



Deindustrialisation

Definition

Deindustrialisation is the 'long-term **absolute** decline in the manufacturing sector'.

It is therefore characterised by the following features:

- an **absolute** decline in the numbers of people employed in a town, region or country, in the manufacturing sector.
- a decline in manufacturing's share of total employment. (This is a **relative** decline with respect to the growing tertiary sector.)
- a failure of a country's economy to achieve a **surplus** of manufacturing exports relative to manufacturing imports.
- a fall in the **index of production** in many key sectors of manufacturing (falling output in steel, textiles, engineering etc).
- a contraction of **output** in manufacturing which is so severe that it leads to balance of payment problems as the country struggles to pay for necessary imports.
- an economy which shows the impact of marked **import penetration** within a wide range of manufacturing, (the flooding into the country of foreign toys, machinery, etc), thus suggesting a loss of international competitiveness.

The Process

Researchers use official government statistics (such as the Employment Gazette or Regional Trends in the UK) to document the process of deindustrialisation. Deindustrialisation took place in many of the established industrial countries including the United Kingdom, France, Germany, Italy and USA in the period 1968 to 1990, but as Table 1 shows it was most severe in the UK, and did not affect Japan initially. Indeed the rise of Japan to industrial superpower status is seen as one of the contributory factors by many researchers.

Table 1. World manufacturing output

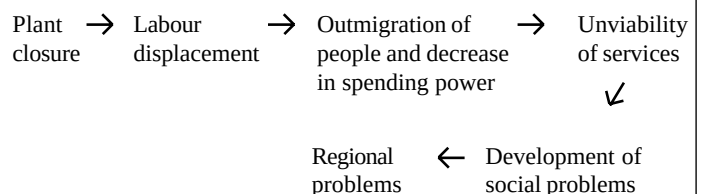
	Rank			Share of world manufacturing output (%)		
	1963	1987	1994	1963	1987	1994
USA	1	1	1	40.3	24.0	24.9
Japan	5	2	2	5.5	20.4	16.9
W. Germany	2	3	3	9.7	10.1	10.3 (Germany)
France	4	4	4	6.3	5.4	4.9
UK	3	5	5	6.5	3.3	3.8
Italy	6	6	6	3.4	2.2	4.8

The process is not uniform across the whole range of manufacturing. Initially, in the early 1970s the greatest job losses were in traditional heavy industries such as iron and steel, heavy engineering, ship building and textiles, thus adversely affecting 'old' industrial areas such as the coalfields of Great Britain, NE France, the Ruhr, and north-east USA. In the later 1970s deindustrialisation coincided with a period of global depression and spread to consumer industries such as cars, thus affecting areas such as the West Midlands and the 'Rust Belt' of the USA.

By the 1980s declining employment opportunities were apparent in **all** sectors of manufacturing, even in high-technology industries. Production began to shift **globally** to Newly Industrialised and Rapidly Industrialising Countries (RICs) in East Asia and Latin America. At the same time the tertiary and quaternary sectors became increasingly dominant. Deindustrialisation was therefore industry specific and because of variation in the industrial 'mix' it can be also region or town specific. In some MEDC's, such as the UK, manufacturing no longer plays as major a role. Many areas are thus said to be experiencing the dawn of the **Post Industrial Society**.

In general deindustrialisation is seen as a **negative** process, largely because of the impacts of factory closure and the subsequent job losses. Many of the factories closed were very large, employing up to 5000 people. In some cases, eg. in the steel town of Consett in County Durham, the steel works was the only significant employer, and the loss of jobs of the male 'breadwinners' had a devastating **demultiplier** effect on the whole town.

The **negative** effect is summarised thus:-



In the UK in 1966 8½ million workers were employed in manufacturing but by 1993 this figure had halved to just over 4 million.

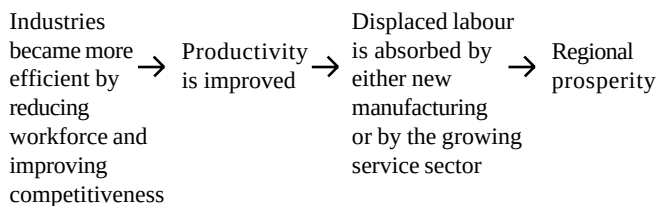
However there are also **positive** effects of the process of deindustrialisation. Whilst it was true that, for short periods of time, job losses in manufacturing were accompanied by overall falls in national manufacturing output, in general, **productivity** steadily increased. This produced a 'leaner', fitter and more competitive manufacturing sector. Therefore, as can be seen in Table 2 (overleaf) although employment fell significantly in all sectors, it was only in textiles that productivity actually fell (largely because of the vulnerability of this industry to cheap foreign imports).

