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3 March 1980

I enclose a copy of a letter to the Prime Minister from the Honorary Secretary of the Standing Conference on Regional Policy in South Wales. You no doubt already have a copy of the report to which Mr. Rush refers.

I have acknowledged without promising any further response. It would nevertheless be most helpful for the Prime Minister to have a brief note of your Secretary of State's response to the report. Could this reach us by Friday, 14 March please?

M A PATTISON

George Craig, Esq.,
Welsh Office.

3 March 1980

I am writing on behalf of the Prime Minister to thank you for sending her a copy of the report on the steel crisis in South Wales, prepared by the Standing Conference on Regional Policy in South Wales.

M. A. PATTISON

M.E.J. Rush, Esq.

STANDING CONFERENCE ON REGIONAL POLICY IN SOUTH WALES
CYNHADLEDD SEFYDLOG POLISI RHANBARTHOL YN NE CYMRU

M.E.J. Rush
Honorary Secretary
M.R. Hill
Assistant Secretary

County Councils of :

Gwent
Mid Glamorgan
South Glamorgan
West Glamorgan

The Guildhall
P.O. Box 11
SWANSEA SA1 4PA

Swansea 50821

Our Ref: MRH/AG Your Ref: Date: 28 February, 1980

Dear Prime Minister,

THE STEEL CRISIS AND SOUTH WALES

Standing Conference (consisting of the four South Wales County Councils) has recently produced the attached report on the above subject. It attempts to constructively illustrate the impact of the crisis on South Wales and to make practicable suggestions for remedial action.

I hope you will find it a positive and helpful contribution to discussions on this subject.

Yours sincerely,

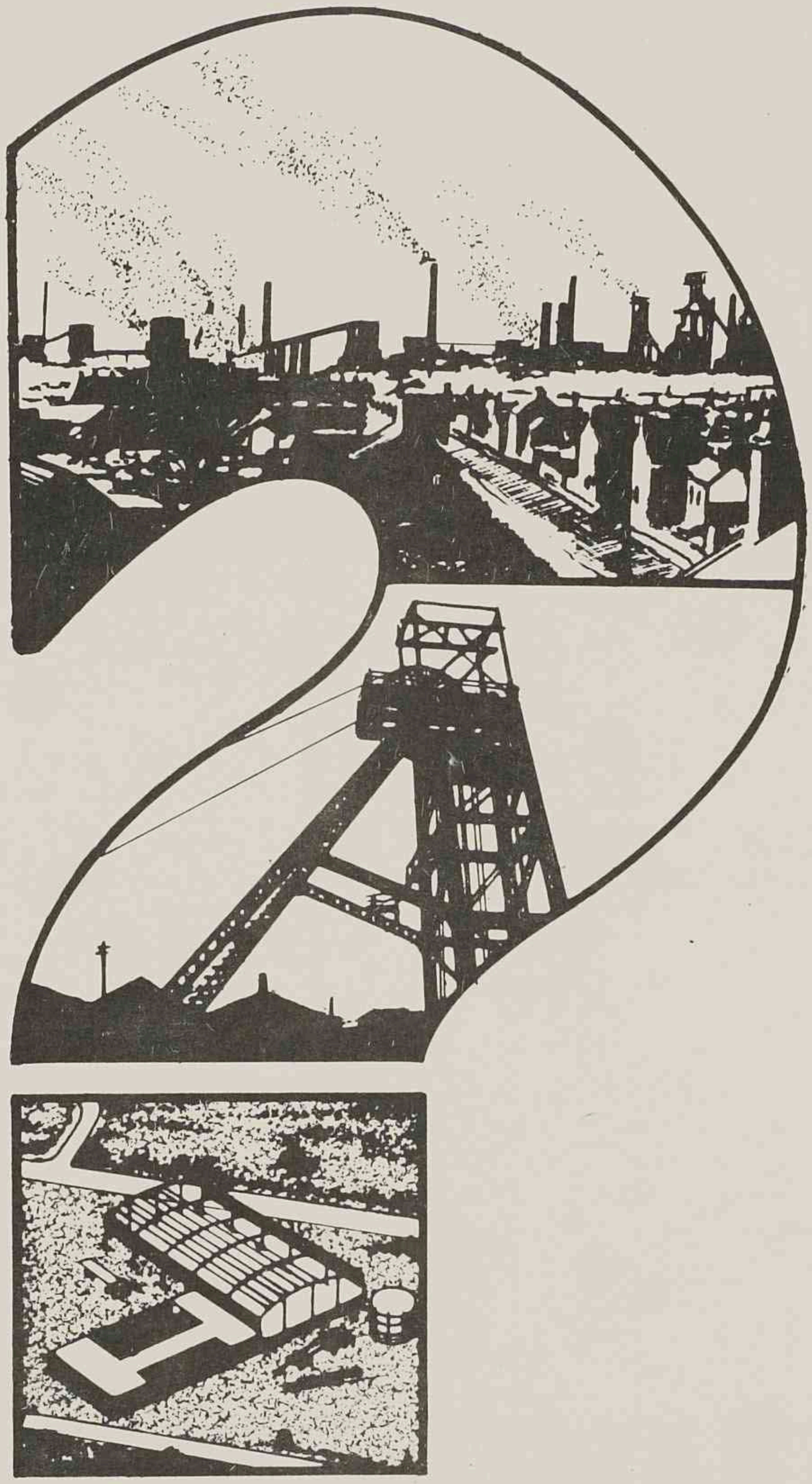
M.E.J. Rush

M.E.J. RUSH
HONORARY SECRETARY

ENC.

The Prime Minister,
10 Downing Street,
LONDON

South Wales & The 1980 Steel Crisis



An Impact Study & Action Proposals

STANDING CONFERENCE ON REGIONAL POLICY IN SOUTH WALES
CYNHADLEDD SEFYDLOG POLISI RHANBARTHOL YN NE CYMRU

PREFACE

Standing Conference (consisting of the 4 County Councils) has in consultation with the District Councils in South Wales produced this document, which responsibly analyses the grim impact of the 1980 steel crisis on this region and outlines a remedial programme to be urged on the Government and its Agencies.

Standing Conference has long been concerned over the battle to modernise and diversify the South Wales economy away from the labour shedding coal and steel industries. This was slowly being achieved. Now with the recent B.S.C. announcement on the run down of Port Talbot and Llanwern works and the proposed loss of 11,400 jobs from steel alone, by August 1980, this process must be dramatically speeded up. To generate the necessary momentum to maintain the South Wales economy in its pre 1980 steel crisis state will require at least 20,000 new jobs in manufacturing industry, with all that this implies.

It is in this united and single minded spirit of determination that the current crisis can, and must be overcome that we commend this document to the decision makers, whose policy will bear heavily on the future of South Wales and its people.

County Councillor P. Squire, C.B.E.
Chairman of Standing Conference

Standing Conference on Regional Policy in South Wales
M.E.J. Rush, Honorary Secretary
M.R. Hill, Assistant Secretary
P.O. Box 11
The Guildhall
Swansea

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CONTENTS

SOUTH WALES AND THE 1980 STEEL CRISIS

A SUMMARY

BACKGROUND TO CRISIS

1. The South Wales economy has undergone an unparalleled restructuring in the last 25 years with 100,000 jobs already lost in steel and coal. Across the region unemployment levels are already 25%-60% above the national average, and South Wales is faced with an expanding working population in the 1980's. The current situation before the 1980 steel crisis was therefore serious enough.

IMPACT OF CRISIS ON EMPLOYMENT

2. Real unemployment (the total number of people who would otherwise be in work) will rise by 38,150 to 97,850. The projected number who will register as unemployed (excluding those who take early retirement, housewives who give up the search for work etc) will rise by 32,050 to 91,750. This latter figure would give an unemployment rate across the region of 12.5% and make South Wales the worst unemployment effected region in the U.K.

