

# Deindustrialization and the Reinvention of British Industry

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## **ABSTRAKT**

Deindustrializace, fenomén, který se začal objevovat v polovině 20. století po celém světě. Je fenoménem, který z obecného hlediska znamená úpadek výrobního průmyslu a na druhou stranu rozkvět služeb. Žádná ze zasažených zemí nepocítila vlivy tohoto fenoménu, tak jako Velká Británie. Tato bakalářská práce se zabývá britským průmyslem, jeho historií následnou deindustrializací, jejími příčinami a vlivy. Poté se zabývá vládními pokusy o napravení důsledků deindustrializace, a na závěr probírá stav průmyslu dnes a budoucí vládní plány týkající se průmyslu.

Klíčová slova: Deindustrializace, Manufaktura, Průmysl, Británie, Průmyslová politika, Privatizace, Revitalizace

## **ABSTRACT**

Deindustrialization is a phenomenon that began to emerge in the mid-20th century around the world. It is a phenomenon which generally means the decline of the manufacturing industry and, on the other hand, the flourishing of services. None of the countries affected have felt the effects of this phenomenon as much as the UK. This bachelor thesis examines British industry, its history following deindustrialization, and its causes and effects. Then looks at the government's attempts to remedy deindustrialization's effects and discusses the industry's state today and the government's plans for the industry.

Key words: Deindustrialization, Manufacturing, Industry, Britain, Industrial Policy, Privatization, Reinvention

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I hereby declare that the print version of my Bachelor's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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## INTRODUCTION

The United Kingdom has a rich history in the industry, with the Industrial Revolution starting in the late 18th century and bringing a wave of manufacturing and economic growth. However, the country has also experienced a significant decline in the industry over the last few decades due to deindustrialization. This has led to many challenges for the British economy and society, such as high unemployment rates, regional inequalities, and a loss of skills and expertise.

A complex range of factors, including technological change, globalization, government policies, and changing consumer demand patterns, has driven this transformation. The impact of deindustrialization has been felt in many areas of British life, from unemployment and income inequality to social and political unrest.

The government had to address this impact and has introduced several policies. From 1979 to 1990, Thatcher's government was at the centre of the proceeding decline in manufacturing, resulting in several different implementations. The impact and the consequences of deindustrialization have shaped the industry in the UK to this day and helped the economy to prepare for future industrial changes.

The first and second chapters serve as an introduction to the history of British industry, including the Industrial Revolution and the First and Second World Wars. Nevertheless, it provides information about its state and results during those times. The third chapter begins with the idea of deindustrialization in the UK. It describes the evolution from 1960 and provides information about the most impacted industries, cities, and consequences of this phenomenon. The fourth chapter describes the term deindustrialization in detail. Its causes or measurements. The fifth chapter tells the story of the government's attempts to revive British industry through the 20th and 21st centuries. The last six chapter is about the current state of the industry and its future.

## 1 INDUSTRIAL REVOLUTION

English industries were generally small and primitive in the early 1700s. Textile production, for example, took place in workers' houses or small workshops controlled by spinners, dyers, and weavers. As a result, a "cottage industry" with various small-scale producers arose. Other industries, such as metal manufacturing in the Midlands and coal mining in the Northeast, were also characterized by this typical production. The introduction of improved agricultural technology and new techniques resulted in a new era of development. During the 18th century, the expanding population needed more food, resulting in increased production. Nonetheless, the surplus of inexpensive agriculture labour created a persistent unemployment and poverty problem. This led to a significant number of rural inhabitants relocating to urban areas in pursuit of new job opportunities.<sup>1</sup>

The development of new machinery, such as the spinning jenny and the power loom, resulted in the expansion of large-scale factories and the automation of various sectors, including textile production, iron production, and mining. The expansion of the industrial system also resulted in new manufacturing methods, such as the utilization of assembly lines and standardized parts. This enabled firms to make things more effectively and at a lower cost, resulting in increased output and decreased costs. The discovery of the steam engine by James Watt in 1765 permitted the automation of transportation and the powering of industries. The early nineteenth-century development of the railway system further transformed transportation by allowing commodities to be carried rapidly and cheaply across long distances.<sup>2</sup> Along with the newly built 5,000 miles of railways, the area's road infrastructure had improved significantly, with around 2,000 miles of canals and improved river navigations.

Agriculture employed less than a quarter of the English population by 1850 since essential foods and raw materials such as timber had become significant imports. Textiles made in factories dominated exports, although other manufactured commodities and essential amounts of coal were also included.

England saw a significant economic transformation from 1760 to 1850 that had a profound influence. However, the rate of progress was rather slow when judged by current

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<sup>1</sup> Matthew White, "The Industrial Revolution," British Library, accessed April 7, 2023, <https://www.bl.uk/georgian-britain/articles/the-industrial-revolution>.

<sup>2</sup> Robert C. Allen, *The Industrial Revolution: A Very Short Introduction* (Oxford University Press, 2017), 28-29.

measures such as gross production per person or the percentage of the population engaged in agriculture.<sup>3</sup>

The Industrial Revolution brought about tremendous changes in England that altered the country. One of the most significant developments was in the energy industry when wind and waterpower replaced human and animal labour. Furthermore, using coal as a fuel became more common because it provided more heat and allowed for higher-quality iron and steel production. Coal was also used to heat water, allowing the steam engine to be invented. This resulted in the development of steam locomotives and railways, revolutionizing transportation by making travel faster and raw material transfer more efficient. Road improvements, particularly the advent of macadamized road surfaces that were tougher and smoother, also played an essential role in the transportation revolution. Engineering advanced significantly during this period, with the construction of facilities such as the Bell Rock lighthouse, the Caledonian Canal, and the Loch Katrine plan.<sup>4</sup>

These alterations would not have been possible at such a quick pace without the Industrial Revolution and the creation of new technology, which aided in the improvement of people's lives and the economy.

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<sup>3</sup> Gregory Clark, "Industrial Revolution," *Palgrave Macmillan* (2010): 148-149, [https://doi.org/10.1057/9780230280823\\_22](https://doi.org/10.1057/9780230280823_22).

<sup>4</sup> "The Industrial Revolution," BBC, accessed May 3, 2023, <https://www.bbc.co.uk/bitesize/topics/zxwxvcw/articles/zntn6v4>.

## 2 INDUSTRIES DURING AND AFTER WORLD WARS

Around 100 years have passed since the Industrial Revolution in England happened, and the country had to face even more challenging events in the next 30 years. During both world wars, the industry of the UK played a crucial role in supporting the efforts of war. The government had to control the production of goods, and many industries were nationalized. After the Second World War, the economy of the UK was heavily damaged. That is why the government implemented several policies to recover the country. The most important policies were nationalization and the establishment of a welfare state. This chapter describes the importance of industry during the world wars and its evolution after WWII.

### 2.1 INDUSTRY IN WW1

Before World War I, the British industry was characterized by a mix of traditional and modern manufacturing methods. Many industries, such as textiles, were still dominated by small-scale production carried out in workers' homes or small workshops. However, there was also a growing trend towards larger factories and more centralized production methods, particularly in sectors such as iron and steel, engineering, and chemicals.<sup>5</sup>

After almost a century of peace in Europe, Britain faced an enemy advancing not only in ammunition and weaponry but was also ready to deploy new sophisticated guns and technology. This disturbing fact led to demands that they had to be armed in the same way. The UK was forced to mobilize the country's industrial and technical resources under a new ministry with new methods. The country and the people had to adapt to a different reality. The industrial sector was heavily involved in supporting the war effort, and it had to be rapidly changed. The lack of artillery rounds threatened to ruin the Allies' victory. The rivals had their own manufacturing limitations, Germany's shortage supply of raw materials for explosives and Britain's lack of personnel and acetone. By May 1915, the shell crisis had grown so severe that most British guns could only fire four shells each day. The new ministry started to build munitions factories across the country and changed the civilian economy into one that was entirely focused on the War. The Central Powers could not compete with the Allies' financial and industrial muscle.<sup>6</sup> Britain was relatively wealthy in 1913. However,

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<sup>5</sup> "Europe before World War I, 1895–1914," Princeton University Press, accessed April 21, 2023, <http://assets.press.princeton.edu/chapters/s8042.pdf>, 8.

<sup>6</sup> "How Germany lost the WWI arms race," BBC, accessed April 4, 2023, <https://www.bbc.com/news/magazine-17011607>.

after the start of World War I, it had to devote nearly 40% of national expenditure, which resulted in a daunting war effort.<sup>7</sup>

### 2.1.1 MUNITIONS OF WAR ACT 1915

In 1915, the Munitions of War Act was passed, granting the Ministry of Munitions the power to declare factories as controlled establishments, which restricted workers' ability to leave through certificates and tribunals. The Act also authorized the Ministry to regulate wages in the industry, which became effective in 1916, and banned strikes in war-related industries, directing them to compulsory tribunals. Despite the prohibition, strikes still occurred during the war. Concerns were raised that offering lower wages to women who worked in munitions factories would harm skilled men who returned from the war. Lloyd George, the Minister of Munitions, argued that hiring women or unskilled men at lower wages to perform tasks typically done by men would violate the Munitions Act.