Exam Hint - This is a favourite topic chosen by many candidates. However, a surprising number found it difficult to come up with any positive aspects of deindustrialisation. Similarly, only the strongest candidates could provide any meaningful description of an economic theory eg. Kondratieff of the process.

Table 2. Deindustrialisation in the UK 1981-1991

	Change in output (%)	Change in employment (%)
Metals	1.4	-17.3
Other mineral products	1.0	-49.1
Chemicals	3.3	-24.8
Synthetic fibres	1.0	-24.8
Metal goods	0.5	-13.8
Mechanical engineering	0.3	-14.3
Electrical and instruments	4.0	-37.8
Motor vehicles and parts	1.5	-36.3
Other transport	0.2	-41.4
Food	1.0	-19.2
Alcohol and tobacco	0.4	-19.2
Textiles	-0.8	-50.1
Clothing	0.1	-23.2
Paper, printing and publishing	2.8	-3.7
Total manufacturing	1.9	-22.5
Total services	2.4	+16.9

The **positive** effect is summarised thus:-



There are clear employment issues involved here, as much of the new **reindustrialisation** as it is termed, requires either the need for a highly skilled workforce, or for flexible part-time workers who are largely female. Moreover the main demand is for workers in **tertiary** activities.

Causes of Deindustrialisation

There were many reasons, both internal and external, for the decline of Britain's manufacturing sector:

Internal Factors

- Loss of competitiveness**

In the 1980s Britain had many high-cost, uneconomic locations with outdated factories containing obsolete machinery, manned by high cost labour with restrictive practices. A further aspect of this lack of competitiveness was highlighted by the 1994 EC White Paper 'Growth, Competitiveness and Employment'. This paper saw the main problem as **technological change**. Newer manufacturing areas had the benefits of automation, computer control systems and an increasing use of robots in large size purpose-built plants. Thus, countries such as **Japan** and the NIC's could be more competitive and penetrate substantial sectors of the UK market.

- Lack of investment**

Other commentators blame Britain's poor industrial performance on a lack of investment. This, in turn, was a consequence of British monetary policy which necessitated **high interest rates** and therefore made money for investment very expensive to borrow.

- High exchange rates**

During this period the strength of the British pound made British goods expensive to export, but imported goods relatively cheaper.

- Human resource issues**

Poor training and education programmes, poor quality management of a strongly **unionised** and relatively militant workforce (many days lost in strikes in the 'winters of discontent' in the late seventies) are also mentioned as possible contributing factors to the perceived poor state of British manufacturing which accelerated the rate of deindustrialisation in the UK compared to other countries.

