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Institute for Employment Research

Regional Employment Prospects

The Need For Regional Projections

The changing nature of training provision within the UK, most notably the introduction of the Training and Enterprise Councils (TECs), has focused the attention of those concerned with training and skill issues onto the regional and local dimension. The present *Bulletin* summarises the results of a new report from the Institute which attempts to meet some of the needs of those concerned with such issues, for information on the changing regional pattern of skills employed.

Regional Assessment

The main focus of the *Regional Assessment* is the changing occupational structure of employment at a regional level. The analysis is based on a detailed examination of data from the Census of Population and the Labour Force Survey. Using these data, a new forecasting model has been developed, which provides projections of employment by occupation for the 11 Standard Planning Regions of the United Kingdom. The model adopts a very simple trend extrapolative procedure. Patterns of occupational structure by region are then applied to projections of employment by industry from the IER's main forecast as published in the *Review of the Economy and Employment: Occupational Assessment 1991* and summarised in *Bulletin No 11*. Projections of changing occupational employment structure at a regional level are thereby developed. The report complements the discussion of occupational employment trends by a broader examination of developments in regional labour markets, drawing upon a variety of additional sources of information.

The *Regional Assessment* provides an overview. It begins with a brief summary of the general economic background underlying the assessment of regional labour market prospects. This includes discussion of demographic trends and industrial employment prospects within regions. The main emphasis, however, is on past patterns of change in occupational structure and how these may change during the 1990s. The *Regional Assessment* is complemented by a series of *Regional Commentaries* which examine the outlook for individual regions in greater detail.

The Economic Scenario

The recession dominates current discussion of prospects for the UK economy. However, the emphasis is not so much on the short term as on the prospects for the medium and long term, focusing on particular regional/occupational labour markets. The economic scenario underlying the present projections is one of a recovery from recession starting in 1992/93 followed by a period of more steady growth in the late 1990s. After falling by over a million by 1993, total employment in the UK is expected to rise, ending the decade some 700 thousand higher than the level in 1990. Unemployment is projected to rise to just under 3 million in 1992/93 before declining to just below 2 million by the end of the decade.

Regional Unemployment Prospects

The prospects for unemployment in individual regions depend upon interactions between region-specific demographic developments and the changing patterns of demand for labour. Most regions are expected to see

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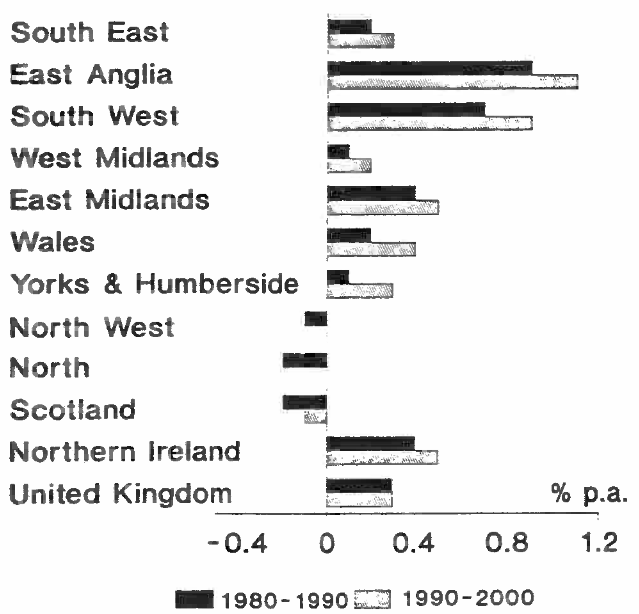
substantial growth in the labour force, mainly because of rising activity rates for females. The demographic reduction in the number of young people entering the labour market up until the mid-1990s is also a common feature.

At a spatial level, migration flows are of crucial importance and the recent past has seen significant movements of population. Shifts from the larger urban areas to smaller towns and rural areas have been important. Another notable feature during the 1980s has been the net migration from northern to southern regions within the UK. The latter has served to even out the impact of different economic growth rates, moderating unemployment increases in the north and dampening down the labour markets of the south. All regions are expected to experience marked increases in unemployment in the early 1990s, with recovery following in the mid to late 1990s. Generally speaking, the differentials in unemployment rates between regions are not expected to alter a great deal over the decade.