NEGATIVE COSTS OF THE CRISIS

3. Those costs borne by Local Authorities and other public agencies in terms of unemployment benefits, lost rateable income, extra demands on social services and so forth. This is estimated to be in excess of £200 million.

COSTS OF REMEDIAL ACTION

4. Essentially this is the cost of providing 20,000 new jobs in manufacturing industry to generate the momentum to maintain the economy in its present state. The total estimated cost (including Regional Aid) is estimated as being a minimum of £380 million. Excluding regional aid the figure is still in excess of £200 million. This latter figure compares with the £48 million of aid announced by the Government to date. This sum is warmly welcomed and must be utilised quickly by the closest collaboration between Public Bodies. It should be seen though as only a first step in a five year programme to complete the modernisation of the South Wales economy after 25 years of crisis and restructuring.

PROGRAMME FOR REMEDIAL ACTION

5. The main elements identified are

- Operation of Regional Policy. In particular the designation of much of South Wales as a Special Development area (precedents: Tyneside, Merseyside, Strathclyde).

- Special Government Aid. £380 million is required, much must go to the Welsh Development Agency but Local Authorities can also play an important role here and relieve W.D.A. of some of the strain on its staff and management resources.

.. .. ..

- Local Authorities. Have a massive role to play in industrial development (sites, factories, advice services) and training (through Colleges of Further Education). With the loss of rate income from this crisis some of the Special Aid must be made available to Local Authorities to enable them to pursue these objectives.

- B.S.C. Industry. Must have an important role and their remit should be drawn widely to cover the large hinterlands of the steel works.

- Land and Infrastructure. Wherever possible existing sites should be utilised but in the longer term there is a requirement for close co-ordination between W.D.A., L.A.W., Local Authorities and Public Utilities to bring forward development programmes for industrial land. A minimum of an additional 800 acres will be required.

- Development of New Industry. Burden must rest mainly on attraction of new manufacturing industry with the concomitant massive promotional campaign. However two other areas should not be neglected - attraction of footloose service industry and development and maintenance of indigenous industry. In this latter category an aggressively marketed and co-ordinated programme to encourage the development of new small businesses could be particularly important.

- Training. A restructured economy requires a workforce with different skills. The need for training and retraining facilities rests primarily on the Manpower Services Commission.

- The E.E.C. Must have a crucial role. There is a need for a co-ordinated approach by the Commission to such a massive regional problem as will exist in South Wales.

- Tourism. As a longer term project stimulation of tourism in the valleys could create 7,000 extra jobs in the 1980's.

CONCLUSIONS

6. This latest crisis if great care is not taken could overwhelm the progress made during the last 25 years in massively restructuring the economy. With sufficient aid now, South Wales has the human resources, ability and confidence to build an economy fit for the present and next century.

CHAPTER 1

INTRODUCTION

THE CRISIS

1. In December 1979 The British Steel Corporation announced that as part of their national policy of reducing steel making capacity, annual production in South Wales was to be reduced to 2.75 million tonnes. Four options were put forward for achieving this:

   i) Closure of Llanwern.

   ii) Closure of Port Talbot.

   iii) Amalgamation of Llanwern and Port Talbot through closing of finishing processes at Port Talbot and steel making at Llanwern.

   iv) The scaling down of production at both Llanwern and Port Talbot to the level necessary to achieve the B.S.C. production target.

2. A variety of organisations including the Works Councils at Port Talbot and Llanwern expressed the view that option (iv) was the least damaging. Subsequently in January 1980 B.S.C. announced that this option was indeed to be adopted with the loss of 11,400 jobs in the steel industry by August 1980. In addition there will be massive indirect losses from such supplying industries as coal and in the general multiplier effect on such sectors as the retail trade. It is this total loss, which will be well in excess of 30,000, that must be used when calculating the real impact on the region of this decision. This total loss is examined in detail in Chapter 2.

3. An important additional background point is that as part of B.S.C. efforts to improve productivity at surviving plants, upto a further 5,000 jobs may be lost in South Wales. Already B.S.C. have announced 1,500 job losses in the Tinplate and Associated Products Groups across South Wales.

BASIC DATA

4. Industrial South Wales stretches some 80 miles from East to West and 30 miles North to South. The vast majority of the region coincides with the area of the four Counties: Gwent, Mid, South and West Glamorgan. With a land area of 1,400 sq. miles and a population of 1.8 million, South Wales forms 1/5 of Wales and has over 3/5ths of its population. South Wales has a working population of 0.8 million of which 30% are in manufacturing (7% in metal manufacture) 5% in mining and quarrying and 45% in service industry.

ECONOMIC BACKGROUND

5. This crisis is the more severe because it does not stand alone but is the culmination of an almost constant and painful restructuring process since the last war. In that time over 100,000 jobs have been lost from the traditional industries of iron and steel, and coal. Virtually anyone in work in the region today is either in a job that did not exist before 1945 or did not exist in its present location.

6. This restructuring took 3 main forms:

i) The relocation of the steel industry at coastal sites with the opening of the works at Port Talbot in 1951 and Llanwern in 1963. Steel making ceased at Ebbw Vale in 1972 and East Moors in 1978 (some 10,000 jobs were lost in all at these two sites and remedial work is still very much in hand). Also many small scale Tinplate handmills closed in the course of the 1960's. Accompanying this steel relocation was the run down of the region's other basic industry, coal.

ii) The attraction and growth of new manufacturing industry. The region succeeded in creating some 30,000 jobs in new manufacturing industry in the 10 years upto 1977. That is, it took at least ten years to create the jobs that will be lost through this current crisis alone. In addition all the 1970's jobs were created with the help of regional aid which has now been substantially reduced to the region and in a period of national economic growth that no longer pertains. This point is confirmed inter alia by the recent publication by HMSO of "Regional Statistics" which commented "The relative improvement in the Welsh economy upto 1977 may not have been maintained more recently".

iii) The growth of the Service Sector: Between 1971-79 some 42,000 new service jobs were created, an 18% growth. This growth was of course welcome but highlighted the increasingly distorted economic structure. Four out of every five of these new jobs went to women. This growth is very unlikely to be maintained as Government plans to disperse Civil Service jobs to the region are halted and public expenditure cuts begin to affect recruitment by public agencies. In addition of course one clear "ripple" effect of the steel crisis will be the impact on the retail sector.

7. The debilitating effect of this long battle to provide employment can be summarised under a number of indicators.

Emigration. In the 1930's with unemployment levels of 60% and more in such towns as Merthyr, over ½ million people left the region. This process continued in the 1950's with the run down of coal and though now somewhat abated is amongst the highest sub-regional rates in Europe. Migration of a region's young people apart from the economic considerations has a morale sapping affect across the entire spectrum of social and cultural life. It is of course the most able people who go.

Economic Activity. Rates for both males and females are low compared with other regions of the U.K., as are the resultant dependency rates.

Unemployment. Rates throughout South Wales are between 25% and 60% above the average for Great Britain. In some spots the rate is twice the national average. Appendix 1, analyses the position before the impact of the steelcrisis and emphasises the serious position of South Wales relative to other U.K. areas before the current job losses. For instance South Wales unemployment rates compared to the "Standard Regions" were fifth "worst" in a league of 12. Again South Wales redundancies over the 3 years to 1979 were higher than three Special Development Areas with similar working populations (Strathclyde, Merseyside and Tyneside).

Housing Stock. This is ageing and again very few other "sub-regions" of the E.E.C. have a higher proportion of their dwellings built prior to 1949.

Income. Figures are not available on a South Wales basis. Gross domestic product per capita in Wales as a whole though is 68% of the E.E.C. average and less than half of such prosperous areas as the Paris Basin and Breman. Car ownership in South Wales is amongst the lowest in Europe.

.. .. ..

8. This then is the background to the existing situation against which this latest crisis is set. Again the future even without this crisis would be serious enough with the Welsh Office figures showing a growth in the population of working age by some 70,000 in the 1980's - most requiring jobs, and with the existing cyclical trend of unemployment on the increase. It is in this context that the massive loss of jobs from steel in the current year is examined and proposals for action made.