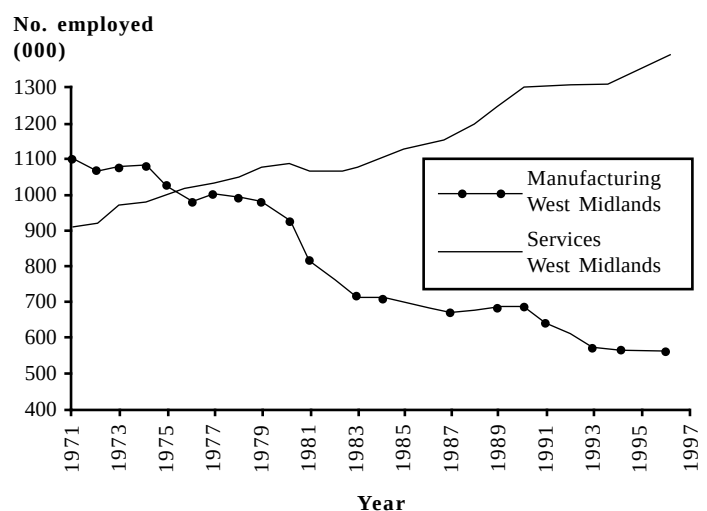
Case Study

Deindustrialisation in the West Midlands

The West Midlands is a core industrial zone within the United Kingdom, and deindustrialisation has affected all areas of the region's economy. Fig 1 shows that between 1971 and 1993 just over ½ million manufacturing jobs were lost (a decline of 50% in total manufacturing employment). The post-war prosperity of the West Midlands depended on a few large, successful engineering and car plants as well as an enormous range of smaller businesses. From 1965 to 1981 investment was consistently below the national average and much of the West Midlands industrial plant became gradually obsolete. As recession hit the car industry it had a knock-on effect on the linked parts suppliers as well as service sectors which depended on manufacturing firms such as Rover, for their business. Many of the region's small engineering firms found it increasingly difficult to compete with technologically advanced manufacturing (for example in instrument engineering) from lower cost production regions in East Asia (initially **Japan**, more recently **Taiwan** and **South Korea**).

Decline led to industrial dereliction, for example in **Heartlands** with many empty, obsolete factory units, and high rates of long-term unemployment often of skilled, mature males. As can be seen from Fig 1, it was only in the 1990s that the net loss of manufacturing was eradicated by a growing development in a range of service industries.

Fig 1. Employment in manufacturing and services in the West Midlands



Regeneration was spearheaded by a number of flagship projects such as the National Exhibition Centre, and the National Convention Centre, as well as the Heartlands Project in Central Birmingham.

External Factors (the international context of the decline)

As we have seen, deindustrialisation is a process which affected most European countries as well as the USA. International factors undoubtedly contributed to the process.

- **The global shift**

NICs such as the 'four Tigers' (**Taiwan, South Korea, Hong Kong and Singapore**) began to industrialise using the blueprint which enabled Japan to become a world economic super power by the 1970s. These NICs achieved up to 10% growth in manufacturing using their **comparative advantages** of initially lower labour costs, cheaper prices of sites, purpose-built plants using the latest technology, well educated workforces and more relaxed environmental controls. Their governments also pursued active policies to enhance industrialisation such as the development of **Freeports** and **Export Processing Zones**, as well as protecting their home markets from foreign imports. Their early stages of growth were characterised by a drive towards 'export-led growth'.

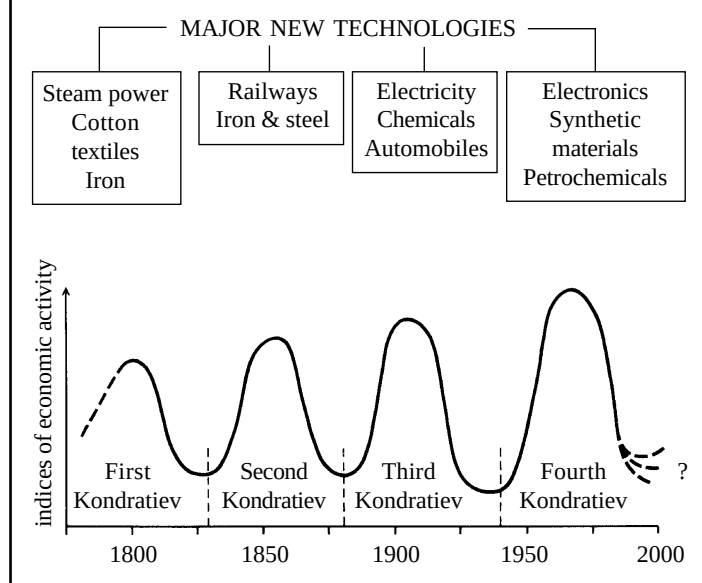
- **Multinational Companies** played an important part in shifting production away from MEDCs to NICs (1970s) and RICs (1980s) in the interests of profitability.

- **New methods of production.** Using the advantages of new technology, Japan and many of the NICs were able to develop flexible cost-effective methods of production.

Longwave theories

World economic performance is seen as occurring on a **cyclical** basis with a series of booms linked to periods of innovation which occur roughly at 50 year intervals. In the 1970s after the post war boom the world was in a trough, awaiting the upturn of the 5th cycle, which it was speculated would occur in the 1990s based on the electronics and ICT industries. Figure 2 summarises the **Kondratieff Wave Theory** which seeks to explain the onset of deindustrialisation in this way.

Fig 2. Kondratieff's Long Wave Cycles



The spatial pattern of deindustrialisation in the UK

Between 1966 and 1988 most regions experienced 40% job losses in manufacturing (Fig 3 and Table 3) with East Anglia being the only region experiencing an overall gain in manufacturing employment, although the numbers involved were the lowest in any region. Fig 3 provides some evidence of a North-South Divide in that the South West and the East Midlands fared better than the North West or Yorkshire but the South East (because of the influence of London) and the West Midlands would appear to be equally as bad as the North.

