

INFORMATION

REGIONAL POLICY

REGIONAL STRUCTURES AND POLICIES IN THE UNITED KINGDOM

15/72

What are the regional economic features and policies of the four countries which are to enter the European Community on the first of January next ?

The Directorate-General of Regional Policy of the European Commission has made a series of studies, sketching the picture in each of the four new member countries.

Below is an account of the position in Great Britain. The others will follow.

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Two large groups, eleven regions

The United Kingdom (population 55.8 million) falls into two large regional groups, each with its individual characteristics. These are, the North West (5 regions - Northern Ireland, Scotland, the North of England, North-Western England and Wales); and the South-East (6 regions - Yorkshire and Humberside, West Midlands, East Midlands, East Anglia, the South-West, the South-East).

The approximate dividing line between these two main groups is a curve running from the Severn estuary on the west to the centre of the North Sea coast on the east.

The North-West is the more mountainous and the less fertile. It covers 57 % of the national territory, has a population of 19.6 million (35 % of the total) and in twenty years it has lost a million inhabitants through emigration to other parts of the country. It accounts for 33 % of the total employment. It has more than its share of declining or relatively non-expanding industries, including 45 % of the jobs in British coal-mining, 63 % of those in ship-building, 50 % of those in textiles. Over the 1959-71 period, unemployment in the North-West ranged between 2.5 % and 8 % of the insured population.

The South-East, the more sunny area, has a population of 36.2 million (65 % of the total) and its density is more than double that of the North West. The industrial and urban concentrations are bigger, including both London (pop. 8 million) and Birmingham (pop. 2.4 million). It provides 67 % of all the jobs in the United Kingdom; and unemployment in 1955-71 has been about 1.5 %. The employment includes 67 % of the jobs in the machinery industries, 70 % of those in electronics and 75 % of those in the automobile industry.

A comparison by regions of the gross internal product per head shows that, with only one exception - Northern Ireland where the index is 66 % of the average - the disparities between London (index 113) and Birmingham (109) and the less favoured regions (Scotland, Wales, the North of England, East Anglia and the South-West), where the index is between 85 and 88, are not as great as those existing in some countries of the Six-nation European Community.

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Development of regional problems

Regional problems in Great Britain already have a long history, dating back to the great slump in the thirties. At that time Great Britain had 3 million unemployed, or 19 % of the working population; but these were unequally distributed, with a 13 % rate in the London area and 38 % in the North-West regions, which are the producers of coal, steel, ships and textiles. By 1940, the working population was to increase by 50 % in the London area and decrease by 7 % in the North-West. Great Britain had by

now officially recognised her "depressed areas". The first legislation, enacted in 1934, created the "special areas", setting up industrial zones and encouraging their use for new industrial development.

It was not, however, till 1945 that another Act marked the real beginning of British regional policy. This law provided for the creation of four "development regions" (the North-East coast, South Wales, Central Scotland and Cumberland), where most of the activity was in coal-mining, iron and steel and ship-building. Their population is around 10 million, or some 20 % of the national total. Powers were vested in the Board of Trade (now the Department of Trade and Industry) to acquire land, construct industrial buildings and re-develop abandoned sites. To combat urban concentration, the Act introduced the requirement of construction permits for buildings above a specified size.

In the 1945-59 period, 200,000 new jobs were created in 60 of the government's industrial zones; but unemployment in the development regions was still double the British average.

In 1960, increased unemployment led the government to amend the legislation. The development areas were superseded by "development districts", defined simply as any locality in which high unemployment might occur. There are 165 of these districts, including the whole of the Western Highlands and certain areas in Cornwall and Devon. The new Act continues the inducements offered by its forerunners, but provides increased government intervention by way of grants for the construction and equipment of industrial buildings, and subsidies and loans for the improvement of public services. The legislation requiring construction permits was reinforced in 1965.

From 1960 to the beginning of 1966, the British regional policy is claimed to have helped in creating 282,000 new jobs in the development districts, the cost per job being £ 636. At the beginning of 1966, Great Britain had 306,000 totally unemployed, or 1.3 % of the working population; and of these, the development districts accounted for 116,000, a local average of 3.6 %.

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Great Britain has three types of regional problem :

- a) the decline of old industrial regions. This began in the inter-war years, and has been on a very serious scale. In 1952-60, the decline in the North-West colliery district was 64 %, which is equalled only by that of the Dutch Limbourg and exceeded only by the Belgian Walloon area (82 %). By way of comparison, the decline in coal production in the same period was 39 % in the European Community and 38 % in the United Kingdom.
- b) underdeveloped rural regions. The most important, because of its size, is the Scottish Highlands (pop. 275,000).
- c) excessive urban concentration. Within a 40-mile radius from Central London, there are 12.5 million inhabitants, which is the greatest urban concentration in all Western Europe. The South-Eastern region for economic programming, of which London is part, is officially estimated as likely to show a 40 % increase in population, involving an additional 3.5 million inhabitants, over the period 1961-81.

