Regional profiles

The following pages give a brief summary of changes in the economy of each standard region of the UK. While all regions display some characteristics similar to those of the national economy, each also has unique features which either protect it from, or make it particularly vulnerable to, changes which are taking place nationally and internationally.

The 1983 unemployment forecast for each region given here is based on our assessment of the UK economy as a whole published in April (*Cambridge Economic Policy Review* vol.6, no.1). The corresponding forecast for the UK as a whole is unemployment at 12% (3 million). It assumes some relaxation of present fiscal and monetary policy generating a moderate recovery of national output. Note that the figures for unemployment here include school leavers and therefore differ slightly from those in the Appendix.

Changes in employment in each region will mainly be determined by the size and dynamism of the main sectors of economic activity in the region – agriculture, industry, construction and private and public services. In the 1960s some regions suffered disproportionately from the rapid run-down of jobs in coal mining and in the 1970s regions with large manufacturing industries lost jobs heavily as a consequence of slow growth at home and import penetration. The 1970s also saw quite sharp increases in employment in public and private services which benefitted many areas losing jobs in industry. Now that government employment is being cut back many regions are far more vulnerable to a net loss of jobs than they were before. Employment figures here include the self-employed.

The components of personal disposable income in 1978 shown for each region are derived from the Appendix, which should be consulted for precise definitions. 'Other employment and property income' includes wages and salaries (except from government employment, shown separately) and all forms of property income including net interest receipts as well as earnings of the self-employed. 'Direct taxes' include employers' and employees' contributions as well as income tax and corporation tax on dividends.

Northern Ireland

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	31	65	67	107
	(%)	(6.1)	(11.5)	(11.6)	(18.4)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+54	+ 9.1
demographic	+84	+14.2
migration	–30	– 5.1
Employment	+19	+ 3.4
agriculture	– 4	– 8.3
industry	–33	–15.6
construction	– 4	– 8.0
private services	+35	+27.6
government services	+15	+19.8

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	391	109
Other employment and property income	1283	69
Grants and social benefits	332	104
less		
Direct taxes	– 367	69
Disposable income	1639	81

Northern Ireland is by far the most economically and socially depressed part of the UK. The unemployment rate has doubled since 1973 and is almost 12%. In the West of the Province in areas such as Strabane and Newry the unemployment rate exceeds 20%, a figure which could be reached in the Province as a whole by 1983.

Very high unemployment has persisted even though in the period 1973-78 the growth of employment in the Province exceeded that in any other region. This is because the labour force expanded as a consequence of population growth (only partly relieved by net outward migration) and increased female activity rates.

Regional policy which is stronger in Northern Ireland than in other assisted areas (REP is still available there) has undoubtedly helped the economy but has blatantly failed to achieve conditions of self sustaining economic growth. Projects assisted by regional policy have tended to be capital-intensive and have therefore created relatively few jobs in relation to the size of subsidies received from Whitehall.

The service sector has been the main source of new jobs with employment increasing by over one-quarter in private services and by one-fifth in government services, 1973-78. With the government committed to a continuing programme of public expenditure cuts the region can no longer rely on growth of public sector employment and must be regarded as particularly vulnerable to the overall macroeconomic strategy currently being pursued.

Income per person after taxes and social security contributions was some 15% lower than average in 1978. The main reason for this was the very low level of business income per capita of population. Government transactions only compensated in part for this shortfall.

Scotland

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	97	185	199	287
	(%)	(4.5)	(8.2)	(8.8)	(12.7)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+122	+ 5.3
demographic	+160	+ 7.0
migration	− 38	− 1.6
Employment	+ 27	+ 1.2
agriculture	− 6	− 7.2
industry	− 79	− 8.7
construction	− 6	− 3.2
private services	+ 52	+ 8.4
government services	+ 65	+15.8

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	367	102
Other employment and property income	1730	93
Grants and social benefits	344	107
less		
Direct taxes	− 471	89
Disposable income	1970	98

Scotland's economic performance has been uneven in the 1970s. Rapid increases in output per head and in personal disposable incomes have coincided with an employment growth record which, although slightly above the national average, has been completely inadequate to cater for the large natural increase in the labour force.