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TABLE 1

THE UNEMPLOYMENT IMPACT ON SOUTH WALES

LOST JOB OPPORTUNITIES AND MORE PEOPLE SEEKING WORK

1.	B.S.C. Planned Redundancies for Port Talbot and Llanwern August 1980+		11,400
2.	The Ripple effect in Coal and other Associated Industries and Services		14,800
3.	Non-Related Redundancies known as definite for 1980 in other Industries (including Tinplate)		4,500
4.	Coking Coal crisis. B.S.C. may reduce by upto 0.6 million tons use of South Wales Coal through importation. This is despite N.C.B. £22 million subsidy in 1980 and will place further pits at risk		2,400
5.	Ripple effect in Mining Communities		600
6.	More people seeking work in 1980x		4,450
	Extra total Unemployed*	Total	38,150
	(Extra Registered Unemployed)		(32,050)
	Current Unemployed	Current	59,700
	Total "true" Unemployed* Post Steel Crisis		97,850

\+ N.B: B.S.C. expect there will be further redundancies elsewhere in the Welsh Division following productivity negotiations at plant level. No official statement is available on the scale of this effect in South Wales, but estimates as high as 5,000 have been made. This would in turn have a 'ripple' effect. 1,500 Tinplate job redundancies were announced 8.2.80 at Trostre and Velindre, effecting at least 500 West Glamorgan residents. Bryngwyn, Cwmfelin, Neath and Ebbw Vale are also mentioned. Mining and Tinplate job losses in Dyfed upto 2,000 are also not included in table.

* Not all the true unemployed will register as officially unemployed. Eg. some will suffer enforced early retirement. The jobs lost will not show up in Government unemployment statistics. Nevertheless these are real lost job opportunities, not available for school leavers and other workers.

x It is highly relevant that there will be an increasing working population throughout the 1980's given present age structure: an increase of some 70,000 is forecast.

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CHAPTER 2

THE UNEMPLOYMENT IMPACT

INTRODUCTION

1. Table 1, opposite, summarises the employment impact on the South Wales economy of this crisis. Appendix 1 explains the detailed workings whereby these figures were arrived at. Care has been taken, where definite evidence is unavailable, to make modest and conservative assumptions. For instance only 900 job losses are assumed from B.S.C.'s continued exercise to increase productivity at individual plant level, whereas a much higher figure is likely in practice. However, should any reader wish to question an assumption made, this can be done by referral to Appendix 1. The total job losses are however extremely unlikely to fall below 30,000 however optimistic a particular reader is. A brief commentary on the components of the job losses is given below.

B.S.C. ANNOUNCED REDUNDANCIES

2. 11,400 steelworkers will lose their jobs as B.S.C. reduce their output to only 2.75 million tons. Current plans are to complete this massive demanning by August 1980.

THE 'RIPPLE' EFFECT IN COAL AND ASSOCIATED INDUSTRIES

3. B.S.C. will need 1.6 million tons less coal to produce the reduced volume of steel. This reduction will place some 7,300 miners jobs at severe risk, within the four Counties, though strenuous efforts are being made by the N.C.B. to find alternative markets. However at the time of writing (mid February) the position is still uncertain as to the future of these 7,300 jobs and this figure is therefore retained. If, hopefully, it emerges that some of these jobs are to be saved this "saved" number of jobs (plus the multiplier) should be taken away from the total unemployed figures given to arrive at the new correct total. These losses will be only part of a 'ripple' effect hitting all associated industries and services. A further 7,500 will be lost in the rail, other transport, tinplate, construction, engineering, service and retail sectors.

4. Therefore 11,400 steel redundancies will bring an extra 14,800 job losses in the region (a multiplier effect of about 130%, a ratio greater than 1 for 1).

NON-RELATED REDUNDANCIES KNOWN FOR 1980

5. To give the complete employment situation facing South Wales account has also been taken of known redundancies not-related to the B.S.C. crisis itself. District and County Councils so far know of 4,500 definite redundancies which will take place in 1980 and are as yet not recorded as unemployed. These are not related to the crisis at B.S.C. but are caused by other economic factors. This figure will rise during 1980, but so will the number of newly created jobs. 4,500 is therefore taken as the short fall in the absence of any acceptable and definitive data.

.. .. ..

THE COKING COAL CRISIS

6. If, in addition to the "scaling down" effect, B.S.C. cut back on the use of South Wales coal through importation then further colliery jobs will be at risk. The short-sightedness and even recklessness of such a decision is self-evident and the Government should intervene to protect the long term future of the domestic coal industry. Due to a special N.C.B. subsidy of £22 million only about 0.6 million tonnes of coal will be imported this year. This will nevertheless place 2,400 jobs at risk (including 600 through the "ripple" effect). In the longer term (next year) if no satisfactory agreement is reached between N.C.B. and B.S.C. upto 7,000 further jobs will be at severe risk both directly and through the ripple effects.

MORE PEOPLE SEEKING WORK

7. Even before the steel crisis, the region had a problem in just creating extra jobs for the increasing numbers of school leavers and others seeking work. Even after allowing for those retiring and leaving the workforce, the year 1980 alone in normal economic circumstances would see a net increase of almost 4,500.

8. Unfortunately many older redundant workers may be forced into early retirement, as opportunities are so scarce. Upto 4,900 may be affected in this way, given the age structure of the workforces in the steel and mining industries. Upto another 1,000 people, who would normally register as seeking work will probably be dissuaded, by the lack of any hope of a job and their ineligibility for unemployment benefit, from being registered officially as 'unemployed'. Nevertheless these 5,900 will be true UNEMPLOYED even if not registered as UNEMPLOYED in Government statistics. Economists call these groups the 'HIDDEN UNEMPLOYED'. Alternatively this concept can be expressed in terms of lost job opportunities - the jobs these people have lost will no longer be available for future school leavers to take up, even if these present encumbents do not register as unemployed.

CONCLUSIONS

9. Total unemployment of virutally 100,000 can be expected in South Wales - although some of unemployed will not register due to the discouraging job situation. Even on the basis of only those likely to register as unemployed South Wales will jump well ahead of all other U.K. regions with 91,750 projected registered unemployment - 12.5% (see Appendix 1 for comparative figures). The real significance of this figure can be made clear by once again emphasising that it took 10 years in a favourable national economic climate to create 30,000 jobs in new manufacturing industry. Action needs to start now if long term damage to the economy is to be minimised.

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CHAPTER 3

SOME REAL COSTS OF THE STEEL RUN DOWNAND OF THE ESSENTIAL REMEDIAL AID

INTRODUCTION

1. The impact on employment of the steel run down was analysed in the last chapter. There are however various other "hidden" or "negative" costs which have to be considered, and examples are given below (paragraphs 2 to 11). An estimate of the global cost to the Government of the "positive" costs of providing the necessary remedial aid is then made (paragraphs 12 to 14).

THE EFFECT OF DIFFERENTIAL WAGE RATES, BENEFITS ETC.

2. Both the steel and coal industries offer high wage earning potential for their employees and boost average manual earnings in Wales to the national average. With the loss of these jobs the converse will be true.

3. In the short term, with severance payments, benefits and made-up pay, the impact of loss of earnings to the individual will be cushioned but at a substantial cost to the public agencies. It is estimated that in the first year, the cost to Central Government, B.S.C. and the E.E.C. of payments to the 11,000 steelworkers made redundant will be of the order of £66 million, while a further 14,000 jobs lost in mining, transport and other services will increase the burden to £137 million. These figures include unemployment benefits, training costs, redundancy lump sums and loss of tax and insurance revenue. Beyond the first year there would be a continuing burden from increased unemployment, retirement and social security benefits.

