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THE NORTH EAST DEVELOPMENT COUNCIL:  
ITS AIMS, RESOURCES AND ACHIEVEMENTS  
1961 - 1972

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Thesis for the degree of M.A.  
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August, 1975.

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## ABSTRACT

As indicated in the INTRODUCTION, this Thesis is concerned principally with the way in which the North East Development Council tried to adapt to changing economic conditions during the period 1961 to 1972. The year 1972 marked the end of an era for the Council because, in the year following, arrangements were being made to re-organise the Council in order that its industrial promotion activity should apply to the whole of the Northern Region instead of just to the North East and the Council subsequently became known as the North of England Development Council.

The work opens with a description of the economic circumstances which preceded the inauguration of the Council. This is followed by an assessment of the significance of the terms "region" and "industrial structure."

Examination is then made both of the aims of the Council and of some of the Council's ideas which lay behind the pursuit of these aims. The ideas referred to were about the creation of employment opportunities, about the problems of new skills and the retraining of labour, about the shortage of Service Industry in the North East, and about the efficacy of market research as a Council activity. This last topic was thought to be especially related to industrial structure and is therefore treated in the chapter on that subject and not under "Pursuit of Aims."

The low rate of growth of Northern GDP per head is next considered and comparison is made between expected and actual growth of Northern investment. The role of the Council in securing this investment is assessed and the

outcome of the Council's efforts is set both against the Council's limited resources and against other difficulties which beset the Council.

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## INTRODUCTION

The main body of the work, of which the following paragraph constitutes a short description, is concerned with the way in which the North East Development Council (NEDC) tried to adapt to changing economic conditions during the period 1961-72. First, however, there is a preliminary description of the economic conditions which faced the North East (NE) from the end of the Second World War until the inception of the NEDC in 1961. Against this background the immediate aim of the Council is determined and there follows an examination of some of the principal ideas which were advocated by the Council for the achievement of its immediate and long-term aims. An attempt is then made to indicate the progress of investment in the Northern Region, as a means of showing to what extent the long-term aims of the Council had been achieved. After this, the part played by the Council in securing investment in the region is assessed as far as possible. Finally, the Council's resources are described and analysed, for the purpose of determining what sort of power the Council possessed for achieving its aims.

Appendices to the first two Annual Reports of the Council form the basis of Chapter 1, which concerns the economic climate of the country and region prior to the setting up of NEDC. Annual Reports, 1962 to 1972, provide the core of information for most of the remaining chapters. One set of statements from these reports discloses the ideas which the Council put forward as possible means of improving the North's economic position. Two other sets of statements,

each taken in sequence, form the basis of flow charts which illustrate respectively, the immediate aim and the co-ordinating role of the Council. Still other sequential statements from the reports illustrate the direction of the Council's thinking on training for new skills. Information about the financial resources of the Council derives from the Income and Expenditure Account and Balance Sheet which appear in each Annual Report. Apart from the Annual Reports the Council published a monthly bulletin of developments in the North East. These constitute the data for the multiple regression exercise of Chapter 4, sec. (i). For Chapter 9, on the Council's resources, an NEDC survey, "Regional Policies in Britain and in Europe" provides information about regional policies in different countries and about the effectiveness of government aid.

Sources of information and method were not confined to publications by the Council, however. A. J. Brown's "Framework of Regional Economics in the UK" is the basis of Chapter 2, on region, and of sec. (i), Chapter 3, on structure. A model by Eaton and Heher of the University of British Columbia is used to examine the reasons for the continuing unemployment of the North, whilst a survey by Potts and Lee of Newcastle Polytechnic supplies information on the attitude of Northern labour to employment in new industries. The work of Woodward and Bowers in NIESR, Regional Papers I provides a valuable basis for the sections of Chapter 5 on the employment of women in the Northern region. Two especially helpful contributions from the Scottish Journal of Political Economy are R. R. McKay's



comments on selectivity of aid and R. A. Hart's data on industrial building completions. Finally, the memorandum of the TUC to the National Economic Development Council forms the basis of Chapter 8, concerning opinion on regional economic policy at the end of the period.

In Chapter 1, attention is drawn to the record of the 1950's when the UK experienced increasing difficulty in reconciling economic expansion with the necessity to obtain more and more imports. The Government's attempts to cope with this situation by adjusting aggregate demand is compared with its effect on Northern unemployment and the weakness of the North's industrial structure is underlined. New hopes for economic expansion culminate in emphasising differential regional aid.

The notion of "region" with reference to economic planning is the subject of Chapter 2. The concept of industrial conurbation is examined as a basis of regional planning.

In Chapter 3, sec. (i), consideration is given to the difficulty of both illustrating industrial structure and of making regional comparisons. Sec. (ii) deals with the relationship of structural complementarity between regions to the introduction of market research as a Council activity.

Chapter 4 attempts to determine the immediate aim of the Council by means of an iterative model based on statements from the Annual Reports.

The pursuit of the Council's aims is the subject of Chapter 5 in which there are five sections. Sec. (i) concerns

the use of a multiple regression exercise to test a hypothesis about the induced effect, on mobile firms, of aid to indigenous firms. In sec. (ii), the Council's opinions on training for new skills are examined. New and traditional industries are placed in the context of a two industry/unemployment sector model and the results of analysis are used for ascribing possible reasons for the North's continuing unemployment. The attitude of employees in traditional industries towards employment in new industries is considered as a factor in prolonging high unemployment. Sec. (iii), in examining the Northern growth of employment in clerical and administrative occupations, concentrates on the employment of women. An attempt is made to determine whether the growth in such employment had been fast enough to be consistent with the aims of the Council. Sec. (iv) again focuses attention on the employment of women. Female employment in clerical and administrative occupations is related to female employment in retailing and a possible explanation of the relationship is offered. Sec. (v) still concentrates upon the employment of women in the North, this time by examining variations in female activity rates to see if anything more is disclosed about the further employment of women and to see whether the findings of sec. (iv) are confirmed.

Chapter 6, on the attainment of the Council's long-term aims, has two sections, the first of which traces the relatively poor Northern growth of GDP per head and seeks to illustrate some contributory factors. Estimates of expected Northern investment are then compared with estimates

of actual investment. The second section, by means of an iterative model, attempts to show the part played by the Council in securing investment in the region.

In Chapter 7, a comparison is made between the South East and the North on the basis of a general relationship between GDP per head growth rate and regional net exports. The two regions named form the exceptional cases, i.e. each had almost zero net exports but their growth rates were markedly different. The explanations offered are related to NEDC activity.

The state of regional economic development at the end of the period 1961-72 is the subject of Chapter 8. The chief source of opinion is the 1972 TUC memorandum to the National Economic Development Council whilst a similar memorandum from the CBI supplies an alternative view in one particular case. Comparisons made with opinions expressed by W. R. Snaith at the beginning of the period are related to some of the changes which beset NEDC from 1961-72.

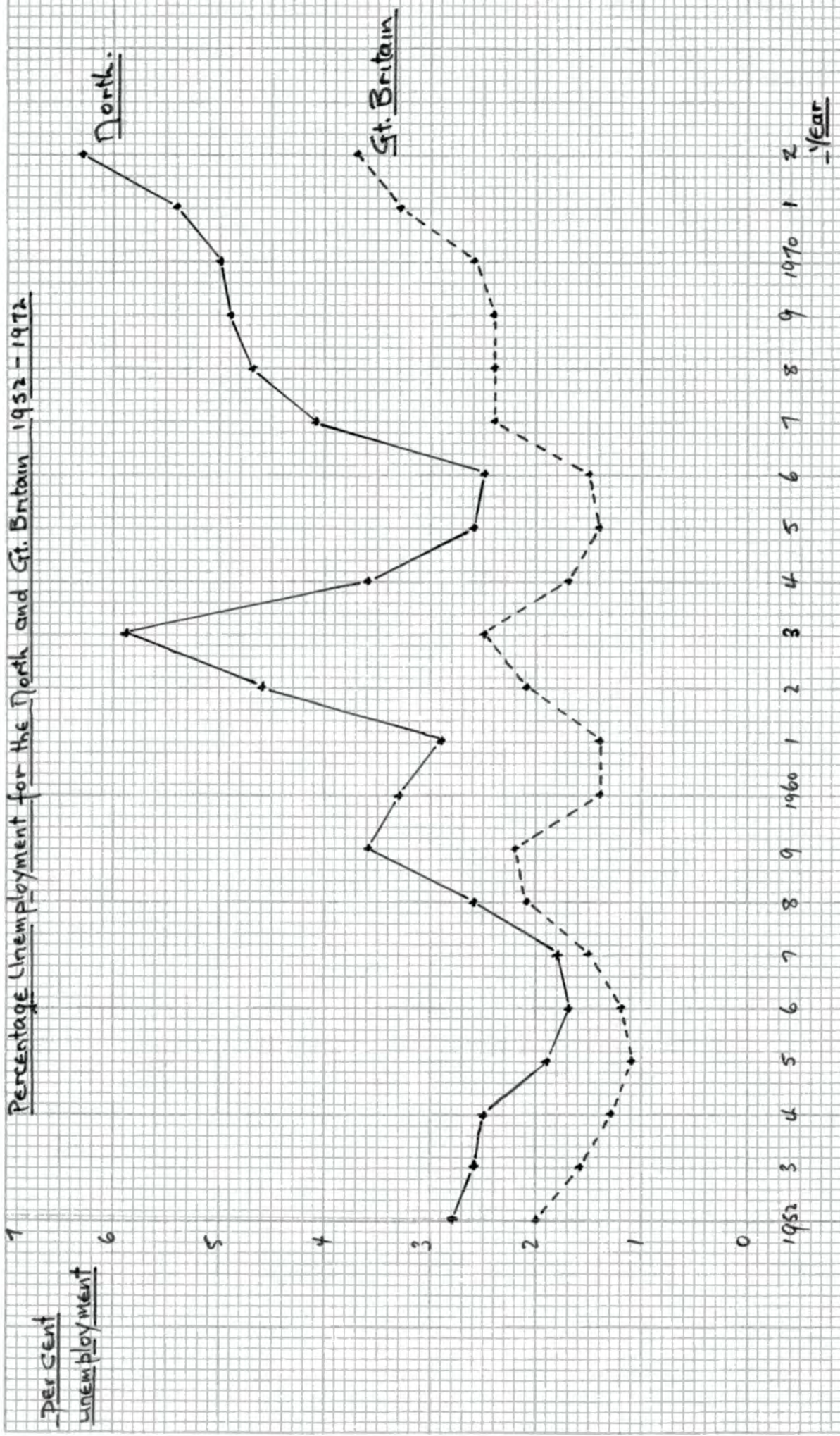
The four sections of Chapter 9 are concerned with the resources of the Council. Sec. (i) deals with NEDC's finances, especially with variation in working capital and the effect of this on staffing. Sec. (ii) deals with three different aspects of Central Government aid. The first of these concerns the development of different forms of Government inducement to mobile firms and the effect such changing circumstances had upon the Council's ability to do its job. The second deals with the Council's attitude in the face of conjectures concerning regional economic planning, brought about by the UK's imminent entry to the EEC. The third

considers forms of Government aid in relation to the types of firm which are supposed to be helped. Sec. (iii) draws attention both to the help given to NEDC by the Department of Trade and to some of the tensions that arose in the course of their association. Sec. (iv) seeks to illustrate the type of investigations that were undertaken by the Council's Research Department.

The Council's attempt to promote itself, the difficulties it experienced in doing so and the relationship of this self-promotion to industrial promotion in the region is the subject matter of Chapter 10.

There are two foci of conclusion. The first deals with the failure of the Council to achieve its immediate aim. NEDC's inability to play a more effective part in reducing Northern unemployment is compared with the Council's small resources and other attendant adverse circumstances. The second seeks to relate an improving investment situation in the North to the activity of NEDC, especially with respect to the Council's approach to Central Government.

Percentage Unemployment for the North and Gt. Britain 1952 - 1972



## Chapter 1

### AN OPINION OF THE ECONOMIC CIRCUMSTANCES WHICH PRECEDED THE SETTING UP OF THE COUNCIL

In the first two annual reports of the North East Development Council (NEDC) there appeared, as appendices, two articles by W. R. Snaith<sup>1</sup> in which he outlined the economic developments which preceded the inauguration of the Council. The choice of these articles did not imply any attempt at random selection of economic opinion nor did it imply a bias in favour of NEDC views. NEDC in fact stated categorically that Mr Snaith's views did not necessarily coincide with those of the Council. The choice was simply one of an economic opinion which might reasonably have been expressed at the time.

Snaith's first concern was with the problems of national economic growth in which all the regions were caught up. During the later 1950's it had become clear that Britain's rate of economic expansion was slower than that of other industrial countries, notably those of the EEC. The record of the 1950's made it plain that, because of low exports, we could not, at that time, achieve both a sustained rate of economic growth and a healthy balance of payments position.

Between 1952 and the summer of 1955, industrial production in the United Kingdom increased by 24 per cent, a performance that compared very favourably with other industrial countries in the same period. After 1955,

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<sup>1</sup> W. R. Snaith, Principal Lecturer in Economics,  
Newcastle-on-Tyne Polytechnic.

however, the now familiar problems of rising prices and excess imports caused the government to apply economic brakes. Subsequently, by the summer of 1958 there was a substantial surplus on the balance of payments and the government felt able, once again, to stimulate the economy. The ensuing industrial expansion was again brought to a halt because, by the summer of 1960, the UK balance of payments was again in deficit. Restrictions on output and demand were imposed and were further tightened in 1961. Snaith's view was that this lack of sustained industrial expansion was due to our inability to pay for the imports which a high level of industrial output required. The industrial capacity was there but, it was estimated, a one per cent increase in total national output required about one per cent increase in imported raw materials and other imported commodities. Unless we could match such increased imports with increased exports we were forced to limit our industrial expansion. As Snaith put it, "the bottleneck preventing economic growth was not an inadequate productive machine, but the inability of that machine to sell abroad a sufficient proportion of its output." The old dictum that a healthy home market had to be established before export could be developed had to be reversed. A healthy export performance was necessary before the home market could be allowed to expand.

Towards the end of the 1950's there were two bright hopes in this situation; one was the Common Market and the other, Economic Planning. There were many in Britain who warned that entry to the Common Market would not of itself

guarantee a greater and more continuous economic growth for this country, but business men and others were impressed by the economic performance of the six, not only in growth generally, but particularly in the field of export. A large and expanding market which would progressively have been denied to us if we did not join also caught the imagination of many, and, in spite of the oft warned prospect of increased food prices, the concensus among businessmen was for joining. The formation of the National Economic Development Council was a radical departure from previous policy and represented an important change in the attitude of leaders of industry towards the idea of planning. The suggestion for the formation of such a body came from the Federation of British Industry and was, apparently, the result of the disappointment felt by much of industry at our poor economic performance in the later 50's. A minimum of 4 per cent growth rate on a long term basis was the aim together with far less erratic development than before. These were the new prospects which faced the North East (NE) and other development areas in the years after 1957, when the post-war boom had come to an end.

By 1962-3 such prospects had not materialised. During the previous year there had been practically no industrial growth in the economy as a whole in spite of the efforts of the National Council. The expected stimulus that entry to the EEC was to have provided did not come about, as we failed to obtain membership. In addition an exceptionally severe winter caused much greater than normal seasonal increase in unemployment. Apart from the influence of this



winter, the NE and country as a whole experienced what was, till then, the highest level of post-war unemployment.

How had the NE come to place its hopes in an untried national body and a completely novel association with continental Europe? The answer was that it was partly out of desperation. When the period of post-war prosperity passed it was realised that there was going to be large scale contraction of the NE's basic industries such as coal mining, ship-building, metal manufacture and both railway engineering and mileage. So much employment had depended on these that something new had to be tried.

From the end of the war until 1957, the NE, with the exception of a few black spots, had enjoyed economic prosperity and in 1957 Northern unemployment was only 0.3 per cent above the national average. A large proportion of the region's working population was concentrated in the basic capital goods industries whose products were then much in demand. Even so there were those who saw something artificial about this prosperity. They remembered how, before the war, the NE's basic industries had been so very vulnerable to trade recession. A change of structure had been needed then and was still needed. Though there had been successful attempts to bring new industries into the NE, the enterprise was not on a sufficient scale to make much difference to employment prospects, particularly for men, when times were hard. There were, however, distractions from these matters. During the decade or so after the war, attention was diverted from the problems of development areas by balance of payments difficulties. In addition,

the buoyancy of demand for the products of the basic industries thrust weaknesses of industrial structure into the background.

The prolonged period of post-war prosperity was not an unmixed blessing for the NE because, together with the years of war it delayed the re-structuring of NE industry by about twenty years. After 1957, things began to change, as the rate of economic expansion slowed down throughout the world. The demand for the products of the NE's basic industries was no longer to be maintained at a high level and the region was made to realise the fundamental weakness of its industrial structure. Unfortunately the opportune time for altering industrial structure had by then passed. It would have been comparatively easy to attract new growth industries to the area while manufacturing activity was rapidly expanding. Industrial structure could have been changed on a long term basis and the serious labour redistribution problems arising from the relatively swift run down in coal mining, shipbuilding, and the railways could have been avoided.

Another feature of the economic scene not helpful to the NE was the government's disposition to apply economic brakes over the country as a whole. It was argued that a five per cent unused capacity and two per cent unemployment corresponded to a stable prices and balance of payments position.<sup>1</sup> The following small table contrasts the NE

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<sup>1</sup> F. W. Paish and Jossleyn Hennessy. "Policy for Incomes." Hobart Paper No. 29. 1968

unemployment position with that of Great Britain as a whole.

YEAR	% Unemployment	
	NE	GB
1951	2.4	1.2
1955	1.9	1.1
1960	3.0	1.6

All three years were crisis years and, with the possible exception of 1955, there appeared to be labour to spare in the NE. A better balanced supply and demand situation for labour throughout the country might have led to longer periods of economic expansion. The Durham Colleges Business Research Unit<sup>1</sup> established that, in times of expansion, labour shortages developed in the London area and the Midlands while there was a relatively high level of unemployment in the NE. In these circumstances, when controls were applied, unemployment rose rapidly in the NE where it was high to begin with. Credit squeezes and other economic restrictions, when applied over the whole country, seemed to have had insufficient effect where they were needed and too much effect where they were not needed. The well known "stop - go" policy made areas like the NE stop before there was a chance to go. Economic controls, applied at national level, meant that whilst some parts of the country had employment conditions which varied from full to over full, other parts merely experienced variation in the extent to which their labour resources were under-utilised. Snaith commented that if an area like the NE had

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<sup>1</sup> W. R. Snaith. "Economic Growth and Regional Development." Second Annual Report of the North East Development Council. 1962-63.

to waste its resources in order to curb excess demand in the Midlands and SE, then Keynesian methods, which concentrated on regulating aggregate demand of the whole economy, were unsuitable for dealing with regional problems. It was against this background of economic imbalance that the Central Government developed the policy of making grants and allowances to firms which were setting up in particular areas.

Implementing such a policy was not without difficulty. At the time, 1961-62, financial inducements were limited to areas known as Development Districts, which were defined in terms of degree of unemployment. Not all such areas were suitable locations for new growth industries even though, by 1962, financial inducements existed for attracting new industry to them. Snaith considered that the emphasis should have been taken off the provision of jobs in certain areas and transferred to the idea of regional economic expansion. Jobs, he thought, would then rationally follow.

## Chapter 2

### DEVELOPMENT OF THE NOTION OF REGION

W. R. Snaith's reference to regional economic expansion assumed the concept of "region" to be self-evident and this may have seemed a valid assumption because, in Britain, the idea of region was very old. As the present pattern of planning regions is very new, however, an attempt must be made to be specific about the nature of the United Kingdom standard regions.

The way in which we divide an area into regions depends on the purpose of the division. For the purpose of economic analysis two principles apply, that of homogeneity and that of complementarity or self sufficiency.

In the first case we seek regions which exhibit a single predominant feature. On the scale of a parish this might be represented by a council house estate, or some other form of grouped housing, the chief characteristic being a total dependence for its existence on what happens elsewhere. In the second case, diversity and self sufficiency may be found in a limited way in small towns.

These principles are not nearly so neatly illustrated once the scale of operations is increased, as it must be to allow the central government to do any planning for various areas of the country. Any considerable area in England would contain a wide range of social, economic and industrial diversity. To try to form a homogenous region with respect to industrial occupation or type of urban settlement would require some very curiously shaped boundaries.

It may, however, be possible to think of homogeneity in terms of concepts such as growth and decline, prosperity and depression which can apply to large areas. The trouble here is that these concepts have gradations, e.g. a high level of unemployment can show very large local variations within any sizeable geographical area.

The problem of finding large areas where the principle of complementarity operates is just as difficult. In the case of a large city or conurbation, people may live well outside the central area, may shop all over the central area and work somewhere else outside the central area. Some considerable recourse to jerrymandering would be required to draw boundaries around such complementary activities as these. So far as regional planners are concerned complementary or self sufficient regions are preferred. It is easier to make plans for a region where people live, work and pay their taxes than it is where these activities are spatially separated.

A planning region then, both from the standpoint of the central government and that of the regional planner, would have to consist of a number of sub-regions most of which, on the basis of either homogeneity or complementarity, would possess highly irregular boundaries.

Taken altogether, however, a collection of sub-regions could form a region with geographical boundaries of reasonably regular shape and unplagued by large re-entrants. The present pattern of UK planning regions grew out of ideas about Development Areas, Special Development Areas and Development Districts. Concentration on the last named,

however, seemed to accentuate those features of declining basic industries, such as slow growth and low personal incomes, which considerable differential aid was supposed to correct. In 1966, development districts were done away with, and development and special development areas were set against a wider background of regions, all of which were to be developed by planning.

Apart from being each a collection of sub regions, is there any criterion by which the standard regions of the UK may be judged to be planning regions? The answer is important because these are the regions in respect of which data are collected and the question arises, therefore, as to the principal purpose of collecting regional data within the boundaries at present specified.

Such a purpose concerns the needs<sup>1</sup> of conurbations in each of the regions. This criterion does not apply equally well to all the eleven UK regions though it applies reasonably well to the majority.<sup>2</sup>

<u>Standard Region</u>	<u>Conurbation</u>
1. South East	City and Greater London Area.
2. West Midlands	Birmingham and the Black Country.
3. North	Tyne, Wear, Tees industrial areas.
4. North West	Double complex of Manchester and Liverpool.

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<sup>1</sup> Sufficient means of production and distribution of industrial output and an acceptable environment for the population.

<sup>2</sup> A. J. Brown. "The framework of regional economics in the United Kingdom." National Institute of Economic and Social Research. Chapter 2.

<u>Standard Region</u>	<u>Conurbation</u>
5. Yorks. and Humberside	South Yorks. industrial area.
6. Scotland	Midland Valley.
7. N. Ireland	Belfast area.
8. Wales	South coast and valleys behind.
9. East Midlands	No particularly large concentration.
10. South West	Bristol-Gloucester-Cheltenham area.
11. East Anglia	No large concentration.

East Anglia belongs to a part of England which was almost completely bypassed by the industrial revolution. The pattern of scattered rural communities and small towns remains even today. At the present time it is the one UK region not dominated by any considerable urban development. This situation may soon be changed, however, because the continuing development of London is encroaching on the southern and south western areas of East Anglia. If this goes on at its present rate, there will shortly be a demand to adjust boundaries in favour of the South East, a development which may well be the beginning of the end of a separate East Anglian region.

In spite of the start of a metropolitan area around Bristol, Gloucester and Cheltenham, and its continuing growth, the South West, like East Anglia is a region whose urban development was very largely unaffected by the industrial changes that took place in the Midlands and the North. The pre-industrial revolution character of much of the region remains and the metropolitan area is on the extreme edge of the region rather than forming the core of it.

The East Midlands is a region of free standing towns.



Though a number of these, like Leicester and Nottingham, have considerable industrial development, there is no dominating industrial complex such as the Birmingham area provides for the West Midlands. The needs of a conurbation cannot therefore be the criterion for regional planning in the East Midlands.

The industrial area of South Wales scarcely dominates the region at all because it is cut off from the rest of the country by a mountainous and sparsely populated interior. The separateness of Wales as a whole is based on grounds other than economic.

Seven out of the eleven regions, then, are dominated by industrial conurbations and regional planning can be carried out in terms of the needs of these dominating areas, since the data collected refer largely to their production. Of the remaining four, East Anglia seems destined to pass under the direct influence of Greater London development while the South West will become increasingly dominated by developments on Severnside. This leaves only two which will be uninfluenced directly by conurbations.

Thus, the Northern Region, as one of the UK standard "planning" regions, comprises a number of smaller areas (sub regions) on the basis of complementarity, the whole region displaying some characteristics of self-sufficiency. The chief criterion by which it may be compared with other regions is the needs of its particular conurbation, but the principle must be applied with some caution as the idea of conurbation is more applicable in some cases than in others. There does not, however, seem to be any other sufficiently

Facets of Northern Employees and Unemployed<sup>1</sup>

Northern Region	Employees Mid-1970 Employed and Unemployed		
	Males	Females	Total
North East	765,400	427,400	1,192,800
Cumberland and Westmorland	84,527	48,745	133,272
Regional Total	849,927	476,145	1,326,072

Northern Region	Unemployed Total Register June 1972			Unemployment Percentage rate		
	Males	Females	Total	Males	Females	Total
North East	60,373	10,442	70,815	7.9	2.4	5.9
Cumberland and Westmorland	4,124	1,193	5,317	4.9	2.4	4.0
Regional Total	64,497	11,635	76,132	7.6	2.4	5.8

North East percentage of Regional Total	
Employees Mid-1970 Employed and Unemployed	Unemployed Total Register June 1972
90	93

<sup>1</sup> From NEDC statistics "NEPB (72) 23,"  
Source, Dept. of Employment.

important feature held so nearly in common which could yield enough data for planning purposes.

Although NEDC was a council for the North East, there are references in this chapter and in other chapters both to the "North" and to the "Northern Region." Geographically there can be no doubt that the North East is only a part of the North or Northern Region, but from the point of view of employees and unemployed, about which this work is principally concerned, the North East overwhelmingly represents the Northern Region, as the tables opposite indicate.

## Chapter 3

### INDUSTRIAL STRUCTURE

#### Sec. (i) Development of the Notion of Industrial Structure

Chapter 1 drew attention to the weakness of the North's "industrial structure." The meaning of this term, like that of "region," was taken to be self-evident. Whilst it is true that industrial structure can be defined precisely, it cannot as readily be illustrated concisely. What then is industrial structure and how can it be illustrated?

Applied to a region, industrial structure is the percentage distribution among industries of the whole occupied population of the region, including the self-employed. Such a distribution can be compared and contrasted with that of any other region for the purpose of distinguishing the most important interregional economic differences. This is not, however, quite so easy to do directly. Even under the pre-1968 classification by industrial order numbers there were no less than twenty-four broad categories of industry. To have compared the industrial structures of two regions would have required consideration of at least twenty-four differences at once. Numerical presentation would have involved too many numbers and twenty-four categories would have been too many for tabular presentation.

Some sort of summary was required and had been attempted by the use of coefficients of specialisation. According

to A. J. Brown,<sup>1</sup> such a coefficient "can best be interpreted as the minimum percentage of the region's occupied population that would have to change from one industrial classification heading to another in order to make the percentage distribution of the region's population coincide with the initial one (before this was done) of the whole country." The interpretation conjured up the idea of a large number of possible changes of which one would have been the smallest, but the manner in which the coefficient was actually worked out did not seem to stem from this. The deviations of the regional percentages from the national were simply summed. There were, of course, two sets, one positive, the other negative, both to one decimal place, and the smaller absolute value was taken as the coefficient. This procedure did not square very readily with the idea of a minimum.

Allowing that the mystery of concept was only apparent, there were still complications of application. It could have been seen easily that a low coefficient indicated a regional distribution not very different from the national and, as the latter was the average of the regions, the degree of regional specialisation in such a case would have been small. Similarly a high coefficient indicated a region where the degree of specialisation was great. In the case of both Northern Ireland and the West Midlands the coefficient, calculated with reference to the national distribution came to 20 per cent, i.e. they both had the same high degree of specialisation, but they were, in

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<sup>1</sup> A. J. Brown, op. cit. p.38.

AGGREGATED REGIONAL INDUSTRIAL STRUCTURE<sup>1</sup>

IND. AGGREGATE	REGION											
	N	SE	WM	Y&H	SW	EM	NW	EA	Wa	Sc	NIr	UK
Heavy Industry	(19)	3	(9)	(13)	3	(11)	7	3	(18)	9	3	7
Engineering and Electrical	(9)	(10)	(12)	7	7	9	(10)	8	5	8	5	(9)
Vehicles, Light Eng. and Mf.	6	(12)	(24)	(10)	(10)	(10)	(13)	(8)	(8)	(9)	6	(12)
Textiles, Clothing and Footwear	4	3	3	(11)	3	(13)	(10)	3	3	6	(13)	6
Agric. and Food Manufacturing	6	4	5	6	(10)	7	5	(16)	8	(9)	(16)	6
Construction	(8)	(8)	7	7	9	7	7	(9)	(9)	(9)	(10)	(8)
Service Industry	(42)	(53)	(36)	(41)	(48)	(37)	(44)	(46)	(43)	(46)	(42)	(46)
Public Admin. and Defence	6	7	4	4	(10)	4	4	7	6	5	6	6
<b>Total</b>	<b>83</b>	<b>78</b>	<b>81</b>	<b>75</b>	<b>78</b>	<b>71</b>	<b>77</b>	<b>79</b>	<b>78</b>	<b>73</b>	<b>81</b>	<b>75</b>

<sup>1</sup> From A. J. Brown, op. cit. Table 2.1, p.40.

fact, markedly different regions as regards industrial structure. If the coefficient had been worked out without reference to the national distribution but directly between the two regions, the result would have been 35 per cent, indicating that though the regions were specialised to the same degree their respective specialisations were in very different directions. Thus, to get a meaningful summary for every comparison, the coefficient would have had to be calculated in two ways. Even so, there would still have been no indication as to which industries predominated in any distribution and which were absent. Quite a large number of words would have had to be written in support of the summary.

In an attempt to overcome these difficulties, the number of industrial categories was reduced, by combining groups, from twenty-four down to eight. The structure thus obtained was not, of course, entirely independent of the combinations adopted but the main purpose of the grouping was to illustrate, as far as possible, complementarity between regional industrial structures, and to do it by numerical tabulation.

In the tabulation, the four largest categories in each region, which together represented over 70 per cent of the occupied population of the region, were framed to illustrate the nature of regional industrial structure. (Table opposite.) To what sort of descriptions did these tabulations give rise?

The column illustrating structure for the UK as a whole suggested the following description. Service

industries, which were for this purpose exclusive of both construction and public administration and defence, employed some 46 per cent of the working population. The group next in size comprised 12 per cent of the working population and consisted of persons employed in vehicle making and light engineering, and manufactures. Next, with 9 per cent of the working population were ordinary mechanical and electrical engineering. Fourth came construction with 8 per cent of the working population. Service industries employed far more people than the next three largest industry groups put together. The impression was that the UK industrial structure was dominated by service industries and that the two largest groups of manufacturing industries together came a long way down the scale. The manufacturing industries contained a large proportion of engineering. Services and manufacturing were backed up by a relatively large amount of construction, which suggested a rapidly developing infrastructure for the country generally.

This type of description could have been given for each of the regions of the UK. In particular, the Northern Region had 42 per cent of its working population employed in service industries, some 19 per cent in heavy industry, 9 per cent in engineering and electrical and 8 per cent in construction. Here was a region traditionally noted for heavy engineering and coal mining in fact dominated by service industries. Heavy industry came very much second though it overshadowed the remainder of the groups after that. There was a strong complement of medium



engineering, much of it to back up heavy industry. Construction, at the same level as for the UK as a whole, suggested a rapid development of infrastructure in the Northern Region.

