The British Economy in Transition

From the Old to the New?

Edited by
Royce Turner

ROUTLEDGE

THE BRITISH ECONOMY IN TRANSITION

In the course of the last twenty years, the British economy has changed beyond recognition. In *The British Economy in Transition* the authors examine the nature of these dramatic changes, most of which have been brought about by deindustrialisation and subsequent attempts to regenerate the economy.

Has British industry been modernised? The authors consider this larger question by examining several others which interlock with it:

- Have old industries been replaced by new ones?
- Which traditional industries have survived? What has been the effect of this?
- Is what is left of British industry internationally competitive?

The book also considers the benefits of inward investment as a means of reindustrialisation and job creation. While the volume focuses on the prospects for particular regions and cities, many of the key issues can be seen as central to the economic prospects for Britain as a whole.

The contributors are all leading authorities in their respective areas and the book will be a valuable guide for all those interested in change in British industry and business.

Royce Turner is Research Fellow at the Policy Research Centre, and Senior Lecturer in Public Sector Management at Sheffield Business School, Sheffield Hallam University.

THE BRITISH ECONOMY IN TRANSITION

From the Old to the New?

Edited by Royce Turner

ROUTLEDGE

London and New York

First published 1995
by Routledge
11 New Fetter Lane, London EC4P 4EE

This edition published in the Taylor & Francis e-Library, 2005.

"To purchase your own copy of this or any of Taylor & Francis or Routledge's collection of thousands of eBooks please go to www.eBookstore.tandf.co.uk."

Simultaneously published in the USA and Canada
by Routledge
29 West 35th Street, New York, NY 10001

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data
The British economy in transition: from the old to the new?/
edited by Royce Turner.
p. cm.
Includes bibliographical references and index.
ISBN 0-415-11114-5.–ISBN 0-415-11115-3 (pbk.)
1. Great Britain–Economic policy–1945–??. 2. Great Britain–Economic conditions–1945–??–Regional disparities.
3. Plant shutdowns–Great Britain. 4. Industries–Great Britain.
I. Turner, Royce Logan.
HC256.6.B762353 1994
338.941–dc20 94–46808
CIP

ISBN 0-203-42769-6 Master e-book ISBN

ISBN 0-203-73593-5 (Adobe eReader Format)
ISBN 0-415-11114-5 (hbk)
ISBN 0-415-11115-3 (pbk)

For Carlo

CONTENTS

FIGURES

TABLES

CONTRIBUTORS

Peter Baker is senior lecturer in economics in the Department of International Business at the University of Central Lancashire.

Gordon Dabinett is senior lecturer in Urban Policy at the School of Urban and Regional Studies, Sheffield Hallam University. Previously he worked for Sheffield City Council. He works on different aspects of urban economic development and policy evaluation within the Centre for Regional Economic and Social Research.

Mike Geddes is principal research fellow and research manager of the Local Government Centre, University of Warwick. Recent research has included examining the impact of European industrial restructuring on local and regional economies. He is co-author (with John Bennington) of *Restructuring the Local Economy* (Longman, 1992), and co-editor of the journal *Local Economy*.

Anne Green is senior research fellow at the Institute for Employment Affairs, University of Warwick. She is a geographer with particular interests in spatial aspects of economic, demographical, and social change.

John Lovering is professor of human geography, and director of the Centre for Regional Business Development at the University of Hull. He has worked with trade unions, local authorities, training and enterprise councils, and others on responses to defence spending cuts.

Steve Martin is principal research fellow in strategic management at the Local Government Centre, Warwick Business School, University of Warwick. He is currently directing an ESRC-funded project on the Europeanisation of British local governance.

Jonathan Morris is professor of management at the University of Glamorgan. His research interests are in the impact of multinationals upon regional economies and East Asian business systems. He has published widely in both areas, including (with Rob Imrie) *Transforming Buyer-Supplies Relations* (1991), (with Steve Hill) *Wales in the 1990s* (1991), (with Max Munday and Barry Wilkinson) *Working for the Japanese* (1993), edited *Japan and the Global Economy* (1991), and co-edited *A Flexible Future* (1991).

Garel Rhys, OBE holds the SMMT Chair in Motor Industry Economics at Cardiff Business School, University of Wales, where he is Head of the Economics Section and is also Director of the Centre for Automotive Industry Research.

Ian Stone is reader in economics and head of the Newcastle Economic Research Unit at the University of Northumbria. His research interests are in the areas of regional and industrial development in the UK and European context. Recent work includes a study of inward investment and its impact on local labour markets (for the Employment Department), and the restructuring of defence industries (jointly funded by the European Parliament and the Rowntree Foundation).

Royce Turner is research fellow at the Policy Research Centre, and senior lecturer in public sector management, at Sheffield Business School. He is the author of *The Politics of Industry* (1989) and *Regenerating the Coalfields* (1993).

