to workers than their more traditional counterparts. Space and skilled workers being crucial locational factors, sites on the periphery of the urban areas, where these factors have been relatively abundant, have been preferred to inner city locations. The demands and decisions of new industry have, therefore, served to compound the problems of the lower skilled and less fortunate inner area residents, abandoning them to localities where much of the remaining industry is old and possibly declining. As a consequence, unemployment in certain urban localities is startlingly high and can be masked by overall city or regional totals. In the case of Liverpool, for example, in 1981 unemployment in one inner city planning district was 37%, in another 31% and in one large housing estate it totalled 40%.<sup>4</sup> At this time the jobless total for the city was almost 19% and approximately 14%(s.a.) for the North West region as a whole.

Unemployment as a defineable geographical pattern also exists at a much smaller level than that of a district or city sector scale. Large variations also frequently exist within an area of this size. Map 1 shows male unemployment in the city of Glasgow at the 1981 Census plotted at the scale of 500 metre squares which in terms of population size corresponds to a mean figure of 1,229 people or around 600 households. Evidently very high levels of unemployment of over 30% can exist



Map 4.1: Small Area Unemployment in Glasgow





side by side with very low rates. In some instances this can reflect, for example, a particularly high concentration of unemployment in a small number of streets within a particular district which may itself as a whole be generally regarded as deprived. This exists in the east end of the city. In other cases it can reflect the juxtaposition of a well-to-do private sector housing area next to a poorer council housing estate with relatively higher levels of deprivation and unemployment. An example of this is in the north western part of the urban area where affluent Bearsden is located next to the peripheral housing estate of Drumchapel.

The severity of economic decline in the recent recession has changed the nature and scale of unemployment at the local level. Although the problems faced by many of the older urban areas have intensified, the inner city scenario has become less relevant as a tool with which to analyse areas of economic decline. The issue is not simply one of a particular type of locality, such as the inner cities, losing out to another, like the new towns. Indeed, in West Central Scotland over the past few years the rate of employment decline in the New Towns in the periphery of the conurbation has been higher than that experienced in many of the older urban areas. With unemployment being less discriminating than it once was, the problem has spread well beyond the boundaries of the inner cities. Whole settlements, whether being part of large conurbations or relatively free-standing townships, have been devastated by the closure of a main local industry, sometimes the economic 'raison d'etre' for the settlement. Clydebank, Corby, Linwood and Invergordon are only a few in a long list of such places.

In seeking to understand the causes for employment decline in particular localities it is useful to consider

the different reasons behind industrial change resulting in job loss. Doreen Massey and Richard Meegan have identified three distinct processes which help in this respect.<sup>5</sup> They argue that de-industrialisation can be caused by either:

- (a) intensification; which involves changing work practices to increase productivity by making people work harder and can represent a shift in industrial power away from labour and towards capital;
- (b) rationalisation; where actual disinvestment and the scrapping of industrial capacity takes place; and
- (c) investment and technical change; where major changes in an industry's production techniques, like automation, are introduced.

The authors attribute much of the decline in manufacturing employment in the early 1970s to technical change as Britain attempted to modernise its industry and its productive capacity. The emphasis has since changed, particularly since 1979, when in the context of widespread recession throughout the industrial world the concern with modernisation and technological renewal has been replaced by the rationalisation of industry and an intensification in industrial processes. It is for these reasons, therefore, that large scale job loss or complete industrial closure have been suffered by many different types of community throughout the country where local industries have been subjected to these changes.

The geographical distribution of unemployment has changed markedly over the last decade. Previously unemploy-

ment used to be seen as a problem of declining regions concentrating where declining industries were located. In recent years, in an economy suffering from causes of unemployment which are more pervasive and complex than hitherto, unemployment is increasingly a problem of smaller neighbourhoods concentrating where the people most exposed to it are likely to live. As later chapters will show, the policy responses of central and local government have - in part - recognised these changing spatial and social characteristics. What began in the latter part of the 1970s as a policy concerned essentially with economic regeneration of the inner cities has developed into a new tradition of area based approaches to economic and community development. Within this, policies may operate in a variety of ways and at different spatial scales but they share the basic characteristic of either dealing with decline or promoting growth in a relatively tightly defined locality.

### 3. Unequal Burden

Since 1980 marked the beginning of a long period of steeply rising unemployment, the indignant cries of politicians and others critical of Government economic policy that the jobless situation is intolerable and unacceptable have been continuous and are now almost clichés. Over the same period, defenders of the ruling Conservative line on economic policy, while continuing to express their deep concern for the jobless have maintained that unemployment is the price we must pay for recovery and future stability. Generally speaking, however, it is not politicians, trade unionists or academics who have to pay the price of unemployment or suffer the material hardship it brings. Unemployment is a burden which falls most unequally across society. If it was the case that unemployment was distributed equally across the

whole labour force, then we might all expect to be out of work for  $7\frac{1}{2}$  weeks each year. Alternatively, an equal share would mean one spell of a year at regular six year intervals which amounts to around eight spells a lifetime for a man leaving school at sixteen.<sup>6</sup> Obviously this does not happen. The distribution of unemployment is highly inequitable and recent years have demonstrated that around 3% of the labour force bear 70% of the weeks of unemployment in any one year.<sup>7</sup>

Among what groups then does unemployment fall? The harsh reality is that it strikes at the poorer and least powerful in society. As the remainder of this chapter will show, evidence indicates that the jobless are more likely to have come from low paying and insecure jobs, from among the disabled and the handicapped, to be the younger and older sections of the workforce, from ethnic and racial minorities and to be those with relatively less skills living in the more depressed areas of the country.

#### 4. Characteristics of the Unemployed Flow

The results of the monthly unemployment count are presented to the public usually as a comparison with the previous month's total or with a point in time earlier than that. Over most of the last few years the trend in unemployment has been seen to be one of a rise of many thousands taking place in the jobless total every month. This form of presenting the statistics may, however, give the impression that the unemployed constitute an identifiable group in the community which expands at regular intervals with the addition of a certain number of jobless people. Such a view would be a misconception, caused largely by a failure to distinguish between the

stock and flow of unemployed people. The stock of the unemployed refers to people who are out of work at any one particular point in time. Flow relates to the coming and going of people on and off the unemployed register. A main reason why some may fail to make this distinction stems from the fact that the majority of existing information concerning the unemployed in Britain relates to the stock. The particular level of the unemployed stock, for example the monthly official count, is a consequence of how long it takes the registered jobless to find new employment rather than a consequence of how many actually lose their jobs. This can be demonstrated by comparing monthly rises in unemployment in two very different years. In 1973, the lowest unemployment year in the 1970s, an average of 284,000 people joined the register each month. In the much changed context of 1980, total unemployment having more than quadrupled, this figure had increased by only 11%, an average of 316,000 joining the register each month.<sup>8</sup> What had changed significantly therefore, was not the number of new unemployed registrants, but the length of time people were spending on the register.

Attempts to piece together a comprehensive picture of trends and characteristics of the unemployed flow are frustrated by lack of empirical information. The only regular information at hand is the monthly DE count. The most recent figures on flow published by the DE relate to the period 1967-70. They show that nearly half those joining the register left it two weeks later.<sup>9</sup> Unemployment was much lower during these years and did not exceed 2.5%. Nevertheless, a decade later when unemployment was more than double this figure, evidence suggests that, perhaps contrary to the opinion of many, the length of time it took people to find another job was still relatively short, the majority leaving the register after about one month.<sup>10</sup>

More recent published evidence on the unemployed flow is provided by a DHSS cohort study of men registering unemployed in late autumn 1978, when unemployment stood at 7%. The study took a sample of the jobless inflow and followed their experiences for a year. Generally the earnings of the men, immediately before becoming unemployed, were below the national average for their age group and below the national average for their occupation. Around half fell into the bottom fifth of the national earnings distribution. Before they lost their jobs few of the unemployed had earnings in the top fifth bracket and many without earnings in the previous year had not worked because of ill health. There was strong evidence of 'repeated unemployment'. Over half had been out of work once in the previous year and three-quarters once in the previous five years. Over two-fifths had been unemployed at least twice before and one quarter at least three times. One in eight had been off sick within the previous twelve months.<sup>11</sup> In respect to the duration of unemployment, although one third had found full time work within four to five months, a half were still out of work after that time.<sup>12</sup> This amounts to substantially higher durations of unemployment than seems to have been the case under lower levels of unemployment. For those who had found work, despite considerable changes having taken place in the new choices of occupation, little improvements had been achieved in pay. Nearly half returned to earnings at the same level as they previously drew, which after allowing for inflation meant that around one-third had suffered a cut in the real value of their wages. This tendency was most marked among individuals who previously had been low earners.<sup>13</sup>

Recent longitudinal surveys of the unemployed flow confirm the tendency for unemployment durations to lengthen in recession. In 1980 it was taking around three to four



months before half of those joining the register were back in work. Those becoming unemployed tended to be the young, the less skilled, the low paid and employees of small firms. One study found that, of its sample, 36% of the men registering as unemployed in May 1980 were aged between 18 and 24 while only 15% of the male working population was in that age group, and that 40% were unskilled or semi-skilled while only 27% of the male population fell within these categories. One quarter of the men had most recently worked at establishments with ten or less employees with slightly over two-fifths coming from establishments employing twenty five or less.<sup>14</sup>

A remaining source of hard data on the unemployed flow is provided by several studies of people made redundant, who lost their jobs through the large scale closure or contraction of major industries during the 1950s, 1960s and early 1970s. Apart from being confined to periods when unemployment rates were much lower than today, there is the further problem with this information in that individuals affected by redundancy are not necessarily representative of all those becoming unemployed. The redundant account for only a small minority of those becoming unemployed, even at current levels they amount to only around one-third. Indeed, not all those falling subject to redundancy actually become unemployed. A substantial minority find new jobs before they leave their old and therefore never show on the official jobless count. Furthermore, there is a stronger tendency for older members of the redundant to enter unemployment because a greater proportion of those who find jobs without becoming unemployed are among younger age groups.

Despite their limitations, surveys of the redundant offer a useful source of information about the unemployed

flow.<sup>15</sup> They show that large proportions of those displaced find other work relatively quickly, around half moving into new employment within two and four weeks. Priority is given to getting back to work as quickly as possible, then searching for a more suitable job, if so desired, from the securer position of employment. This is reflected in the high rate of job changing in the year following redundancy. A study of redundant workers in Woolwich in 1972 showed that over one-third reported having actively continued their job search after becoming re-employed and 38% changed their jobs within a year.<sup>16</sup> By far the most dominant factor influencing post redundancy experience was age, this being far more significant than skill levels or local unemployment rates. The length of time it took to find a job, and the likelihood that when found it would be inferior in terms of skill and earnings, both rose with age.

It appears that the relative ease with which many of the redundant found new employment was won at the expense of other job seekers in the labour market. This is suggested by the fact that in areas where major redundancies have taken place, the level of unemployment has risen for longer than might have been expected when considering the time spent out of work by most of the redundant. It seems that the redundant job seekers successfully skip the queue for work and, as a consequence, existing and more marginal job seekers in the labour market take longer to find jobs than they would have done. As one researcher concludes, "the costs of major redundancies tend to be experienced less by those workers directly affected and more by less favoured workers in the local labour market."<sup>17</sup>

## 5. Characteristics of the Unemployed Stock

The most popular source of information on the unemployed stock is provided on a periodical basis by the DE; disaggregated by age, sex, duration, region, occupation and so on and published monthly in the Department of Employment Gazette. Limitations of this information source have already been noted in the previous chapter. Other sources of data we can draw on include the General Household Survey, which from 1971 has collected information on unregistered unemployed job seekers, ad hoc sample surveys by the DE of people on the register which give some scope for disaggregated analysis of changing characteristics of the stock over time, and large independent sample surveys, which allow fully disaggregated analysis of durations of unemployment in relation to a wide range of occupational, demographic, psychological and economic characteristics.

### (i) Age

Age emerges from all studies of the jobless as the most powerful influence on the experiences of the unemployed. Although the established tendency for younger and older workers to face a relatively higher risk of unemployment than middle age groups still holds, some notable changes have been taking place within this pattern. Between 1975 and 1978, for example, unemployment among older workers aged 60 years and over averaged 9.5% and tagged along closely behind the rates for those between the ages 18 and 24 which averaged 10%. In recent years this relationship between old and young seems to have diverged. Total unemployment in January 1977, near the peak of the previous recession, stood at 7.3%. By January 1982 it was about 74% higher at 12.7%. Comparing percentage change by age group over this period, unemployment among 60 year olds and over had increased by 4.7%, less

than the national rise, whereas the under 18s, the 18s to 19s, and the 20 to 24 age groups had experienced jobless rises of 9.6%, 12% and 8.7% respectively. This has not altered the established distribution of unemployment according to age which continues to show a significant bulge in the younger and older age groups (Table 4.2).

(ii) Young People

A growth in the number of young people out of work has been the most marked long term trend in the composition of the unemployed stock over the last decade. The reason seems to be that during economic recession young people are hit particularly hard. Evidence suggests that although changes in youth unemployment are closely linked to fluctuations in overall unemployment, they move with greater amplitude. It has been argued that for every rise of 1% in the male unemployment rate the rate of increase for males under 20 years, excluding school leavers, will be 1.7%.<sup>18</sup> Although the inverse would also hold for falling unemployment, there has been only one brief interlude in the trend of rising unemployment since 1974, the consequence being for rises in unemployment amongst the young to be disproportionately high.

It is useful to distinguish between school leavers who fail to find work immediately after leaving full time education and young adults unemployed between the ages of 18 and 24. Unemployment among school leavers is largely a consequence of recession, the falling number of employment opportunities limiting and restricting their chances of a first job. Unemployment among young adults is deepened by recession, but is also a long term trend independent of cyclical fluctuations. For example, changes in employment legislation which, by requiring employers to pay adult wages

Table 4.2: Estimated Unemployment Rates by age group,  
1981 and 1982 (G.C.)

Age Group	Percentage Rate		Change in Unemployment (Percentage Points)
	January 1981	January 1982	
Under 18	19.2	22.6	+3.5
18-19	17.2	22.9	+5.7
20-24	15.0	18.8	+3.0
25-34	9.7	12.5	+2.8
35-44	6.6	8.6	+2.0
45-54	6.2	8.0	+1.8
55-59	7.2	9.7	+2.5
60 and over	12.2	15.0	+2.8
All Ages	10.0	12.7	

Source: Adapted from MSC Annual Report 1982

at earlier ages, have decreased the short term profitability of young workers and increased the preferences of many employers to recruit prime age workers in preference to younger groups. Some interpret this to mean that young people are pricing themselves out of jobs and advocate a solution to youth unemployment by lowering the wages paid to the young. This is very much the ideology of recent Government manpower policy, discussed in a later chapter, which has introduced schemes designed to increase the attractiveness of young people to employers by cutting the cost of their labour.

A comprehensive picture of the characteristics of youth unemployment in the 1970s is provided by two large scale sample surveys of the unemployed carried out during that decade.<sup>19</sup> The first study, published in 1974, found that the young had tended to work for only very short periods in their previous job and had given up this employment due to some aspect they did not like. In their previous employment a third had worked for less than three months and a half for less than six months. The young unemployed, particularly young adults, were generally less concerned about being jobless than any other age group except those nearing retirement. This was largely due to their personal circumstances. More often than not they were living in their parent's or another's household, free of dependents and 'breadwinner' responsibilities. Despite being less concerned about their jobless state, they were also more fortunate than others when seeking new employment and found jobs more quickly than any other age group. There was, however, a small group of young adults whose experience of unemployment was particularly unfavourable. 13% of young men had not worked for over a year and 8% had been jobless for over two years.

A follow up study in 1976, after having traced the experience of the original sample over three years of recession, uncovered a similar pattern of short periods in work, voluntary quitting, a relative lack of concern over being jobless, and relative ease in finding new jobs. A quarter of young adults had had three or more different jobs in the three years between interviews - eleven per cent had five or more - and these had frequently been punctuated by periods of unemployment.

The authors suggested that

"the high numbers of young adults unemployed on the register was a reflection more of relatively short but frequent periods of unemployment rather than the inability of young adults to find any kind of work." 20

A strong tendency of stabilisation in the types of jobs the young held was also found. These jobs tended to have been upgraded since the original survey and there was clear evidence of a return to normal types of work. Earnings among the young had risen by more than any other age group. Evidence from the two studies suggested that young adults between 18 and 24 had fared better than any other age group over the period 1973-1976.

The exposure of this evidence supported commentators who argued that less attention should be paid to the young unemployed and more to adult and long term unemployed where suffering was more harsh. The authors concluded that as it was men with dependents in the middle age ranges who suffered most as a consequence of being out of work

"there was little to imply that the young adult unemployed warrant greater public concern or resources than any other section of the unemployed." 21

Despite this more still seems to be being done for youngsters although they suffer less. Why this is so probably

reflects the fact that public concern about unemployment is often based on fears of being mugged, burgled, disturbed by riots and so on - widely felt to be perpetrated by the disillusioned young - rather than genuine concern for the hardships of the unemployed.

Evidence from the labour market in the early 1980s pointed to one particularly important change in the nature of youth unemployment. Although it still holds that durations of unemployment generally lengthen with age, the length of time spent unemployed by the under 25s worsened relative to any other age group. The percentage of young adults leaving the register within three months fell between April 1980 and April 1981 from 48% to 34%, a fall of 14% while the corresponding drop for the 25 to 44 and over 45 age groups was 12% and 6% respectively. It means that long term unemployment, previously only a widespread problem in older groups, was spreading to the young. Whereas the 1976 study found only 13% of young adults to be out of work for more than one year, by July 1983 26% or around 300,000 of those under 25 were in this category. According to the MSC late in 1982 the quickest growth in long term unemployment was taking place among the 18 to 25 age group.

(iii) The Long Term Unemployed

Although the actual numbers of people becoming unemployed has not varied much in recent years, the stock - the numbers remaining out of work - has risen dramatically with an enormous growth taking place over the recent recession. During the two low unemployment decades after the war the number of people out of work for over a year ranged approximately between 20,000 and 55,000 or little more than one in ten of the unemployed. During that period a large proportion of long term unemployment was attributed



to the personal characteristics of the jobless themselves. A survey by the Ministry of Labour in 1964, for example, considered that 60% of the long term unemployed would be difficult to place in work on personal grounds, mainly because of their age, physical or mental condition, and that a further 10% had a poor attitude to work.<sup>22</sup>

Much has changed both in the extent and nature of long term unemployment since. The numbers out of work for over twelve months have risen fairly steadily since the mid 1960s (Table 4.3). and by October 1980 totalled 400,000 or one in five of the unemployed. After three years of recession the situation deteriorated much further. Long term unemployment officially exceeded one million - corresponding to around one third of the unemployed - in August 1982, and by July 1983 almost 1.1 million people had been continuously claiming benefit as unemployed for over one year. Of these nearly half - 0.5 million - had been unemployed for over two years and 0.2 million for over three years (Table 4.4). Giving the current situation an historical comparison, long term unemployment today is approximately three times the average total unemployment experienced between 1954 and 1966.

The growth of long term unemployment among the young puts the problem of youth unemployment into a different perspective and raises a whole new set of issues. No longer can high official youth unemployment rates be dismissed largely as a phenomenon of high flows on and off the register with relatively short durations spent out of work. We are now confronted with a situation where the school system endows teenagers with aspirations for further training and employment in a society where the work ethic still dominates and then releases them into a world where real jobs are increasingly hard to find

Table 4.3 The Duration of Unemployment - 1950 to 1980

<u>October</u>	<u>Numbers Unemployed for over 52 weeks (thousands)</u>	<u>Percentage of total unemployed</u>	<u>Total unemployment (thousands)</u>
1950*	35.9	13.1	273.9
1955*	21.9	12.1	180.9
1960*	55.3	18.9	292.2
1965	51.5	16.8	305.7
1970	101.7	17.7	574.0
1971	129.2	15.8	815.2
1972	177.6	22.0	806.8
1973	142.6	27.6	516.3
1974	127.7	20.5	622.6
1975	161.2	14.7	1,098.6
1976	264.6	20.0	1,320.9
1977	324.3	22.3	1,456.6
1978	333.1	24.4	1,364.9
1979	337.0	25.9	1,302.8
1980	378.6	19.2	1,973.0

Source: Department of Employment

Table 4.4: Unemployment by age and duration:  
Great Britain July 1983

Thousands				
<u>Age Group</u>	<u>Total</u>	<u>of which over 1 Year</u>	<u>of which over 2 Years</u>	<u>of which over 3 Years</u>
Under 18	180	10	--	--
18-24	970	290	100	40
25-54	1,400	590	290	150
55 and over	350	160	90	50
All ages	2,900	1,050	490	230

SOURCE: Department of Employment

and in which growing numbers of young people are moving into the ranks of the long term unemployed.

The headmaster of a Birmingham comprehensive school has illustrated how dire the situation had become even at the start of the recession. The local careers service had been telling his fifth year leavers that they have four options: to stay at school; to go into further education; to look for a government training place; or to become unemployed. Work was not even mentioned as an option. It was thought that if even 10% of the leavers found jobs they would be lucky.<sup>23</sup> Considering the position of school leavers in the wider context of labour force trends, prospects do not improve. It has been estimated that one million additional jobs would be required over the current decade to provide employment for the extra numbers of young people who will join the labour market.<sup>24</sup>

As a decline in the demand for labour takes about a year to manifest in a steep rise in long term unemployment, a further worsening of the problem can be expected. The MSC predict that, even with some little recovery, durations of unemployment are likely to lengthen for a few years after 1983, especially in regions characterised by declining industries. It expects that although the actual numbers of long term unemployed might not go much above a million owing to the tendency of many to withdraw from the labour force, they would represent nearly two-fifths of total unemployment during the mid-1980s.

There are a number of ways that officially recorded figures understate the extent of long term unemployment and, as a result, the hardship and suffering it brings. Official statistics indicate only how long somebody has been registered unemployed in one uninterrupted period. If a

person becomes ill and claims sickness benefit for more than a few days, he will be taken off the unemployed register. If he becomes unemployed after that, his official duration of unemployment will commence again at the date when he re-registers.

The problem of being out of work for long durations is further concealed by the classification of long term unemployment. Up until around a decade ago it was generally accepted that long term unemployed meant being jobless for six months or more. Its subsequent redefinition as being over twelve months substantially reduced official figures and, possibly, political sensitivity to the issue. However, there is a good case for regarding six months as a more appropriate definition of long term unemployment. A period of unemployment of more than this length can no longer be described as seasonal or due to bad weather conditions. It has also been a better guide as to when resources began to get tight for the unemployed. It was, for example, the time threshold when those in receipt of earnings related supplement - abolished in April 1982 - dropped to a lower level of benefit. If the six months classification were to be re-adopted, in October 1983 it would have meant that over 46% of the unemployed would have been in the long term category. The official extent of long term unemployment has been further reduced by certain changes to the regulations concerning unemployment benefit introduced by the DE in 1983. Had these changes not been made the DE estimated that in July of that year the official figure would have been some 151,000 higher at around 1.2 million.<sup>25</sup>

With the growth of long term unemployment research interest has turned to this group in the labour market.

Work commissioned by the MSC during 1979 provides a comprehensive picture of the characteristics of the long term unemployed in that year.<sup>26</sup> They were predominantly male, well over half were married and more than a third had dependent children. Age was a significant factor with 65% being 35 years or older. Around three-quarters had previously been manual workers, the majority having held semi-skilled or unskilled jobs. Most had left school at the minimum leaving age and over three quarters of those covered had no formal qualifications whatsoever. The long term unemployed lived mainly in areas with high unemployment, the North and North West having the highest proportions. Previous employment before losing their job - many through redundancy - had been in industries which had suffered large cutbacks in employment and where job prospects were poor. A disproportionate number, for example, had come from construction, manufacturing and the basic industries. A substantial proportion were in ill health, particularly the older workers, more than one-third had some handicap or illness which affected their ability to work and 13% were registered disabled. The majority of those surveyed had held stable employment in the past, their current spell of unemployment generally being their first. Being out of work was found to have adversely affected their self-confidence and disrupted their relationships with family and friends.

Since this work was carried out, as well as more than trebling, long term unemployment has changed in its nature. The particularly high levels amongst the young and prime age workers is a particularly worrying phenomenon. Whereas in April 1979 slightly over a third of the long term unemployed were under 35 years old, by January 1982 the proportion had risen to almost half. Many of these people are those most likely to be married with young children. More analytical work carried out by Michael White within

the Policy Studies Institute in 1980 and 1981 indicated that long term unemployment was increasingly striking at parts of the labour force which, under better economic conditions, could be considered secure and in many respects representative of the labour force as a whole.<sup>27</sup> For example, strong evidence was found of occupational downgrading - often into completely different types of work - among workers before they became unemployed. Two-thirds of the men sampled had been in skilled manual occupations before moving down into semi-skilled or unskilled work. Further evidence of normality in the working history of the long term unemployed was that over two-thirds had come from jobs in large or medium sized firms in the private sector or from nationalised industries or the public service.

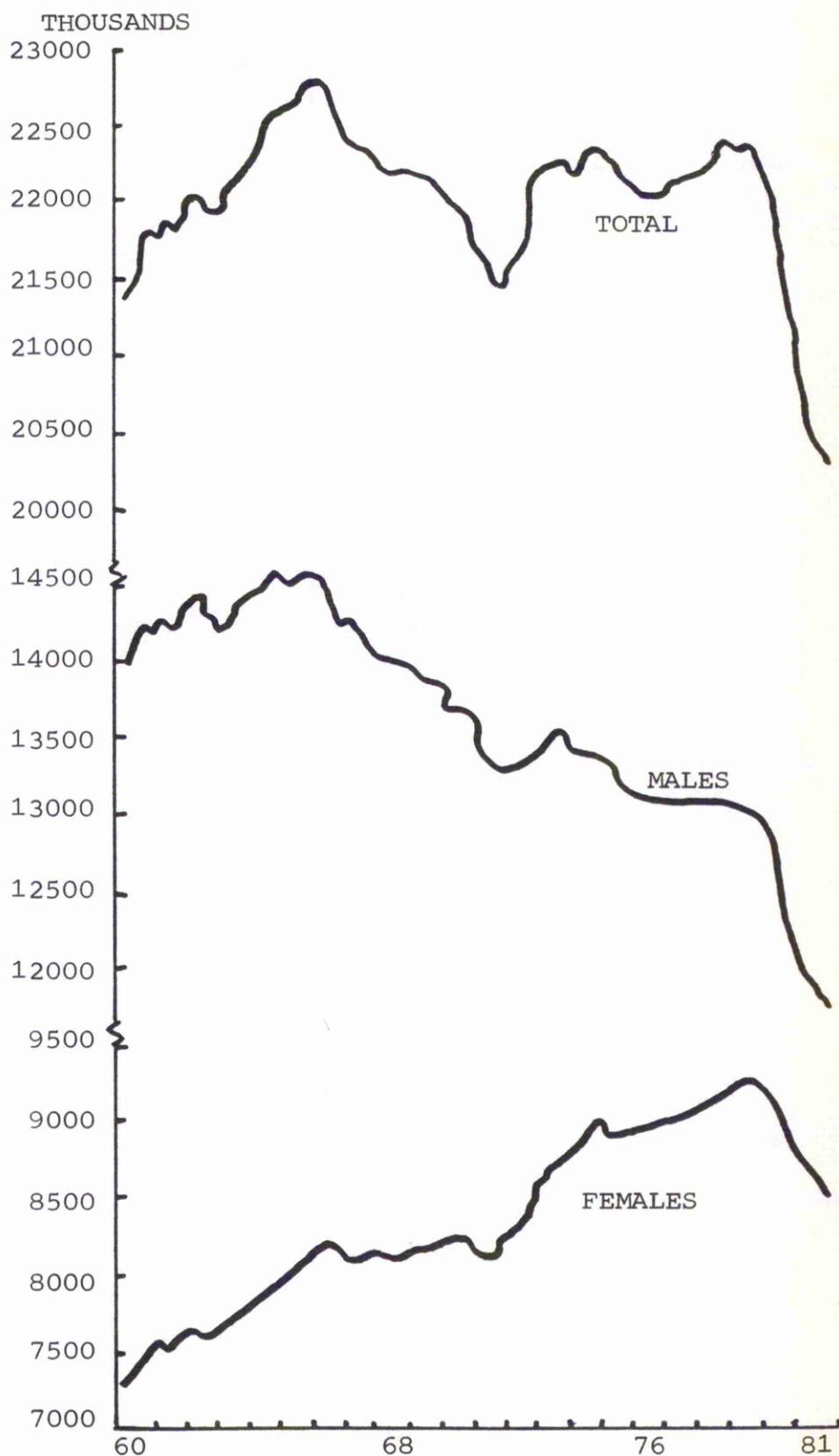
As a further corrective to dated notions that long term unemployment falls mainly on those with certain personal defects it is worth quoting Michael White's comments regarding some other aspects of his study:

"The findings concerning educational attainments, and disability and ill-health, lend only limited support to the notion that long term unemployment is a reflection of personal disadvantages, which, so to speak, impair the market value of individuals both in work and seeking work. Although there clearly are sections of the long term unemployed who have such disadvantages as a whole they do not seem to be sufficiently distinguished from the working population in terms of either education or health, to be regarded as a specially 'low quality' group"<sup>28</sup>

#### (iv) Women and Unemployment

Whereas male employment has been falling almost steadily since 1965, female employment has turned down steeply only with the onset of the current recession (Figure 4.1). This largely reflects the marked difference in performance between manufacturing and services over the past two decades

Figure 4.1: Employees in Employment (Male and Female) 1960-1981  
(GB seasonally adjusted)



SOURCE: Department of Employment



The favourable employment climate which existed in service industries brought about a dramatic increase in female participation rates. More than three-quarters of the increase in new service jobs over the last twenty years was taken up by women largely because of the explosion of part-time employment in that sector.<sup>29</sup>

Women's employment opportunities have deteriorated severely in the climate of recession and public expenditure cutbacks. The service sector, which provides around 80% of women's jobs, has declined since mid-1979. Expenditure cutbacks in the social services in particular have resulted in a loss of both full time and part time jobs in which women have been concentrated. Many jobs lost have also been in the low cost private sectors of clothing, footwear and textile industries where women have traditionally been concentrated.

During the 1970s it would appear that British women were more adversely affected by recession than men, with unemployment among females rising faster than among males. Between 1974 and 1980, for example, whereas male unemployment roughly doubled, registered female unemployment rose fivefold. Since 1979 differences have been much less marked. Between September 1979 and September 1983 total unemployment among females in the UK rose from 3.9% to 9.8% and among men from 6.3% to 15.7%. Over the four year period this corresponded to a rise in unemployment of approximately 245% in both sexes. The main reason why males have been faring comparatively much worse than in the 1970s is that the heaviest concentrations of job loss have been in manufacturing where nearly three quarters of the workers are men.

The inadequacy of statistics and research masks the extent and problem of female unemployment. Real unemploy-

ment is certainly much higher than official figures. The GHS in 1979 found that almost 48% of married women and one quarter of non-married females who were unemployed had not registered as such. Assuming that a similar proportion of hidden unemployment persists, this would have given a 'real' level of unemployment among females in September 1983 of almost 1,425,000, or 462,000 higher than the official figure. This, however, is probably an overestimate as hidden unemployment will have been reduced with all recent female additions to the labour force now having to pay full national insurance contribution and, therefore, greater numbers registering unemployed to qualify for benefit when out of work.

Prospects for the future are unlikely to improve. Automation and the microchip are expected to eat into women's employment. Research for the Organisation for Economic Co-operation and Development has exposed this threat to women's jobs, predicting that by 1990 170,000 typing and secretarial jobs, 17% of the 1980 total, will have gone.<sup>30</sup> The report also provides evidence that automation is bringing a permanent shift in white collar work from the low-paid, semi-skilled jobs to more senior posts requiring higher educational and professional qualifications. At present more men than women are acquiring these qualifications. Furthermore, many expect the job creation effect due to the introduction and use of new technology will be minimal and contribute little to the replacement of employment lost. Although some will contest this and argue that employment will be created by new technology, even if these more optimistic predictions prove correct the new jobs may not come in the places or among the people affected by job loss.

These trends in female unemployment have massive implications for family finances when viewed within the

context of rising unemployment generally. The earnings of married women are becoming an increasingly crucial part of household income, no more so than when the male is unemployed. In 1975 it was estimated that had it not been for the wife's earnings, four times as many families would have been living below the poverty line.<sup>31</sup> Unemployment in the 1980s has further increased the importance of working wives. In many families while the male suffers prolonged unemployment women are the only breadwinners for the household. Unemployment has, therefore, placed traditional distinctions between women, men and employment under tension. Traditional roles, such as those discussed briefly in Chapter 2, have become increasingly blurred. The need for a household to piece together a liveable income from whatever source has meant the swapping of traditional duties and the emergence of household work roles and patterns of many different combinations.

However fashionable it may be to envisage the response of families facing material hardship through the unemployment of the head of household as being one of clubbing together, sharing responsibilities and raising household income in new ways, in reality these practices may be less widespread than assumed. An important research finding in this respect is that in households where the male is unemployed and the importance of the female as the potential breadwinner therefore increased, wives are more likely to be unemployed than is generally the case, thus compounding further the unequal burden of unemployment. In a DHSS study of the unemployed only one third of the wives of men sampled were actually in work compared with 56% of wives in general.<sup>32</sup>

#### (v) Occupational Unemployment

Unemployment has, traditionally, fallen very unevenly

across the occupational spectrum affecting, in particular, the lower skilled. The greater abundance of unskilled labour was a factor observed as early as 1908 by Beveridge when he pointed to the notorious glut of labour in the unskilled and unorganised occupations:

"Has there ever, in the big towns at least, been a time when employers could not get practically at a moments notice all the labour they required."<sup>33</sup>

An early occupational class analysis of unemployment in 1966 demonstrated that unskilled manual and personal service workers experienced the heaviest unemployment, with respective rates of 6.8% and 4.9%. Foremen and supervisors and professionals experienced the least - 1.3% and 0.8% respectively.<sup>34</sup> These inequalities in the occupational distribution of unemployment still hold true today. The results of a DHSS study published in 1980, pointed to the fact that while employers, managers and professionals made up around 23% of the working population, only 8% of these groups had been out of full time work in the previous year. The opposite was the case for those in semi-skilled and unskilled manual jobs. While accounting for around 19% of the labour force, about 40% of these workers had experienced unemployment in the previous twelve months.<sup>36</sup>

Looking at the occupational distribution of the unemployed in the current recession there seem to be slight but noticeable changes in the traditional pattern (Table 4.5). As a percentage of total unemployed, the rates for general labourers and clerical workers are falling whereas others, particularly managerial and professional and craft occupations, are increasing. This is not to say that the lot of the lower skilled is improving, but the severity of the recession has clearly carried higher

Table 4.5: Occupational Distribution of Unemployment in Great Britain, March 1980 and June 1982

Occupation	1980		1982	
	No. Unemployed (thousands)	% of Total	No. Unemployed (thousands)	% of Total
Managerial and Professional	110.6	7.9	253.9	9.2
Clerical and Related	201.5	14.4	349.3	12.7
Other non-manual	89.4	6.4	182.3	6.6
Craft and similar	158.6	11.3	411.6	14.9
General Labourers	496.8	35.4	829.0	30.0
Other Manual	345.4	24.6	732.8	26.6
TOTAL	1,402.2	100.0	2,758.8	100.0

SOURCE: Department of Employment Gazette

rates of unemployment into occupational categories which have previously been relatively immune. For example, it was disclosed in a Commons written reply that 1,418 medical doctors were registered unemployed in September 1982, compared with 1,020 a year before and 493 two years before.<sup>36</sup> Six months later the British Medical Association claimed the figure had risen to 2,000.<sup>37</sup>

(vi) Racial Minority Unemployment

The absence from British statistics of any data on activity rates by race creates major difficulties in analysing differences between minority unemployment and general unemployment. The general trend has been one of a greater cyclical vulnerability among immigrant groups, the level of unemployment rising but at a higher rate than that of general unemployment under recession. Between 1973 and 1977, the rate of increase in minority unemployment was almost twice as great as that for unemployment generally, with an almost six-fold rise compared with just over a three-fold rise in total unemployment.<sup>38</sup> Their plight has worsened since 1979. Over the two years up to August 1981, unemployment more than doubled among the ethnic minorities to 120,000 or 4.2% of all those registered jobless.<sup>39</sup>

Certain factors can be isolated which explain the particular vulnerability of minority workers in recession and their relatively more serious job loss since the 1970s. Minority groups, with the possible exception of those from India, are disproportionately concentrated in unskilled and semi-skilled manual work, occupations which are generally over-represented amongst the unemployed. In addition to this occupational effect, there may also be an industry effect upon minority unemployment with it

being generally the case that they are over-represented in declining manufacturing industries. The age structure of racial minorities may also have an adverse effect on unemployment. The age profile of New Commonwealth born immigrants is a particularly youthful one, and, with the under 25s generally bearing relatively high unemployment, this contributes to the rapid increase in minority unemployment.

The regional distribution of coloured minorities is also relevant in explaining their disadvantage in the labour market. Although immigrants from the black New Commonwealth have tended to live in regions with traditionally low unemployment, principally the South East and the West Midlands, work done using the 1971 Census data indicates that the particular urban localities within these regions in which they resided tended to be those subject to economic decline or low growth.<sup>40</sup> Furthermore, as unemployment in these regions has risen disproportionately in the current recession the problems of unemployment among ethnic minority workers will have been further compounded.

These occupational, industrial, regional and demographic factors, however, account only partly for the disproportionate jobless rise among racial minorities. As Brian Showler points out,

"the sheer size of the increase in unemployment since 1974 would ..... suggest that these factors cannot provide a complete explanation, and that the existence of discriminatory practices on the labour market clearly makes a substantial contribution"<sup>41</sup>

## 6. Conclusions

Unemployment in the 1980s is far removed from what existed a decade ago not only in its extent but in many

of its other characteristics also. In the past, to those unaffected, it was a distant phenomenon restricted to old industrial areas like the Clyde and the Tyne. Even in the 1970s when unemployment reached one million the prosperous South East remained relatively immune. The characteristics of today's unemployment are very different. The problem is much less discriminating than it once was. No longer is high unemployment confined to the peripheral areas of Britain. Across most of the country at least one in ten of the economically active are without work and in many areas the proportion is much higher. Likewise, the type of people affected has spread beyond small groups in the working population who, traditionally, have been typical victims of unemployment. The jobs of skilled prime age workers, public servants, professionals and so on have also been disappearing which suggests that the secure sectors of the national workforce have been shrinking in recent years.

Although the growth of unemployment has increasingly affected all classes and regions it is still, nevertheless, concentrated heavily on the young and the old, the least skilled, ethnic minorities, and people in peripheral housing schemes. These make up a varied range of people who, despite their unemployment, are difficult to organise effectively into a distinctive movement with political clout. Compared with pensioners, the disabled, blacks, one-parent families and so on the unemployed do not have a long term or permanent status to give them stronger common interests. The prospect of a greater sustained loyalty to the interests of the unemployed emerging is further damped down by the fact that - despite the concentration of high unemployment among particular groups and neighbourhoods - many of those out of work do get short term jobs from time to time. As a consequence they are less likely to consider themselves as members of the unemployed but rather as temporarily out of work for a short while between jobs.



The human characteristics and geography of unemployment suggest that society is likely to become increasingly deeply divided both socially and at localities of often a very small scale. An important consequence is that public authorities and others responding to the needs of the jobless who are responsible for communities with high and lasting unemployment will have acutely difficult tasks which, nevertheless, will have an important bearing on the future shape of British society. The resources which public sector responses will be able to call on will be severely restricted not least by the fact that, whatever political party is in power, large amounts of people will remain unproductive for some time to come. How different agencies operate, which is the focus of later chapters, is therefore a crucial question on which the fortunes of the disadvantaged and their communities and more generally the survival of a reasonably orderly and stable society may depend.

Notes: Chapter Four

1. Sinfield, A. (1981), p.25.
2. Sinfield, A. 'The blunt facts about unemployment', in New Universities Quarterly, Vol. 34, No. 1, Winter 1978/80, p.40.
3. Metcalf, D. (1979) November, p.21.
4. Ridley, F. 'View from a Disaster Area: Unemployed Youth in Merseyside', in The Political Quarterly, 1981, Vol. 52, No. 1, p.19.
5. Massey, D. and Meegan, R. (1982).
6. Showler, B. and Sinfield, A. (1980), p.9.
7. Metcalf, D. 'Unemployment, history, incidence and prospects', in Policy and Politics, 1980, 8:1, pp.21-37.
8. Daniel W.W. (1981), 'The Nature of Current Unemployment'.
9. Department of Employment Gazette, 'Duration of Unemployment', February 1975, pp.111-16.
10. Daniel, W.W. (1979), p.6.
11. Moylan, S. and Davis, B. 'The Disadvantages of the Unemployed', in Department of Employment Gazette, August 1980, pp.830-32.
12. Moylan, S. and Davis, B. 'The Flexibility of the Unemployed', in Department of Employment Gazette, January 1981, pp.29-33.
13. Ibid.
14. Daniel, W.W. (1981), 'The Unemployed Flow'.
15. The main conclusions from these studies have been summarised by Daniel, W.W. (1979), and Daniel, W.W. (1981), 'The Nature of Current Unemployment'.
16. Daniel, W.W. (1972).
17. Daniel, W.W. (1981), 'The Nature of Current Unemployment, p.7.
18. Makenham, P. 'The Anatomy of Youth Unemployment,' in the Department of Employment Gazette, 1980, March pp.234-36.

19. Daniel, W.W. (1974), and Daniel, W.W. and Stilgoe, E. (1977).
20. Daniel, W.W. and Stilgoe, E. (1977), p.91.
21. Ibid, p.91.
22. Ministry of Labour Gazette, 'Characteristics of the Unemployed', April 1966.
23. Aitken, R. 'Schools, Unemployment and the Work Ethic', in the New Universities Quarterly, Vol. 34, No. 1, Winter 1979/80, pp.93-107.
24. Ibid, p.94.
25. MSC, Labour Market Quarterly Report, September 1983, p.6.
26. Some of the results are reported in College, M. and Bartholomew, R., 'The Long Term Unemployed, some new evidence', in the Department of Employment Gazette, January 1980, pp.9-12.
27. White, M. 'Long term unemployment - labour market aspects', in the Department of Employment Gazette, October 1983, pp.437-43.
28. Ibid, p.430.
29. MSC (1982), Manpower Review, p.4.
30. OECD (1980).
31. Walker, A. 'The Level and Distribution of Unemployment', in Burghes, L. and Lister, R. (eds) (1981), p.11.
32. Quoted in ibid, p.22.
33. Beveridge, W.H. (1908), p.69.
34. Bosanquet, N., quoted in Sinfield, A. 'The blunt facts about unemployment', op.cit., p.34.
35. Moylan, S. and Davis, B. 'The Disadvantages of the Unemployed', op.cit., p.831.
36. The Guardian, 22.10.82, p.15.
37. The Guardian, 24.3.83.
38. Showler, B. (1980), p.149.
39. MSC (1982), Manpower Review, p.10.

40. Donnison, D. and Soto, P. (1980).
41. Showler, B. (1980), p.203.

## CHAPTER FIVE

### THE FINANCIAL COSTS OF UNEMPLOYMENT TO GOVERNMENT AND THE COMMUNITY

#### 1. Introduction

It is frequently asserted, especially by the present Conservative Government and its supporters, that the current level of unemployment is the price the nation has to pay for the repair of past economic mismanagement and the stimulation of future economic growth. The implication here is that real and tangible benefits will accrue from accepting mass unemployment during the interim period of recovery. However, before we are in a position to judge whether high unemployment is worth the precarious hopes invested in it, consideration must be given to the costs and consequences associated with unemployment which, as the next three chapters will show, reverberate through the whole community. This Chapter will consider primarily what the financial costs of rising unemployment are to government in Britain, both central and local, and also, more briefly, the costs to the wider society in financial terms.

#### 2. Costs to Central Government and the Economy

There are two principal components in the financial cost to Central Government of sustaining a particular level of unemployment. First, there are the various transfer payments and their attendant administrative costs. In addition to unemployment and supplementary benefit this expenditure can include redundancy payments where the Govern-

ment is the employer, special employment measures, and additional means-tested benefits such as centrally funded rent and rate rebates. Second, there is the loss of revenue occasioned by the non-payment of income tax, national insurance contributions by employers and employees national insurance contributions, and - with the unemployed having less money to spend than when previously in work - reduced receipts from expenditure taxes such as VAT. Calculating this component is the more complex task and depends on making a number of assumptions about likely earnings levels and income tax and national insurance contributions of the jobless if they were in work in order to determine the revenue loss involved in unemployment.

Secondary financial costs to Central Government also arise from the extra pressure exerted on local authority services, the health service and possibly on the police and prison services as a result of rising unemployment. However, perhaps the greatest cost to the community as a whole, and one not accounted for in the Government's own costings of unemployment, is the costs of lost production from having such a large section of the national workforce lying idle. As a consequence, Government revenue from corporation tax and debt repayments from nationalised industries and other sources are also reduced.

The first attempt at a complete financial costing of unemployment to the community appears to have been made by Louie Burges and Frank Field in 1977. In addition to social security payments and the loss of revenue, they included an estimate of the fall in national income resulting from unemployment. In the calculation of benefit payments to the jobless, certain assumptions were made about the characteristics of the unemployed. It was taken that all those unemployed were married with two

children and previously in receipt of average male earnings - an assumption which was not representative of the unemployed as a whole and which probably served to overstate the financial cost of benefit maintenance. Over the three years 1974 to 1976 Burges and Field calculated that rising unemployment resulted in a £15 billion loss in national output<sup>1</sup> which amounted to about 4.8% of actual total GDP over the period. Adding to this figure the fall in tax revenue and contributions to the national insurance fund as well as the payment of social security benefits and claims on the redundancy payments fund they estimated the total cost to the community of running the economy at a significantly higher level of unemployment than 1974 at £20 billion<sup>2</sup> or over 6.4% of total GDP over the three year period.

A comparison of total transfer costs to the unemployed in 1973 and 1978 is provided by Brian Showler using figures from the Government's Central Statistical Office.<sup>3</sup> Although unemployment more than doubled over this period transfer payments to the unemployed and related expenditure multiplied by about four-fold representing an increase in total public expenditure from 3.1% in 1973 to 5.2% in 1978 (Table 5.1). After taking account of the presumed level of previous earnings of the unemployed and their spending patterns, Showler estimates the total tax expenditure cost of unemployment to the Government in 1978 at £5,128 million or 7.6% of the total public expenditure budget. He does not suggest, however, that the whole of this figure would have been saved directly by a return to full employment as some unemployment would have remained, but concludes that had the level of unemployment in 1978 been halved this would have yielded public expenditure savings of at least £2,000 million<sup>4</sup> - a saving amounting to around 1.2% of actual GDP in that year.

Table 5.1: Government Transfer Payments to the  
Unemployed and Related Costs in 1973  
and 1978

	1973 £m	1978 £m
<u>Benefits:</u>		
National insurance unemployment benefit	160	667
Supplementary benefit(a)	218	650
<u>Administrative costs (b)</u>		
National insurance unemployment benefit	32	76
Supplementary benefit	37	130
<u>Redundancy payments(c)</u>	52	182
<u>Employment services</u>		
Current expenditure	107	536
Subsidies	8	262
Grants	90	295
<b>TOTAL</b>	<b>704</b>	<b>2,798</b>
Total as a percentage of total central government current account expenditure:		
	3.1%	5.2%

- (a) 31 per cent of total supplementary benefits payments, i.e. the percentage attributable to the unemployed in December 1975 (see DHSS, 1978a, A Statistical Note).
- (b) Estimated as 20 per cent of total national insurance administrative costs, and 34 per cent of supplementary benefit administrative costs (DHSS, 1978a, A Statistical Note).
- (c) Calculated assuming that the government paid out net an equivalent amount to employer contributions to the Redundancy Fund.

Source: Central Statistical Office (1979), also quoted in Showler B. and Sinfield A. (1981), p.50



Estimates of the financial cost of unemployment to the Government under the current recession have been made by Carl James,<sup>5</sup> (Tables 5.2 and 5.3). During 1980-81 when the jobless total - excluding school leavers - averaged 1,880,000, Central Government directly paid out a total of £3,848 million to deal with unemployment. In addition, an estimated £4,095 million potential revenue was lost to the Government as a result of unemployment giving a combined total in direct expenditure and in lost revenue of around £8,000 million.<sup>6</sup> Assuming that registered unemployment would have reached three million before the end of 1981, James predicted that the total cost to the Government as a result in the year 1981-82 would be around £12,300 million.<sup>7</sup> This cost to the public purse of £8,000 million in 1980-81 and the projected £12,000 million in 1981-82 amounts to around £6 per week and £9 a week respectively for every working person.<sup>8</sup>

Various estimates of the cost of unemployment have also been made from within Government circles. A House of Commons Library Research Note in 1979, for example, included an estimate of the loss of VAT and other indirect taxes derived from a simulation using the Treasury Model. The resulting loss from 300,000 unemployed in indirect tax totalled £202 million at 1979 prices. The estimate was, however, felt to be subject to considerable error and an updating of the price basis has not been considered worthwhile.<sup>9</sup>

In February 1981 - registered unemployment in the UK having risen to 2,463,000 - the Treasury formulated an estimate of the combined expenditure and revenue cost of an increase of 100,000 in unemployment in the private sector. The direct cost to the Government was estimated

Table 5.2: Government Expenditure on Unemployment  
1980-81

	<u>£ million</u>
Unemployment benefit	1,176
Supplementary benefit	1,235
Redundancy payments	242
Special employment measures	850
Rent and rate rebates	95
Administration	250
	<hr/>
Total cost to the government	3,848

\*\*\*\*\*

\*\*\*\*\*

Table 5.3: Lost Government Revenue because of  
Unemployment in 1980-81 (£'s million)

	<u>Registered Unemployed</u>	<u>Non-registered unemployed</u>	<u>Short- time</u>	<u>Total</u>
Income tax	1,465	280	130	1,875
National insurance contributions and surcharge	1,540	245	75	1,860
Indirect taxes	265	75	20	360
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	3,270	600	225	4,095

Source: James C. (1981) in Burges L. and Lister (eds).

at £340 million or £3,400 per unemployed person per annum (Table 5.4).<sup>10</sup> This calculation considered only direct costs. Changes in debt interest payments, changes in corporation tax receipts and nationalised industries' surpluses and the loss of indirect tax were excluded.

Although a useful statistic, it would be incorrect - for a number of reasons - to assume that by 'grossing up' the above Treasury estimate a true assessment of the total cost of unemployment at that time could be reached. First, the estimate is restricted to private sector unemployment only. Second, the characteristics of the unemployed flow upon which the calculation is based differ from the 'stock' of those currently out of work. Third, the calculation refers only to the first year cost. In the past, because benefit levels tended to fall for the longer term unemployed, costs in subsequent years have been less - the unemployed having to pay the difference. Fourth, the nature of unemployment in the future may be different from that in the past. It may, for example, include more people from the public sector.

Whereas early in 1981 each additional 100,000 unemployed was costing the Government an estimated £340 million per annum, the reciprocal that the Government could have employed 100,000 jobless at that cost does not hold. In a House of Commons debate in February 1981 the Chancellor of the Exchequer was asked to detail the additional net costs which would be incurred if the Government employed unemployed individuals at the same level of earnings as the average £3,400 Exchequer cost per unemployed person. The reply was that the additional net cost would include the administrative, supervisory and material costs involved in any public sector employment programme, and the employers' national insurance contributions and surcharge. Based on similar assumptions about the unemployed as in the original

Table 5.4: Direct Exchequer Costs of an Increase of  
100,000 in Registered Unemployment  
(Excluding School Leavers) in 1980-81

---

At 1980-81 outturn prices

---

	Exchequer costs for 1980-81 (£m)
<hr/>	
<u>Current Receipts</u>	
Income Tax (1)	115
National Insurance Contributions (2)	75
National Insurance Surcharge	15
<u>Total Current Receipts</u>	205
<u>Current Expenditure (3)</u>	
National Insurance Benefits (including earnings related supplement)	65
Other Social Security Benefits	55
Rent and Rate Rebates	5
Administrative Costs	10
<u>Total Current Expenditure</u>	135
	<hr/>
EXCHEQUER COST	340
	<hr/>

---

- (1) The fall in income tax is assumed to be 23 per cent of the fall in wages and salaries. A six-week accruals lag has been allowed for.
- (2) Employee and employer contributions, including payments to the National Health Service, Redundancy, and Maternity Pay Funds. The fall in accruals of national insurance contributions before allowing for employees who would be contracted out is £100 million at unchanged contribution rates. The estimate given here allows for an accruals adjustment and assumes that 30 per cent of the employees would have been contracted out of the state pension scheme.
- (3) Totals are the rounded sum of unrounded components.

Source: Treasury Economic Progress Report, February 1981.

Treasury estimate the net cost was given at £2,500.<sup>11</sup> According to the Government, therefore, the total cost of employing an unemployed individual and paying him £3,400 would have been £5,900, or 42% higher than the cost of keeping him unemployed. This, however, takes no account of the value to the community of whatever the previously unemployed workers could produce.

The annual cost of maintaining each unemployed person has risen since the above Treasury estimate. Late in 1981, for example, the MSC calculated the average cost per person at £4,400 while the Institute of Fiscal Studies put the figure slightly higher at £4,500. In February 1982, Treasury and Department of Employment officials in an unpublished report to the Prime Minister estimated that each additional person unemployed cost the government £5,000 per annum or £96 per week.<sup>12</sup> This report appears to be an update of the Treasury's February 1981 report, and reputedly shows that each extra 100,000 unemployed in 1981-82 would cost the Government £500 million; an increase of 50% on the estimate for the previous year. The Times claimed that publication of this report was suppressed by Ministers from the Treasury and the Department of Employment. Later in the same year, however, the estimate was endorsed by the All-Party Select Committee to the House of Lords who also concluded that the annual cost of unemployment to the Exchequer in lost taxes and the payment of supplementary benefit was indeed around £5,000 per person or more than £15 billion in total<sup>13</sup> - nearly half as much again as the £10.5 billion public sector borrowing requirement for 1981-82.

Another and more detailed breakdown on the cost of

maintaining each unemployed individual is provided by the answer to another Parliamentary question. In November 1980 Lord Kilmarnock asked the Government to estimate under a number of expenditure and revenue items the average monthly cost to the Exchequer when an adult male worker on average weekly earnings becomes unemployed, showing this separately for (a) single men, and (b) for a married man with two children, one aged under 5 and the other between 5 and 10. The total cost in the twelve months December 1979 to November 1980 was £6,006 for the married man and £5,236 for the single man (Table 5.5) - figures substantially above the average estimate made at around that time by the Treasury. They indicate that the cost of each unemployed person can be subject to wide variation, being markedly higher for people who have dependent children.

As variations will also exist among people from different income backgrounds the financial burden of unemployment may be intensifying beyond that which we might expect when considering only total rises in the numbers out of work. It may be the case that more and more people are becoming jobless who in the past would have been considered to be in secure jobs and relatively immune from unemployment. As these groups probably enjoyed higher wages and paid higher taxes than groups more used to unemployment then the average cost of unemployment is probably rising as a result.

Table 5.5: The Micro Cost of Unemployment

<u>Loss of Revenue</u>	<u>Married man with two children on average wage</u>	<u>Single man on average wage</u>
Income Tax	1,328	1,547
Indirect Tax	400	531
Employee NI Contributions	434	434
Employer's NI Contributions	887	887
TOTAL REVENUE LOSS	3,049	3,399
<u>Cost of Benefits</u>		
Flat Rate Unemployment Benefit	1,734	960
Other Benefits*	1,223	1,336
TOTAL COST OF BENEFITS	2,957	1,837
<u>TOTAL FINANCIAL COST</u>	6,006	5,236

\*Earnings related supplement\*\*, supplementary benefits, income tax rebate, rent rebate, rate rebate, free school meals, free welfare milk.

Source: House of Lords Hansard, November 12 1980  
Written answer to Lord Kilmarlock Col 1454

\*\*since abolished

Perhaps a more tangible impression of the scale of the cost of unemployment can be gotten by comparing it with other significant items of revenue and expenditure. In 1980-81, for example, it was estimated that in the payments of benefits to the unemployed and in lost taxes and insurance contributions the cost to the Government was around three times the combined losses of British Steel, British Shipbuilders and British Leyland, or about three times the entire borrowing limits of all the nationalised industries.<sup>15</sup> In 1983 it has been argued that the cost of unemployment since the Conservatives took office far exceeded the total revenues Britain had earned from North Sea Oil<sup>16</sup> and that the expenditure and lost revenue surrounding unemployment would more than cover the entire costs of the National Health Service.<sup>17</sup>

### 3. Costs to Local Government - some evidence from Strathclyde

Assessing the financial consequences of unemployment for local government is a more difficult task than that for central government. Departments operate within fixed budgets and the impact of unemployment is reflected, in addition to financial costs and losses, in different priorities for work or in reduced services in other spheres. Rising unemployment has direct financial consequences, for example in additional costs to social work departments, a loss of rate income caused by industrial closures, and a loss of revenue from public transport services caused by declining patronage. The impact is also felt in less quantifiable areas such as a deskilling of the workforce, falling standards in health, the fear of social disorder and the spread of drug addiction, resulting in increased policing.