Population Changes by Region 1980-1990 and 1990-2000



Industrial Employment Structure by Region

The industrial structure of employment of the UK has changed very substantially over the last 40 years. The different fortunes of the various sectors of the economy have played an important role in determining the economic performance of particular regions. Past patterns of change have involved the loss of primary and manufacturing jobs and the growth of employment in the service sector. These broad trends are expected to continue into the 1990s, although the current recession is expected to affect service industries rather more than in previous cycles. The continued decline of manufacturing will hit certain regions such as the West Midlands quite severely. Changing patterns of government expenditure, most notably on defence, will also have severe implications for many localities depending on defence orders.

The main area of employment growth during the 1990s is expected to continue to be services. A region's success in maintaining employment will, to a large extent, depend on the general buoyancy of its local economies, although some continuation of the government's policy of relocating certain public services outside the South East is expected. The *Regional Assessment* also highlights some of the more important region-specific factors which are likely to determine labour market performance over the 1990s.

Occupational Structure

The changing patterns of occupational employment have, to a large extent, been dominated by shifts in the industrial structure of the economy (from primary and manufacturing industries to the service sector). However, technological and organisational changes have also led to important changes in the skill mix employed within industries (in favour of higher skilled, non-manual, white collar workers). Both these factors are expected to continue to play an important role in the 1990s. Much of the growth in employment is expected to favour managerial, professional and associate professional occupations.

The main differences in occupational structure across regions reflect their industrial structure. The South East, with its high concentration of business and financial service has, for example,a much higher concentration of those in professional occupations such as accountancy and the law. The East and West Midlands, in contrast, have large numbers of jobs for craftsmen in textiles and engineering skills, respectively. The prospects for each region therefore depend crucially upon its industrial structure and the likely fortunes of key industries. The latter in turn will be a function of both the general economic prospects that face industry and any region-specific influences which may enhance/or diminish the more general national trends.

Regional Commentaries

Each commentary contains an examination of regional unemployment, as well as employment prospects for each area. A number of general themes appear throughout the main overview and the regional commentaries. These include the differing experiences of the south and north of the country, the effect of recession and likely patterns of recovery, the impact of cuts in defence spending and other changes in the pattern of government expenditure and the continuing contrast in experience between urban and rural areas.

