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# Economic Perspective

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## CIVIL SERVICE DISPERSAL - A LONG TIME COMING\*

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In 1970 the White Paper on the Reorganisation of Central Government (Cmnd 4506) announced a review of the location of Government offices which would consider opportunities for dispersing offices to locations outwith London. This review, the Hardman Report, was published in 1973: it recommended moving 31,000 Government jobs from London to the regions. In July 1974 the Labour government initiated a programme of office dispersal based on the findings of this report. Though the number of jobs to be dispersed were as recommended, the pattern of locations was changed, with the Labour government favouring the Assisted Areas as recipient regions.

Scotland, and particularly West Central Scotland, would have been a major beneficiary of these moves. 5,500 posts in the Ministry of Defence were planned to move to two central city sites in Glasgow and 1,000 jobs in the Ministry of Overseas Development were to go to East Kilbride. Up until now only 600 posts have moved to Scotland as a result of these dispersal plans. This is because first the whole programme of dispersal was cut back by around two thirds in 1979 by the incoming Conservative government. Secondly, the pace of dispersal, particularly for the Ministry of Defence posts, has been very slow.

There seems to have been little public outcry in Scotland concerning this poor progress on dispersal. Yet these jobs confer major benefits to the recipient region. It is sometimes argued that because many Civil Servants move with the dispersed office, that the impact on local unemployment will be small. This is not correct. For those Civil Service posts which are not recruited locally tend to be highly paid. These immigrant Civil Servants have an impact on the local economy through their expenditure on consumer goods and services. Estimates<sup>1</sup> made of the likely impact of Government office dispersal suggest that if 100 posts were relocated, and 50% of these posts were to be filled by mobile Civil Servants, the final increase in employment in the recipient local economy would be 166. The additional 66 jobs would be mainly in the local service, construction and local authority sectors. Of these 166 jobs, 116 would be locally recruited.

Again, it is sometimes argued that the types of job provided by dispersal are not appropriate for depressed regions eg unemployed shipbuilders will

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\*The views expressed are those of the author and not necessarily those of the Fraser of Allander Institute.

<sup>1</sup>Ashcroft and J K Swales "The Importance of the First Round in the Multiplier Process: The Impact of Civil Service Dispersal". *Environment and Planning A*, 1982, Vol 14, pp 429-444.

not find jobs in Government offices. However, as we have seen, many of the jobs generated by dispersal are not in the Civil Service itself. Moreover, in the last decade there appears to have been a secular trend towards increased service employment with an accompanying decline in manufacturing. It is important that depressed regions should get a share of this type of employment. Also, there are benefits to Scottish Civil Servants from dispersal. The more senior Civil Service posts there are in Scotland, the less likely that Scottish Civil Servants will have to move to England in order to further their careers.

It would clearly benefit the Scottish economy if there were extensive Government office dispersal and, in principle, the quicker this were to take place the better. The present record on office dispersal is therefore disappointing. Of course, considerations affecting the UK economy as a whole might have restricted the scale or pace of the dispersal programme, but this does not, in fact, seem to be the case.

The decision to severely cut back on Government office dispersal was made soon after the Conservatives came to power in 1979. It is not clear why this decision was taken. Two obvious possibilities are that conditions had changed since the Hardman report, and that self-imposed limits to Government expenditure no longer made such an extensive programme feasible. Let us consider the arguments in turn. First, one of the major advantages to dispersal is that important rent savings are made by moving offices from London to the regions. The Government argued in Parliament "the gap between office rents in London in the provinces has substantially narrowed". However Hardman had worked on a ratio of London to provincial rents of around 6: 1, whilst the Location of Offices Bureau showed that this ratio had only fallen, in January 1979, to between 4 and 5: 1. Again it is the case that unemployment rates in all regions were higher in 1979 than they had been in 1973. Therefore the argument in favour of dispersal - which stresses recruitment difficulties in London, was less strong. However, it is still the case that the labour market for office staff is tighter in London than the rest of the country. Also, although regional policy has been much weakened under the present government, it is still the case that large amounts are paid in subsidies to manufacturing industry in order to encourage the location of manufacturing plants in Development Areas. It is therefore not clear exactly why the dispersal programme was so drastically cut. All official government calculations show dispersal to be a very worthwhile exercise. But perhaps the nature of the programme meant that it would make too great a contribution to public expenditure in the short run, so that the dispersal programme was reduced as part of the effort to remain within PSBR targets.

The dispersal programme is essentially an investment programme in the sense that it involves costs and benefits which are distributed over time. Normally investment programmes entail initial costs with a subsequent flow of benefits. The Government claimed that by abandoning two thirds of the planned dispersal programme, £200 million of public money would be saved up to 1984. This would have been spent mainly on the purchase of land, construction of buildings and settling in costs of civil servants moving with the job. Note first that these short term costs would be offset by savings over the longer run ie post 1984. Secondly, these costs are calculated on the basis that the Government purchases the new offices in the regions and leases out the vacated buildings in London. However, if short term PSBR considerations are paramount, the Government could lease the vacated offices in London. On the face of it, this could lead to a net reduction in the PSBR in the short run following increased Government office

dispersal.