The percentage of women in total employment increased from 24% in July 1914 to 37% in November 1918, demonstrating their competence in the workforce. This was a factor that contributed to them being granted the right to vote. However, after the war, women's employment levels declined.<sup>8</sup>

## 2.2 INDUSTRY IN WW2

The trauma and destruction of the First World War played a significant role in shaping British industry and policy during the Second World War. The industrial policy focused on reducing the production of consumer goods intentionally, intending to free up raw materials, labour, and capital for the munitions industry. This was the most evident characteristic of the wartime industrial policy. The goal was accomplished by regulating both the demand and supply. On the demand side, measures such as rationing were implemented to control the demand. On the supply side, import restrictions and limitations of supply orders were enforced. These orders placed a limit on the quantity of goods wholesalers were allowed to sell, and this limit was gradually reduced over time. These orders and other pressures in times of war resulted in a severe contraction in multiple consumer industries. As an illustration, during the period from 1939 to 1943, there was a significant decrease in

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<sup>7</sup> Stephen Broadberry and Peter Howlett, "The United Kingdom during World War I: Business as Usual?," *University of Oxford* (September 2005): 6, <https://doi.org/10.1017/cbo9780511497339.008>.

<sup>8</sup> "Munitions of War Act 1915," UK Parliament, accessed April 2, 2023, <https://www.parliament.uk/about/living-heritage/transformingsociety/parliament-and-the-first-world-war/legislation-and-acts-of-war/kdjgh/>.

production in various industries. The production of paper declined by 51%, while cotton yarn production decreased by 35%. Additionally, the gross value of the building and civil engineering industry's activity also declined by 45% when adjusted for inflation.<sup>9</sup>

### 2.3 INDUSTRY AFTER WW2

The British industry faced multiple challenges during the World Wars, but it survived successfully. In WW2, the Ministry of Supply controlled the iron and steel industry, and the Ministry of Aircraft allocated steel production. The industry faced many difficulties, such as raw material supply, labour supply, and political changes. However, the government management of the business during the war revealed that nationalization could benefit the industry, its workers, and its owners. The Labour government promised to nationalize steel production in 1945, which was already done earlier for coal and railways. In 1949, the Parliament approved the Act of nationalizing the Iron and Steel industry.<sup>10</sup> Nationalization is a term that describes the process of transferring private ownership of companies, enterprises, or assets to the government or public sector. This implies that the government or public sector owns and operates instead of people or private enterprises owning and operating specific industries or services. Nationalization may be used for various objectives, including increasing government control over critical industries, increasing efficiency, and ensuring fair access to specific services or resources.<sup>11</sup>

After WW2, the British industry needed huge capital for post-war reconstruction, which was not possible in the private sector. The Parliament decided to transfer several industries to the public domain, including the coal industry in 1946, railways in 1947, gas in 1948, and steel in 1949. The Conservative government elected in 1951 accepted many of these changes, but they denationalized the steel industry. The nationalization programme cost roughly a quarter of a per cent of yearly GDP, which was paid to the prior owners of nationalized enterprises in the form of government stock.<sup>12</sup>

Through the years after the war, mainly in manufacturing, the industrial and economic competition resulted in significant changes in working patterns, same as for the technological

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<sup>9</sup> Roderick Floud and Paul Johnson, *The Cambridge Economic History of Modern Britain: Structural Change and Growth, 1939-2000. Vol. 3* (Cambridge: Cambridge University Press, 2004), 7.

<sup>10</sup> Andrew Cumbers, "A Tale of Two Nationalisations: Experiences of Post 1945 Public Ownership in the UK and France Compared," *International Journal of Public Policy* 15 (August 2020): 5.

<sup>11</sup> Martin Chick and Henry Vivian Nelles, "Nationalisation and Privatisation," *Revue Économique* 58, no. 1 (2007): 277–78, <https://doi.org/10.3917/reco.581.0277>.

<sup>12</sup> Pradip Bajjal, "From Nationalisation to Privatisation: UK and Japan," *Economic and Political Weekly* 35, no. 13 (2000): 1101.

advances. The UK emerged from WWII in a fragile economic state, with a considerable trade surplus of manufacturing. However, this was insufficient to compensate for the greater deficit in other areas, such as food and supplies. Even though the UK faced some challenges, it continued to be recognized as one of the major industrial powers worldwide. However, there was a sense that the country's position in this regard was unreliable. Furthermore, international competition was set to heat up as Continental Europe recovered from the war and new competitors emerged in Asia.<sup>13</sup>

Industrial employment was extremely important for Britain and was more significant than any other capitalist country at any point in history. In 1955, more people were working in the industry than all other types of jobs, including public and private services, combined. From the end of WWII, the number of people employed in the manufacturing industry continued steadily until the year 1966.<sup>14</sup>

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<sup>13</sup> Robert Rowthorn, Coutts Kenneth, "De-industrialisation and the balance of payments in advanced economies," *Cambridge University* (October 2013): 25.

<sup>14</sup> Ron Martin and Bob Rowthorn, *Geography of Deindustrialization* (London: Red Globe Press, 1986), 3-4.

### 3 DEINDUSTRIALIZATION OF UK

The United Kingdom was once known as the “workshop of the world“ due to its significant industrialization and manufacturing capabilities. However, in the late 20th century, the country experienced a phenomenon called deindustrialization. This chapter will examine the distinction of the UK from other countries that experienced deindustrialization. It provides information about its origin in the country. It explains the transformation from manufacturing to services and closely examines its impact in cities like Birmingham or countries such as Scotland and the USA.

#### 3.1 DIFFERENT FROM OTHERS

Since half of the 20th century, the United Kingdom has undergone traumatic and major changes as crucial industries such as manufacturing, construction or mining have shrunk or disappeared entirely. This reduction happened mainly in manufacturing. During the same period, employment in the service industry has increased dramatically, primarily through small business development. This phenomenon is called deindustrialization.<sup>15</sup> It was not limited only to Britain but has occurred in several capitalist countries. However, the UK felt the impact greater than any other advanced country.

The UK has two distinct characteristics that set it apart from other advanced economies affected by deindustrialization. To begin with, it has had the most significant decrease in manufacturing employment compared to other sophisticated economies. Second, its manufacturing trade balance has suffered the worst post war decrease. Over the last 60 years, no other advanced country has experienced such a dramatic transformation from a manufacturing trade surplus to a deficit.<sup>16</sup>

The start of this occurrence can be tracked back to the end of World War II, during which the manufacturing industry played a crucial role in driving the economy, but it started to face increasing competition from other countries, especially in Europe and Asia. These countries had a lower cost of labour and were able to produce goods more cheaply than the UK.<sup>17</sup> In 1955, the industry's employment reached an all-time high of approximately 48%. Industrial workers employed almost one-third of Britain's population between the ages of 15

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<sup>15</sup> Jon Warren, Carol Stephenson, and Jonathan Wistow, “Editorial: ‘After Industry’ the Economic and Social Consequences of Deindustrialization,” *Frontiers in Sociology* 6 (March 2021), <https://doi.org/10.3389/fsoc.2021.645027>.

<sup>16</sup> Robert Rowthorn, Coutts Kenneth, “De-industrialisation and the balance of payments in advanced economies,” *Government Office for Science* (October 2013): 5.

<sup>17</sup> “How the UK economy is changing in the 21st century,” BBC, accessed April 2, 2023, <https://www.bbc.co.uk/bitesize/guides/zqhvmmnb/revision/5>.



and 64. Others were students, wives at home and service workers. These numbers have never been surpassed in the whole history of Britain. The only countries with even more industrial employment were Switzerland in 1963 and Germany in 1970. In both cases, employment was around 47-48 per cent. By 1984 the share of employment in Britain had deteriorated to only 34%, and 26% in manufacturing.<sup>18</sup> The number of people employed decreased significantly from 8.7 million in 1966 to 5.4 million in 1984, almost half of this reduction occurring before the Margaret Thatcher administration began in 1979.<sup>19</sup>

During 1980/81, a combination of reduced exports and substantially lower-priced imports made almost every industry in Britain unprofitable, which led to extensive layoffs of industrial workers.<sup>20</sup> On the other hand, services were on the rise. The share of them has risen dramatically. In 1955 the share of services in the UK was 46.7% which rose to 61.7% in 1981; the expansion of service was at the expense of manufacturing.<sup>21</sup>

### 3.2 THE FALL OF MANUFACTURING

In the 1970s, the United Kingdom was under the influence of stagflation, which is defined as high inflation combined with high unemployment. Stagflation, the shift towards free market policies, and the reduction role of state intervention had the most significant impact on manufacturing, mainly in output and decline in employment. From 1973 to 2007, the yearly rate of output growth was barely 0.4%, while employment declined by 2.6%. The only positive area was the sustained improvement in productivity which rose at a 2.9% annual rate.<sup>22</sup> One of the primarily affected industries was the production of glass. Its largest companies saw a decrease in their capital return rate, dropping from 18% in 1960 to 5.8% in 1965.<sup>23</sup>

Several factors were behind this decline; one of them was the change in consumer preference. As consumers became more interested in experiences and services rather than physical goods, the demand for manufactured products began to decline.<sup>24</sup> The decline in the

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<sup>18</sup> Ron Martin and Bob Rowthorn, *Geography of Deindustrialization* (London: Red Globe Press, 1986), 2-4.

