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# Understanding deindustrialisation in Merseyside, 1971–1991

## Lessons for policy

James Evans

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# Understanding deindustrialisation in Merseyside, 1971-1991: lessons for policy

## Key takeaways

1. Deindustrialisation in 20<sup>th</sup> century Britain was a collection of processes rather than a single shock.
2. Some places were more successful in weathering structural change than others. Those which were less successful suffered from more economic problems and have more deprivation today.
3. Grouping deindustrialisation experiences into types offers a framework to examine these differing trajectories. Statistical techniques show the relative importance of industry composition and local effects behind the different types.
4. The two main types of deindustrialisation can be observed in the economic history of Merseyside and neighbouring areas. Whereas Liverpool, St. Helens, and Wirral struggled, Halton, and Warrington – the latter located just outside Liverpool City Region – present a more optimistic case.
5. The research underscores the importance of maintaining employment levels and the challenges in reorientating local and regional economies towards new industries and sectors.

## 1. Introduction

In the decades following the end of the Second World War, Britain deindustrialised rapidly. This process is best understood as a series of changes to employment structures rather than as a single 'shock' (Tomlinson et al., 2019). Between 1945 and 1971, the industrial economy was reorganised spatially as the mix of sectors changed and successive governments sought to both help struggling regions and disperse economic activity in large cities (Scott, 2004; Couch, 2021).

While large cities faltered, a boom in manufacturing employment in outlying towns ensured that the number of industrial jobs in the national economy continued to grow until the mid-1960s. This process of reorganisation ended in the late-1970s with the onset of generalised industrial job losses. Between 1971 and 1991, industrial employment fell by more than 40 per cent.

The impact of deindustrialisation continues to be felt economically, socially, and culturally (Gibbs, 2021).

Deindustrialisation has also played an important role in shaping regional and sub-regional inequalities (Martin, et al., 2021). There is convincing evidence that historical decreases in male employment induced by deindustrialisation have had a persistent impact on deprivation (Rice & Venables, 2021). Unemployment disguised by inactivity has also been shown to be a major problem – especially in places previously dependent on traditional 'staple' industries such as coal (Beatty & Fothergill, 1996).

However, deindustrialisation was experienced differently in different parts of Britain. While industrial employment declined across the country between 1971 and 1991, in some places this decline was either merely relative or compensated for by employment growth in non-industrial sectors. For example, in Milton Keynes the share of all employees in industrial

jobs declined by 27 per cent, while in the 'Wigan and St Helens' labour market area this figure was 25 per cent.<sup>1</sup> Despite this, Milton Keynes remains a dynamic local economy while parts of Wigan and St Helens continue to experience weak labour productivity and higher than average rates of unemployment.

Developing a better understanding of why deindustrialisation affected places across Britain in different ways can help us to understand some of the challenges faced by post-industrial communities today, and how policy choices can shape the geography of economic change.

## 2. A typology of deindustrialisation

To understand how deindustrialisation varied between places, this policy briefing develops a spatial typology which identifies three distinct experiences of the phenomenon between 1971 and 1991:

- Type 1, 'thriving' areas: where there was no reduction in industrial employment and strong growth in services.
- Type 2, 'surviving' areas: where reductions in industrial employment were compensated for by growth in services.
- Type 3, 'declining' areas: where there were reductions in industrial employment, but too little compensatory growth in services.

The typology distinguishes between labour market areas which were able to absorb industrial job losses and those which were not. In the case of thriving areas such as Milton Keynes, deindustrialisation was merely a side-

effect of employment in other sectors growing faster than industry. Of the 129 industrial labour market areas in England and Wales, 15 thrived, 60 survived, and 54 declined between 1971 and 1991. The consequences of these differing paths were severe. Type 3 (declining) areas saw weaker pay growth, higher rates of unemployment, inactivity, and sickness, and today suffer from substantially more deprivation than other formerly industrial places.

The potential for worsening job quality, and the vulnerability of 'branch plants' directed to struggling local economies to bolster employment, means that keeping people in work does not always guarantee long-term prosperity (Goos & Manning, 2007; Fothergill & Guy, 1990).

Nevertheless, the typology shows that job extinction is a worse outcome in the medium term. The challenges faced by Britain's towns and cities today, such as the rise of artificial intelligence and the structural consequences of Brexit, are of a smaller magnitude than deindustrialisation. However, relief valves in the form of jobs in growing sectors are important.

Having faced a difficult period in the 1970s and 1980s, Liverpool and its neighbours present an interesting case study (Parkinson, 1985). Between 1971 and 1991, the five labour market areas in Greater Merseyside (Liverpool, Warrington, Widnes and Runcorn, Wigan and St. Helens, and Wirral and Chester) together lost almost 230,000 industrial jobs. Yet, divided between Type 2 and Type 3 deindustrialisations, the region was a microcosm of the diverse outcomes observed nationally.