Sec. (ii) Structural Complementarity; its possible relationship to NEDC policy

Reference has already been made to the idea of illustrating the complementarity of industrial structures between regions. One reason for doing this was to discover whether there were grounds for the following statement which appeared in the 1968-69 Director's Report.

"In the year under review NEDC has undergone a further change towards a market research organisation. A regional industrial register is now set up in charge of an economist registrar and will provide basic information for industrial promotion both here and abroad."

NEDC was attempting to induce mobile firms to migrate to the North East. In what way could market research have been beneficial?

One possibility was that market research might have shown in what respects the region was a market for the goods of many industries. For two main reasons the North was not likely to show up well in this case, however. Firstly, of the ten planning regions of Great Britain, the North, together with the East Midlands, came seventh in size of population, each with 6 per cent of the total.

Regional % Population, Great Britain 1966<sup>1</sup>

SE.	NW.	Sc.	WM.	Y & H	Tot.	SW.	N.	EM.	Wa.	EA.	Tot.
32	12	10	10	9	73	8	6	6	5	2	27

Secondly, it was known that, in the case of the North, personal incomes were relatively low. A small population with relatively low personal incomes was not much of a setting for a market for the goods of many industries.

The other main possibility was that the Northern Region might have been proved to be a good place in which to engage in production. Given the labour supply, the availability of skills, geographical space in which to expand and improved communications, the North might have had plenty of scope for exporting products manufactured from a combination of imported materials and new capital equipment. To what extent was the North in this position? Put another way, how complementary was the North's industrial structure to the structures of other regions? That is, were there many instances of industries important elsewhere being unrepresented in the North? If there were, then market research could have played an important part in establishing the optimum location of new industrial building and plant in the region; in seeking the most profitable outlets for Northern production and in determining the most economic sources of supply of industrial inputs.

On measuring total complementarity of industrial structure between regions (see chapter appendix) the

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<sup>1</sup>From A. J. Brown, op. cit. Chart 5.2, p.105

following results were obtained.

<u>Region</u>	<u>Score</u>
	Total of major industry groups represented elsewhere but not in the Region.
South West )	
Northern Ireland )	19
North	18
North West	16
West Midlands )	
East Midlands )	15
Yorks. & Humberside )	
South East )	
East Anglia )	14
Scotland )	
Wales	13

The North occupied second place on this scale, i.e. a comparatively large number of industries which were important elsewhere were not represented in the North. Hence the region had a relatively high import and export potential. Data for 1967 which illustrated inter-regional flows of goods, disclosed that the North was in third lowest place for exports (£1,900 million) and fourth lowest for imports (£2,100 million).<sup>1</sup> On a per capita basis the North's ranking was only slightly better; fourth lowest for exports (£633) and fifth lowest for imports (£700). There thus seemed to be plenty of scope for expanding the

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<sup>1</sup> From A. J. Brown, op. cit. Table 3.12.

North's inter-regional trade.

In using the above method it was realised that the degree of aggregation employed was very great but this was felt to be necessary in order to produce both a concise result and one which demonstrated the outstanding features of each region's industrial structure. Further, there was no question of trying to be precise about the destinations of regional exports or the sources of regional imports. All that was attempted was to produce a figure for each region that was an indicator of the degree in which the industrial structure of any region was complementary to the structures of all other regions. This figure thus constituted an indicator of specialisation.

The North's relatively high position on the score scale seemed to justify the Director's decision to engage in market research in so far as it sought to be concerned with markets for Northern production outside the region, with sources of supply outside the region and with location of industry within the region. In an interview after his retirement as Director, Fred Dawson remarked,

"We had to get off publicity a bit and go in for market research. It was no good trying to sell a region unless you knew what you were trying to sell, and to know that you had to do some market research. Your publicity and promotion could then be far better directed."

## APPENDIX

Not all eight industrial aggregates were used. The largest four only were taken and, of these, Service Industry was not considered for the purpose of complementarity measurement because of its overwhelming dominance in all regions.

### Percentage Population in Service Industry United Kingdom 1966<sup>1</sup>

SE	N	WM	Y&H	SW	EM	NW	EA	Sc	Wa	N.Ire
53	42	36	41	48	37	44	46	46	43	42

The three next largest aggregates, however, showed the following relative significance.

### Percentage Population in Industry EXCLUDING SERVICE Industry

#### United Kingdom 1966<sup>1</sup>

	SE	N	WM	Y&H	SW	EM	NW	EA	Sc	Wa	N.Ire
TOTAL	47	58	64	59	52	63	56	54	54	57	58
LARGEST 3 ) INDUSTRIAL ) AGGREGATES )	30	36	45	34	30	34	33	33	27	35	40
LARGEST 3 ) OF TOTAL )	64	62	70	58	58	54	59	61	50	61	69

In no instance was the proportion of the three largest less than 50 per cent of the total excluding "Service Industry.

All but two of the regions had proportions well above 50 per cent. The exceptions were Scotland and the East Midlands, where industrial aggregates showed a fairly even distribution. Hence, in each region the three largest industrial aggregates after Service Industry revealed a marked tendency to set the pattern of industrial structure with respect to manufacturing, mining and farming.

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<sup>1</sup> From A. J. Brown, op.cit. Table 2.1, p.40.

For this reason the complementarity of any two regional structures was measured by the number of industrial aggregates, from among these three, which were present in one structure and absent in the other. Thus, in comparing the South East with the West Midlands, there was only one industrial aggregate in the one, which was not represented in the other. "Construction" in the South East was not represented in the West Midlands and "Engineering and Electrical" in the West Midlands was not represented in the South East. These two regions therefore had a complementary score of 1 with one another. The numbers 0, 1, 2 and 3 obtained in this way were taken as complementary scores, 3 rating high and 0, low. A symmetric matrix of these is given below.

	N	SE	WM	Y&H	SW	EM	NW	EA	Wa	Sc	NrI	TOTAL
N	0	1	1	2	3	2	2	2	1	2	2	18
SE	1	0	1	2	2	2	1	1	1	1	2	14
WM	1	1	0	1	2	1	1	2	1	2	3	15
Y&H	2	2	1	0	2	0	1	2	1	2	2	15
SW	3	2	2	2	0	2	2	1	2	1	2	19
EM	2	2	1	0	2	0	1	2	1	2	2	15
NW	2	1	1	1	2	1	0	2	2	2	2	16
EA	2	1	2	2	1	2	2	0	1	0	1	14
Wa	1	1	1	1	2	1	2	1	0	1	2	13
Sc	2	1	2	2	1	2	2	0	1	0	1	14
NrI	2	2	3	2	2	2	2	1	2	1	0	19
TOTAL	18	14	15	15	19	15	16	14	13	14	19	172

The total of any individual row or column corresponding, represented the total complementary score for a given region with respect to all other regions.

## Chapter 4

### AIMS OF THE COUNCIL

However effective the later introduction of market research may have been as an instrument for pursuing NEDC policy, the Council declared its long-term aims against the background of an industrial structure that was particularly vulnerable to conditions of economic recession. The first annual report contained the following passage. "The object of the Council is to assist in promoting sound economic development of the region in the interest of its people."

The Council sought to assist in the economic development of the region by means of industrial promotion. "Sound economic development in the interest of its people" seemed to imply a time path of industrial promotion which would give rise to the best possible level of social contentment in the region. If the setting within which NEDC was working had been stable and the Council's goal had been definitely known, then there would have been some level of contentment where a change in total cost of industrial promotion would have equalled the change in total benefit to the region. The Council's position was that, in any accounting period, its resources were substantially fixed, at least in terms of money, and output had to be maximised from these resources. NEDC might have maximised regional social contentment if all industrial promotions had been pursued until marginal benefits in all directions were equal. There were, however, considerable difficulties about making marginal adjustments, quite

apart from the idea of trying to measure a variable like regional social contentment.

In the first place the setting within which NEDC worked was not very stable. This setting consisted of regional industrial structure, regional infra-structure and regional rate of unemployment. The first two had undergone rapid change from 1961 to 1972, whilst the third had shown considerable variation above a minimum which was itself considered to be far too high.

In the second place, NEDC's ultimate aim or goal, as stated in the first annual report was so unspecific as to allow of ambiguity, for the objectives of the Council's industrial promotion schemes were, in the main, threefold. They were, to change industrial structure, to improve employment opportunities, and to secure economic growth. These objectives could easily have been in partial conflict, however. For instance, if economic growth had been taken to mean increased regional production this could certainly have been consistent with changing industrial structure. There need not, however, have been necessarily any increase in employment opportunities on the scale hoped for, because industry was becoming increasingly capital intensive. On the other hand if economic growth were taken to mean increased employment opportunities then these two objectives of industrial promotion would have been identical but not necessarily reconciled with changing industrial structure unless labour intensive industries were attracted to the region.

NEDC's activities were thus conducted within an unstable



setting so that variations in benefits could not have been well known. In addition, instead of a clearly defined goal, there were goals which could have been in conflict. Hence the conditions for securing the best possible social contentment for the region, by equalising the marginal benefits of various industrial promotions, seemed to be absent.

Could such regional contentment, or other acceptable situation, have been obtained in some other way? Any other way would have required consideration of the relative strength of the goals that faced the Council. Which one would NEDC have tended to follow, or had the Council in fact been mistaken about the goals it was seeking? The actual goal which the NEDC sought might have been disclosed by the Council's attempts to adjust its activity to any change of setting or environment. In the case of NEDC this power of adjustment was severely constrained by the Council's limited financial resources but, even so, excerpts from the Director's annual reports suggested that a repetitive search process was in operation by which the Council identified its immediate aim through courses of action which were adjusted to the experience of the previous year.

The excerpts were as follows:

1961-62

"We have to create conditions more favourable to growth . . . There is also need for a less cautious approach by BOTAC on the granting of financial assistance."

1962-63

" . . . there should be some form of tax differential which would enable areas like the NE to expand at a faster rate than congested areas."

1963-64

"What is needed now is a considerable period of acceleration without the too familiar pattern of sudden braking."

1964-65

"In future we will have to deal more and more with the problems of an expanding economy - the key words here are training and skills."

1965-66

"Our aim therefore must be to promote a feeling of greater confidence in our industrial future so that changing conditions of employment can be more acceptable."

1966-67

"If only one medium-sized firm established itself in each of the blackspots, the problem would be very nearly solved. A target of 30 such firms has been set."

1967-68

"A good example of the changed emphasis towards specific industrial promotion occurred last November when NEDC arranged, in conjunction with the London Chamber of Commerce, to meet key people from major industrial groups at a reception held at Claridges in London."

1968-69

"The success referred to in no way resolves the NE's unemployment which is far too high and must be brought to

an accepted level at the earliest possible time."

1969-70

" . . . employment losses will be balanced by the creation of new jobs, but this 'plateau' has still not been reached . . ."

"A number of difficulties and paradoxes have emerged which need sound solutions if the 'break even' point is to be passed . . ."

1970-71

" . . . the mounting of a holding operation to maintain the existing employment situation in an increasingly difficult national scene."

1971-72

" . . . to be in a position to 'grab' all industrial development opportunities as they arrive . . ."

Percentage Unemployment for the North and Gt. Britain 1961-1972



Summary of Excerpts

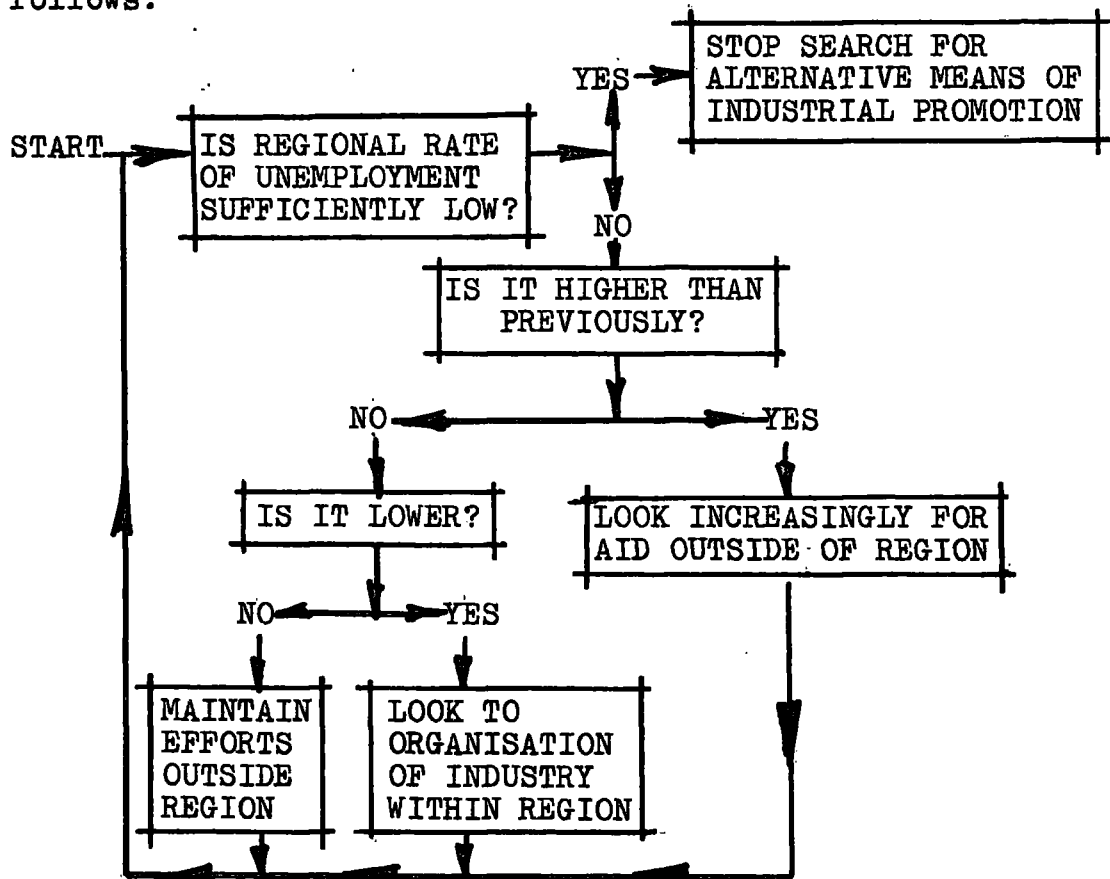
1961-63 ( Demands for direct financial )  
( help from Central Government, )  
( followed up by demand for an ) Rising rate of  
( end of Stop-Go and for con- ) unemployment.  
( tinuous accelerated growth. )

1963-66 ( Attitude changes to contem- )  
( plating improved prospects in )  
( expanding economy - training )  
( for new skills - adjustment ) Falling rate of  
( of work force to new condi- ) unemployment.  
( tions. Not region as a whole )  
( in trouble but only certain )  
( black spots. )

1966-70 ( Looking for help from outside )  
( the region. Again theme of )  
( unemployment too high for ) Rising rate of  
( region as a whole. A ) unemployment.  
( despondency over goals. )

1970-72 ( Just holding on, followed by ) Continued rise  
( an inclination to grasp at ) of rate of  
( anything. ) unemployment.

In spite of frequent references to economic growth, changed structure, future opportunities and other related topics, the most persistent and noticeable element in the Director's reports was the regional rate of unemployment. Each year's efforts seemed to be judged by their effect upon the rate of unemployment in the region. Specifically, then, the search process of the NEDC would have been as follows:



The answer to the opening question was never in the affirmative but should this have occurred, the Council's immediate aim would presumably have been achieved and a sufficiently low level of unemployment would have been reached. "Sufficiently low", however, was not a fixed amount, but a magnitude which would have been adjusted in accordance with the experience of NEDC in carrying out its search process.

## Chapter 5

### PURSUIT OF AIMS

Although the Council appeared to have a number of objectives that could have been in partial conflict under its ostensible aim, the immediate aim seemed to be a reduction in the level of Northern unemployment. How did NEDC seek to do this?

#### Sec. (i) MEANS OF ATTRACTING NEW INDUSTRY

One proposed method concerned financial help for firms already in the region.

#### Indigenous Industry and the Arrival of New Firms

In the Northern Region since 1960 the fall in demand for both coal and ships allowed little hope of any resurgence of employment prospects in the coalmining and shipbuilding industries.

#### 000's Male Employees Northern Region

	<u>June 1960</u>	<u>June 1971</u>
Mining and Quarrying ..	154.3	68.2
Shipbuilding .. ..	58.2	36.6

In addition, two other basic industries in the region had shown a marked decline in employees in the same period.

#### 000's Male Employees Northern Region

	<u>June 1960</u>	<u>June 1971</u>
Metal Manufacture ..	57.5	48.4
Transport and Comm. ..	30.0	62.0

The falling off in people working in basic industries had its effect on the distributive trades where employment

fell from 63.7 thousand in 1960 to 54.7 thousand in 1971. This particular fall was due, in part, to the onset of SET and to the high local multiplier which resulted from employment in labour intensive industries. Altogether in the Northern region the number of employees in the classified industries fell by over 77 thousand in the period June, 1960 to June, 1971.

To make good the loss of employment opportunities on such a scale required an attempt to change industrial structure by attracting new growth industries into the region and by encouraging such growth industries as already operated in the North East.

It was generally accepted that the economic prosperity of regions depended on the level of national economic activity. However, the 1970-71 Director's Report of NEDC contained the following passage:

"Unemployment . . . arises from net shortage of employment opportunities. This is especially true of employment opportunities for males. Policy is therefore rightly directed towards the creation of more and better employment opportunities and the application of Special Development Area 'Operational Grants' to existing or 'native' firms would be helpful." There were not, however, anything like enough 'native' firms in growth industries in the region to permit operational grants to such firms to make much difference to regional growth prospects if the impact of the aid was confined to the firms themselves. Under these circumstances, operational grants to indigenous firms could have been really helpful only if there had been an induced effect on



# New North East Developments against Selected Indigenous Developments

Sept. 1968 to Dec. 1971

New North East

Developments per quarter



Selected North East Indigenous Developments per quarter

mobile firms outside the North to come into the region.

The question was then, could the hoped-for change in industrial structure have been brought about in the North by aiding existing industry there? i.e. could new firms have been attracted to the North by assisting those already there? How, if at all, had the arrival of new firms in the North depended on national economic activity and the development of existing firms in the region?

From June, 1968, NEDC had published a monthly bulletin of developments in the North East. These were arranged in quarters and classified according to industrial orders. New firms coming into the region were distinguished from developments by firms already there.

The diagram of new against indigenous developments showed no particular pattern. However, if a selection of indigenous developments was made, a pattern did emerge. (Diag. opposite) The regression was significant. Developments chosen were under the following industrial orders:

- (a) Engineering and Electrical.
- (b) Textiles, Leather and fur, Clothing and footwear.
- (c) Other manufactures.

All these industries except leather had shown marked increases in employees from June, 1960 to June, 1971.<sup>1</sup>

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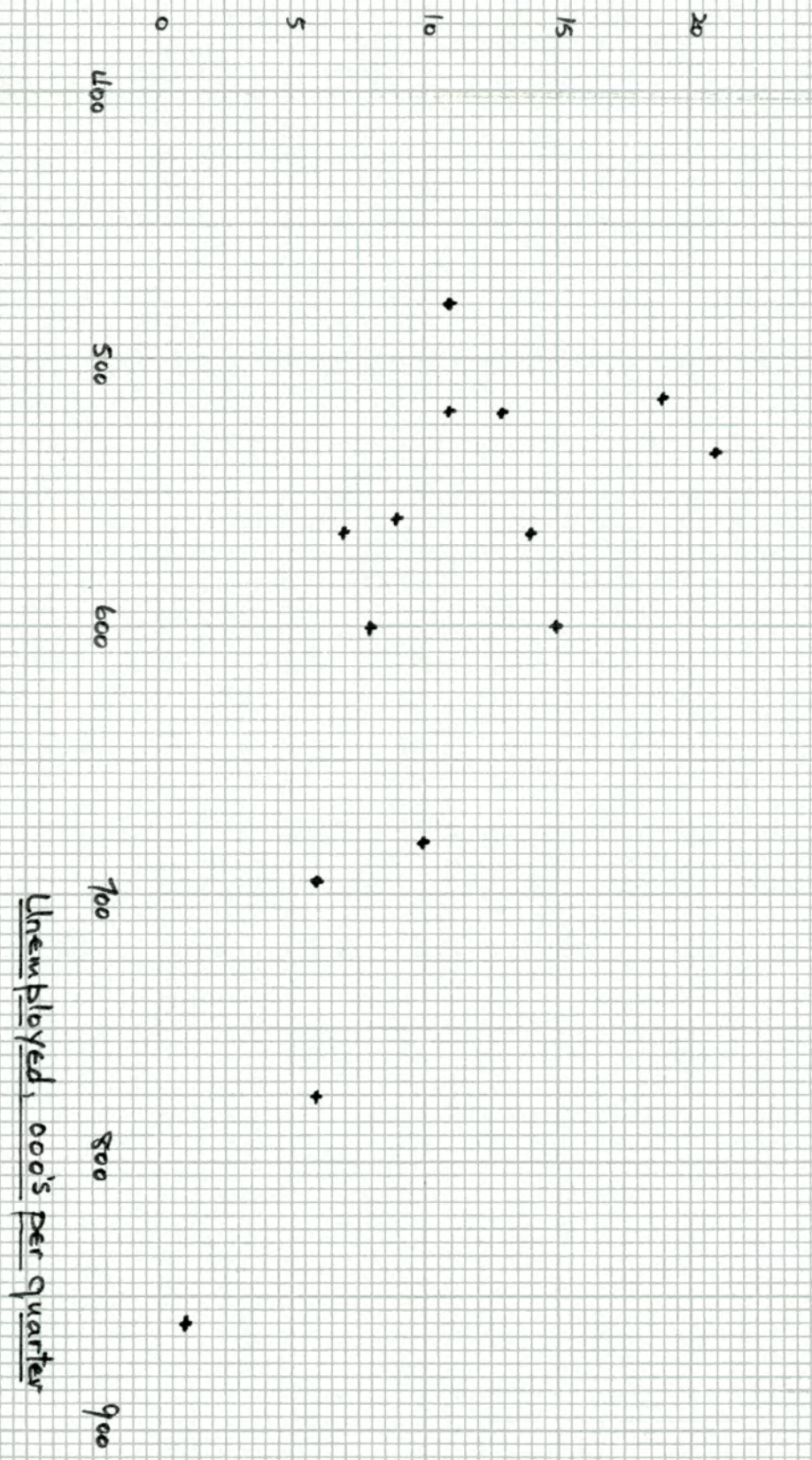
<sup>1</sup> Source. Dept. Employment "Industrial Analysis of Employees (Employed and Unemployed)" June 1960, 1965, 1971. Northern Region.

New North East Developments against Wholly (New) Employed, St. Britain

Sept 1968 to Dec. 1971.

New North East

25 Developments per quarter



Unemployed, 000's per quarter

INDUSTRY	1960	1965	1971
Eng. & Elect.	103.3	123.2	136.2
Textiles ..	19.0	20.3	23.7
Leather ..	2.4	2.3	2.6
Clothing & F/w	30.9	33.0	36.5
Other Man <sup>s</sup> .	<u>10.8</u>	<u>12.4</u>	<u>14.0</u>
TOTAL	166.4	191.2	213.0
	=====	=====	=====

1st DIFFS.                    24.8      21.8

ALL FIGURES IN THOUSANDS

The series of quarterly national figures for persons wholly unemployed was taken as an indicator of National economic activity. When new developments in the North East were regressed on this series a definite inverse relationship resulted and the regression was significant.

(Diag. opposite) On the strength of this evidence it was resolved to test the following hypothesis:

"If national unemployment had fallen and selected indigenous developments had increased then a rise in the number of new firms entering the Northern Region ought to have resulted."

A multiple regression exercise was carried out and the results were as follows:

## ANALYSIS

$Y$  = Number new developments

$x_1$  = Number selected indigenous developments

$x_2$  = National economic activity indicator;

wholly unemployed for Great Britain 000's.

	<u>Sum Sqs.</u>	<u>df</u>	<u>Mean sq.</u>	F ratio
Multiple Regression				
Y on $x_1$ and $x_2$	187.25	2	93.63	93.63/13.61
Residual	<u>149.75</u>	<u>11</u>	13.61	6.9
	<u>337.00</u>	<u>13</u>		

$F^2_{11} = 5.26$  at 2½% points  $\therefore$  Multiple Regression significant.

The large residual sum of squares suggested either that there was room for yet another variable or that the classification of developments under industrial order numbers was not the best that could have been devised for this particular multiplication regression exercise.

The multiple regression equation had the form,

$$Y = 23.813 + 0.383x_1 - 0.027x_2 \quad R^2 = 0.56$$

$$t \text{ values } 2.606 \quad 1.213 \quad -2.352 \quad F = 6.9$$

On the basis of the 't' test there did not seem to be a good case for including  $x_1$  as a significant variable. Thus, NEDC may have been mistaken about advocating operational grants to indigenous firms, in so far as any induced effect upon new immigrant firms was hoped for.

Whether the Council was right or wrong here, however, new firms represented industries which were different from the traditional Northern types and brought with them not only hope of economic growth but also considerable problems of skills and training.

## PURSUIT OF AIMS

### Sec. (ii) DEVELOPMENT OF NEW MANUFACTURING SKILLS

Given that we needed new industry in the region, were there any basic impediments to its becoming established here?

There were frequent comments in NEDC annual reports about skills and training in the North East, and these showed both a decided pattern and a certain vagueness which the following extracts demonstrate.

#### 1962-63, from Director's Report

"More retraining Courses (were required) to ease the transfer of workers from old industries to new ones. Government efforts in this direction have been inadequate, but there are first class local developments on which they could build."

#### 1963-64, from Appendix on Industrial Training in NE

". . . The weakest link in the chain is the one pointed out by the North East Training Council - the provision for the student and technician apprentice. This more sophisticated type of labour is literally indispensable for the light engineering firms we must attract. None of these firms will have such a surplus of these workers that the operation of the existing "key workers transfer allowance" will suffice to eke out their own supply. Indeed the local labour pool is not likely to hold anything at all, for the industrial tradition here is so different. The technical colleges, moreover, have not been able to help owing to lack of demand - yet another

vicious circle situation. The conclusion is inescapable that immediate training in advance of employment, with firms, of 200 student and technician apprentices would be in the highest regional interest."

". . . : Another obstacle to rapid progress is to be found among the adult unemployed. In several places when unemployment has been persistently high, dissatisfaction has been encountered resulting from the disappointing monetary reward for passing into employment from a state of unemployment. The transition from one skill to another has also been hampered because the individual tends to assess the worth of his past experience more highly than his new employer is prepared to recognise. This "grass roots" problem merits specific attention."

"The region has a number of special requirements which may appear to be small but which could retard the regional effort quite seriously. An example is the scarcity of experienced semi-skilled workers in the construction industry, particularly scaffolders, steel handlers and erectors, mechanical equipment handlers and maintenance men. . . ."

1964-65, from Director's Report

"In my last report I issued a warning which, if unheeded, could slow down the pace of our development. That was the lack of adequate facilities for training of new skills and the retraining of redundant men. Measures have been taken to improve the position by increased training places at Government training centres and by the introduction of very generous training grants for firms in development

districts . . ."

". . . Instead of crying 'Woe! Woe' I would advise industrialists to examine their methods of production and to take a serious look at their training requirements in the light of Government assistance available. There are signs that many people who left the area when there were no opportunities for advancement are now hoping to return to assured employment. I believe the time is now opportune for the trade unions to take stock in the light of present day economic circumstances. The present needs and future growth of the North East seem to require social consideration now by employers and trade unions concerned to decide how they can best be met."

1965-66, from section on Industrial Training

"The future of North East industry depends on making better use of the manpower employed and skills available. At present, some shortage of skilled labour does exist and it has been estimated that the region needs to convert 10,000 of its unskilled workers into skilled tradesmen. Training holds the key to the future. Nearly 70 per cent of those now registered as unemployed are unskilled and many are over forty years old.

Although 48.9 per cent of boys entering employment last year went into apprenticeships, probably more than ever before, great changes are needed. . . ."

1967-68, from section of Review of Progress

". . . Training and retraining were the chief subjects of discussion when the Director met the Northern Regional Advisory Committee of the TUC in February. Plans were



laid for a full examination of the training needs of the region by the NEDC Trades Union Advisory Panel early in the forthcoming year.

1968-69, from Appendix on Economic Activity in North East

"The number of young people entering apprenticeship remains substantially higher than the national average, but opportunities for operative and semi-skilled training are still too limited."

1969-70, from Appendix - Trade Union Advisory Panel

". . . A basic examination of skill definitions is necessary while increasing flexibility is demanded by modern conditions. In many industries skill definitions had not kept pace with technical change and many so-called semi-skilled and unskilled workers perform highly intricate tasks . . ."

". . . As industrial change lays claim upon crafts, so different patterns of work used varied physical and mental abilities. The change from "one-off" to "repetitive" production methods in the region alters the tasks performed and the relative demands for skill in breadth and depth. Adjustments in the training facilities for both craftsmen and operatives must take account of these."

These excerpts created a strong general impression that there was a shortage of skills of the type required by the new growth industries. What were these skills? In one instance only was any attempt made to be specific, in this case, about certain jobs in the construction industry. The employments mentioned, however, gave a clue as to what could have been meant by "new skills."

They were not of the old apprenticed type, so well known in areas of heavy industry, but were tasks which would have been regarded by people in such industry as semi-skilled and which required a much shorter period of training. This attitude of denigration towards the skills of new industries continued to hold its own in the Northern Region. What effect had it on the level of employment? The period 1961 to 1972 was one in which ideas commonly held about unemployment and inflation were turned upside-down. Unemployment in the region remained relatively high, and towards the end of the period, greatly increased. This occurred while wages and prices continued to rise. Effective demand seemed quite capable of maintaining a regime of rising prices for consumption goods, consumer durable goods and housing. Was this new unemployment situation in any way due to the attitude of northern labour towards the skills required for the new industries?

Some unpublished work by Eaton and Heher<sup>1</sup> may shed a little light. The authors, in opening their case, stated that whilst neo-classical economics taught that factors of production would search out and find occupations of highest reward, there were yet many people to be observed in occupations of last resort. Persons obtained employment which was neither up to their standard of training

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<sup>1</sup> B. Curtis Eaton and Philip A. Heher, "Unemployment, Underemployment and optional job search" Discussion paper No. 80, Dept. Economics, University of British Columbia, May, 1972.

nor for which they were suited temperamentally. In industrial societies this form of underemployment was known during the depression of the 1930's. After the Second World War, however, labour became conditioned to the notion of full employment in a regular occupation. Eaton and Heher claimed that a youthful labour force with high expectations of regular employment brought about what they termed "stag-flation" conditions when these employment expectations were frustrated. Under such conditions, a rise in aggregate demand could have raised prices and unemployment.

This was demonstrated by means of a three sector model comprising a "gadget" industry, a "shoe-shine" industry and an unemployment sector. The "gadget" industry was characterised by institutional rigidities whilst the "shoe-shine" industry allowed ease of entry to a flexible labour market. "Gadget" industry seemed to resemble old-established industry, long-term apprenticeship and craft unions. "Shoe-shine" industry, on the other hand, seemed to resemble the newer industries with large industrial unions and relatively short periods of training. In the gadget industry the following conditions obtained. Firstly, output depended on labour input with marginal product of labour positive and continuously diminishing. Secondly, the wage of this labour was the value of its marginal physical product. Thirdly, more gadgets were sold if the price of gadgets fell or if consumer disposable income increased. A downward sloping demand curve for labour, relating wage to employment, was derived from this

situation. (See appendix A) Any increase in exogenously given consumer demand had the effect of shifting the demand curve outwards. On the supply side, because of institutional rigidities, either wage level or labour input was given exogenously.

