

**ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES**

**How regional development helps
to solve unemployment and
inflation**



OPINION

Brussels 1977

The Economic and Social Committee of the European Communities, chaired by Mr Basil de Ferranti, adopted this Opinion at its 147th plenary session, which was held on 30 and 31 March 1977.

The preliminary work was done by the Section for Regional Development and the Rapporteur was Mr Jean Bornard.

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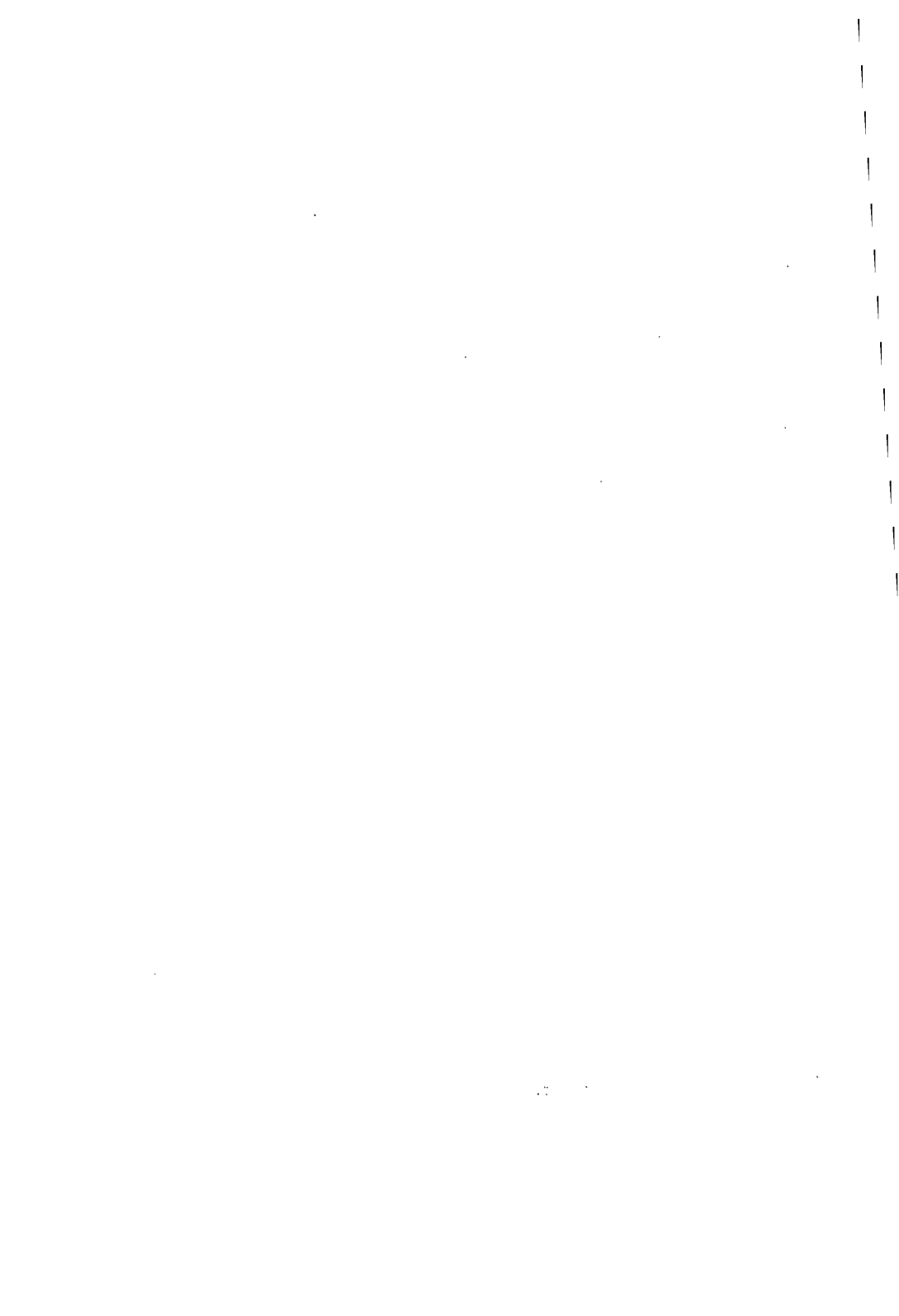
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INTRODUCTION

At a time when the Community's regional policy is under review, the Economic and Social Committee of the European Community has brought out an Opinion on its own initiative which looks at this policy from a specific angle. It states, in short, that in the light of case studies undertaken, one of the basic justifications for regional policy — and for strengthening its impetus — lies in the Community's overriding need to reduce unemployment and inflation.

The Economic and Social Committee has long been concerned with the critical economic and social trends which have emerged throughout the Community in recent years. In conjunction with other Community institutions, the Committee has concentrated its efforts on identifying some of the causes of the problems and on seeking measures to help towards their solution.

As a part of these efforts, the Committee decided in February 1976 to investigate to what degree a vigorous regional policy could help in keeping unemployment and inflation in check and — on its own initiative — to submit its findings to the Council and the Commission in an Opinion.

The Economic and Social Committee was anxious to work on the most comprehensive and realistic basis. With this in mind, it requested a number of national and regional authorities in the Member States to provide details of regional development projects and to estimate the impact which they have had on the employment situation and on inflation. In response to these requests, the Committee received fourteen case studies of projects in the United Kingdom, Ireland, France and Italy and a paper on the regional policy in the Federal Republic of Germany. These extremely useful studies — which will be found in the brochure provided the Committee with a good insight into regional problems and enabled it to identify a number of possible remedies.

The Committee's Section for Regional Development, chaired by Mr Antoine Laval (France - Workers) responsible for drafting the Opinion, also heard two experts, eminent professors in this field, who submitted papers on 'Regional development and inflation', the texts of which will be found in Chapter III.

In March 1977, the Committee adopted an opinion based on these investigations by an overwhelming majority, with only seven members abstaining and none voting against. The preparatory work on the Opinion, which had taken previous Committee Opinions and studies on regional development into account¹, was under-

¹ Doc CES 217/76 ; CES 378/76, published in OJ C 131 of 12.6.1976 ; CES 1202/76, published in OJ C 56 of 7.3.1977.

taken by a study group chaired by Lord Hamilton (United Kingdom - Employers). The rapporteur was Mr Jean Bornard (France - Workers).

The opinion, in its analysis, shows very clearly that by helping to eliminate excessive imbalances and create more equitable conditions for development in various areas, regional policy *ipso facto* reduces pressures and inflation. Similarly, by allowing economic and pay policies to develop in parallel, it prevents ruptures that would be prejudicial to employment.

Looking more to the long term, the expansion of infrastructures and amenities, and the new productive capacity in areas suffering from under-development is bound to improve the overall level of productivity in each Member State and in the Community as a whole.

In conclusion the Economic and Social Committee believes that regional policy measures are essential if the employment situation is to be improved. Regional policy cannot solve the overall problem of restoring a satisfactory level of full employment. It can, however, provide a decisive assistance in a top-priority sector, i.e. in regions which suffer from chronic unemployment, and in regional economies which have been shaken by rapid change.

Regional policy is therefore by no means inconsistent with the other current priority namely the drive against inflation. Indeed, by removing excessive imbalances, this policy helps to reduce pressures and bring about the more even development which is one of the objectives of the Community and also one of the greatest aspiration of its inhabitants.

In view of its contribution towards improving the employment situation and reinforcing the drive against inflation, the regional policy is entitled to receive both greater attention and increased funds.

CHAPTER I

OPINION OF THE COMMITTEE

'How regional development helps to solve unemployment and inflation by making for a more balanced distribution of the working population'

The attitude of the Community Institutions

The Commission, the Council of Ministers and the European Parliament have always felt that the improvement of the employment balance was one of the key objectives of regional policy.

The Economic and Social Committee has repeatedly endorsed this approach and in this connection has studied a number of development policy experiments.

In the light of these experiments, the Committee considers that the criteria for assessing the employment situation must be improved and that regional policy instruments must be put to better use in order to cope with the employment situation. The Committee also takes the view that, leaving aside employment problems, a better regional balance can alleviate certain pressures and make a significant contribution to the fight against inflation.

For a better assessment of the employment situation

The criteria for analysing the regional employment situations include :

- high, chronic unemployment;
- rapid fall in the percentage of the labour force engaged in farming;
- a high percentage of jobs in declining industries;
- structural under-employment.

These criteria should be amplified to include :

- emigration and net migration;
- rate of population growth and ageing of the population;
- average incomes/wages;
- the state of infrastructures.

To gear regional policy more closely to the requirements of the employment situation, in all its aspects, the Committee calls for :

- better regional and local statistics;
- definition of a common yardstick;
- greater attention to be paid to all those factors by the ERDF. The Committee stresses however that the areas receiving aid from the Fund coincide pretty well with the areas where unemployment is highest (Cf. the maps on pp 12, 13 and 14).

Greater efficiency, in respect to employment, of regional policy instruments

It became apparent that in many cases regional policy had made a significant contribution towards solving employment difficulties, without of course solving all the problems which require constant attention.

There is a very wide range of regional policy instruments :

- national investment aid systems, generally tailored to regional situations;
- additional regional aids;
- holdings by regional bodies;
- infrastructure aids;
- tax reliefs;
- support from advisory agencies;
- aid from Community bodies.

In the interests of higher efficiency the following rules are essential :

- none of these forms of aid is sufficient on its own. They must be part of an overall blueprint;
- aids which encourage the direct creation of jobs must be expanded, alongside infrastructure aids which are necessary and complementary;
- as regards the jobs to be created, steps must be taken to prevent excessive reliance on one industry, independent establishments must be developed, existing economic activity must be expanded. Vocational training facilities and employment opportunities in forestry must not be overlooked;
- if the jobs created are to be viable and durable, plans must be vetted and amenities must be developed so that handicaps to regional development can be phased out;
- such measures to standardize development conditions are the best way of preventing competition distortions;
- Community aids must be better coordinated.

Attention must also be focused on a number of general factors which are largely instrumental in determining the effectiveness of specific measures :

- the general economic climate must be favourable;
- there must be an overall regional policy comprising both incentives and disincentives;
- regional policy must be consistent with other Community policies;
- a more thorough-going regional policy must be adopted. In addition to creating

employment it must seek to improve living conditions and provide greater equality of opportunity as between the regions;

- it is essential to establish local bodies to undertake research and action;
- better information on facilities for aid and action.

Contribution to the fight against inflation

Far from fuelling inflation, regional policy makes a contribution to the drive against inflation.

It helps to combat excessive congestion which apart from creating social pressures, pushes up the cost of collective investment.

It helps to align productivity conditions and in doing so reduces pressures on the wages and prices front by creating more uniform conditions.

By creating the conditions for a better balance between the regions, regional policy is a positive counter-inflationary factor apart from its indisputable — but difficult to quantify — contribution to the improvement of living conditions.

The bulk of the experiments referred to have had a positive effect on the employment situation and appear to have a role to play in the fight against inflation. Regional policy instruments should therefore be further strengthened to allow them to tackle the twin priority targets of unemployment and inflation.

The Committee therefore suggests that, under the auspices of the Commission, local-level regional policy planners should come together to exchange views and get to know more about the scope of and arrangements for the aid which the European Communities can contribute.

Criteria for assessing regional employment patterns

In a previous study, the Economic and Social Committee laid down a whole series of criteria for channelling priority aid towards particular regions according to their employment situation. These criteria which are set out in summary form below are extremely judicious as the examples listed in the Report show.

High chronic unemployment over a period of years

In most of the cases cited, unemployment exceeds the national average. But it must be remembered that the unemployment percentages given for each Member State are not based on identical criteria.

Rapid fall in the percentage of labour force employed in farming

The number of people working in agriculture is declining with each successive year and, although the trend has slowed down slightly, it is likely to continue. Areas which are predominantly agricultural therefore face serious employment problems. Special attention must be paid to these areas, as a reasonably balanced employment situation can be maintained only if new jobs are created to replace those lost in agriculture.

A high percentage of jobs are provided by declining industries

The same applies to areas which rely mainly on industries such as coalmining, shipbuilding and textiles. The decline of these industries, or more exactly, the drop in the number of workers they employ, means that strenuous efforts will have to be made to create alternative employment and prevent a real decline in areas such as the Highlands of Scotland, Wales, Cumbria and Liverpool in the United Kingdom, and Nord/Pas-de-Calais and Alès in France. The situation in these areas must be analysed forthwith so that the requisite steps can be taken in time.

Structural under-employment

The number of registered unemployed is not the sole indicator of employment difficulties. A further sign is when the active labour force represent a smaller proportion than usual of the total population. A high number of women looking for work is also typical of structural under-employment.

There are also a number of other factors.

Emigration and net migration

Unemployment may be relatively low in a given region because job-seekers leave to find work elsewhere. Net migration therefore gives an indication of the dynamism of a region and its capacity to achieve balanced employment.

A careful study must be made of net migration but this feature is, in itself, only one of several factors to be taken into account when making an assessment of a given area. In point of fact an apparent balance may conceal population movements, such as workers returning to their own country either to retire or as a consequence of temporary recessions. An example of the latter type of movement is provided by workers from the South of Italy who are returning home at the present time because of cyclical setbacks in the industrialized areas.

Rate of population growth and Ageing of the population

In certain regions there is no net migration of population. This absence of net migration is of greatest significance in regions which have a high rate of natural population growth. In an area with a high birthrate it is obvious that more effort will be needed in order to maintain full employment. An ageing population is another yardstick for the situation in a region.

Average incomes wages

The level of incomes/wages also tells us something about employment in a region. A low level usually points to the presence of marginal economic activities with low productivity or businesses suffering from particular disadvantages.

Infrastructure

Although the question of infrastructure does not come within the scope a straight analysis of the employment situation, it is nevertheless a matter of decisive importance for the regions.

The case studies which have been considered show that isolated areas which do not have satisfactory transport links with other economic regions find themselves facing almost insuperable problems.

In the same way, regions are clearly not attractive to potential new industries if they have no established industrial areas, or if their infrastructure is antiquated.

Regional development can likewise be held back by the absence or inadequacy of schools, vocational training centres, housing, medical and cultural facilities, administrative infrastructure and hotels. Shortcomings such as these must be taken into consideration when assessing regions, and their elimination must be the basic aim of redevelopment plans.

Comments on the criteria for assessing employment patterns

If all the above factors are to be taken into consideration to a greater extent and if they are to be assessed from more of a Community point of view, measures will have to be taken in several fields.

Better regional and local statistics

It was found that statistics were lacking to a relatively large extent. Also they were often just a breakdown of national statistics.

First and foremost, regional data relating to the factors listed above should be periodically updated.

The authorities must encourage supplementary studies on regional situations and prospects, so that the requisite regional measures can be undertaken sufficiently in advance. These studies should be carried out by regional or local bodies.

Search for a common yardstick

Regional employment patterns should be analysed on the basis of standard criteria subsuming the factors given above.

The information to be provided annually under the Regulation setting up the Regional Development Fund, should shed some light on the situation in individual regions.

In its outline development plan, the Regional Policy Committee has rightly called for economic and social analyses of regions

The areas for which aid is requested differ very considerably in size, and there is often extreme variation within them.

In view of these facts the following information should be appended to all applications for aid from the Regional Development Fund :

Analysis of the employment situation in the area :

— Percentage of unemployed :

- Trend over last ten years;

- Comparison with national average;
 - Forecast based on projection of present trend.
- Employment trends in dominant industries in past years and, if possible, also forecasts. This applies to industries such as :
- Agriculture;
 - Mining;
 - Shipbuilding;
 - Textiles.
- Labour force as a percentage of total population :
- Comparison with national figure.
- Net migration :
- Trend over recent years.
- Rate of population increase (or overall population trends over last few years).
- Average wage or average income :
- compared with national average.

How the Regional Development Fund should take these factors into account

The Regional Development Fund should take the fullest possible account of these factors when deciding how to allocate priority aid.

Whatever the shortcomings of the analyses of regional situations and the statistics that are currently available, it is interesting to observe that the areas receiving aid from the Fund coincide pretty well with the areas of highest unemployment and out-migration (cf. maps on pp. 12, 13 and 14).

The figures showing unemployment rates are now homogeneous. The average unemployment rates in the various Member States given in Community documents relate to areas which differ very considerably in size (in Germany for example the figures are given for 550 areas, in France for 95, in Italy for 94 and in the UK for 11).

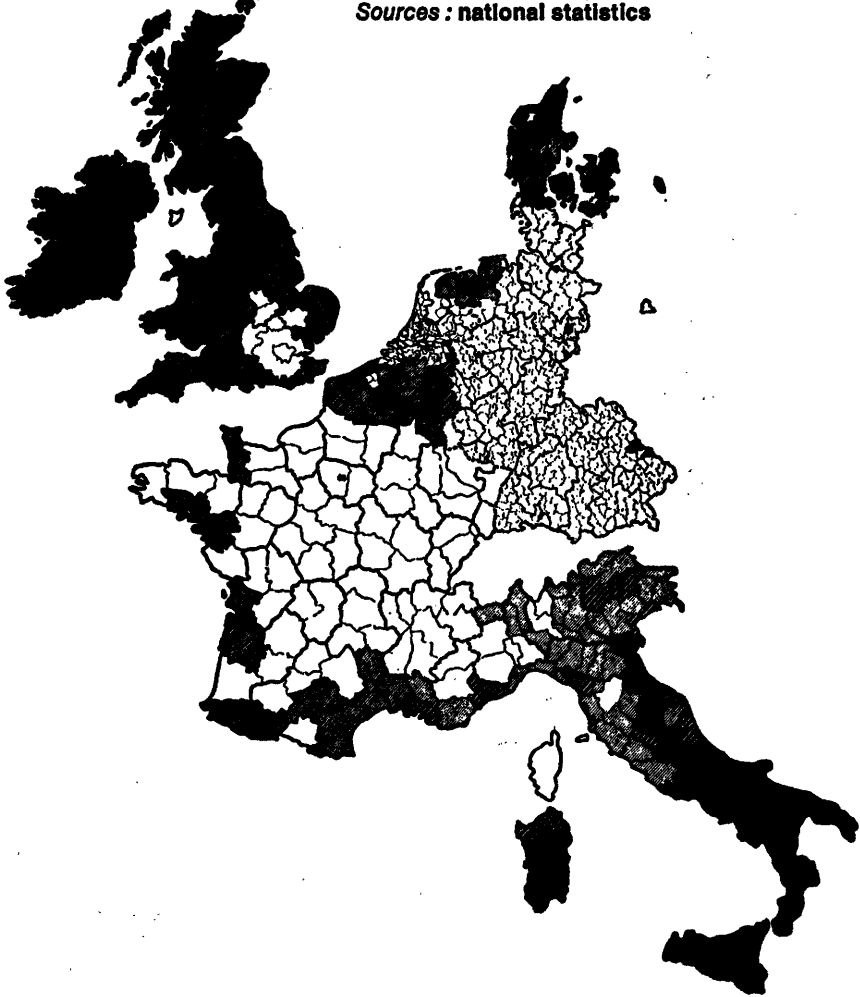
Irrespective of these differences, although the employment situation ought to be analysed with reference to more adequate indicators than just unemployment and net migration, it is clear from the figures given that the Regional Development Fund's aid is indeed directed towards the regions with the severest employment difficulties. This is not to say, however, that there is no room for improvements.




Regional policy instruments and stimulation of job creation

An examination of the various examples of regional action shows that the types of action are complex and extremely varied. It is difficult to assess how effective individual types of action are, particularly since the situations to which they are applied seem to call for specific measures.

The action may be classified into several categories :

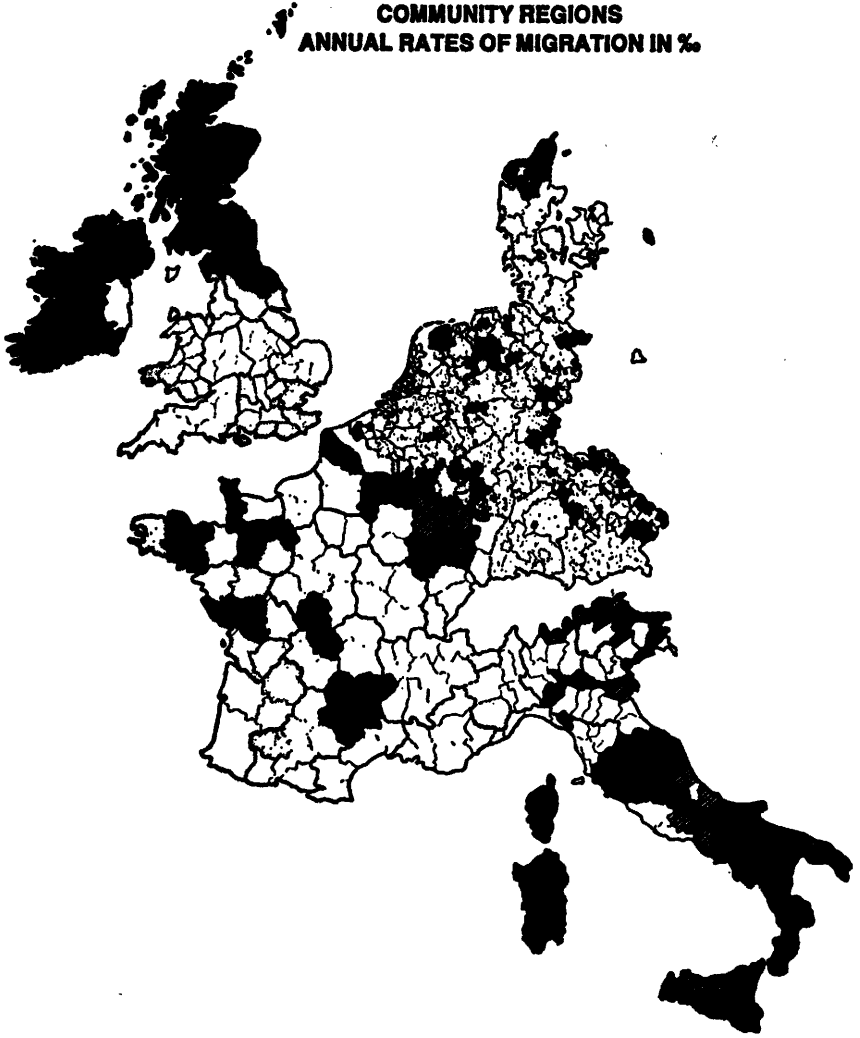
RATES OF UNEMPLOYMENT
 (average over a period of several years)
 Sources : national statistics



LEGEND	
	6% <
	4% < 6%
	2% < 4%

REGIONAL REFERENCE UNITS	
Germany (Federal Republic)	: approx. 550 units
Belgium	: 45 units
Denmark	: 12 units
France	: 95 units
United Kingdom	: 11 units
Ireland	: 9 units
Italy	: 94 units
Luxembourg	: no figures provided
Netherlands	: 11 units

**COMMUNITY REGIONS
ANNUAL RATES OF MIGRATION IN %**

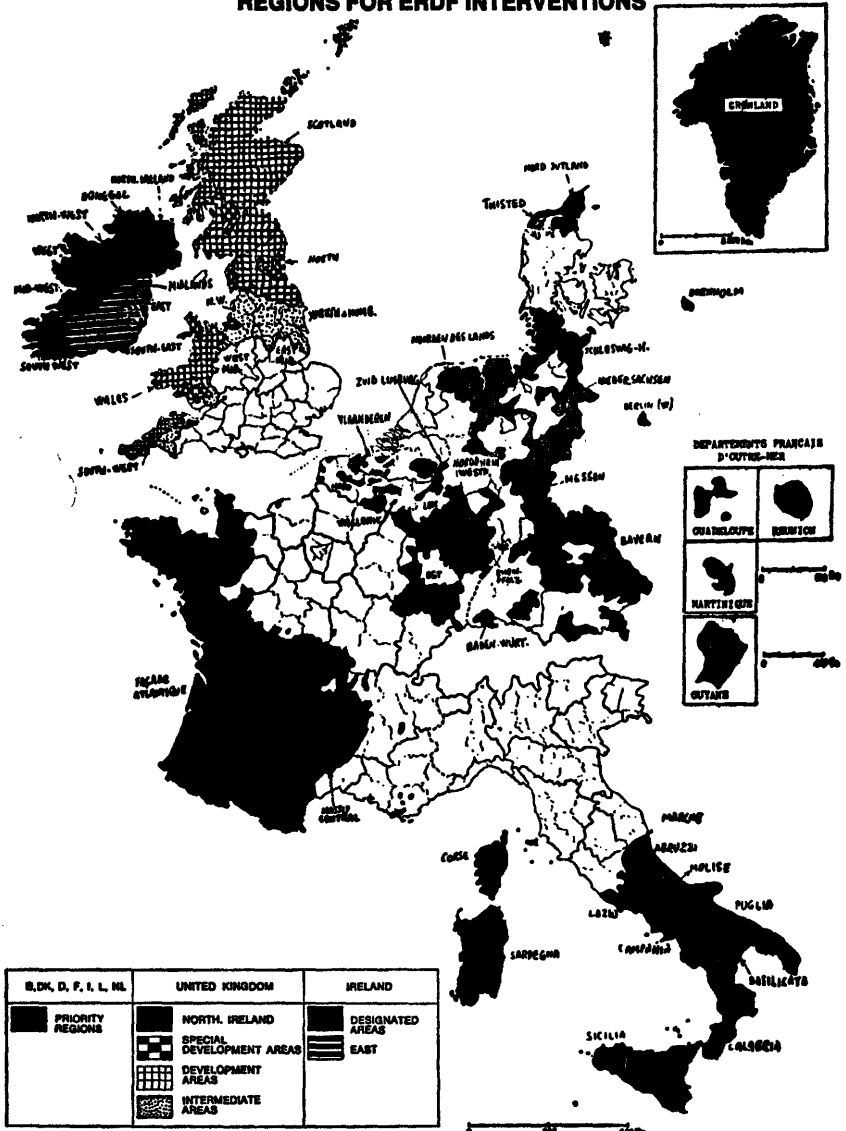


LEGEND	
■	- 15.0 <
▨	- 10.0 <<- 15.0
■	- 5.0 <<- 10.0
■	- 2.5 <<- 5.0
▨	0 <<- 2.5

REGIONAL REFERENCE UNITS

Germany (Federal Republic)	: approx. 650 units
Belgium	: 45 units
Denmark	: 12 units
France	: 85 units
United Kingdom	: 11 units
Ireland	: 9 units
Italy	: 94 units
Luxembourg	: no figures provided
Netherlands	: 11 units

1976 REGIONS FOR ERDF INTERVENTIONS



B, DK, D, F, I, L, NL	UNITED KINGDOM	IRELAND
PRIORITY REGIONS	NORTH IRELAND SPECIAL DEVELOPMENT AREAS DEVELOPMENT AREAS INTERMEDIATE AREAS	DESIGNATED AREAS EAST

Financial investment aids

Most Member States grant investment aids. The size of these aids varies in some cases in relation to the difficulties in the regions concerned and depends on how much the national exchequers can afford to spend.

The aids come in the form of loans (sometimes at preferential rates) and grants amounting in general to 10-30% of the investment.

They may be granted either for the setting-up of new activities or occasionally for the expansion of existing activities. But in the latter case, aid is generally granted at a lower rate.

Sometimes too, investment aids may be limited to a maximum amount per new job created. The more serious the employment situation in the area in question, the higher the ceiling.

Frequently there are regional aids in addition to national aids. Sometimes, regional and local authorities provide supplementary loans and grants. Certain credit institutions do likewise.

Some regional (and even national) bodies with certain funds at their disposal have been authorized to take holdings in companies. Sometimes these holdings are for a limited period to help companies get started, and also to allow the funds to circulate from one company to another.

Infrastructure aids

It is also very common for aids to be directed not only towards investment in companies but also towards the construction and modernization of infrastructure and equipment.

In the cases which have been considered, transport is the prime beneficiary (roads and motorways which open up remote regions, railways, airports and port installations). These are cases where the building of a road or a motorway has not sufficed to generate development. Conversely, however, few isolated regions are developing satisfactorily.

After transport come industrial estates with the associated infrastructure. Telephone services also receive special attention.

Sometimes even buildings are constructed on industrial estates for rent or sale to firms. Local authorities have been empowered to take such action in the United Kingdom and it is relatively common there.

Aids are sometimes earmarked for setting up social and cultural services, such as educational and training centres.