<sup>1</sup> Labour market areas are 1981 travel-to-work areas (TTWAs). The raw data used in this report come primarily from the Census of Employment, via NOMIS. Unavailable under a single classification system, the data were harmonised by the author for his forthcoming doctoral thesis. At 129 sectors, the level of aggregation surpasses that available elsewhere. The analysis is confined to England and Wales for data availability reasons, although the conclusions are generalisable. The harmonised tables, and additional analyses concerning living standards and differences in employment by sex, will be made available by the thesis. The TTWAs are regularly reviewed and the 1981 TTWAs are not the same as those used today.

Labour market area	Share industrial (%), 1971	Share industrial (%), 1991	Change in share (pp), 1971-1991	Raw change (%), 1971-1991	Leading industry, 1971
Liverpool	36	19	-17	-64	Vehicles
Warrington	46	25	-20	-31	Wire
Widnes and Runcorn	51	35	-17	-26	Chemicals
Wigan and St. Helens	56	31	-25	-53	Glass
Wirral and Chester	43	24	-20	-51	Vehicles

Table 1: Industrial employment across labour market areas in Greater Merseyside, 1971-1991

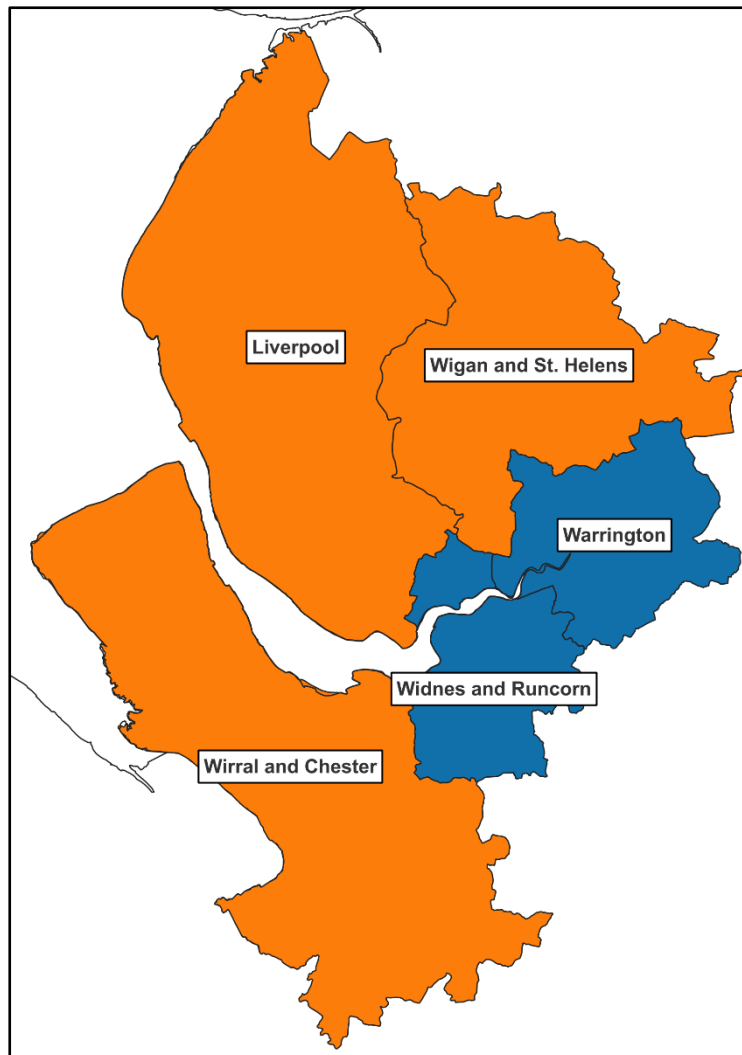


Figure 1: Labour market areas in Greater Merseyside by deindustrialisation type

### 3. Deindustrialisation in Greater Merseyside

Vehicles, glass, and general chemicals were the biggest local industrial employers in 1971. Other sources of industrial employment included shipbuilding and repairing (primarily on the Wirral), foodstuffs (especially biscuit manufacturing, based in Liverpool), paper and packaging, and coal mining (in Wigan and St. Helens). Although Liverpool itself was not among the most heavily industrialised labour markets in England and Wales in 1971 (at 36 per cent, industry's share fell just short of the national average of 37 per cent), areas in its periphery were. For example, with 56 per cent of its workforce engaged in industrial activities, the Wigan and St. Helens labour market area was in the top 15 per cent most industrial in the country.