ABBREVIATIONS

ACE	Annual Census of Employment
A & P	Austin and Pickersgill (former shipbuilders)
ACOM	Association of local and regional authorities in the coal mining areas of the European Community
AEEU	Amalgamated Engineering and Electrical Union
AEU	Amalgamated Engineering Union. Predecessor to AEEU.
ARPA	Advanced Research Projects Agency (USA)
ASTMS	Association of Scientific, Technical and Managerial Staff (trade union merged into MSF, see below)
ASW	Allied Steel and Wire (steel products manufacturer)
ATP	Advanced Technology Programme (USA)
BAC	British Aircraft Corporation
BCE	British Coal Enterprise
BAe	British Aerospace
BEDP	Birmingham Economic Development Partnership
BL	British Leyland
BS	British Steel
CCC	Coalfield Communities Campaign
CEC	Commission of the European Communities
CFBS	Communications, Financial and Business Services
CHP	Combined Heat and Power (Sheffield)
CNC	Computer Numerically Controlled
CND	Campaign for Nuclear Disarmament
COAB	Company Advisory Board
CSO	Central Statistical Office
DESO	Defence Export Sales Organisation
DML	Devonport Management Limited (Devonport Dockyard)

DOE	Department of the Environment
DRA	Defence Research Agency
DTI	Department of Trade and Industry
EC	European Community
EDU	conomic Development Unit (Birmingham)
EEF	Engineering Employers' Federation
EETPU	Electrical Electronic Telecommunication and Plumbing Trade Union
EFA	European Fighter Aircraft
EPOS	Electronic Point of Sale Systems
ERDF	European Regional Development Fund
ESF	European Social Fund
FDI	Foreign Direct Investment
FLA	Future Large Aircraft
FR	Flight Refuelling (defence company)
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GLC	Greater London Council
GMB	General Municipal and Boilermakers (trade union)
HS	Hawker Siddeley
IBC	Isuzu Bedford Corporation (vehicle manufacturer)
ICC	International Convention Centre (Birmingham)
IDOP	Integrated Development Operations Programme. Scheme which allowed for integration of the implementation of the European Structural funds (ERDF and ESF above) and national schemes aimed at regeneration/restructuring
IRC	Industrial Reorganisation Corporation
ISTC	Iron and Steel Trades Confederation
JCCS	Job and Career Change Scheme
JIT	Just-in-time production
KONVER	European Commission fund under which financial assistance for localities suffering contraction in defence industries can be applied for.
LAD	Local Authority District
LLMA	Local Labour Market Area
MEP	Member of the European Parliament
MFA	Multi-Fibre Agreement

MIC	Military-Industrial-Complex
MITI	(Japanese) Ministry for International Trade and Industry
MOD	Ministry of Defence
MSF	Maufacturing Science Finance (trade union formed by a merger of ASTMS and TASS)
NAO	National Audit Office
NAPNOC	No Acceptable Price, No Contract
NCB	National Coal Board
NDC	Northern Development Company
NEB	National Enterprise Board
NEC	National Exhibition Centre (Birmingham)
NEDC	National Economic Development Council
NESL	North East Shipbuilders Ltd
NIA	National Indoor Arena (Birmingham)
NSTAP	National Strategic Technology Acquisition Programme
NUMMI	New United Motor Manufacturering Inc (USA)
PFB	Pressurised Fluidised Bed (experimental coal fired power station)
R&D	Research and development
RECHAR	*Restructuration des Charbonnages*. A fund of money available from the EC for areas experiencing coal mining decline.
RENAVAL	*Restructuration Chantiers Navals*. A fund of money available from the EC for the restructuring of shipbuilding areas.
ROF	Royal Ordnance Factories
ROSE	Rest of South East England (outside London)
SBAC	Society of British Aerospace Companies
SDE	Statement on Defence Estimates
SEEF	South East Engineering Forum
SEM	Single European Market
SERC	Sheffield Economic Regeneration Committee
SDC	Sheffield Development Corporation
SIC	Standard Industrial Classification
SME	Small and Medium Sized Enterprises
SMMT	Society of Motor Manufacturers and Traders
TASS	Technical Advisory and Supervisory Staff
TEC	Training and Enterprise Council
TGWU	Transport and General Workers Union

T&N	Turner and Newall
TQC	Total Quality Control
TRP	Technology Reinvestment Programme (USA)
TSR-2	Tactical Strike Reconnaisance Aircraft
TTWA	Travel to Work Area
TUC	Trades Union Congress
TWDC	Tyne and Wear Development Corporation
TWO	The Wearside Opportunity
UDC	Urban Development Corporation
WDA	Welsh Development Agency
WSG	World Student Games

1
INTRODUCTION

Royce Turner

It is a commonplace to state that Britain was once regarded as the 'workshop of the world'. Such a description has long been consigned to history. When it was used this phrase meant that Britain was renowned for being a centre of manufacturing, producing goods that were traded throughout the world. Particular places within Britain were seen as being centres of world-class excellence in different kinds of manufacturing. The West Midlands, for example, traditionally the second richest region in Britain after the South East, was renowned for engineering products, particularly the production of motor cars and car components. Sheffield, the birthplace of stainless steel, was also a city associated in the popular consciousness with great industry–steel, steel products, and cutlery, particularly–but, paramountly, with quality. The belief, and the actuality, was that a product stamped 'Made in Sheffield' would be a quality product. Other places, too, could lay claim to a place in this pantheon of great industrial glory: Clydeside and the North East of England with shipbuilding; South Yorkshire, Nottinghamshire, and South Wales, with coal; Lancashire and the East Midlands with textiles and clothing; some places–Hertfordshire, the North West–with defence and aircraft manufacture.