Housing-renovation programmes and, more generally environment-improvement programmes have also often received encouragement, particularly in old industrial areas where the antiquated state of local facilities has tended to put off new investors.

Tax advantages

Tax advantages also come under the heading of aid. They are sometimes given for a limited period at national level and, sometimes at local level too.

The extreme instance of such aid is to be seen at Shannon, where incoming companies enjoy tax exemption in a new area which has been transformed into what amounts to a free port. This measure which has been used in other parts of Ireland, has proved to be successful.

Support from advisory agencies

It is necessary to emphasize the crucial support which has been afforded to regional development and job creation operations by agencies set up to promote and coordinate projects.

Most often the agency concerned is a special authority set up at regional or local level and comprising representatives of local communities or local authorities, and economic and social interest groups. Such bodies' powers may extend to the right to purchase land and they may even set up new activities themselves. Their advice and technical and administrative support has proved to be the decisive factor in many cases, particularly in the United Kingdom.

Occasionally, the dominant industry in a region may take on this role. This has been the case with the coalmining industry in France. In several coalmining areas the industry has cooperated with a number of special bodies that have been set up especially with a view to introducing new industries.

Aid from Community bodies

At the end of 1976, the Commission published a brochure about Community aid. The purpose of this brochure is to provide information on the Community's financing facilities and the procedure to be followed by those who wish to use them. The brochure deals in turn with the financial assistance granted by the European Coal and Steel Community (ECSC), and the loans granted by the European Regional Development Fund (ERDF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the European Social Fund.

The passages in this brochure which are of particular relevance to this Opinion are in the Report.

Comments on regional policy measures

Many problems are caused by the fact that regional policy and job-creation measures are so multifarious. A number of conclusions may, however, be drawn from experience to date.

The need for a coherent set of measures

It very often happens that, when a region becomes aware of its difficulties and its employment problems and starts to look for a solution, the first idea that comes to mind is to offer firms financial assistance or exemptions in order to encourage them to set up in the region in question.

Such financial incentives may well be important and necessary but cannot, in themselves, constitute a genuine regional policy.

Experience has shown — and the cases considered by the Group have confirmed this — that, if regional policy action is to be successful, a whole set of multifarious measures must be taken :

- financial aid — this is, of course, necessary in order to offset the disadvantages which discourage firms from moving into regions needing development or redevelopment;
- measures to improve infrastructure and facilities are also needed, as firms are generally not prepared to invest in areas which are isolated, which do not have satisfactory communications and where industrial estates and facilities are either lacking or inadequate;
- finally, and perhaps most important of all, new establishments are set up only if a real and sustained effort is made to encourage them. These efforts must be backed up by a regional body able to stimulate and coordinate measures and establish permanent liaison with the national and international authorities providing the necessary outside assistance. It is essential, to seek assistance from existing bodies or to set up *ad hoc* bodies.

Success will generally only be obtained if convergent measures are taken in the abovementioned three fields. The development plan adopted by the Regional Policy Committee is a very interesting idea in this respect as it advocates :

- economic and social analyses of regions;
- clear-cut, coherent development goals;
- development projects;
- the provision of funds;
- the appointment of persons to direct operations.

Aid in respect of infrastructure, investments and the direct creation of new jobs

The overall cost of these measures varies considerably from case to case and from country to country. In 1975, the cost to the European Regional Development Fund of creating a new job in Italy was five times the figure for Ireland. The reason for this difference was that ERDF aid to Italy was concentrated mainly on major infrastructure schemes. It is, however, always difficult to estimate the overall cost of creating a new job, since a job is created as a result of a combination of very complex measures.

In view of the seriousness of the employment problems, the question nevertheless arises as to whether priority should not be given to direct job-creation aid. Between 70 and 80% of ERDF aid is spent on infrastructure. The effect of this aid on the creation of new jobs is therefore mainly indirect.

The creation of new jobs must of course remain an absolute priority; the number of new jobs which will be created by particular measures must continue to be the decisive factor. Investment aid schemes which specify the creation of a given number of new jobs (as in the case with ERDF aid) should therefore be encouraged.

On the other hand, aid should not be restricted to investments likely to result in, say, at least ten new jobs. This could rule out certain interesting measures, particularly in rural areas. One way of cutting down on paper work and administrative costs might be to give aid to composite job-creation programmes, even if the individual projects involved would create less than ten new jobs.

It would, however, probably be risky to provide only such direct aid. It has been demonstrated that one of the major causes of regional backwardness is isolation from more economically active areas and the lack of basic facilities. If a region is to 'take off' economically, it may well be absolutely essential to end its isolation, to set up industrial estates for small as well as for large firms and to develop and renew its infrastructure. It would seem, therefore, that measures designed to achieve these aims must also be strongly encouraged.

Similarly, special attention must be paid to the problem of housing. The building or modernization of dwellings may be important aspects of a regional development drive.

Rather than conflicting with each other, infrastructure aids and direct job-creation aids are, in fact, complementary to a high degree. Infrastructure shows them to be necessary, and direct job-creation aid must be expanded as far as possible.

Choice of jobs to be created

There can be no question of laying down in advance what kind of jobs should be created in given regions — even if natural conditions in those regions are inherently suitable or unsuitable for a particular type of economic activity.

There are many examples of the vulnerability of areas which have only one economic activity or industry. Past experience thus argues in favour of diversification, whether this be diversification of vocational skills or a mix of production and tertiary activities.

The decentralization policy pursued in a number of countries (use of disincentives in congested areas, and of incentives to attract industrial and service activities — banks, insurance companies, administrative units — to problem regions) has done much to improve the employment situation. This action should therefore be continued.

On the other hand, in recession periods large firms often tend to give their old-established units priority over their comparatively less-well rooted establishments in development areas.

So it is not sufficient to attempt to induce large firms to decentralize. Entire firms should be encouraged to set up in the regions.

Efforts must also be made to expand and consolidate existing industries and economic activities. Such action may in some cases enable jobs to be saved, or even new jobs to be created, with the minimum of trouble. The cost involved is sometimes relatively low. The jobs thus saved (or created) must, however, be useful, permanent and genuinely productive, as well as meeting the requirements of the workers concerned.

It should be examined how forestry can be expanded in some regions. The Commission Directive on this matter has not been adequately applied. The forestry sector is often over-neglected, even though the Community is short of forestry resources and is forced to import large quantities of timber. It would seem that the reafforestation of some areas, along with the upkeep and harvesting of forests and the work provided by the transportation and processing of timber, could make a long significant contribution towards solving employment problems in several regions.

Special attention must be paid to the provision of facilities for general education and for training local labour in the skills needed for newly created jobs. Lack of a broad range of job skills in a particular area is just as detrimental as dependence on a single industry.

Prerequisites for the creation of lasting new employment

Experience has also shown that great attention has to be given to the durability of the new jobs created.

Not only does the closing down of an enterprise which was given special incentives to come to a given region represent a deplorable waste, it also makes further projects more difficult, while sapping morale in the particular sector concerned.

The grant of aid must therefore be made subject to a close examination of the prospects and qualifications of applicants and careful checks must also subsequently be carried out into the way the funds are used. The competent regional body should be involved in these checks.

At all events, the new economic activities should be given the chance to compete on an equal footing with comparable activities in other areas.

In other words, if — to start with — grants and special concessions are no doubt necessary to offset handicaps, these handicaps themselves must be eliminated as quickly as possible, with efforts being concentrated on the infrastructure and environment, so that the area in question can achieve self-sustaining growth. This is probably the best way of ensuring that newly created jobs are permanent.

It also confirms the importance of the current efforts of the Commission, which is urging applicants for Regional Fund aid to make their applications within the framework of a regional policy plan.

A genuine regional policy calls for well thought-out development programmes which enable each region to make up lost ground and to have the same opportunities as other regions.

The danger of distorting competition

Viewed from this angle, the aid granted to firms which agree to set up in backward regions ought not to give rise to any serious danger of competition being distorted. Apart from the advantage it may have in making for a better balance in the distribution of activities throughout each Member State and the Community (a point discussed later on), such aid compensates for unquestionable difficulties which have hitherto hampered development.

This aid is intended to produce a situation where all regions have equal opportunities. This does not mean that all regions are to develop on the same lines. It simply means that they must be able to find their own ways of developing.

It cannot be denied, however, that firms are hampered by decentralization constraints and by obligations to make at least some of their investments in particular areas.

These obligations are, however, generally offset by the granting of additional aid in cases where investments are made in particular areas. It is, of course, important to ensure a balance between restrictions and compensatory aid, so that firms may continue to expand.

The costs involved in bringing about balanced regional development clearly vary from Member State to Member State. In view of the way in which it is financed, the common regional policy is an ideal instrument for bringing about more genuine solidarity between all the States and regions of the Community. This is one of the reasons why the common regional policy should be strengthened.

The coordination of Community aid

Finally, it must be emphasized that as yet Community aid does not seem to have been used to maximum effect.

There are a good number of cases of aid having been granted by the Regional Fund, the EIB, the ECSC, the EAGGF or the Social Fund. But cases of aid from one of such sources being combined with aid from other such sources are rare, even though joint aid could have been granted under a fully fledged regional policy.

The coordination that is beginning to emerge between the various Commission departments in charge of these funds augurs well for the future. However, an extensive information drive must be undertaken at regional level, so that the interested parties themselves are better aware of the various opportunities offered by the Community.

General prerequisites for effective action

Regardless of the form which they take, the success of job-creation and regional development measures hinges, to a large extent, on a number of general factors.

The general economic climate must be favourable

It is always difficult to attract new industries to areas which they would not choose of their own accord, or which are suffering from deindustrialization. These difficulties are compounded in periods of economic depression, which are obviously not favourable to investment or job creation. In any event a special effort must be made in underdeveloped areas and regional policy must be integrated into a general expansion blueprint. It is more difficult to transfer existing jobs than to influence the selection of the areas in which new jobs are to be created.

An overall regional policy

The abovementioned measures will be all the more effective if they form part of a comprehensive policy.

If work is to be more evenly distributed, regional development incentives should be coupled with disincentives calculated to deter the establishment of new plants in congested areas.

Regional policy must be consistent with other policies

Regional policy can assume its true importance and develop smoothly only if it is implemented in a manner consistent with all the other common policies, and if it is closely coordinated with the policies pursued by the Member States.

Regional policy must take particular account of the other Community policies. Otherwise the success of its measures might be jeopardized by general economic developments. Conversely, all the other Community policies must ensure that they do not impede the progress of the backward regions. Otherwise the measures taken by regional policy may be reduced to the modest role of remedying, not always adequately, the adverse effects of the other Community policies.

A common regional policy

We do not intend to call the responsibilities of the Member States into question. The objective of the European Regional Fund, namely 'correction of the main regional imbalances', laid down by the Paris Conference of 1972, should not be considered with undue haste to be excessively narrow. However, if the purpose of the common regional policy is to be fully understood, it is necessary to give further consideration to what is meant by the term 'main regional imbalances'.

- In any review of regional imbalances, the problem should not be considered solely from the employment angle;
- All inequalities should be taken into account;
- It is necessary to revamp the regional policy — integrated as it is with the other common policies — and gear it to improving not only the employment situation but also living conditions in general, the public services that are essential to the quality of everyday life, and the balance between large towns on the one hand and small towns and the countryside on the other;
- Is it not possible that such a revamped regional policy may even serve as the basis for an anti-inflation drive ?;
- All these questions are outside the scope of this Opinion but they will certainly have to be examined in more detail.

The contribution of local bodies

The Committee would point out that regional policy must help the regions to help themselves. It must operate through local bodies which can spell out local needs, and play an active part in the measures taken. The inhabitants of the regions must take their fates into their own hands. They must take more initiative and pull

together more in every way, in a direct attempt to improve the quality of life in their local areas and strengthen regional activities. This is essential if regional measures are to be successful and have a lasting impact. This raises the whole issue of regional structures, their terms of reference and ways of keeping them in existence.

Better information

Much more must be done to ensure that the Member States' regional authorities are fully informed about Community aid facilities. At the moment, Community aid facilities are a sealed book as far as most people are concerned. Improved publicizing is essential if these facilities are to be better used.

Better publicizing is also essential if the various approaches are to be brought into line by gradually incorporating regional measures in Community development blueprints. Finally, better publicizing of Community aid facilities is a way of bringing home the existence of the Community.

It is also very important for much more publicity to be given to Community action.

In this connection, the Committee has noted with interest that the Commission has started to publicize such action in the Official Journal of the European Communities and has prepared an information brochure for industrial investors. Similarly, hearings have been prepared to inform the general public about Community aid for road building and improvement schemes, for example. The Commission is urged to continue with its efforts in this field.

Regional and counter-inflation policy

Attention has already been drawn to the need for the regional policy to be consistent with the other common policies. The links between regional policy and the employment situations have already been considered. An endeavour must now be made to discern, more especially, the links which may exist between regional policy and the drive against inflation which is, together with employment, one of the main priorities at the present time.

The linkage between regional policy and inflation is a complex issue which must be dealt with cautiously. The persons who replied to the Committee's questionnaire generally stated that, at their level, it was impossible to gauge the impact of their action on inflation. Whether it was because of a lack of relevant local statistics or because inflation was seen as being essentially a national (if not international) issue, everybody was inclined to think that there was little or no trade off between regional policy and inflation.

From a general point of view, it is sometimes said that regional policy is inflationary in that it necessitates immediate financial outlay in a period of budgetary restrictions. The amount of money spent by the Community and national governments on regional policy projects is, however, too small to warrant this allegation.

It is nevertheless essential to determine whether inflation is ultimately fuelled by reductions in regional imbalances, and in particular by reductions in unemployment — which are, after all, the main objective of regional policy. There is known to be a close link between employment levels and the control of inflation.

It must be pointed out, first of all, that congested areas tie up a particularly large amount of capital investment. The larger the congested area the more capital is tied up. Firms are attracted by the existing infrastructure of such areas, and considerable expenditure has to be made when these firms grow, as they inevitably do. Generally speaking, local communities and taxpayers foot a higher proportion of this expenditure than the firms which cause it. The extent of these additional costs is thus not so readily recognized. It can however be illustrated by certain examples. It has, for instance, been shown that transport costs in the Paris area are two-and-a-half times higher than in other parts of France. Similarly, the same house can cost 80% more to build in one area than in another.

Be that as it may, the existence of such facilities is a growing incentive to the creation of new jobs which in turn creates new infrastructure requirements, culminating in a widespread concentration process. Measures to prevent over-concentration and to decentralize therefore make for more efficient utilization of resources.

Wages are often higher in congested industrial and urban areas. It is sometimes argued that productivity is lower in less developed areas, and that inflation is therefore fuelled by the tendency for wage rates to be evened out, or by the aspirations in this direction which are frequently expressed at national level by those living in the under-developed areas.

It has also been argued that prices are sometimes geared to a considerable extent to the production costs of less viable firms, i.e. they are not always fixed on the basis of the production costs of firms which have the highest levels of productivity.

Whether it is wages or prices which are the main factor, it is nevertheless clear that, by helping to eliminate excessive imbalances and create more equitable conditions for development in the various areas, regional policy *ipso facto* reduces pressures and inflation. Similarly, by allowing economic and pay policies to develop in parallel, it prevents ruptures that would be prejudicial to employment. The impact of the regional policy is therefore beneficial rather than adverse, just as it is in the other cases.

Looking more to the long term, the expansion of infrastructures and amenities, and new productive capacity in areas suffering from under-employment and under-development is bound to improve the overall level of productivity in each Member State and in the Community as a whole. After all, productivity is determined not only by factors internal to a firm but also by its environment.

This improvement is particularly marked when — as frequently occurs — regional policy measures are carried out to facilitate industrial redevelopment and to regenerate local economies. Measures such as this are frequently carried out. It is much better both for the areas concerned and for the community at large if employment is safeguarded by setting up viable and dynamic new firms, rather than by propping up old industries whose existence is threatened. A vigorous regional policy is one of the conditions for adapting economic structures in socially acceptable conditions.

Over and above questions of strict economic productivity, no one can deny the enormous advantage of establishing communities which are on a more human scale. In such communities the problems of daily commuting, housing, environment and pollution can be grasped and solved infinitely more easily than is possible in huge

urban areas. Achievement of a better socio-economic balance is probably one of the most important aims of regional policy. The Community has a duty to tackle such issues.

Conclusions : a greater effort must be made

In conclusion, it may be said that regional policy measures are essential if the employment situation is to be improved.

Regional policy cannot solve the overall problem of restoring a satisfactory level of full employment. It can, however provide a decisive assistance in a top-priority sector, i.e. in regions which suffer from chronic unemployment, and in regional economies which have been shaken by rapid change.

Regional policy is therefore by no means inconsistent with the other current priority, namely the drive against inflation. Indeed, by removing excessive imbalances, this policy helps to reduce pressures and bring about the more even development which is one of the objectives of the Community and also one of the greatest aspirations of its inhabitants.

In view of its contribution towards improving the employment situation and reinforcing the drive against inflation, the regional policy is entitled to receive both greater attention and increased funds.

A suggestion : organization of a Community conference on regional problems

The analysis of the answers to the Committee's questionnaire, clearly showed that those who are engaged in the very difficult task of regenerating their regions are largely unaware of the possibilities of Community aid and the work being undertaken by the Community to foster regional measures.

Contacts with the Commission, and comparing of notes would undoubtedly give valuable encouragement and assistance to the people who are directly involved in regional development.

The Committee thus proposes that the Commission organize a conference which would bring together representatives of all those engaged throughout the Community in the considerable task of implementing a genuine regional policy. Such a conference would undoubtedly further the common regional policy.

CHAPTER II

CASE STUDIES ¹⁾

A region in Scotland (area covered by the HIDB)

Area concerned

Prior to the reorganization of local government the area of the Highlands and Islands Development Board comprised the seven 'crofting counties' of Zeland, Orkney, Caithness, Sutherland, Ross and Cromarty, Inverness and Argyll. With the reform of local government in May 1975 this area was slightly amended and now comprises the Shetland, Orkney and Western Isles, Island Authorities, the seven districts of the Highland Region and from Strathclyde Region, Argyll and Bute District plus the Island of Arran.

Analysis of the regional or local situation which prompted the action

The HIDB was formed in 1965 to counteract, in particular, the region's interlinking problems of high emigration and unemployment, low incomes and poor resources. The plight of the area is probably best illustrated by the fact that in 1841 the population of the region was 396 000 and by 1961 had declined continuously to 278 000, whereas for the same period the Scottish population doubled and that of Great Britain increased by over 2.5 times.

The Highland economy of the past is considered as having been primarily rural, which is not strictly correct, as the region had the world's first aluminium smelter, a large railway works, and various other manufacturing industries. However, these were exceptional aspects of the economy, restricted to a few areas. The 1961 figures reveal that 18% of the workforce were in primary occupations and only 10% in manufacturing, (see Table 1), while the proportion in service-sector employment was well above national average. Service activities included hotel work in certain areas, local and central government employment, work in the transport and distributive trades and jobs in professional firms in market centres such as Inverness. This unbalanced employment structure restricted job opportunities and unemployment was high.

For the first 25 years after the war the Highland unemployment was about double the Scottish figure and four times that of the Great Britain average (see Table 1). In addition, however, it exhibited a marked seasonal fluctuation of about 4% and the average regional figure conceals areas of extremely high unemployment such as

¹ Replies to the questionnaire of the Economic and Social Committee by the respective regional authorities.

in Lewis and Harris which averaged at times 27%. To complement this unsatisfactory unemployment situation incomes were also low (see Table 1). In a number of cases family incomes were augmented by incomes earned overseas by men in the merchant navy.

The national resource endowment of the Highlands and Islands placed serious constraints upon development. The agricultural potential was limited by the fact that under 7% of the total land area is arable, while 85% is usable only as rough grazing or deer forest. Forestry plantings before and after the last war laid the foundations for a considerable industry, while the high rainfall and mountainous terrain were harnessed to provide hydroelectric power in the post-war period. The solitude and rugged grandeur of the terrain were recognized to be considerable assets for the promotion of a tourist trade. With a mainland coastline of over 5 000 miles and many off-shore islands, there was naturally a strong association with fishing, although the fishing industry experienced fluctuating fortunes due to unpredictable changes in both market prices and herring shoal movements. Since carbon fuels and other minerals had not been discovered in usable quantities, there was no basis for conventional industrial development, while remoteness and transportation difficulties exerted a further negative influence. The quality of the human resources of the area was never in question, the people being tenacious, adaptable and intelligent. A traditional veneration of education contributed to emigration by educating the young to levels at which they could not find appropriate employment within the region.

The levels of amenities and services are difficult to quantify. However, the levels existing in the rural areas would have been below the national average, with those of the towns comparable to those in other small towns elsewhere.

The statistics were compiled at fixed intervals by various government agencies.

How did the action arise ?

Since the Napier Commission reported in 1833 the problem of the Highlands and Islands have been highlighted and many other bodies and individuals have demonstrated that it is an area of need requiring specialist solutions. However, it was not until 1965 that the government produced the Highlands and Islands Development (Scotland) Act. The Highlands and Islands Development Board was set up in Inverness in November 1965 and the development programme was underway by early 1966. The Board is a statutory agency responsible, through the Secretary of State for Scotland to the Government. Departmental responsibility for the Board is exercised by the Scottish Economic Planning Department.

What type of aid was given ?

The Highlands and Islands Development Board was set up to help the people of the Highlands and Islands improve their economic and social conditions and to enable the region to play a more effective part in the economic and social development of the nation. The Board's general function is to prepare, concert, promote, assist and undertake measures for the economic and social development of the Highlands and Islands, and in order to assist with the economic and social development of the

Highlands and Islands the Board will consult with interested local authorities and other bodies and if necessary communicate with the Secretary of State for Scotland.

This is an extensive aid programme encompassing more than just a strict financial role and in order to complement these measures the Board has powers such as the right to acquire land, to erect buildings for let and to acquire, carry on, set up or hold equity in any business. Furthermore, professional advisory services may be supplied to businesses or industries and financial assistance in the form of grant or loan may also be obtainable.

Finally, the Board may produce or commission research reports on topics considered relevant to the Highlands. To provide these facilities the organization of the Board is functional, embracing land use, fisheries, tourism, industrial development and marketing, financial services and planning and research divisions.

In 1975, the Board received from central government £5.5 million, of which £1.6 million went in the form of grant and loan assistance to commercial enterprises and £0.8 million was spent on such activities as research, publicity and special projects undertaken by the Board or consultants. Since the Board commenced operations in 1965 about 3 500 cases have received grant and loan assistance amounting in total to £26.3 million, of which £15.5 million was in the form of loans. The type of activities assisted includes small craft enterprises, expansion of beef breeding herds, large hotel developments, boatbuilding yards, fishing boats and a small amount of non-economic grant for such things as piped TV and village halls in rural areas. Interest rates charged on loans vary with commercial interest rates but are usually about 4% below these. Under expenditure on research, publicity and projects title, tourism and industrial promotion projects are carried out, and various research and survey work and the construction of advance factories. Tables 2 and 3 summarize financial assistance.

What, in your opinion, is the most effective stimulus for attracting new industries or activities ?

To pinpoint the individual stimulus which is most effective is difficult but the following stimuli are all essential to the development effort :

- Development of commercial confidence within the region;
- External promotion of the region erasing the ignorance and myths about it and educating developers to the advantages of setting up in the Highlands;
- The provision of financial incentives backed up by a range of technical and business services;
- Improvement in transport modes (although the Board's transport role is advisory rather than executive).

In your opinion are there any particular obstacles that could hamper the development of this area ?

Inefficiency in the provision of the stimuli mentioned in the preceding paragraph will hamper development. However, if the national economy is not growing then this discourages investment in the area.

What results were obtained

Table 4 shows the major economic indicators as the Board approached 10 years of work. Most notable is that population in 1974 had increased by over 11 000 from the 1961 total and that for the first time since 1841 Highland population was increasing and emigration halted. Indeed, the 1971 census revealed that the population had started to increase *before* oil development in the area. There has been some improvement in the unemployment situation, the seasonal fluctuation has been dramatically reduced, job vacancies have increased and unemployment relative to Scotland and Great Britain has dramatically improved (for two months during 1975 it was lower than the Scottish average). Complementing the improved unemployment situation the employment structure has strengthened with an increase in manufacturing employment although an important contribution to this has been the emergence of work in oil related activities. Male incomes improved from being 87% of the UK average in 1964 to 91% in 1973.

Although harder to quantify, the services and infrastructures have improved. For example, a large theatre was assisted in Inverness, numerous community schemes, and with Board advice, the transport services have improved.

It is impossible to make a categorical statement but it is reasonable to expect that the improvements made will be of enduring benefit to the area. However, there exist many sub-regional pockets of serious underdevelopment, and with the expected continuation of decline in primary employment, the need remains for sustained development activity.

Comments

The 10-year experience of the HIDB is perhaps too extensive to be described as an experiment, but certainly it has proved its worth as an instrument for fostering regional development in remote rural areas. Perhaps the single most important lesson learned is that development needs long-term commitment, that it is dangerous to look for instant solutions to complex, deep-rooted problems, and that improvement requires time and sustained effort by people who have close links within the area. In areas such as the Highlands and Islands, small-scale developments are of particular value, and these require very different treatment from larger ventures.

Example of the effect of regional action on inflation

No information is available on local inflation rates. It would seem that the action of the Board will not have affected the regional price level, except perhaps with house prices in areas where development has been rapid. In the long term, by the Board endeavouring to increase regional output the Board should be assisting a counter inflationary policy.

Board action will have helped increase local incomes, cf. Tables 1 and 4, and it is likely that the Board's investment policy will have raised regional productivity.

TABLE 1
The Highland economy prior to the Board

	HIDB area	Scotland	Great Britain
Population 1961 (000's)	278	5 179	51 284
Unemployment ¹ 1961 (average %)	6.7	3.1	1.5
% Employed in primary activities 1961	15.7 ²	8.7	7.2
% Employed in manufacturing activities 1961	9.9	35.2	37.2
% Employed in construction activities 1961	15.6	8.2	6.8
% Employed in service activities 1961	58.8	47.9	48.8
Male incomes 1964 (average)	870	892	992
Female incomes 1964 (average)	401	483	514

¹ Includes temporarily stopped (TS). Highlands TS = 0.6%.

² Probably an underestimate.

TABLE 2

Approved Board financial assistance (loans and grants) 1965-1975 weighted and inflated by sector and statistical area

Statistical areas	Manu- facturing		Tourism	Fisheries		Other	Agriculture		Non- economic	Total	Assistance by area		Regional population
	£	%		£	%		£	%			£	%	
1. Shetland	714 218	764 176	616 541	196 504	14 778	52 580	2 358 795	8.8	5.9				
2. Orkney	445 258	186 197	526 894	80 297	134 965	43 713	1 417 324	5.3	5.6				
3. Caithness	636 330	411 021	284 103	123 343	256 077	49 200	1 760 073	6.6	8.9				
4. NW Sutherland	103 475	247 400	118 857	43 688	5 306	25 320	544 044	2.0	1.1				
5. SE Sutherland	116 548	267 136	13 345	141 162	31 226	19 016	588 433	2.2	2.9				
6. Wester Ross	89 335	931 602	378 824	77 298	5 179	25 232	1 507 470	5.6	2.2				
7. East Ross	457 821	316 221	38 066	213 729	204 993	65 519	1 296 348	4.9	11.0				
8. Inverness	1 351 892	1 683 965	18 788	795 291	194 867	77 735	4 122 538	15.4	16.6				
9. Nairn	—	16 200	—	—	11 600	—	27 800	0.1	2.9				
10. Badenoch	141 860	1 063 016	1 742	53 751	16 700	22 961	1 300 029	4.9	2.9				
11. Skye	125 848	529 421	150 464	142 185	55 361	22 020	1 025 300	3.8	2.3				
12. Lewis and Harris	751 808	443 673	632 197	217 798	15 875	60 005	2 121 355	7.9	7.4				
13. Uists and Barra	145 047	107 780	496 265	16 520	41 641	30 021	837 274	3.1	2.2				
14. Lochaber and West Argyll	199 606	1 057 759	221 763	361 780	78 068	33 787	1 952 761	7.3	5.7				
15. Argyll Islands	374 505	418 722	187 400	121 334	106 658	42 613	1 251 232	4.7	2.4				
16. Oban and Lorn	176 708	1 048 491	264 724	118 257	59 258	29 857	1 697 295	6.4	4.8				
17. Mid-Argyll and Kintyre	938 401	535 398	575 176	141 667	37 788	68 327	2 296 757	8.6	6.0				
18. Dunoon and Cowal	100 845	385 371	60 736	18 340	13 441	7 917	586 649	2.2	5.6				
19. Clyde Islands	—	2 920	—	—	—	770	3 690	0.0	3.7				
Total HIDB area	6 869 504	10 416 466	4 585 883	2 862 942	1 283 780	676 592	26 695 167						
Assistance by Sector %	25.7	39.0	17.2	10.7	4.8	2.5	100						
Assistance per head by Sector %	22.0	33.3	14.7	9.2	4.1	2.2	85.4						

The weighted assistance (1/3 loan and grant) for every year has been calculated and aggregated at 1975 prices (based on the Retail Price Index).

