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De-industrialization not decline: a new meta-narrative for post-war British history *

In 1933, foreseeing a more nationally self-sufficient future, Keynes wrote ‘as wealth increases, both primary and manufacture products play a smaller relative part in the national economy compared with houses, personal services and local amenities which are not the subject of international exchange’.¹ This idea of a trajectory towards the predominance of service activity was put on a more substantial footing by A.G.B. Fisher in 1935, and in Colin Clark’s foundational *Conditions of Economic Progress*, first published in 1940.² Clark elaborated a version of the tripartite division of economic activity into primary (agricultural and fishing), secondary (industrial) and tertiary (services) which has subsequently become ubiquitous.³ In the 1960s William Baumol argued that this sectoral shift posed serious dangers for the future, because many activities in the service sector were inherently labour intensive, and therefore if demand for them expanded disproportionately as incomes grew, more and more resources would have to be devoted to their production, and the rate of increase in

*I am grateful to my colleagues Jim Phillips and Neil Rollings for helpful comments, along with seminar audiences at York University, New York University and at the Economic History Conference at Telford, March 2015. None of these bear any responsibility for the statements made.

¹ ‘National self-sufficiency’ in John Maynard Keynes, *Collected Writings* vol. XXI (London, 1971), 238; as Chris Godden has pointed out to me, Keynes position was part of a much wider on-going debate amongst inter-war British economists about the direction and significance of structural change.

² A.G.B. Fisher, *The Clash of Progress and Security* (London, 1935); C. Clark *The Conditions of Economic Progress* (London, 1940), especially Chapter V, ‘The flow of labour to tertiary production’.

³ This broad division, with different terminologies, has a long history: E. Wrigley, ‘The PST system for classifying occupations.’ The Cambridge Group for the History of population and Social Structure, paper 20 at www.geog.cam.ac.uk/research/projects/occupations/abstracts/. (accessed 25 April 2015).

aggregate labour productivity would inevitably decline.⁴ While Baumol's original analysis arose from discussion of the performing arts, he later placed especial emphasis on the expansion of health and education, suggesting that by 2040 US medical spending might rise to 35 per cent of GDP, education to 20 per cent.⁵

These authors did not use the word 'de-industrialization', which seems not to have come into use to describe contemporary developments until the 1970s.⁶ But the process they described under that name has characterised Britain since 1950s (Table 1). This paper argues that the process is so significant in its effects, economic, social, and political, that it should be central to our narratives about post-war Britain. This is not based on normative argument about the effects of that de-industrialization; if one were aiming at a 'balance sheet' of the consequences of that process then there would clearly be substantial elements on both the debit and credit side. For example, on the credit side, average non-industrial work is safer, cleaner, and less disease-inducing than industrial work.⁷ Some effects would not fit easily on either side: the reduction of employment in industry hit hardest in predominantly male sectors of the economy, and conversely facilitated the expansion of women's paid employment. (This gender aspect is returned to in section III). But the aim here is not to draw up a balance sheet, but to emphasize the scale and speed of the process in Britain, and the consequently radical impacts, for good or ill. It is a historical argument about the *transition* from an

⁴ W. Baumol, 'Macroeconomics of unbalanced growth: the anatomy of urban crisis' *American Economic Review* 57 (1967), 415-426.

⁵ W. Baumol, 'Health care, education and the cost disease: a looming crisis for public choice' *Public Choice* 77 (1993), 17-28.

⁶ F. Blackaby (ed.), *De-industrialisation* (London, 1978). For other discussions of the 1970s: T. Sherif, *A De-industrialized Britain*, Fabian Society Pamphlet 341 (London, 1979).

⁷ For changes in the quality of work in all dimensions, F. Green, *Demanding Work. The Paradox of Job Quality in the Affluent Economy* (Princeton, 2006).

industry to service-dominated economy in a particular period of time, rather than a comparison of the two in a ‘steady-state’.⁸

The existing narratives of post-war Britain offered by economic historians are dominated by issues of growth and decline, with many recent versions adding a further, post-Thatcher, twist of a purported growth ‘renaissance’ and reversal of decline since the 1980s.⁹ This paper argues that all growth/decline narratives are unhelpful, but the main purpose is to make the positive argument that a better ‘meta-narrative’ would focus on the process of de-industrialization. The key claim is that de-industrialization underpinned many features of UK economic and social development over the last sixty years. The effects of de-industrialization focused on here are not the claimed impact on growth or the balance of payments which dominated initial discussions in the 1970s, and remains a concern for some authors today.¹⁰ Rather, the emphasis is on the impacts of de-industrialization on the labour market and the ramifications of these changes elsewhere in British society. Seen in this light, it is not too fanciful to suggest that this transition bears some comparison with the transition from an agricultural to an industrial economy, given its effects on income distribution,

⁸ The argument here conflicts with some historical literature which sees de-industrialization as a consequence of globalization, and therefore treats that latter as the key historical change: C. Johnson, ‘De-industrialization and globalization’ *International Review of Social History* 47 (2002), 3-33; for this debate, see footnote 34 below.

⁹ The current *Cambridge Economic History of Modern Britain (CEHMB)* Vol II (Cambridge, 2014) has two chapters with sharply conflicting accounts of the causes and chronology of decline: Kitson and Michie, ‘The de-industrial revolution: the rise and fall of UK manufacturing 1870-2010’ provide a Centre-Left version, Crafts, ‘Economic growth during the long twentieth century’ a Thatcherite one, very much in line with their previous writings: see Crafts ‘Deindustrialisation and economic growth’ *Economic Journal* 106 (1996), 172-83; Kitson and Michie, ‘Britain’s industrial performance since 1960: underinvestment and relative decline’ *Economic Journal* 106 (1996), 196-212. For business history versions of growth and decline, see G.Owen, *From Empire to Europe* (London, 1999) and R. Coopey and P. Lyth (eds.), *Business in Britain in the Twentieth Century* (Oxford, 2009).

¹⁰ A. Singh, ‘UK industry and the world economy: a case of deindustrialisation?’ *Cambridge Journal of Economics* 1 (1977), 113-36.; Blackaby, *De-industrialisation*; R. Rowthorn and J.Wells, *De-industrialization and Foreign Trade* (Cambridge, 1987); for an updated analysis, R. Rowthorn and R.Ramaswamy, ‘Growth, trade and de-industrialization’ IMF Research Department WP/98/60, 1998; K. Coutts and R. Rowthorn, ‘The UK balance of payments: structure and prospects’ *Oxford Review of Economic Policy* 29 (2013), 307-325.

unemployment, the gendered distribution of work and the shape of the social security system.

The first section suggests why an emphasis on growth and decline is in many respects unhelpful in the way it structures our understanding. The second outlines the meaning of de-industrialization and some of ways it has been analysed. The third suggests how it has affected the distribution of economic welfare, while the fourth summarizes the arguments and offers some speculations on the broad-ranging political effects, especially in relation to the rise of neo-liberalism. This last point is especially emphasised because of the way this ‘rise’ threatens to become an under-scrutinised, taken-as-read summary of recent decades in Britain. Neo-liberalism’s tensions and contradictions need to be assessed alongside its triumphs.