It is also a commonplace to state that this world of global leadership in manufacturing has long ago passed. There is an array of statistics that could be brought to bear, and that have been brought to bear, which seek to confirm this. The percentage of the world export of manufactures captured by British companies has halved in thirty years, for example, from 16.3 per cent in I960 to 8.4 per cent in 1990. The manufacturing sector within the British economy employs less than half the number of people in 1994 compared to 1966–down from 8.5 million to 4 million. It makes, proportionately, a far smaller contribution to the country's GDP (Coates, 1994). The share of world trade in manufactures held by companies from the UK fell to 8.6 per cent by 1990. In 1950 it had been 25.5 per cent (Grant, 1993). And so on. That there has been relative economic decline is well known, and needs little rehearsal here.

This book is about these changes in the British economy. If manufacturing has been in relative decline what, if anything, has taken its place? Governments at local and central levels have pursued a plethora of policies aimed at reviving both the national economy and in particular local economies. Essentially, one of the basic objectives of these policies—even if it is sometimes unstated—has been to 'modernise' the local and national economies. If the traditional industries—coal, steel, textiles—were 'sunset' industries, then the only way forward for an economy such as Britain's would be to move forward to an economy based on 'sunrise' industries and service-based industries which have potential for growth. Has this happened, or is the British economy simply left with a smaller traditional industrial sector and little to take its place? This is the central issue this book seeks to explore. Alongside that, it examines the nature of the changes in the British economy and the economic and political framework within which they have taken place.

There is obviously both a sectoral and a spatial aspect involved in examining economic and industrial change. In other words, particular industries have changed and, in some cases, disappeared. In this context, this book addresses the situation as it has affected coal, steel, motor vehicles, engineering, textiles, and the defence industry. Alongside this, of course, industries were associated with particular regions and particular cities. What has happened to the places associated with 'traditional' industries? This book examines two cities—Birmingham and Sheffield—and two regions—Wearside and South Wales—and examines the impact of economic change in each.

The changes in the structure and nature of the British economy in the 1970s, 1980s, and early 1990s have had widespread ramifications of a social, political, and economic kind. For example, one effect of the economic restructuring was that it brought in its wake huge numbers of displaced workers, and removed many employment options from people who might otherwise have expected to work in particular industries. In both coal and steel, to cite two examples, there was inter-generational reproduction of labour. In other words, sons followed fathers down the pit, and sons and daughters (usually) followed their fathers into the steel works. That element of economic security has been disrupted, and in many cases lost. In that sense, the industrial economy exhibits less continuity and less stability. The restructuring has changed—sometimes dramatically, always irreversibly—the economies of many regions and localities within the erstwhile 'workshop of the world'. There is no shipbuilding on the Wear in the 1990s, for example. The only coal produced in South Wales came from opencasting, small privately owned pits, and a drift mine—Betws—closed by British Coal in 1993 and bought by a private sector group and re-opened in 1994 (*The Guardian,* 15 January 1994). Here again, the ownership restructuring serves to emphasise the changing fortunes and nature of employment in industry. Betws, a relatively new mine which did not start production until 1978 and which could therefore lay claim to being one of the most 'modern' of the coal industry, had employed 700 in the years before its closure. On re-opening in the private sector, it employed only 100.

Britain had been the first industrialised country. In many ways, it was the *most* industrialised country. The economic restructuring which, in its modern form, began probably in the late 1960s and gathered pace in the following decades changed all that. Hall (1991) commented on this change in the pattern of employment by noting that:

> In the mid-1950s the UK had been perhaps more industrialised than any other country in history, with more workers in industry than in all services; yet by 1983 there were almost two service workers for every industrial worker.

Grant (1993) also notes that 'a greater proportion of the UK workforce is employed in services than in any other major competitor country apart from the United States'. That the relative importance of manufacturing has declined, while the relative importance of services has increased within the economy, is not *necessarily* undesirable. Despite the fact that fewer services are open to international trade, there may be positive aspects to it. The working conditions of people may have improved, for example.

An entire literature has been devoted to examining the reasons for the decline in the world position of British manufacturing, which is attributed to a variety of causes which range from Treasury ineptitude in economic management, poor managerial performance, militant trade unions, a financial sector within the economy too remote in its own interests from the industrial sector, through to an 'exceptionalism' in British social culture which is alleged to have retarded economic progress (see, for example, Aldcroft, 1982; Barnett, 1986; Coates, 1986; Mann, 1988; Pollard, 1982; Wiener, 1981). It is not the intention here to contribute to that already extensive literature in trying to decipher the reasons for the relative decline in the position of British manufacturing. Relative decline is accepted as given.