<sup>19</sup> Ron Martin and Bob Rowthorn, *Geography of Deindustrialization* (London: Red Globe Press, 1986), 2-3.

<sup>20</sup> Jim Tomlinson, "Deindustrialisation and 'Thatcherism': Moral Economy and Unintended Consequences," *Contemporary British History* 35, no. 4 (2021): 620–642, <https://doi.org/10.1080/13619462.2021.1972416>.

<sup>21</sup> Phil O'Brien, *The Working Class and Twenty-First-Century British Fiction: Deindustrialisation, Demonisation, Resistance* (New York: Routledge, 2020), 38-39.

<sup>22</sup> Michael Kitson and Jonathan Michie, "The De-Industrial Revolution: The Rise and Fall of UK Manufacturing, 1870–2010," *The University of Cambridge* (2014): 12.

<sup>23</sup> George Symeonidis, *The Effects of Competition* (Cambridge: the MIT Press), 289.

<sup>24</sup> Robert Rowthorn and Kenneth Coutts, "The Impact of Government Policies on UK Manufacturing since 1945," *Government Office for Science* (October 2013): 8-9.

consumption of manufactured goods is not the only reason for the decrease in UK's manufacturing output. Even though the consumption of manufactured goods decreased by 26% to 20%, the manufacturing output share in the country's economy reduced from 25% to 13%. However, the decrease in consumption is responsible for more than 54% of the reduction in manufacturing output.

Another critical factor was the global competition. Countries such as China had a low-cost producers; therefore, UK manufacturers found it very difficult to compete on price, and they started to lose market share to overseas rivals.<sup>25</sup>

Finally, in the 1980s, government policies stressed privatization and concentration on services rather than manufacturing, which greatly influenced the industry. Industrial companies operating in areas such as coal mining, steel manufacturing and shipbuilding were forced to close or significantly reduce their workforce due to deindustrialization.<sup>26</sup>

The consequences of the fall of manufacturing in the UK have been significant. Many areas of the country that were once heavily reliant on manufacturing, such as Birmingham, have experienced high levels of unemployment and social deprivation.<sup>27</sup>

### 3.3 CONSEQUENCES

One of the most significant consequences of deindustrialization was job losses. Between 1978 and 2010, the UK lost around 3.5 million manufacturing jobs, a more than 50% decline. This decline had a severe impact on communities that relied heavily on manufacturing employment.<sup>28</sup> The worst affected were Scotland, northern England, Wales, and the Midlands. Joblessness and social issues were on the rise in certain places. It also influenced the demographic balance of Britain's regions. Southern Britain's working-age population rose by 0.4% between 1980 and 2000 but declined by 0.1% in former industrial regions. The working-age population in Northern Britain rose by 0.4% after 2000, but the region's demographic slide relative to the South continued, with the working-age population expanding by 0.8%. The disparity between those two regions was especially noticeable when

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<sup>25</sup> "How the UK economy is changing in the 21st century," BBC, accessed April 2, 2023, <https://www.bbc.co.uk/bitesize/guides/zqhvmnb/revision/5>.

<sup>26</sup> "How the UK economy is changing in the 21st century," BBC, accessed April 2, 2023, <https://www.bbc.co.uk/bitesize/guides/zqhvmnb/revision/4>.

<sup>27</sup> Professor Steve Fothergill, and Dr. Tony Gore, "The Implications for Employment of the Shift to High-Value Manufacturing," *Sheffield Hallam University* (October 2013): 25.

<sup>28</sup> Debra Leaker, "UK Workforce Jobs Sa: C Manufacturing (Thousands)," Office for National Statistics, accessed April 18, 2023, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/jwr7/lms>.

unskilled male workers had a 20% lower chance of finding work in the North than in the South. Poverty and social deprivation were increasing in the South of England. Single mothers struggled the most in finding work in Wales, Scotland, and the Midlands. By the year 2010, 33% of them were jobless.<sup>29</sup> The decline of those traditional industries has also had an impact on cohesion of community and social network. People have been forced to relocate in order find new jobs. The loss of such well-paying positions in traditional industries has severely impacted many people's way of living in affected communities. Some people have been forced to rely on low-wage jobs in services or to rely on assistance programs from the government. As a result, many families were trapped in poverty and social isolation.<sup>30</sup>

Former coal-mining regions were significantly impacted by this economic transformation, which was evident in 2004. Despite the passage of time, these areas had not yet fully recovered from the change. Although new job opportunities were created, they were not enough to offset the loss of employment in heavy industries. As a result, many former miners were classified as inactive or permanently sick instead of unemployed. This suggests that official unemployment figures may have been greatly undervalued.<sup>31</sup>

### 3.4 THE MINERS' 1984/1985 STRIKE

The industry that lost its workers much further than other primary industries, such as car manufacturing, was the coal industry. In 1913, the UK's coal production reached its highest point, with about 1.1 million workers employed in roughly 3,000 mines across the country. Throughout the twentieth century, employment in the coal sector steadily decreased.

Nevertheless, during the mid-1960s, it still had approximately 450,000 workers. The newer job losses started in 1984/1985 when the Miners' Strike happened.<sup>32</sup> The priority was not wages, but rather the retention of jobs and the preservation of collieries, which were critical to these regions. When the miners learned that the collieries were being shut down, many of them were surprised, particularly those in the Northeast of England, such as Horden and Easington Colliery. The National Coal Board argued that the closures were necessary

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<sup>29</sup> Scott Newton, *The Reinvention of Britain 1960-2016: A Political and Economic History* (London and New York: Routledge, 2018), 221-22.

<sup>30</sup> Jon Warren, Carol Stephenson, and Jonathan Wistow, "Editorial: 'After Industry' the Economic and Social Consequences of Deindustrialization," *Frontiers in Sociology* 6 (March 2021), <https://doi.org/10.3389/fsoc.2021.645027>.

<sup>31</sup> Phil Mike Jones, "Coal Today, Gone Tomorrow: How Jobs Were Replaced by Prison Places," *Centre for Crime and Justice Studies* (2021): 2.

<sup>32</sup> Christina Beatty and Steve Fothergill, "The Long Shadow of Job Loss: Britain's Older Industrial Towns in the 21st Century," *Frontiers in Sociology* 5 (2020): 2, <https://doi.org/10.3389/fsoc.2020.00054>.

since deep mines were no longer profitable, and coal could be obtained at a lower cost from the global market. The closing of additional collieries in Durham led to 50,000 miners losing their jobs. Many miners believed that deindustrialization was being waged particularly against the working class aiming to weaken it.<sup>33</sup> The Miners' Strike was the beginning of the end of coal production in Britain. As many mines continued to close,<sup>34</sup> the national demand for coal was increased by foreign miners in coalfields far away. This attempt to stop pit closures was unsuccessful and the closure continued till the year 2015 when the last colliery was closed. The Miners' Strike and the proceeding deindustrialization played a significant role in other parts of the UK, such as in Scotland.

### 3.5 SCOTLAND THE COAL COUNTRY

The impact of deindustrialization was most visible in the northern part of the UK, especially in Scotland. Scotland was heavily industrialized in the mid-20th century due to the industrial revolution, which dramatically reshaped the industry. Scotland's economy in 1945 looked like the heart of industry in the UK. It was characterized by firms owned by families that were engaged in the primary sector (coal mining, heavy engineering, metals) and the secondary sector (manufacturing). There was a significant change in the political economy following the Second World War, which resulted in state control. This change affected the ownership structure, employment, and production patterns of the country. The growth of assembly plants, which received substantial investment from US multinationals, played an important role in this transformation. Some years later, the Scottish industry experienced a contraction. The number of employed workers in the industrial sphere peaked in the mid-1950s.<sup>35</sup> The transition of workers from coal mining and shipbuilding to other forms of engineering, such as motor vehicles, was one of the earliest signs of deindustrialization in Scotland during the late 1950s.<sup>36</sup>

Employment in manufacturing peaked over a decade later until the 1970s when these sectors shrank due to deindustrialization. The coalfields were at the centre of this change,

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<sup>33</sup> Jo Forster, Margaret Petrie, and Jim Crowther, "Deindustrialisation, Community, and Adult Education: The North East England Experience," *Social Sciences* 7, no. 11 (2018): 210, <https://doi.org/10.3390/soecsci7110210>.