Strathclyde Regional Council has attempted to assess the costs and impacts of unemployment and cover - quite



comprehensively - a wide range of financial consequences resulting from unemployment in a Region with particularly high numbers out of work.<sup>18</sup> Industrial decline has hit the authority particularly hard through the direct loss of rate income from industrial premises and the income acquired through annually metered industrial water usage. By 1981 the recent closure of twenty eight firms meant that the combined financial loss from both these factors totalled around £3,000 million.<sup>19</sup> Not included among these firms, the closure of the Talbot factory in Linwood alone cost the authority £1,141,162 a year in lost rates and water income. Some companies which go into liquidation hold local authority contracts and when they close the authority may be forced to incur additional costs by employing other contractors to complete the work. Between 1975 and 1981 seventy companies in receipt of contracts of over £5,000 went into liquidation. One of these - a building contractor - left the Regional Council with 13 outstanding contracts, the Council having to incur an additional cost of £370,000 to complete the work.<sup>20</sup>

In addition to direct costs like those above, industrial decline also brings about a general deskilling of an area's workforce. Again in Strathclyde, between December 1978 and December 1980 the proportionately largest increase in unemployment took place among 'craftsmen and other skilled occupations' with a 104% rise in the numbers out of work in this group.<sup>21</sup> Industrial training also suffers, through a reduction in the number of people taking day release courses in further education and a decline in the apprenticeship opportunities open to young people. In Clydebank, for example, over 1979 and 1980 apprenticeships available in the engineering and construction trades declined by over 83% and in Lanark they fell by about 50%.<sup>22</sup>

Rising unemployment exerts an increasing demand on social services deployed by a Local Authority, certain of these being provided or increased only at the expense of other types of service delivery. In Strathclyde the Regional Council claim that pressures on the family arising from unemployment have directed social work priorities towards statutory work for children and families at the expense of other client groups such as the elderly and the mentally handicapped. Recent research in the Region points to a variety of complex social and financial consequences. Of all children of two parent families subject to child abuse, 54% have an unemployed father. Of all children received into care, 70% are from families where the head of household is unemployed. The total estimated cost of this service in 1981-82 was almost £15.5 million. Social Work Area Teams feel that rising unemployment is directly affecting the nature of their workload. The incidence of families in financial difficulties, for example with fuel and rent arrears, is growing. Marital instability and family violence are on the increase. The pressure of court and childrens' panel reports has been sustained and youth unemployment and truancy are considered particularly responsible. Drink related problems are on the increase and the payment of benefits on a fortnightly basis is felt to be having serious consequences for managing the household income in families where drink is a problem.<sup>23</sup>

Financial consequences of unemployment are also felt in a local authority's Education service. The number of free school meals provided by Strathclyde Region to children of low income families or those in receipt of Family Incomes Supplement or Supplementary Benefit, for example, rose ten percentage points between 1977 and 1980 to total 41% of all school meals.<sup>24</sup> The total cost of this service in 1980-81 was over £10 million. An additional financial

burden stems from the responsibility placed on Education authorities to ensure that children are suitably clothed to take advantage of the educational opportunities provided. Strathclyde Region estimated that over the financial year 1981-82 total expenditure - including the additional administration costs - of providing free school clothing and footwear was between £2 million and £2.5 million.<sup>25</sup>

The fall in incomes consequent on unemployment has also increased the amount spent on bursaries to schools and further education colleges in Strathclyde which the authority determine on the basis of the applicant's parental income. Over the five years preceeding 1980-81 expenditure on bursaries rose by approximately £4 million to £5.5 million. Many young people do not continue in formal education beyond the minimum leaving age but join the labour market in the often vain hope of finding work. The increasing numbers of young people jobless in recent years has exerted great pressures on the Careers Service which, in Strathclyde, in addition to providing information on employment and training opportunities, has taken an active role in co-ordinating the provision of the growing number of opportunities for unemployed young people under the MSC. The authority also sponsors a number of Training Workshops and meets certain costs - such as transport and tooling - and underwrites financial losses for which over £75,000 was budgeted in 1980-81.<sup>26</sup>

High unemployment can also be an important factor in the declining usage of public transport - the loss of jobs directly reducing the number of work trips made and the drop in household income reducing the number of trips made by other members of the family. Strathclyde Region recorded in 1981 that the annual patronage of its public transport services was falling by 20 million trips a year, which amounted to around a £5 million loss in revenue. The

authority recognised that other factors such as car ownership and pricing policy were important in a more systematic consideration of changes in patronage but, nevertheless, felt that high unemployment had been a major factor in the loss of revenue.

It is generally accepted that social and environmental problems in a locality are associated - in part - with unemployment, and that where these problems are exacerbated an increased demand on police and security services will arise. The financial consequences of rising unemployment for policing are, however, difficult to quantify. Nevertheless, evidence suggests that it is more arduous and expensive for regional authorities to police communities, especially in urban areas, where unemployment is a serious problem. In Strathclyde, for example, unemployment is one of a number of factors which cause deprivation, and deprivation is itself seen to be associated with juvenile delinquency and certain categories of crime such as theft, assault and vandalism.<sup>27</sup>

#### 4. Conclusions

The financial cost of unemployment to the state has risen dramatically in recent years along with the growth in the jobless total. The total cost to the community is difficult to determine precisely and estimates vary, largely because they depend on which factors are taken into account and the assumptions which are made about what the jobless would earn were they in work. What cannot be disputed, however, is that rising unemployment is a massive waste of the productive resources of the country and exerts intense financial pressure on the central Exchequer and, more locally, on the work and resources of local authorities - particularly those whose responsibility covers areas of

acute industrial decline and high unemployment.

An important political and financial consequence of the huge increase in the costs of supporting the unemployed means that money for new programmes of other kinds for helping the jobless will probably be scarce unless it can be convincingly shown that this expenditure will reduce unemployment significantly while, at the same time, be cost effective in some politically acceptable sense. In this respect it is not only the current cost of keeping people out of work but the nature of current unemployment which is important. Assuming, for example, that high unemployment is going to continue for some time and that a large section of the national workforce will be excluded from normal employment - as the long term unemployed currently are - then it seems reasonable to regard the cost to the Government in unemployment maintenance and lost taxes and insurance contributions as a likely fixed drain on central funds for a considerable period ahead. There may, therefore, be a good case to include at least a large part of the £5,000 or so which reputable sources estimate it costs the state for each unemployed person as a saving to the public purse when considering programmes which help the unemployed, and in particular the more disadvantaged, return to socially useful and productive economic activity. I will elaborate on this point in a later chapter.

Notes: Chapter Five

1. Burges L. and Field F. 'The Cost of Unemployment', in Field F. (ed) (1977), p.85.
2. Ibid, p.85.
3. See Showler B., 'Political Economy and Unemployment', in Showler B. and Sinfield A. (eds), (1981) pp.48-53.
4. Ibid, p.52.
5. James C., 'The Costs of Unemployment', in Burges L. and Lister R. (eds) (1981), pp.42-48.
6. Ibid, pp.42-45.
7. Ibid, pp.44-5.
8. Ibid, p.46.
9. House of Commons Library Research Division (1981).
10. Treasury Economic Progress Report, February 1981, 'Costing Unemployment', pp.4-7.
11. Question from Mr. Hazelhurst MP and reply from Mr. Brittan MP during House of Commons Debate on 26th February 1981, 61420W, quoted in House of Commons Library Research Division (1981), op.cit., p.17.
12. The Times, 18.2.82, p.1, 'Cost of Jobless rises to £96 a Week Each'.
13. House of Lords (1982), Report on Unemployment, 142, pp.57-9.
14. House of Lords Hansard, November 12 1980, Col. 1454.
15. James C., op.cit., p.47.
16. Mr. Straw MP in House of Commons Debate on Cost of Unemployment, 23rd April 1983, Hansard Vol. 41, p.987.
17. Professor Brian Abel-Smith in a BBC broadcast in January 1984. This figure is to appear shortly in a forthcoming communication.
18. Strathclyde Regional Council Policy and Resources Committee, 'Cost and Impact of Unemployment', Report by Chief Executive, 6th May 1981.

19. Ibid, p.12.
20. Ibid, p.12.
21. Ibid, p.3
22. Ibid, p.3
23. Ibid, pp.6-7.
24. Ibid, pp.8-9
25. Ibid, p.9.
26. Ibid, p.11
27. Ibid, pp.12-13.

## CHAPTER SIX

### FINANCIAL COSTS OF UNEMPLOYMENT TO THE JOBLESS

"The unemployed are the innocent casualties of the battle against inflation, and the least well-off people in the country are having to bear the brunt of the Government's policies. Yet nothing is being done to ease their lot; rather the reverse."

Sir Ian Gilmore  
'Britain Can Work'

#### 1. Introduction

The financial costs of unemployment are not confined to the Government and the wider economy. The loss of paid employment and the subsequent reliance on the state for support generally brings a substantial fall in the incomes of the unemployed and their families. This Chapter examines to what extent the unemployed themselves are affected in financial terms. It begins by looking at how the social security system and recent Government policy have coped with the pressures of rising unemployment. What it means in material terms to be unemployed is then considered with particular reference made to the assumptions upon which Governments' treatment of the unemployed is based. The final section discusses the relationship between unemployment and poverty, not only in terms of the living standards of the jobless, but how these compare with other employed groups on low incomes, with some brief concluding comments on what consequences this may hold for anti-poverty strategies.



## 2. The Social Security System and the Jobless

In recent years perhaps the most striking feature of the state's maintenance of its unemployed members has been the failure of National Insurance to operate as its original legislation intended - as the principal pillar of security for those out of work, providing adequate financial support without recourse to means tested benefits. In reality unemployment insurance benefit (UIB) is not the main income for most of the unemployed. Large numbers of the jobless rely, in whole or part, on means tested supplementary benefit (SB) for their income. At the end of 1980, for example, of all the unemployed less than half were receiving any UIB, over a third were totally dependent on SB and just over 15% were not receiving any benefit at all.<sup>1</sup>

As the Social Security Advisory Committee have reported, rising unemployment between 1979-80 and 1982-83 has meant not only a rapid increase in the share of social security resources going to unemployed people but an intensification of the dependency of the unemployed on SB. Between February 1981 and November 1982, for example, the proportion of unemployed people wholly or partly dependent on SB rose from 44% to 59%.<sup>2</sup> This drift from national insurance to means tested assistance for the unemployed is not merely a phenomenon of the current recession but has been evident for well over a decade prior to it. In 1966 - the year SB replaced National Assistance - less than three out of every ten people jobless were receiving this payment. By May 1979, however, over half of the males registered unemployed received SB, a sixth of these in addition to their UIB.<sup>3</sup>

A principal reason why the system of national insurance fails to cover the majority of those out of work

is that after one year of unemployment the jobless exhaust their entitlement to benefit - a particularly frequent occurrence in the context of rising long-term unemployment. The exhaustion of UIB need not, however, occur only after one long continuous spell of unemployment. A complex process of linking-up separate spells means that if one spell is followed by another within six weeks then these periods are linked. As a result many of the unemployed find that they have exhausted the year's benefit well before their current spell reaches twelve months - a problem particularly common among people subject to repeated unemployment. Failure to qualify for UIB can also arise because of a person's previous employment record. Some of the unemployed, for example young people who have never worked since leaving school, are disqualified on the grounds that they have not paid sufficient national insurance contributions when in work to entitle them to UIB.

The levels of social security benefits - reviewed annually by Government - represent the actual incomes of most of the unemployed, (Tables 6.1 and 6.2). In November 1983 it was announced that for the year 1983-84 a single person and a married couple would receive £27.05 and £43.75 respectively in UIB. With the corresponding SB rates set slightly lower at £26.80 and £43.50. Families with children, however, receive significantly less in UIB than they do under SB. For example, a married couple with two dependent children, one aged five the other ten, would receive £11.30 less in UIB than on SB in 1983-84. This shortfall between the two types of benefit exposes a major inadequacy of UIB and yet another reason why national insurance fails to adequately provide for the unemployed. Under UIB children's allowances are not as generous as they are for SB and as a result many unemployed families have to take recourse to means tested SB benefit to supplement their income.

Table 6.1: National Insurance Unemployment Benefit Levels  
From 21st November 1983

	<u>£ Weekly Rate</u>
Single Person	27.05
Married Couple	43.75
Child	0.15
*Child Benefit	6.50

\*Paid whether employed or unemployed

\*\*\*\*\*

Table 6.2: Supplementary Benefit Rate Scales  
From 21st November 1983

	<u>£ Weekly Rate</u>	<u>£ Long Term Weekly Rate</u>
Husband and Wife	43.50	54.55
Single Householder	26.80	34.10
Any other Person Aged:		
18+	21.45	
16-17	16.50	
11-15	13.70	
0-10	9.15	

In addition to social security benefits, some of the jobless receive redundancy payments, though these are perhaps better regarded not as maintenance in unemployment but as a once and for all compensatory payment for losing one's previous job. The actual numbers receiving redundancy and the level of payments made have been prone to exaggeration. In 1974 it was reported that only 7% of the unemployed had received any redundancy payment under the Act.<sup>4</sup> It is likely that the proportion will have declined further, as many losing their jobs will not have served the two years in continuous employment necessary for qualification under the Government's scheme.

Significant changes have taken place in the scale and type of welfare benefits available since the Conservatives took office in 1979. In November 1980, although all benefits were increased, the real value of unemployment and sickness benefit was cut, going up by around 5% less than the rate of inflation and behind SB's. The cuts were presented by the Government as interim measures in lieu of taxing UIB, but it meant that the historical link between national insurance and prices had been severed. Child support for families on UIB was also increased by less than the inflation rate - and has been cut further in subsequent upratings - and the real value of Earnings Related Supplement (ERS) was reduced in anticipation of its complete abolition in 1982.

These cuts in the real value of short term benefits inevitably meant reductions in the incomes of the unemployed. During 1981-82 a single person was receiving £1 a week less in UIB than he would have done had benefits been upgraded according to the same criteria as in previous years. The corresponding shortfall in income for a married couple was £1.65 and for those with children £1.20 a week per child. It meant that a family with two children was losing £4.05 each week or £210.60 in the year.<sup>5</sup> Calculating what the

November 1982 benefit uprates meant to the jobless, the Child Poverty Action Group estimated that had no cuts been made in benefit levels since 1979 a married couple with two children would have been receiving £288.60 more in UIB over the year 1982-83.

The abolition of ERS (1980-82) brought a further income loss for the unemployed and destroyed the only innovation designed to lift the great majority of the unemployed off means tested benefits. Around 445,000 jobless claimants were receiving ERS in November 1980 of which the average weekly payment was around £8.80 and the maximum possible £17.67.<sup>6</sup> The loss of this payment, therefore, amounted to a considerable drop in income for those groups among the unemployed who had come to expect receipt of this benefit during their first six months of unemployment.

Some of the cuts in social security benefits introduced by the Conservatives have since been restored. Although coming some time after the taxing of UIB in the normal way - introduced in July 1982 - the 5% abatement of UIB made in 1980 was restored in November 1983. Nevertheless, the overall effect of recent social security policy in a context of rising levels and durations of unemployment has been to reverse the historical longer term aim of social legislation of floating people off means tested benefits by giving them higher insurance payments. As a result of the November 1980 changes in short term benefits and invalidity pensions, the Government calculated that 30,000 people would be pushed onto supplementary benefit, with a further 100,000 following when the abolition of ERS was complete in 1982.<sup>7</sup> And the Raynor team, scrutinising the payment of benefits to the unemployed, estimated that once the new policy changes had become fully effective, around 66% of all unemployed claimants

would be receiving supplementary allowances.<sup>8</sup> At the same time the value of unemployment benefits has fallen. From November 1983, for example, a married man with two children, drawing unemployment benefit, will lose £3.40 per week in addition to any Earnings Related Supplement to which he would have been entitled, as a result of benefit cuts implemented since 1980.<sup>9</sup>

Problems concerning incomes for the unemployed are further complicated by the failure of many to claim the SB to which they are entitled. Not all those excluded from UIB can claim SB. Some may be disentitled, for example, because their savings or redundancy payments exceed £2,000, they have working wives or are married women. Nevertheless, the non take-up of SB is substantial. In 1977 around 20% of the unemployed entitled to SB failed to exercise their statutory right to it, the average amount going unclaimed being £10.10<sup>10</sup> Between then and 1981 it has been officially reported that further reductions in the take-up of SB have taken place although the extent of these may not be very great.<sup>11</sup>

Failure to claim means that huge amounts of SB are lost each year. In 1983 the figure estimated was £500 million although not all of this is accounted for by the unemployed. However, despite this loss of valuable income for the jobless, the Government have possibly been more concerned to clamp down on social security fraud than encourage the take-up of unclaimed benefits. In June 1981 the Social Services Secretary boasted that £40 million - more than half of which came in unemployment benefit - had been saved through the Government's campaign against welfare fraud.<sup>12</sup> No such similar boasts seem to have been made in respect of the uptake of social security benefits although the amounts being saved by the avoidance of fraud are small in comparison to those lost to the poor in unclaimed SB - much of which could

probably be realised in increased incomes if more committed efforts were made in that direction. Strathclyde Social Work Services estimate that their welfare rights officers, if they devote their whole time to individual welfare rights work, each secure £150,000 extra income from all sources - SB, UIB, Housing Benefit and so on - for those whom they advise.<sup>13</sup>

The unemployed are further discriminated against by being denied the long term rate of SB which is paid to those under retirement age who have been living on SB for over one year. The long term rate is for adults slightly over 25% higher than the normal rate and in 1983-84 amounts to £11.05 more a week for a married couple and £7.30 more a week for a single person. The mass of the long term unemployed - except males over 60 years provided they cease to register - never receive this long term rate no matter how long they have been out of work or in receipt of benefit. According to the SBC, in November 1980 about 190,000 claimants who should have had the long term rate of SB if unemployed people had been treated the same as the sick and disabled were being denied this payment. To end this discrimination and allow the unemployed to claim the higher rate of SB would have cost around £135 million in 1981-82<sup>14</sup> - less than half of one per cent of the total £29,500 million spent on social security in that year. Overcoming this inequity affecting the long term unemployed was given high priority by the former SBC who pointed out that "such people have no chance of securing work while unemployment remains at its present level, and it is unjust to deny them the increase in benefit all others get."<sup>15</sup>

A strong emphasis behind recent social security policy has been to economise on public expenditure. Obvious financial benefits have accrued to the Government as a result. Not only have indirect savings been made through the refusal

to extend the long term SB rate to all the long term unemployed and the absence of stronger campaigns to encourage the take-up of benefits, but direct savings have also been made at the expense of the incomes of the unemployed and social security claimants in general. Late in 1982 it was argued that due to the erosion of all social security benefits the Government was paying around £2 billion less than they would have done had the real value of benefits been maintained since they took office.<sup>16</sup>

### 3. Incomes In and Out of Work

In its provisions to maintain the unemployed a further motive of the Conservative Government's approach has been to restore work incentives and encourage unemployed people to make greater and more determined efforts to find work by reducing the attractiveness of unemployment. This notion embodies a particular theoretical view of the cause of unemployment. It sees a significant proportion of it as a consequence of over-generous welfare benefits in comparison with wages which thereby reduces the incentive to work. Whereas this may be an understandable position at a time of full employment its perpetuation when there is an absolute shortage of jobs demands a re-examination of the validity of the assumptions upon which it is based.

Examples of unemployed people and their families being financially better off on the dole than in work have often been cited by the media and Parliament. These, however, tend to be based on individual and unrepresentative examples which may be interesting but are no substitute for hard facts about the difference in incomes in and out of work. A large amount of evidence has been collected which overwhelmingly shows that people suffer a substantial drop in income when they become unemployed, the proportion who get more money in benefit than in wages being very small.



A popular method of comparing the difference between incomes in and out of work is by the use of 'family income replacement ratios' which express the total of all sources of regular family income while out of work as a proportion of total income prior to unemployment. From November 1977 data it has been estimated that - even during the earlier period of unemployment when ratios tended to be higher - at the most 2% of men headed households with potential replacement ratios of above 100%.<sup>17</sup> Those who do have high replacement ratios are a small group and tend to be people with large families living on SB whose previous earnings were low. A DHSS sample study found that only 6% of men received benefits while unemployed that exceeded their net earnings, two-thirds had dependent children and half had previous earnings in the bottom tenth of the earnings distribution. A substantial proportion were much worse off since they had become unemployed - for around a third of the men total family incomes were less than half that received when previously in work.<sup>18</sup>

Not only do the vast majority of the unemployed receive weekly benefits much lower than their previous earnings, these benefits also tend to be much lower than the future level of earnings the unemployed probably expect to receive if they found a new job. Surveys of the unemployed have found people to be fairly flexible about the level of wages they would be prepared to accept on return to work.<sup>19</sup> Although, not surprisingly, there is a widespread reluctance to take a job which would pay the same or only slightly more than the level of social security benefits they received, there is little evidence to support the case that unrealistically high wages are being sought or that employment opportunities are being turned down because of unacceptably low pay. Work by the DHSS estimated that at least half the unemployed covered by its study were willing to go to work despite a drop in their real pay and that of those who had

found jobs many were receiving wages that - after allowing for inflation - were lower than those enjoyed prior to unemployment.<sup>20</sup>

There is, however, another way of looking at the so-called incentive problem. Although only a few people get more out of work than in work, many do not get much more in work either. Indeed, as the tax threshold has, in real terms, fallen over the past generation, the incomes of the working poor have been brought closer to those of the unemployed. Therefore instead of attributing the problem - as is often done - to high benefit levels, it could equally justifiably be attributed to low earnings and high income tax rates on the poor. This perhaps makes it more of a Treasury problem than a DHSS one.

For most of the unemployed then, there is a clear economic incentive to return to work. The financial reward, however, is not the only attraction. There are many other incentives to work such as to escape the stigma attached to being unemployed and to return to the comradeship of fellow workers. Money benefits can also come in other ways apart from wages. The employed often participate in pension schemes and enjoy fringe benefits like lunch vouchers and other perks. It may also be the case that people in work are involved to a greater extent in the black economy than the unemployed, although firm evidence of this is still to emerge. This may surprise some but perhaps it should be expected given that unemployed people tend to become socially isolated and participate less in their community. They have less money to buy the materials with which to operate in the informal economy - like those needed to decorate homes, repair cars and so on - and they lose contact with the people - those in work - who are more likely to demand and be able to pay for these services. These various attractions of work can be powerful influences

and are often neglected by defenders of the unemployed who have been driven to adopt an increasingly defensive posture as they have tried to reject and discredit opponents' assertions about work incentives thereby, in effect, reinforcing the significance of financial comparisons and disregarding many other important incentives to work.

The significant reduction in incomes arising from unemployment and the fact that many of the jobless are eager to return to work even in return for significantly lower wages than they received in the past, undermine the theoretical assumptions of recent welfare policy. The Government's position is that benefit levels are a disincentive to work. Evidence, however, proves this is not true in general terms. Even in the few cases where it may be so those affected are workers with children and who were previously on low pay. Hence, to increase 'incentives' among this group, cuts would have to be made in benefits for families with children. Yet - as evidence below suggests - it is precisely these families which have the hardest time as benefits for children are set lower in relation to their needs than benefits for adults.

Despite this evidence, the Government has responded - as it did in the early 1930s - by treating the incomes of the jobless as an economisable item and have begun to dismantle many of the concepts upon which the post-war welfare state was founded. The link between benefits and rising incomes has been broken and benefit scales, set against average earnings, are now lower than the level of National Assistance rates in 1948. The remainder of this Chapter will now consider what being unemployed means for the standard of living of those out of work and whether they are a distinctive group in this respect from other workers on low incomes.

#### 4. Unemployment and Poverty

The inter-war depression threw up massive sections of the community in manifest squalor and deprivation, with many on the brink of starvation. However, because identical suffering does not exist on the same scale today, it would be wrong to assume that the problem of poverty has been solved. The nature of poverty in the 1980s is complex and to the SBC - whose definition is frequently cited - it denotes 'a standard of living so low that it excludes and isolates people from the rest of the community.'<sup>21</sup> To avoid poverty the SBC argued that

"people must have an income which enables them to participate in the life of the community. They must be able, for example, to keep themselves reasonably fed, and well enough dressed to maintain their self respect and to attend interviews for jobs with confidence. Their homes must be reasonably warm; their children should not feel ashamed by the quality of their clothing; the family must be able to visit relatives, and give them something on their birthdays and at Christmas time; they must be able to read newspapers, and retain their television sets and their membership of trade unions and churches. And they must be able to live in such a way which ensures, so far as possible, that public officials, doctors, teachers, landlords and others treat them with the courtesy due to every member of the community."<sup>22</sup>

Accepting the SB level as the line below which people can be considered to be in poverty, then rising unemployment and the cuts in insurance benefits have meant that increasing numbers of people have fallen to or below this mark which denotes a standard of living which the SBC considered to be

"...barely adequate to meet their needs at a level which is consistent with normal participation in the life of the relatively Wealthy Society in which we live."<sup>23</sup>

The general pattern of financial hardship, the use of savings, the frequent recourse to borrowing and the subsequent problems of debt and the failure to meet payment commitments which often arises from depending on maintenance at this level has been exposed by a large amount of research.<sup>24</sup> One study - echoing the findings of many others - uncovered that even by economising most were unable to stretch their allowance to cover their needs and had to use up savings - if they had any - or borrow money in order to provide for themselves and their families the basic necessities of food, clothing and warmth. Even with this supplementation financial resources were often still insufficient and almost half of the unemployed households surveyed had incurred debts or were in arrears with rent, fuel bills or hire purchase payments.<sup>25</sup>

As savings are used up, other goods such as cars and furniture are sold for money and debts are incurred, the reality of spending lengthening periods out of work is that living standards are adjusted downwards to what, for many, is an impoverished level. Even the temporary protection from this provided particularly for those in steady and relatively high paid employment has gone with the abolition of ERS. A study of the long term unemployed by the MSC has revealed pervasive complaints of financial hardship among this group. In many cases disposable income was found to be enough only for existence rather than living, and some of the jobless had to sell off some of their possessions to survive.<sup>26</sup>

In addition to the use of academic research an alternative and perhaps more illuminating way of demonstrating the hardship experienced by the unemployed is by reference to individual accounts given by the jobless themselves. Newcastle Trades Council<sup>27</sup> and an MP from the North East of England<sup>28</sup> have each separately compiled many of these

accounts, the latter sending them as an educational parcel to the Prime Minister. In a similar vein the Child Poverty Action Group surveyed sixty-five families on SB, many of whom were long term unemployed.<sup>29</sup> Families frequently told of being unable to afford normal household commodities such as toothpaste, washing up powder, newspapers or television. Children missed out on school trips, toys and new clothes, and the financial burden of travel often meant very irregular contact with friends and family, even when certain individuals were ill or in hospital. It was often impossible to heat the home due to the difficulty in meeting bills, this being a particular problem in council houses with expensive heating systems. The especially difficult struggle the unemployed on SB face even when compared with the disabled, one parent families and other SB claimants has been highlighted by David Donnison the former Chairman of the SBC. He points out that the jobless

"are generally less likely than other claimants to have the full set of clothing listed in our B040 guidelines, less likely to own domestic equipment such as vacuum cleaners and refrigerators, more likely to live in overcrowded houses, more likely to run up debts, and less likely to have savings. When debts accumulate, or savings are spent, the money is usually used to buy food and clothes and to pay the rent - the basic essentials for keeping the wolf from the door."<sup>30</sup>

Within this general hardship suffered by the unemployed the group who fare worst of all are those with dependent children. At the close of 1980, for example, around one-quarter of a million unemployed accounted for almost half a million dependent children. The SBC have concluded that there is ample evidence that unemployed families with children are more seriously affected by poverty than others living at or close to SB levels.<sup>31</sup> The main reason for this is the low rates paid in SB for children. David Piachaud's study, 'The Cost of a Child', strongly suggests

that children's rates are lower in relation to need than adult rates, as do comparisons made by the SBC with rates paid in Germany and other countries. Child Benefits too - paid to families with children whether in or out of work - are set lower than need. It has been estimated that if they were to genuinely provide for even the minimum requirements of a child, they would need to be raised by about one half.<sup>32</sup> In fact to match the level of child support in 1955 they would have to be raised from £6.50 - the rate from November 1983 - to more than £9.00.<sup>33</sup>

The problem of child poverty is not restricted to the unemployed. In Peter Townsend's national study of poverty, next to pensioners living alone, the group with the highest incidence of poverty were families with four or more children.<sup>34</sup> Indeed more than half the people in poverty were accounted for by families with dependent children, these being mainly larger families of low paid workers (see Table 6.3). Since this work was carried out in the late 1960s a new pension scheme and other benefits have been introduced for pensioners. These changes along with the huge increase in unemployment must mean that it is even more true today that children - not old age as commonly assumed - are the principal cause of poverty if that standard is defined in Townsend's rather ambitious way. The unemployed, therefore, are not unique in the hardship they suffer but are joined by many low paid workers with children. The fact that this latter group account for a large share of those in poverty is perhaps not surprising given that Britain is a country with low minimum wages, no effective enforcement of a legal minima and low child benefits.

## 5. Conclusions

As in the inter-war years rising unemployment has meant that over half those out of work have come to depend on

Table 6.3: Percentage of Persons in Different Types of Households with Gross Disposable Income below the Deprivation Standard

Type of Household	Percentage of Persons in Each Type of Household in Poverty	Total No. = 100%	Percentage of Persons in Poverty
Single person			
aged under 60	17.1	111	1.6
over 60	64.8	227	12.5
Man and woman			
both over 60	45.7	332	12.9
one over 60	23.1	104	2.0
both under 60	9.4	510	4.1
Man, woman,			
1 child	5.2	402	1.8
2 children	16.3	687	9.5
3 children	25.7	389	8.5
4+ children	60.8	309	16.0
3 adults	12.5	554	5.9
3 adults plus children	19.0	603	9.8
4 adults	6.5	245	1.4
Others without children	13.9	183	2.2
Others with children	29.7	476	12.0
All types	22.9	5,137	100.0

Source: Townsend P. (1979) 'Poverty in the UK', p.290



means tested assistance for their maintenance. With high unemployment likely to persist, this situation seems set to continue and possibly worsen for some time to come. Recent Government policy has done nothing to halt this shifting dependency of the unemployed away from insurance and onto means tested maintenance. In fact, in the scrapping of ERS, the Government has intensified it and has continued to perpetuate discrimination against the unemployed by treating those without work less favourably than other groups among the poor. It is, therefore, the unemployed - many of whom make up the very poorest in our society - who are paying a large part of the financial cost of running the economy under conditions of high unemployment.

Much of the discrimination against the unemployed within the social security system and the reluctance to improve the living standards of the jobless is justified on the basis that the unemployed are in some way responsible for their plight by pricing themselves out of jobs and that benefits should be lowered to increase the incentive to work, thereby forcing people back into employment. When examined against the evidence available these assertions cannot be sustained in general terms. It is the lack of jobs not the level of benefits which is responsible for employment. For the childless and those with one child, benefits could be increased without seriously damaging people's desire to work which is motivated by a wider range of concerns than merely its financial attractiveness.

Improving the living standards of the unemployed with larger families is more complicated. They are not a distinctive group in the poverty they experience but are joined by many others in work who receive low wages and have families to support. This makes it particularly difficult for Governments to be generous in their treatment of the unemployed with children lest they provoke opposition among

the large numbers of the working poor who might then be worse or at least no better off. In the past such tensions between those excluded from work and the working poor were less likely. When unemployment was not so much of a problem being usually very brief and when more working class families with children paid no income tax, priority in welfare policy could be given to raising pensions, improving disability benefits and so on. However, now that unemployment is high, frequently long term and producing widespread hardship, and with people possibly more aware of the costs of social services because of the fall in tax thresholds, any attempt to tackle the problem head-on by raising benefits for the unemployed with large families threatens to divide and split the working class by provoking resistance among low paid workers. Apart from radical change in the distribution of wealth, work and power in society, an attack on family poverty which avoids the potential divisiveness of concentrating on the unemployed would require increases in Child Benefits, Family Income Supplement (FIS) or other benefits which go to the working poor. Given that take-up rates of FIS have been poor, currently only about 50%, the single most suitable and immediately feasible option to reduce poverty in Britain is probably to increase the level of Child Benefits.<sup>35</sup>

Notes: Chapter Six

1. Burghes L., 'Unemployment and Poverty', in Burghes L. and Lister R. (eds), (1981), p.83.
2. HMSO (1983), 'Second Report of the Social Security Advisory Committee 1982/83'.
3. Showler B. and Sinfield A. (1981), p.22.
4. Daniel W.W. (1974), 'A National Survey of the Unemployed', p.117.
5. Burghes L., (1981) op.cit., pp.84-5.
6. Burghes L., (1981) op.cit., p.84
7. The Observer, 'What cuts in benefits will mean for Britain's poor', 23.11.80, p.5
8. DE (1981), 'Payment of Benefits to Unemployed People', DE and DHSS, para 3.16.
9. The Unemployment Unit (1984), 'Unemployment Unit Briefing, Chronology of recent Unemployment Benefit Cuts', January.
10. DHSS Social Security Statistics 1980, HMSO, Table 34.28.
11. HMSO (1983), op.cit., p.8, para 2.9.
12. Guardian, 'Benefits Clampdown saves £40m', 5.6.81, p.1.
13. Quoted in University of Glasgow (1982), 'GEAR Review, Social Aspects', Department of Town and Regional Planning and Housing Research Group, October.
14. Burghes L., op.cit., p.88.
15. SBC Annual Report (1979), Cmnd.8033, September HMSO, p.86, para. 9.22.
16. Guardian, 'Benefits Boost hides £2b cuts', 22.11.82, p.3.
17. Atkinson and Fleming (1978), 'Unemployment, Social Security and Incentives', in Midland Bank Review, Autumn, pp.6-16.
18. Davis R., Hamill L., Moylan S., and Smee C.H., 'Incomes in and out of work', in Department of Employment Gazette, June 1982, pp.237-243.
19. See, for example, MSC (1980), 'The Long Term Unemployed', and Moylan S. and Davis B., 'The Flexibility of the Unemployed', in Department of Employment Gazette,

January 1981.

20. Moylan S. and Davis B., ibid, p.32.
21. SBC quoted in Sinfield A. (1981), 'What Unemployment Means', p.54.
22. SBC quoted in Donnison D. (1982), 'The Politics of Poverty', p.8.
23. SBC (1977) 'SBC Annual Report'.
24. See, for example, Smith D. (1980), 'How Unemployment makes the poor poorer', in Policy Studies, Vol. 1, Part 1, July, and Clark M. (1978), 'The Unemployed on supplementary benefit: living standards and making ends meet on a low income', in Journal of Social Policy, Vol. 7, Part 4.
25. Clark M. (1978), ibid.
26. MSC (1980), op.cit.
27. Newcastle Trades Council, 'On the Stones'.
28. Low Pay Unit (1980), 'A Dossier of Despair', letters sent to Ian Wrigglesworth when he was Chairman of the Northern Labour Group of MPs.
29. CPAG (1980), 'Living from hand to mouth; a study of 65 families living on supplementary benefit', Family Service Unit.
30. Professor David Donnison, quoted in account of BASW Conference, in Social Work Today, 20th September 1980.
31. SBC (1980), op.cit., p.55, para 6.47.
32. Piachaud D. (1980), 'The Cost of a Child', CPAG Poverty Pamphlet 43.
33. Brown G. and Cook R. (eds) (1983), 'Scotland the Real Divide', pp.14-15.
34. Townsend P. (1979), 'Poverty in the United Kingdom'.
35. For a more detailed discussion of these issues see Carmichael K., 'Family Poverty', in Brown G. and Cook R. (eds) (1983) op.cit., pp.145-51.

## CHAPTER SEVEN

### HEALTH, SOCIAL AND OTHER EFFECTS OF UNEMPLOYMENT

#### 1. Introduction

The consequences of unemployment do not stop at lower living standards and poverty. The possible effects on people's psychological and physical health and on their social relationships and conduct brought on by material hardship, the disruption of normal routines arising from unemployment, and other factors - like attitudes to work and non-work - have been subject to a great deal of speculation and research. Much of this suggests that some of the unemployed suffer not only a fall in living standards, but a decline in their health and can be encouraged into anti-social or criminal activity. If this is the case then it holds major political and moral implications.

This Chapter examines some of the existing evidence and considers to what extent it allows arguments for causal link-ups between unemployment and various indices of ill health and social disorder to be sustained. During this review of the research, suggestions are made about what might be the main factors connected with unemployment which bring damaging human and social consequences. The Chapter concludes by discussing how some of these negative influences might be removed and the implications their removal could have for Government's treatment of the unemployed.

## 2. Psychological Implications

Working people, particularly in areas of high unemployment, rely heavily on social networks. They often live in a 'word of mouth economy' in which jobs are secured not from job centres or newspaper advertisements, but by hearing from a workmate, relative or friend about them. Other information, about housing and welfare rights for example, probably comes in the same way. Once out of the main job-related networks people are less likely to hear of opportunities in a wide range of areas; concerning work, recreation, shopping and so on. It is not only the unemployed male head of the household who is affected. The fact that social security rules penalise the working wife, taking benefit away, pound for pound, as wages rise after disregarding only the first £6 per week, also tends to exclude the whole family even more completely from these networks. When these important human ties are broken, unemployed people are more likely to suffer poverty and psychological consequences of their exclusion such as loneliness and depression.

Recent work on the psychological effect of unemployment builds on a tradition begun in the 1930s. Researchers in that era were largely concerned with the psychological effects on unemployed people and stressed the importance of work and a structured working life and the pathological symptoms emerging when these were removed.<sup>1</sup> Two contemporary writers summarised what seemed to be the general pattern to the psychological deterioration effected by continued unemployment in the following terms:

"...first there is shock, which is followed by an active hunt for a job, during which the individual is still optimistic and unresigned; he still maintains an unbroken attitude. Second, when all efforts fail, the individual becomes pessimistic, anxious, and suffers active distress; this is the

"most crucial state of all. And third, the individual becomes fatalistic and adapts himself to this new state but with a narrower scope. He now has a broken attitude."<sup>2</sup>

A similar pattern, proceeding through four stages of 'shock', 'optimism', 'pessimism', to finally 'fatalism', was outlined by Bakke in 1933, (see Fig. 7.1). Recent research suggests that a similar pattern still exists today, particularly among prime age working groups with responsibilities and a history of steady employment. In his national survey of the unemployed Daniel (1974) found common complaints of boredom followed by depression and apathy and then by feelings of personal failure and inadequacy. Some of the jobless also felt that others looked down on them because they were out of work.<sup>3</sup>

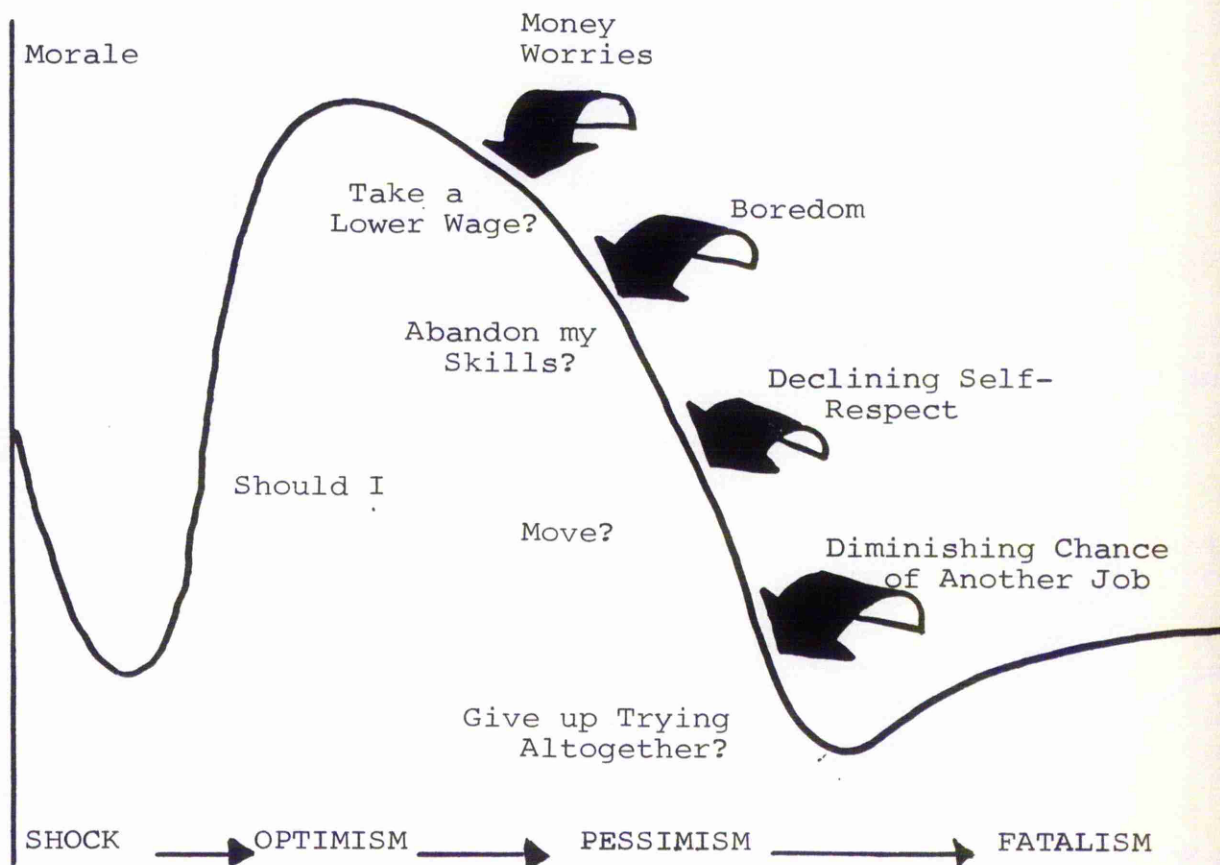
More recent investigation among the long term unemployed confirms the corrosive effects of prolonged unemployment on an individual's mental attitude. Researchers have concluded that

"there comes a point when people can no longer sustain the motivation in the face of continued rejection, heightened awareness of their own shortcomings, disillusionment with job finding services, belief that all available options had been covered, and a knowledge that jobs are scarce anyway ... people become locked into a vicious circle and lack of success in job finding reduces even further their chances of finding work."<sup>4</sup>

The lowest levels of self esteem were found among the young, who suffered badly because of the break up of social contacts and the loss of school friends, and older people whose working lives had ended prematurely. Few people among these groups were able to organise and use their enforced free time in a constructive way.

A DHSS funded series of case studies of unemployed

Figure 7.1: The Psychological Experience of Unemployment



SOURCE: Harrison (1976), p.340, from Bakke (1973).



families found that the loss of a job could set in motion psychological changes which in some breadwinners could result in clinical depression.<sup>5</sup> A wide range of possible symptoms were identified including feelings of sadness, hopelessness and self-blame, lethargy, lack of energy and loss of self esteem, insomnia, withdrawal and poor communication, loss or gain of weight, suicidal thoughts, impulsive and sometimes violent outbursts, and an increased use of tobacco or alcohol. Not everyone subject to depression experienced the same symptoms at the same time. Nevertheless, the researcher felt able to conclude that where the depression occurred immediately after the loss of a job anxiety and agitation predominate, but if it occurs after many months of unsuccessful job search it is characterised particularly by lethargy, resignation and withdrawal.<sup>6</sup>

Damaging psychological effects of unemployment are not confined to the individual but can extend into marital and family relationships. The lack of money and the greater time families find themselves together often combine to increase tension and ill feeling between husband and wife.<sup>7</sup> Pressures can range from minor irritations like 'getting on each other's nerves' to more serious emotional difficulties and permanent rifts in a relationship, with the failure to understand one another's problems and support each other. The author of the DHSS sponsored research mentioned above found that difficulties were particularly severe in cases where problems may have existed in a relationship prior to unemployment, the continued unemployment of the breadwinner sometimes creating tensions severe enough to break up the household. In cases where the male breadwinner was unemployed, there being no alternative means of support, the response of wives to their husband's unemployment was often one of bitterness, blaming him for being out of work and accusing him of not really being committed to finding a job.<sup>8</sup> The

results complemented earlier work by the same author which provided evidence that psychological tension could, at times, result in extreme cases of marital violence and divorce.<sup>9</sup>

### 3. Links with Mortality

Perhaps the most controversial area within the debate on unemployment and health has been the attempt to demonstrate a statistical association between unemployment and death. Work in Britain follows in the wake of US efforts, where research by Dr. Harvey Brenner excited much attention. Looking at American records of business cycles from 1900 onwards, and correlating these with indices such as mortality rates in general, mortality due to heart disease, alcohol consumption and associated illnesses, psychiatric hospitalisations, suicide and homicide, Brenner claimed a strong positive relationship between economic instability and the deterioration of health, with health indices usually lagging one to five years behind economic indices. He argued that on the basis of data covering a thirty year period, a 1% rise in the rate of unemployment in the USA sustained for six years had been associated with approximately 36,887 deaths and 4,227 extra state mental hospital admissions.

Repeating his work for the UK using time series data for 1936-76, Brenner demonstrated that workers in industries exposed to continuous economic fluctuation - such as those involved with cars, clothing, building and recreation and those in semi-skilled or unskilled employment - suffered increased mortality two to three years after a recession. Furthermore, he argued that workers subject to 'downward social mobility' whether through recession, redundancy or

technological change will also have an increased likelihood of mortality, particularly if another stress appears.<sup>10</sup> From his data suicide and homicide rates lagged one year behind an economic downturn, while deaths due to heart disease began to increase after two to three years and persisted in the community for ten to fifteen years. The general impact of high unemployment in Britain in recent years did not appear to have increased overall mortality rates but had slowed down their long term decline. If Brenner is correct, then a sustained rise in unemployment of one million over five years could be associated with around 50,000 additional deaths and over 66,000 cases of mental illness. For Liverpool he suggests that every 1% increase in unemployment between 1970 and 1975 was accompanied by an additional 220 deaths in the over-45 age group. In Scotland, largely because of a poorer health record and a long period of heavy redundancy, deteriorating health begins more quickly - about two years sooner - than in England and Wales.<sup>11</sup> Support for this has come from the Scottish Health Education Group who claim that the rate of deaths from heart disease in Scotland increases after only about a year's unemployment.<sup>12</sup>

Although the relationships Brenner and others are seeking to prove carry huge political implications, much of the existing evidence should be treated with caution. Brenner's approach has been criticised and the model he adopts challenged as being incorrectly specified, omitting certain variables and based on weaker than necessary data. Critics argue that the interrelationship he adopts between the incidence of poverty, unemployment, low earnings and high mortality and high morbidity rates makes it very hard to disentangle the effects of unemployment from the effect of other variables.<sup>13</sup>

Much of the criticism levelled against Brenner's work and approaches like it seems justified. The complex and variable nature of the time lags he uses is suspicious given that a desired association between 'cause' and 'effect' can often be achieved by changing the length of lags adopted. A proper statistical test of a relationship between unemployment and health should probably first develop an explanatory theory, demonstrate that it works on the population for which it was designed, and then seek to show that it works again by applying it to a different time and place without amendment. Dr. Brenner never does this but rather tinkers with the lags and correlation coefficients to adapt them to each new data set. Furthermore, researchers in this field do not seem to have worked out clearly specified causal theories which could be rigorously tested by comparing mortality rates for different kinds of diseases - which might be related or unrelated to unemployment and affect different types of workers - in a way that would refute, test and develop hypothesis.

#### 4. Effects on Mental Health

Possibly a better way of attempting to demonstrate the relationship between unemployment and ill health is provided by a study of school leavers in Leeds. The young people were interviewed three times each over a period of about two and a half years. The psychological health of those unemployed after leaving school was compared with their counterparts who had found employment. School leavers who were unemployed and wanting a job were found more likely to suffer from minor psychological disorders than those who were employed. As the initial round of interviews had revealed no differences between the young people in regard to their psychological health

before they had left school, the differences seem to have emerged after leaving school with the health of those experiencing unemployment deteriorating. The results are a significant step towards establishing the direction of the relationship between unemployment and psychological disorder, strongly suggesting that it is unemployment that leads to the problem rather than the other way round.<sup>14</sup>

Another study in Dundee compared the types of medical complaints suffered by workers before and after the closure of their factory was announced. Men in the process of becoming redundant were found to be more prone to headaches, gastric upsets, feelings of fatigue and suffocation, dizziness, insomnia, vague aches and pains and other evidence of distress.<sup>15</sup> The results show how pending redundancy can spark off a range of ailments among workers affected although the evidence would have been more conclusive had those workers suffering more ailments been followed up to determine whether they were more likely to continue reporting ill-health if they remained unemployed than colleagues who remained in work.

Extreme expressions of mental ill health are suicide or attempted suicide and there is disturbing evidence that the incidence of people taking their own life while subject to a depression induced by joblessness has been rising. A steady decline in the suicide rate during the 1960s was reversed in 1972 and has since risen along with the level of unemployment. It was recently claimed that unemployed men were more than twice as likely to commit suicide as those in employment, possibly reflecting the capability of unemployment to induce a fatal depression in a man previously in good health.<sup>16</sup> However, this relationship - if it exists - is not a simple one. Prior to 1972, as suicide rates had been falling while unemployment had been rising

other factors apart from the numbers out of work must have been operating. The introduction of non-poisonous North Sea gas was probably a main one.

The argument that unemployment itself can create severe mental distress or deep depression resulting in suicide is supported by numerous examples of people taking their own life reported by coroners' inquests and the press throughout the country. In some cases suicide has taken place very early into unemployment or even at the prospect of it. One foreman at GEC Stafford was highly distressed at having to notify workmates of redundancy and killed himself.<sup>17</sup> Another man, married in his late twenties and working at the Dunlop factory in Speke, took his life after learning that he was to be made redundant.<sup>18</sup> In other instances suicide seems more related to the inability to adjust or accept being out of work. In Sunderland a coroner attributed a man's suicide to the fact that he "was unemployed for the first time in his life, at fifty-two years of age, and could not cope with the feelings of inadequacy and frustration of being out of work." Around the same time the Newcastle Journal reported the case of an unemployed Newcastle man found hanged at his home by his young son. The coroner was told by the man's daughter that her father had become depressed after being made redundant because he was unable to find work. He had said the money he was living on was very low and on one occasion had said he wished he was dead.<sup>19</sup>

The psychological syndrome outlined by Bakke and mentioned earlier, (see Table 7.1), could help to partially explain some suicides. In the four cases cited above workers took their lives either at a very early stage when they appear to have been deeply distressed and unable to cope with the prospect of unemployment or at a later point when they had become demoralised by their failure to find

a job. In each instance suicide probably took place at a time when morale had fallen steeply, which corresponds to Bakke's 'shock' and 'pessimism' stages. Although Bakke's graph provides no timescale for the syndrome - a difficult task as it would depend on the state of the economy and how individuals perceive their prospects in the labour market - it suggests that there are certain times before unemployed people become resigned to their plight when they are more prone to acute mental distress and its possible tragic consequences.

Bakke's scenario suggests a low but less fluctuating morale among those who become 'fatalistic' about their prospects of finding employment, which probably refers to people who wanted to work but now believe that they will not find a job and are managing to cope with this realisation. It says nothing, however, about the relative size of this group. Indeed it may well be a diminishing one as periods out of work lengthen, with workers becoming more and more prone to pathological symptoms. One study has looked at the relationship between unemployment and attempted suicide in Edinburgh over the fifteen years 1968 - 1982.<sup>20</sup> Apart from finding a strong link between unemployment and attempted suicide - unemployed men being eleven times more likely to attempt suicide than employed men - the relationship between attempted suicide and duration of unemployment was particularly strong. In one year 2,165 out of every 100,000 men out of work for more than a year attempted suicide, whereas for those unemployed between six months and a year the figure was 1,193, and for those unemployed less than six months it was 708. In this and other instances it seems, therefore, that the duration of unemployment is more important than total numbers out of work, in explaining the detrimental effects on health among the jobless.

When considering the evidence at hand about the effects

of unemployment on health more generally, it is important to distinguish between different groups among the jobless and the source of the pressures they experience. It is only since about 1979 that the numbers of people in work have been falling, which means that a number of people adversely affected by unemployment will be those, such as school leavers, who expected to enter the formal economy but are now being denied this opportunity. The damaging effects of unemployment on those who expected to be in work are therefore largely created by the attitudes and expectations of the rest of society. For other groups the nature of the problem will be different. Workers normally in employment but now out of a job, while also affected by social attitudes to work, may be damaged to a greater degree by other factors like the effects of poverty, loss of income and so on arising from depression.

Another factor, and one connected with the type of workers most vulnerable to unemployment and the deprivation it causes, is that lower occupational groups tend to suffer poorer health at all stages of life than better off groups. A Working Party reporting to the DHSS in 1980 found that in 1971 the death rate for unskilled adult males was nearly twice that of adult professional males with the gap in the death rate for certain specific diseases even wider. A particularly disturbing conclusion of the report is that, despite the existence of the National Health Service, there has been no improvement in the health standards of manual workers relative to professionals over the past thirty years. Indeed in some cases - blue collar workers compared to white collar workers of a similar age for instance - there has been a deterioration in the relative position of the poor.<sup>21</sup>



## 5. Crime and Disorder

Unemployment can have far reaching social consequences beyond the health of individuals and their families. There may be a causal link between the extent of unemployment and the level of criminal activity and the degree of turbulence in society, although - as with the effect on health - evidence available is often contentious or speculative. Most of the available evidence focusses on the actual association between unemployment and crime rates and a good deal comes from American studies. In addition to his research on mortality, Brenner also undertook time series work in which he examined unemployment and crime data over a period of seventy years for the US, Canada and the UK. He concluded that significant relationships existed between economic policy and measures of national well-being and that actions which influence national economic activity, especially the unemployment rate, can have a substantial bearing on criminal activity in addition to physical and mental health.<sup>22</sup>

Further evidence of a positive association between unemployment and criminal activity, particularly amongst the young, is provided by Phillips et al who argued in 1972 that changing labour market opportunities were sufficient to explain increasing crime rates on the basis that young people not working were found to have significantly higher crime rates than those who were.<sup>23</sup> Almost a decade earlier, another researcher, examining the effects of income on delinquency, concluded that a drop in income could have as great an impact as unemployment and suggested that a 10% rise in income in high delinquent areas could be expected to reduce delinquency rates by 15% to 20%. However, since crime rates have risen over a long period when real incomes were rising too, this correlation cannot be true

in a simple or direct sense. It may be relative, rather than absolute, poverty that is related to delinquency. The above case may suggest that certain groups - like young males in their late teens - tend to become more crime-prone when deprived of standards of living because they see others enjoying them which they have come to expect. But there will also be other factors at work. Increasing affluence plus the growth of supermarket and self-service retailing, for example, means that there is more to steal, located in more readily accessible places.

The feelings of those in the front line against crime tend to support the case for an association between criminal activity and unemployment. The 1980 Annual Report of the Northumbria Police compared two six month periods in which crime and unemployment figures were collected in the county: January - June 1978 and July - December 1980. It was found that unemployment rose by 29% and crime by 14% between these two periods. The study also found a rise of 48% in the number of detected crimes committed by unemployed people.<sup>24</sup> Further evidence of an association is provided by the Association of Chief Probation Officers who claim that their case-load of work is made up of people between 80% and 90% of whom are unemployed. In their experience they claim that there is no doubt that unemployment and crime are linked.<sup>25</sup>

The causal relationship between unemployment and crime is a two-way one. Compared to those in work the unemployed are treated by the legal system in a manner which damages their general employability. Statistics show that unemployed offenders are less likely to be given bail and receive parole than employed offenders and more likely to be given a custodial sentence or end up in jail through non-payment

of fines.<sup>26</sup> It is generally held that having served a prison sentence detracts from 'employability', especially in times of high unemployment, much in the same way as the experience of long term unemployment does. Studies have also shown a link between recidivism and unemployment. One concluded that offenders who committed their original crime while unemployed had a 73% chance of being reconvicted.<sup>27</sup>

In addition to overtly criminal activity, rising unemployment will influence the level of stability or the extent of disorder in society. Although the degree of political and public tolerance of current levels of unemployment and the absence of jobless protest may seem surprising in the present economic crisis, civil disorder has broken out and, in part, is attributed to unemployment. The urban riots during the summer of 1981 have been blamed on a complex range of causes. But, as the Scarman Report highlighted, in addition to issues concerning the police, poor housing, racial tension and so on, high unemployment in the city districts subject to turbulence was thought to be an important causal factor.

## 6. Effects on Social Structure and Mobility

If the numbers of people excluded from the formal economy persist or rise then it will probably mean profound changes in social structure. It is difficult to predict with certainty what these will be although a number of preliminary speculations are possible. Since the War the British economy has been characterised by certain features, many of which have been undermined by rising unemployment. Up until 1979 it was an excepted norm that the vast bulk of the labour force would be in stable continuous employment,

the numbers of people experiencing long term unemployment would be small, and the majority of those who fall out of work would be unemployed for only a temporary period before returning to employment. Evidence also points to rapid social mobility in the post war period for people born between 1908 and 1947 and the gradually rising probability for sons of manual wage workers and men from intermediate classes to gain access to service-class positions.<sup>28</sup> Almost continuous and often relatively high rates of economic growth transformed the occupational division of labour, and rapidly so from the 1940s onwards.<sup>29</sup> The growth of professional, higher technical, administrative, and managerial positions created room for others to acquire upwards social mobility through individual advancement, as is reflected in the massive growth over the years 1950 to 1975 in the number of women at work, a significant - though less massive - increase in white collar and more skilled jobs and a decline in unskilled employment. However, despite the chances of men from all social backgrounds gaining entry into the expanding higher levels of the occupational and class structures having increased in the post war period, relative chances of social mobility have not only remained unaltered but have tended to widen, and no significant reduction in class inequalities has been achieved as a result of economic growth.<sup>30</sup>

The economic situation and the changes it afforded for social mobility have changed markedly since the early 1970s. We may be moving towards a situation where the stable employment sector is steadily shrinking while the numbers excluded from work on a long term or possibly permanent basis is rising. Between these two extremes there may be a growing population of 'sub-employed' who oscillate between low paid and insecure employment and unemployment and who along with the rest of the jobless

are locked into poverty. There is also no longer the same opportunity for enhanced living standards through individual advancement. The changed economic circumstances mean that there is very little individuals acting alone can do to effect changes in the social structure. Advancement, if any, for most working class people will in future need to be collective with people acting as members of their class, occupation or community. However, the scope for collective action may have been undermined by the nature of recent social mobility. By being based more on individual advancement and less on collective action, the type of social solidarity which will now be needed may have been reduced. It may also mean that those who remain in work, and do relatively well, will be less inclined to feel a loyalty and responsibility to the unemployed. As Goldthorpe has suggested,

"...the extent of upward social mobility over recent decades, occasioned by the expansion of the service class, has been a major stabilising influence in British society in creating a sizeable grouping of men within this class who are aware of having 'made their way' and done well for themselves ... and whose attitudes towards the existing order of society would thus seem likely to be ones of approval and gratitude."31

Furthermore, it has probably

"...removed the possibility of widespread resentment over the extent of inequalities of opportunity ... (and) ... served to obscure the fact that the social policies of the post war period must be reckoned as largely ineffectual so far as the creation of a more open society is concerned."32

The way changes in social mobility and in the confidence and security of the working class have been brought about in recent years seems, therefore, to have had an important bearing both on the potential for future advancement and in public attitudes to unemployment.