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Present Regional Policy

The present policy results from a combination of legislative measures, most of which were enacted between 1965 and 1970. They define four types of region :

- a) The development regions. These were redefined in 1966 and cover 55 % of the land surface of Great Britain, providing 20 % of total employment. They correspond in broad terms with the North-West regional group, as defined above. The Act, however, does not apply only to regions with an unemployment problem, but also to those which have growth prospects.

- b) Special development regions. These regions are parts of the development regions. They were specified in 1969, and are largely identified with the declining colliery districts, and the large urban areas of the North-West group (Glasgow, Newcastle, Swansea). The aid available to them is on the same lines as that for development regions, but the terms are more favourable. They provide 8.6 % of the total employment.
- c) North-Western Scotland (the Highlands and Islands). A special Act was passed for this region in 1965.
- d) The intermediate regions. These are defined as regions where the rate of economic growth gives rise to anxieties. This applies more especially to Lancashire and Yorkshire, which together provide 6.4 % of total employment.

The assisted regions include a total of more than 6 million workers, or 26.4 % of the working population.

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One of the measures used in British regional policy is location control for industrial and office buildings.

The regional policy, ever since its origin in 1945, has had location control for industrial buildings as one of its instruments. Any construction, extension or modification requires prior authorisation. The requirement relates throughout the country to any project of more than 450 sq.m; and in the South-East and Midlands, of more than 270 sq.m. For projects in one of the assisted areas, the permit is usually given automatically.

The control of office building dates from 1965. It was limited at first to the London Metropolitan area, but now applies to the entire South-East region of England. For any project of over 270 sq.m., an Office Development Permit is required. In 1963, a special organisation was set up with a general mandate to promote the migration of offices from London to other locations.

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During the 26 years of Great Britain's regional policy, there have been considerable variations in the choice, nature and extent of the official aid offered to businesses willing to set up in the assisted regions. Below is a brief summary of the aid at present available :

- a) Financial aid : The laying out of industrial zones at government expense and the construction of industrial buildings for re-sale or leasing ; subsidies (up to 35 % of the cost) for the construction of industrial buildings ; loans for the formation, and subsidies for the transfer of companies setting up in development regions, or moving into them.
- b) Fiscal aid to companies : This provides tax-free depreciation for plant and equipment (except moveable equipment). The percentage depreciation may be up to 100 %, spread over a period of the investor's choice. The same system is also available for industrial buildings, at the rate of 44 % for the first year and 4 % for each subsequent year. Since 1966, there has been a selective employment tax, to encourage labour economies in the service trades, but this is reimbursed to hotel undertakings in the development districts.
- c) Labour aids : 1) Regional employment premium (£ 1.50 per week per male, and 42 p. per female worker) introduced in 1967 for a minimum of seven years ; 2) vocational training grants ; 3) removal and installation costs for certain workers classified as essential ; 4) wage subsidies granted only in the special development regions of up to 30 % of the total annual cost of wages and salaries paid by a company during its first three years' activity.
- d) Preferential contract awards : In public tenders, preference may be given to companies located in development regions.
- e) Public services improvements : Subsidies and loans may be granted for improvement of public services in development regions, when these are regarded as inadequate by the government departments concerned.

- f) Neglected areas : The Department of Trade and Industry may acquire neglected areas, if necessary by expropriation. It may do this either, for aesthetic reasons, or for industrial re-development with subsidies of up to 85 % of the cost.
- g) Rural undertakings : Aid is granted to agricultural smallholders from various funds of minor importance.

It is difficult to arrive at a close estimate of the amount of aid granted by the British government under the regional policy heading. The accent seems to be being placed increasingly on fiscal aid (accelerated depreciation), which is extremely difficult to estimate.

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Regional Programming

The first studies appeared in 1961-63. The first suggestion of regional programming dates from 1961, and is contained in an enquiry on the Scottish economy, carried out by the Scottish Council, a private regional development body. Two years later, the National Economic Development Council stressed the regional problems in a document on the conditions for accelerated growth. It was also in 1963 that two White Papers were issued, one on Central Scotland and the other on the North-East.

The first development plan for the British economy, covering the period 1964-70, did not specify any regional breakdown of the national plan; but since 1965, the United Kingdom has been divided into eleven economic programming regions, for which development plans, or strategies, are being published, or are in preparation. These eleven regions were listed at the beginning of this study. The regional programmes are defined in terms of the characteristics, the potential and the problems of each region, leading to action recommendations and proposals for a planned strategy. This strategy, however, is not in any sense obligatory. It is not designed to supercede the plans of local authorities, but simply to provide a framework for the principal investment and development decisions which may be taken by public authorities, firms and individuals.