In the revised dispersal programme, the number of posts coming to Scotland was reduced from 6,500 to 2,050. Of these, 1,400 were to be from the Ministry of Defence (MOD) and 650 from the Ministry of Overseas Development (ODM). Almost all the scheduled ODM posts did in fact move to East Kilbride last year, although in the end the posts came from the Overseas Development Administration (ODA) and the Crown Agents. However, most of the MOD jobs are not expected to come to Glasgow until 1985 and the slow progress on this part of the dispersal programme was the main subject of an inquiry by the House of Commons Committee on Scottish Affairs, whose report was published in January 1981.

This report was critical of the manner in which dispersal had been carried out. The report and the evidence which the committee heard make interesting reading. First, the MOD was unenthusiastic about the proposed move to Glasgow. The reason given was that the move would reduce Civil Service efficiency. For example, time would be spent travelling to meetings in London and communications generally would be less close. However, it is known that many Civil Servants regard Glasgow as an undesirable place to live and work so that resistance to the Glasgow dispersal might stem from personal, rather than professional, concerns<sup>1</sup>. Secondly there is a distrust at the local level concerning central government's commitment to dispersal. For example, Mr O'Halloran, then Convenor of Strathclyde Regional Council said in evidence to the Committee,

"Quite honestly, we have now reached the stage where we cannot believe anything that ministers tell us about Civil Service jobs."

This cynicism reflects the changes in plan made by the Government, the inability of the MOD to put forward stable packages for dispersal and the Kafkaesque way in which the dispersal plans were carried out. Four government departments had been involved in the MOD move: the MOD itself, the Civil Service Department (CSD), the Property Services Agency (PSA) and the Scottish Office. Also, when the proposed move was to the St Enoch site in Glasgow, the SDA were involved as the developers of the commercial part of that site. The CSD should have co-ordinated dispersal policy and ought to have been setting the pace for the MOD move. However it is clear that they were not effective in this role. Two main problems seemed to slow down progress: the inability of the MOD to put forward a coherent and credible package of posts to be relocated, and difficulties associated with developing the St Enoch site.

In the initial dispersal plans the MOD were to occupy two sites in Glasgow: St Enoch Square and Anderston Cross. 1,500 posts were to be at Anderston Cross, 4,000 at St Enochs. When the scale of dispersal was cut in 1979, it was a Scottish Office decision that the Anderston Cross site be abandoned and the St Enoch site retained. This decision was criticised by the Committee on Scottish Affairs (and has subsequently been reversed): the St Enoch site was less well advanced, more complex to develop and would have been ready at least 2 years after Anderston Cross. For six months in 1980, during the initial design stage of the St Enoch site, there was a serious misunderstanding between the Glasgow District Council, who were the relevant planning authority, and the PSA who were responsible for developing the non-

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<sup>1</sup>M Pacione "Space Preferences, Locational Decisions, and the Dispersal of Civil Servants from London", **Environment and Planning A**, 1982, Vol 14, pp 323-333.

commercial part of the St Enoch site. This misunderstanding concerned the submission of a planning application for the proposed MOD offices. Relationships between the PSA and Glasgow District Council became soured, and could have delayed the completion of the building and the subsequent MOD move. Given that it is the PSA's responsibility to provide the buildings for the dispersing departments it is their responsibility to clear up misunderstandings of this kind.

It is clear that up to 18 months ago the way in which the MOD move was progressing was very unsatisfactory. The listless performance of the PSA and CSD, combined with the opposition of the MOD to the Glasgow move and changes in Government policy led to numerous changes in plan and delays. However, the Committee on Scottish Affairs made a number of recommendations in an attempt to tighten up this exercise. First, it emphasised the case for dispersal and argued that any subsequent review of MOD dispersal plans should only concern the make up of the dispersal posts and not the scale of dispersal. Secondly, it recommended that the Anderston Cross site should be adopted, rather than St Enoch, as this site is more straightforward to develop and would enable the move to take place more quickly. Thirdly, it recommended a formal inter-departmental committee, chaired by the Scottish Office, to oversee the move and to chase progress. This Committee first met in June 1981 and meets 2 or 3 times a year. Finally, a case was made for the dispersal of small blocks of work to leased offices in Glasgow before the main move took place. There were already plans for 100 posts in the pensions office to move in 1982/83. Additionally 80 jobs have now been scheduled to move from the Directorate of Standardisation in Autumn 1983 and 80 jobs from the Directorate of Contracts in Spring 1984.

Government office dispersal seems a very effective form of regional policy. the Government generates jobs directly: there is no question of grants being paid to projects which would have gone ahead anyway. These jobs can be targeted to specific locations: in particular, large metropolitan centres are likely to benefit from these jobs. Also the jobs are likely to be more stable than in many manufacturing plants, given the long run shift in employment towards services. The chance that the MOD will actually move some posts to Glasgow has been increased through the intervention of the House of Commons Committee on Scottish Affairs. At the moment this move is on schedule and should occur by December 1985. But concern over the pace of the MOD move should not mask the more fundamental point. The Government should make greater use of Civil Service dispersal as an active part of regional policy. The short term saving in costs made by cutting the dispersal programme is a false economy. For in the future greater dispersal would have generated lower office costs, easier staff recruitment and a more balanced national distribution of employment.