

## Working Cities.

### The problem

Full employment remains one of the most desired yet least realised goals of the contemporary era. It regularly tops the list in opinion polls of issues of popular concern. Political parties argue for economic policies in terms of their impact on employment. Yet unemployment rates in the West (not to speak of the East and the South) remain resolutely high by historical standards even in periods of economic boom. In the EC there are now 30 million people unemployed. In the UK the figure is 2.1 million, but comparisons on the basis of 1991 census data suggest that it should nearer 3 million, or 11% of the labour force, the current average figure for Europe. The ILO estimates on the basis of national statistics that unemployment world wide is now 30% and showing no signs of diminishing.

Yet as with many other aspects of the national economy in an era of globalisation, national unemployment statistics provide only a limited picture of the problem. At the sub-national level, certain places and groups experience unemployment rates at a level which erodes social as well as economic life. Hackney in East London had 25% male unemployment according to the 1991 census. For black youth under 25 the figure was 73%. More generally, youth and the over 50's have tended to take the brunt of unemployment, and for long periods.

Secondly, a global production economy has brought with it pressures to globalise the labour market. Many African countries have an estimated 70-90% of their working population unemployed or in the informal economy. In Latin American countries such as Peru or Venezuela, two thirds of working people have less than 70 days work a year. In such conditions it is unsurprising that growing numbers of people from the South and the East seek to move to the North, however severe the border controls which they face in getting there.

So the British 11% presents only a limited glimpse of the problems posed by unemployment. It takes no account of those who have fallen out of the labour force, or who are outside statistics, or those who move in and out of casual work. Some 21% of people of working age in Britain are now economically inactive, including nearly half of all men between the ages of 55 and 65. Together with the formally unemployed these are the bottom 30% of the 30:30:40 society.

### The policy response.

The response of governments and policy makers have fallen into four broad categories:

a) acceptance that there is no overall solution. This range's from the view from the right that there are 'natural' levels of unemployment that have been rising, to the left view that capitalism will always produce a surplus population, which is necessary both for the discipline of those in work, and to provide a reserve for periods of high economic activity. In the developing world the 'acceptance' version also takes the form of the championing of the informal economy, as a submerged shadow of the mainstream market economy.

b) macro economic policy. On the one hand there is a neo liberal and Marxist view that the key determinant of employment is the rate of growth, and that employment is therefore a dependent rather than independent variable, and should be approached through broader growth strategy. On the other, there is an argument that there are direct macro policies which will bear on the level of employment; lowering wages in the neo-liberal case; combining public spending with anti recessionary macro policy in the Keynesian case; introducing forms of protection which insulate firms from the job reducing forces of the market; or, in a green version, shifting taxes from labour to natural resources.

c) restructuring and improving the working of labour markets. The argument here is that the institutions of the labour market need to be brought into line with post Fordist economic reality. One version emphasises de-regulation, another proposes positive measures for new types of skills, new arrangements for redistributing working time, new protection for part timers or work 'interrupters', or the guarantee of a minimum income.

d) micro job creation. The past 15 years has seen an explosion of job creation schemes, undertaken by central government agencies, by local government or by third sector organisations. Some like the Community Programme of the 1980s, focus on encouraging an economy which is outside the mainstream market. Others subsidise entry into the market, either by enterprise establishment or by providing wage top ups.

What runs through these alternatives is a tension between the market economy and its requirements, and the necessities of the social economy. There is also an opposition between those who think that the two necessities can be reconciled at the economic level and those who think they can only be made compatible through compensatory social policy.

The above is common ground in the numerous reports that have tackled these issues over the past twenty years. The debate has been primarily about policy. It has had much less to say about the institutions of policy, or the alternative paths of growth within an economy. This project aims to explore these latter aspects of employment policy.

## The productive system.

The starting point of this project is neither the macro economy of the nation nor the micro economy of the firm but the cross cutting economy of the productive system. At one level the productive system can be thought of as an industrial sector, like the motor industry, what the French call a 'filier'. But there is a second, currently important level, which is defining a productive system in terms of its goals - the production of warmth, of food, health, accessibility, or learning, and the many intermediate and final goods and services that contribute towards them.

The point of defining the system in this way is that it highlights the potential for the basic requirements in an economy to be met through alternative types of productive system. The need for warmth for example can be met by producing energy in power stations, or by energy saving in the home. Health standards can be raised by lifestyle changes or by an extension of curative facilities. Learning can be enhanced through an expansion of schools and colleges, or by quite different paths of life experience.

