

Chapter 2

An explanation of regional employment change

This chapter sets out what we believe to be the main processes underlying regional differences in employment growth. These processes underlie the regional model which formed the basis of the analysis in Chapter 1. They consist essentially of changes in industrial competitiveness and migration flows, the relative magnitudes of which determine whether a region experiences growth of production and population, and therefore of income and jobs, or whether it suffers relatively slow growth with an increasing proportion of income being spent on goods and services produced outside the region. These processes are analogous to those which we have repeatedly emphasised as being of central importance in the determination of income and employment in the UK economy as a whole.

Processes of regional economic development

Regions are similar to open national economies in that their growth depends crucially on the expansion of their exports relative to their imports. But, unlike national economies, regions are part of a unified monetary system and therefore cannot adjust exchange rates as a means of altering relative production costs to stimulate growth of net exports. The only means of gaining an advantage in cost competitiveness is through either a reduction in relative wage levels or increased productivity. But in the UK, as in many other advanced industrial economies, real wages do not vary significantly from one part of the country to another. Wages tend to be negotiated at the national level and to be affected primarily by changes in national economic circumstances. Pay levels tend not to depart too far from the national average even in regions with severe labour market imbalances (Moore and Rhodes, 1981). The reasons for this are to do with social and institutional conventions. Workers place a high value on parity with similar occupations in other regions and national trade unions are normally able to enforce this preference.

So far as productivity is concerned, our view is that in a small, culturally-integrated nation like

the UK the inherent efficiency of labour is unlikely to vary significantly between regions for given amounts of training. Differences in productivity mostly reflect differences in capital investment, and the return on investment does not seem to vary significantly between regions, although there is some evidence that cities are relatively unprofitable locations (Moore, Rhodes and Tyler, 1980, and Fothergill, Kitson and Monk, 1982). Capital investment does not automatically gravitate towards regions where unemployment is relatively high, and even if a region can succeed in increasing investment, it does not necessarily follow that the profits earned from that investment are ploughed back into the same region, so setting in motion a cumulative process of growth.

The regional distribution of output growth is mainly determined by the pattern of national demand, though variations in non-wage costs, such as rent and rates, also play a part. If demand for cereals, coal or textiles changes then regions producing these commodities will experience a rise or fall in output. As output changes, employment will respond, though by varying degrees according to the pace of technological change in the particular sector concerned.

Changes in demand and technology have affected employment most directly in the primary sector, in which location is largely fixed by natural factors. Slowly-growing demand combined with the steady application of new technologies has resulted in a contraction of agricultural jobs in all regions. In coal mining displacement by oil (at least until 1973) and rising productivity reduced employment sharply, while at the same time the increasing costs of extraction from old pits led to a shift in production towards new coalfields.

Employment in manufacturing is also affected by shifts in demand and technological advance. But because the location of production is more 'footloose' than in agriculture or mining the distribution of employment between regions can change more significantly over time as new investment takes place. The factors which determine the location of investment are discussed at length in the following section. Because manufactured products feature prominently in inter-regional and inter-country trade, a region which

happens to have a strongly competitive manufacturing sector with a favourable product mix stands to gain considerably in terms of output and jobs not only from internal growth of income and expenditure but also from any expansion which occurs elsewhere. In other words, a relatively high proportion of any demand expansion in the country as a whole, and perhaps even in other countries as well, will tend to accrue to the companies and plants located in that region.

Some service activities do not lend themselves easily to either international or inter-regional trade and are correspondingly less footloose than much of manufacturing. Although services now account for the major part of employment and represent the main source of job creation in the future, their location is largely determined by the income and demand generated by other sectors and by population. Consumer services, for example, such as retailing, will gravitate towards regions in which income and population are growing. They therefore sustain growth and provide the jobs which an increase in incomes makes possible, but they are not capable of initiating expansion.

Nevertheless this situation is gradually changing as technology advances and as communications improve. A small but increasing proportion of services are effectively footloose and can, in much the same way as manufacturing, provide the springboard for regional growth. This applies in particular to financial, legal, consultancy and advertising services and as well as to the head offices of large concerns, whether in manufacturing or other sectors, and to many leisure activities. Although such footloose activities still account for a minor proportion of total service sector employment, the proportion is tending to increase and, with the decline of jobs in manufacturing, they are becoming a more important potential source of regional employment growth.