Unemployment has remained persistently above the national average but would have been even higher, had not many thousands chosen to leave Scotland rather than remain out of work. Unemployment is forecast to rise from its present level of nearly 9% to about 13% by 1983. Unemployment on Clydeside, already 11%, could rise much more; indeed manufacturing employment there has declined by about one-quarter since 1966.

The growth of government services in Scotland provided 65,000 extra jobs between 1973 and 1978. In the light of the planned decline in government spending it is unlikely that there will be a further rise in total employment over the next few years.

The brightest aspect of Scotland's economy has been the substantial growth in incomes. Output per head has grown faster than in any other region since 1973, and consequently personal disposable incomes rose to a level which by 1978 was higher than that of any other region except the South-East and West Midlands.

North

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	61	121	128	180
	(%)	(4.7)	(8.8)	(9.3)	(13.1)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+78	+ 5.6
demographic	+98	+ 7.1
migration	–20	– 1.4
Employment	+11	+ 0.8
agriculture	– 4	–10.5
industry	–46	– 7.3
construction	– 3	– 2.8
private services	+39	+12.1
government services	+25	+10.9

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	325	90
Other employment and property income	1707	91
Grants and social benefits	343	107
less		
Direct taxes	– 477	90
Disposable income	1898	94

Like Scotland and Northern Ireland, the North has high and rising unemployment, paradoxically combined with income levels which have converged markedly towards the national average. The traditionally high rate of unemployment has increased further since 1973, due to the continued tendency for the labour force to outstrip employment growth, even though the latter was rather higher than the average for other regions. The labour force has grown relatively rapidly not only because of natural increase but also because of an increase in female activity rates greater than that in any other region, albeit from a low starting point. Since the activity rate is now close to the national average, further increases on the same scale are unlikely in the 1980s. Whether this means less pressure on male jobs or less growth in total employment remains to be seen.

Industry, construction and private services have all performed better in the North than in the UK as a whole, although the region has not escaped the general fall in industrial and construction employment. The future looks bleaker than the late 1970s because of the North's above-average dependence on manufacturing, which will bear the brunt of the present recession, and because of the progressive dismantling of regional policy. The particular problems of steel will have serious consequences for towns such as Consett, but the major steel-producing area, Teeside, should gain from the increased concentration of production.

Personal incomes have risen more rapidly than the national average both in the late 1960s and in the 1970s, reaching a level in 1978 6% below average.

North-West

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	101	214	228	382
	(%)	(3.5)	(7.5)	(8.0)	(13.4)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+ 66	+ 2.2
demographic	+124	+ 4.2
migration	– 58	– 2.0
Employment	– 52	– 1.8
agriculture	– 3	– 8.6
industry	–128	– 9.4
construction	– 8	– 4.4
private services	+ 34	+ 4.2
government services	+ 53	+11.1

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government serivce employment	324	90
Other employment and property income	1785	95
Grants and social benefits	343	107
less		
Direct taxes	– 493	93
Disposable income	1959	97

Employment in the North-West fell by 1.8% between 1973 and 1978 – a loss of 52,000 jobs. The decline in industrial employment was 9.4% or 128,000 jobs. This very poor industrial record occurred despite the designation of Merseyside as a special development area in 1967, the designation of the rest of the region as an intermediate area in the early 1970s, and the high share (25%) of the Temporary Employment Subsidy which came to the region.

The unemployment rate for the region as a whole is about 1½ percentage points above the UK average. The rate on Merseyside, however, is near to twice the national average, while the rate in the rest of the region is very close to the national average. Unemployment rates have not risen more partly because of a marked fall in male participation in the labour force and partly because 60,000 workers have left the region to seek jobs elsewhere. In spite of these trends which serve to dampen the rise in those registered as unemployed the unemployment rate for the region is expected to rise from its May 1980 level of 8% to over 13% by 1983.