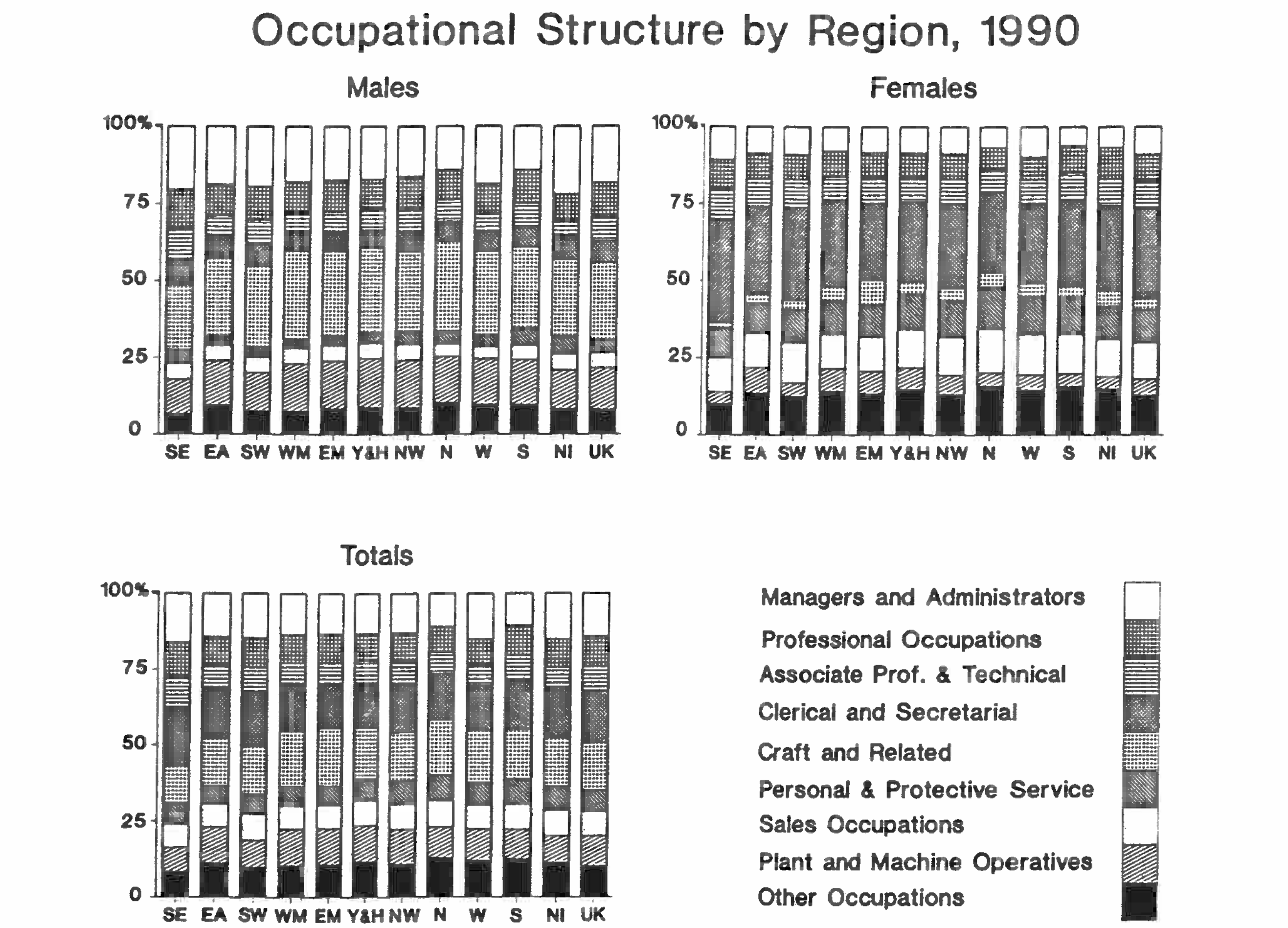
The South East

The key characteristics of the industrial and occupational structure of the South East are the concentration of employment in services and in higher-level non-manual occupations. These are long-standing features and are projected to remain evident in the 1990s, in the face of the general shift towards service industries and higher-level occupations. Intra-regional differentials are apparent, particularly the variation in experience between on the one hand, Greater London, and on the other hand, the rest of the South East and adjacent parts of East Anglia, the South West and the Midlands within a functional 'Greater South East'. There is growing concern about the 'image' of London and its relative competitiveness vis-a-vis other European and UK cities in the 1990s. Since the South East represents such a large proportion of UK economic activity, the performance of London and the South East is a crucial element in the performance of the national economy. Although employment growth is projected to be less strong in the 1990s than in the 1980s, the relative resilience of the region in recession – despite rising job losses in the South East in the short term – remains evident, and unemployment rates are forecast to stay below the national average.

Wales

The traditional basic industries in Wales are projected to continue their long-term decline in the 1990s. The associated relative male-domination of employment structure remains, but is becoming less marked over time. Participation rates and wage levels continue to be amongst the lowest of any region in the UK. While contraction of employment in mining and metal manufacturing was particularly marked in the 1980s, between 1986 and 1989 Wales enjoyed a dramatic economic revival, with an increase in manufacturing employment – the success of the Principality in attracting a disproportionate share of inward investment into the UK being a particularly significant feature in this upturn in fortunes. Wales became established as an area of net in-migration, and these flows have served to reverse long-term population decline in many of the remoter rural areas. Intra-regional disparities within Wales remain, with the east emerging as generally more favoured than the west, and with particular concentrations of socio-economic problems in parts of the South Wales valleys. These latter areas display some of the highest unemployment rates in Wales (and the UK) but, in Wales as a whole, the incidence of unemployment has converged towards the UK average, although remaining slightly above the national rate. In Wales, as in the rest of the UK, service industries and higher-level occupations are projected to continue to dominate employment gains.

Key distinguishing characteristics of the industrial and occupational structure of the Welsh economy are forecast to be maintained, notably the relative concentration of employment in agriculture, manufacturing and public services, and in managerial and administrative jobs, and craft and related occupations; public services are expected to remain a particularly important source of professional and associated jobs.