<sup>34</sup> Jacqueline Ellen Briggs, "The 1984/5 Miners' Strike: the politicising effects," *University of York* (1995): 150.

<sup>35</sup> Ewan Gibbs, *Coal Country: The Meaning and Memory of Deindustrialization in Postwar Scotland* (London: University of London Press, 2021), 22.

<sup>36</sup> Jim Phillips, Valerie Wright, and Jim Tomlinson, "Deindustrialization, the Linwood Car Plant and Scotland's Political Divergence from England in the 1960s and 1970s," *Twentieth Century British History* 30, no. 3 (2019): pp. 399-423, <https://doi.org/10.1093/tcbh/hwz005>, 6.

affecting them significantly. The first coal pits were closed due to nationalization<sup>37</sup>. Sixty-seven of two hundred seventy-five coal pits were closed by the year 1955. The closure has resulted in severe geographical implications. The coalfields in Lanarkshire deflated sharply. However, the number of employed coal miners did not yet decrease. The government focused their investment on newer, larger pits that lay further to the west. Miners could still find work in those western coal pits or a job entirely in a different sector. The closure of pits during the 1960s and 1970s demonstrated the increasing dependence of coal employment on power station usage, and that that manufacturing was significantly influenced by multinational corporations.<sup>38</sup>

From 1960 to 1975, almost 10 000 men in Scotland lost their jobs in manufacturing every year. This number increased to 20 000 between 1979 and 1987. Similarly, employment for women in textiles and clothing manufacturing collapsed. During 1981 and 1982, women's manufacturing labour played a crucial role in three of the conflicts fought by militants against closure in Scotland. The closure of 613 manufacturing sites throughout Scotland during the first half of the 1980s resulted in the loss of 164,000 jobs. The widespread closure of manufacturing sites had severe consequences, including high levels of unemployment, poverty, and deprivation in communities that relied heavily on industrial production. In Greenock, a city known for shipbuilding, textiles, and sugar refining, there were 43 unemployed individuals for every advertised job. These consequences were the result of a long-term decline in manufacturing.<sup>39</sup>

The government did several things to adapt to deindustrialisation. For example, it focused its labour and financial resources on the manufacturing of commodities, notably consumer goods, electrical-mechanical engineering, and, later, electronic engineering. As compared to the decreasing coal mining, this was considered as a more viable investment since it had the potential to offer better rates of return.<sup>40</sup> It also invested in infrastructure in order to help the fast growing and specialised electronics.<sup>41</sup> Scotland was not the only

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<sup>37</sup> Ewan Gibbs, *Coal Country: The Meaning and Memory of Deindustrialization in Postwar Scotland* (London: University of London Press, 2021), 22.

<sup>38</sup> Kallin Hamish, "Review Article," *Journal of Historical Geography* 75 (2022): 70–71, <https://doi.org/10.1016/j.jhg.2021.08.004>.

<sup>39</sup> Andy Clark, "'People Just Dae Wit They Can Tae Get by': Exploring the Half-Life of Deindustrialisation in a Scottish Community," *The Sociological Review* 71, no. 2 (2023): pp. 332-350, <https://doi.org/10.1177/00380261221150084>, 336.

<sup>40</sup> Jim Phillips, "The Moral Economy of Deindustrialization in post-1945 Scotland," *Cambridge University Press* (2014): 1.

<sup>41</sup> Ewan Gibbs, *Coal Country: The Meaning and Memory of Deindustrialization in Postwar Scotland* (London: University of London Press, 2021), 32.

affected part of the UK. Cities like Birmingham or Manchester felt the impact of deindustrialization in a similar way.

### 3.6 BIRMINGHAM

Birmingham was one of the earliest industrialized cities and the manufacturing centre of the twentieth century, thanks to the shift to automotive, mechanical, and electrical engineering. The city was crucial in both the First and Second World Wars. Its manufacturing included military vehicles, artillery, and planes such as the Spitfire. As demand for automobiles grew in the years following World War I, production was switched to motor vehicles. Birmingham generated over 40% of UK automotive exports in the 1950s, making it the world's second largest producer behind the United States.

As the trend continued until the 1970s, the city saw the impact of manufacturing loss due to factors that decreased competitiveness. It employed less than 56,000 people in manufacturing in 2006, a drop of 80% from its peak in the mid-1960s. The 1979-1982 recession, accelerated by the second oil crisis and the strong value of the British pound, disrupted manufacturing production. As a result, employment in the United Kingdom decreased by 20%. Despite a nationwide increase in service employment, places with manufacturing unemployment, such as Birmingham, did not benefit from this job growth, primarily concentrated in southeast England. As a result, the city had an unemployment of 20% higher than what was the average in the 1980s<sup>42</sup>

While employment in the UK increased by over 20% between 1971 and 2005, it fell by nearly 20% in Birmingham. Because of the unexpected reduction in employment, the City Council developed an economic plan to boost service job development and diversification of the economy. The most considerable development experienced financial and professional services, leisure, and tourism. Furthermore, increased government investment in public services, especially health and education, resulted in additional job growth in the city. Despite this, the city has seen significant employment losses in the local industry, notably in the automotive sector, where barely one-tenth of workers remain compared to 25 years ago.

In response, the City Council established a new strategy to support the future of manufacturing companies, using the Birmingham Science City title, the technological competence of its institutions, and the knowledge-based resource. The strategy seeks to

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<sup>42</sup> "Birmingham's Transformation and Future Prospects," Birmingham City Council, accessed March 18 2023, [https://www.birmingham.gov.uk/downloads/file/3064/birminghams\\_transformation\\_and\\_future\\_prospects](https://www.birmingham.gov.uk/downloads/file/3064/birminghams_transformation_and_future_prospects), 5.

position the city as a global leader in alternative energy, innovative material, medical technologies, or nanotechnology.<sup>43</sup>

### 3.7 UK VS USA

The United Kingdom and the United States exhibit some similarities. Both had a great period of rapid GDP growth and were frequently mentioned as models by those advocating economic reform in Japan and Eurozone. While the UK caught up with or even surpassed some of its competitors, the USA strengthened its advantage over those same countries. Throughout this time, both nations saw a significant decrease in the share of manufacturing employment, despite their strong and widely admired economies. Furthermore, their manufacturing trade balance experienced a continued decline, and both countries now have deficits. However, there are notable differences between them. The United States still boasts one of the world's strongest manufacturing sectors, second only to China in terms of quantity. Meanwhile, the UK's manufacturing sector is persistently struggling.

Even though both countries have a manufacturing deficit, the nature of their deficits is distinct. The British deficit is primarily financed by foreign asset income and fast-growing profits from knowledge-based services. In contrast, the US deficit is mostly funded by borrowing from foreign countries. Despite having a far greater manufacturing sector, the United Kingdom's total external position is more substantial.<sup>44</sup>

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<sup>43</sup> "Birmingham's Transformation and Future Prospects," Birmingham City Council, accessed March 18 2023, [https://www.birmingham.gov.uk/downloads/file/3064/birminghams\\_transformation\\_and\\_future\\_prospects](https://www.birmingham.gov.uk/downloads/file/3064/birminghams_transformation_and_future_prospects), 6.

<sup>44</sup> Robert Rowthorn, Coutts Kenneth, De-industrialisation and the balance of payments in advanced economies, *Cambridge University* (October 2013): 18-19.

## 4 UNDERSTANDING DEINDUSTRIALIZATION

It is important to understand the issue of deindustrialization. Not only because it affected the economy in almost all developed countries but has influenced the industry as well. The following chapter describes this phenomenon, explores its causes and measurements, and discusses several policies implemented to create sustainable economic growth.

### 4.1 THE TERM DEINDUSTRIALIZATION

In many ways, our modern society is the result of industrialization. It was the industrial revolution which sustained productivity development in the United States and Europe, resulting in the world economy being divided into wealthy and poor nations. Some poor countries in South Asia and sub-Saharan Africa still believe their economic future depends on fostering new manufacturing industries. Most advanced economies have been deindustrializing for many years, a trend which is most noticeable in employment in manufacturing.