I

Economic growth and decline are terms very much rooted in post-war history. Some of their limits as ways of understanding this period can be brought out by placing them firmly in the historical context which gave them birth. The focus on growth as a core narrative of economic history is a product of the 1950s and 1960s; as Crafts notes, the notion of ‘the central task of economic history as quantifying and explaining long-run growth’ was grounded in 1950 and 1960s concerns with economic development.¹¹ Growth and decline go together; growth is the criterion of performance, decline the measurement of (relative) failure by that criterion. So we should start with growth. Like all broad analytic frameworks, the economic

¹¹ N. Crafts, ‘Solow and growth accounting: a perspective from quantitative economic history’, *History of Political Economy* 41 (Annual Supplement 2009), 203.

historian's focus on economic growth is rooted in a number of sources. Modern academic notions of economic growth came into prominence in the 1950s when inter-war calculations of national income were formalised in the early post-war 'Standardised National Accounts'.¹² These were initially developed to help achieve short-term economic stabilisation, but were redeployed in the geo-political context of the Cold War to measure long-term economic change. The Cold War, and the concern with third world development, underpinned the production of both much more sophisticated statistical measures of economic performance, associated above all with the work of Simon Kuznets, and a generalization of such measures both geographically and chronologically.¹³

In policy circles within Britain, growth as an economic issue came into prominence in this broad geo-political context, but with an important domestic aspect also. In the 1950s arguments about the future trajectory of British society led to the perception that faster economic growth could deliver the goals of a range of political forces. For the Right it could deliver higher public spending whilst allowing for cuts in taxes.¹⁴ For those on the Left it could aid the poor without having to overcome the resistance of the rich to any absolute fall in their incomes.¹⁵ The argument that it is better to expand the cake than quarrel furiously over its division could attract (almost) all people of good will. Not least amongst these were mainstream economists, for

¹² P. Studenski, *The Income of Nations* (New York, 1958).

¹³ H. Arndt, *The Rise and Fall of Economic Growth* (Chicago, 1978) brings out the very specific historical context of the emergence of growth in the 1950s and 1960s, and the backlash which followed in the 1970s.

¹⁴ Hence Macmillan's 'modernization' drive in the early 1960s: N. Tiratsoo and J. Tomlinson, *The Conservatives and Industrial Efficiency*, (London 1998), 20-34, though the Conservative shift to a focus on growth is evident in the landmark White Paper of 1955, *Economic Implications of Full Employment*, Cmd. 9725.

¹⁵ On the Left, Crosland's *The Future of Socialism* (London, 1956) is the *locus classicus*; for discussion of the politics of this, L. Black, *The Political Culture of the Left in Affluent Britain, 1951-64* (Basingstoke, 2003), especially 133-54.

whom economic growth meant choices could be expanded without the need to make any judgements about the relative merits of different ‘needs’ or other troubling features of older political economies.¹⁶

From the beginning there were doubts about the equation of economic growth and enhanced economic welfare. Kuznets, the key figure in the statistical revolution underpinning post-war growth measurement, was clear about the arbitrary character of focussing on the monetised transactions summed in GDP when measuring economic welfare.¹⁷ The inappropriateness of such an approach was initially emphasised by those concerned with the Third World, who especially saw the exclusion of much peasant subsistence production as wholly distorting. But the problem is more general: most welfare comes from non-market activities; from household production, or from not producing at all, that is, from leisure.¹⁸

Obvious problems also arise from average GDP/head data disguising shifts in the income distribution, and in recent decades masking the startling redistribution to the rich in the UK. Distortions also come from the arbitrary evaluation of government outputs, where problems in measuring the worth of non-market output lead to valuing outputs by the value of inputs, and hence ruling out any possibility of productivity changes. The attractions of growth to many economists is that it purports to make no judgement about how resources are used and so avoids ‘value judgements’ about how

¹⁶ The emphasis on expanding choice is strongly articulated in a key pioneer work, A. Lewis, *The Theory of Economic Growth* (London, 1955), Appendix.

¹⁷ S. Kuznets, *The Structure of US National Income 1919-1939* (New York, 1941); for recent critiques: J. Stiglitz, A. Sen, J-P Fitoussi, *Mis-measuring our Lives: why GDP doesn't Add Up* (New York, 2010); D. Coyle, *GDP: a Brief but Affectionate History* (Princeton, 2014); R. Skidelsky and E. Skidelsky, *How Much is Enough? The Love of Money and the Case for the Good Life* (London, 2012).

¹⁸ A. Offer, ‘Economic welfare measurements and human well-being’ in P. David and M. Thomas (eds.), *The Economic Future in Historical Perspective* (Oxford, 2003), 374.

people choose to enjoy enhanced economic welfare. But, as has long been pointed-out, GDP includes the output items of ‘illfare’ as well as welfare; increased cigarette manufacture, and increased cancer services are added together.

These issues are well known, and can be found in any standard economics textbook. Most commentators acknowledge these issues—but then move on to focus on GDP growth! But even amongst ‘orthodox’ economists there have been important attempts to provide more adequate concepts.¹⁹ Criticisms of GDP have in recent years come especially from two sources. First, from those concerned with economic development, has come the Human Development Index, based on the capabilities approach, which has been widely adopted as giving a better, liberal, underpinning for judging development. One important feature of HDI is that it builds in an assumption of diminishing returns to higher incomes, so that in poor countries GDP growth boosts welfare substantially, but in higher income countries much less so.

The other recently prominent strand of critique of GDP arises from the new utilitarian approach, which seeks to show that systematic evidence of happiness and well-being does not correlate with economic growth.²⁰ This has backed up evidence of older claims that there is an ‘Easterlin paradox’, which suggests subjective views of happiness do increase with income in any given country at a particular point in time, but that such a relationship does not hold between countries nor over time.²¹

¹⁹ Offer, ‘Economic welfare’, 371-99.

²⁰ R. Layard, *Happiness, Lessons from a New Science* (New York, 2005). Amongst economic historians there has been an important strand of work using height as measure of welfare, but most of this work focuses on the eighteenth and nineteenth centuries, rather than more recent history: R. Steckel and R. Floud (eds.), *Health and Welfare during Industrialization* (Chicago, 1997).

²¹ R. Easterlin, ‘Does economic growth improve the human lot? Some empirical evidence’ in P. David and M. Reder (eds), *Nations and Households in Economic Growth* (New York, 1974), 89-125.

For the more recent past Crafts has shown how HDI measures move broadly in line with income, but reduce the gaps between rich countries compared with GDP figures.²² Also, very importantly, taking into account hours worked greatly reduces the perceived advance of the East Asian ‘tigers’, where in recent years hours have risen contrary to the trends across Europe.²³

The overall conclusion of this debate is best summed-up by Avner Offer: ‘A common pattern emerges: the relation of economic welfare and welfare overall is *historically contingent*. They all suggest a curvilinear relationship between economic welfare and human welfare. Using extended accounting and social indicators, international comparisons suggest an historical cycle of two periods. In the first, economic growth provides high welfare pay-offs, as basic deprivations are remedied and basic needs are satisfied. In the second phase, GDP goods provide diminishing, steady or even negative returns, depending on the measure used.’²⁴

Such a conclusion suggests one reason why we should treat accounts of Britain’s decline as unhelpful: ‘decline’ of relative GDP is in principle a problematic criterion for assessing changes in economic welfare in a rich country such as Britain. Like Arndt’s analysis of rise and decline of growth, we should see the emphasis on decline as a product of a particular conjunction of ideological and political conditions, and its continuing deployment as a reflection of how well it meets certain ideological ‘needs’.

²² In a broader context Crafts understandably emphasizes how rising life expectancies in poor countries give a much more optimistic view of their welfare levels than GDP comparisons: N. Crafts, ‘The Human Development Index, 1870-1999: some revised estimates’ *European Review of Economic History* 6 (2002), 395-405.

²³ N.Crafts, ‘*Britain’s Relative Economic Decline 1870-1995 : a Quantitative Perspective* (London, 1997), 9-10, 17-21

²⁴ Offer, ‘Economic welfare’, 391; emphasis added.