The downward sloping demand curve for labour in the shoeshine industry was derived from considerations of employment in the gadget industry. (See appendix A) Again any increase in exogenously given consumer demand shifted the demand curve outwards. It was held that many people would have preferred to work in the gadget industry but there was not free entry of labour there, as there was in the shoeshine industry. Thus it was supposed that periods of unemployment from the shoeshine industry would have to be contemplated by those people working in it who wished to concentrate on finding a suitable opening in the gadget industry. Prospective transferees would have to balance the expected income foregone whilst unemployed, against the expected gain from obtaining a job in the gadget industry. Labour supply in the shoeshine industry was not determined exogenously but, like demand, from considerations of employment conditions in the gadget industry. These conditions caused the supply curve to slope upwards. (See appendix A)

Gadget  
Industry = X Industry = Craft apprenticed to old established trades.

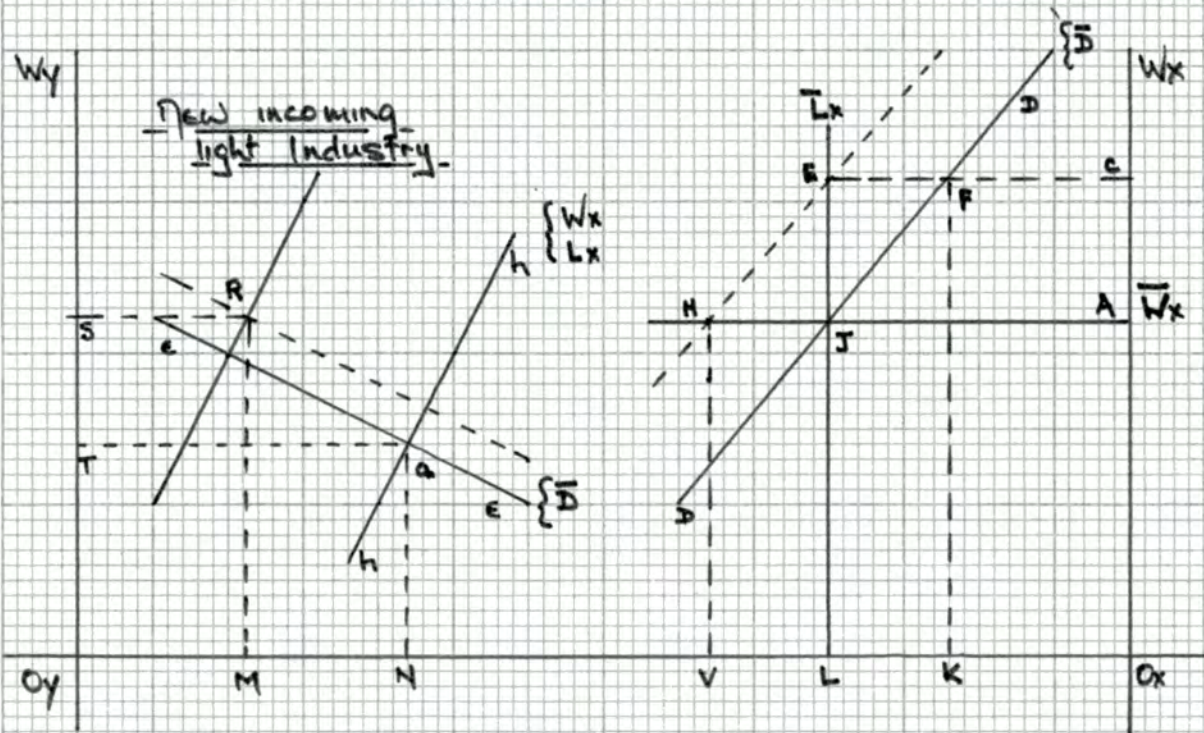
Shoeshine  
Industry = Y Industry = Trainees in skills unfamiliar to the region.

In Diag. total labour is the length of the horizontal axis

Two Industry, three sector model by Eaton and Heber applied to the North East.

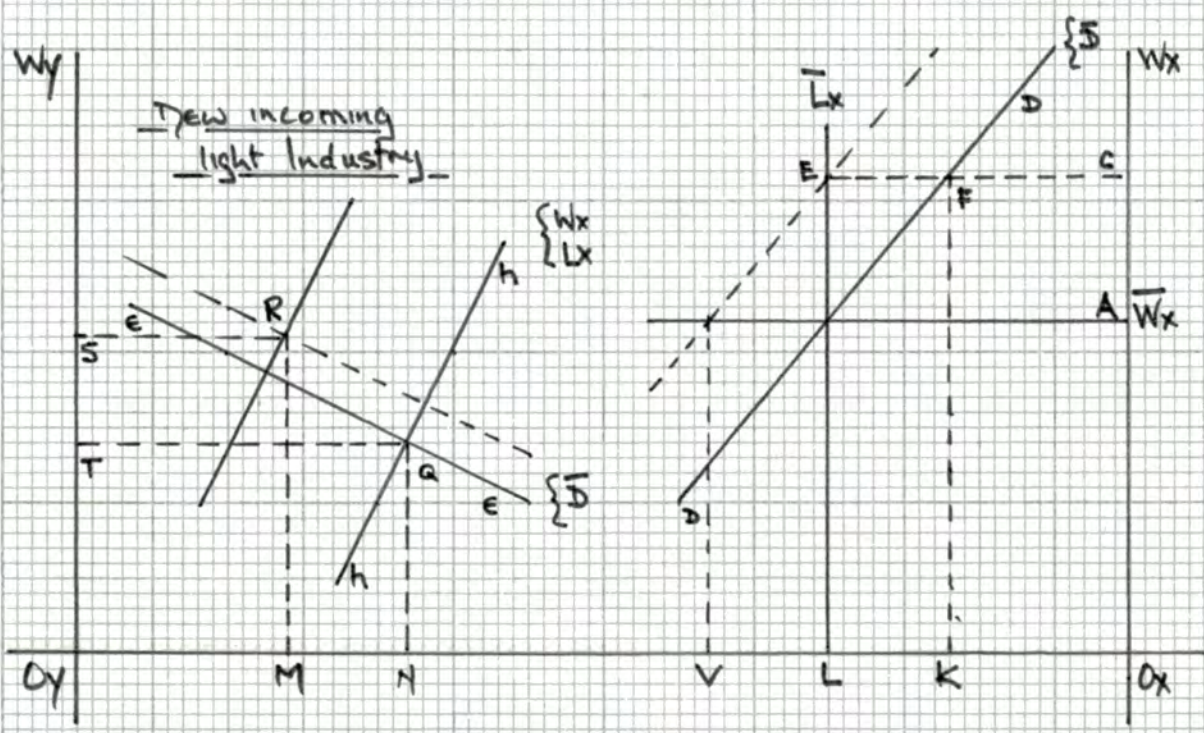
PERVERSE CASE

Traditional heavy Industry



QUASI PERVERSE CASE

Traditional heavy Industry



Ox Oy which is allocated to the X and Y sectors and to unemployment.

Labour employed in the X industry is measured from right to left. Wages in X are measured on the right hand vertical axis. The derived demand curve for labour is D.D. The supply curve for labour in the X industry is either AH or  $L.\bar{L}_x$ , depending on whether the wage or the amount of labour is fixed.

Labour in the Y industry is measured from left to right, with wages in the Y industry on the left hand vertical axis. The falling derived demand curve for labour is EE and the rising derived supply curve, hh.

An increase in aggregate demand,  $\bar{D}$ , would normally shift both demand curves outwards and, hopefully, would result in a fall in unemployment. If labour supply in industry X were fixed, employment would stay at OxL while the wage would rise from OxA to OxC. If wages in industry X were fixed, the wage level would remain at OxA and employment would rise from OxL to OxV.

In the meantime the increase in  $\bar{D}$  would have tended to increase employment in the Y industry. At the same time, however, either  $L_x$  or  $W_x$  would have increased, in either case enhancing the expected benefit of searching for a job in the X industry. If  $L_x$  were greater than before, there would be a better chance of finding a job with a higher wage, whilst if  $W_x$  were greater than before there would be a greater wage differential benefit from employment in the X industry. Thus, some employees in the Y industry would be likely to prefer to become

unemployed in order to conduct the best possible search for a job in the X industry. If this happened it would have the effect of shifting the labour supply curve of the Y industry upwards to the left. The resulting increased wage level in the Y industry would then increase the opportunity cost of being unemployed in order to search for a job in the X industry, and there would be a tendency for those who could not find an opening in the X industry to return to employment in the Y industry. Others, however, would tend to continue the search and what the authors called the "perverse case" occurred when the increase in unemployment in the Y industry more than offset any possible extra employment in the X industry. In the diagram this was indicated by the new unemployment sector MV exceeding the old unemployment sector NL. A quasi-perverse state was said to exist when increase in  $\bar{D}$  merely left the size of the unemployment sector unchanged, i.e. when  $MV = NL$ .

Eaton and Heher showed that, with regard to the output of industry X, if  $L_x$  were held constant, income elasticity of demand had to exceed price elasticity of demand for the model to yield the perverse case. In the Northern Region, industry X tended to be identified with heavy industry, comprising heavier capital goods manufacture and coal mining. Industry Y tended to be identified with light engineering and manufactures. Had price elasticity of demand been less than income elasticity of demand for the output of the North's heavy industry?

Price elasticity depends upon the availability of

substitutes. Certain major industries in the North have outputs which are rather specific. For instance, there are no substitutes for turbo-alternators, large transformers and power lines so far as the electricity supply industry is concerned. Given the high level of demand for electric power, small changes in the price of the supply industry's capital equipment would not be liable to provoke much reaction in the demand for such equipment. Again, cargo ship construction tends to be highly specialised: air transport does not offer a substitute form except under very exceptional circumstances and then only to a certain degree. Thus small changes in price would not much affect the demand for cargo ships. Thirdly, the motor car industry provides demand for heavy duty presses, compressors, cranes and other items of the output of heavy mechanical engineering. While the demand for cars remains high small changes in price of the motor industry's capital equipment will not result in large reactions in demand for it. In such cases, therefore, price elasticity of demand would be likely to be less than unity.

What chance would there be that income elasticity of demand would be greater than unity? That is, if the customers of the capital goods industries became richer, would they spend a greater proportion of their income on the output of these industries? There might be a strong tendency for them to do so. Firstly, each customer would have an incentive to maintain and, if possible, increase his share of an expanding market. There would thus be a



tendency for him to spend rather more in proportion than before on increasing his production capacity. Secondly, customers like the electricity supply industry, ship owners, and motor manufacturers are operating-cost conscious. As they become richer they will consider putting resources into research for better capital equipment which would reduce future operating costs.

What about price elasticity of demand for coal? For many purposes and for a long time coal has had an effective substitute in oil and, more latterly, in natural gas. Coal is therefore likely to be in elastic demand with respect to price. As customers of the coal industry get richer they have shown a tendency to move over to cleaner and more convenient fuels like oil and natural gas and have thus tended to spend a smaller proportion of their income on coal or its by-product, coke. Income elasticity of demand for coal has therefore tended to be less than unity.

Demand for the output of heavy industry then, seemed to display two competing tendencies. Capital goods have tended to show greater elasticity with respect to income whilst coal has tended to show greater elasticity with respect to price. To what extent one offset the other it is difficult to say, but if the first predominated, then Northern conditions were suitable for the perverse case.

From 1961 to 1972, the industrial structure of the Northern Region was changing towards light engineering and manufactures. During the period, however, there was a continuing tendency for the region to maintain the identity which had made it famous. Based on this identity there

was a strong disposition among young men still to try to follow an established trade in the sort of industry in which it had been traditionally carried on. This gave rise to a situation in which apprenticeship seekers pressed strongly for places in declining industries. Some employers thereupon raised standards of entry. Even so, many would-be entrants chose the equivalent of voluntary unemployment by taking pre-apprenticeship courses at local technical colleges rather than move away from the idea of apprenticeship in one of the region's traditional industries.

Perhaps some people who sought work in traditional industries did not realise that such industries were contracting. Many millions of pounds worth of outstanding orders must have seemed impressive if such people chose to overlook the fall in the value of money, rapidly rising costs, and a shrinking share of the market. Very many others probably did not want to know about any decline. To acknowledge that employment in long established industry was increasingly precarious was to concede that a signal change of attitude towards the region's occupational identity was necessary. To many people this would have meant that a way of life would have had to go, a difficult sort of adjustment for anyone to make. This, however, was precisely the change which was required if better employment prospects were to materialise through expanding new industry in the region as rapidly as possible. To the extent that people did prefer unemployment to making the change, the "perverse case" of Eaton and Heher was

brought closer in the Northern Region.

Could anything more have been said about the impact of the relationship between old and new skills on employment prospects in the North?

There were indeed Northern industries with certain institutional rigidities. They were notably in what came to be called heavy industries where skills were acquired through a long period of apprenticeship, after which a skilled man followed his "trade." It was this idea of having a trade which was still so attractive to many young men in the North. Workmen such as joiners, fitters, shipwrights, electricians and plumbers felt that their trade gave them a sort of independence of any particular employer and they could, if they wished, have moved around the country or the world like old time journeymen. Other "skills" such as those required in the newer and mainly lighter industries were not regarded as being at all in the same category as a "trade." They were regarded by tradesmen as machine operating, process working, women's work and jobs barely more than equivalent to labouring. At best they were seen as semi-skills, requiring only a short period of training which made the new entrant a trainee rather than an apprentice and tied the workman to a particular factory. The newer industries, of course, gave scope to the technician class of employee whose standard of training was higher than that of a tradesman, but the bulk of the jobs in the new industries were not in that class.

The position of tradesmen in relation to unskilled and

semi-skilled labour was well enough defined in the older industries; there was little doubt as to who was skilled and who was not. The tradesman's position with respect to other workers in the new industries was less clear cut, however, and any sense of superiority probably derived from an ignorance of the relative importance of the work of others, or from an unwillingness to recognise it. The tradesman's innate sense of superiority, probably arose out of the quasi-independent aspect of his calling. That such independence was largely illusory in times of economic recession did not materially affect his attitude. If not actually, then theoretically, he was a journeyman who could turn his hand to his trade wherever work happened to be available. Even if he stopped working at his trade and adopted some entirely dissimilar occupation he still had his trade to fall back on. His trade, therefore, was both a source of semi independence and a form of insurance to him. His sense of superiority was a feeling not less strong for being vague, though in many cases it would have proved insubstantial under examination. This was just the point, however, for no tradesman, unless he were singularly hard pressed, would have dreamed of arguing about it. Tradesmen felt they knew they were better than other sorts of workmen and thus considered that there was nothing to argue about. This was not the end of the matter because tradesmen had feelings not only towards other types of worker but also towards one another, i.e. there were gradations of vagueness, which were maintained by some and denied by others. For instance, among the older

established trades like those previously mentioned there was the idea that though people like welders and garage mechanics were not actually beyond the pale, they were yet close to it. On the other hand, very many welders and garage mechanics considered themselves as having quite the same work status as any other man who had served his time.

In a slightly different way the tradesman's attitude carried over to technicians in the new industries. It was generally agreed that the latter had a higher standard of training than ordinary tradesmen. Technicians were typical of industries like electronics which had a well known record of fickleness. The standard of training may have been higher but the technician's position was less stable than that of the tradesman. The former was the victim of "rationalisations" and whilst, like the journeyman, he could have moved in order to avoid unemployment, he was liable to lose seniority by doing so as he was usually higher up the industrial scale than the ordinary journeyman. The tradesman thus had an inclination to regard at least some technicians as people who may have been something relatively important one minute and nothing much the next.

It is difficult to support formally this opinion of tradesmen's attitudes because such attitudes stem from feeling rather than from the conclusions of any general argument on the matter. A piece of work by Potts and Lee<sup>1</sup>

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<sup>1</sup> A. Potts assisted by P. A. Lee. "Research into the behaviour of the labour market" MS/M/201/406. Manpower and social affairs directorate, Organisation for Economic Co-operation and Development. Sept. 1972.

of the Newcastle Polytechnic may provide some indications. Their study was an attempt at analysing labour market behaviour in a region of heavy unemployment. The cases of four immigrant firms labelled A. B. C. D. were examined. The firms were taken from different parts of the Northern Region and were chosen as representative of enterprises which had brought light industry and white collar employment to the region. In each case, particular care was taken to try to establish the attitude of the immigrant firm's new employees towards their new employment.

Unfortunately, Case B, a wholesale and head office centre of a menswear multiple shop organisation was not suitable for illustrating attitudes about different skills as these differences were conspicuously absent. The remaining studies revealed attitudes of group exclusiveness among tradesmen, a determination not to be like others in the same works, and a desire on the part of displaced tradesmen to hold on to status belonging to bygone days. One of the studies disclosed strangely traditional ideas of employment among youths, who were very glad to obtain traditional apprenticeships with an immigrant firm which was engaged in production quite uncharacteristic of the region.

It seemed as though there was something about a trade which could be made to stick. It was as though serving one's time at an old-established craft conferred a respectability which process workers and others did not quite possess. This seemed to be so even in new industries where it was not possible to follow the craft at all. Any

young man entering a new industry as a craft apprentice might well have to work in conditions completely novel to the industry in which his trade was traditionally carried on. In particular he would be working with other groups, like process workers and machine operators, whose efforts figured in production to a far greater extent than his own. His work would tend to overlap with theirs which would tend to erode his status as a tradesman. It is only a short step from eroded status to regarding the new industries as second best and yet another short step to regarding working in them as a temporary occupation only.

This seems to bear a strong resemblance to the "gadget" and "shoeshine" industry situation. Some young men may not enter regular employment or may be content to be unemployed in the hope of being immediately available to pick up an apprenticeship as the opportunity occurs. Others may enter non-apprenticed occupations where they will regard themselves as under-employed and waiting to change. Such conduct supported by entrenched attitudes would have been enough to bring on the "quasi-perverse" employment situation. If suitable elasticity relationships were also present, as it seems they may have been, then the "perverse" case would have contributed to the relatively high level of unemployment in the Northern Region and thus justified NEDC's consistent concern over skills and training.

PURSUIT OF AIMS

Sec. (iii) DEVELOPMENT OF CLERICAL AND ADMINISTRATIVE  
OCCUPATIONS

Special reference to employment of women

So far manufacturing industry only has been considered since this was where most of the Northern developments new and indigenous had taken place. How had employment developed in clerical and administrative services?

In NEDC's 1969-70 Director's Report there appeared the following statement:

"It is clear that just as the area has an 'overdependence' still on certain industries, administrative, technical and clerical jobs are relatively scarce in the North East. The absence of growth in office and administrative employment has been one of the greatest failures." In the last sentence the part about absence of growth was interesting.

Annual data for clerical and administrative employees<sup>1</sup> for the twelve years 1960-71, inclusive, showed the following results:

Table 1<sup>2</sup>

	Per cent per annum trend increase	
	National (GB)	Northern
Male	1.39	0.25
Female	4.27	5.28

<sup>1</sup> Observations made under minimum list headings of banking, insurance and finance, accountancy, law, central and local government.

<sup>2</sup> Department of Employment. From Industrial analysis of employees (employed and unemployed) June 1960 to 1971 inclusive.



NORTHERN REGION EMPLOYMENT ANALYSIS

YEAR	Total Employees				Service Industry			
	Female		Male		Female		Male	
	No. 000's	% Growth	No. 000's	% Growth	No. 000's	% Growth	No. 000's	% Growth
1960	398	11.6	905.2	-1.8	275.3	13.9	383.5	5.8
1965	444	7.2	889.0	-6.1	313.5	7.7	405.7	-4.5
1971	476		835.0		337.5		387.3	

YEAR	Banking, Finance and Insurance, Public Admin. and Defence.				Banking, Finance and Insurance.			
	Female		Male		Female		Male	
	No. 000's	% Growth	No. 000's	% Growth	No. 000's	% Growth	No. 000's	% Growth
1960	26.3	20.2	64.3	-1.9	7.1	29.6	10.0	14.0
1965	31.6	40.5	63.1	5.5	9.2	64.1	11.4	16.7
1971	44.4		66.6		15.1		13.3	

In the North the estimated linear trend for clerical and administrative employees was rising at the rate of 1,630 per annum of which 1,460 per annum was due to the increasing employment of women.

The general impression was of a very much greater rate of increase in the employment of women compared with the employment of men in clerical and administrative occupations in the Northern Region (Table 1). Nationally, the position was similar but the rates for men and women were far less strongly contrasted than in the North.

The sequences of actual numbers employed showed changes to be consistently upwards for women in the North, a situation not in the least mirrored by employment for men. In particular, for categories of employment where clerical and administrative occupations predominated, changes in the number of women employed were far greater than corresponding changes in the number of men. (Table opposite.)

The outstanding feature of development in this sector seemed to be the increasing employment of women. It had been argued that jobs for men were those primarily required in the Northern Region but in clerical and administrative employment, men and women were, to a high degree, substitutes for one another. For certain work, women were definitely preferred. Shorthand typists and personal secretaries were traditionally in this category but the category had expanded rapidly to include all manner of copying, filing and machine operation. It was not then a sector in which jobs for men could have been

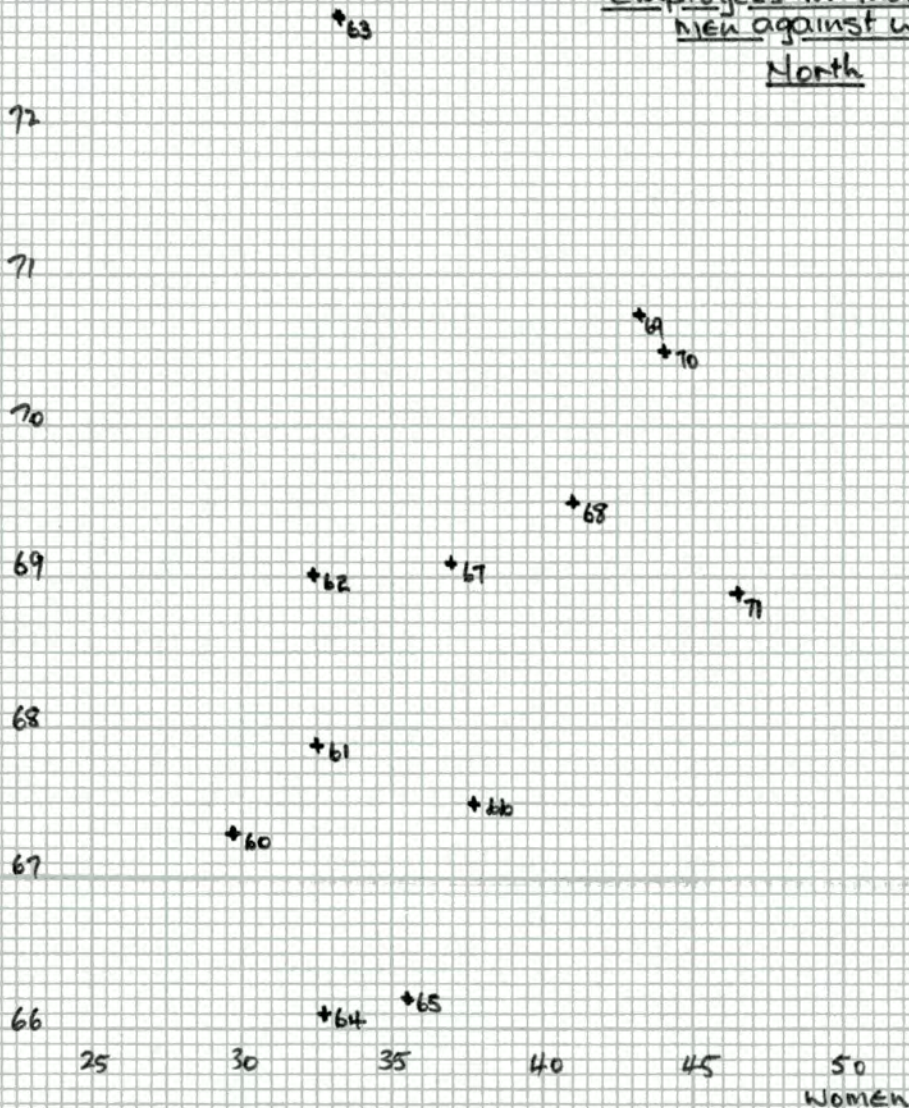
Time Series, clerical and administrative  
employees in thousands,  
men against women.  
Gr. Britain

men.  
1500



men  
73.

Time Series, clerical and administrative  
employees in thousands,  
men against women.  
North



very readily the sole focus of attention.

Growth of male employment in the sector may hopefully have been regarded by some people as a function of the growth in female employment. On a national scale, if the figures for male employees were plotted against female employment for the twelve years 1960-71, a fairly close, almost linear, relationship was illustrated.

For the Northern Region, however, the corresponding relationship was not at all close (Diag. opposite) and there did not, therefore, seem to be much encouragement for the idea that, in the Northern clerical and administrative sector, male employment in some way depended upon female.

If attention was focussed on the employment of women it would have been observed that the relative rate of growth in the Northern Region was greater than the national rate, 5.28 per cent per annum in the North and 4.27 per cent nationally. There could, therefore, have been little doubt about growth in Northern Region clerical and administrative employment, the only question was whether the rate of growth was as fast as it ought to have been.

Before considering this, two sections of 1971-72 NEDC Director's Report may be worth considering:

1. "While the regional industrial structure is moving fairly rapidly towards the national, in 1971 there were still comparatively fewer people in the service industries. There are only 47 per cent employed in the Northern Region compared with 51 per cent

in Great Britain. If this gap was removed, 40,000 extra jobs would result."

2. "Service industries have generated two-thirds of the new jobs in the last decade. This is one of the apparent paradoxes which must be resolved by a better regional policy which should give financial support to office development either by grant or by depreciation allowances."

The first section contained the implication that the Northern Region's proportion of employees in service industries should have been the national average but no reason was given for this. In fact, there was no good reason that it should have been so, as regional industrial structures were to a large extent complementary. The second section implied a rather serious lack of distinction between service industries and employment in clerical and administrative occupations, to which "office development" presumably referred.

The tendency to mix up Service industries with clerical and administrative employment was unfortunate, because the former was a much wider sector than the latter. For instance, Construction, Gas, Water and Electricity, Transport and Communications could have been regarded in minor part only as clerical and administrative, in fact, hardly more so than most manufacturing industries. Again Professional and Scientific Services included such large categories as teachers, nurses and other medical personnel, and Religious bodies.

Smaller categories referred to Architects, Veterinary Surgeons, Composers and others who were only in a very minor way clerical and administrative. In fact, on 1971 data, only about 200,000 employees<sup>1</sup> out of 725,000 could have been regarded as Clerical and Administrative.

In spite of this criticism, the Director's two statements could still have supported the following question:

"Was the level of employment in clerical and administrative occupations in the North consistent with the remainder of Northern industrial structure, or were the two out of balance?"

If employment in clerical and administrative occupations was an essential ingredient in economic activity, then the ratio of the numbers so employed in the Northern region to the numbers so employed nationally should reflect the North's relative economic activity. There are, however, other indicators of economic activity which could have been presented in a similar way. Some of these latter are listed below:

<u>Indicator</u>	<u>Year</u>	<u>North/National</u> <sup>2</sup>
Total Net Income	1959/60	0.0548
Retail Expenditure	1961	0.0574
Income from employment	1961	0.0553
GDP at factor cost	1961	0.0566
Consumer's Expenditure	1961	0.0566
Total Income	1961	0.0539

<sup>1</sup> Department of Employment. Industrial analysis of employees (employed and unemployed) June 1971.

<sup>2</sup> From Vivian Woodward "Regional Social Accounts for UK" NIESR Regional Paper No. 1 April 1970

For 1961 the ratio North/National for total clerical and administrative employment was 0.0500 which was well below the bottom end of the above group. If the Northern Region had had its proper complement of clerical and administrative employees one might have thought that the North/National clerical and administrative ratio would have been within the limits of the group instead of well outside.

The range of economic activity indicator ratios was 0.0539 to 0.0574. Population North/National at 0.0705 therefore seemed to reflect a comparatively low level of personal incomes, the impact of which is well known to employers for its effect on the emigration of better qualified and more able men and women, especially those in the younger age groups. Shortage of high grade clerical and administrative staff has a stultifying effect on management and was, therefore, certain to be one factor which deterred firms from coming to the region.

In 1961 the North/National ratio of New Investment Income was 0.036 and well illustrated the North's relatively small share of income from new developments. The following descending sequence of North/National ratios,

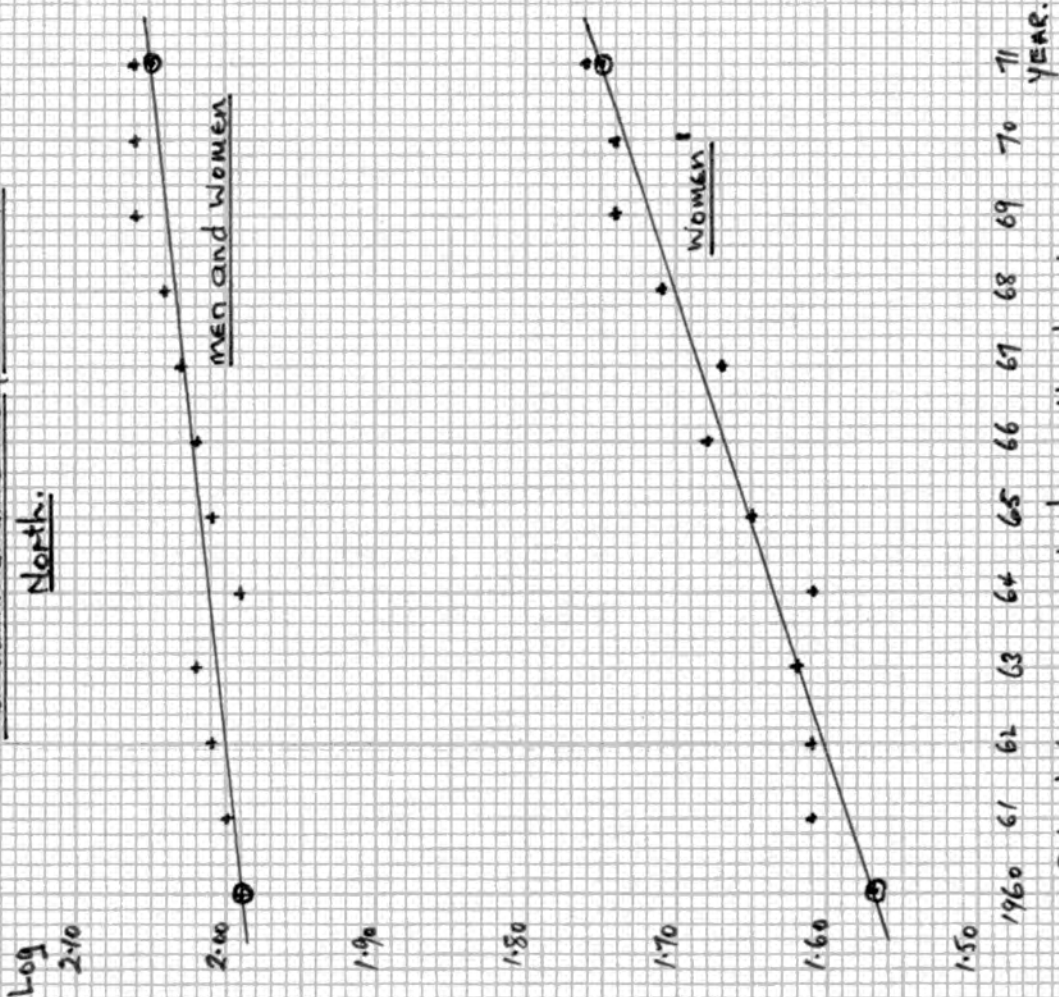
Population	0.0705
econ. activity mid-range	0.0557
clerical and admin.	0.0500
Net Invest. Income	0.0360

might have given rise to the following argument.