By contrast wages have moved closer to the UK average and by 1978 there was only a 3% shortfall.

Income per head is 2% below average mainly because per capita income from government employment is very low in the region. This is only partially offset by above-average receipts of grants and social security benefits (+7%) and below-average payments of taxes (–7%).

Economic prospects for the region are far from good. As a traditional specialist in manufactured goods the region is particularly vulnerable to continued import penetration and to current government policies. The region contains within it two large conurbations, Manchester and Merseyside, which are experiencing particularly rapid decline in employment. Merseyside in particular is dominated by larger plants which everywhere grow more slowly than smaller firms. The rest of the region is to be descheduled as an intermediate area as part of the programme of cuts in public expenditure. It faces a serious recession in the textile industry from which many firms will not recover. Textile mills have been closing at the rate of one per week and short-time working is widespread. The outlook for employment in the car industry on Merseyside is not much brighter.

Wales

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	35	92	96	167
	(%)	(3.4)	(8.4)	(8.7)	(14.8)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+55	+ 4.8
demographic	+51	+ 4.4
migration	+ 4	+ 0.4
Employment	0	0
agriculture	− 7	−11.7
industry	−50	−10.4
construction	− 5	− 5.6
private services	+27	+ 9.8
government services	+35	+16.7

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	353	98
Other employment and property income	1576	84
Grants and social benefits	361	113
less		
Direct taxes	− 451	85
Disposable income	1839	91

A number of factors have recently combined to make the economic prospects for Wales look very grim compared with the experience over the past decade and a half. The government has announced a major run-down of the UK steel industry and Wales is to bear the brunt of the proposed redundancies. Some 20,000 jobs will be lost in steel and further job losses will occur in the coal industry. The government has also announced cuts in the regional aid programme available to Wales and some parts of the principality are to be descheduled for regional financial assistance.

Total employment has remained unchanged in the period since 1973. 50,000 jobs lost in industry were offset by increased employment in public and private services. However the growth of public sector employment is unlikely to offset the industrial decline in future.

Incomes remain very low even though Wales receives the highest grants per capita to the personal sector of any region. As a result private consumption per head is only fractionally above that in Northern Ireland.

The unemployment rate is almost 9% and is forecast to rise to nearly 15% by 1983. This prediction may turn out to be optimistic if further redundancies in steel are announced. For local areas in South Wales particularly vulnerable to the run-down of steel, unemployment rates could return to levels experienced in the 1930s.

West Midlands

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	49	130	150	321
	(%)	(2.2)	(5.6)	(6.4)	(13.7)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+ 47	+ 1.9
demographic	+ 79	+ 3.2
migration	– 32	– 1.3
Employment	– 32	– 1.3
agriculture	– 5	– 8.8
industry	–126	– 9.9
construction	– 8	– 5.5
private services	+ 55	+ 9.5
government services	+ 51	+14.4

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	313	87
Other employment and property income	1929	103
Grants and social benefits	298	93
less		
Direct taxes	– 513	96
Disposable income	2027	101

Of all the regions the West Midlands has experienced the largest about-turn in fortunes. In the mid-1960s it was still one of the fastest growing regions, with high wage levels and high activity rates leading to levels of family income distinctly above those in all other regions except the South-East.

Like the North-West a very high dependence on manufacturing has proved a handicap for the region since then. But even within manufacturing the West Midlands has declined faster than elsewhere, partly due to the presence of one of the largest conurbations, but also in the late 1960s because of the strength of regional policy. Since 1973 the decline has continued, although recently at a reduced rate. From 1973 to 1978 employment in services grew relatively rapidly, but from a low base. The result has nevertheless been an employment decline second in seriousness only to that in the North-West.

Rising unemployment and out-migration have both been consequences. Unemployment is currently slightly above national levels, but with several parts of the Black Country distinctly higher. Worse still, unemployment levels are projected to overtake those of Scotland and the North before the mid-1980s, rising to rates which in the mid-1960s would have seemed totally out of the question.