## 7. Conclusions

The evidence available on the health and social consequences of unemployment is complex. It covers many issues; some results are concerned with the effects of unemployment while others deal with the effects of non-work. Even in cases where the evidence of a positive association is strongest, it is often difficult to determine whether the main cause of the problem stems from the level of deprivation experienced or is influenced more by attitudes about work and employment. Falling living standards, depression, stress and so on are clearly evident among the unemployed although the causal tie-up with indices of ill health, criminal activity and turbulence are often unclear. More research is needed and of a type where the findings are less likely to be dismissed on methodological grounds and thereby allow the damaging effects of unemployment and their political and moral consequences to be avoided.

Although research of this nature is valuable, it may be more important to focus on the attitudes of the whole society to unemployment to understand why being out of work can be so damaging to people. Individuals have expectations about securing employment and these are encouraged and endorsed by broader public attitudes. When the opportunity to enter paid work is denied, people often suffer negative psychological consequences, particularly when they perceive that critical social attitudes are directed towards them because they are unemployed. These attitudes, operating both at an individual and group level, may be more significant in explaining certain damaging effects of unemployment than are the material hardships which the unemployed undergo.

In a changing economy many of our traditional notions about employment and unemployment are becoming outdated and can be used to generate and sustain social attitudes critical of those out of work. The damage these bring to unemployed people could be ameliorated by a political approach which would not encourage them - for example, by not presenting the unemployed as a burden on the taxpayer - although a more significant change will require a broader shift in public attitudes, particularly among those in work. Only if a collective, caring, mutually supportive response to social problems and needs is more widely advocated can we expect a more humane attitude to the unemployed to emerge.

In addition to removing many of the damaging social pressures being exerted on those out of work, a change in public attitudes could open up possibilities for new policies geared to better the lot of the unemployed of which there are probably several options open to Government. It could adopt economic policies designed to return to full employment or something nearer to it. Alternatively, if it decided that it is not possible to rebuild the formal economy as it existed, Government could either explore ways of sharing out work and non-work more fairly and reducing working hours for all or it could accept a continuing distinction between the employed and the non-employed but attempt to bring the living standards of the unemployed closer to those of the employed. However, changing attitudes need not lead to reforming policies. Other, less attractive, scenarios can also be envisaged. If attitudes among the majority of the workforce who are still in work harden against the unemployed, more repressive attempts to drive down wages, cut social security benefits and divide and control workers could emerge.

Notes: Chapter Seven

1. See, for example. The Pilgrim Trust (reprinted 1968), 'Men Without Work', Cambridge University Press; Bakke E.W. (1933), 'The Unemployed Man', Nisbet; Jahoda M., Lazerfield P.F. and Zeisel H., (reprinted 1972), 'Marienthal: the sociology of an unemployed community', Tavistock.
2. Eisenberg P. and Lazerfield P.F. (1938), 'The Psychological effects of Unemployment', Psychological Bulletin.
3. Daniel (1974), p.44.
4. College M. and Bartholomew R. (1980), 'The Long Term Unemployed: some new evidence'. Department of Employment Gazette, January, p.10.
5. Fagin L. (1981), 'Unemployment and Health in Families', ISBN 0/902650/23/8, Department of Health and Social Security.
6. Ibid, pp.115-116.
7. See, for example, Marsden D. and Duff E. (1975), 'Workless - some unemployed men and their families', Penguin; and Fagin L. (1981), op.cit.
8. Fagin L. (1981), op.cit., p.110.
9. Fagin L. (1979), 'The Psychology of Unemployment', Medicine in Society, Vol. 4, No. 2.
10. Brenner H. (1979), 'Mortality and the National Economy', The Lancet, 15th September, pp.568-573.
11. The Guardian, 'Dole will kill more Scots than others', 9.11.81.
12. The Scotsman, 'Doctor tells of health risk to the unemployed', 9.10.81.
13. For criticisms of Brenner's work see, for example, Gravelle H.S.E., Hutchinson G. and Stern J. (1981), 'Mortality and Unemployment: A Critique of Brenner's time-series analysis', The Lancet, 26th September, pp.675-679. Gravelle H.S.E., Hutchinson G., and Stern J. (1981), 'Mortality and Unemployment: a



- cautionary note', Centre for Labour Economics, London School of Economics, Discussion Paper 93, September.
14. Banks M.H. and Jackson P.R. (1982), 'Unemployment and risk of minor psychiatric disorder in young people: cross sectional and longitudinal evidence', *Psychological Medicine*, No. 12, pp.789-798.
  15. Campbell J., Balfour H., Finlay H. and Wilson M. (1973), 'The role of the occupational health nurse in redundancy', *Occupational Health Nursing*, Vol. 21, February, pp.12-14.
  16. The Guardian, 'Deadly risks of idleness', 11.11.82, report of the British Association Conference.
  17. Newcastle Trades Council, 'On the Stones', undated, p.26.
  18. Ibid, p.24.
  19. Ibid, p.26.
  20. Platt S. (1983), 'Unemployment and Parasuicide ("Attempted Suicide") in Edinburgh 1968-1982', *Unemployment Unit Bulletin*, No. 10, November, pp.4-5.
  21. Townsend P. and Davidson N. (eds) (1982), 'Inequalities in Health - the Black Report', Pelican.
  22. Brenner H. (1976), 'Estimating the Social Cost of National Economic Policy: Implications for Mental and Physical Health and Criminal Aggression', prepared for Joint Economic Committee, Congress of United States, US Government Printing Office, Washington.
  23. Philips L., Votey H.L. and Maxwell W. (1972), 'Crime, Youth and the Labour Market', *Journal of Political Economy*, Vol. 80, pp.491-504.
  24. Dean M., 'Making the link between crime and unemployment', *The Guardian*, 1.5.82.
  25. The Guardian, 'Probation chiefs link jobless and crime total', 4.10.82.
  26. Dean M., op.cit.
  27. Dean M., op.cit., quoting a study by Martin and Webster.

28. Goldthorpe J.H. et al (1980), 'Social Mobility and Class Structure in Modern Britain', Clarendon Press, p.72.
29. Ibid, p.251.
30. Ibid, p.76 and p.252.
31. Ibid, p.263.
32. Ibid, p.276.

SECTION III

LOCAL RESPONSES TO UNEMPLOYMENT

\*\*\*\*\*

## CHAPTER EIGHT

### GOVERNMENT AND ITS AGENCIES - THE EMERGING TRADITION OF AREA-BASED ECONOMIC REGENERATION

#### 1. Introduction

During the 1970s the British Government abandoned the policies followed since the war for managing the economy on a national scale and thereby maintaining high levels of employment. Government, it is now assumed can do no more than provide an environment that encourages economic recovery; it cannot bring recovery about. Consequently as unemployment has risen, Government has developed alternative strategies on a local scale concerned with economic development and the training of the unemployed and local steps to reduce unemployment. The main themes behind the response of Central Government and agencies allied to it include the targetting of action towards defined localities whose scales vary but are usually urban in character, and the promotion of small scale private capital as the principal agent of economic regeneration and employment growth. This Chapter looks at the development of these essentially urban area-based strategies, giving particular attention to the ideas and influences which have shaped them. It concludes by considering how the underlying political and economic assumptions of this tradition have altered under a change in Government and a deepening crisis in the economy.

#### 2. Origins and Development of the Area-Based Approach

##### (i) Early Influences and Initiatives

Perceptions about the nature of urban problems began

to change around the mid-1960s. In addition to the obvious problems of physical decay and congestion, town planners and city administrators generally increasingly examined urban communities in terms of their social and economic characteristics. At the same time new ideas were germinating in the field of social policy. Poverty was 'rediscovered' - or perhaps redefined in relative terms - and complacent notions that economic growth alone had or could cure deprivation, or that poverty could be treated by marginal improvements in welfare benefits, were rejected in favour of seeing people's problems in the context of the community in which they lived. As David Donnison points out, this rediscovery among social policy makers of community and the spatial problems that had for long been contented with in a spatial fashion, brought about a convergence with the town planning fraternity who were expanding beyond traditional notions of physical improvement to include consideration of economic and social strategies.<sup>1</sup> Changing perceptions were endorsed by major Government Reports of the period. A common prescriptive theme - shared by the 1965 Milner Holland Report on London Housing,<sup>2</sup> the 1967 Plowden Report on Primary Schools<sup>3</sup> and the 1968 Seeborn Report on the co-ordination of social services for deprived individuals and families<sup>4</sup> - was the need for existing and additional resources to be directed at specific problems of deprived areas and administered by comprehensive and co-ordinated public services working at a closer proximity to the local community.

Although area-based schemes of slum clearance and related housing improvement had existed for some time, the first specific policy to emerge from the new synthesis of ideas was the introduction of Educational Priority Areas (EPA's) in 1967. The Plowden Committee argued that poorer living standards and environmental conditions in certain

urban localities handicapped the educational progress of deprived children and recommended EPAs to promote positive discrimination in the allocation of resources towards certain schools in the hope that standards in deprived areas could be raised closer to the norm and thereby compensate children for certain inhibiting factors in their local and family environment. The Report also recommended more effective policies for parents in the work of schools and for giving schools a firmer basis in the local community. As a result of the new EPAs old buildings were replaced or improved, additional amenities introduced to help schools play a larger part in the life of their communities, and finance provided for special salary supplements to attract teachers to disadvantaged areas.

A more general policy to deal with what was seen as the relatively small pockets of deprivation scattered throughout urban areas was announced in 1968. Urban Aid - which became widely known as the Urban Programme - was established to provide additional government resources to areas of 'special social need', these characterised by poor environments and high concentrations of large families, immigrants, overcrowding, children in care and the unemployed. Through a system of competitive bidding by local authorities Central Government would provide 75% grant expenditure on projects - particularly in the fields of education, housing, health and welfare - which would not have been undertaken without additional financial support. In practice, however, grant expenditure in Urban Aid in its early period fell short of the £20m to £25m expected over its first four years and resources went mainly towards the provision of day nurseries, nursery education and child care.

The experience of early initiatives suggested that

deprivation would not be solved merely by the provision of additional facilities or resources but would require a more comprehensive and co-ordinated programme of community development based on research and action. Similar ideas had been floated several years earlier in the United States and British policy makers in the Home Office drew encouragement from them when formulating their plans for tackling deprivation by action at the neighbourhood level. The American anti-poverty programme which these ideas spawned had, on the whole, been a disillusioning experience, but this message seems to have been neglected in the formulation of the British experiment - the Community Development Project (CDP).<sup>5</sup> The apparent reluctance within the Home Office to temper enthusiasm in the light of comments from American reformers possibly reflects a deeper reason behind the appeal of 'community action' - that it seemed the only alternative available to public authorities to counter deprivation apart from expensive policies to raise social welfare through universal benefits or humiliating selective means tested remedies to deprivation which would be very difficult to administer.<sup>6</sup>

The CDP was set up in 1969 in twelve deprived neighbourhoods scattered throughout the country. The prevailing notion was that for most people poverty had been removed under an existing vertically integrated structure of social services which performed well. A solution to the small amount of deprivation which persisted was thought possible - despite growing difficulties in the national economy - through concerted action at the neighbourhood level. Local teams were set up in each area and given a wide remit to work closely with local residents and local authorities to highlight needs and develop solutions by strengthening and co-ordinating public services in their areas. Particular emphasis was given to improving the co-ordination and delivery of these

services by tapping and fostering individual and community self-help.

(ii) New Definitions and Explanations

In reality the outcome of CDP disappointed the more optimistic hopes and reformist ideals of those responsible for its establishment. Some valuable successes were achieved such as the creation of community support groups, law and advice centres, neighbourhood councils, many other small scale projects and - in some areas - an influence on the attitudes of local authorities. However the main contribution was not the presentation of implementable proposals but the development of new explanations of deprivation and their diffusion among those concerned with urban problems. The CDP analysis broke with the dominant notions of contemporary policy by rejecting that the problems of deprivation were residual and lay in the inherent pathologies of local communities. The Teams presented their areas as "hard pressed working class communities suffering progressive under development in terms of industrial decline and the changing composition of the local labour force." Social problems were not rooted in local pathologies but arose "from a fundamental conflict of interests between groups or classes in society".<sup>7</sup> In short, the CDPs "went Marxist".

In their prescriptive solution the CDP teams were highly suspicious and critical of Government - both central and local - perceiving its role as essentially that of servant to the dominant and ruling interests in society and holding little prospect of achieving the radical redistribution of organised public and private power required if poverty was to be eradicated. Change from within was also seen as unlikely given the depressed and apathetic nature of deprived communities and the limited potential for self-help which



existed. CDP rejected the assumption that policies geared to local scale amelioration could effectively treat urban problems. This would require fundamental social and economic changes which, as a first step, would require raising the level of education and consciousness in working class communities in ways that would enable people to press for change on their own behalf.

Although the exposure that urban problems were rooted in structural economic decline began to influence ideas about urban policy, the arguments for far reaching socialist policies were of little use to Government. The CDP failed to link its radicalism with concrete, specific, feasible proposals that public authorities and communities could act on. One reason for this could be that the structural analysis - while not wrong in the understanding it provided - inhibited subsequent action because it created the impression that power to control the destiny of society was too remote from ordinary people for them to exert a real influence, and that any reformist locally based action not part of a strategy of radical change was doomed to co-option or suppression by more powerful interests.<sup>8</sup>

With few practical suggestions emerging, Government support for CDP was wound down. What seemed a more acceptable substitute was introduced by the Home Office in 1974. Seven local authorities were invited to set up Comprehensive Community Programmes (CCPs) which were to be small teams working under the leadership of their Chief Executive to identify and analyse the whole range of economic, social physical and environmental problems of their area and make proposals for corrective action within a five year time scale.<sup>9</sup> CCPs were essentially administrative initiatives designed to get the bureaucratic machinery working more

effectively and direct the major programmes and policies of public agencies to those most in need. With the lack of any additional resources, and the fact that the initiative resulted in little more than pilot research projects in only three areas, CCPs proved a relatively ineffectual response to deprivation though they did indicate that any solution would be more complex than previously assumed.

Two years prior to CCPs an investigative study whose results were to have a major influence on subsequent urban policy had begun. In 1972 the Department of Environment selected three localities - inner Liverpool, Lambeth, and the Small Heath area of inner Birmingham - to be the subject of the Inner Areas Studies (IASs). Consultants were appointed and given a wide working brief which included promoting a better definition of inner areas and their problems, establishing how action projects and area management could be employed to alleviate physical and social inadequacies, and identifying the consequences these innovations would have for local authorities.<sup>10</sup>

These studies provided a voluminous mass of comprehensive analysis and description of contemporary urban problems and multiple deprivation and a range of pragmatic and implementable policy recommendations.<sup>11</sup> Their conclusions - completed in 1977 - exposed the inner areas as being characterised by large concentrations of unskilled and semi-skilled workers, lower levels of training and car ownership, higher unemployment rates and inadequate state benefits. Deprivation was widespread and focussed on certain groups within the community such as the unemployed, one-parent families, the single, and in particular the elderly and families with dependent children. Low incomes created a great deal of hardship, and problems such as indebtedness and default on bill payments were common. Recommendations were

varied but essentially built upon the fundamental issues of housing and employment and included proposals for industrial development, an expansion of training opportunities, improving accessibility in the housing market and the channelling of resources to areas of greatest social need.

(iii) Revised Ideas and New Directions

By the mid-1970s urban policy makers were discussing the problems of British cities very differently from the formulae used less than a decade before. Early initiatives had regarded the problem of deprivation as residual to a generally healthy economy and prosperous community, considering it the result of a 'cycle of deprivation' in which a small number of people were caught up by virtue of their own individual or social inadequacies. Solutions were seen in terms of positive discrimination and improved service delivery at the local level, and encouraging local residents to overcome their own inadequacies by providing services for family support, pre-school programmes and family planning. The practical and theoretical legitimacy of these notions were progressively eroded. Feedback from experimental projects exposed the practical limitations upon which they were based and the analysis provided by CDP and the IASs redefined the urban problem by denouncing the assumptions behind early initiatives and providing a convincing explanation of urban deprivation rooted in structural economic decline calling for decisions and policies at national and international scales. Despite general agreement about the cause of urban problems, CDP concluded - partly because of the way problems were conceptualised - that only radical change could tackle what were local manifestations of the crisis within capitalism, whereas the IASs felt problems could be tackled by a committed and 'total' approach within the existing economic and political system.

Understandably Government acted on the more optimistic and reformist notions of the IASs though even before the Consultants' final reports were completed it was clear that urban policy was taking on major new directions under the Labour Government of 1974-79. An emerging 'urban dimension' to economic and regional policy became evident with the decision in 1976 not to proceed with the plans for Stonehouse New Town and the coincident establishment of Britain's first major area-based attack on urban deprivation in the East end of Glasgow. The Glasgow Eastern Area Renewal Project (GEAR) was set up to allow central and local government along with other statutory agencies with policy remits relevant to the area to work in co-ordinated partnership. This policy turn-around in the West of Scotland heralded the coming shift in policy emphasis which would in future give greater priority to the allocation of resources to the older industrial areas.

The following year Government announced its intentions for urban policy in the White Paper 'Policy for the Inner Cities, 1977'.<sup>12</sup> A new intra-regional dimension with a specific urban and inner urban focus was to be added to traditional regional policy. The inner areas of London and Birmingham, previously neglected by regional policies, would be promoted to a position of second priority behind the assisted areas. Rate support grants to local authorities would be used to ensure that policies and programmes gave priority to the inner cities, local authorities themselves would be granted new powers to help industry and improve the industrial environments of urban cores. The MSC would explore ways in which its manpower policies could be made more relevant to the labour market requirements of inner urban areas. Apparently influenced by the CCPs, resources would be provided through a more unified approach among the

different agencies and tiers of government with voluntary and private sectors involved to a greater extent. A selected number of areas would be offered the opportunity of embarking on a closer form of unity - a 'partnership' - with central government in dealing with urban problems. Additional resources were to be provided through the Urban Programme which was to be recast to include, in addition to social projects, the possibility of expenditure on industrial, environmental and recreational matters.

### 3. Assumptions behind the New Urban Strategy

These new policies were shaped by a number of underlying assumptions about how urban problems could be solved, new economic activity and employment generated and about the role which public authorities should play in this process. A large amount of criticism was directed towards post war planning policies which had sought a solution to the problems of large cities by developing new town communities outside the conurbations to ease congestion and enable dispersion from the cities, and, in turn, facilitate complementary policies of redevelopment and improvement within urban areas. Critics pointed to the lack of spatial sensitivity and the absence of an urban dimension within this strategy. The inner areas of the South East and Midlands, despite having more in common with assisted areas like Clydeside, had been grouped with their surrounding and more prosperous regions and treated as non-assisted areas and existing social and economic problems compounded as a result of dispersal strategies which selectively creamed off the better jobs and more mobile residents. Local communities and their industry had also been directly damaged by intra-urban renewal policies. Certain aspects of new residential development were frequently unpopular with tenants.

Industrialised building techniques, for instance, often created homes which were unimaginatively designed, lacked privacy, were prone to dampness and whose structural problems were exacerbated by poor maintenance.<sup>13</sup> The comprehensive redevelopment which preceded new construction was blamed for the closure or forced relocation out of the city of many local industries and the disappearance of many small premises in which small firms had thrived. Entrepreneurial interests were certainly poorly catered for in the new urban environment - housing schemes, for example, provided fewer opportunities for new businesses to start - and aggressive attitudes to the non-conforming user were adopted and probably further acted against the inner city as a location for investment.

Although much of this criticism is justified there are also some important observations and research findings which reduce the blame for economic decline that can be directed towards regional and urban policies. New Towns have probably had a less damaging effect on deprived inner areas than is commonly assumed. In London, for example, population overspill has not - in the main - come from the overcrowded residential districts. Less than one fifth of those leaving the urban core migrated to the new towns and authorities in these areas have been less active in promoting the decanting of people than authorities in less congested districts on the periphery.<sup>14</sup> In respect to detrimental effects on industry, other factors apart from physical renewal are in play. In Glasgow during the 1960s - the city's high period of comprehensive redevelopment - evidence suggests that industrial liquidation was more the outcome of economic pressures on a weak industrial structure than the result of urban renewal.<sup>15</sup> Employment decline also reflected the substitution of capital for labour and the tendency for manufacturing industry to gradually decentralise away from

the high rental core of the city and for new plants to settle outside the inner areas. Expansion and changing space requirements were found to be more important influences behind firms moving out of the city than was redevelopment which seemed to be responsible for only a small percentage of relocations to new towns.<sup>16</sup> Even where firms have been forced to relocate it may have involved less hardship than is commonly assumed. Research has found that firms in other areas considered acquisition procedures had been reasonable and efficient,<sup>17</sup> compensation adequate and a useful injection of working capital,<sup>18</sup> and their new location generally satisfactory compared to their old inner city premises.<sup>19</sup>

For many businesses it appears that a move to a location on the periphery or a new town location often reflects a genuine locational preference. Assuming that any interference with this desire would involve some degree of loss in productivity and investment through forcing industries to non-optimal locations, a case can be made in favour of dispersal and green field development policies as ultimately being in the best interests of the cities who would benefit in the long term through the creation of a sounder national economy.<sup>20</sup> Indeed to accuse regional policy of neglecting urban areas is somewhat to belie its purpose and effect. Post war state intervention in industry has committed itself to the restructuring and regeneration of British industry to improve profitability and competitiveness in world markets, and the mergers, rationalisations and the substitution of capital for labour have been designed to achieve this.<sup>21</sup> Resulting employment decline has been particularly heavy in the older urban areas because of their industrial structures and, in the main, job losses have been permanent and losses to the economy as a whole rather than the displacement and removal

of employment to other areas.<sup>22</sup> It is, therefore, probably more appropriate to interpret the contradiction not as having been one between the inner cities and areas favoured by regional policy, but rather as between the cities and the demands for profitability and international competitiveness.<sup>23</sup>

Despite the somewhat fragile nature of certain criticisms of previous urban and regional policies, in the White Paper, 'Policy for the Inner Cities', the Government strongly endorsed the rejection of traditional approaches and announced that the new urban strategy would reverse these. Although it also recognised that urban problems had been caused by "other social and economic forces which could only be reversed with great difficulty or at unacceptable cost", the White Paper - rather paradoxically - argued that by changing "the thrust of the policies which have assisted large scale decentralisation and in the course of time to stem the decline, achieve a more balanced structure of jobs and population within our cities and create healthier policies."<sup>24</sup> Future urban policy would, therefore, tackle only one set of 'causes' at a time when the arguably more significant set of economic reasons for urban decline were becoming more intractable. Changes in the wider economy meant that the future task of Government would be less about containing and managing growth pressures on cities or the regional distribution of mobile industry and investment in a buoyant economy. Large parts of Britain's urban areas were becoming locked in chronic decline and the onset of national economic recession and a slump in the world economy meant there was little likelihood of help from the wider economy.

Despite the apparent reduction in mobile industry and



large scale investment, Government optimism that urban decline could be reversed persisted. It was founded, not only on the ability of existing public agencies to alter their strategies to favour urban areas but, in complement, on the growing attention being given to the small private firm as an important element in enhanced national economic growth,<sup>25</sup> and the prime agent of urban regeneration. Popularity surrounding the small firm had grown since a Government commissioned enquiry into small firms - the Bolton Report - was published in 1971.<sup>26</sup> For about half a century before this the proportion of small firms in the British economy had been in steady decline. Politicians and economists had come to regard them as anachronistic to the needs of a modern economy, considering them unable to harness advanced technological systems and obstacles to a process of growth which required complex technological processes and large units of production. The Bolton report contradicted many of these notions. It found that around one and a quarter million small firms existed and accounted for one quarter of the working population and almost 20% of GNP. To the Committee small firms played a "vital role in the preservation of a competitive private economic system." Advocacy of small enterprise was also reinforced by a progressive disillusionment with the policies of industrial corporatism and restructuring. By the 1970s these were widely regarded as having failed to cure the problems of low productivity, lack of competitiveness and outdated technology. These problems continued while large scale employment loss and social tensions - particularly in the inner cities - increased and it was believed that the classical values of entrepreneurship and individual freedom were eroded by the mediocrity and bureaucracy of State control.<sup>27</sup>

Research since the Bolton Report has provided further evidence of a causal relationship between a healthy small

firm sector and a buoyant and strong national economy.<sup>28</sup> A further assertion is that small firms are a major source of new employment.<sup>29</sup> A significant impact of small enterprise on new jobs is, however, far from conclusively proved. Despite frequently quoted work from the US that claimed small firms with under 20 employees were responsible for 66% of new jobs created between 1969 and 1976,<sup>30</sup> British evidence suggests that in the short to medium term manufacturing firms with fewer than twenty-five employees can make only a small contribution to the level and growth of employment.<sup>31</sup>

A crusading role for small enterprise in the new urban policy was introduced during the Labour Government of 1974-79. The Prime Minister, Mr. Callaghan, told small businessmen that "big oaks from little acorns grow and Britain's industrial future will rest in good measure upon your efforts."<sup>32</sup> The advocacy of small scale capitalism by a Labour administration was perhaps not surprising. The Government was presiding over the highest levels of unemployment since the War and some response to recession and the legacy of industrial restructuring policies was a political necessity.

A more vociferous advocacy of small firms has since been made by Conservative Governments to whom the cause of the small entrepreneur is consistent with the Party's political and economic ideology. State interference in the natural working of the economy is anathema, and, by stripping away bureaucratic controls and red tape, new enterprise will be created, individual freedom and initiative enhanced and not only the economy but society as a whole will be regenerated. These notions are clearly evident in a speech by Sir Geoffrey Howe when on opening one of his Government's new urban initiatives - the Enterprise Zone in the Isle of Dogs - he said:

"Our once flourishing inner cities had been founded on the dynamism of individuals, their initiative and healthy pursuit of wealth. Could not entrepreneurs create a prosperous society there again? We had to free entrepreneurs from interfering regulations ... and we had to attract people with enterprise and initiative to generate new wealth and new jobs ..." <sup>33</sup>

#### 4. Urban Policies

##### (i) The New Urban Programme

The legislative framework for new urban policies was provided by the passage of the Inner Urban Areas Act in 1978.<sup>34</sup> The Act enables the Secretary of State to grant a variety of powers to specially designated local authorities to provide loans for the acquisition of land and the carrying out of works on land, and both loans and grants for environmental improvements and the converting, improving, or modifying industrial or commercial buildings in Industrial Improvement Areas which some authorities were empowered to declare. In localities designated as Partnership areas additional powers are given to the appropriate District and County Councils to make interest free loans for site preparation and infrastructural provision, and grants for both assisting in the payment of industrial and commercial rents and for relief from loan interest for small companies.

Resources have come mainly from the Urban Programme which was recast and expanded from £30m in 1976-77 to £125m per year with the intention of a continuing commitment of £1,000m over the coming decade. Priority in the allocation of Urban Programme expenditure has been given to the Partnership authorities of which seven were selected following the Act - Liverpool, Birmingham, Lambeth, London Docklands, Manchester/Salford, Newcastle/Gateshead and Hackney/Islington.

Fifteen Programme authorities - areas of urban stress - were also selected where priority, though to a lesser extent than in the Partnerships, had been given and a further nineteen urban localities were identified as areas to receive special attention in the distribution of urban aid grants.

The Partnerships were intended to enable the joint participation of central and local government in the preparation of comprehensive programmes to outline the areas' problems, review existing policies and their shortcomings and prepare long term strategic plans and three year action plans. In addition to channelling more resources into selected urban areas, the purpose behind 'partnership' was to achieve comprehensiveness in the preparation of the strategy, both in the unity of the projects and the involvement of all key agencies and interests, and ensure that policies devised were realistic and enable national political thinking to focus on urban policies and responses. In practice, however, the normal administrative structures adopted have been challenged as immense bureaucratic and fragmented and having failed to involve local communities and bring about new effective means of communication between residents and decision makers.<sup>35</sup>

The policies which have been implemented in the Partnerships seem to correspond less to comprehensive strategies of physical and social development and more to an essentially pragmatic and ad hoc range of expenditure proposals. In the main industrial policies have involved rehabilitation and improvement to industrial premises, the construction of new industrial units and extensive promotional work. Policies in other fields have attempted to complement economic projects. New houses have been built and improvement projects carried out, the private sector has been encouraged to participate in inner area locations, and local

authority mortgages provided for people wishing to purchase older properties. In the area of transport and associated environmental improvement, projects have explored ways of improving accessibility to employment opportunities by road and rail. A variety of other initiatives have also been implemented in the fields of education, leisure, community development and cultural promotion.<sup>36</sup> The source of innovation has come mainly from within local authorities and in many ways policies are similar to those which have been carried out in other areas, or those which probably would have been had the resources been available to fund them.

Since 1979 the Conservatives have given particular emphasis to using modest amounts of public expenditure to stimulate larger amounts of private investment and in this way generate new employment. In 1982 the Department of Environment announced a new financial provision - the Urban Development Grant (UDG) - as an addition to the Urban Programme. Inspired by previous experimental initiatives dealing with derelict land reclamation and low cost home ownership in urban areas which suggested that small amounts of public money could stimulate significant private sector development, Government hopes the new UDG will "lever private sector investment in the inner cities by providing the minimum public sector contribution necessary to bring forward otherwise marginal private sector development schemes and create permanent jobs in the inner cities."<sup>37</sup> £70m was earmarked under the Urban Programme for the financial year 1983-84 which the Government estimated could - if the number of proposed schemes already existing between local authorities and private firms came to fruition - generate further investment to total £700m.<sup>38</sup>

(ii) Departments and Agencies of Government

Certain Government Departments and Agencies with an

economic remit are seen as having a vital role in developing new urban strategies. However, having essentially operated at a national or regional scale, this new responsibility to act also at a smaller area level has not always been easily accommodated. The experience of these larger public authorities in local regeneration policy raises a number of issues, not least being whether urban and national economic development can be consistent with one another or how real the commitment of Central Government is to reverse decline in urban areas.

Government's main line industrial policies are the responsibility of the Department of Industry (DI). Normally half of the DI's resources - which totalled £777m in 1982-3 - has gone on Regional Development Grant (RDG) which is paid in varying amounts depending on whether the area of assistance is a Special Development Area, a Development Area or an Intermediate Area. Until recently many deprived urban areas have, potentially, been able to tap this money but drastic changes in the spatial pattern of assistance has reduced the number of areas covered. Apart from RDG the DI can promote economic regeneration in other ways. The 1972 Industry Act allows loans, interest relief grants, or removal grants to be given under Section 7 to assist industrial projects aimed at improving employment prospects in disadvantaged areas and further selective assistance under Section 8 for projects benefitting the community as a whole. In addition, through the work of the English Estates (EE), formerly the English Industrial Estates Corporation, which it controls, the DI has been involved in an extensive programme of factory construction.

Despite the apparent possibilities for the inner cities to benefit, research into the effect of these policies suggests that on the whole effects have been marginal.<sup>39</sup> By

the late 1970s only a small proportion of the DI's budget was being directly allocated to the major conurbations and the DI does not seem to have embarked on any serious redefinition of its policy boundaries to create a specific urban or intra-urban dimension.<sup>40</sup> Its spatial focus remains linked to that of the region or larger areas, and an insistence on financial viability as a criterion for assistance must act against the older urban areas as these are generally non-optimal locations for new or mobile firms. The inner areas seem to have done less well from RDG than might have been expected given their industrial structure which might also reflect less dynamic local economics and a growth of service sector employment - not generally appropriate for regional assistance - in these areas.<sup>41</sup> Only Section 7 assistance and the factory programme seem capable of channelling additional resources into the cities on top of what would have been spent there anyway. The DI has only marginally modified its work and the spatial distribution of its resources to favour the inner areas. It remains - perhaps rightly - committed to improving the national economy through policies which arguably have assisted industrial trends which have created more damage to the urban cores than current policy could hope to rectify.

A more appropriate vehicle for urban regeneration might have been Britain's principal economic development agency the National Enterprise Board (NEB) which was established by the Industry Act 1975 and operated until 1981 when it was merged with the National Research Development Organisation to form the British Technology Group. The NEB had wide powers to develop, assist or protect the British economy through the promotion of industrial efficiency and international competitiveness and was able to provide financial aid, normally in the form of equity capital, for

the expansion and modernisation of manufacturing industry. It was initially anticipated that the NEB would direct its attentions to areas of high unemployment,<sup>42</sup> the potential role of the Board as a powerful agent of urban regeneration did not materialise. There had been a growing regional dimension evident since 1976 when regional directors were appointed for the North East and North West, whose investigations on the potential for regional investment has led to the establishment of regional boards with delegated authority to spend up to £500,000 on soundly based investments.<sup>43</sup> Although some of this may have benefitted the more deprived urban areas, on the whole selective investment in the Partnership and Programme areas was very limited and far less than what could have been expected given the size of their total workforces. By the end of 1978, for example, only nine firms had been supported in these areas with investments totalling £8.75m.<sup>44</sup>

Apart from the rescue of a few large companies, like British Leyland and Rolls Royce, the NEB focussed its investment on potentially successful firms in anticipated growth sectors such as computers and electronics, scientific and medical instruments and machine tools. These are enterprises to whom an inner city location is probably less attractive in lacking suitable modern premises and manpower skills, and whose employees are in such high demand that they can - as was demonstrated in the case of the NEB's micro electronics subsidiary INMOS - influence the locational decision of the firm in favour of environmentally attractive locations outside the older urban areas. Even where the NEB was interventionist, instead of benefitting, the inner cities generally suffered employment loss through the type of industrial restructuring, rationalisation of production and switching of investment described above. In fact such consequences could have been greater had the level of inter-



vention by the NEB been as great as originally intended.

It has been economic development agencies operating at a sub-UK level - principally the Scottish Development Agency (SDA) and the Welsh Development Agency (WDA) - and not their former counterpart the NEB which have become heavily involved in economic regeneration initiatives in urban areas. Their operations, which cover land renewal, industrial estates, investment, industrial promotion and advice, have become increasingly targetted on a small number of areas where regeneration efforts have been concentrated. In Scotland the area approach of the SDA began largely as a result of central government direction through the Scottish Office which steered the SDA into integrated industrial and environmental projects in the east end of Glasgow, Ayrshire and Clydeside. Since then it has formalised this role imposed from above into a more corporate strategy for allocating its resources and co-ordinating its own operations. This has allowed the Agency to embark on a number of new-style area projects and a policy decision has been made to spend 60% of its resources which can potentially be allocated spatially - around half of all expenditure - on area development.<sup>45</sup> An important feature of the SDA's recent initiatives is the emphasis on 'economic welfare' as opposed to the explicit concern with 'social welfare' evident in its first project, GEAR.<sup>46</sup> This perhaps reflects new perceptions about economic growth and curing deprivation within urban policy. Public policy no longer seeks to tackle poverty and unemployment head-on but hopes that the spin offs from the generation of wealth in the private sector will ameliorate them. The area-based role of the SDA is discussed and evaluated in greater detail in Chapter 14.

(iii) Support for Small Enterprise

In the process of economic regeneration and wealth

creation the small firm is seen as having a key role and central government and its agencies have become increasingly concerned with creating a better financial, legal and administrative climate within which this sector of the economy can expand. The first significant group of budgetary measures were introduced by the Labour Government in 1977 and 1978 and included an increase in the corporation tax profit limits of small companies, raising the threshold at which a company must register for VAT, simplifying VAT return forms and allowing VAT relief for bad debts, improving income tax relief for losses on new businesses and raising the thresholds for relief from capital gains tax.

A more comprehensive financial package for small enterprise has been developed by the Conservatives. The Spring Budget of 1980 established a new Venture Capital Scheme which allowed losses on equity investment in unquoted trading companies to be offset against income. Cuts were also made in Corporation tax and tax relief given for interest on borrowed money, capital expenditure was made eligible for 100% allowance, and the DI was allocated £5m for the construction of small nursery units in association with the private sector and tax rules were changed to make the break up of large firms easier.

Two new initiatives were introduced in 1981. In an effort to tap the massive resources of the private sector a Business Start Up Scheme was established to provide income tax relief for investments of up to £10,000 - later raised to £20,000 - in the equity of companies starting new trades. The Government estimated the initial provision could lead to £200m being invested in small firms at a cost to the state of £50m in lost revenue.<sup>47</sup> To help firms unable to raise sufficient collateral when borrowing money, a Loan Guarantee

Scheme was also introduced. The scheme was a limited one, providing loans of up to £75,000 from a budget of £50m a year for a three year period and was intended to be self-financing. By September 1982, however, problems were evident with the failure rate among firms having received loans being far in excess of initial predictions.<sup>48</sup>

The machinery of economic planning has also tailored its policies to support the small firm sector. A Small Firms Division within the DI runs a Small Firms Information Service providing free information and advice on wide ranging business problems and a Counselling for Small Firms Service which operates throughout the country providing paid advice from a team of experienced businessmen on how to increase turnover and productivity. In addition to advisory help, some financial assistance has been available, for example, to pay half the cost of feasibility studies into collaborative arrangements between small firms and to partly fund the New Enterprise Development Project in the North East which provides a specialised counselling, promotional and educational service to those interested in stimulating the growth of the small firm sector in the region. The DI has also - through EE - been funding the construction of premises under 1,000 sq. ft. and increasing the scope for small premises construction by adjusting Industrial Development Certificate (IDC) regulations to allow local authorities and private developers in areas where IDC controls operate to construct up to 50,000 sq. ft. without first securing IDC approval.

Despite the many new provisions emanating from Central Government, some commentators feel that existing support for small enterprise remains inadequate if the elaborate hopes surrounding this sector are to be met. One

critic points to inadequate resources, particularly in research and statistics, poor co-ordination with other Government Departments and the lack of direct responsibility for many aspects of government activity which bear directly on small businesses.<sup>49</sup>

Development Agencies have also been giving greater attention to the small firm. Shortly before its demise the NEB - in partnership with the banks - set up two schemes in the North of England; Newton Securities (Northern) Ltd to provide unsecured loans of between £5,000 and £25,000, and a similar body, Sapling Enterprises Ltd, to give guidance and help and long term investment of at least £50,000 to a selected number of small firms. A more general scheme - Oakwood Loan Finance - was also established to provide finance to both new and established businesses with a high growth potential and can give five year loans of up to £50,000 at 2% above the minimum lending rate with repayments deferred until the beginning of the fourth year.<sup>50</sup> A more active and comprehensive role in promoting small enterprise has been adopted by the SDA and WDA and their encouragement through advice, finance and premises provision has become a central feature of the area-based policies of these agencies. In fact the gap in provision existing in England has led to calls from politicians for the establishment of an Agency similar to the SDA or WDA to cover this part of the UK.<sup>51</sup>

In addition to small scale private capital, central Government has also encouraged, albeit tentatively, small co-operative forms of business activity. The Industrial Common Ownership Act of 1976 empowers the Secretary of State for Industry to make loans for the development of co-operative ventures and provide grants to supportive bodies. Of the latter, the most important is Industrial Common

Ownership Finance Ltd (ICOF), a non-profit making loan fund servicing co-operative projects. By giving a proper definition to the co-operative form the Act in turn allowed the 1976 Finance Act to introduce relief from capital gains tax and capital transfer tax for 'employee trusts'. The Co-operative Development Agency was established in 1978 which - though unable to give direct financial assistance - promotes the co-operative ideal by providing a legal and managerial counselling service. The CDA has continued under the Conservatives though the level of grant aid was cut by one-third from its first three year resource allocation to £600,000.

(iv) Conservative Policies

In addition to small cuts in the financial allocation to the Urban programme totalling £18.3m over 1979-1981,<sup>52</sup> a penalising of high spending authorities by withholding rate support grant one result of which was a loss of around £166.2m in grant to the Partnership authorities<sup>53</sup> and a sharpened promotion of the small firm, the Conservatives have introduced other important developments to urban policy. Apparently inspired by the ability of New Town Development Corporations to deliver the implementation of a comprehensive package of physical and economic development, and frustrated with the difficulties experienced in developing co-ordinated partnership strategies in urban areas, the Government established Urban Development Corporations (UDCs) for London Docklands and the old Merseyside Docks. Each has the basic remit of securing regeneration of the area. Members of the UDC are appointed by Central Government and given wide powers to acquire and assemble land, to grant planning permission on land they own or sell, manage and build housing, and construct necessary roads. Economic development powers include

the provision of infrastructure and financial assistance to industry, and resources to fund these activities are provided by Government.

A number of specific criticisms can be voiced about UDCs. Not least concerns the apparent erosion of local democracy resulting from the switching of responsibility and decision making away from elected local representatives, and the reduction in the ability of local authorities to exercise choice and allocate priority among new policies. It also seems contradictory to compare the traditional new town task of accommodating growth forces and their locational preferences on a green field site with the task of managing urban decline in areas where the forces of restructuring and decentralisation have created much of the problem. Nevertheless UDC leaders appear optimistic. According to the Chief Executive of Merseyside UDC hopes are pinned on a strategy which emphasises supporting and expanding existing industry, encouraging new enterprise, avoiding bureaucracy and red tape, and tailoring policies to involve the private sector at every opportunity.<sup>54</sup>

Possibly a more controversial initiative was introduced in the Spring Budget of 1980 with the announcement that a number of Enterprise Zones (EZs) were to be set up in areas of economic and physical decay. By 1984 twenty-two EZs had been established. These are, however, markedly different from what early debates about the idea in the late 1970s had envisaged. Early discussion was about laying the conditions whereby the vibrant small scale laissez-faire economies evident in Singapore and Hong Kong could be emulated in Britain's declining inner cities. As the concept was developed, notions about freeport incentives and reducing health and safety at work and employment protection measures were eliminated

Some concessions have been made by reducing planning controls, but the package as it operates is essentially a fiscal policy subsidising capital and land in very small areas - usually around 500 acres. The Zones will operate for a ten year period and businesses within them enjoy exemption from development land tax, exemption from rates on commercial and industrial property and 100% capital allowances for commercial and industrial buildings. Planning procedures are simplified with developers not requiring planning permission for developments conforming to zoning in the approved plan. Firms are also exempt from the requirements of Industrial Training Boards and Government interference in the collection of statistical material is minimal.

Although the eventual impact of EZ's is open to speculation there is some early evidence about what seems to be happening. Initial fears of returning to nineteenth century industrial environments<sup>55</sup> appear - in the main - unfounded given the high incidence of publicly owned land, the remaining levels of planning control, and the release of substantial public resources in many Zones. Elaborate hopes surrounding economic regeneration may well be over-optimistic. The second year monitoring studies for the DoE suggest that industrial activity setting up in the Zones has mainly been drawn out of other areas, these frequently in close proximity to the Zones themselves.<sup>56</sup> Indeed, the Zones which appear most successful in attracting new investment are - contrary to the original concept - those where public expenditure and the energy and commitment of public agencies have been greatest.

A 'one-off' initiative and one which emphasises both the Conservative's approach to urban policy and the lack

of complementarity between the two key Government Departments took place in Merseyside in 1981. Following serious civil disturbances in the Toxteth area of Liverpool, Government established the Merseyside Task Force - an interdepartmental group of civil servants staffed by officials from the DoE, the DI, the MSC, secondees from the private sector and led by the former Secretary of State for the Environment, Mr. Heseltine. No new resources were formally attached to the Task Force but it was able to tap some small additional monies from an underspend on the Urban Programme. In its first twelve months the Task Force liaised informally with local government, looked for ways that administrative blocks on existing programmes could be removed, and initiated support for new schemes. The North West regional offices of the DoE and DI devolved their Merseyside activities to offices in central Liverpool and the DI seconded personnel to the Task Force. But as the Task Force has continued beyond its first year it has not proved possible to formalise this collaboration. The lack of complementarity in the economic development role of both these Departments is reflected in the use of resources. While the DoE has sought to revitalise the inner conurbation and promote small scale enterprise, the vast bulk of the DI's regional policy expenditure has not gone towards those areas where the most severe social and economic problems are concentrated. Furthermore it has been associated with large scale job loss. Between 1978-9 and 1982-3, eleven firms in Merseyside received some £65 million in regional development grants equal to or in excess of £100,000 and were responsible for the loss of over 12,000 jobs.<sup>57</sup>

##### 5. Conclusions

Area-based urban strategies have become an increasingly



important element in Government's counter-deprivation and economic renewal policies. However, with the worsening economic situation, the basic question of whether Government possesses the power to reconcile social needs with the pressures of economic change is sharpened. Until recently it thought it did. But since the Conservatives took office in 1979 a fundamental change in the philosophy about economic regeneration policy is noticeable. Before then the revitalisation of deprived communities was seen as a social investment to counterbalance the concentration and rationalisation of capital encouraged by regional and national economic policies and enable depressed areas to play a stronger role in a healthy wider economy. But more recently, as Peter Marris points out, "economic viability no longer seems to depend on incorporating the wasted talents and resources of society, but on the competitive attraction of capital at whatever social cost."<sup>58</sup>

Conservative responses seem to reject the starting point of urban policy adopted by previous liberal democratic governments - that economic activity should be regulated in conformity with social ideals. In fact this approach is now believed to have created much of the problem by - as Marris again suggests - setting goals "which were incompatible with the incentives to which economic relationships respond, so raising unrealistic expectations, overtaxing and overburdening the economy with a level of social benefits and egalitarian idealism which it could not sustain."<sup>59</sup> This in turn led to inflation and economic stagnation which further reduced Government's ability to satisfy expectations. Consequently a very different starting point has been adopted which sees Government's task as being to regulate social expectations in accordance with the requirements of the economy. Here the role of the State is not to arbitrate between economic and social needs and ensure that growing

prosperity is distributed equitably, but to act entrepreneurially and, by manipulating taxes, environmental controls, subsidies, infrastructural and social investments, create the conditions in which the private sector can expand and accumulate wealth. Policies are still frequently pursued at a local scale but the assumption that social objectives are subordinate to economic circumstances and only through the generation of wealth under private sector expansion can deprivation and unemployment be ameliorated represents a major shift in the philosophy of area based economic development.

Later chapters of the Thesis will attempt to test the effect area-based policies have had on the welfare of communities on Clydeside, and consider alternative and possibly more effective ways that the public expenditure channelled into deprived communities could be used to generate work and incomes for local residents.

Notes: Chapter Eight

1. Donnison D. (1980), 'The Good City', p.28.
2. HMSO (1965), 'Housing in Greater London', Cmnd 2685.
3. HMSO (1967), 'Children and their Primary Schools',  
Report of the Central Advisory Council for Education  
(England).
4. HMSO (1968), 'Report of the Committee on Local Authority  
and Allied Personal Services', Cmnd 3703.
5. Marris P. (1982), 'Community Planning and Conceptions  
of Change', p.15.
6. Ibid, p.12.
7. Community Development Project (1974), 'The Inter-Project  
Report'.
8. This explanation is offered by Marris P. (1982), op.cit.  
pp.110-122.
9. Home Office Press Notice, 18th July 1974, quoted in  
Cockburn C. (1977), 'The Local State', p.128.
10. Lawless P. (1979), 'Urban Deprivation and Government  
Initiative', p.57.
11. These are described in Department of Environment (1977),  
'Inner Area Studies, Liverpool, Birmingham and Lambeth,  
Summaries of Consultant's Final Reports'.
12. HMSO (1977), 'Policy for the Inner Cities', White Paper,  
Cmnd 6845.
13. Dunleavy P. (1981), 'The Politics of Mass Housing in  
Britain: 1945-75', Clarendon, Oxford.
14. Lawless P. (1981), 'Britain's Inner Cities, problems  
and policies', pp.221-223.
15. McKean R. (1979), 'The Impact of Development Area  
Policies on Industry in Glasgow', Urban and Regional  
Studies, Discussion Paper 15, University of Glasgow.
16. Henderson R.A. (1971), 'Industrial Overspill from  
Glasgow 1958-68', Urban and Regional Discussion Papers  
No. 9, University of Glasgow.

17. Cameron, G.C. and Johnson (1966), 'Urban Renewal and Industrial Relocation', Urban and Regional Studies.
18. McKean, R. (1979), op.cit., and Chalkley, B. (1979), 'Redevelopment and the Small Firm, the making of a myth', The Planner.
19. Smith, B., Ruddy, S. and Black, J. 'Industrial Relocation in Birmingham', Research memorandum No.31, Centre for Urban and Regional Studies, University of Birmingham.
20. See Lawless, P. (1981), op.cit., 225-228.
21. Falk, N. and Martinos, M. (1975), 'Inner City', Fabian Research Series, 320.
22. Lomas, G. (1974), 'The Inner City', London Council of Voluntary Service.
23. Massey, D. and Meegan, R. (1978), 'Industrial Restructuring versus the Cities', Urban Studies 15, pp.273-288.
24. HMSO (1977), op.cit.
25. Evidence of this is provided by London Borough of Hammersmith and Fulham (1981), 'Small Firms in the Inner City - a review of the literature'.
26. HMSO (1971), 'Report of the Committee of Inquiry on Small Firms', Cmnd 4811.
27. R. Scase and Goffe, R. (1980), 'The Real World of the Small Business Owner'.
28. For example, see Bannock, G. (1976), 'Smaller Businesses in Britain and Germany'.
29. For example, see Birch, D.W. (1979), 'The Job Generation Process'.
30. Ibid.
31. Fothergill, S. and Gudgin, G. (1979), 'The Job Generation Process in Great Britain'.
32. Point made by Prime Minister Callaghan at Young Businessman of the Year Award Ceremony, quoted in

- CDP/PEC (1979), 'The State and the Local Economy'.
33. Sir Geoffrey Howe, quoted in STUC (1983), 'Enterprise Zones and Economic Regeneration - a new approach or a blind alley?'
  34. HMSO (1978), 'Inner Urban Areas Act'.
  35. See for example Green, G., 'Birmingham's Partnership: participation excluded?', *The Planner*, Vol.64, No.3, May 1978; Sharman, N., 'Inner City Partnership - the Docklands experience', in CDP/PEC (1979), op.cit., pp.27-35.
  36. Lawless, P. (1981), op.cit.
  37. Department of Environment (1982), 'Grants to Help Investment in Inner Areas', Press Notice 121, 6th April.
  38. Planning Bulletin 19.11.82, 'Urban Development Grants'.
  39. Lawless, P. (1981), 'The Role of some Central Government Agencies in Urban Economic Regeneration', *Regional Studies*, Vol.15, pp.1-14.
  40. Ibid.
  41. Ibid.
  42. HMSO (1974), 'The Regeneration of British Industry', White Paper, Cmnd. 5710.
  43. National Enterprise Board (1977), 'Investment Potential in the North East and North West of England.'
  44. National Enterprise Board (1979), 'Annual Report and Accounts 1978'.
  45. Keating, M., Midwinter, A. and Taylor, P. (1983), 'Enterprise Zones and Area Projects: Small Area Initiatives in Urban Economic Renewal in Scotland', pp.14-15.
  46. Point made by Stewart Gulliver, Head of Area Development Directorate, SDA, during interview on 9.3.82.

47. Glasgow Herald, 10.3.82, 'A Budget for firms, and so for people and jobs says Sir Geoffrey'.
48. Storey, D. (1982), 'The Smaller they are the quicker they die', The Guardian, 17.9.82.
49. Bannock, G. (1980), 'The Organisation of Public Sector Promotion of Small Businesses: a discussion paper', prepared by Economists Advisory Group Limited for Shell UK Limited.
50. The Guardian, 26.3.81, NEB scheme offers loans of £50,000 to small firms.'
51. This was one of the provisions of an abortive Private Members Bill in 1981 and was also a main recommendation of the Wilson Committee.
52. Higgins, J., Deakin, N., Edwards, J., Wicks, M. (1983), 'Government and Urban Poverty', p.153.
53. Ibid, p.154.
54. From talk given by Mr. Basil Bean, the Chief Executive Designate of Merseyside UDC, given at RTPI, Employment Promotion and Economic Development Workshop, London School of Economics, 16th and 17th March, 1981.
55. RTPI (1979), 'Planning Free Zones: a policy statement by the Royal Town Planning Institute'.
56. Roger Tym and Partners (1982), 'Enterprise Zones, Second Year Monitoring Report'.
57. Merseyside County Council (1984), 'Regional Assistance in Merseyside, 1978/9 to 1982/3', County Council Planning Department.
58. Marris, P. (1982), op.cit., p.88.
59. Ibid, p.102.

## CHAPTER NINE

### GOVERNMENT MANPOWER POLICY AND THE UNEMPLOYED

#### 1. Introduction

In addition to its economic and urban policies, Central Government has used manpower policy as one of the main tools with which it has responded to rising unemployment. As a result, large amounts of resources have been channelled into programmes involving unemployed people. Since their origins in the mid-1970s, these programmes have developed not only in terms of their number and scale, but in their underlying aims and purposes. This chapter examines the evolution of manpower policies for the unemployed and how these have changed as the numbers out of work have risen. It identifies the new directions in which manpower policy has been moving in the early 1980s and concludes by considering what this is likely to mean for the unemployed and projects designed to help them.

#### 2. Modernising the Public Employment Service

Major Central Government intervention into the labour market dates from the first decade of the twentieth century when the State found a new role for itself in ameliorating unemployment and destitution by helping the natural labour market function more effectively. The establishment in 1909 of a national network of Labour Exchanges allowed a better linkage between the 'sellers' of labour and the 'buyers'

and laid the administrative and policing framework for the development of unemployment insurance from 1911. Apart from controls exerted on the workforce during wartime, the basic structure of the manpower system laid down during the early period remained unchanged for almost sixty years. Some consideration had been given during fluctuations in the economy in the late 1950s as to how the supply of trained labour might be increased and the public services infrastructure improved to ensure effective growth once industry revived, but it was not until the early 1970s that the existing system was firmly seen to be unsuitable to a modern labour market, and changed. The public employment service was scrutinised as part of an overall examination of the public administration system. Opportunities for adult retraining were identified as inadequate and the Employment Exchanges, still closely associated with the administration of unemployment benefit, were seen as a limited service failing to meet the needs of a wider client group in the labour market.<sup>1</sup>

Institutional responsibility for manpower policy was re-organised by the 1973 Employment and Training Act which established a new semi-autonomous organisation; the Manpower Services Commission (MSC). Taking over certain responsibilities previously with the Department of Employment, the new agency was thought better able to develop a corporate and co-ordinated national strategy than a Department of Central Government. An initial priority of the MSC was to improve and expand industrial training to meet expected national manpower requirements. This involved the Commission in a wide range of activities. The Training Opportunities Scheme, for example, launched earlier in 1972 to expand the opportunities for adults wishing to train or retrain, was increased, and financial help was given to industrial training boards along with assistance to develop a strategic long term view of their



industry's training requirements.

Probably the principal development at this time, was the Job Centre Programme. Launched in 1973, this phased out the existing Employment Exchanges, which were often situated in dilapidated buildings in unattractive locations and retained the stigma of the dole queue, replacing them with new style offices conveniently placed in main shopping streets. Here people could search for jobs themselves among the shop front displays of vacancies, and could call on trained staff for advice or for more specialist services such as occupational guidance. The principal function of the new Job Centres was to assist in the restructuring of industry and accommodate the anticipated expansion of employment consequent upon the success of the Government's industrial strategy.

### 3. Temporary Expedients

By the mid-1970s worrying changes were taking place in the economic context within which a manpower policy geared to full employment and growth would operate. Both unemployment and inflation were rising, industry was becoming more capital intensive with a declining capacity to absorb labour, and demographic trends indicated that greater numbers of people would soon be joining the labour force. Even on the most optimistic forecasts the MSC recognised that unemployment would probably remain at a historically high level until 1978-79.<sup>2</sup> Nevertheless, the problem was treated as a temporary cyclical downturn in the economy, and in 1976 the MSC announced it was gearing its services towards the Government's target level of unemployment in 1979 of 700,000. However, it also noted that it should be prepared to deal with a range of possibilities, and less fortunate alternatives,<sup>3</sup> which

suggests that people had some idea that high, long term unemployment was a distinct possibility, but were not able or willing to openly confront the prospect.

As the unemployment situation subsequently worsened, a number of special employment measures were tagged on to mainstream policy. Their main characteristics were the reduction of the labour supply by providing temporary work or training, protecting existing jobs by subsidising wages, and encouraging early retirement. The first major provision, the Job Creation Programme (JCP), had been launched in 1975 to provide short term socially useful jobs for people who would otherwise have been unemployed and provided work lasting between six months and one year for around 200,000 people during its two years of operation. This was followed a year later by the Work Experience Programme (WEP), a three year programme to give unemployed sixteen to eighteen year olds an introduction to, and experience of, working life.

Although both JCP and WEP were intended to run for only short fixed periods, they signalled the beginning of other such measures. Political concern about unemployment, particularly among school leavers was rising. And, since the proportions of 16, 17 and 18 year olds not in full time education in Britain is higher than any comparable economy, it was natural that Government found itself looking for a device to occupy and control large numbers of youngsters who in other countries are in some sort of education or training. The MSC was the instrument chosen to fill the gap left by the failure of the educational system and a working party was set up to examine how the existing WEP could be rapidly expanded and brought within a coherent administrative framework without incurring major

additional costs. The outcome of this study in 1977,<sup>4</sup> argued for a widespread temporary programme of counter cyclical measures to protect the motivation and abilities of a significant proportion of the working population, and advocated an extensive package of work experience and work preparation schemes for unemployed youth through a range of community business sponsors.

Rapid political support for the recommendations led to the establishment of the Youth Opportunities Programme (YOP) in 1978. In its first year YOP provided temporary employment for up to six months after leaving school for almost 190,000 young people. The scheme soon received further commitment from Government and a subsequent decision to fund the scheme until 1983 indicated that special youth employment measures would be required over a longer period than first thought. Participants on YOP received a tax free weekly allowance, which in 1982 amounted to £25, and sponsors were reimbursed for administration and some overhead costs. The programme was designed to cause least interference in the labour market. It was not about the generation of jobs for young people, but sought to increase their chances of securing employment by giving them an experience of working life during which they could assess their own capabilities, develop skills and test occupational preferences.<sup>5</sup> Youngsters were involved in a variety of schemes under YOP, the largest of which was Work Experience on Employers' Premises (WEPP) which claimed around two-thirds of all YOP trainees in 1981-82.