Deindustrialization is typically described as a decrease in manufacturing as a part of total employment. From one point of view, manufacturing has a special part in the process of growth in a particular country, which means that deindustrialization is seen as problematic from the perspective of the implications rates of growth and long-term viability. On the other hand, the share of employment for services in advanced countries has increased rather uniformly since 1960, with service employment growth in all advanced economies. The United States has also led the way in this area, with roughly 56% of the workforce employed in services in 1960 and nearly 73% in 1994, the highest share of employment in any advanced country. In all developed economies, the rise of the service sector has faced a reduction of employment in manufacturing. The experience of deindustrialization differentiated in the advanced economies. The number of workers employed in manufacturing has been steady since 1970 in the US, but the overall workforce has grown exceedingly.<sup>45</sup>

### 4.2 MEASUREMENTS

Deindustrialization is often measured using two major indicators: the total value generated by the manufacturing sector (output) and the number of people engaged in that sector (employment). It is critical to distinguish between absolute declines in production and

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<sup>45</sup> Robert Rowthorn and Ramana Ramaswamy, "Deindustrialization– Its Causes and Implications," *International Monetary Fund Washington, D. C.* (September 1997): 2-3



employment and relative decreases in manufacturing's proportion or share of total output and employment. The latter is significant since a fall in manufacturing's relative importance does not always imply a decrease in its absolute size or importance. Furthermore, competitiveness is an important metric for assessing the consequences of deindustrialization.

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### 4.3 CAUSES

Both internal and external factors contribute to deindustrialization. One of the internal variables is that the manufacturing sector has a higher labour productivity growth rate than the rest of the economy. Changes in domestic spending habits could worsen the problem by boosting demand for services at the expense of the industrial sector. Foreign labour division is one of the external factors, with a country that specializes in exporting manufactured goods having a more significant manufacturing sector than a country that specializes in exporting services.<sup>47</sup> If a country's trade balance is negative and it imports more goods than it exports, it may run out of resources in order to support domestic production and manufacturing. However, in most cases, the trade deficit must become positive before it starts having a negative impact on manufacturing.<sup>48</sup>

### 4.4 DEALING WITH DEINDUSTRIALIZATION

Several countries dealt with deindustrialization in various ways. Some nations' economy has grown through investing in areas such as technology, services, and tourism. Singapore, South Korea, and Taiwan are excellent examples of nations that have diversified their economies while focusing on technology and services, allowing them to remain competitive in the face of reducing manufacturing output.<sup>49</sup> Other nations, such as Germany, have invested in education and retraining programs to assist working people in transitioning to new industries. Germany is known for having a strong apprenticeship system that assists people in gaining skills that are in demand in new sectors.<sup>50</sup> Other countries have used trade

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<sup>46</sup> "Deindustrialization," ScienceDirect, accessed March 4 2023,

<https://www.sciencedirect.com/topics/earth-and-planetary-sciences/deindustrialization>.

<sup>47</sup> Elisângela Araujo, "An Investigation into Shapes and Determinants of Deindustrialization Processes: Theory and Evidence for Developed and Developing Countries (1970–2017)," *Economia* 22, no. 2 (2021): pp. 129-143 (2021): 131, <https://doi.org/10.1016/j.econ.2021.03.001>.

<sup>48</sup> L. Josh Bivens, "Trade deficits and manufacturing job loss: Correlation and causality," Economic Policy Institute, accessed April 28, 2023, <https://files.epi.org/page/-/old/briefingpapers/171/bp171.pdf>.

<sup>49</sup> Jesus Felipe, "Asia's Industrial Transformation: The Role of Manufacturing and Global Value Chains (Part 1)," *SSRN Electronic Journal*, 2018: 6, <https://doi.org/10.2139/ssrn.3339076>.

<sup>50</sup> Trixie Dela Cruz, "A Skilled Workforce for Strong, Sustainable and Balanced Growth," *International Labour Office Geneva* (November, 2011): 24.

policies to protect their domestic industries and avoid unemployment caused by deindustrialization.<sup>51</sup>

Regional development is another strategy used to deal with deindustrialization certain countries such as the United States have adopted to promote the growth of emerging industries.<sup>52</sup> Some states in the US have established so-called economic zones, which is an area that is defined as geographical boundary which has the appearance of multiple sectors,<sup>53</sup> or offering tax incentives to lure new business to regions that have been affected by the decline of manufacturing.<sup>54</sup> Another way to deal with the decline in manufacturing is to invest in infrastructure mainly transportation, energy and communication to support new industries.

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<sup>51</sup> Tauhid Ahmad, "Indonesian Global Value Chain Policy: Learning from China's Experiences," *United Nations Conference on Trade and Development* (April 2021): 11.

<sup>52</sup> "Special Economic Zones," The World Bank Group, accessed March 6, 2023. <https://documents1.worldbank.org/curated/en/343901468330977533/pdf/458690WP0Box331s0April200801PUBLIC1.pdf>, 57.

<sup>53</sup> Douglas Z Zeng, "The Past, Present, and Future of Special Economic Zones and Their Impact," *Journal of International Economic Law* (April 2021): 259-275, <https://doi.org/10.1093/jiel/jgab014>.

<sup>54</sup> Trepelkov Alexander, "Design and Assessment of Tax incentives in developing countries," *United Nations New York* (2018): iii.

## 5 REINVENTION OF THE BRITISH INDUSTRY

Governments have undertaken various measures to impact the country's industrial and commercial environment during the last few decades, but there has been little agreement on a unified industrial policy. Rather than improving the efficiency and competitiveness of British industry, the primary goal has been to protect jobs in regions afflicted by fading sectors, such as shipbuilding or textiles. Since 1945, there have been substantial ups and downs in industrial strategy, highlighted by critical ideological movements such as nationalization in 1945 and privatization in the 1980s and 1990s.<sup>55</sup> This chapter describes different industrial policies implemented since the Thatcher government in 1979-1990 until the 2010s.

### 5.1 INDUSTRIAL POLICY UNDER MARGARET THATCHER

Margaret Thatcher was a Prime Minister of the United Kingdom from 1979 to 1990 and is generally recognized for her policies of privatization, free market economics and deregulation. Her government's approach to industrial policy was characterized by a belief in the competence of the market to drive economic growth and innovation. Part of her strategy was a rejection of state intervention and subsidies in support of failing industries.<sup>56</sup>

The government under Thatcher implemented significant reductions in support for the industry. Between 1979-1980 and 1989-1990, expenditure on trade and industry decreased from 2.322 billion pounds to 1.714 billion pounds. Regional policy, which was another means of supporting industry, was also significantly affected, with annual expenditure declining from 1.8 billion pounds in the 1970s to 242 million pounds in the 1980s. The official approach to industrial policy has also switched. Instead of central government interventions in individual companies or sectors, the focus shifted to creating an environment that supports efficient market operations to benefit the entire economy. In other words, there was a shift in focus from interventions that alter or disrupt market signals to interventions that aid in their communication.<sup>57</sup>

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<sup>55</sup> Emma Norris and Robert Adam, "All change: Why Britain is so prone to policy reinvention, and what can be done about it," accessed April 3, 2023, [https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG\\_All\\_change\\_report\\_FINAL.pdf](https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_All_change_report_FINAL.pdf): 16.

<sup>56</sup> Chris Edwards, "Margaret Thatcher's privatization legacy," *Cato Journal*, no. 1 (Winter 2017): 89-90.

<sup>57</sup> Richard Woodward and James Silverwood, "What We Do in the Shadows: Dual Industrial Policy during the Thatcher Governments, 1979–1990," *The British Journal of Politics and International Relations* 25, no. 2 (February 2022): 5, <https://doi.org/10.1177/13691481221077854>.

Another significant policy that was implemented by the government was the reduction of trade union power through the introduction of new laws, such as the 1980 Employment Act. The employment act focused on reducing unemployment by promoting flexible working practices and reducing the power of trade unions. It implemented fair dismissal rules, which required employers to provide written statements of employment terms, reduced legal protections for strikers, and established ACAS (Advisory, conciliation and Arbitration Service) to advise on employment law and industrial relations.<sup>58</sup>

The Trade Union Act 1984 was a British legislation that placed restrictions on trade unions. It required a secret ballot with a minimum participation of 50% of authorized members before taking strike action. It limited the usage of union funds for political purposes. It limited the number of union officials allowed to take paid time off work to carry out union activities. Additionally, it required that unions submit annual reports to a Register of Trade Unions.<sup>59</sup> The act was seen by some as controversial and as an attack on workers' rights. In contrast, others argued it was necessary to reduce the power of unions and restore the balance between employers and employees.<sup>60</sup> This led to a decline in industrial actions and strikes but also contributed to the decline in traditional industries such as manufacturing.