Source: IER Estimates

East Midlands

The East Midlands regional economy has been one of the most buoyant in the UK, adapting to new patterns of industrial activity and occupational employment. This is despite a considerable dependence upon manufacturing industry and manual occupations (most notably craft and operative occupations in traditional industries such as engineering, textiles and footwear). The past over-representation of manufacturing has made the region potentially vulnerable to manufacturing decline and re-structuring but, in the event, only modest reductions have taken place. In part, the decline of traditional manufacturing employment has been off-set by the growth of employment in new manufacturing activities.

Despite the resilience of the region's manufacturing, the real strength of the region is the growth it has generated in the service sector and the higher skilled occupations associated with it. The East Midlands has traditionally had considerable employment in distribution industries, but it is not the growth of business and miscellaneous services which has been most spectacular. Managerial and administrative occupations in the East Midlands, together with professional occupations, have grown at rates which are only bettered by the neighbouring region of East Anglia. Associate professional and technician occupations are another area of recent rapid growth although in this case the region's increase is nearer to the average across all regions. Recent growth in service sector employment and in higher level occupations has redressed some of the past under-representation of these industries and occupations in the region. The shares of these industries and occupations remain at or below the national average. This suggests that there is still considerable potential for future growth in these areas of employment in the East Midlands.

Projections up to the year 2000, suggest that, after a brief pause in the early part of the decade, employment growth in services and managerial and professional occupations will continue quite vigorously, resulting in a net increase of well over 100 thousand jobs. The rapid expansion of employment in the region in the past has been sustained by two main demographic factors. First the labour force has been increased through rising participation rates. Secondly there has been a steady in-flow of migrants to the region which has also added to the labour force of the region. The region's unemployment rate has been, and is expected to remain, substantially below the national average because increases in labour supply have roughly matched those of employment.

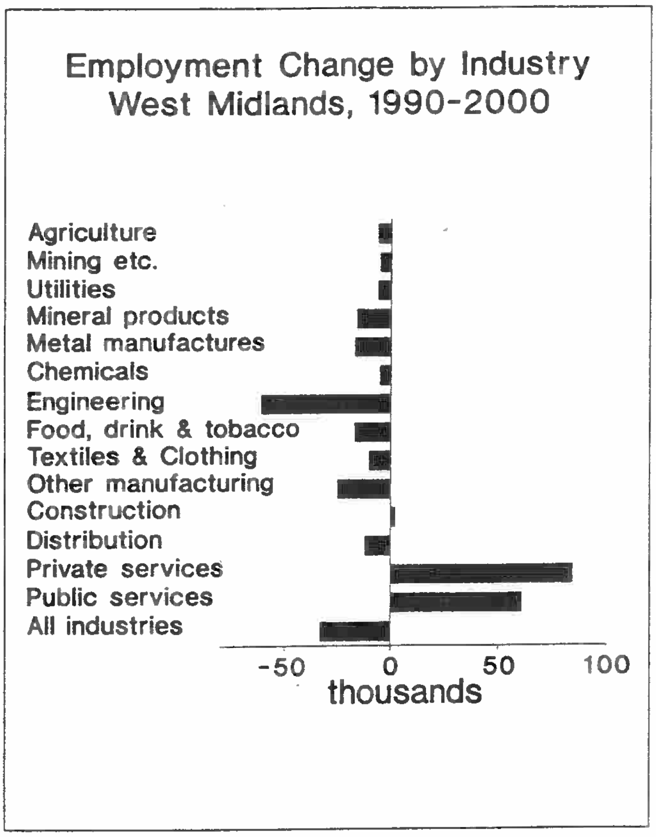
West Midlands

The features of the West Midlands economy which have been its strengths in the past, have gradually become liabilities. The regional economy is overly dependent upon declining industrial sectors and an infra-structure and service sector which is under-developed and until recently incapable of generating significant employment growth. While the service sector, particularly financial services, has performed better in recent years, the sector remains under-represented in the regional economy. The occupational structure of the labour force is a legacy of the region's industrial past. Even after two decades of change, employment is still dominated by manual occupations, notably craft and, (to a much reduced extent) plant and machine operatives. The more highly skilled professional and associate professional occupations have increased significantly over the past decade but their share of employment remains below the national average. One consequence of these patterns of industrial and occupational change is that the rate of growth of female employment has not kept pace with other regions and employment opportunities for women are more limited, in proportionate terms, than in any other region of the UK.