Much of the thinking on industrial modernisation has focussed on doing old things more efficiently. It has emphasised micro efficiency. But there is also an issue of system efficiency, and there are indications that some of the greatest opportunities in the current era may come from radical changes in systems, not least because of the environmental and social limits faced by existing systems.

The values and concerns of a post industrial era have shifted the focus from the standard of living to the quality of life. Issues such as clean air, health, safety, and a sense of community are regularly amongst the highest ranking items in consumer surveys. The Japanese recognised this when MITI made the quality of life its overriding principle for economic planning during the 1990s. But how are these 'goods' to be produced, when current productive systems may reduce rather than increase their 'output'. It is not just a matter of building more golf courses. But of finding new 'ways of doing'.

The present project addresses the problem of employment in these terms for three reasons:

a) historically, employment has increased with the diffusion of innovative systems - long wave theorists talk of the eras of textiles, railways, steel and mass production. Currently micro electronics is the dominant technology whose diffusion is held to promise a long term upturn in economic activity. But there are equally signs that quality of life issues are set to be a driving force of economic change and activity over the next 25 years and that our systems are ill structured to address them.

b) many of the new productive systems are labour intensive, and offer immediate job creating opportunities, while remaining competitive in terms of systems efficiency.

c) one of the 'goods' which is highly valued but which is not being adequately produced with current productive systems is employment. Over one fifth of all families in the UK have no family members in paid work. 10% of GDP is now spent in funding those who are not employed. This is a deduction from the productive sphere of the economy. The institutional mechanisms that were developed during the 20th century to deal with unemployment are now manifestly inadequate. Both industry and labour have a common interest in developing a new system from which both can gain.

### **Smart systems: the need for institutional change**

Neither the public nor the private economy are structured to deal with these alternative systems, for institutions tend to use their power to reproduce the existing productive system and the institutions within it. The new systems demand horizontal connections to be made between Ministries (on energy for instance, or health) and between different parts of large firms, as well as different approaches to the desired impact of the system as a whole.

Many of the most significant innovations in employment policy have come in the soft fields of organisations, and particularly in partnerships between different elements in any one productive system.

The above implies that large employers and the institutions of public policy need not only to produce flexible as against universal policies, and construct flexible rather than mass systems of production, but that they need to be open as against closed systems. As organisations they need to focus as much on the quality of the relationships between organisations as within them.

This projects starts from the proposition that there is a missing link between the macro and micro levels. There needs to be a way in which macro level policies are differentiated to fit the many different circumstances of people and enterprises in the micro economy, and a way of locating micro level initiatives within a broader supportive macro context.

#### **(i) From the universal to the particular**

What has happened in the past is that macro policies are laid down in sets of standard rules which apply to the country as a whole - for example on the terms of employment grant programmes, or on social security payments. This has been termed the regulative approach to government.

But there is commonly a tension between these general programmes and the particular requirements of projects in local areas. Some programmes - for example in the European Community - have moved towards a more developmental approach, allowing localities to present locally tailored projects as bids on a central pool, and there are similar examples in business support services and inner city regeneration in the UK. This is one way of creating bespoke rather than standard projects, and of relating the macro to the micro.

## (ii) reticulation

There is a parallel here with developments in the business field. Technologies like smart cards and data based marketing allow firm access to the personal and economic profiles of individuals, so that marketing can move beyond the mass market to individual ones. We can speak of laser marketing, which takes the idea of niche marketing to its limits.

There is a similar problem in the geographical organisation of large firms. Those firms who sell directly to final consumers need a physical means of connecting consumers in any one area to the general goods or services on offer. The world of physical infrastructure refers to this as 'reticulation', a term which describes the way in which a central artery (in sewers or roads for example) branches out into local capillaries.

Some enterprises follow a standard approach to the problem. They establish branches which are subject to standard design, regulation, and service provision. This would be the case of the high street banks in Britain and North America, as of many of the large retail chains. But some firms have sought to blend universal elements (of the theme of shop design for example, or interest rates in the case of a bank) with scope for local branch initiative. Some supermarkets, for example, allow store managers some leeway in their own ordering, and of carrying local produce. Or to take an example from the intermediate goods sector, Nissan build their factories in co-operation with local contractors, using the designs and material appropriate to location, and have thus achieved markedly lower costs per square foot than those car companies who build according to standardised plans.

We can refer to flexible as against standardised reticulation. What flexible reticulation involves is not different products in every place, but a capacity to customise standard products or procedures to particular requirements. In economic terms the issue is how to blend the economies of the large scale ( of design, information, procedure, integration) with those of the small (flexibility, creativity, bespoke production).

