

Unemployment and Flexibility

THE gathering storm now shows signs of breaking loose. In a brief period of two weeks, following the announcement of reduction of about 10,000 workers in two British motor manufacturing firms, a large number of workers have been sacked in a whole series of Industries which are connected in one way or another with automobile production. In a number of cases, short-time working has become the rule—mainly with a view to avoiding the stresses (and publicity) which outright unemployment would create. The Society of Motor Manufacturers now admits that 11 per cent of the industry's labour force is on short-time.

This is a particularly serious situation for an industry which by common agreement has come to be regarded as a vital indicator of the level of overall economic activity in Britain. And yet the redundancy measures, particularly those of the British Motor Corporation, have come as a sudden shock to the nation. Mr McLeod, the Labour Minister, complains that the sackings have been made "without warning" and of the sudden "Hooding of The labour exchanges". All the Ministers find it difficult to understand why the Financial Times should claim all of a sudden that "the Ministry of Labour is the authority responsible for finding redundant workers new employment." And yet the basic fact of the Motor Industry, known all along, is that while the production of cars has risen at the rate of about 150,000 a year over the past five years, exports have roughly remained at the level of 1951. The reappearance of a free market in 1951 (with the return of the Conservative Government) and in particular, the abandonment of the previous restriction on the number of cars sold on the home market, had certainly created the conditions for the expansion of the motor industry. And now when the home market shows signs of saturation or alternatively, has become restricted via the credit squeeze and the controls over hire-purchase, contraction of a decidedly cumulative nature sets in.

This is the cold mechanics of the present retrenchment movement and there can be little doubt that this position could well have been forecasted about one year ago. And yet

the "suddenness" of it and the absence of "warning" are made as an excuse, for the current impasse. However, the more one reflects upon the statements made by the authorities and in particular of their special pleadings, the more one is driven to the view that the current retrenchment movement is welcomed by the Government. Have they not spoken often of the need for "flexibility" and for "overcoming wage rigidities" in the economy? In any event the phenomenon of full-employment and Tory freedom" as the New Statesman put it recently, was too good to be true. Maybe the present tendencies working from the contraction of the motor industry proves the ultimate incompatibility of the free market economy with full employment.

An illuminating debate in the Commons this week brought out the main lines of the Governments thinking although in the opinion of Mr Harold Wilson, of the Opposition. Government's policy did not reflect thinking but "bedlam economics". The Chancellor believed that his policy was succeeding. This policy involved the reduction of home demand for bringing about a major shift of resources from consumption to increasing exports. The Government found that all the indicators employment investment, consumption and the balance of payments favoured this policy. While the Government conceded that considerable "painful human problems" were involved in times of slack-employment but, in its view, the switching of labour from one Industry to another was a necessary process towards attaining the flexibility which the policy aimed to bring about. Ah this is no doubt in accord with the Governments designs. What appeared to be flatly contradictory and in some ways hypocritical, was the explanation for the contraction of the motor industry;

"The truth was that the motor industry could not expect to maintain the proportion of world trade which it had a year or two ago, and therefore there must be some shifting of resources from it." And yet it remains a fact that in the past two years a major volume of the nation's resources have been directed for investment in the motor industry. And so, too, appears the

investment intentions of the industry. The firm making the Vauxhall car hopes by its current capital outlays to double its production in two years; Fords have a current expansion programme of £65 mn and another firm is busy constructing a new large factory. The pertinent feature of the motor industry in the last 4 years of "free" market has been the war between motor car manufacturers for the home market. The war is no longer being waged in foreign markets. And the casualties in this car war are inevitably the smaller firms and, more important; the redundant workers—the so called "social casualties".

The drive towards "flexibility" however, has two consequences—the prospect of a decline in employment and industrial production and, secondly, the greater militancy of the trade unions. The first consequence is being fully reflected in the motor industry. Mr Paul Einzig now tells us (in *The Banker*) that an increase in production must cause prices to rise and counterwise, a fall in prices can only be achieved substantially by a decline in production. Already the index of industrial production reflects a weakening of total activity and output has now stagnated to the level of a year ago. The corresponding fall in prices in general has not come about yet, but the Government hopes to forestall trade union action by its call for a "price plateau" in industry. The second consequence is rearing its head in a manner which portends a severe wage battle in the very near future. Workers in the steel industry are threatening to strike—they have already banned overtime working; the railway union has announced its intention to make a new wage claim and coal miners are thinking in similar terms. The costs of flexibility are high. Nevertheless, it appears that the Government aims not to be diverted from its grand design for the country.

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