The history of declinism has been outlined elsewhere.²⁵ Like growth, it needs to be located in a specific historical context. In summary, we can say that initially, in the context of the growth debate of the 1950s and 1960s noted above, it functioned as a stick for Centre-Left ideologues and politicians to beat the Conservative government of 1951-64. By the 1970s it had mutated politically to become a keystone of the neo-liberal attack on the ‘post-war consensus’, and was used with great effect in that way by Thatcher and her allies.²⁶ Post-Thatcher it has been argued by some on the Left to argue that decline continues, but the predominant view amongst the political class is that Thatcher halted decline.²⁷ This conventional wisdom has been endorsed, albeit with qualifications, by some economic historians.²⁸

Is ‘decline’ an appropriate word to summarise the trajectory of post-1945 Britain?²⁹ According to IMF data for 2012, Britain is ranked twenty-first in the ranking of GDP/head, the only large countries with a higher level being the USA

²⁵ J. Tomlinson, ‘Inventing “Decline”: the falling behind of the British economy in the post-war years’ *Economic History Review* 49 (1996), 731-57. For other sceptical assessments of declinism see A. Booth, ‘The manufacturing failure hypothesis’ *Economic History Review* and D. Edgerton, *England and the Aeroplane* (Basingstoke, 1991) and P. Temin, ‘The Golden Age of European growth reconsidered’ *European Review of Economic History* 6 (2002), 3-22.

²⁶ D. Cannadine, ‘Apocalypse when? British Politicians and British “decline” in the twentieth century’, in P. Clarke and C. Trebilcock (eds.), *Understanding Decline* (Cambridge, 1997), 261-84; E. Green, *Thatcher* (2006), 55-82.

²⁷ The ‘decline continues’ theme can be found in L. Elliott and D. Atkinson, *Going South: Why Britain will have a Third World Economy by 2014* (London, 2012); and in more sophisticated terms in E. Engelen, I. Erturk, J. Froud, S. Johal, A. Leaver, M. Moran, A. Nilsson and K. Williams, *After the Great Complacence. Financial Crisis and the Politics of Reform* (Oxford, 2011).

²⁸ N. Crafts, *The Conservative Government’s Economic Record: an End of Term Report* (London, 1998); also Crafts ‘Was the Thatcher experiment worth it? British economic growth in a European context’ in A. Szirmai, B. van Ark and D. Pilat (eds.), *Explaining Economic Growth* (Amsterdam, 1993), 327-50.

²⁹ It should be taken for granted we are talking about relative decline, though both in the 1970s and in the recent crisis there was talk of Britain becoming a ‘third world country’ which strongly suggested absolute decline; P. Jenkins, *The Anatomy of Decline* (London, 1996); Elliott and Atkinson, *Going South*.

(sixth) and Germany (seventeenth).³⁰ The USA overtook Britain in the late nineteenth century, so the only large country to overtake Britain post-1945 is Germany, where in 2012 GDP/head was around six per cent higher. For a historian the German comparison is especially resonant. In *Made in Germany* in 1896 the impending doom of Britain was spelt out; one hundred and twenty years later the difference in GDP/head barely exceeds the measurement error.³¹

One final issue relating to GDP measurement and economic welfare relates to productivity. It is normal to see higher productivity as the key route to higher GDP, but much less common to bring out how higher productivity may be predicated on welfare-reducing processes. For example, it is a commonplace of literature discussing lagging productivity in Britain to link this to lamentations about alleged opposition to work intensification, without recognising that such intensification must, in welfare terms, be put in the balance against the benefits of higher output.³²

This section has had an unavoidably negative tone. However, by suggesting some of the profound limitations of the framework of growth and decline, the need for a more useful term is clear, and this is the role de-industrialization can play.

II

³⁰ IMF, *World Economic Outlook*, October 2013. The great bulk of the world's population have less than a quarter of this figure.

³¹ In 1999 the HDI measures for Germany and the UK were almost indistinguishable: 0.921 and 0.923 respectively: Crafts, 'The Human Development Index, 1870-1999: some revised estimates' *European Economic History Review* 6 (2002), 397, Table 3.

³² For example, Broadberry ascribes the slow growth of the 'modern office' in Britain compared with the USA to poorer educational standards and 'stronger labour force resistance to the intensification of the labour process': S. Broadberry, *Market Services and the Productivity Race 1850-2000: British Performance in International Perspective* (Cambridge, 2006), 5-6. For evidence that such intensification is normal across the British economy in recent years: Green, *Demanding Work*, 44-93.

De-industrialization is a complex term, and this section seeks to address some of these complexities, first by laying out some definitional clarifications, then by looking at the diverse ways different academic disciplines have deployed the term. This lays the groundwork for the specific, empirical, deployment of the term developed in section III.

The focus here is on the *employment* aspects of de-industrialization: this is based on the claim that the radical decline in industrial employment has been a major force shaping post-war Britain. It also needs to be emphasized that such significance might be attached to de-industrialization in other rich countries, given that the process, in broad outline at least, is common to them all.³³ The reasons for this international trend are changes in the composition of demand, relatively rapid growth in productivity in manufactures and, more contentiously, international competition from poor countries.³⁴

Why should we focus on these changing patterns of employment? Primarily because of their links to economic welfare. The post-war period, despite the hopes of some, has not seen the demise of the reliance of the great bulk of the population on wage income. There has been a clear failure to move to ‘asset-based’ welfare, and with recent postponements in state pensions, the ending of final salary occupational

³³ A.Pilat, A. Cimper, K. Olsen and C.Webb, *The Changing Nature of Manufacturing in OECD Countries*, (OECD, Paris 2006).

³⁴ This last is particularly controversial, bearing as it does on the question of the impact of globalization: for different views P. Krugman and R.Lawrence, ‘Trade, jobs and wages’ *Scientific American* 270 (1994), 44-9; A. Wood, ‘How trade hurt unskilled workers’ *Journal of Economic Perspectives* 9 (1995), 57-80; R. Hine and P. Wright, ‘Trade with low wage economies: employment and productivity in UK manufacturing’ *Economic Journal* 108 (1998), 1500-1510; M. Gregory, B. Zissimos and C. Greenhalgh, ‘Jobs for the skilled: how technology, trade and domestic demand changed the structure of UK employment, 1979-90’ *Oxford Review of Economic Policy* 53 (2001), 20-46. On demand changes, Feinstein ‘Structural change’, 40-43.

schemes and the extension of working lives, this situation is likely to continue.³⁵ In a different register, the project of a ‘property-owning democracy’ espoused by the Right and some elements of the Centre-Left, has turned out in practice to have results almost entirely in housing.³⁶ While this has given economic security to some, it has distributed that security unevenly, and may have contributed to macroeconomic instability.³⁷ So the traditional understanding that under capitalism most people continue to rely on waged work for economic welfare remains accurate.

Discussing de-industrialization in relation to its employment effects raises complex definitional issues. On the statistical side, some of the measured decline of manufacturing, the largest component of ‘industry’, results from manufacturing companies spinning – off support activities into business services firms. This sectoral shift followed on from a long period of growth of non-production activities in manufacturing companies, with, most importantly, ‘professional staff’ growing most rapidly, from 3.2 per cent of all staff in manufacturing industry in 1951 to 7.1 per cent in 1971.³⁸ This process may also tend to lead to statistical over-estimation of the size of manufacturing in Germany, where such splitting-off from manufacturing companies has been less prevalent.³⁹ Nevertheless, while the statistics are questionable at the margins, the broad picture is indisputable; however narrowly or

³⁵ J. Froud, S. Johal, J. Montgomerie and K. Williams, ‘Escaping the tyranny of earned income? The failure of finance as social innovation’ *New Political Economy* 15 (2010), 147-64.

