Bulletin

Institute for Employment Research

No 7, 1990

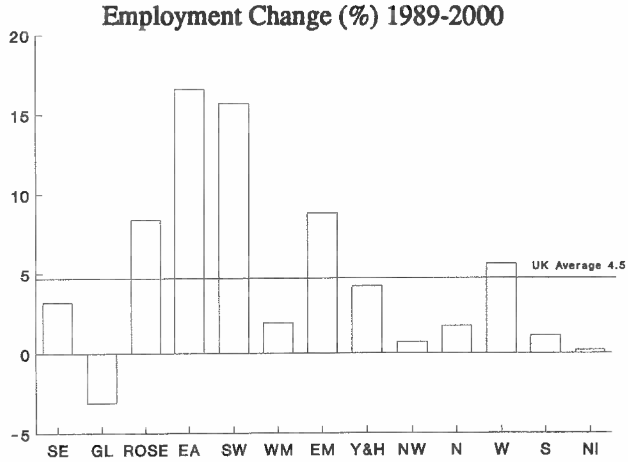
Regional Employment Prospects to the Year 2000

This **Bulletin** focuses on regional employment prospects over the next 10 years. It begins by describing the employment scenarios for each of the 11 standard planning regions in the UK and then goes on to discuss labour supply, migration and unemployment. The projections are based on a study carried out in 1989/90 as a prelude to more in-depth investigations which are now underway. Projections of regional labour markets from the latter will be published in 1991. Although the current results may be revised in the light of this major exercise, the broad spatial differences and variations in trends described in this **Bulletin** are probably fairly robust.

Regional Profiles for 1989 - 2000

South East. Net employment growth is forecast to fall to below the national average during the 1989-2000 period. De-industrialisation is expected to continue in the South East, particularly in Greater London, with continuing service sector employment growth. By the year 2000, about 80 % of employment is forecast to be in the service sector (i.e. transport and communication, government services and private services). This trend occurs despite the fact that the growth in service sector employment in the South East is projected to decline in the next decade to below the national rate, with very little employment change in government services in the region. Output increases in the transport and communication sector expected after 1992 are to be likely offset by productivity gains in the industry. The rate of increase in employment in this sector is expected to be about the national average. Manufacturing job losses are projected to be concentrated in the engineering, other manufacturing and textile, clothing and footwear industries. In the latter sector, nearly half of all employment in Greater London seems likely to disappear by the end of the decade.

Employment Change (%) 1989-2000



SE	South East	Y &H	Yorkshire & Humberside
GL	Greater London	NW	North West
ROSE	Rest of South East	N	North
EA	East Anglia	W	Wales
SW	South West	S	Scotland
WM	West Midlands	NI	Northern Ireland
EM	East Midlands		

East Anglia. East Anglia is expected to be one of the UK's most buoyant economies over the next decade. Employment in the region is forecast to increase by around a quarter over the period from 1989 to the year 2000, with slightly slower growth up to 1992 than in the remainder of the decade. Manufacturing employment is projected to continue to expand, albeit at a slower rate than in recent years. The sector is expected to benefit from further decentralisation by firms in the congested South East. Chemicals is the fastest growing manufacturing industry.

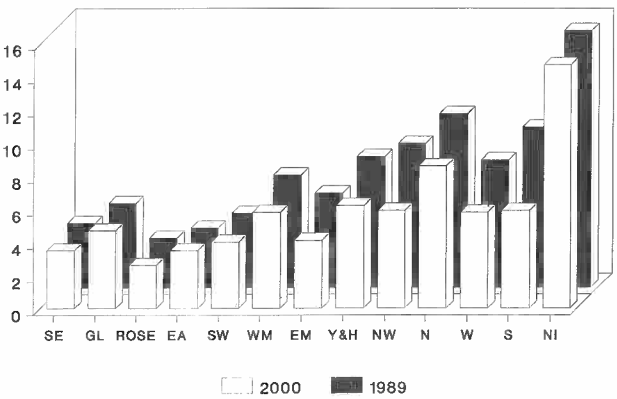
The other manufacturing sector, which contains many varied manufacturing activities conducted by small enterprises, is projected to grow faster than the average. The forecasts suggest that while textiles, clothing and footwear will decline slightly, the remainder of the manufacturing industries will maintain 1989 employment levels over the period to the year 2000. The construction sector is projected to be well above the average, and it is expected to provide around 35 thousand additional jobs. The rate of increase of private services employment is expected to exceed that of total employment, with 150 thousand extra jobs being created.