In the wake of youth measures, a programme for adult and long term unemployed was introduced in March 1978. The existing JCP was replaced by the Special Temporary Employment Programme (STEP). The scheme depended on sponsors coming forward and was to make 25,000 temporary jobs

available each year, a less extensive provision than YOP, with priority given to those aged nineteen to twenty-four and jobless for six months or more, those over twenty-five years who had been out of work for over a year, and those areas of the country where unemployment was highest. Places on the scheme lasted a maximum of twelve months and wages were paid at the agreed local rate for the job with sponsors fully reimbursed for wages of employees and supervisors.<sup>6</sup>

A number of other manpower measures were introduced around this time in response to rising unemployment. The Temporary Employment Subsidy (TES), which operated between 1975 and 1979, sought to protect existing jobs by providing employers who deferred ten or more redundancies with a subsidy of £25 per week for a year and £10 per week for the six months thereafter for each worker whose redundancy was avoided. The largest number of people covered by TES was 200,000 in May 1977. Although research suggested that TES involved a positive net cost to the Exchequer,<sup>7</sup> the possibility of displacement effects among other firms and across geographical areas caused the EEC to interpret the scheme as a subsidy to wages and therefore infringing on the Treaty of Rome and order the practice to cease. It was replaced by the Temporary Short Term Working Compensation Scheme, which subsidised employers to divert potential redundancies into short time working. The final applications for this scheme were taken in March 1984. A further initiative, also designed to get unemployed people off the unemployment register and thus reduce the increasingly shocking statistics of those out of work, was the Job Release Scheme. Introduced by the Department of Employment in 1977, a weekly allowance is paid to workers to retire early provided the employer agrees to replace the retiring worker with someone who is unemployed.

There have been other schemes, but the main focus of special employment measures has been on work experience and training for young people and job creation for adult and long term unemployed. These two areas have claimed an increasingly large share of the MSC's total budget. The largest proportion has gone on youth measures, which reflects the political priority given to responding to rising unemployment among school leavers. A comparative neglect has been shown to the adult unemployed, despite evidence which suggests that it is the mature worker, not the young, who suffer most from unemployment.<sup>8</sup> Indeed upon taking office the Conservative Government cut the STEP budget for 1979/80 from £84 million to £54 million and limited its application to a number of the more deprived regional and urban areas. However, as long term unemployment rose in areas previously unaccustomed to the problem, STEP became thoroughly inadequate both in scale and geographical relationship to the problem, and a new scheme, the Community Enterprise Programme (CEP), was introduced in April 1981 to replace it. The cash limit for CEP in 1981/82 of £95 million was a substantial increase on STEP's final year expenditure of £47 million, and, instead of being spatially concentrated, CEP operated nationwide with sponsors able to arrange off the job training and further education to help employers develop or acquire skills. YOP on the other hand, from beginning as a temporary measure to assist a minority of disadvantaged teenagers, developed steadily into a mass programme for school leavers. As unemployment rose, target figures were successively revised in mid-year to meet new guaranteed levels of provision promised by politicians. The annual throughput of YOP was raised to 440,000 in November 1980 and to 550,000 a year later.

By the beginning of 1982, special measures, such as

YOP and WEP, instead of being phased out as was originally intended, had been expanded rapidly. Over the five year period 1976-81, the proportion of the MSC's total budget spent on special programmes rose from 8% to 43% and a new division, Special Programmes, was added to the MSC's existing structure to administer them. Original notions about improving people's employability and providing temporary morale boosting employment at a time when other job prospects were low were retained as schemes were expanded. However, as high unemployment persisted, these became progressively more inappropriate and programmes grew to be steadily out of touch with the social and economic realities of the labour market. Youth policies, for example, became less successful in meeting their principal objective of getting young people into formal employment. Although the WEEP scheme began promisingly with around 78% of trainees subsequently moving into full time jobs in September 1978,<sup>9</sup> the numbers finding jobs fell steadily, and by May 1981 only around 31% of participants secured work after leaving the scheme.<sup>10</sup>

Apart from declining vacancies, other aspects of work experience and job creation measures served to reduce their effectiveness in ameliorating unemployment. A great deal of concern was expressed over the possible substitution effects of these policies, with trade unions, particularly those representing low paid workers, worried about the displacement of adult jobs by YOP trainees. The extent of the problem was difficult to determine precisely, though it was estimated that between one quarter and one third of YOP trainees had been used by employers as substitutes for paid employees.<sup>11</sup> Further evidence suggests that a significant proportion of those kept on after completion of YOP were the better quality trainees who would possibly have been taken on anyway. In around one third of the

cases employers were found to have used the scheme as a screening process for potential new recruits.<sup>12</sup> In respect to adult job creation, the concern that schemes should not interfere with the normal workings of the labour market often led to a situation where contradictory considerations operated. Jobs supported were supposed to be socially useful and worthwhile, of benefit to both those employed and the community. But at the same time they had to be temporary and not substitutes for jobs that otherwise would have been done. Not surprisingly, the difficulty of adapting these programmes for normal economic activity resulted both in a lack of sponsors coming forward from the private sector and considerable difficulties for groups who tried to use them for economic development purposes. Consequently, temporary jobs were often confined to relatively low quality local authority employment.

The educational input to YOP schemes was also well below what the MSC had hoped for, and training often fell short of young people's expectations and requirements. Partly this was because in order to meet early targets, the balance of YOP places had shifted away from more expensive schemes which offered a greater potential for planned education and training, such as Training Workshops, towards cheaper placements with private employers for work experience. However, it probably also reflected the initial aim of YOP, as being to improve the employability of a disadvantaged minority with little philosophy about training attached to it. Subsequent attempts to improve the quality of the scheme were inhibited by the pressure of expanding it into a mass programme, and the fact that those who became instructors and supervisors tended to be skilled males, previously unemployed, without teaching qualifications or experience, who generally found great difficulty in developing an educational role wider than teaching their own trade skills.<sup>13</sup> Moreover, since they were

given no security of employment or firm plan for their futures, it is not surprising that many were not particularly good teachers.

#### 4. Changing Directions in Manpower Policy

By the early 1980s policy makers regarded existing special employment measures, which had been developed in an ad hoc fashion largely in response to political pressure, as having many limitations but capable of providing a base and some useful lessons for the construction of new policies, and they began to discuss how these could be developed. Since then major changes have taken place in manpower policy, and others may be forthcoming, which create a new set of relationships between this area of Government policy, the unemployed and the economy.

In 1981 the MSC launched an examination of how an entirely new training system for young people and for adults requiring training or retraining could be established. Through a consultative document, 'A New Training Initiative', three main objectives were identified to act as guidelines around which much of subsequent policy would be based. The first was to develop skill training, including apprenticeship, in such a way as to enable individuals entering at different ages and with different educational attainments to acquire agreed standards of skill appropriate to the jobs available and to provide them with a basis for progression through future learning. The second was to move to a position where all young people under the age of eighteen had the opportunity either of continuing in full time education or of entering a period of planned work experience combining work related training and education. The third was to open up widespread opportunities for adults, whether employed, unemployed or returning to work, to acquire, increase or



update their skill and knowledge during the course of their working lives.<sup>14</sup>

(i) Policies for Youth

Against a background of urban rioting the subsequent debate focussed largely on the development of youth measures. In December 1981 both the MSC and the Government produced separate recommendations. The Government's plans, outlined in a White Paper, were to replace YOP by a scheme which would cater for 300,000 young people annually, the aim being "to equip them to adapt successfully to the demands of employment" by providing them with the type of skills employers would need and, in the process, "get a better trained and more flexible workforce".<sup>15</sup> The proposal included reducing the existing YOP allowance from £25 to £15 and encouraging participation in the scheme by withdrawing supplementary benefit from any unemployed school leaver until September of the following year. These suggestions were strongly criticised, and the scheme itself was widely felt to be inadequate and retain the major limitations of YOP. The MSC's recommendations differed in a number of respects and received a more favourable reception. They argued that training should be made available for all young people, and made no reference to compulsory participation or changes in the qualifying criteria for supplementary benefit. The emphasis, however, still remained on vocational training, as one might expect given the strong business and industrial interests represented by the CBI and the TUC within the MSC.

Following these two sets of proposals concerning a new Youth Training Scheme (YTS), a Youth Task Group was set up to review the scheme and make recommendations. The Group brought together high level representatives from

the CBI, the TUC, the voluntary sector, the careers and information service, the MSC and relevant Government Departments: a composition described as "almost exclusively male, middle aged," and deliberating on a training scheme which was going to affect the "majority of every generation of school leavers until the end of the century and probably beyond."<sup>16</sup> The Group's recommendations were published in April 1982.<sup>17</sup> They received unanimous support from the MSC, and were subsequently accepted by the Government which would probably have found rejection difficult without damaging the credibility of the MSC, or more significantly, the new Chairman of the Commission which it had recently appointed.

The new YTS began replacing YOP in April 1983, and by September of that year all sixteen year olds who had left full time education were guaranteed a place on the scheme as were some seventeen year olds, the eventual aim being to cover all youngsters in these age groups. Participation is voluntary and the scheme intends to provide an integrated programme of training, work experience and relevant education, usually for one year, at the end of which successful trainees will receive a certificate validated by a recognised body, like City and Guilds. Drawing on a wide range of sponsors from public, private and voluntary sectors, two modes of funding are available. Where a complete programme is provided, the sponsor is paid £1,850 which includes the trainee's weekly allowance of £25. If the sponsor also operates as a managing agent, whose responsibility it is to ensure that trainees under other sponsors receive the correct balance of education and training, an additional payment of £100 per trainee is made. Alternatively the MSC itself can function as the managing agent, and arrange with sponsors of community projects, training workshops, information technology

centres and so on, to provide schemes for training and work experience. Sponsors can add to the trainee's allowance from their own resources to reflect the value of productive work done. Although this concession was partly made to allow trade unions to adopt a negotiating role for trainees, research suggests that by the close of 1983 few trainees were receiving more than their £25 allowance.<sup>18</sup> By April 1984 460,000 places had been created on YTS of which about 340,000 had been taken up, the shortfall reflecting a significant overestimation of the demand for places partly caused by an unanticipated rise in the numbers of young people staying on at school beyond the minimum leaving age.

Although its origins lie in YOP, and many continue to associate it with the old school of thought, policy makers have attempted to distance YTS from the image of being a temporary measure in response to high unemployment. The Youth Task Group explicitly stated that "it was not about youth unemployment", but "about providing a permanent bridge between school and work."<sup>19</sup> As such, it represents an attempt to improve a system of industrial training which has been historically deficient. Traditionally the education system has been geared to the academically better able, with the majority of school leavers entering the labour market with little or no educational qualifications. Of those not securing an apprenticeship, the numbers of which fell by around 60% during the 1970s, only a small minority have received any formal educational and vocational preparation as part of their first employment.<sup>20</sup> In this respect Britain has <sup>not</sup> compared favourably with its other leading competitors. Young people in Germany, for example, have been almost six times as likely to enter formal apprenticeships lasting one or two years and which also incorporate elements of

further education.<sup>21</sup>

Although improvements of the kind YTS intends to bring are required, two basic criticisms concern the timing of the scheme and the economic role it envisages for young people. The aims of YTS would have been ideal at a time of full employment when many young people entered work with little prospect of subsequent training or education. But when unemployment is high, and likely to remain that way, a main effect of training for work is likely to be an even fiercer competition among teenagers who have not moved onto higher education for the existing jobs available. It may also lead to an increase in the qualifications demanded of young people by employers. The MSC have predicted that only 200,000 of the 500,000 sixteen year olds leaving full-time education in 1983-84 will find jobs, and, when distributional considerations are taken into account, the prospects for young people living in job-starved communities will be bleaker still. To cater for the numbers of young people who will be excluded from formal work is not the purpose of YTS. As the Government's White Paper stated, people are seen as "our pre-eminent resource", and on the assumption that new technology can improve productivity if a "better educated, better trained and more adaptable workforce" is made available, the objective of YTS is to equip young people with the skills required by industry.

The YTS is complemented by a Department of Employment initiative which builds upon another assumption within current Conservative economic theory - that high youth unemployment is a result of unreasonably high wage levels. The Young Workers Scheme (YWS), introduced in 1982, is designed to "encourage employers to take on more young people at wage rates which reflect their lack of training

and relative inexperience."<sup>22</sup> From April 1984 employers can receive a subsidy of £15 for each young person provided that their net earnings do not exceed £50 per week. As eligibility is restricted to people aged seventeen or who having left school at sixteen have been unemployed for at least a year, the scheme is tailored to improve recruitment into YTS and increase the likelihood that people leaving YTS will move into jobs. As the incomes they will receive will be low, YWS essentially represents a Government Department actively subsidising a reduction in the wages of young people despite having a statutory obligation to enforce minimum wage orders. There is evidence that in certain areas, like shop and farming work, where statutory minimum wage levels exist, that by operating the YWS the Department of Employment is encouraging employers to break its own rules. Furthermore a significant number of jobs subsidised by YWS appear to have existed beforehand, and other forms of abuse, such as illegal deductions of pay and threats against workers seeking union recognition, have also been revealed.<sup>23</sup>

(ii) Policies for Unemployed Adults

Programmes for unemployed adults, although given a lower priority than youth strategies, have also developed in ways which have broken new ground for the MSC and indicate the likely role this area of manpower policy will play in a period of high unemployment. In the March Budget of 1982 the Government announced it planned to provide an additional 100,000 places for the long term unemployed on top of the existing 30,000 under the CEP which was to be replaced. The plan, which was to engage the long term unemployed in socially useful activity in return for a wage marginally higher than the allowance they were receiving in supplementary benefit, met with

widespread political opposition. Although unable to block its eventual implementation, opposition was sufficiently intense for the MSC to discuss ways it could be overcome and the new Community Programme (CP) successfully operationalised. These included denying trade unions a veto on projects, by-passing Area Boards if they were unlikely to approve rejected schemes, pressurising recalcitrant local authorities, and offering voluntary organisations special deals to gain their support.<sup>24</sup>

The CP began in September 1982 with a commitment for two years to cater for the same groups as the former CEP and provide them with twelve months work in projects of an environmental, social or cultural nature. The widespread suspicion that CP was a second rate replacement for CEP, lacking in quantity and inadequate in the extent of training and work experience it provided, was reflected in the small number of places provided in the early months of the scheme.<sup>25</sup> This prompted the MSC to embark on a gentle lobbying of potential sponsors to show a stronger backing and commitment.<sup>26</sup> The CP is administered through a number of managing agents who allocate workers to a range of sponsors. Sponsors are paid £440 to cover costs for each place provided, £60 per week to meet the wages of each worker, plus employers' national insurance and the salaries of supervisors calculated at one per ten places. Managing Agents receive £100 per annum for each place provided. Sponsors can pay workers up to £92.50 per week, higher if they provide the extra money themselves, but because resources are allocated on the basis of an average payment of £60 per week, it means that for every worker earning over £60, another will have to earn less than the average, which at standard rates

of pay determines that this job will be part-time. The part-time element allowed a greater coverage of the adult long term unemployed than under CEP and represented yet another device for using money to get as many people as possible off the unemployment register for each pound spent. However, even with its targets fully met, CP is likely only to cover around one-tenth of its eligible population.<sup>27</sup>

Training under CP is given very low priority and can only be paid for by deducting money from overhead expenses or wages budgets. Indeed in the MSC's deliberations on adult training generally, there has been little mention of the problems of marginal workers and other disadvantaged groups like women, ethnic minorities and the disabled. The emphasis is set firmly on the economic role of policy. For example, in a discussion paper on adult training in 1983, intended to stimulate widespread public debate about the issue, the MSC identified the main purposes of new training and retraining programmes as being to raise the productivity and flexibility of the labour force; enable management and other employees adjust quickly and effectively to new methods, processes, products, services and technologies; overcome skill shortages and ensure that training in new skills is sufficient; help those starting up new firms to establish business activity successfully; and enable individuals to update and extend their skills.<sup>28</sup> These aims, and policies based on them, may well take the improvements to Britain's system of industrial training begun by YTS some way further. But a market led approach to adult training has little to offer that proportion of the labour force not required by industry, or those parts of the country, like some inner city areas and large peripheral housing estates, where incoming investment and the demand for new skills is less likely.

Although education and training are seen essentially in terms of preparing people for work, there are some indications that the MSC is considering ways that it can become more relevant to the unemployed and deprived communities. The Director of the Commission has indicated that the MSC intends to increase its involvement in community based projects which have been developed by local people and others such as local authorities, businessmen and voluntary groups, and which encourage economic regeneration by attempting to draw on resources from a variety of agencies. Instead of individual programmes being promoted by separate sections of the MSC, involvement in these "collaborative local projects" would be characterised by a new style of policy delivery under which bits of existing programmes, like YTS and CP, might be adapted to help local communities put together schemes for social and economic development.<sup>29</sup>

(iii) New Enterprise

While it seems poised to become more amenable to locally based and self-help action, the MSC has already broken new ground for manpower policy in an area not previously considered legitimate for public agencies - the direct creation of new productive enterprise. In a joint initiative with a number of institutions of higher education, the MSC runs the New Enterprise Programme (NEP). Under this, potential entrepreneurs, who have to be unemployed and over the age of nineteen, participate in sixteen week courses involving both intensive residential study and the practical establishment of the new business with expert tuition and supervision given throughout. The MSC pays the institution's fees, provides participants with a full subsistence allowance for the



duration of the course, and meets expenses during the non-residential phase. The total cost to the Commission is around £4,000 per individual. In 1983 around thirteen courses operated, with only around fifteen individuals on each. It is not expected that the scheme will cater for more than 200 in total each year. Intake is highly selective and organisers report low failure rates among the businesses which have been established.

Another initiative geared to the creation of new economic activity is the Enterprise Allowance Scheme (EAS). Introduced in 1982 in five pilot areas and given national coverage in August 1983, the EAS attempts to draw the long term unemployed into self-employment by providing an allowance of £40 per week for people who have been out of work for six months or more and with £1,000 to invest in a new business. An evaluation of the scheme by the MSC at the pilot stage found the main beneficiaries to be middle aged married males who had been made redundant from industries where they had often held professional or managerial positions and who considered themselves to have possessed experience directly relevant to the business before they set up. At the time the overall impact appeared small. Only around 13% of applicants indicated that they would not have started their business in the absence of the allowance, and few thought it likely that they would take on any employees.<sup>30</sup>

Both the NEP and the EAS may hold only limited prospects of creating entrepreneurial activity among individuals not already on the fringe of self-employment, but this need not mean that programmes to encourage people to set up indigenous small scale enterprises are inappropriate for other groups. There can be several reasons why certain unemployed people do not take advantage of

existing provisions, though they might be better able to if policies were developed to correspond more to their needs. The NEP, for example, is interested primarily in those already with an advanced potential to become successful small businessmen, while the EAS is merely a wages subsidy and, despite targetting itself on the long term unemployed, where educational and cultural barriers to self-employment are likely to be most intense, it provides no educational or training input. Furthermore, the EAS is designed only to support self-employment and forms of collectively owned enterprise, like community businesses which will be discussed later, have not been able to use the scheme. In these cases although unemployed people, if recruited, may participate in the management of the enterprise, their official status is still considered to be 'employee' and not 'entrepreneur', thus precluding help from the EAS.

## 5. Conclusions

From their origins in the mid 1970s, programmes for the unemployed had by the close of the decade become a large part of the MSC's work and a huge demander of its resources. They were founded on the hope that unemployment would eventually fall and thereby erase the need for them. But as high unemployment has persisted, with no sign of falling significantly, approaches rooted in this tradition have been forced to change. Manpower strategy has moved away from directly ameliorating unemployment to become increasingly concerned with improving the quality of the labour force as a resource to make industry more productive and efficient - while still performing the politically essential task of reducing the unemployment figures. Youth policies, for example, no longer seek to provide temporary relief from unemployment but are geared to improving the system of industrial training through which young workers will become more adaptable to the requirements of potential

employers. Although coping with unemployment is not the main priority, certain policies appear to have been tailored to accommodating the problem in certain ways. In the CP, for example, the tacit pressure on sponsors to hire part-timers inherent in the scheme is perhaps a recognition that more flexibility and greater toleration of long-term under-employment will be acceptable.

Although a declining priority towards the unemployed is evident, manpower policies will continue to have an important bearing on the fortunes of those excluded from secure employment and the role they will play in the economy. For many, participation in schemes like YTS and CP will be no more than a postponement or temporary release from unemployment. For the young in particular, this postponement could be quite lengthy. On leaving school, successive spells on YTS, employment under the YWS and finally work on the CP, could take them several years into their adult working life. The incomes people on these schemes receive are being kept low, or forced further down, as a result of deliberate Government strategy. Those affected tend to be the poorer and less fortunate workers, and they face a future in which their living standards will be lower and their employment less secure than they would probably have experienced in the past. On the CP, for example, very few workers, possibly only those who are single and living at home or unemployed women who are not entitled to benefit, will receive incomes higher than what they are entitled to on social security.<sup>31</sup> Some unemployed people will become better trained or maintain a certain level of morale as a result of participating on these programmes, and may, therefore, stand a better chance than other disadvantaged workers of securing jobs if the demand for labour rises. However, perhaps more significant effects

will be the benefits which flow to industrial interests and others who are doing relatively well despite the economic crisis, through the avoidance of potential unrest and the maintenance of a trained and relatively cheap reserve of labour.

Despite these rather bleak prospects, there may also be some hopeful possibilities. Programmes for young people and the adult unemployed will remain important features of Government manpower policy. In 1985-86, for example, the proportion of total MSC expenditure estimated to be spent on YTS and CP is 46% and 26% respectively.<sup>32</sup> How these programmes are implemented and how adaptable they become, will largely determine what can be achieved by those who use them to support locally based action. Hopefully they will become more supportive of economic projects initiated or targetted on communities and groups in greatest distress. This could involve providing a demand element to current supply based public sector economic regeneration policies and allowing greater flexibility in the use of programmes like YTS, CP and EAS for community based economic development initiatives.

Notes: Chapter Nine

1. Department of Employment (1971), 'People and Jobs.'
2. MSC (1976), 'Towards a Comprehensive Manpower Policy', p.14, para. 2.29.
3. Ibid, p.14, para. 2.27.
4. MSC (1977), 'Young People and Work', (The Holland Report).
5. MSC (1977), 'The New Special Programmes for the Unemployed', p.3.
6. Ibid.
7. Deakin B. and Pratten C. (1982), 'Effects of Temporary Employment Subsidy', Department of Applied Economics, Occasional Paper 53, Cambridge University Press.
8. See Chapter Four and research by W.W. Daniel.
9. NCVO (1980), 'Work and the Community, A Report on MSC Special Programmes for the Unemployed', Bedford Square Press, London, p.4.
10. Short C., Director of Youthaids, quoted in Duffy J. (1982), 'A Community and Business Approach to Youth Unemployment', Merseyside Action Resource Centre.
11. NCVO (1980), op.cit., p.4.
12. Ibid, p.4.
13. Duffy J. (1982), op.cit.
14. MSC (1981), 'A New Training Initiative: A Consultative Document', May.
15. HMSO (1981), 'A New Training Initiative: A Programme for Action', Cmnd. 8455, December.
16. Salmon H. (1983), 'Unemployment, Government Schemes and Alternatives', Association of Community Workers, October, p.14.
17. MSC (1982), 'A New Training Initiative: Youth Task Group Report', April.

18. Labour Research Department (1983), 'Bargaining', Monthly Journal of The Labour Research Department, December.
19. MSC (1982), op.cit.
20. MSC (1980), 'Outlook on Training: Review of the Employment and Training Act 1973'.
21. Grimmod J. (ed) (1979), 'Youth Unemployment and the Bridge from School to Work', Anglo German Foundation.
22. Department of Employment (1982), 'Young Workers Scheme', PL678 (Rev).
23. Griffiths J. (1983), 'Young Workers Scheme: A Subsidy for Exploitation', in Unemployment Unit Bulletin, No. 8, June.
24. Internal MSC document, 'The Community Programme', a discussion paper by ESU, November 1982, quoted in Pain J. (1983), 'Community Programme - a battle lost', in Unemployment Unit Bulletin, No. 10, November.
25. Hencke D., 'Jobs Scheme may not be Working', The Guardian, 7.2.83.
26. Hencke D., 'Pressure from MSC over training Scheme', The Guardian, 8.2.83.
27. Metcalf D. (1982), 'Special Employment Measures: an analysis of wage subsidies, youth schemes and worksharing', Midland Bank Review, Autumn/Winter.
28. MSC (1983), 'Towards an Adult Training Strategy, A Discussion Paper', April, p.5.
29. Interview between Geoffrey Holland, Director of the MSC, and Colin Ball, published in 'Initiatives', Journal of the Centre for Employment Initiatives, No. 7, November 1983.
30. MSC (1982), 'Enterprise Allowance Scheme - Survey of Applicants', unpublished paper, August.
31. Salmon H. (1983), op.cit., p.29, quoting work done by the Unemployment Unit.
32. MSC (1983), 'Corporate Plan 1983-87', April, p.43.

## CHAPTER TEN

### LOCAL GOVERNMENT ECONOMIC AND EMPLOYMENT INITIATIVES

#### 1. Introduction

During the debate on local government reorganisation in the early 1970s, recommendations that local authorities extend their role to encompass 'the overall economic, cultural and physical well being' of the community<sup>1</sup> were soon accepted within Government policy.<sup>2</sup> These sentiments have since proved prophetic. A decade of almost continuous recession and rising unemployment has left many local authorities with enormous financial, environmental and social problems. Rate income has been reduced by industrial closures, and the loss of jobs and selective population decline have reduced local spending power and community wealth. Acute problems of physical dereliction and polarised and deprived communities are exerting intense demands on local authority services and finances at a time when their resources are diminishing and subject to a tightening control and cutback by Central Government. As traditional options for renewal and economic regeneration disappear, local authorities have been forced to search for solutions themselves and investigate alternative ways in which their powers and skills can be adapted to secure new investment and jobs. This Chapter reviews how local authorities are responding to these new challenges. After briefly sketching the economic development powers and the main sources of finance available to local authorities, recent organisa-

tional and procedural changes introduced to facilitate economic policies will be discussed. Following this I shall draw out the main areas of activity, citing illustrations and the more innovative initiatives as an indication of the direction in which local economic policies are moving.

## 2. The Scope for Action: Powers and Resources

Local authorities have no specific statutory duties relating to economic development. Although policies concerning housing, planning, transport and so on, will have an important bearing on supply side aspects of the local economy, authorities wishing to play a more direct role in promoting industry, with the exception of a small number who acquired special powers through local Acts of Parliament, have relied on the powers contained in public general Acts which can be exercised by any local authority. The legislation outlined below is that pertaining to England and Wales. In Scotland the powers are broadly similar, but the complexion of local economic development is often different because of the prominent role played by the SDA, which involves itself in local regeneration policies, jointly negotiating an economic development package with the relevant local authorities and providing a large proportion of resources necessary to implement it. The role of the SDA is discussed in greater detail in Chapters 8 and 14.

The Local Authorities (Land) Act 1963 allows authorities to acquire and develop land for industry and commerce. More general powers to acquire land, erect buildings and undertake other works in the interests



of proper planning are contained in the Town and Country Planning Act 1971. The 1963 legislation also allows authorities to grant loans of up to 75% for the erection of buildings on land sold or leased by the authority. General powers to assist industry and commerce are also available in the Local Government Act 1972. Section III provides a general power to do anything conducive or incidental to the discharge of any local authority function. Section 137 of the same Act allows local authorities to incur expenditure up to the value of a 2p rate product in the interests of their area or inhabitants. Many councils have relied heavily on this provision to raise funds for their economic strategies. In addition to these powers, authorities designated under the Inner Urban Areas Act 1978 have some further powers which have already been described in a previous chapter on Central Government's economic policies.

The disparate and ad hoc collection of rights regarding the role of local authorities in assisting industry and commerce has made for an inequitable distribution of powers and resources which has often borne little relation to the severity of the problems being experienced. Although in no way adequate to reverse decline, Tyne and Wear has had its own Local Act, enjoyed Special Development Area Status, is a designated Partnership area and contains one of the Government's enterprise zones, whereas Sheffield has had no specific local powers and lies outside the main provisions of Government urban and regional policy, forcing it to rely on general powers and locally mustered resources. In 1980 the Government set up a Committee to review the appropriate role for local government in assisting industry and commerce and the legislative implications of

this. Reporting in July 1980 the committee argued that local government should have a role working alongside the private sector and Central Government and identified two options for legislation: either broadly based but limited financial powers could be given to all authorities, or powers could focus on those with more severe economic problems, enacting specific and wider ranging powers for them.<sup>3</sup> The Government's Official response came in a Green Paper in March 1982 which suggested that local authorities be allowed to give greater financial assistance to private sector land and building projects and that all authorities be allowed to spend only up to one  $\frac{1}{2}$ p rate per annum to assist small independent firms employing no more than twenty-five people, apart from districts designated under the Inner Urban Areas Act which could spend up to the 2p rate on firms regardless of size or status.

The Government's suggestions were so unpopular that it was forced to change its plans and introduce amendments to the Local Government (Miscellaneous Provisions) Act, enacted in July 1982. Provisions within this legislation, while extending the powers of the Local Authority (Land) Act 1963 to allow authorities to provide more support to private sector land and building initiatives, clarified the use of the 2p rate provision for all authorities without any restrictions concerning the nature of firms helped whether through loans, guarantees or grants. The Act also clarified the use of the Employment and Training Act 1973 by authorities entering into arrangements with the MSC in order to fund training and employment initiatives.

Although these developments protected and extended

the powers available, the main barriers to economic development activity are not legislative but financial. A survey by Boddy (1982), for example, found that none of the authorities he interviewed had volunteered lack of powers as a constraint on activity; the overriding obstacle experienced was lack of financial resources.<sup>4</sup> As Central Government's resources targetted at area-based economic development are provided selectively, many areas with severe problems miss out. Although the legal provisions exist for these authorities to raise money locally, effective controls over local government expenditure exercised by Central Government make it difficult to do so without resources being drawn from other services, like refuse collection and fire prevention, which are financed from the same part of an authority's budget as economic development. Recent Central Government policies have actually extended central control over the ability of local authorities to raise resources locally through the rates and new measures have been introduced to control capital expenditure by penalising authorities who exceed their spending targets (ie 'rate-capping').

The targets for local authority revenue expenditure are assessed each year by Central Government through a Grant Related Expenditure Assessment. Authorities who spend above their targets are penalised in two ways. First the contribution made by Central Government through the Rate Support Grant is substantially reduced. Second, Government also sets annual expenditure targets and authorities who exceed these suffer the holding back of grant which they otherwise would have received. The severity of these penalties can mean that the amount of money an overspending authority can lose through the holding back of grant can far exceed that which they

overspend. For Merseyside County Council in 1984-5, for example, this system has meant that local rate payers have had to pay £3 for every £1 the Council has spent beyond its target figure for total expenditure.<sup>5</sup>

Faced with these constraints some local authorities have sought alternative ways to fund their economic policies. Partnership with private developers has become particularly popular and over half the total stock of small factory units in England and Wales have been provided in this way. A small number have also drawn on the pension funds of local government staff to provide finance for industrial investment, though this has raised a number of problems concerning accountability and the determination of an acceptable rate of return. Others may be preparing for open conflict with Central Government. The crisis created by Liverpool City Council's refusal in 1984 to agree a budget and the threatened intervention of Government by sending in commissioners to run the city was eventually overcome following Government's guarantee of additional resources, but similar conflicts could be emulated next year.

### 3. Organising for Economic Development - new structures and procedures

Many local authorities have altered, some radically, their administrative structures to facilitate new economic strategies. It is common to find that 'industry', 'economic' or 'employment' sub-committees have been established, which can be relatively powerful groups within a Council's overall committee structure, at times chaired by the leader of the Council and including chairmen of other major committees.<sup>6</sup> Some authorities have given groups with such a remit full Committee status.

It has also become a widespread practise to set up special teams and panels of officers who operate with an employment remit and frequently work to the Policy and Resources Committee or sub-committee of the authority. One of the most extensive programmes of internal restructuring has been undertaken in Sheffield where the City Council has set up an Employment Committee consisting of twenty-one members and an Employment Department with a potential for sixty staff and an initial budget of £2½ million drawn from the product of a 2p rate. The Department's role is to develop 'measures agreed by the City Council to defend, generate and expand employment within the city.'<sup>7</sup>

In addition, and in some cases as an alternative, to altering internal structures, authorities are involved in new non-statutory agencies, like local economic development corporations or agencies, or local enterprise trusts or boards, which operate relatively independently from the established local bureaucracy. The impetus for their establishment has not, however, always come from a local authority. The private sector is heavily involved - as the next Chapter will show - and in many cases local authorities and representatives from business organisations operate these agencies in some form of partnership.

An important motive for an authority to establish a new external body can stem from the belief that it is faced with a number of difficulties, such as the scale of the problem, lack of available skills, and the day-to-day pressures involved in running local government, which would inhibit implementation of the desired economic strategy. This seems to have been the case in Greater

Manchester where the County Council has established an Economic Development Corporation, a company limited by guarantee with £5 million funding to which the authority has transferred its entire Industrial Development Service. For similar reasons Enterprise Boards have been established by the Greater London Council (GLC) and the West Midlands County Council. Responsibility for implementing the GLC's industrial strategy is vested in the Greater London Enterprise Board (GLEB), again a company limited by guarantee and made up of Council members and representatives from trade unions, co-operatives, finance, local government and technical institutions. GLEB's running costs of £30 million are realised from the GLC's rate revenue by use of the 2p rate provision. In the West Midlands the Enterprise Board also plays a central role in the authority's economic policies. It is responsible to the Economic Development Committee (EDC) of the Council, liaises with the Economic Development Unit (a group of officers), and is made up of ten Directors appointed by the EDC, six county councillors and seven staff. It also derives its budget - which totalled £7.4 million in 1982-83 - from rate revenue.

Where new external structures have been introduced by lower tier authorities, they give strong priority to job generation. In Wandsworth, for example, the Borough Council in partnership with the London Chamber of Commerce and Industry and Industrial Common Ownership Finance, has set up a Development Agency which aims to create 1,000 new jobs in new manufacturing co-operatives, become self-financing within five years, and eventually establish a revolving loan fund for investment in the firms it helps to create.<sup>8</sup> Again with the emphasis on jobs, efforts begun by Cunningham District Council in

the west of Scotland in response to a large scale employment contraction at the local ICI plant led to the establishment of an Enterprise Trust pulling together representatives from public agencies and local business interests.<sup>9</sup> Initiatives like these are taking place throughout the country.

In the terminology surrounding new groups and structures and the staff positions within them, labels like 'employment' and 'enterprise' are increasingly used in place of 'industrial' which perhaps indicates a growing sensitivity to jobs and the potential impact of local authority policies on employment. It is probably also due to recognition that 'industry' often means 'manufacturing' which is likely to employ a declining proportion of the labour force. 'Employment' and 'enterprise' can cover services as well. Developments in the London Borough of Lewisham reflect this. Following the appointment of an Industrial Development Officer in 1974, an Employment Sub-Committee and an Employment Promotion Unit was set up and a Principal Employment Officer appointed. Since then a Job Creation Officer has been added. However, it is not only in the names given to new structures which suggests priorities and policies are changing. Many of the new jobs emerging in relation to economic development are calling for new skills and capabilities. Job descriptions often demand a clear understanding of the needs of industry and the operation of trades unions, and indicate that recruits can expect to work closely with groups in the community, including trades councils, women's organisations, ethnic minorities and local universities and colleges.

To facilitate a new role in economic development, though also partly in response to central government

directives,<sup>10</sup> major changes have been made to local planning policies and procedures. Planning regulations relating to industry have been relaxed, industrial areas located within residential localities are being protected instead of being persecuted, and mixed use redevelopments are being encouraged. Much of this reverses the traditionally low priority which has been given to industrial uses generally within land-use planning when compared to housing and commercial ones. Some authorities have gone further and given special employment status to parts of their areas. Wandsworth, for example, has designated a number of localities 'local employment areas' in which existing users are given long term guarantees about the future of their sites.<sup>11</sup> A priority towards industry and jobs is also evident in the policy objectives of local and structure plans. The aims adopted by Lambeth are similar to those of many other authorities. Here the Development Plan's objectives are to minimise the disruption and displacement of firms by Council or other developments, resist changes of use from those which generate employment or indeed any that involve job loss, and give a high priority to processing applications for industrial and commercial development.<sup>12</sup> In addition to content, procedures by which plans are prepared and revised have also changed. Local plans for industrial areas are being produced more quickly and provisions are being introduced to overcome the inherent difficulties structure plans have in accommodating rapidly changing economic problems and needs. An example of the latter is the City of Newcastle's Employment Policy and Programme - an annually revised policy document which attempts to relate economic problems to potential policies undertaken by the entire range of public and private



agencies involved in economic development.<sup>13</sup>

An active role for local authorities in economic development is not one which existing legislation accommodates easily or which Central Government encourages to any great extent. Neither, with the traditional and centralised bureaucracies of local government organised essentially for controlling and delivering services, has it been an easy one to develop. Nevertheless, many local authorities have felt some response to economic decline and high unemployment is necessary and have re-organised their structures and procedures - though not all in the same way - to enable action. The following section examines the various types of initiatives taking place.

#### 4. Local Economic Initiatives

##### (i) Industrial Promotion

Industrial promotion is an area of local authority activity which has grown in recent years. Although in the early 1970s most County authorities and over one-third of lower tier authorities in England and Wales employed an officer specifically concerned with economic development, their involvement was usually only on a part-time basis.<sup>14</sup> However, following local government re-organisation, many new full time Industrial Development Officers were appointed, and by 1981 almost three-quarters of all authorities with a population greater than 150,000, including the new towns, had an officer employed full time on promoting economic development. Most of these officers had teams of people working under their direction.<sup>15</sup> Their work mainly included

publication and distribution of literature about the area, advertising in the media, producing posters, running exhibitions, sending out mail shots and following up leads from business and trade journals by travelling to meet businessmen.

The timing of this growth in promotional activity was unfortunate. It coincided with the onset of a recession which has diminished the level of economic activity in the country. The fall in the demand for labour has meant that firms have found it easier to secure the manpower and skills they require without moving in search of these as previously they might have had to do. As a result, the attraction of what potentially mobile investment exists has become more difficult and competition among local authorities has intensified as the stock and mobility of investment has declined. The wastefulness of much of this promotional activity has led some authorities to adopt more sophisticated approach which might avoid duplicating the efforts of others and stand a better chance of success in a highly competitive market. Marketing and public relations consultants have been hired to run professional advertising campaigns, banks of detailed knowledge have been built up with a view to promoting development by offering to provide firms with the technical knowledge they might require, and efforts have been made to attract firms from North America, Europe and Japan. Much of this remains highly speculative and often little reward is forthcoming. International promotion in particular demands more resources and expertise than domestic activity and carries the danger that resources may be too thinly deployed to have any meaningful effect. Indeed some cities have become disenchanted after only a brief period of involvement.

Both Glasgow, which paid out around £190,000 in salary and expenses to maintain a business executive in Los Angeles for which it had received no incoming investment in return after two years, and the GLC, which had spent £80,000 through its London Industrial Centre on foreign promotion, have both scrapped their initiatives.

With the decline in footloose investment at home and abroad, there has been a noticable shift in promotional activity away from the passive dissemination of information towards encouraging new indigenous enterprise and helping existing firms to expand. Some authorities draw on the technical and commercial expertise of local colleges, universities and business schools to provide small enterprise with advice, and campaigns and competitions are being run through the local media to encourage people to establish new businesses. Swansea has been particularly inventive, and gives regular broadcasts through the local radio to inform local businessmen of the successes and difficulties being experienced among the business community.<sup>16</sup>

#### (ii) Improving the Industrial Environment

Despite popular rhetoric about physical planning inhibiting economic development, local authorities have often found the likelihood of generating economic activity to be enhanced by actively improving the environment of industrial areas. The rehabilitation of small run down industrial localities was pioneered by Rochdale in the mid-1970s and here planners claimed that essentially physical measures involving small amounts of expenditure when coupled with a stated commitment to revive the area succeeded in improving economic stability, secured new investment and boosted confidence and morale among local

businessmen. The concept was further developed in Tyne and Wear and Liverpool before emerging in a co-ordinated legal and financial framework in the provisions concerning Industrial Improvement Areas (IIAs) contained in the Inner Urban Areas Act. IIAs are small areas where firms can receive assistance with environmental improvement and grants of up to 50% to convert or improve their premises, and they have become key elements in the industrial strategies of Partnership authorities. In 1982 Tyne and Wear and Liverpool had twenty-one and eight respectively and in areas not covered by partnership agreements authorities have developed similar schemes to IIAs. Policies of this sort certainly appear successful in improving the physical image of parts of cities. However, if the resources being released towards physical improvement are to be justified in employment terms, then it remains to be conclusively shown that either further economic decline has been halted or that new indigenous investment has been generated as a result.

Another environmental initiative, much removed from starting with run down industrial districts, is the Science Park, which several authorities hope will stimulate economic development through the encouragement of high technology firms with a high growth potential. Generally these are serviced and landscaped industrial estates, restricted to tenants involved in research, development and production in high technology. They are often closely associated with a university or college. In Glasgow, for example, the District Council, the SDA and the city's two universities, have collaborated to establish a Science Park with a capacity to provide 58,000 sq.ft. of industrial premises at an estimated total cost

of £6 million.<sup>17</sup> The concept of growth based on the high technology small firm is a relatively new one in Britain. The idea stems from America where there is a much stronger tradition of the academic entrepreneur. However, even there, less than half of the established Science Parks appear successful and some are no more than low density industrial estates.<sup>18</sup>

(iii) Premises and Workshops for Industry

The development of factory premises and workshops has become a widespread part of local authorities' work since the mid-1970s. A survey of the provision of small units up to 5,000 sq.ft. by all English local authorities and new towns between 1976 and 1981 found that of the authorities responding over 90% of Metropolitan Borough Councils, all the Metropolitan County Councils except the West Midlands, most of the New Towns and just under half of the County and District Councils had built small units over this period. Overall 54% of responding authorities had provided premises with the largest number of units (44%) accounted for by the District Councils because of the greater number of these authorities.<sup>19</sup> However, although involvement was high among authorities in the assisted areas, the extent of provision was found to be smaller than in the non-assisted areas. This partly reflects the particularly low indices of entrepreneurship which exist in the least prosperous parts of Britain<sup>20</sup> and the reluctance of the private sector to get involved in property development and management in these areas. In fact it seems that private developers found large factories so much more profitable to provide that they left a gap in the market - the small factories - which public authorities initially

filled; since then private enterprise has come in to build them too.

An important feature of recent public sector industrial premises policies has been to cater for people who appear to have potentially good business ideas but who may lack the necessary business or technical skills, or the resources to get started. Since around 1980 authorities have increasingly sought to provide for this group through the development of enterprise workshops or seedbed centres. These tend to be sheltered environments of subsidised and often very small workshop spaces. On-site management services frequently provide telephone answering, letter writing, VAT and PAYE and other business services to tenants. Technical and management advice may also be available and in some schemes access to communal machinery, heating, lighting, maintenance, rates and so on are provided free of charge. The intention is often to nurse the tenant to a position of competitiveness and viability and techniques like a sliding rental scale which subsidises the business during its early period have been employed for this purpose. Certain schemes also operate a formal training initiative in conjunction with providing premises. The New Enterprise Workshop in Newcastle, for example, encourages new tenants to enrol on a business course run by the local polytechnic and designed with the workshop clients in mind.

Another type of scheme, closely related to the enterprise workshop idea, is the innovation centre or venture workshop. However, instead of providing mainly a trading base for new enterprise, this operates as a resource centre for product development where people can have access to tools, equipment, expertise, advice and other materials. New manufacturing ideas can be explored

and products assessed and modified in the light of a technical, managerial or marketing problems. As a result entrepreneurs are in a stronger position to seek financial support from potential bankers who tend to relate loan security to their knowledge of the past history of the product or service concerned.

Despite the enthusiasm surrounding the provision of premises and workshops and the subsidising of people to start their own businesses, the justification for these policies and their importance in economic development strategies may not be as conclusive as many currently presume. If the reluctance of the private sector to get involved reflects in part a limited opportunity for profitable investment, then local authority provision and the subsidies attached to it may be supporting inefficient production and activities which threaten the existence of other enterprise and jobs. It is possible that market imperfections explain a significant part of private sector inactivity in certain areas of the country. But if so, then instead of local authorities filling this gap in the market it might be more appropriate for them to persuade private developers to do it or at least set about removing the restraints which deter them.

(iv) Finance and Investment for Industry

In managing their local property market local authorities can offer financial concessions and incentives to prospective tenants. Over half the local authorities in England and Wales give concessions, mainly rent free periods, to new tenants of council owned properties.<sup>21</sup> On the whole these are used sparingly and given only for limited periods of time, reflecting not only the tendency

for authorities to seek some return on their investment but the fear that they would otherwise attract too many firms who would need a continuing subsidy to survive. The provision of loans and grants has been less common. It was reported in 1980 that only around 17% of authorities were giving loans to industry.<sup>22</sup> However, since then these provisions along with equity finance have become important tools in the strategies of certain large authorities. The GLEB can provide grants of up to £0.5 million to companies in the form of regular contributions to working capital or labour costs, rent or interest rate subsidies. In addition it can provide unsecured loans of up to twice and secured loans of up to six times the value possible in grants, with interest normally charged at market rates, and may take equity in companies of up to twice the value it can give in grants. The West Midlands Enterprise Board considers itself a public sector development capital company for the region whose task is to invest primarily in existing medium to large firms through the provision mainly of equity finance, normally within the range of £100,000 to £3 million, to companies which offer long term prospects for growth but which cannot obtain the necessary risk capital from traditional sources of investment finance.<sup>23</sup>

Other authorities have also broken new ground in assisting businesses financially, though on a more modest scale. In Sheffield, the City Council in partnership with the Co-operative Bank has introduced its own version of the Government's Loan Guarantee Scheme, providing low interest loans mainly of between £5,000 and £30,000 to local businesses who have been unable to obtain an equivalent level of finance from other sources.<sup>24</sup>



Swansea City Council have introduced a similar scheme. Here the Council's Development Company can guarantee up to 80% of a firm's overdraft so long as it does not exceed £25,000 and provided that the applicant's bank will lend the 20% balance unsecured.<sup>25</sup>

(v) Manpower and Training Initiatives

Local authorities can involve themselves in manpower policy in a number of ways. All can participate in MSC programmes, though the extent of involvement often depends on the attitudes of local trades unions who, in some parts of the country, have restricted the development of schemes because of fears that they would displace existing jobs, poor quality of the training provided or mistrust concerning their political motives. Some councils have adopted MSC schemes and tried to build upon them. By spending £8 million topping up £5 million from the MSC under the Community Programme (CP), Leeds City Council have been able to recruit 1,300 long term unemployed and increase the average £60 weekly wage available under the CP to meet proper union rates of pay. In other areas, Nottingham and Greenwich for example, local authorities have supported or taken over the operation of existing MSC training facilities which have been subjected to the threat of closure.

In response to the many weaknesses in MSC policy provisions, alternative manpower initiatives have been introduced. Temporary wages subsidies giving priority to certain groups in the labour market have been set up by several authorities. A pioneering influence was Cleveland County Council which secured finance from the European Social Fund (ESF) and supplemented this with a

local employment fund drawn from the 2p rate provision and set up the first local authority recruitment scheme in 1980. With an annual budget of £117,000 in 1981-82, £36,000 of which came from the ESF, this allowed for the creation of 150 new jobs in local firms. These were aimed at people aged under twenty, particularly those disabled through physical handicap or lack of formal qualifications, who had never been in full time employment and had been unemployed for over a year. Under the scheme employers could apply through the careers services for a premium of £30 a week for six months so long as the jobs are genuinely additional to the firm and permanent. Cleveland subsequently expanded its employment fund to £1.5 million and introduced a more general provision which provided a 30% wages subsidy for up to 26 weeks for any person taken into permanent employment who had been resident in the District for six months or more. Initially the scheme sought to cater for around 640 places.<sup>26</sup> Other authorities have followed Cleveland's lead and have drawn on ESF resources to help fund similar recruitment schemes.

A role for local authority manpower policy in economic development has been institutionalised in London where the GLC has established the Greater London Training Board (GLTB), a Council committee which, in addition to council members, draws representatives from trades unions, employers, women's groups, ethnic minorities, the voluntary sector, the Inner London Education Authority and the MSC. Its main purpose is to provide grants for adult training to both statutory and voluntary bodies and the emphasis of its work differs from the 'economic' focus of the MSC's approach to training discussed in Chapter 9. The role of GLTB is to 'promote human centred and socially useful technologies', such as energy conservation and

pollution control schemes, and to cater for groups like women, ethnic minorities and the disabled by providing them with the type of help which will allow them to define and devise training programmes which meet their needs.<sup>27</sup>

(vi) Interventionism and Socialising Production  
in the Local Economy

In order to implement their economic and employment objectives some authorities intervene directly in the workings of their local economies and exert a degree of influence over local enterprise. The nature of these interventionist policies differs widely, varying in terms of the degree of selectivity that is applied, the amount of public control that is exercised on private industry, and the principles upon which the strategy of intervention is based.

One obvious opportunity open to local authorities to directly boost their local economy is by channelling resources spent on goods and services towards local businesses, and many authorities are either operating or considering initiatives in this area. Glasgow District Council appear to be among the first to discriminate in favour of local firms when awarding Council contracts. In May 1982 an experimental policy was adopted whereby if a Glasgow firm submitted the second lowest tender for any work and was within 2% of the lowest offer, then it would be given the opportunity to carry out the work. In August 1983 the policy was reported as having had a modest impact - diverting almost £300,000 to local firms and sustaining 24 jobs - but on the calculation that the replacement of the 2% with a 5% threshold would realise around £1.5 million for local firms and sustain a minimum

of 126 jobs, this higher margin was adopted and the policy continued for a second experimental year.<sup>28</sup>

Where a policy is applied generally, as in the above example, with no selectivity in terms of the size or type of firm, it may well involve certain elements, such as unfair competition and displacement effects, which serve to dilute the impact on employment. In an effort to avoid these risks and maximise the effect of economic policies, some authorities adopt a more selective approach and target resources on certain parts of the local industrial structure. The GLC and the West Midlands both concentrate their employment policies on medium to large firms on the grounds the fortunes of these will determine the main movements of employment in their areas. The West Midlands provides no special help to small firms, and although some assistance has been given by the GLC, the council considers it more significant to concentrate on those sectors of the London economy where small firms predominate rather than on the size of firm.<sup>29</sup>

Where authorities do promote small scale enterprise, the direct encouragement of workers' co-operatives has become increasingly popular since the second half of the 1970s when Wandsworth began the recent tradition of supporting this form of enterprise. In London the GLEB have, in addition to financing new co-operatives, intervened in cases where an existing private employer was closing its operation and have restructured the workforce on a co-operative basis. As a necessary complement to this process of restructuring and promotion of the co-operative form, authorities like the GLC and Sheffield give a key role to the publicly managed

provision of technical expertise and innovation. Efforts are being made to link up the technological skills available within local polytechnics and universities with production in the local economy. In Sheffield product development companies have been formed jointly with the local Polytechnic to develop new technologies which will contribute to the welfare of the community and existing enterprise and which will not subordinate human labour to market interests.<sup>30</sup> One outcome has been the design of a de-humidifying process for houses around which a workers' co-operative has been formed. The enterprise has a large market in the local council housing stock, a large proportion of which is faced with dampness problems.

In London technology networks have been set up by the GLC. These are based in local polytechnics but have shop fronts separate from each institution so that the community has direct access to their resources. The aim is to make a direct contribution to employment by researching new products and systems, and providing information and practical help to new firms and co-operatives, firms being restructured by GLEB, and groups waging campaigns such as energy conservation.<sup>31</sup> It seems that Polytechnics play larger parts in these developments than Universities, which may be partly because the Polytechnics belong to the local authorities and are anxious to secure their goodwill.

In an attempt to ensure that firms which receive public help will conform to their employment objectives, local planning agreements are being used by some authorities. Most of these agreements concern observation of Government employment legislation, the rights of workers to join trade

unions and so on, but some authorities have tried to develop their use further. Sheffield City Council has insisted on formal agreements with assisted firms which guarantee that future product development, manufacturing and employment will be concentrated in the town.<sup>32</sup>

The West Midlands Enterprise Board plans to seek agreements with firms to ensure that they will not move any material part of their operations outside the County without permission from the County Council, meet future investment and job targets, and allow the Enterprise Board to appoint a non-executive Director onto their board of management.<sup>33</sup>

In the work of local authorities like Sheffield, the West Midlands and the GLC, economic policies and public resources are being used not solely for economic development, but also to lever the balance of power away from private capital towards the interests of labour and local communities. These efforts are being made at a time when wider political and economic conditions are particularly unsupportive of interventionist strategies by public authorities. Recession and rising unemployment seems to have strengthened the bargaining power of capital at the expense of labour and weakened the hold individual local authorities have on potentially mobile local firms. Furthermore, given the high profile adopted by these local authorities or their agencies in negotiations with the private sector and the fact that local industry is being forced to pay through higher local rates - and possibly lower profits - for the controls imposed on it, these policies may be counterproductive. Certain firms might be discouraged from seeking help because of

the 'official' nature of bodies who administer it, while others may choose not to expand or invest in these areas because of the conditions imposed.

Qualifications concerning the potential success of interventionist strategies also relate to the type of enterprises likely to emerge from a more direct role for the local state in the local productive process. Sheffield has been more explicit than most local authorities in its aim to develop new forms of enterprise which produce socially valuable goods and are less dominated by the profit motive. It may well be more difficult to run such enterprises efficiently, particularly at a time when private enterprise, which is less burdened by social responsibilities but seeks primarily a return on capital, is finding it difficult to expand. Indeed many reject the case for public intervention, and not purely on political grounds, but because they feel that it will be ineffective in terms of economic development. For example, those responsible for the Council's economic policies in Swansea aim to boost the overall level of economic activity by increasing the number of exchanges of an economic nature which take place in the community - a very different philosophy concerning economic development from Sheffield's and not one whose motivation starts from the need to respond directly to the problems of unemployment and its social consequences.

## 5. Conclusions

Economic policies have grown rapidly to become an established feature of the work of many authorities. The development of this role has had to overcome many

financial and structural constraints and accommodate a Central Government which has conceded a role for local authorities in economic development reluctantly and continually seeks to limit the extent and control the form of this activity. Indeed the growing number of financial and political controls emanating from Central Government is increasing the dependency of local authorities on the central State and eroding their scope for independent action generally. Despite this, the involvement of local authorities in employment and economic initiatives seems certain to continue, at least until unemployment falls substantially or action is taken on a wider political level to ameliorate the many economic and social consequences that arise at the local scale.

In most of the subsidies and resources being channelled towards local enterprise there is a clear 'private' interest. A 'public' one will usually depend on securing an overall increase in local wealth or redistributing existing opportunities towards less well off groups in the community. However, if the resources going to local enterprise - of which a large proportion has been raised from within the local community in rate income - is serving to subsidise inefficient production and displace existing enterprise and jobs, then there is no obvious justification for this and the money might be better spent ameliorating disadvantage in other ways. Later chapters will deal with certain aspects of this dilemma by considering the local impact of small firms in new premises provided by the public sector in Clydeside.

In terms of the overall contribution to the stock of enterprise and jobs, the effect of current local authority policies will - at best - have only a marginal impact on



the economy of their areas. This is not a reflection of the weaknesses of individual policies, but a comment on the apparent limitations of local action which cannot reverse what is happening within the national and international economies upon which local production largely depends. Even the highly interventionist and employment oriented policies of Sheffield City Council, for example, had sustained or created 2,000 jobs, at the most, by May 1984.<sup>34</sup> It is perhaps best to regard the current activities of local authorities as experiments from which to learn what it might be possible for local government - and perhaps national Government also - to achieve under more favourable economic and political conditions.

Notes: Chapter Ten

1. HMSO (1972), 'The New Local Authorities, Management and Structure', p.5.
2. HMSO (1975), 'An Approach to Industrial Strategy', Cmnd. 6313, and HMSO (1977), 'Local Authorities and Industrial Strategy', Circular 71/77.
3. Department of Environment (1980), 'Review of the Local Authority Assistance to Industry and Commerce', Report of the Joint Working Group of Officials and Local Authority Associations and Government Departments, Chairman Sir Wilfred Burns, July.
4. Boddy, M. (1982), 'Local Government and Industrial Development', School for Advanced Urban Studies, University of Bristol, Occasional Paper No. 7.
5. Merseyside County Council (1984), 'Local Authority Financing in the Current Climate', County Treasury, June.
6. Boddy, M. (1982), op.cit., pp.8-9.
7. City of Sheffield (1982), 'Employment Department: An Initial Outline', January.
8. Wandsworth Borough Council (1981), 'Report by Director of Planning on the Progress of Employment Programmes', Paper No.515, Town Planning Committee, 24th February.
9. LEDIS, 'Ardrossan, Saltcoats and Stevenson Enterprise Trust', Information Sheet, The Planning Exchange, November/December 1982.
10. For example, HMSO (1977), op.cit., and Scottish Development Department (1978), 'Industrial Strategy: Contribution of the Local Authorities', Circular.
11. London Borough of Wandsworth (1978), 'Programmes and Policies for Firms Outside Main Employment Areas', November.