³⁶ B. Jackson, ‘Revisionism Reconsidered: “Property-owning democracy in post-war Britain’ *Twentieth Century British History* 16 (2005), 416-40.

³⁷ On the distribution, J. Wadsworth, ‘Eyes down for a full house: labour market polarisation and the housing market in Britain’ *Scottish Journal of Political Economy* 45 (1998), 376-92; A. Hood and R. Joyce, ‘The economic circumstances of cohorts born between the 1940s and 1970s’ Institute for Fiscal Studies, 2013; on the destabilising effects: A. Offer, ‘Narrow banking, real estate and financial stability in the UK, c.1870-2010’ in N. Dimsdale and A. Hotson (eds.), *British Financial Crises since 1825* (Oxford, 2014).

³⁸ R. Crum and G. Gudgin, *Non-production Activities in UK Manufacturing Industry*, (Commission of the EC, Brussels, 1977), 11.

³⁹ B. van Ark, ‘Sectoral growth accounting and structural change in post-war Europe’ in van Ark and N.Crafts (eds), *Quantitative Aspects of Post-War Economic History* (Cambridge, 1996), 84-164.

widely we think of 'industry', the numbers engaged in it have radically declined in Britain since the 1950s/1960s.

Which definition of 'industry' we use should be conditioned by the issues we are concerned with. The big distinctions between industry, services and agriculture in modern statistics are designed to differentiate between types of *output*, not employment. So any use of the distinctions to discuss employment has to accept that if the scale of employment in industry is important this is not inherent in the categorization, but historically contingent. The same point can be applied when we differentiate within 'industry'. Much economic discussion is focussed specifically on manufacturing, often because of arguments about this sector's capacity to raise productivity and hence growth, but if we are concerned with employment we can draw the boundary on a somewhat broader basis.

For the purposes of the current argument we are concerned with economic sectors which, historically, have offered large amounts of regular, relatively well-paid employment to working-class people with relatively limited educational qualifications.⁴⁰ Or, to put it another way, the sectors of employment which historically underpinned the existence of a distinctive industrial working class. In other words, de-industrialization is defined to capture the belief that as a process it had *both* major economic welfare and broader political economy consequences.

With this logic in mind, we here treat de-industrialization as concerned with decline in employment in industry, which as officially defined equals manufacturing plus

⁴⁰ Or perhaps, following Bourdieu, we should say 'relatively little cultural capital'; for an integration of this term with other analyses of class see M. Savage et al 'A new model of social class?: findings from the BBC's Great British Class survey experiment' *Sociology* 47 (2013), 219-250.

mining plus construction. This is the figure which is most widely available and on a comparative basis. But while the same kind of systematic data is not available if we extend the definition, we might also want to include in our narrative some recognition of employment in railways and utilities, which fall outside that definition of industry, but could be included on the basis outlined in the previous paragraph.⁴¹ Even this extended category does not, of course, include all manual workers, excluding as it does those in the service sector and agriculture. Equally obviously, it does not equate with the whole of the working class in the broadest sense of all those reliant on wage labour, which would amount to over ninety per cent of the population.⁴²

Individual industries have, of course, declined from the beginning of industrial capitalism; here the focus is on overall sectoral contraction. Saul talked about de-industrialization before the First World War, but while the service sector was growing at this time, this was primarily at the expense of agriculture.⁴³ Numbers in industry declined after 1921 with the collapse of the old staples, but overall services growth was constrained by the rapid decline of domestic service. Industrial employment surged across the Second World War to levels only matched in Germany, and initially this level was sustained by protective devices needed to offset the balance of payments consequences of wartime losses of foreign assets. Peak employment in

⁴¹ Broadberry, *Market Services*, 34, calculates that employment in transport and communications fell from 7.9 per cent of the labour force in 1950 to 5.5 per cent in 1990.

⁴² Hobsbawm's famous article uses non-agricultural manual workers, and on that basis says figures show fall from about 75 per cent in 1911, to 70 per cent in 1931, 64 per cent in 1961 and a little over half in 1976: E. Hobsbawm, 'The forward march of labour halted?' *Marxism Today*, September 1978, 279-86. There has been an upward trend in levels of self-employment (as well as sharp cycles), but much of this seems to be a reflection of the weakness of the labour market.

⁴³ S.Saul, *Industrialisation and De-industrialisation: the Interaction of the German and British Economies before the First World War* (London, 1979).

industry was in the 1950s, when declines in textiles, coal and railways began to be significant.⁴⁴ Manufacturing employment peaked in the following decade.⁴⁵

Table 1: A common European pattern: industrial employment peaks

	Peak year	% in industry in peak year	% in industry in 1998	% fall, peak to 1998
UK	1955	47.9	26.6	44.5
Belgium	1957	47.0	26.1	44.5
Switzerland	1964	48.8	26.3	46.1
Netherlands	1965	41.1	22.2	46.0
Sweden	1965	42.8	25.7	40.0
West Germany	1970	49.3	35.0	29.0
Italy	1971	39.7	31.9	19.6
France	1973	39.5	25.2	36.2

Source: C.Feinstein, 'Structural change in the developed countries in the twentieth century' *Oxford Review of Economic Policy* 15 (1999), 39.

⁴⁴ R. Rowthorn and J. Wells, *De-industrialization and Foreign Trade* (Cambridge, 1987), 10.

⁴⁵ R. Rowthorn, 'De-industrialisation in Britain', 6; outside textiles, much early de-industrialisation in Britain was in the nationalised sector; it was the unintended fate of this sector to manage a policy of 'humane decline': J. Tomlinson, 'A "failed experiment"? Public ownership and the narratives of post-war Britain' *Labour History Review* 73 (2008), 199-214.

De-industrialization reached a crescendo in 1979-82, when a grossly overvalued exchange rate rendered large swathes of British industry uncompetitive, and industrial output fell by twenty per cent. As the Prime Ministerial adviser, John Hoskyns, noted in his memoirs, the Thatcher government had ‘accidentally engineered’ a major recession by its misguided adherence to monetary targets and ‘done the economy a great deal of damage by mistake’.⁴⁶ Relative sectoral decline continued thereafter, and was rapid again in the ‘great complacency’ after the mid-1990s.⁴⁷

It is important to emphasize the long-term nature of this change. The 1979-82 episode was extraordinary in its speed and extent, but the process began much earlier, as suggested above. While the stress in the literature on the radical effects of the Thatcher period is understandable, it gives a very misleading picture of the chronology and, by implication, the processes at work.⁴⁸ It also ignores the very different contexts in which the process took place, and the extent to which its effects were offset.⁴⁹

De-industrialization in Britain has been analysed from a number of disciplinary perspectives. As already noted, beginning in the 1970s, economists have

⁴⁶ Cited in D. Needham, ‘Britain’s money supply experiment, 1971-73’ *English Historical Review* 130 (2015), 89; also J. Tomlinson, ‘Mrs Thatcher’s macroeconomic adventurism, 1979-1981, and its political consequences’ *British Politics* 2 (2007), 3-19.

⁴⁷ Figures in Engelen et al, *Great Complacency*, 214.

⁴⁸ Owen Jones, *Chavs. The Demonization of the Working Class* (2nd ed. 2012), while persuasive in many respects about the ideological consequences of de-industrialization, treats it as a process which began only in 1979.