About a third of all service sector jobs are within central or local government and public utilities. Transport and communications account for another 12% or so. Apart from public utilities, the location of which is partly dependent on natural features, the distribution of these jobs between regions broadly reflects the distribution of population. If population is increasing in a particular area, then these services will tend to respond, usually with a lag, to cater for the additional demand. This is likely to involve not only increased direct employment but also increased employment in construction to provide extra facilities: more schools, hospital or roads, for example. The reverse will tend to be the case in areas of population decline, where there will generally be a rundown of services and very little new investment, whether in expanding facilities or in replacing out-of-date capital stock. However, there is some, if limited, scope for the government to use public expenditure as a means of improving regional balance, particularly in respect of central administrative functions, which still tend to be

concentrated in London, as well as in respect of grant allocations to local authorities.

The manufacturing sector

Over the last fifteen years or so, and particularly since 1979, there has been a marked decline of employment in manufacturing, absolutely as well as in relation to other sectors. Any region with a high proportion of jobs in manufacturing has suffered as a result, especially over the past 3 years when employment has fallen precipitously. Nevertheless over the longer term, shifts in jobs between regions have had an important effect on the pattern of regional growth. East Anglia and the South West, for example, increased their combined share of total employment in manufacturing from 6.9% in 1965 to 8.8% in 1979, a rise which contributed 140 thousand additional jobs. As a result, both regions enjoyed rapid growth and relatively low unemployment. Over the same period, the North West's share declined from 14.6% to 13.6%, which resulted in the region experiencing the largest fall in manufacturing jobs.

Even in decline, manufacturing is subject to rapid change. New products replace old ones, modern machinery makes existing installations obsolete, new factories are built, old ones are closed and plants are extended or renovated. These changes take place continuously, but not at the same pace or in the same way in all regions. Each region's stock of industrial premises, equipment and skills is built up over many decades, and inter-regional differences in these accumulated characteristics cause them to respond differently to changes in markets, technology and competitiveness.

Three aspects of industrial inheritance are important in explaining regional differences in the growth of manufacturing employment. The first is the mix of industries, something which often differs markedly between regions. Regions with a preponderance of growth industries have a potential advantage. The second aspect is the degree to which industry is located in large urban areas and is constrained in built-up areas with little room for physical extension. The third factor is the average size of company.

Industry mix

The mix of industries in a region is a major potential influence on growth of output and employment. The stock of equipment and expertise in each region is geared up for manufacturing a range of products which cannot be changed quickly except within narrow limits. Consequently continuous changes in national and international demand, or in the competition to supply changing markets, influence production in each region according to which products are affected and to what degree. Employment in the cotton

industry in the UK has, for example, been declining for most of this century, yet the North West still has significant numbers of jobs in this industry.

The textile industry has experienced rapid decline and is highly concentrated in particular areas. As such, it is the single most important determinant of whether a region has a favourable or unfavourable industrial mix. Each of the four regions with a high proportion of employment in textiles has an industrial mix unfavourable to employment growth, despite the expansion of other sectors such as engineering or chemicals (Figure 2.1 A). Conversely, the three regions with fewest textile jobs have tended to have an industrial composition favourable to growth (Figure 2.1 B). But in most regions the effect of industrial mix diminished after the mid 1960s. This is partly because declining industries were getting smaller and so had less of an adverse effect on the regions in which they were concentrated. But of greater importance was a general loss of industrial dynamism resulting in fewer growth industries in the UK as a whole. Regions are now less likely to gain or lose jobs as a consequence of differences in industrial composition than they were in the 1950s or early 1960s.

