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REGIONAL ASSESSMENT, 1993-2001

Introduction

The main focus of the Institute's *Regional Assessment* is on the changing occupational structure of employment at the regional level. It attempts to meet some of the information needs of those concerned with training and skill issues at the regional and local levels. The analysis is based on a detailed examination of data from the Census of Population and the Labour Force Survey. Using these data, forecasts have been developed of employment by occupation for the 11 Standard Planning Regions of the United Kingdom. The occupational projections are driven by forecasts of employment by industry at regional level produced by the multisectoral regional model (MRM) developed by Cambridge Econometrics. Overall, the forecasts in the present *Regional Assessment* are thus consistent with the UK forecasts described in the IER's *Review of the Economy and Employment, 1994*: *Occupational Assessment*. The regional/occupational model employs a trend extrapolative procedure. Projections of occupational structure in each industry within each region are applied to projections of employment by industry from the MRM. Projections of changing occupational employment structure at a regional level are thereby developed.

Part 1 of the *Regional Assessment* provides a general assessment of regional employment prospects, first setting them into a broader macroeconomic context. The main features of demographic developments, changes in industrial structures and occupational change are also discussed. Part 2 then presents a set of *Regional Profiles,* highlighting selected aspects of the projections for each region in turn. It includes a broader examination of developments in regional labour markets, drawing upon a variety of additional sources of information, including an overview of occupational employment prospects, demographic trends and industrial employment prospects within each region.

Recovery from recession

Recovery from recession dominates much of the current discussion of prospects for the UK economy. However, the emphasis in this *Assessment* 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 sustained recovery from recession followed by a period of more steady growth in the late 1990s. After falling by over a million between 1989 and 1993, total UK employment is expected to rise, ending the decade some 1.6 million higher than the 1993 level. UK unemployment is projected to decline to just over 2 million by the end of the decade.

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 further growth in the labour force, mainly because of rising activity rates for women.

Geographically, 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 was the net migration from northern to southern regions within the UK. The latter 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. In 1991 it was the southern regions which bore the brunt of the recession and so there has been a considerable convergence of regional unemployment rates. All regions are expected to experience marked reductions in unemployment in the midto-late 1990s as the recovery gathers pace. Generally speaking, the differentials in unemployment rates between regions are not expected to alter a great deal between now and the end of the decade.

Changes in industrial structure

The industrial structure of employment in 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. More recently the 1990-92 recession has affected service industries much more than in previous cycles. This has been especially noticeable in the South East. The broad long-term trends are expected to be reasserted over the remainder of the decade, with growing service sector employment but continuing decline in primary and manufacturing sectors. Output growth in these areas is expected to be quite rapid as the recovery gathers pace but its implications for employment are moderated by equally rapid productivity growth. On the whole, those regions specialising in manufacturing will tend to experience lower rates of employment increase. The decline of manufacturing employment will continue to be a significant feature for certain regions such as the West Midlands. Changing patterns of government expenditure, in particular reductions in defence spending, will also have severe implications for many localities previously dependent on defence orders.

The main area of employment growth during the second half of the 1990s will be marketed services although in some areas, such as banking and insurance, the continued application of new technologies will lead to sharp job losses. 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* highlights some of the more important region-specific factors which are likely to determine labour market performance over the 1990s.

Occupational change

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 late 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 services 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, still 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 facing that industry and any region-specific influences which may enhance or diminish the more general national trends.

Detailed prospects for individual regions

More detailed analysis of the prospects in individual regions is contained in the individual Regional Profiles contained in Part 2 of the *Regional Assessment*. These deal with each of the standard planning regions in turn. Each *profile* contains an examination of regional employment structure and prospects. A number of general themes emerge. 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 variations 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-à-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 significant job losses in the South East in the early 1990s, especially in Greater London, suggests that the region will once again experience significant employment growth across many sectors, particularly in the ROSE area. Unemployment rates are expected to fall and to remain below the national average but they are unlikely to return to the very low levels experienced in the 1970s and earlier.

East Anglia

The East Anglian regional economy has been one of the most dynamic and successful in the United Kingdom in recent years. The region is expected to continue to out-perform most other regions over the remainder of the decade. The dramatic increase in employment in East Anglia over the 1980s resulted from the rapid growth in private service sector employment, particularly in distribution, hotels etc. and 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. Over the past decade East Anglia has been one of the few regions to experience manufacturing employment growth. Projections for the year 2001 suggest 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 one of the best manufacturing performances in the UK. 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. Nonetheless, unemployment has remained well below the national average. These patterns are expected to continue.

The above changes in the region are reflected in its occupational structure, which is expected to continue changing over the next 10 years in much the same manner as over the past decade. 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 significant reduction in numbers employed, these losses mainly being concentrated amongst males.