The small share of new enterprises both within the Northern Region and coming into it could have been due partly to a shortage of higher grade clerical and administrative staff. This shortage was the result of migration

Time Series, Log thousands of employees in clerical and administrative occupations in the

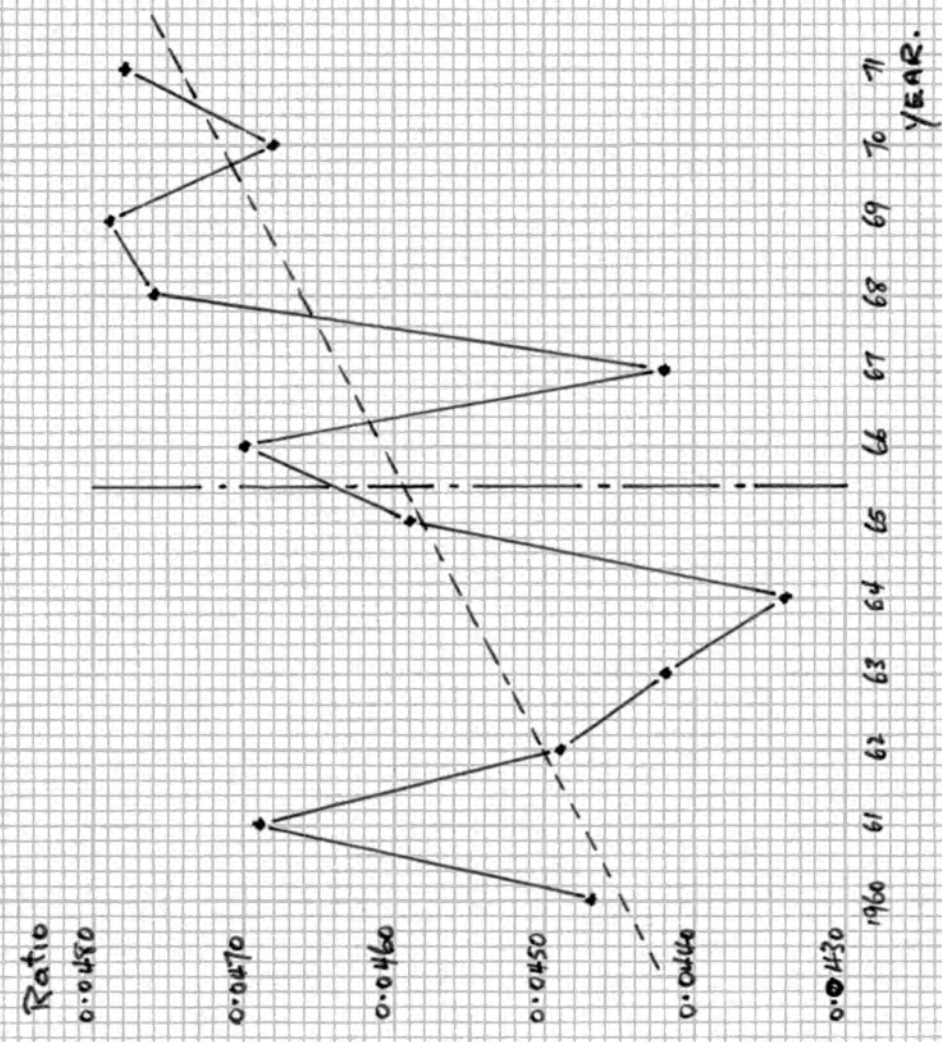
North.



1. Adjusted 0.10 upwards for graphical purposes.

Time Series, ratio North to Gt. Britain, women

employed in clerical and administrative occupations.





from the region due to the relatively low level of personal income which was itself a function of the lack of new developments. It may have been that this vicious circle was in the process of being broken in the North in part because of the increasing attention that was being paid to business education and training in the region (see appendix B.)

However, despite migration, relatively low incomes and limited facilities for business education and training, the number of women in clerical and administrative occupations in the North was rising rapidly.

For the years 1960-71 inclusive a straight line fitted the log of numbers employed reasonably well. (Diag. lower left opposite.) The progress of North/GB ratio over the same period was not nearly so well defined, however, but the values showed a distinct tendency to be higher in the latter half of the period. (Diag. opposite.) If the ratio North/GB clerical and administrative employees were regarded as an indicator of relative economic activity, attention focussed on the employment of women would have shown the development of clerical and administrative employment in the most favourable light, since the trend for the employment of women was rising much faster than the combined trend for men and women. (Diag. opposite.) The question was then, how long would it have taken for the North/GB ratio of women employed in clerical and administrative occupations to approach the middle of the range of other economic activity indicators?

A straight line trend when fitted to the time series

of North/GB ratios of women employed in clerical and administrative occupations had the form,

$$R = 0.0445 + 0.00026t.$$

(R, any given ratio; t, time in years)

With a mid-range value of economic activity indicators of 0.0557,

$$0.0557 = 0.0445 + 0.00026t$$

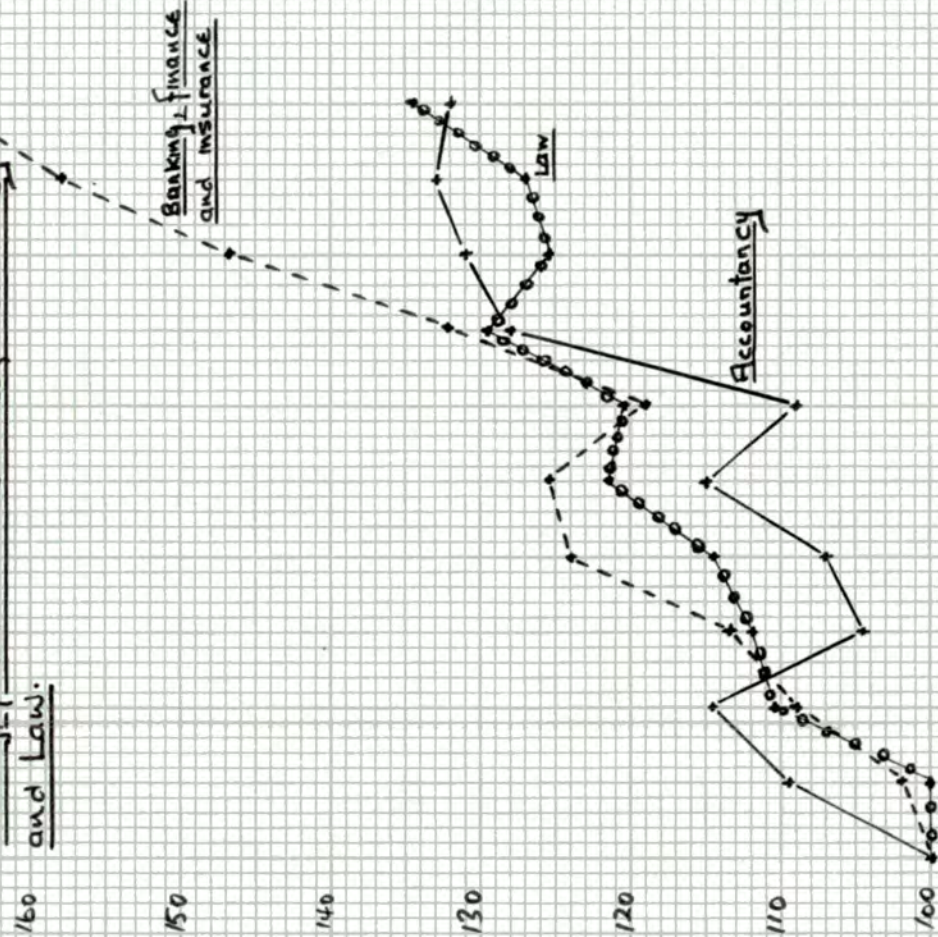
$$\text{Whence } t = \frac{0.0557 - 0.0445}{0.00026} \text{ years}$$

$$= \frac{112}{2.6}, \text{ approximately } 43 \text{ years.}$$

By 1971, eleven years would already have passed leaving thirty two to run. This was a rough estimate only, because there were just eleven points and these were not in a very regular sequence. The trend estimate, however, did seem to indicate that quite a number of years might have had to run before the North/GB ratio of women employed in clerical and administrative occupations approached the mid-range of economic activity indicators. NEDC may therefore have had a case for pressing for NEW Government Departments to come to the area and also for asking for grants for office building, if increased employment opportunities in the Northern Region were not to be inordinately delayed.

70 NORTH

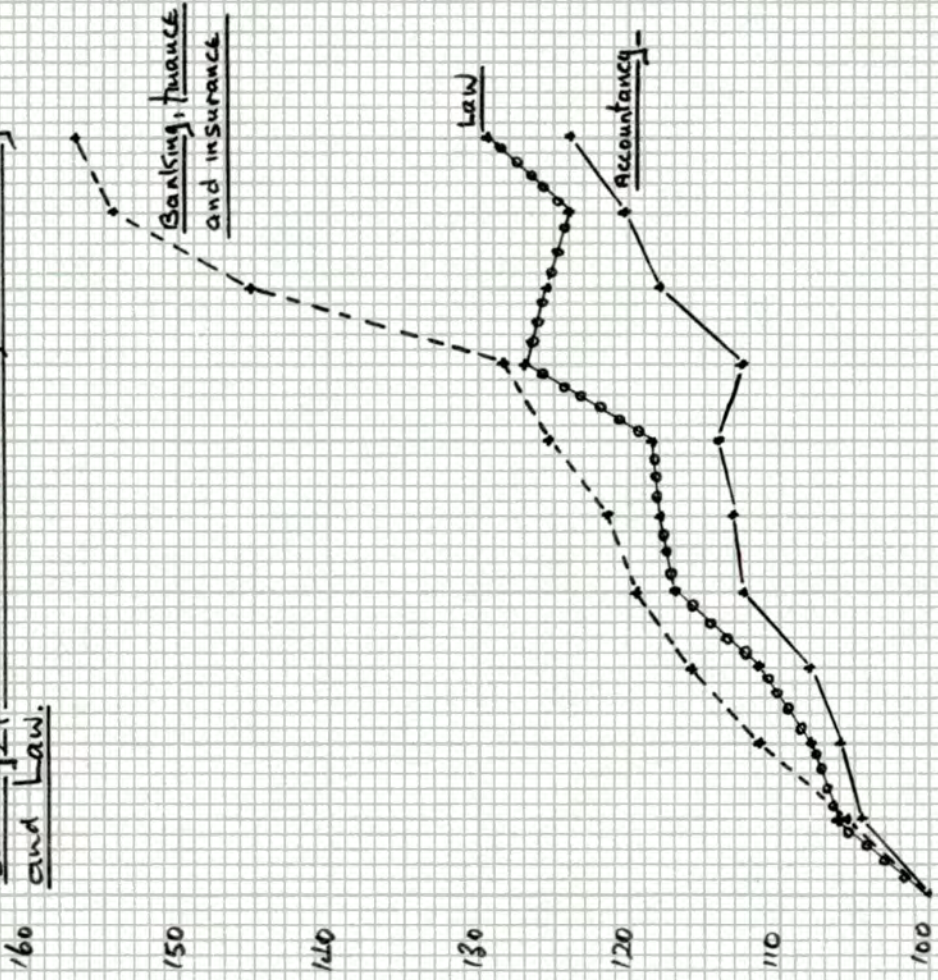
TIME SERIES OF RELATIVES OF EMPLOYMENT IN BANKING, FINANCE AND INSURANCE, ACCOUNTANCY AND LAW.



1961 2 3 4 5 6 7 8 9 10 year

GREAT BRITAIN

TIME SERIES OF RELATIVES OF EMPLOYMENT IN BANKING, FINANCE AND INSURANCE, ACCOUNTANCY AND LAW.



1961 2 3 4 5 6 7 8 9 10 year

Source: Dept. Employment. Industrial Analysis of Employees (Employed and unemployed) 1961 to 1971 inclusive

## PURSUIT OF AIMS

### Sec. (iv) EFFECT OF CHANGES IN RETAILING

#### The employment of women in retailing and clerical occupations

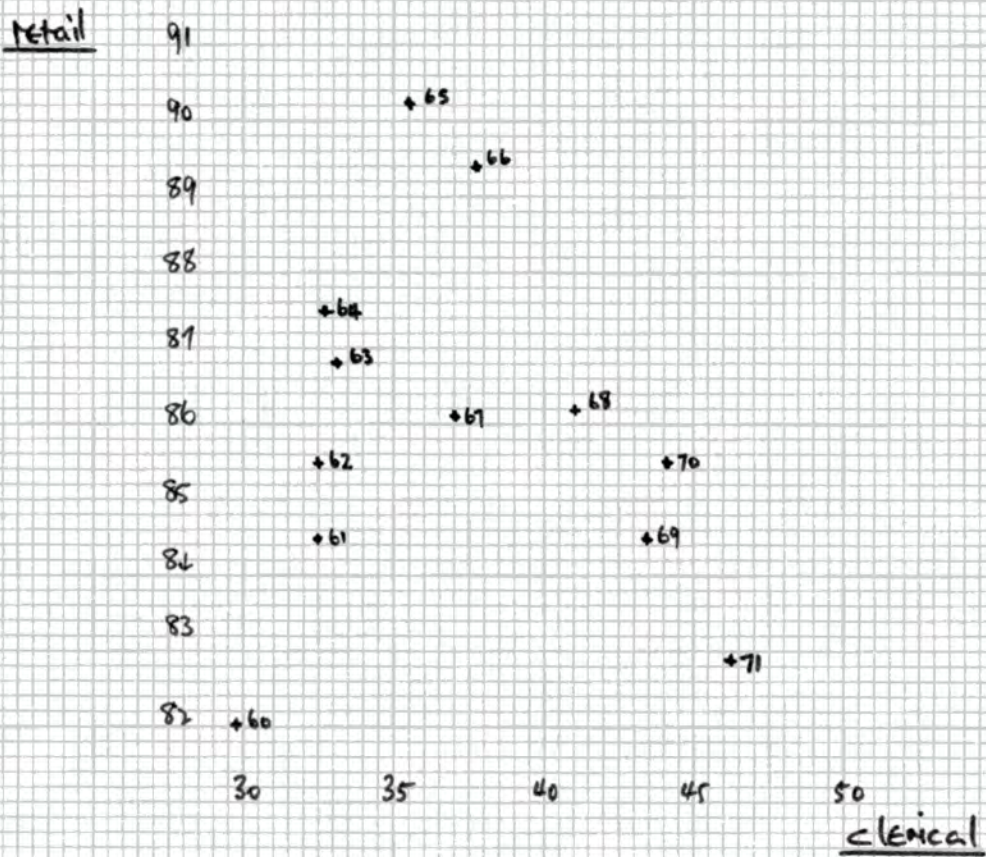
If clerical and administrative occupations were an essential ingredient of economic activity and if expansion in them was necessary, how was the greater part of the increase in female clerical employment brought about? The influence of the changing situation in retailing may have offered some explanation.

During the period 1960-71 employment in retailing first rose to a peak and then fell off rapidly, both in the Northern Region and in Gt. Britain as a whole. Nationally the peak was in 1966 but occurred a year earlier in the Northern Region, perhaps reflecting the region's sensitivity to economic tensions. The falling off in retail employment coincided with the onset of Selective Employment Tax but it was interesting to note that other service industries subject to SET, notably Accountancy, Law, Banking, Insurance and Finance, whilst experiencing a brief check to employment growth, did not display the same lack of recovery. (Diag. opposite.)

From 1960 to 1971 the proportion of women employed in retailing showed a strong upward trend both in the Northern Region and nationally, though the Northern trend was consistently higher and so was the proportion of Northern women in retail employment.

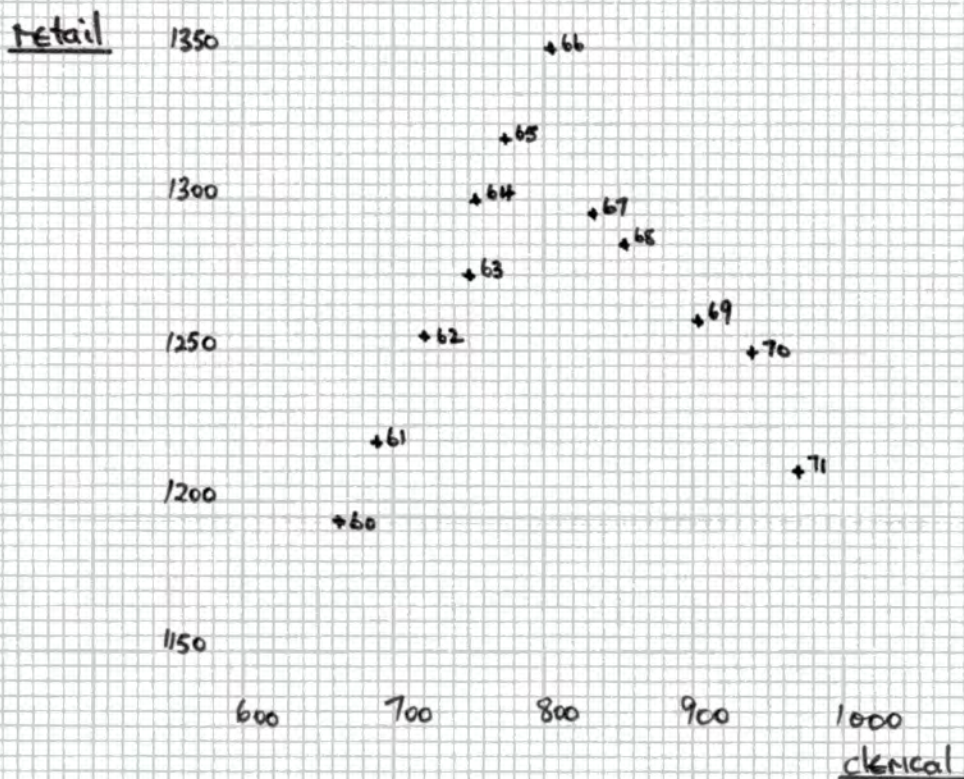
NORTH.

TIME SERIES of WOMEN in retail employment against WOMEN in clerical employment, both series in thousands



GREAT BRITAIN

TIME SERIES of WOMEN in retail employment against WOMEN in clerical employment, both series in thousands.



## Female Employment in retailing

### Percentage women

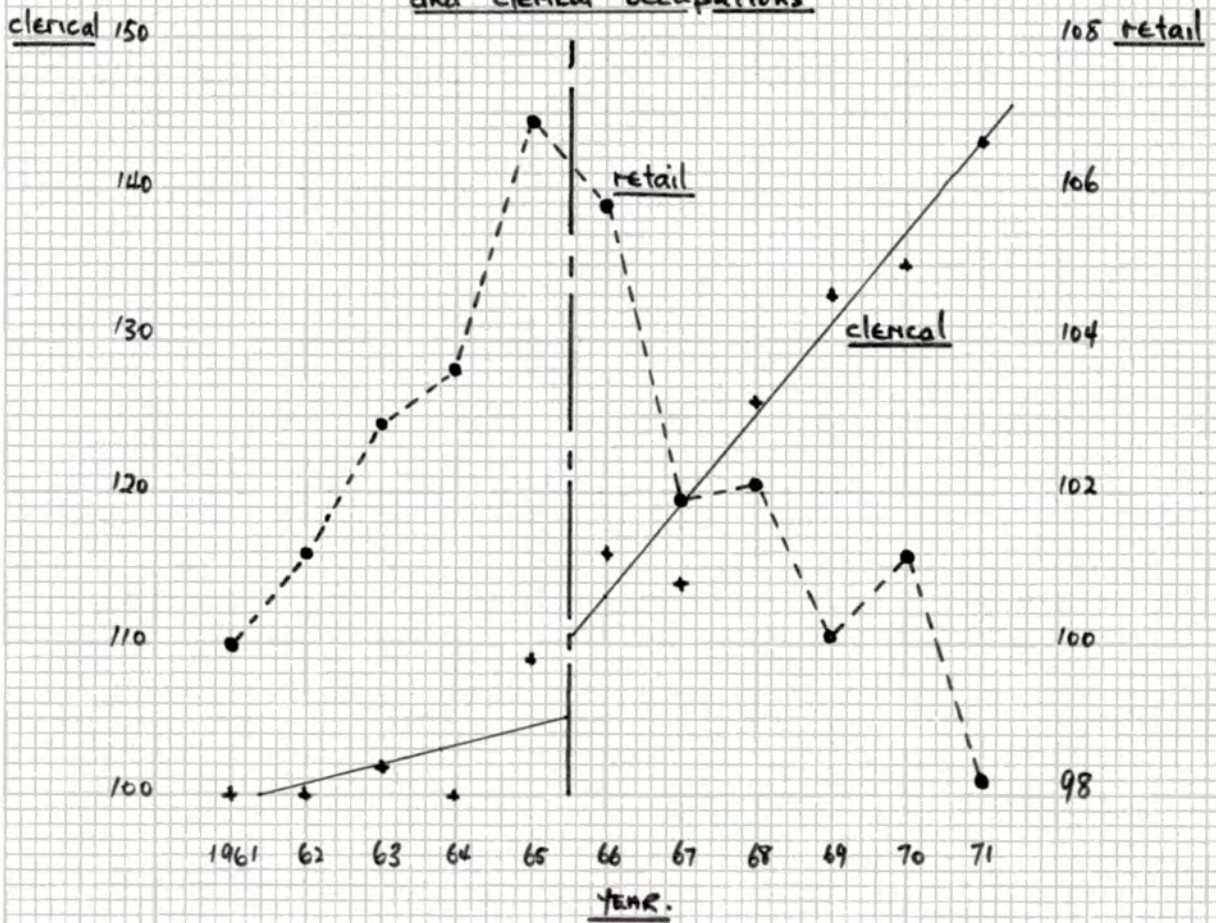
Year	North	Gt. Britain
1960	65.5	60.5
1961	64.5	60.5
1962	65.5	61.0
1963	66.0	61.5
1964	67.0	62.0
1965	67.5	62.5
1966	68.0	63.5
1967	68.5	64.0
1968	70.0	64.0
1969	70.5	64.5
1970	70.5	65.5
1971	71.0	65.5

Actual numbers employed, as indicated by the employment relatives for women in retailing, based on 1961 = 100, displayed a smaller overall variation in the North than they did nationally, thus illustrating a greater than average stability in the North for such employment.

On a national scale the relationship of the time series of women employed in retailing to women employed in clerical and administrative occupations showed strong directional properties, upwards from 1960 to 1966 and downwards from 1966 to 1971. An initial rise of 160,000 women employees in retailing was associated with a rise of 140,000 women in clerical and administrative occupations.

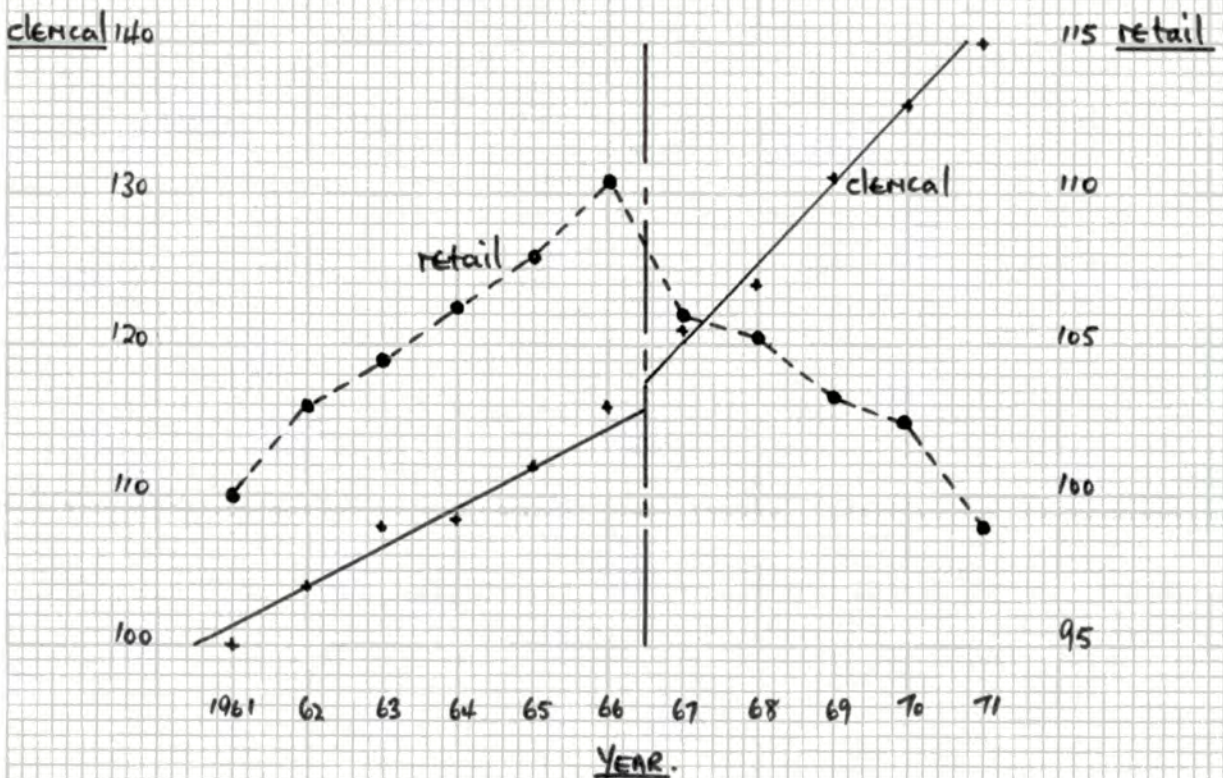
NORTH.

TIME SERIES OF RELATIVES OF EMPLOYEES IN RETAILING AND CLERICAL OCCUPATIONS



GREAT BRITAIN.

TIME SERIES OF RELATIVES OF EMPLOYEES IN RETAILING AND CLERICAL OCCUPATIONS



After 1966, however, a fall of 130,000 in retailing was associated with a rise of 170,000 in clerical and administrative occupations. (Diag. opposite previous page)

In the case of the North the pattern was rather less regular, but of a similar up and down type. An initial rise of 9,000 women employees in retailing was associated with an increase of 6,000 women in clerical and administrative occupations. After 1965, a fall of 7,000 in retailing was associated with an increase of 11,000 in clerical and administrative occupations. (Diag. opposite previous page)

Comparison of the time series of women in retailing and in clerical and administrative occupations revealed very similar pictures, both nationally and for the North. After the fall in the retail series, from 1966 for Gt. Britain and from 1965 in the North, the trend of the clerical and administrative series rose more steeply. (Diag. opposite)

Was there any reason for considering that the variation in women employed in retailing had something to do with the increase in women employed in clerical and administrative occupations, especially after the reversal of the trend in retailing?

It has already been shown that the trend of female employment in clerical and administrative occupations was rising relatively faster in the North than nationally. Where was the supply of new entrants to ordinary office work coming from? So far as most women and girls were concerned, office work implied, wherever possible, some competence in the use of a machine. Anyone who could operate a typewriter in addition to helping with the general run of office work was usually the better able to find a job.



A passing competence at shorthand and typing was often the means of obtaining a graded post.

One important factor which improved the supply of female office workers was the expansion of Office Arts courses in Technical Colleges and Colleges of Further Education. (See appendix C) Full-time day courses for school leavers included a large proportion of shorthand and typing with other business studies subjects also taught. Evening classes consisted of shorthand, typing and English, sometimes taken as a grouped course and sometimes separately. These evening classes were always heavily oversubscribed by beginners and there were invariably long waiting lists after registrations were complete.<sup>1</sup>

In addition, Office Arts were taught to a limited degree in what was the final year in some secondary schools. The idea was that after leaving school, the pupil would continue to develop her office skills in Further Education.

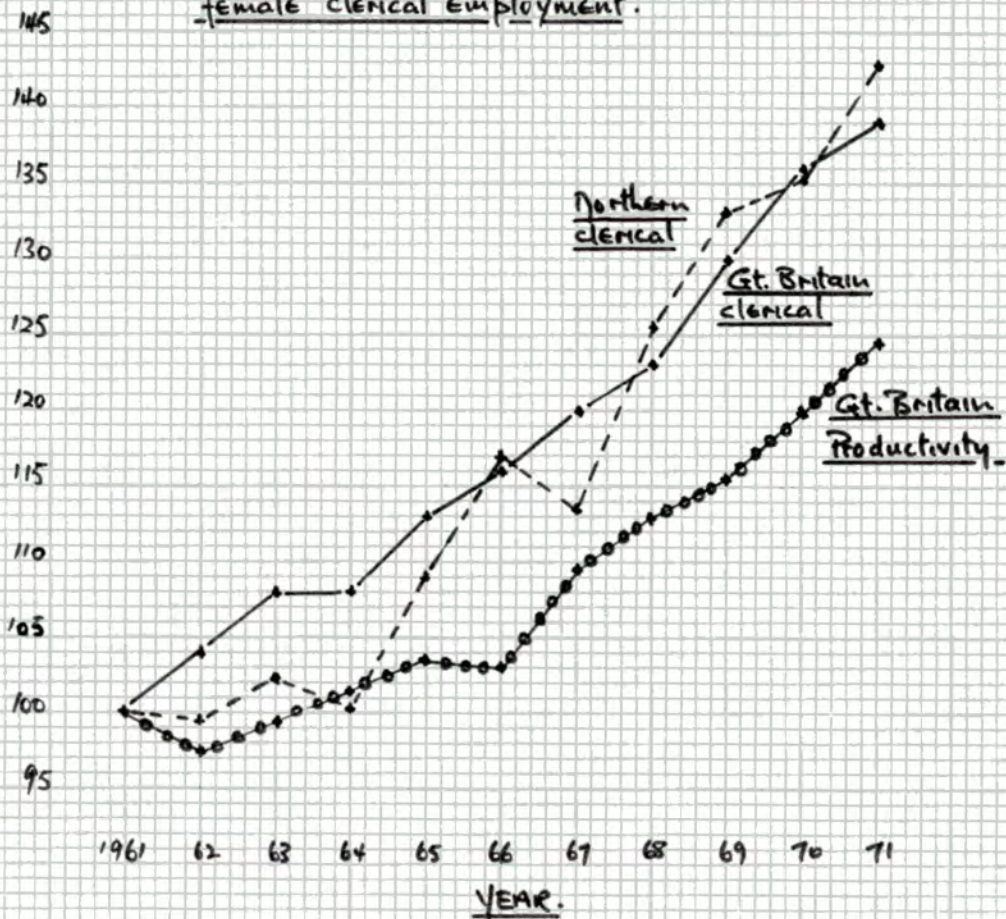
A major employment outlet for most of the young women who had taken advantage of any of these courses would previously have been in retail shops and sometimes they continued to go there because their comprehension of English was too poor for them to succeed in what was hoped would be a secretarial career. The standard of basic education was not generally very good among evening class beginners, at best some poorer, desultory 'O' levels.

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<sup>1</sup> This was before the raising of the school leaving age. Much of what was beginner's work in evening classes is now done in the extra year at secondary school by means of link courses with the Technical Colleges.