TABLE 3

Approved Board financial assistance (loans and grants) 1965-1975 by statistical area

Statistical areas	(in £ sterling)						
	Loan	Grant	Total	Weighted ¹	Weighted per head of population	Weighted inflated ²	Weighted inflated per head of population
1. Shetland	1 743 169	821 859	2 565 028	1 402 915	76.1	2 358 795	127.9
2. Orkney	1 350 329	416 996	1 767 325	867 105	49.7	1 417 324	81.2
3. Caithness	1 370 781	653 491	2 024 272	1 110 418	39.8	1 760 073	63.1
4. NW Sutherland	242 057	239 990	482 047	320 676	90.4	544 044	153.4
5. SE Sutherland	391 173	229 819	620 992	360 209	39.2	588 433	64.1
6. Wester Ross	541 732	776 831	1 318 563	957 408	140.6	1 507 470	221.3
7. East Ross	960 203	422 488	1 382 691	742 555	21.7	1 296 348	37.8
8. Inverness	1 930 656	1 735 865	3 666 521	2 379 416	45.8	4 122 538	79.4
9. Nairn	9 000	24 800	33 800	27 800	3.1	27 800	3.1
10. Badenoch	452 083	566 167	1 018 250	716 861	79.3	1 300 029	143.8
11. Skye	532 864	486 436	1 019 300	664 057	90.5	1 025 300	139.7
12. Lewis and Harris	1 642 808	691 435	2 334 243	1 239 038	53.7	2 121 355	91.9
13. Uists and Barra	594 893	375 848	970 741	574 145	82.2	837 274	119.8
14. Lochaber and West Argyll	794 961	959 460	1 754 421	1 224 447	69.2	1 952 761	110.4
15. Argyll Islands	654 298	537 538	1 191 836	755 637	102.6	1 251 232	169.8
16. Oban and Lorn	554 362	818 814	1 373 176	1 003 601	66.4	1 697 295	112.2
17. Mid-Argyll and Kintyre	1 448 615	856 516	2 305 131	1 339 388	72.0	2 296 757	123.4
18. Dunoon and Cowal	243 083	301 378	544 461	382 406	22.1	586 649	33.9
19. Clyde Islands	7 500	1 190	8 690	3 690	0.3	3 690	0.3
Total HIDB assistance	15 464 567	10 916 921	26 381 488	16 071 776	51.4	26 695 167	85.4

¹ Weighted assistance is loan and grant assistance added together by summing one-third of loans to grants.

² The weighted assistance of every year has been calculated and aggregated at 1975 prices (Based on the Retail Price Index).

TABLE 4

The Highland economy since the Board was set up

	HIDB area	Scotland	Great Britain
Population 1974 (thousands)	289	5 252	54 522
Unemployment ¹ 1975 (average %)	6.0	5.4	4.3
% Employed in primary activities 1974	9.4	4.0	3.4
% Employed in manufacturing activities 1974	16.4	32.4	34.5
% Employed in construction activities 1974	12.2	8.2	5.8
% Employed in service activities 1974	62.0	55.3	56.3
Male incomes 1973	1 984	2 068	2 179
Female incomes 1973	1 048	1 088	1 121

¹ Excludes the temporarily stopped.

A region in Ireland (West Cork)

Designated (underdeveloped) area of West Cork in which Development Team operates.

Analysis of local situation

Population trends

Year	Designated West Cork	Cork City & County (excluding designated West Cork)
1926	152 850	212 897
1936	141 266	214 691
1946	131 239	212 429
1951	125 139	216 145
1956	119 753	216 910
1961	113 832	216 611
1966	111 324	228 379
1971	110 810	242 073

Source : Census of population publications.

Population gains and losses - 1966/1971

	Losses	Gains
Cork County Borough (City)	Nil	6 499
Designated West Cork area of County Cork	514	
Non-designated area of County Cork		7 195
	514	13 694

Source : Census of population publications.

Changes in number of males aged 14 years and over in industrial groupings in designated West Cork between 1966 and 1971

	Losses	Gains
Agriculture (including forestry and fishery)	3 127	—
Manufacturing	—	406
Building and construction	—	332
Transport and communications	—	179
Electricity, gas, water	—	115
Commerce, insurance and finance	—	110
Professions	—	90
Mining, quarrying and turf production	—	68
Public administration and defence	—	34
Others	—	69
	3 127	1 403
	Excess of losses over gains 1 724	

Source : Census of population publications.

Valuation of agricultural holdings (over 5 acres in area) in designated West Cork in 1974

Valuation	No of holdings
Up to £ 20	10 833 (63.67%)
Over £ 20	6 182 (36.33%)
Total No of holdings	17 015

Source : Rates Section - Cork County Council.

Industrial Development Authority job allocation under Industrial plan 1973-1977

	Population	Jobs allocated	Job population ratio
Greater Cork area (City and continuous County areas)	187 581	4 900	1 : 38
Remainder of County Cork	165 302	2 000	1 : 82
	352 883	6 900	1 : 51

Source : IDA regional industrial plans 1973-1977 and population census.

I think the statistics supplied speak for themselves — population loss, rapid movement out of agriculture (small holdings?) other industries unable to absorb those leaving agriculture and school leavers. Obviously, West Cork needs a transfusion in the form of new job opportunities but in so far as these are being created they are concentrated in the Cork and the Greater Cork Ring — in a word, the people are being brought to the jobs and not the jobs to the people. Of course, the present abnormal economic position aggravates the picture — not only are the rural areas of West Cork losing the workforce but Greater Cork is now very badly affected by redundancies and non-availability of employment for school leavers.

A region in Ireland (Shannon Airport area)

Area concerned

Shannon : Airport, Industrial Estate and New Town.

Analysis of regional or local situation which prompted the action

Main elements of the analysis ¹

Population

In the period 1951-61, the regional population within a 60-mile radius of Shannon fell from 280 000 to 261 000, or 7%; the Irish population fell from 2 961 000 to 2 818 000 or 5%. By 1966, increases were registered and the populations were 265 000 and 2 884 000 respectively.

Employment

In 1966, the regional workforce was 96 000 of whom 32 000 or 33% were employed in agriculture. Employment in agriculture fell by 8 000 from 1961 to 1966. The Irish workforce was 1 066 000 in 1966 of which 333 500, or 31%, were in agriculture; 46 000 jobs were lost in agriculture from 1961 to 1966.

Unemployment

In 1966, the regional unemployed numbered 5 800 or 6% of the labour force; national unemployed was 54 000 or 5% of the total labour force.

Emigration

Estimated net emigration from 1961 to 1966, from the region was 7 900 equal to 3% of the regional 1961 population. Emigration from Ireland, was 43 000 equal to 1½% of the national population.

Level of resources and income

Average income per head in 1965 was £277 in the region. In Ireland, average income was £295.

Level of amenities and service infrastructure

Shannon Airport was established in the 1940s to serve as refuelling transit point to transatlantic air traffic. By 1958, 500 000 passengers passed through the airport, about 80% of them in transit. At that time, Shannon was also the location of the world's first duty free shop. Employment at Shannon was then 1 500.

The development of the jet aircraft threatened Shannon with obsolescence. Refuelling was no longer necessary and total aircraft landings dropped from 11 700 in 1958 to 9 300 in 1959. Passenger numbers fell to 407 000 in the latter year. In

¹ Data given here relates to 1966 since this best describes the regional situation which prevailed when action was first taken.

the face of this trend, the maintenance and promotion of Shannon was regarded as necessary for four reasons :

- State investment in the airport was substantial (over £10 million) and required to be protected;
- Revenue from fuel sales and landing fees provided income for the State;
- Shannon Airport was at that time the biggest single non-agricultural employer in Western Ireland;
- The airport provided a communications link for the entire West of Ireland and could play a vital role in future economic development.

Were statistics compiled continuously or had you undertaken special studies ?

Statistics were continuously compiled in relation to air traffic. Special studies were also undertaken in relation to methods for attracting air traffic.

How did action arise ?

Which body requested that action be taken ?

The government.

Which bodies were involved in preparing and implementing the action?

Shannon Free Airport Development Company Limited (Shannon Development) was incorporated as a limited company in 1959. Its shareholders were the Minister for Finance, Minister for Transport and Power, and (subsequently) the Minister for Industry and Commerce.

It is a State-sponsored organization. The Company was based in Shannon and given responsibility for the promotion of air traffic through Shannon Airport.

How long was it before action was taken ?

The Customs-Free Airport (Amendment) Act, 1958 and the Finance (Miscellaneous Provisions) Act, 1958 permitted the manufacture of goods within a designated Free Zone at Shannon to be undertaken without liability to income tax and corporation profits tax (up to 1990) and with permanent exemption from import duties. These provisions applied to trading operations exporting goods or services outside Ireland.

The construction of an industrial estate within the free zone was commenced in 1959. The objective of the estate was to attract terminal air traffic into the airport and to provide industrial employment.

What type of aid was given ?

Industry

Origin and amount

Aid was given to industry establishing at Shannon by Shannon Development as the agent of the Irish Government. In the period April 1959 to December 1975, a

total of £ 6.4 million was authorized and £ 3.9 million paid to industry at Shannon. Shannon Development also provided advance factories for rent or purchase, serviced sites and other support services.

Type

- Tax exemption up to 1990;
- Permanent exemptions from import duties;
- Non-repayable cash grants for :
 - Building up to 35%,
 - Machinery up to 35%,
 - Rent reduction up to 35%,
 - Training up to 100%.

Time schedule for financial intervention

Cash grants to industry are authorized before establishment. They are paid to instalments related to the investment which has been made by the industrialist.

Tourism

Adjacent to Shannon, the Company developed tourist attractions with the objective of attracting terminal tourist traffic. To date, four medieval castles have been restored. These are used as museum pieces and three as settings for medieval banquets. Numbers attending the latter average 100 000 per annum.

The Company initiated the constructions of Irish cottages in traditional style ('Rent-an-Irish-cottage'). These were built in small schemes in villages near the airport and are rented to holidaymakers.

Shannon New Town

Shannon Development constructs houses for rent at Shannon and promotes the development of the Community as a new town. The purpose of the new town is to provide accomodation for industrial workers, hence supporting the industrial estate. The town provides mobility and supply of labour to Shannon industry.

What, in your opinion, is the most effective stimulus for attracting new industries or activities ?

Transportation

The existence of Shannon Airport provided new industry with access to the international transport network. This allowed for lower transport costs and more efficient transport methods than would otherwise have been the case. The airport served to compensate for the relative insolation which new industry experiences in Western Ireland.

Infrastructure

The presence of available sites, factories, houses and other services render initial establishment easier. The incoming industrialist was provided with an entire 'package' of available services. This lessens the number of detailed decisions or arrangements which he must make. The existence of established infrastructure also lowers the additional costs faced by new industry upon establishment. This was permitted by the economies of groupage, where a number of firms share the same facilities.

Financial Incentives

Without the tax exemption scheme and grant facilities, we do not believe that new industry would have located at Shannon. In spite of available transport and infrastructure, new industry still experienced costs at Shannon, additional to those faced in more central European locations. The incentives served to compensate for these costs and place Shannon in a competitive position *vis-à-vis* other industrial locations.

Organization

There was one organization at the industrial estate, i.e. Shannon Development. The Company was granted a relatively wide range of functions and discretionary powers, applicable to this specific area. The Company was permitted to deal with industrial proposals in a direct and free manner. The degree of centralized control of decision-making from outside Shannon was curtailed. This arrangement had two consequences. Firstly, matters were simplified for new industrialists who were advised and assisted by Company representatives in their dealings with various public and private agencies. This made the range of services more accessible and understandable to the industrialist. Secondly, the physical presence at Shannon of the agency charged with its promotion allowed for a greater degree of innovation and enterprise in overcoming problems and perceiving new opportunities for development. Had decision-making been located outside Shannon (e.g. Dublin) many development projects (such as castle restoration) are unlikely to have been imagined or developed.

In your opinion, are there any particular obstacles that could hamper the development of this area ?

Weakness in communications

European scheduled air services

Direct scheduled services to Europe are poor in Shannon relative to other airports. In winter of 1975/1976, there was one direct daily scheduled Shannon/London service; there was no direct scheduled service to any European city and connecting flights were provided through Dublin and London. This is inadequate for normal business traffic, since travel time is extended and return daily trips are not possible.

Telecommunications

Absence of lines adequate to accommodate international telephone traffic has tended to cause delays in telephone calls, frequent cut-offs and poor quality transmission. This acts as a disincentive to export-oriented new industry which tends to place significant reliance on telephone services to overseas contacts. In particular, international office operations are discouraged from locating at Shannon due to this deficiency.

Infrastructure

Physical infrastructure (water supply, sewerage and roads) have tended in the past to be in states of surplus capacity. Due to increase in population and its subsequent demands, much of this surplus has disappeared. In older towns adjacent to Shannon, physical congestion has increased and both the urban road capacity and treated water supply are not adequate to meet demand. The weakness in these resources has tended to discourage new industrial investment, particularly large scale industry. A recent study of the mid-West Region, of which Shannon is a part, stated that £44 million (at 1971 prices) would require to be spent on roads and services if full regional employment was to be achieved by 1986.

What results were obtained ?

Employment

	Numbers employed at Shannon in December 1975 were
Industrial Estate	3 844
Airport	2 206
Other	957
Total	7 007

Resident town population was 7 017.

Air traffic

	Results for 1975 were
Terminal passengers	441 000
Transit passengers	583 000
Total	1 024 000

Population

In 1966 and 1971 the regional population increased to 265 000 and 270 000 respectively. These were the first increases recorded since 1841.

Have the results been temporary or do they seem to be lasting ?

Significant job losses were experienced due to international trade recessions in 1971 and 1975. Jobs lost in the former period have since been replaced. Redundancies due to the present recession have ceased for the moment and we expect to replace them with new industry which will establish in 1976-1977. At Shannon, net job losses have always been subsequently counteracted which indicates that the effect of development is lasting.

Air passenger traffic at Shannon exceeded one million in 1972 and 1975. The downturn experienced in 1958-1960 has been reversed and traffic has risen at a relatively strong and stable rate.

What comments have you on this experiment ?

The importance of proper organization for development should be stressed. At Shannon, there existed an organization which was relatively self-contained, comprehensive in its activities and endowed with sufficient expertise. These are three necessary qualities. Firstly, decision-making needs to be localized such that project promoters can have accessible and face-to-face contact with State agents. Decisions could be made to assist projects or develop innovations with few administrative hindrances, either internal or external to the Company. Secondly, Shannon Development was granted sufficient terms of reference to become involved in any activity that related to its objectives and its objectives were adequately to permit a wide degree of activity. Thirdly, the Company was granted the necessary development and promotion expertise to achieve the objectives set forth.

Additional questionnaire : Examples of the effect of regional policy or inflation.

Does the trend in inflation seem to you to be more marked in the depressed areas in relation to the national average ?

In Ireland, the consumer price index is calculated for the State as a whole and is not distributed according to the regions. For that reason, no firm answer can be given to the question.

What effect has regional policy action had on local finance ?

In Ireland, local finance is met partially by local taxation ('rates') based on the valuation of property. Counties with weak patterns of development tend to have high rates, since the property stock on which local tax is levied is small. Hence, development resulting in the creation of additional property could result in a lessening of the rate, due to a widening of the local tax base. However, increases in rates have occurred in recent years, due to national inflation; thus, it is difficult to isolate the differential effect of development.

What effect has such action had on price levels, wages and the level of regional or local productivity ?

Price levels

Regional variations in price levels do exist and private studies have been undertaken which tend to confirm this. But, they are inadequate as a basis for general conclusions.

Wages

In the past, national wage agreements have been applied over the entire country, covering all sectors excepts agriculture. This reduces the effect of regional inflation. However, there is some evidence to suggest that the 'going rate' for semi-skilled industrial workers tends to be relatively high in places where development has been substantial.

Regional productivity

We expect that industrial development has raised the level of output per worker. This is because new industry (particularly in recent years) has tended to become increasingly capital intensive. At Shannon Industrial Estate, net balance of trade per worker was £ 2 300 in 1965 and £ 5 130 in 1973, an increase of 123% over 8 years.

A region in France (Nord/Pas-de-Calais coalfields)

Area concerned

The area concerned is the coalmining area of the Nord and Pas-de-Calais *départements* in northern France. Because of its importance, it has been covered by individual studies, as at the time when the Seventh National Plan was drawn up. We have divided the area into four sectors, corresponding to the *arrondissements* of Bethune, Lens, Douai and Valenciennes.

Analysis of the regional or local situation

According to the 1975 census, the area population is 1 294 500, or 2.5% of the population of France. This breaks down as follows :

— Pas-de-Calais :

- Bethune 287 500
- Lens 386 400

— Nord :

- Douai 248 300
- Valenciennes 372 300

Population density is 645 persons per square kilometre (approximately 1 670 per square mile) and 90% of the people live in towns with more than 20 000 inhabitants. In 1962 the number of people working in the coalmines was 118 000, in 1968, 93 000 and in 1975, 44 000.

In 1968, the male workforce was employed as follows :

(in thousands of jobs)

	Bethune	Lens	Douai	Valen- ciennes	Total
Agriculture	4.6	1.1	2.8	2.8	11.3
Industry and mining	29.3	60.3	32.0	59.6	181.2
Building and public works	6.9	10.1	6.2	9.6	32.8
Administration and services	16.0	20.4	16.7	21.9	75.0
	56.8	91.9	57.7	93.9	300.3

Thus in 1968, 50% of the industrial male work force and 31% of the total male work force in the area were working in coalmining.

Whichever yardstick one used to measure personal wealth (VAT payments per person, household amenities, savings deposits, loan subscriptions), it was apparent that people's wealth was below the national average. This was because of the large number of retired people in the area and the prolonged recession in the coal industry. But because of the population density, the regional infrastructure network, though old, was well developed. The number of 'A' and 'B' class roads per square mile was twice the national average, but they were ill-suited to modern traffic as they passed through many built-up areas. The region was thus in a critical state, and vigorous and coordinated action needed to be taken to improve job prospects and the infrastructure network, since local funds were scarce.

A wealth of statistics on regional trends are constantly available, and special statistics enabling trends to be followed more closely can be provided if necessary by the Observatoire Economique du Nord, which is the regional branch of the INSEE in Lille.

How did the action arise ?

The government, local authorities and the French National Coal Board — Charbonnages de France — have all done something. The government appointed a special commissioner (the Commissaire à la Conversion) to coordinate its work, and the DATAR, the county council, the prefecture, its regional economic mission, chambers of commerce, the local Regional Development Company and other associations

all took action in their own particular fields. The national and regional coal boards (Charbonnages de France and Houillères du Nord/Pas-de-Calais) set up special departments to seek out businessmen wanting to set up or expand in the region, advise them, help them and, through the SOFIREM, provide capital and loans.

What type of aid was given ?

The government improved the road network, completing the Motorways A1 (Paris-Lille-Antwerp) and A2 (Paris-Valenciennes-Brussels) and thus linking up the centre and east of the region to Paris. A third motorway (Paris-Calais) will soon be finished in the west. The FIAT provided special aid for improving local infrastructures (see table in appendix), and the national coal board's assistance was considerable. In addition to SOFIREM investments and loans to the tune of FF 23 400 000 the Bassin du Nord reclaimed derelict land and sold it at low prices and gave advice.

What results were obtained ?

In spite of everyone's efforts, the whole region went through a deep recession. In the period between the last two censuses, population movements were as follows :

	Natural increases	Outward migration	Total change
Bethune	— 10 000	+ 12 200	— 22 300
Lens	— 16 400	+ 22 800	— 39 200
Douai	— 1 800	+ 13 600	— 15 400
Valenciennes	+ 200	+ 18 900	— 18 700

The table in the appendix shows that while there 14 100 more jobs for women in the region (mainly in the service industries), the number of jobs for men fell by 21 000. The main reason for this was the loss of 39 800 jobs in the coalmines, which was only partially offset by the creation of 10 400 jobs in the services sector and a net gain of 11 800 jobs in industry. The various bodies mentioned above have helped create 26 000 jobs in industry. These have offset the loss of 14 200 jobs in depressed industries (such as textiles), industries undergoing changes (such as steel) and branches supplying the coal industry, which have suffered from the recession.

Another 21 000 jobs are being created, mainly in the car industry, where factories already exist.

Although the situation is bad, it would have been desperate if no action had been taken.

The most effective stimuli

We have stressed the problems still to be solved in the mining regions, but we should not forget that since 1967, 26 000 jobs have been created out of a scheduled total of 46 500.

The attractions of the northern region are :

- Closeness to the Benelux countries, Northern Germany, Great Britain and Paris;
- Excellent ports (Dunkirk, Antwerp, Rotterdam);
- A plentiful supply of skilled labour and trained management;
- A well-organized industrial set-up, with readily available subcontractors, accountancy, legal and other services, commerce infrastructure and educational facilities (University of Lille, technical schools such as the IDN, Mines de Douai and ICAM); and
- Good transport links by express trains, motorways and an international airport.

But against this there is a lingering 'black country' image inherited from the novelists of the nineteenth century and a backwardness in the field of community amenities. These were very good in the inter-war period, but they have now become obsolescent and national aid seems to be channelled more to regions which had no amenities at all in the first place.

Comments

Regional trends reflect the difficulties faced in trying to revitalize an old industrial area that has lost half of its jobs.

Some 33% of the newly-created jobs are in the car industry, which has expanded rapidly, and cover both the constructing and the supplying and sub-contracting side. But the difficulties will become greater and efforts must be stepped up because of the predicted slowdown in industrial development and the increasingly uncertain economic outlook.

Financial aid to firms setting up in mining regions

Firms setting up or expanding their operations in mining regions received the following :

Premiums

The main one is the regional development premium.

Mining areas are divided into three zones :

- In zone 1, the premium is 25% of investment up to a ceiling of FF 25 000 per new job and FF 22 000 per job created as a result of expansion. This zone includes the mining regions of :

Nord/Pas-de-Calais coalfields

Employment changes between the 1968 and 1975 surveys

(in thousands of jobs)

	Béthune			Lens			Douai			Valenciennes			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
	Agriculture	-0.8	-0.7	-1.5	-0.2	-0.1	-0.3	-0.5	-0.4	-0.9	-0.5	-0.3	-0.8	-2.0	-1.5
Energy	-9.2	-	-9.2	-20.0	-	-20.0	-4.8	-	-4.8	-5.8	-	-5.8	-39.8	-	-39.8
Other	+4.1	+0.8	+4.9	+1.6	+1.0	+2.6	+2.2	+0.7	+2.9	+3.9	+0.9	+4.8	+11.8	+3.4	+15.2
Building and public works	+0.1	+0.1	+0.2	-0.3	-	-0.3	-0.8	+0.1	-0.7	-0.4	+0.2	-0.2	-1.4	+0.4	-1.0
Private sector services and public authorities	+2.1	+0.2	+4.1	+4.0	+2.8	+6.8	+1.7	+2.6	+4.3	+2.6	+4.4	+7.0	+10.4	+11.8	+22.2
	-3.7	+2.2	-1.5	-14.9	+3.7	-11.2	-2.2	+3.0	-0.8	-0.2	+5.2	+5.0	-21.0	+14.1	-6.9

**FIAT contributions towards projects in the coalfields of the
Nord and Pas-de-Calais départements**

(in FF)

Project	Date	Amount
Installing automatic telecommunications equipment in the west part of the Bruay sector (Pas-de-Calais)	11.5.1965	2 770 000
Installing telecommunications equipment in the industrial zones of Petite-Synthe and Auchel	24.2.1966	178 000
Building of a technical college (CET) at Anzin	22.5.1967	4 343 000
Building of a technical and commercial college at Bully-les-Mines	22.5.1967	2 810 000
Installing automatic telephone equipment in the south and south-west part of the Pas-de-Calais mining basin at Auchel and Barlin	22.5.1967	2 400 000
Building of a new road between Lens and the industrial zone of Douvrin-la-Bassée	27.7.1967	7 500 000
Building a new track between the end of the east-west axis road and Houdain	27.7.1967	2 760 000
Building the northern section of the east-west axis road at Lens	13.5.1968	2 500 000
Additional studies on the route from Douvrin-la-Bassée to Carvin	13.5.1968	1 000 000
Building the Lens/Hénin-Liétard section of the east-west axis road	13.5.1968	3 000 000
Subsidy for setting up Renault-Peugeot factory on the industrial estate of Douvrin/Billy-Berclau	6.10.1969	1 750 000
Road installations as part of the conversion of the northern region	24.2.1970	11 450 000
Help towards conversion work undertaken by the Industrial Expansion Association of the Nord-Pas-de-Calais region	10.2.1971	300 000
Buying land for building a technical college at Bruay-en-Artois (land purchase)	29.7.1971	1 500 000
Reorganizing of the Nord-Pas-de-Calais mining zone	3.8.1972	3 000 000
Road repairs in various mining towns of the Nord and Pas-de-Calais départements	3.8.1972	2 000 000
Building a centre for students of the national mining college (Ecole Nationale Technique des Mines) at Douai	20.12.1973	1 500 000

FIAT contributions towards projects in the coalfields of the
Nord and Pas-de-Calais départements

(in FF)

Developments of Lens Avion and the dock at Denain (Nord)	14.3.1974	1 250 000
Study of the Centre Urbain on the mining areas Nord, Pas-de-Calais, Lorraine and the Cévennes	11.4.1975	800 000
Transfer and repair of sports equipment at Lievin (Pas-de-Calais) and Anzin (Nord)	11.4.1975	1 000 000
Restructuring the mining areas in the <i>départements</i> of Nord and Pas-de-Calais	11.4.1975	6 000 000
General network for redeveloping mining areas in Nord and Pas-de-Calais	11.4.1975	4 000 000
'Villes moyennes' - Contract submitted by the town of Bethune (Pas-de-Calais) concerning national road network	11.4.1975	500 000
Subsidy to the town of Bruay for the first stage of work	11.4.1975	2 100 000
Building a centre for studies and research into applied mechanics (CERMA) for the national mining college at Douai	11.7.1975	500 000
Repairing sports equipment belonging to the regional coal board	23.2.1976	1 000 000
Waste water collection programme for the Nord-Pas-de-Calais mining area	23.2.1976	5 000 000
Housing and canteens for old people living in the Nord-Pas-de-Calais mining area (Pas-de-Calais)	10.5.1976	400 000
<i>Other projects to which the FIAT has contributed indirectly</i>		
Building the new Lille-Armentières motorway to ease traffic congestion	15.7.1965	900 000
Work on the Scheldt Canal at Trith	1.4.1969	900 000

- Nord and Pas-de-Calais (except for part of the region of Douai),
- Aquitaine,
- Auvergne,
- the Cévennes (except for the cantons of Alès-Sud, St-Ambroix and Bédarieux).

- In zone 2, the premium is 17% up to a ceiling of FF 20 000 per new job and FF 17 000 per job created as a result of expansion. This zone include the cantons of Alès-Sud, St-Ambroix and Bédarieux in the Cévennes.
- In zone 3, the premium is 12% up to ceiling of FF 15 000 per new job and FF 12 000 per job created as a result of expansion. This zone includes :
 - Lorraine,
 - Dauphiné,
 - the Loire (with a higher premium for large-scale projects costing more than FF 10 million) and the rest of the Douai region in Nord-Pas-de-Calais.

Blanzay and Provence do not come under the premium scheme.

The premium is paid for industrial investments with one-third being paid when work begins and the other two-thirds when evidence of expenses and recruitment is produced. The premium is counted as profit and is therefore subject to corporation tax in step with its being written-off over a period of 10 years.

There are also small premiums for creating jobs in the services and research sectors.