Projections of the region's employment prospects over the period 1990 to 2000 reinforce the view that the West Midlands is subject to processes of change which are leading to a relative decline in the regional economy. Over the forthcoming decade the region's overall level of employment is projected to decline by about 30 thousand and for males the decrease is expected to be around 70 thousand. This decline is second only to the North West region. All other regions except for Scotland, Northern Ireland and Yorkshire and Humberside are expected to experience net growth in employment over the period.

East Anglia

The East Anglian regional economy has been one of the most dynamic and successful regions in the United Kingdom. Despite accounting for less than 4 per cent of national output and employment, the region contributed 14 per cent of national employment growth over the past two decades. The region is expected to continue to contribute to employment growth on a similar scale over the next



decade. The dramatic increase in employment in East Anglia over the 1980s resulted from the rapid growth in private sector employment particularly in distribution, transport and communications but also in business and miscellaneous services. The growth rates in these latter areas have been amongst the highest in the UK. However, unlike almost any other region in the UK, the growth of the service sector builds upon a stable foundation of manufacturing employment. Throughout much of the past decade East Anglia has been the only region to experience manufacturing employment growth. Projections to the year 2000 suggests that the position of manufacturing may be weakening somewhat, with a net reduction in employment, albeit only a small one. Nonetheless, East Anglia is still expected to produce the best manufacturing performance in the UK.

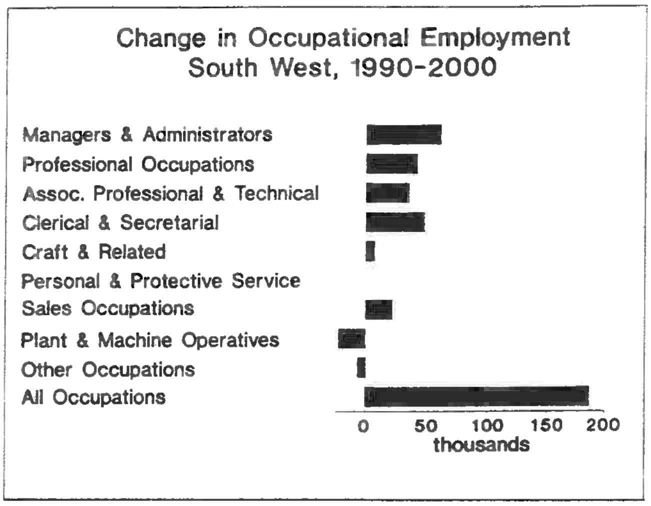
The patterns of economic change in the region are reflected in its occupational structure. The composition of employment has not changed dramatically because all occupational groups have been growing, though at different rates. Male jobs particularly in craft and related occupations have been maintained while rapid growth, much of it for females, has occurred in the non-manual occupations. The occupational structure is expected to continue changing over the next 10 years in much the same manner as before. Most growth is concentrated in higher level occupations and in clerical and secretarial jobs, with craft and operative occupations being maintained at about their present levels. Only the unskilled occupations are likely to experience any reduction in numbers employed, this mainly being concentrated amongst males.

Despite two decades of rapid differential growth in male and female employment, the region still has one of the lowest proportions of female employment and this is expected to remain so to the end of the century. The expansion of labour demand in East Anglia has exceeded the labour supply growth available from 'natural' population increases. The region's expansion has been permitted by substantial immigration and a rapid rise in activity rates. The latter are expected to be amongst the highest in the UK by 2000 despite having been the lowest in 1971. Nonetheless, unemployment has remained well below the national average.

South West

The South West region, like East Anglia, has benefited from its proximity to the prosperous South East. The region has experienced rapid economic growth during much of the past two decades but particularly during the 1980s. Employment has expanded rapidly overall, reflecting the effects of an initially favourable industrial structure, but also successful development of new manufacturing activities, particularly centred upon electronics, aerospace and other defence related industries. The main source of employment growth in the region however, is derived from the expansion of the service sector, most notably in business and miscellaneous services but also in distribution, transport and communications. A great deal of this growth is indigenous to the region but it has also benefited from the re-location of service activities and corporate headquarters from the South East.