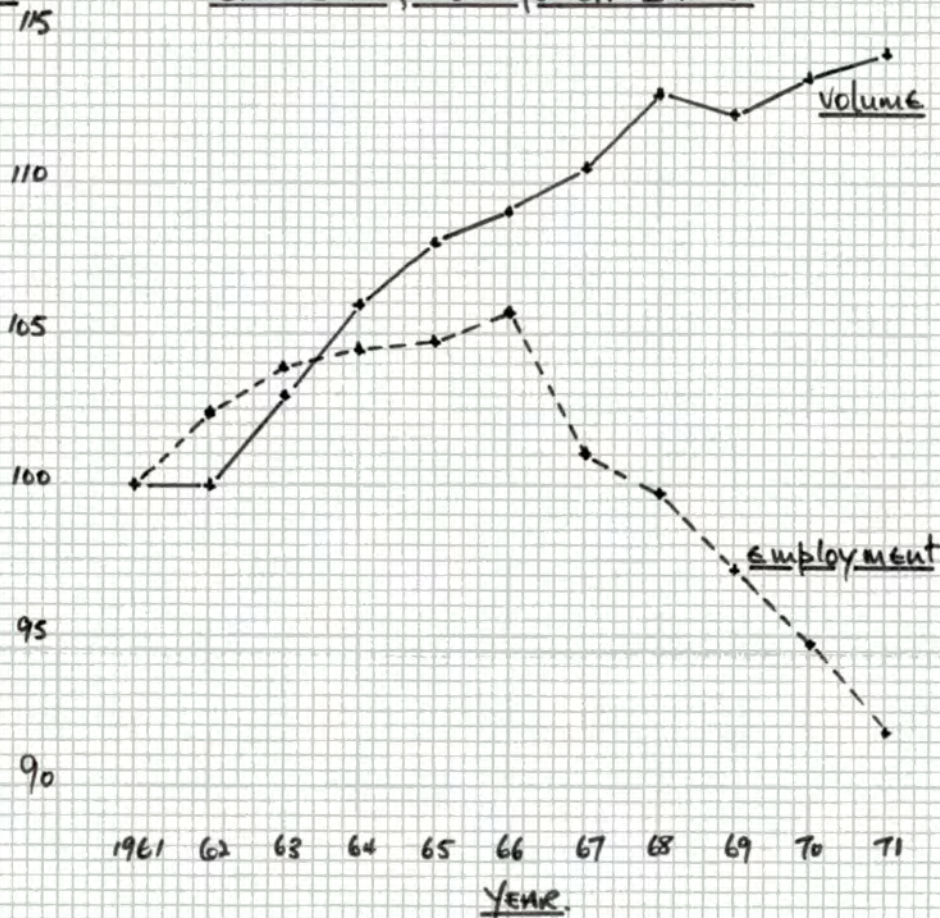
TIME SERIES of retail productivity for Gt. Britain, female clerical employment in Gt. Britain and Northern female clerical employment.

relative



TIME SERIES of retail employment and volume of retail sales, both for Gt. Britain

relative



Even so, most tried hard to become proficient in office skills, which offered a prospect of employment which they considered had better social status, was more congenial work, was better paid, and offered better matrimonial prospects than they would otherwise have encountered. The movement was towards central and local government offices, banks and insurance offices, accountants' and solicitors' offices and away from retail shops and manufacturers' offices except where these latter were of the more sophisticated sort. There was no compensatory movement from anywhere towards retailing.

It could well have been argued that female employment in clerical occupations and indeed in others was closely complementary to retail activity. The number of married women employed in offices was increasing and it was almost a condition of taking employment that they were able to obtain goods of all types in the limited time they had available for doing so. The decline in retail employment after the mid-60's may have suggested that sufficient retail services would not have been available. Selective Employment Tax, however, a fixed amount, forced retailers to increase productivity because such a tax was a high proportion of the wages bill in situations where wages were relatively low.

Over the period 1961 to 1971 the employment relatives of women in retailing (1961 = 100) showed a rise to 1966 followed by a steep fall. On the other hand, the volume relatives of National retail sales (1961 = 100) showed a movement almost uniformly upwards. (Lower Diag. opposite).

Members of the first set, divided by corresponding members of the second, produced an index of retail productivity, which again moved almost uniformly upward. After the middle of the period the National employment relatives for women in clerical and administrative occupations rose faster than the retail productivity index whilst the corresponding Northern relatives rose faster still. (Upper Diag. opposite) (previous page)  
No separate figures for the Northern physical volume of retail sales were available but it would have been very surprising if Northern retail productivity had not, at least in a general way, followed the national pattern.

None of the series showed any sign of flattening out, so the question arose:

"Would not the Northern growth of employment of women in clerical occupations soon be hindered by the inability of retail productivity to keep pace?"

Although their actual numbers had been decreasing from 1966-71, the proportion of women in Northern retailing had been rising over the whole period 1961-71. It thus seemed that the increasing productivity of these women would be an essential factor in the further increase in the employment of women in clerical occupations.

It appeared then that NEDC was right to lay stress on the encouragement of service industry in the North. The Council was not at all specific about what service industry to encourage beyond a clear reference to clerical and administrative occupations; the distributive trades as such were not mentioned. Retailing was examined here to illustrate interdependent developments in the employment

of women in two distinct parts of service industry.

## PURSUIT OF AIMS

### Sec. (v) THE INFLUENCE OF FEMALE ACTIVITY RATES

The study of the employment of women has, up till now, been confined to two occupations only, clerical and retailing. Female activity rates (See appendix D) for the North had, however, shown a tendency to rise in the second half of the 1960's, as shown below:

Year	Northern Female Activity rate
1966	34.6
1967	34.5
1968	34.8
1969	35.5
1970	36.1

Would an examination of changing activity rates among women allow anything more to be said about the further employment of women and would such an examination bear out the conclusion reached in Section (iv)?

John Bowers<sup>1</sup> examined the change in regional female activity rates from 1954 to 1964. In every region but one (North West) activity rates showed a rising linear trend about which were cyclical fluctuations.

Regression of the slopes of these linear trends for each region on 1954 activity rates gave  $R = 0.767$  which was significant at the 5 per cent level. Hence, rate of increase in activity rates was highest where activity rates

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<sup>1</sup> John Bowers. "Anatomy of Activity Rates." National Institute of Economic and Social Research. Regional Papers 1. 1970

were initially lowest. The standard deviation of activity rates, estimated each year from the straight lines, decreased steadily from 5.3 to 4.6 over the years 1954 to 1964, indicating that there had been a general reduction of regional differences in activity rates.

This overall situation masked its components which were concerned with various age specific rates. Two age groups were of particular interest.

When the process of regressing the slopes of the linear trends on 1954 activity rates was carried out for the group, 15-24 years of age, activity rates appeared to fall fastest in regions where they were initially highest. That interregional differences in activity rates for this age group were being reduced could be seen from the declining standard deviation of regional activity rates which were estimated each year from the linear trends. These estimates, 6.5 in 1954 to 4.8 in 1964, showed the same type of steady decline as the total series.

Falling activity rates for the group were held to be due to three factors; earlier marriage, earlier motherhood, and the rising proportion of females entering establishments of higher education.<sup>1</sup>

When the regression exercise was tried on regional activity rates for the group, 25-44 years of age, activity rates increased fastest in regions where they were initially lowest. Again the standard deviations of activity rates,

<sup>1</sup> Reference to be made to this factor later in the chapter,

7.4 in 1954 to 5.4 in 1964, estimated each year from the linear trends, showed the same continual downward movement as the total series, indicating that for this age group also the tendency was for regional activity rates to come closer together. Bowers found it more difficult to explain the activity rates changes of this age group but thought that they were attributable to a ceiling on rates, due to the number of women with children of school age and below. Regions with low rates were, he thought, in the process of catching up with those which had higher rates. He also pointed out that the relationship between rate of change of activity rates and 1954 activity rate level was at its strongest for this group. As the 25-44 age group was also the largest, Bowers considered that it was mainly responsible for the negative correlation between rates of change and 1954 level of activity rates in the figures for all age groups combined.

Bowers next pointed out that the temporal change in female activity rates could be regarded as the sum of two terms. Firstly there was the growth of female employment due to the growth of industries that employed female labour. Secondly there was the change in the ratio of females to males that industry employed. Regional differences in the rate of growth of activity rates could therefore have been due to regional differentials in the rates of growth of industries and to regional differences in the changes in the ratios of females to males employed by these industries. Had the second factor not been significant then regional differences in the growth of female activity rates would



have been due to the ways in which regional industrial structures had changed from 1954-64.

Bowers explained, "If the second factor is non-existent, then regional differences in the growth of female activity are simply attributable to structural factors - to the ways in which the industrial structures of the regions have changed over the period 1954-64."

To discover whether this was in fact the case, females as a percentage of total employment in each industry in each region were computed from the Ministry of Labour's figures of employees in employment classified by sex, standard region and industry, for the years 1953 and 1963. The differences between the values for the two years give the changes in sex ratios over the decade classified by region and industry.

Analysis of variance was as follows:<sup>1</sup>

	<u>Sum of sqs.</u>	<u>Variance</u>	<u>D/f.</u>	<u>Significance</u>
Industry	1417.23	64.42	22 x 176	At 0.1% Level
Region	63.99	8.00	8 x 176	Not signif.
Resid.	<u>1148.07</u>	<u>6.52</u>		
Total	2629.29	12.76		
	<u>=====</u>	<u>=====</u>		

Region was not an explanatory variable for sex ratios but industry provided a strong explanation. The conclusion therefore seemed to be that regional differences in the growth of female activity rates were to be explained by regional differences in the rates of growth of industries.

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<sup>1</sup> John Bowers op. cit. table 3.6. p.49.

Attention was drawn to the large residual sum of squares and that the analysis explained only 57 per cent of the total sum.

Bowers concluded that the overall growth in female activity could be viewed as the resultant of two factors: the growth of industries which employed female labour and the change in sex ratio of the labour force. It transpired that region was not a significant explanation of variations in the change of sex ratios. Regional female activity rates were therefore in the process of coming together, he thought, largely through the growth of industries employing a large proportion of females in those regions where there were reserves of female labour.

What implications for the further employment of women had these explanations and conclusions? When Bowers sought to explain the changes in the dominating age specific group (25-44 years of age) he spoke of a ceiling on rates due to demographic factors. If female activity rates were coming closer together because of the expansion of industries which employed a large proportion of women, reserves of female labour would become used up in those regions in which activity rates were increasing fastest. In the Northern Region, which had the highest rate of increase of female activity, the expansion of industries employing a large proportion of women was proceeding at the same time that basic industries employing men were contracting. As the ceiling of female rates was approached, a shortage of female labour would develop. This would give men facing unemployment in industries which traditionally employed men a chance

to change over to jobs in the new industries; jobs which would have been performed by women had there not been a shortage of female labour. Herein was part of NEDC's constant concern with training in new skills. However, any change over would not be so easy. Attention has been drawn to the attitudes which existed towards employment in new industries. There was also a question of aptitude. For instance, many men in basic industries would not find office work congenial employment, though this was an area in which shortages of women staff had already developed.

Bower's explanation that the fall in female activity rate for the 15-24 age group was due partly to the number of women entering higher education had implications for service industry and office work in particular. Clerical and administrative occupations would claim a share of these women, notably those who would "back up" senior management. Applied to the North, this educational development gave some prospect that the circle of shortage of high grade staff, lack of new enterprise and regional emigration was in process of being broken.

For the year 1961, Bowers established that female activity rates were to be explained mainly by industrial structure but that there was a significant residual factor that required explanation.

He argued that if female regional activity rates, standardised for sex ratios, (See appendix D) were different from actual regional activity rates then the differences reflected regional differences in sex ratios. These differences he subsequently found to be significant. There

were thus regional differences in the pattern of female employment which had to be explained in terms other than of industrial structure.

Bowers then sought to analyse the pattern of female employment in terms of labour supply and demand. His argument<sup>1</sup> led to the hypothesis that there would be either negative correlation between mean sex ratios and standardised activity rates or no necessary relationship. To find out what was actually the case he regressed measured mean sex ratios on standardised activity rates. The result, against his previous reasoning, gave  $r = +0.620$  which was significant at the 1 per cent level when classification was by industrial orders. Thus, it seemed that the more favourable the industrial structure to the employment of women, the more women would be employed in all industries, a conclusion which might have been strengthened by an effect similar to external economies of supply: "where many women go out to work, the service industries supplying households will adjust to this, making it easier for women to take employment." This explanation was in respect of 1961, which was rather more than half way through Bower's time series. If it could be said to have applied to succeeding years also then it seemed to fit the changing pattern of employment of women in the North. For an important sector of service industry, clerical and administrative occupations, the employment of women was rising more rapidly than the national average.

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<sup>1</sup> John Bowers op cit. "Activity rates and mean sex ratios" p.35 para. 1.

In this respect at any rate Northern industrial structure was each year becoming more favourable to the employment of women and hence according to Bower's reasoning, more women should have been able to find work. This proved to be the case.

Bower's allusion to an effect similar to the external economies of supply which connected the employment of women generally with adjustments of activity in the distributive and catering trades, was illustrated in the previous section for the relationship of women employed in office occupations to the productivity of women employed in retailing.

Had Bower's work on female activity rates born out conclusions reached in section (iv) of this chapter? So far as clerical and administrative occupations and retailing were concerned, the proportion of women in both had increased. Industrial structure in these two cases could thus be said to have become more favourable to the employment of women. Did more women find work? The Northern region showed an aggregate increase, but it was due to a differential effect between the two occupations. The numbers of women in retailing fell, from 1965 to 1971, by about seven and a half thousand whilst those in clerical and administrative occupations rose by nearly eleven thousand over the same period. In . . . section (iv) a case was made out for falling employment in the one occupation being related to rising employment in the other. Bowers, however, had referred to increases in the employment of women in all industries. If, by 'all', he had meant industry in aggregate then his conclusions would have born out those reached in section (iv)

concerning the employment of women in clerical and retailing occupations. If, on the other hand, 'all' had referred to every single industry, then Bower's conclusions would have been at variance with the subsequent experience of retailing.

## Appendix A

### Legend

#### 1. Production

X of Gadget industry  
Y of Shoeshine industry

#### 2. Labour

$L_x$  input, Gadget industry  
 $L_y$  input, Shoeshine industry  
 $L_u$  unemployed  
 $\bar{L}$  total supply

#### 3. Wages

$W_x$  of Gadget industry  
 $W_y$  of Shoeshine industry

#### 4. Prices

$P_x$  of output of Gadget industry  
 $P_y$  of output of Shoeshine industry

#### 5. Consumer Demand

$\bar{D}$ , exogenously given.

### Derived demand curve for Gadget industry

$$i \quad X = F(L_x), \quad \frac{\delta F}{\delta L_x} > 0, \quad \frac{\delta^2 F}{\delta L_x^2} < 0$$

$$ii \quad X = f(P_x, \bar{D}), \quad \frac{\delta X}{\delta P_x} < 0, \quad \frac{\delta X}{\delta \bar{D}} > 0$$

$$iii \quad W_x = \frac{\delta F}{\delta L_x} \cdot P_x$$

These three equations in four unknowns are sufficient to determine the demand curve relating wages to employment.

Differentiating both sides of iii with respect to  $L_x$

$$\frac{\delta W_x}{\delta L_x} = \frac{\delta^2 F}{\delta L_x^2} P_x. \quad \text{Since } \frac{\delta^2 F}{\delta L_x^2} < 0, \quad \frac{\delta W_x}{\delta L_x} < 0 \text{ for all } P_x > 0.$$

Hence demand curve slopes downwards.

Derived demand curve for the Shoeshine industry

i  $Y = H(L_y), \frac{\delta H}{\delta L_y} > 0, \frac{\delta^2 H}{\delta L_y^2} < 0$

ii  $W_y = \frac{\delta H}{\delta L_y} \cdot P_y$

Demand for output of Shoeshine industry must take account of demand for output of Gadget industry

$\therefore \bar{D} = XP_x + YP_y$ . Hence

iii  $Y = \frac{1}{P_y} (\bar{D} - XP_x)$

As  $X$  and  $P_x$  are determined in the Gadget industry, these three equations are in four unknowns and are sufficient to determine the demand curve relating wages to employment in the Shoeshine industry.

From ii  $\frac{1}{P_y} = \frac{1}{W_y} \frac{\delta H}{\delta L_y}$

From i and iii  $H(L_y) = \frac{1}{W_y} \frac{\delta H}{\delta L_y} (\bar{D} - XP_x)$

$\therefore W_y H(L_y) = \frac{\delta H}{\delta L_y} (\bar{D} - XP_x)$

Differentiate both sides with respect to  $L_y$  and

$$W_y \frac{\delta H}{\delta L_y} = \frac{\delta^2 H}{\delta L_y^2} (\bar{D} - XP_x)$$

$$W_y \frac{\delta H}{\delta L_y} = \frac{\delta^2 H}{\delta L_y^2} (YP_y)$$

$$W_y \frac{\delta H}{\delta L_y} = \frac{\delta^2 H}{\delta L_y^2} H(L_y) P_y$$

As  $\frac{d^2 H}{dL_y^2}$  is  $< 0$ , the demand curve slopes downwards.

Derived supply curve for the shoeshine industry

Total supply of labour to all sectors =  $\bar{L} = L_x + L_y + L_u$   $\frac{1}{2}$

$L_u = u(G)$   $\frac{2}{2}$

where  $G = t \cdot L_x \cdot \frac{(W_x - W_y)}{W_y}$

$t$  = rate labour turnover in Gadget industry.



Given  $T$ ,  $L_x$  and  $W_x$ , as  $W_y$  decreases the opportunity cost of being unemployed from the Shoeshine industry decreases and unemployment increases, i.e.  $\frac{du}{dG} > 0$ .

From 1 and 2 above  $L_y = \bar{L} - L_x - u(G)$ .

Hence as  $W_y$  decreases  $L_y$  decreases and vice-versa. Hence the supply curve relating  $W_y$  to  $L_y$ , slopes upwards.

## Appendix B

As the focus of attention in clerical and administrative occupations had turned in the direction of the employment of women, it might be appropriate to examine one regional development which had taken place in the education and training of women for a career in business.

In November, 1971, Newcastle Polytechnic conducted an enquiry into the subsequent careers of women and girls who had taken various intensive secretarial courses at the college. The courses offered training in "office arts" to entrants who had already received a good standard of general education and who would, it was hoped, be capable of doing the type of work which would be required by senior management. Nearly all entrants were either 'A' level school leavers or university graduates. The school leavers and graduates were in separate classes and special classes were also formed for those who wished to combine "office arts" with a modern foreign language.

The enquiry was by means of a questionnaire and though there was only a 50 per cent response rate, the following analysis was possible.

	LONDON	NEWCASTLE AREA	OTHER AREAS
MEAN SALARY	1,160	847	844
PER CENT VARIATION ABOUT MEAN	8	24	17
NUMBER OF RESPONDENTS	7	19	8

In nearly all cases the salary quoted was the starting salary and most of the former students indicated that they were

expecting an increase after completion of a probationary period.

Of the thirty-four who responded, seven left the North for London, where the average salary was over £300 greater. London seemed to attract the better educated as, of the seven who went to London, five were university graduates and there were only seven graduates all told out of the thirty-four respondents. However, even though most of the better educated seemed to be drained away, over half the total respondents remained in the Newcastle area.

Some progress was made with numbers under training. In 1968-9 and 1969-70 there were four classes with from 15-20 students in each whilst in 1970-71 and 1971-72 there were five classes with from 15-20 students in each. In order to keep standards as high as possible it was decided that after 1972 all non-graduates would have to possess passes at 'A' level.

Appendix C

ENROLMENTS FOR OFFICE ARTS COURSES FOR BEGINNERS

INSTITUTION	1961	1964	1967	1971
Newcastle College of Further Education. <sup>1</sup>			279	416
Durham County Tech. Colls. Commerce Depts. <sup>2</sup>	88		387	477
Northern Counties Technical Examinations Council. <sup>3</sup>		611	760	1359

<sup>1</sup> Now Newcastle College of Arts and Technology - the central college of a large county borough.

<sup>2</sup> The major part of the commercial education system of a county authority serving relatively scattered populations.

<sup>3</sup> An external examining body very widely accepted all over the North of England.

## Appendix D

Regional female activity rate meant the economically active females of a region expressed as a percentage of the total female population of the region, age 15 years and over.

Female regional activity rates standardised for sex ratios meant that females as a percentage of total employment in each industrial order in England and Wales were multiplied by total employment in that industrial order in each region. Results were summed for all industries in each region and expressed as a percentage of the total female population of the region, aged 15 years and over.

Sex ratio meant the ratio of female to male employees, but a measure of sex ratio was in fact used which expressed females as a percentage of total employment.

## Chapter 6

### ATTAINMENT OF AIMS:

#### Sec. (i) INVESTMENT GROWTH, EXPECTED AND ACTUAL

Although NEDC's immediate problems over the period had been with unemployment, the Council's long-term problem had been with economic growth. The very first annual report contained a statement about long-term research into Growth Points and even though reference to Growth Points became somewhat muted because of actual or potential opposition from non-growth areas, the problem of stimulating sufficient rate of economic growth had remained.

Had NEDC's policy of co-ordinating efforts by local authorities to attract new, expanding industries and to encourage the expansion of firms already in the region been effective? It was observed by the director after one rather discouraging year (1967-8) that things would have been a lot worse except for the efforts of NEDC.

There were, however, people who contended that regional economic growth and employment prospects were reflections of national economic activity, and hence had little or nothing to do with the special efforts of regional institutions. They maintained that if NEDC had come to an end at any time it would have made no significant difference to what happened to the regional economy. Could the Council have been defended against this attitude? What sort of growth path could have been expected and what actually came about? In particular, what was the time path

for investment in the region, both expected and actual?

An idea for a time-path model was drawn from Vivian Woodward's work on Gross Domestic Products per head,<sup>1</sup> in which the following statement appeared.

"The item net exports is equal to the difference between GDP and domestic expenditure."

It followed that,

$$\text{GDP} = \text{Consumption expenditure} + \text{non-consumption expenditure} + \text{net exports.}$$

From this equation a very simple model was developed to estimate the time-path for GDP per head for the UK regions. (See appendix A). Current GDP was designated  $Y_t$  and the following assumptions were made. Consumption expenditure was regarded as proportional to current GDP. Non-consumption expenditure was taken to be investment and was regarded as proportional to the anticipated change in GDP. Net exports were considered to be exogenously determined, a positive value being equivalent to a balance of payments surplus whilst a negative value was regarded as equivalent to a balance of payments deficit. The expression which evolved was:

$$Y_t = \left( Y_0 - \frac{\bar{E}}{1-b} \right) \left( \frac{1-b+c}{c} \right)^t + \frac{\bar{E}}{1-b},$$

where 'b' was the regional marginal propensity to consume, 'c' was the accelerator coefficient and  $\bar{E}$  was exogenously determined net exports.

It must be stressed that this time path was not meant

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<sup>1</sup> Vivian Woodward. "Regional Social Accounts." National Institute for Economic and Social Research. Regional Papers 1. p.99.

to prescribe a course of action for particular industries or groups of industries but was meant simply to provide an indicator of the sort of GDP change, over time, which could have come about if certain relatively straightforward assumptions had been made. When the model was fitted to data this was just an attempt to find the trends for the 1960's which were latent in the changing situation of the first four years of the decade.

A combination of factors affected the time path. Other things being equal, a low accelerator 'c' helped the time-path upwards and the same applied to a low marginal propensity to consume 'b'. Two such low values together gave rise to a high growth rate, as in the case of Yorkshire and Humberside and the West Midlands.

When the model was fitted to regional data for 1961 and 1964,<sup>1</sup> by adjusting the accelerator coefficient in each case, the regional accelerators showed considerable variation and the position of the North was highly significant. A large accelerator,  $c = \frac{I_t}{Y_{t+1} - Y_t}$ , meant that a large amount of investment had to be made in order to secure a relatively small immediate change in GDP. The accelerator for the North was the highest for the UK regions, which seemed to suggest that Northern industrial structure did not respond very well to investment during the 1960's. The Northern region had the slowest rising time-path and the lowest growth rate of all the UK regions. In this respect the North's position contrasted strongly with that of the South East where there was much the same marginal propensity

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<sup>1</sup> Vivian Woodward. op cit. Table 1. p.79.



Facets of the Economies of the English Regions, 1961

Facet \ Region	N	EWR	NW	NM	M	SE	SW
GDP per head £ <sup>1</sup>	410	452	449	463	489	503	400
Employment Inc. per head £ <sup>2</sup>	271	302	300	303	341	349	261
GDP by Industry per head £ <sup>3</sup>							
Manufacturing	143	188	198	178	234	143	107
Services	207	219	237	220	228	345	253
Agriculture and Mining	60	45	14	65	27	15	40
Economic inactivity % <sup>4</sup>	56.7	52.8	51.9	53.2	50.8	52.4	56.8

1) V. H. Woodward, op. cit. Table 4 p.81

2) " " " " " Table 9 p.86

3) " " " " " Table 2 p.80

to consume. The South East, with about half the accelerator of the North had a much higher growth rate and faster rising time-path.

Several factors contributed to an inauspicious start in the North in 1961. The table opposite indicated that, of the English regions, the North had the second lowest GDP per head in 1961. Of the factor incomes comprising GDP, income from employment was by far the largest and again the North was in the second lowest place thus giving point to the complaint of NEDC that personal incomes in the region were low, a situation which deterred people from wanting to come and work in the North. From another standpoint the North did not show up very well either. When GDP per head was apportioned according to industry the North took second lowest place for manufacturing industry and lowest place for service industries. Only in respect of Agriculture and Mining did the North take second highest place for GDP per head but neither of these industries was regarded as a growth industry in 1961. Thus at its inception NEDC was confronted by a discouraging picture of the lowliness of individual benefit from regional production. Reflecting this was the proportion of the population economically inactive in 1961. Here the North was second highest of the English regions.

The picture was not much brighter subsequently, as the rate of increase of GDP per Head for the North from 1961-64 was the lowest for the English regions.

DATA FOR SUCCEEDING DIAGRAM

$$Y_t = \left\{ Y_0 - \frac{\bar{E}}{1-b} \right\} \left( \frac{1-b+c}{c} \right)^t + \frac{\bar{E}}{1-b}$$

South East

b = 0.625

c = 6.25

E = -1

Growth rate = 6%

Y<sub>0</sub> = 503

South West

b = 0.65

c = 10

E = -73

Growth rate = 3.5%

Y<sub>0</sub> = 400

West Midlands

b = 0.60

c = 6.5

E = +28

Growth rate = 6.2%

Y<sub>0</sub> = 489

Scotland

b = 0.667

c = 7.5

E = -23

Growth rate = 4.4%

Y<sub>0</sub> = 392

Yorks and Humberside

b = 0.565

c = 7

E = +40

Growth rate = 6.2%

Y<sub>0</sub> = 452

Wales

b = 0.645

c = 10

E = -49

Growth rate = 3.6

Y<sub>0</sub> = 401

North West

b = 0.61

c = 7

E = +24

Growth rate = 5.6%

Y<sub>0</sub> = 449

North

b = 0.63

c = 12

E = -0.5

Growth rate = 3%

Y<sub>0</sub> = 410

East Midlands

b = 0.58

c = 10

E = +30

Growth rate = 4.2%

Y<sub>0</sub> = 463

N. Ireland

b = 0.71

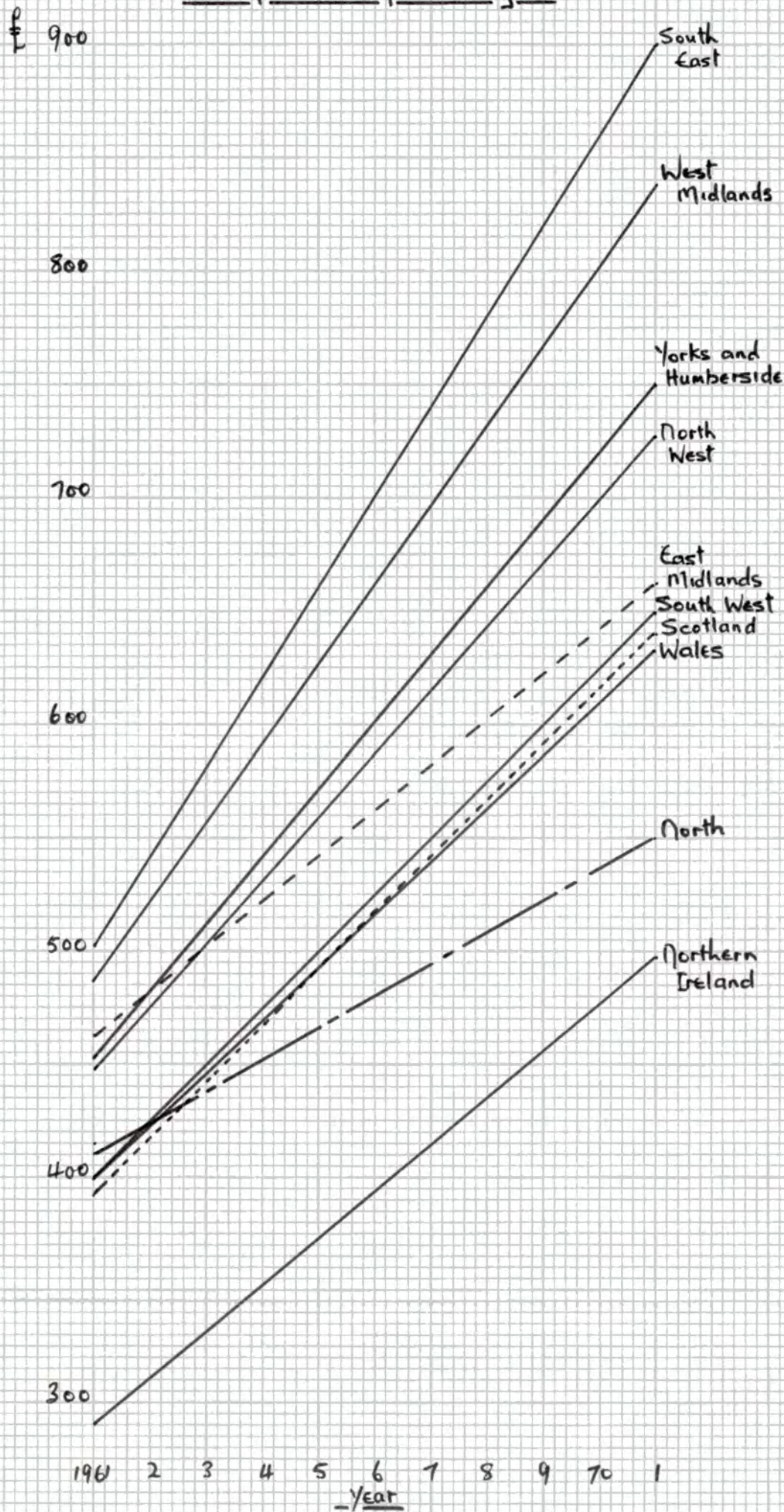
c = 9

E = -79

Growth rate = 3.2%

Y<sub>0</sub> = 289

Linear approximations of time paths of  
GDP per head for UK regions



	<u>GDP per head</u> <sup>1</sup>						
	N	EWR	NW	NM	M	SE	SW
1961	410	452	449	463	489	503	400
1964	446	525	515	515	573	599	463
% rise	8.8	15.6	14.7	11.3	17.2	19	15.8

This situation was not helped by the North's breaking even on its regional balance of payments. Negative net exports played an important part in the upward movement of any regional GDP per head time-path. Like the national economy, a regional economy could grow so long as there were imports to provide inputs for industry. The national economy could grow on the strength of imports until such time as serious indebtedness abroad caused a curtailment of imports and a subsequent slowing down of production. Regions like Northern Ireland, Scotland, Wales and South West England, which had consistently negative net exports, maintained their level of industrial output by running the equivalent of balance of payments deficits. Such regions maintained output through the willingness of people in other places to continue to supply industrial inputs which were not being paid for. The regions mentioned, which all had relatively low growth rates, thus had GDP per head time-paths which rose faster than would have been the case had the continuing excess of imports over exports been unobtainable. The North, however, though it possessed the lowest growth rate of the UK regions, did not have consistently large negative net exports but showed rather a tendency to break even on imports and exports. This

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<sup>1</sup> V. H. Woodward. op cit. Table 1, p.79.