12. Lambeth Borough Council (1980), 'Draft Development Plan'.
13. City of Newcastle Upon Tyne (1982), 'Economic Policy and Programme 1983-85', Economic Development Committee, December.
14. Camina, M.M. (1974), 'Local Authorities and the Attraction of Industry,' Progress in Planning, pp.116-8.
15. Middleton, A. (1981), 'Local Authorities and Economic Development', Centre for Urban and Regional Research, Discussion Paper No. 1, University of Glasgow.
16. From lecture given by Mr. Rodger Warren Evans, Development Director, Swansea City Development Company, at University of Glasgow, 1981, and meeting with Rodger Warren Evans in Swansea in February 1984.
17. Planning Bulletin, 'First Science Park for Scotland', 22nd October 1982.
18. LEDIS, 'Science Parks', Information Sheet, Overview 85, The Planning Exchange, November/December 1982.
19. Chalkley, B. and Perry, M. (1984), 'How Many Factories do we Need?', Town and Country Planning, Volume 53, No.2, February.
20. Storey, D.J. (1982), 'Entrepreneurship and the New Firm', Croom Helm, see Chapter Ten in particular.
21. Association of District Councils (1980), 'ADC Review of Local Authority Assistance to Industry', Results of Survey, Appendix H.
22. Ibid.
23. Minns, R. (1982), 'Enterprise Boards: West Midlands leads the way ...' in Initiatives, November 1982, Issue 3, pp.10-12.
24. Woodcock, C. (1983), 'Loans are special in Sheffield', The Guardian, 23.2.83, p.19.
25. Swansea City Development Company, 'Expand with COGS', publicity and information leaflet.

26. Gallant, V. (1982), 'Economic and Employment Initiatives in Cleveland', Northern Economic Review, No.4, August, 11-17.
27. Fairley, J. (1983), 'The Elements of an Adult Training Strategy', in Unemployment Unit Bulletin, No.9, August.
28. Glasgow District Council (1983), 'Report on the Review of the District Council's Purchasing Policies', August.
29. Greater London Council (1983), 'Small Firms and the London Industrial Strategy'.
30. Blunkett, D. and Green, E. (1983), 'Building from the Bottom, The Sheffield Experience', Fabian Tract, No.491, October.
31. Greater London Council (1983), 'Jobs for a Change', Special Edition, Popular Planning Unit, September.
32. City of Sheffield (1982), op.cit.
33. Minns, R. (1982), op.cit.
34. From talk given by John Bennington, Head of Sheffield's Employment Department, at Local Authorities and Industrial Promotion Conference, Glasgow College of Technology, 18th May 1984.

## CHAPTER ELEVEN

### THE EMERGING CORPORATE RESPONSIBILITY AND PRIVATE SECTOR INITIATIVES

"Industry cannot just opt out of society's problems, particularly those that press on the local community where it operates ... I believe that large scale industry, whilst remaining efficient and profitable ... also has a duty to help its own localities."

C.C. Pocock  
(former Chairman of Shell)<sup>1</sup>

#### 1. Introduction

An important outcome of rising unemployment and inner city decline in Britain has been a widespread concern among companies, both private and public, about its consequences and how they should respond. Philanthropy and a charitable orientation are not new phenomenon. Throughout Britain's industrialisation industrialists - Owen, Cadbury, Booth and Rowntree are but a few - have sought to improve conditions for their employees and their communities. Nor is the help given to voluntary organisations a recent development. Ten times more private support is given to the voluntary sector in Britain than in any other OECD country, and, according to the Charities Aid Foundation, some 0.1% of corporate profits was donated to the voluntary sector in 1981-82. However, with the growing economic and social problems since the late 1970s, this corporate social responsibility has developed from essentially charitable activities - such as establishing contacts with schools,

organising activities for disabled children and providing facilities for community groups - into initiatives concerned with reducing the numbers out of work, stimulating economic development and providing other services for the unemployed. The purpose of this chapter is to review corporate activities in this area and give particular consideration to their implications and the motives which encourage companies to become involved.

## 2. National Developments

An expanding role for private sector organisations in the broad area of economic and employment policy follows on logically from the marked change in Central Government philosophy under the Conservatives. Based on the assumption that Government does not have the commercial initiative or expertise to revitalise those areas worst affected by economic decline - like the inner cities - Central Government has been actively encouraging industrialists to come together, become more involved in the community and seek practical solutions. American capitalism is particularly sophisticated in its social responsibility role - channelling 1.77% of annual corporate profits towards voluntary or charitable purposes<sup>2</sup> - and much of the recent British experience dates from a meeting in 1979 between Tom King, then the Environment Secretary, the US Ambassador and a number of US firms operating in the UK in an effort to learn from American activities. A conference was subsequently held in April 1980 at Sunningdale and brought together industrialists from large firms in both countries. Following the conference a working party comprising industrialists and officials from the Department of Environment was established to look at community involvement. By April 1981 it was agreed that an independent organisation, Business in the Community (BIC), should be set up to promote social

responsibility activities among industry. BIC began in June 1981 with an executive unit of two staff and by Easter 1983 had grown to consist of a part-time director, a full time Chief Executive and seven secondees from industry. A similar - though smaller - organisation for Scotland was established in October 1982. Although a national organisation, BIC encourages many of the locally based projects and initiatives discussed below, particularly the formation of enterprise trusts throughout the country. According to its Chief Executive the local focus reflects the realisation among leading industrialists following the riots in British cities in 1981 that not only should they be involved in social responsibility but that if community involvement is to be effective then it has to be local.<sup>3</sup>

Another Government inspired private sector organisation is the Financial Institutions Group, established by the Secretary of State for the Environment in September 1981. The purpose of the Group, which comprises managers seconded from pension funds, building societies, insurance companies and clearing banks, is to work jointly with Government in devising mixed funding projects under the Urban Programme.

In addition to generating new economic programmes in partnership or independent from government, the business sector's co-operation in the implementation of public policy - particularly manpower strategies - has become increasingly important for the success of existing Government programmes. The employer's organisation, the Confederation of British Industry (CBI), has adopted a co-ordinating role in respect to the youth policies of the MSC. In November 1980, in response to the shortfall in places being offered by large employers to the MSC, the CBI established a Special Programmes Unit to market the scheme. The SPU comprises a regional network of fifty representatives

seconded from senior management positions in public and private industry. The Unit's main objective has been to secure training places for young people - originally under YOP but now the YTS which replaced it - and it also promotes longer training courses among employers, finds sponsors for apprenticeships, and markets some of the products of training workshops.

Further evidence of a need for the SPU's work emerged from research it commissioned among employers in four English towns, each selected to represent different aspects of the UK's employment situation. The results were grim, particularly for young people. Unemployment seemed certain to increase further beyond 1983, and even where output was expected to increase much of it would not require any increase in labour. Local employers were demonstrating a particular antipathy towards hiring young workers, many having decided to limit or abandon altogether the recruitment of 16 to 18 year olds. A particularly disturbing finding was that although employers claimed to be aware of the problems posed by rising unemployment, few were aware of the local nature of the problem or about the existing MSC schemes available. Furthermore, the likelihood of locally-based ameliorative action by these companies appeared small because the researchers found only a limited degree of identification with the local community.<sup>4</sup>

The SPU appears to have made a significant impact in increasing the participation of employers in MSC Youth schemes. By the Spring of 1982 it had found 32,000 new YOP places for the MSC.<sup>5</sup> Since the onset of YTS which had 200,000 private sector places available in 1983-84 the Unit has been assisting the implementation of the new scheme by organising a national programme of conferences and workshops and by running seminars for leading employers to inform them



of how they can both contribute and benefit from the scheme.<sup>6</sup> Indeed the Unit's role in implementing the YTS may have become so vital that without it the YTS would not succeed.

The need to bring the level of unemployment down is also reflected in the CBI's attitudes to national economic policy and in certain other aspects of its work. Following support for the idea of an action group on unemployment at its annual conference in 1981, the CBI set up a Steering Group under the Chairmanship of Sir Richard Cave of Thorn EMI. Its main objectives are to co-ordinate the CBI's own work on unemployment, explore what business can do to ameliorate the problem, look at opportunities to rethink and experiment in the way working time is organised, talk directly with Government about it and explore the potential for working with the unions. The Group's first report - published in October 1982 - is weak on practical suggestions on how to reduce unemployment, which is not surprising given the CBI's rejection of a general reflation and support for only a modest increase in public expenditure. Nevertheless, a number of its recommendations are feasible and could make some impact. These include providing a small stimulus to the economy by encouraging labour intensive sectors like tourism and construction, promoting job sharing or splitting so long as business costs are not increased, reducing the demand for labour by cutting the size of the labour force by providing training for young people and early retirement for older workers, and by providing special assistance to areas and individuals most severely affected by unemployment. In addition to discussing these suggestions, the CBI has been trying to encourage large firms to use their purchasing power to stimulate domestic industry. Campaigns to buy British have been run and

exhibitions held throughout the country which offer small firms the chance of supplying components which larger firms currently buy from abroad.

### 3. Company Initiatives

Much of this emerging corporate responsibility among large companies finds expression in a wide range of initiatives at the local level. I do not propose to give a full account of these here, but rather to illustrate the main types of activity individual companies are involved in within three broad areas of training, encouraging small firms and providing other assistance to local communities.

A number of training projects - mostly for young people - have been organised which aim not to prepare people for work within the sponsoring firms but to improve their prospects of finding work elsewhere. One such scheme is Project Full-employ which began with a number of large London firms attempting to contribute to the life and social skills training of disadvantaged youngsters, particularly those from ethnic minority backgrounds and lacking in formal educational qualifications. In 1984 ten centres were operating in London, Bristol and the West Midlands providing short work preparation courses followed by placements. The instructors are mainly experienced managers or supervisors drawn from sponsoring firms and the Project received contributions in terms of management, resources and work experience placements from local authorities, the MSC and local employers. Another work preparation initiative is the Transition to Working Life project which operates in a number of cities including Glasgow, North London and Wolverhampton. Funded by the MSC this has brought young people - who can be unemployed,

on an MSC scheme and so on - to meet with employed people seconded from firms and discuss their perceptions of working life and the difficulty they are experiencing in securing work.<sup>7</sup>

While possibly improving the confidence and marginal competitiveness of a small number of young people it seems unlikely that training schemes of this sort will result in significant numbers of those affected finding employment - there is an absolute shortage of jobs for young people and many of the initially better qualified are also on training programmes under the MSC. In this context, developing the link between training and starting up a new enterprise has proved attractive. Project Fullemploy, for example, has begun to experiment with self-employment training courses, and an initiative by Shell UK - Livewire - which began as a pilot project in Strathclyde Region and Northern Ireland in September 1982 to encourage young people to start their own business has since been given national coverage. In Strathclyde the Livewire scheme received support from other public and private bodies, principally the Regional Council which provided around 45% of the total costs. Young people between sixteen and twenty-five were invited to participate in a competition and submit their suggestions for a new enterprise. These were evaluated by a group of management consultants who in turn sought advice from a network of business advisors with whom entrants could also consult freely. 273 entries had been submitted by the closing date and, by the time the advisors had reduced this number to a final list of six, fourteen businesses from the scheme were trading full time and a further six part-time.<sup>8</sup>

The encouragement of small enterprise is the main area in which large companies claim they can contribute

directly to promoting economic regeneration and new employment. Some - Imperial Chemical Industries, for example - run 'start your own business' training courses for employees being made redundant and who are keen to move into self-employment by either providing these courses itself or by funding employees to go on training schemes elsewhere. W.H. Smith and Tesco offer redundant shops to their ex-managers on special terms and have found that without the overheads of the large firm the new independent retail outlets have often proved a success.<sup>9</sup> Another common method of hiving-off peripheral bits of a company's corporate structure is where managers, perhaps in partnership with other investors, buy-out part of the parent company and run it as a separate business. There is also some evidence that larger firms are becoming more sensitive to the requirements of smaller enterprises in their relationships with them. While in the past the commercial policies of large companies have often damaged small firms by being slow to meet bills or extracting onerous credit terms from small suppliers, there now seems a greater willingness to open up their purchasing and seek new sources of supply from small local firms.<sup>10</sup>

A large amount of the assistance given by large companies to small firms and other community projects is help in kind, principally through seconding personnel such as accountants, lawyers, surveyors, scientists and technicians to groups who would have difficulty in purchasing these skills commercially. These individuals can provide one-off advice while still working in their normal job, or they can be released to work either full-time or part-time outside their company. A large number of the new private sector organisations being set up to

to promote economic development - like enterprise trusts - are managed by secondees from established firms. In addition to BIC, an important and longer established intermediary in the encouragement of secondments is the Action Resource Centre (ARC), set up in 1973 by a group of senior industrialists to act as a broker between companies and projects of benefit to the community by arranging suitable secondments from one to the other. ARC is sponsored by over 150 companies and operates on a regional network covering many urban areas in England and Wales. A similar body exists in Scotland which, although operating independently, is affiliated to its southern counterpart. Although in recent years the emphasis of ARC's work has focussed on schemes which ameliorate the problem of unemployment, activities and priorities vary between the regions. In Merseyside, for example, youth unemployment has been the main concern and businessmen were seconded from a number of leading firms to work on workshop and community training facilities under the former MSC's YOP.<sup>11</sup> In the London Borough of Islington the main activity of ARC secondees is assistance to small firms through a Small Business Counselling Service, established by ARC and funded under the Urban Programme. In 1980 the Service was staffed by six secondees and provided advice to both would-be entrepreneurs and existing local firms and also to the local authority on the feasibility of grant applications from local businesses.<sup>12</sup> In Scotland the emphasis has been on developing community businesses - a new form of co-operative enterprise which is discussed more fully in a later chapter. Although individuals have been seconded on a full-time basis - some for up to two and a half years - part time help has become more popular as firms have become increasingly reluctant to release staff for longer periods due to the recession.<sup>13</sup>

Community involvement activities need not be channelled through an intermediary organisation. Some companies, Levi Strauss & Co. and Marks and Spencer for example, are directly active in the localities in which they have a factory or store. Levi Strauss, which employs some 2,200 staff in seven locations in the UK, has a community involvement team of employee volunteers at each plant. The Teams support local community groups and charities and are supported by the company in the form of cash grants to complement the fund raising efforts of employees involved in the local organisations. In 1983 the Teams distributed £64,000 in grants to projects such as city farms, community newspapers, battered women's shelters and hospitals. A further provision - the Special Emphasis Grants Programme - has been operating since early 1983 with the express purpose of stimulating training and employment initiatives to diversify and strengthen the local economies of plant communities.<sup>14</sup> Marks and Spencer have a long tradition of involvement in communities in which it trades and donates a substantial sum to charity each year. In 1984 the sum is expected to be around £2.5m, but as this is also the company's centenary year an additional central contribution of approximately £3m - or between £5,000 and £25,000 per store - has been donated for staff to allocate to projects which will benefit their local communities.<sup>15</sup>

#### 4. Enterprise Agencies and Trusts

In their efforts to stimulate economic development firms frequently prefer to collaborate with other companies in some form of enterprise agency or trust. Two early and influential examples in this tradition are the London

Enterprise Agency (LEnTA) and Birmingham Venture, set up in 1979 and 1980 respectively. LEnTA was originally established by nine large companies, though its membership has since increased, and aims to promote urban renewal and economic regeneration in London. The Birmingham project was more specifically concerned with complementing the Government's partnership programme for the city and has developed from an original nucleus of five companies. In Birmingham donations from each sponsoring company ranged from £1,000 to £3,000 in 1982 and in London the member companies contribute a minimum of £20,000 annually to LEnTA either in the form of cash or seconded staff. Both agencies have been involved in a range of similar activities which include running seminars and training programmes for new entrepreneurs; counselling small firms; assisting with publicity, marketing and exhibiting products; linking up new start-ups or existing firms with larger enterprises and potential investors; and encouraging the supply and development of land for industry and small premises construction. In addition to encouraging the formation of smaller local borough-based agencies in Greater London, frequently arranging to attach their seconded managers to these, LEnTA has also set up an Innovation Fund in partnership with the National Westminster Bank to allocate grants to selected individuals or small company innovators to finance the development stages of promising new products or process ideas.

Both these agencies are part of a new movement in local economic planning in which the private sector is now playing a stronger role through the growth of local enterprise trusts which often operate in complement to the work of public agencies. The nature of these new organisations varies, though the earliest and best example

upon which many of the later agencies have been modelled is the Community of St. Helens Trust. This began in 1977 following an initiative by local employers, principally Pilkington, the glass company, which was in the process of both local and national restructuring. The Trust was staffed with a director and three secondees from private industry. It identified its objective as being to combat unemployment by drawing together the resources available within the local community, including those of the local authority, banks, trade unions and the chamber of commerce to create an environment favourable to the growth of enterprise.<sup>15</sup> It has pursued this aim in a number of ways. Having no resources of its own with the exception of a limited fund for the provision of seed capital, the Trust has relied on the resources of constituent supporters and provides advice to local firms on how to raise funds from other sources and secure available grants. It also operates a grant scheme on behalf of the County Council, taps specialist and technical advice from its members, co-ordinates private and public sector property development and finds new markets for small firms by introducing them to larger companies. After almost five years in operation it had dealt with 1,248 clients, and had been involved in 141 new business start-ups, 16 part-time businesses, 109 expansions and 195 consultancy cases.<sup>16</sup> It is, however, impossible to quantify the exact effect the Trust has had on local jobs and enterprise. Registered unemployment has lagged substantially behind the number of redundancies, but this generally tends to be so due to early retirement, discouraged workers not registering as unemployed and so on, and the Trust has provided no information to demonstrate that the disparity is greater in St. Helens than elsewhere. The Director has claimed that the majority of the new entrepreneurs and employees have come from the unemployment



register but has no records or evidence to back this claim.<sup>17</sup>

It has been within this context of inadequate evaluation that enthusiasm for the enterprise trust idea has grown among politicians and policy makers. Their number has expanded rapidly. Around forty had been established in the UK by the summer of 1981 and by April 1984 the number had swelled to 160 with many more in the process of being set up. They have become somewhat an established tool of local economic policy and in some areas their establishment has followed efforts by the local authorities, some of whom have transferred a degree of responsibility for local economic planning to them. Generally the trusts are similar to the St. Helens model. They tend to be companies limited by guarantee, independent of their initiating companies and groups and the public bureaucracy, highly accessible to local firms and capable of reacting quickly to approaches from both existing entrepreneurs and people considering setting up in business. Those seconded to work in the trusts do not provide all the expertise businessmen require but act as contact men who can draw on help from others and provide a focal point through which key agencies in the community - the local authority, companies, banks, trade unions, professional bodies and voluntary agencies - can collaborate to encourage small firms and economic development. Typically their management structure consists of at least one full-time officer, with secretarial support, and assisted by some combination of full-time and part-time secondees from large firms and panels of individuals and organisations who will provide assistance on call free of charge.

The operating budgets of trusts tend to be modest, often in the region of £15,000 to £30,000 per year. In

addition to help in kind in the form of advice and time given by other firms' employees, trusts' resources can also include premises given or loaned to it, donations and subscriptions from sponsoring companies, and grants from public authorities - often through the urban programme and in Scotland the SDA - and the EEC. In Scotland, for example, where 16 enterprise trusts were operating in May 1984, most were receiving public financial support for a temporary period of three years.

Activities of these organisations differ with local circumstances though their main function lies in the provision of advice and support to small enterprise. This often includes providing access to technical and professional assistance and information, and promoting collaborative arrangements among small firms in their marketing, use of common services, shared space in buildings and so on. Some trusts have developed small seed-bed premises and, although they rely mainly on mobilising existing financial institutions, a few have their own modest investment funds.<sup>18</sup>

##### 5. Special Subsidiaries and Units

Some large firms have established special-purpose subsidiaries or units with the specific purpose of promoting economic development by encouraging small firms. Shell UK, for example, set up a Small Business Unit in 1978. The Unit - whose budget was around £200,000 in 1981 - co-ordinates the company's help to small firms through, for instance, its membership of LEntA, and has funded a series of research projects in a number of academic institutions. In the case of some other companies the subsidiary is not essentially a new group or organisation but a financial resource. In 1980 Pilkingtons set up

Rainford Venture Capital, a subsidiary with £2m to invest over a two year period in firms which would boost the economy and generate employment in the St. Helens area.<sup>19</sup> It appears this finance is being allocated very selectively with Pilkingtons viewing the operation as a strictly commercial proposition. The company expects the initial capital will have turned into £20m by 1990 and after approximately eighteen months of the fund's establishment although around 900 entrepreneurs had approached the fund only two secured capital totalling £570,000.<sup>20</sup> A similar financial initiative, but one more explicitly concerned with job creation in a locality, is Tate and Lyle's scheme which provides venture capital of between £10,000 and £20,000 for each job created by other local firms. In Glasgow one company was loaned £400,000 in return for a commitment to create 150 jobs on the understanding that the first offer of these jobs would be given to Tate and Lyle employees.<sup>21</sup>

Perhaps the best known initiative in this area of corporate regeneration activity is the British Steel Corporation's subsidiary, British Steel Corporation Industry Limited (BSC Ind.) This organisation dates from 1973 when the need to do something by way of repairing the economy of areas affected by steel closures was recognised in a Government White Paper which stated that the Corporation would begin to play a part in promoting alternative employment.<sup>22</sup> BSC Ind. as it currently functions dates from 1978 when its operating style was substantially reshaped and its annual budget greatly increased to total around £20m in some subsequent years.<sup>23</sup> Operating on a decentralised management structure with a small central team in London and regional centres in Scotland, the North East, Scunthorpe, Corby, North Wales and South Wales, the

subsidiary's objective is to diversify the local industrial structure and replace jobs lost in steel. It helps companies start up, expand or relocate to areas worst hit by steel closures and in the four years up to March 1982 claims to have helped over 900 companies committed to creating 27,000 new jobs.<sup>24</sup> However, as with many job creation programmes, it is difficult to determine from the evidence available how many of these jobs are genuinely new and would not otherwise have existed. BSC Ind helps small firms secure money available from existing sources of investment finance, including that coming from government regional and urban policy, loans from the European Coal and Steel Community, and training grants from the European Social Fund. It also provides assistance directly by helping with market research and consultancy studies, leases plant and equipment to businesses on favourable terms, and in some cases secures access for firms to trade with the parent company. Certain of BSC's old sites have been released and developed into new industrial estates by public agencies. Near Shotton, for example, a 600 acre industrial park has been developed by the Welsh Development Agency, and in Glengarnock in Scotland the Scottish Development Agency has redeveloped the site of the old steel works. A proper evaluation of BSC Ind's work is inhibited due to lack of information as the subsidiary does not release expenditure figures for programmes in different parts of the country.

#### 6. Workshops for Small Enterprise

BSC Ind. has had an important influence on popularising the neighbourhood workshop concept - already discussed in the chapter on local authority initiatives -

as a new concept in local regeneration policy. Instead of demolishing all the buildings at a redundant steel works, suitable ones are preserved, provided with road access and essential services, and offered as premises to small firms. BSC Ind. claim that the primary aim is job creation, ideally for ex-steelworkers. However on the basis of the two Scottish schemes I visited - at Tollcross in Glasgow and Glengarnock, Ayrshire - a wide variation was evident in the background of workshop occupants. Clydeworkshops at Tollcross was the first scheme and began in 1978. Twenty existing buildings covering sixteen acres were converted into a workshop complex of over eighty units totalling 63,000 sq.ft. The scheme appeared highly successful, developing at a much faster rate than expected and attracting a wide variety of small firms. A great deal of publicity was generated, not least among local authorities many of whom sent representatives to visit the project. BSC Ind. responded with the rapid expansion of the workshop concept in its other closure areas. By 1982 workshops were operating in around seven other areas and several more will have been developed since then. BSC Ind aim to obtain a reasonable return on capital in the rental of workshop units though an element of subsidy is implied in that they could probably get more for them. Units are let on flexible terms on a license which allows the entrepreneur to leave after giving three months notice. Workshop schemes are run by a residential manager who is responsible for vetting tenants and ensuring they have a reasonable chance of success. Viability and employment are the main criteria in the selection of applicants and in the allocation of premises both manufacturing and service activities are admitted.<sup>25</sup>

In addition to public authorities, other companies

have followed BSC Ind.'s lead. British American Tobacco (BAT), for example, which employed 31,000 in the UK in 1983, have been restructuring and significantly reducing their national workforce. In conjunction it has constructed small low-cost premises in areas such as Toxteth and Brixton where large numbers of jobs have been shed. The Toxteth project is particularly impressive in its scale. A large derelict transit shed on the Liverpool docks was leased by BAT Industries, a subsidiary of BAT, and rehabilitated. In March 1984 it housed 127 firms who occupied premises ranging from 200 to 2,000 sq.ft. BAT Industries were not involved in any capital outlay in the £1.4m conversion cost, having used the parent company's credit worthiness to raise risk capital and drawn on a Council grant of £200,000, regional development grant, and 100% tax write-off in the first year of operation under the Industrial Buildings Allowance Scheme. The whole project in Liverpool is expected to eventually break even by 1985.<sup>26</sup>

The managers of the Toxteth workshops claim a large proportion of their tenants were new start-ups. But even if their impression is true a more detailed investigation would be needed to determine the extent of displacement effects on existing enterprise and jobs in Liverpool before a full assessment of the impact of the workshops could be made. This and other evaluative questions are dealt with more fully in a later chapter where some evidence on the impact in firms occupying new and rehabilitated public sector premises is presented. However, certain features of the enterprises occupying the Toxteth workshops can be observed which suggest that large communal workshop developments of this type are having some positive net impact. At least one of the new firms has found a genuine

gap in the market by operating a salvaging service for houses and industrial premises damaged by fire. This service used to be carried out by the fire brigade but was lost when the fire brigade was 'streamlined' through public expenditure cutbacks. There has also been a spin-off for a number of other firms in the workshops involved with roofing, shopfitting and so on which have received work from the new salvage company.

#### 7. The Underlying Motives of Corporate Initiatives

A necessary prelude to evaluating the effect of this growing corporate responsibility is to consider the motives which underlie it. Some observers will no doubt find it difficult to shake off a natural suspicion over economic and employment projects promoted by organisations which operate primarily on the profit motive and have themselves been responsible for substantial employment loss. It is precisely this suspicion and cynicism which the public statements of companies involved are attempting to dispell by stressing the social responsibility aspects of their activities while admitting a certain degree of self-interest but stressing that this is respectable and legitimate.

Companies have been keen to concede that social conscience and a fear of social unrest have been main spurs to their recent activities. Both these sentiments are often closely associated as the following statement by Sir Adrian Cadbury, Chairman of Cadbury Schweppes indicates:

"These inequalities, which are accentuated by unemployment, must be the concern of tomorrow's managers on moral grounds and grounds of maintain-

"ing the stability of society of which their companies are a part. Managers are likely therefore to become increasingly involved in lending their business skills to help relieve unemployment."<sup>27</sup>

There must be many industrialists who care sincerely about the consequences of rising unemployment and feel they have a basic obligation to the community of which they are a part. The concern attached to rising youth unemployment in particular has led the CBI to lobby Government for an expansion of training provisions and encourage firms in the localities - by the type of measures described earlier - to provide greater placement opportunities and to undertake special training initiatives. At both national and local levels this concern has been sharpened by the fear that high unemployment could lead to a turbulence and unrest which would damage the long term profit making potential and jeopardise the survival of industry. The Director of the St. Helens Trust, for example, claimed that one of the purposes behind its establishment was to "prevent Luddite attitudes among unemployed workers."<sup>28</sup> In this sense then, the social responsibility activities of companies are not considered to be a drain or an alternative to profit but rather an investment from which the community benefits and which also forms part of the company's survival kit.

A more explicit recognition of mutual gain concerns the benefits which are thought to accrue to large firms and the economy as a whole through the promotion of small firms. In support of its activities in this area, Shell UK have argued that,

"... any company should be concerned about the environment in which it is operating ... support



for small firms is surprising only because of its lateness ... a thriving economy is the best environment for successful operations."29

While small firms can draw on valuable professional and managerial skills and advice through secondments and support agencies established by larger companies, equally concrete gains can accrue to the donor firm. The skill and abilities of staff are often improved through secondment and many firms have recognised the usefulness of this practice in the personal and career development of middle management. Secondment can also be a useful tool in a large firm's manpower strategy. In the face of recession-induced cutbacks, it offers a way of holding onto valuable management expertise instead of laying off and risking the possible loss of experienced staff to other firms. Furthermore, it allows a kinder approach to redundancy by easing older members of the company into retirement while still keeping them active and useful. In this and other forms of help given by companies to charitable purposes and organisations, like enterprise trusts, which encourage business activity there is also a significant financial attraction. Under the 1982 Finance Act companies - if they are in profit - can recover 50% of the value of any help they give.

A further incentive for companies to act in a socially responsible fashion lies in the fact that the public attitudes towards consumer purchasing can be strongly influenced by the image in which the producer company is held. Experience has shown that where a company is seen to fail to take social responsibility factors into account in its operation the loss of corporate image can be bad for business. An extreme example of this has been Nestle which found itself facing boycotts and consumer barracking over its marketing

of baby foods in the Third World.<sup>30</sup> Perhaps a more fundamental reason connected to public attitudes which explains private sector activity in the area of economic regeneration is that it serves to keep public agencies from interfering with local industry. If the private sector is demonstrating a socially responsible attitude, and more specifically if local politicians and public officials are convinced that it has particular skills to stimulate economic development that they do not have, then public agencies may be less likely to adopt interventionist strategies in the local economy.

Although private sector initiatives often coincide with major technological and organisational changes and subsequent job loss within the company concerned, the possibility of a strategic link between these changes and job generation projects is not one which large companies have alluded to in public. Nevertheless the appearance of social responsibility and the promise of significant numbers of new jobs can have important public relations consequences. They may create strong expectations among local politicians and officials that jobs to be lost will be replaced and also undermine resistance to closure and cutbacks among local trades unions. Pilkington's announced its plans to 'find the new British entrepreneurs of the 1980s' in February 1980. Over the following two years - which also saw the company play a leading role in developing the national organisation Business in the Community - Pilkington cut its UK workforce by around 3,000 with 800 of the job loss coming in the St. Helens area where it was involved in a number of initiatives. Also in Merseyside, in 1984 BAT were involved in a phased closure involving the loss of 1,200 jobs just shortly after establishing its new enterprise workshops.

In the case of BSC Ind the relationship between social

responsibility, industrial and public relations and employment decline is even more stark. The blaze of publicity which surrounded the reorganisation of the subsidiary in 1978 coincided with a Government White Paper on the future of the British Steel industry which recommended that BSC negotiate closure at a number of plants. The highly visible presence of BSC Ind and the enthusiasm which has surrounded its activities have gone hand in hand with the restructuring of the steel industry towards viability which between 1975 and 1982 involved the loss of around 125,000 jobs.<sup>31</sup> The subsidiary's role in the restructuring of the steel industry can therefore be seen as a highly political one which has helped manipulate the process of industrial change in the interests of capital. In some cases BSC Ind has moved into steel closure towns prior to any agreement being reached between trade unions and the company on the need for closure and before alternative strategies could be discussed. In Workington, for example, within one week of the announcement of plans to close the local steel works, BSC Ind had submitted a report to the council outlining what it could do to regenerate the area. Originally it was intended that BSC Ind would continue to operate until March 1984 by which time most of its activities will have been passed over to enterprise agencies run by local authorities. By the same date, however, it was expected that BSC's national workforce would be 40% of the 1975 total when BSC Ind was created.<sup>32</sup> There is, therefore, strong justification to view this form of job creation agency as an exercise in managing and implementing planned redundancies by assisting industrial policy makers achieve their commercially inspired objectives.

## 8. Conclusion

The growing private sector responsibility for training, economic development and the welfare of deprived communities reflects Central Government's ideology that lasting economic

regeneration and a reduction in unemployment cannot be achieved by direct public sector action but requires to be private sector led. But there are also a number of strong vested interest reasons why it pays companies to get involved. The desire to avoid any social disruption or interference from public agencies is clearly a strong motivation of many, particularly those involved in shedding substantial numbers of jobs. A similarly strong commitment to generate employment in their areas - despite claims to the contrary - is much less conclusive. A large part of the case for the activities of enterprise trusts and other projects which encourage small enterprise is that higher proportions of self-employment will both improve the health of local and national economies and raise the demand for labour. Evidence presented in various parts of this thesis suggests that such assumptions should be treated very sceptically, particularly the generation of jobs for unemployed people. The greatest contribution to rising unemployment comes from employment loss among medium and large firms. If private sector organisations really wanted to make a significant impact then one might reasonably expect some action on this front. However while business has been enthusiastic in co-operating with public agencies - and often receiving resources from them - in the promotion of small firms, there has been negligible interest in joint collaborations which explore how existing enterprise might be salvaged and large scale job loss avoided, or which negotiate an appropriate level of financial compensation for the local community for the damage suffered through disinvestment. As was discussed in the previous Chapter, authorities like Sheffield and the GLC consider detecting pending industrial closure at an early stage and then responding at least to slow the rate of decline as being central to their industrial strategies. Those large companies most active in regeneration such as the British Steel Company, adopt the very opposite approach.

If a real concern to reduce unemployment existed, firms could also adopt - or at least seriously discuss - a number of other policies which are at present employed only to a limited extent or not at all. Some consideration has been given recently as to how the purchasing policies of large companies can be tailored more to domestic suppliers. But few firms - if any - operate a similar buy British policy to Marks and Spencer which reckons that it pays to buy 90% of the goods it sells from Britain because a large part of the company's prosperity depends on the prosperity of the country. There seems to be even less consideration of how industry's pension funds, a huge financial resource of which a large amount flows overseas, could be invested to generate jobs within Britain. But even if there was the recent experience of the National Union of Mineworkers - mentioned in the next Chapter - suggests that this sort of strategy may well be banned by the courts.

These criticisms do not deny that many people in the business world are genuinely concerned about unemployment and want to do something about it. Indeed many of the creative ideas which find expression in locally administered projects, not only in the private sector but in public and voluntary agencies also, depend on individuals with local loyalties and a commitment to shape the future of their town. However, one of the main troubles faced by cities today is that many no longer have a local business elite in big firms with local loyalties. Charles Booth, Josephine Butler and Eleanor Rathbone all came from Liverpool, but such people no longer exist there.

Without this sense of place - and it was found to be lacking in the CBI's four town studies - much of the

basis for local action is missing. Private sector organisations have been trying to stimulate a sense of local loyalty and a capacity for local action and the developments outlined above point to some notable successes. Nevertheless, given that at the same time the business community has an established practice of moving executives around, which discourages them from participating in local politics and public affairs, and avoids a proper evaluation of local policies which would enable a better assessment of possible alternatives, the scope for both loyalty and effective action at the local scale must be being simultaneously undermined.

Notes: Chapter Eleven

1. Pocock C.C. (1977), 'More Jobs: A small cure for a big problem', Ashridge Lecture, delivered at Royal Aeronautical Society, London, 10th November.
2. Business in the Community (1984), 'Supplement, Working with Voluntary Organisations', April.
3. From interview between Colin Ball and Stephen O'Brien (Chief Executive of BIC), published in Initiatives, May 1983, Issue 5, pp.4-5.
4. CBI (SPU) undated, Report setting out the findings and recommendations from the four 'Town Studies'.
5. Richardson J.J. (1983), 'The Development of Corporate Responsibility in the UK', Strathclyde Papers on Government and Politics, No. 1, p.27.
6. CBI (SPU) (1983), 'Report of Achievement and Programme for 1983', Report by J.W. Cooke, Chief Executive, February.
7. Adult Education Centre, Glasgow, 'Supporting Young People in Transition to Working Life, Introducing the Project', February 1980.
8. LEDIS (1983), 'Livewire', Initiative A86, The Planning Exchange, October.
9. Woodcock C. (1980), 'More firms join the big brother movement', The Guardian, 7.11.80.
10. Sargent V. (1980), 'Large Firms and Small Firms: a review of current activities', Research Paper, London Enterprise Agency, September.
11. Some of the activities are described in copies of the ARC News, for example No. 16 April 1980 and No. 19 January 1981.
12. Action Resource Centre (1980), 'Islington Small Business Counselling Service, Second Annual Report', 31st October.

13. Scottish ARC (1980), 'Annual Report to 30th June', and interview with Area Manager, Mr. A. Clelland, 2.4.82.
14. Business in the Community, op.cit.
15. Talk given by Mr. B. Humphries, Director of St. Helen's Trust, during Regional Studies Association tour of the Trust, 10.7.81.
16. Woodcock C. (1982), 'Draw a line on the floor and build a wall round the people', The Guardian, 23.7.82.
17. In a written reply to a letter I wrote, Mr. Humphries, the Director, states "As to exactly who is finding employment, the answer to this is simply that I do not know precisely. It is very much a mixture with obviously the bulk coming off the unemployment register", letter dated 13.3.81.
18. Centre for Employment Initiatives (1982), 'Can Enterprise be Trusted?', The Journal for the Centre for Employment Initiatives, May, Issue 1, pp.14-15.
19. Pilkington Brothers Ltd (1980), 'Search launched for Britain's entrepreneurs of the 1980s', New Release, 27th February.
20. Talk given by Mr. P. Shepardsone of Rainford Venture Capital, during Regional Studies Association Study tour of St. Helen's Trust, 10.7.81.
21. Richardson J.J. (1983), op.cit., pp.15-16.
22. HMSO (1973), 'Ten Year Development Strategy', Cmnd 5226.
23. Taylor J. (1982), 'New Jobs for Old - the Case of British Steel Corporation (Industry) Ltd.', Northern Economic Review, August, pp.28-35.
24. Piercy N. (1982), 'Where can an entrepreneur start a new firm?', The Guardian, 4.6.82.
25. The preceeding points were stated in a letter from Mr. E.T. Nicholl, Property Manager, BSC Ind., London, following a request for this information, letter dated 16.4.81.



26. BAT Industries - Small Businesses Limited, Briefing Notes, 23.2.84, and visit to Toxteth Workshops, May 1984.
27. Cadbury A. (1981), 'Big business must devolve to a human scale to survive', The Guardian, 9.12.81.
28. Talk given by Mr. B. Humphries, op.cit.
29. Business in the Community (1981), 'A Handbook for Action'.
30. Clut D. (1981), 'Good works are good for business', The Guardian, 9.12.81.
31. From BSC Annual Reports, quoted in Taylor J. (1982), op.cit.
32. Taylor, J. (1982), Ibid.

## CHAPTER TWELVE

### TRADE UNIONS AND THE UNEMPLOYED

"Unions fight for ... the employment of those who are already organised ... Unemployed who are not trade union members will not agree with us on this issue because they want to get jobs ... Yet it must be stressed again that the unions will not and cannot undertake to protect all those who are not working."

Trad, Soviet Newspaper, 1925.  
(Quoted in Garraty J. (1978),  
'Unemployment in History, p.191.

#### 1. Introduction

Rising unemployment probably presents even greater problems for organised labour than it does for the interests attached to capital on the other side of the industrial spectrum. The closure of industries and the falling numbers in work undermine both the resources and the size of the trade union movement. Between 1979 and the end of 1982, for example, workers in unions affiliated to the TUC fell by almost 14% from 12.2 million to 10.5 million. In addition to the loss of membership subscriptions, a growing pool of non-unionised surplus labour has undermined the strength of the trade union movement as the vehicle of working class organisation and progress. There are other reasons why the trade unions should want to counter these trends. For example, a high proportion of the unemployed were previously union members before they lost their jobs and many of the new entrants to the labour force would have joined trade unions if the opportunity through employment had been open

to them. A strong sense of loyalty and commitment exists within the movement to help these people and this Chapter will discuss the policies and programmes trade unions are involved in. In particular it will speculate on the motives behind current strategies, examine the relationships between programmes and unemployed groups and consider what the future role might be for the unemployed in the labour movement.

## 2. Economic Policies

A condemnation of mass unemployment plays a central role in the alternative economic strategy of the trade union movement. At a national level the Trades Union Congress (TUC) challenges the basic assumptions of conservative economic policy. It rejects the assumptions that a trade off has to be made between labour costs and inflation, that lower wages will lead to more jobs, that high unemployment is a necessary prelude to economic recovery and growth and that new technology will inevitably lead to job loss. Instead it argues that action can be taken which could significantly reduce unemployment in the short to medium term. In 1983 the TUC set out its prescription in a document outlining a specific programme of policies built round a one year action plan which would cut unemployment by 574,000 and cost £10 billions, and a five year expansion plan designed to lay the basis for future growth and bring unemployment down to below one million.<sup>1</sup> The main characteristics of the TUC's strategy include increasing Government spending to boost demand and pull the economy out of recession, protecting against the consequent danger of rising imports by urgent measures to increase competitiveness and control imports, devaluation to boost competitiveness, reimposition

of exchange controls and ensuring the pound is not thereafter overvalued, coupled with a 10% reduction in working time over five years to bring the length of the working week down to thirty-five hours. These policies would be contested by many and the result of the 1983 General Election and a number of opinion polls suggest they have yet to convince the majority of the electorate. But a study of local responses to unemployment is not the place to make any general assessment of them and I have summarised them here as a reminder that the main proposals of the labour movement are not confined to the local scale but form part of larger national strategies.

As the trade union movement awaits a change in national Government there are some signs that certain unions have begun to embark on economic policies which, though at present likely to remain limited, would probably become more widespread if the Conservatives were not in power. The TUC and the Labour Party are already agreed that a greater proportion of the huge assets contained within Britain's pension funds - estimated at over £70,000 million in 1983 - should be used to back projects which foster investment and generate employment in British industry.<sup>2</sup> Although it was subsequently defeated in the courts, the National Union of Mineworkers (NUM) took the most active lead in this area and attempted to influence decisions about investments from the miners' pension fund by refusing to accept recommendations from the fund's financial managers who have traditionally sought only the highest possible return on assets controlled. The Union's leaders argued that the £3 billion fund should be used to invest in British industry and jobs, and, having an equal number of nominees among the fund's

trustees as has the National Coal Board, initially frustrated planned investments in rival oil and gas industries and in overseas security and property.<sup>3</sup>

A further attempt to encourage economic development and lower unemployment directly was launched in December 1983 by the South West Region of the Transport and General Workers Union (TGWU). The scheme - Unicorn Marketing - depends on wholesalers, manufacturers, insurers and so on providing trade union members with more favourable trading terms than the norm in recognition of the enormous sums of money that they spend overall. The plan is for a group of trustees to supply goods and services to the 250,000 union members in the region at highly competitive discounts. The commission the trustees receive, which the organisers hope will total £3 million after two years, will be channelled into a fund and used to promote worker co-operatives and small businesses.<sup>4</sup> Apart from these efforts to tap their pension funds and purchasing power for economic development purposes, most of the trade union movement's practical response to rising unemployment has been to try to raise the level of public concern, press for a better deal for the unemployed within Government's manpower and social security provisions, and mobilise and organise the jobless. However as these activities are discussed in turn below, it should become clear that not all of what is happening in these areas is solely in the interests of the unemployed.

### 3. Raising Public Concern

As the priority given by the electorate to a reduction in unemployment will have a vital bearing on the prospects of a new Labour Government being returned and on its

ability to implement an alternative economic strategy, the trade union movement has sought to raise the level of public debate and change people's complacent attitudes towards unemployment. One approach has been to organise large conventions and set up special committees which rally together people and organisations from a variety of backgrounds and interests and provide a forum from which to generate new ideas and public concern. A lead was taken by the Scottish TUC in December 1980 when it organised a Standing Convention on Unemployment - effectively a day-long grand debate with invited speakers and contributions from the floor. Apart from media coverage of the event, the main outcome was the establishment of a Standing Commission which brought together representatives from voluntary organisations, trade unions, churches, public authorities and business organisations who were to meet regularly and generate specific policy proposals which could be put to Central Government and implemented. A similar initiative was subsequently taken in Wales where the TUC, the CBI and the local authorities formed the Welsh Committee for Economic and Industrial Affairs and a special convention comprising organisations from a wide cross-section of Welsh life was set up. However, on the basis of the Scottish example at least, collaborative initiatives of this sort appear to have had disappointing results. Sadly - but perhaps not surprisingly, given the broad collection of interests involved - the Scottish Standing Commission found itself unable to agree on firm, implementable recommendations and was wound up without having any marked effect on policy.<sup>5</sup>

Another strategy through which the labour movement has tried to incite public anger over the high numbers

out of work has been through organising marches and demonstrations against unemployment. As was also the case in the 1930s, the main impetus for this activity has come from members of the Communist Party and other far-left groups operating within trades councils and unions. Organising unemployed protest has not been a role which the official labour movement has embraced with much enthusiasm. Its involvement has come in response to what it has considered to be potentially disruptive or politically damaging action by factions within it or on its fringe. A March for Jobs in 1980, for example, had abused the TUC delegates at their annual conference almost as fiercely as the Tories. Partly in self-defence and to diffuse and control this unrest the TUC has taken a greater involvement in the running of subsequent marches and demonstrations but its commitment has never been strong. The People's March for Jobs in 1981, although considered a success at the time, did not seem to significantly alter public attitudes towards unemployment and gave the TUC some justification for avoiding similar large scale demonstrations until 1983 when it was forced to act again. A plan by the TGWU to organise a large march from Glasgow which - joined by six feeder marches - would converge on London amid mass demonstrations at first received no firm backing from the TUC and Labour Party leaders. The TUC Finance and General Purposes Committee rejected the idea, apparently on the advice of the Labour Shadow Cabinet which feared that it might damage the Party's electoral prospects.<sup>6</sup> But the TUC's position changed and official support was given when it became apparent that a groundswell of support for the march was building up among individual trade unions. In these cases where the official labour movement has brought organised protest against

unemployment within its auspices and taken an organising role, the main beneficiaries may not have been the unemployed. The large numbers of union banners, the shouts - not for better benefits or more jobs - but for "Maggie Out" and "Fight the Cuts", and the low representation of claimants and unemployed worker groups all suggest that marches and demonstrations have been mainly protests of the employed who have used the issue of unemployment for their own purposes.

#### 4. Improving the Lot of the Unemployed

In addition to its reluctant support for political protest the TUC has made some attempt to protect the living standards of the unemployed by lobbying Government over the level of social security benefits. Early in 1982 a number of specific recommendations concerning improvements to the social security system and capable of immediate implementation emerged in the TUC's Benefit Charter for the Unemployed.<sup>7</sup> This favours providing the long term unemployed with the higher rate of long term supplementary benefit, protecting the real value of benefits against inflation, returning to the unemployed the money Government has saved by abolishing the earnings related supplement and taxing benefits, and giving young people leaving school an immediate right to supplementary benefit. For the longer term the Charter recommends that unemployment benefit be set high enough to keep people off the means tested supplementary benefit and continue until a suitable job is found. A new earnings related supplement payable for the first year is proposed in addition to the flat rate benefit and, for people remaining out of work beyond a year, a higher flat rate benefit similar to invalidity pension rates. A further recommenda-



tion which affects the incomes of the unemployed is that travel and other local facilities should be provided to the jobless at concessionary rates. The TUC considers that Central Government should fund any concessionary fares scheme so as to ensure a standard service throughout the country and avoid a disjointed provision dependent on subsidies from individual transport authorities.

Many of these arguments are not new but echo what other reformist groups have been saying for some time. While the Supplementary Benefits Commission, claimants' unions and others have been arguing for the long term supplementary benefit rate for the unemployed since 1976 the TUC has always given priority to death benefits, pensions and other things which go mainly to the employed at some stage of their lives. Indeed the TUC's stance on protecting the incomes of the jobless has come rather late in the day and may be motivated by other interests apart from reforming egalitarianism. A large part of the strength of trade unions and unorganised workers also may rest upon the system of social security which Britain has built up during the twentieth century. It has been high enough to help protect union negotiated wage levels by giving unions the opportunity to resist demands for wage reductions, even at the cost of unemployment, and diminish the likelihood of an individual taking a position at less than the negotiated trade union rate.<sup>8</sup> Maintaining the level of financial maintenance for the unemployed, particularly when it is threatened, seems to be in the interests of trade unions and their members also. As in 1931 when the TUC clashed and broke with the Labour Government over the cutting of the dole, the TUC's current concern in the face of threatened cuts in benefits - in addition to a genuine concern for the welfare of

jobless claimants - probably represents the trade union movement protecting its own ability to fight for better working conditions and wages for its members at a time when these too are under threat. Another effect of social security and the level of benefits paid has been to avoid the desperate poverty and social unrest which might otherwise have occurred, thus freeing organised labour from the potentially disruptive consequence of large-scale unemployment.

Manpower policy - and in particular the special programmes of the MSC - is another area in which the TUC has lobbied for a better deal for the unemployed. As the TUC serves in an advisory capacity at a national level within the MSC it can attempt to directly influence the guidelines and monitoring of the Commission's policies. At this level the TUC has tended to endorse the MSC's programmes, and at the same time press for an expansion of temporary employment provisions for the long term unemployed, an improvement in the quality of training and education in youth schemes, and a rise in the level of allowances or wages paid. However, support for MSC programmes at this level is no guarantee that individual trade unions will co-operate. At a local level trade unions are represented on Area Manpower Boards along with local authorities and employers and it is here that choices are made whether or not to support individual schemes which can be characterised by low pay, non-unionised workplaces and a privatisation of youth training. Union representatives can object to schemes, argue for improvements or reject them altogether - scope which has frequently found the movement at the local level at odds with the guidance of its national officials. In 1981, for example, widespread hostility was voiced at union

conferences against exploitation of young people under YOP and motions were submitted to the TUC annual conference calling for complete withdrawal from both YOP's main scheme WEEP and the MSC (dealt with in Chapter 9). In September of the same year mobilisation of YOP trainees in the north east by NUPE (the white collar union) led to two strikes and a local rally.<sup>9</sup> More recently the YTS which replaced YOP has also received less than unanimous support, particularly in the craft unions who see it threatening their established structure of apprenticeship training, and in the early months of the adult Community Programme certain unions and branches were found to be imposing blanket bans on the programme or frustrating its implementation by imposing impossible conditions for the approval of projects.

##### 5. Unemployed Workers Centres

The most direct way in which the TUC has attempted to deal with unemployment at the local scale has been through a strategy of organising the unemployed. Since late 1980 it has been the policy of the TUC's General Council to sustain the movement as a collective organisational framework for workers in and out of employment in two main ways: first, by establishing a national network of centres for the unemployed and, second, by retaining and recruiting unemployed people as union members.<sup>10</sup> Inspiration for the first of these had come from Newcastle where a Centre had been set up by the local trades council and run jointly with a local Unemployed Worker's Union. Although the project had struggled with limited and unguaranteed financial support from a combination of local authority, charitable and MSC sources, its efforts stimulated an interest among voluntary groups and trades councils and unions from other areas. In January 1981

the organisers of the Newcastle Centre convened a national conference of community groups and trades councils to discuss how their initiative could be adopted and developed and, more generally, how the unemployed should best organise themselves. It was at this conference - which I attended - that the TUC chose to announce its own guidelines which committed it to develop a national network of centres and laid out how these should be developed and controlled.<sup>11</sup> They identified three main objectives of the new centres: a) to provide unemployed people with information and advice about opportunities and assistance for training and mobility and to channel requests for assistance from individual workers who are in need of representation before tribunals to the affiliated union of which they are a part; b) to provide a contact point in the local community where unemployed people could make contact with each other and organise activities; and c) to make representations on behalf of the unemployed to help promote schemes under the MSC programmes and to push for discretionary concessions for the jobless. TUC Regional Councils, in conjunction with local trades councils and full time union officials, would propose the new centres, set up steering committees and approach local authorities. Centres would be managed by equal numbers of trade union representatives - nominated by the Regional Councils - and representatives from the local authority. Their progress would be monitored and the TUC notified of any centre or management committee acting outside the guidelines. Arrangements in Scotland were basically the same as the rest of Britain, though there is no equivalent to the English and Welsh TUC Regional Councils. Trades councils - the next level of affiliated organisation below the Scottish TUC - therefore play a more important role in implementing the guidelines.

It was clear from the start that the TUC intended to keep tight control over the centres and avoid their use for activities which could be described as 'political'. This increased the likelihood that the MSC would support the programme and provide funds but it also meant that the unemployed would be excluded from managing their own centres. Understandably these conditions have been utterly unacceptable to many activists among the unemployed, and, despite small concessions made by the TUC to allow voluntary and unemployed groups to be invited onto management committees, the entrenched and bureaucratic position of the trade union hierarchy has proved to be an important cause of the emergence of an independent unemployed movement - discussed below - and the existence of a small number of centres which operate independently from the TUC. In some towns these independent centres have been funded by the local authority. Sheffield City Council appear to be the most supportive, providing funds for over thirty unemployed and drop-in centres around the city.<sup>12</sup>

In their actual operation the official TUC centres vary enormously. In some areas trades councils sympathetic to the demands of unemployed activists to run their own affairs have invited the unemployed groups to participate or, in some cases, take control of the centres. Although breaching the TUC's strict regulations, the TUC continues to list these centres as 'official' ones in its regular Bulletin on Centres for the Unemployed.

According to this Bulletin around 180 centres had been established by the end of 1983, though other reports suggest that only up to one-third are effectively active<sup>13</sup> and only half open for the full five days each

week.<sup>14</sup> Many of the premises these centres occupy have been provided by local authorities, often on a nominal or rent free basis, others by a trade union or local Labour Party, and some by a local church or trust. The TUC has provided help by releasing representatives to run advice sessions, assisting in the preparation of publicity material on a centre's activities, supplying information for courses, alerting local trade union and DHSS staff to new centres in their areas, and providing books, furniture and other basic material to equip them for use. Some union branches make regular financial contributions by giving the equivalent of 5p or 10p a week for each branch member, though in no case - as an early survey of centres found - has the money received been sufficient to employ staff.<sup>15</sup> A general reluctance among trade unions to channel resources into centres for the unemployed is hardly surprising. With industrial closures their workload has increased and - in many cases - their income has been drastically reduced owing to falling membership. However, it has been suggested that if only even one fifth of TUC affiliated trade union members could be persuaded to contribute to a levy of 2p or 3p per week, then around £2 million could be raised annually for work among the unemployed.<sup>16</sup> Almost all centres provide some form of advice giving facility, snack bar and games room. Campaigns for cheaper fares and facilities have been organised, unemployed representatives have been sent to the meetings of local trades councils or union branches, and educational courses on a variety of subjects have been run.

Some centres have been very active and are widely used by the unemployed, but this is exceptional and their development has been tediously slow and disappointing.

One reason for this has been that much of the financial support upon which centres and their staff depend is insecure and restrictive. MSC provisions - mainly under the Community Programme (see Chapter 9) - can fund the salaries of staff for one year only apart from one key worker who can stay on. This means that good teams, where they exist, will often be broken up after twelve months. The acceptance of these funds in the first place imposes severe restrictions on what a centre may do, and activities which the MSC or the Department of Employment (DE) deem 'political' are prohibited and centres which get involved in them run the risk of having their funds withdrawn. This happened in Sheffield where the MSC, despite the centre being one of the most successful with around one hundred people using it each week, withdrew its £36,000 grant following the Centre's participation in demonstrations against unemployment.<sup>17</sup> At the same time as support for the Sheffield centre was axed in March 1983, the MSC was also directed by the DE to stop funding any new centres until more restrictive operating guidelines could be agreed with the TUC.

Apart from political controls, other factors - related more to the personal impact of unemployment - weaken the likelihood of active participation of the unemployed in facilities set up for them. The idea of belonging to the unemployed, or more specifically attending a centre exclusively designed for them which offers no scope to change or even protest about their plight, is clearly not one which people can derive much pride and enthusiasm from. Furthermore, a normal 'non-working' day for many of the unemployed can be a full and tiring one and preclude involvement in the type of activities a centre might offer. Due to low incomes,

the need to economise can demand long searches among shops for the best buys. Shopping might have to be built around visits to the local centre and employers in search of work, and long waits at the local offices of the DE and DHSS to follow up benefit claims and ensure that they receive the full amount due. All these activities may have to be carried out on foot because of the prohibitive cost of a car or public transport. Hence, even where the desire to participate exists, it may be worn down by the hardship and demoralising effects of prolonged unemployment.

#### 6. Recruiting and Retaining the Unemployed

The second element in the TUC's strategy of organising the unemployed is to ensure that the jobless remain part of the trade union movement. A resolution carried by the 1981 TUC Congress called on the General Council to "actively pursue a policy which will lead to greater representation for the unemployed in the trade union movement." It has attempted to meet this resolution by encouraging individual unions to retain members who are made redundant on full union rights and actively recruit other unemployed workers including school leavers and those on Government training schemes. It was hoped that the new centres would play an important role in this process by putting the unemployed in their locality in touch with the trade union movement.

The official TUC line is that the unemployed can contribute to formulating union policy only through membership of an affiliated union and that only by retaining and recruiting the unemployed can unions themselves understand and identify with the jobless.<sup>18</sup> The TUC is



firmly against the unemployed organising outside trade union structures, fearing this would weaken the labour movement as a whole and make it easier for the Conservatives to divide working and non-working sections of the labour force. In this spirit it has deemed that "trades councils and TUC centres should not have any dealings with bodies describing themselves as unemployed workers unions".<sup>19</sup> The onus for recruiting the unemployed is placed on individual unions. However, before this was firmly decided the TUC did consider the possibility of establishing some form of unemployed workers union itself. The idea received the support of certain unions, including NALGO, and SOGAT (one of the print unions), but was finally rejected on the grounds that it would need a significant increase in the TUC's income and would tend to duplicate unions' own machinery and services. It was also claimed that the progress of the new centres could be jeopardised by raising demands and expectations among the unemployed that could not be met.<sup>20</sup> Subsequent developments suggest the TUC may have made the wrong choice. The centres seem to have failed in their own right and - more significantly - local level recruitment into individual unions has not been anywhere near as comprehensive as was hoped. The rules and regulations of many unions exclude people from either becoming or even retaining membership. Even where membership status is allowed the unemployed are often prevented from participating on equal terms with members who have jobs. In other cases where the unemployed are welcome it has not always been easy to involve them. If, for example, a union branch is based on the workshop and agendas dominated by the concerns of employed members, it is likely to be difficult for the unemployed to attend meetings and participate in union affairs.