Despite the current downturn, which has affected the service industries in the southern regions to a greater extent than earlier recessions, the South West is expected to continue to experience employment growth at a rate amongst the fastest in the UK. This growth will all take place in the service sector. While the resilience of manufacturing has meant that employment in craft and operative jobs have remained at roughly the same level, their relative importance has declined. Non-manual occupations are over represented in the regional employment structure, with this being particularly true of managers and administrators. The projected growth rates for non-manual occupations in the South West are amongst (and in many cases are) the highest in the UK. The economic expansion of the South West has been supported by a substantial increase in the region's labour force. To a considerable extent this reflects a very high rate of net in-migration of working age people into the region. However, in more recent years, this in-migration has been reinforced by a rising participation rate, from relatively low rates as recently as 1981 to amongst the highest in the UK. These demographic trends are expected to continue over the next decade.



Finally, it is important to note that the prosperity and growth of the region has not been spread equally across the South West. In particular the growth of employment has tended to be focused upon those in closest proximity to the South East. Employment growth elsewhere has been more patchy. One consequence of this is a clear east-west unemployment gradient, with unemployment in the region being much higher in the far west than in the north and east. The projected employment in the region is unlikely to change this intra-regional pattern of prosperity and substantial differences will remain between localities. Moreover, there remains considerable uncertainty about the employment prospects for particular parts of the South West which may be affected by a number of external factors, including defence cuts. While the overall picture is one of continuing prosperity, a single closure of a major defence establishment could bring severe difficulties to the locality affected.

Yorkshire and Humberside

Yorkshire and Humberside may be characterised as a region of below average performance in terms of employment, but with somewhat better medium-term employment prospects that other northern regions.

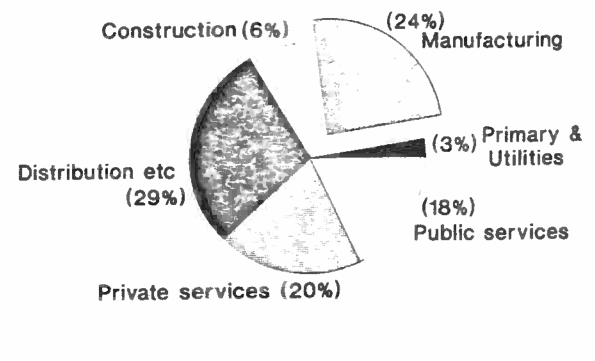
Employment is projected to decline only slightly between 1990 and 2000, although it is expected that the region will be relatively hard hit over the short term. A slow growth in population is forecast. To some extent Yorkshire and Humberside is still handicapped by a negative image, associated with the continuing contraction of, and dereliction associated with, the traditionally important mining, metal manufacturing and textiles industries. Despite decline in manufacturing employment, the sector still accounts for a greater share of jobs regionally than nationally, and services are under-represented – even though the region has benefited to a greater than average extent from expansion in public services and relocation of such employment. Marked increases in employment for professional workers are forecast over the medium term, but higher level non-manual and clerical and secretarial occupations will still account for smaller shares of total employment in Yorkshire and Humberside than in the UK as a whole. The relative importance, in employment terms, of manual occupations – particularly the plant and machine operative group – is likely to persist. While labour market participation rates are lower than nationally, the regional unemployment rate will continue to remain slightly higher than the UK average. However, there are marked intra-regional variations, with some of the more rural areas and small towns in North Yorkshire displaying amongst the lowest rates anywhere in the UK, while in parts of the South Yorkshire coalfield very high rates of unemployment prevail. These sub-regional differentials in the incidence of unemployment reflect the localised nature of much employment decline and growth in the region.

North West

Despite the projected continued diversification of the North West economy, the decline of population and employment in the region is forecast to continue. In part, the projected population loss and net out-migration reflects the urbanised character of the region and the presence of two major conurbations: Liverpool and Manchester. The economic and social problems which have come to characterise Liverpool, in particular, are some of the most extreme experienced anywhere in the UK. Unemployment is particularly high in the city and across the region as a whole the incidence of unemployment is higher than the national average. Moreover, the North West: UK unemployment differential is forecast to widen during the 1990s. Nevertheless, there are pronounced intra-regional differentials, with parts of Cheshire and Lancashire recording amongst the lowest unemployment rates in the UK.