Liverpool shed almost two-thirds of its industrial workers over the period, and even in Widnes and Runcorn the number of industrial workers fell by more than a quarter. Across the region, contractions were largest in coal and shipbuilding (around 80 per cent) and glass (73 per cent). Employment in vehicle manufacturing halved, and the leading foodstuffs activities posted losses of around 40 per cent. Losing just 5,700 jobs, Greater Merseyside's chemical industries proved somewhat more resilient. Employment in chemicals was only 23 per cent lower in 1991 than it had been twenty years before. At around 10,000 workers, employment in chemicals today hovers at around 40 per cent of its 1971 level. The industry is still a major employer, especially in Widnes, Runcorn, and Ellesmere Port.

Two types of deindustrialisation occurred across the region. Whereas Warrington and Widnes and Runcorn were Type 2

survivors, Liverpool, Wigan and St. Helens, and Wirral and Chester underwent Type 3 deindustrialisation. Decline was strongest in Liverpool itself – the city's workforce was more than 30 per cent smaller at the start of the 1990s than it had been in the early-1970s.

### 4. Why some places declined while others survived

To understand the diverging fortunes of declining and surviving places, this briefing uses a 'dynamic shift-share' approach to divide changes in employment into 'national', 'industry mix', and 'local/residual' effects. These different effects capture the extent to which changes can be attributed to national economic trends, the sectoral make-up of the local labour market, and other factors respectively. Economic geographers argue that the local/residual component reflects local competitiveness caused by differences in infrastructure, connectivity, and skills between places. A more conservative interpretation is that the component captures changes which cannot be explained by economic structure. Recent research on 85 British cities has shown significant variation in the impact of these components on economic growth since 1971 (Tyler, et al., 2017).

Nationally, the industry mix effect was negative in both surviving and declining places. Surviving deindustrialisation generally depended on positive local/residual effects rooted in smaller declines in industrial employment and strong growth in low-end transport and distributive services. By contrast, declining Type 3 areas were largely prisoners of their employment structures.

As can be seen in Figure 2, the Warrington and Widnes and Runcorn labour market areas are classic examples

Sector	Change, 1971-1991	National effect	Industry mix effect	Local/residual effect
Industrial	-118,320	-1,077	-63,729	-53,514
Construction	-12,025	-77	-3,447	-8,501
Transport & distributive	-55,220	-285	4,030	-58,965
Finance, insurance, and real estate	6,850	220	13,955	-7,325
Professional & technical	425	5	9,430	-9,010
Public sector	550	-367	17,973	-17,056
Other services	15,750	580	24,811	-9,641
Total	-161,990	-1,001	3,022	-164,011

Table 2: Factors contributing to employment change in Liverpool (national effects excluded), 1971-1991