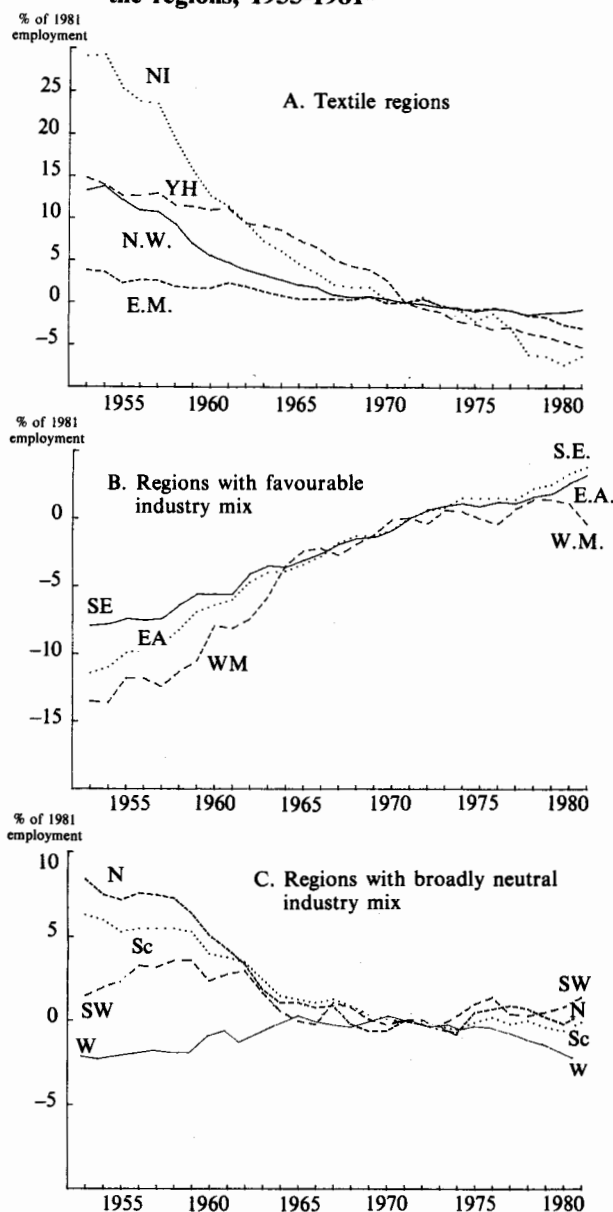
The urban-rural shift

Regions which have gained employment relative to others in the postwar period have done so more by increasing their share of employment industry by industry than by enjoying a favourable industrial mix. In this respect the more rural regions have increased their share of employment right across the board, while the most urbanised regions have suffered the greatest losses (Figure 2.2). The reasons for this urban-rural shift can be seen most clearly by considering what has happened to the location and employment densities of factory floorspace. There has been a persistent tendency at the national level for employment to decline relative to factory floorspace. Since 1964, the average number of employees per thousand square metres of floorspace has fallen by almost 40% (Figure 2.3). A steady expansion of factory floorspace is therefore required even to maintain existing employment. Floorspace has expanded since the mid 1960s but not by nearly enough to prevent a loss of jobs.

The importance of this phenomenon for regions is that virtually all of the increase in factory floorspace has been located outside the main urban areas, in small towns and in the countryside (Figure 2.4). Firms which have found it difficult to extend existing sites hemmed in by other buildings have also had to contend with high land values, congestion and planning difficulties when considering building somewhere else in the city.

In a recent study (Rhodes, 1980) of selected cost items in four industries for London and East Anglia, rent and rates in London in 1978 were

Fig. 2.1 The effect of variations in industry mix on changes in manufacturing employment in the regions, 1955-1981^a

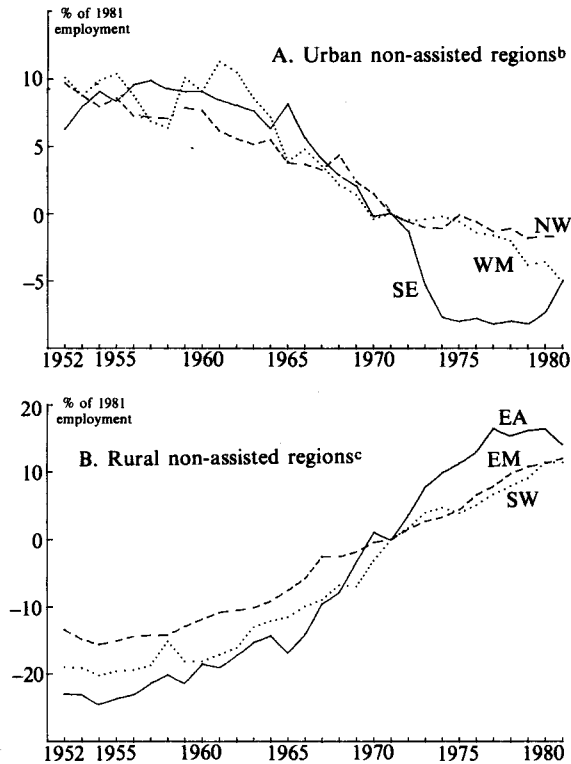


^a Figs 2.1, 2.2, 2.5 and 2.6 are the result of a standardisation exercise designed to disentangle the contribution of different factors to total employment change in manufacturing industry. Fig. 2.1 shows the contribution to employment change of regional variations in industrial composition. Figs 2.2, 2.5 and 2.6 show the contribution to employment change of the differential growth of each industry in each region. These 3 graphs are thus free of any industrial composition effects. Because employment changes are being observed the measures on the vertical axes bear no relationship to the actual level of employment in each region. This technique is explained in greater detail in Fothergill and Gudgin (1982).

found to be double those in East Anglia, while earnings on average were between 10% and 15% higher. Profits per employee were estimated to be about one-third lower in the urban location for given production techniques and levels of productivity.