South West. Future employment growth in the South West is forecast to average 1.3 % per annum, compared to 0.5 % per annum for the UK. The majority of the roughly 16 % increase in jobs up to the year 2000 are projected to be in transport and communication, private services and government services. These sectors are expected to account for around 70 per cent of employment by the year 2000, a proportion second only to the South East. Manufacturing employment is not forecast to decline in this region until the middle of the decade. Most manufacturing sectors are projected to maintain a stable level of employment but a projected small increase in the chemical sector is expected to be offset by further decline in textiles, clothing and footwear and other manufacturing towards the late 1990s

West Midlands. Employment levels in the West Midlands region are forecast to increase by less than 1/2 % per annum over the period from 1989 to the year 2000. Overall growth is less in the first half of the period, with employment expected to decline slightly until 1995. Recent manufacturing growth is expected to be reversed, resulting in the loss of 90 thousand jobs by 2000. As a consequence, this sector's share of employment is expected to fall from 30% in 1989 to 25% in 2000, although this is still above the forecast of 18% for the UK as a whole. The only industries projected to grow over the next decade are the mineral products and other manufacturing sectors. Public utilities are forecast to experience an above average decline of about 3% per annum. Transport and communication is forecast to decline relative to the national average. The main growth sectors are distribution and private services. Nevertheless, these are only expected to grow slowly over the decade. As a consequence, the prospects for the West Midlands appear somewhat less favourable than regions further south.

East Midlands. Above average employment growth is forecast for the East Midlands to the year 2000, only just below that for East Anglia and the South West. Manufacturing employment is projected to decline albeit at a below average rate and its share of total employment will continue to fall. The rate of job loss in metal manufacturing is expected to accelerate to just under 5% per annum in the region, while the engineering sector is forecast to contract by 20,000 jobs. Earlier, quite rapid growth of the minerals and other manufacturing industries over the period 1983-89, is projected to slow significantly. However, the latter will still be growing at the fastest rate of all regions and contribute about 20 thousand additional jobs. The below average share of employment in services is likely to be maintained to the year 2000; the service sector is projected to account for 65% of employment by the year 2000 compared with 72% nationally. However, private services are expected to expand at nearly twice the UK rate between 1989-2000 and government services at three times the UK rate. Private services account for much of the projected job increases in this region; other business services alone seems likely to increase by a little under 90 thousand. Strong construction growth over the period is also projected, giving rise to more than 10 thousand additional jobs.

Unemployment 1989-2000
(% of Labour Force)



Yorkshire & Humberside. In common with the other regions in the north of the UK and the West Midlands, Yorkshire and Humberside is forecast to increase its employment base very slowly up to the year 2000, at a rate of only 0.4% per annum. Manufacturing is expected to continue to shed jobs, although, in contrast to previous performance, at a slower rate than the UK and elsewhere as a whole by the end of the decade. Engineering is expected to bear the brunt of the decline with net job losses of around 35 thousand. Substantial job losses of around 20 thousand are projected for textiles, clothing and footwear. Employment in minerals, chemicals and other manufacturing is projected to remain virtually static. Growth in service employment is expected to be concentrated in other services and health and education, with over 100 thousand and over 40 thousand additional jobs respectively. Business service growth is, however, small and below the national average. Transport and communication, the remaining tertiary sector, is projected to remain almost static in employment terms - following on from the sharp decline of 1983-89.

North West. Although recovered from the distrastrous job losses of the early 1980s, this region is projected to experience virtually static employment over the first half of the decade. Manufacturing is projected to continue to lose jobs at a substantial rate, 130 thousand by 2000. Engineering, textiles, clothing and footwear, and other manufacturing will be hardest hit. Construction is also likely to decline, by around 12 thousand. The service sector will just about compensate for the loss of jobs in manufacturing. Other services provide most of this growth along with education and health, public administration and business services (nearly 200 thousand jobs in all). This region clearly under-performs compared to the national economy as a whole. Moreover, the reliance on traditional industry makes the region particularly vulnerable to fluctuations in economic growth.