Financing aid

As well as aid from the banks and the regional development companies (SDRs), the mining regions also receive the following :

- Provision of capital and current accounts by the SOFIREM. This company helps firms that seem to be creating steady jobs and ask for help. Aid is tailored to individual needs. Sums are invested for 7 to 8 years. The overall amount on average is FF 23 000 for a job likely to suit a miner (average of FF 11 000 for a man's job). Sums are normally paid back under the same conditions as those asked for by the Crédit National.
- ECSC loans. These may go up to 30% of investments. Rates are similar to those of the Crédit National and are in the currencies that the ECSC has available (dollars, Deutschmarks, Swiss francs, Belgian francs or, less commonly, French francs). The term of the loan is the same as the loan taken out on the market by the ECSC High Authority. Interest rates may be subsidized, and usually there is a reduction of 3% for 5 years up to a limit of 12 000 u.a. (around FF 60 000 per job offered to miners and likely to interest them).

Tax concessions

- 5-year exemption from trade income tax;
- Reduction of conveyancing charges on buildings from 13.8% to 2%;
- Permission to write off 25% of construction costs (thus postponing corporation tax);
- Reduction of capital gain tax on land.

Other public aid

- 60% (normally) of relocation expenses for companies moving out of Paris;
- Between 25% and 40% of the costs of vocational training for new employees.

In addition, firms usually receive considerable assistance from the coal board, according to their needs. This covers such things as reception, technical, administrative and legal assistance, getting in touch with the local chamber of commerce, electricity board, gas board, railway and postal services and suppliers to cover relocation, arranging housing for staff and providing facilities for buying land or buildings.

A region in France (Alès Arrondissement)

Area concerned

The coalfield stretches over six cantons in the Gard *département*, namely :

- Alès Nord Est;
- Alès Ouest;
- Alès Sud Est;
- Bessèges;
- La Grand'Combe;
- Saint-Ambroix;

in which 81% of the population in the Alès *arrondissement* lives.

Analysis of the regional and local situation

At the 1975 census, the area covered by the coalfield had a population of 108 065, split up as follows :

Alès (three cantons)	67 981
Bessèges	8 068
La Grand'Combe	17 578
Saint-Ambroix	14 438

The coalmines in this regions employed 9 400 persons in 1962, 6 800 in 1968 and 3 315 in 1975. By comparison, the total male workforce in 1968 was

Primary sector	1 000
Secondary sector	16 900
Tertiary sector	8 008
	25 908

Therefore, mineworkers still accounted in 1968 for more than 41% of the area's male workforce employed in the secondary sector and 27% of the area's total male workforce, despite the preceding long period of decline in the mining population, which is to continue until the mines are shut down for good.

The *per capita* wealth in this region seemed at that time to be below the national average and the region's infrastructure was also inadequate. The roads leading

into the valleys behind Alès were narrow and full of bends, connections between valleys were difficult and the roads linking Alès to Nîmes and the coast passed through numerous narrow-streeted villages.

The region was therefore a critical area where something had to be done about employment. Moreover, coordinated action was made necessary by the upheavals that were likely, the lack of local funds and the need to take a fresh look at the region's infrastructure.

Numerous statistics compiled by various official bodies (INSEE, ASSEDIC and Chambers of Commerce, etc.) enable an eye to be kept on developments in this region.

Machinery

The gravity of foreseeable developments, which were in danger of killing off the region and posing all the associated human, economic and political problems, induced national and local authorities and the Charbonnages de France (French National Coal Board) to intervene and pave the way for change.

The authorities put a Commissaire à la Conversion (redevelopment commissioner) in charge of coordinating the various official services. An association presided over by this commissioner represents the chief local interests. The DATAR, the Conseil Général (county council in the *département*), the Prefecture and its regional economic commission, the Chamber of Commerce, the Company for Regional Development and various associations help in their own fields.

The Charbonnages de France and the Houillères du Centre-Midi (Centre-Midi collieries) have established research services for industrialists wanting to set up plants in the area (or to extend existing plants). They are able to advise and help these industrialists and, with the assistance of SOFIREM, to acquire holdings or provide loans.

What type of aid was given ?

As soon as redevelopment got underway in this region, a road-building programme was decided on and set in motion. There is now a good link-up with the Rhône Valley (road between Alès and Bagnols-sur-Cèze). In the direction of Nîmes, work has been very scanty and has now come to a halt; when this work is completed, Alès will be connected to the Orange-Narbonne motorway and to the Marseille/Fos area. The delay in the road works has had a very harmful effect on industry already in the region; in particular, the link-up to the motorway in the direction of Nîmes has been sorely missed.

Very few improvements have been made to the direct link between Alès and Montpellier over the past decades.

Within the region itself, the Alès bypass has been started. So, too, has the work on improving the connection between Alès and la Grand'Combe. The latter should

be completed together with the work on the Lacombe industrial district some time during the next two years: the road is one of the main access roads to the Cévennes National Park.

The urban renewal programme carried out in Alès has provided industrialists with pleasant surroundings for their plants and accommodation for their employees. The telephone service has been greatly improved and now comes up to the standards currently required in large towns and cities.

The attached table summarized the aid granted by the FIAT to improve the region's infrastructure.

Finally, the aid supplied by the Charbonnages de France has been very substantial. Apart from the SOFIREM holdings and loans totalling FF 21 390 000, the coal industry has undertaken programmes of work, reclaimed derelict land and sold it at favourable prices, given advice, etc.

The results

Despite the effective action taken by all parties and the spectacular results (Crouzet, Merlin, Jalatte, SNR, Câbles de Lyon and Alsthom, to name but the most important firms, have set up in the area), the region has been plunged into a deep recession.

	Aggregate change	Natural growth	Migration
Alès (3 cantons)	+ 3 088	+ 1 415	+ 1 673
Bessèges	— 1 533	— 593	— 940
La Grand'Combe	— 4 375	+ 50	— 4 425
Saint-Ambroix	— 2 684	— 491	— 2 193
	— 5 504	+ 381	— 5 885

Between the 1968 and 1975 census (cf. table on p. 54), the female workforce in the region rose 21% by 1 688 from 8 068 to 9 756, while the male workforce dropped by 2 168. In the primary sector there was a drop of 118, in the secondary and tertiary sectors a rise of 932, in the coalmines a further drop of 3 500, in firms attracted to the area by aid — a rise of 1 133 — and in the region's traditional industries (mechanical engineering, metalworking, chemicals, building materials, etc.), a 615 drop. It must be noted, however, that firms recently set up will create 1 100 new jobs (including some 950 for men).

Therefore, it can be said that the currently very critical situation would have become absolutely unbearable if no action had been taken.

Cévennes coalmines

Alès region

Employment changes between the 1968 and 1975 surveys

	Alès			Bessèges			La Grand'Combe			Saint-Ambroix			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
	Primary sector	- 84	- 30	- 114	- 12	-	- 12	- 6	- 2	- 8	- 16	- 9	- 25	- 118	- 41
Secondary sector	- 615	+ 482	- 133	- 31	+ 144	+ 113	- 850	+ 22	- 828	- 1486	+ 18	- 1468	- 2982	+ 660	- 2316
Tertiary sector	- 656	+ 862	+ 1518	+ 53	+ 58	+ 111	+ 131	+ 41	+ 172	+ 92	+ 102	+ 194	+ 932	+ 1063	+ 1995
	- 43	+ 1314	+ 1271	+ 10	+ 202	+ 212	+ 725	+ 61	- 664	+ 1410	+ 111	- 1299	- 2168	+ 1688	- 480

Cévennes coalfields

(in FF)

Projects	Dates CIM or CIAT	Aid granted for programme
Improvement of RN 107Bs between Alès and Florac	31.7.1963	1 890 000
Alès eastern bypass	1.10.1968	315 000
Rebuilding of RN 106 to the right of the village of La Calmette (between Nîmes and Alès)	1.10.1968	1 500 000
Building of road bridges across the Grabieux and across the railway line to the east of Alès (eastern bypass between CD 16 and 6)	1.10.1968	375 000
Modernization of CD between Alès and Bagnol-sur-Cèze	1.10.1968	700 000
Bypass along the Gardon, across the Grabieux and to the RN 106 (north of Alès)	1.10.1968	250 000
Alès eastern bypass between CD 6 and CD 16	1.10.1968	325 000
Extension of Alès telephone exchange and increase in capacity of telephone cables	1.10.1968	1 280 000
University Centre for economic and social co-operation : study and preparation of pre-training for miners (Arles) Gard	27.5.1969	100 000
Equipment for data processing department at Alès Mining School	7.10.1971	250 000
Subsidy for Mazac and Brueges industrial parks	November 1971	2 000 000
Subsidy to reduce price of industrial land at Laudun-L'Ardoise	October 1971	625 000
Building of category D airport with paved runway at Alès	21.12.1971	350 000
Extension of Adult Education Centre at La Grand'Combe	20.12.1973	2 000 000
Improvement of RN 107B between Florac and Ste-Cécile-D'Andorge	11.4.1975	1 000 000
Study of the urban centres in the mining areas of the Nord-Pas-de-Calais, Lorraine and the Cévennes	11.4.1975	800 000

The most effective stimuli

Even though the problems have been stressed above, it must not be overlooked that since 1968, 3 915 jobs for men and women have been approved and 1 950 of these jobs have also been created (not to mention the 1 220 approved — including 1 058 created — in the adjacent Rhone Valley). This figure of 3 915 represents 15% of the jobs existing in 1968.

Apart from having the advantage of being close to the mountains and the sea, the region also has Fos and Marseille on its doorstep, has first-class air links with numerous towns and cities via Nîmes and Montpellier, has a plentiful supply of skilled labour and has an industrial base that can be called on for subcontracting work and assures the availability of suitable training facilities (Alès Mining School, technical colleges, etc.).

On the other hand, the region is still heavily handicapped by the unfinished road building programme in the direction of Nîmes, the difficulty in reaching the motorway on arriving at Nîmes and the poor link with Montpellier. Finally, until the Alès bypass has been built, the difficulty of getting through this town will hamper the development of mining districts further inland (la Grand'Combe and Saint-Ambroix).

Furthermore, many towns are still dominated by the property built many years ago by the coalmines. This property must be renovated and the studies conducted by the committee set up to look into this question must rapidly produce practical results if industries are to be attracted to these regions.

A region in Wales (Mid-Glamorgan)

Area concerned

Mid-Glamorgan has the largest population (540 000) of all the counties of Wales and covers an area of 101 873 hectares. It is situated (figure 1, on p. 60) in industrial South Wales and comprises the central part of the South Wales Valleys, extending north to the Brecon Beacons National Park and south into the Vale of Glamorgan and to the Glamorgan Heritage Coast. The area is administered by the County Council and six District Councils, while central government is represented principally through the Welsh Office.

Analysis of the regional or local situation

The industrial development of the County in the late eighteenth and nineteenth centuries was related to the rise of the iron industry, especially around Merthyr Tydfil, and later, of the coal industry in the heart of the South Wales Valleys. Population grew at a rapid pace, with many people moving in from all over Wales and from other parts of Great Britain. Rhondda, for example, expanded from less than 1 000 population to over 150 000 in just 70 years, from 1850 to 1920. The decline of the valleys was almost as dramatic as their development. Iron and steel

manufacture moved to coastal locations once they turned to imported ores; and changing markets, the Depression and the exhaustion of some seams led to the closure of many pits. Emigration became commonplace, and the close-knit communities began to break up. The coal industry has continued to decline, with only 3 pits out of more than 20 now open in Rhondda, for example, where the population is now less than 90 000. Recent years have, however, seen a gradual recovery in the County's fortunes. Very real progress has been made in diversifying industry, reclaiming derelict land and stabilizing the population. Nevertheless, great problems still remain.

How did action arise ?

Central and local government agencies have had to react to the economic problems of the area over a very long period and more recently the severe recession has added a greater urgency. While central government has always been aware of the County's problems, their policies have not succeeded in bringing the area to the national average, particularly in terms of unemployment rates and activity rates.

Local authorities have, therefore, found it necessary to approach central government, stressing the needs of the area. Recently this took the form of an approach to the Secretary of State for Wales who was presented by the County and District Councils with a copy of a document entitled 'Mid-Glamorgan County : Development Problems and Policies', on 24 January 1975. A more detailed report entitled 'Mid-Glamorgan : Position and Prospects', was published in July 1975 and is to form the basis of detailed discussions between the local authorities and central government currently being arranged. Other political and administrative initiatives of various kinds, but with the same objective, have been taken.

As part of its statutory planning functions, the County Council has been preparing its structure plan, which will set out policies for the overall development and use of land in the County. A series of topic reports has been issued for consultation purposes.

What in your opinion is the most effective stimulus for attracting new industries or activities ?

Recent research¹ has suggested that since the early 1960s the package of central government regional policy measures has been more successful in attracting manufacturing employment to Wales as a whole than to any other region of the United Kingdom. We estimate that this is also true of Mid-Glamorgan alone. However, the attraction of employment has still fallen far short of the needs of Wales as a whole and of Mid-Glamorgan in particular, as unemployment rates are much higher and activity rates much lower than in the UK as a whole.

An improvement in the position in Mid-Glamorgan is only likely to result from the combined effect of a number of policies — no single one can be selected as giving

¹ Moore and Rhodes 'Regional policy and the economy of Wales', Welsh Office 1975.

the answer. It is suggested that a combination of the following would provide a stimulus :

- a general improvement in the performance of the UK economy (a *sine qua non*);
- a determination by central government to permit as little relaxation as possible in its control of industrial investment in more prosperous areas through the IDC system — which has been an important 'stick' inducing firms from the Midlands and South-East to invest in the less prosperous areas;
- the introduction throughout the EEC of systems similar to the IDC;
- a greater selectivity in defining area for different degrees of support under UK and EEC regional policy;
- a greater attention by central government to the needs of areas such as Mid-Glamorgan for office sector employment, especially when public sector offices are being dispersed;
- more emphasis in the package of regional policy measures on support specifically designed to encourage employment such as the regional employment premium;
- differentiation in giving grants etc., in favour of firms prepared to locate their entire operation in the area rather, than simply setting up branch factories;
- as important as any inducements, however, is the existence of good trunk road communications together with good road links from industrial sites to the trunk road network. Site access roads and local links to the trunk road network are in many cases very poor and extremely difficult and expensive to construct, because of the constricted and closely built-up nature of most valley areas of the County ;
- it is also essential for the County to have adequate industrial sites immediately available for occupation, together with a number of government advance factories. There is a particular shortage of small premises which is preventing the expansion of small firms.

Particular obstacles that could hamper the development of the area

The principal obstacles have already been described in the previous section. They are : the highway network (particularly in congested valley areas); the shortage of good industrial sites ready for development, especially in specific areas such as the Rhondda; and the virtual absence of advance factories. South Wales as a whole probably has a poor 'image' in the minds of persons not living in the area, which probably makes it more difficult to attract new firms and for existing firms to attract senior personnel.

What results were obtained ?

The relevant documents show that :

- the industrial structure of the labour force has become more diversified, with less dependence on coalmining and more on manufacturing; employment in the service sector, however, still depends significantly on travelling to work outside the County;

- the rate of unemployment has remained high relative to the rest of Britain and there are pockets of particularly high unemployment;
- activity rates, particularly for females, remain well below the national average;
- the latest information suggests an end to the decline in population of the area as a whole, but some valley areas such as Rhondda continue to suffer from out-migration;
- the age-structure of the population is not unfavourable, with a lower than average proportion of elderly persons;
- some parts of the County's infrastructure have improved, such as trunk roads (though the highway system as a whole remains unsatisfactory); other aspects of infrastructure may be deteriorating with age such as schools (three-quarters of which were built before 1945) and housing. The County is lacking in certain amenities, such as hotels and restaurants. The general environment has probably improved considerably with the clearance of derelict land.

The prognosis for the future is not easy as far as the employment and population variables are concerned, but current forecasts are for a gradual increase in population towards the end of the century. This will partly depend on success in employment policies which in turn depend to some degree on the performance of the UK economy. The current attitude is optimistic, but success will depend on a number of factors already described in this paper.

Comments on the experiment

In principle, it seems very worthwhile carrying out this study of comparing problems and policies in less prosperous areas. Such an approach might well form the basis for a reconsideration of the Communities' regional policies. The value of the study will be all the greater if it leads to appropriate action.

It would have been useful if the regional authorities involved in the study could have met appropriate officials in advance, in order to obtain a closer insight into objectives and agree the approach.

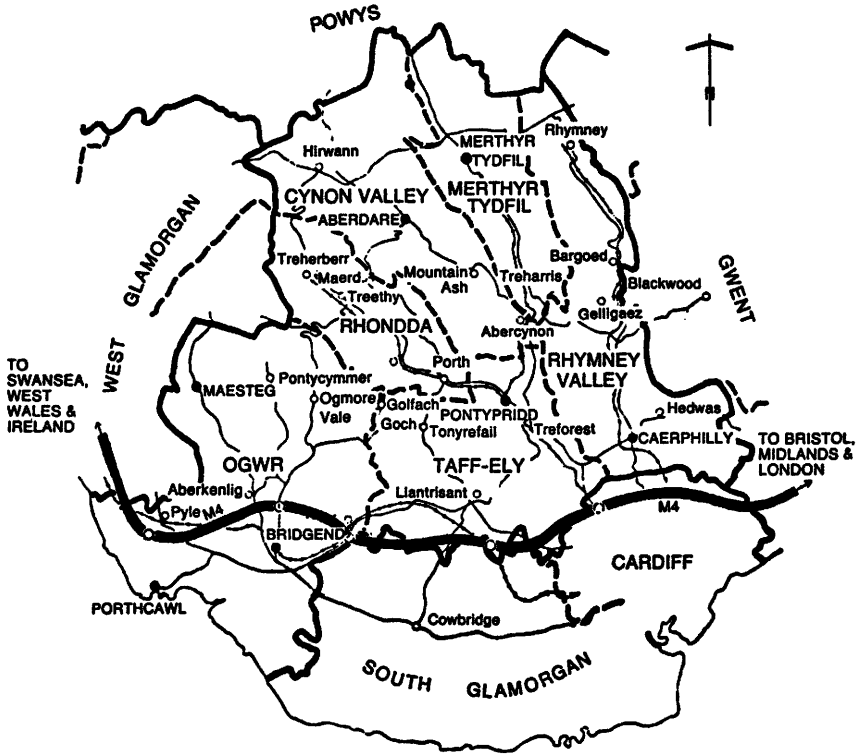
The questionnaire has not been drawn up sufficiently rigorously. Many of the questions seem open to several interpretations and it has not been easy to judge the appropriate response. Greater care could have been taken, when formulating questions, to consider the likely institutional framework for decision making.

Insufficient time was given to permit an exhaustive reply.

Inflation

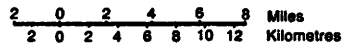
The statistical and other information available is not sufficiently adequate for a reply to be given to the questions on inflation.

MID-GLAMORGAN



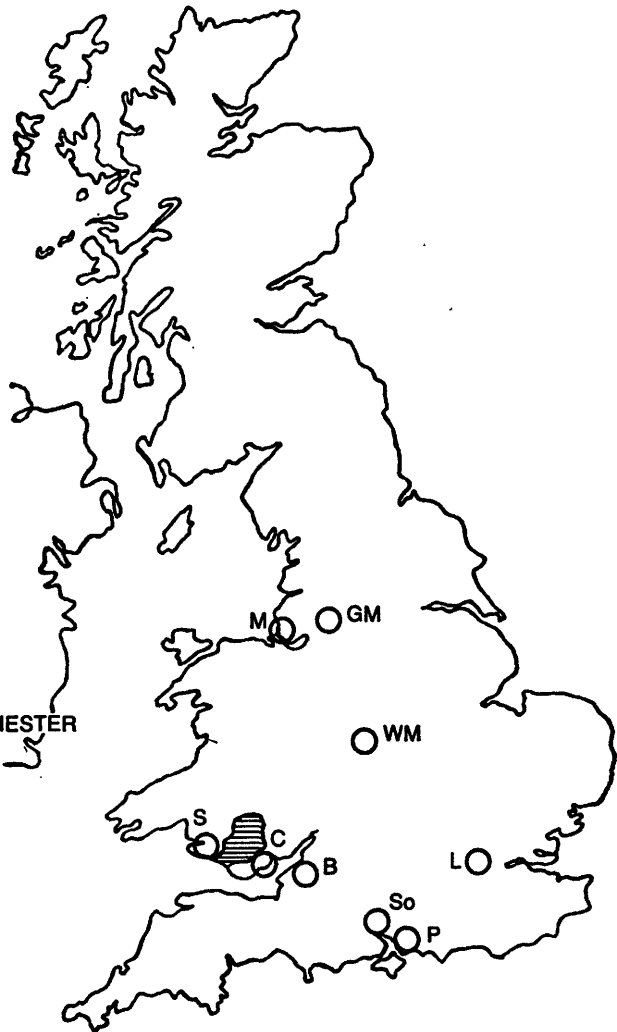
- County boundaries
- - -** District boundaries
- Major roads
- - -** Passenger railways

Scale : 1:250,000 or about 4 miles to 1 inch



- B BRISTOL
- C CARDIFF
- L LONDON
- M MERSEYSIDE
- GM GREATER MANCHESTER
- WM WEST MIDLANDS
- P PORTSMOUTH
- S SWANSEA
- So SOUTHAMPTON

COUNTY OF MID
GLAMORGAN



A region in England (Tyne and Wear)

Area concerned

The Council is responsible for the administrative County of Tyne and Wear, one of five counties comprising the Northern Region. In 1974, the County contained about 38% of the Region's population and about 42% of the Region's employment. Local authority responsibilities are shared between the County Council and the five District Councils, some services being provided jointly. The relationship between the Region, County and Districts is shown on the map on p. 66.

There has been a long-standing recognition of problems at the regional level. In 1963, the Hailsham Report on North-East England brought the situation to national attention and resulted in central government action on a number of strategic road schemes, and other infrastructure projects in the region. The regional situation is currently being reviewed by the Northern Region Strategy Team, which is jointly sponsored by central and local government. The draft final report will be published early next year and will be based on the most detailed and wide-ranging analysis of the region's economic and social problems undertaken so far. An important part of central government policy over recent years has been the provision of financial incentives for industry to expand in areas of the country with the most serious employment problems. The whole of Tyne and Wear County is a national priority area having special development area status and, therefore, is eligible to receive the maximum assistance available under present legislation.

Analysis and action at the County level has only been possible in a coordinated way, since Tyne and Wear County Council was created in 1974 from an amalgamation of numerous former local authorities following reorganization of local government in England and Wales. Subsequent answers to this questionnaire will refer to actions at County level, which have taken place within the framework of national and EEC regional development policies.

Analysis of the regional or local situation which prompted the action

Main elements of the analysis

A number of key indicators are presented in Table 1 on p. 101 and illustrate the way that the County falls below national standards. A major feature has been the decline in population and jobs during recent years despite increases at national level. The population decline has been caused by substantial net migration of people away from the County. Net migration represented 7.7% of the population over the period 1961-71. The County has an above average proportion of jobs in manual occupations which helps to explain the overall drop in employment reflecting the general shift away from manual employment. The rate of unemployment in the County has been over 50% higher than the national figure, both at the most recent population census and from the numbers who registered as unemployed with the Department of Employment in July 1976. As a result of the depressed state of the labour market, average gross weekly earnings in Tyne and Wear are below national levels. It is more difficult to present indicators of the

standards of amenities and services, but for instance, over 1 200 hectares of land in the County are derelict, having been so badly damaged that it cannot be re-used without special treatment. Another aspect is illustrated by a recent report by the Northern Region Strategy Team, which has indicated that the standard of health and services in the region, is below the national average in terms of hospital provision, ratio of doctors to patients etc.

Were statistics compiled continuously or had you undertaken special studies ?

Available indicators cover mainly employment and industrial characteristics and are brought together in a quarterly industrial bulletin which reviews trends in unemployment, performance of major industries in the County and industrial and commercial developments.

In addition, special studies have been undertaken to assist in the development of specific policies including 'Interim policies and proposals for industrial land', 'The shipbuilding industry in Tyne and Wear', 'Industrial improvement areas' and 'Industrial development projects'. A more comprehensive study has been completed as part of the preparation of a County structure plan and will be published in the report of survey in September 1976.

How did action arise ?

Industrial development projects are included in a rolling programme which is revised annually.

The following information relates to the origins of broad types of actions designed to encourage economic development in the County.

Type of action	Which body requested action to be taken ?	Which bodies were involved in preparation and implementation	How long before action was taken ?	
			Action requested	Programme agreed
Loans and grants to industry	CC	CC	April 1974	April 1974
Industrial site development	CC	CC/DCs	April 1975	September 1975
Industrial improvement areas	CC	CC	April 1975	September 1975
Factory buildings	CC/DCs	CC/DCs	Discussion, summer 1975	September 1975

CC = Tyne and Wear County Council.
DCs = District Councils in Tyne and Wear.

What type of aid was given ?

The action taken falls into four categories :

Loans and grants to industry

The County Council gives direct financial aid to industrial firms in certain circumstances. Mortgage loans (with a maximum repayment period of 15 years) are usually given where firms fall outside the central government scheme, for example, service sector firms or firms requiring longer-term loans. The County Council also give site preparation grants to industrial concerns to offset the initial costs of the development.

Industrial site development

The County Council attempts to ensure that a wide range of attractive sites are immediately available for industrial projects. Action takes the form of advance land acquisitions and site preparation, provision of access roads, drainage, sewerage, etc.

Industrial improvement areas

Firms in the older industrial areas of the County face particularly difficult problems of poor access, buildings in need of improvement and a generally poor environment. The County Council is focusing attention on inner urban sites and using its powers and resources to remedy these problems to encourage firms to remain and create new opportunities for expansion.

Factory building

In some cases, the availability of a site on an industrial estate is not sufficient to attract development. The County Council has decided, therefore, to build advance factory units, particularly to meet the demand for premises under 300 square metres for the smaller firms and those starting up business.

The following information relates to the County Council expenditure under the broad headings :

Type of action	Expenditure (£)			Note on progress July 1976
	1974-1975	1975-1976	1976-1977	
Loans and grants to industry	95 000	400.000	750 000	
Industrial site development	—	620 000	857 000	15 ha. acquired 18 ha. site preparation begun
Industrial improvement areas	—	43 000	120 000	Work has commenced on 2 pilot areas
Factory building	—	390 000	1 215 000	10 units (2 100 m ²) complete 25 units (7 400 m ²) under construction

What is the most effective stimulus for attracting new industries or activities ?

In general terms, the most effective measures are :

- financial incentives;
- a good supply of industrial land and buildings;
- improvement of the appearance of the area, particularly the environment and infrastructure.

The extent to which these measures influence the location of an individual firm depends on its particular circumstances and there are a comparatively small number that can be regarded as 'mobile'. The choice of County Council action is influenced by the scope of central government incentives and is related to the particular development needs of the area.

Are there any particular obstacles that could hamper the development of this area ?