Large as variations in operating costs appear to have been, differences in the costs of expanding a factory were even more pronounced. In 1979, rents

Fig. 2.2 Differential growth in manufacturing employment between the United Kingdom and selected regions after adjusting for differences in industrial structure^a

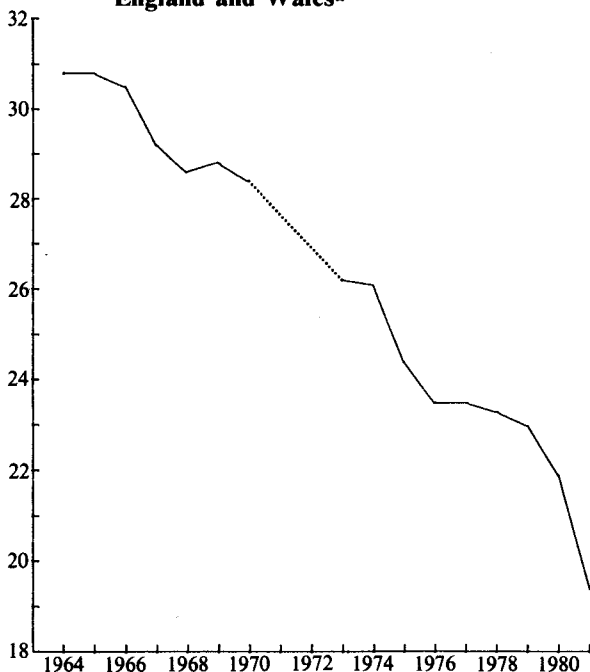


^a See note to Fig. 2.1. The most assisted regions have been omitted since the effects of regional policy disguise urban-rural shifts.

^b Part of the North West is an Assisted Area.

^c A small part of the South West is an Assisted Area.

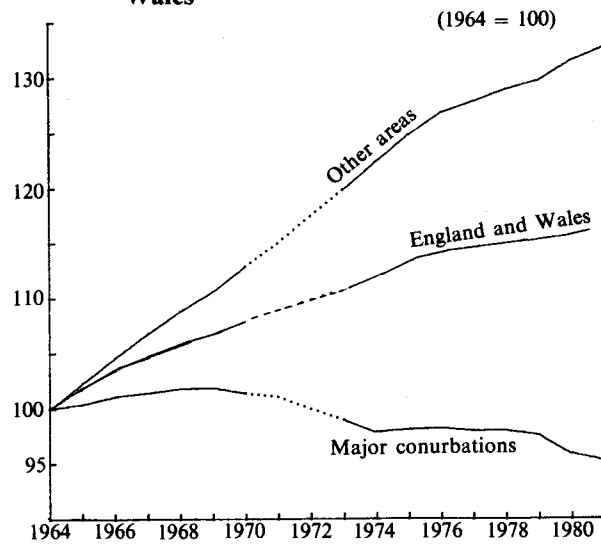
Fig. 2.3 Manufacturing employees per thousand square metres of industrial floorspace in England and Wales^a



Source Adapted from Fothergill, Kitson and Monk, 1981.

^a Excluding certain industries for which floorspace is not clearly definable.

Fig. 2.4 Manufacturing^a floorspace in England and Wales



Source Adapted from Fothergill, Kitson and Monk, 1981.

^a Excluding certain industries in which floorspace is not clearly definable.

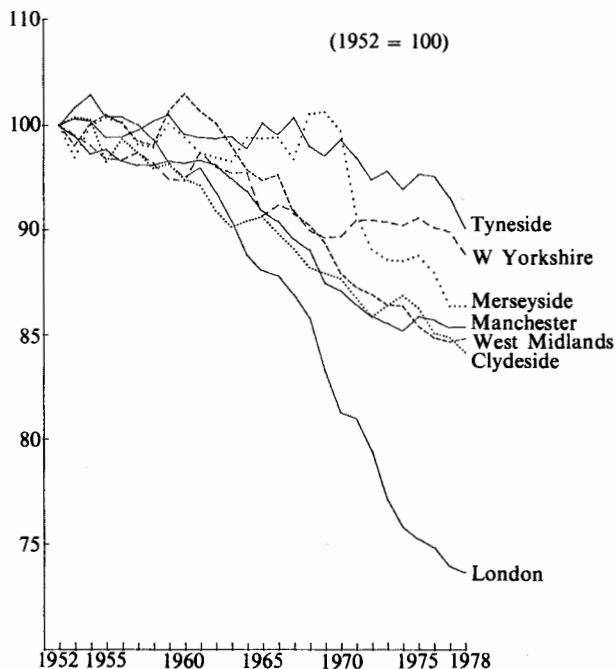
were about £4.00 per sq. ft. in Inner London compared with £1.25 in Thetford in the heart of East Anglia. Assuming a national average amount of factory space per employee produces a differential cost per employee of £866 per annum in favour of the rural East Anglian location. For firms wishing to purchase land to erect their own factories even larger cost differentials have to be faced. Industrial land prices in London in 1979 were typically £400,000 per acre for good sites compared with only £20,000 per acre in East Anglia. Cost differences are much less between northern conurbations and their hinterlands. Nevertheless, partly because of these cost differences few new factories have been built in the conurbations.