Fig 3. Changes in manufacturing employment in Great Britain 1966-88

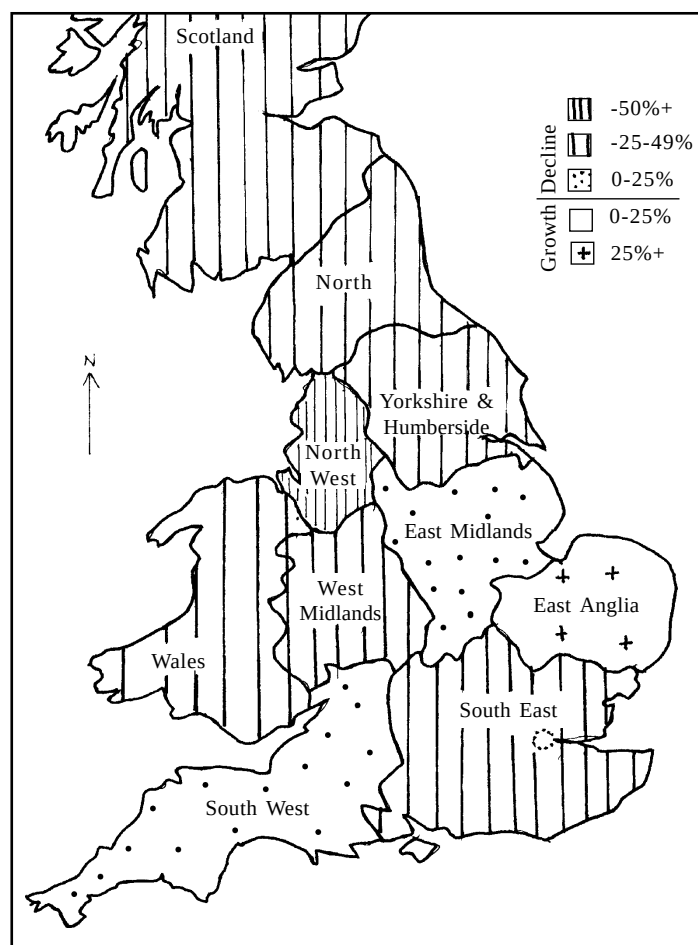


Table 3. Manufacturing Employment in Great Britain (Figures in thousands)

Region	1966	1988	% change
South East	2363	1321	-44.10
East Anglia	173	218	+26.01
South West	429	364	-15.15
East Midlands	631	493	-21.87
West Midlands	1197	697	-41.77
Yorkshire & Humberside	860	443	-48.49
North West	1251	600	-52.04
North	461	261	-43.38
Wales	317	213	-32.81
Scotland	726	385	-46.97
Great Britain	8408	4995	-40.59

Four variables have been identified which help to explain the spatial differences between the regions.

- **The mix of industries in an area**

Areas heavily reliant on traditional industry were hit the hardest. These areas such as Blackburn (see case study) experienced local **structural** unemployment.

- **The size of settlement in an area**

Regions such as East Anglia, with many small market towns have done best in arresting industrial decline. This is because much of the new industrial growth is located in outer peripheral suburban sites, market towns or even rural areas. The industries use attractive green field sites in places such as Newbury, or Cambridge, where the areas are well connected to national communications systems (especially the motorway network).

- **The size of firms in an area**

Regions which had large numbers of small and medium sized businesses, such as the South West, also experienced less decline. Small businesses were perceived as the backbone of the industrial revival in the Thatcher era of the 1980s. They often breed entrepreneurs who tend to 'hive off' and start their own companies, for example on the Cambridge Science Park. Towns which were dependent on a few large employers fared badly because of downsizing, or the closure of branch plants by these large companies.

- **The impact of Government policies**

Traditionally, Government Regional Policy offered inducements for firms to locate in more peripheral areas, variably known as **assisted areas** or **development areas**. The WDA (Welsh Development Agency) is a very successful example of how government grants could be used to provide new jobs in areas of high unemployment, such as Rhondda Valley in the South Wales Coalfield.