⁴⁹ J. Phillips, ‘The moral economy and de-industrialization in the Scottish coalfields, 1947-1991’, *International Labor and Working Class History*, 84 (2013), 99-115; also Phillips, ‘Class and industrial relations in Britain: the “long” mid-century and the case of port transport c.1920-70’ *Twentieth Century British History* 16 (2005), 52-73.

tended to focus upon its impact on the balance of payments and growth. Also a product of the 1970s was the work of Bacon and Eltis, which linked de-industrialization to the excessive growth of the non-market (public) sector, allegedly leading to the crowding out of labour supply to industry.⁵⁰ Few were persuaded by the analysis, but the arguments added to the panicky declinism of the 1970s by linking it to de-industrialization. But other declinists have argued strongly that de-industrialization is not the cause of Britain's 'decline', whose roots are to be sought elsewhere.⁵¹

An entirely different literature, macro-sociological in character, discussed de-industrialization in epochal terms as marking the end of industrial society. Bell's book of this title unleashed a torrent of work which sought to find an appropriate term to describe this new epoch: the service economy, the information society etc.⁵² Sociology at this level of generality may not have much to offer directly to the historian of post-war Britain, though there is less grand and more empirical work from which historians can learn much. Perhaps most important is that of Gershuny, who focuses on the labour market and work consequences of de-industrialization.⁵³

More prominent in the literature has been the focus on industrial closures and their effects, which has generated a vast academic and political literature.⁵⁴ Much of

⁵⁰ R. Bacon and W. Eltis, *Britain's Economic Problem: Too Few Producers*. For a critique: G. Hadjiamatheou and A. Skouras, 'Britain's economic problem: the growth of the non-market sector?' *Economic Journal* 89 (1979), 402-415.

⁵¹ N. Crafts, *Can De-industrialization Seriously Damage your Wealth?* (London, 1993) also W. Rubinstein, *Capitalism, Culture and Decline in Britain 1750-1990* (London, 1993).

⁵² D. Bell, *The Coming of Post-Industrial Society* (London, 1974).

⁵³ J. Gershuny, *After Industrial Society* (London, 1978); J. Gershuny and I. Miles *The New Service Economy* (London, 1983).

⁵⁴ Examples, R. Martin and R. Rowthorn (eds.), *The Geography of Deindustrialization* (London, 1986); D. Massey and R. Meegan, *The Anatomy of Job Loss: the How, Where and Why of Employment Decline* (London, 1982); J. Foster and C. Woolfson, *The Politics of the UCS Work-in: Class Alliances*

this reflected an understandable anger and despair at the fate of communities hit by the decline of particular sectors, but its purpose was only partially to place these closures into a broader historical perspective. Nevertheless, the sense of the profundity of effects of the rapid loss of industrial employment conveys a hugely important truth about post-war Britain which needs to be retained and developed.

Some economic historians have followed economists in seeing the main significance of de-industrialization in terms of its impact on growth; both contributions to the new *Cambridge Economic History* noted above follow this path.⁵⁵ Others have analysed the rise of the service sector, but not paid detailed attention to the correlate of declining industrial employment.⁵⁶

III

The most useful analytic starting point for the historical argument here is the political economy literature on de-industrialization. This starts from the broad generalisation that the industrial and service sector are differentiated in labour market terms, with industry characterised much more by job-specific skills, while services require much more generic skills, albeit at very variable levels of sophistication. Using this generalisation as a basis, and placing developments in a comparative European perspective, this literature posits a 'trilemma' arising from de-industrialization. This suggests that, starting from a large share of industrial employment in the 1950s and

and the Right to Work (London, 1986); H. Levie, D. Gregory and N. Lorentzen (eds.), *Fighting Closures: De-industrialization and the Trade Unions* (Nottingham, 1984).

⁵⁵ See also Crafts, *Can De-industrialization?*

⁵⁶ Broadberry, *Market Services* and *idem.*, 'The rise of the service sector' in *CEHMB* vol II, 330-61; R. Millward, 'Productivity in the UK services sector: historical trends 1856-1985 and comparison with the USA 1950-1985' *Oxford Bulletin of Economics and Statistics* 52 (1990), 423-36 and R. Millward, 'The rise of the service economy' in R. Floud and P. Johnson (eds.), *The CEHMB vol. III Structural Change and Growth, 1939-2000* (Cambridge, 2004), 238-66.

1960s, and broadly egalitarian patterns of wage differences between industry and services, the expansion of low productivity services meant that countries had to either allow more inequality in wages between sectors; or, if service sector wages are kept broadly in line with those in industry, less demand for labour will lead to more unemployment; or, thirdly, spend more money on public employment to create relatively well-paid service sector jobs.⁵⁷

One of problems of the original version of this argument was that it followed Baumol's argument that all private sector services are low productivity. But as Broadberry shows, historically some services have raised their productivity substantially by 'industrialising'.⁵⁸ Recent work by political economists such as Wren accepts this, focusing on the significance of the ICT revolution, and arguing that this has reduced the force of the trilemma, so in part weakening Keynes' assumption that service expansion necessarily expands the sheltered sector of the economy. But it has by no means refuted it.⁵⁹ Even for the most recent period, this process of 'industrialising' services has by no means exposed all services to international competition, and it remains an important historical generalisation that many services are sheltered, low productivity activities.

However, there are obvious dangers in over-generalising about such a huge employment sector as services, which now makes up over 80 per cent of the economy. The British data don't show a significant divergent trend in average wages between the 'production' or 'manufacturing' sectors and services. But there is evidence that

⁵⁷ T. Iversen and A.Wren, 'Equality, employment and the budgetary restraint: the trilemma of the service economy' *World Politics* 50 (1998), pp.507-46; T.Iversen and T. Cusack, 'The causes of welfare expansion: de-industrialization or globalization?' *World Politics* 52 (2000), 313-49.

⁵⁸ Broadberry, *Market Services*.

⁵⁹ A.Wren, M. Fodor and S.Theodopoulou, 'The trilemma revisited: institutions, inequality and employment creation in an era of ICT-intensive service expansion' in Wren (ed.), *The Political Economy of the Service Transition* (Oxford, 2013), 108-146.

within services there has been a notable divergence in wage levels, summarised in the idea of ‘polarization’.⁶⁰ This thesis argues that technological change has displaced many routine, mid-income jobs, but led to the expansion of jobs that at the top end require non-routine cognitive skills, and at the bottom end, non-routine manual skills. (While services have seen a ‘bifurcation’ in the labour employed between the lowest and highest skilled and rewarded, manufacturing has seen a clear ‘up-skilling’ taking place, with the numbers with no qualifications employed in manufacturing falling from 26 per cent in 1993 to 8 per cent in 2013, whilst those with first degrees rose from 7 to 16 per cent.⁶¹)

The rapid growth in low paid jobs in the service sector is suggested in the figures below (Table 2).

⁶⁰ Sectoral average earnings in ONS *Economic Trends*; M. Goos and A. Manning, ‘Lousy and Lovely Jobs: the rising polarisation of work in Britain’ *Review of Economics and Statistics* 89 (2007), 118-133.

⁶¹ M. Hardie and A. Banks, ‘The changing shape of UK manufacturing’ Office for National Statistics, 2014 http://www.ons.gov.uk/ons/dcp171766_381512.pdf (accessed 27 April 2015).

Table 2: Growth of low skill occupations, 1979-1999.

	1979	1999	Percentage increase
Care assistants and attendants	103,837	539,407	419.5
Bar staff	119,455	188,319	57.6
Shelf fillers	49,699	97,144	95.5
Sales assistants	954,200	1,321,251	38.5
Retail cash desk and checkout operators	112,816	218,581	93.7
Waiters and waitresses	124,780	187,391	50.2
Beauticians	24,536	28,946	18.0

Source: M. Goos and A. Manning, 'Lousy and lovely jobs. The rising polarisation of work in Britain' *Review of Economics and Statistics* 89 (2007), 124-5.