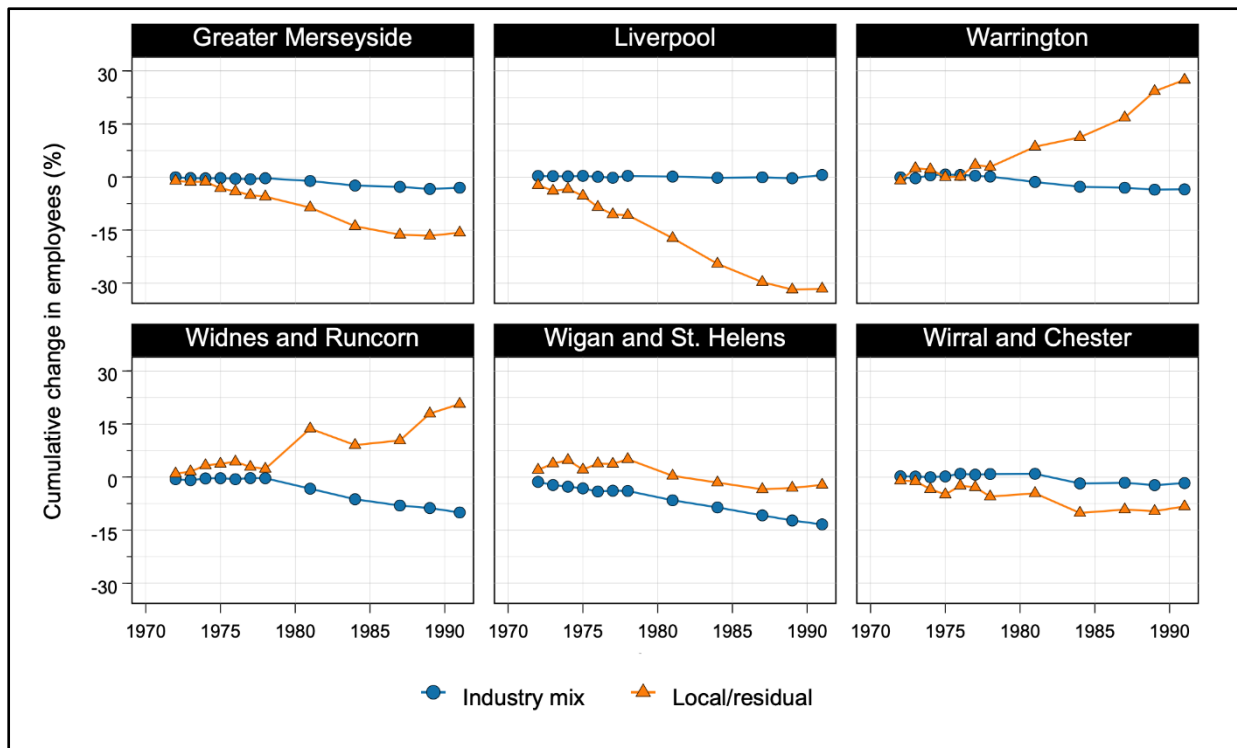


Figure 2: Shift-share analysis of employment changes in Greater Merseyside, 1971-1991

of Type 2 deindustrialisation. Despite their composition, employment growth was achieved through large, positive local/residual effects. Like many surviving industrial places, Warrington saw strong growth in transport and distributive services (especially wholesale and retail trades) and smaller losses in industrial employment than that predicted by the town's mix of industries. Success in relation to industrial employment can be attributed mainly to strong employment growth in chemicals and utilities. Widnes and Runcorn's strength also depended on industry and transport and distributive services (especially wholesaling) but the public sector played a larger role than in Warrington.

The performance of Wigan and St. Helens was similar to that of other Type 3 areas, although the collapse of the local glass producer reduced employment further. The decline of Liverpool and Wirral and Chester, by contrast, went beyond what their industry mix would suggest. In Wirral and Chester, there were additional losses in construction, aerospace, shipbuilding, and vehicles. The disappearance of all the area's 4,500 jobs in aerospace was notable in both its extent and timing. Nationally, employment in aerospace manufacturing declined by around a third, with most of the losses during the 1980s. In Wirral and Chester, the industry shrank rapidly between 1977 and 1978.

While Wirral and Chester was a struggling labour market area which lacked adequate shock absorbers, Liverpool was a deindustrialising city in which the service sector performed as badly as industry. Rather than offsetting industrial decline, the industries which acted as a relief valve elsewhere instead compounded the city's problems.

As Table 2 shows, three quarters of the jobs lost in Liverpool between 1971-1991 were industrial. However, more than half of these were attributable to industry mix effects. Negative local/residual effects across all major sectors were the real source of the city's plight. Here, the largest contributors were in transport and distributive services. Along with dockside employment, which declined by 90 per cent, heavy losses were recorded in wholesale and retail trades. In the industrial sector, residual declines were largest in electronic equipment and foodstuffs.

## **5. Conclusion and policy implications**

A great deal of harm was done to employment in Greater Merseyside between 1971 and 1991.

Deindustrialisation, to which the region was exposed thanks to its mix of industries, was mostly responsible. However, the impact of the loss of industry was not uniform. Two of the region's five labour market areas ended the period with more jobs than they had at the beginning. In the other three, parts of the industrial sector performed worse than the same industries nationally, making the challenge of maintaining overall employment harder.

Employment growth returned to Greater Merseyside in the 1990s, although long-run decadal data show that the region still had fewer jobs in 2010 than it did in 1970 (Eser et al., 2023). This process of recovery and reinvention has been led by services and the public sector. Various regeneration schemes, coupled with a decision to develop Liverpool's recreational offering, have also played a role. Employment in cultural activities,

broadly defined, nearly doubled between 1970 and 2010.

A place's ability to weather any kind of structural change depends on a whole host of factors. Some, such as subsidies, managed redundancy packages, and retraining, are in the gift of the state and its partners in business and the trade union movement. Others, such as regeneration and the construction of a new productive base are much harder. Over the long run, attracting complex, 'tradable', activities which generate local employment multipliers is critically important (Rodrigues & Breach, 2021; Moretti, 2010). Here, infrastructure development, alterations to the built form, and skills policy all play a role.

It is, however, necessary to acknowledge that each of these things are made easier by labour market resilience. Orderly transitions reduce the costs of welfare support and retraining, and private sector investment is easier to attract. But this is only possible if there are realistic alternative sources of employment for those trapped in declining industries. The great tragedy of the Greater Merseyside case is that in the 1970s and 1980s this relief valve was largely inoperative. In some parts of the region, most notably Liverpool itself, industries whose growth tended to offset industrial job losses instead compounded the problems the area faced. Although difficult to implement, a slower, orderly, managed reduction in employment could have softened deindustrialisation's impact.

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### **About the author**

James Evans is a DPhil student in Economic and Social History at the University of Oxford. His doctoral research, from which this briefing draws, concerns deindustrialisation in England and Wales in the decades following the First World War.

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Heseltine Institute for Public Policy, Practice and  
Place University of Liverpool  
1-7 Abercromby Square  
Liverpool  
L69 7WY  
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