4. In the longer term, the loss of earnings will not of course be cushioned. In the unlikely event of sufficient replacement jobs being attracted to South Wales in the near future wage levels will probably not compare to those current in the coal and steel industries. On the most optimistic assumption that all jobs are replaced, but at average wage rates, a loss of £15 million per annum to spending power in the region will result. However, if early retirement and longer term unemployment are taken into account, losses would be at least £30 million per annum and may well be up to double that amount with a consequential long term impact on the South Wales economy.

IMPACT ON OTHER INDUSTRIES

5. The impact of the run down of the steel industry in South Wales should not just be seen in terms of lost jobs and lost job opportunities but also in the wider financial context, in the profitability of local firms serving the steel industry, and in the possible bankruptcy and closure of firms, particularly in the transport industries.

6. An equally important point in the context of transport is the impact on the region's railway network. For instance nearly half of the freight traffic in West Glamorgan is generated by the steel industry. Considerable concern must also be expressed over the future of the valleys network if colliery closures occur with the consequential loss of freight traffic. Bus operators will also be severely effected with a loss of revenue of about £240,000 for each 5,000 increase in unemployment.

.. .. ..

7. B.S.C., besides being the largest manufacturing employer in Wales is also the biggest spender. Prior to the closure of the East Moors Steelworks in 1978, B.S.C. spent £17 million within a 15 mile radius of Cardiff. This gives some idea of the scale of spending for a closure involving only one quarter of the production now involved in the run down at Port Tälbot and Llanwern. By far the major supplier to B.S.C. in Wales isthe National Coal Board and the number of pits directly under threat is estimated at between 11 and 20, which represents between a quarter and a half of all pits in South Wales. A large cut in this expenditure would also have a considerable impact on local suppliers.

EFFECT ON LOCAL AUTHORITY SERVICES

8. There is a potential loss of rate income to local authorities, following a scaling down of operations at Llanwern and Port Talbot. This situation, however, is far from clear as, unlike a complete closure, B.S.C. will continue to completely occupy the plants and as such will be liable for rates. It is likely, however, that they will, following the reduction in production seek a deduction from their rateable value. This might well take some considerable time to resolve during which local authorities would suffer the loss of the relevant rate income. Also under the Government compensation arrangements there would be a time lag over the immediate period when local authorities would be under the greatest pressure.

9. With redundancies of well over 30,000 there will be an increased demand for local authority further education courses, and for Government sponsored courses at Colleges. It is difficult to anticipate the demand, and the expenditure involved would depend to a great extent upon the courses undertaken. However to give an indication of the scale of expenditure, courses following the closure of East Moors Steelworks cost some £500 per person to run. A large demand for places on extra courses is anticipated. Additional costs could therefore be of the order of £½ million.

10. Again it is estimated that families affected by redundancies will have over 10,500 children of school age. Following a period when the redundant workers will be receiving earnings related benefits, their children will become eligible for certain Education Service entitlements eg. free school meals, free transport, clothing allowance. To give an indication of the scale of expenditure, if 10,500 children were to receive free school meals the annual cost to local authorities would exceed £1 million.

11. Although it is difficult to isolate the direct effects of job losses on Social Services there is no doubt that the pressures and problems caused by redundancies do contribute to already stressful situations. One example is that for any one single child taken into care as a result of family breakdown the cost to the local authority is at least an additional £5,000 per annum.

12. Finally there will be extra demand for rate and rent rebates, even allowing for make up pay for the redundant steel workers in the immediate post scale down period. At a conservative estimate this demand would exceed £2 million.

13. It can be conveniently mentioned here - though it is a "positive" cost that local authorities also have an important role in industrial development-site acquisition and development; factory building; promotion and advice services to industrialists. The extra cost of these services will be many millions of pounds. The total additional costs to local authorities of this crisis (though difficult to calculate at this stage) are likely to be well in excess of £25 million.

.. .. ..

COST OF REMEDIAL ACTION

14. The present programme of support for industrial development is partly to offset the effects of the previous closures at East Moors and Ebbw Vale, and also to mitigate the effects of the annual 10,000 redundancies a year that occur anyway in other manufacturing industry. An immediate and substantial increase in this aid is necessary if replacement jobs for this latest crisis are to be found and if the permanent damage to the Welsh Economy is to be reduced.

15. Merely to generate the momentum to maintain the South Wales economy in its pre steel crisis state will require at least an additional 20,000 new jobs in manufacturing industry (that is replacement for steel and coal jobs lost, plus additional manufacturing jobs lost in this crisis - see Appendix 3 for details). The cost of this is estimated as a minimum of £380 million. Rhodes and Moore (the Cambridge Economists) on the basis of past experience have put this figure much higher at £1 billion. The local authorities feel though that "no cost" measures such as the steering of new industry to the region and a concerted and massive campaign by all agencies can achieve the task for a more modest sum.

16. The £380 million figure is based on £50 million for improved access to industrial areas, £67 million on site acquisition and preparation, £110 million on advance factory building and as estimated £150 million on regional development grants, special financial assistance etc. The figure required net of regional development grants is therefore some £200 million. This expenditure to be spread over a realistic period of time, of course. A more detailed technical explanation of these figures is given at Appendix 3.

17. The Government announced on the 4 February 1980 that £48 million was to be made available for remedial action (this compares to the £200 million figure above). Standing Conference warmly welcomes this announcement and notes the need for the closest liaison between all public bodies to implement this remedial programme without delay and to the maximum benefit of the region. The allocation of money to particular projects must be agreed by the end of March and actual work be in hand shortly after this. To be effective this initial aid must form part of a larger programme over a period of 5 years to secure the regeneration of the South Wales economy (involving perhaps a further £150 million in special Goverment aid). The history of economic crisis in South Wales over the last 25 years and the detailed regional comparisons in Appendix 1 make the case for this extra aid without need for further elaboration.

18. Suggestions for the detailed elements that should constitute the remedial programme are made in the next chapter.

CHAPTER 4

SPECIFIC PROPOSALS FOR REMEDIAL ACTION

INTRODUCTION

1. The purpose of this section is to highlight the most important areas for action, and to serve as an agenda for debate and discussion with the Government and its Agencies. The question of discussion and liaison arrangements between the Government, its Agencies and the local authorities itself of course forms a crucial area for agreement. Wales is blessed with a large number of public authorities and it is vital in this crisis that each organisation's efforts are co-ordinated into a meaningful overall programme. This task rightly falls to the Welsh Office, and Standing Conference and the individual local authorities express their willingness to co-operate in appropriate co-ordination arrangements.

2. It is not the intention here to debate B.S.C. management decisions, on the run down of Port Talbot and Llanwern; but to deal with the consequences of this run down. One vital factor bearing on the consequences though is the timescale proposed: the loss of 11,400 jobs by August of this year. Standing Conference would make the strongest plea for the decision to be phased in over a longer period - probably with a net saving (allowing for the cost of remedial measures) to public resources!

The detailed suggestions for remedial action are outlined below.

REGIONAL POLICY

3. The erosion of regional policy in recent years, both in terms of the controls on the location of industrial development and the financial aid offered to companies to expand or to relocate in Assisted Areas, has undermined the ability of the South Wales economy to attract new jobs. The steel crisis demands the need for direct action on regional policy, with particular emphasis on:-

(i) Assisted Area Status and Incentives - The region as made clear earlier in this report, has undergone a massive restructuring in the last 25 years - almost without comparison. This latest crisis comes while strenuous efforts were being made to diversify and modernise the economy to deal with these previous crisises. South Wales has a strong case by comparison with such existing S.D.A. areas as Strathclyde, Merseyside and Tyneside to be designated as a Special Development Area. The South Wales economy is closely interlocked, has suffered over 50,000 redundancies in the 3 years to 1979 and is already in the top half of the league in terms of unemployment levels. The interlocking effect is illustrated by the current crisis with the intial loss of jobs at the coastal steel plants being followed by colliery closures in the hinterland. However Standing Conference recognises the Government's policy of a highly selective regional policy and would be prepared to assist and co-operate in an exercise to define those areas in South Wales most urgently in need of S.D.A. status.