This polarization of services has been one way in which de-industrialization has contributed to inequality. Britain experienced a sharp rise in inequality of incomes from the late 1970s, flattening out in the early 1990s.⁶² This rise in inequality was due to a number of causes, including cuts in social security benefits and the weakening of

⁶² A. Atkinson, *Inequality. What Can Be Done?* (London, 2015), 19-20.

trade unions (itself linked to de-industrialization—see below). But a key driver has been the polarization of the labour market: ‘wage inequality is significantly higher now than it was some thirty years ago. This is true for men and women, and is the case in both the upper and lower halves of the distribution.’⁶³ Machin calculates the ratio between 90th and 10th percentiles for the period 1970 to 2009, and suggests that in that period this dispersion rose by approximately 50 per cent.⁶⁴ This polarization maps on to the pattern of job growth, with growth at each end of the distribution defined by their median occupational wage.⁶⁵

The long-run trend associated with structural change in twentieth century Britain was towards higher demand for more skilled labour, and the supply of such labour has risen also.⁶⁶ But there remain large number of poorly-skilled (or redundantly-skilled) workers which the pace of de-industrialization has left behind. In addition, as noted above, the ‘service economy’ brings large numbers of poorly paid and insecure jobs along with those which are highly-skilled and well paid.

Almost all the ‘lousy jobs’ listed in Table 2 are disproportionately done by women, many of them on a part-time basis. As Connolly and Gregory put it, ‘Women working full-time, who are increasingly the equal of men in education and qualifications, do rather different jobs from men, in different professions and in offices rather than factories, but at broadly the same occupational level. Women who

⁶³ S. Machin, ‘Changes in UK wage inequality over the last forty years’ in P. Gregg and J. Wadsworth (eds.), *The Labour Market in Winter* (Oxford, 2011), 157. Alongside this trend has been growing wealth inequality, linked in part to the rent-seeking activities of the ‘working rich’: M. Savage and K. Williams, ‘Elites: remembered in capitalism and forgotten by social sciences’ in Savage and Williams (ed.), *Remembering Elites* (Oxford, 2008), 11.

⁶⁴ Machin, ‘Changes’, pp.157-8.

⁶⁵ Goos and Manning, ‘Lousy and lovely jobs’.

⁶⁶ Feinstein, ‘Structural change’, 47.

work part-time, on the other hand, remain significantly less well-qualified, are under-represented in the higher-level occupations, and are concentrated into a relatively narrow range of lower-level jobs.’⁶⁷

So the impact of de-industrialization on women’s employment has been complex. The decline of industrial employment has destroyed large numbers of jobs for both men and women, but many more of the former. In addition, the women’s jobs which have gone were disproportionately in the poorly-paid textile and clothing sector. Conversely, the expansion of the service sector has helped open up the range of opportunities for women, but they have participated fully in the polarization process that has accompanied this opening-up.

One response to this trend towards a large numbers of poorly paid jobs, concentrated in services, was the introduction of a national minimum wage (most of the old Wages Councils having been abolished in the 1980s). The impact of wage polarization has been partially mitigated by the expansion of in-work benefits, most importantly tax credits and housing benefit.

In this way structural changes in the labour market have brought about profound changes in the social security system. It is not only that these in-work benefits have come to greatly exceed payments made to the unemployed (returned to below), but the whole principle of post-war welfare has shifted. The classic mid-twentieth century Beveridge analysis of the sources of poverty suggested the problem fundamentally lay in ‘interruption to earnings’ (by unemployment, sickness or age)

⁶⁷ S. Connolly and M. Gregory, ‘Women and work since 1970’ in N. Crafts, I. Gazeley and A. Newell (eds.), *Work and Pay in Twentieth Century Britain* (Oxford, 2007), 156.

along with large numbers of children, the latter to be addressed by ‘Family Allowances’ (later, Child Benefit).⁶⁸ While this analysis always misrepresented the labour market, not least in its barely-qualified notion of the ‘male-breadwinner household’, its fundamental idea that normally paid work would provide a route out of poverty has underpinned most modern understandings of how society works down to the present day. What has changed in the period of de-industrialization has been the numbers earning very low wages, and being supported by in-work benefits.

Evidence of these trends can be found in the rise of in-work poverty, a central feature of the post-industrial period. While in the industrial period employment did not guarantee an above-poverty income, most poverty was amongst non-workers (the sick and disabled, pensioners, single mothers), or those with unusually large families. Abel-Smith and Townsend showed that in 1960 about 40 per cent of households in poverty (those below 140 per cent of the then National Assistance level) had a working member. But overwhelmingly they also had a large number (four or more) children⁶⁹. Recent work suggests that a majority of the poor are now members of households with at least one member in work: ‘As pensioner poverty is now at low levels, the rate of in-work poverty is the most distinctive characteristic of poverty today’.⁷⁰ A different calculation suggests that whereas in the 1970s 3-4 per cent of employed households were in poverty, the figure by 2000/1 was 14 per cent. Between 1975 and the mid-1990s, the incidence of low pay for men in the labour market has doubled.⁷¹

⁶⁸ A. Cutler, K. Williams and J. Williams, *Keynes, Beveridge and Beyond* (London, 1986).

⁶⁹ B. Abel-Smith and P. Townsend, *The Poor and the Poorest* (London, 1963), 49.

⁷⁰ Joseph Rowntree Foundation, *Monitoring Poverty and Social Exclusion* (London, 2012), 1-2; K. Lawton, *Nice Work If You Can Get It* (London, Institute for Public Policy Research, 2009).

⁷¹ M. Stewart, ‘Low Pay in Britain’ in P. Gregg and J. Wadsworth (eds.), *The State of Working Britain* (Manchester, 1999), 225-48.

Unemployment levels have increased since the 1970s, with three major slumps each pushing measured unemployment over the two million mark.⁷² But alongside these cycles, whose relationship to de-industrialization cannot be readily assessed, has come a rise in chronic unemployment. This has been partly hidden by the rise in incapacity benefit, which has acted to disguise the weakness of labour demand. Estimates of the 'real' level of unemployment, making allowances for this weakness, suggest that even in the good times unemployment has been much higher than in the 'golden age'. Thus for January 2007 Beatty et al calculate a rate of 7.2 per cent, measured as the sum of claimant levels (2.6 per cent), plus 1.8 per cent under the ILO measure ('actively seeking work') and 2.9 per cent for hidden unemployment amongst those on Incapacity Benefit.⁷³ There is other good evidence, for example from Glasgow, that the number of incapacity claimants is, as Beatty et al's calculations suggest, largely a function of the strength of the demand for labour.⁷⁴

Unemployment after the 1970s had a strong regional dimension, continuing a pattern which first appeared in the 1920s. This is most clearly shown in inactivity rates, which show greater divergence than official unemployment rates.⁷⁵ Alongside this geographical distribution are continuing important intra-regional disparities, especially between inner-city areas on the one hand and suburban and rural areas on the other. These latter disparities remind us of the important point that de-

⁷² T. Hatton and G. Boyer, 'Unemployment and the UK labour market before, during and after the Golden Age' *European Review of Economic History* 9 (2005), 35-60.

⁷³ C. Beatty, S. Fothergill, T. Gore and R. Powell, *The Real Rate of Unemployment 2007* (Sheffield Hallam University, 2007), 22.