Nevertheless, what the change in the position of manufacturing *did* do was to stimulate attempts, as noted earlier—sometimes initiated by governments, sometimes by companies—to *modernise* the British economy, or at least sections of it. This book seeks to address that issue. Has the British economy been successfully modernised? Has it made a transition successfully from being an economy reliant on the old 'staples' of coal, steel, shipbuilding, engineering, to being an economy based on high technology industry or on service-based industries, where the prospects for a sustainable and prosperous economic future are much brighter? A great deal rests upon these questions: the future for individuals, the life chances people have, the economic future for localities and entire regions. Thus as well as examining broad economic regeneration activities, chapter 2 also looks at the post-redundancy experiences of displaced mineworkers.

There are at least two kinds of *modernisation* that can be identified, and this work attempts to address both of them. The first kind of modernisation relates to what has happened to individuals and localities where an industry or economic activity has ceased or almost ceased. The classic examples would be coal or shipbuilding, and in some cases steel. In most cases, as a response to industrial decline, there has been a flurry of activity by some combination of government, government agencies, local government, and private sector led enterprise agencies to stimulate the local economy and reskill displaced workers. Sometimes this has taken the form of a contracting nationalised industry establishing a 'job creation' subsidiary: the key examples would be British Coal Enterprise (BCE), and British Steel Industry. Sometimes it has been local government that has tried, within powers which became more limited as the 1980s and 1990s wore on, to take a leading role at least in co-ordinating economic regeneration efforts. Almost all the large local authorities have economic development departments. Sometimes central government has acted as the 'stimulator', establishing enterprise zones, or promoting other policies designed to regenerate the economies of localities. For example, enterprise zones were announced in the 'coal town' of Pontefract in 1981 (Turner, 1992), and in the Dearne Valley in South Yorkshire, Mansfield in Nottinghamshire, and Easington in the North East—all areas traditionally heavily associated with coal—in 1993. The 'steel towns' of Scunthorpe and Corby had similar assistance granted in the early 1980s. Part of Wearside was granted enterprise zone status after the end of shipbuilding in the early 1990s.

The second kind of modernisation relates to sectors that *have* survived, but have had to change significantly in order to survive. The most obvious examples are motor vehicles, textiles, steel manufacture, and parts of the engineering industry, including the defence industry. In chapter 3, Morris, for example, relates the story of how the steel industry has been modernised in Wales: modern technology is employed; high value added steels are produced; new methods of working are employed; employment levels have been reduced on a major scale.

All the industrial sectors mentioned above have been significant sectors in the British economy. All have been subject to pressures which have initiated changes implemented by both public sector and private sector owners and managers. Often, the most drastic restructuring was in the public sector *prior* to privatisation, as exemplified by steel and coal.

The impacts of these changes have, in some cases, been profound, and the ramifications widespread. In many instances there have been plant closures or, at least, reductions in the labour force. In some cases there has been a change in the ownership of at least part of the industrial sector. The most obvious example of this is motor vehicle production with the Japanese multinationals Nissan, Toyota, and Honda establishing bases in Britain for manufacture. Management techniques and industrial relations have also been affected by the wider change taking place in the British industrial economy. The implementation of these changes—which have included a burgeoning of 'no-strike' agreements and non-recognition of trade unions—has occurred within an economic and political climate which rendered the introduction of such changes far more easy than it would have been in, say, the 1960s or the 1970s.

Quite simply, this was because the massive hike in unemployment from the early 1980s onwards, coupled with legislation that restricted the unions' power, meant that little resistance could be offered to the changes by Britain's once strong trade union movement.

Moreover, the political conditions for the owners and managers of industries and other businesses to implement change were also favourable. The Labour Party, which might be expected to defend the gains of the working class movement in relation to job security and workers' bargaining power, had not won a general election since 1974. The Conservatives, who held governmental office from 1979 onwards, shared the view of some of those who owned and ran British industry that drastic changes were necessary if companies were to survive and compete on a world scale. The central questions in all this, then, are: What has the restructuring achieved? Is the British economy, after sacrifice has been borne by many individuals and localities as a whole, now left with an internationally competitive collection of businesses in the *modernised* sectors? What has been the *politics* of the change? Who has won and who has lost in the process? Who has borne the price of change–the workers, the owners of businesses, individual local economies? In short, putting the two aspects of modernisation together, has Britain entered a new era of a modern, vibrant economy, upon which a sustainable economic future can be built? Or, after years of deindustrialisation, is the economy left with a massive reduction in the size of traditional industry, and the numbers employed by it, but with little to replace it on which a sustainable economic future could be built? Quite clearly, there is no single indisputable answer to these questions. In some cases, the authors in this book consider that much is left to be done to ensure a viable industrial future. Geddes and Green, for example, put forward the outline of a strategy as to how the prospects for engineering in the South East might be enhanced (chapter 6). Similarly, Rhys outlines the steps he believes are necessary if the motor components industry is to achieve higher efficiency, and, by that mechanism, survive (chapter 7). Stone considers that the 'absence of a meaningful industrial strategy at a national level' has contributed to the weakness of the British economy (chapter 8). Baker also sees advantages in a more pro-active role for national and local government in the modernisation of textiles (chapter 4).