### 5.1.1 MANUFACTURING UNDER THATCHER

Manufacturing employment under Margaret Thatcher was in a severe recession. The employment fell by 14% between mid-1979 and mid-1981, from 7.1 million to 6.1 million. The industry experienced a 20% decrease in its production output and a 23% decline in its fixed investments. During the same period of time the unemployment rose to 2.3 million, almost 10% of the working population in the UK. From around mid-1979 to mid-1984, manufacturing employment in Britain decreased by 1.7 million or 24 per cent. Although industrial productivity and output recovered since mid-1981, and inflation decreased to single figures, total employment continued to decline until 1983. Despite the severe economic downturn and the high number of unemployed individuals, the Thatcher government has protested changing its monetarist policies to allow economic expansion through reflation. The government argued that despite the painful effects of the recession,

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<sup>58</sup> "Employment Act 1980," Legislation.gov.uk, accessed April 18, 2023, <https://www.legislation.gov.uk/ukpga/1980/42/enacted>.

<sup>59</sup> "Trade Union Act 1984," Legislation.gov.uk, accessed April 18, 2023, <https://www.legislation.gov.uk/ukpga/1984/49/enacted>.

<sup>60</sup> Bret J. Pangborn, "English Labor Law - The 1984 Trade Union Immunities Act and Its Effect on Unions' Legal Status," *University of Georgia School of Law* (1986): 370.

market forces and pressures compel companies to make necessary changes to overcome their weaknesses. Therefore, the significant decrease in manufacturing employment is considered an exceptional shake-out of labour that was previously in excess. This resulted in a permanent reduction in overstaffing, which is necessary to increase efficiency and productivity within the sector.<sup>61</sup>

## 5.2 THE PRIVATIZATION OF PUBLIC INDUSTRIES 1980S TO 2010S

Privatization is the transfer of public-sector operations and products to the private sector. The privatization of the British economy was an example of a dramatic transformation in the structure of an industrial economy's property rights. A considerable number of businesses owned by government have been sold to the private sector. However, privatization did not just affect industries. Many council houses were also sold to their tenants. Furthermore, the privatization movement was connected to the objective of building a shareholder country, resulting in a threefold rise of noninstructional shareholders.<sup>62</sup>

The administration of Margaret Thatcher proposed privatization as part of its agenda in 1979. In the 1980s, this philosophy became critical. Nationalized industries and utilities were privatized. Steel, airports, airways, trains, and aircraft industries, as well as utilities included power, gas, water, and telecommunications.<sup>63</sup>

Privatization in the United Kingdom can be divided into two phases. The first phase lasted from 1979 to 1983 and was concerned with the sale of firms that had any distinguishing features that would justify their retention in the public sector. The first companies to be privatized were in the oil, computer, electronics, hotel, telecommunications, and transportation industries. These were all private-sector activities that faced active domestic or international competition.

The second phase refers to the period when public utilities such as, gas, water, electricity, or telephone were controlled by a single entity. This made it difficult for other companies to compete in providing these services. To change this, the government decided to privatize these areas. Privatization means that the government hands over the control of these services to private companies. However, these services are natural monopolies,

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<sup>61</sup> Ron Martin and Bob Rowthorn, *Geography of Deindustrialization* (London: Red Globe Press, 1986), 240-241.

<sup>62</sup> Cento Veljanovski, "Privatization in Britain – The Institutional and Constitutional Issues," *Marquette Law review* (1988): 564.

<sup>63</sup> "Privatising the UK's Nationalised Industries in the 1980s," Centre For Public Impact, accessed March 8, 2023, <https://www.centreforpublicimpact.org/case-study/privatisation-uk-companies-1970s>.

meaning that it is not practical for multiple companies to provide them, which means that the government must ensure that the private companies do not abuse their power over consumers. The government believes that private ownership is better than nationalization. It aims to privatize all natural monopolies and regulate them to prevent them from exploiting customers.<sup>64</sup>

### 5.3 INDUSTRIAL POLICY UNDER JOHN MAJOR

Industrial relations reform and trade union had been central concerns of the Thatcher's government. In the 1990s the industrial conflict was no longer such serious problem. Major shared majority of Thatcher's view on the industry as a prime minister but he showed himself to be more pragmatic. Major's government was responsible for one important piece of legislation which was the Trade Union Reform and Employment Rights Act (TURERA). TURERA was a legislation that was enacted in 1993. The act introduced a range measure aimed at reforming the trade union movement and protect individual employment rights. It included mandatory postal balloting for industrial action, restrictions in picketing and stricter rules on union membership and financing. It also introduced new rights for workers including the right to request flexible working arrangements and protection against unfair dismissal.<sup>65</sup>

This showed that the government was committed to continuing policies established by Thatcher such as free markets and deregulation. The government also prioritized individual rights, including freedom from the influence of union militants which aligned with the Citizen Charter, a key policy initiative of the conservative party during 1990s.<sup>66</sup>

### 5.4 NEW LABOUR – 1997-2010

From 1997 to 2010 the UK economy has experienced significant growth and transformation under the Prime Minister Tony Blair and Gordon Brown. According to the Office for National Statistics the GDP of UK grew by an average of 1.4% per year, between 1997 and 2010.<sup>67</sup> The strong productivity growth and a better performance in the job market were the

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<sup>64</sup> Cento Veljanovski, "Privatization in Britain – The Institutional and Constitutional Issues," *Marquette Law review* (1988): 565-566.

<sup>65</sup> "Trade Union Reform and Employment Rights Act 1993," Legislation.gov., accessed April 6, 2023, <https://www.legislation.gov.uk/ukpga/1993/19/contents>.

<sup>66</sup> Kevin Hickson and Ben Williams, *John Major: An Unsuccessful Prime Minister? Reappraising John Major* (London: Biteback, 2017): 161-179.

<sup>67</sup> Niamh Mc Auley, "Gross Domestic Product: Q-on-Q4 Growth Rate CVM SA %," Office for National Statistics, accessed April 12, 2023, <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihyt/qna>.

primary drivers behind the UK's high GDP per year, second to the United States in that time.<sup>68</sup> While GDP under new Labour performed better than other countries during this time, they did not pass the economic growth that was achieved under Thatcher-Majors years, which was growth of 2% per year.<sup>69</sup> The UK's economic performance was even more impressive in the years leading up to the global financial crisis in 2008. The unemployment fell from 6.9% in 1997 to 4.8% in 2005, before it lightly raised to 7.9% in 2010.<sup>70</sup>

Under the New Labour there was a shift towards a more interventionist industrial policy with a greater emphasis on government support for key sectors of the economy. This was viewed as a promotion of economic growth, job creation and addressing regional disparities. New labour established Regional Development Agencies in 1999. These agencies were made to promote economic development in different regions. The so-called RDAs provided support such as funding for businesses and worked to attract investment to specific regions.<sup>71</sup>

Other skills strategy implemented by the new labour were Sector Skills Councils (SSCS) introduced in 2001. SSCS were established as independent organizations run by employers to improve the skills of people working in specific industries. They worked closely with businesses, unions, and other industry stakeholders to identify what skills are needed in industry and develop strategies to meet those needs. The SSCS oversaw establishing national occupational standards, marketing vocational credentials, and ensuring the education options satiated the demands of businesses and students.<sup>72</sup>

The last important strategy was established in 2002 called Manufacturing Advisory Service (MAS). The main goal was to provide some help to small-sized and medium-sized businesses locally. The major idea of the organization was to promote improvements in areas like strategy, efficiency, or innovation and supporting businesses in their growth and expansion. In certain circumstances, after an independent examination, applicants were given a modest payment.<sup>73</sup>

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<sup>68</sup> Dan Corry, Anna Valero, and John Van Reenen, "UK Economic Performance Since 1997: Growth, Productivity and Jobs," *Centre for Economic Performance*, no. 24 (December 2011): 1.

<sup>69</sup> Dan Corry, Anna Valero and John Van Reenen, "UK Economic Performance Since 1997: Growth, Productivity and Jobs," *Centre for Economic Performance*, no. 24 (December 2011): 35.

<sup>70</sup> Debra Leaker, "Unemployment Rate (Aged 16 and over, Seasonally Adjusted): %," Office for National Statistics 2023, accessed March 5, 2023,

<https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms>.

<sup>71</sup> "Regional Development Agencies," *House of Commons* (September 2008): 2.

<sup>72</sup> Dr. John West, "Sector Skills Councils," *International Labour Organization*: 2-3.

<sup>73</sup> Dr. Maren Duvendack, and Professor Henry Overman, "Manufacturing Advisory Service (MAS): evaluation methodology," *Department for Business, Innovation & Skills* (February 2016): 2.