With no net addition to factory floorspace, the major urban centres have lost employment significantly since 1965 (Fig. 2.5). Until quite recently, two-thirds of the North West's industry was in Manchester and Merseyside and over half of that of the South East and West Midlands was in London and Birmingham respectively. These regions have therefore suffered severely. In contrast the smaller cities, towns and rural areas and regions such as Wales, the South West and East Anglia have gained manufacturing jobs, at the expense of the conurbations and the regions in which they are located.

The relative decline of employment in the urban regions was most rapid in the 1960s and early 1970s. Since then, it has slowed down. In the South East the turnaround has been quite dramatic, with the equivalent of 247 thousand fewer jobs being lost than would have been expected on the pre-1974 trend.* For the North West and West Midlands, the contrast with the 1960s is also significant if less marked, although in the latter case the reduction of jobs in British Leyland has

*The last full Census of Employment was in 1978. Since then the only data available are the Dept. of Employment's quarterly estimates of employment.

Fig. 2.5 Manufacturing employment in conurbations, relative to the UK and adjusted for industry mix^a



^a See note to Fig. 2.1

had a visible impact in the last few years.

Three factors are probably responsible for the apparent slowing of urban-rural shift since 1974. The first is that with less new factory building taking place in the recession and with firms thinking more about consolidation than about expansion, there has been less need for firms to seek areas suitable for expansion outside urban areas. The second is that with the precipitous decline in manufacturing output since 1979, many complete factories have been closed and many of these have been in the non-urban Assisted Areas. Branch plants are most numerous in the Assisted Areas and have been most prone to closure because they are usually small in relation to the company's main factory. Thirdly, the slowdown in the diversion of jobs to Assisted Areas due to regional policy may have aided the urban areas differentially.

Size of firms

The third influence on regional differences in employment growth in manufacturing is more long-term in character. Evidence suggests that the birth rates of manufacturing companies are highest in areas in which there are large numbers of small firms. This is so because small firms themselves provide a fertile training ground for aspiring founders of new firms. The growth of employment also tends to be more rapid in newer firms than in older ones, despite their relatively high rates of closure.

Estimates made by Fothergill and Gudgin (1982) suggest that, in areas with an above average number of small firms, employment increased by $\frac{1}{2}\%$ more a year on average than in areas with below average employment in small firms. Inter-regional differences are less than this because all contain some mix of areas with above and below average employment in small firms. These small differences are sufficient over long periods to affect employment significantly.

Insofar as regions with a relatively high proportion of employment in large plants suffer a growth disadvantage, then Wales, the North, Scotland and the West Midlands are affected most adversely. The regions of the south and east including Yorkshire and Humberside are the main beneficiaries. Although there is no up-to-date information, it is likely that this 'small firms' effect has become more important in recent years. Recent evidence from national VAT returns indicates that the total number of manufacturing firms has grown steadily despite a high rate of bankruptcies and closures. If the southern and eastern regions have continued to spawn a disproportionate share of newly-formed manufacturing companies, then their relative advantage in this respect will have increased.

Regional policy

Government intervention in the form of locational controls and financial inducements is a further factor underlying the pattern of regional employment growth in manufacturing industry.

Immediately after the war, regional policy was very active through the use of controls on industrial location and government factory building. Throughout most of the 1950s, policy was in abeyance, but by 1960 industrial development controls were again more stringently applied. It was in the mid 1960s however that regional policies were substantially strengthened. Regionally-differentiated tax allowances for manufacturing industry were introduced in 1963, regional investment grants in 1966 and in the following year a labour subsidy, the regional employment premium (REP), was given in respect of all manufacturing employment in areas designated for regional assistance. With the continued strengthening of industrial development controls (IDCs) in the 1960s, regional policy reached its maximum strength in the late 1960s. Policy was also intensified because of the increased geographical coverage of financial assistance. A strong policy was broadly maintained until the mid 1970s when REP was abolished and the IDC controls were weakened. This weakening of policy was to some extent offset by the provisions of the 1972 Industry Act which introduced selective financial assistance (SFA) and increased the value of investment incentives. Further significant changes were made by the incoming Conservative government in 1979. The extent of the coverage of the areas eligible for regional assistance was progressively reduced from