The implications of restructuring can be mixed in terms of overall welfare, and what appears to be positive can disguise negative elements. Geddes and Green note, for instance, that the restructuring of engineering in the South East has had the effect of increasing the relative proportion of the workforce engaged in research and development (R&D) activities. On the surface, that appears positive, given that R&D is a sector which would be associated with a 'modernised' economy. The negative aspect to it is that the proportionate rise has been brought about by a shift of the straightforward manufacturing *out* of the South East. In other words, the R&D has stayed in the South East, but a lot of the manufacturing that used to accompany it has gone elsewhere. As

Geddes and Green have it: ‘While a balanced local economy will benefit from the continued presence of R&D, the sudden disappearance of tens of thousands of jobs in manufacturing will be difficult to counteract.’

Similarly, Morris notes that economic regeneration in Wales has had mixed effects (chapter 3). On the positive side, inward investment has been substantial, a considerable number of jobs have been created, and the economy has diversified. On the negative side, wages have fallen further behind those that are being paid in the rest of the UK. A further finding of Morris’s that is worthy of note here is the increasing polarisation of wealth to be found in the ‘new’ Welsh economy: in other words, there is now a bigger gap between rich and poor areas.

It should be recognised that modernisation efforts within the British economy are not at all a new phenomenon. Various governments have embarked on assorted schemes and policies, sometimes associated with new institutional frameworks aimed at enhancing economic performance by companies and within industries. Central to the political debate on this issue is to what extent governments themselves should be involved in directing and implementing the process, and to what extent this should be left to private companies operating within the context of market forces. The answer of the Conservative government first elected in 1979 was clear: government intervention was to be kept to a minimum, and the free market would reign supreme. Within the government, however, there were quite obviously different degrees of emphasis on this by different ministers. Michael Portillo, first as Chief Secretary to the Treasury and subsequently as Secretary of State for Employment, was the standard bearer of nonintervention and free market ideology. In 1992, for instance, he was said to have opposed further financial assistance for mining areas facing pit closures (*The Guardian,* 18 September 1992). Michael Heseltine, President of the Board of Trade, on the other hand, clearly placed himself on the ‘interventionist’ wing of the Party. At the 1992 Conservative Party conference he promised, famously, to ‘intervene before breakfast, before lunch and before dinner’. In 1994, the two fell out, as it were, in public. In a letter leaked to the press, Portillo expressed his disagreement over several areas of policy being pursued by Heseltine’s Department of Trade and Industry (DTI). He advocated the virtual end of financial assistance to firms under regional policy, an end to assistance for aerospace, the faster phasing out of assistance to space technology, and the rationalisation of support for exporters (*The Guardian,* 2 August 1994).

In terms of a history of government efforts to enhance economic performance by firms, some of the most useful early examples to draw on relate to attempts to make the ‘high tech’ connection. The National R&D Corporation, for example, which was merged with the vastly slimmed down National Enterprise Board in the 1980s to form the British Technology Group, began granting financial support for technological innovation and exploitation of inventions as far back as 1949. The 1970s also saw government schemes to support and encourage the high-technology sector. The Product and Process Development Scheme, for example, was launched in 1977 to accelerate product and process innova-tions through subsidising firms' development costs. A similar scheme, also launched under the Labour government, was the Microprocessor Applications Project, established in 1978, aimed at encouraging microelectronic applications in industry.

A number of policy landmarks can be identified, then, which characterise the efforts of both the Conservative and Labour Parties when in power. The major innovation of the Conservatives, under Macmillan in the early 1960s, was to institute the tripartite NEDC as a consultative forum which could advise on economic and industrial policy (Barberis and May, 1993). An application to join the Common Market (as the forerunner of the European Union was then called) was lodged, and a new framework for regulating wages policy was established. Moreover, as Lovering notes in chapter 5, the Macmillan government, in contrast to the rhetoric at least of the later Thatcher-led Conservative government, was actively involved in intervention in industry. He cites as an example how they used the promise of orders for aircraft to encourage mergers in the aircraft production industry. Macmillan's government did not restrict itself to this kind of intervention. It was heavily involved in regional policy–in other words, cajoling or persuading companies to locate in parts of the country which they otherwise might not have considered. The obvious objective here was to bolster economically–and, in the broad sense of the term, to 'modernise'–relatively deprived regions, or regions tied to 'traditional', and usually declining, industries such as coal. This kind of policy was given considerable emphasis in the 1960s. In I960, for example, the then British Motor Corporation (forerunner of British Leyland and, eventually, the Rover group) announced not one, but three new factories to be built in areas of high unemployment (South Wales, Merseyside, Scotland). Rhys notes in chapter 7 the extent to which the motor industry was scattered across the land under regional policy in the 1960s.