⁷⁴ D. Webster, J. Arnott, J. Brown, I. Turok, R. Mitchell and E. Macdonald, 'Falling Incapacity Benefit claims in a former industrial city: policy impacts or labour market improvement?' *Policy Studies* 31 (2010), 163-85

⁷⁵ S. Nickell, 'Introduction' to special issue on the labour market, *Oxford Bulletin of Economics and Statistics* 63 (2001), 623.

industrialization has been a feature of cities like Edinburgh and London, as well as the classic ‘industrial cities’ like Glasgow and Newcastle.⁷⁶ Nickell summarises the position thus: ‘the huge decline in the relative demand for unskilled workers has outstripped the fall in their relative supply. This has led directly to significant falls in their relative pay and very large increases in their unemployment, inactivity and sickness rates. These disadvantages then tend to interact with other local social and economic conditions to make their situation worse’.⁷⁷

Alongside the rise in unemployment since the 1970s has come a deterioration in the relative position of the unemployed. In the 1960s unemployment pay was adjusted upwards according to previous earnings levels to encourage labour mobility. Even in the 1980s, it is striking that however much the Thatcher government wanted to politically defeat the miners, it was willing to offer quite generous benefits to unemployed miners, including, famously encouraging them to claim invalidity benefit, which paid better than unemployment pay (and also massaged down the unemployment figures).⁷⁸ But the trend in unemployment pay relative to average incomes has been downwards since the 1980s, and this policy has been reinforced under the Coalition.⁷⁹ So since the ‘golden age’ unemployment, much of it linked to changing patterns of labour demand, has become more prevalent, and more painful when experienced.

⁷⁶ R. Rodger and R. Madgin, ‘Inspiring Capital? Deconstructing myths and reconstructing urban environments, Edinburgh, 1860–2010’ *Urban History* 40 (2013), 507-529; D. Graham and N. Spence. ‘Contemporary de-industrialisation and tertiarisation in the London economy.’ *Urban Studies* 32 (1995), 885-911. For Glasgow, J. MacInnes, ‘The De-industrialisation of Glasgow’, *Scottish Affairs*, 11 (1995), 73-95.

⁷⁷ Nickell, ‘Introduction’, 623.

⁷⁸ C. Beatty, and S.Fothergill, ‘Disability benefits in an age of austerity’ *Social Policy and Administration* 49 (2015), 161-181.

⁷⁹ A.Glyn, *Capitalism Unleashed* (Oxford, 2006), 114-6; Nickell, ‘Fundamental change’, p.724.

The third 'resolution' of the trilemma has been an expansion of public employment. This growth has been obscured by the highly eccentric way in which public sector employment is defined by the Office for National Statistics: 'the difference between the public and private sector is determined by where control lies, rather than by ownership or whether or not the entity is publicly financed'.⁸⁰ This definition means that not only are all employees in further and higher education treated as part of the private sector, along with all GPs, but so are the much more numerous workers in out-sourced activities supplied to the NHS, local authorities and other public bodies. But fortunately we have the analysis of researchers at the Centre for Research on Socio-Cultural Change (CRESC) in Manchester, who have used a much more satisfactory definition whereby, if more than half of an entity's activities are publicly-funded, it is deemed a part of the public sector.⁸¹ They estimate what they christen para-state employment, producing figures back to 1998, by adjusting the ONS category published in the Quarterly Public Sector Employee Survey. The adjustment is done by taking the industries in the Standard Industrial Classification and making an informed judgement about how far each of these is reliant on the public purse. On this basis they calculate that total state and para-state employment together grew from 5.6 million in 1978 to 8.0 million by 2008, 1.7 million more than the official estimate.⁸² Of course, the fact that many of these para-state jobs are with private sector companies does matter; it generally leads to different employment

⁸⁰ ONS definition quoted in J. Cribb, R. Disney and L. Sibieta, 'The public sector workforce: past, present and future' London, Institute for Fiscal Studies, Briefing Note 145 February 2014. For further discussion of these issues, Tomlinson 'From "distribution of industry" to "local Keynesianism": an unacknowledged policy revolution?' *British Politics* 7 (2012), 204-223.

⁸¹ J. Buchanan, J. Froud, S. Johal, A. Leaver and K. Williams, 'Undisclosed and unsustainable: problems of the UK National Business Model', (Manchester, CRESC, 2009). These calculations are similar to those in Centre for Cities, 'Cities Outlook 2014', (London, 2014). These figures include employment in universities as 'public sector'.

⁸² J. Froud, S. Johal, J. Law, A. Leaver and K. Williams 'Rebalancing the economy (or buyer's remorse)' (Manchester, CRESC, 2011), 18. These figures tell a quite different story from that based on the official data: A. Newell, 'Structural change' in Crafts, Gazeley and Newell, *Work and Pay*, 45-6.

conditions and less scope for trade union organization. But the important point is that these jobs continue to be publicly-funded.

Table 3. State and 'para-state' employment in the UK, 1978-2008

1978	5.6 million
1987	6.2 million
1997	6.7 million
2008	8.0 million

Source: J.Froud, S. Johal, J. Law, A.Leaver and K.Williams, 'Rebalancing the economy (or buyer's remorse)' (CRESC, Manchester, 2011), 18.

The majority of these jobs have been in education, health and social care. The mechanisms of this expansion are complex, but a large part of the explanation is the high income elasticity of demand for health and education observed by Baumol. Fiscal pressures, in combination with market fundamentalist ideology, have meant that this expansion of public sector services has increasingly been done by cheapening labour in this sector by contracting out. So while there have been lots of well-paid and relatively secure public sector jobs, these have been accompanied by burgeoning numbers of low-paid and insecure posts in the 'parastate' sector.

This point about changes in the labour market in the public sector emphasizes the general point that de-industrialization has not been just about the creation of

‘Macjobs’. Millward’s⁸³ data emphasizes the service sector’s changing composition—with growth concentrated in public services and retail up to the 1970s, but in business services thereafter (though, as suggested above, the official data he uses seriously understates the aggregate growth of the public sector). The latter included a large number of well-paid jobs. But Millward’s analysis was written before the huge rise in officially-recorded public sector jobs under the Labour government after the turn of the century. Some of these (eg doctors and nurses) were high quality jobs, but many were not. Private sector service jobs are equally diverse.⁸⁴

De-industrialization has impacted differentially upon men and women. With the significant exception of textiles, most of the sectors making up industry were heavily male-dominated, so in a direct sense de-industrialization destroyed many more men’s jobs than women’s.⁸⁵ This effectively reduced one of the main barriers to women’s entry into the labour market, which of course has surged in the post-industrial period.⁸⁶ While many service sectors display a clear gendered hierarchy in the jobs they offer, horizontal job segregation has been much reduced. A great divide now runs between part-time (mainly women) and full-time workers, with many higher paid jobs effectively closed to the former group. This matters much more to women workers than their continued striking under-representation in ‘plant and machine operatives’, the biggest category of lower-skilled industrial workers.⁸⁷

⁸³ R. Millward, ‘The rise of the service economy’ in R. Floud and P. Johnson (eds.), *The Cambridge Economic History of Modern Britain vol. III Structural Change and Growth, 1939-2000* (Cambridge, 2004), 238-66.

⁸⁴ Goos and Manning, ‘Lousy and lovely jobs’.

⁸⁵ S. Connolly and M. Gregory, ‘Women and work since 1970’ in Crafts, Gazeley and Newell, *Work and Pay*, 143, 155-6.

⁸⁶ S. Horrell, ‘Living standards in Britain 1900-2000: Women’s century?’ *National Institute Economic Review* 172 (2000), 62-77.

⁸⁷ Connolly and Gregory, ‘Women and work’ 155-8.

While legislation and social change has contributed to the rapid growth of the number of women entering the labour force, we can regard de-industrialization as having at least contributed to one of the most important economic and social changes in post-war Britain.⁸⁸

IV

The core aim of this article is to argue for the central significance of de-industrialization, defined by its employment effects, in changing the British economy, and in shifting the pattern of economic welfare.