## 5.5 INDUSTRIAL CHANGES IN 2010S

Several years passed, and the UK had to adapt to stay competitive against other developed countries. The renewal of British industry in this decade was marked by several initiatives and trends that contributed to the country's economic growth and transformation. One of the main focuses was the innovation. The government promoted innovation and entrepreneurship, mainly in the tech sector. This included accelerators and incubators for new firms. The government also launched the Catapult program to promote developing technologies such as advanced manufacturing and transportation systems. The program was launched in 2011 and received over 1 billion pounds in funding.<sup>74</sup>

The growth of digital economy played a huge role. London became a global hub for fintech and other digital industries, with a significant investment in areas such as artificial intelligence, big data, and cybersecurity. Roughly 81.2% of UK tech investment has gone to firms with great growth potential and higher productivity. These are businesses with at least ten workers that are expanding at a pace of at least 20% each year. The contribution of digital technology in UK was 149 bn pounds in gross value added in 2018, which was almost 7.7% of the UK's economy. In contrast the digital technology contributed about 104.2 billion pounds in 2010 which is an increase of 43%.<sup>75</sup>

The other government goal was to invest in infrastructure with the aim of improving transport links and supporting economic growth. One of the parts of this investment was the High Speed 2. The High Speed 2 was a planned railway that would connect Birmingham, London, Manchester, and Leeds with estimated cost of around 100 billion pounds. The project has its support since 2010 and it is estimated that it will be finished in 2041.<sup>76</sup> Other important investments considering agriculture were the Thames Tideway Tunnel which was designed to prevent untreated sewage from overflowing the Thames River and the new Crossrail railway running through London that would connect east and west part of the city. The government also invested in road improvements, including the construction of new

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<sup>74</sup> "UK Innovation Strategy: leading the future by creating it," Department for Science, Innovation and Technology, accessed March 7, 2023, <https://www.gov.uk/government/publications/uk-innovation-strategy-leading-the-future-by-creating-it/uk-innovation-strategy-leading-the-future-by-creating-it-accessible-webpage>.

<sup>75</sup> "Tech Nation Report 2020," Tech Nation, accessed April 18, 2023, <https://technation.io/report2020/#12-uk-investment>.

<sup>76</sup> Lewis Pickett, David Hirst, "The EU-UK Trade and Cooperation Agreement: Overview and Implementation," *House of Commons Library* (June 2022): 6-7.



motorways, and upgrading existing ones.<sup>77</sup>

The offshore wind power was also a huge concern of the government. It has pledged to fund up to 557 million pounds for the contracts for difference (CfD) in the round of auctions in spring 2019. The CfD auctions offered money for projects about renewable energy while also assisting investors in keeping the prices stable. The government believed that the financing would assist in lowering the cost of the offshore wind energy, which had already witnessed considerable cost reductions in years before.<sup>78</sup>

In 2018, the Creative Industries Sector Deal was launched in order to support the growth of the creative industries sector. This sector was worth over 100 billion pounds in 2018. The deal included a new Creative Industries Clusters Programme, which provided 80 million in funding to support the exponential growth of creative clusters. Furthermore, the agreement included funding for projects aimed at increasing diversification in the sector.

For example, the 4 million in Creative Careers Program. This program aimed to provide more opportunities for young people from various backgrounds to access professions in the creative industries. The Creative Industries Sector employed over 2 million people in the UK at the time of its launch.<sup>79</sup>

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<sup>77</sup> "National Identity Delivery Plan," Cabinet Office, pp. 9-10, accessed April 2, 2023, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/520086/2904569\\_nidp\\_deliveryplan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/520086/2904569_nidp_deliveryplan.pdf).

<sup>78</sup> "Offshore wind power cheaper than new nuclear," BBC, accessed April 4, 2023, <https://www.bbc.com/news/business-41220948>.

<sup>79</sup> "Creative Industries Sector Deal Launched," Department for Business, Energy & Industrial Strategy, accessed March 28, 2023, <https://www.gov.uk/government/news/creative-industries-sector-deal-launched>.

## 6 BRITISH INDUSTRIES IN THE 21ST CENTURY

The majority of UK's economy is comprised of services. In 2021, services like finance, retail, and business administration contributed £1.7 trillion to the UK economy, accounting for 80% of the Gross Value Added (GVA) measure that determines the economic output and production value of goods and services after considering production costs. Conversely, the manufacturing sector contributed £204 billion to the UK's GVA, comprising 10% of the total, while the construction industry's GVA amounted to £124 billion, representing 6% of the total.<sup>80</sup>

London and the Southeast of the United Kingdom account for slightly more than one-third of all businesses in the country, with 1.0 million in London and 0.8 million in the Southeast. Northern Ireland, on the other hand, has the fewest businesses, with just 0.1 million operating in the nation, the least of any area or country in the United Kingdom.<sup>81</sup> Majority of these parts of the UK have the service sector as its industry leader. This chapter focuses on the industries today and provides information about the most important ones. Nevertheless, it peaks into the future connected with the industrial plans introduced by the government.

### 6.1 SERVICE SECTOR

The service sector is the largest sector of the global economy in the world. In UK it accounts for 80% of gross domestic product. In year 2021, 4.2 million business were in the service sector. Which is approximately over three quarters of all business. In the decade of 1997, the amount of unemployment in this sector remained low with the shrinking number of jobs in the industry sphere, being countered by increasing chances of employment in finance but also by an increase of self-employment. The number of people employed in taxi-driving, carpentry, fast-food outlets, and construction rose by 45% between 1996 and 2014. There were 3.9 million self-employed workers by the year 2008. This number of workers increased from 8.75% in 1975 to 15% in 2008.<sup>82</sup> The largest parts in this sector are represented by the professional and scientific services. Professional and scientific services were represented by 15% of all business. Other important sector is the administrative and support sector

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<sup>80</sup> Georgina Hutton, "Industries in the UK," House Of Commons Library, accessed March 17, 2023, <https://commonslibrary.parliament.uk/research-briefings/cbp-8353/>.

<sup>81</sup> Matthew Ward, Aleksandra Gorb, "Business statistics," *House Of Commons Library* (December 2022): 11.

<sup>82</sup> Scott Newton, *The Reinvention of Britain 1960-2016: A Political and Economic History* (New York: Routledge 2018), 222-223.

accounting for 10%. The number of employments in the services was the highest 79% of employment.<sup>83</sup>

## 6.2 CONSTRUCTION

Construction sector plays major role in the UK economy. The sector was affected due to the recession in the year 2008 which resulted in its decrease. The fall in this recession has been mainly driven by falling private commercial building and private housing which have decreased significantly. However, the sector is still one of the largest in Europe. Now the sector contributes around 90 billion pounds to the UK economy and has employment over 2.93 million which is the 10% of total UK employment.<sup>84</sup> It had a turnover of almost 370 billion pounds, providing 138 billion to the GDP and exporting over 8 billion pounds in goods and services. The UK construction companies are smaller, and they also collaborate less in comparison to other European countries.<sup>85</sup>

Over the last decade employees in construction contracting with a degree has almost doubled. Construction not only play a huge part of the UK economy, but it also builds and generates workplaces in which business can operate in.<sup>86</sup> Another sector that is closely related to creation of goods and objects is manufacturing.

## 6.3 MANUFACTURING

Manufacturing was critical to the growth of the British economy from 1870 to 1960. After the 1960s UK witnessed major decline in this sector. Those manufacturing industries that survived remained almost unharmed because there was no economic need to decimate them or because the process of their production changed little over the time. Now it is the third largest sector in UK economy. Right after the services and retail sector.<sup>87</sup> Accounting for around 15 to 22% of the economy of UK and employing around 3 million people. Nevertheless, the manufacturing plays a significant role in research and development or R&D. It accounts for around 65% of total spending and 57% of employment in the R&D. Also, around 45% of UK exports are manufactured goods.

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<sup>83</sup> Matthew Ward, Aleksandra Gorb, "Business statistics," *House Of Commons Library* (December 2022): 13.

<sup>84</sup> Graham Ive, Alex Murray, "UK Construction, An economic analysis of the sector," *Department for Business Innovation & Skills* (July 2013): 1.

<sup>85</sup> Gov.UK. "Construction Sector Deal," Department for Business a trade, accessed April 21, 2023, <https://www.gov.uk/government/publications/construction-sector-deal/construction-sector-deal>.

<sup>86</sup> Graham Ive, Alex Murray, "UK Construction, An economic analysis of the sector," *Department for Business Innovation & Skills* (July 2013): 2.

<sup>87</sup> John Hannavy, *Britain's Industrial Heritage* (Pixz Books, 2015), 85.

Recently the sector was in a debate about its changes due to Brexit. It has resulted in some challenges for UK manufacturers. Increased paperwork and delays at the border were one of them. However, industries such as the automotive sector have seen a recovery in investment and production in the country.<sup>88</sup>

## 6.4 TECHNOLOGY

The UK has utilized its strong foundation in science and technology to become a prominent environment for innovative practices that prioritize responsibility and values. The sector is ahead of its European peers in terms of venture capital investments and the number of startups. In 2022, the sector showed its resilience when it reached a combined market value of 1 trillion US dollars. During 2022, the UK startups in information technology raised about £24 billion, more than France and Germany combined. The country has produced around 85,000 startups attracting venture capital funding from across the world.