There is also an urgent need to review the manner in which the selective financial assistance shceme operates, with the objective of increasing the amount of aid and reducing the timescale in which decisions are made by the Welsh Office.

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(ii) Control of Development - There should be a tight control, under the recently revised rules for Industrial Development Certificates, on the location of major developments. In the light of the increasing importance of the service sector as a source of new employment opportunities, consideration should also be given to the introduction of a new form of control aimed at influencing the choice of location for warehousing, research and office developments.

(iii) Steering - There must be a positive policy operated by the Welsh Office, with the full support of the Department of Industry in London, of "steering" new developments to South Wales. This policy must be implemented immediately, given the proposed timescale of the redundancies in the steel industry. A particular case in point is the proposal by INMOS to locate their first module in a non development area, Bristol. This decision should not be accepted by the Government, and the development directed to South Wales.

SPECIAL GOVERNMENT AID

4. The nature, extent and timing of the steel crisis must be met with a massive injection of special funds by the central government. The level of funds must be on at least a comparable scale with the assistance granted to other steel closure areas. However, it can be argued strongly that no other part of the U.K. has in recent times been faced with the scale of manpower reductions in steel and related industries, notably coal, in such a concentrated geographical area and, consequently, a higher rate of funding should be made available. In the last chapter this necessary injection was estimated as being £200 million over a 5 year period (net of regional aid) compared to the £48 million so far announced by the Government. The special funds are required primarily for industrial and commercial development, which is likely to include the need for land reclamation, providing on-site and off-site infrastructure, and a major programme of building advance factories. Inevitably, a significant proportion of the funds will go directly to the Welsh Development Agency and the public utilities. A plea must also be made for the local authorities to receive some of the special aid, bearing in mind the important contribution that they can make towards the provision of sites and factories and the demands that are being made on the manpower and financial resources of the Welsh Development Agency throughout Wales as a whole.

5. Again the point must be emphasised that the benefits of this special aid must be maximised through the closest co-operation of all public agencies and authorities.

LOCAL AUTHORITIES

6. Local Authorities are of course conscious of having an important role to play in this crisis. The limiting factor to their action is finance particularly in a period of falling rate income. The plea must be repeated for special Government Aid to be made available for local authorities projects aimed at strengthening the economy. Some examples of the areas where action is already in hand and could be expanded are outlined below:

(i) Acquisition of industrial sites and construction of factories (Local Authorities have already achieved much since 1974. For instance there are in Local Authority ownership a total of some 2,500 acres of industrial land or land to be developed for industry, as resources become available).

(ii) Advice to Industrialists. Apart from general "back up" services provided by Industrial Development Officers there are such schemes as Mid Glamorgan's INDIS project aimed at increasing in region purchases by industrialists or helping to identify market opportunities for new industrialists.

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(iii) Industrial Promotion. Local authorities are active in this field both through financial contributions to the Development Corporation for Wales and their individual efforts.

(iv) Tourist Development. Standing Conference is discussing with the Wales Tourist Board an action plan to create upto 7,000 new jobs with 1980's through Tourism in the Valleys. Individual Counties are also active, and in West Glamorgan for instance it is hoped a narrow gauge tourist railway can be established in the Afan Valley.

(v) Manpower Training. Much training is done through the Colleges of Further Education both directly sponsored by the Counties and through the sponsorship of courses on these premises by the Manpower Services Commission. The Careers Service also plays an important role in guiding young people to the new job opportunities as they become available.

(vi) Regional Policy/Strategy. Through Standing Conference the Counties have come together to liaise with other public agencies on a regional basis in an attempt to have a maximum interface with these other bodies efforts. Standing Conference is of course the only body concerned with the South Wales region alone.

These are just some examples of where action is already being taken and where urgent reviews in the light of the current crisis are under way.

B.S.C. INDUSTRY LTD.

7. This organisation has already proved to be a successful body in giving direct and indirect forms of assistance to industrial development in steel closure areas, notably in Ebbw Vale. It is to be hoped that the British Steel Corporation will enhance the role of this organisation as far as South Wales is concerned. There should be a strengthening of the team operating in South Wales, an increase in the funds available for factory building and acquisition and an intensification of promotional campaigns. A re-examination of the areas in which B.S.C. Industry Ltd. can operate should also be made, taking full account of the extensive catchment areas of Llanwern and Port Talbot Works.

8. An equally important point that Standing Conference has been pressing for is the creation of an N.C.B. (Industry) Ltd. body based on the steel example. Its role should be to deal with the particular problems of colliery closures (which will be closely related to the steel run down).

TRAINING

9. One consequence of the steel run down is the need to retrain the existing workforce and train the next generation for a substantially restructured economy and the different skills that will be required. The Industrial Training Boards must be urged to extend their activities in South Wales as a matter of the greatest urgency. Furthermore, the Manpower Services Commission must now dismiss any thought of closing or reducing the scope of its Skill Centres in the area (in particular the proposals to close the Llanelli Centre serving as it does much of West Glamorgan should be urgently re-examined) and must re-assess its policies for providing training services, especially to firms setting up in South Wales. The role of the Industrial Training Co-ordinators in Mid Wales could very usefully be extended to South Wales, so that there is the closest possible matching of training with the

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demands of industry and commerce. The proposed emphasis on New Entrepreneur training in the 1978 TOPS Review must also be translated into concerted action. Standing Conference has already established a helpful dialogue with the Welsh office of M.S.C. and will be pursuing these points in detail through the channels established. There is also a strong case to be made for South Wales to be designated as a priority area under the Social Fund of the European Economic Community; the complex rules, which act as a deterrent for private firms to obtain financial aid from the Social Fund, should also be investigated.

LAND AND INFRASTRUCTURE

10. The converse of the loss of steel, coal and other manufacturing jobs outlined in Appendix 2 is the creation of new manufacturing jobs with their positive multiplier effect. The need for these new manufacturing jobs is estimated at 20,000 (Appendix 3) and there is an associated requirement for land.

11. The land position in South Wales is a complex and intricate matter. The existing position is that there is some 1,200 acres available for development now with a further 500 acres available within a year. In the context of the steel crisis this is a most misleading figure for three main reasons.

    (i) Some of this land is not yet in public ownership.

    (ii) These land banks were created to cope with the "normal" existing problems. While some land could and should be urgently utilised for this crisis it would be totally unrealistic in assessing the requirement for remedial action to transfer current land stock into the "special" steel crisis category.

    (iii) Finally, some of this land is located in the "wrong" place: at Ebbw Vale for instance (to deal with the previous closure there) rather in the coastal plain at Llanwern.

12. The additional requirement of land to create a further 20,000 jobs ranges from 800 acres to 1,500 acres depending on the type of development, the allowance for future expansion of units and so forth. The figure used in the calculation of costs (Appendix 3) is the most conservative one.

13. There is therefore an urgent need to commence the process of releasing and developing at the absolute minimum a further 800 acres of land - of the "right" type in the "right" location. This must inevitably take a little time and the release planned over the next three to five years. There is an urgent need therefore for the local authorities, the Welsh Development Agency and the Land Authority for Wales to work closely together to identify the priority sites for development; to bring sites into public ownership and to resolve development problems.

14. A major problem with much of the land potentially available for development is the lack of adequate service facilities: the lack of sewerage, drainage, water facilities, gas supplies, etc. Particular attention must be focused on the Welsh Water Authority and the Gas Council. The capital programme of the Water Authority must be reviewed urgently in the light of the changed economic situation in South Wales - with increased emphasis on financing the implementation of schemes that will open up sites for industrial development. An approach must also be made to the Gas Council to make supplies available as a matter of national policy for crisis regions such as South Wales. As an absolute minimum any reduction in the demand for gas from local steel and other industries should be reflected in new opportunities to firms establishing or expanding in the region.