With respect to employment policy, this means moving beyond the opposition between macro policy and micro initiatives, and finding a way to 'reticulate' these levels so that the macro become more effective and the micro achieves more impact. In policy it means constituting the macro

from the varied requirements of the individual initiatives, so that the macro policy supports them and at the same time is realised through them.

Looked at geographically, any area comprises enterprises, as well as public and third sector employers, some of whom are local but many of whom are national or international. A smart employment policy asks how these supra local employers can contribute to employment in the locality just as much as those actual or existing employers who are predominantly local in their range. It asks how large employers can 'reticulate' themselves to take account of local requirements, just as some of them try to do in relation in the fields of supply and demand of consumer goods. Put another way, many commercial organisations have moved beyond mass production to make customised or niche products. They have not done so in relation to location and employment policy where this has conflicted with private cost minimisation.

The policy issue becomes one of how large employers can be encouraged to reticulate their overall employment strategy with localities. At the moment large employers tend to have policies on employment which abstract from the particularities of place. They look at the need to cut overall labour costs in much the same way as a government might look at ways of cutting the level of taxes. The local impact of these cuts is not a factor in the national level decision making process.

### (iii) externalities

One of the problems in the development of any locality is that of externalities. A firm may adopt a plant location policy on the basis of market prices. But it may be the case that these prices would change if a number of employers changed their policies in conjunction with each other. This is the basis for the TECs as contributors to the supply of the appropriate skills in the labour market. It is also the case in a new industry such as that which uses recycled materials, such as waste paper. The problem has been that an increased supply from household recycling was not regarded as reliable enough to justify major industrial investment in the necessary technology, while the unresponsiveness of demand for the recycled materials made the process of recycling uneconomic. Some of the best examples of recycling have come from regions where waste collectors and second materials users have worked together to expand this sector.

In development terms this type of initiative is known as balanced growth - the simultaneous expansion of different parts of the system in co-ordination with each other. In other instances 'unbalanced growth' has been the model. By this is meant a major investment which changes the market conditions in any one area, whether it be a dam, an anchor retail store, or a car assembly plant. Economic policy has long favoured these kind of projects, providing inducements for the establishment of such a facility. More recently it has been recognised that it is not simply a large

plant that could provide a stimulus but the provision of soft services which allows small and medium enterprises to expand markets or lower costs as the result of a co-operation with their 'environment'.

#### **(iv) reconnecting the local.**

Part of the problem of local economies is that they comprise a range of employers whose production processes remain vertically organised within the organisation rather than horizontally organised between organisations. This is another version of the problem of externalities, and is particularly important when some parts of the economy need local co-ordination or synchronised production. This would be the case for transport systems, the development of retail clusters and city centres, or even more intangible items such as the quality of life or the industrial atmosphere. Traditionally local government has been required to meet these needs. But has often limited scope in relation to different elements of the system. What is needed is to identify all the elements of the system and ensure that those in control of them are working together.

Take transport as an example. Local authorities had direct influence on buses, car parking, traffic management, some roads, taxi licensing and in some cases the local airport. But they had little if any influence on railways, and have now, since privatisation, lost it over bus transport. They have also tended to focus on the supply rather than the demand for transport. Recent policy has shifted in some areas. In Holland for example there are new initiatives on demand, with municipalities requiring all large employers to develop a commuter strategy, while others encourage telecommuting. Planning is now structured around transport minimisation, while an emphasis has been given to effective interchanges between modes, with passengers being able to book taxis with their train tickets in more than 60 stations.

What the transport example illustrates is that improvements in effectiveness of the productive system as a whole requires new types of institutions and institutional relations. A policy of this kind may reduce rather than increase employment, but in as much as it contributes to the efficiency of a place, it will create the conditions for increased growth and employment in the remaining economy which it serves.

#### **(vi) the budgetary economy of employment**

A clear case of the silos of government lacking co-ordination is in the sourcing of finance, and the manner of its expenditure on employment and unemployment. Currently taxes on labour form a substantial part of the government's tax revenues. Labour pays tax through PAYE. Employers pay through their national insurance contributions. Both these constitute a tax on employment. At the same time the need for these taxes increases because of the money that has to be paid out for social security and unemployment pay. Whereas in the twenty years before 1929, local

authorities were still responsible for what is now social security, yet could save what it had to pay out by using their cash to generate employment (this was the strategy of the celebrated Poplar Council in the 1920's). Nowadays this is not possible. Social security and unemployment pay are separated in one Ministry, job creation and industrial policy in another. Both are cut off from local authority powers and capacities in the job creation field.