North. The North, like the North West, was badly affected by the recession of 1979-83. Since then employment has recovered somewhat, assisted in part by inward investment such as that by Nissan. Manufacturing employment has been static since 1983 but this is not expected to persist. In the decade up to the year 2000, further reductions in manufacturing employment are expected at a rate of about 1.5% per year. All manufacturing sectors except chemicals and other manufacturing can expect substantial reductions in the number of jobs, around 40 thousand net. It is expected that the service sector will grow, offsetting these job losses particularly other services, public administration, and business services.

Wales. The rapid employment growth of the late 1980s is expected to weaken during the first half of the 1990s. However, further employment expansion is expected during the second half of the decade, resulting in growth of 0.4% per annum over the period taken as a whole. Contraction of mining and public utulities, at approximately the national rate, is projected to continue until the year 2000. Manufacturing is forecast to remain virtually unchanged over the period, giving Wales a more favourable position than many of the other regions, particularly compared with say, the North West. Relatively low rates of employment decline are forecast in the textiles, chemicals and food, drink and tobacco industries. Engineering however, is expected to remain at current employment levels or even grow, moving slightly against the general trend of engineering employment decline in the UK as a whole. Construction and transport and communication are forecast to continue to perform relatively less well, but government services growth is forecast to be double the average Welsh growth and treble the UK rate. Private services employment growth is predicted to slow right down to 1% per annum. The proportion employed in this sector will rise from 37% in 1989 to 40% by the year 2000.

Scotland. Scottish employment is forecast to grow quite slowly overall, around 25 thousand over the decade. Scotland's forecast employment change is in the middle of a ranking of regional performances. Of the future growth industries, private services will provide the vast majority of new jobs in Scotland, as it does in the UK as a whole. Around 140 thousand jobs are expected to be created in this sector in Scotland by the year 2000. However, this sector is forecast to grow less rapidly in Scotland than in the UK although its growth rate is expected to approach that of the UK during the period 1995-2000. Tourism and leisure are expected to become the major growth industries within the service sector in the 1990s in Scotland. The financial and corporate office sectors of Edinburgh and Glasgow are also expected to prosper. Transport and communication, however, is projected to remain static over the next eleven years, while the construction sector is expected to decline slightly. As elsewhere in Great Britain, the manufacturing sector will experience substantial employer decline of around 70 thousand jobs, mainly in engineering, and food, drink and tobacco.

Northern Ireland. Employment in Northern Ireland is forecast to contract until 1995; slow growth is projected for the second half of the decade. As a consequence, little change in total employment is expected. No other region is expected to perform worse over the next decade. Job losses in the manufacturing sector are expected to accelerate to nearly 1.5% per annum between 1989-2000. The textiles industry is forecast to decline by just over 3% per annum, while food, drink and tobacco is expected to exhibit similar trends. These two sectors will account for a decline of around 10 thousand jobs. In contrast, the chemicals industry is projected to grow, at a rate of nearly 0.5% per annum, compared to national decline of around 0.5% per annum. Transport and communication is expected to stagnate in the 1990s, with little change over the decade. Most striking is the lack of growth in the service sectors which, elsewhere in the United Kingdom, have generated substantial additional employment. Business services and other services remain virtually unchanged. Only public services, notably education and health, increase over the decade. The overall impression of the prospects for this region is one of stagnation.

Other Labour Market Developments

Labour Supply Throughout the recessionary period the South East, South West, East Anglia and East Midlands were the only regions to expand their labour forces. In contrast there was across-the-board expansion after 1983. The national labour force grew by just 1% per annum between 1983 and 1986, but this increase had slowed to just 0.5% per annum between 1986 and 1989. During the latter half of the 1980s, the South East, South West, East Anglia and Wales exhibited labour force growth in excess of 1% per annum. At the opposite extreme, the West Midlands, Yorkshire and Humberside, the North as well as Scotland and Northern Ireland experienced small reductions in the size of their labour.

Growth of the labour force is expected to be much lower in the period between 1989-92, increasing at a rate of 0.1% per annum for the UK as a whole. The South West and East Anglia have the fastest projected rate of labour force expansion, as well as the biggest growth in net in-migration. In contrast, the congested South East is projected to see a slight fall in its labour force up to 1992 and only average growth thereafter, which is expected to constrain future employment growth in the region. Overall decreases in regional labour forces are forecast for the North West, Scotland and Northern Ireland regions, with the labour force remaining unchanged in the North. Within the North and North West, the effects of the low employment growth projected are expected to be mitigated by the static or reduced labour supply, although unemployment is still expected to be relatively high in both regions until 2000.