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"FOOTLOOSE" INDUSTRY

15. The attraction of new jobs to South Wales must take into realistic account the continuing "shortage" of manufacturing firms seeking opportunities for expansion or relocation - new investment in all manufacturing industry has about halfed in the last 10 years. South Wales must though compete effectively with other parts of the U.K. and, indeed the E.E.C., for the investment that is available. The availability of advance factories over a wide range of sizes will inevitably be the most potent weapon that can be used in the battle for jobs. Tenants will not materialise automatically though and it will require a massive promotion and marketing campaign by the various Agencies and the local authorities - in so far as funds are made available - for this essential purpose. One particular point that attention must be paid to is the "image" of South Wales. It will also require close co-operation to ensure that each enquiry reaches its full potential.

16. Recognition must also be made of the changing nature of new industrial and commercial development so that all effort and hope is not placed entirely on advance factories. It is of particular interest to note the amount and types of service development that has taken place in recent years along the M4 corridor, especially between Reading and Bristol. There must be an urgent assessment by the W.D.A., Government and local authorities, in collaboration, of how such development can be attracted further west into South Wales - the need for speculative opportunities for the service sector should receive special attention, possibly through the more widespread use of private and institutional finance (the concept of "advance" offices and warehouses is relevant here).

TRANSPORT

17. South Wales is a "peripheral" region and this is increasingly relevant as energy costs increase. It is essential that it has adequate and efficient links with the South East. Particular points here are the potential for electrification of the main line to London, and the early completion of the M4 across South Wales (with adequate arrangements made for the severn crossing). The recent E.E.C. Green Paper on aid to transport infrastructure to assist peripheral regions should be relevant here.

18. An additional point is the potential for port related development with the region's deep harbours situated conveniently for Southern Europe. Investment is needed in the ports mainly in terms of access and development of port related industry.

INDIGENOUS INDUSTRY

19. Given the shortage of "footloose" industrial and commercial investment, increased emphasis must be placed on encouraging existing local industries to expand and on the creation of new firms.

20. In considering the expansion of existing industry, particular attention should be paid to medium-sized firms, notably in those industries such as electronics where there is a clear growth potential. The role of the Welsh Development Agency in facilitating extensions to premises could be particularly important.

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21. Stimulating the growth of new entrepreneurs must become a key element in the re-generation of the region's economy. As a legacy of an economy dominated for 200 years by the basic industries of coal and steel there is a much lower than average proportion of small fims in the region (25% of firms in South Wales, in size range 11-19 compared to 31% nationally). The main components of such a programme would be the support of new entrepreneurs, through suitable training, (a recent survey of new small firms in Leicester showed that the largest group of new entrepreneurs were manual workers) identification of products, provision of premises and finance, and continuing advice on such business matters as technical, marketing and production problems.

22. Many elements of this work are already being carried out by individual organisations: the W.D.A., M.S.C. and the local authorities. What is lacking perhaps is a coherent and co-ordinated package that could be agressively marketed to attract the interest of potential entrepreneurs. An example of such a co-ordinated package, aggressively marketed, exists in Mid Wales where the M.S.C., Manchester Business School, the Development Board and the local authorities have instituted such a programme (funded partly by the E.E.C.). Market research has identified business areas with growth potential and a competition held for specific new product ideas with a large cash prize funded by a national clearing bank. Selected entrepreneurs then have the opportunity to develop their ideas over a six month period in a context of maximum co-operation from all bodies. Similar efforts are being made to encourage new industry in the North of England and most recently in London by the Chamber of Commerce.

23. The Welsh Development Agency, the Manpower Services Commission and the Welsh Office should be pressed to formulate in co-operation with the local authorities a suitable "package" for South Wales.

TOURISM DEVELOPMENT

24. Tourism can make an effective contribution to the creation of new jobs; however, the potential for tourism schemes has been substantially held back by the very inadequate funding arrangements. It is to be regretted that the Wales Tourist Board's funds for grant aid have now been reduced compared to last year; this decision should be reviewed and the proposal to introduce interest relief grants for the tourist industry should also be implemented. Both these measures could aid the viability and attractiveness of tourism projects, particularly in the valleys. The extension of the W.T.B.'s scheme for grant-aiding small establishments could also be usefully extended to urban areas.

25. At present, most assistance in Wales is provided for accommodation development. Other tourist projects, such as the creation of museums, receive little if any support. Consequently, a wide range of tourism opportunities are neglected as the necessary financial support is not forthcoming.

26. There is also scope for a more aggressive approach to the marketing of tourism attractions in South Wales and for improving the information service to visitors. This requires positive action by the local authorities and the Wales Tourist Board.

27. Standing Conference is currently liaising with the Wales Tourist Board on the production of an action plan for the development of tourism in the South Wales Valleys. The W.T.B. have indicated that upto 7,000 jobs could be created in the 1980's through this work and there would also be important spin off effects in terms of improving the "image" of the area. It is important that this essentially long term project be adequately funded.

THE E.E.C.

28. Standing Conference published in December 1979 a paper entitled "South Wales and the European Community - The Way Ahead". This set out practical suggestions by which the E.E.C. could assist the region, and the need for effective action is now paramount. It is hoped that relevant Commission officials will visit the region to discuss the situation with inter alia the local authorities.

29. It is understood that the European Commission is concerned over the ad hoc application of its funds to regional problems and is concerned to develop with Central Government a co-ordinated "package" to meet the problems of particular regions. South Wales is an eminently suitable region for such an exercise and the local authorities could also contribute fruitfully to such a project. This point is strongly urged on Central Government and the Commission.

30. Two specific points of concern are: the allocation of money under the non quota section of the Regional Development Fund for steel affected areas and the non designation of Wales as a priority region under the Social Fund provisions. The steel areas to benefit from R.D.F. have been designated by the British Government and defined narrowly. Mid Glamorgan will not for example be eligible for aid despite the likelihood of coal closures in that County as a result of the steel rundown and the fact that 20% of the Port Talbot workforce commute to work from the Mid Glamorgan area. This is a matter that has been pursued with the Foreign Office by Standing Conference.

RATEABLE VALUE

31. The cutbacks in steel-making at Port Talbot and Llanwern are likely to lead to requests from the British Steel Corporation for rate reductions; other rate reductions will inevitably follow in industries forced to close or to contract business as a result of the steel decisions. Given the extreme pressures on local government finance, the local authorities have a strong case for compensation payments to be made by the Central Government for losses in rateable value and rates arising from the steel situation. The principle of rating compensation was established in the closure of steel making at Ebbw Vale and it is considered that a similar procedure should now be adopted in respect of Port Talbot and Llanwern. It is also important that this compensation takes into account the time lag between the loss of income and compensation arrangements being implemented.

CHAPTER 5

CONCLUSIONS

The purpose of this document has been to highlight the impact of the current crisis on South Wales and to put forward a programme for remedial action. The phrase "current crisis" is used advisedly as the South Wales economy has been undergoing an unparalleled and massive restructuring since 1945. In particular in the late 1970's two previous steel closures at Ebbw Vale and East Moors took place with the loss of 10,000 jobs. Remedial work on these closures is still far from complete. However, over the last 25 years as a whole much had been achieved in difficult circumstances through diversifying the manufacturing base and attracting new industry. The current crisis poses a threat not only in itself but also to the progress achieved. The sum needed to maintain the region's long term recovery has been estimated at (excluding regional aid) a minimum of £200 million utilised through a coherent five year programme. In talking of such massive sums an element of unreality inevitably tends to develop but the present - and predicted unemployment figures (which take South Wales to the top of the league in the U.K. unemployment figures) - are real enough, as is the social impact they will have. However, with suitable aid, South Wales has shown that it has the ability and willpower to restructure and modernise its economy. For instance a recent survey by International Management Consultants (H.B. Maynard & Co.) of 100 American owned companies in Wales found that they had been generally strike free in the previous five years and experienced high productivity. The local authorities are confident therefore, that given the resources now, South Wales can achieve a viable and productive economy making a real contribution to national wealth; both this century and and next.