Further general action needs to be taken in the following broad fields :

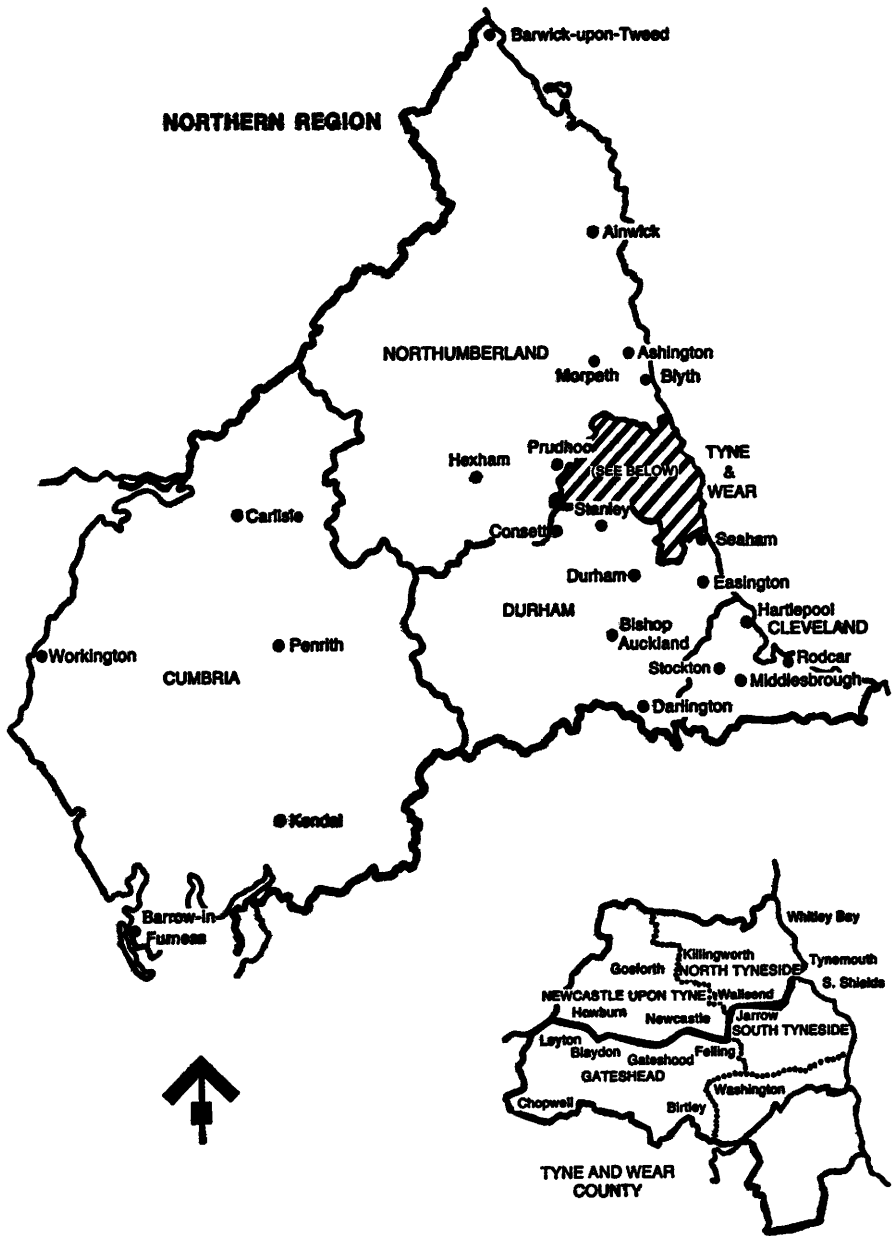
- Environmental improvement — to reclaim areas which have been rendered derelict by previous uses and to preserve and enhance existing attractive features;
- Access to older industrial areas — many of these areas do not have good access to local and regional road networks;
- Amenities and social facilities — further investment is needed to improve standards of provision, for example, health and recreational facilities.

What results were obtained ?

At present, the only County Council action that can be directly evaluated in terms of employment created is the loan facility for industrialists. At the end of December 1975, about 130 additional jobs were associated with Council loans. The experience of the previous county councils, having responsibility for the area, indicates that the job growth takes a number of years to reach peak levels.

In July 1976, the letting of four County Council factory units was completed, covering about 840 square metres. Definitive employment figures are not yet available, but the units completed, or under construction, could provide jobs for about 320 workers if average employment densities are achieved. Employment figures for land covered by industrial site developments is more difficult to assess and will only be achieved in the longer term. However, the additional employment on land acquired, or where site preparation had begun by July 1976, could be about 1 300. It is not possible to assess the employment results from industrial improvement schemes at the present time.

Population levels have continued to decline, but at a slower rate than during the 1960s. During 1962-73, the average annual decline was about 4 200, but during the following two years the average loss was about 2 700. A major reason for this has been the reduction of net annual out-migration from 8 200 in 1966-71 to 5 600 in 1971-74. Much has also been achieved in improving amenities and infrastructure, although this cannot be quantified.



What comments have you on this experiment ?

The Council feel that all the broad types of action have been worthwhile. It is clear from the current situation that action needs to continue and that more resources should be made available if conditions in the County are to approach national levels of employment and prosperity.

Key Indicators - Tyne and Wear and Great Britain

Indicator	Tyne and Wear	Great Britain
Population change 1961-74	— 10 230	+ 4 992 000
Net migration loss 1961-71	95 000	Not available
Male workers in manual occupations 1971	70.6%	64.8%
Employment change 1961-74	— 15 900	+ 509 000
Out of employment at 1971 census	8.1%	5.2%
Registered unemployment July 1976	9.5%	6.1%
Average gross weekly earnings April 1975		
— Full-time men	£ 59.70	£ 60.80
— Full-time women	£ 36.50	£ 37.40
Derelict land 1976	1 240 ha.	Not available

A region in England (Merseyside)

Area : Merseyside

The Metropolitan County of Merseyside came into being on 1 April 1974. It is one of the new administrative areas created under the Local Government Act 1972 from parts of the Counties of Lancashire and Cheshire, together with the County Boroughs of Liverpool, Birkenhead, Bootle, St Helens and Southport. It has an area of nearly 65 000 hectares and is divided into five Metropolitan Districts — Sefton, Liverpool, St Helens, Knowsley and Wirral.

The County Council's main economic objective is the strengthening of the area's economy by the encouragement of new and existing commerce and industry. The Council is helped in this aim by the fact that most of the Metropolitan County lies within the Merseyside special development area.

Analysis of regional or local situation which prompted the action

Employment - Loss of jobs

There has been a substantial loss of jobs in the County area during the last 10 to 15 years. The latest figures available are for 1973, but more recent evidence suggests that the trend has accelerated sharply between 1974-76. Within the County, this loss has been concentrated in the older urban areas of Birkenhead and Liverpool — particularly in the city centre and dock areas. A recent study by the Inner Area Study Consultants (a special study of inner city problems commissioned by the Department of the Environment) has confirmed that this trend has continued. It has also shown that the decline has been particularly severe in male jobs.

Employment - Structure

The economy is characterized by a significant number of port-related industries. Employment in shipbuilding, transport services and retail distribution has declined sharply while new manufacturing industry has grown — partially as a result of central government regional policy and local authority activities. In consequence, the County's employment structure now more closely approximates to the national structure. Nevertheless, Merseyside's economy is still, in aggregate, over-represented in poor performance industries and it can be argued that its growth industries have expanded less well on Merseyside than elsewhere.

Demography - Population change

Merseyside has a declining population, with the severest loss being felt in the older urban area. Traditionally, Merseyside had a high birth rate but this is now similar to the national average and natural increase is now about zero. The loss is a result of net outward migration which is in the order of 10 000 to 15 000 persons per year. Current population projections anticipate that this loss will continue over the next 10 to 15 years, although the scale of the decline projected is questionable. Nevertheless, it is evident that the lack of job prospects on Merseyside has encouraged people to move out — leaving behind the less skilled, the poor and the unemployed.

Unemployment

Unemployment on Merseyside has remained consistently above the national average since before the Second World War. It has increased more than proportionately at times of economic recession and, although as a result of the introduction of new jobs in previous years, the differential narrowed in the late 1960s, it has tended to increase in the last five years. Currently, unemployment is 11% (77 000 unemployed) within the County, the older urban areas of inner Liverpool and the modern overspill housing estates at Kirkby have the highest rates — in some places over 20%. The majority of the unemployed are men, of whom about half are unskilled and the majority are below the age of fifty.

Resources

No sub-regional data is available to demonstrate perceived reductions in the level of private sector investment on Merseyside. However, regional data for the North-West indicates that investment per head in manufacturing industries has declined at a faster rate during the early 1970s than the experience observed in the country as a whole. Considering the increased unemployment in Merseyside it is suggested that the investment decline is greater in this area than the North-West. Increased investment opportunities have been made available through central government's regional incentives. However, in spite of special development area status, the take-up of these incentives per unemployed persons is lower than that of other development areas.

Incomes

A central government research report (the LGF Grants Working Group) has established that Merseyside has a higher than average proportion of low income households. Average earnings, per head, equate with the national average, but some 19% of the employable population are in receipt of supplementary benefits. Other accepted measures of assessing local prosperity such as, rate and rent rebates granted, free school meals, will show Merseyside to be more disadvantaged.

Amenities

The structural decline of industry and the lack of new investment is reflected in the large amount of vacant and obsolescent buildings and the vast areas of derelict and unused land. This is a particular problem in the port area, since many of the activities have moved out — either downstream to new docks at Seaforth or to green field sites on the edge of the built-up area. In addition, many older buildings are unsuitable for modern uses and operations and are being used inefficiently. This leads to reduced output and poorer employment provision than would otherwise be possible. Further loss of competitiveness and associated longer-term risk may lead to closures, unemployment and further dereliction.

Surveys of the availability of industrial land have shown that less than a third of land classified as industrial is available for immediate development and much of this is not located in the areas of greatest need — the older urban core.

Compilation of statistics

Many of the statistics used are compiled on a continuous basis as part of the work for the Merseyside structure plan. In addition, special surveys have been mounted by the County Council to provide information for operational work on economic development.

How did action arise ?

Prior to the reorganization of local government on 1 April 1974, the area of the Merseyside County Council was controlled by 24 local authorities. It is now controlled by the Merseyside County Council and five district councils. The

major initiative for industrial development before reorganization was taken by the City of Liverpool, which continues to exist as one of the five districts, whilst some lesser action was also taken by other local authorities. Some 40 years ago, against a background of high unemployment and a declining port-based economy, the City of Liverpool sought and obtained from Parliament special powers for industrial development which were not generally available to local authorities. These powers enabled the City of Liverpool to purchase land for industrial estates, build factories, sell or lease factories and lend money for factory building. Under these powers the City established three large industrial estates, two within the City and one outside, which are almost totally developed and provide some 35 000 jobs in some 300 factories.

In developing its industrial estates the City of Liverpool worked closely with government departments and many of the factories were built with financial help from the central government. The two major factories established in this way were the Ford Motor Company and Standard Triumph (now British Leyland). As part of the process, the City provided a range of services — roads, sewerage, water, housing and public transport.

Since the reorganization of local government, the Merseyside County Council and the five district councils have jointly pursued a policy of industrial and commercial development. The task is seen as having the right commodity to sell in terms of available sites and buildings, whether in public or private ownership, and effectively marketing the commodity.

The Merseyside County Council carries the overall planning responsibility and operates an Industrial and Commercial Development Unit on Merseyside and also a small unit in London. These offices undertake promotion work, negotiation and research. If new local authority industrial estates are established, they will be owned and managed by the district councils.

The County Council is particularly concerned about the adequacy of available 'serviced' industrial land and has recently been engaged in experimental developments where servicing costs have been met initially by the County Council although the actual land is in the ownership of others.

What type of aid was given ?

Actual direct financial aid out of local authority funding, by way of subsidy has been very little. The greater part of the area has had assisted area status continuously, since 1948, with the main regional policy incentives being administered by the Department of Industry.

The type of aid that has been made available includes the provision of advance factory units to encourage the attraction of new manufacturing employment from the more prosperous parts of the country. In the period 1971-76, some 30 units were announced for the area, providing a total floor space of 43 000 square metres.

Regional development grants for plant and machinery have been provided and, for example, in the period 1974-75, this amounted to about £9 million. During the same period, selective financial assistance to manufacturing firms has been provided in excess of £6 million.

The regional employment premium was introduced in 1967 and since that date Merseyside development area has received over £150 million.

Local government has been involved in preparing and servicing industrial land and providing nursery factory units. Since 1974, the County Council has promoted a programme of servicing industrial land in areas of high unemployment, the total cost of which is likely to be in the order of £525 000 for the period 1976-78. During the same period, nursery factory units are being provided by some of the Metropolitan District Councils comprising some 31 units, totalling about 10 000 square metres.

It is anticipated that many of these infrastructure projects will qualify for assistance from the EEC Regional Development Fund. In 1975, such assistance amounted to £1.26 million.

In addition to these activities, the County Council has an industrial and commercial promotion office in London and a small directorate in Liverpool. In 1975-76 this service cost £140.000 and provides extensive advice to interested developers and local industrialists, particularly small firms.

What is the most effective stimulus for attracting new industries or activities ?

The most effective stimulus for attracting new industry or activities can be summarized very briefly as follows :

Financial grants and assistance (central government, local government and EEC)
These can be divided into :

- Development costs;
- Working capital;
- Labour costs and training.

Infrastructure

Land (In the ownership of both public and private organizations)

The provision of fully serviced sites with all the necessary utilities at reasonable costs for disposal.

Buildings

The provision of advance factories with rent free period in the public sector and the availability of units from the private sector.

Communications

Effective motorway systems, international airport and inter-city rail. To some extent, as an additional facility, the port.

Labour

The availability of a large labour pool, although of limited skills.

Any particular obstacles hampering the development of the area ?

There are a number of major obstacles which can hamper the development of the area, notably :

Port

The development of the EEC trading with the south-east and eastern flank of the UK has resulted in the further decline of the Port of Liverpool. Thus, as the EEC trade develops (it is a disadvantage to have a major port which is facing west) this in turn could hamper the development of the area.

Furthermore, European ports are heavily subsidized which does not apply to ports in the UK. The motorway routes between the East and West ports are not complete as a major overland facility.

Rail

The lack of a rail freight link to the container port.

Infrastructure

Massive areas of urban industrial decay resulting from the world's first industrialized region now having derelict land, outworn buildings, old machinery, urban dereliction and so on are very much less attractive to incoming industrialists and office developers.

Labour

A high level of unemployment, the substantial part of which are semi-skilled or unskilled. The lack of skilled labour incoming industry is a drawback.

Following on urban decay, as outlined above, there is a reluctance on the part of major office and commercial operations to locate in this area, and the major inhibiting factor is, indeed, the lack of prosperity in the area both from the urban and environmental viewpoint and also the commercial activities which, in turn, have declined following the rundown of the port activities.

What results were obtained ?

The policies originally followed, in conjunction with government departments, of the City of Liverpool and other local authorities and continued by the new County Council and the District Councils, have undoubtedly provided several thousand jobs in the area which would otherwise not have been available. They have provided some well-serviced industrial estates and diversified the industrial economy of the area. They have not, however, by any means solved the unemployment problems. The continuing decline of the port and of port-based industries has offset much of what has been achieved and even some newly-provided industries in the area have closed under rationalization schemes.

What comments have you on this experiment ?

The action which has been taken is the right action and should be continued and extended as a policy. In addition however, considerable investment is needed in environmental improvement. Whilst parts of the area have great physical attractions and amenities, there are other worn-out areas which need upgrading if they are to be attractive to new industry. The costs of this environmental improvement must be carried by public funds and cannot be passed on to incoming industrialists.

Additional questionnaire : Example of the effect of regional action on inflation.

The trend in inflation is not more marked in this area in relation to the national average.

Under the umbrella of a national economic package, it is unlikely that measurable differences in the rate of inflation will occur. The County Council's resources, as with all local authority resources, are eventually committed to the provision of personal services and social and urban facilities. This effectively restrains the development of policies aimed at correcting local economic problems. Nevertheless, as a first initiative, the Council has increased its budget by £ 350 000.

The initiatives are at an early stage of development and it is considered premature to comment on the impact in terms of the effect on price levels, wages and productivity. It must be emphasized, however, that modest investment of this nature is unlikely to have a significant influence.

A region in England (Cumbria)

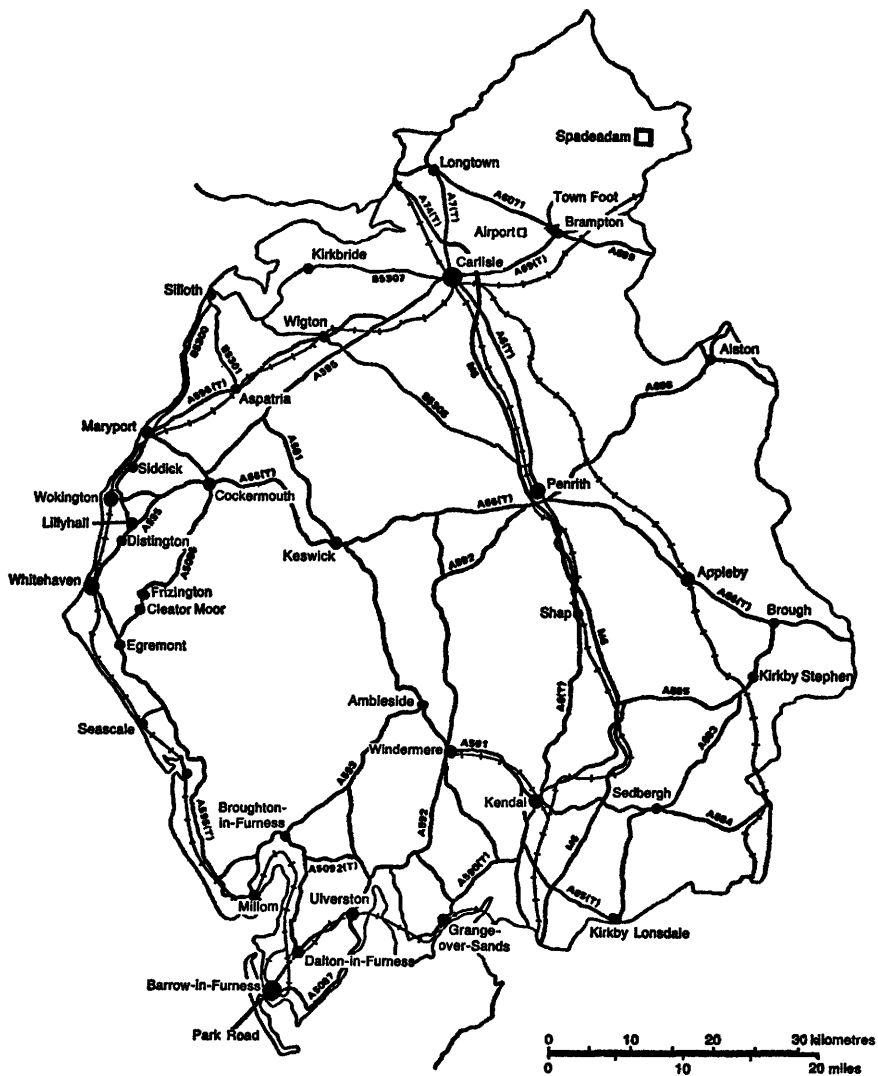
Introduction

It is felt that the best means of completing the questionnaire on regional action on employment and inflation is to answer the questions posed in relation to a number of specific examples within the County in the period since 1964.

Area selected

Regional action in Cumbria has taken several forms, including the development of industrial sites, reclamation of derelict land, improvement of the area's infrastructure and direct financial incentives to industry. In general, however, effort has been concentrated on the industrial areas of Furness, in the south-west of the County, and West Cumbria (see map on p. 74), and these two areas are amongst the three selected as specific examples. The third area is Brampton, a small town east of Carlisle, about which specific and successful action was taken in relation to a particular problem of unemployment.

A point which needs to be made is that whilst much positive action has taken place in Cumbria, it has not hitherto been County Council policy positively to attract industry to rural areas, although it has not been discouraged. Rather it has been



policy to attract people to small towns (such as Brampton) and to site the industry there. However, depopulation of rural areas has continued, and action now needs to be taken to regenerate rural areas so that they do not degenerate further. The omission of rural areas from the areas selected for this exercise is, therefore, an indication that little action has been taken rather than an indication that none is considered necessary.

Question V of the questionnaire is rather more general in nature than the others. A fairly full answer has therefore been given to it in the first example (Brampton). The same reply applies in large measure also to West Cumbria and Furness, and consequently only additional material has been included for this question in the replies for the West Cumbria and Furness areas.

Brampton

Area concerned

A small (5 hectare) industrial estate developed in the early 1970s in the town of Brampton (population 4 000) about 14 km east of Carlisle on the A.69 Carlisle-Newcastle road.

Reasons for action

In the late 1960s Brampton had an unhealthily narrow employment base. The main employer in the area was the rocket testing station at Spadeadam, 15 km north-east of the town, and it was becoming evident that the life of the testing station, following the European Launcher Development Organization's decision not to use the British Blue Streak rocket as the first stage of a European satellite launcher, was limited. This closure has since occurred. The figures below show the potential effect of the closure on the employment situation in Brampton :

	1961	1966	1971
Total employment in the Brampton area	1 800	2 350	2 080
Employment at Spadeadam as % of total	30%	37%	26%

The only other sources of employment were small service industries which one would associate with a small town of this size (e.g. shopping, a small printing works, a sawmill) and agriculture; there was (and still is) some commuting to Carlisle.

Although in the late 1960s there was no serious unemployment in the Brampton area (generally fluctuating between 50 and 100 persons), the prospect of the closure of Spadeadam prompted the then Cumberland County Council to develop a small industrial site in the town.

Statistics used in assessing need were generally census figures and those provided by the Department of Employment, although limited special enquiries were made regarding employment at Spadeadam.

How action arose

Cumberland County Council to ensure that unemployment did not become a serious problem as a result of Spadeadam's closure, took the initiative, supported by the Border Rural District Council, in preparing and implementing plans for the industrial estate. The first stage of the site was ready for occupation in 1973, coinciding with the announcement of 400 redundancies at Spadeadam.

Type of aid given

The local authority's main task in this instance was to provide a fully prepared and serviced industrial site. In addition the County Council operated a loan scheme to assist industrialists to purchase or lease land in the County or to build on land which they already own. The main financial assistance to incoming or expanding industrialists, however, is given by central government and the European Community.

The most effective stimulus

It is difficult, if not impossible, to cite one stimulus as being more effective than any other in attracting new industries into the area. The stimulus is a package of incentives, as a result of which an industrialist is offered a fully serviced site (and sometimes, although not in the case of Brampton, a ready-built factory), financial assistance to buy it, an availability of labour and a whole range of central government incentives, ranging from removal grants, payments for each employee and tax relief sometimes to encourage him to establish his industry in a development area. It is arguable that the existence of a freshly prepared site with access and all services laid on is the most important of these incentives; but even if this were so it is essential that the totality of incentives, the package, is looked at as a whole.

Obstacles that could hamper development

The very success of the action taken at Brampton (see following paragraph) is indicative that there are few obstacles which could prevent the type of small-scale development which was carried out at Brampton. Large-scale development would be out of character with a town of Brampton's size and to attempt it would probably give rise to considerable difficulties regarding labour supply, provision of services, etc.

Results obtained

The estate, which opened in 1973 and has since been extended, is in full use. Six firms have become established there, of which four are from outside Cumbria and two are local firms. The net cost to the Council (after resale of sites to industrialists) was £7 600; committing this expenditure has attracted some £1 million of private investment and created approximately 130 jobs to date.

This has not fully replaced the loss of jobs at Spadeadam; neither have the jobs created been filled entirely by ex-Spadeadam workers. However, the town has an alternative, and more varied source of employment than hitherto, and, as far as can be gauged without statistical information on employment or population being available since 1973 and 1971 respectively, the town has neither significant unemployment nor a depopulation problem. Some of the 'slack' however may have been taken up by commuting to Carlisle.

Comments

The action taken at Brampton is regarded as having been largely a success in preventing the economic decline with which the town was faced in the late 1960s. It is not fully established, however, how significant other factors (particularly commuting) have been in preventing a decline. A similar development is scheduled for Longtown, a town of similar size to the north of Carlisle. The apparent success of Brampton Industrial Estate has prompted this development, and has brought about a current re-appraisal of the value of small-town and rural industrial estate policy.

The Furness area

Area concerned

The Park Road Industrial Estate at Barrow-in-Furness, the chief town of the area (population 63 000).

Reasons for action

Barrow-in-Furness dominates the pattern of employment in the Furness area, having 75% of all jobs and 80% of the male jobs in the area. Within the area one industry — shipbuilding and engineering, with 44% of all male jobs — is dominant and largely represented by one firm, Vickers Ltd, which is dependent for a large part of its work on naval shipbuilding and engineering contracts.

The area does not suffer from major unemployment although female unemployment has recently deteriorated. Male unemployment is below the average for Great Britain and Cumbria, although female unemployment rates are higher than average. (See graph on p. 80). However, the vulnerability of the area to the fortunes of one industry, and largely one firm, prompted the then Barrow-in-Furness County Borough Council, in the late 1960s, to establish an industrial estate of 23 hectares at Park Road to the north of the town. The purpose of the development was to attempt to diversify the industrial structure of the area and provide a wider range of job opportunities for the local labour force, although it was noticeable that firms were becoming attracted to the area before this step was taken.

Census and Department of Employment statistics, compiled on a continuous basis, provided the main information on which decisions were based.

How action arose

The availability of large quantities of water for industrial use had encouraged two companies, Bowater Scott (paper products) and British Cellophane, to establish factories in Barrow. This action, and the need to diversify employment as explained above, prompted the County Borough Council to designate the Park Road area, which land they already owned, as industrial land, and to provide full services on 6 hectares of the site. The estate was advertised and sites sold to a number of companies. In addition, the Department of Trade and Industry (central government) purchased land and built four advance factories, which were subsequently occupied by firms, and two more are currently being built.

A problem which hampers the development of industry in Furness is the poor access to the national motorway system. EEC regional development fund assistance has recently been granted to improve access from the estate to the main link road (A 590) with the motorway, but this road itself (although now the subject of substantial improvement works) is slow, which hinders the attraction of industry to the area.

Type of aid given

The Furness area is eligible for development area assistance from central government.

Apart from the Cumbria County Council loans to industry scheme, the main locally-generated aid to industry is the provision of fully serviced land for sale or lease, and the former local advantage of an ample (now taken up) water supply for major water-using industries.

The provision of advance factories by central government is a further incentive in addition to the normal development area grants available.

The most effective stimulus

The reply to this question is similar to that for Brampton, although the provision of advance factories should be added to the 'package' of incentives in the case of the Furness area.

Obstacles that could hamper development

The main obstacle to the further development of the Furness area is the poor transport link to the motorway system. This has the effect of increasing the distance between the manufacturer and his market, and renders the area more attractive to manufacturers of high value, low bulk goods, whose transport costs form a small proportion of the total. The lack of degree-level higher education facilities in the area is a further, though less important, obstacle.

A comparative shortage of labour is also a factor.

Results obtained

Whilst occupation of the industrial estate has continued at a steady rate, the near monopoly of the shipbuilding and engineering industry has been little affected, due largely to the fact that employment in this industry increased in the early 1970s.

919 jobs were created on the estate by six firms. However, one of these firms (Ferranti Ltd) which accounted for 596 jobs, has recently decided to close its factory on the estate, leaving a total of 323 jobs in five firms. This figure has not compensated for the loss of jobs caused by the closure of Barrow Docks and a local paper mill in the same period, although one should note that the two companies which first established themselves in the area now account for an extra 1 800 jobs.

Most of the new jobs created on the estate are in manufacturing industries. Over the past ten years the number of jobs in service industries in Furness has declined, and in 1973 stood at 39.3% of total, compared with a national figure of 55.9%. The kind of incentives that would attract service or office employment are not of the industrial estate type, but lie more in the field of financial incentives. There is no record of local authority or central government-built office blocks to test whether this kind of incentive would attract jobs of an administrative and professional nature.

The success of industrial attraction in the Barrow-in-Furness area therefore is thought to have prevented a probable increase in the rate of unemployment. To this extent these results may be temporary unless continued efforts are made to attract employment to the area.

Comments

Whilst industrial-estate policies are necessary to provide a variety of jobs and help reduce unemployment, it is difficult still to overcome the inherent disadvantages of poor transport links which render the area unattractive to some potential industrialists.