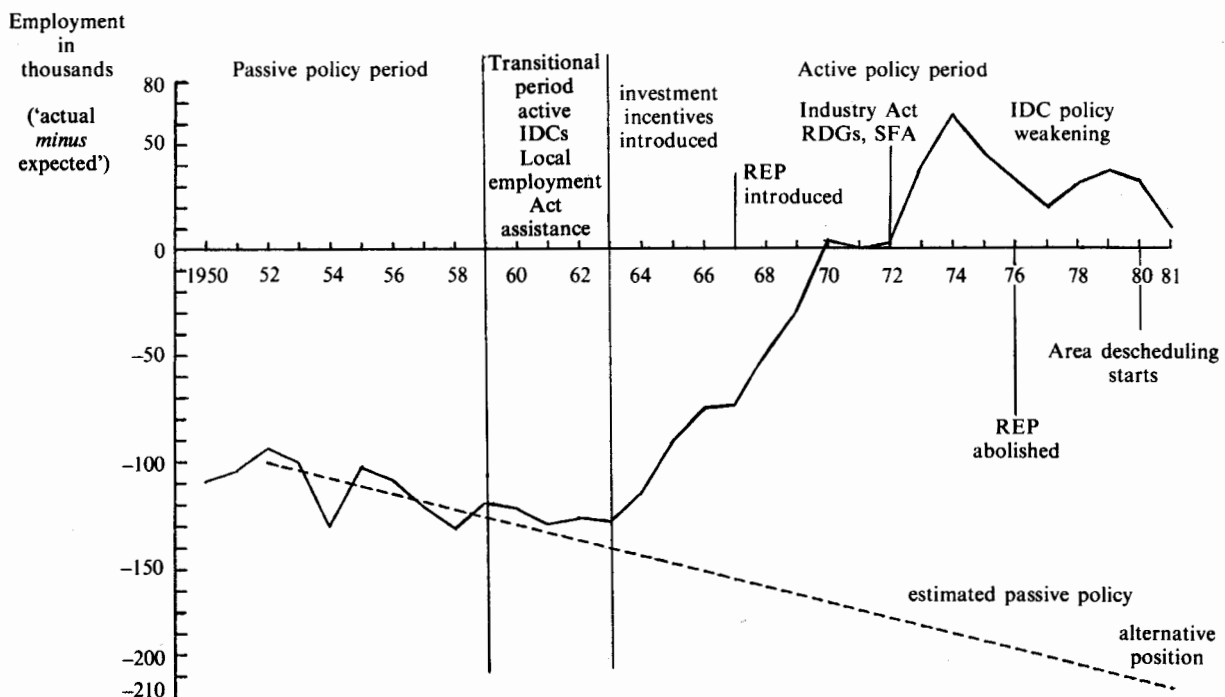
40% to 25% of the employed population. There were reductions in the rate of regional development grants in Development Areas and they were abolished entirely in Intermediate Areas. Other measures included a scheme, introduced in April 1980, to provide selective assistance towards in-plant training costs in Special Development Areas and Development Areas and increased provision of advance factories in the worst-affected problem areas. Restraints on development in the former prosperous regions have virtually ceased to exist since early 1979.

To achieve its objective of reducing regional disparities in unemployment and stemming net-outward migration, regional policy has been aimed at redistributing manufacturing jobs away from the more prosperous parts of the country to areas of high unemployment. Fig. 2.6 shows the impact of regional policy on manufacturing employment in the Assisted Areas during periods of changing regional policy strength. The difference between actual manufacturing employment in the four main Assisted Areas and that which would have been expected to occur if employment in each industry in the Assisted Areas had grown at the national rate, provides a basis for estimating the impact of regional policy. A downward slope indicates a slower growth of manufacturing employment in the Assisted Areas than occurred nationally and an upward slope, a more rapid growth. The phasing of the major policy changes is also shown.

Over the passive policy period of the 1950s, the downward slope of the 'actual *minus* expected' employment series indicates that, even after allowing for the main differences in industrial structure between the four main Assisted Areas and the UK, manufacturing employment in these regions was growing less rapidly than in the country as a whole. The trend of the 'actual *minus* expected' series in the 1950s provides a guide as to what might have happened to manufacturing employment in these areas in relative terms if an active policy had not been implemented. In the period of more active policy from the early 1960s to the mid 1970s, this downward trend is very sharply reversed. If this sharp reversal in the trend of the 'actual *minus* expected' series can be attributed wholly to regional policy, and the timing is consistent with that interpretation, then that policy created between 200 and 250 thousand jobs by the mid 1970s. Separate estimates for the other Assisted Areas — Merseyside, the South West Development Area and the Intermediate Areas — bring estimates of the total number of jobs created or moved to Development Areas by regional policy to between 325 and 375 thousand manufacturing jobs. This increases to between 450 and 525 thousand jobs when suitable multiplier effects on public and private services are included.