Labour, in the 1960s, was explicitly associated with 'modernisation' efforts. This was encapsulated in the hitching of science to socialism in prime minister Harold Wilson's rhetoric of forging a future in the 'white heat of the technological revolution'. Wilson had an explicit plan in 1963:

> First we must produce more scientists. Secondly, having produced them we must be a great deal more successful in keeping them in this country. Thirdly, having trained them and kept them here, we must make more intelligent use of them…. Fourthly, we must organise British industry so that it applies the results of scientific research more purposively to our national production effort.
>
> (quoted in Bealey, 1970)

Institutionally, Wilson's government created the Industrial Reorganisation Corporation (IRC) which encouraged mergers in the private sector specifically to spur efficiency and create companies that could compete on a global scale. It was under Labour, for instance, that ICL, the computer company, was born out of a merger between ICT and English Electric Computers. The government's carrot was an offer of money to develop a new range of computers. Neither company was particularly keen to merge, but the government was anxious to try to create a 'national champion' that could thrive internationally (*The Guardian,* 8 July 1993). In chapter 5 Lovering also explicitly acknowledges this strategy of encouraging mergers here in relation to defence and the effect that this had of 'enhancing] the influence of the dominant [defence] companies'. Importantly, however, Lovering also makes the point that the these efforts left something to be desired in relation to the long term:

> There was no systematic attempt to arrive at a coherent conception of national military needs, and to relate these to national industrial capacity as a whole.

The 'successor' to the 1960s IRC was the 1970s National Enterprise Board (NEB). The NEB was a state-holding company. In other words, rather than the public-corporation model of public ownership that had characterised Labour's 1945–51 administration—where entire industries such as coal, railways, gas, and electric were taken into state ownership—the NEB would take equity shares in companies. The objective was to provide financial assistance for companies without saddling them with debt, but also that the state would henceforth be involved in helping the expanding, modernising sectors of the economy. Thus, for example, the NEB supported the creation of Inmos in the 1970s to manufacture microprocessors and semiconductors. However, the early ambitious and innovative plans for the NEB were soon overtaken by the need for administrative expedience: the NEB was given jurisdiction over two of the then biggest loss-makers in the public sector, Rolls Royce aerospace, and the car, truck, and bus manufacturer nationalised in 1975, British Leyland.

What, then, would a 'modernised' economy look like? How would it be recognisable? There is no direct, unchallengeable answer to this. Modernisation is a value-laden concept. It means different things to different people. There are, however, some broad aspects which would be associated with most people's definition of a 'modernised' economy. First, it would mean a high proportion of the workforce would be employed in high technology industry or in service-based industry. Secondly, it would mean a highly skilled, highly trained workforce, with a substantial proportion of that workforce being well remunerated. Thirdly, it would mean the economy had a modern, efficient, physical, and social infrastructure in terms of communications, transport, health, and education services. Fourthly, it would mean a more mobile labour force: people would have the option and the opportunity to retrain for new employment, and not be trapped in old, obsolescent industries. Anything other than that would produce economic ossification.

DEINDUSTRIALISATION

As the context within which this study of 'modernisation' is located is one of a deindustrialising economy, it would at this juncture be germane to explore the meanings of the term 'deindustrialisation'. This is important because different commentators have placed different emphases on the term. Baker's interpretation in chapter 4, for example, refers largely to declining numbers of people being employed, in this case, in the clothing and textiles industry. Stone, in chapter 8, also follows Caslin (1987), in taking the view that deindustrialisation refers to 'an absolute and proportional decline in industrial employment'. There are, however, varying interpretations of deindustrialisation. For Campbell (1990), for instance, deindustrialisation referred to the *relative* decline of the share of total economic output attributable to the manufacturing sector. Campbell illustrates this by noting that, during the period 1982 to 1988, following the economic recession of the early 1980s, growth in the service sector was nearly 30 per cent, compared to growth of less than 25 per cent in the manufacturing sector over the same period. Singh's (1977) definition, however, is somewhat different. For him, deindustrialisation represented a progressive incapacity to achieve a sufficient surplus of exports over imports of manufactures. There are other interpretations. Bacon and Eltis (1978), in a famous broadside against 'big government', argued that it was politicians who had allowed what they called the 'non-marketed' sector of the economy–activities paid for out of the public purse, rather than by individual private consumers, and therefore largely public sector services–to grow at the expense of the 'marketed' sector. The latter was any part of the economy wherein a business, industry, or organisation had to sell its services or products to a customer in order to survive in the market economy. Governments had connived in this for reasons of political expedience. Re-election to government required full employment, or at least something closely approximating to it, and expanding public sector services was the easiest and quickest way to achieve that. The result was that resources had been pushed away from industry and into, for example, health care, education, local government. The ultimate, and from the point of view of Bacon and Eltis, deleterious effect, was deindustrialisation. For the purposes of this book, deindustrialisation is interpreted in a broad sense: it really refers here to an absolute and/or relative contraction in the *industrial economy,* as opposed to the service sector economy.