West Cumbria

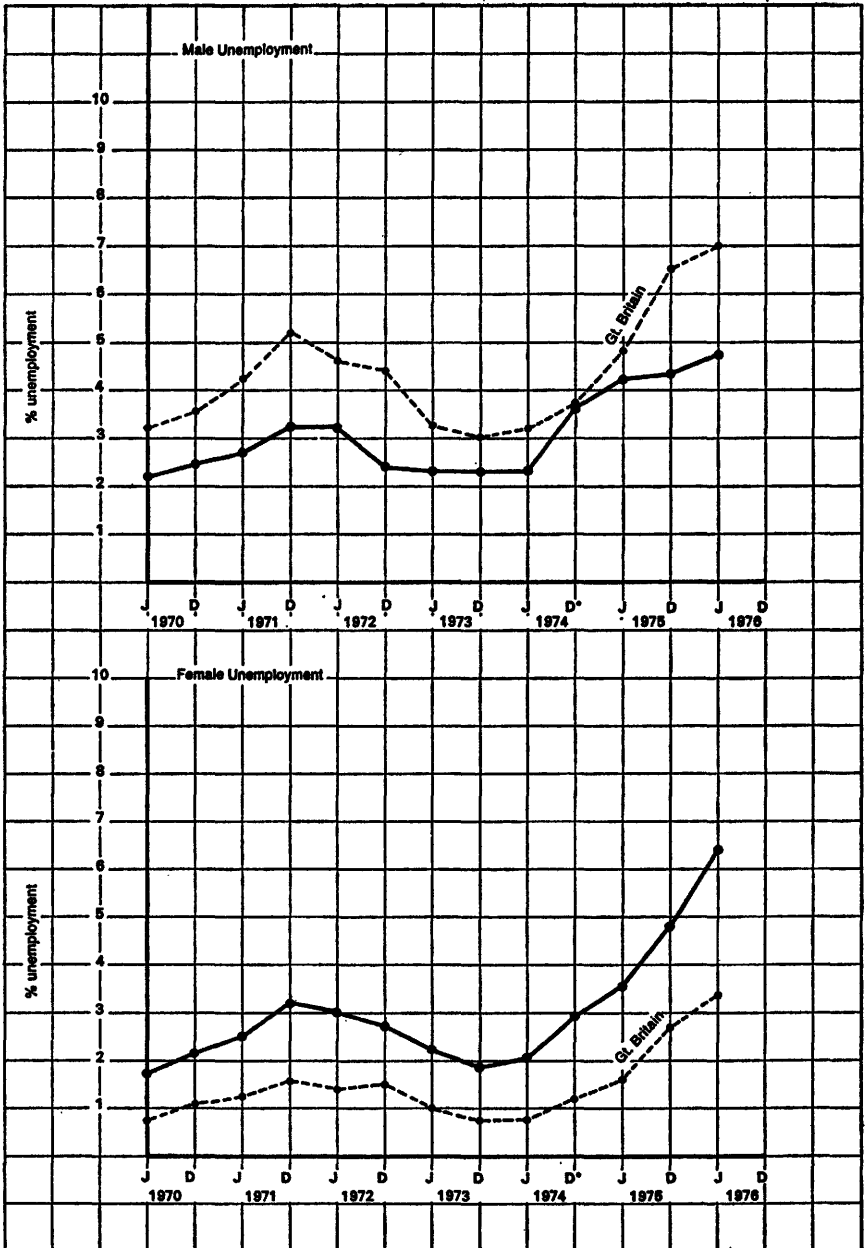
Area concerned

The scattered industrial area of West Cumbria (population circa 120 000) and the strategic industrial sites of Lillyhall and Siddick in particular. Both sites are near to the town of Workington, the central of the three coastal industrial towns of Whitehaven, Workington and Maryport.

Reasons for action

The economic problems of West Cumbria stem from the area's early dependence on its reserves of coal and iron ore, and the iron and steel industry based on these mineral resources. The depression of the 1930s badly affected the area, and despite significant efforts to alleviate the chronic unemployment, particularly in the late 1930s and 1940s, by 1965 West Cumbria still exhibited a number of serious economic weaknesses :

FURNESS



- significant out-migration from the area, particularly amongst the younger working age groups, although, particularly in the south of the area, this was compensated for by a relatively high birth rate;
- unemployment in West Cumbria was consistently higher than the national average (see graphs on pp. 137 and 138);
- employment structure : a higher than national proportion of employment in declining industries (particularly coalmining) and a lower proportion in expanding industries and a low proportion employed in service industries (41.0% of employee in West Cumbria compared with a national average of 54.6% in 1961).

These were recognized by the then Cumberland County Council and strongly influenced its subsequent policies.

In an attempt to cure, or at least alleviate these weaknesses, a decision was made in 1964 to establish major industrial sites (designated as 'strategic' sites) capable of accommodating large-scale 'mobile' industries on or near planned improved road lines. (At this time the country was undergoing a period of high population growth, and it was expected that expansionary pressures in the south-east of England would create an increase in the amount of 'mobile' industry.)

Three such sites were designated. Two are the subject of this report; the third, Moresby Park, near Whitehaven, has not been developed pending completion of the other two.

As in the case of Brampton and Furness, regularly produced statistics formed the main information basis.

How action arose

The Cumberland County Council was the main body involved in implementing the decision to establish strategic industrial sites in West Cumbria. The Cumberland County Council Act of 1964 gave the Council land acquisition powers for the purpose of assisting industrial development which enabled it to purchase much of the land required for the estates. In the West Cumbria Area, the English Industrial Estates Corporation have purchased over 80 hectares of land in various locations for the purpose of building Department of Trade and Industry (now Department of Industry) advance and purpose-built factories, of which over 50 of various sizes have been built. Before 1964 the EIEC had built several factories at Siddick for specific customers.

A private firm, the Lyon Group, held an option to develop and service 9 hectares of the Lillyhall estate. This firm has, however, gone into liquidation and the land has reverted to the care of the Cumbria County Council.

The Siddick estate was part of an industrial area before the decision was taken to establish strategic industrial sites. Action following the decision was therefore an acceleration of previous work rather than the development of a completely new project. Lillyhall, however, was a new project; land acquisition and site development work commenced shortly after the decision to develop was taken, and the site was opened in 1967.

Type of aid given

The reply to this question is similar to the replies to the same question in respect of Brampton and Furness, with the following additions :

West Cumbria is a special development area, entitling it to higher levels of central government aid than in development areas (see attached sheet).

Much of the work carried out in West Cumbria has been in the field of reclamation of derelict land and of old mining and ironworks spoil heaps. Infrastructural work of this type has been given high priority, and in a number of cases, particularly in the area immediately north of Workington, reclaimed land has been used for a new industrial area. The County Council has also taken the step of taking over and managing as Port Authority the Port of Workington, which was no longer required by its previous owners, the British Steel Corporation. The port is now being developed by the Council for general cargo handling as a further incentive for the establishment of new industry in the area.

In addition to the strategic sites which form the object of this part of this report, a large number of smaller sites, scattered throughout the area, have been developed by district councils and private firms, thus providing a wide range of locations for small firms wishing to work in West Cumbria.

The most effective stimulus

The reply to this question is similar to that given for Brampton and Furness. In addition, the availability of labour, though unskilled in the main, with a willingness to do shiftwork and a reputation for being good employees has been an attracting factor in West Cumbria.

Obstacles that could hamper development

The main obstacles to the further development of West Cumbria are :

- Isolation. The area is about 50 km from the motorway system, and is linked to it by what has long been a poor road. This road is, however, being rapidly improved, and the effects of the area's isolation should diminish when it is completed.
- Lack of relevant skills amongst the existing population. Unskilled manual workers account for over 10⁰/₁₀₀ of persons in employment in West Cumbria, compared with a Great Britain figure of 7.6⁰/₁₀₀, and over 70⁰/₁₀₀ of the unemployed in West Cumbria are unskilled labourers. There is a Department of Employment Training Centre (Skillcentre) at Maryport, although not all the unemployed are willing to undergo or capable of benefiting from training. This is a long-term problem and partly a legacy from the 1930s; it is to be hoped that the gradual improvement of living standards and job opportunities which is taking place will bring about a change of attitude and a greater willingness to take up a skilled occupation. A number of firms already carry out successful training schemes in cooperation with the West Cumbria College of Technology.
- The lack of degree-level education facilities in the locality. There is no university or polytechnic in Cumbria, a fact which leads the more able to seek quali-

fications elsewhere, a minority of whom return to work in the area, i.e. there is net emigration of highly qualified personnel.

- The environmental quality of the area. West Cumbria, although bounded by the Lake District and the sea, bears the typical features of a mining area. Reclamation schemes have been carried out but many areas of poor housing and bad visual quality remain, which have been a definite disincentive for a number of potential newcomers to the area. Whilst the local and central government authorities have concentrated on improving the area's environment, especially in the field of reclamation, much of West Cumbria still bears the marks of its heavy industrial past.

Results obtained

It is very difficult to disentangle the effects of direct County Council involvement and the regional policy measures of central government, which were particularly strong in the late 1960s when there was substantial differential between special development areas and development areas in terms of incentives, which has since been largely eroded. However, Lillyhall and Siddick estates have proved attractive to new industry from outside the County.

By 1971 the two estates together had over 1 200 jobs in firms which had moved from outside Cumbria. Siddick has been promoted as being suitable for large scale industry which needed to use large quantities of water or to dispose of large quantities of non-toxic effluent, and has attracted a number of firms of this type (e.g. Thames Board Mills and Ectona Fibres).

Lillyhall has proved attractive to both large and small firms, ranging from the Leyland National Bus Company to small new ventures, often locally based.

The latest (1976) estimate of employment on the two sites is 800+ at Siddick and approaching 2 000 at Lillyhall; neither site is fully occupied, or even, in the case of Siddick, fully serviced. Nevertheless, development of sites has kept pace with demand.

However, unemployment remains high; and West Cumbria has been unable to retain its natural increase in population. Indeed, the new jobs created on the two estates have barely compensated for the rapid decline in employment in mining since 1966.

Change in numbers of employees in the mining and quarrying industry :

	1966-1971	1971-1974	1966-1974
Workington area	— 1 500	— 550	— 2 050
Whitehaven area	— 700	— 230	— 930
West Cumbria	— 2 200	— 780	— 2 980

Impact on unemployment

Unemployment rates for males and females have remained unacceptably high in West Cumbria in the 1970s despite the developments at Siddick and Lillyhall. However, whilst national unemployment rates have increased dramatically in recent years, the differential between national and West Cumbrian male unemployment rates has declined; this has not however been the case for female unemployment. Furthermore, the two strategic sites appear to have had little impact on localized pockets of very high unemployment notably (in the Whitehaven area) in and around Cleator Moor and Frizington. (See map on p. ...).

Impact on employment structure

An analysis of the industrial structure of Great Britain shows that, in relation to the national picture, West Cumbria has been able to achieve some industrial diversification since 1971. This is partly due to the introduction of new industry, partly due to rundown in past specializations, notably mining and quarrying. Both Workington and Whitehaven areas continue to have a greater proportion of declining and a smaller proportion of growing industries than nationally.

Impact on population change

West Cumbria as a whole has not as yet achieved the position of being able to retain its own natural increase. However, there appears to have been a marked improvement in migration since 1971 which may, in part, be related to the build-up of employment on the two estates together with a slackening since 1971 of the rate of decline in mining employment. The Workington area (Allerdale) has moved into a position of gaining population through migration, but this has not compensated for the continuing migration loss from Copeland (Whitehaven area).

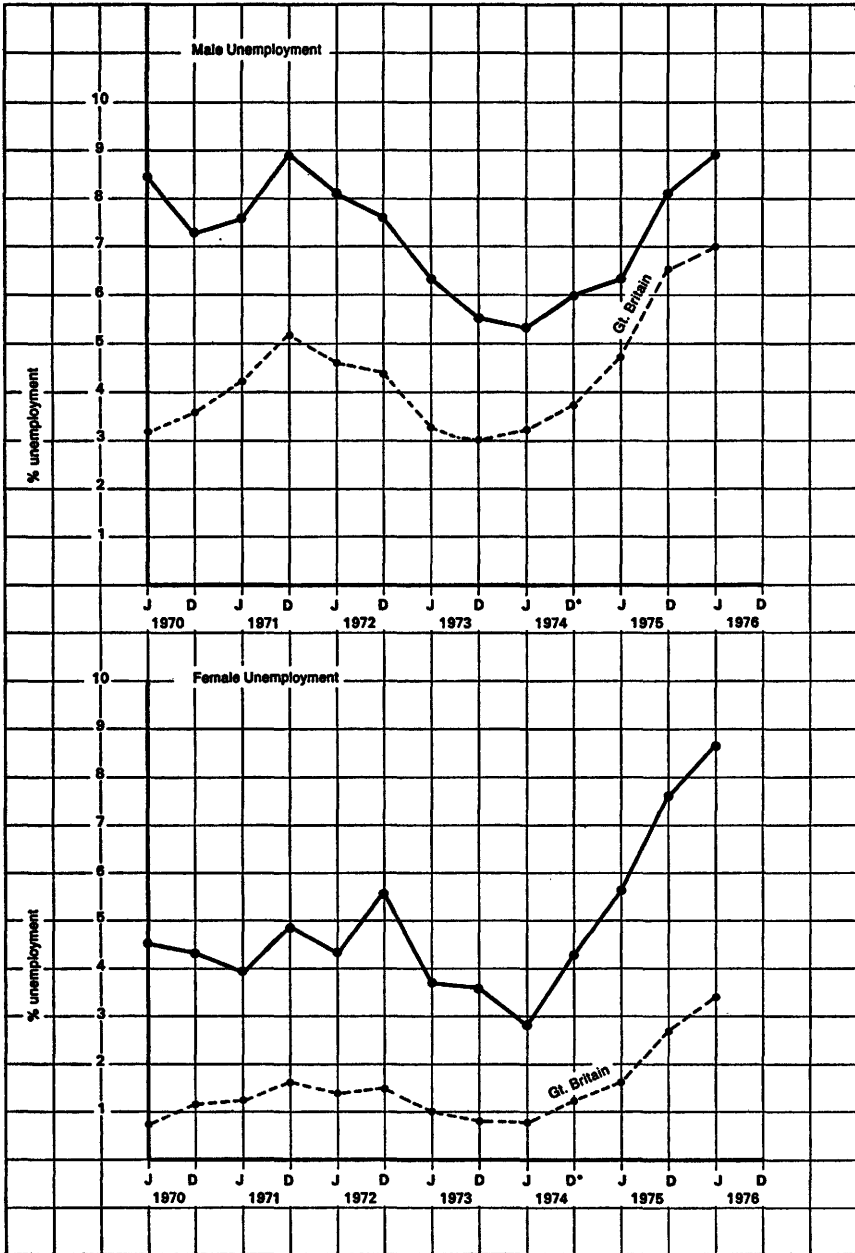
Average annual migration.

	1966-1971	1971-1976
Allerdale	— 695	+ 202
Copeland	— 679	— 458

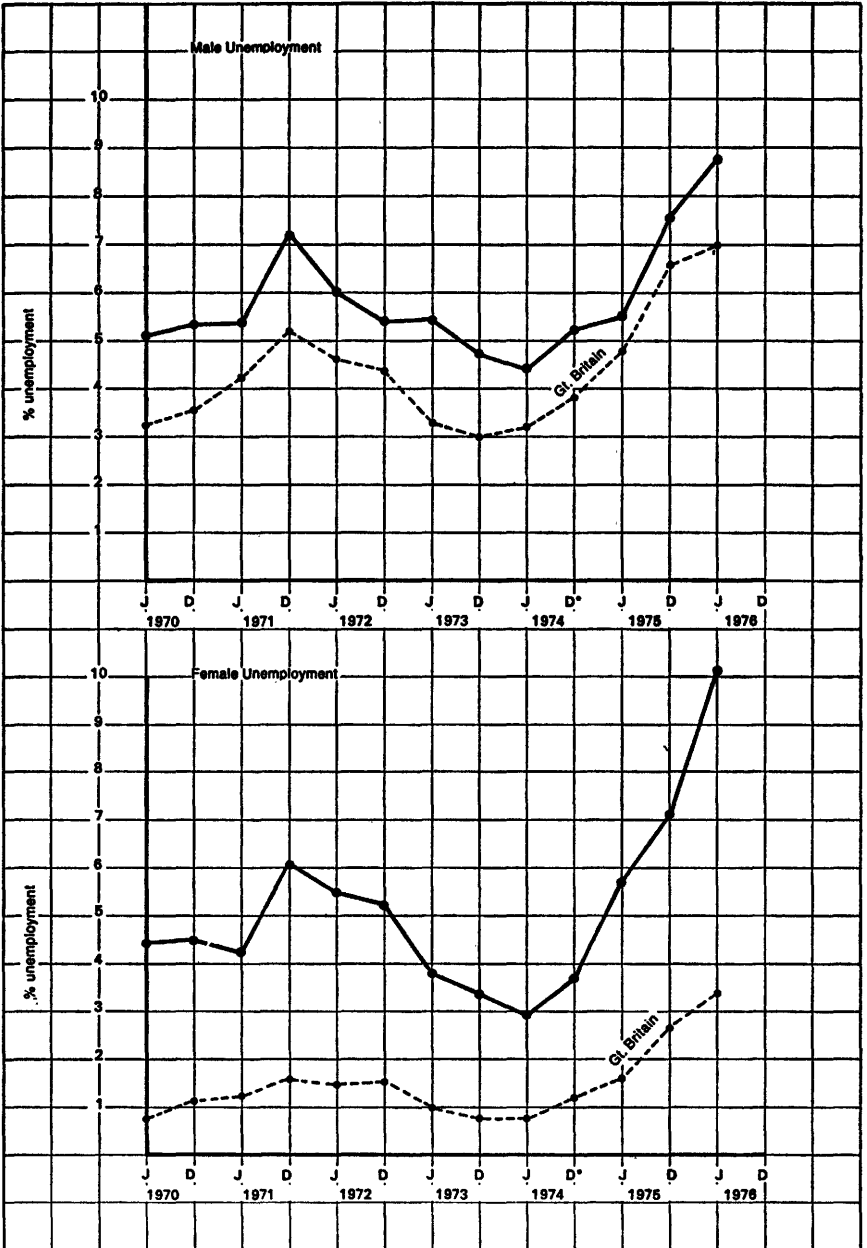
Source : CCC Planning Department. Population projections.

In total terms, therefore, unemployment levels are still approximately as far above the national average now as in 1964. New developments, whilst impressive, have done no more than keep pace with the loss of jobs in the old established industries in the area. This is an indication that if the present population level in West Cumbria is to be maintained in employment, work on industrial attraction must continue at least at the same level as it is now. In the present period of less growth in the national economy, it could be argued that work on industrial action should be intensified.

WHITEHAVEN AREA



WORKINGTON AREA



Comments

Whilst the development of industrial estates in West Cumbria has been an undoubted success in diversifying industrial opportunity in the area, it has done no more than keep pace with the loss of jobs in old established industries. This in itself however, is a considerable achievement, and shows the value of the provision of serviced industrial sites in preventing either very high unemployment rates or large-scale out-migration.

Additional questionnaire : Example of the effect of regional action on inflation

Regional action has been directed primarily at reducing unemployment by promoting industrial development. There has been no specific action on inflation since it is recognized that the causes of inflation are national rather than local. Any effect of regional policy on inflation, including Cumbria County Council's economic development policy, would be insignificant compared with the effect of, say, pay awards within national pay policy, or increasing world commodity prices or of the government's price control legislation. We believe, therefore, that the trend of inflation in Cumbria is not significantly different from the national figure or trend.

If by 'local finances' we mean local authority finances, then one effect of regional action has been the extra rateable value created through industrial investment in new buildings and plant with a consequential improved base for local taxation through the rating system. But there is no overall revenue benefit to local authorities in Cumbria arising from the extra rateable value, since the present rate support grant system embodies an equalization factor. To the extent that local authorities in Cumbria increase their revenue from a larger tax base, then grant is correspondingly reduced as a lower equalization grant (termed resources grant) is received from the government.

As regards price levels, wages and regional productivity, again it can be said that regional action supports these. However, they are much more strongly influenced by national action (e.g. pay agreements, prices code, etc.) than by action emanating from a regional or local level. It will be known that most pay awards and price controls are nationally negotiated and applied.

Northern Ireland

The regional problem

All of Northern Ireland is eligible for assistance from the European Regional Development Fund and the whole of the region is a national priority area. In addition, large parts of Northern Ireland have been designated as less-favoured agricultural areas.

In terms of population Northern Ireland, with just over 1½ million people, is the smallest of the United Kingdom regions. The region has persistent and severe economic problems which are exacerbated by its location on the extreme periphery of the Community, and by its lack of natural resources.

The Northern Ireland economy exhibits all three types of problem specified in the Fund Regulation, namely a heavy dependence on agricultural employment, structural under-employment and a manufacturing industry whose structure is heavily weighted by declining sectors. Employment in agriculture and related activity has fallen by over 50% since 1950, largely as a result of increasing productivity. Nevertheless, the industry still accounts directly for 8½% of total employment, with processing and other ancillary activities contributing a further 3½%. Agricultural employment continues to contract at the rate of 1 000 to 2 000 jobs per year. In the main manufacturing sectors — traditional textiles, clothing and shipbuilding — employment fell by 28% between 1966 and 1974. This has involved an average loss of 2 500 jobs per year, an annual rate of decline equivalent to 1½% of total manufacturing employment.

Northern Ireland has for long suffered the highest level of unemployment in the United Kingdom, low incomes and a high level of net emigration. The long-term average rate of unemployment is 7%, which is over twice the level in the United Kingdom generally. Average unemployment (August 1976) is 12%, rising to over 30% on the periphery of the region. Income levels, in terms of GDP *per capita*, are 59% of the Community average and remain the lowest of any region in the United Kingdom. Net emigration averaged 7 000 persons per year during the 1961-71 period (40% of natural increase), but the evidence suggests that the level of emigration has accelerated greatly in recent years while the rate of natural increase of the population (which had been among the highest in Europe over the past decade) has begun to slow down. Nevertheless, it is still expected that the numbers in the working age groups will continue to increase over the next few years as a result of the high birth rates in the past.

The problems of regional development are compounded by a severe imbalance in the distribution of population. 40% of the total population live in the highly congested Greater Belfast area. Most of the remainder live in small towns and rural settlements, which pose considerable problems for attracting industrial development on a significant scale. There is consequently a wide variation in employment opportunity within the region, with particularly severe unemployment in the rural areas of the south and west. In normal circumstances it might be expected that internal migration would reduce these differences in unemployment, but the general shortage of jobs has not encouraged mobility and the internal civil unrest of recent years has been a deterrent to mobility.

In addition to the long standing aspects of the regional problem, a further set of difficulties has more recently begun to impinge on the Northern Ireland economy. There are three new factors which are giving particular cause for concern.

First, there has been a serious deterioration in the region's ability to attract new industrial development. The policy of industrial development pursued by the regional authorities has been the cornerstone of the efforts to create new employment and, until recent years, the policy enjoyed considerable success. Almost half of Northern Ireland's manufacturing jobs are in projects assisted under this policy and many are in sectors such as man-made fibres which were not previously represented in the region and have contributed much to its past resilience and capacity for growth. However, the combined effects of the present recession, the severity of the international competition to attract mobile industry and the continued civil unrest in Northern Ireland, have severely curtailed new investment in the

region and cause concern about prospects for the future. It is no longer possible to sustain the flow of new industrial jobs which in the past enabled the region to contain, if not to overcome its endemic problem of unemployment.

Second, manufacturing costs in Northern Ireland have increased so much that a considerable proportion of the region's existing industry is finding it difficult to remain competitive in terms of cost, and potential investors are confronted with a further disincentive to development in the region. The main area of concern is the cost of energy. The sharp rise in oil prices since 1973 has had a most serious effect on electricity costs in the region, where nearly 80% of electricity consumed is produced from oil. In 1973 electricity prices in Northern Ireland were broadly comparable with those in the rest of the United Kingdom, but now they are significantly higher. The price of gas is several times higher in Northern Ireland than in Great Britain. The oil crisis has also focused attention on transport costs, which have always been one of the region's most serious locational disadvantages.

Third, Northern Ireland is highly dependent on public expenditure to stimulate capital investment and to create and maintain employment. Over the past 20 years the growth of employment in the service sector, particularly in the public services, has been of great importance in offsetting job losses arising elsewhere in the regional economy. The severe restraint on public spending in the United Kingdom may be expected to reduce this source of buoyancy and to diminish further the region's prospects of reducing unemployment and increasing incomes.

The combined impact of these factors suggests that the present recession has marked a distinct turning point for the regional economy. During the next few years it seems probable that there will be little growth in the previously buoyant service sector, and that the number of new jobs forthcoming from manufacturing investment will be insufficient to compensate for the continued loss of employment expected from further structural contraction in the economy. As a result, a substantial deterioration in the already serious unemployment position in Northern Ireland must be expected in the next few years.

Development objectives

Northern Ireland's main economic development objectives are dictated by the nature of the regional problem. Development policies must be directed towards removing the problems of unemployment and low incomes through the creation of employment opportunities and the improvement of conditions for economic growth. This in turn requires a sustained effort to strengthen the industrial structure and to arrest its further contraction; on minimize the adverse economic effects of the region's peripheral status; and to ensure that there is the maximum degree of correlation between the physical development of the region and its economic requirements.

The improvement and preservation of Northern Ireland's industrial structure depends upon the availability and successful application of measures to restore and enhance the attractions of the region as a location for industrial investment. Some of these are noted in the following section. However, the severity with which the recession has affected Northern Ireland, when combined with the other developments which are now acting to the disadvantage of the region, are contributing to an erosion of the existing industrial base. There is consequently a danger, if this

erosion proceeds unchecked, that it will impair Northern Ireland's capacity to respond to the economic improvement which is now expected in the Community generally. Within the context of the established objective of encouraging new employment-creating investment the containment of the relative decline in the region's attractiveness as an industrial location, the preservation of jobs in existing enterprises, the rationalization of traditional industries and the provision of the necessary skilled manpower, must be given new emphasis.

Northern Ireland's physical isolation from Great Britain and separation by two seas from the main body of the Community, has proved to be a serious disincentive to investment and development. The region's remoteness from major markets and sources of supply raises problems for investors which are partly practical, such as transport cost and the time required to deliver and to receive goods, and partly psychological. The quality of external transport services for freight and for passengers is therefore of very great importance to industrial development. A key factor in these arrangements is the standard of terminal facilities in Northern Ireland for both sea-borne and air-borne traffic. There are continuing programmes of investment to raise these standards to the levels required to sustain modern industry and to link these facilities adequately with main centres of industry and population.

The constraints on industrial development offered by the present uneven distribution of population in Northern Ireland, and in particular by the absence of sizeable population centres outside the Belfast area, are recognized in a regional physical development strategy which is now being applied. This strategy is intended to govern spatial patterns of investment, particularly in the provision of industrial sites and in facilities for energy, water and sewerage and communications. Under the strategy, a concept of 'growth zones' is used and differing scales of development are envisaged. In general the strategy is aimed at the further development of zones based upon district towns, although some centres — particularly Belfast, Londonderry, Craigavon and Antrim/Ballymena — because of their size and development potential, play a particularly important role. The strategy is closely tied to programmes for infrastructure investments which seek to create facilities essential for economic growth and to relieve the strains on existing services imposed by present levels of development. Such investments in infrastructure will not be restricted to facilities directly required for industrial development, but will include measures to tackle problems of urban decay and inadequate and sub-standard housing, which are widespread through the region.

Measures for industrial development

Financial incentives

There is a wide range of incentives to provide new employment opportunities and to diversify the industrial base. The principal forms of assistance available to manufacturing firms are :

Standard capital grants and loans : grants are available at 30% towards capital expenditure on new machinery, plant and buildings. Loans or interest relief grants towards borrowings may be made for major rehousing and re-equipment schemes.

Selective financial assistance : assistance may be made available for creating employment in new industrial projects or in expanding or maintaining employment in firms whose continued existence is important to the economic development of the locality in which they are situated. Assistance is only made available where there is a prospect of financial viability, and is tailored to the needs of individual firms. Each 'package' of assistance is subject to cost-per-job rules and to a limit on the government contribution.

In addition the Northern Ireland Development Agency has been established to complement the work of the Department of Commerce in strengthening the region's industrial structure.

Industrial sites and factories

The Department of Commerce regards the advance provision, preparation and servicing of industrial sites as an important facet of regional policy which it couples with a continuous programme for the construction of advance factories in selected areas. The present programme takes account of local needs and of the prospects of arranging for suitable usage of the facilities.

Contribution from the Northern Ireland Development Agency to the survey of regional policy methods by the Economic and Social Committee

The Northern Ireland Finance Corporation was created in May 1972.

It invested the following :

£ 5 637 018 in equity,
£ 9 382 827 in loans,
£ 140 000 in guarantees,
in 33 companies.

The Northern Ireland Development Agency was created in May 1976. It inherited the Northern Ireland Finance Corporation's liabilities and assets.

Up to 31 August 1976 it had in addition invested or committed :

£1 136 000 in equity,
£1 580 000 in loans,
£ 100 000 in guarantees,
in 9 companies.

It has a total authorized fund of £ 50 million which is currently envisaged as being available at the rate of £ 8 million per annum to invest in commercial cases.

Its role will be to strengthen Northern Ireland industry by creating new ventures or helping existing industry.

It will :

- react to investment propositions put to it;
- seek to create new investment propositions, in partnership or as sole owner, particularly in high added-value industries which it would seek to locate in areas of high unemployment.

The Agency has not been given a termination date.

The main stimuli for attracting industry are :

- stable political climate;
- sophisticated planning and sales/promotion organization;
- relatively high initial cash grants and loans/guarantees to reduce initial financial commitment by promoters;
- guaranteed tax holiday;
- sufficiently developed infrastructure.