Just as there is need to co-ordinate production systems, so there is a need to reconnect financial and budgetary systems. Firms agreeing to participate in job creation programme could have cuts made in their employer's contributions. Training grants could be channeled to them rather than used to keep unemployed people off the streets. The funds that would have flowed to the unemployed could be channeled to a job creation scheme as an element of partnership funding which would guarantee a job for those who had volunteered to join. Housing and energy policy, transport, and health could all be geared to providing the financial support needed for those seeking work under the scheme: cheap off peak fares, energy saving support, health extension support. The Treasury could even find a way of recycling the taxes they would be due to receive from the newly employed workers. This would be the balanced budget multiplier operating in a 1990's mode. The budget would balance not because a deficit would encourage economic activity that would raise employment and therefore the tax yield. But because it funded employment schemes which expanded the tax take directly rather than through an expenditure multiplier.

### **The pilot**

The proposal is to develop a pilots in a number of areas aimed at providing work opportunities for those on the unemployment register. The approach would have two elements:

#### **(i) Productive Systems.**

The project would look at a number of the productive systems which are found in any locality. These are:

1. Food, running from agriculture through processing to distribution, retailing and catering, domestic food practices and consumption. There has been growing interest in strengthening local food economies, through reconnecting local farmers and processors with chef, retailers and consumers through smart distribution and consumer information systems. Ontario in Canada has promoted a successful programme of this kind, and there are many examples of integrated food regions on the European continent.



**2. Energy.** This would include the main existing sources of energy production and transmission, new energy sources, and energy consumption both domestically and in the ICI sector. It would give particular attention to the scope for more effective use of energy and the employment opportunities created out of this, extending the existing energy action programmes as administered by Neighbourhood Energy Action in Newcastle and Heatwise in Glasgow.

**3. Water and sewerage.** A number of areas of Britain have been seriously effected by low water stocks. There are already investment programmes for reducing transmission losses, and these could be extended to more efficient use of water in the domestic and industrial sectors. Gloucester County Council have developed a number of innovative proposals for water efficiency of this kind. Similarly on sewerage, there is now a body of experience on new forms of sewage treatment which involve lower capital investment, higher rates of productive reclamation of sewage, and lower rates of effluence and pollution.

**4. Waste.** The Government have recently introduced a tax on landfill, in an attempt to reduce reliance on landfill for the treatment of waste. All urban and rural waste authorities have been required to produce waste plans, which indicate shifts to incineration, and reduction/re-use/recycling. Experience in North America and Continental Europe have pointed to the major employment creating potential of the 3 Rs option, both in terms of collection and sorting, and in the generation of new industrial processes using second recovered materials, notably in the fields of paper, plastic, rubber and glass.

**5. Transport.** There are many initiatives now underway to tackle the limitations now being faced with passenger and freight motor transport. These limitations have become particularly severe with traffic in towns and on many of the national networks of motorways. Part of the response has been to develop the alternative modes of transport, from rail, light rail, and trams, to bicycles and walking. But part has also focussed on transport as a system of production flows, where the critical investments need to be made in journey planning and the efficient operation of inter modal interchanges. The European Commission are currently promoting transport nodes as sites for employment expansion.

## **6. Telecommunications**

This is the lead technology for many areas of industrial transformation, from corporate data management, to teleworking, or the delivery of cultural products and other information.

## **7. The Post Office.**

Postal services are undergoing rapid restructuring in both letters and freight. From the viewpoint of localities, one issue is the siting of post offices and the services they provide. Another is the services provided through the postal services and their future in the face of changes in telecommunications and digital technologies. Postal systems still remain unique in that they provide a house by house delivery service. They have been increasingly used for advertising, and for mail order business.

**8. Housing and construction.** New construction methods and materials are already transforming the building industry, none more so than the introduction of many of the principles of auto assembly into housing design and construction. There has also been a move towards utility efficient and recyclable buildings ( notably the initiatives of Sherwood Council in Nottinghamshire or the recent Siemens plant in North Tyneside which is designed for a 10 year life, with 80% of its materials recyclable.) There are also interesting possibilities for self build projects, using the skills of the unemployed.