A survey of Britain's fifty largest unions in the summer of 1981 exposed the limited extent to which the TUC aims were being carried out and some of the major barriers which would have to be overcome if the unemployed were to become more involved. Thirty unions had rules explicitly preventing recruitment of the unemployed, six did not allow existing members to retain membership when they lost their jobs, and nine placed limits on the right to retain membership. Many of the others, although they allowed the unemployed to remain as members, placed significant conditions on this such as limiting membership to those who had been made redundant but excluding those who had received compensation under a redundancy agreement, limiting the time the unemployed could remain as members, and restricting the opportunity for the unemployed to participate in union activities by denying them voting rights, disallowing them from standing for national office or transferring them to holding branches which do not meet. Only 10% of the unions surveyed permitted the unemployed to join on reduced contributions and enjoy full membership rights.<sup>21</sup>

Some unions have recently relaxed their rules to encourage the recruitment and retention of the unemployed. The TUC has also amended its rules to allow unemployed people to act as delegates at Annual Congress, although by retaining the requirement that all delegates should be financial members or full time paid officials of an affiliated organisation it remains impossible for many unemployed people to take up this opportunity. Despite some small progress the relationship between the trade union movement and the unemployed remains weak at the local level. A more recent study of the

eighty-five unions affiliated to the Scottish TUC found that sixty-eight did not allow the unemployed to join, thirteen did not allow existing members to retain membership when they became unemployed, and of those who did several allowed only limited rights.<sup>22</sup> Furthermore, as only nine of the unions surveyed in Scotland were considering the need to make further changes in their rules, the indications are that the movement seems unlikely to embark on the widespread changes that are required if the TUC's objectives are to be met. Faced with this intransigence there is little the TUC can do directly. Although it sounds powerful and influential, in reality the TUC is no more than a loose-knit federation of independent bodies with a very small staff and cannot enforce anything which member unions are prepared to resist.

#### 7. The Unemployed's Response

The combined effect of TUC policy and the rules of individual unions deny a huge section of the unemployed a form of representation within the labour movement which would guarantee them scope for representation on an equal footing with those in work and allow them to voice their opinions collectively as workers who are united in their search for jobs. Official trade union strategy for organising the unemployed makes little concession to principles of self-help and democratic control. As such it has aroused the suspicion among unemployed activists that the intention behind it is to control rather than confront unemployment. They fear - with justification - that by denying the unemployed control of their own centres and the opportunity to make a political protest their independence and the scope

for grassroots initiative is being undermined by the TUC and other public bodies.

It is, therefore, hardly surprising that the cautious and centralised response of the trade union movement has spurred some of the unemployed to build their own autonomous and democratic movements. Mobilisation began in earnest following the Newcastle Conference in 1981 when the official TUC plans became clear. Since then growth has been slow but the movement is gradually coming together with an identify of its own under the National Unemployed Worker's Movement (NUWM). Certain unemployed groups, particularly those in London and the South East who had already developed their own federal structures, were at first reluctant formally to affiliate to the emerging NUWM though they shared most of its aims. These and others joined with the NUWM in 1983 which is developing as a national federal body for unemployed groups and in 1983 had over 140 separate groups affiliated to it. The decision to call the organisation a 'movement' rather than a 'union' was designed to avoid being proscribed under the TUC's rule against unemployed workers unions.

The Community Resource Unit (CRU) - a small body funded by the Gulbenkian Commission in 1980 initially for three years and led by Jim Radford - chose to focus its efforts particularly on work for unemployed groups because so few others were doing anything in this field. The Unit has been closely involved with the unemployed movement and has identified several reasons which explain the difficulties the unemployed face when trying to mobilise. A central weakness has been a shortage of effective spokespeople and negotiators.

Those who are the most active in unemployed groups and the NUWM are mostly those with strong trade union backgrounds, and, by virtue of their personal characteristics, they are also more likely to return to paid employment than other members of the unemployed. The CRU has found the administration of the unemployed movement to be unreliable, evolving and characterised by abysmally poor communications. The Unit points to a lack of organisational expertise and reliable secretarial back up and resources. This creates an inefficiency among unemployed people who are not in themselves incompetent and leads to a loss of confidence and a decline in participation in the groups they have established. The CRU has sought to provide what help it can but has often found it difficult to deliver owing to the suspicions which unemployed groups have come to have of outsiders whose offers of 'help' have often been motivated by the desire to control and use unemployment for their own ends.<sup>23</sup> Many in NUWM - particularly those in London, which is inevitably the heart of any communications system to be built up - are opposed to employing anyone; yet incapable of organising a really effective volunteer service of unpaid people.

The NUWM is developing as the main vehicle through which unemployed groups are lobbying the trade union movement to alter its practices. It is pressing for a dual membership arrangement whereby the NUWM would be recognised and the unemployed given a collective voice and, wherever possible, the right for individuals to retain membership of their separate unions. To allow the jobless to take a more active part in trade union affairs, the NUWM has also asked for the withdrawal of

various union directives which have been sent to trades councils and branches which exclude the unemployed from representation, and for a review of the TUC's guidelines which officially debar the unemployed from running their own centres.<sup>24</sup> Certain parts of the labour movement, some trades councils for example, are responding favourably to these sentiments but there has been no overall indication that official trade union policy is in the process of changing to favour the demands of the unemployed.

#### 8. Conclusions

Trade Unions cannot by themselves bring unemployment down by any great extent, but the policies and programmes that will be required to achieve an early reduction in unemployment will need their co-operation and place a number of demands on them. If, for example, labour is to be redeployed on a large scale, it will probably require the abandonment of many restrictive practices and controls on entry to occupations currently exerted by unions. An alternative economic strategy is also likely to seek a redirection of resources which flow abroad from pension funds which unions partly control, and if a reduction in working hours is to lead to a significant number of new jobs then those in work - particularly the higher paid - must be prepared to suffer a reduction - or at least restraints - in pay. These and other policies which could bring unemployment down are technically feasible but politically very costly, and there is no guarantee that the official trade union movement would be able to see them through or that their working members would accept them. While these stark choices are yet to be faced, strong vested

interests exist in using the issue of unemployment to attack the Conservative Government and its policies and to argue for greater support for the labour movement - so long as the threat of damaging unrest and political protest can be managed and controlled.

Meanwhile the unemployed are being denied an independent and effective voice within the trade union movement. As a result the opportunity to participate and gain experience of collective action and an identity as members of their class and its political movements through struggle and resistance is dwindling. Indeed much of our treatment of the unemployed almost seems to have been arranged to deprive a growing proportion of younger working people of that kind of experience. The unemployed movement which is slowly building up outside main trade union structures - as it did in the 1930s - is likely to be severely restrained without a platform where it can collaborate with other groups and interests. Movements restricted to the poor and the unemployed rarely - if ever - seem to have been the sole motivators of reform and social change. They have always needed allies, among the middle class, civil servants and in some countries the peasantry, to bring about major change. Unemployment and the way we respond to it may also be reducing the possibilities for fruitful alliances of these kinds. Without allies the unemployed movement is likely to remain weak and ineffective in much that it attempts; having no political or industrial muscle to force people to take notice of its demands. It is significant that where Government has responded directly to action by the unemployed it has been because it has been sufficiently frightened. The riots in Liverpool, for example, spurred the channelling

of additional Government resources towards the city, though the provision of small amounts of money to modify unrest is not the only option open to Government if anarchic activity becomes more widespread. More overtly repressive ones are also possible.



Notes: Chapter Twelve

1. TUC (1983), 'The Battle for Jobs', February.
2. Cornelius A. (1983), 'Funds: A Powerful Influence on the Economy', in The Times, 5.5.83.
3. Wainwright M. (1984), 'Scargill conducts court case on pension fund', in The Guardian, 27.3.84.
4. Dennis J. (1983), 'Union's Co-operative Venture', The Guardian, 8.12.83.
5. From interview with Mr. D. Harrison of the STUC, 26.4.83.
6. Wintour P. (1983), 'March for jobs and against apathy', The Guardian, 17.3.83.
7. TUC (1982), 'TUC Benefit Charter for the Unemployed', in Centres for the Unemployed Bulletin No.8, March, pp.14-15.
8. Glyn S. and Shaw S. (1981), 'Wage Bargaining and Unemployment', The Political Quarterly, Vol.52, No.1, January-March, pp.115-26.
9. Allum C., Quigley J. (1983), 'Bricks in the wall: the Youth Training Scheme', in Capital and Class, No.21, Winter, pp.5-17.
10. TUC (1980), 'Services for the Unemployed', Circular No.85 (1980-81), 12th December.
11. TUC (1981), 'Unemployed Workers Centres: TUC Guidelines', Circular No.123, (1980-81), 29th January.
12. City of Sheffield, 'A Guide to the Centres for Unemployed People in Sheffield', Employment Department.
13. Information from Jim Radford of the Community Resource Unit, contained in draft open letter to trade unionists from the National Unemployed Workers Movement discussed at its national conference 26.3.83.

14. Lamb K. (1983), 'Trade Unions and the Unemployed', in Unemployment Unit Bulletin, No.10, November, pp.6-8.
15. Labour Research (1981), 'Unemployed Workers Centres - an LDR Survey', October, pp.208-12.
16. Lamb K. (1983), op.cit.
17. The Guardian, 'Political fears mar TUC campaign', 27.1.82, and The Guardian, 'MSC cuts off jobless grant over politics', 23.3.83.
18. TUC (1982), 'Centres for the Unemployed Bulletin', No.8, March.
19. TUC (1981), 'Unemployed Workers Unions', Centres for the Unemployed Bulletin, No. 6, October.
20. TUC (1982), 'Centres for the Unemployed Bulletin', No.8, March.
21. Labour Research (1981), op.cit.
22. Quoted in Report to Jim Radford, Community Resource Unit, February 1983.
23. Community Resource Unit (1982), Report by Jim Radford, February.
24. National Unemployed Workers Movement (1983), 'Open Letter to Trade Unionists', April.

## CHAPTER THIRTEEN

### GRASSROOTS INITIATIVES - COMMUNITY BUSINESSES IN SCOTLAND

#### 1. Introduction

The previous five chapters have dealt mainly with policies and programmes initiated by Government and its agencies or other public or private organisations in response to high unemployment. To complete the range of activities at a local and urban scale this chapter examines some of the community-based initiatives which have begun to emerge in economically deprived areas. Local people, community activists and voluntary groups have begun to play an important role in attempts to establish new forms of economic activity based on unconventional forms of ownership and control and designed explicitly to meet local needs and generate employment opportunities among the unemployed. In a number of townships in the highlands and western islands of Scotland, local residents - with the help of the Highlands and Islands Development Board (HIDB) - had by September 1984 set up 16 community co-operatives which provided 99 full-time and part-time jobs and work for a further 150 outworkers. In lowland Scotland voluntary groups in particular have been active in developing community businesses; enterprises based on similar principles to their northern counterparts.

The following discussion will concentrate on developments in central and urban Scotland. Much of what is happening here, while perhaps more advanced, is similar to other

areas of the UK. Furthermore, I have been closely associated with developments in this region of the country in recent years and have also carried out some detailed fieldwork and empirical work on community businesses in this area as part of a short term project funded by the ESRC. Since 1980 I have attended numerous meetings and seminars organised by community business groups and in the early months of 1984 attempted to contact all known initiatives. I was successful in gathering basic employment data on 25 enterprises - the vast majority of those existing. I visited 16 of these, including all the more established ones, to examine their operation, interview the managers and where possible chat to other workers. On each of these visits a short questionnaire was distributed - via the managers - for staff and workers to complete and return to me. The questionnaire asked for details about current and previous employment, experience of unemployment, wage rates, personal details and worker's attitudes to their jobs in the community business. 127 completed questionnaires were returned; a response rate of almost 50%. Only some of the questionnaire results are presented below. A fuller account of the findings has been published as a separate Discussion Paper.<sup>1</sup> (See Appendix B for questionnaire details).

The chapter begins by charting the recent development of the community business movement in Scotland and the involvement of public authorities in this process. Following this I will examine the types of activities community businesses are involved in, considering how they differ from normal firms and how far they match up to the idealism which inspired them, and then present some evidence on their achievements, so far, particularly in terms of employment generation.

## 2. Origin and Definitions

Local people involved in establishing community-based employment projects have relied heavily on outsiders such as community development workers and planners from local government and voluntary sector organisations who have helped initiate projects and organise and advise activists in local communities. It is not surprising that locally based employment initiatives do not arise more from essentially grassroots action led by poorer groups in the community. The disappointing performance of Centres for the Unemployed and their like (as shown in Chapter 11) suggests that unemployment is a rather ineffective basis for mobilising people at the local scale. One organisation which has proved largely instrumental in developing the idea of community businesses has been the Local Enterprise Advisory Project (LEAP), set up in 1978 by Strathclyde Regional Council using urban aid money. LEAP operated until around June 1984, working with people and community groups in areas of high unemployment in the Strathclyde Region to assist them to start up new economic activity, and has helped popularise the notion of community business among other community groups and the wider public.

Partly as a result of LEAP's work the number of community business initiatives has expanded rapidly and umbrella and federal organisational structures have been formed by people connected with projects and others working in the field to provide information networks between different projects, promote the idea of community business and lobby for support from Government. A count made by LEAP early in 1984 showed that sixteen community businesses were trading in Strathclyde. Trading was imminent in a

further seven cases and another twelve projects were at the initiation and discussion stage. In the spring of 1981 Community Business Scotland (CBS) was formed as a federal organisation covering all of lowland Scotland and has developed a membership comprising people actively involved in trading concerns, representatives from support bodies like local authorities, charitable organisations and private agencies, and other interested parties. CBS has directly encouraged community business by running training courses and helping individual projects share their ideas and experience with others. It has also attempted to secure a more favourable policy environment by publicising the concept and its requirements to public agencies and financial institutions in an attempt to ensure that these groups are better informed and more sympathetic to approaches for help. At a more local scale beneath that of CBS, community business groups have been coming together to form regional federations through which they can negotiate with a collective voice, thus laying the groundwork for a comprehensive two-tier structure of voluntary support above the level of the individual enterprise.

Ideally a community business differs markedly from the traditional private enterprise or worker co-operative. The following aspiration has been generally adopted by those working with them as the long term objective of this form of enterprise:

"A community business is a trading organisation which is owned and controlled by the local community and which aims to create ultimately self-supporting and viable jobs for local people in its areas of benefit, and to use any profits made from its business activities either to create

more employment, or to provide local services, or to support local charitable work. A community business is likely to be a multi-purpose enterprise and may be based on a geographical community or on a community of interest. It will have limited liability and in some cases will acquire charitable status."2

As the movement is still a very young one, few community businesses come near to meeting this theoretical definition. In 1984, for example, only two of the enterprises in Strathclyde were wholly dependent on the income they generated themselves or on funds raised from non-public sources. Given responsibilities such as expanding jobs, protecting welfare and democratising the enterprise which are added to the need to achieve commercial viability, it is not surprising that it may well take longer to make community businesses viable and successful operations than it does more traditional forms of enterprise. People working with them feel that it takes at least five years before a community business can support itself and its staff out of the revenue it generates. The ideals of reinvesting any surplus money in other local projects or involving local people beyond the small numbers already active through community councils, trades councils and so on, therefore operates over a much longer timescale than the more immediate need to become commercially self-supporting.

### 3. Relationships with Government and the Public Sector

Although the development of the idea of community business has relied mainly on the initiative of community activists working either outside mainstream bureaucratic structures or on the fringe of them, the possibilities they

appear to hold for generating economic activity in deprived areas and creating jobs for the unemployed has excited a great deal of attention among public authorities desperately looking for ways to bring unemployment down. Some local authorities in particular have begun to support community businesses as part of their economic and social strategies.

(i) Central Government

Resources used in the development of community businesses so far have come mainly from Central Government or regional or national agencies which it controls. The broadening of criteria for giving urban aid in 1981 to include wealth-creating projects enabled support to be given to community businesses which otherwise would have been much more difficult to arrange. Total expenditure figures are not available from the Scottish Office, but in Strathclyde Region, the area receiving the largest support, in the financial year 1984-85 12 community businesses were receiving a total of £433,993 in urban aid, of which £262,003 was in recurring revenue, £33,000 in non-recurring revenue and the remaining £138,990 in capital grants. The recurring revenue is usually given for a three year period, though this can be extended for a further two years.

Despite this support, the Scottish Development Department (SDD) - which administers the urban programme for the Scottish Office - is still in a dilemma as to how far Urban Aid can be used to support new productive enterprise. Being concerned about the possibly disruptive effects on existing firms, SDD is unsure if it can go beyond providing funds basically for the conversion and



renting of premises and the payment of staff salaries and administrative expenses. However, for the time being at least, new projects are unlikely to get support from urban aid for other reasons. The urban aid budget in Scotland for 1984-85 has been severely cut from its previous year's allocation of £34.8 million to £26.5 million.

A policy package from Government more specifically geared to the requirements of community businesses had looked likely in 1980 when, referring to the new MSC Community Enterprise Programme (CEP), Mr. James Prior, then Secretary of State for Employment, indicated that the Government planned to provide funds for partnerships involving the private sector, public and community bodies in the creation of new enterprises. He added that "We hope that the money that we are allocating out of the new CEP for community enterprise operations, such as those carried out ... under the community business ventures, will begin to play a larger part."<sup>3</sup> At the same time the MSC, jointly with the Calouste Gulbenkian Foundation, set up a Community Business Ventures Unit (CBVU) to examine existing community business ventures and to assess and make recommendations about the possibilities for further development. The group recommended that a development fund be established by public, private and community bodies and jointly operated by them to provide financial and other forms of support to individual initiatives. The initial optimism about forthcoming support diminished when the MSC began to distance itself from the Group's work. The shift in attitude may have reflected doubts about the MSC's involvement in assisting the creation of new economic activity of this sort, but for whatever reason the MSC's Director turned down membership of the CBVU after having been accepted and the

MSC decided not to publish the Group's report. The report was published by the Calouste Gulbenkian Foundation later in 1981.<sup>4</sup>

(ii) National and Regional Agencies

Despite the absence of resources specifically tailored to the needs of community businesses, MSC programmes have been used by a number of projects as a method of funding the salaries of workers for a year and as a way to train and learn to manage the workforce, carry out market research and build up a track record to assist them to obtain other forms of funding. However, as these resources are designed to be used for training and not the for the development of new enterprises and jobs within them, a major restriction community businesses have faced is the 'claw-back' of any profits made under the operation to the MSC. As a consequence, during the early stage in their development when these businesses often face greater problems than conventional firms, projects are denied the opportunity of accumulating capital to invest in machinery and equipment and build up a cash flow with which to pay wages and lay out money for work. Some have managed to avoid these rules, but usually by operating illegally and concealing their profits in second bank accounts.

The regional development agencies of Government have also been active. The SDA has since 1982 shown a growing interest in community businesses and in certain areas has commissioned voluntary organisations associated with community businesses to undertake consultancy work and carry out feasibility studies. It has also been involved in the establishment of a number of projects. In some

localities subject to comprehensive area-based treatment, lump sums of money - in Motherwell there is £150,000 - have been set aside to support community businesses. But this money has proved difficult to tap and local activists have complained about what they consider to be excessive caution shown by the SDA and a reluctance to respond to a new form of economic activity unless it presents itself as potentially viable in a normal way. The SDA's position is that its role is not to support enterprise which is inefficient or which would only be competitive as a result of public subsidy, and possibly displace more efficient businesses. Although many others in the public sector share this view, it creates an important dilemma for those involved in promoting community business. If these enterprises strive to become potentially viable and respectable to possible supporters by drawing on expert business advice and formulating the type of business plans necessary to secure normal financial backing for the business launch tangible financial benefits may well be forthcoming in the short term. However, if public authorities are not encouraged to recognise their uniqueness, there may also be the profound danger that the radical nature of community businesses as a potentially new form of social and economic organisation will be damaged and along with it the chances of developing self-managed approaches to community economic development.

The cautious position of Government and its agencies in lowland Scotland typified by the SDA contrasts sharply with the work of the HIDB in rural areas where, perhaps because of the lower likelihood of distorting competitive relationships in local markets, public funds have been used to a greater degree in the support of community-based enterprise. In addition to its normal package of loans

and grants the Board appoints field officers to explain to local communities the assistance available and help steering committees of local residents devise and develop acceptable plans. New projects receive establishment grants which match funds raised by local steering committees on a pound for pound basis. The Board also provides for the cost of a manager for three years and further financial support for several years more.

Community business activists regard the provisions of the HADB with a degree of envy. But as they become more successful and sophisticated in putting their case to public agencies and officials working in them the type of help they require might, tentatively, emerge. Ideally the type of package community businesses are lobbying for includes quicker decisions on applications for Urban Aid and MSC funds; wider and more flexible criteria in MSC programmes; greater understanding of their situation and needs by public and private lending agencies; small grants for feasibility studies market research and business planning; interest free or low-interest loan facilities; and an accessible and relevant loan guarantee scheme.<sup>5</sup>

### (iii) Local Authorities

It has been among some of the local authorities that the commitment to develop community business as a distinctive form of economic activity exists, though this commitment has taken a number of different forms. In West Lothian, the involvement began when the District Council abandoned its Local Plan for a small number of mining villages in the south west of the District at the Report of Survey Stage because it recognised that no issues meriting local plan treatment were going to emerge.

Coincident with this disillusionment with the traditional planning process, the Council recognised that unemployment was an issue on which it could take effective action, and in 1982-3 'Economic Regeneration' became the largest item in the Planning Department's modest budget - claiming £100,000 out of the total £190,000.<sup>6</sup> The Department also reorganised its Policy and Implementation section to create a new group; 'Social and Economic Initiatives'. Its staff works in a very different way from fellow town planners, spending a good deal of time working with community groups and providing them with finance and helping them secure further funds, for example from the Urban Programme and the MSC, to develop employment schemes and convert an old school into a work orientation and small business centre. The officers, see themselves as an uncommitted resource capable of becoming closely involved with local people and groups in a non-manipulative process geared to avoid rigid and limited bureaucratic objectives and getting tangible benefits from the local authority system.

A new approach which brings together social and economic objectives has also been accommodated without such a major internal restructuring. In Glasgow District, the Council's Planning Department have, while recognising the distinctiveness of community businesses, decided to regard them as one other element within their overall economic strategy which includes the promotion of conventional small enterprise.

Central Regional Council is another authority innovative in the community business field. Here the effort has been directed mainly into establishing an independent development unit outside the authority's

internal structure. In conjunction with CBS the Regional Council has established Community Business Central as a three year project modelled on LEAP to promote the concept of community based employment throughout the region to which around £60,000 over a three year period has been committed in urban aid money. The Regional Council will also provide other help to the Unit in kind, lobby for additional resources from Government for community businesses, and explore how its existing small firm policies could be tailored to meet their needs. The Unit is staffed by three workers, one of whom has been seconded from private industry through the Scottish Action Resource Centre. A management committee including representatives from the Regional Council, local community businesses, trade unions and the SDA has been set up to help the Unit, which also has at its disposal £5,000 to use for feasibility studies, market research and other needs.

The independent development unit seems to be the main way the public sector in Central Scotland is moving in its support for community businesses. The largest initiative in this line to date is in Strathclyde. Here the Regional Council and others have established 'Strathclyde Community Business Ltd' (SCB) which will run for three years with a possible extension to five. The new unit represents a major shift, and means that the treatment of community businesses will no longer be considered by Council committees or administered by Council officers or carried out on behalf of the Council by LEAP. LEAP has been phased out in conjunction with the setting up of SCB, though its experience has been retained with its ex-director appointed to head the new group. Established as a company limited by guarantee, initially with seven staff, some of whom are ex-LEAP employees, SCB will operate

independently with its own funds, management and staff, and co-ordinate the involvement and resources of a number of other public organisations. A Board of Management will direct company policy and authorise loans and grants and will comprise representatives from the major sponsors, which, in addition to the Regional Council, include the SDA, Glasgow District, Community Business Scotland, Community Business Strathclyde (another federal organisation made up of enterprises in the Region), and the private sector agency Scottish Business in the Community. The Unit's remit is to stimulate interest in community business through working closely with community development staff already in the field; provide training and counselling with the help of existing agencies, academic institutions and private industry; and provide appropriate financial support drawn from the funds of the sponsoring agencies, from private firms and supportive bodies like the MSC and HADB, from an allocation of urban aid monies, and from a consultancy fund and a grants and loan fund at its disposal.<sup>7</sup>

Strathclyde Regional Council seem likely to put in £325,000 to the Unit and Glasgow District at least £25,000. The Scottish Office will provide the Urban Aid money it might have spent normally, but this will be paid in the form of a block grant from the Region to the Unit whose responsibility it would be to approve projects. The SDA expect to provide a contribution to cover funding for the Unit, a proportion of overhead costs of running particular community businesses and unsecured loans of up to £10,000 for individual projects. The MSC have decided not to put money into the Unit but will consider individual

projects through its Area Boards and hope to respond flexibly to community businesses. The Scottish Trades Union Congress and the Confederation of British Industry support the creation of the Agency, although both are concerned that community business activities should avoid threatening existing jobs and firms. Most of these organisations regard the new Unit as an experimental project the results of which will be followed closely and will probably determine the longer term involvement local authorities and other leading public sector organisations will have with community businesses. If the Unit is seen as a success - though different organisations will not define this in the same way - it may well provide a model for similar developments in other areas.

#### 4. Characteristics and Classification

A closer examination of what the many projects currently labelled community business actually do reveals a varied and disparate range of activities. At face value some appear quite similar to normal businesses of the same type while others bear very little resemblance to traditional commercial enterprise at all. Current activities can be grouped into four broad categories although individual community businesses can be involved in more than one of these. However, discussing each group in turn and citing the types of activities within each, helps to provide a clearer picture of how distinctive different projects are from more conventional forms of economic activity and employment initiatives, and the, often differing, prospects they hold for boosting jobs and incomes based on a new set of relationships with workers and the local community.



(a) Providers of Temporary Employment and Training

Community business has often been based wholly or partly on providing temporary employment for adults and young people using funds from the MSC. The use of the old Special Temporary Employment Programme and the Youth Opportunities Programme and their current equivalents - the Community Programme and the Youth Training Scheme - has often been the main way projects have got started; these funds allowing people to come together with overheads and salaries guaranteed if only for a temporary period. The types of activities currently taking place include the recycling of donated furniture and other household goods which are given to local social work services for distribution to poorer groups in the community, the carrying out of environmental improvement work on land or buildings in the locality, operating a market gardening scheme the produce from which is passed on to local groups and institutions on a non-profit making basis, an energy project which mainly carries out draught proofing for pensioners the material costs of which are paid for by the DHSS, and other handyman and small repair services for the old, disabled or single parents where the work is carried out free of charge and clients provide the materials. Although there is a strong orientation towards providing a service of benefit to the local community, there may appear to be little difference between these projects and temporary MSC schemes generally. The main difference is that most community businesses which have drawn on MSC funds have done so largely through expediency given the difficulties they experience in building up the cash flow and capital necessary to sustain the jobs when the funding stops. Organisers of community businesses based on or

operating temporary employment projects have looked for ways to continue and develop the operation independently from MSC resources. The older and more established ones which began using MSC money have achieved this transition from temporary employment and training to operating commercially with greater self-sufficiency. The task, however, has often been difficult and a small number of projects have had to be disbanded in the process.

(b) Commercially Trading Enterprises

A number of projects which have made the above transition are - along with others - operating commercially in the market place and trading in similar ways to a normal firm. Some businesses trade from a retail outlet or shop. Goods which are sold to the public in such a way include donated and then refurbished furniture and other household goods - like electrical appliances, second hand clothes and new garments and craft products. The refurbishment or manufacture of these take place either within the same premises from which they are sold or within a workshop or a number of individual homes physically separate from the shop. Other enterprises operate through contract work, secured from other businesses, local authorities, housing associations, or other organisations, or by providing services for groups or individuals in the local community. A wide range of activities are covered by community businesses of this sort - removals, printing, sandblasting and graffiti cleaning, and other very specific types of work for individual clients. It is in cases where community businesses trade essentially as a retail outlet or focus mainly on one area of contracting activity that they appear to come closest to resembling a conventional enterprise. However, although there is an

inevitable tendency to consolidate the market position of the commercial activities they have chosen, community businesses - though not all - seem less inclined to 'sit' on this or reap financial rewards. The tendency is to take on board other activities and become multi-functional enterprises. This may reflect the fact that community businesses currently operate mainly in bits of the market with low growth and profit potential, but it possibly also reflects the greater priority given to maximising the creation of jobs as opposed to maximising a return on capital.

(c) Home Production

Home production provides an input into the operations of around a dozen community businesses which are either trading or hope to do so soon. It is an attractive activity for new and undercapitalised initiatives in that as workers operate part-time from the home and often provide - initially at least - their own materials and equipment, the demands on cash flow to support continuous overheads and wages can be reduced to usually one full-time individual. There is a variety of approaches to home production being taken by community businesses, each basically related to which bit of the market goods are being aimed at and the location of potential customers. In Port Glasgow, for example, home produced Arran sweaters and soft toys - good quality middle market products - are mostly sold through a shop in the centre of the town. However, the potential sales of goods to the same community in which they are produced has an important bearing on the scope for generating income. The smaller and poorer the community is, the more reliance on local sales inhibits the expansion of home production and the growth of the

community business, and, where sales are made, represents the recycling of limited local wealth as opposed to a transmission of wealth earned from richer groups. As a consequence of this dilemma, community business groups have been looking at ways to sell a greater proportion of home based goods outside their areas and bring new money into the local economy. Some advertise at fairs and run stalls in neighbouring towns. And in Forgewood, a depressed housing estate in Motherwell, home produced knitwear of a fashionable type is sold mainly through agents operating outside the area on the basis that it should generate more earning power. There has been an attempt to overcome the lack of resources and skills individual businesses face in marketing and distributing their wares to the wider community by setting up a community business principally to carry out this function for a variety of home producer groups. But this initiative, the Home Production Sales Organisation, has developed markedly differently from this intention. It has its own group of knitters who produce high quality garments, the intention of the business being to break into the top region of the fashion market which, although fiercely competitive, is constantly changing and capable of rewarding successful new styles with high financial return.

(d) Micro Development Agency

The final category of community business can be termed a micro or local development agency. This group differs, the most from conventional enterprise, but - as suggested below - probably holds out the best prospects for the generation of new economic activity. The basic characteristic of this type of community business, which distinguishes it from others, is the objective not of

seeking the expansion of employment within the business itself but through the encouragement and development of enterprises or less formal forms of self-help operating with varying degrees of independence which need not be of a community business form. Given this basic aim, as with the other broad categories of community business, a number of different approaches exist. In most cases the key to the work of this type of initiative is the management and provision of premises or workshops to other users - usually small firms and in some cases local authorities - in return for a rental income which in turn pays the wages of the community business staff. In two areas of Glasgow - Govan and Garthamlock - old school premises have been renovated to provide modern workshops and office accommodation in units ranging up to 600 sq. ft. In the council estates at Easterhouse and Forgevood smaller 'nest egg' workspaces and retail premises have been provided by converting council houses which would otherwise have been vacant, and in Denny a derelict granary has been renovated in a managed workshop project. New schemes are also emerging in at least five other areas; the largest to date being a £1.2 million SDA financed conversion of a former bakery in Govan to provide 80,000 sq. ft. of lettable space.

The management of premises for small firms and associated property development is the domain of private sector providers and public authorities. However, in the growing number of instances where community businesses have taken the initiative it seems highly unlikely that the provision would have been made. The fact that community business providers will be prepared to accept much lower levels of profit returns explains the absence of the private sector, but it also seems likely that public authorities

would not have taken the initiative on their own accord despite the apparent high demand from small businesses for community business run schemes. In Govan, for example, it took four years of active campaigning to convince the SDA that it should support the conversion of the bakery into workshop premises.

Another, quite novel, example of a micro development agency exists in the East End of Glasgow. Instead of providing the physical basis in which new enterprise can set up, a main function of this initiative - Poldrait Service and Industry Limited - is to develop ideas for new viable businesses, secure the appropriate resources from banks, enterprise trusts, local authorities and other public agencies needed to launch and support the business, and draw together locals to form a workforce. The aim is to establish as many of these new indigenous enterprises as possible, nurse them and the workers towards viability and then hive them off. In the words of the community businesses Director,

"Once a business is established to the point where it becomes viable, Poldrait will encourage the individuals working in that business to take it on as their own, thereby creating self-sufficiency. Poldrait will remain available to assist them in any way, so as to create confidence and remove any uncertainty that individuals may feel in 'going-it-alone'."

In 1984 Poldrait secured the patent for the manufacture of thermoplastic road markings and had secured the funds necessary to begin the manufacture and laying of these at busy road junctions. The community business plans to start up this enterprise, recruit and train workers to carry out the operation. When a position is reached

when those involved in the enterprise can run it themselves as a viable proposition Poldrait will float-off the operation as an independent concern.

Apart from creating new firms, independent, or potentially so, micro development agencies have also operated MSC schemes. Poldrait, for example, is a Managing Agent for the MSC's Community Programme. Under this type of community business there seems to be a greater chance of turning at least part of these MSC schemes into some form of continuing enterprise. Often having premises at their disposal, and being able to marshall advice and resources and provide some of this themselves, micro development agencies are better equipped than other community businesses to achieve this - it has already been done and other transitions are in process.

#### 5. Employment Impact

My survey work traced and gathered basic employment data on twenty-five community businesses, undoubtedly the vast bulk of those existing and including all of the established initiatives in Scotland. The total number of people working in these enterprises around March 1984 was approximately 430. This figure does not include the numbers associated with community businesses either in a home production capacity or those who work or use premises provided by them. When an estimated 300 home producers and around 170 workers in other enterprises are taken into account, the number of people working in or in association with community businesses is, approximately, in the region of 900. This figure excludes at least 20 people who work within public agencies, voluntary organisations and independent development units, and whose work consists, in whole or part, of promoting community businesses.

Workforce size varies under different community businesses but is generally related to the type and classification of the project, as is the nature of employment provided and the possibilities for growth. The largest employers are those who provide temporary employment by operating MSC schemes. Workers on these account for around two thirds of all employment in community businesses and the numbers involved in individual initiatives are as much as 100. When workers whose wages are paid by the MSC are excluded, the numbers employed directly in community businesses are small. An approximate average across existing businesses is five employees. Of the community businesses who are trading commercially, the largest workforce is nineteen and in this case the enterprise is one of the oldest and most established. The number of jobs in the micro development agency structures is also small - currently around a dozen - and unlikely to grow much further. However, when taking into account the work of these organisations in facilitating or initiating the emergence of local indigenous enterprise, the impact on economic activity and jobs is a significant one. The rehabilitated school in Govan houses 25 small firms - around 60% of which are new - providing around 90 jobs - and a second workshop scheme currently under way will provide space for a further 50 firms and 250 jobs while adding only two extra jobs to the core staff.

The potential for an expansion of jobs among those community businesses which are trading commercially would appear to be small in the near future. It will probably be an important success if existing numbers of workers and the markets they operate in are consolidated. In terms of the numbers of people affected, the largest contribution is likely to be among schemes which draw on



MSC resources and community businesses which boost the stock of local enterprise and jobs through providing premises and workspaces.

There is an inherent tension between the main objectives of community businesses. While more conventional enterprise need only be concerned with achieving a return on capital invested, community businesses are also committed to expand employment and protect the welfare of workers and the local community. Most projects resolve this dilemma by regarding commercial viability as a 'means' to meeting the other objectives. Most managers I spoke to regarded 'jobs' as being their main criteria of success and a number stated clearly that they were prepared to accept lower returns than traditional firms in order to sustain a relatively larger workforce and better working conditions. The wages in one building company were higher than those in most private firms without being damaged by competitors partly because the community business set its profit margins lower, often between 5% and 15% of the tender price, whereas private firms might go for between 30% and 50%. In this and other cases the prospects of short term business expansion have probably suffered as a result of protecting a certain level of workers' welfare. In the management of its contract cleaning squad, Poldrait decided not to compete with the low wages paid by its competitors and accepted a slower rate of growth as a result. However, according to the Chief Executive, one benefit of this is that its reputation as a good employer helped to secure a contract from the District Council. Indeed, if it is the case that community businesses can be relied on to provide more socially acceptable conditions of employment and better relations in the workplace and with the local community than other small firms, it

opens up the possibility of justifying a very different set of relationships between public organisations and this form of economic activity and the provision of even greater support to community businesses than is presently being given to traditional small scale enterprise.

The extent of work opportunities and the incomes paid to people involved in home production schemes vary. In the Forgewood council housing estate in Motherwell the community business has about 80 home producers on its books. Not all are active, but of those who are the manager reported that top earnings can sometimes reach £160 per month though the average is £6 per week. In Port Glasgow around 85 of the registered home producers are active and each knits on average two Arran sweaters a month which generate an income of £18 for the worker. Up to 100 people produce goods for the Home Production Sales Organisation whose production capacity is currently between 150 and 200 sweaters a month. The Trade Development Officer of this community business reported that a good hand knitter would take on average one night to make a simple sweater in return for £6. A more complicated sweater would take between three and five nights in return for £14. For groups using knitting machines production capacity was greater - approximately six simple sweaters or one complicated one could be produced in a day.

In the main those who participate in home knitwear schemes are provided with the wool they require, but other costs incurred in production, such as heating and lighting are not covered. Home producers are often single parents or wives with unemployed husbands who live in areas which offer few other prospects of employment or income generation. For those people, selling goods which they can produce in the home may bring a valuable supplement to the household

income, but in total this income amounts to little more than what will help pay the rent. It is difficult to envisage how home production can go beyond this marginal role. The reality is long hours for low returns, and frequently in poor working conditions. It may also involve wives, whose husbands are in receipt of supplementary benefit, in social security fraud. The 'disregard' rules in these cases are very severe. Wives can earn only £4 per week. Any additional earnings are deducted pound for pound from their husband's supplementary benefit. I found no evidence to suggest that community business activists were encouraging people to declare earnings through home production, and organisers of home knitwear groups reported that, to the best of their knowledge, knitters did not voluntarily declare their income. Hence it seems likely that a proportion of home produced goods are in effect being subsidised by social security maintenance.

People employed in community businesses are mainly males, who accounted for over 70% of those responding to the questionnaire. Almost 80% of the jobs of those responding were full-time; that is providing employment for at least thirty hours per week. Perhaps the most striking feature of the workers surveyed was the tiny proportion (7%) who had previously been in work immediately before starting their present job. Over half of these completing the questionnaire were on MSC schemes which meant they must have been unemployed beforehand, and this was also true in most of the remaining cases. A strong bias towards recruiting unemployed people and other disadvantaged workers was stressed by those running community businesses and is endorsed by the questionnaire results. Almost 94% of all those employed were either previously unemployed, school leavers or students, house-

wives, or on temporary schemes (Table 13.1).

Table 13.1: Previous Employment State of  
Workers in Community Businesses

	<u>Number of Workers</u>	<u>% of Total Workers</u>
Employed or Self- Employed	9	7
Unemployed	86	68
School-Leaver or Student	17	13
Housewife	6	5
Temporary MSC Scheme	8	6
TOTAL	<u>126</u>	<u>99</u>

More than half of all workers (57%) seem to have experienced particular disadvantage in the labour market, either having been out of work for a year or more immediately before starting their present job, or having suffered more than one spell of unemployment in the previous four years, or both. Most of those unemployed immediately before starting their current job gave the duration of unemployment experienced (see Table 13.2). 69% were long term unemployed, having been out of work for a year or more, and shared 105 years of unemployment between them or an average of almost 2 years each. Just short of half this group had been out of work for 2 years or more and accounted for almost 69 years of unemployment between them; almost 3 years per person. Almost 78% of all workers had been out of work at least once in the previous 4 years (see Table 13.3). A large proportion of these

(32%) of all workers) had a recent history of repeated unemployment having experienced two or more spells of unemployment over the four year period.

---

Table 13.2: Duration of Unemployment Experienced by  
Community Business Workers

---

	<u>Number of Workers</u>
Less than 1 year	24
Between 1 and 2 years	38
Over 2 years	12
Over 3 years	2
Over 4 years	2
TOTAL	<u>78</u>

---



---

Table 13.3: Spells of Unemployment Over Previous Four  
Years Experienced by Community Business Workers

---

<u>Number of Spells Experienced</u>	<u>Number of Workers</u>	<u>Total Number of Separate Spells</u>
1	59	59
2	22	44
3	11	33
4	3	12
5	3	15
8	1	8
TOTAL	<u>99</u>	<u>171</u>

---

Although the sample was only a small one, the impact of community businesses on unemployment is impressive when compared to job generation under traditional small firms which will be examined in the next chapter. However, before this can justify a case for substantially greater public support, the effects on existing enterprise and jobs need to be considered. It is difficult to reach firm conclusions on this issue, but a number of points can be made in favour of community businesses. Although some are in direct competition with other firms for work, some of the commercial services and the way they are offered are new to the immediate local economy. Furthermore, at times the methods used in securing work - such as approaching potential households directly to interest them in maintenance and repair work - may create a certain amount of demand which did not exist. Other enterprises have managed to provide facilities - such as workspaces and cafes - which did not exist in their areas, or, by supplying suitable premises have enabled others to provide new services. In some cases genuine niches in the market have been found. To date these have probably been in activities which the private sector has avoided because of the prospects of low profits, but if some of the projects currently emerging come to fruition community businesses could demonstrate a level of profitability that is respectable in conventional market terms.

Given that it is overwhelmingly unemployed people who are securing work under these structures, a further justification can be made for support on the basis that it is appropriate to take into account the savings to the state as people are taken off social security and pay income tax as well as the costs when considering the provision of public funds to community businesses. Adopting

this perspective a project can be cost effective without achieving viability in a traditional market sense. Calculations on this basis across nine community business-type enterprises in London found that, after taking into account what the state would have to pay in unemployment and other benefits, in every case benefits outweighed the costs and justified public support of the projects.<sup>8</sup>

## 6. Conclusions

Much of what is happening within community businesses at present is far removed from the theoretical vision of what these enterprises might achieve. Nevertheless, the philosophy behind them remains an important reference point and ideal for those working in and joining the field and some projects have the ability to develop towards it. The achievements so far are not so much the creation of new models of economic and social development as the encouragement of a degree of economic activity in deprived communities which would not otherwise have taken place. In the main this has provided work and incomes for the unemployed and other marginal workers and involved other local people in management and organisational capacities through which they have gained valuable political and administrative skills.

To develop further, community businesses and initiatives like them will require a greater backing from government and public agencies than they currently receive. The type of help which would ease some of their immediate problems has been mentioned above. But given the numerous difficulties they face including the problems of reconciling often conflicting objectives, the lack of suitable management experience, and the challenge of rebuilding the confidence and abilities of workers and communities which have experienced

high and prolonged unemployment, the state will have to underpin them for several years, possibly indefinitely. This could be done in various ways. Greater financial support, more appropriately designed to the needs of these enterprises, could be provided to fund salaries, training and the purchase of equipment. Help in kind could be given by providing premises, land or skilled personnel, which community businesses could use to strengthen their operation and generate a larger cash flow. A stronger public commitment to this sector of the economy could also mean that larger amounts of public expenditure are channelled towards it through the state demanding and paying for the types of services community businesses can provide.

The potentialities of community businesses also seem likely to depend partly on where power over their affairs ultimately lies. That seems likely to change, starting with local authorities, the MSC and SDA, because they hold the funds crucially needed, but then passing to local community organisations or the workers themselves, if they succeed. Which outcome it is may be very important. If community businesses take on the characteristics of workers co-operatives and expansion is determined by existing workers, who at least can veto proposals for taking on more staff, these organisations will probably remain small. It will only pay the existing staff to take on more workers if that makes all of them more productive, whereas a conventional firm needs only to be sure that extra staff will increase profits on the capital invested in it.<sup>9</sup>

However at present community businesses are proving difficult for a number of agencies to support. The combination of motives for profit and for social welfare has meant that this form of economic activity is struggling between two sets of institutional attitudes which have



traditionally distinguished between social and economic policies, and between the public and private sectors of the economy, and find it difficult to respond to projects which combine these objectives. A significant change and a reduction in these dilemmas will depend on a political and widespread recognition of economic self-help as a legitimate activity worthy of public commitment and support. The particularly high participation of previously unemployed people in community businesses seems to justify such a recognition.

Despite the many barriers community businesses face they have helped to get - and been helped by getting - public authorities, central and local, to abandon their very long-standing traditions of clear separation between public and private sectors. But this, in turn, may bring dangers, precisely the dangers which that clear separation was supposed to guard against, of corruption and people using public money to enrich themselves and their friends.

Notes: Chapter Thirteen

1. McArthur, A.A. (1984), 'The Community Business Movement in Scotland: Contributions, Public Sector Responses, and Possibilities', Discussion Paper No. 17, Centre for Urban and Regional Research, University of Glasgow.
2. Local Enterprise Advisory Project (1982), Annual Report, August.
3. The Rt. Hon. James Prior MP, Secretary of State for Employment, speaking in the House of Commons on 21.11.80 about one of the provisions of the new Community Enterprise Programme.
4. Calouste Gulbenkian Foundation (1981), 'Whose Business is Business?'.
5. Community Business Scotland (1983), 'Community Business - Start up to take off', report carried out by the Planning Exchange.
6. Jarman D. (1983), 'Implementation with and without Local Plans: A West Lothian Case Study', unpublished paper by Depute Director of Physical Planning, West Lothian District Council.
7. Strathclyde Regional Council (1984), 'Strathclyde Community Business Limited', Report by Chief Executive to the Policy and Resources Sub-Committee on Social Strategy.
8. Knight B. and Hayes R. (1982), 'The Self-Help Economy'.
9. The reasons why worker co-operatives tend to remain small are outlined by Nozick R. (1974), 'Anarchy, State and Utopia', Oxford, Basil Blackwell, p.251.

## CHAPTER FOURTEEN

### COMMUNITY LEVEL EFFECTS OF LOCAL ECONOMIC REGENERATION IN CLYDEBANK AND THE GEAR AREA

#### 1. Introduction

Glasgow's east end, the location of the Glasgow Eastern Area Renewal Project (GEAR), and Clydebank a town of some 50,000 people in the north-west of the Glasgow conurbation are the two parts of Clydeside where major 'top-down' public sector regeneration strategies have been implemented. Under these initiatives large amounts of public expenditure have been channelled into providing new small premises or rehabilitating existing industrial buildings, improving the industrial environment, and creating a strong publicity push to attract new investment and create employment. In GEAR, the first scheme of this kind in the UK, the construction and rehabilitation of housing and large scale landscaping work, were included as an integral part of the strategy.

The types of policies operating in both areas have been central to the Government's approach to revitalising declining urban localities since the late 1970s. The development of urban policy and the philosophy underlying it has been discussed in Chapter 8. Both GEAR and Clydebank are very much part of this tradition, hence the following discussion which considers the impact of policy in these areas should have a relevance wider than the West of Scotland alone.

The purpose of this Chapter is to make a preliminary

assessment of the effects and effectiveness of area-based economic regeneration policy by looking at the impact of policies for the support of small firms in public sector premises, particularly in terms of employment, in these two places. The main questions I will explore are to what extent have the policies operating solved the problems of economic decline confronting GEAR and Clydebank, and how effective have they been when set against the aims and objectives of the public agencies involved? The main method of enquiry I used involved a questionnaire survey of small firms occupying SDA premises in each area. But before presenting the results of this research, it is useful to briefly outline the nature of economic decline in these areas, the problems it has created, and then the response this has prompted from public agencies - particularly the SDA.

## 2. A Legacy of Decline

The characteristics of a local economy and its labour market, and the various consequences of decline are important considerations when evaluating the impact of renewal policies. It is these problems that public authorities seek to address, and their programmes must be judged by the degree to which they solve or ameliorate them. Glasgow's East End and Clydebank have suffered a steady erosion of their industrial bases over the past two decades with decline becoming particularly intense during the 1970s. Since 1961 the GEAR area lost over 24,000 manufacturing jobs by 1982 and Clydebank over 27,000. Some small employment growth has taken place in the service sector, but when compared to the overwhelming collapse in manufacturing its contribution in jobs pales into insignificance in numerical terms. The poor performance in the local economies is largely a consequence of having a disproportionately high level of employment

concentrated in manufacturing industry, particularly the more vulnerable sectors, at a time when these sectors and manufacturing as a whole have been in decline nationally. As a result, wider economic trends have been translated into their economies, and the extent of national decline magnified at the local scale. The loss of jobs has come mainly through the contraction or closure of established local employers, many of whom had become household names in Scottish manufacturing industry, such as Singer and John Brown in Clydebank, and Clyde Iron Works and Templetons in GEAR. The detrimental impact on local employment and the base of industrial training in each area has been accentuated by the fact that these were often large firms. At the time of my survey in 1982, the ten largest manufacturing firms in GEAR - though they still accounted for around two-thirds of the area's total workforce - had reduced their workforces by 30% or 3,200 jobs since 1977. In Clydebank the collapse of employment in large firms was even more pronounced. Four firms had accounted for 60% of employment in local manufacturing industry in 1978. By 1982 two of these - including Singer which had employed 5,600 in 1976 - had closed, and the remaining two had drastically reduced their workforces.

The erosion of an area's industrial base of this magnitude can have far reaching consequences for the working life of that community. The problems it creates are not necessarily identical but are themselves influenced by particular local characteristics. One effect is on the size and structure of the local population. As employment opportunities decline some workers and their families will leave in search of work elsewhere. Those migrants tend to be the most mobile, with better skills and prospects of securing work than the poorer and less able they leave behind. Both study areas have lost large amounts of population. Strathclyde Regional Council

expect Clydebank's population to have fallen from 58,727 in 1971 to around 49,500 by 1985, a decline of almost 16%. In GEAR, where industrial decline has been combined with a massive slum clearance programme, population loss has been catastrophic, falling from 81,900 to 45,000 (-45%) between 1971 and 1978. This has left the area with a terribly imbalanced demographic profile with abnormally high concentrations of old people and teenagers and relatively few in the parental and working age groups between 25 and 50 years.

Another direct reflection of decline can be seen in local unemployment rates. In the summer of 1982, 17.2% of Clydebank's workforce (6,265 people) were out of work and, in the same year, in GEAR, male unemployment averaged around 30% - a figure far higher than any comparative local statistic for the city, region or country as a whole. When one considers that GEAR's population of 45,000 is roughly equivalent in scale to towns like Perth and Ayr then the extent of the problem (almost one in three of the workforce jobless) becomes clear. The relationship between local unemployment and the number of jobs in an area is not a simple one but it is particularly important when considering the type of employment strategies which might be appropriate. Clydebank had a workforce of around 24,500 but had only approximately 17,250 local jobs in 1981. It may, therefore, seem surprising that unemployment is not higher. Indeed it was slightly lower than the regional average at the time of the survey. The explanation lies in the fact that Clydebank, as a source of employment and a local labour market, is closely integrated with the surrounding urban economy. The area experiences large flows of labour both in and out, thus cushioning the town from adverse changes in the local economy. Approximately two-thirds of those working in Clydebank commute to the town, mainly from north-west Glasgow and

Dumbarton, some nine miles to the West. A similar proportion of the local residents in employment work outside the town.

GEAR also has a large interchange of labour with the wider conurbation, though less pronounced than in Clydebank. Almost half the resident workforce appeared to hold jobs outside the area in 1982.<sup>1</sup> However, the relationship between jobs and the proportion of residents who are economically active is the reverse of that in Clydebank. GEAR is 'job rich'. Despite having an unemployment rate of around 10% above that in Clydebank, there are around 40,000 local jobs for a local labour force of about 16,000. Put another way, while in Clydebank there is approximately 0.7 of a job for every worker living in the area, in GEAR there are over three and a half as many, or  $2\frac{1}{2}$  jobs per worker.

The reason why unemployment in GEAR is so high, despite this apparent abundance of jobs is that the area houses higher concentrations of workers of a type who are most vulnerable to unemployment generally, principally the unqualified young, the unskilled, and redundant workers from industries rooted in decline. Most young people in the East End leave school without any qualifications and unemployment in the under 18 age group is twice the Glasgow level. Over one-third of the jobless have been out of work for over a year, many for much longer. Those particularly affected by long term unemployment are young adults under 24, in what should be the first decade of their working life, and older workers over 45 who will find it difficult to find employment again. Almost one-quarter of the long term unemployed in 1982 had been out of work for over three years. Therefore, despite a gross surplus of jobs, large numbers of local people are being effectively excluded from the employment opportunities which exist because of their personal characteristics.

The scenario of decline could be extended further to cover the multiple social problems which arise through the impoverishment of a community suffering from industrial decline. A study of the effects of unemployment in Clydebanks one year after the Singer closure found rent arrears had risen by 21% over the previous twelve months and the number of households whose fuel and rent bills were paid direct by the Department of Health and Social Security had grown by 18% and 14% respectively. Social Workers' case work with families had also increased by 21% and reports from childrens' hearings by 38%.<sup>2</sup> In GEAR perinatal mortality rates are far in excess of the Greater Glasgow average, as are court reports, reports to childrens' panels and the number of children in residential or foster care.<sup>3</sup> As Chapter 7 indicated, problems such as these need not be wholly or directly attributable to unemployment, but, nevertheless a growing body of research suggests that there is often a strong association between unemployment, poverty, ill health, certain types of crime and various other indices of social stress.

Even a summarised and patchy description of the legacy of industrial decline in GEAR and Clydebanks should serve to emphasise one of the key issues in any evaluation of area-based responses to the problem. If economic policies operating solely in a particular locality are to be effective in confronting and tackling industrial collapse and help people who have suffered as a result, then we should expect to see tangible benefits in the economic and social welfare of poorer groups who are tied to, or trapped in an area, and who face relatively greater disadvantage in the labour market.

### 3. From GEAR to Clydebanks - The Developing Tradition of Area-Based Development

The first major response at an intra-urban scale to



economic decline in the UK was made in Glasgow's East End. The announcement of the GEAR scheme in 1976 was of historic significance. It was the first large inner city regeneration initiative, predating the whole urban policy tradition which began shortly after with the passage of the Inner Urban Areas Act and is continued with Urban Development Corporations. The project marked the beginning of the official switch in Central Government policy away from the new town programme in favour of redirecting resources towards deprived inner city areas. In the West of Scotland this switch saw Government abandon its plans to develop Scotland's sixth new town at Stonehouse. At the same time GEAR was introduced as a new multi-tier structure to be led by the SDA, and constitute a partnership between different levels of government and other statutory agencies. Apart from the SDA, the other partners were Glasgow District Council, Strathclyde Regional Council, Scottish Development Department, the Scottish Special Housing Association and the Housing Corporation. The intention was that these agencies would work closely together and deploy resources more effectively in the East End. Unlike the Urban Development Corporations in England GEAR was never an 'agency' as such, having no legal identity or powers.

The estimated total cost of the scheme in completed and on-going projects over the period 1977-84 is around £200 million. £26.7 million is accounted for by Strathclyde Regional Council, £41.4 million by Glasgow District Council, £45.2 million by the SDA, £39.3 million by the Scottish Special Housing Association, and £44 million by the Housing Corporation.<sup>4</sup> It is difficult to determine precisely how much of this is 'new' money, mobilised by the GEAR Project. With the exception of the SDA, most of the authorities would probably have incurred similar amounts of expenditure in Glasgow's East End anyway. A substantial proportion of the SDA's

resources is, however, probably due to the intervention.

The initial task was loosely defined as the reconstruction of Glasgow's East End and the creation of a balanced and thriving community through comprehensive social, economic, and environmental measures, but by May 1980 the SDA had identified a clearer and ambitious set of aims and objectives. These were concerned with (a) helping residents secure employment; (b) retaining and creating jobs; (c) improving the quality of life; (d) improving the environment; (e) creating better housing; and (f) involving the community.

This focus on one of Scotland's worst industrial blackspots was a new one for the SDA and not one for which its internal structure was particularly geared. At the time it was probably seen as a 'one-off' project. In 1978, however, when disaster threatened some small townships in Ayrshire with the closure of local steel works, the SDA was again involved in an area initiative. Here a small group of SDA officials teamed up with BSC (Industry) Ltd., which, as described in Chapter 11, is a body established by the British Steel Corporation to move into steel closure areas and help create jobs to replace those being lost. This initiative was called a 'Task Force' and excited a lot of attention and enthusiasm as a new approach to local economic regeneration.

The Task Force idea was soon deployed again, this time in Clydebank. Following the announcement that Singer (then the town's largest employer), planned to substantially cut back its workforce, Clydebank was visited by the Scottish Office Minister for Industry and Education. A working party bringing together officials from central government, the relevant local authorities, the MSC and the SDA was set up under the chairmanship of the Economic Advisor to the Scottish Office to examine the problems and imbalances in the local

labour market and prepare the main elements of a strategy to resolve these problems. Soon after, Singer decided to close completely with the loss of a further 3,000 jobs. The working party reported in December 1979 and, in response to its recommendations, Central Government decided that the SDA should set up a Task Force in the town explicitly to co-ordinate efforts to generate new employment.<sup>5</sup> Had the Singer collapse not prompted the high profile response from Central Government that it seemed to, the SDA might have undertaken some special programme of physical redevelopment in the town anyway. During 1979 the District and Regional authorities had been preparing along with the SDA a joint initiative which could have led to the release of substantial SDA resources into the area. The financial commitment of the SDA to Clydebank totals £19 million of which £10.5 million had been spent by March 1982.<sup>6</sup>

Part of central Clydebank was subsequently designated an Enterprise Zone in which firms receive 100% rates relief and 100% capital allowance on new building works. With large amounts of public resources going into providing serviced sites and premises, however, Clydebank is very much a 'planned environment' and quite distinct from early free market conceptions of Enterprise Zones which gave rise to fears that they signalled a return to the squalor of Nineteenth Century industrial environments in the hearts of British cities. Enterprise Zone status for Clydebank essentially provided yet another marketing tool and an additional layer of financial incentives to a strategy based on heavy expenditure by a national development agency in the creation of an attractive, modern, and well serviced environment for businesses. The consultants commissioned by the Department of Environment to monitor the enterprise zones found that the Clydebank zone had received the second largest amount of

public expenditure by May 1982. Furthermore, enterprise zone designation had not altered existing organisational structures and development plans were proceeding as they would have done in the absence of designation.<sup>7</sup> Clydebank proved to be a watershed in the SDA's role in local economic development. Until then the Agency's area-based approach had been largely the result of central government direction through the Scottish Office. Since the beginning of its involvement in Clydebank, however, the SDA has formalised this role (imposed from above) into a corporate strategy for allocating its resources and co-ordinating its own operations. This has allowed the Agency to embark on a number of new-style area projects in other parts of Scotland and a policy decision has been made to spend 60% of resources on area-focussed projects.