In the 1980s considerable changes took place with more selective targeting of grants, with the creation of Urban Development Corporations, Enterprise Zones, and more latterly schemes such as City Challenge and Single Regeneration Budget. The role of these pump-priming measures will be investigated via the Case Study of Regeneration in Blackburn. The result of the shift in Government Policy was to favour the South at the expense of traditional coalfield areas (where deindustrialisation had been so marked) when industrial regeneration gathered momentum in the late 1980s.

This industrial regeneration is often known as **Reindustrialisation** and has been spearheaded by small businesses, and by inward investment by multi-nationals from Japan, Taiwan and South Korea (until the recent Asian Crisis). Examples of this include Toyota to Burnaston (a greenfield site near Derby) and Samsung to Teesside. It is also accompanied by an explosion of tertiary activity.

Conclusion - A Post Industrial Paradise?

Deindustrialisation has transformed the world of work in MEDC's by changing the fundamental structure of employment, and introducing new technologies and working practices. This economic shift in the UK is fuelled by a **global shift** with a significant percentage of the world's manufacturing now coming from NICs and RICs.

In 1998, 75% of the UK's labour force now work in services (the tertiary sector) with only around 20% working in manufacturing. Many of the remaining manufacturing jobs have been transformed by the advent of new flexible working practices. Even some of the new service industries such as banking have experienced significant job losses because of **computerisation** and **globalisation**.

Behind this economic shift from manufacturing to services, lies a series of social impacts. It is not only the kinds of jobs which have changed but who gets them. Increasingly, jobs in services are part-time and filled by women, whilst full-time work, especially for unskilled people is on the decline. Nevertheless unemployment is apparently at its lowest level since the sixties. Manufacturing will never return to the scale it was once at **but** the air and rivers are cleaner, and the slum, factory-built housing largely gone, to be replaced by a landscape of science parks, food courts and data processing complexes.

Exam Hint - Many exam questions ask students to comment on the changing nature of employment and the social, economic and environmental impacts of the changes. Almost always students are asked to illustrate their answers with a case study. Blackburn is but one example. Students can use data from their own field studies, and also small scale studies derived from material obtained from Development Agencies, or Local Councils. Areas such as Sheffield (bleakly portrayed in the Full Monty), Liverpool, Telford or Tyneside are well documented and interesting to study. The change has been so fundamental that almost all traditional industrial towns are affected and clearly an accessible local town is a good starting point for enquiry.

Sources

- The basic processes are briefly explained in standard texts such as Waugh or Witherick.
- Manufacturing by M Raw (Collins) is a useful and well organised specialist text very suitable for student use.
- Government statistics such as Employment Gazette and Regional Trends provide annual data for study, for example charting the progress and impact of deindustrialisation from 1968 to the present day.
- The Financial Times, and the Economist (available on CD Rom) are both invaluable for updating industrial developments with a range of excellent place specific or industry specific surveys.
- Many local authorities now have WEB sites and much useful material on industrial development can be obtained from the Internet.

Acknowledgements;

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Case Study Blackburn, Lancashire

In 1929 Blackburn was a town whose employment was dominated by **cotton textiles**, with over 70% of those employed working in the textile or associated industries. By 1990 this had fallen to a mere 9%. The town had experienced deindustrialisation on a massive scale, as it had such a very high percentage of its workforce involved in manufacturing (15% above the national average).

The problems brought about by deindustrialisation were:

- Registered unemployment remained consistently above the national average placing Blackburn in the bottom third of the country in terms of its employment situation.
- Long-term decline in traditional manufacturing including **textiles, engineering, paper/printing and footwear**.
- Recent decline in the **defence and aerospace** sector (related to the thawing of the Cold War).
- Severe unemployment of up to 25% in some inner city wards such as **Higher Croft and Bank Top**, and outer areas such as **Shadsworth** (contains the largest council estate in Europe).
- High employment of up to 30% of ethnic minorities in areas such as **Brookhouse**.
- An unattractive environment with over 10% of land derelict from the closure of traditional industries (largely in Waterside along the Leeds-Liverpool Canal).