Manufacturing remains more important than nationally, although the region also displays a greater stake in financial and business services than other northern and midland regions. The North West appears particularly vulnerable in the face of cutbacks in the defence industries. A greater share of employment is accounted for by manual and less skilled occupations than nationally. Throughout the 1970s and 1980s the share of total employment accounted for by females has been one of the highest of any region. Overall, however, participation rates have fallen from above to below average levels. Employment prospects for the region in the 1990s appear more gloomy than average, despite some success stories in specific localities and industries, investment in some major infrastructure projects, and potential for enhanced economic performance.

Industrial Structure, North West, 1990



North

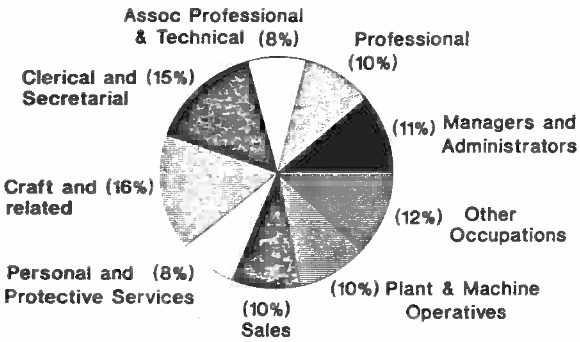
The North is peripheral to both UK and European markets. The traditional industries were hard hit by the recession of the early 1980s, and for the most part are now only shadows of their former selves. The regional industrial structure has been diversified and transformed with the expansion of service industries. Nevertheless, manufacturing remains a more important employer in the North than in the UK as a whole; in the services sector it is the public services which are dominant, while private services are less well represented than the national average. A relative concentration of employment in craft and related, and unskilled manual occupations is apparent, while higher-skilled non-manual occupations account for a smaller proportion of total employment than the UK average, and record less favourable rates of change than the UK norm.

Employment levels are projected to remain fairly stable over the medium-term, although this disguises a continuing growth in female employment, particularly in services. Indeed, between 1971 and 1990 the North was transformed from having one of the lowest to one of the highest ratios of female to male employment of any region in the UK. Participation rates are still relatively low, while the regional unemployment rate is forecast to remain above the UK average. In a context of continuing population decline and net out-migration, the labour force is projected to remain stable. However, this disguises contrasts within the region, with population and employment growth in some of the small and medium-sized towns and rural areas, and continuing population and employment decline and high levels of unemployment in many of the larger urban areas and manufacturing towns.

Scotland

The industrial and occupational structure of the economy of Scotland is projected to continue to move away from traditional heavy industries and manual occupations towards the service sector and high-level occupations. Despite a particularly favourable performance projected for public administration and defence in the 1990s, in general, Scotland is not expected to share to the same extent as other regions in the economic growth projected for the second half of the decade. In manufacturing, employment is projected to decline at a faster rate than the UK average and the rate of output loss is forecast to be greater than in any other region. The incidence of unemployment is projected to remain above the UK average at the aggregate level, but it is likely that strong intra-Scotland contrasts will remain. Similarly, while an overall decline in population is projected, there are again likely to be marked spatial differentials in patterns of decline and growth – with in-migration in recent years to some of the most remote rural areas in the Highlands and Islands, on the periphery not only of the UK but of Europe.

Occupational Structure, Scotland, 1990



(Base = 2,216,000)

Prospects in the 1990s and beyond will be influenced by the extent to which Scotland can capitalise upon positive factors such as relatively low cost structures, quality of life considerations, a favourable track record in place-marketing and a distinctive administrative and institutional framework enabling the effective promotion of Scottish issues. The development of coherent economic strategies will need to take account of changes in the fortunes of the North Sea oil and gas sector, the performance of the financial sector after 1992, implications of European fishing quotas and reform of the Common Agricultural Policy, the impact of defence cutbacks, Government policy on relocation from the South East, and improvements in the transport infrastructure.

A full account of the material summarised in this **Bulletin** can be found in the forthcoming **Review of the Economy and Employment, 1991: Regional Assessment** and the related **Regional Commentaries.***

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