Estimates of time path of investment  
in the Northern Region.

Relative

240

220

200

180

160

140

120

100

1961

2

3

4

5

6

7

8

9

10

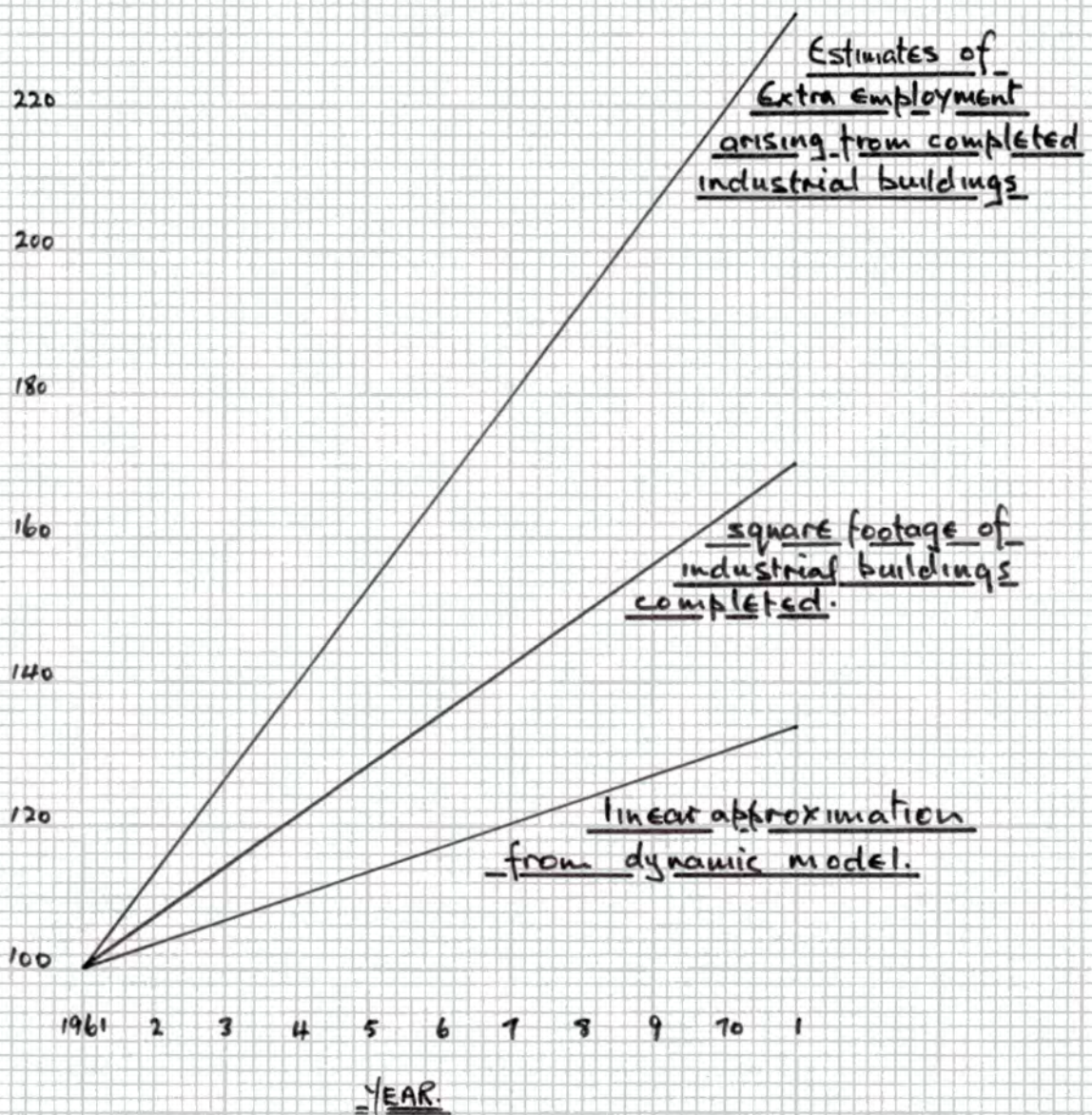
11

YEAR.

Estimates of  
Extra employment  
arising from completed  
industrial buildings

square footage of  
industrial buildings  
completed.

linear approximation  
from dynamic model.



combination of low growth rate and lack of negative net exports gave the Northern region a GDP per head time-path which was conspicuous by its low rate of increase.

Regional data for non-consumption expenditure was available for 1964<sup>1</sup> and the ratio of this to GDP for 1964 was used as a constant proportion for estimating an investment sequence for the North. Assuming that the GDP per head time-path model had been based on reasonable assumptions, then the time sequence for investment in the Northern region was also what could reasonably have been expected on the evidence available. NEDC had tried constantly to increase investment in the region. How did the investment which took place compare with what could have been reasonably expected?

An indicator of actual investment growth for the North was taken from R. A. Hart's<sup>2</sup> article on industrial building. His figures, (square ft. of industrial building completed) aggregated for the two halves of the period, showed a strong upward movement. A straight line through these two values was taken as a trend estimate. The two aggregates were actually in respect of 1960-64 and 1965 to 1969. In order to show the rate of increase in industrial building in a relatively poor light, the aggregate values were placed at 1961 and 1969 respectively. Even so, the relatives of the trend in industrial building were above the relatives of expected investment estimated from the GDP growth model. (Diag. opposite).

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<sup>1</sup> V. H. Woodward. op cit. Table 19.

<sup>2</sup> R. A. Hart. "The distribution of new industrial building in the 1960's." Scottish Journal of Political Economy. June, 1971.

The strong upward movement for Northern square footage completed contrasted with the movement for the country as a whole, which was slightly downwards. Indeed, Scotland was the only other region where there was a strong movement upwards. This seemed to indicate that it was not just the national economic climate which was influencing economic activity in the North. With such strongly opposed trends there must have been some other influence.

The government, by deliberate act of policy, had sought to aid industrial building in the regions and the advocates of this policy in the North must have been particularly effective to produce a trend which contrasted so strongly with all other regions save one. It was well known that there was a powerful lobby of Northern Members of Parliament which was not slow to press the regional case. NEDC's co-ordinating function among Northern local authorities enabled maximum representation to be made to Northern MP's on matters affecting the region as a whole.

Before pursuing that particular point, it should be realised that although buildings had been completed, this did not necessarily imply that they were all rented out or sold on terms highly advantageous to the buyer. If large numbers had remained empty, investment would have been to that extent ineffectual. With national economic activity on the down turn it would have been surprising had every completed industrial building in the North been taken up, but was there evidence to show that a large proportion had remained vacant?

To examine this question another indicator of investment



was chosen, namely the estimated additional employment arising out of completed industrial building. Again the data were taken from Hart's article and showed a strong rise for the North, faster than the completed square footage. These figures were almost certain to have been overstated since the temptation to create the best possible impression about employment prospects for the purpose of obtaining a grant could hardly have been resisted. On completions, however, it was unlikely that additional employment could have been grossly overstated, in contrast to estimated additional employment on sq. footage approvals where in some cases over-estimates had been very great. In this connection it is perhaps fair to point out that some investigators had found that employment could increase after the first year of operations<sup>1</sup> in spite of initial over-estimates. With industry in general showing a strong tendency to become less and less labour intensive, one could have expected that the rate of increase of estimated additional employment would have been less than rate of increase in sq. footage completed. In fact, it was greater. This again suggested that additional employment figures were exaggerated, but, allowing that the over-estimates on completions were not likely to be gross, there did seem to be a prima facie case for thinking that building completions were pretty well matched by new employment. Labour for the new firms was available even if the filling of vacancies was not accomplished by the straightforward process of drawing directly out of a waiting pool of unemployment.

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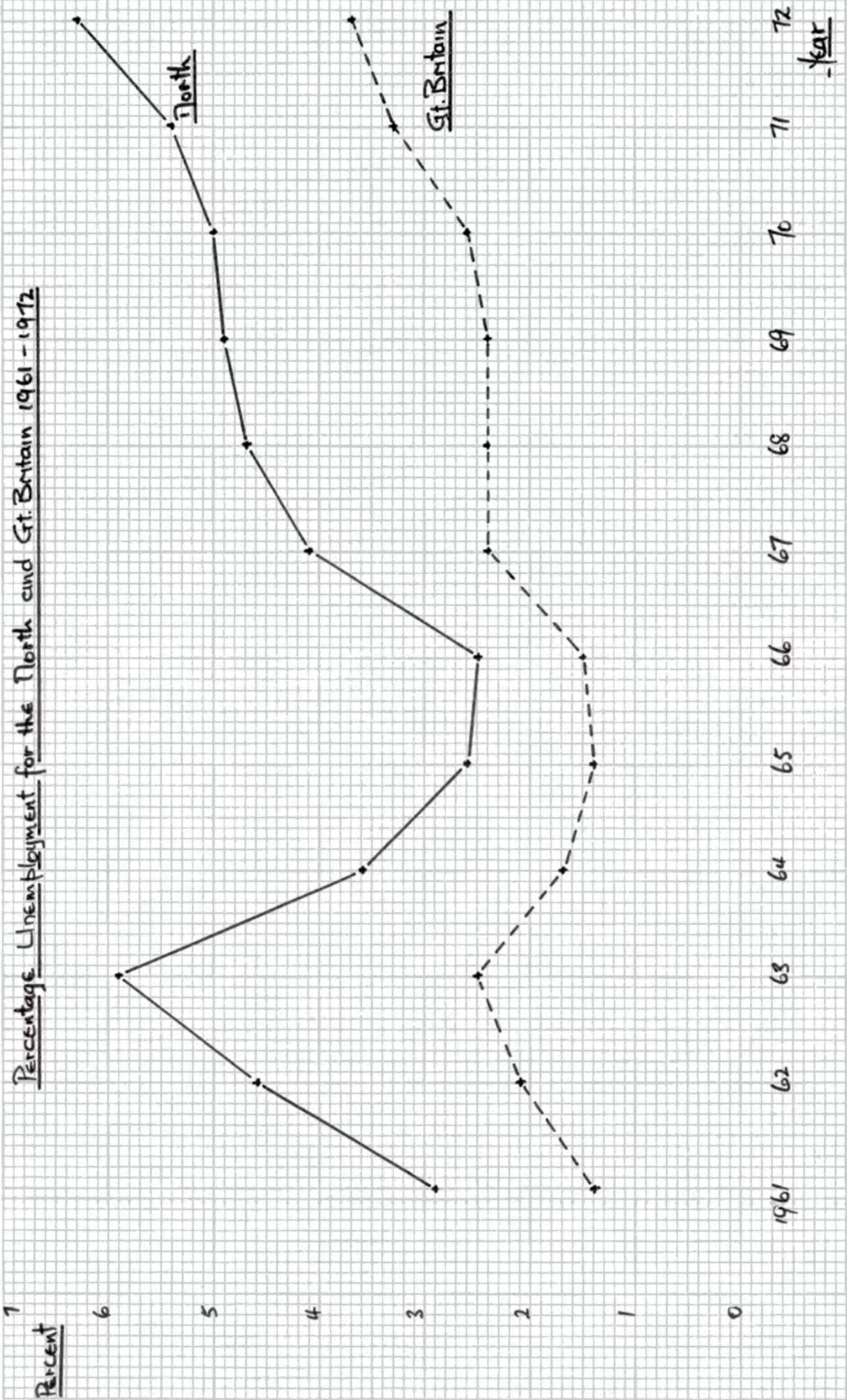
<sup>1</sup> R. S. Howard. "The movement of manufacturing industry in UK 1945-65." Distribution of Industry Division of Board of Trade. 1968. Para. 62.

Thus, in the North, investment in new expanding industries appeared to have taken place at a rate greater than could reasonably have been expected. This was against the national trend of economic activity and could not have been brought about without exercise of the Government's policy of aid to the regions. Such aid was not likely to have been given spontaneously but only in response to highly effective advocacy. The North's case was strongly pressed by the Northern Members of Parliament but the case itself was a co-ordinated presentation of the region's needs and aspirations.

#### Sec. (ii) THE CO-ORDINATING ROLE OF NEDC

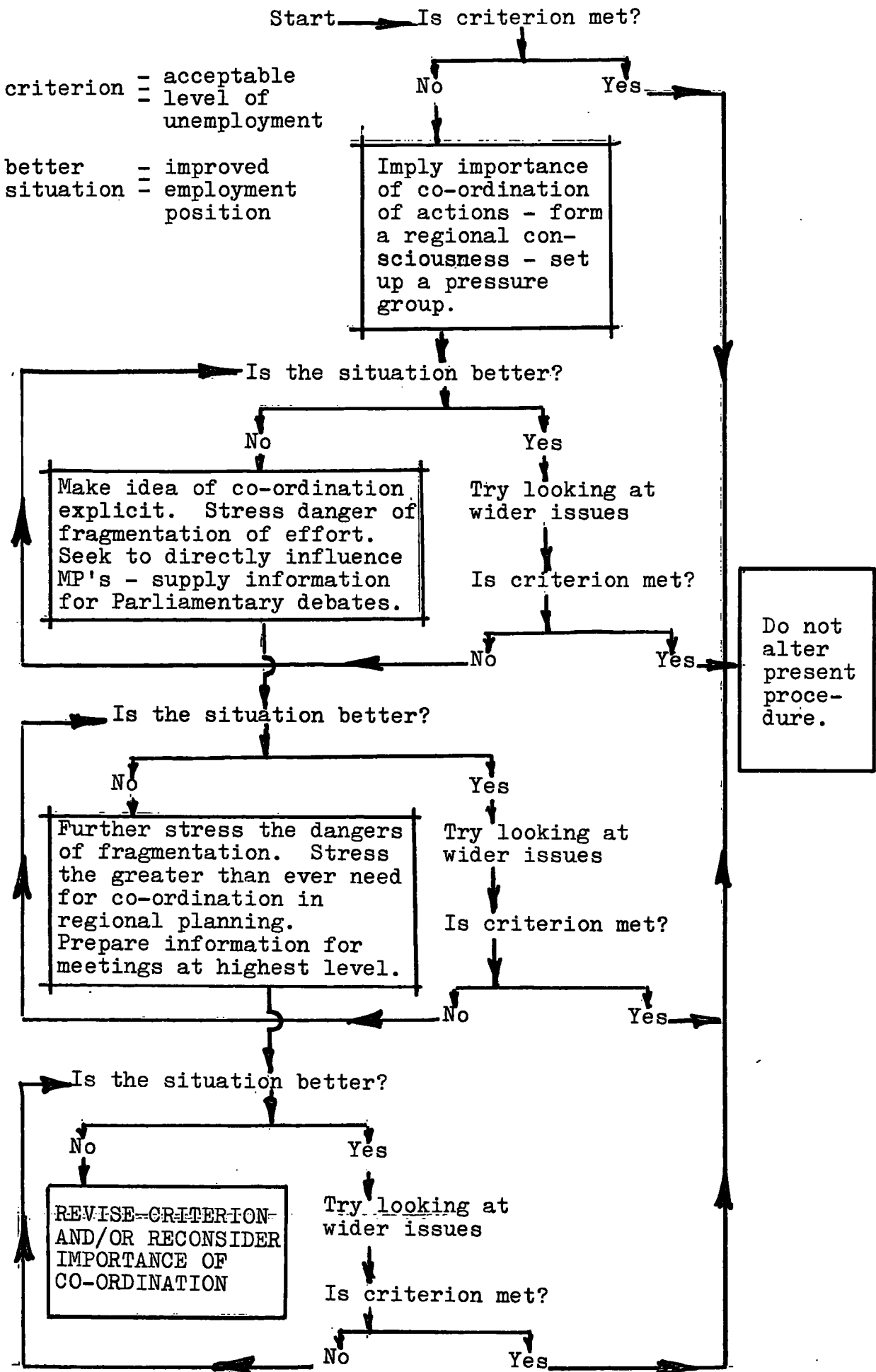
The Council's part in the co-ordinating process was evidenced from passages in the NEDC's annual reports 1961-72, excerpts from which are given in appendix B at the end of this chapter. Each excerpt referred to some aspect of co-ordination either expressly or by implication. A chronological summary is given on the following page.

Percentage Unemployment for the North and Gt. Britain 1961-1972



Co-ordination Summary

1961-63	) Co-ordination mentioned explicitly ( ) ) in the first annual report, but ( ) ) mutedly. Co-ordination was ( ) ) strongly implied in certain other ( ) ) of the Council's activities, e.g. ( ) ) formation of a regional conscious- ( ) ) ness and the establishment of a ( ) ) pressure group. ( )	Stage 1 Unemployment rising
1963-66	) Concern was expressed about the ( ) ) role of rival bodies in the region. ( ) ) There was a need for Government ( ) ) assurance on Council's continuing ( ) ) role. Attention was given not only ( ) ) to matters directly concerned with ( ) ) regional planning but also to those ( ) ) concerned with the wider aspects of ( ) ) regional planning. The region ( ) ) should have high prestige. ( ) ) Opportunity was taken to give a ( ) ) backward glance of self congratu- ( ) ) lation. The future role of the ( ) ) Council was proclaimed to be the ( ) ) same as in the past. ( )	Stage 2 Unemployment falling
1966-70	) It was important to prevent ( ) ) fragmentation of local effort. ( ) ) The first reference to briefing of ( ) ) MP's occurred and others quickly ( ) ) followed. Council's role as an ( ) ) implementor of policy was stressed. ( ) ) There now appeared the first ( ) ) outright reference to the Council's ( ) ) co-ordinating role with respect to ( ) ) Planning Authorities. ( )	Stage 3 Unemployment rising
1970-72	) There was further stressing of the ( ) ) danger to industrial promotion of ( ) ) the fragmentation of effort. The ( ) ) need for more co-ordinated approach ( ) ) to regional planning was felt to be ( ) ) greater than ever. Anxiety about ( ) ) future of NEDC was expressed. ( ) ) Material was prepared for meeting ( ) ) at the highest political level. ( )	Stage 4 Unemployment still rising



These stages followed a pattern, the co-ordinating role intensifying as the employment situation deteriorated.

Stage 2 showed a relaxing of the intensity of Stage 1. Co-ordination was still strongly implied in the Council's activity but it had an inward look, a look at rivals within the region. The stress was off the hand-to-mouth industrial promotion of Stage 1: there seemed a chance to look at wider aspects of planning and an opportunity to take stock of achievements.

This comparative relaxation disappeared in Stage 3 and even more in Stage 4. The reference to the future role of the Council in Stage 2 was markedly different from that in Stage 4. In the former case, there was concern for a place among other organisations. In the latter case there was distinct anxiety that the Council had not been able to perform its functions in spite of all its efforts.

The pattern of co-ordinating efforts could be formed into a succession of iterative loops. The last stage involved political consultation at the highest level, i.e. with the Prime Minister, and it would have been difficult to imagine going any further. If this had failed then presumably, there would have had to be a re-appraisal of aims and/or co-ordinating methods. (Diag. opposite.)

Appendix A

$$\text{GDP} - \text{Consumpt. Exp.} - \text{Non-Consumpt. Exp.} = E$$

$$Y_t - C_t - I_t = E_t$$

$$C_t = bY_t, \quad 0 < b < 1$$

$$I_t = c(Y_{t+1} - Y_t) \quad c > 1$$

$$E_t = \bar{E}$$

$$Y_t = C_t + I_t + \bar{E}$$

$$Y_t = bY_t + c(Y_{t+1} - Y_t) + \bar{E}$$

$$Y_t = bY_t + cY_{t+1} - cY_t + \bar{E}$$

$$Y_t - bY_t + cY_t = cY_{t+1} + \bar{E}$$

$$Y_t(1 - b + c) = cY_{t+1} + \bar{E}$$

$$\left(\frac{1 - b + c}{c}\right)Y_t - Y_{t+1} = \frac{\bar{E}}{c}$$

$$Y_t = Y_c + Y_p$$

For  $Y_c$

$$\text{Let } \left(\frac{1 - b + c}{c}\right)Y_t - Y_{t+1} = 0$$

and try  $Y_t = Ah^t$

$$\left(\frac{1 - b + c}{c}\right)Ah^t - Ah^{t+1} = 0$$

$$\left(\frac{1 - b + c}{c}\right) - h = 0$$

$$\therefore \frac{1 - b + c}{c} = h$$

$$\therefore Y_c = A\left(\frac{1 - b + c}{c}\right)^t$$

For  $Y_p$ ,

$$\text{In } \left(\frac{1-b+c}{c}\right)Y_t - Y_{t+1} = \frac{\bar{E}}{c}, \text{ let } Y_t = K$$

$$\text{then } \left(\frac{1-b+c}{c}\right)K - K = \frac{\bar{E}}{c}$$

$$K\left(\frac{1-b+c-1}{c}\right) = \frac{\bar{E}}{c}$$

$$K\left(\frac{1-b}{c}\right) = \frac{\bar{E}}{c}$$

$$K = \frac{\bar{E}}{1-b}$$

$$\text{then } Y_p = K = \frac{\bar{E}}{1-b}$$

$$\therefore Y_t = A\left(\frac{1-b+c}{c}\right)^t + \frac{\bar{E}}{1-b}$$

$$\text{Let } t = 0 \text{ then } Y_0 = A + \frac{\bar{E}}{1-b}$$

$$\therefore Y_0 - \frac{\bar{E}}{1-b} = A$$

$$\therefore Y_t = \left(Y_0 - \frac{\bar{E}}{1-b}\right) \left(\frac{1-b+c}{c}\right)^t + \frac{\bar{E}}{1-b}$$

This solution satisfies both the difference equation and the initial conditions.



## Appendix B

### EXCERPTS ON CO-ORDINATION

1961-62

#### Regional Technical Information Centre

". . . The Information Centre also provides much of the essential working data needed in the attraction of new industries to the area, such as details about sites and their services, detailed figures about the types of labour available in selected areas, and the range of products and services which regional industry itself can offer."

#### Relations with other Organisations

"NEDC was set up to co-ordinate the overall economic planning of the NE but was not working alone."

#### Director's Report

"Another most helpful guide would be to know why firms who have been shown the NE do not settle here. It may be only a small fault which could easily be put right, or it might be a fundamental objection to the NE which only a sustained publicity campaign can overcome."

1962-63

#### Director's Report

"One of the most satisfactory features of the year has been the welding together of eleven different authorities with representatives of industry, trade unions and Members of Parliament into a single-minded body imbued with a regional consciousness, and dedicated to the creation of a better NE."

1963-64

Cleveland

The Director convened a special conference at Saltburn on 14th February, 1964, to discuss the unemployment problem in the Cleveland district.

Those attending represented local authorities within Cleveland Employment Exchange area. The Tees-side industrial Development Board, the North Riding County Council, major industries in the area, trade unions affected, and the Cleveland Trades Council. Mr. W. Proudfoot, MP for Cleveland, also attended.

Director's Report

"The competition from other regions will be even more fierce; the claims of the NE on the rest of the country may be less accepted by the Government; the size of the problem we have to meet still must demand all our attention. The value of a strong pressure group such as the NEDC is still essential to keep our claims, views and hopes constantly before the minds of those who make decisions affecting our future, whether in politics or industry.

1964-65

Director's Report

"The most momentous event since our last AGM has been the establishment of the Regional Economic Planning Board and Regional Economic Planning Council. This has led to questions concerning the future role of the NEDC and its relationship to the new bodies. A delegation from the Executive Committee of NEDC met the Rt. Hon. George Brown,

MP, Minister for Economic Affairs on 7th December, 1964, to discuss the question. Members of the delegation explained the representative nature of NEDC and the part it had played in creating a regional identity and sense of purpose. The specific work of the Council in the fields of publicity and promotion and the development of industry was detailed.

It was stressed that the Council had a continuous role with pressure, promotion and publicity as its watchword and as a natural ideas centre for the NE. The delegation received from the Minister confirmation of the view that the NEDC has a big part to play in the NE scene and Mr. Brown commended NEDC to the continued support of the various bodies and interests who have made its work possible in the past.

. . . Our problems, arising from a lack of balance in our economic structure, are not self correcting but they can be solved by continuous and conscious planning.

1965-66

#### Relations with Government Departments

"During the first year of the new Northern Economic Planning Board, relations with Government Departments have been closer than ever - not only with departments concerned directly with industrial development, like the Board of Trade and Ministry of Labour, but also with those dealing with wider aspects of regional planning."

"We must press for a continuation of existing policy on two broad fronts. Firstly on encouragement of new industrial growth and secondly the full physical development

of the environmental and social capital of the NE. We are not yet in a position where the industrial growth of the NE will continue of its own volition. A more positive policy to ensure continuing growth is still essential. We still have to create our own regional prestige value."

#### 1966-67

"The reasons and basic conditions which led to the formation of NEDC are as real today as they were six years ago. These have been years of intense activity with considerable achievements to record and some major disappointments. But there can be no doubt that NEDC is firmly established in the region, nationally, and in a wider sphere. There is a continuing need for positive action, for pressure, promotion and publicity on behalf of the NE. The NEDC is still essential to keep our claims, views and hopes constantly before the minds of those who make decisions affecting our future whether in politics or in industry."

#### 1967-68

##### Director's Report

"It will be the policy of the Council to continue to sell the NE in depth to other parts of the country as well as abroad, and the primary task will be to persuade leaders of industry and commerce on a personal level to come to the NE. In this we shall work in partnership with the local authorities and the Board of Trade. Collaboration will not be limited to industrial promotion; our services will also be available in respect of

publicity, advertising and the preparation of promotional brochures. Partnership of this kind cannot fail to strengthen NEDC and will prevent a fragmentation of promotional effort." . . .

"As this is my first report perhaps it would be timely to remember that NEDC was the first NE regional organisation which focussed attention on the area, influenced Government support on Development Areas and inducements and advocated public investment for the infra-structure. The massive progress made is there for all to see. Neither the Northern Economic Planning Council nor the North Regional Planning Committee, both of which came later, have altered the role of NEDC. Where there is more than one regional body, duplication or overlapping may occur, but it should be recognised that they are complementary organisations with different roles which increase the power and influence of the NE."

#### NEDC Political Activity

"An excellent example of co-operation between NEDC and NE MP's came in March following the decision of Mr. W. E. Garrett, the Member for Wallsend, to introduce a motion concerning the economic development of the Northern Region after winning first place in the Private Members ballot. A very full brief was prepared by NEDC for discussion and used to great effect by Members on both sides of the House in a full day's debate.

March, however, was overshadowed by speculation about the Budget to be introduced on 19th of the month. Again NEDC was prepared to supply detailed reaction to the

region's Members of Parliament soon after the measures were announced . . ."

1968-69

Printed Material

Two important publications produced by the Council in the year were "The Guide to Government Incentives" and the New Industrial Map.

"Both publications are unique. 'Guide to Incentives' sets out in detail the full range of incentives and the conditions under which they are made available to industrialists coming to the NE and those expanding here. No other publication, Government or otherwise has ever been designed to do this. The 1969 edition of the Buyers Guide to North East Industry appeared in January.

The Industrial Map is based on three sheets of a one-inch Ordnance Survey map covering the industrial and urban areas of the NE. On this has been superimposed industrial sites; main lines of communication including the projected road improvements, port facilities, airports and urban conurbations are shown. There is no other map in existence covering this area on one sheet of this scale or showing projected developments so far into the future. The map was in considerable demand and reprints were necessary."

Director's Report

"Last year the Executive set out a number of priorities and happily the more important of these were approved. The Government, therefore, deserve our gratitude for the

Aluminium Smelter, the Nuclear Power Station, the PAYE Computer Centre and Furness Shipyard, all of which strengthened the region's economy and in saying this we should recognise the important part played by the Rt. Hon. Fred Lee and the Northern MP's. Regular contact was maintained with MP's as it is essential to have a strong Parliamentary lobby. During the year co-operation with Ministers and Government Departments has been well maintained and the work of NEDC is recognised by the continuation of Government Grant. Relations with regional departments of Government are excellent and I am grateful to the Regional Controllers for their personal goodwill."

1969-70

Director's Report

"The responsibility of an industrial promotion agency like NEDC is to try to visualise industrial development needs and opportunities. This involves the necessity of some kind of time scale for development. It is increasingly urgent, then, that we have some guidance from the decision-makers and policy-formers. It is not our function to make their decisions or form policies, but to try to implement them. The time for which it is possible to foresee intelligently is always limited; it is even more limited without this help.

"The role of the Council remains to promote and publicise the region and to exert pressure on its behalf where needed."

## Industrial Promotion

As in 1968 one of the most valuable features of the NEDC's promotional activities was the continuing effort to co-ordinate the promotional drive for every planning authority in the region.

At all receptions during the year, representation from the Northern planning authorities, Ministry of Technology, and English Industrial Estates Corporation attended as members of the NEDC team.

Regular discussions on the NEDC programme have been carried out in close collaboration with all the planning authorities and the move towards full co-ordination which was initiated in 1968 is now almost complete.

## Contacts at Government level

The Development Council continued to assist the region's MP's wherever possible, in particular supplying each member with major brief on the regional situation in time for a private members debate in Parliament initiated in December by Mr. David Watkins, MP, and by supplying similarly detailed information for a members motion debate of the region's development, initiated by Mr. Gordon Bagier, MP, in February.

1970-71

## Director's Report

"There may be too many organisations dealing with regional development in Britain. Regional planning is now split between two Government Departments. . . . Economic and physical planning in a region are two aspects



of the same process, not two separate entities. If the process of regional planning is to gain full credence in Britain, a more co-ordinated and direct form of machinery is needed." . . .

. . . "While considerable differences in policy may be required to deal with sub-regional areas inside the region, the strength of the case for these policies is not really helped by fragmentation and duplication of effort. It in no way affects the need for the region's basic case (which must represent the basis for successful local efforts) to be expressed with force and single mindedness."

#### Public Relations Report

. . . "Towards the end of the year briefing material was prepared for Parliamentary debates on the North East and the Council enjoyed continuing interest and support of the region's MP's during the 1970-71 period." . . .

#### 1971-72

#### Director's Report

. . . "While the greater devolution of responsibility is welcome, the role of the existing organisations like NEDC, Northern Economic Planning Council in relation to the new Industrial Development Executive needs to be examined. This also will take time and meanwhile the situation in the job market does not improve. Many of these changes will seem academic to the jobless unless a 'break through' can be achieved quickly. Increased Training Grants and more Government Training Schemes would be more convincing if it was felt there was any clear evidence

of future growth in the demand for certain types of labour.