Deindustrialisation brought in its wake changes wider than those associated simply with fewer people working in the industrial sector of the economy, although that in itself was obviously damaging to individuals and to the social fabric. Martin notes the catastrophic consequences of unemployment of deindustrialisation on the economy of Birmingham. Rhys notes employment in the vehicle and parts industry falling by nearly 300,000 between 1971 and 1993 (chapter 7). Lovering notes that when defence began to shed jobs—one of the manufacturing industries, alongside, for instance, motor manufacture, which did survive on a large scale in Britain—it was often the last major manufacturing sector in these areas' (chapter 5). Geddes and Green also relate the consequences for unemployment of job shedding in the engineering industry (chapter 6). Deindustrialisation changed the social and economic environment within which workers had to operate. In other words, the processes of control over the labour market, and the labour market itself, changed considerably as a consequence of, and partly as a response to, the transformation brought about by deindustrialisation. For example, there is no doubt that one major aspect of the changing labour market has been the proportionate rise in the importance of female labour. Stone, for instance, notes that the jobs that *are* created as part of the 'regeneration' process are often for women (chapter 8). Morris, also, notes the feminisation' of the workforce in Wales (chapter 3). There is at least anecdotal evidence of similarly changing conditions in traditional coal mining areas. The importance of these findings is that both Wearside and the coal mining areas, for example, as well as Wales, had traditionally seen the 'dominance' of males in the labour market. These changing patterns are manifested not simply in the economy, but reflect a social culture forced into change under economic pressure. In relation to the overall prospects for economic regeneration, it should be noted that Stone also makes the point that the expansion in job opportunities for women did not make up for the fall off in demand for male labour, at least in Wearside (chapter 8).

A further major change affecting the labour market has been the move away from employment in manufacturing and related industries towards service-based employment. Morris, for example, refers to the dramatic change in the Welsh economy which, in the 1970s, was 'dominated by metal manufacturing', and where, by 1991, 68 per cent of the workforce was employed in the service sector (chapter 3). Dabinett (chapter 10) mentions the change in this direction in Sheffield—particularly in relation to financial and business services—as does Martin in relation to Birmingham (chapter 9). Martin notes, however, that the prospects for this kind of service-based employment actually replacing the numbers of jobs lost—at least in Birmingham—are not auspicious.

Even within the manufacturing industries that have survived there have been major changes within the workforce and in work practices. Lovering (chapter 5) notes the 'typical' worker is now no longer the male, union member in his forties. At the higher end of the scale, the worker is now likely to be better qualified, younger, and not belong to a union. At the other end, in an increasingly polarised workforce, there are likely to be more workers on low pay, often women.

Deindustrialisation brought other changes too, or at least helped them along. Some of them related to changes in industrial relations and, coupled with those, an increased pressure to implement 'flexibility' within the labour market and labour force. It is obvious that the traditional industries referred to above—coal, shipbuilding, steel, defence, engineering, and others—had been bastions of strong, if not always militant, trade unionism. More often than not, this trade unionism was associated with male workers. A series of events and policies conspired in the early 1980s onwards to break this mould.

First, the onset of much higher levels of unemployment—partly a consequence of deindustrialisation, as traditional industries contracted—shifted the balance of workplace power away from organised labour and towards the owners and managements of industries and businesses.

Secondly, throughout the 1980s and into the 1990s there was a raft of legislation designed to restrict the power of trade unions and alter the balance of power *within* them as periodic secret ballots were made compulsory for the election of leaders of unions, and prior to industrial action being embarked upon.

Thirdly, privatisation has served effectively to dismember the unity of some unions where it has led to the break up of the industries within which they organised, such as water, shipbuilding, or electricity generation.

As argued earlier, the political context within which these changes were taking place was that of a governmental commitment to a non-interventionist, free market approach to business and industry. That approach extended to the labour market itself, and that factor, coupled with the enhanced power of employers, ensured that there would be more emphasis on 'flexibility' within the workforce. Flexibility, however, has a number of possible meanings and interpretations, as does modernisation. Flexibility can refer to flexibility of numbers (in which a 'core' and a 'peripheral' workforce are introduced); to tasks (in which workers are expected to be flexible in relation to the jobs they are willing and able to carry out); and to time (in which the organisation operates over what is usually a longer time period which will allow it to maximise efficiency and, if applicable, profits) (Atkinson, 1984).