The forecast contraction in the number of 16-24 year olds in the labour force is a key feature of the early 1990s. The largest falls between 1987-95 are predicted to be in the North West (-25%) and Scotland (-24%). However, once the slackness of the regional labour markets is taken into account, by ascertaining the fall in the labour force as a percentage of 16-24 year olds unemployed, the South East appears likely to experience the largest shortfall. For this region, the projected fall in 16-24 year olds in the labour force is more than twice the projected number unemployed in this age group for 1987-95.

Participation Rates. Changes in participation during the 1980s reflected, in part, the reduction in economic opportunities in a number of regions during the recession. Falls in participation occurred between 1980 and 1989 in the West Midlands, Yorkshire and Humberside, the North West, the North, Scotland and Northern Ireland. The reductions in the West Midlands and the North West are notable since these regions had the highest participation rates outside the South East for most of the post-war period. In regions which fared relatively well during the recession and subsequent recovery, such as the South East and East Anglia, participation rates increased. Within the South East, activity rates are currently around 84%, almost 10 percentage points above average activity rates in the north of UK. Labour shortages, rapidly rising house prices and wage levels have pushed up activity rates in the south.

UK participation levels are set to continue rising over the next twelve years from an average of about 77% in 1989 to over 79% by the year 2000. Regional activity rates in 1989 ranged from just over 70% in the North to about 84% in the South East, with all southern regions having a generally high level of participation. This level is expected to persist in the year 2000. The range of activity rates among regions is projected to move upwards to between 72% and 86%. The South East, South West and East Anglia are all projected to have participation rates in excess of 80%. The North, North West, Scotland, Wales and Northern Ireland are all forecast to exhibit below average activity rates.

Migration. The long-term trend of north-south migration has continued over the last 5 years, with the northern regions and the West Midlands losing working-age population to the more prosperous East Midlands and southern regions. Net in-migration composition in the destination region varies: in the South East in-migration is concentrated in the 15-44 age group whereas the South West attracts proportionally more in the retirement age bracket.

The South West has experienced the highest net in-migration; the region's activity rates, however, have risen only slowly and remain below the national average. The labour force expansion due to high net in-migration may have restrained wage levels in the region. Wales has experienced net in-migration, assisted by the South East overspill effect. The North West, Scotland and Northern Ireland have a history of high working-age out-migration, which is currently rising again. Combined with this, low and declining activity rates have resulted in little change in the size of the labour force in these regions.

Traditional north-south migration of working-age population is forecast to continue unabated between 1989-2000. The principal regions to lose working-age population are predicted to be the North West, Scotland and Northern Ireland. The decentralisation of population from Greater London is expected to continue, and to outweigh the in-migration into the rest of the South West. The 1990s will be a decade of net out-migration from the South East, in marked contrast to earlier periods. East Anglia and the South West are expected to be the main recipients of net in-migration. The only other regions to experience net in-migration are the East Midlands and Wales, both receiving a relatively small influx.

Unemployment. The recovery of employment across all regions during the period 1983 to 1989 was associated with a widespread and substantial fall in regional unemployment rates. Unemployment differentials in 1989, however, were still as marked as during the recession centred on 1980-81. Unemployment declined in all regions; by 1989, unemployment rates had diminished to half their 1983 levels in the south, Midlands and Yorkshire and Humberside. In the remainder of the country, however, the (above-average) unemployment levels of 1983 had only been reduced by a third by 1989, whilst the very high rate in Northern Ireland remained almost unchanged from its 1983 level, significantly worsening in relative terms. The unemployment/vacancy ratio (u/v) for the UK as a whole fell from 24 in 1981 to 9 in 1988, reflecting the increase in employment opportunities since the recession. Extreme values of u/v ratios by region, however, persisted throughout the period; Northern Ireland's u/v ratio was still 40 in 1988, although it had fallen from 123 in 1981. Both the unemployment rate and the u/v ratio for Northern Ireland have consistently been around four times the national average.