**9. Shopping and city centres.** There have recently been a range of responses by cities to the collapse of core areas by the growth of out of town and edge of town shopping centres. This has involved promoting smaller, more labour intensive shops, complementing larger anchor stores and facilities, served by effective transport, and the common management of the public areas. There have also been attempt to innovative distribution projects designed to link consumers and local producers, through teleshopping, home and work place delivery, town cards, community sections in shopping complexes, and joint retailing chains by small and medium suppliers.

**10. Environment.** This includes all those activities concerned with monitoring and controlling pollution, and encouraging ecological balance (through greening the cities, tree planting, converting concrete to grass, extending public parks)

**11. Cultural industries.** Cultural industries - defined broadly to include broadcasting, video, the performing and visual arts, as well as multi- media, fashion, advertising and even food - have been one of the cluster of sectors to show sustained growth in employment over the past 10 years. The growth of digital and satellite distribution systems offers many new opportunities for equipment manufacture and extended programming. At the same time traditional cultural institutions - theatres, cinemas, museums, libraries - have been reinventing their role in terms of the new technologies, with substantial employment potential.

**12. Sport, recreation, and leisure.** Sport has become a growth industry, at one end being transformed by the globalisation of television, at the other by the rising demand for sports and recreation facilities by people of all ages. Professional sport becomes the focus for a large number of feeder industries, while recreational sport provides a substantial market for equipment, facilities and advisory skills.

**13. Tourism.** Tourism is one form taken by the growth of recreational demand. It comprises catering, hotels and guest houses, and increasingly a range of specialist facilities and services for educational, ecological and activity tourism.

**14. Education.** Education has been thought of in terms of its traditional institutions - school, colleges, universities, and funded as such. But with the growth of the learning society, it should be seen more widely, in terms of an economy of training, of supply networks (from books, to audio visuals), and learning centres (such as libraries, museums, laboratories, work placements). The employment potential of education should similarly be seen as extending well beyond direct employment in the traditional institution - whether in the public or private sector - both in terms of the supply of the means of learning, but also of the employment creating potential of the skills found and expanded in the educational institutions themselves. Thus the links between a university or a college and the local economy for example could be greatly extended for economic development and employment purposes.

**15. Health.** Health spending and employment has gone insistently upwards, both in the public and private spheres. What has been one of the fastest areas of growth is in preventative medicine, which has overlaps with recreation, food, and education.

**16. Domestic production.** The area of domestic production is becoming one where there is a strong growth in paid work, whether in the form of home helps, or through the provision of formerly domestic services outside the home - in child care for example, or old people's homes. There is also growth in home delivery of shopping, by the shops themselves, voluntary groups or new home delivery companies, and in a range of advisory services as householders have the opportunity of becoming more active in productive systems (from waste management, to energy saving, health, food production, education and caring). This is the trend to what has been called 'pro-sumption' or productive consumption.

Partnership working groups would be set up for each, which would investigate the innovative systems that which have been established

elsewhere, and the potential for their extension in the pilot area and net job expansion as a result. Each group would be given resources to hire outside specialists to work with them in developing their programme. The approach would be that of an action programme, with job opportunities being created in the process of the investigation, as well as a result of it.

In the past 10 years there has been a marked growth in local sectoral research and support. Local authority economic think tanks, such as the Centre for Local Economic Strategies in Manchester, and the South East Economic Development Strategy Association of local councils (SEEDS) in Harlow, have both undertaken wide range of 'productive system' action research. Neither have had the resources to take this further in the manner proposed in the working city project.

**(ii) Labour markets and the redistribution of working time.**

The structure of the welfare state was originally conceived as providing support for those temporarily unemployed. It was accordingly based on an insurance principle, with money being contributed in good times to cover support payments in bad times. This was the case with unemployment insurance and pensions. With the rise of long term unemployment, of people who have no access to income households, and with a growing pensionable population, the demands for welfare payments has put a growing pressure on all public finance and been a major factor in tax payer resistance.

There is scope for a shift from a redistributive system based on taxes and financial benefits, to one based on the redistribution of working time. This would involve covering the extra costs of employers incurred through the increase in recruitment, training, work re-organisation and pay roll costs. It would also require measures to minimise the cost of lost wages to those agreeing to reduce their working time. This could be done by lowering direct taxes for those agreeing to accept work time reductions, providing vouchers to use utilities and transport in off peak periods when marginal costs are low, and incentives to invest in cost saving measures such in fields such as energy saving, food production, and vehicle and housing repair.

The pilot project would seek to involve a number of major employers and trade unions in establishing such a scheme, as well as public facilities and services which would contribute the vouchers.

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