An examination of sub-periods within the active policy period reveals that the annual effect of regional policy increased steadily in the period up to 1971. The period of most active policy, after the

Fig. 2.6 The growth of manufacturing employment in Scotland, Wales, the Northern Region and Northern Ireland relative to the UK and after allowing for differences in industrial structure^a



^a Adapted from Moore, Rhodes and Tyler, 1977.

introduction of REP in 1967, coincides with the maximum net job creation of about 25 thousand manufacturing jobs a year in the four main Assisted Areas. Thereafter the effectiveness of regional policy declined. Under conditions of slow growth, it is to be expected that policy would become less effective, as firms cut back on expansion and thereby reduced the scope for diversion of capacity to Assisted Areas. This diminished effectiveness of policy, combined with severe restraints on public expenditure, led to a gradual reduction in the application of regional policy itself in the late 1970s. The use of industrial development controls was steadily relaxed and REP was abolished in 1976, leaving a package of regional incentives made up largely of capital subsidies. Although these changes were partly offset by increased expenditure on government factory building and selective financial assistance, there can be little doubt that regional policy was significantly weaker in the 1970s than in the previous decade. It is difficult to say precisely how far this weakening accounts for the decline in the measured impact of policy; our estimates suggest that not more than half the decline can be explained in this way.

Nevertheless the conventional mixture of controls and financial incentives has clearly had an important long-term impact upon regional employment shares. The four most assisted regions — North, Wales, Scotland and Northern Ireland — increased their share of total manufacturing employment by 3 percentage points between 1960 and 1976 as a result of regional policy. About 15% of manufacturing jobs in these regions in 1976 were there because of regional policy.

The service sector

As employment in agriculture, mining and manufacturing has declined, the service industries have become the dominant source of jobs. Almost 70% of the employed and self-employed now work in services. Between 1965 and 1978 nearly two million additional jobs were created in this sector, partially offsetting the loss elsewhere in the economy. Since 1979 employment has declined in services as in other sectors, although at a much slower pace.

The importance of services varies considerably between regions, as does the rate of employment growth (Table 2.1). The causes of this disparity are difficult to disentangle because service industries comprise a very diverse collection of activities. While most provide for local needs and depend on the expansion of local expenditure, others supply a national or even international market. A substantial proportion are within the public sector. In addition self-employment accounts for some ten per cent of all service jobs. The diversity of service activities contributes significantly to regional differences in employment growth. In

Table 2.1 The importance and growth of employment and self-employment in services^a

	Jobs in services per 100 population of working age, 1981	Growth in employment and self-employment in services 1965-81 (%)
South East	56	7
East Anglia	44	22
South West	48	12
East Midlands	42	27
West Midlands	40	8
Yorkshire and Humberside	42	7
North West	45	1
North	41	5
Wales	41	3
Scotland	48	9
Northern Ireland	43	26
United Kingdom	47	8

^a Defined as Orders XX to XXVII of the Standard Industrial Classification, which includes construction, public utilities and transport and communication as well as public and private services.

practice there is no simple relationship between the growth of expenditure generated in other sectors or by population shifts and the expansion of jobs in services.

Although long-term changes in the regional distribution of government services reflects population movements, this is not necessarily true for any particular period. Moreover, policy decisions can be taken to provide an above average standard of service in an area because of its relative deprivation.

Table 2.2 shows the difference between actual employment growth in government services by region and what would have been expected had employment changed in line with population. While Northern Ireland stands out as the main beneficiary of government service jobs, other regions of high unemployment have also experienced relative gains.

The distribution of government jobs, and incomes, between regions through public expenditure has had an important effect on other service activities. Moreover, since a high proportion of the jobs have gone to women, they have been reflected in sharp increases in labour force participation rates.

Table 2.3 shows that those regions such as the East Midlands, Northern Ireland and Scotland which experienced rapid growth in employment in government services also experienced more rapid

Table 2.2 Employment change in government services, 1965-1981

	Actual growth (%)	Expected growth (%)	Actual minus expected growth (%)
South East	29	37	-8
East Anglia	37	69	-32
South West	41	55	-14
East Midlands	70	52	18
West Midlands	53	44	9
Yorkshire and Humberside	54	41	13
North West	45	37	8
North	36	39	-3
Wales	47	46	1
Scotland	48	37	11
Northern Ireland	90	47	43
United Kingdom	42	42	-

Table 2.3 Employment^a change in private services, 1965-1981

	Actual growth (%)	Expected growth (%)	Actual minus expected growth (%)
South East	7	2	5
East Anglia	23	25	-2
South West	10	15	-5
East Midlands	24	12	12
West Midlands	0	8	-8
Yorkshire and Humberside	-2	4	-6
North West	-3	1	-4
North	3	2	1
Wales	-9	8	-17
Scotland	8	1	7
Northern Ireland	13	9	4
United Kingdom	5	5	-

^a including self-employment

growth of jobs in private services than would have been expected on the basis of population change alone.