With employment growth forecast to slow down to 0.4% per annum between 1989-2000, unemployment will not continue to drop rapidly. At the time of the forecasts the the UK unemployment rate was nearly 6.5%. This is expected to fall from its 1989 level to about 5% by the year 2000. All regions are forecast to experience falling unemployment rates to the year 2000. Northern Ireland's rate of just under 15% in the year 2000 is expected to be by far the worst regional unemployment rate. This is associated with low employment growth and a continuation of the region's high birth rate. The lowest unemployment rates are expected to be in the South East, South West, East Midlands and East Anglia regions. Unemployment in these regions may be as low as 3.5%. There is evidence of a north-south split in unemployment rates, ranging from about 8.5% in the north, compared with about 3.5% in the south.

Economic Change Across the North-South Divide

Conclusions

The north-south divide has been a major focus of the recent spatial economics literature. While the results described above suggest the existence and persistence of an imbalance in employment opportunities between the north and south of the UK, the precise result depends on how the two broad regions are defined. The East and West Midlands, in particular, are difficult to allocate. In addition, there are obvious dangers in a broad, "north-south" classification; the northern regions contain some prosperous localities such as Kendal (Cumbria) and Harrogate (North Yorkshire), while the south has a number of pockets of relatively high unemployment, as in Deal (Kent) and Redruth and Camborne (Cornwall).

Despite the problems of interpretation, there is general evidence that the divergence in economic prospects between north and south will continue to grow over the next decade, with employment growth virtually restricted to the south and midlands regions. This can be seen clearly in the chart showing economic change across the north-south divide. Manufacturing job decreases are common to all the broad regions, though marginally worse outside of the south and, more particularly, in the industrial north. Within the private services sector, a spillover effect from the South East is expected to divert much of the employment opportunities to the East Midlands and East Anglia, with Wales also predicted to benefit in the medium term. Further north, the loss of working-age population is expected to restrict future private services growth. Unemployment is projected to converge on rates between 6 and 8% in the northern half of the UK, except for Northern Ireland, where the problem is accentuated by significantly higher than average birth rates. The southern part of the UK, by contrast, is projected to have average unemployment rates of around 3.5% by 2000 - less than a half of the northern rate.

Technical Note

The regional projections are broadly consistent with the IER national forecasts published in the **Review of the Economy and Employment 1990.** National employment, unemployment, and output forecasts by industry are used both in estimating regional figures and in constraining the regional totals. The regional results are, of course, dependent upon the assumptions made in the national model.

Acknowledgement

The Institute is grateful to Cambridge Econometrics and the Northern Ireland Economic Research Centre for assistance in preparing these projections. They use the IER's version of the multi-sectoral model MDM and the CE-NIERC regional sub-model. However, the responsibility for the projections lies entirely with IER.

REVIEW OF THE ECONOMY & EMPLOYMENT 1990
Volume 1: Employment Trends in the UK Small Firms Sector
Author: Steve Johnson
1990 (ISSN 0265-9387) Price £20
Available from IER Publications Office

The first volume of the 1990 Review is devoted to an examination of employment trends among UK small firms (those with fewer than 100 employees) and is part of the Institute's medium-term assessment of labour market developments. Using time-series information on employment for the manufacturing sector and trends in registration for VAT for the service sector, alternative scenarios for the projected growth of small businesses are presented. Although the small firms sector is in a continual state of flux, the indications are that such firms have become an increasingly important component of the UK economy over the past decade.

THE INSTITUTE

The Institute for Employment Research was established by the University of Warwick in 1981. The fields in which the Institute aims to promote advanced study and research include

- the macroeconomic, industrial and spatial factors affecting employment
- the relationship between the labour market and the rest of the economy
- labour market behaviour and policy
- developments in population, education, training and household behaviour affecting the labour market
- comparative international research in relevant areas.

The Institute has grown out of the former Manpower Research Group which was created in 1975 with a major programme grant from the Manpower Services Commission. This followed previous research in the general field of labour economics and employment forecasting. Since 1978, assessments of the economy and employment at a highly disaggregated level have been prepared each year. This work gave rise to the publication of **Britain's Medium-Term Employment Prospects** (1978) and **Economic Change and Employment Policy** (1980). **The Review of the Economy and Employment** was first published in 1981 in order to make the findings of the assessment available more widely on a regular basis and to stimulate discussion about the changing structure of employment and its implications for policy.

ISSN: 0954-7932

Published by IER, University of Warwick
Coventry CV4 7AL