There are some notable differences in emphasis between GEAR (the SDA's first generation area initiative) and Clydebank (the beginning of numerous second generation projects). The stated objectives of policy in GEAR were ambitious, wide ranging and fairly specific. In Clydebank this is not the case. There is less discussion about community issues, the timescale of the project is shorter and predetermined, and there is a move away from an explicit concern about creating jobs and improving residents' chances of employment in favour of vaguer notions associated with improving the health of the local economy and generating wealth. There may be obvious reasons for these changes. One is probably that policy makers recognise serious weaknesses in certain aspects of their strategies and are reluctant to make claims they may not be able to sustain. However it probably also reflects the sharpening of the free-market philosophy which has been taking place within Government's local economic development strategies. As Chapter 8 discussed, social objectives seem to be becoming subordinate to economic circumstances, the assumption being that by subsidising the

generation of wealth under small-scale capitalism Government can ameliorate locally concentrated deprivation and reduce unemployment. A recent and important development within the SDA's area-based policies reflects the sharpening of this philosophy. Since 1983 the SDA has been providing support for the development of a network of enterprise trusts throughout Scotland.

#### 4. Questions and Issues

The main 'top down' strategies of Government and its agencies embody a particular set of assumptions about the way economic regeneration and a reduction in unemployment can be brought about. Put simply, if rather crudely, they are based on the hope that by expanding the stock of small premises in an area, tidying up the industrial environment and providing a range of financial and other incentives particularly geared to the small firm a wave of new entrepreneurs will come forward and set up new businesses. Some of these individuals will previously have been employed in contracting local industries, and, by setting up new firms, (possibly using their redundancy money) they will provide jobs to replace those lost, with many of these jobs going to local people from the unemployment register. The role of public organisations is seen to be one of facilitating traditional private sector led development by becoming more accessible at a local level, less bureaucratic and providing the infrastructure required by industry. In short a collapsing large-scale manufacturing sector will be replaced with a dynamic small firm sector with a strong potential for employment growth. It amounts to a deliberate attempt to reverse the patterns Sydney Checkland thought he had discovered in his well known study of Glasgow's economic history, "The Upas Tree", in which he suggested that the city's traditional concentration on heavy engineering and shipbuilding had destroyed the growth of other activities.<sup>8</sup>

This scenario may not be one to which all policy makers will privately subscribe, and enthusiasm seems partly to arise from the lack of any convincing alternatives available to those working on an urban scale. Nevertheless, these notions underlie most area-based policies and, on the basis of statistics showing overall totals of firms setting up and jobs created frequently quoted by the responsible public agencies and in the press, there are probably many people who already regard these policies as a success. In GEAR, for example, the SDA expected to have created up to 4,865 jobs by 1983 as a result of its factory and workshop development. In Clydebank, the SDA reported in April 1984 that projected total employment among the 170 firms occupying their premises at the time was around 2,098 jobs but gave no time scale for this estimate.<sup>9</sup>

At face value these are impressive statistics. However, before the success or otherwise of the policies operating can be judged in terms of the extent to which they ameliorate the types of problems confronting local residents and the economies of these communities, factors other than highly aggregated statistics need to be taken into account. What actually happens within a locality as a result of a policy needs to be disaggregated to a greater extent to enable that policy's relevance to local employment problems to be judged. We need to know, for example, what is genuinely new in terms of enterprise and jobs and how much of this economic activity is attributable to the policies being pursued. We should also consider redistributive effects which might not be immediately obvious from looking at one locality in isolation. These effects can be both positive and negative. Where a firm relocates it may release vacant premises, which, because they are

older and cheaper, may more likely be filled by a new firm thereby giving a hidden boost to the emergence of new indigenous enterprise.<sup>10</sup> In other instances the redistributive effects could be damaging if firms relocate at the expense of enterprise and jobs in other areas or gain a competitive advantage over other firms by operating within a relatively subsidised industrial environment. Chain-reactions will also take place among workers already in employment which might result in a reduction of unemployment. For example, where somebody leaves a job to go to one in another firm the vacancy created may be filled by someone previously unemployed.

"Softer" and more qualitative issues are also important. As large proportions of an area's labour force can be virtually excluded from the formal economy we should ask who is gaining and who is losing from the employment generated, and consider not only the numbers previously unemployed who are securing jobs, but the types of groups amongst the unemployed they represent, how they found out about and secured a place in work, and where they live. Similar questions can be directed towards the entrepreneurs by considering the extent to which local people, particularly from among the unemployed, are moving into self employment. When assessing the potential of area-based policies in more general terms we should also consider the costs of the whole operation, possibly in terms of cost per job, and think about ways that public resources being released in depressed communities might be more effectively used to generate enterprise and jobs in the local economy and provide work and incomes for local people.

These were the main types of issues the survey work in GEAR and Clydebank tried to pursue. The research

methodology I employed was to visit owners and managers of individual firms occupying SDA-owned premises and conduct a structured questionnaire interview with them (Appendix 3). Between January and March 1982 I attempted to conduct a census of all such firms. SDA records of its tenants identified 78 firms in GEAR and 70 in Clydebank at the start of this period. However, a subsequent on-site inspection of individual premises uncovered a total of 65 firms in the GEAR properties and 58 in Clydebank. The shortfall in number from the SDA figures was presumably made up of firms who had either recently vacated their premises or had yet to move in.

I began the interviewing work by conducting a pilot survey of 20 firms in order to test the questionnaire. Letters were sent to each firm alerting them to the coming survey and its purpose and requesting their help. On completion of the pilot work some small modifications were made to the questionnaire. The main body of the survey work was then tackled in a similar fashion. Firms were contacted by letter and subsequently visited. If it was not possible to interview a relevant individual on this occasion attempts were made to arrange a more appropriate date where possible. On average un-surveyed premises were visited three times in a bid to conduct the questionnaire. During the interviewing process in Clydebank I was assisted by a colleague, Mr. John Black, who I was able to employ using a small grant made available by the Calouste Gulbenkian Foundation.

A total of one hundred interviews were carried out which amounted to just over 80% of firms occupying SDA premises at the time of the survey. Total employment among the sample firms was 1,175 people which, in the context of the local labour markets, amounted to about 2% of those



working in GEAR and 1.8% of those working in Clydebank. The vast majority of the premises were small, some being workshops. Much of the information gathered was due largely to the fact that firms were small and that the people interviewed had an intimate knowledge about employees and their background.

##### 5. Characteristics of Small Firms

In both areas the vast majority (84%) of the firms visited were independent enterprises, being either sole owned, a partnership or a private limited company; 13 were branch plants and three were subsidiaries. Business activities were fairly wide-ranging, being spread across thirteen industrial groupings in each area, the five most important of which were Distributive Trades, Miscellaneous Services, Timber and Furniture, Mechanical Engineering and Metal Manufacture which accounted for 58 firms in all.

Two-fifths were new, their business activity not previously having taken place in another location on a full-time commercial basis. The remaining three-fifths had previously occupied other premises from which they had relocated part or all of their business activity. A significant spatial difference between the two areas in this respect was that, in GEAR only one-quarter of the firms were new enterprises, whereas in Clydebank the figure was more than twice as high. The SDA's own information on firms occupying their premises in Clydebank indicates the continuance of this higher ratio of new firms as the scheme has progressed. In April 1984, of a total of 170 firms, 104 or 61% were new companies.<sup>11</sup> In both areas

the incidence of new firms was significantly higher in the smaller premises of under 1,000 sq.ft. than in the larger ones.

Although the majority of the firms had relocated from other premises a more precise knowledge of geographical origin is needed in order to assess what has happened to the overall stock of enterprise, both in the local area and the wider urban economy, and to help determine the wider reverberations in the spatial distribution of industry. Of those firms which had moved, the overwhelming majority (89%) had relocated within the Glasgow area. In fact, in GEAR approximately two-thirds of the moves took place within the East End itself. Overall, in the majority of premises, the provision of small factory units neither led to the emergence of new economic activity, nor did it achieve anything but a negligible attraction of business from outside the region. Only two firms had come from outside Strathclyde and both had gone to Clydebank. In the main, the targetting of supply based development programmes on GEAR and Clydebank seems to have had the effect of shuffling and redistributing existing enterprise within the conurbation (see Table 14.1)

Table 14.1:    Origins of Relocating Firms -  
                  Location of Previous Premises

	<u>Local</u>	<u>Glasgow</u>	<u>Strathclyde</u>	<u>Other</u>
GEAR	25	11	3	-
Clydebank	7	10	2	2
Total	32	21	5	2

Although incoming investment from outside the conurba-

tion has been small, indirect benefits could come from the type of chain reactions mentioned above which can be sparked off in the industrial premises market by firms moving. A framework for evaluating this process has been outlined by Valente and Leigh (1982), who from their research in the South East where the demand for premises vary were pretty optimistic about the likelihood of new enterprise emerging from this filtering process. To calculate, in part, the impact of firms moving into SDA premises I asked firms who had relocated if they knew the current use of their old premises. Seven of them did not know, but of the 53 who did, 18 knew their old premises were occupied by another firm who moved in after they had left and 13 premises were still occupied either by the respondent firm or another with which it had shared the premises (see Table 14.2). About half the old premises, then, were occupied and providing work, though not necessarily in new firms. Indeed this figure will probably be higher once seven of the premises which were known to be vacant are used again for another purpose. Thus at one step back in the chain reaction, more than half of the original premises had either contributed to housing a second tier of new enterprise and employment or, at least, probably provided a better basis for the expansion of existing businesses. If half the new premises and a similar proportion of premises involved in subsequent links of the chain have these multiplier effects, then the total number of enterprises affected will be double the number of new premises initially provided.

As to why firms had chosen to locate in their premises, two dominant factors emerged in both areas - the availability of suitable premises or site, or both; and the generally favourable location and accessibility of the area. In GEAR, proximity to markets was also emphasised, whilst in Clydebank

most firms mentioned the financial incentives available under the Enterprise Zone (see Table 14.3). Many of the reasons given (like available premises, location and so on) may not, however, satisfactorily explain locational decision making among firms. Apart from the special features of the Enterprise Zone, many of the so-called 'attractions' of the areas could equally apply to other industrial estates within the conurbation. What might be more significant in attracting firms to these areas could be preferences of the SDA acting as a property agency, to allocate premises in the localities where it particularly wishes to be seen to be successful. One-third of the way through the survey firms were asked whether their current premises had been the first offered to them by the SDA. For the vast majority this was indeed the case.

---

Table 14.2: Current Use of Previous Premises

	<u>No. of Premises</u>
Occupied by Another Firm	18
Occupied by Respondent Firm	9
Demolished	9
Vacant	7
Home	5
Occupied by Existing Firm Which Shared the Premises	4
Derelict	1
Unknown	7
	<hr/>
TOTAL	60
	<hr/>

---

/Table 14.3 Over

---

Table 14.3: Locational Choice

<u>Reason Given by Firm</u>	<u>No. of Times Mentioned</u>	
	<u>GEAR</u>	<u>Clydebank</u>
General Location and Accessibility	18	13
Location to Home	9	2
Location to Markets	17	2
Suitable Premises and Site	15	26
Financial Incentives (i.e. in Clydebank Enterprise Zone)	5	24
Attachment to Area	10	1
Availability of Labour	3	1
Advice and Assistance	1	--
Only Option Open	6	1

NB Some firms gave more than one reason.

---

It seems unlikely that many of the firms would have been lost to the Regional economy in the absence of the local renewal programmes. Although about one-third had considered an alternative location, for seven firms this was a local one, for 17 a location elsewhere in Glasgow and for ten one elsewhere in Strathclyde. Therefore, had they not set up in their present location most would probably have looked for another location within the city. The official Government monitoring study of the enterprise zone in Clydebank confirmed this finding by concluding that had firms not located in the locality where the special policy was operating most would have remained in the region anyway with only 15% locating elsewhere.<sup>12</sup>

Further information concerning the markets of the firms surveyed confirms their close association with the urban

economy: 53% of the firms purchased their main supplies from within the conurbation while over half the firms' main customers lay within Strathclyde Region and were centred mainly on the Glasgow conurbation (see Table 14.4).

---

Table 14.4: The Markets of Firms

	<u>Local</u>	<u>Glasgow</u>	<u>Strath-</u> <u>clyde</u>	<u>Scotland</u>	<u>UK</u>	<u>Abroad</u>	<u>Total</u> <u>Firms</u>
Origin of main supplies	6	47	5	11	23	7	99
Origin of main customers	4	32	16	37	9	1	99

---

## 6. The Self-Employed

Changing the focus from firms to people, the survey collected information on the entrepreneurs of 92 firms; 163 individuals in all of whom 78 were in business in GEAR and 85 in Clydebank. In GEAR 31% of these individuals were engaged in new firms while in Clydebank the corresponding figure was 48% reflecting the higher percentage of new firms in the area.

One aspect of a successful locally targetted economic policy would be the extent to which it provides local people, particularly those shed by local firms which have contracted or closed and who remain unemployed, with opportunities to

enter self-employment and set up new businesses. From an examination of the residential pattern of entrepreneurs in new firms, however, few people from the local area appear to have started businesses. Only 12 people or 18% of those in new firms, lived locally and a further 16 elsewhere in the city. Over half of the 'new entrepreneurs' lived outwith Glasgow, possibly preferring the more affluent and environmentally pleasant townships outside the urban area (see Table 14.5).

---

Table 14.5: Residence of Entrepreneurs

	Percentage of Total Strathclyde				
	<u>Local</u>	<u>Glasgow</u>	<u>Region</u>	<u>Other</u>	<u>Total</u>
Relocations	16	37	37	10	100
New Firms	18	25	35	22	100
TOTAL	17	32	36	15	100

---

Note: Information is for 163 individuals

---

The extent to which people have moved from unemployment into self-employment has also been small. Only about 8% of all entrepreneurs, or one in five of those in new firms, claim to have been previously unemployed prior to setting up in their premises. The 'unemployed entrepreneurs' (14 in all) were responsible for 9 firms employing a further 16 workers. Their enterprises were mainly service concerns (like the motor trade, printing and bicycle repair), and jobbing manufacturing (like joinery and shopfitting, and the manufacture of nameplates). Only one of these entrepreneurs

lived locally. Most came from elsewhere in the city or region. All but one of these firms were based on an activity in which the owners were skilled and had previously worked. In the sole non-conforming case two young men had started a business out of an existing bicycle repair hobby. Furthermore, entrepreneurs in five of the firms had previous experience of self-employment.

Although these 14 people had previously been unemployed, the length of time spent out of work was overwhelmingly of short duration. In only one case was the businessman out of work for over six months, and this was a peculiar case caused by an unexpectedly long delay in finding an alternative location for a firm forced to relocate through the compulsory purchase of its old premises in the city centre. The entrepreneurs in four of the nine firms had already decided to become self-employed whilst previously working as an employee with another firm, and in three of these cases the individuals chose to quit their work or accept voluntary redundancy to realise their aspirations.

The survey results therefore provided little evidence to support the assertion that the provision of small premises and other incentives had significantly widened the possibility of self-employment as a realisable option for unemployed people. In the small number of cases where self-employment had been taken up by people previously out of work, these were either individuals who had already selected self-employment as their aim, or who on being made redundant demonstrated their greater aptitude to escape unemployment by setting up their own firm. The essentially transitory nature of the unemployment experienced can perhaps best be regarded as a short holiday - either chosen or forced - filling the interim period



between leaving paid employment and starting their own enterprise.

Unskilled adults and the long term unemployed are conspicuously absent among the 'enterprising unemployed'. In GEAR, for example, a household survey conducted at the same time as my series of small firm interviews found that only about 4% of all residents had ever considered self-employment as an option open to them.<sup>12</sup> These findings are not surprising. For many workers in areas like the East End and Clydebank their experience of employment has been unvaried, unskilled and in large firms in declining sectors of the economy. Even where established industrial skills exist they are often not easily transferable to independent small-scale production. As David Storey has pointed out, depressed areas of the country reflect lower incidences of entrepreneurship than more prosperous ones.<sup>14</sup> In Clydebank this was evident when I spoke to the organisers of a joint SDA and MSC 'Start your own business' course run from the local technical college. At the time of my survey few unemployed or local people had participated on the course. The vast majority were already on the fringe of self-employment with a well developed business idea. Many came from well outside the town and almost all held jobs, the course being run in the evenings to suit their employment commitments.

Overall, therefore, the type of people going into business for themselves are precisely those one might expect to do so. On the whole, the new entrepreneurs were skilled males with a solid working experience as employees in their line of business and its markets, frequently with sales and management experience. In short, they were suitably equipped from the experience of paid work to go into self-

employment and survive in business without special forms of 'hand-holding' from outside sources. To reach other groups of workers in the local community it would appear that new forms of education, training and other support will first be needed to be built into current supply side policies to provide these people with the opportunity to even consider self-employment.

#### 7. Employment Generation

Including both entrepreneurs and workers, the 100 firms I surveyed were providing work for a total of 1,175 people, 696 of whom were working in GEAR and 479 in Clydebank. New firms accounted for 372 or 32% of the jobs. For all but one of the firms, information was collected on the composition and occupational structure of the workforce (see Table 14.6).

Table 14.6: Employment by Sex and Occupational Structure

	<u>All Firms</u> <u>%</u>	<u>New Firms</u> <u>%</u>
Male	74	77
Female	26	23
Total	<u>100</u>	<u>100</u>
Owners		
Directors	14	20
Managerial		
Professional	11	8
Technical		
Clerical	8	8
Manual		
Skilled	39	38
Manual		
Unskilled	28	26
Total	<u>100</u>	<u>100</u>

There was an interesting difference between the occupational structure of workforces in GEAR and Clydebank. Among new firms in GEAR the proportion of managerial, professional and technical staff and manual skilled workers was lower, and the number of manual unskilled workers higher, than the average across both areas. In Clydebank the pattern was the exact opposite of this. In GEAR, for example, 29% of employees in new firms were skilled manual workers while in Clydebank the proportion was 46%. Alternatively, while the manual unskilled's employment share in GEAR was 47%, it fell to 9% in Clydebank. There may be several reasons for this lower use of skilled manpower in GEAR, possibly the greater use of working wives which was observed during the interviews along with the tendency for owners to operate in both a managerial and skilled worker capacity, thus reducing the need to hire labour of this type. But, more generally it probably also reflects the lower skilled nature of the GEAR labour force compared to that in Clydebank.

Since setting up in their premises about two-thirds of the firms had increased their number of employees, adding a gross total of over 400 jobs. New firms accounted for some 56% of this increase. The principal reasons for employment growth in both areas were given as market and business expansion and an increase in the amount of work received. The extent of job growth per expanding firm averaged slightly over six persons. More than half this small boost to employment had, however, been eaten away by job losses - concentrated in GEAR - among a smaller group of firms who had declined in employment (see Table 14.6). Two firms in particular were responsible for most of the job loss in GEAR. In GEAR, after subtracting the number of jobs lost from those added, the aggregate net job increase

since the firms set up in their premises was only 39 jobs. Employment growth was, paradoxically, only sufficient to marginally offset decline and contributed little to the overall stock of jobs in the local labour market.

---

Table 14.7: Employment Change Since Setting Up in Current Premises

---

	<u>GEAR</u>		<u>CLYDEBANK</u>		<u>Total</u>	
	<u>Firms</u>	<u>Jobs</u>	<u>Firms</u>	<u>Jobs</u>	<u>Firms</u>	<u>Jobs</u>
Increase	39	246	26	158	65	404
Decrease	7	207	1	13	8	220
No Change	7	-	20	-	27	-
<b>TOTAL</b>	<b>53</b>	<b>+39</b>	<b>47</b>	<b>+145</b>	<b>100</b>	<b>+184</b>

---

In both areas most people found out about jobs mainly through word of mouth, (see Table 14.8). Entrepreneurs tended to hire friends, family or others known to them. Over half of the firms used 'personal contact' as their principal method of labour recruitment through which they hired 46% of their recent recruits. The Job Centre was used by one-third of the firms as their main recruitment method. This predominance of personal contact in the hiring process is endorsed by the household survey of GEAR residents mentioned above. 32% of workers claimed to have found their present or last job through word of mouth compared to 14% who had found work through the Job Centre.<sup>15</sup>

Among new firms, the allocation of job opportunities through networks of personal contact was even more marked: three quarters used this method to recruit 80% of their employees. One would expect small firms, particularly new starts, to select their workers very carefully, choosing people known to be trustworthy and efficient, and in whom the owners have confidence. There was also another factor (which emerged more by chance than design) to explain the previous associations between entrepreneurs and their employees. It seems that some of the 'new firms' could better be described as 'phoenix enterprises' as they comprise, in part, a regrouping of old workforces shed by local firms which had either closed or cut back on employment. In at least five of the firms in GEAR the entrepreneurs had established their businesses in a salvageable portion of their old firms' market and employed a number of their ex-colleagues. This process is perhaps more a reflection of industrial restructuring and employment contraction as opposed to the emergence of new indigenous enterprise and may deserve more systematic study.

---

Table 14.8: Method of Recruitment

	<u>Proportion of Recently Hired Recruits</u>				<u>Total</u>
	<u>Personal Contact</u>	<u>Job Centre</u>	<u>Advertisement</u>	<u>Other</u>	
All Firms	46	34	14	6	100
Relocations	35	41	18	6	100
New Firms	80	12	3	5	100

---

Three direct tests of a policy's relevance to a local community and its worth as a corrective to high unemployment are the residential spread of the workforces in firms, the number of people securing work from positions of unemployment and the length of time these people spent out of work. Although 86% of the employees lived somewhere within the city, less than half lived locally and even among the new firms, which might be expected to recruit from the local area to a greater degree, the situation is virtually the same, (see Table 14.9). At face value, the policies seem to have been more successful in generating jobs for the unemployed generally than they have been in directing them to local people. Information was obtained on the previous employment situation of almost 400 workers, 69% of whom had been out of work immediately before starting their present job. Among the new firms the proportion previously unemployed was lower at 64% (see Table 14.10). There was a slightly different pattern between the two areas in this respect. In GEAR almost three-quarters of the employees had previously been unemployed and among new firms the proportion was 80%. In Clydebank the corresponding figures were lower at two-thirds and 54% respectively, which could reflect a higher degree of labour 'poaching' among firms entering the enterprise zone.

---

Table 14.9: Residence of Employees

	<u>Percentage of Employees</u>				<u>Total</u>
	<u>Local</u>	<u>Glasgow</u>	<u>Strathclyde Region</u>	<u>Other</u>	
All Firms	42	44	13	1	100
Relocations	42	44	13	1	100
New Firms	41	44	14	1	100

---

---

Table 14.10: Previous Employment State of  
Recent Recruits

---

	<u>Percentage of Recruits</u>			
	<u>Unemployed</u>	<u>Employed</u>	<u>Other</u>	<u>Total</u>
All Firms	69	31	1	100
Relocations	71	28	1	100
New Firms	64	36	-	100

---

Where an employee is taken from a position of employment, this may provide a vacancy in another firm which could be filled by someone from the unemployed register. Thus, in a similar fashion to the filtering process in the industrial premises market described above, jobs filled by previously employed people may have some hidden impact on local unemployment rates through a chain reaction in the labour market. Assuming the same ratio of employed to unemployed observed among the recent recruits (i.e. 31 = 69) in the sample firms holds throughout this multiplier, and that all the jobs vacated by workers leaving other firms were subsequently filled, then we might expect the following: (see Table 14.11)

/Table 14.11

Table 14.11: Job Filtering Process

	Number of Jobs Going to Employed	Number of Jobs Going To Unemployed
Total Number of Jobs Generated in Firms Surveyed	124 (31%)	276 (69%)
Indirect Job Generation During Filtering,		
Stage (i)	38	86
(ii)	12	26
(iii)	4	8
(iv)	1	3
(v)	-	1
Total Indirect Effects	55	124

If the assumptions above hold, then the direct generation of 400 jobs among the sample firms will have had an indirect employment effect on a further 179 workers in other firms. Of these, 55 will already have been in work and will have changed their employer, while 124 unemployed people will have moved into jobs. Hence the number of unemployed people moving into paid employment following the firms setting up in their premises would have increased from 276 to 400, a rise of nearly 45%. Furthermore, assuming the same ratios for the residential spread of employees as identified in Table 14.9, 52 of these 124 unemployed people will live in the local area.

My assessment of chain reactions of the above sort should not be regarded as a rigorous or accurate treatment of the issue. But it should highlight the fact that job



generation among firms in SDA premises will have created a series of ripples within the existing stock of paid labour in other firms. As a result of the vacancies created by people leaving jobs to go to new ones, the total number of unemployed and local people finding work as a consequence of the factory-build policy is likely to exceed that indicated by the numbers employed among the sample firms alone.

When the duration of unemployment experienced (known in almost three-quarters of the cases) is considered, the attack on unemployment appears much less profound. Of those previously unemployed, only 10% in GEAR and 14% in Clydebank had been out of work for over six months. The vast majority had been jobless for a matter of weeks or at the most a few months. A large proportion of the workers either seem to have known that another job was imminent or were quickly snapped up by employers known to them. Their experience of unemployment can, therefore, best be regarded as frictional. Having been out of work for a short transitory period between jobs they form a group quite distinct from the long term unemployed.

Considering future employment prospects, 16 firms had existing vacancies with an average of two per firm. Existing job opportunities were especially low in GEAR, where only three firms claimed to have vacancies offering a total of five jobs. Over the following two years, however, most of the firms (almost three-quarters) hoped to increase their workforces, mainly in the skilled category. Only three firms expected the numbers they employed to decline. These predictions should probably be regarded as rather optimistic as respondents tended to give upper-level estimates - the chances of these

forecasts being borne out often depending on the success of a certain product or a significant improvement in the economy.

Employment predictions are also made by the SDA. When allocating premises, the Agency note both 'existing' employment within the firm and the 'additional' increase expected above this. The sum of the two across all firms represents the number of 'new' jobs the Agency 'expect' to provide in an area. This seems a very unsatisfactory way of evaluating the likely impact of policy, and when such figures are broadcast to the wider public they are probably a misleading way of presenting the performance of a scheme. The whole concept of a 'new' job is very complex and the simplistic way it is often interpreted by public authorities, who have strong vested interests in being seen to be successful, can grossly exaggerate and distort the real employment effects.

SDA disaggregated data on employment projections was only made available for GEAR. Here, by 1983 the SDA expected to have created up to 4,865 jobs as a result of their factory and workshop development. By disaggregating this figure to the level of individual firms it is possible to directly compare for the firms surveyed the possible future employment as perceived by the owners with the predictions of the SDA. Of the Agency's predicted jobs in the factories surveyed 43%, or over 500 in total, had still to materialise. Among the new firms alone the shortfall was 33% which meant that employment needed to increase by 50% to reach the SDA's estimates. On the basis of the optimistic forecasts by the firms, future employment growth will probably fall substantially below the Agency's predictions. Even the

owners of firms did not consider more jobs to be the main impact of the scheme. When asked about their perceptions of GEAR and what it would do for the local area only one respondent suggested new employment opportunities for local people. Overwhelmingly, businessmen felt the scheme's main contribution to be the improvement to the physical environment and the general image of the area and an expansion of the opportunities open to small firms.

Some assessment of the overall cost to the public purse of the operation related to the employment gain is a popular method for evaluating economic policies of this kind. It is also a vital question if policy alternatives are to be considered. However, it is also a notoriously difficult calculation to make accurately because of the problem of separating out the amount of economic activity and jobs which would have existed anyway, independently of the effects of the policy. I attempted to estimate the costs involved in providing the 100 premises I covered by combining information I obtained on both capital and running costs from the SDA, private consultants, and the questionnaire survey. Using this information I was able to estimate an average capital cost of £25 per square foot of industrial floor-space, running costs involving insurance, maintenance and rates at an average of £1.52 per square foot, and an annual rent of £1.70 per square foot. These estimates are at 1982 prices and are the average of ranges which vary by premises and area. On the basis of these figures and an average size of premises of 5,000 square feet in the 100 covered in the study, the total capital cost to the SDA would have been around £12.5 million. This excludes costs involved in land acquisition and environmental

improvement which is often an integral part of the factory policy. Annual running costs would total £760,000 which, if all rents were paid and not lost through giving rent-free periods, would be more than offset by some £850,000 in annual rental income.

Translating the above figures into a cost per job estimate, the 1,175 jobs existing in the firms at the time of the survey would, therefore, have been associated with a capital cost of approximately £12.5 million or a 'cost per job' of some £10,638. A more realistic estimate would be to relate the capital cost to jobs in new firms. These numbered some 372 which gives a much higher cost per job figure of around £33,602. As with the estimate I gave earlier in this chapter concerning chain reactions, these figures should be treated with caution and regarded more as a 'back of an envelope' calculation than the result of rigorous and systematic enquiry.

## 8. Conclusions

What then have regeneration policies really achieved? Much of the emerging industry and employment is not new but would probably have existed anyway, if not in the study areas then elsewhere in the conurbation. A number of existing firms have been redirected and some new enterprises attracted into each area, and a certain amount of business, which might have left the locality had suitable premises and other incentives not been available, has been retained. A proportion of the economic benefits enjoyed by GEAR and Clydebank have, therefore, been won at the expense of other areas where a degree of disinvestment and job loss and a diminished ability to attract industry will have been experienced.

In the implementation of policies each area has been treated as a separate spatial entity and little prior consideration seems to have been given to effects on spatial processes in the economy of a much wider area. This criticism does not dispute that local regeneration policies should include many of the measures they currently do. Past redevelopment policies and the design of new urban environments have often been insensitive to small-scale enterprise and many of the old industrial premises which existed have been demolished. Furthermore, many commentators, notably Fothergill and Gudgin, have argued that an important cause of decline in large cities seems to be that "too many firms find themselves in constrained locations, operating with inadequate premises and sites, hemmed in by existing urban development, and with no room for expansion."<sup>16</sup> Although policies geared to providing an adequate range of industrial premises in urban areas should, therefore, have a role, the redistributive effects observed in GEAR and Clydebank suggest the selection of areas for this kind of treatment should perhaps be carried out on a more systematic and rational basis. This could mean that policies be formulated and monitored on a larger conurbation or regional scale, with help to firms given on a more selective and targetted way.

The direct impact on jobs has been modest and the cost of those jobs which may have been created as a result seem to have been high, particularly if the aim is to provide opportunities for local residents and for the unemployed. Assuming that the firms surveyed in GEAR were typical of all those in SDA premises at the time, the factory build policy had, by the spring of 1982, brought a net increase of around 400 jobs of which around

200 would have gone to local people - a tiny contribution when compared to the 4,000 unemployed residents in GEAR. Similarly, in Clydebank, on the basis of the average size of firm surveyed, 650 genuinely new enterprises of an equivalent size would be needed to replace the local jobs lost by the Singer closure alone since 1978.

In addition to their failure to significantly reduce the extent of unemployment, the policies appear severely deficient as measures to improve the economic welfare of disadvantaged and marginal workers. Although unemployed people were filling jobs, they were not the type who find themselves repeatedly out of work or jobless for long durations. They were the better off groups among the unemployed, those more equipped to seek out and secure employment through a series of informal contact networks built up with employers, ex-workers and friends. To be effective in providing work and incomes for disadvantaged workers in depressed communities locally based strategies should recognise the social impacts of unemployment which serve to break up social networks and exclude people from activities in the community they would have participated in had they been in employment. They should also recognise that apparently similar areas like GEAR and Clydebank may have a widely different reservoir of skills, entrepreneurial capacity, and so on and tailor their plans to suit each.

Despite many weaknesses in these policies, there have been some other positive impacts in addition to the modest effect on jobs. The morale of the local business community will have been boosted and an amount of renewal and tidying up of derelict industrial landscapes has taken place which no-one would have otherwise attempted, at least not on the same scale as that actually undertaken.

This achievement was not the main objective but it is still a significant gain, and, if a major industrial revival does come eventually, then these places may, as a result of creating a modern, well-serviced industrial environment, be in a position to secure more benefits from it than they otherwise would have done. It may also be possible to further enhance the contribution and effectiveness of these policies through a greater integration of supply-side provision within the local economy, in which the demand generated by public investment is used to boost locally produced goods and services. By a planned allocation of contract work on construction, housing, the environment, and so on, the health of the local business community can be improved by giving greater priority to firms in the area. The fact that they had not received any preferential treatment in the allocation of work generated by the scheme was a complaint made by a number of firms in GEAR.

Positive discrimination in favour of new and existing economic activity in the local area could be extended further towards an integrated economic and employment strategy. Where the skills required do not already exist locally, training programmes and other developmental work and support could be initiated to establish them within new business structures - possibly like those described in the previous chapter - in a bid to ensure that the local community, particularly its more disadvantaged residents, benefit to a greater degree. The next and final chapter of the thesis will develop this prescriptive theme concerning local economic initiatives further.

Notes: Chapter Fourteen

1. University of Glasgow (1982), 'GEAR Review: social aspects'.
2. Strathclyde Regional Council (1981), 'The Impact of Unemployment on Clydebanks', Social Work Department.
3. University of Glasgow (1982), op.cit.
4. Tym, Roger & Partners, and Deloitte, Haskins & Sell (1982), 'Business Development and Employment', Report to the Scottish Development Agency.
5. Scottish Office (1980), 'Clydebanks Working Party Report: Mr. Fletcher Gives Go-Ahead for Task Force', Press Note 8, January.
6. Scottish Development Agency (1983), 'Project Report 1983 GEAR', Area Development Directorate.
7. Tym, Roger & Partners (1982), 'Enterprise Zones, Second Year Monitoring Report'.
8. Checkland S.G. (1981), 'The Upas Tree: Glasgow 1875-1975....and after', 2nd edition, University of Glasgow Press, Glasgow.
9. Scottish Development Agency (1984), 'Clydebanks Task Force, Position Statement', April.
10. A methodology for assessing the effects of this is described in Valente J. and Leigh R. (1982), 'Local Authority Advanced Factory Units: A framework for evaluation', Planning Outlook, Vol.24, No.2, pp.67-9.
11. Scottish Development Agency (1984), op.cit.
12. Tym, Roger & Partners (1982), op.cit.
13. University of Glasgow (1984), op.cit.
14. Storey, D. (1982), 'Entrepreneurship and the New Firm'.
15. University of Glasgow (1982), op.cit.
16. Fothergill, S. and Gudgin, G., 'Unequal Growth, Urban and Regional Employment Change in the UK', p.184.



## CHAPTER FIFTEEN

### CONCLUSIONS

#### 1. Introduction

The final Chapter begins by presenting a brief synthesis of responses to unemployment in the UK, focussing on the main developments since the late 1970s and discussing what these have meant for the agencies involved and people working in them. An assessment of the impacts of the current policy spectrum is then presented which argues that a number of weaknesses and constraints inhibit the potential for more effective policy development. I then move on to suggest how some of these barriers might be removed to enhance what can be achieved at the local scale and allow policy to become more relevant to the needs of the unemployed in the light of economic and social realities. The Chapter ends on a cautionary note, recognising some of the inevitable limitations and dilemmas attached to locally based policies in the current economic crisis.

#### 2. Synthesis

Since first recognised as a problem in its own right the level of unemployment in Britain has been determined by the interaction of changing economic circumstance and political priority. Chapter 1 showed how early efforts to deal with the problem through labour market organisation and national insurance were only partially successful.

Until the Second World War, society's treatment of the unemployed fluctuated with the state of the economy and at times of deepest crisis the living standards of the jobless were traded-off against other economic considerations. Following the War and the great effort and sacrifice it had demanded of the nation the political commitment to keep unemployment down and avoid the mass suffering of the depression years was stronger than ever before. Furthermore Government was equipped with the policies to achieve this and by the use of such measures unemployment was kept at historically low levels until 1966 (Chapter 2). Although the long term trend in unemployment began to creep higher after that date, it was not until the mid 1970s that confidence in traditional policies crumbled (Chapter 3). As a result of growing economic difficulties which could not be reconciled with full employment priorities, Government switched the thrust of policy away from controlling unemployment towards securing other gains - principally lower inflation. Since then unemployment has risen - particularly steeply since 1979 - to reach levels unprecedented since the 1930s.

While many commentators expect unemployment to remain at historically high levels, possibly permanently, the actual level of unemployment still depends on the priorities of Government and other key institutions. It should be possible to get large numbers of people back to work by implementing a tough and very widely accepted incomes policy and if higher priority was given to training in new forms, to redeployment of labour likely to increase productivity, to stemming the outflow of capital and investing more of it in British manufacturing industry, and so on. The problem with implementing such a package is that many of the most powerful organisations in the

country - the TUC, the CBI, the City - are each opposed to some of these measures.

Essentially political issues of this kind will, nevertheless, ultimately have to be considered if Government is to do the things that will get us back towards full employment. But even if these issues are resolved and the demand for labour rises strongly unemployment problems will still persist. Economic revival will increase the displacement of jobs and the redundancy of traditional skills as a result of higher investment in new technological processes. Many of the new jobs created will be different from those in the past, demanding new skills and possibly less labour. Therefore even in a more prosperous economy large numbers of people might continue to be unemployed, some faced with long periods out of work, possibly for the rest of their lives.

Although the nationwide political commitment to implement the type of policies which might reduce unemployment is currently lacking, the stresses arising from industrial collapse and the rising jobless total have prompted other approaches to generating jobs. These have involved not only Central Government, but local government and a number of other organisations, such as trade unions, private firms and voluntary groups, who previously did not have a role in these issues. As a result, a complex series of overlapping policy initiatives have emerged, some of which conflict, and many of which break with established patterns and roles.

In the past Central Government's interventionist role in the economy was restricted either to the national level

at which it manipulated the demand for labour or to the regional level at which it sought to reduce the imbalances between the more prosperous and less prosperous parts of the country. Since the late 1970s a new tradition of economic policies has developed which targets resources towards cities, or parts of them, where industry is declining, and at groups of workers who are doing less well in the labour market. These developments have converged with a new interest in economic development among local authorities and one which breaks with local government's traditional urban responsibilities which were confined to accommodating the pressures of economic growth, carrying through large scale physical renewal and construction programmes and managing the delivery of social services.

The new economically-oriented urban policies - particularly those of local government - called for a critical reappraisal of long standing assumptions about a variety of social services. The established 'professional model' of a top-down, centralised service which offered the public little chance of shaping or participating in the development of the service but which operated in a rather blinkered, functional fashion with little co-operation with other public services is under assault. The collapse of local economies has played an important part in compelling people involved in the management of these services to consider how they might change and experiment with them. Throughout the country local authorities and other public agencies have been decentralising and devolving their services, setting up and participating in new bodies with economic responsibilities and seeking to involve local communities in the decision-making process.

The changing administration of some social services is reflected in changes in the jobs officials do. In agencies taking the more innovative initiatives, public officials are having to develop new skills and work in ways they never expected when they underwent their professional and vocational training. Planners, housing managers, people in chief executive's departments or others finding jobs in new economic development agencies are having to develop a keener economic and area-based focus to their work and strike up new links with the communities they serve. They are increasingly being called on to understand the needs of industry and businessmen, the work of trade unions, utilise the resources of other agencies - such as MSC programmes, EEC monies and Urban Aid - and work within the new devolved structures that are being set up. The jobs of social workers and community development staff have also been changed by the poverty caused by rising unemployment. These workers are having to develop roles more ostensibly concerned with economic and employment issues than in the past, such as ensuring that people claim all the social security benefits to which they are entitled, and to encourage new forms of mutual aid and community-based economic projects.

The urban policy spectrum is further complicated by the participation of non-statutory agencies in economic development. The role of corporate organisations has grown rapidly in recent years, with 'third arm' agencies staffed by private sector representatives strongly encouraged and often subsidised by public authorities. In Scotland enterprise trusts, discussed in Chapter 11, receive £45,000 per annum from the SDA towards their operating costs. Similarly the promotion of self-help and voluntary initiative is encouraged by both Government

and corporate bodies. Many of the initiatives taken in this area also draw financial support from the public sector, mainly through urban aid, and from the private sector in the form of entrepreneurial advice and training support. The growing interest of these groups in social and economic welfare is beginning to bridge traditional divisions between public and private, and formal and informal, sectors of the economy.

It would be wrong to assume that the activities of different agencies or even the various policies of each are given equal weighting or priority. The strategies of Central Government and its agencies, reviewed in Chapters 8 and 9, command the largest amount of resources spent on economic development. To date these have been channelled mainly into large scale investment in providing sites and building factories for industry, providing loans and grants to businesses, and operating national programmes of training and job creation measures for unemployed adults and young people. These policies represent a major shift in the role of Government away from tackling unemployment directly to creating an environment suitable for private sector expansion. The economic initiatives of local authorities are frequently similar to those of Central Government - largely because they often depend on Government agreement and part funding owing to the more limited resources at the disposal of local authorities. Some authorities have attempted to develop an independent and radical alternative to conventional economic policies (see Chapter 10), but apart from very large authorities, like the GLC which has its own Act of Parliament, enlarging its powers, the amount of resources that can be raised are modest. Central agencies like SDA, HIDB, the UDCs, also have larger powers to spend money than

local government has. They also do not have to get Committee and Council approval for action so can react faster.

Although public policy has succeeded in attracting some substantial private sector investments back into urban areas, the amount of resources accruing from corporate bodies to fund their new social responsibility activities is relatively small. The resources at the disposal of voluntary and community groups involved in economic and employment projects, despite their often highly innovative nature, are usually even smaller still.

### 3. Assessment

Even the dominant economic policies of Government and other public authorities have clearly not succeeded in reversing the decline of local economies, but there have been other worthwhile gains as a result of their implementation. As my research in GEAR and Clydebank showed (Chapter 14), enormous improvements have been made to the environment of previously decaying industrial areas as a result of heavy infrastructural investment which may help to stabilise the economies of these places and set them, and the surrounding city, in a better position to gain benefits from any future economic revival. Without the improvement made to Glasgow's image as a result of six years of GEAR it would have been difficult to run the recent 'Glasgow's Miles Better' Campaign convincingly. The numerous public policies targetted at developing small businesses will have significantly widened the options for self-employment, and as a result of Government manpower policy the skills and employment chances of a large number of workers have been improved, though many will have to

move to other areas of the country to realise them. The institutional capacity among local authorities and other organisations to devise and carry through economic and employment policy has been enlarged as a result of the mobilisation of skills and resources not previously associated with this area.

While these are important contributions there are a large number of limitations and constraints to the main public sector strategies which reduce the relevance of these policies to the needs of the unemployed and inhibit the scope for more effective action. A major weakness is that the gains accruing are highly selective. Unemployed people setting up new businesses in factories built by public authorities, securing steady work as a result of training programmes, or finding jobs within the highly assisted small firm sector, tend to be the better-off groups among the unemployed. Large numbers of the jobless - particularly the long term unemployed - are excluded from these gains and have little immediate prospect of returning to work. Initiatives which could offer more effective ways of generating work and incomes for these groups - like community businesses (Chapter 13) - are given much lower priority and receive only modest and cautious support of a kind frequently ill-designed to meet their needs.

In addition to the exclusion of large groups of the unemployed from the benefits of current economic policies, whole communities are also neglected. The selection of localities for area-focussed economic treatment is frequently carried out in an ad hoc and unsystematic fashion, leading to the exclusion of areas which may have more pressing social and economic problems.



Regeneration policies have been targetted mainly towards inner city areas and localities of large scale industrial collapse. The economic problems of the 'outer-city', especially the large peripheral council housing estates, have so far received less attention in the economic strategies of public authorities. Often with greater concentrations of high and long term unemployment, fewer existing local jobs and less economic activity going on, these communities are marginal to the economic life of the city and reflect a very different - and possibly more intractable - set of problems than the inner areas.

Ironically, high unemployment areas, like the peripheral estates, will in future probably receive less resources precisely because of the problems they face. Current directions in MSC main programmes emphasise training for the needs of industry and place a growing reliance on existing local employers to provide MSC-backed training places within the firm. Areas of high unemployment where there is no skill shortage, or with little existing local industry, or where the traditional industrial training base has been eroded by contractions and closures, will therefore receive fewer resources. These are areas which desperately need the support of manpower programmes which can be used flexibly and innovatively to train and help local people develop alternative employment opportunities within new indigenous forms of economic activity.

A further weakness in many of the main economic programmes is the waste of resources arising from the lack of selectivity and sensitivity with which they are allocated. The blanket provision of financial incentives to industry and the targetting of resources towards

particular urban areas without also discriminating among the beneficiaries of those resources means that scarce public money is being used to support enterprises and jobs which would have existed anyway. For example, the redistributive effects whereby such firms were attracted into GEAR and Clydebank as a result of the provision of small factories in these areas greatly diluted the employment impact of the public expenditure involved. In other areas of the country similar policies have been almost totally discredited. In Merseyside, which has experienced one of the largest industrial collapses since 1979, 50ha of land were taken up for advanced factory development between 1979 and 1983 and in August 1984 45% of the new industrial floorspace which had been provided was recorded as vacant.<sup>1</sup>

The policies and programmes of key agencies involved in economic development are often fragmented which inhibits the possibility of complementing existing resources and strengthening their impact. The MSC's training and job creation programmes, for example, are subject to very strong central control and operate outside other mainstream economic strategies. It has not yet been possible to develop local manpower packages to fit the requirements of locally determined priorities or build in a supply side dimension to MSC schemes which would enable them to be linked up with other local programmes such as the development of workshops and small firms.

In addition to lack of complementarity between agencies, it has often proved difficult to co-ordinate the policies of the same agency when responsibility is shared across a number of divisions or departments. Remaining with the MSC, the Enterprise Allowance Scheme

(EAS), designed to promote self-employment among the unemployed, is administered by the Employment Division and cannot be linked up with the Training Opportunities Programme of the Training Division. There is, therefore, no formal training input to the EAS despite the very real need for training among the scheme's participants. The budget arrangements of local authorities are equally inflexible. Where, for example, resources are allocated for a transport scheme in a particular locality and not spent - perhaps because of a shift in policy priority - they still cannot be used for other purposes, such as economic development. As any resolution of these budgetary constraints will require amendments to the legislation dealing with local government finance, the contradiction is perhaps better regarded as perpetuated by Central Government, not local authorities.

Indeed it is probably at the level of Central Government that the failure to co-ordinate the economic policies of key Departments - principally the Department of Environment (DoE) and the Department of Trade and Industry (DTI - formerly DI) - has been most stark and reflected in fundamental conflicts in policy directions. As Chapter 8 showed, even where major efforts were made - in Merseyside under the joint DE and DTI Task Force - it has not been possible to sustain any formal joint working relationship or tie-up between the economic development resources of these Government Departments. While urban policies of the DoE had been having some small impact on promoting economic activity, the independently applied and larger resources of the DTI's regional policy had, since the late 1970s, been allocated outside the areas of highest unemployment and had gone mainly to a small number of large firms responsible for large scale job loss.

The policies of other Government Departments not directly concerned with economic development and employment generation can frustrate these objectives. Despite Government's frequent encouragement of unemployed people to start up new businesses and develop self-help options, many are unable to take advantages of the time and resources they may have available because of current social security rules. The social security system, described in Chapter 6, is almost wholly isolated from economic and employment policies. Because of the full employment assumptions which underlie the rules and the public attitudes it reflects the involvement of unemployed people in economic initiative is often penalised by withdrawal of benefit. The DHSS has recently made minor changes to its rules. For example, unemployed claimants can now undertake certain forms of vocational training without loss of benefit. But the current system of unemployed maintenance continues to undermine a more productive and creative use of enforced leisure time and discourages participation in the programmes of other agencies which could assist this.

The intransigence of social security is not unique but reflects in exaggerated form the anachronistic attitudes of other leading institutional and political interests. Many of the current weaknesses and contradictions - and I have raised only some above - are perpetuated by the main political parties, the trade unions, big business and so on. In part they represent the failure of these interests to fully re-examine their role in the economy on the basis that unprecedentedly high levels of unemployment could become a permanent feature of society in the future - a reappraisal that could usefully open up new opportunities to use resources in radically new ways and support policies that would be more relevant to an era

where large numbers of people are excluded from work in the formal economy. But the reluctance to do this probably also reflects the self-interest of these institutions and the deliberate avoidance of forms of action which seriously challenge their established roles and priorities. By seeking to prevent extra-union organisation and deny the unemployed an independent political voice - they are not even allowed to control their own centres which local authorities and the TUC provide for them - the trade union movement has retained credibility as representing the working class and defused a degree of protest which could have challenged this, (Chapter 12). Similarly, as I argued in Chapter 11, corporate bodies have been good at devising a wide range of economic initiatives, and have received significant gains in return, but they have not been prepared to do what the unemployed really want - protect and provide jobs.

The difficulties discussed earlier in agreeing a package that would reduce unemployment and be acceptable to the key institutions involved are, therefore, also reflected in barriers to action at the local scale. Much of the help given to the unemployed by these powerful institutions is on terms which serve institutional interests or define the needs of the unemployed in ways which avoid conflict with these interests.

#### 4. Opportunities

Removing these barriers and constraints on locally-based initiative will require major political decisions to change the policy emphasis and practice of public agencies and departments. These changes are unlikely to happen overnight. The only political party which is

seriously discussing the changing nature of work and how to deal with an economy which requires much fewer workers than in the past is the Ecology Party which does well to retain its deposits at the General Election. However, despite the persistence of old values, elected public authorities still need to remain credible in the eyes of the communities they serve. The consequences arising from the exclusion of a large number of workers from the economic life of the nation threaten to undermine this credibility and is hastening the reassessment of traditional values. In a sense, therefore, the economic crisis is creating opportunities for progressive change.

We can learn a good deal about how the resources of public agencies might be deployed more effectively to meet local needs and priorities from the experience of the many innovative projects which exist. At present many are operating opportunistically, their success often dependent on the ingenuity and effort of a few key individuals involved. We need to develop a more systematic understanding of local initiative - how projects can use resources and programmes in new and innovative ways, the reasons why potentially worthwhile schemes fail or are frustrated, and so on. These lessons should serve to demonstrate how existing policies can be made more effective and identify the new ones needed to support local initiative.

These lessons also need to be fed back into education and training if these systems - which prepare the managers and policy makers in our public services - are to remain relevant to changing social and economic realities. It will mean changing and revising educational courses to

foster a deeper understanding of problems and creative developments in the practical field. Students would then be better equipped for the challenges they would face. In return the academic community could offer public authorities the capacity to critically and objectively evaluate policies and programmes and disseminate the results among practitioners and activists - tasks which would call for the formulation of more sophisticated analytical techniques. The current expenditure restrictions on education and local government will, however, make it difficult to develop a closer dialogue between the educational and practical fields because they reduce opportunities to expand training and move between the two.

From my review of local economic initiatives across a number of agencies, and the detailed evaluation of the employment impact of small firms in public sector premises and also of community businesses, there are a number of suggestions which can be made as to how more effective local economic and employment projects might be developed. They call on the public sector to take the lead role and target policy priorities towards those groups of workers and communities who do less well, or are excluded altogether, under present policy arrangements.

As I have said, the resources devoted to economic policies are often spent for very specific purposes with very little overlap - building factories, training labour, helping small businessmen and so on. If these could be pulled together they could provide a more effective means of generating economic activity among the more disadvantaged sections of the labour market. There are several ways that 'integrated local economic and employment strategies'

could be developed. The training of new entrepreneurs, for example, which now caters mainly for those on the verge of self-employment, could be sensitively redesigned to popularise the concept of developing new enterprises among more of the unemployed. Given that depressed local economies, particularly those previously dominated by very large employers, often have low entrepreneurial capacities of a traditional kind, training people to start new businesses will probably require a strong community development dimension, the provision of hand-holding support, possibly for long periods, and new enterprises may be best developed around co-operative principles. Developmental programmes of this sort could be complemented with the support of income subsidies - possibly a more flexible EAS - and the new businesses tied into the provision of workshops and small factories.

Other training and job creation programmes, instead of merely increasing someone's 'employability' when in reality many will face a continued competitive disadvantage in the search for jobs, could also be integrated with the animation of potentially sustainable economic activity. The difficulties surrounding the use of manpower programmes for such purposes have been discussed in Chapters 9 and 13 and they depend on the structure of rules and procedures under which resources are released and the attitudes of public officials involved. The experience of some grass-roots initiatives I visited suggests that the programmes of some agencies can be used more flexibly than others and that there may be ways to overcome some of the present difficulties by imaginative project design. It would appear that training money from the EEC's Social Fund can be used more innovatively than funding from domestic sources. The voluntary sector in Liverpool has been



particularly successful in exploiting the Social Fund by striking up personal contacts in Brussels and emphasising those aspects of a proposed project which touch on the Fund's priorities when applying for support - such as ameliorating youth unemployment and expanding work opportunities for women. Social Fund monies have been used to bridge the gap between 'training' and 'trading' by arguing that funds to provide working capital, invest in new equipment and pay the wages of employees in new community based enterprises are all essentially ingredients of a training package until the enterprise and the workers assisted reach a position of independent viability.<sup>2</sup>

The principal of integration could be developed further by linking the demand generated in a particular locality with the support or development of local enterprise and associated training programmes. In the placing of contract work public authorities could discriminate in favour of local firms. Glasgow District Council already do something like this for small firms across the city as a whole (see Chapter 10), but positive discrimination could be taken further to favour firms either located in an area subject to some form of priority treatment or closely tied to that area through having a large proportion of their workers living locally or because of the important local services they provide.

Where the existing enterprise and skills necessary to carry out the contract work required do not exist within the area a regeneration strategy is targetted on - particularly one involving a heavy construction package such as that in GEAR - then these capacities could be developed by applying an integrated package of training and support measures of the kind described above. With

the greater demands this would place on the forward and complementary planning of physical, economic and manpower programmes and inter-agency collaboration, such an approach would involve additional delay and cost. But it would allow a variety of currently independent programmes to be pulled together and linked with jobs and incomes for local people and ensure that the local community gained more from resources spent on meeting its needs.

The revenue expenditure of local authorities offers similar opportunities to extend a deprived community's responsibility and gain from public services. The management responsibility for certain local services like housing and environmental maintenance, meals on wheels, community transport and so on, could be vested with community groups who would be paid by the local authority to take on board these tasks. Developments of this sort will provoke fierce opposition, being seen as moves to hive-off and privatise public services, undermine and reduce unionised labour, and lead to poorer and less accountable services. Criticisms of this sort have been voiced recently in Glasgow by NALGO and the city's tenant federation over the Council's 1984 plan to sell off groups of council houses to tenants who will manage these as community ownership co-operatives, purchasing the houses via a building society mortgage and repaying the mortgage by levying a rent from all its members. One of the attractions is that the houses would become eligible for a share of the £80 million of private sector improvement repair grants at the council's disposal. The union and the tenants' association have agreed to allow four pilot projects involving a total of 2,400 houses to go ahead, but many of their members retain strong reservations about the scheme and will oppose any further extension of it. Fears

surrounding the contracting out of services previously provided by local authorities are understandable in the present political climate. The principal, however, still retains progressive qualities and could be used to generate incomes and resources in deprived communities.

In many high unemployment areas it is unrealistic to assume that, even with more successful local economic policies, the formal economy can be sufficiently revived to provide adequate numbers of jobs for those excluded from work. Other strategies which raise incomes and generate local revenue will be needed. These will have to rely more heavily than hitherto on mobilising the indigenous potential of local communities, developing less-conventional forms of economic activity, and promoting informal exchange.

Even the most economically disadvantaged areas have an internal economy which provides opportunities for promoting economic development and raising local wealth. Numerous economic transactions take place and large amounts of money flow to points in the local economy like pubs, supermarkets, betting shops - points of high profit-making where large amounts of wealth are accumulated and 'creamed-off' outside the area, providing little in the way of jobs and incomes to the local community in return. In the huge peripheral council housing estate of Easterhouse in Glasgow, for example, local sources report that the local branch of a national bookmaker chain makes a profit of around £0.5 million each year; a significant drain on the wealth of a community which is both spatially and economically marginal to the conurbation.<sup>3</sup> New commercial structures could be developed - possibly around the principles of community business - to

retain and recycle more of this scarce local wealth towards other forms of activity which generate work and incomes for local residents or help fund the provision of facilities previously lacking in the community. The development of these enterprises will need strong public support of a kind which could be partly met by an integrated approach linking up community development, education and training, economic incentives and other forms of public subsidy. They could also be assisted by developing their demand side and linking these enterprises into the expenditure of public agencies in the ways described above.

Other approaches to stimulating the economies of local communities are open to public authorities in addition to targetting resources directly towards an 'enterprise' of whatever form. By providing land for the construction of private houses, more affluent groups could be attracted into these areas. Work will be generated by the construction programme from which local labour may benefit. Furthermore, demand will be generated by the new residents, some of which will be for services, like car repairs, hairdressers, the repair of household goods and so on; services which are normally provided locally thus leading to the support of local businesses and a boost in local incomes. The multiplier effects would be difficult to determine precisely, but the case serves to illustrate that there might be cheaper ways of raising local incomes, for roughly the same results, than by expensive strategies such as factory construction.

If raising the standard of living among poorer households is one of the main policy priorities, then there are ways to pursue the objective directly, and again possibly less expensively, than through more conventional

approaches to local economic development. As Chapter 6 showed, large amounts of money are lost in unclaimed social security benefits which could be realised given extra expenditure on welfare rights services. In Strathclyde Region, for example, it has been estimated that for the salary of one extra welfare rights worker (around £10,000) an additional £150,000 could be generated in unclaimed benefits.<sup>4</sup> Alternatively, where a local authority spends money on repairing or improving an individual's home, the resident could be given the opportunity to administer and carry out this work himself. Through its Tenant's Grants Improvement Scheme Glasgow District Council has gone some way in pioneering the use of public expenditure to boost household income directly in this fashion.

It is unlikely that the informal economy will prosper in high unemployment areas without external stimuli. Earlier chapters discussed how unemployed people participate less in informal exchange than those in employment do. Partly this reflects their exclusion from the life of the community and the erosion of the personal contact networks through which people find out about work, but it is also to do with lack of resources. People need to be able to purchase the materials and equipment necessary to enter into informal exchange as well as strike up contacts with others able to reciprocate or pay for their services. Public authorities could have an important pump-priming role in this process. By helping people purchase the necessary hardware (it could be wool for home production or tools for DIY activities), providing the physical facilities from which to run their activity (either a workshop or a piece of land), and assisting in the process of distribution and exchange (possibly by subsidising a

shop or promoting their products in other areas), they could help construct the basis of a set of economic relationships through which unemployed workers could tap into the relative affluence of the formal economy upon which most informal exchange thrives. A rise in the level of social security benefit disregard alone would remove a major constraint on the role of the unemployed in the informal economy.