To deal with these issues Blackburn developed a range of strategies using money from a variety of sources including:

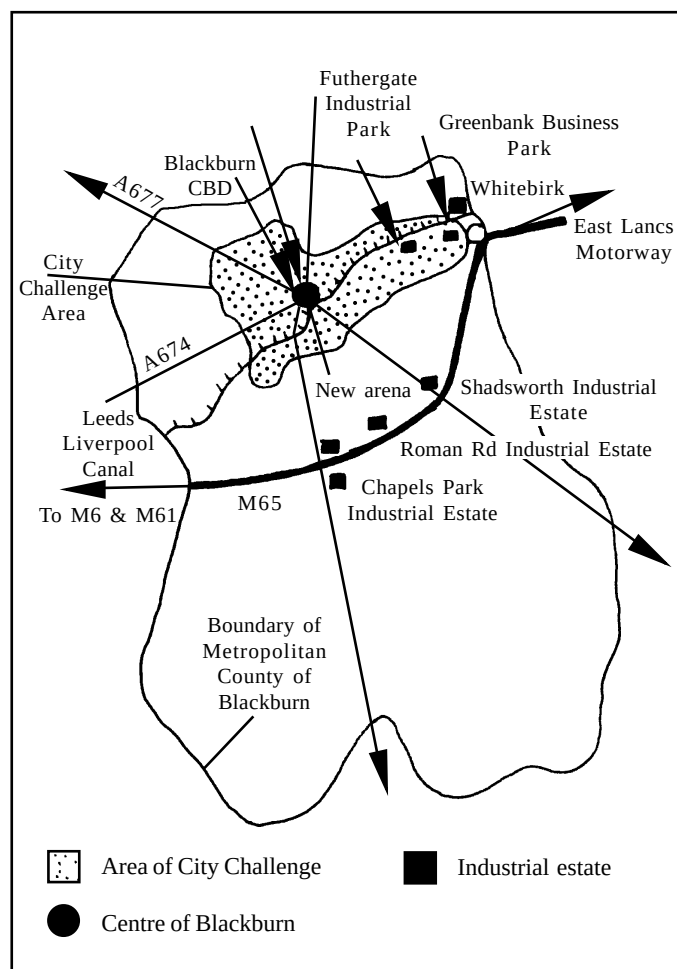
- European funding (Objective 2 Status) as part of the Leeds-Liverpool Canal corridor regeneration
- Assisted Area Status Grants (1980s)
- Derelict land grants from Department of Environment for industrial improvement
- Inner Area Programme Grants
- City Challenge from 1990s
- Single Regeneration Budget (SRB) - National Funding from 1994

The regeneration of Blackburn involved not only a partnership between central and local government, but also a combination of public funding and private investment. In 1987 **Blackburn Urban Development Initiative Limited (BUDIL)** was formed. The council made land available, PROBE was formed to secure private development and the Central Government provided grants for large scale projects. The concept was to use public funding to improve the environment, for example in the Waterside district so that private developers would invest in the area. The main investment was in the waterside area, focused on the largely derelict waterfront of the Leeds-Liverpool Canal. By 1994 BUDIL had attracted £200 million of investment (75% from the Private Sector) for this scheme.

Aims of the Regeneration Scheme

- To widen the range of employment opportunities, by restructuring the local economy (Office Development, Enterprise parks, major leisure developments, development of Urban Tourism).
- To promote self help and training schemes to support the unemployed in finding employment. Raising the skills profile of the workforce, and retraining the workforce are a key platform of the strategy.
- Refurbishment of buildings and reclamation of land to create an appropriate environment for investment.
- To provide a range of housing to meet particular needs within the private and public sector.

Fig 4. Location Map: Blackburn



Developments include (Fig 4)

- Eanam Wharf Business Development Centre and the refurbishment of Daisyfield Mill into a series of office suites (funded by EU Regional Fund).
- Provision of over 1000 houses in 13 sites ranging from elite homes to basic flats, largely built along the canalside.
- BUDIL schemes include the development of Waterside Retail Park incorporating the Blackburn Arena (ice stadium), the building of The Moorings canalside restaurant and the planned hotel development at Prospect Mill.
- Urban programme money has been utilised to create the Furthergate Industrial improvement area, now largely filled by new enterprises.
- More recently **City Challenge** finance (£37.5 million over 5 years) has built on existing BUDIL schemes to extend the canal zone to include developments such as the Greenhill Business Park for small and medium businesses and the refurbishment of Cecily Mill for mixed redevelopment, as well as the further development of the canal for tourism.
- In 1994 the SRB money was targeted at deprived communities such as Bank Top and Shadsworth, in particular concentrating on an employment corridor which is developing along the new (1997) M65 extension.