UNEMPLOYMENT LEVELS AND JOB LOSSES PRE 1980 STEEL CRISIS: A REGIONAL COMPARISON

Comparison with Standard Regions, 6th December 1979

	Unemployed Total	Unemployed %
Northern Ireland	63,400	11.0
North	117,700	8.5
Scotland	180,300	7.9
Wales	85,200	7.8
South Wales*	56,000	7.7
North West	199,300	7.0
Yorkshire and Humberside	117,800	5.6
South West	93,400	5.6
West Midlands	126,300	5.4
East Midlands	73,800	4.6
East Anglia	30,700	4.2
South East	267,600	3.5

* South Wales is not a Standard Region.

Source Department of Employment Gazette, January 1980.

Note: Projected Registered Unemployment in South Wales 91,750: 12.5%

Comparison with Special Development Areas at 6th December 1979

	Working Population*	Unemployed Total	Unemployed %
Falmouth and Redruth	33,540	4,364	13.1
Girvan	4,215	519	12.3
Merseyside	756,600	85,899	11.3
Wrexham	41,166	4,476	10.9
North West Wales	52,980	5,605	10.6
Livingstone	19,255	1,928	9.8
West Central Scotland	1,064,340	101,765	9.6
North East	863,445	79,111	9.2
South Wales - Total for S.D.A. Areas	233,703	20,984	9.0
Dundee and Arbroath	106,681	9,312	8.7
Glenrothes	16,232	1,315	7.8
Leven and Methil	18,876	1,363	7.8
West Cumberland	59,342	4,494	7.5

* These relate to 1976 base figures as do all statistics on this topic.

Source Department of Employment Gazette, January 1980.

COMPARISON OF SOUTH WALES WITH SOME SIMILAR AREAS WITH S.D.A. STATUS

BY NUMBER OF REDUNDANCIES IN 3 YEARS 1977-79

REGION	WORKING POPULATION	REDUNDANCIES
South Wales	1.7 million	53,700
Strathclyde	2.5 million	47,800
Merseyside	1.5 million	42,700
Tyneside	1.5 million	35,900

Source: Department of Employment

Note: While figures for the different regions are collected on a slightly different basis, this is not sufficient to invalidate the point that South Wales has suffered more redundancies than the other 3 areas before the current crisis. Further the only steel losses these areas are likely to suffer are at Consett (Tyneside) - 4,500 jobs and Hallside (Strathclyde) - 1,100 jobs.

APPENDIX 2

DETAILED TECHNICAL EXPLANATION OF EMPLOYMENT EFFECT OF STEEL CRISIS

TABLE 1

STAGE 1 STEEL CRISIS		WEST GLAM. COUNTY	MID GLAM. COUNTY	GWENT COUNTY	SOUTH GLAM. COUNTY	SOUTH WALES
Non Related Private/Public Sector Redundancies in Pipeline	1	2,000	500	1,100	900	4,500
BSC Planned Steel Redundancies for August 1980	2	5,200	1,700	4,250	250	11,400
Coal Jobs at Severe Risk due to Reduction of BSC Output	3	1,500	3,900	1,800	100	7,300
Additional Ripple Effects including a known Coal Ripple Effect	4	3,000	1,600	1,900	1,000	*7,500
Impact of Stage 1 Redundancies	5	11,700	7,700	9,050	2,250	30,700
Registered Unemployed Current	6	13,400	17,100	15,600	13,600	59,700
Total Shortfall of Job Opportunities	7	25,100	24,800	24,650	15,850	90,400
Demographic Adjustment Extra People Seeking Jobs	8	+650	+1,950	+900	+950	+4,450
Estimated True Unemployment Total	9	25,750	26,750	25,550	16,800	94,850
Early Retirement and Hidden Unemployed	10	-2,100	-1,500	-1,800	-100	-5,500
Estimated Registered Unemployed Total	11	23,650	25,250	23,850	16,700	89,350
Stage 2 Coking Coal Imports Crisis (0.6 m. tons less South Wales Coal)	12	-	1,200	1,200	-	2,400
Ripple Effects on Coal Mining Communities	13	-	300	300	-	600
Early Retirement Effect	14	-	-300	-300	-	-600
Estimated Registered Unemployed (Total Extra by County)	15	23,650 (10,250)	26,450 (9,350)	24,950 (9,350)	16,700 (3,100)	91,750 (12.5%) (32,050)
True Unemployed Total	16	25,750 (28,450 TTWA)	28,250 (25,750 TTWA)	27,050	16,800	97,850 (13.4%)

This means in South Wales an Extra 32,050 Registered Unemployed
an Extra 38,150 True Unemployed

APPENDIX 2 (Cont.)

EXPLANATORY NOTES AND SOURCES RELATING TO TABLE 1

EXPLANATION/COMMENTARY	DATA SOURCE
1 All known planned redundancies not related to current steelmaking crisis, not yet carried out but in 'pipeline' for 1980 includes 900 Tinplate jobs announced as redundancies 8.2.80.	District/County Councils.
2 Announced loss of jobs at Port Talbot and Llanwern, by place of residence of workers. NB upto 4000 other redundancies may follow now at other plants as a result of a national productivity exercise.	BSC workforce data BSC announcement 17th January 1980.
3 Reduction in steel output to 2.8 m tonnes means 1.6 m tons less coal is needed. Jobs by place of residence (assumes no increase in coking coal imports) +Not including 1000 in Dyfed.	Data quoted by N.C.B. in press and in discussion with Standing Conference.
4 *Both coal and steel jobs, with Allowance for Cardiff's role as Regional Service Centre, form base for calculation Includes coal jobs ripple effect. Total multiplier therefore over 130%.	Various, including 1979 Welsh Council report using multipliers.
5 Total extra unemployment impact (adding lines 1,2,3 and 4) of Stage 1 steel crisis.	
6 Add to redundancies to get shortfall of job opportunities (unadjusted) total.	Dept. of Employment.
7 NB to produce new registered unemployment: Totals and rates, demographic adj. must be made, for retiring/early retirement school leavers/and other activity rate changes.	
8 Net increase in numbers of people who would be seeking work in normal economic circumstances during 1980.	Welsh Office statistics. Dept. of Employment activity rates. County Councils population data.
9 To find registered unemployment reduce this total by early retiring steel/mine workers, and hidden female unemployed not registering.	
10 Total 'hidden' unemployment, not registered. 25% miners, steelworkers retire early after redundancies.	
11 An extra 29,650 registered unemployed. An extra 35,150 true unemployed.	
12 On top of a 1.6 m tons cutback through reduced BSC steel output, BSC currently plan to import coking coal. This would mean upto an extra 0.6 m tons cut for South Wales pits, despite £22 m subsidy by N.C.B. to B.S.C. coal.	N.C.B. Data and press article P. Weekes 12/12/79. Also £22 m subsidy announced 11.2.80
13 25% multiplier affect on "Exogenous" coal jobs lost through importation of coking coal.	1979, Welsh Council Report.
14 25% earlier retirement demographic adjustment.	
15 An extra 32,050 registered unemployed. An extra 38,150 true unemployed	
16 TTWA = Travel to Work Area. Definition Differs from County Area.	

EXPLANATION OF WORKINGS ON EMPLOYMENT IMPACT FIGURES

THE METHOD

1. A step by step approach has been adopted in order to isolate the complex and inter-relating factors at work in this crisis for the South Wales economy. The crisis has 3 main elements:-

   i) The deteriorating National Economic Climate.

   ii) The Steel Crisis resulting from 11,400 Steel Redundancies at Port Talbot and Llanwern.

   iii) The Coking Coal Crisis resulting from a B.S.C. decision to import "cheaper" coking coal.