Many of the less conventional forms of economic activity that could be developed bring together both social and economic objectives and will call for the use of public resources in new ways. By keeping large numbers of workers unproductive the community bears a heavy cost in social security payments, the non-payment of tax and national insurance and in lost economic production (Chapter 7). There is, therefore, a strong argument that public authorities, when dealing with policies affecting people who would otherwise be unemployed, should adopt new accounting procedures which recognise the savings as well as the costs to the state. Some initiatives could, if given more support, generate work for marginal groups in the labour market, and operate showing a net surplus to the taxpayer when an alternative accounting approach is used and, therefore, justify a continuing subsidy in conventional terms. Other initiatives might never be able to demonstrate a surplus or 'cost-effectiveness', but support could still be justified on social grounds because of a reduction in poverty and despair and a rise in morale and confidence.

Public officials might be faced with the problem of deciding when an alternative assessment of public resources is needed. In some instances it should not be a difficult decision. In areas of high and long term

unemployment where there is little prospect of external investment there is a strong case for subsidising the development of new indigenous economic activities and services on the grounds that market disruptions will be small. In other areas the relationships will be less clear and decisions may have to be based more on complicated equity considerations. Spill-over and displacement effects might be tolerable if they lead to gains among the unemployed over more affluent workers with better prospects living in other communities. But they may not if the subsidy is supporting inefficient and wasteful production at the expense, and possible displacement, of more efficient enterprise. Delicate decisions of this sort will need sophisticated evaluative and social accounting techniques.

The development of new relationships between public authorities and the communities they serve raises delicate questions about 'scale' and 'accountability'. If the resources deployed within local communities are to be integrated and administered more flexibly and sensitively at the local level, and local people given greater opportunity to determine priorities and manage resources, then we need to consider how best to organise new forms of community-based representative and responsible government at this level.

The choice of scale will need to take account of existing local loyalties and knowledge. The size of communities that any new devolved administrative structures are applied to should be selected on the basis that local people themselves orientate and identify with it. Such areas will not always correspond with the administrative boundaries used by public authorities.

The GEAR area, for example, is an artificial community, an administrative creation suiting the convenience of the main agencies involved in the scheme. Local people in the east end of Glasgow continue to identify with the old traditional village centres around which the east end developed - localities much smaller than the GEAR area itself. While it will be valuable to tap the detailed local knowledge and commitment among residents at these levels, decisions about major public investment in industry, transport and manpower policy are probably best made - as Chapter 14 suggested for factory construction - at the level of the city or conurbation. These strategic decisions could be improved and tailored more to local needs by the filtering up of detailed information about capacities and problems at smaller scales. New structures are needed to link these different levels more effectively. They would also extend opportunities for community participation and debate throughout the urban policy making process. These new intermediate structures should be set at a scale which meets two important requirements. First, local people should be able to get involved in discussions about the allocation of resources and programmes which have sufficient leverage to make a noticable impact on their community. Second, the structure should be sufficiently broad-based so as to mobilise adequate numbers of residents, officials and politicians to ensure that main policy priorities are respected and protect against the exclusion and harassment of unpopular neighbours or the misuse of public money.

Professor David Donnison has suggested that the best scale at which to conduct such a discussion about



the planning and allocation of public resources is at the level of the ward or the size of an area covered by a Community Council - areas of between 10,000 and 20,000 people which are,

"small enough for a committee to know well, yet large enough to assemble one or two good staff and a sufficient budget to offer scope for real choices."5

The Priority Area Teams established by Newcastle City Council in a number of the city's most disadvantaged wards and which bring together local people, councillors and senior officials from Council Departments with devolved resources seem to offer a good example of the scale and balance of what is required. Similarly the Boards of Management of some community businesses which draw on the same types of participants, though usually in a voluntary capacity, could also provide bases from which to build new accountable community based structures.

##### 5. Dilemmas and Reservations

While many of the opportunities identified above involve difficult choices for the groups involved, there are other more fundamental dilemmas to be faced by educationalists, policy makers, practitioners and activists involved in locally based initiatives. These are dilemmas which could be forgotten in the enthusiasm attached to devising innovative projects, winning small successes by ingeniously bending the rules attached to existing programmes and pressing for improvements to existing policy arrangements.

Creating jobs for the unemployed or stimulating new economic activity in a disadvantaged community should not in themselves be regarded as hallmarks of success. The damaging effects of certain types of work complicated the assessment of the effects of unemployment on health in Chapter 7. Policies which return the unemployed to work which is low waged, insecure, sweated and ill-organised are a regressive step. At present this could be happening as a result of policies geared to propping up small firms and developing other enterprises which are expected to bear the risks without giving their workers the same rewards and security that larger firms used to give them. Similarly some of the enterprises developed as radical alternatives to small scale capitalism, and which win support because of this aim, face the same dilemmas. They may even be worse employers. Although I am optimistic about the potential benefits of community businesses if given certain support, two of the projects I visited were no more than squalid job creation schemes run on MSC money, providing services to the local community at very low cost to the public purse and managed in a strict and authoritarian fashion which gave the workers no control or stake in the operation. They were the exact opposite of what one might have expected given the radical and exciting aspirations of the movement they claimed to be part of.

Policies will have negative effects unless they increase the net welfare of disadvantaged workers. Furthermore, the effects will also be socially divisive unless the gap in living standards between those enjoying the security and rewards of the formal economy and the smaller, but increasing, number excluded from

these benefits is reduced. Unless existing policies meet, or can be adapted to meet, these objectives, then those involved in supporting them may just be 'managing' the unemployed and keeping people docile who might do better if they became more demanding and militant. Through their support, public officials could be acting more out of self-interest, and the interest of the organisations they work for, rather than looking after the needs of the unemployed.

An equally difficult dilemma confronts community activists working outside the statutory sector. If they chose to work alongside public agencies they will often have to adapt their demands in order to tap into the resources of that organisation. In return for its support ideals may have to be compromised, the project's objectives de-radicalised, or worse still, the initiative may be emasculated by the existing bureaucracy. Fears of this sort were expressed by some of the community activists I interviewed during my community business fieldwork. However the price for independence is often the loss of valuable resources. Some projects - like community businesses which insist on keeping the revenue generated, and unemployed worker centres where the jobless exercise their right to protest - have found this out and now struggle with limited funds, remaining isolated with only a marginal impact. Apart from the difficulties with resources, developing genuinely self-managed initiatives will require a greater involvement of individuals in the community collectivity and the adoption of responsibilities they are not accustomed to fulfill - a more demanding role than surrendering social and managerial control to a bureaucratic and professional elite. These are tall orders for high

unemployment communities to meet, and most of the evidence available so far suggests that it is particularly difficult to mobilise large numbers of people around economic initiative at the local scale.

The locally based initiatives I have discussed in the main body of the Thesis owe the pace of their development largely to economic collapse and the steep rises in unemployment in recent years. However many of these developments would also represent worthwhile improvements to social and economic policy at a more prosperous time. They therefore mirror not only the stresses of society responding to major social and economic upheaval, but the longer term struggle for more responsive and democratic government. The current irony is that the expectations attached to local initiatives are exaggerated because of lack of action to deal with unemployment at national and international scales. But without the commitment of Government and other powerful institutions operating at these higher levels to reduce unemployment, the scope for policies operating at an urban or smaller scale to achieve meaningful results is very limited. Innovative local initiatives may provide some guidelines to follow in a more favourable economic and political climate. There seems little else people of goodwill operating on an urban scale can do.

Notes: Chapter Fifteen

1. From Merseyside County Council, Mersyside Advanced Factory Information Service (MAFIS) records.
2. From meetings with CDS Training Limited, Liverpool, and Centre for Employment Initiatives, Liverpool, February 1984.
3. Information supplied by Mr. Keiran Grant, Employment Development Worker with Easterhouse Festival Society, and Director of Provenhall Holdings Limited, January 1984.
4. University of Glasgow (1982), 'GEAR Review, Social Aspects', Department of Town Planning and Housing Research Group, October.
5. Professor David Donnison (1983), 'Urban policies: a new approach', Fabian Tract 487, March.

BIBLIOGRAPHY

ACTION RESOURCE CENTRE (1980), 'Islington Small Business Counselling Service, Second Annual Report', 31st October.

ACTION RESOURCE CENTRE, 'ARC News', No.16, April 1980, and No.19, January 1981.

ADULT EDUCATION CENTRE, Glasgow (1980), 'Supporting Young People in Transition to Working Life, Introducing the Project', February.

ALLUM C., QUIGLEY J. (1983), 'Bricks in the wall: the Youth Training Scheme', in Capital and Class, No.21, Winter, pp.5-17.

ASSOCIATION OF DISTRICT COUNCILS (1980), 'ADC Review of Local Authority Assistance to Industry', Results of Survey.

ATKINSON A.B. and FLEMING J.S. (1978), 'Unemployment, Social Security and Incentives', Midland Bank Review, Autumn, pp.6-16.

BACON R. and ELTIS W. (1976), 'Britain's Economic Problem: Too Few Producers', The Macmillan Press Ltd., London.

· BAKKE E.W. (1933), 'The Unemployed Man', Nisbet.

BANK M.H. and JACKSON P.R. (1982), 'Unemployment and Risk of Minor Psychiatric Disorder in Young People: Cross Sectional and Longitudinal Evidence', Psychological Medicine, No.12, pp.789-98.

BANNOCK G. (1980), 'The Organisation of Public Sector Promotion of Small Businesses: A Discussion Paper', prepared by Economists Advisory Group Ltd., for Shell UK Ltd., June.

BAT INDUSTRIES - Small Businesses Limited, Briefing Notes, 23.2.84.

BECKERMAN W. (1974), New Statesman, 1st November.

BEVERIDGE W.H. (1908), 'Unemployment, A Problem of Industry', Longmans Green & Co., London.

BEVERIDGE W.H. (1942), 'Social Insurance and Allied Services', HMSO Cmd 6404.

BEVERIDGE W.H. (1944), 'Full Employment in a Free Society', Allen & Unwin, London.

- BIRCH D.W. (1979), 'The Job Generation Process', Massachusetts Institute of Technology, Cambridge, Mass.
- BLACKABY F. (ed) (1978), 'De-Industrialisation', Heinemann/NIESR.
- BLACKABY F. (ed) (1978), 'British Economic Policy 1960-74', Cambridge University Press.
- BLUNKETT D. and GREEN G. (1983), 'Building from the Bottom, The Sheffield Experience', Fabian Tract, No.491, October.
- BODDY M. (1982), 'Local Government and Industrial Development', School for Advanced Urban Studies, University of Bristol, Occasional Paper No.7.
- BRENNER H. (1976), 'Estimating the Social Cost of National Economic Policy: Implications for Mental and Physical Health and Criminal Aggression', prepared for Joint Economic Committee, Congress of United States, US Government Printing Office, Washington.
- BRENNER H. (1979), 'Mortality and the National Economy', The Lancet, September, pp.568-73.
- BROWN G. and COOK R. (eds) (1983), 'Scotland, The Real Divide', Mainstream, Edinburgh.
- BRUCE M. (1961), 'The Coming of the Welfare State', B.T. Batsford Ltd., London.
- BULLETIN ON SOCIAL POLICY (1981), 'Unemployed Workers Centres and the TUC'.
- BURGHES L. and LISTER R. (eds) (1981), 'Unemployment: Who Pays the Price?', Child Poverty Action Group, Poverty Pamphlet 53, November.
- BUSINESS IN THE COMMUNITY (1981), 'A Handbook for Action'.
- BUSINESS IN THE COMMUNITY (1984), 'Supplement, Working with Voluntary Organisations', April.
- BUTLER D. and STOKES D. (1974), 'Political Change in Britain', Macmillan.
- CADBURY A. (1981), 'Big Business Must Devolve to a Human Scale to Survive', The Guardian, 9th December.
- CALOUSTE GULBENKIAN FOUNDATION (1981), 'Whose Business is Business?'.

- CAMBRIDGE ECONOMIC POLICY REVIEW (1982), 'Prospects for the UK in the 1980s', Vol.8, No.1, April, Gower.
- CAMERON G. (ed) (1980), 'The Future of the British Conurbations - policies and prescriptions for change', Longman, London.
- CAMINA M.M. (1974), 'Local Authorities and the Attraction of Industry', Progress in Planning, pp.116-8.
- CAMPBELL J., BALFOUR H., FINLAY H., and WILSON M. (1973), 'The Role of the Occupational Health Nurse in Redundancy', Occupational Health Nursing, Vol.21, February, pp.12-14.
- CBI (Special Programmes Unit), Report setting out the findings and recommendations from the four 'Town Studies', undated.
- CBI (SPU) (1983), 'Report of Achievement and Programme for 1983', Report by J.W. Cooke, Chief Executive, February.
- CDP/PEC (1979), 'The State and the Local Economy', CDP/PEC in association with PDC, Russel Press Ltd., Nottingham.
- CENTRE FOR EMPLOYMENT INITIATIVES, 'Initiatives', Journal of the Centre for Employment Initiatives, Nos.1-9, May 1982 - May 1984.
- CHALKLEY B. and PERRY M. (1984), 'How Many Factories do we Need?', Town and Country Planning, Vol.53, No.2, February.
- CHECKLAND S.G. (1981), 'The Upas Tree: Glasgow 1875-1975 ... and after', 2nd edition, University of Glasgow Press, Glasgow.
- CHILD POVERTY ACTION GROUP (1980), 'Living from Hand to Mouth: a Study of 65 Families Living on Supplementary Benefit', Family Service Unit.
- CITY OF NEWCASTLE UPON TYNE (1982), 'High Unemployment in the Inner City: The Impact on Local Government and the Community', Policy Studies Department.
- CITY OF NEWCASTLE UPON TYNE (1980), 'Economic Policy and Programme 1983-85', Economic Development Committee, December.



- CITY OF SHEFFIELD (1982), 'Employment Department: an Initial Outline', January.
- CITY OF SHEFFIELD, 'A Guide to the Centres for Unemployed People in Sheffield', Employment Department (undated).
- CLARK M. (1978), 'The Unemployed on Supplementary Benefit', Journal of Social Policy, October.
- CLUT D. (1981), 'Good Works are Good for Business', The Guardian, 9th December.
- COCKBURN C. (1977), 'The Local State', Pluto Press, London.
- COLLEGE M. and BARTHOLOMEW R. (1980), 'The Long Term Unemployed, Some New Evidence', Department of Employment Gazette, January, pp.9-12.
- COMMUNITY BUSINESS NEWS, The Journal of Community Business Scotland, Nos. 1-11.
- COMMUNITY BUSINESS SCOTLAND (1983), 'Community Business - Start Up to Take Off', report carried out by the Planning Exchange.
- COMMUNITY DEVELOPMENT PROJECT (1974), 'The Inter-Project Report'.
- CDP (1977), 'The Costs of Industrial Change', London.
- COMMUNITY RESOURCE UNIT (1982), Report by Jim Radford, February.
- CRU (1983), 'Draft Open Letter to Trade Unionists', March
- CORNELIUS A. (1983), 'Funds: A Powerful Influence on the Economy', in The Times, 5th May.
- CRAIG G., MAYO M., SHARMAN N. (eds) (1980), 'Jobs and Community Action', Routledge & Kegan Paul in association with the ACU.
- CROSSMAN R. (1976), 'Diaries of a Cabinet Minister, Volume 2', Hamish Hamilton and Jonathan Cape
- DABINETT G. (1982), 'The Supply of New Industrial Premises in the Northern Region 1974 to 1980', Centre for Urban and Regional Development Studies, Working Paper, University of Newcastle Upon Tyne.

DAILY RECORD, February 7th, 1946.

DAILY RECORD, February 8th, 1946.

DAILY RECORD, November 25th, 1947.

DANIEL W.W. (1972), 'Whatever Happened to the Workers of Woolwich?', PEP No.537.

DANIEL W.W. (1974), 'A National Survey of the Unemployed', PEP, Vol.XL, Broadsheet No.546, October.

DANIEL W.W. and STILLGOE E. (1977), 'Where Are They Now? A Follow-up Study of the Unemployed', PEP, Vol.XLIII, No.572, October.

DANIEL W.W. (1979), 'Unemployment', Agenda, Policy Studies, Spring.

DANIEL W.W. (1981), 'The Nature of Current Unemployment', British North American Research Association, Occasional Paper 6.

DANIEL W.W. (1981), 'The Unemployed Flow', Stage 1 Interim Report, p.51, May.

DEAKIN B. and PRATTEN C. (1982), 'Effects of Temporary Employment Subsidy', Department of Applied Economics, Occasional Paper 53, Cambridge University Press.

DEAN M., (1982), 'Making the Link between Crime and Unemployment', The Guardian, 1st May.

DENNIS J. (1983), 'Union's Co-operative Venture', The Guardian, 8th December.

DEPARTMENT OF EMPLOYMENT (1971), 'People and Jobs'.

DEPARTMENT OF EMPLOYMENT (1982), 'Young Workers Scheme', PL678 (Rev).

DEPARTMENT OF EMPLOYMENT GAZETTE (1973), 'Duration of Unemployment', February, pp.111-16.

DEPARTMENT OF EMPLOYMENT GAZETTE (1976), 'The Unregistered Unemployed in Britain, December, pp.1331-6.

DEPARTMENT OF EMPLOYMENT GAZETTE (1981), 'Labour Force Outlook Until 1986', April, pp.167-73.

DEPARTMENT OF EMPLOYMENT GAZETTE (1982), 'Compilation of the Unemployment Statistics', September, pp.389-93.

DEPARTMENT OF ENVIRONMENT (1977), 'Inner Area Studies, Liverpool, Birmingham and Lambeth, Summaries of Consultant's Final Reports'.

DEPARTMENT OF ENVIRONMENT (1980), 'Review of the Local Authority Assistance to Industry and Commerce', Report of the Joint Working Group of Officials and Local Authority Associations and Government Departments, Chairman Sir Wilfred Burns, July.

DEPARTMENT OF ENVIRONMENT (1982), 'Local Authority Aid to Industry: An Evaluation in Tyne and Wear', Inner Cities Research Programme.

DEPARTMENT OF ENVIRONMENT (1982), 'Grants to Help Investment in Inner Areas', Press Notice, 121, April 6th.

DEPARTMENT OF ENVIRONMENT (1982), 'Industrial Change: Local Manufacturing Firms in Manchester and Merseyside', Inner Cities Research Programme.

DEPARTMENT OF ENVIRONMENT (1983), 'Local Authority Assistance to Industry and Commerce', Consultation Paper, March.

DONNISON D.V. and SOTO P. (1980), 'The Good City', Heinemann, London.

DONNISON D.V. (1982), 'The Politics of Poverty', Martin Robinson, Oxford.

DONNISON D.V. (1982), 'Policies for the Unemployed', Scottish Trade Union Review, No.17, May - August, pp.5-6.

DONNISON D.V. (1983), 'Urban Policies: A New Approach', Fabian Tract 487.

DUFFY J. (1982), 'A Community and Business Approach to Youth Unemployment', Merseyside Action Resource Centre.

DUNLEAVY P. (1981), 'The Politics of Mass Housing in Britain: 1945-75', Clarendon, Oxford.

ECONOMIC PROGRESS REPORT (1981), February, Treasury.

EISENBERG P. and LAZERFIELD P.F. (1938), 'The Psychological Effects of Unemployment', Psychological Bulletin.

ELIOT T.S., 'Collected Poems 1909-1935', Faber & Faber Ltd.

FAGIN L. (1979), 'The Psychology of Unemployment', Medicine in Society, Vol.4, No.2.

- FAGIN L. (1981), 'Unemployment and Health in Families', DHSS, ISBN 0/902650/23/8.
- FAIRLEY, J. (1983), 'The Elements of an Adult Training Strategy', in Unemployment Unit Bulletin, No.9, August.
- FALK N. and MARTINOS M. (1975), 'Inner City', Fabian Research Series 320.
- FIELD F. (ed) (1977), 'The Conscript Army: A Study of Britain's Unemployed', Routledge & Kegan Paul.
- FOTHERGILL S. and GUDGIN G. (1979), 'The Job Generation Process in Great Britain', Centre for Environmental Studies, London.
- FOTHERGILL S. and GUDGIN G. (1982), 'Unequal Growth, Urban and Regional Employment Change in the UK', Heinemann, London.
- FRAZER D. (1973), 'The Evolution of the British Welfare State', Macmillan, London.
- GALLACHER J. (1982), 'Trade Unions and Unemployment', Scottish Trade Union Review, July-October, pp.4-6.
- GALLANT V. (1982), 'Economic and Employment Initiatives in Cleveland', Northern Economic Review, No.4, August, pp.11-17.
- GARRATY J.A. (1978), 'Unemployment in History', Harper & Row, London.
- GERSHUNY J. (1979), 'After Industrial Society? The Emerging Self-Service Economy', Macmillan, London.
- GILMORE I. (1983), 'Britain Can Work', Martin Robinson.
- GLASGOW DISTRICT COUNCIL (1983), 'Report on the Review of the District Council's Purchasing Policies', August.
- GLENNERSTER H. (ed) (1983), 'The Future of the Welfare State', Heinemann, London.
- GLYN S. and SHAW S. (1981), 'Wage Bargaining and Unemployment', The Political Quarterly, Vol.52, No.1, January-March, pp.115-26.
- GOODHART C. and BHANSALI R. (1970), 'Political Economy', Political Studies 18.
- GOLDTHORPE J.H. et al (1980), 'Social Mobility and Class Structure in Modern Britain', Clarendon Press, Oxford.

- GRAVELLE H.S.E., HUTCHINSON G. and STERN J. (1981),  
'Mortality and Unemployment: a cautionary note',  
Centre for Labour Economics, London School of Economics,  
Discussion Paper No.95, September.
- GRAVELLE H.S.E., HUTCHINSON G. and STERN J. (1981),  
'Mortality and Unemployment: A Critique of Brenner's  
Time-Series Analysis', The Lancet, September, pp.675-79.
- GREATER LONDON COUNCIL (1983), 'Small Firms and the  
London Industrial Strategy'.
- GLC (1983), 'Jobs for a Change', Special Edition, Popular  
Planning Unit, September.
- GREEN G. (1978), 'Birmingham's Partnership: Participation  
Excluded?', The Planner, Vol.64, No.3, May.
- GREENWOOD W. (1933), 'Love on the Dole, A Tale of Two  
Cities', Jonathan Cape, London.
- GRIFFITHS J. (1983), 'Young Workers Scheme: A Subsidy for  
Exploitation', in Unemployment Unit Bulletin, No. 8, June.
- GRIMMOD J. (ed) (1979), 'Youth Unemployment and the Bridge  
from School to Work', Anglo German Foundation.
- GROVER R. (1980), 'Work and the Community', National  
Council for Voluntary Organisations, Bedford Square Press.
- GUARDIAN NEWSPAPER (1980), 'More Firms Join the Big Brother  
Movement', 7th November.
- GUARDIAN NEWSPAPER (1981), 'Benefits Clampdown Saves £40m',  
5th June.
- GUARDIAN NEWSPAPER (1981), 'Dole Will Kill More Scots Than  
Others', 9th November.
- GUARDIAN NEWSPAPER (1982), 'Deadly Risks of Idleness',  
11th November.
- GUARDIAN NEWSPAPER (1982), 'Political Fears mar TUC Campaign',  
27th January.
- GUARDIAN NEWSPAPER (1982), 'Draw a Line on the Floor and  
Build a Wall Round the People', 23rd July.
- GUARDIAN NEWSPAPER (1982), 'Probation Chiefs Link Jobless  
and Crime Total', 4th October.
- GUARDIAN NEWSPAPER (1982), 'Benefit Boost Hides £2b Cuts',  
22nd November.

- GUARDIAN NEWSPAPER (1983), 'Jobs Scheme May Not Be Working', 7th February.
- GUARDIAN NEWSPAPER (1983), 'Pressure from MSC over Training Scheme', 8th February.
- GUARDIAN NEWSPAPER (1983), 'Loans are Special in Sheffield', 23rd February.
- GUARDIAN NEWSPAPER (1983), 'MSC Cuts Off Jobless Grant Over Politics', 23rd March.
- HALL P. (ed) (1981), 'The Inner City in Context', Heinemann, London.
- HANNINGTON W. (1936), 'Unemployed Struggles: 1919-36', Lawrence & Wishart, London.
- HARRISON R. (1976), 'The Demoralising Effects of Unemployment', Department of Employment Gazette, April, pp.339-48.
- HAWKINS K. (1979), 'Unemployment', Penguin.
- HENDERSON R.A. (1971), 'Industrial Overspill from Glasgow 1958-68', Urban and Regional Discussion Papers, No.9, University of Glasgow.
- HIGGINS J., DEAKIN N., EDWARDS J., WICKS M. (1983), 'Government and Urban Poverty', Basil Blackwell, Oxford.
- HILL M.J., HARRISON R.M., SARGENT A.U. and TALBOT V. (1973), 'Men Out of Work', Cambridge University Press.
- HMSO (1944), 'Employment Policy', Cmnd.6527.
- HMSO (1944), 'Social Insurance', Cmnd.6550.
- HMSO (1965), 'Housing in Greater London', Cmnd.2685.
- HMSO (1967), 'Children and their Primary Schools', Report of the Central Advisory Council for Education (England).
- HMSO (1968), 'Report of the Committee on Local Authority and Allied Personal Services', Cmnd.3703.
- HMSO (1972), 'The New Local Authorities, Management and Structure',
- HMSO (1973), 'Ten Year Development Strategy', Cmnd.5226.
- HMSO (1975), 'An Approach to Industrial Strategy', Cmnd.6313.
- HMSO (1977), 'Policy for the Inner Cities', White Paper, Cmnd.6845.

HMSO (1977), 'Local Authorities and Industrial Strategy', Circular 71/77.

HMSO (1981), 'A New Training Initiative: A Programme for Action', Cmnd.8455.

HMSO (1983), 'The Problems of Management of Urban Renewal (Appraisal of the Recent Initiatives in Merseyside), Volumes 1-3' Third Report of the Environment Committee.

HOUSE OF COMMONS 1945-56, Volume 418, January 22nd - February 8th.

HOUSE OF COMMONS 1947-48, Volume 444, November 10th - November 28th.

HOUSE OF COMMONS LIBRARY RESEARCH DIVISION (1981), 'Unemployment', Background Paper, March.

HOUSE OF LORDS, Hansard, 1980, November 12th.

HOUSE OF LORDS (1982), Select Committee on Unemployment.

JAHODA M., LAZERFIELD P.F. and ZEISAL H. (reprinted 1972), 'Marienthal: the sociology of an unemployed community', Tavistock.

JARMAN D. (1983), 'Implementation with and without Local Plans: A West Lothian Case Study', unpublished paper by Depute Director of Physical Planning, West Lothian District Council.

JENKINS C. and SHERMAN B. (1978), 'The Collapse of Work', Eyre Methuen Ltd., London.

JENKINS C. and SHERMAN B. (1981), 'The Leisure Shock', Eyre, METHUEN.

JORDAN B. (1981), 'Automatic Poverty', Routledge & Kegan Paul.

KEYNES J.M. (1936), 'The General Theory of Employment, Interest and Money', Macmillan, London.

KROPOTKIN P. (reprinted 1972), 'Mutual Aid', Allen Lane.

KNIGHT B. and HAYES R. (1981), 'Self-Help and the Inner City', London Voluntary Service Council.

KNIGHT B. and HAYES R. (1982), 'The Self-Help Economy', London Voluntary Service Council.

LABOUR PARTY (1967), 'Report of the 65th Annual Conference'.

LABOUR PARTY (1976), 'Report of the 74th Annual Conference'.

- LABOUR RESEARCH DEPARTMENT (1981), 'Unemployed Workers Centres - an LRD Survey', October, pp.208-12.
- LABOUR RESEARCH DEPARTMENT (1983), 'Bargaining', Monthly Journal of the Labour Research Department, December.
- LAMB K. (1983), 'Trade Unions and the Unemployed', in Unemployment Unit Bulletin, No.10, November, pp.6-8.
- LAMBETH BOROUGH COUNCIL (1980), 'Draft Development Plan'.
- LAWLESS P. (1979), 'Urban Deprivation and Government Initiative', Faber & Faber, London.
- LAWLESS P. (1981), 'Britain's Inner Cities, problems and policies', Harper & Row, London.
- LAYARD R. (1980), 'Evidence to the House of Lords Select Committee on Unemployment', Centre for Labour Economics, London School of Economics, Discussion Paper No.64, March.
- LEWIS C. DAY (1935), 'A Time to Dance and Other Poems', The Hogarth Press.
- LOCAL ENTERPRISE ADVISORY PROJECT (1982), Annual Report, August.
- LONDON BOROUGH OF HAMMERSMITH AND FULHAM (1981), 'Small Firms in the Inner City - a Review of the Literature', Planning Research Group, Directorate of Development Planning.
- LONDON BOROUGH OF ISLINGTON (1982), 'Decentralisation - The Brief for Consultation'.
- LONDON BOROUGH OF WANDSWORTH (1978), 'Programmes and Policies for Firms Outside Main Employment Areas', November.
- MACKAY D.I. and REID D.L. (1972), 'Redundancy, Unemployment and Manpower Policy', Economic Journal 81.
- MAKENHAM P. (1980), 'The Anatomy of Youth Unemployment', Department of Employment Gazette, March, pp.234-36.
- MARRIS P. (1982), 'Community Planning and Conceptions of Change', Routledge & Kegan Paul, London.
- MARSDEN D. and DUFF E. (1975), 'Workless - Some Unemployed Men and their Families', Penguin.
- MARSDEN D. (1982), 'Workless', Croom Helm, London.
- MARWICK A. (1982), 'British Society Since 1945', Allen Lane.



- MASSEY D. and MEEGAN R. (1978), 'Industrial Restructuring Versus the Cities', Urban Studies 15, pp.273-88.
- MASSEY D. and MEEGAN R. (1982), 'The Anatomy of Job Loss', Methuen.
- McARTHUR A.A. (1984), 'The Community Business Movement in Scotland: Contributions, Public Sector Responses, and Possibilities', Discussion Paper No.17, Centre for Urban and Regional Research, University of Glasgow.
- McKEAN R. (1975), 'The Impact of Development Area Policies on Industry in Glasgow', Urban and Regional Studies, Discussion Paper 15, University of Glasgow.
- METCALF D. (1979), 'Unemployment in Great Britain: Analysis of Area Unemployment and Youth Unemployment', International Institute of Management, Berlin, November.
- METCALF D. (1979), 'Unemployment, Prospects, Incidence and History', Paper given to DHSS Summer School, Cambridge University, July.
- METCALF D. (1982), 'Special Employment Measures: an Analysis of Wage Subsidies, Youth Schemes and Worksharing', Midland Bank Review, Autumn/Winter.
- METCALF D. (1980), 'Worse than 1931?', unpublished paper, University of Kent.
- MERSEYSIDE COUNTY COUNCIL (1984), 'Local Authority Financing in the Current Climate', County Treasury, June.
- MIDDLETON A. (1981), 'Local Authorities and Economic Development', Centre for Urban and Regional Research, Discussion Paper No.1, University of Glasgow.
- MIDDLETON A. (ed) (1983), 'The Public Sector and Urban Economic Regeneration', Discussion Paper No.12, Centre for Urban & Regional Research, University of Glasgow.
- MINISTRY OF LABOUR GAZETTE (1962), 'Characteristics of the Unemployed', April.
- MINISTRY OF LABOUR GAZETTE (1966), 'Characteristics of the Unemployed', April.
- MINNS R. (1982), 'Enterprise Boards: West Midlands Leads the Way ...' in Initiatives, November 1982, Issue 3, pp.10-12.
- MOY J. (1982), 'Unemployment and Labor Force Trends in Ten Industrial Nations: an update', Monthly Labor Review, November, pp.17-21.

- MOYLAN S. and DAVIS B. (1980), 'The Disadvantages of the Unemployed', Department of Employment Gazette, August pp.234-36.
- MOYLAN S. and DAVIS B. (1981), 'The Flexibility of the Unemployed', Department of Employment Gazette. January, pp29-33.
- MS (1976), 'Towards a Comprehensive Manpower Policy',
- MSC (1977), 'The New Special Programmes for the Unemployed'.
- MSC (1977), 'Young People and Work', (The Holland Report).
- MSC (1980), 'Outlook on Training: Review of the Employment and Training Act 1973'.
- MSC (1980), 'A Study of the Long Term Unemployed'.
- MSC (1981), 'A New Training Initiative: A Consultative Document', May.
- MSC (1982), 'A New Training Initiative: Youth Task Group Report', April.
- MSC (1982), 'Annual Report'.
- MSC (1982), 'Enterprise Allowance Scheme - Survey of Applicants', unpublished paper, August.
- MSC (1982), 'Manpower Review', July.
- MSC (1983), 'Corporate Plan 1983-87', April.
- MSC (1983), 'Towards an Adult Training Strategy: a Discussion Paper', April.
- NATIONAL UNEMPLOYED WORKERS MOVEMENT (1983), 'Open Letter to Trade Unionists', April.
- NATIONAL COUNCIL FOR VOLUNTARY ORGANISATIONS (1980), 'Work and the Community, A Report on MSC Special Programmes for the Unemployed', Bedford Square Press, London.
- NEWCASTLE TRADES COUNCIL, 'On the Stones', (undated).
- NTC, 'Life Without Wages', (undated).
- NEWNHAM R. (1980), 'Community Enterprise: British Potential and American Experience', School of Planning Studies, University of Reading, Occasional Papers OP3.
- NEW UNIVERSITIES QUARTERLY (1980), 'The Culture of Unemployment', Vol.34, No.1, Winter 1979/80.

- NOZICK R. (1974), 'Anarchy, State and Utopia', Basil Blackwell, Oxford.
- OAKESHOTT R. (1978), 'The Case for Workers' Co-operatives', Routledge & Kegan Paul.
- OBSERVER NEWSPAPER (1980), 'What Cuts in Benefits will Mean for Britain's Poor', 23rd November.
- ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (1980), 'Information Technology in the Office: the Impact on Women's Jobs', Manchester.
- ORWELL G. (1937), 'The Road to Wigan Pier', Gollancz, London.
- PAHL R.E. (1975), 'Whose City?', Penguin.
- PAHL R.E. and WALLACE C. (1980), '17-19 and Unemployed on the Isle of Sheppey', Report to the Department of Environment, The University, Kent.
- PAIN J. (1983), 'Community Programme - a Battle Lost', in Unemployment Unit Bulletin, No.10, November.
- PARKER S.R., THOMAS C.E., ELLIS N.D. and MCCARTHY W.E.J. (1971), 'Effects of the Redundancy Payments Act', Office of Population Censuses and Surveys.
- PARKINSON M. and DUFFY J. (1984), 'The Minister for Merseyside and the Task Force', Parliamentary Affairs, Vol.37, No.1, Winter, pp.76-96.
- PEACOCK A.H. and WISEMAN J. (1961), 'The Growth of Public Expenditure in the United Kingdom', Princeton University Press.
- PEARCE J. (1978), 'Can We Make Jobs', Local Enterprise Advisory Project, Paisley.
- PENMAN S. (1983), 'Leisure and Recreational Provision for the Unemployed', unpublished Diploma, Department of Town and Regional Planning, University of Glasgow.
- PHILLIPS A.W. (1958), 'The Relationship between Unemployment and the Rate of Change in Money Wage Rates in the United Kingdom 1861-1957', Economic 25, November.
- PHILIPS L., VOTEY H.L. and MAXWELL W. (1972), 'Crime, Youth and the Labour Market', Journal of Political Economy, Vol.80, pp.491-504.
- PIACHAUD D. (1979), 'The Cost of a Child', Child Poverty Action Group, Poverty Pamphlet, 43.

PIERCY N. (1982), 'Where can an Entrepreneur Start a New Firm?', The Guardian, 4th June.

PILGRIM TRUST (reprinted 1968), 'Men Without Work', Cambridge University Press.

PILKINGTON BROTHERS LIMITED (1980), 'Search Launched for Britain's Entrepreneurs of the 1980s', News Release 27th February.

PLANNING BULLETIN, various copies.

PLANNING EXCHANGE, LEDIS Information Service.

PLATT S. (1983), 'Unemployment and Parasuicide in Edinburgh 1968-1982', Unemployment Unit Bulletin, No.10, November, pp.4-5.

POCOCK C.C. (1977), 'More Jobs: A Small Cure for a Big Problem', Ashridge Lecture, Shell, London.

POPAY J. (1981), 'Ill Health and Unemployment', Unemployment Alliance Briefing Paper No. 2, November.

RICHARDSON J.J. (1983), 'The Development of Corporate Responsibility in the UK', Strathclyde Papers on Government and Politics, No. 1.

ROBINSON J. (1979), 'The Generalisation of the General Theory and Other Essays', Macmillan, London.

ROBSON W.A. and CRICK B. (1970), 'The Future of the Social Services', Penguin.

ROBSON W.A. (1976), 'Welfare State and the Welfare Society', George Allen & Unwin.

ROGER TYM & PARTNERS (1982), 'Enterprise Zones, Second Year Monitoring Report'.

ROGER TYM & PARTNERS and DELCITTE, HASKINS & SELL (1982), 'Business Development and Employment', Report to the Scottish Development Agency.

ROUSSOPOULOS D. (ed) (1982), 'The City and Radical Social Change', Black Rose, Montreal.

ROYAL TOWN PLANNING INSTITUTE (1979), 'Employment Planning: A Consultative Document', Report of the Working Party.

RTPI (1979), 'Planning Free Zones, Policy Statement, November.

- SALMON H. (1983), 'Unemployment, Government Schemes and Alternatives', Association of Community Workers, October.
- SARGENT V. (1980), 'Large Firms and Small Firms: a review of current activities', Research Paper, London Enterprise Agency, September.
- SCASE R. and GOFFEE R. (1980), 'The Real World of the Small Business Owner', Croom Helm Ltd.
- SCOTSMAN NEWSPAPER (1981), 'Doctor Tells of Health Risk to the Unemployed', 9th October.
- SCOTT M., LASLETT R. (1978), 'Can We Get Back to Full Employment?', Macmillan.
- SCOTTISH ACTION RESOURCE CENTRE (1980), 'Annual Report to 30th June',
- SCOTTISH DEVELOPMENT AGENCY (1983), 'Annual Report'.
- SDA (1983), 'Project Report 1983 GEAR', Area Development Directorate.
- SDA (1984), 'Clydebank Task Force: Position Statement', April.
- SCOTTISH DEVELOPMENT DEPARTMENT (1978), 'Industrial Strategy: Contribution of the Local Authorities', Circular.
- SCOTTISH OFFICE (1980), 'Clydebank Working Party Report: Mr. Fletcher Gives Go-Ahead for Task Force', Press Note 8, January.
- SEABROOK J. (1982), 'Unemployment', Quartet.
- SHOWLER B. (1980), 'Racial Minority Group Unemployment: Trends and Characteristics', International Journal of Social Economics, 7, 4, pp.184-205.
- SINFIELD A. and SHOWLER B. (eds) (1980), 'The Workless State', Martin Robinson, Oxford.
- SINFIELD A. (1981), 'What Unemployment Means', Martin Robinson, Oxford.
- SLATER R. (1975), 'Coping on the Dole', New Society, August, pp.367-69.
- SMITH D. (1980), 'How Unemployment Makes the Poor Poorer', Policy Studies, Vol.1, Part 1, July.
- STERN J. (1981), 'Unemployment and its Impact on Morbidity and Mortality', Centre for Labour Economics, LSE, Discussion Paper No.93, September.

STRATHCLYDE REGIONAL COUNCIL (1981), 'Cost and Impact of Unemployment', Policy and Resources Committee, May.

SRC (1981), 'The Impact of Unemployment on Clydebanks', District Social Work Department.

SRC (1984), 'Strathclyde Community Business Limited', Report by Chief Executive to the Policy and Resources Subcommittee on Social Strategy.

STOREY D.J. (1982), 'Entrepreneurship and the New Firm', Croom Helm.

STUC (1981), 'Unemployed Workers' Centres: STUC Guidelines', March.

STUC (1981), 'Response by the General Council of the STUC to the MSC Consultative Document: "A New Training Initiative"', September.

SUPPLEMENTARY BENEFITS COMMISSION (1980), 'Annual Report', HMSO, Cmnd.8033.

SWANSEA CITY DEVELOPMENT COMPANY, 'Expand with COGS', publicity and information leaflet.,

TAYLOR J. (1982), 'New Jobs for Old - the Case of British Steel Corporation (Industry) Ltd.', 'Northern Economic Review', August, pp.28-35.

TIMES NEWSPAPER, 6th February 1946.

TIMES NEWSPAPER, 25th November 1947.

TIMES NEWSPAPER (1980), 'When Work Means Health', 21st September.

TIMES NEWSPAPER (1982), 'Cost of Jobless Rises to £96 a week Each', 18th February.

TIMBRELL M. (1980), 'Unemployment in the 1980s', Lloyds Bank Review, April, pp.15-29.

TITMUS R.M. (1950), 'Problems of Social Policy', Longmans, Green & Co. Ltd., London.

TITMUS R.M. (1976), 'Essays on the Welfare State', Allen & Unwin, London.

TOWNSEND P. (1977), 'The Neglect of Male Unemployment', New Statesman, October.

TOWNSEND P. (1979), 'Poverty in the United Kingdom', Allen Lane, London.

- TOWNSEND P. and DAVIDSON N. (eds) (1982), 'Inequalities in Health - the Black Report', Pelican.
- TUC (1980), 'Services for the Unemployed', Circular No.85, (1980-81), 12th December.
- TUC (1981), 'Unemployed Workers' Centres: TUC Guidelines', Circular No.123, (1980-81), 29th January.
- TUC (1981), 'Regenerating Our Inner Cities', A TUC Policy Statement, July.
- TUC (1983), 'The Battle for Jobs', February.
- TUC, Centres for the Unemployed Bulletin, Nos. 1-12, March 1981-March 1983.
- UNEMPLOYMENT UNIT BULLETIN, Nos.1-12 (July 1981 - March 1984).
- UNIVERSITY OF CAMBRIDGE (1982), Cambridge Economic Policy Review, Prospects for the UK in the 1980s, Department of Applied Economics, Gower.
- UNIVERSITY OF GLASGOW (1982), 'GEAR Review: Social Aspects', Department of Town & Regional Planning.
- UNIVERSITY OF WARWICK (1982), 'Review of the Economy and Unemployment', Institute of Employment Research, May.
- VALENTE J. and LEIGH R. (1982), 'Local Authority Advanced Factory Units - a Framework for Evaluation', Planning Outlook, Vol.24, No.2, pp.67-9.
- WAINWRIGHT M. (1984), 'Scargill Conducts Court Case on Pension Fund', in The Guardian, 27th March.
- WALSALL METROPOLITAN BOROUGH COUNCIL (1980), 'Walsall's Haul to Democracy: The Neighbourhood Concept'.
- WANDSWORTH BOROUGH COUNCIL (1981), 'Report by Director of Planning on the Progress of Employment Programmes', Paper No. 515, Town Planning Committee 24th February.
- WEBB S. and B. (1916), 'The Prevention of Destitution', Longmans, Green & Co. Ltd., London.
- WERNEKE D. (1978), 'The Economic Slowdown and Women's Employment Opportunities', International Labour Review, Vol. 17, January - February.
- WHITE M. (1983), 'Long Term Unemployment - Labour Market Aspects', Department of Employment Gazette, October.

- WILENSKY H.L. (1976), 'The New "Corporatism": Centralisation and the Welfare State', Sage, London.
- WILSON T. and D. (1982), 'The Political Economy of the Welfare State', George Allen & Unwin.
- WINTOUR P. (1983), 'March for Jobs and Against Apathy', The Guardian, 17th March.
- WINDAS S. (1982), 'Local Initiatives in Great Britain', Vol. 1, Economic, New Foundation for Local Initiative Support.
- WORSWICK G.D.N. (ed) (1976), 'The Concept and Measurement of Involuntary Unemployment', Allen & Unwin.
- YOUNG K. and Mason C. (1983), 'Urban Economic Development, New Rules and Relationships', Macmillan, London.



APPENDIX A: Principal Meetings and Conferences During  
Fieldwork for Section III (Local Responses  
to Unemployment)

During the fieldwork for Section III I travelled extensively within Britain interviewing officials within public, private and voluntary agencies and others involved in local projects. In addition I attended many other gatherings, such as seminars and conferences. I will not attempt to list all of these here, or the many more agencies with whom I corresponded or contacted by telephone. I identify here some of the main agencies and projects I visited and meetings I attended.

CENTRAL GOVERNMENT AGENCIES AND  
DEPARTMENTS

- Department of Employment
- Department of Environment
- Department of Health and Social Security
- Department of Trade and Industry (formerly Department of Industry)
- Highland and Island Development Board
- Manpower Services Commission (Head Offices in Sheffield, and Edinburgh and a number of local bodies, e.g. Area Manpower Boards, Job Centres and Training Workshops).
- Merseyside Task Force
- Scottish Development Agency (various officials and parts of organisation, e.g. Clydebank Task Force, Glengarnock Task Force, GEAR Team).
- Scottish Development Department (Urban Renewal Unit)

LOCAL AUTHORITIES

- Barnsley Metropolitan Borough Council
- Central Regional Council
- Clydebank District Council
- Glasgow District Council
- Greater London Council

(Local Authorities continued)

- Liverpool City Council
- London Borough of Hackney
- Merseyside County Council
- Newcastle City Council
- Sheffield City Council
- Strathclyde Regional Council
- Swansea City Council
- Tyne and Wear County Council
- West Lothian District Council
- West Midlands County Council

PRIVATE SECTOR AGENCIES AND  
INITIATIVES

- Action Resource Centre, London and Merseyside
- British American Tobacco New Enterprise Workshops,  
Toxteth and Liverpool
- British Steel (Industries) Ltd, Glasgow headquarters  
and workshops at Tollcross, Glasgow and Glengarnock,  
Ayrshire
- Business in the Community, London
- Glasgow Opportunities, Glasgow
- Islington Small Business Counselling Service, London
- Levis (Community Affairs Northern Division), London
- Marks and Spencer, London
- Newcastle Upon Tyne, Small Business Unit, Newcastle
- Project Full Employ, London and Bristol
- Rainford Venture Capital, St. Helens
- St. Helens Trust, St. Helens
- Scottish Action Resource Centre, Glasgow
- Scottish Business in the Community, Edinburgh
- Shell Small Business Unit, London
- Small Business Training Courses (Glasgow University,  
Paisley College of Technology, Clydebank College of  
Technology)

# TRADE UNION AND UNEMPLOYED INITIATIVES

- Community Resource Unit, London
- Newcastle Trades Council, Newcastle
- Scottish Trade Union Congress, Glasgow
- Unemployed Workers' Centres (at Sheffield, Clydebank, Newcastle, Liverpool and Stirling)
- Unemployment Demonstration, Glasgow, organised by the Scottish TUC, March 1980
- Unemployment Demonstration, Glasgow, organised by the Scottish Executive of the Labour Party, February 1981

# COMMUNITY-BASED ORGANISATIONS AND PROJECTS

- Bambee Products, Motherwell
- Briech Enterprise Action Group, West Caulder
- Centre for Employment Initiatives, Liverpool
- Community Business Central
- Community Business Scotland
- Community Development Services (Training) Ltd., Liverpool
- Denny Employment Creation Group Ltd., Denny
- Easterhouse Festival Society, Glasgow
- Flagstone Enterprises, Paisley
- Forgewood Enterprises, Motherwell
- Glasgow Council of Voluntary Service
- Goodwill Incorporated Ltd., Glasgow
- Goodwill, Port Glasgow
- Govan Enterprises Ltd., Govan
- Govan Workspace Ltd., Govan
- Grangemouth Enterprises Ltd., Grangemouth
- Greater Springburn Enterprises Ltd., Glasgow
- Home Production Sales Organisation, Glasgow
- Local Enterprise Advisory Project
- London Voluntary Service Council
- Manor Employment Project, Sheffield

## (Community-based Organisations and Projects continued)

- 'Many Hands', Maryhill Community Business Ltd., Glasgow
- Merseyside Adult Training Unit, Liverpool
- Merseyside Innovation Centre, Liverpool
- Neo Industries Ltd., Liverpool
- Poldrait Service and Industry, Glasgow
- Port Glasgow Community Enterprises Ltd., Port Glasgow
- Provanhall Holdings, Easterhouse, Glasgow
- Scottish Council of Social Service, Glasgow
- Stoneyburn Workshops Ltd., Stoneyburn

CONFERENCES AND MAJOR SEMINARS

- 'Convention on Unemployment', University of Glasgow, STUC, November 1980
- 'Developing Unemployed Workers' Centres', Newcastle Polytechnic, Newcastle Trades Council, February 1981
- 'Employment Promotion and Economic Development', London School of Economics, Royal Town Planning Institute, March 1981
- 'Industry and the Inner City', University of Newcastle Upon Tyne, Social Science Research Council, May 1981.
- 'Recession, Redundancy and Redeployment in the Regions', University of Manchester, Regional Studies Association, July 1981
- 'Enterprise and Democracy in Urban Europe, Making the City Work', Mitchell Theatre, Glasgow, The First Conference of Project Turin International, October 1981
- 'Local Economic Development', Edinburgh College of Art, Department of Town and Country Planning, February 1982
- 'Industrial Improvement Areas', Duncan of Jordanstone College of Art, Dundee, The Planning Exchange, October 1982
- 'The Long Term Unemployed', DHSS Headquarters, London, November 1982
- 'Area and Community Development', University of Glasgow, Centre for Urban and Regional Research, January 1984
- 'Local Authorities and Industrial Promotion', Glasgow College of Technology, May 1984

APPENDIX B: Details of Questionnaire Conducted among  
Community Business Workers

Name of Community Business:

1. What date did you start work in the business?
2. Please describe the type of work you do:
3. If you have been employed before what was your normal occupation?
4. Do you have any school, trade or other qualifications  
                                     Yes:                      No:  
     If you do please state which (eg number of O Levels):
5. How many different times have you been unemployed in the last 4 years?
6. What was your employment state immediately before taking up your present work?  
     Unemployed:              Employed:              Temporary MSC Scheme:  
     School Leaver:      Housewife:              Other (state):  
     If unemployed, how long had you been out of work?
7. What is the average number of hours you work each week?
8. What is your average top line pay each week?
9. Which of the following do you consider your present job to be:  
     Permanent:              Temporary:              Unable to say:
10. If you were offered a similar job in a privately owned firm would you prefer this to the one in your present community business? (tick)  
                     Yes:              No:              Don't Know:  
     If 'yes' or 'no' please give reasons for your answer:
11. Please give the following details about yourself:  
                                     Male:                      Female:  
     Number of adults, if any, who stay              Age \_\_\_\_\_ Years  
     with you and are not in paid employment:  
     Number of children under 16, if any,  
     who stay with you:

APPENDIX C: Details of Questionnaire Conducted among  
Small Firms in GEAR and Clydebank

Name of Firm:

Address:

Name of Respondent:

Position in Firm:

Telephone Number:

Date of Interview:

\*\*\*\*\*

About the Firm

1. When was the firm established?
2. Date of moving into the premises:
3. What is the annual rental for the premises?
4. What is the total floorspace of the premises?
5. What business activity takes place within this establishment?
6. Is this establishment:
 

An independent firm?	A subsidiary?
A branch plant?	The headquarters of a multi-plant organisation?
7. If the establishment is a branch plant or subsidiary, please give the name and address of the main plant or head office.
8. Did the firm previously occupy any other premises?
 

Yes:	No:
------	-----
9. If so, please give the precise address of the last premises.
10. What is the current use of the previous premises, if known?
11. What were the main reasons for locating in your current premises?
12. Was this area the first to be offered by the SDA?

13. Did the firm consider locating in any other area?
14. If so, what was the next best alternative?
15. From what area do you obtain the largest proportion of your supplies?

Local	Scotland
Glasgow area	UK
Strathclyde	Other

16. If a major supplier/s can be identified, please state: name of supplier, address, % of total supplies.
  17. In what area is the largest proportion of the establishment's products sold/services rendered?
- |              |          |
|--------------|----------|
| Local        | Scotland |
| Glasgow area | UK       |
| Strathclyde  | Other    |
18. If a major customer/s can be identified, please state: name of customer, address, % of total supplies.
  19. Does the establishment have any particular links with other firms in the local area?

About the Entrepreneur

(NB. establish how many owners/directors the establishment has, and who information is being received about.)

20. Where does the entrepreneur/s reside?
- |              |             |
|--------------|-------------|
| Local        | Strathclyde |
| Glasgow Area | Other       |
21. Immediately before setting up in the present premises, what was the employment state of the entrepreneur/s?
- |            |               |
|------------|---------------|
| Unemployed | Self-employed |
| Employed   | Other         |
- Give details, e.g. if 'unemployed' - for how long?  
if 'employed' - why go self-employed?
22. Before setting up in these premises, has the entrepreneur had any previous experience of self-employment?
  23. Please give details about the general occupational background of the founder/s of the business, e.g. skills, previous employer, jobs and business positions held:

About the Workforce

24. What is the total number of people employed in this establishment? (including owners)
25. Please give details about the composition of the labour force under the following categories:

	<u>Full-time</u>		<u>Part-time</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Owners/Directors .....				
Professional/Managerial/ Technical .....				
Clerical .....				
Skilled .....				
Semi-skilled .....				
Unskilled .....				
TOTAL .....				

- NB (i) part-time workers are classified as persons working for 30 hours or less a week;  
(ii) include apprentices and YOP trainees in 'unskilled' category

26. What proportion of your employees live in the following areas (excluding owners):

Local	Strathclyde
Glasgow Area	Other (specify)

27. Since setting up in the present premises, what change has there been in the establishment's workforce? (give numbers)

NB whether firm is 'relocation' or 'new', establish size of workforce when setting up in premises

No change:	Increase:	Decrease:
------------	-----------	-----------

28. If there has been a change in the total workforce, please give details according to the following skill/sex categories:

Professional/Managerial/Technical  
Clerical  
Skilled  
Semi-skilled  
Unskilled



29. Has there been any shift in the balance between part-time and full-time, or temporary and permanent employment in the establishment's workforce? If so, give details:
30. How many vacancies, if any, do you currently have in each of the following categories?
- Professional/Managerial/Technical  
Clerical  
Skilled  
Semi-skilled  
Unskilled
31. What is your main method of labour recruitment?
32. What proportion of your employees were recruited by the following means:
- Through local Job Centres  
Advertising in Press  
Application by employee  
Personal contact, e.g. applicant recommended or known to firm  
Other (specify)
33. If Job Centre has been the main method, what types of labour have been recruited, i.e. by sex, skill, and age.
34. If personal contact has been the main method, give details about how these people were known to you or put in contact with you.
35. If the firm has increased in employment over the last two years, or since setting up in the premises, what was the previous employment position of those recruited during this period?  
e.g. if 'unemployed' - for how long?; if 'employed', where and in what jobs?
36. What changes do you expect in the size of your workforce over the next few years?
- (a) reasons for the change:  
(b) numbers affected:  
(c) types of labour lost or added:
37. What statutory authorities, if any, have you had contact with over the last few years?
- (a) name/s of authority:  
(b) what was it about?  
(c) how satisfactory was the outcome?

38. Has the firm experienced any theft or vandalism problems since setting up in these premises? If so, give details, e.g. extent of damage, loss to firm, suspected culprits, response from SDA and police, effect on stability of business in present location.

APPENDIX D: List of Abbreviations

ARC	- Action Resource Centre
BAT	- British American Tobacco
BIC	- Business in the Community
BSC(Ind)	- British Steel Corporation Industry Limited
CBI	- Confederation of British Industry
CBS	- Community Business Scotland
CBVU	- Community Business Ventures Unit
CCP	- Comprehensive Community Programme
CDA	- Co-Operative Development Agency
CDP	- Community Development Project
CDS (Training) Limited	- Co-Operative Development Services (Training) Limited
CEP	- Community Enterprise Programme
CP	- Community Programme
CPAG	- Child Poverty Action Group
CRU	- Community Resource Unit
DE	- Department of Employment
DEG	- Department of Employment Gazette
DHSS	- Department of Health and Social Security
DI	- Department of Industry (now DTI)
DoE	- Department of Environment
DTI	- Department of Trade and Industry (formerly DI)
EAP	- Educational Priority Area
EE	- English Estates
EEC	- European Economic Community
EZ	- Enterprise Zone
ERS	- Earnings Related Supplement
FIS	- Family Income Supplement
GEAR	- Glasgow Eastern Area Renewal
GHS	- General Household Survey
GLC	- Greater London Council
GLEB	- Greater London Enterprise Board

GLTB	- Greater London Training Board
GNP	- Gross National Product
HIDB	- Highlands and Islands Development Board
IAS	- Inner Area Study
ICOF	- Industrial Common Ownership Finance
IDC	- Industrial Development Certificate
IIA	- Industrial Improvement Area
JCP	- Job Creation Programme
LEAP	- Local Enterprise Advisory Project
Lenta	- London Enterprise Agency
MSC	- Manpower Services Commission
NAB	- National Assistance Board
NEB	- National Enterprise Board
NEP	- New Enterprise Programme
NUPE	- National Union of Public Employees
NUWM	- National Unemployed Workers Movement
OECD	- Organisation for Economic Co-Operation and Development
RDG	- Regional Development Grant
(sa)	- seasonally adjusted
SB	- Supplementary Benefit
SBC	- Supplementary Benefits Commission
SBC	- Scottish Business in the Community
SDA	- Scottish Development Agency
SDD	- Scottish Development Department
STEP	- Special Temporary Employment Programme
TES	- Temporary Employment Subsidy
TGWU	- Transport and General Workers Union
TUC	- Trades Union Congress
UAB	- Unemployment Assistance Board
UDC	- Urban Development Corporation
UDG	- Urban Development Grant
UIB	- Unemployment Insurance Benefit
WDA	- Welsh Development Agency
WEEP	- Work Experience on Employers Premises
WEP	- Work Experience Programme

YOP            -   Youth Opportunities Programme  
YTS            -   Youth Training Scheme  
YWS            -   Young Workers Scheme