The regional strategy contains a general plan for land allocation, based on human and material resources and defining the existing relations between the region and the nation in such matters as airports, seaports and green belts.

Three bodies are concerned in drafting the regional strategy. These are : 1) the Economic Planning Boards, composed of representatives on a regional level of the Central Administrations; 2) the Economic Planning Councils, composed of leading citizens of the region, appointed by the Secretary of State for the Environment; 3) the Local Authorities.

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Land development

Two essential points are closely linked with the regional economic policy. These are, the de-centralisation of the London area and the new towns.

The introduction in 1947 of the obligatory industrial development permit for any construction or extension of industrial buildings of more than 450 sq.m. was intended to limit concentration into London, in the hope that new investment would thus be diverted into the development regions. In the immediate post-war period the system was a great success; but from 1950 onwards, the control was noticeably relaxed. Since 1960, it has been reapplied and reinforced, and the size above which a permit is now required is 270 sq.m. Some of the government administrative services, too, have been transferred to other towns in Great Britain.

The new towns were created under the Act of 1946, mainly for purposes of land development and town planning. It was necessary to decentralise the large urban areas and repopulate the old industrial regions. Today there are twenty-eight new towns in Britain - eight on the London periphery, four in the North-East coast region, nine in the rest of England, two in Wales and five in Scotland. They have called for the construction of 175,000 dwellings, re-centered 700,000 inhabitants and involved an investment of £ 800 million.

By the force of circumstances, these towns have attracted an increasing number of new businesses, which are sure of finding in them a work force which is young and well trained. They are laid out with a view to becoming ultimately, centres for more than 200,000 inhabitants. In some cases they help to de-centralise large urban centres, and in others they serve to reestablish a certain regional balance.

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Bodies responsible for regional policy

The regional policy responsibilities are on three levels :

1. The central level is made up of : a) the Department of the Environment, which is specifically responsible for coordination and infrastructure; b) the Department of Trade and Industry which is responsible for all aspects of industrial development; c) the Department of Employment, which is responsible for all problems of employment in connection with regional policy; d) the Treasury, which covers all finance aspects.
2. Regional level :
 - a) in virtue of the United Kingdom political structure, there are localised bodies with powers similar to those of the Department of the Environment. These are, the Secretary of State for Scotland and the Scottish Office; the Secretary of State for Wales and the Welsh Office; and the government of Northern Ireland.
 - b) the Department of Trade and Industry has decentralised offices in all the large towns. These are responsible for negotiation on a regional level of any investment project.
 - c) three Industrial Estates Corporations (for England, Scotland and Wales respectively) are responsible for development of industrial zones and for contacts with businesses setting up there.
 - d) Planning Boards and Councils : in each of the eleven economic programming regions, there is an Economic Planning Board, composed

of regional staff from the central administrations; and an Economic Planning Council, composed of leading regional citizens.

- e) Development Corporations exist in the new towns and are responsible for development and management.
- f) the Highlands and Islands Development Board has, since 1965, been promoting development in the mountainous region for which it is competent.
- g) private organisations, such as the Scottish Council for Industry, which often owe their origins to an access of regional consciousness.

3. Local level :

It is not necessary here to go into detail of the British administrative sub-divisions. A reform project for the local authorities is already well advanced. Apart from the seven great metropolitan areas (London, Birmingham, Liverpool, Manchester, Newcastle, Sheffield and Leeds), it is proposed that the new administrative districts should vary between 250,000 and a million inhabitants.

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Results of the regional policy

During the last decade, the increase in aid to the development regions has been spectacular. The cost has risen from £ 32.8 million in 1962 to £ 303.1 million in 1970. At present, more than a third of the total aid granted is accounted for by the regional employment premium.

Official estimates suggest that the number of new jobs created in the development regions was 300,000 in 1945-60 and 660,000 in 1961-70.

In 1960-69, industrial development permits led to the provision of 742,000 jobs, of which 350,000 (or 47 %) were in the development regions.

In 1945-66, rather more than 3,000 businesses, with a total combined payroll of 870,000, moved from one region of the United Kingdom to another. More than half the workers (438,000) were re-established in work in the peripheral regions (i.e. the development regions). It is into these areas, too, that 70 % of the foreign investment in the United Kingdom has flowed.

In 1963-71, a total of 1,025 businesses, employing 88,000 people, agreed to leave the London area.

The unemployment rate in the development areas, though far below the 20 % average, which affected the depressed areas in 1920-40, is still double the rate prevailing in the rest of the country. Between 1965 and 1971, it ranged between 3 % and 4.7 % in the development regions, as against a range of between 1 % and 2.3 % elsewhere.