The growth in private service employment closely mirrors what is happening to employment in other sectors, which in turn reflects changes in population and participation rates. The most striking exception to this is Wales, where employment in private services has slumped 17% below the expected level. This deficiency has occurred mostly since 1978, a period for which the statistics must be regarded as provisional, until the results of the 1981 Census of Employment become available.

Construction, public utilities, and transport and communication, which in aggregate employ 16% of those in work, have shown sharp falls in employment since 1965. In each case, the government plays an important role either as an employer or as a purchaser. There are also many self-employed people working in construction, about which there is no direct information at all after 1979 even at the national level.

Table 2.4 Employment^a change in construction, 1965-1981

	Actual growth (%)	Expected growth (%)	Actual minus expected growth (%)
South East	-25	-24	-1
East Anglia	-8	-7	-1
South West	-19	-15	-4
East Midlands	-9	-16	7
West Midlands	-26	-20	-6
Yorkshire and Humberside	-20	-22	2
North West	-26	-25	-1
North	-18	-24	6
Wales	-13	-20	7
Scotland	-21	-24	3
Northern Ireland	-29	-28	-1
United Kingdom	-21	-21	-

^a including self-employment

Such considerations make any interpretation of regional change hazardous. Construction employment by and large has reflected national trends and local population changes (Table 2.4). All regions have suffered substantial job losses, though they have been relatively small in East Anglia and the East Midlands where population growth has been above average.

Employment in the public utilities (Table 2.5) is only partly determined by local demand. Other factors, such as the natural characteristics of a region in relation to changes in techniques of

Table 2.5 Employment change in public utilities, 1965-1981

	Actual growth (%)	Expected growth (%)	Actual minus expected growth (%)
South East	-31	-22	-9
East Anglia	10	-4	14
South West	-9	-11	2
East Midlands	0	-13	13
West Midlands	-12	-16	4
Yorkshire and Humberside	-13	-19	6
North West	-24	-22	-2
North	-13	-20	7
Wales	-5	-17	12
Scotland	-15	-21	6
Northern Ireland	0	-18	18
United Kingdom	-19	-19	-

^a including self-employment

production, tend to predominate. Employment has declined sharply since 1965, particularly in the electricity industry in which a third of the jobs have disappeared. The more urban regions have suffered most as new generating capacity on coastal or remote rural sites has replaced smaller, obsolete power stations in towns and cities.

Significant job losses have also occurred in most transport industries. The rapid growth of the (small) air transport industry have been insufficient to offset losses in rail, road and sea transport (Table 2.6). Ports and airports serve markets wider than their immediate region and so employment changes need not fully reflect local changes in economic activity or population. All regions except East Anglia have lost jobs, but regions with major ports have lost most, this being almost exactly offset in the South East, but not elsewhere, by the growth of airport employment.

In East Anglia the small seaport sector has expanded rapidly, against national trends, as trade with Europe has grown, but jobs in Post and telecommunications have also risen rapidly.

The analysis in this chapter has important implications for regional policy. If the low growth of output continues, the slowdown in the dispersal of manufacturing activity from the large cities is likely to persist. Since regional policy has traditionally relied on encouraging mobile manufacturing projects to move longer distances into the Assisted Areas, its effectiveness will continue to be severely curtailed. Similarly, with the growth in public expenditure restrained, any scope for the regionally-differentiated development of public services is reduced. In these circumstances policy must concentrate more on stimulating indigenous manufacturing activity in the backward regions and in encouraging further the mobility of private service activity.

Table 2.6 Employment^a change in transport and communications, 1965-1981

	Actual growth (%)	Expected growth (%)	Actual minus expected growth (%)
South East	-2	-12	10
East Anglia	25	7	18
South West	-11	-2	-9
East Midlands	-2	-3	1
West Midlands	-11	-8	-3
Yorkshire and Humberside	-11	-11	0
North West	-22	-14	-8
North	-21	-12	-9
Wales	-24	-7	-17
Scotland	-20	-14	-6
Northern Ireland	-21	-6	-15
United Kingdom	-10	-10	-

^a including self-employment