South West

The South West region, like East Anglia, benefited from its proximity to the prosperous South East in the 1980s. The region 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, was derived from the expansion of the service sector, most notably in business and miscellaneous services, but also in distribution, hotels etc. and 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. More recently the recession which has hit the South East so hard has also impacted upon the South West. As the economy picks up a resumption of previous growth is anticipated. However, there remains considerable uncertainty about the employment prospects for particular parts of the South West which have been, and may continue to 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 can bring severe difficulties to the locality affected.

The recession of the early 1990s has affected its service industries to a greater extent than earlier recessions, but the South West is expected to continue to experience employment growth over the remainder of the decade at a rate amongst the fastest in the UK. 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 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 rising participation rates, 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. Past growth of employment has tended to be focused upon those areas 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 trends in the region are unlikely to change this intra-regional pattern of prosperity and substantial differences will remain between localities.

West Midlands
The features of the West Midlands economy which have been its strengths in the past, have gradually become liabilities. The regional economy has been highly dependent upon declining industrial sectors while its infra-structure and service sector have been 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 in 1993 employment was 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.

Although the short-term recovery expected within manufacturing will benefit the economy over the next 2-3 years, projections of the region's employment prospects over the remainder of the decade reinforce the view that the West Midlands will continue to be subject to processes of change which have led to a relative decline in the regional economy compared to the UK as a whole. Over the forthcoming decade the region's overall level of employment is projected to increase only modestly.

East Midlands
The East Midlands regional economy has been one of the most buoyant in the UK in recent years, 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 relatively 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 that it has generated in the service sector and the higher skilled occupations associated with it. 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. However, 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 2001 suggest that following the recession of the early 1990s employment growth in services and managerial and professional occupations will continue quite vigorously, resulting in a net increase of over 150 thousand jobs. The rapid expansion of employment in the region in the past has been sustained by two main demographic factors. Firstly the labour force has been increased through higher participation rates. Secondly there has been a steady in-flow of migrants into 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.

Yorkshire and Humberside
Yorkshire and Humberside may be characterised as a region that has under-performed in the past as a result of being subjected to major structural change, but one which has rather better medium-term employment prospects. Employment is projected to pick up following the recession, increasing by over 100 thousand between 1993 and 2001. A relatively 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 substantial restructuring and the major 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. Merseyside is now due to receive Objective 1 funding from the European Commission. Unemployment is particularly high in Liverpool 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 business and financial services than some other northern and midland regions. The North West remains 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, relative 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, and investment in some major infrastructure projects which may enhance economic performance.

North

The North remains peripheral to both UK and European markets. Its traditional industries were hard hit by the recession of the early 1980s and 1990s, 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 1993 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. Nevertheless, overall labour market 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.

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. However, in recent years Wales has 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 more remote 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 and inactivity 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.

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 recovery in employment levels in recent years and a reduction in the differential in unemployment rates compared to the remainder of the UK, Scotland is not expected to share, to the same extent as other regions, in the economic growth projected for the remainder of the decade. Its performance is expected to be more akin to that of other northern regions of the UK than to the south. In manufacturing, employment is projected to decline at a similar rate to the UK average, despite continued inward investment. The incidence of unemployment is projected to remain just below 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.

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 (given the opening up of European markets following 'Maastricht' and the GATT agreement), 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.

Northern Ireland

Violence in Northern Ireland has contributed to its economic difficulties. The present situation appears to offer the hope of a brighter economic future, if the disputing parties can agree to settle their differences. On the other hand, many people have been employed in large public sector organisations which have actually fared well in employment and monetary terms because of the troubles. The present projections are based on a continuation of previous trends, which may prove too pessimistic if the peace process is successful.

On the basis of these previous trends, the economic prospects for the Province remain somewhat uncertain. Substantial inward investment has already contributed to the economy's longer term future but the success of these investments remain to be established.

Productivity and income per head have continually lagged behind the remainder of the UK and if anything these gaps are increasing. Unless inward investments fully take root the full benefits from interlinkages with the rest of the economy may not be achieved. Similar concerns can be expressed about the reliance of the present economy on transfers from the remainder of the UK and from the European Union. While such measures can alleviate the immediate symptoms of the Province's economic problems, they may serve to slow down some of the structural adjustments which would otherwise help to raise productivity, growth and income levels.

Some growth in employment is expected but given the substantial increase expected in the population only modest reductions in unemployment levels are likely without substantial additional interventions by the government, other foreign institutions such as the European Union or by foreign investors. Historically, large numbers have migrated to other parts of the UK and this is expected to continue.

Further Details

For further information on the Institute's Regional projections readers are referred to the full Review details of which are given below.

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