In terms of the Conservative governments' agenda, and the agenda of corporate management implementing the change, 'flexibility' was equated with 'modernisation'. In other words, to modernise meant the introduction of flexibility. This is at least part of the reason why much of the introduction of flexibility in Britain was pioneered in public sector organisations such as the civil service. Stone argues in chapter 8 that a belief that Wearside was prepared to accept this kind 'flexibility' was used as a mechanism for the promotion of the area to inward investors. Morris demonstrates how flexibility has been implemented by inward investors in South Wales and examines organisational features associated with it (chapter 3). Geddes and Green detail the view of engineering companies in the South East on the objective of attaining flexibility (chapter 6). Rhys sees the adoption of 'modern, flexible manufacturing and new product development processes' as being essential to the survival of the motor components manufacturing industry in the future (chapter 7). As argued earlier, however, there are different interpretations as to how modernisation could be achieved and, probably more importantly, what it would constitute and look like once it had been achieved. This is where economics cannot be separated out from politics, because the decision on which 'model' of modernisation to aim for and implement carries explicit political values. Modernisation from a political perspective is different from the view of those arguing for 'flexibility' as the the key would carry with it a different set of values. This approach would recognise the need for efficiency and flexibility in relation to companies' responses to consumer wishes, but would also emphasise the desirability of a workforce which felt content, and would seek to emphasise the necessity of other factors. A modern infrastructure would be one, good training another, an economy which had the capacity for innovation yet another.

Flexibility, on the positive side, is meant to refer to a more pro-active and multi-skilled workforce, more able to respond effectively to the demands placed upon it, and therefore better equipped to contribute to the overall prosperity of the company. Geddes and Green note in chapter 6, for example, that in the engineering industry in the South East the 'drive for flexibility is best exemplified by the widespread shift from separate skilled craftsmen to multi-skilled technicians'. Looking at flexibility in this positive way, then, there is at least the possibility that the fruits of flexibility would find their way back to at least some of the workers themselves via wages higher than they would be in different circumstances, or via enhanced job security. To be in this relatively happy position, however, one would have to a part of the 'core' workforce, that is, the sector of the workforce necessary for the organisation to continue to exist. It is this section that would benefit from security of tenure, and training investment. To be in the 'periphery' conveys few rights and few attractions.

There is also a more negative interpretation which emphasises that 'flexibility' can result in far greater job insecurity, more arduous work, longer hours, and less worker 'rights'. The introduction of 'flexibility' has been a priority of managements in big companies in the 1980s and early 1990s, ranging from the industrial through to the retail sectors. As noted above, many analysts have argued that this has involved the division of the workforce into the 'core' and the 'peripheral'. The former would represent those seen as being the key workers: these would be offered some job security, though they would make up a much smaller cohort than the workforce as a whole before the reorganisation. The latter would be a group of workers with a much reduced level of job security: they would be liable to be dispensed with when no longer necessary; they might be part-time; they would have few 'rights'. In this fashion, companies would decrease their costs and increase the power of management over the labour force.

Morris notes in chapter 3 the introduction of flexibility in the steel industry in South Wales, and the varying impacts this has had on workers and work organisation. In particular, he deals with how 'flexibility' has had the effect of marginalising the unions. Again, the coal industry provides an example of where attempts have been made to introduce this kind of 'flexibility' in an effort—adopting the most charitable view of it—to 'modernise' the industry. Flexibility here took the form of trying to introduce a six-day working week, twelve-hour shifts and more emphasis on productivity payments. The National Union of Mineworkers were bitterly opposed, arguing that conditions of work would suffer. Confidential Department of Trade and Industry documents, leaked to the union in 1994, showed that the government was intending to force the acceptance of the new working conditions on the labour force of the industry in the run up to its privatisation (*The Guardian,* 4 July 1994). Put at its simplest, the alternative view to that of the management was that 'flexibility' was being introduced in order to get more out of the workforce for the same amount of money. In terms of the coal industry, attempts to implement flexibility took a variety of forms. One was the far greater use of subcontractors to work in the mines, as opposed to the direct workforce. Here, the subcontractors could be seen as the 'peripheral' workers and those—few—who remained on British Coal books, the 'core'. In this particular case, of course, the core could not be said to have enjoyed any vestige of job security. Flexibility in the coal industry also extended to changing patterns of shift work, which served to extend working time in return for longer periods away from work.

It is axiomatic therefore, in relation to the above, that the restructuring of the British economy has had a direct bearing on how work tasks themselves are organised. However, Baker, in his study of textiles in Leicestershire in chapter 4, saw few changes towards flexibility in that industry. It is obvious, then, that the flexibility which has been introduced has been introduced at different speeds and with different levels of intensity. This is bound to be the case in a private sector, capitalist economy. The wider impact of 'flexibility' is on the trade unions: it is obviously far more difficult to organise effectively a workforce which is divided, part-time, insecure as to its long-term job security prospects. Thus the power of trade unions is further diminished. In a sense, this is part of the motivation behind management thinking.

Associated with this is the idea that the changing conditions within the British economy have brought about a more 'ruthless' capitalism, one which, because of economic pressures, has less ability to offer people some of the factors that made up security in the old, post-war consensus era of politics. Central to this was full employment, or at least something closely approximating to it, and job security. Indeed, to emphasise the point by contrast, it is argued and widely accepted that there were certain companies within the British economy which operated a kind of 'paternalistic capitalism'. This was associated for a long time with some famous British companies—