The tech economy currently employs around three million people nationwide. Since the year 2000, the country has produced around 400 high-growth businesses due to its emphasis on implementing new ideas using established guidelines and values. The UK is also emerging as a key location for impact technology, with around 1,200 impact technology startups raising £3.12 billion in investment this year.<sup>89</sup>

## 6.5 TOURISM

Over the past years the British government has started to press towards the need of developing a strong and dynamic tourist sector. Mainly because it delivers economic benefits to the UK economy. In 2018, 97.4 million of British residents took overnight trip in England. In the same year around 37.9 million foreign tourists have visited Britain and spend there around 22.9 billion pounds.<sup>90</sup> Tourism is a valuable asset to the economy, society, and culture of Britain. It provided direct economic input of 75 billion pounds before the pandemic. It plays an important role in creating job opportunities, indirectly employing around 4 million people.<sup>91</sup>

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<sup>88</sup> David Bailey and Ivan Rajic, "Manufacturing after Brexit," *UK in a Changing Europe* (January 2022): 7-9.

<sup>89</sup> Paul Scully, "UK tech sector retains #1 spot in Europe,"

Department for Digital, Culture, Media & Sport, accessed April 22, 2023,

<https://www.gov.uk/government/news/uk-tech-sector-retains-1-spot-in-europe-and-3-in-world-as-sector-resilience-brings-continued-growth>.

<sup>90</sup> Hui Lu, William Phillips, "Factors influencing domestic tourism in the UK and abroad and the role of publicly funded domestic tourism marketing," *RAND Corporation* (2021): 1.

<sup>91</sup> Oliver Dowden, and Nigel Huddleston, "The Tourism Recovery Plan," *Department for Digital, Culture, Media & Sport* (July 2021): 6.

The city that contributes to the tourism sector the most is London. With population about 9 million, London is a gateway to the UK, nearly 75% of visitors arrives on one of its airports. Figures published in 2015 by GLA and CTC shows that almost 17 million overseas visitors has shown interested in the capital. 60% of these visitors repeats their journey.

However, the overall number of visitors, including domestic tourists, is far larger, with an estimated 12 million visits each year. Annual day visitors in London are projected to be 274 million. Thus, tourism is the city's second-largest contribution to its economy after financial services, accounting for up to 12% of its GDP.<sup>92</sup> In 2018, the travel tourism sectors made up about 6.7% of the UKs GDP. After that the COVID-19 pandemic had severe impact on the UK's tourism industry, with travel restrictions and lockdowns. This led to a significant decrease in visitors number and revenue. On the other hand, vaccination and the easing of restrictions helped the industry to gradually start to recover. The UK's government has implemented several measures to support businesses in this sector to make it prominent as it was before the pandemic.<sup>93</sup> After the pandemic the government has switched its focus on the future of the industry in UK.

## 6.6 FUTURE PLAN

As part of a 100 billion pounds capital expenditure program set for next year, the UK's Future Plan aims to not only promote the economic activity in the present but also drive productivity in the future. This will be achieved by investing unprecedented amounts in cities, roads, trains, and high-speed internet. Additionally, the plan will support the creation of almost 60,000 jobs in the offshore wind industry and 50,000 jobs in carbon capture, utilization, and storage. Moreover, it will provide employment opportunities for up to 8,000 individuals in industrial hydrogen clusters across the United Kingdom. The plan includes 12 billion pounds in funding for projects to help achieve carbon neutrality.

The strategy also promotes productivity development by implementing Lifetime Skills Guarantee and facilitating lifelong learning. It expands employer-led skills boot camps and introduces Lifelong Loan Entitlement. The 375 million Future fund aims to bridge the gap for innovative businesses to promote creativity and technology for a sustainable and safe

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<sup>92</sup> Christina Maxim, "Challenges faced by world tourism cities – London's perspective," *Current Issues in Tourism* (2019): 1009, <https://doi.org/10.1080/13683500.2017.1347609>.

<sup>93</sup> "Coronavirus and the impact on the UK travel and tourism industry," Office for National Statistics, accessed March 7, 2023, <https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/articles/coronavirusandtheimpactontheuktavelandtourismindustry/2021-02-15>.

economy. Furthermore, the plan aims to boost regional development in the UK by regenerating struggling towns and creating globally competitive cities. This comprises the City and Growth Deals, which total 4.2 billion pounds for transportation within cities, and ongoing investment in the Transforming Cities fund.

Finally, the strategy supports the transition to a carbon-neutral Britain by investing in net zero to give additional opportunities for economic growth and job creation around the UK. Similarly, boosting current net-zero enterprises and establishing new ones. After 2030, the UK intends to outlaw the sale of new gasoline and diesel vehicles and vans.<sup>94</sup>

To help the future of British industry, the UK government announced in 2022 that it would invest about 50 million pounds in fuel-switching technology. This technology will help industries such as ceramics, pharmaceuticals, steel, and food processing. The government will lower its dependency on fossil fuels, lower energy costs, and reduce emissions of carbon. The funds are available through the Industrial Fuel Switching competition, which aims to promote breakthrough fuel-switching technologies in the UK while attracting private investment where funds are available. The government's ambitions to increase domestic energy resilience, speed up the adoption of renewables, expand nuclear power, and support the UK's Net Zero aim all depend on the fuel-switching technologies.<sup>95</sup>

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<sup>94</sup> "Build Back Better: Our Plan for Growth," Treasury, HM, accessed March 7, 2023, <https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth>.

<sup>95</sup> "Nearly £50 Million Boost for Britain's Industrial Future," Department for Business, Energy & Industrial Strategy, accessed April 1, 2023, <https://www.gov.uk/government/news/nearly-50-million-boost-for-britains-industrial-future>.

## CONCLUSION

Over the years, British industry has experienced an evolution that no government could have predicted. It all started in the 18th century with the Industrial Revolution when new machinery was introduced to help labourers perform their hard jobs and make the country more prosperous. This revolution heralded a new era for the United Kingdom and the world.

After more than a century, the United Kingdom, like most other nations, became involved in the First World War, which significantly influenced the industry. During this time, the country was compelled to devote all its resources to fighting the Central Powers. The UK was successful, and British industry was on the rise for several decades.

Everything changed in 1939, when the country was dragged again into World War II, needing to spend even more resources to survive as had been the case before. Industry in the United Kingdom successfully survived WWII as well, but in such a devastated state that the government had to implement several policies to allow the industry to thrive again. The government successfully nationalized several industries, such as iron and steel, making it more straightforward for them to produce products and flourish. Manufacturing was the essential component of British industry throughout this period, employing most people in the country. This lasted until 1966 when a dramatic shift reshaped the British industry.

In 1966, the country's industrial share began to drop, owing primarily to emerging Asian and European countries, which had considerably lower labour and could create items more cheaply. The manufacturing industry was the worst impacted, with tens of per cent declines since this period. These impacts were most noticeable in the north, such as Scotland or in the city of Birmingham.

Following that, the government attempted to implement multiple initiatives to retain British industry at the top of the scale. Margaret Thatcher's administration had the most significant impact on British industry of any government since employment in the industry fell the most throughout her time in office. After that, privatization was implemented to open the free market. Following Thatcher's conservative government, New Labour under Tony Blair and Gordon Brown implemented various programs that reduced unemployment to 7.9% in 2010. Furthermore, it attempted to integrate SSCS as an organization to develop employees' abilities in specific fields of business.

From the 2010s onward, changes in British industry focused mainly on innovation and entrepreneurship, as well as the rise of the digital sector. During this time, development, and projects such as High Speed 2 and the Thames Tideway Tunnel began. Offshore wind power

was another part of the discussion. All these developments have impacted the current state of the UK industry.

Currently, services account for the majority of the UK's GDP, accounting for up to 80% of it. Manufacturing is still an important sector of the UK economy, although its importance has declined since 1966 due to cheaper labour in other nations. The construction sector is another crucial element of British industry, with numerous significant projects and infrastructural improvements underway. The UK's technology industry is one of the largest in the world, thanks to new technologies and the workforce's experience.

Tourism is also a big part of the British economy, with millions of visitors arriving each year and spending billions of pounds there. The United Kingdom has a long and rich history, cultural legacy, and gorgeous natural landscapes to offer travellers worldwide.

The future of British industry will be determined by various variables, including innovation, R&D, and the ability to adapt to changing market conditions. The British industry is continuously developing and will likely continue adapting to new technology and worldwide market shifts.



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**LIST OF ABBREVIATIONS**

ACAS	Advisory, Conciliation and Arbitration Service
CfD	Contracts for Difference
GDP	Gross Domestic Product
GVA	Gross Value Added
MAS	Manufacturing Advisory Service
R&D	Research and Development
SSCS	Sector Skills Councils
TURERA	Trade Union Reform and Employment Rights Act 1993
UK	The United Kingdom
WW1	World War I
WW2	World War II