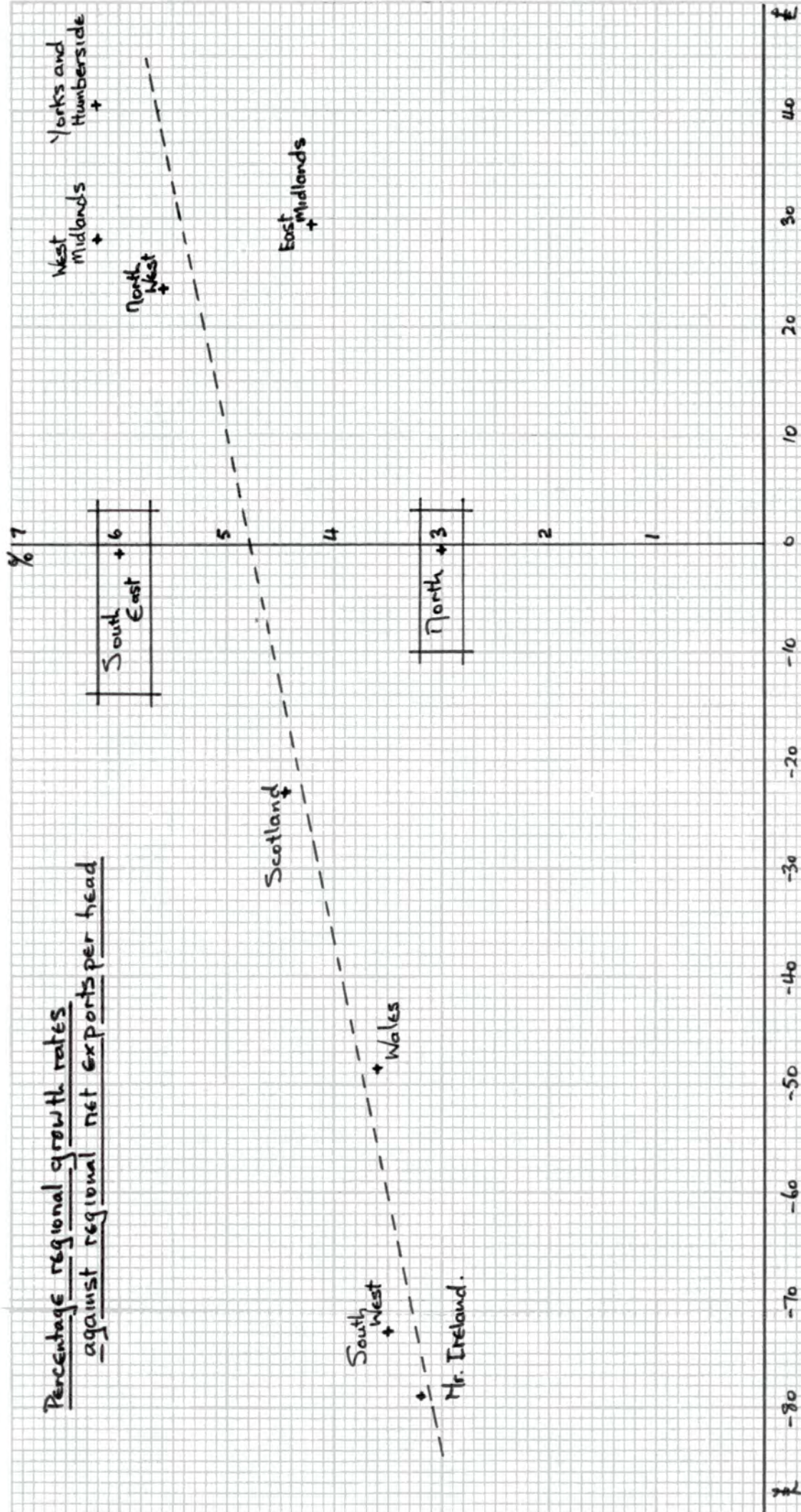
#### Industrial Promotion

. . . "Reduced interest by British firms was countered by an increase in foreign enquiries following NEDC's promotional activities in Europe and America. As always in these ventures NEDC continued its efforts to co-ordinate the promotional drive for all the planning authorities in the region." . . .

#### Contact with Government

. . . "The meeting (with the Prime Minister) was given over entirely to an emergency debate on unemployment and a detailed memorandum was specially prepared for the meeting." . . .

Percentage regional growth rates  
against regional net exports per head



## Chapter 7

### GDP PER HEAD AND REGIONAL NET EXPORTS; TWO CONTRASTING POSITIONS

An interesting facet of the regional growth of GDP per head was the connection between rate of growth and regional net exports. The relationship of growth rate (obtained from the growth model) of regional GDP per head to regional net exports displayed fairly clear directional properties; 'r' at 0.714 was significant at the 5 per cent level. In general a low growth rate per head was associated with negative net exports which were equivalent to a deficit on the regional balance of payments and a high growth rate per head was associated with positive net exports which were equivalent to a surplus on the regional balance of payments.

Two observations stood away from the main trend of the diagram, nearly symmetrically about the regression line. These referred to the South East and the North. In both cases, net exports were approximately zero but the South East had a per head growth rate of 6 per cent, the second highest whereas the North had a per head growth rate of 3 per cent, the lowest.

Could any explanation be offered? Before attempting any, it should be pointed out that evidence about net exports consisted of two observations only for each region; one for 1961 and the other for 1964.<sup>1</sup>

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<sup>1</sup> V. H. Woodward. op cit. Table 1.

The average of these two was taken in each case as the net exports co-ordinate in the diagram. In spite of their residual nature, these net export figures showed a remarkable consistency for most regions; the North being the principal exception.

Region	Net Exports		Mean Net Exports	% Growth Rate GDP per head
	1961	1964		
North .. .. .	+13	-14	-0.5	3
Yorks. and Humberside ..	+46	+35	40.5	6.2
North West .. .. .	+21	+26	23.5	5.6
East Midlands .. .. .	+34	+25	29.5	4.2
West Midlands .. .. .	+19	+39	28	6.2
South East <sup>1</sup> .. .. .	-	-2	-1	6
South West .. .. .	-74	-72	-73	3.5
Wales .. .. .	-54	-43	-48.5	3.6
Scotland .. .. .	-9	-36	-22.5	4.4
N. Ireland .. .. .	-65	-93	-79	3.2

The North's near zero net export position was the resultant of two disparate observations, +13 for 1961 and -14 for 1964. All of the other regions had net exports for 1961 and 1964 in the same direction and most had them fairly close together. The near zero result for the North may thus have been accidental, but assuming that it was not, what facet of both the South Eastern and Northern economies could have so strongly distinguished one from the other?

One possible feature may have been the nature of the two regions' industrial structures.

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<sup>1</sup> included East Anglia for which separate estimates were not very accurate.

% working population 1966

	<u>North</u>	<u>South East</u>
Heavy Industry .. .. .	19	3
Engineering and Electrical ..	9	10
Vehicles and light engineering	6	12
Textile, clothing, boot/shoe ..	4	3
Agric. and Food Manufacturing ..	6	4
Construction .. .. .	8	8
Service .. .. .	42	53
Public Admin. and Defence ..	6	7

Ignoring the contrast in Service industry which owed much to the influence of London on the figure for the South East, the chief point of comparison was the proportion of the working population employed in Heavy industry in the North and the proportion employed in Vehicles and light engineering in the South East. The North employed nearly one fifth of the working population in declining industries, whereas the South East employed nearly one eighth in expanding industries and very little in declining industries.

Of course, the difference in industrial structure was not the only factor operating; the difference in size of population was also very great. The South East had about 32 per cent of the total population of Great Britain whilst the North had about 6 per cent. Personal incomes were also higher in the South East; employment income<sup>1</sup> in 1961 was £271 per head in the North and £349 per head in the South East.

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<sup>1</sup> Vivian Woodward. op cit. Table 4. p.81.

The South East thus provided a somewhat better market for the consumer durable goods which constituted such an important element in the output of the industry group, vehicles, light engineering and manufactures. This situation could hardly have done other than contribute to the comparatively high rate of response of GDP to investment in the South East where, according to the growth model, an accelerator coefficient of 6.25 contrasted with one of 12 in the North.

In its attempts to reduce Northern unemployment NEDC was at pains to seek the best possible response to investment. The North's economic growth had been compared unfavourably with that of other regions but especially with that of the South East. Allowing that there were differences in size of population and income per head, the Council sought to attract firms in the industry group which was characteristic of the South East and which seemed to contribute so much towards its comparative prosperity. One of the great disappointments in the Council's career occurred when one of the large motor manufacturing groups made extensive enquiries about setting up in the North, seemed to be on the point of doing so and then went to another region.

A further contributory factor to the North's relatively low rate of growth per head may have been the nature of its industrial conurbation, which comprised the lower valleys of the Tyne, Wear and Tees. From a local point of view they were, in effect, three separate industrial areas, each possessing an identity which each sought to maintain.

Hence an element of mutual jealousy entered into sub-regional relations. Many Northerners talked about the North East but, depending on where they lived and worked they were in fact thinking about Tyneside, Wearside or Tees-side. Attracting new industry to the North East meant attracting it to one of these three areas rather than to the region. Such attitudes were bound to play a part in fragmenting regional efforts at industrial promotion and may well have contributed to holding down the regional growth rate. It might have been argued that competition among the sub-regions could have increased economic growth. This may have been a prospect during periods of economic expansion when it would have been a matter of offering terms to those who were in varying degrees already willing to come in. In a situation of decline, however, when it was a matter of trying to induce the migration of those not at all concerned to come, any intense competition among the sub-regions would probably have given an impression of desperation which may not have proved very attractive to mobile firms.

NEDC's constant concern was to oppose the fragmentation of efforts to attract new industry to the region. The Council tried untiringly to co-ordinate the efforts of the Local Planning Authorities in order that as clear and concise a picture of the potential of the Northern Region (NE) as a whole could be presented to mobile firms outside the region. This idea of co-ordinated efforts was held to be equally desirable for the purpose of presenting the region's case in Parliament. However, it was perhaps significant



that after all such efforts had been made, NEDC felt constrained to set up a separate office on Tees-side.

## Chapter 8

### OPINION OF ECONOMIC CIRCUMSTANCES AT END OF PERIOD

#### Views of the Trade Union Congress on Regional Economic Development, ten years after Snaith

After NEDC had engaged in a decade of industrial promotion for the North East, how did interested and considered opinion on regional economic development compare with views which had been expressed ten years earlier? In 1972 the TUC set out its views on regional economic policy in a memorandum for consideration by the National Economic Development Council.

The first point raised by the TUC memo was that success in regional economic policy could not be achieved without sustained national economic growth. This view echoed Snaith over a decade earlier when he wrote:

"The NE has everything to gain from a more rapid rate of economic expansion. When the economy as a whole is expanding, employment in the NE rises rapidly. During the years of rising industrial output between 1950 and 1956, unemployment in the NE fell from 3.1 per cent to 1.7 per cent and the regional level of unemployment came to within 0.5 per cent of the national level. In contrast, during the following three years, when industrial output ceased to expand, unemployment in the NE rose to 3.6 per cent and was some 1.4 per cent in excess of unemployment for the country as a whole." The importance of the state of the national economy for the economic welfare of the North was briefly stressed on occasions in NEDC's annual reports

over the intervening years but its importance for the North tended to be strongly overshadowed by constant demands from the Northern region for differential aid, including demands for restrictions to be placed on industrial building in the more prosperous parts of the country.

The TUC's second opening point referred to the relationship between national economic expansion and continuous balanced industrial development among the regions and within individual regions. National economic expansion did not, in their view, guarantee any sort of balanced or continuous regional growth. This coincided with earlier opinion when Snaith had pointed out that in prosperous times some regions varied between full and over full employment while others, like the NE merely varied in the degree to which their labour resources were under-utilised. The TUC memo offered lack of selectivity in aid policy as the reason for this situation. It was held that lack of attention to the problem of selectivity resulted in the level of total aid being kept very high and to the consequent reaction against keeping it so, on the grounds that much of it had no clearly quantifiable result.

R. R. McKay<sup>1</sup> offered an opinion on selectivity of aid. He compared the record of the Development areas with that of the Special Development Areas. Extra assistance to these latter was introduced on 14th November, 1967. It was available only for new projects brought into the

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<sup>1</sup> R. R. McKay. "Employment creation in the development areas." Scottish Journal of Political Economy. November, 1972.

Special Development Areas and was for the particular benefit of colliery districts suffering from a high rate of unemployment. The criterion for selection was the association between assistance and employment creation which had been the tradition before 1966. In the eighteen months prior to the introduction of this extra assistance in 1967 the Special Development areas had accounted for 19 per cent of new projects coming to the Development Areas, but in the eighteen months following, for 56 per cent. The following table compares the position before and after the introduction of the extra assistance to Special Development Areas.

	% INCREASE <sup>1</sup>		
	IN the number of projects	IN sq. ftge. ind. building	IN estimated additional employment
Special Dev. Area	216	205	262
Dev. Areas outside Spec. Dev. Areas	20	-1	-30
Total All Develop. Areas .. ..	57	49	27

McKay observed:

"Measures designed to influence the location of potentially mobile firms obviously have effect, no such clear evidence can be presented to support the blanket subsidies that go to all manufacturing industry."

McKay further drew attention to the evidence of R. S. Howard's data on the movement of firms to peripheral areas.<sup>2</sup> The following table shows the employment created

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<sup>1</sup> R. R. McKay. op cit. Table V

<sup>2</sup> R. R. McKay. op cit. p.293

by firms moving to the peripheral areas in various periods as a percentage of all employment created by mobile manufacturing firms in Great Britain.

	%
1945-64	48
1945-51	62
1952-59	26
1960-65	51
1966-69	24

He then commented:

"Howard's published figures apply only to new firms moving before 1966, they refer to the period when REP was not available, but information provided by the Department of Trade and Industry shows that in the period 1966-69 the share of the Peripheral Areas in employment created by mobile firms fell to a post-war low. Even in the period when Government assistance to the regions was negligible, the period 1952-59, the Peripheral Areas had greater success in attracting Industry.

The poor performance of the Development Areas (Peripheral Areas) in attracting mobile firms in the period 1966-69 would certainly indicate that the Regional Employment Premium was not effective in encouraging large scale movement of industry to the Development Areas. The Special Development Area measures, measures designed to help firms new to an area over the early problem years, had obvious impact, the

general blanket subsidies had no such obvious pull."

McKay's views on selectivity thus seemed to support the views set out in the TUC's memo about lack of selectivity being the cause of imbalances and discontinuity in regional economic growth. In taking Regional Employment Premium as an example of unselectiveness, however, McKay diverged from the TUC's position, as the latter were very much in support of REP, in spite of its unselective nature.

In the passage on Specific Planning in the Regions, the TUC memo contained this sentence: "The role of service industries would also be taken into account in the formation of a plan for a region and sub region." This contrasts strongly with references to the industrial situation at the beginning of the decade. Snaith's work made constant reference to mining and manufacturing but did not use the term 'service industry' at all. A brief allusion to the decline of railways may have brought in transport as a service industry but it was the closing of railway workshops which Snaith had mainly in mind. It was not until late in the decade that the NEDC's annual reports made anything of service industry. The 1968-69 report contained an appendix on "Economic Activity in the NE during 1968-69." In the passage, "Decline in Traditional Industry," was a reference to the big decline in employment in the private sector of service industry from mid 1966 to 1968. This had to do with the onset of SET and was considered to have serious implications for the region.

The Director's Report for 1969-70 referred to one of our greatest failures as being the lack of growth in clerical and administrative employment. The 1971-72 Director's Report mentioned that 40,000 extra jobs could be created if only we could bring the North's proportion of people employed in service industry up to the national average.

Another change which seemed to emerge was the attitude to economic planning. At the beginning of the decade, Snaith centred this attitude on hopes for the National Economic Planning Council. In 1961 planning was to be on a national scale. The following year Snaith moved his position slightly by stating that emphasis should be taken off the provision of employment in certain areas and directed instead towards "the more important aim of stimulating regional economic expansion." Some form of regional planning was presumably implied, but the point was not developed. It was not until 1965 that the Regional Economic Planning Councils were set up and in 1972 the TUC memo had this to say about them:

"The role of the REPCs (Regional Economic Planning Councils) requires rethinking. Originally, they were intended to have a function in relation to national planning, they were set up in 1965, but with the demise of the 1965 National Plan their functions became uncertain. They have either become visionary bodies, drawing up estimates of what is likely to happen in the year 2000, or with Government blessing have become more or less 'lobbying bodies.' Neither of these is satisfactory. Their role must be more

positive both in relation to national government  
and in relation to sub-regional development

authorities and local planning authorities. . . ."

These ideas were not at all worked out but it seemed clear that the focus of regional economic development had in 1972, finally settled on planning bodies within the regions, in spite of the initial relapse. A principal concern of NEDC was its own position vis-a-vis the Northern Economic Planning Council, a position it sought to clarify by direct approach to the Minister responsible. The personal assurance of Lord George Brown about the continuing separate identity of NEDC was considered necessary to allay fears of redundancy.

In his second article, 1962-63, W. R. Snaith pointed out that the Government would have to stop dealing in Keynesian aggregates where the regions were concerned and provide aid of a differential nature. During the ensuing period such aid took the form of discriminatory grants and allowances in favour of the regions. Towards the end of the decade the Government moved away from grants in favour of allowances against taxation. The TUC had been a supporter of grants rather than tax allowances throughout the 1960's and it maintained this view in 1972, calling for development grants, in addition to those obtainable under the Local Employment Acts, to be paid to industries entering the development areas, providing that certain employment criteria were met. The TUC considered that such grants should have been paid to firms already in the development areas, provided the criteria for increased



employment were met. In addition the TUC wanted to see the 'operational grants,' obtainable by new firms under the Local Employment Acts, applied to indigenous enterprises. NEDC also thought that 'operational grants' should be applied to existing firms.

The Council's feelings on the change to tax allowances were mixed. In the first place, whatever the form of aid, whether grant or tax allowance, the Council had always considered the differential to be too small really to encourage the sort of relocation of industry that would make large-scale inroads into Northern unemployment. The swing to tax allowances was acknowledged to be probably in the interests of long-term growth in the region because it encouraged profitable enterprises, but the move had been very sudden and left firms undertaking development considerably worse off in cash terms. It had not been a very helpful change at a time when industry in general was rather short of cash; more attention should have been given to transitional arrangements. Thus, although the principle of differential aid had become well established by the end of the decade and it was by then large in amount, there was yet strong divergence of opinion about the scale of the aid and the form it ought to take.

At the end of the decade an interesting attitude was displayed towards a topic which had been mooted at the beginning. In the 1962-63 NEDC annual report, under the section on Research, it was announced that a long-term study of growth point development in the NE was being

undertaken. No further mention of this project appeared in the annual reports. In 1972 the TUC memo came out strongly in favour of the development of growth centres. These were to be associated with 'new towns' or, alternatively, established on the basis of existing townships.

"Such growth centres/complexes would be fairly large in size, to provide a sufficiently large and varied labour catchment area, and varied also in industrial and commercial character. They would contain groups of complementary firms, industries, and ancillary activities; together with the provision of an adequate economic and social infrastructure. In such a way would not only the correct balance of industrial development be obtained, but also attention could be paid to those factors in the Development Areas which lead the same industry (or industries) to have lower growth rates than in non-Development Areas."

It was noticeable that no mention whatever was made of the fate of 'non-growth centres,' a term which could refer to areas of limited economic growth. For instance, Bishop Auckland, once heavily dependent on coal mining, is now trying desperately to hold its population by introducing light industry, but lies too far out of the main growth area to benefit greatly from its proximity. The CBI, on the other hand, did try to say something about this subject, in their own memorandum to the National Economic Development Council in 1972.

Commenting on the diluted effectiveness of financial incentives because of their extensive coverage the CBI

memo suggested that decisions should be made particularly about:

- "(a) Where concentration of priority expenditure would permit the creation of self-sustaining growth centres.
- (b) Those areas where industrial incentives are unlikely in the long-term to create self-sustaining growth and whether other non-industrially oriented forms of regional aid and action are required."

The TUC document did not answer these suggestions directly but attacked the closely associated ideas of 'priority areas' and 'limited development regions' as mere name changing. In particular, the notion of areas with a limited industrial future was described as 'defeatist and vague.'

Connotations of ghost towns, dormitory suburbs, heavy population, emigration and high costs were adduced as consequences of identifying areas 'of limited industrial future.'

It is a fact, however, that if some places are to be selected as growth points or centres then others will not be. Discrimination in favour of some situations means discrimination against others. It is not possible to reach a decision among alternatives without making a choice. The fate of non-growth areas has always been politically evocative and the probable reason is that so little systematic thinking has been done about their future. An

emotional reaction to any proposed deterioration in their situation can thus be expected. This has meant, however, that bodies concerned with regional development, like NEDC and more especially the DTI, have had to be relatively circumspect in their encouragement of growth points or centres and this may have played its part in holding down the rate of regional economic expansion.

opposite p. 130

NEDC Finances. 1961-1972

PERIOD	EXPENDITURE £			REVENUES £			SURPLUS (+) OR DEFICIT (-)
	TOTAL	SALARIES & WAGES		LOCAL	CENTRAL GOVERNMENT	TOTAL	
		AMOUNT	% TOTAL				
1961-62	22,400	6,200	27.7	23,700	2,800	26,500	+4,100
1962-63	33,400	8,700	26.0	31,300	2,800	34,100	+700
1963-64	38,300	10,500	27.4	38,600	3,000	41,600	+3,300
1964-65	87,100	17,000	19.5	55,700	40,000	95,700	+8,600
1965-66	79,500	18,100	22.8	56,200	30,000	86,200	+6,700
1966-67	73,300	19,500	26.7	54,100	20,000	74,100	+800
1967-68	64,400	20,200	31.4	53,700	10,000	63,700	-700
1968-69	73,900	23,000	31.1	58,600	10,000	68,600	-5,300
1969-70	75,600	26,200	34.7	59,800	10,000	69,800	-5,800
1970-71	73,200	28,500	38.9	62,700	10,000	72,700	-500
1971-72	87,100	30,400	34.9	54,600	20,000	74,600	-12,500

Source: Published Accounts in NEDC Annual Reports.

## Chapter 9

### RESOURCES OF NEDC

During the period 1961-1972 NEDC pursued its immediate aim of trying to reduce unemployment in the Northern Region with resources which could well have been described as, "those of which it had to make the best." The individual categories of resources, which were in certain cases closely related to one another, together with their effect upon the ability of the Council to carry out its task, are examined in the following sections.

#### Sec. (i) FINANCIAL and STAFF

NEDC had two direct sources of income: one local, the other from the Central Government. In the North East by far the greatest and most consistent subscribers were the local planning authorities, all of whom had representatives on the Council. On a far smaller scale were local Chambers of Trade, industrialists and Trade Unions. The Central Government also made substantial grants towards publicity and promotion expenses and though this source of income appeared to be rather variable it was none the less very welcome.

The time series of total local subscriptions seemed to be approaching a limiting value of about £56,000 per annum. On the other hand, expenditure on publicity and promotion, not attributable to Government grants, seemed to approach a limit of about £35,000. With general expenses well able to absorb the difference between £56,000 and £35,000 it looked as though any further initiatives in industrial promotion would be possible only

through receipt of further Government grants.

A distinctive feature of NEDC's expenditure was the increasing significance of Salaries and Wages. The proportion of these to total expenditure rose from 28 per cent in 1961-62 to 35 per cent in 1971-72 whilst over the same period total expenditure rose from £22,400 to £87,100. This seemed to indicate that one of the chief resources of the Council was the ability of its staff. The increasing expenditure on salaries and wages was not due entirely to increases in numbers of staff. In 1962 there were five specialist officers, including the director. By 1964 there were nine but there was not a uniform increase as the following table shows.

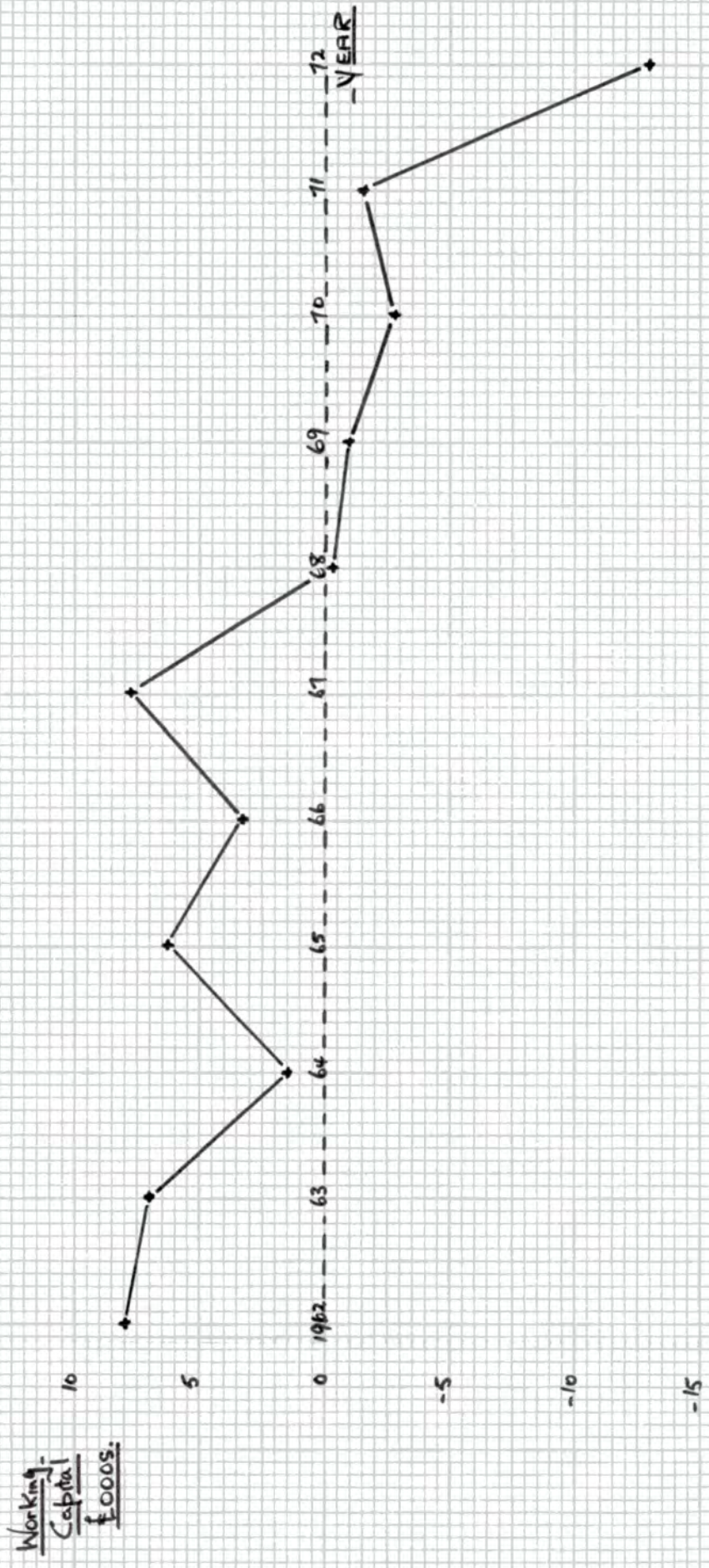
YEAR	Spec. Staff	Change in Spec. Staff	Gen. Office	Change in Gen. Office
1961-2	5			
1962-3	7	+2		
1963-4	9	+2		
1964-5	8	+2-3		
1965-6	8	+1-1		
1966-7	9	+1		
1967-8	8	+1-2		
1968-9	11	+5-2	6	
1969-70	10	+2-3	6	
1970-71	8	-2	6	+1-1
1971-72	9	+2-1	6	+1-1

In 1971-72 the specialist staff was not double the original five but the relatives of salaries and wages, with 1961-62 = 100, stood at 463 and this was at the end of an



TIME SERIES, NEDC Working Capital 1962-72

		<u>Govt. Grant</u>											
		DSIR		BOT		DEA		M.TECH		DTI		Source	
		2.75		40		20		10		10		20 Level, £000	



unbroken upward sequence. The relatively small increase in numbers of the specialist staff establishment tends to obscure the frequent changes in specialist staff that actually occurred. Over the period 1961 to 1972 there were no fewer than twenty-three comings and goings of specialist staff alone. Records of general office staff were not readily available for the whole period but over the last four years their number remained stable at six, with two replacements. An increase of over four and a half times in salaries and wages from 1961 to 1972, together with so many staff changes, seems to suggest that, in a small establishment, the Council had considerable difficulty in retaining suitably qualified and competent employees.

This staff situation may, in turn, have been related to the Council's working capital position. The notion of working capital was, in this case, one of 'quick money' or 'ready money', and is here defined as 'sundry debtors and cash not predisposed minus sundry creditors, accruals, and bank overdrafts.' Working capital, thus defined, turned negative in 1968, an event which coincided with a 'low' in the revised scale of Government grants after 1964. There was, however, no straightforward relationship between working capital and Government grants. Working capital was in reasonably good shape for the first three years of the Council's life when Government grants were on a very small scale. In 1965 the Government came forward with a relatively large grant of £40,000 which was reduced by £10,000 per year over the next three years. In 1965, 1966

and 1967 the working capital position held up but the following year with the grant reduced to £10,000 a marked deterioration took place. While the grant remained at £10,000 the working capital position worsened and, somewhat surprisingly, deteriorated even more markedly when the grant was increased to £20,000 in 1972. During the last five years of the period 1961 to 1972 the Council operated an overdraft most of the time and in only one of these years, 1971, was there any considerable balance at the bank. In the latter half of the period, therefore, NEDC was very much in the hands of its banker.

Doubtless this did not worry the bank very much as it could be reasonably sure of the renewal of the Government grant, but any change of government policy away from financial support for NEDC would have made the Council a dubious customer.

Lack of working capital, in industry generally, usually means that there will be some trouble in meeting the wages bill. In the case of NEDC it could have been claimed that the Government grants had made a substantial contribution towards paying salaries and wages and could therefore, in a sense, have been regarded as working capital. The fact remained, however, that in the latter half of the period there was a distinct lack of 'quick' or 'ready' money.

What effect had this financial situation on the staff?

Lack of working capital for NEDC meant that there was no scope for undertaking any project at short notice if initial finance was required. All monies had been already disposed. There was thus a complete lack of versatility

in the face of any change in economic circumstances no matter how important. These 'screwed down' working conditions would have had a frustrating influence on the more energetic and responsive specialist staff. Successful industrial promotion requires imaginative ideas as well as consistent hard work and the former usually require to be helped along with a little money if they are to bear fruit. If staff cannot rise to their tasks because of continuing financial stringency then they will be liable to leave. In fact, fourteen of the twenty-three changes occurred in the latter half of the period. The average rate of staff turnover 1961 to 1967 was 24 per cent. From 1967 to 1972 it was 31 per cent. It would have been most unlikely that only one factor influenced staff turnover. Pay was on a par with that in local government service and this would have provided at least one other factor influencing people to leave. However, the combined influence of factors motivating staff departure would probably not have been so great had there been a more healthy working capital position.

Another aspect of the working capital position may have been due to Council policy. In order to keep up spending NEDC had to attract income which, from local sources, appeared to be reaching a limit. The Council may deliberately have kept itself short of 'quick' or 'ready' money in order to induce the Central Government to renew the grant. The Government could not readily evade its responsibility to do so. As a matter of policy it was committed to helping the regions, particularly the special

development areas. NEDC was a completely local institution set up to help solve the problems of NE industrial development. The Northern MP's might have argued that NEDC had done its utmost to meet current needs out of inadequate local resources and that, if the Council failed, it would be seen that the failure arose from a refusal on the part of the Central Government to give financial assistance to a properly constituted regional body which was doing its best for the Northern Region.

If the Government considered that NEDC was effective, then ministers could be grateful that the Council was doing a difficult job for the Government quite cheaply. On the otherhand, if the Government thought that NEDC was ineffective, ministers may well have felt that paying a limited grant was preferable to facing a barrage of criticism on the spiky subject of regional development.

## Sec. (ii) GOVERNMENT AID TO FIRMS

Though the Council itself did not dispose any financial assistance, the picture of the North East which its officers presented to any mobile firm had to be made as attractive as possible. An integral part of this picture was the total of Central Government assistance that was available in any particular situation and it thus fell to the Council's specialist staff to use Government aid as a leaven in their presentation of the best possible case for the North East. In recognition of the importance of Government aid to any industrial promotions in the North East the Council, in 1968-69, published "Guide to Incentives" which set out the whole range of incentives open to immigrant firms. In this sense the Council considered Government aid to be one of its own resources.

The variations in the nature of Government financial assistance over the period 1961-72 had their effect upon the outlook of NEDC, however. In addition, towards the end of the period, a major change in the external environment of the Northern Region impended, which gave rise to concern over what policies of regional development would be adopted in future and what their effect might be on Government financial aid for the North. Then there was the question of just how effective Government aid had been, so far. These matters are examined in the following sub-sections.