It is important that one government body is responsible for the coordinating of all the services to industry.

Lack of natural resources, except agriculture, necessitating the importing of all raw materials and energy producing materials, together with the peripheral geographical position of Northern Ireland, are the main obstacles which are hampering development in Northern Ireland.

A region in Italy (Calabria)

Area concerned

Whole of Calabria		Expressed as % of	
		Mezzogiorno	Italy
— area (square kilometres)	15 080	11.5	5.0
— population (in '000) on 31 December 1975)	2 034.4	9.8	3.6

Analysis of the regional situation which prompted the action

The base situation (1950s) :

- Employment and population :
 - a large natural increase in population between 1951 and 1961 (17.0‰ per year as opposed to the national figure of 8.5‰), which was due mainly to a very high birth rate ;
 - a very high net outward migration between 1951 and 1961 (35 000 persons per year, i.e. 17.0‰ of the population as opposed to 2.2‰ for the whole of the country), which cancelled out the growth in population;
 - a large portion of the total workforce employed in agriculture (64.9‰ in 1951 as opposed to 43.9‰ for the country as a whole);

- a low percentage of the total workforce employed in industry (17.2% in 1951 as opposed to 29.5% for the country as a whole and in the tertiary sector (17.9% v 26.6%).

— Unemployment :

- a very low level of registered unemployment : the number of persons registered as being out of work in 1954 totalled 95 000, which accounted for 4.9% of the country's total and represented 4.6% of the region's population — a figure comparable with the national unemployment percentage of 4.0%;
- an activity rate (37.7% in 1951) slightly lower than the national average (41.4%);
- a very high level of underemployment (in 1963-64, the productivity level was still 27% below the national average for agriculture and 54% below the national average for industry).

— Level of resources :

- the region's GDP in 1950 was 2.4% of the national GDP;
- the *per capita* gross product was 56% of the national figure.

Availability of continuously compiled statistics :

Various economic and social statistics are compiled continuously by official bodies (Istituto Centrale di statistica, Ministero del lavoro e della previdenza sociale) and semi-official bodies (Unioncamere, etc.).

In some cases these statistics are for both the region as a whole and the provinces and communes making up the region.

How did action arise ?

Which body requested that action be taken ?

The first substantial step to help the region was the setting-up of the Cassa per il Mezzogiorno (under Law No 646 of 10 August 1950) to rationalize agriculture and provide a basic infrastructure throughout the Mezzogiorno (Southern Italian mainland and islands together with certain parts of Latium, the Marches and Tuscany).

The Italian Parliament may therefore be said to have requested that action be taken.

What bodies were involved in preparing and implementing the action ?

Cassa per il Mezzogiorno (executive body);

Ministero per gli interventi straordinari nel Mezzogiorno;

Comitato dei ministeri per il Mezzogiorno (later Comitato interministeriale per la programmazione economica).

How long did the action take ?

The action was initially set to last ten years (1950-60).

Later, an extension was granted, in view also of changes made by law to the types of aid possible ('special aid'). At present, the 'Cassa' is to operate until 31 December 1980.

What type of aid was given ?

Type

Aid to firms (industrial and tourist)

- Subsidies,
- Soft loans,
- Tax relief,
- Employment premiums (fiscalizzazione degli oneri sociali),
- Preferential scheme for awarding public contracts,
- Tariff reductions, etc.

Infrastructure

- 'Special' aid for general infrastructure (road works, improvement of agricultural land, aqueducts, ports, airports, etc.);
- 'Special' aid for specific infrastructure projects (development of industrial zones, housing of workers, etc.).

Reserves

- Investment reserves of State and semi-State enterprises.

Origin

The aid mentioned above has been granted by the national authorities, mainly in the form of 'special' aid from the 'Cassa per il Mezzogiorno'.

Community aid has also been granted, mainly by the EAGGF (Guidance Section), the EIB and — from 1975 onwards — by the European Regional Development Fund.

Amount

At the moment it is impossible to assess the total amount of regional aid given to Calabria.

However, the Table on p. 100 provides some information about :

- The main areas of action of the 'Cassa';
- The amount of the employment premiums granted between 1972 and 1974;
- The funds made available to the region by the Community (European Regional Development Fund, EAGGF — Guidance Section, EIB loans).

The Table on p. 100 shows that substantial aid has been granted by the 'Cassa' in the following fields: infrastructure for the development of industrial zones (25.8% of the Cassa's total commitments made under this heading), ports and airports (25.2%), aqueducts (surface works) (16.6%), special projects (14.5%), subsidies for agriculture (more than 12%).

Relatively less substantial have been the incentives given to industrial enterprises (as regards subsidies, soft loans and employment premiums) and aid from the Community (it must be stressed, however, that the European Regional Development Fund's commitments are only for the first year of operation of the Fund).

What results were obtained ?

— Employment :

- between 1951 and 1975 the region lost more than 284 000 jobs;
- the percentage of the total workforce employed in agriculture declined over the 24 year period from 64.9% to 28.2%, a loss of roughly 335 000 jobs;
- employment in industry rose during the same period from 17.2% to 31.5%, an increase of roughly 52 000 jobs;
- employment in the tertiary sector rose from 17.9% to 40.3%, an increase of roughly 100 000 jobs;
- the activity rate dropped sharply from 37.7% in 1951 to 28.8% in 1975, compared with a 41.4% to 35.4% national drop.

— Inflation :

It is not possible to measure the impact of the regional aid on the level of inflation in the region.

It is possible to confirm, however, that for the whole of the Mezzogiorno, inflation measured on the basis of GDP has been higher than in the rest of the country. Between 1951 and 1974, prices increased by 314.1% compared with the national average increase of 264.4% (i.e. a divergence of about 14% over the 23 years).

Regional development expenditure in some sectors
(situation as of 31 December 1975)

Calabria

	Expenditure in absolute terms	as % of expenditure for whole of Italy
	(in thousand million lire)	
— <i>Commitments of the 'Cassa'</i>		
Infrastructure (projects approved)		
• Public works for improvement of agricultural land	177.6	9.8
• Industrial zones	210.5	25.8
• Aqueducts (surface works)	171.9	16.6
• Road works	80.1	7.7
• Ports and airports	85.0	35.2
• Work connected with tourist trade	15.2	8.3
Special projects (projects approved)	188.5	14.5
Incentives for firms (subsidies granted)		
• Agriculture	61.2	12.2
• Industry	43.7	3.0
• Tourism	3.4	12.6
• Fishing and craft industries	6.0	4.5
— <i>Soft loans for industry</i> (value of loans granted by credit institutes)	759.3	7.6
— <i>Employment premiums</i> ('fiscalizzazione oneri sociali' in the period 1972-74)	47.0	4.6
— <i>Aid granted by the Community</i>	(in million u.a.)	
• European Regional Development Fund	2.2	1.8
• EAGGF (Guidance Section)	11.8	2.5
• EIB loans	134.3	6.1

A region in Italy (Apulia)

Area concerned

Whole of Apulia		Whole of Apulia	
		Mezzogiorno	Italy
— area (square kilometres)	19 347	14.8	6.4
— population 1975 ('000)	3 771.9	18.2	6.7

Analysis of the regional situation which prompted the action

The base situation (1950s) :

— Employment and population :

- a large natural increase in population between 1951 and 1961 (15.4% per year as opposed to the national figure of 8.5%), which was due mainly to a very high birth-rate;
- a high net outward migration between 1951 and 1961 (32 000 persons per year, i.e. 9.5% of the population as opposed to 2.2% for the whole of the country);
- a large portion of the total workforce employed in agriculture (60.1% in 1951 as opposed to 43.9% for the country as a whole);
- a relatively low percentage of the total workforce employed in industry (19.0% in 1951 as opposed to 29.5% for the country as a whole) and in the tertiary sector (20.9% v 26.6%).

— Unemployment :

- a relatively low level of registered unemployment attributable, *inter alia*, to the region's economic structure; the number of persons registered as being out of work in 1954 totalled 199 000, which accounted for 10.2% of the country's total and represented 6.0% of the region's population;
- an activity rate (38.2% in 1951) slightly lower than the national average.

— Level of resources :

- the region's GDP in 1950 was only 4.6% of the national GDP;
- the per capita GDP in 1950 was 68% of the national figure.

Availability of continuously compiled statistics :

Various economic and social statistics are compiled continuously by official bodies (Istituto Centrale di statistica, Ministero del lavoro e della previdenza sociale) and semi-official bodies (Unioncamere, etc.).

In some cases these statistics are for both the region as a whole and the provinces and communes making up the region.

How did action arise ?

Which body requested that action be taken ?

The first substantial step to help the region was the setting-up of the Cassa per il Mezzogiorno (under Law No 646 of 10 August 1950) to rationalize agriculture and provide a basic infrastructure throughout the Mezzogiorno (Southern Italian mainland and islands together with certain parts of Latium, the Marches and Tuscany).

The Italian Parliament may therefore be said to have requested that action be taken.

What bodies were involved in preparing and implementing the action ?

Cassa per il Mezzogiorno (executive body);

Ministero per gli interventi straordinari nel Mezzogiorno;

Comitato dei ministeri per il Mezzogiorno (later Comitato interministeriale per la programmazione economica).

How long did the action take ?

The action was initially set to last ten years (1950-60).

Later, an extension was granted, in view also of changes made by law to the types of aid possible ('special aid'). At present, the 'Cassa' is to operate until 31 December 1980.

What type of aid was given ?

Type

Aid to firms (industrial and tourist)

- Subsidies,
- Soft loans,
- Tax relief,
- Employment premiums (fiscalizzazione degli oneri sociali),
- Preferential scheme for awarding public contracts,
- Tariff reductions, etc.

Infrastructure

- 'Special' aid for general infrastructure (road works, improvement of agricultural land, aqueducts, ports, airports, etc.)
- 'Special' aid for specific infrastructure projects (development of industrial zones, housing of workers, etc.).

Reserves

- Investment reserves of State and semi-State enterprises.

Origin

The aid mentioned above has been granted by the national authorities, mainly in the form of 'special' aid from the 'Cassa per il Mezzogiorno'.

Community aid has also been granted, mainly by the EAGGF (Guidance Section) the EIB and — from 1975 onwards — by the European Regional Development Fund.

Amount

At the moment it is impossible to assess the total amount of regional aid given to Apulia.

However, the Table on p. 96 provides some information about :

- The main areas of action of the 'Cassa';
- The amount of the employment premiums granted between 1972 and 1974;
- The funds made available to the region by the Community (European Regional Development Fund, EAGGF — Guidance Section, EIB loans, ECSC loans).

The Table on p. 96 shows that substantial aid has been granted by the 'Cassa', especially in the following fields: aqueducts (surface works) (25.7%), special projects (23.3%), work connected with the tourist trade (20.0%), development of industrial zones (18.8%), subsidies for fishing and craft industries (20.3%).

Extremely substantial has been the aid to help industry in all forms (subsidies, soft loans, employment premiums) and the aid from the Community (in particular, ECSC loans, EIB loans and aid from the European Regional Development Fund).

What results were obtained

— Employment :

- total employment remained practically stable (drop of around 10 000 jobs between 1951 and 1975);
- the percentage of the total workforce employed in agriculture dropped from 60.1% to 34.0% over the 24-year period, a loss of roughly 325 000 jobs;
- employment in industry rose from 19.0% to 30.5%, an increase of roughly 140 000 jobs;
- employment in the tertiary sector rose from 20.9% to 35.5%, an increase of roughly 175 000 jobs;
- the activity rate (working population expressed as a percentage of total population) dropped from 38.2% in 1951 to 32.3% in 1975, compared with a 41.4% to 35.4% national drop.

— Inflation :

It is not possible to measure the impact of the regional aid on the level of inflation in the region.

It is possible to confirm, however, that for the whole of the Mezzogiorno, inflation measured on the basis of GDP has been higher than in the rest of the country. Between 1951 and 1974, prices increased by 314.1% compared with the national average increase of 264.4% (i.e. a divergence of about 14% over the 23 years).

Regional development expenditure in some sectors

(situation as of 31 December 1975)

Apulia

	Expenditure in absolute terms	as % of expenditure for whole of Italy
	(in thousand million lire)	
— <i>Commitments of the 'Cassa'</i>		
Infrastructure (projects approved)		
• Public works for improvement of agricultural land	266.8	14.8
• Industrial zones	153.1	18.8
• Aqueducts (surface works)	266.0	25.7
• Road works	104.0	10.0
• Ports and airports	21.3	8.8
• Work connected with tourist trade	36.7	20.0
Special projects (projects approved)	303.2	23.3
Incentives for firms (subsidies granted)		
• Agriculture	64.3	12.8
• Industry	344.5	23.9
• Tourism	3.3	12.2
• Fishing and craft industries	27.1	20.3
— <i>Soft loans for industry</i> (value of loans granted by credit institutes)	2 074.2	20.7
— <i>Employment premiums</i> ('fiscalizzazione oneri sociali' in the period 1972-74)	164.0	16.0
— <i>Aid granted by the Community</i>	(in million u.a.)	
• European Regional Development Fund	26.5	21.4
• EAGGF (Guidance Section)	41.4	8.9
• EIB loans	355.5	16.2
• ECSC loans	238.9	55.1

A region in France (Saint-Anthème)

Saint-Anthème lies in the Monts Fore at a height of between 800 and 1 400 metres above sea-level. It is half-way between the regional capitals of Clermont-Ferrand and Lyons.

Saint-Anthème consists of 5 boroughs. In the mid-19th century the population was almost 8 000. In 1927 it had fallen to 5 000 and by 1976 to 2 234. This is a density of 17 inhabitants per square kilometre, as against an average of 73 per square kilometre for the *Département* as a whole. Saint-Anthème is one of the most sparsely populated areas in France.

Saint-Anthème covers 13 000 hectares, 64% of which are woodland and 25% arable land. In 1955, 37% of the total area was arable land.

Less than 50 years ago almost the entire population of Saint-Anthème was engaged in agriculture apart from a few small shopkeepers and craft industries. The largest cattle market was held in La Croix on 14 September every year and lasted 3 days. At that time, Saint-Anthème had : 1 magistrate, 2 notaries, 1 bailiff, 3 jewellers, 4 saddlers, 5 hatmakers, 6 cobblers, 1 lacemaker, 1 spinning mill, 1 miller, 6 milliners, 2 midwives, 3 tailors, 1 dyer, 2 coopers and about 10 clogmakers. Not one of these activities remains today.

Saint-Anthème's principal present needs are :

- better contact with the outside world;
- better internal communications;
- basic amenities.

Contact with the outside world : This includes roads, television and telephones. Considerable progress has been made in the latter area. Four out of five boroughs now have fully automatic exchanges.

Better internal communications : This means improving the rural road network, linking villages to towns, opening up arable land and woodland.

Basic amenities : Water; sanitation; tourist facilities.

The boroughs have very limited funds at their disposal. At the moment they bear approximately 60% of the cost of building roads, and between 50 and 80% of the cost of piping water. This is an excessively heavy burden.

Agriculture is trying to adjust. It is grappling with difficult weather conditions and fragmented farms, which are generally too small. In the face of all these problems, it struggles to survive with the aid of grants which are inadequate but at least are better than nothing. Agriculture is constantly forced to send SOS's calling for national and Community solidarity.

The average size of farms in Saint-Anthème is 10.5 hectares. The average farm has 7 head of cattle and only 18% of farms have more than 10 cows.

The average age of farmers is unfortunately very high :

- Only 4% of farmers are less than 35 years old;

- 37% are less than 50 years old, (i.e. approaching retiring age);
- 42% are more than 60 years old, (i.e. past retiring age).

What would happen if the authorities insist on applying national or Community averages to this area? This primitive but beautiful valley would become a total desert. If the limit of 40 hectares per farm were enforced,¹ there would only be 85 viable farms left in the area. Assuming an average of 4 persons per farm, the entire farming population of the area would total 340. If we assume an equal number of wage-earners, shopkeepers, craftsmen and public authority employees, the total population of Saint-Anthème would be between 700 and 800.

This would not provide enough 'trade' for a doctor, a chemist, a butcher or a grocer. Saint-Anthème would be drained of its life's blood. The forests would revert to wilderness. The inhabitants of the neighbouring towns who flock here to relax and get a breath of fresh air in the mountains would soon have nothing left but a memory.

Hennebont, France

The 'Forges d'Hennebont' were established in 1860 and encountered no serious difficulties during the latter half of the 19th century and the first half of the 20th century.

Since then, the technological and economic situation of the French steel industry altered radically and problems began to emerge. In 1957 a moratorium was declared and a management company was created. The company filed a bankruptcy petition in 1963.

For social reasons the public authorities were obliged to pour more and more public funds into the 'Forges'. By 1966 the State had paid out more than FF 91 million to keep the concern afloat.

By way of comparison, Brittany received a total of FF 96.5 million in selective infrastructure grants and industrial development premiums between 1960 and 1965. This assistance generated a total investment of FF 900 million and led to the creation of 15 000 to 20 000 full-time jobs.

It was obvious that an entirely new approach was called for.

First of all the government tried to solve Hennebont's problems by keeping the steel mill going, but it very soon became obvious that a cut back in the plant's operations would not be enough to reduce losses. Indeed there was every likelihood that such action would have the opposite effect.

Realizing that it was impossible to operate the 'Forges' at a profit, the public authorities decided to create new jobs in Hennebont.

¹ The author regards 40 hectares as the viability threshold for a family farm.

From 1966 approximately 1 350 new jobs were created in various industries with the help of public funds. Priority was given to finding alternative employment for the staff of the 'Forges', in particular by increasing the number of jobs for men.

It was decided to phase the 'Forges' out as other factories became operational. The action taken was the only way to create a sound economic basis in Hennebont and to safeguard the employment prospects of the 'Forges' workers and the other residents of the area.

Regional policy in West Germany (Excerpts from 'Regional policy for 21 million citizens', published by the Federal Ministry for Economics)

The pamphlet opens with a general description of West Germany's regional problems and the causes thereof. The brochure states that some regional imbalance is inevitable as a result of (a) uneven distribution of natural resources, (b) cyclical fluctuations, (c) technological and economic development, (d) failure to make full use of development potential in some regions. With regard to how economic or development potential is to be measured, the pamphlet states that *per capita* GDP is one of the best yardsticks.

It must not be forgotten that structural or cyclical conditions are often at the root of a region's difficulties. The pamphlet states :

'The regional employment situation can be used to distinguish between cyclical and structural weaknesses. In some regions unemployment has always been significantly above the national average. Such areas thus suffer from medium-term structural employment. In other regions unemployment increases more quickly than the national average during periods of economic recession. Such areas thus suffer from cyclical unemployment. Other regions consistently have relatively low unemployment despite structural weaknesses. This is due to the type of industry located in the area.

State regional policy endeavours not only to contain structural employment but to reduce it. In 1969 unemployment in the Leer was five times the national average. In 1975 the ratio was down to 2.1 : 1: The corresponding figures for Passau were 6.7 : 1 (1969) and 2.2 : 1 (1975).

In the context of overall policy, regional policy must also ensure that economic policy programmes make adequate allowance for specific regional policy interests. Medium-term regional policy has already had some success in solving structural employment problems. In 1975 unemployment was more evenly spread than in 1967.

The creation of new jobs and the modernization of existing jobs is one of the crucial aspects of regional policy. From 1972 to 1975, 419 000 new jobs were created and 404 000 were modernized with the help of State aids.

The following criteria were used to define development regions :

- anticipated job shortage;
- income levels below the national average;
- substandard infrastructures (measured by national yardsticks).

The development areas identified on the basis of these criteria fall into two categories with different structural defects :

(a) areas where existing industries are subject to considerable pressure to adapt, e.g. textile industries, automobile industry;

(b) low-income areas, i.e. predominantly agricultural areas for the most part.

Within these areas development is concentrated on a number of growth centres. 'The success of regional economic policy is contingent on (a) concentration of development on underdeveloped areas or areas which have been particularly hard hit by adaptation processes, and (b) concentration on growth centres within such areas. Development concentration is crucial to the profitability of essential State infrastructure investments and private investments. Adequate infrastructures, an ample labour supply and linkage economies are prerequisites.'

CHAPTER III

REGIONAL DEVELOPMENT AND INFLATION

Speeches by Professors Blehl and Courbis

Mr Blehl¹

I shall be dealing more with the general issues, whereas Professor Courbis — drawing on his special studies about the situation in France — will go more into detail and, in particular, will talk about the results of the model he has devised for France.

I should, therefore, like to start by saying a few brief words about regional development unemployment and inflation before moving on to discussing, more specifically, the contribution which regional policy can make towards the general drive to combat inflation.

I shall start by making what I think is an important distinction between *short-term* and *medium- or long term* economic policies, because misunderstandings frequently arise here. Short-term economic policy is usually anti-cyclical, or, to put the matter in a nutshell, a country's production capacity is under-utilized during a recession and over-utilized during a boom and the main problem then is to control *demand* so as to make the best possible use of this production potential. On the other hand, *regional policy*, like regional development, is of a medium or long-term nature. Here the emphasis is not on demand but on *supply*. It is, therefore, possible to consider regional policy as being one aspect of *structural policy*, alongside the policies devised to restructure individual industries or sectors.

In simple terms, the problem is that the supply in an economically weak region cannot compete with the supply from other regions in the open economies such as we know. Or, in other words, it is not a question of a lack of demand in those regions where there is high unemployment and unutilized production capacity, but rather that *there is not a competitive supply* there. The prices for goods and factors of production in these weak regions are simply too high. More precisely, we can say that the relationship between productivity and real wages (the remuneration paid for work), differs between the weak and strong regions.

¹ Professor of economics at the Technische Universität Berlin.

Some of the factors responsible for these differences in the *relationship between productivity and real wages* have an impact on both of these variables whereas others simply affect the real wages side. The collective wage agreements negotiated by both sides of industry belong to the latter group in probably all countries of the common market. By comparison, the factors which determine productivity are what I call 'potential factors' in line with a theory I developed some years ago. These are not the normal factors of production such as work and private capital (e.g. the provision of machinery for jobs), but natural factors such as a region's *location, climate, natural resources and topography* as well as other factors such as *settlement structure, population density, economic structure and infrastructure*. In simple language, productivity is a function of these fixed and indivisible potential factors that can be attributed to a job.

Regional policy studies which I have conducted in the Federal Republic with regard to joint Bund-Länder work on the improvement of regional economic structure have shown that regions differ substantially with regard to location, settlement structure, population density, economic structure and, in particular, infrastructure. As regards location, for example, a study which I have carried out covering 61 regions in the six old EEC Member States on the basis of data for 1968 has shown that the *per capita* income decreases as the distance from the Cologne-Düsseldorf centre of economic activity increases. In other words, a region's distance from the focal points of economic activity, i.e. its *peripheral location*, has a considerable bearing on income differences. The explanation for this is that the costs of bridging distances, that is to say 'communications costs' in the widest sense, invariably place the less developed and less densely populated regions at more of a disadvantage than not only the centrally situated regions but, in most cases, the more densely populated regions with better settlement structures too.

On the question of economic structure, we economists have known for a long time and have been able to prove clearly with the aid of statistics for a number of years that our national economies and the world economy are in a state of constant flux. As the *per capita* income increase in a country or the country's general level of development rises, agriculture's share of the national product drops and industry's share rises initially but then declines too. On the other hand, the share borne by services in the widest sense (including the public sector) drops initially and then rises again when industry's share starts to fall. This has a number of implications for regional policy which I shall summarize at the end.

Until recently there was no adequate information in the Federal Republic about *infrastructure* and the same can probably be said about many other countries. This was due to the fact that in the last seventy to eighty years, financial experts have concentrated almost on the discussion of tax problems and on tax burdens and have badly neglected the effects of public expenditure. For example, discussions have centred on how the distribution of incomes is influenced by taxation. There has, however, often been a failure to recognize that, due to differences in the regional distribution of public expenditure, the effects of taxation can be watered down and in many cases even turned around completely. For example, the infrastructures in the Federal Republics' so-called 'labour market regions' (of which there are 178) differ as a result of the way public expenditure has been distributed in the past.

Using data from the 1966-68 period, we investigated a total of seven different types of infrastructure, namely, roads, railways, energy networks (gas and electri-

city), number of places at schools and universities, number of hospital beds available and dwellings. In some cases, the ratios between the best and worst-equipped regions are immense. The greatest difference was in the number of hospital beds available, where the best region was three hundred times better off than the worst region. The smallest differences were to be found in the road networks, measured as the number of kilometers of road per square kilometre and with different weightings being applied to country roads, motorways, etc. None the less, the best-equipped region is still three times better off than the worst-equipped. Considering that the building of infrastructure and the supply of public assets also determine the productivity of jobs in a region, it is not surprising that this productivity varies considerably from region to region, even in the Federal Republic.

So much for the factors which determine productivity in this productivity/real wages relationship. On the real wages side, developments in all industrialized countries, including the Federal Republic, have been such in the last decade that inter-regional differences have dwindled more and more. In some countries wages and salaries have been almost levelled out from region to region. However, in view of the differences in productivity that exist, this means that in an extreme case the wage level is the same throughout all regions even though those regions which are extremely well endowed with potential factors have a high job productivity, whereas other worse-equipped regions have a lower productivity. That is to say, the better relationship between productivity and real wages in central, densely-populated regions exercises a *pull on jobs*, i.e. new jobs are created in these regions and induce people to move there, whereas in peripheral thinly-populated regions with their inferior settlement structures and shortage of infrastructure productivity is so low that the uniform level at which real wages have been set is too high in relationship to these regions' productivity factors. Therefore, there is unemployment and out-migration in these regions. In short, it can be said that the most important regional problem is the distortion of the productivity/real wages relationship, which produces a job surplus in central regions and a job deficit in regions on the periphery.

Inflation is tied up with this problem in so far as many governments have attempted to solve the problem of above-average unemployment and out-migration in the economically weak peripheral regions by creating extra demand. They have thus based their action on a *false diagnosis of the problem*, for they have assumed that if there is to be full employment in the weaker regions, it is important to create more demand there. Nevertheless, given the varying degrees of competitiveness at regional level, the creation of additional demand has not increased employment in the weak regions but has simply favoured the more competitive supplies of the more efficiently structured regions. Thus, unemployment in the weak regions could not be solved in this way and the creation of additional demand naturally kindled inflation. There is therefore a link between regional policy — as wrongly understood by many governments — and inflation in so far as the central banks have been forced or induced to increase the money supply and demand as well, more than they should have bearing in mind the quest for stability. It is possible to restore full employment by creating inflation, even in weak regions, but this must be done by constantly accelerating the pace of inflation, for inflation cannot lead to full employment as it is frequently assumed to do, unless the *actual* rate of inflation keeps constantly ahead of the *anticipated* rate. In reality, however, inflation is what financial experts call the most 'unsocial' and most unjust of all

taxes, for it weighs down on those people who, because of regulations or other agreements, are unable to pass on price increases without any difficulty and favours those who are capable of doing so or who can at least get over such increases quicker.

In recent years another factor has emerged not only in the Federal Republic, but also in all other industrialized countries. By this we mean the increases in the price of oil in the wake of the energy crisis. From the point of view of employment and growth in the industrialized countries, the rise in the price of oil can be simply described as being a tax which the oil-producing countries have charged the industrialized countries. If we had been prepared to pay this tax (irrespective of our political and moral views on this increase demanded by Opec), this would have signified that we would have had to reduce the amount of the national product spent on our own needs and instead sold more domestic goods in exchange for the more expensive oil imports. However, here too, the choice fell instead on increasing the money supply and engendering inflation in the hope that it would be possible to forestall the real impact of this oil tax on our industrialized countries. We have now learnt that this is not possible. We have already frequently experienced that if real burdens have to be alleviated, no attempt can or should be made to shift these burdens by pursuing an inflationary policy, for these burdens then usually have to be borne by those people who are least capable of bearing them.

I should now like to try and answer the question as to how regional policy can help to reduce inflation. I shall simply make a few brief comments on the matter at this stage, for I am sure that I will be able to go into greater detail during the discussion, if you so wish.

First of all, I would call for *an improvement in the provision of information about fundamental economic relationships*, especially with regard to the role played by public authorities and the central banks and the role played by both sides of industry on the labour market. We are suffering from a lack of information and, in many cases, from a provision of one-sided and therefore often incorrect information about these fundamental relationships. This task is naturally made more difficult by an ideologically motivated distribution of information, which deliberately distorts these relationships or attempts to play down their stringency. However, as somebody has said, we are living in a barren world of scarce resources, i.e. our resources are too scarce to satisfy our needs and the basic economic problem is deciding for which purposes our resources are to be used and for which they will then no longer be available.