As noted in the introduction to this paper, Britain's de-industrialization has been part of a common European pattern. Until the 1970s 'the UK stood out with Germany as "workshop economies" with an unusually high share of manufacturing employment. While this share has declined everywhere, the UK has now joined the pack with an average share of manufacturing employment considerably below Germany's.'⁸⁹ But the speed of this change has been very fast. Britain's proportion of industrial workers has fallen further than almost any other country because of the high level from which it began, and the speed of contraction was especially fast in 1979-82. While a long-run process, there is no doubt that, as Crafts puts it, the 1980s marked 'a major break from what had hitherto been a more inclusive type of economic growth.'⁹⁰

⁸⁸ S. Horrell, 'Living standards in Britain 1900-2000: women's century?' *National Institute Economic Review* 172 (2000), 62-77.

⁸⁹ K. Coutts, A. Glyn and B. Rowthorn, 'Structural change under New Labour' *Cambridge Journal of Economics* 31 (2007), 847.

⁹⁰ N. Crafts, 'Living standards' in Crafts, Gazeley and Newell, *Work and Pay*, 31.

One way of summarising the consequences is to see de-industrialization in Britain as bringing a major increase in both inequality and economic insecurity. That Britain has experienced a rapid increase in inequality since the 1970s is well-known.⁹¹ But evidence across the twentieth century also shows the priority the population attached to economic security. And this concern was of course at the heart of Beveridge's social security project.⁹² De-industrialization has acted in a significant way to increase insecurity and hence harm economic welfare.⁹³

Keynes prediction about the future with which this essay started was written at a time when globalization was clearly in retreat. Plainly the globalization evident in the world since the 1970s has exposed more of the economy to international competition than he could possibly have anticipated. Most importantly, significant parts of the outputs of the service sector, especially in the wake of the ICT 'revolution', are internationally traded. But on the other hand, the demand for services which are sheltered has also grown immensely, whether these be private sector services such as retailing and distribution, entertainment and personal services such as hairdressing or public sector services, notably education, health and social care. These are the activities where the 'personal touch' is very difficult to displace, and where therefore increasing demand translates into approximately equal increases in employment.

⁹¹ I. Gazeley, 'Income and living standards, 1870-2010' in *CEHMB* vol II (Cambridge, 2014), 154-63.

⁹² M. Savage, *The Dynamics of Working Class Politics: The Labour Movement in Preston 1880-1940* (Cambridge, 1987); I. Gazeley and C. Langhammer, 'The meanings of happiness in Mass Observation's Bolton' *History Workshop Journal* 75 (2013), 159-89; Beveridge Report, *Social Insurance and Allied Services*, Cmd. 6404 (London, 1942).

⁹³ On the ramifications of insecurity, A. Offer, R. Pechy and S. Ulijaszek (eds.), *Insecurity, Inequality and Obesity in Affluent Societies* (Oxford, 2012).

What of the political consequences of de-industrialization? Political change is never reducible to shifts in the economy, but it seems clear that de-industrialization has undercut pre-existing political assumptions and structures in a number of ways. For example, it has been argued that it has been one factor in displacing producer by consumer politics.⁹⁴ It has contributed substantially to the rising political power of financial interests, as the power of both organized industrial capital and organized industrial workers has weakened.⁹⁵ De-industrialization is also very important in understanding the rise of Scottish nationalism.⁹⁶

But perhaps the most intriguing and important aspect of the political consequences of de-industrialization is its significance for neo-liberalism. It is standard in the historical and political science literature to see Britain since the 1970s and 1980s as having been subject to a successful neo-liberal or market fundamentalist political project.⁹⁷ But de-industrialization has, as suggested above, been accompanied in the same period by rising numbers of state employees and growing subsidisation of jobs. This is especially ironic, given that the freeing of the labour market from state intervention has always been a key objective for neo-liberals.

Effectively we have moved towards a huge ‘new Speenhamland’ system of ‘outdoor relief’ of the employed; or, viewed differently, large subsidies to employers,

⁹⁴ A. Offer, ‘British manual workers: from producers to consumers, c.1950-2000’ *Contemporary British History*, 22 (2008), 537-71.

⁹⁵ M. Moran, ‘The company of strangers: defending the power of business in Britain, 1975-2005’ *New Political Economy* 11 (2006), 453-78; W. Grant, *Pressure Groups and British Politics* (Basingstoke, 2000); N. Rollings, ‘The twilight world of British business politics: the spring Sunningdale conferences since the 1960s’ *Business History* 56 (2014), 915-935; Engelen et al, *After the Great Complacence*.

⁹⁶ J. Phillips, *The Industrial Politics of Devolution. Scotland in the 1960s and 1970s* (Manchester, 2008); J. Tomlinson, ‘Imagining the economic nation: the Scottish case’ *Political Quarterly* 85 (2014), 170-7.

⁹⁷ M. Prasad, *The Politics of Free Markets. The Rise of Neo-liberal Economic Policies in Britain, France, Germany and the United States* (Chicago, 2006); C. Crouch, *The Strange Non-death of Neo-liberalism* (London, 2013).

which has mitigated, but not cured the problem of poverty-level wages.⁹⁸ The original Speenhamland system was introduced in a parish of that name near Newbury in the South of England in 1795. Under that system, wages deemed to be below those sufficient for subsistence were subsidised through the Poor Law out of taxes (local poor rates). This system was not actually new, nor did it become universal, but it has been widely recognised as symbolising the rejection of a crucial principle of liberal political economy.⁹⁹ The principle is that wages should be determined in a market, and should not be subsidised out of the public purse. Hostility to Speenhamland was widespread amongst the governing class of the time and especially amongst political economists, who argued that such a system created no incentives for the workers to maximize their wages, nor for employers to pay what was affordable to them. These perverse consequences were held-up as the typical result of well-intentioned but misguided intervention in the labour market. Eventually, under the Poor Law Amendment Act of 1834, such subsidies were outlawed, and liberal political economy was triumphant.

The reinvention of Speenhamland has come from a clash between neo-liberal principles and the impact of de-industrialization on the labour market. A core belief of British neo-liberals in the 1970s and 1980s was that unemployment was in large part the consequence of unemployment pay being too high relative to wages, so incentivising the unemployed not to seek work.¹⁰⁰ From this premise two policies followed; reducing unemployment pay (pursued from 1981), whilst simultaneously increasing ‘in-work’ benefits. Initially the latter were limited in scale and scope, but

⁹⁸ K. Farnsworth, *Social versus Corporate Welfare. Competing Needs and Interests within the Welfare State* (London, 2012)

⁹⁹ K. Polanyi, *Origins of Our Time. The Great Transformation* (London, 1945), 73-107.

¹⁰⁰ J. Wood, *How Much Unemployment?* (London, Institute of Economic Affairs, 1972); P. Minford, *Unemployment: Cause and Cure* (Oxford, 1983).

as shown in section three above, they grew rapidly as the number of poorly paid 'lousy' jobs increased.¹⁰¹

Much has recently been written on the extent to which the 2008 financial crisis will lead to the reversal of the British neo-liberal experiment.¹⁰² But it may be that a bigger challenge to that experiment will continue to flow from a longer-term and more deep-seated trend towards a labour market polarized by de-industrialization.

¹⁰¹ The persistent rise in the real price of housing led to a parallel expansion in payments of Housing Benefits, much of which was paid to those in work.

¹⁰² Crouch, *Strange Non-death*; A. Bowman, I Erturk, J. Froud, S.Johal, J.Law, A. Leaver, M.Moran, K.Williams, *The End of the Experiment? From Competition to the Foundational Economy* (Manchester, 2014).