### Sub-sec. (a) Development of Government Financial Aid

After the end of the Second World War and prior to the establishment of NEDC in 1961, Government aid for the Development Areas was granted mainly under the provisions of the Development of Industry Acts, 1945, 1950, 1958. The grants which were made, however, did not particularly encourage industry to locate in development areas. Grants were available only for the provision of houses, for costs of removal and resettlement of key workers and their families and for the removal of plant and machinery. Treasury loans were made available only if firms could not raise capital on the market. During most of the period discrimination which the Government could have made in favour of Development Areas was not made because the overriding need was to improve exports and the balance of payments position. Government therefore allowed export industry to expand where it was best able to do so and was not insistent on location in Development Areas.

The year before NEDC came into being saw the start of a new series of measures for helping development areas. The Local Employment Act, 1960, allowed the Board of Trade to exercise all previously existing powers in any area it chose to consider as a Development District, i.e. where an unsatisfactory level of unemployment, supposed by some to be 4 - 4½ per cent either already existed or was imminent. Important new powers were also allowed the Board in making grants to industrialists who might want to design and build their own premises, and in making grants for plant and working capital. Such assistance was, however, very much

at the discretion of an official.

Trade recession in 1958 had shown that unemployment in certain areas could rise much more rapidly than the national average. Further recession in 1961 underlined this situation. The Local Employment Act, 1963, therefore made provision for increases in aid to firms setting up in Development Districts. Grants of 10 per cent of the cost of non-moveable plant and machinery and of 25 per cent of the cost of buildings and extensions were now available as of right from the Board of Trade. In addition, free depreciation was allowed, i.e. for tax purposes, industrialists could write off assets at any rate they chose. Free depreciation just applied to Development Districts, but was allowed to both existing firms and new entrants. Only new plant and machinery was involved and this had to be in respect of 'productive' industry. No such allowance was given for writing off assets in distributive trades or services. There was no doubt about NEDC's reaction to these steps, as the following passage from the Director's report 1963-64 shows.

"The Budget of 1963 and subsequent legislation in the Local Employment Act, 1963, accepted much of the thinking contained in my last Annual Report. The direct financial grants to an industrialist have been clearly defined and increased. The 25 per cent building grant and 10 per cent machinery and plant grant are very considerable inducements. The 'right of free depreciation' is just beginning to penetrate and, taken together with the other grants, can give a financial gain to an industrialist developing in the North East of as much as 72 per cent of the total



value of his investment."

In spite of such optimism and some indication of recovery at the time, the employment position subsequently deteriorated. In 1966 a fourth Industrial Development Act sought to remedy the position. Under the Act, Development Areas replaced Development Districts. The outstanding feature of this legislation was the 40 per cent investment grant available in Development Areas for plant and machinery. This compared with 20 per cent investment grant outside the Areas. The 40 per cent grant replaced the 10 per cent grant and 30 per cent investment allowance and free depreciation previously available. Other benefits under the Local Employment Acts, such as building grants, training grants, loans and the provision of factories, were retained. As a temporary measure, from 1967-68 the 40 per cent investment grant was increased to 45 per cent in the Development Areas and the 25 per cent building grant was increased to 35 per cent. Comment in the NEDC's Director's report for 1966-67 was as follows:

"Provided Corporation Tax remains at 40 per cent, the grants now mean that an industrialist can recoup 67 per cent of his investment in new plant and machinery in a Development Area compared with only a 55 per cent return in other parts of the country. This is obviously a great inducement but I would have been happier if the differential between the Development Areas and elsewhere had been maintained when the new grants were announced by boosting the Development Areas level to 50 per cent instead of 45 per cent. This, I feel, would have made a great deal of

difference in our efforts to attract new industry."

Although unemployment appeared to be the pre-occupying theme for NEDC, the Central Government pushed forward the idea of growth in the Development Areas. What the areas needed was more profitable new industry, and, in attempting to bring this about, the Government, in the autumn of 1970, changed its policy of financial aid. In the Development Areas, building grants were increased from 35 per cent to 45 per cent but investment grants for plant and machinery were abolished. In place of the latter, accelerated depreciation was to be allowed. This amounted to a tax allowance equal to the whole of the expenditure on plant and machinery in the years in which it was incurred. The move was regarded as something of a mixed blessing by NEDC as the following extract from the 1970-71 Director's report illustrates.

"The emphasis moved to taxation allowances for expenditure on plant and machinery and increased grants on industrial buildings. This change may not have reduced the total amount of financial help available for industry in the North East but it can leave an individual firm undertaking development ten to fifteen per cent worse off in cash terms. For firms engaged in projects with high development costs, the position can be significantly worse. Also, this change, designed to support profitable future developments - which is highly desirable - does not seem particularly helpful at the present time when industry is short of cash and the value of taxation allowances has been eroded by the reductions in Corporation Tax. The shift was

very sudden and more adequate transition arrangements might have rendered the change more acceptable and not been so drastically reflected in the poor level of enquiries."

Thus, over the decade 1961-1971, in trying to fit Government financial assistance into a picture designed to exert maximum attraction to industry outside the area, the NEDC did so with decreasing conviction that such assistance would achieve the end for which it was intended.

Sub-sec, (b) EFFECT OF JOINING EEC ON GOVERNMENT AID,  
ESPECIALLY ON THE POSITION OF THE NORTH

The matter of Central Government aid for the region was brought more sharply into focus towards the end of the decade by our renewed efforts to enter the European Economic Community. It was known that the Community was not free from troubles about regional aid, particularly with regard to Belgium, a country with regional problems rather similar to our own. A major question was therefore, "What will happen to British policy if we join?"

It was felt that the difference between Britain and the EEC lay not so much with the solution of problems but with the problems themselves. For instance, the Central Governments of the original members and of the three prospective entrants paid out cash grants, allowed loans at relatively favourable rates of interest and operated a system of allowances against taxation, all for the purpose of regional aid. In each case this aid was directed towards establishing a relatively balanced spatial distribution of economic activity and to solving the difficulties of certain problem regions. The main point of contention arose

out of different concepts of a development area. Whereas in Britain and Belgium the idea was of re-development of old industrial areas, amongst the other prospective and actual members, the idea was of development from an agricultural to an industrial region. In particular the EEC Commission established the notion of 'central areas' or relatively congested areas and 'development areas' corresponding to sparsely populated rural areas. On this type of thinking parts of the NE and Merseyside would have been counted central areas whilst in Britain they were, of course, development areas. On the other hand, much of East Anglia would have been considered a development area by EEC Commission standards, whereas in Britain it would not have been considered in special need of industrialisation.

Another point of likely contention was the overall extent of aid to regions. At the time (1970) the proposed figure was 20 per cent of new investment in any particular firm. Also, forms of aid where the total net value would not have been measurable, were likely to be proscribed. Regional Employment Premium, which was, at the time, due to be phased out in 1974 was likely to ~~have been in this~~ category.

The ideas both of central area and limit of aid caused concern in Britain. In the first case, would the Commission draw boundaries round areas to be designated central areas which Britain regarded as development areas? In the second case, would Britain's freedom of action over regional policy be limited?

(As it turned out, by 1974 the question of central areas had been resolved in Britain's favour but there was

still great difference of opinion as to the amount of aid to be available. At the January meeting of the Council of Ministers, the Germans had in mind £250m as a regional fund, to be spread over three years. The British Foreign Secretary, on the other hand, was considering an amount five times this size.)

How far then was Britain's policy likely to be compatible with the one which would be developed for the enlarged community? Most of the aids offered under British regional policy existed in some form in various Common Market countries. The British Regional Employment Premium was an exception. The main problem which faced Britain was not the incompatibility or illegality of solutions but one of having regional problems very different from those of most EEC countries. Britain's problem was largely that of re-developing once-prosperous industrial areas such as Central Scotland, NE England and South Wales. Areas such as the Highlands and Islands of Scotland, Cornwall and North Wales, while they certainly qualified for development, were not thought of as being on the same level of priority as the industrial regions. Compared with this situation, the EEC countries, with their emphasis on changing from agriculture to industry, faced a different kind of problem, requiring a different sort of solution. The British development areas had a highly developed infrastructure whereas this was lacking in much of the Common Market under-developed areas. Again, the Six had no pool of trained industrial labour to draw upon. With a poorly developed infrastructure they were forced into adopting

the growth pole idea of industrial development whereas Britain had gone over to the idea of developing a whole region.

How did the NEDC view prospective regional development with Britain as a member of EEC? The Council felt that British regional policy was more comprehensive than that operated by European countries. The director considered that we could have projected a regional blue print for the whole of Europe if only we could have employed greater logic, simplicity and directness. These last features, however, were likely to be considerable developments in themselves given the ad hoc development of British regional policy. The Council also considered it to be vital that, in any European context, the North East of England had to ensure that it was not in any 'central zone' as this would have left us without the freedom to offer those inducements best suited to our own needs.

Sub-sec. (c) EFFECTIVENESS OF GOVERNMENT AID

What about the effectiveness of the inducements which had been offered already by the United Kingdom Government? Most inducements were designed to relieve one or more parts of a firm's costs, though in most cases it was fixed costs which were relieved, e.g. capital investment. The attractiveness of any inducement in this direction would therefore depend on how much of total cost was taken up by fixed costs. It had, however, turned out that in some cases, working costs (short-run total variable costs) in the first two years of operation, could be as great or

even greater than total capital outlay. This was particularly so when production was being started up in a new region where the labour force had to be trained up to new skills and where productivity was, in the meantime, correspondingly low. In such cases assistance to working costs would be as important as aid to capital investment. Thus it seemed that aid should be tailored to different types of company, i.e. regional aid should be adaptable to the requirements of the sort of firms the region was trying to attract.

In general the smaller and medium size firms had the greater liquidity problems and it was for this reason that grants were so popular among such firms. Not only did a cash grant improve liquidity but there were no repayments of interest or capital. The government, on the other hand, tended to regard such grants with a more jaundiced eye. Such grants did not necessarily attract the longer term profitable enterprises which were necessary for economic growth. Tax allowances, however, did tend to encourage firms which had a greater prospect of success and whose liquidity position was stronger since they could best take advantage of the interest free loan aspect of the allowance.

For many firms then, aid to operating costs (working costs) was not less important than to fixed costs. One reason for abnormally high operating costs was the low productivity of a new labour force. Such a problem could be partially overcome by training and most countries, including Britain, accepted the need and the responsibility for making a contribution towards training. In the United Kingdom the training grant was in 1970 up to £10 per week

per man. Key workers, who were often essential to training a whole new work force, received government assistance in respect of removals, travelling and lodging expenses.

Another aid to operating costs was by direct subsidy. In 1970 Britain alone of the prospective and established members of the EEC offered such an inducement. The Special Development Areas received grants amounting to 30 per cent of wages and salaries which were paid during the first three years of operation. On top of this, Britain also offered a Regional Employment Premium per worker employed. This came to be regarded by some as a perpetual subsidy for labour but at the time it was decided it should be withdrawn in 1974.

NEDC was particularly keen to encourage the small and medium size firms in the NE since the diversity of their outputs offered a comparatively large range of employment opportunities and the Council was an early advocate of the idea of making Operational Grants available to indigenous firms as well as to newcomers. The Council also took the view that the Government's change from Investment Grants to free depreciation was ill-timed. Although admitting that the change was probably correct as a long term measure, NEDC pointed out that it had been very sudden and many of the smaller firms had found themselves seriously short of cash. In the Council's opinion this situation had resulted in a sharp falling off of enquiries from prospective movers to the NE.



Sec. (iii) ASSOCIATION WITH THE DEPARTMENT OF TRADE  
AND INDUSTRY

Another considerable resource of NEDC was the Council's association with the Department of Trade and Industry. This association had existed since the Council's inception, for the Board of Trade exercised the bulk of the powers to bestow benefits which NEDC was concerned to advertise to potential immigrant firms. The relationship developed areas of stress, however, mainly in the latter half of the period. One difficulty involved information given to NEDC by the Department. Once information had been given, control over it virtually vanished. Sometimes such information was relayed to others by NEDC and interpretations put upon it which the Department had never intended should be. From time to time the regional office of the Department could try to be of direct assistance to NEDC by 'wearing its regional hat to head office.' This did not always have a happy result because when events did not turn out according to NEDC's expectations, the director started lobbying in Parliament and thus, in effect, went behind the back of the regional office of the Department. Again there was some divergence of opinion as to what NEDC ought to be doing. The regional office of the Department tended to look askance at the role of NEDC as a pressure group mainly because when this role was played out in Parliament it brought regional and head office into conflict. The Department would have preferred to see NEDC concentrate on the marketing aspect of industrial promotion which may account for a reference

to market research in the Director's report, 1968-69 which has been quoted already in chapter 3, Sec. (ii).

The implications of the reference for the marketing aspect of industrial promotion were not altogether clear but could have indicated that NEDC would increasingly try to 'sell' the region. It was highly improbable, however, that the Council would have foregone the use of the powerful lobby of Northern MP's as an aid to achieving its aims.

#### Sec. (iv) THE OUTCOME OF NEDC'S RESEARCH EFFORTS

So far no mention has been made of the work of the Council's Research Department which had been set up early in the Council's career and was in the charge of a Research Officer who had been appointed as such. What resources had accumulated as a result of research undertaken by the Department? Excerpts from the Annual Reports give some indication of what came about.

##### 1963-64

". . . In function it is geared to the promotional work of the Director and Publicity Department. . . ."

". . . Apart from a great deal of day-to-day work a small survey of the potential for office development was made. . . ."

##### 1964-65

". . . Owing to the need to devote the greater part of the time available to industrial promotion and, to a lesser degree, to the promotion of a regional Buyer's Guide, it was decided not to mount any set-piece research projects."

1965-66

"It has proved possible this year to undertake a limited amount of basic research . . . ."

". . . Most of the department's time and effort must be directed towards providing information for the general work of the Council. . . ."

1966-67

"The policy of undertaking some basic research while concentrating most time and effort on co-operation with other parts of the Council and outside projects has been continued."

In the annual reports after 1967 there was no further reference to the research department.

From the foregoing it appeared that basic research had been sacrificed to development projects. It was not, perhaps, a very surprising situation, for no strong tradition of regional economic research had been built up in the North. At the time, only a very limited amount of research was being carried on in the local universities.

## Chapter 10

### NEDC: ITS SELF PROMOTION

How were the Council's resources disposed? Government aid was in respect of publicity and promotion. What exactly was promoted, the North East or NEDC? Was there anything which would indicate the extent to which the Council promoted itself?

After discussion with one of the Council's officers it was decided that two relatively small items of Publicity and Promotion expenditure probably would be the best indicators of the self promoting tendencies of the Council. One of the items was the expenditure on the Annual Report. The other was the expense of keeping the London Office of NEDC.

Of these two items, the Annual Report fairly proclaimed the Council as the instrument for increasing industrial promotion in the region. For its part, the London Office, as an office of the Council in particular, rather than of the region in general, was situated at the national centre of finance and government and could not have failed to attract financial and governmental attention to the Council itself, as well as to the Northern Region. It is not implied that there was anything wrong with the Council's trying to promote itself: rather the reverse. If NEDC was to be successful in securing more industrial promotion for the North then the Council required as great prestige and status as possible for the purpose of impressing mobile firms. To this end, it appeared that the Council tended to increase the actual amount of expenditure on the Annual Report and

London Office and also the proportion which these expenditures bore to total expenditure on publicity and promotion. A table of these actual and relative expenditures is given below:

Period	Annual Report		London Office	
	Average Expenditure £	% total publicity and promotion	Average Expenditure £	% total publicity and promotion
1964-66	386	0.6	306	0.5
1966-72	678	1.5	1958	4.2

From 1961-63 there had been no London Office but the period had been one of rising unemployment, which was probably the chief reason for setting up an office in London as soon as possible afterwards. The years 1963-66 saw a substantial fall in Northern unemployment but from 1966-72 the rate of Northern unemployment rose continuously.

Average expenditure on both the Annual Report and the London Office rose considerably after 1966 and, more significantly, the proportion of such spending to total expenditure on publicity and promotion showed an even greater increase. NEDC appeared to redouble its efforts to promote itself as a means of promoting the North East and the Council's financial resources were strained to the utmost in an attempt to improve industrial promotion in the face of a deteriorating national employment situation.

Illustrating the Council's efforts and the difficulties under which they were made was the fact that, in 1967-68, Government Aid fell to a low of £10,000 and remained at that annual figure till 1972. Working Capital turned negative

and remained so for the rest of the period, during most of which the Council operated an overdraft at the bank. In spite of such severe financial constraints, however, NEDC persevered in focussing attention on itself as the regional institution for securing industrial promotion in the North East.

Admittedly 1.5 per cent and 4.2 per cent were not big proportions and neither were £678 and £1,958 large amounts, but they were a good deal larger than what had gone before, a development which illustrated an important point.

NEDC had to exercise care about the amount of resources used to advance itself as there would have been plenty of critics prepared to argue that publicity and promotion resources were in respect of the region, not the Council. Even though the Council could scarcely have performed its function without a highly developed corporate prestige, the resources necessary to advance this, beyond some relatively low level of spending, would always have been an object of critical comment. The prestige referred to was not something which the Council had possessed to any high degree innately at the outset but was something which the Council had to build up, by a simultaneous exercise of determination and restraint, out of such scarce resources as were available.

## CONCLUSION

By the end of the period 1961-72 NEDC had to share in the general disappointment that unemployment in the Northern Region had not been reduced to an "accepted level." The Council had failed to achieve its immediate aim which, in 1972, seemed further away than ever; the Northern rate of unemployment had been rising since 1966 and showed little sign of levelling off, let alone of falling. No comfort could be gained from surveying the unemployment scene for Great Britain as a whole, for in this, the rate of unemployment had shown a tendency to rise from a year earlier. Although the national rate steadied from 1967 to 1969 it continued to rise thereafter and the last two years of the period witnessed a rapid increase.

To NEDC, disappointment at the rising rate of Northern unemployment must have been especially keen. The Council was a local institution set up mainly with local support, ". . . to assist in promoting sound economic development of the region . . ." The immediate aim of such promotion was a reduction in the level of Northern unemployment. From 1952 to 1972, however, the respective trends of percentage unemployment for the North and Great Britain had shown a tendency to diverge. After 1958, the Northern rate kept well above the rate for the country as a whole and all the work that NEDC and others had undertaken seemed to have been insufficient to prevent that situation from developing.

NEDC was the first local institution in the North East to enjoy widespread support in the attempt to tackle systematically the economic problems of the region. Its inception, in 1961, ante-dated that of its nearest rival, the Northern Economic Planning Council, by some four years. Even with this comparatively long experience, however, by 1972 it was clear that, whatever NEDC's assistance in promoting economic development had amounted to, the regional rate of unemployment was rising and kept conspicuously above the figure for Great Britain as a whole. In this respect then, the Council had failed in its task. What were the reasons?

In brief, the Council had tried to carry on its work in circumstances which were greatly opposed to the prospect of success. There were eight principal adverse circumstances.

Firstly, there was the matter of Council finance. Contributions to the Council's income from local sources showed a tendency to level off in the latter part of the period. Expansion of industrial promotion activities therefore depended on financial help from the Central Government, which commenced in a systematic way in 1964-65. An initial amount for that year, of £40,000, was reduced by 10,000 each year for the next three years and remained at £10,000 per year until 1971-72. This low rate of Government contribution after 1967 coincided with a continuous rise in the rate of Northern unemployment. An increase in the Government's contribution may well have enabled the Council to be of greater assistance in containing the



deteriorating employment situation in the North. No increase was forthcoming until 1971-72, however, a situation which, after 1968, contributed to the negative turn taken by the Council's Working Capital. NEDC thus worked under "shoe-string" financial conditions at a time when it was trying to redouble its efforts at industrial promotion. In an interview after his retirement as Director, Fred M. Dawson commented that Government aid to the Council was "somewhat niggardly." He pointed out that NEDC was doing the Government's job in the region and the Council should therefore have received better consideration.

Secondly, there was the difficulty of obtaining and retaining suitable specialist staff. Fred Dawson's attitude to the staff situation was perhaps reflected in observations he made during the interview referred to above.

"People who came to us ought to have grown up in the job or been posted. The nature of the work required constant change of personnel."

In the second half of the period, 1961-72, the rate of staff turnover had risen to 34 per cent. Whatever the Director may have thought of the nature of the work, a high rate of staff turnover is usually regarded as a severe constraint on an organisation's ability to do good work. A poor working capital situation which militated against staff initiative and versatility, together with rates of pay which were closely linked to local Government scales could hardly have failed to be a contributory factor in

the departure of the Council's more capable specialist employees.

Thirdly, although NEDC regarded Government financial inducements as an integral part of the picture the Council itself painted for the benefit of mobile firms, the Council found the changing nature of the aid a disconcerting factor in its efforts to promote industrial expansion in the region. In particular, towards the end of the period, with the employment situation continuing to worsen, the Government exacerbated the increasingly difficult liquidity position of many small and medium size firms by quite suddenly abolishing important cash grants and replacing them with tax allowances. The Council, which was concerned to attract small and medium size firms because of the variety of employment opportunities which they offered, felt that the Government, in abolishing grants when industry in general was already short of cash, had thereby made the task of attracting new industry unnecessarily difficult.

Fourthly, there were sub-regional rivalries which tended to fragment the regional effort. This was especially true of Tees-side where there was a long and strong tradition of separateness. The Council, however, had sought to follow a doctrine of non-fragmentation of effort on the grounds that there should be a co-ordinated programme of industrial promotion for the region as a whole. Even so, the particular claims of Tees-side were pressed with persistence sufficient to force the Council to set up a separate office in the area. Considering the limited nature

of the Council's resources, the establishment of a separate office for a sub-region thirty to forty miles away seemed a prodigious gesture and gave some indication of the strain to which the Council's policy of non-fragmentation was being subjected.

Fifthly, relationships between the planning authorities and between their representatives on the Council were not without stresses. The most conspicuous result of such stresses occurred shortly after the end of the period 1961-72, when, after a local government election, the chairman was ousted from office on what appeared to be considerations of party politics. The tensions from which this situation developed had built up over some time and must have constituted a distracting influence during a period when the greatest possible attention to Council business was required from members.

Sixthly, many male workers in the Northern Region seemed to have a mistaken idea of their value on the labour market of the new industries. It had been remarked that individuals who were seeking to change to a new industry had tended to rate their past experience higher than their prospective employer was prepared to allow. This development could, perhaps, have been reasonably expected and a good deal of sympathy might have been extended to men who were trying to prevent a considerable part of their working lives from being discounted. They might well have wished not to make concessions on pay to prospective employers whose association with the North East was, in many cases, only of recent origin. The situation was, however, an impediment

both to the restructuring of Northern industry and to the process of retraining which the Council so strongly advocated.

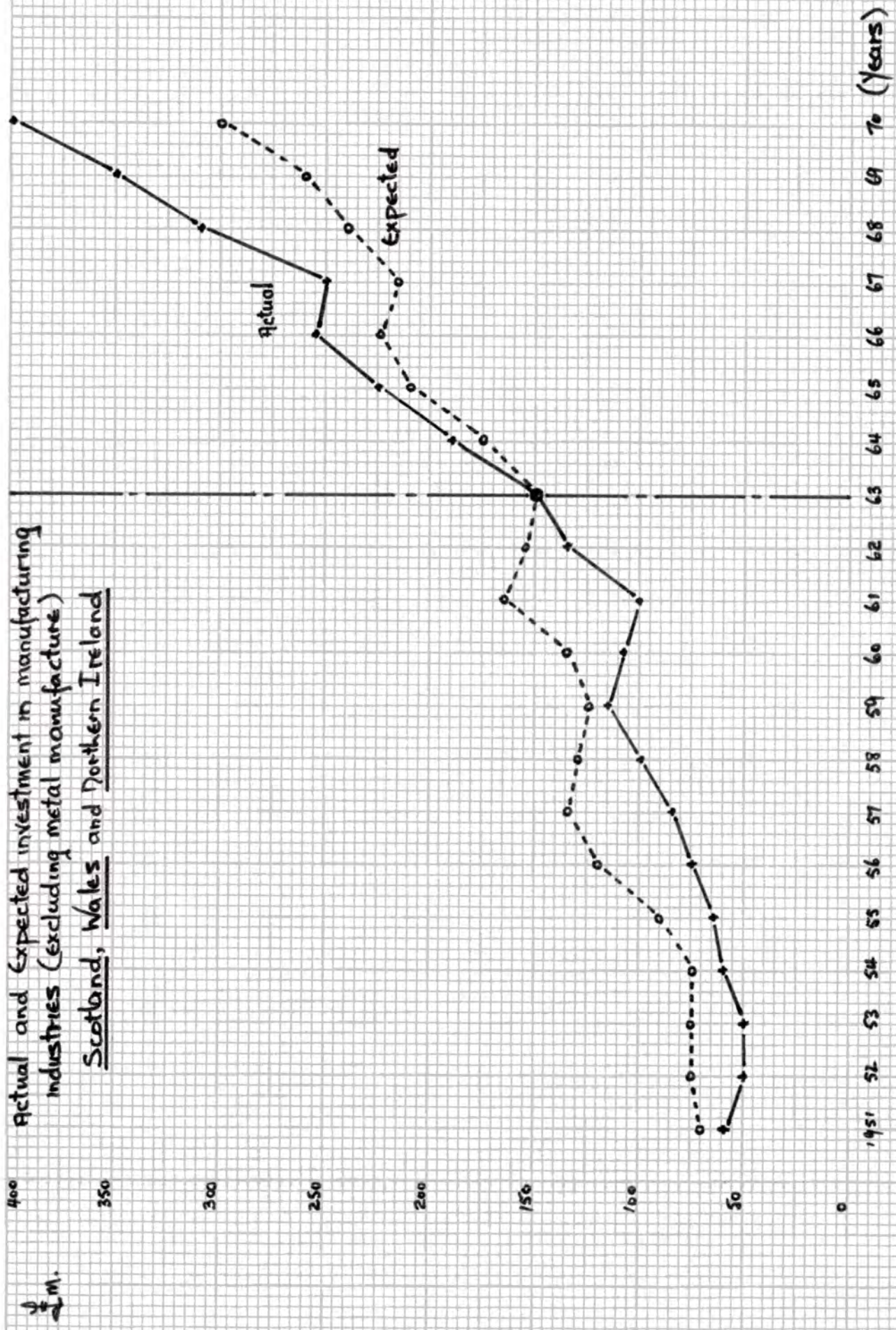
Seventhly, the Council's work was supported by too little basic research into regional economic problems. NEDC's own contribution in this direction had been minimal, mainly through shortage of money; the Research Officer had hardly any time for basic research through being required to prepare so much promotional material. The Council had been unable to obtain much assistance from elsewhere regarding the outcome of basic research because there was no strong tradition of economic research in the Northern Region.

Finally, NEDC's declared aim suffered from ambiguity " . . . sound economic development of the region in the interest of its people," implied at least three other aims, all of greater precision, which were potentially in conflict with one another. The immediate aim of reducing Northern unemployment was attended by considerations aimed at changing Northern industrial structure and at increasing Northern income per head. A clear-cut focus of attention, so often conducive to concentration of effort and subsequent success, was therefore lacking.

If NEDC had failed to reach its immediate objective, what had happened about its longer term aim? If the Northern rate of unemployment had become almost despairingly high in spite of all that had been done to prevent that from happening, had there been any sound economic development that might have been in the interest of the region's people? If there had been, how had the Council helped

Actual and Expected investment in manufacturing industries (excluding metal manufacture)

Scotland, Wales and Northern Ireland



to bring it about?

It was argued in Chapter 6 that, from 1961-72, the rate of actual investment in the North had exceeded what could reasonably have been expected. This argument was supported, in part, by the work of Moore and Rhodes,<sup>1</sup> who calculated an aggregated time series for investment, adjusted for differences in industrial structure, for the Development Areas, Scotland, Wales and Northern Ireland. Northern England was not included because annual figures for manufacturing investment were not available for the Northern Region. The industrial structure adjusted series was regarded as expected investment which, over the period 1951 to 1970, was compared with the total investment which actually took place in the three areas. After 1963, the year in which the authors considered regional policy to have intensified, actual investment diverged markedly upwards from expected. This development was shown in the authors' paper as Fig. 2, which is reproduced opposite.

It was also claimed that the rising trend of industrial building in the North, in opposition to the falling trend for the country as a whole, had not been a matter of chance but had been due to deliberate policy of the Central Government. It was pointed out that the implementation of such a policy of aid to the North had been in response to strong advocacy from the region and that the development of NEDC's co-ordinating role in support of this advocacy

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<sup>1</sup> B. Moore and J. Rhodes "Evaluating the effects of British Regional Economic Policy". Economic Journal March 1973.

was the special contribution of the Council.

To NEDC, the significance of the powers and functions of Government, as they were thought to apply to regional aid, was perhaps well illustrated by the following excerpts.

1967-68, from Director's Report

"The North East must field a strong team in all walks of life. Initiative, enterprise and drive are the effective contributions of NEDC to the regional effort. But in the final analysis it is political decisions that count. Members of Parliament have been most helpful to me, and the North East is fortunate in having a so well-informed and active Parliamentary Lobby to look after its interests.

In this context there have been several meetings with the Rt. Hon. Fred Lee, MP, since his appointment as Minister with Special Responsibility for the North to press for more public investment, a bigger share of research and development, a continuation of government investment in the road programme, the maintenance of Government inducements for Development Areas and decisions concerning the PAYE Computer Centre, the aluminium smelter and the university for Tees-side. It is acknowledged that Government decisions have already brought benefits to the North East but we are by no means satisfied.

1968-69, from Director's Report

"Last year, the Executive set out a number of priorities and happily the more important of these were approved. The Government, therefore, deserve our gratitude for the Aluminium Smelter, the Nuclear Power Station, the PAYE Computer Centre and the Furness Shipyard, all of which strengthened the region's economy and in saying this we should recognise the important part played by the Rt. Hon. Fred Lee and the Northern MP's. Regular contact was maintained with MP's as it is essential to have a strong Parliamentary Lobby."

It is difficult to assess just how effective the Council was in securing this Government interest and economic activity in the North East, but answers to questions put to Fred Dawson in the interview already referred to may give some indication.

Q<sub>1</sub> About how many briefings were prepared for MP's?

A<sub>1</sub> Economic briefs of up to ten pages of foolscap were provided for four or five emergency debates per year. These included analyses of unemployment.

Q<sub>2</sub> Were MP's satisfied with the cases prepared for them?

A<sub>2</sub> Yes, and they wrote back to say so. The whole group got the information they required and expressed the opinion that without it they could not have put their case.

Q<sub>3</sub> Did MP's ever credit NEDC with any part of their



success in getting the policies adopted?

A<sub>3</sub> Yes, the references are in Hansard.

Q<sub>4</sub> Was the Council ever blamed by MP's for not providing information on time?

A<sub>4</sub> No, never.

It seemed, therefore, that investment, which, in the North, had risen faster than could reasonably have been expected, had been set upon its course, in part, by the co-ordinating work of NEDC. Through such work, information was provided and material was prepared for MP's who had power to influence Government investment decisions. These MP's acknowledged that they could not have presented their own case without the help of the Council.

Any beneficial effects which may have accrued to the Northern Region as a result of such investment were, however, overshadowed by the economic recession which affected the country as a whole after 1965. There was agreement both at the beginning and at the end of the period 1961-72 that the national economy had to be expanding before the Northern economy could be expected to expand. The outcome of the better than expected progress of investment in the North was therefore held in relative abeyance whilst awaiting an upswing in the economy of the country as a whole. In the meantime, rising investment in the North contributed to something of a holding operation; the region tried to run forward as fast as it could in order to avoid sliding backwards.

Fred Dawson was thus probably right when, in a television interview towards the end of his career as Director, he replied to a question about the effectiveness of NEDC,

"The North East would have been a damn-sight worse off but for the efforts of the Council."

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