The second problem is related to the special nature of regional policy to which I have already referred. *Regional policy must be a medium- and long-term policy acting on supply* and should not be twisted round into becoming a short-term policy for the control of demand. Its aim must be to improve the resources available in the weak regions, and to enable these regions to compete more fairly with wealthier, well-structured, well-situated and better equipped regions in central locations. This means that a number of illusions relating to the potential impact of regional policy must be cast aside. For example, it is not possible to increase the supply potential of regions to any appreciable extent by channelling a few resources from the densely-populated areas to the worst-structured areas on the periphery. For there are so many factors, starting with the natural environment and, as I

have said above, continuing right through to the building of infrastructure where these peripheral regions are much worse off than the centrally situated regions that it would require a huge transfer of resources to make these regions as efficient as the others. At all events, the price to be paid for such a policy — as for any other massive redistribution — would be lower aggregate economic growth. On the other hand, a redistribution of resources is a positive step, even in the context of greater aggregate economic growth, if these resources are moved from the over-populated areas to those areas where the density of population is very low and where good settlement structure and infrastructure is at a minimum. This does not mean that the peripheral regions would have to be written off, but that the measures taken to aid them must be viewed as being measures to 'establish social justice' and cannot be expected to increase the growth potential of a nation or a community by any appreciable amount. A distinction must be made here between growth-oriented and *distribution-oriented* regional policy.

The third conclusion to be drawn is that we need better-coordinated State planning and more scope for firms to spread their wings on the market. What we experience today is mostly the opposite. State planning lacks coordination and is becoming more and more confused. On the one hand, regional policy aids peripheral regions and, on the other hand, the funds available for expanding motorway networks to peripheral regions, for example, are reduced and, in the Federal Republic, are even used to finance the building of underground railways in densely populated areas. Regional policy with the small funds it has at its disposal cannot counteract the massive impact made by the regionally-biased distribution of other public expenditure and it is therefore not surprising that regional policy is not very successful. The public sector is an area in which coordination cannot be brought about by market decisions on a decentralized basis but where politically inspired planning decisions must be put into practice in a consistent and coherent manner. In the market sector, on the other hand, I think that the scope for private initiative by firms has been restricted more and more in the last decades not only in the Federal Republic but also in other countries I know. During the fifties and at the beginning of the sixties when the scene was ripe for high growth in the Federal Republic, for example, to cater for the backlog of demand caused by the war, tax concessions were granted on a very high scale in support of growth, especially in support of research and development, and firms were given numerous opportunities for writing off investments against taxes. Now, however, at a time when such concessions are urgently needed to combat the extremely strong pressures being exerted by the structural change in the world economy, we find that they are no longer available to the same extent and have, in fact, been cut back considerably in the meantime. We still need what Schumpeter once called pioneer enterprises, i.e. entrepreneurs who are not only 'coupon clippers' but who also invest money in new products, in new services and in research and innovation. After all, our countries in the European Community now belong to those countries which, economically speaking, have progressed furthest and, for example, can no longer simply take over the technologies developed by the USA. Because we are now at the top of the ladder, we must produce scientific and technological advance ourselves. In other words, more resources must be used for these purposes. This is also the idea behind the development of the tertiary and quaternary sectors (services and research) in advanced societies.

A further conclusion to be drawn is that *we must be prepared to accept structural change in the world* and give our active support to such change wherever it is

necessary instead of hampering it by introducing protectionary measures. We know that structural change is exerting most pressure on the labour-intensive industries in all of our countries. Studies in the Federal Republic have revealed that the leather, textile and furniture industries and part of the optical goods and motor car industries are under greatest pressure and that naturally the regions where these industries are most strongly concentrated are hardest hit.

Monetary policy will, however, continue to determine the general framework for this policy. I believe that it is impossible to ignore any longer the principle — whose importance has come to the fore once again in recent years — that the cause of inflation is always an excessive increase in the money supply. If under these conditions stability is to be our policy and the rate of inflation is to be reduced where it is unduly high, or held down where it would seem to be at a tolerable level, this means that monetary policy provides the framework for a policy of real wages. If wage agreements break out of this framework, unemployment and out-migration will ensue, especially in the weak regions and to a lesser extent in economically strong regions too, and the distribution of incomes between regions and individuals will deteriorate.

Mr Courbis¹

I would first of all like to thank you, Mr Chairman, and your Section for having given me this opportunity to speak to you. The question you are dealing with — the impact of regional policy on regional development, unemployment and inflation — is very important in my eyes, from the point of view of the restoration of economic equilibrium in the present situation. As Professor Biehl has pointed out, increases in the prices of commodities (which means that countries must set aside larger portions of their national products for restoring their external balances) are perhaps more evident now than in the past.

In his speech, Professor Biehl stressed the influential role played by supply and the factors of supply at regional level, whereas traditionally a much greater emphasis has been placed on demand. I fully agree with Professor Biehl and my speech will be along much the same lines. I shall demonstrate the potential importance of regional factors of supply for not only regional equilibrium but also national development (and, more especially, a country's inflation, employment and trade balance).

It must not be forgotten that, in the medium or long term, demand in a region influences production and employment in that region only in part; basically, such demand is mainly linked to tertiary activities. On the other hand, as far as the majority of other activities, especially industrial activities are concerned, the decisive factor in medium- and long-term growth is not the demand in one region nor the demand in several regions (which would suppose specialization) but the rate of capital accumulation in a region and thus the openings to invest there and the

¹ Professor at the University of Paris X-Nanterre; lecturer at the Ecole Polytechnique; Director of the GAMA (Applied Mathematics Analysis Group).

decisions taken to make such investments. This does not mean — and I shall return to this point later — that the factors of demand do not have any influence, especially with regard to regional employment or national inflation; it is simply that — in the medium- and long-term — they are of secondary importance when compared with the factors on which potential regional growth depends.

I would like to centre my speech on three points. Firstly, I shall analyse how regional factors, and consequently the policies for correcting regional disequilibria, can effect national development, inflation and employment. I shall then illustrate this analysis, taking as my example the impact of switching industrial activities between the major regions of France. And finally, in the light of these facts, I should like to draw a number of conclusions about the advantages of, and need for, a regional development policy geared to the correction of inequalities and tensions that may jeopardize national development and kindle inflation.

Let us start by considering the *regional instruments* which can influence inflation and employment. These can be classified into two groups — supply factors and demand factors.

With regard to *supply*, the emphasis should be placed on two aspects :

- Firstly, there are the factors relating to *productive structures* and especially the productivity of labour. I shall not dwell on this point because Professor Biehl has talked about it at length and I agree fully with what he has said; I particularly agree with him with regard to the influence which infrastructure expenditure may have on the productivity of labour at regional level, and also with regard to the major impact which the productivity of labour may have on regional costs and consequently on investment openings in various regions (and accordingly on regional development as well as on national cost trends and, in turn, on a country's inflation, competitiveness, trade balance, overall level of production and employment).
- The second factor which I should like to stress is the *fixing of wage rates* which, together with the productivity of labour, is clearly a basic factor in determining wage cost trends and, consequently, in determining the rate of growth of costs and with this profit trends, inflation and openings for investment and growth;

I shall be using the situation in France as my example here but I imagine that much the same could be said about other countries in the Community. The salient feature of the French labour market is that it is not homogeneous. The various econometric analyses carried out show on the contrary that it is a polarized market in which one particular region, the Paris region, leads the rest. In other words, the wage increases which might be granted to workers in the Paris region for one reason or another, spread very rapidly to the provinces. This means that there is a link between wage rate trends in and outside Paris.

Wage increases in the Paris region therefore have a *snowball effect* on increases in the provinces without the reverse being true or of any significance. In brief, it can be said that there are two different processes. Firstly there is the fixing of wage levels in the Paris region, where the causes are mainly the rise in retail prices in this region and the situation on the labour market there (jobs vacant and wanted, total unemployment and frictional unemployment). In the provincial regions, however, the influencing factors are the conditions on the local labour market

(i.e. total or partial unemployment in the particular region) as well as the rise in wages in the Paris region or — in the case of some border regions such as Alsace and Franche-Comté — the rise in wages in neighbouring countries.

This leads to asymmetry in the processes for the fixing of wages which plays a very important role. The impact on the average wage increase throughout France of creating new jobs in the Paris region will be different to the impact creating these jobs in the provinces. If these jobs are created in the Paris region, wage rates will increase there and then spread to the other regions, so much so that finally the increase in wage rates throughout France will be around the average. If these jobs are created in a provincial region, however, this snowball effect does not take place or takes place to a much lesser extent so that the impact on other regions is weak and hence the average increase in wages for the whole of France is lower than in the previous case.

In addition, the processes leading to the *demand for labour* differ from region to region (mainly as a result of the more urban or more rural nature of regions) with the result that the impact which the creation of a specific number of jobs has on unemployment and the labour market varies from region to region.

In rural regions there may also be disguised underemployment in agriculture or certain traditional sectors (for example, in a region's tertiary sector). Consequently, the creation of unskilled jobs (or, in other words, the development of certain types of industrial activity) may increase the number of vacancies in non-farming or non-traditional sectors with the result that the impact on this region's labour market and on the balance between job vacancies and job applications is much weaker than it would be in other more developed regions and especially in the Paris region.

Because of these two factors (asymmetry in the snowball effect of wage increases and the differing effect which the creation of a fixed number of new jobs has on the labour market and on unemployment from region to region), the impact of location of new work or new jobs on the average rise in wage rates throughout France also varies greatly from region to region.

Consequently, the creation of jobs in one region has a greatly differing effect on wage costs for the whole of France than the creation of the same number of jobs in another region, and thus has a greatly differing effect too, as pointed out above, on cost prices, profitability, and investment openings and, it also follows, on inflation, growth and trade balance.

This phenomenon is, I think, very important in France's case, but I think that other examples could be found in other countries of the Community. Thus, it seems to me that in Italy the Milan region plays much the same kind of leading role. And in the case of the United Kingdom and even Ireland, the London/South-East England region also seems to show the way, according to certain UK analyses, when wages are fixed from region to region.

This phenomenon is very important, for it explains why the impact of productive investments or additional public expenditure on a country's inflation and the major components affecting equilibrium in a country may vary greatly depending on where these investments are made or this expenditure is allocated.

Let us now take a quick look at *demand* factors. It is quite clear that some of these factors also have an impact on a country's rate of inflation and the major components affecting equilibrium in a country.

First of all, if we study French statistics, for example, we can see that consumers' and savers' habits vary greatly from region to region, the *propensity to consume* tending, for example, to be much stronger in a predominantly urban region such as the Paris region and weaker in the more rural areas, such as western and south-western France. Consequently, the impact which the distribution of additional income has on private consumption and demand, and, as a result, on the overall forces of demand at regional and national level varies enormously from region to region. This will have a bearing on both the rate of inflation and the trend in the trade balance (the trade balance being equal in the final analysis to the difference between possible national production and total demand).

At the same time, some aspects of autonomous demand depend heavily on the distribution of population both between and within regions. Depending on the increase in the size of conurbations and the scale of the exodus from the land or the net out-migration from some regions, *housing* needs will be very different in those regions where the population rises, and throughout France as a whole. If for example, there is an increase in the exodus from the land and a growth in urbanization (meaning *a fortiori* a growth in population in the large conurbations), there will be an increase in housing needs and (whether directly as a result of the market forces or indirectly through the pressure which this may exert on public decisions to build more homes) this will result in a rise in the demand for investments in housing and it follows, in greater overall demand.

The same is true for *infrastructure* and especially for investments in urban infrastructure. Statistics produced in France show that the *per capita* cost of urban investments rises sharply with the size of conurbations. Accordingly, the greater concentration of population in certain regions or agglomerations tends to increase public needs and investments, especially infrastructure investments. This will exert a pressure on total demand, which in turn will clearly affect the rate of inflation and competitiveness as well as employment and the trade balance.

In short, it would seem that the spread of work, investments and population through these various channels both within and between regions clearly has an influence on the equilibrium between and development of regions as well as on *national development* and, more especially, the rate of inflation, national growth, the trade balance, national employment and public finance.

I would now like to illustrate what I have said above by referring to some of the results which the influence of regional factors has on a country's rate of inflation and the major components affecting a country's equilibrium. In the case of the French economy, we at the GAMA have built a simulation model of national and regional development for the Commissariat général du Plan (Regina model)¹. In this model, national and regional development are depicted as being interdependent.

¹ For further information about this model see R. Courbis 'Le modèle Regina, modèle du développement national, régional et urbain de l'économie française' - — *Economie appliquée* - Vol. XXVIII, 1975, Nos 2 and 3.

The model deals with the influence of national factors on regional development and, conversely, the channels through which the accumulative effect of various developments at regional level helps to determine the development of the country as a whole.

With this model, which is a medium-term simulation model, it is possible to analyse what the effect could be of a deliberate change, for example, in the spread of activities or the spread of the population, or the effect of regional policy, on the major components affecting a country's equilibrium.

The Table on p. 115 enables a comparison to be made between five variants all of which are based on a progressive change over a period of ten years in the distribution of industrial investments between five major regions in France: the Paris region (which leads the others and is a highly developed and highly urbanized region); the planning regions of the Paris basin which surround the Paris region (and which in many cases are areas of industrial decentralization); the redevelopment regions of eastern and northern France; the Grand Delta of the Rhône valley; and western and south western France (more rural and less developed).

The purpose of these five variants is to analyse the influence, over a period of ten years, of a change in each of these regions' share of industrial investment. More precisely, we have considered a progressive change of two points in one of these regions' share of industrial investment, in relation to the national total. This amounts to supposing a transfer of roughly FF 4 500 to 5 000 million, at 1980 prices, to the region under consideration from the four others. To simplify calculations, it was assumed that the drop in investment in the four other regions was in proportion to the investment in these four regions.

What is interesting to note is that the results at national level vary considerably depending on the regions profiting from the transfer of investments. Such transfers might appear *a priori* to be neutral because the growth in industrial investment in one region is supposed to be strictly offset by a drop in investment in the four others. If the regional phenomena mentioned above were not taken into account, it might be simply concluded that, in the final analysis, nothing would happen at national level and that there would simply be a change in the investment pattern between regions. The national total would remain constant because what was given to one would be taken away from the others.

In view of the phenomena described above, this is not in fact true. Regional factors have a very important influence on national development in actual fact, so much so that such a change in the spread of investments between the five major regions in France mentioned above has quite significant consequences (even though only 2% of industrial investment or roughly 0.2% of gross domestic production is being transferred).

The Table on p. 115 clearly shows that the effects over a ten-year period are very substantial. Thus, *gross domestic production* in terms of volume varies by — 0.7% in the worst case (i.e. when the Paris region's share of investments is increased), and by + 0.44% in the most favourable instance (when industrial investments in northern and eastern France are stepped up).

At the same time, it can also be seen from Table 1 that the potential impact on total employment and national unemployment varies considerably in accordance

Impact of the regional location of investments

*Impact over a ten-year period (1970-80) of a progressive two-point increase
in one of the five Regima regions' share of industrial investments
(the four other regions' shares being reduced accordingly)*

	Paris region variant	Paris basin variant	North and east variant	Great Delta variant	West variant
Gross domestic production in terms of volume (%)	- 0.66%	+ 0.38%	+ 0.44%	- 0.03%	- 0.46%
Total employment (1000)	- 88.5	+ 47.6	+ 44.5	- 1.25	- 37.4
Total unemployment (1000)	+ 86.2	- 44.6	- 40.8	+ 10.5	+ 30.6
Hourly wage rate (%)	+ 0.53%	- 0.56%	- 0.56%	+ 0.06%	+ 0.23%
General price level (%)	+ 0.45%	- 0.35%	- 0.44%	+ 0.05%	+ 0.44%
Trade balance in terms of value (FF 1000 million at 1980 prices)	- 2.71	+ 1.98	+ 3.01	- 0.04	- 2.40
Public finance needs (FF 1000 million at 1980 prices)	+ 4.2	- 1.8	- 3.0	- 0.1	+ 2.9

with the regions which profit from this switch of investments. In the worst case, there is an increase in national unemployment of roughly 86 000 persons over the ten-year period, whereas the assumed reallocation of investment would result in a transfer of only 40 000 industrial jobs to the one region in question. It might have been presumed that unemployment would end up by dropping by 40 000 in the recipient region (in this case the Paris region) and increasing by the same amount in the four other regions, with the overall total of persons out of work remaining the same. In actual fact, however, there is a sharp increase in unemployment (+ 86 000 persons).

In the most favourable case (greater industrial investment in the Paris basin), total national unemployment drops on the other hand by roughly 45 000 persons.

These results clearly show that regional factors and regional policy can have a very important influence not only on regional employment (as is clear), but also on aggregate employment, unemployment and growth throughout a country.

It is interesting at the same time to note that they also have an important influence on a country's rate of inflation, its trade balance and the balance-of-payments and public finance situations. The impact on the general level of prices over the ten years may be -0.45% in the most favourable case (increase of northern and eastern France's share of industrial investments). On the other hand inflation will increase if industrial investment is stepped up in the Paris region (the general price level rising by 0.5% over the ten-year period). There is a 1% difference between these two extremes, i.e. 0.1% per year, in return for a transfer of investments amounting to only 0.2% per year of total industrial investments (i.e. the effect would be of the same order as the effect of switching investment or production from the one region to another).

Another interesting fact worth pointing out is the influence on the trade balance. This is the outcome of changes in the average productivity of labour, in wage costs and in profits in each region and thus of the nation's profits and the rise in prices.

Therefore, the country's competitiveness and, in turn, its trade balance vary considerably with the region in which industrial investments are increased. If northern and eastern France are given this increase in investments, it can be seen that the trade balance improves quite considerably, namely by FF 3 000 million over ten years (in return, it should be remembered, for a progressive transfer of investments to the tune of FF 4 500 to FF 5 000 million at 1980 prices). In the worst case, however, (growth in the Paris region's share of industrial investments), the trade balance deteriorates by slightly less than FF 3 000 million.

Similarly, it can also be seen from the table that the impact on public finance differs enormously. Increasing industrial investment in northern and eastern France would thus reduce public finance requirements by some FF 3 000 million (i.e. by roughly the same amount as the annual transfer of investments). This is easily understood, being the outcome of (a) the increase in gross domestic production in terms of volume (which increases fiscal revenue) and (b) the slowdown in inflation (which keeps the increase in public expenditure down).

It can thus be seen that regional policy can not only restore balance and reduce inequalities between regions (for example, by successfully redeveloping northern and eastern France) but also make a considerable impact on a country's rate of inflation and trade balance, and even improve the public finance situation.

The influence which might be exerted by the transfer of industrial investments depends on both the region receiving these investments and the region from which these investments have been taken away. It is possible to analyse the impact of transfers from region to region, as we are in the process of doing, and the results obtained can be quite interesting. It can thus be seen that increasing eastern France's share of industrial investment and reducing the Rhône delta's share (which runs counter to the policy pursued in recent years) would have a beneficial effect on the country's equilibrium and leads to both an improvement in the trade balance (and the foreign payments situation) and a certain slowdown in national inflation.

At the same time, it must be noted that the national impact of a transfer of investments depends on the initial economic situation in the regions in question and the nature of the activities involved. Results will vary with different types of activity and depend, for example, on whether heavy or light industries are involved and whether these industries have high or low productivity rates. This is very important for western France, for example, where the results given above (based on an average industry) are poor. These results would be different if specific types of industrial activity were taken into consideration and if, at the same time, the net outward migration from western and south-western France to other regions could be curbed. Mixed policies dealing with both the redistribution of industrial investment and the spontaneous migratory trends between regions could, at the same time as creating jobs in industry in western France and stopping migration from this region to the rest of the country, also have a positive effect on the trade balance and lead to a slight slowdown in national inflation.

It may be concluded from the results set out above that the potential national impact of regional factors and regional policy is not in the final analysis of secondary significance, but may in fact be very important. In the examples quoted, the results obtained are of the same order of magnitude as the initial variations, which clearly shows that regional policy may have an important effect and may contribute effectively towards improving national development and, more especially, towards increasing regional and national employment levels, curbing national inflation and improving a country's competitiveness and trade balance, etc.

The first conclusion that I would like to draw is therefore that regional factors and spatial factors in the wide sense, both within and between regions, may be of importance not only for regional development but also for the level of employment and inflation throughout a country.

This is the direct answer to the question under consideration. The lesson that can be learnt from this is *the potential fundamental advantage of a regional policy which restores equilibrium between regions or acts in the interest of the major components affecting a country's equilibrium*. However, there may clearly be a clash between policies for reducing regional inequalities (i.e. reallocation policies) and policies for improving national development (cf. the impact of a growth in industrial investment in western France). It seems nevertheless that these two objectives can be reconciled by giving some consideration to mixed policies where negative effects can be compensated by appropriate countermeasures.

The second conclusion I would like to draw is that, apart from regional policy being potentially advantageous from the point of view of national and regional

equilibrium, it is also *necessary* for two reasons. Firstly, at the present juncture it would seem that inequalities between regions will hardly tend to diminish over the next ten years, at least in France, in contrast with the tendency for regional disparities to be reduced that was noticeable in France from 1965 onwards, particularly between western and eastern France. General forecasts looking forward to 1980 or 1985 and covering either the five *Regina* regions or the 21 planning regions seem to indicate that this tendency will not be repeated again in the future and that the gaps between existing inequalities will widen or, at the very best, will remain as they are at present. This is easy to understand for the slowdown in national growth reduces the total value of investments and therefore the value of 'non-specified' investments which can be allocated to regions as is felt fit. In turn this reduces the chances of job-creating investments being made in peripheral regions. The openings and opportunities for investment are lessening at the moment with commodity prices rising and the development of France's and various other economies slowing down and this will be felt much more strongly in weak than in highly developed regions. There will therefore be a trend towards greater inequality.

In the present economic situation, a regional policy appears to be even more important and more necessary than in the past, both from a regional and a national viewpoint. A suitable regional policy has in fact been seen to exert a major influence, not only on regional inequalities but also on national development and could in time improve France's public finance or balance-of-payments situation by several thousand million francs. In view of the problems facing the French and various other national economies, especially with regard to foreign payments, it would seem to be quite vital to set in train a medium- or long-term policy of regional action for restoring equilibrium which will be likely to improve the development of the country as a whole.

Of course, this will not be a short-term policy which will be capable of bearing fruit in a few months or years. However, it will slowly take effect. As far as the French economy at least is concerned, such a medium- or long-term regional policy seems to me to be quite essential for improving the country's competitiveness structurally and cushioning certain trends towards disequilibrium.

Finally, the third conclusion I would like to stress is, as Professor Biehl has already said, the benefit to be gained from improving statistical information, which is too frequently inadequate or mediocre. If the emphasis has hitherto been placed on national analyses in forecasting and planning work, this is partly due to the fact that regional analyses are lagging behind and statistical information about regions is lacking.

To back up this wealth of statistics, it would be interesting to try and quantify in more detail the potential effects of regional policy. If it is not possible to demonstrate the effects which regional policy or regional factors have on the whole of the economy, the natural tendency then is to consider that these effects are negligible. Reliance is then placed on traditional national policies and certain essential structural factors are in fact forgotten, especially those which only have a medium- or long-term effect.

If decision-taking is to be improved in this domain, it is very important to step up quantitative work and statistical information so as to keep a better watch on pro-

blems and get a clearer picture of their consequences and also so as to improve knowledge and thus make greater allowance for the possible repercussions of regional policy and regional factors at the various levels.

It will thus be possible to increase the effective importance of regional policy in decision-taking. This policy will then be able to make a real contribution — mainly towards the search for ways of reducing inflation and improving employment levels.

CHAPTER IV

AID FROM COMMUNITY BODIES

At the end of 1976, the Commission published a brochure about Community aid. The purpose of this brochure is to provide information on the Community's financing facilities and the procedures to be followed by those who wish to use them. Those parts of the brochure that are of particular relevance to the opinion are set out below.

ECSC financial aids

Eligible projects :

- Investment programmes in the coal, iron and steel and iron-ore industries intended to promote the production of coal or steel ;
- Works and installations which contribute directly and primarily to increasing the production, reducing the production costs or facilitating the marketing of coal and steel ;
- Conversion programmes intended to facilitate the creation of new and economically sound activities or for the conversion of undertakings likely to provide productive re-employment for workers in the coal and steel industries who are already redundant or shortly to be made redundant;
- Building of dwellings for workers in the coal and steel industries.

Types of aids :

- For loans to industry, the proportion of the investment which may be financed by ECSC funds is determined by the Commission;
- For conversion loans the ECSC contribution generally covers 30% of the cost of a project for individual loans, and under certain circumstances, may cover 40% for block credits (block credits or global loans are used to encourage investment by small- and medium-sized undertakings which create new activities in these regions where ECSC activities predominate);
- The ECSC may also guarantee investment projects in the fields concerned by guaranteeing borrowings made by the undertakings from third parties;
- Loans for the building of dwellings for workers in the coal and steel industry may cover as much as 20% of the investment costs for new dwellings and 35% for the modernization of old dwellings.

Non-repayable aid for the retraining of workers. These go towards :

- The payment of tide-over allowances to workers;
- The payment of resettlement allowances to workers;
- Financing the vocational retraining of workers having to change their employment.

European Investment Bank

The task of the European Investment Bank is to contribute to the development of the common market by granting loans and supplying guarantees. For this purpose it assists the financing of the following types of project in all sectors of the economy :

- Projects for developing under-developed regions;
- Projects for modernizing or converting undertakings or for launching new activities called for by the progressive establishment of the common market;
- Projects of common interest to several Member States.

Depending on the size of the project, action by the Bank takes the form of granting individual loans, or global loans (through the intermediary of financial institutions) where it is a matter of financing small- and medium-sized projects.

Priority is given to projects which contribute to the development or balanced restructuring of the least-favoured regions of the Community.

Global loans (90% of which are channelled to the industrial sector) in practice cover almost all projects coming under this heading, since projects with other aims are generally on a larger scale.

European Regional Development Fund

The aim of the European Regional Development Fund is to help correct the principal regional imbalances within the Community which have come about mainly from a preponderance of agricultural activity, industrial change and structural under-employment. The Fund's resources may be used in all regions and zones which benefit from a national system of regional aid.

The Fund's assistance should not lead Member States to reduce their own regional development efforts but should complement these efforts.

EAGGF

The European Agricultural Guidance and Guarantee Fund is the expression of the financial solidarity of the Member States within the common agricultural policy. Whilst the Guarantee Section finances the expenditure connected with supporting

agricultural markets, the Guidance Section covers expenditure connected with the improvement of agricultural structures, in accordance with the objectives set out in the Treaty, within the framework of joint projects or individual projects. It applies solely to agriculture, horticulture, fisheries and related industries. The Guidance Section also plays a specific role in the form of aid for projects in mountain and hill farming and other less-favoured areas.

Introduction by the Member States of a special system of aids to ensure the continuation of farming and the maintenance of a minimum population, or conservation of the countryside in certain less-favoured areas with adequate collective services and amenities, particularly in hill and mountain areas.

European Social Fund

The European Social Fund has the task of 'rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community'.

Eligible projects :

- preparation, operation and management of vocational courses;
- assistance to participation in training courses;
- change of residence to take up a job;
- assistance to integration into the new social and working environment of persons (and their families) who are obliged to change their place of residence to take up a job;
- measures to remove obstacles which make it difficult for certain categories of disadvantaged workers to take up available employment.

European Communities — Economic and Social Committee

**‘How Regional Development helps to solve Unemployment and Inflation’
Opinion of the Economic and Social Committee**


Luxembourg : Office for Official Publications of the European Communities

1977 — 124 p. — 14.8 x 21.0 cm.

DA, DE, EN, FR, IT, NL

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In an Opinion begun on its own initiative, the Economic and Social Committee examines the contribution which regional policy can make towards coping with the Community's overriding need to reduce unemployment and inflation. In a number of case studies contained in the report and in two papers on 'Regional Development and Inflation', the Committee found grounds for its analysis to show that by helping to eliminate excessive imbalances and create more equitable conditions for development in various areas, regional policy *ipso facto* reduces pressures and inflation. Similarly, by allowing economic and pay policies to develop in parallel, it prevents ruptures that would be prejudicial to employment.



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