DETERIORATING NATIONAL ECONOMY

2. Through their contacts with Private Industry and Public Agencies in their areas County Councils and District Council have been able to ascertain redundancies yet to be carried out, but definitely 'in the pipeline'. These are redundancies not related to the B.S.C. scaling down decision, and not yet registered as unemployed.

3. As line 1 shows, these redundancies currently total 4,500. For the purposes of this exercise future redundancies in this category are assumed to be cancelled out by a similar number of new jobs during 1980 ie. deficit remains at 4,500. (Although a higher figure is probable there is no accurate method of estimating this).

B.S.C. REDUNDANCIES AND THE 'RIPPLE' EFFECTS

4. Line 2 shows place of residence of redundant steel workers by County area. This reduction from 4.3 million tonnes steel output to 2.75 million tonnes will reduce need for local coal by 1.6 million tons. This will place at least 7,300 coal jobs at severe risk. As these mining job losses are localised and identifiable, this exercise does not include them in an overall multiplier calculation, but attributes them to the County where the pit is located (see line 3).

5. Line 4 shows the use of a jobs 'multiplier' to calculate the extra jobs lost through the steel and coal redundancies. These jobs include rail and transport workers, tinplate workers, construction workers, maintenance and contract workers, engineering workers, service workers and retail workers. The coal effect is accounted for by a multiplier of x1.25 and a 1.50 factor is adopted for Steel.

THE COKING COAL CRISIS

6. Should the N.C.B. cutback on coal of 1.6 million tons, be added to by a further 0.6 million ton cutbacks due to B.S.C. importing coking coal, an additional 2,400 miners jobs will be lost.

7. These pits are located in Mid Glamorgan and Gwent. Stage 2 of the exercise traces the effect of this decision.

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8. A multiplier of x1.25 is used (25%) to calculate the localised effect on mining communities.

9. Premature retirement is allowed for as previously (25%). These latter two adjustments, therefore balance out the secondary adjustments.

THE MULTIPLIER

10. This is an economist's concept based upon the 'regional income multiplier'. A region is said to have 'Basic' industries, which 'export' goods and services to other regions and earn income for that region.

11. A region also has 'Non-basic' industries, which serve the 'Basic' industries (eg. retailing, education and other services).

12. When a 'Basic' industry expands, extra income is earned and job opportunities expand in that industry and the 'Non-basic' industries that serve it.

13. The reverse is also true, when a 'Basic' industry contracts, the service industries contract too.

14. The Multiplier is an attempt to quantify this relationship. This relationship differs from region to region, from industry to industry.

15. Studies of the Steel Industry have quantified this relationship as low as x1.25 (25% extra job loss) in the case of Bilston (West Midlands) and as high as x3,00 (200% extra job loss) in the case of a Welsh Council Study (The Welsh Social Accounts 1968: A Labour Dimension, Page 25) commissioned by the Welsh Office from the Institute of Economic Research, University College of N. Wales. This is a highly 'qualified' figure and the authors stress that extreme care should be exercised in making generalisations from one year's data.

THE MULTIPLIER 'AGREED' FOR THIS EXERCISE

16. A mid-point in the range of multipliers used elsewhere was thought appropriate following an initial technical discussion. Subsequently data was available in press and in discussions with N.C.B., as to mining jobs at severe risk because of existing financial problems and the impending 1.6 million tons of coal reduction in B.S.C.'s requirement. This data was thought far superior than any technical estimate, and therefore the multiplier used for other associated industries and services was at the level of 50% with a secondary effect of 25% for coal communities.

17. The overall effect of lost job opportunities (Stage 1 Line 5) could be represented as using a general multiplier of the order, 2.30 (130%). However further adjustments have to be made to this figure to derive an estimate for Registered Unemployment.

THE DEMOGRAPHIC ADJUSTMENT

18. Every year members of the workforce retire or die, with new members seeking work to take their place after leaving full time education, or having less family responsibilities. This demographic adjustment consists therefore of 2 factors:

    1. Numbers leaving the workforce

    2. Numbers entering the workforce

19. The first factor includes those taking early retirement. This is thought to be as high as 25% in the case of the steel workers and coal miners effected by the current crisis given their present age structure.

20. Numbers entering the workforce, ie. seeking work, often reflects the number of jobs perceived as available at any time. Therefore at times of shortage, married women in particular, who would normally be actively seeking work do not bother even to register as unemployed (as they are usually ineligible for benefit). This creates 'hidden unemployment' not shown in the Department of Employment statistics. Also early retirement, even if cushioned by a lump sum could be said to be 'hidden unemployment'.

21. A close examination of the age structures of the working population by the County Councils has shown (line 8) a total of <u>4,450 extra</u> people will be seeking work in 1980 compared to those seeking <u>work in 1979</u>.

22. The early retirement effect (line 10) will more than reduce this as it totals <u>5,500</u>. Nevertheless, the adjustment is important as it highlights the 'true' rather than 'registered' size of those who would normally wish to be in employment.

SUMMARY

23. Unemployment rates are not given, except for South Wales overall, this avoids misleading anomolous effects. The absolute figures for unemployed are the relevant figures. The <u>extra</u> numbers by County areas are West Glamorgan +10,250; Mid Glamorgan + 9,350; Gwent + 9,350; and South Glamorgan +3,100.

These are figures for registered unemployment. As table shows, 'true' numbers are considerably higher.

REMEDIAL ACTION ON ECONOMY: COSTS

TECHNICAL EXPLANATION

AS RESULT OF STEEL RUN DOWN (11,400 JOBS LOST)

i)	4 million sq. ft. of floor space required:	
	Assume 2 million sq. ft. advance factory floorspace @ £25 per sq. ft. 2 million sq. ft. self build (see (v) below)	£ 50 m
ii)	Site purchase and preparation of 800 acres of land @ £50,000 per acre	£ 40 m
iii)	Improved access to industrial areas - £15 million each in Gwent and West Glamorgan (based on estimates of access expenditure at East Moors)	£ 30 m
iv)	Retention of training places in South Wales:	
	500 places at £12,500 per annum (£250 per place per week)	£ 6 m
v)	R.D.G., S.F.A. and other aid:	
	6,000 jobs in advance factories @ £5,000 per job	£ 30 m
	6,000 jobs in self build factories @ £10,000 per job	£ 60 m
	TOTAL FOR STEEL CLOSURE	£216 m

AS RESULT OF COAL RUN DOWN (7,300 JOBS LOST)

i)	2½ million sq. ft. of floorspace required:	
	Assume 2 million sq. ft. advance factory floorspace @ £25 per sq. ft. ½ million sq. ft. self build (see (iv) below)	£ 50 m
ii)	Site purchase and preparation of 400 acres of land @ £50,000 per acre	£ 20 m
iii)	Improved access to industrial areas (increase over West Glamorgan/ Gwent accounted for by greater dispersal of need in coal closure areas)	£ 20 m
iv)	R.D.G., S.F.A. and other aid:	
	6,000 jobs in advance factories @ £5,000 per job	£ 30 m
	1,500 jobs in self build factories @ £10,000 per job	£ 15 m
	TOTAL FOR COAL RUN DOWN	£135 m

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'RIPPLE EFFECT'(MINIMUM OF 5,900 JOBS OF WHICH 2,000 IN MANUFACTURING)

i)	700,000 sq. ft. of floorspace required:	
	350,000 sq. ft. of advance factory floorspace @ £25 per sq. ft. 350,000 sq. ft. of self build (see (iii) below)	£ 8.75 m
ii)	Site purchase and preparation of 140 acres of land at £50,000 per acre	£ 7. m
iii)	R.D.G., S.F.A. and other aid	
	1,000 jobs in advance factories @ £5,000 per job	£ 5 m
	1,000 jobs in self build factories @ £10,000 per job	£10 m
	TOTAL FOR 'RIPPLE' EFFECT (2,000 Jobs)	£30.75 m

GRAND TOTAL £381.75 m