Although net income per head fell sharply after 1966 (even falling below the national average in 1974) it has recovered a little in recent years and remains second to that of the South-East. Rising unemployment will lower the average level of incomes relative to those of other regions, but one consolation is that with a low dependence on government employment the West Midlands may suffer less than elsewhere from public expenditure cuts.

Yorkshire and Humberside

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	56	126	137	232
	(%)	(2.8)	(6.0)	(6.5)	(11.0)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+ 93	+ 4.3
demographic	+111	+ 5.1
migration	– 18	– 0.8
Employment	+ 23	+ 1.1
agriculture	– 4	– 7.1
industry	– 87	– 8.3
construction	– 3	– 2.2
private services	+ 65	+11.7
government services	+ 51	+15.0

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	320	89
Other employment and property income	1782	95
Grants and social benefits	328	102
less		
Direct taxes	– 506	95
Disposable income	1924	95

Between 1966 and 1973 the fall in employment in this region was second only to that in the North-West but since 1973 the relative performance of the region has improved dramatically. Between 1973 and 1978 total employment increased by 23,000 (1%), a fall of 87,000 jobs in industry being more than offset by expanding employment in government and private services. However during this period the labour force increased by 111,000 causing higher unemployment and a small amount of net outward migration.

The relative improvement in the region after 1973 can be associated in part with the designation of Yorkshire and Humberside as an intermediate area which qualified for regional assistance. Prior to 1970 the region suffered from a strong regional policy which diverted firms to regions such as Scotland and the North. After 1970 this flow was reversed. The government now proposes to deschedule the region so that it will no longer enjoy the benefit of assisted area status.

Regional policy in the 1970s helped to offset the decline in textile and clothing industries. Since these industries are continuing to shed labour, the region is now in a vulnerable position.

Unemployment rates in the region have traditionally hovered around or slightly above the national average. In May 1980 there were 137,000 people unemployed (6.5%). A further increase in the unemployed of about 100,000 is predicted for 1983 which will bring the unemployment rate into double figures, although it will be by no means the region of highest unemployment.

East Anglia

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	12	36	35	72
	(%)	(1.9)	(4.9)	(4.8)	(9.9)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+48	+ 6.3
demographic	+ 7	+ 0.9
migration	+41	+ 5.5
Employment	+23	+ 3.1
agriculture	– 7	–10.4
industry	–10	– 3.8
construction	– 2	– 3.2
private services	+25	+11.5
government services	+17	+12.7

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	330	92
Other employment and property income	1751	94
Grants and social benefits	284	89
less		
Direct taxes	– 488	92
Disposable income	1877	93

Since 1973 and indeed for much of the postwar period East Anglia has been Britain's fastest growing region. Employment growth has remained high despite the legacy of a much reduced but still significant agricultural sector which continues to shed labour while government services have grown at only average rates. The major source of buoyancy has been a manufacturing sector with proportionately more expanding firms than elsewhere, which is typical of rural areas. This has been backed up by an infusion of office jobs moving into the region's main towns from the South-East.

Despite rapid growth, East Anglia has not escaped nationally rising unemployment, nor have incomes risen from their traditionally relatively low levels. Unemployment is low by national standards and is projected to remain so, but is nevertheless rising because of continuing competition for jobs from immigrants from other regions.

Wage levels were still 8% below average in 1978; average incomes in the region were little assisted by government grants and benefits since these go predominantly to the unemployed and retired, neither of which groups are proportionately numerous in East Anglia.

South-West

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	34	107	97	210
	(%)	(2.4)	(6.5)	(5.8)	(12.6)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+85	+ 4.7
demographic	+21	+ 1.2
migration	+63	+ 3.5
Employment	+15	+ 0.8
agriculture	− 7	− 7.4
industry	−51	− 8.4
construction	− 7	− 5.0
private services	+30	+ 5.2
government services	+50	+14.7

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	365	101
Other employment and property income	1741	93
Grants and social benefits	321	100
less		
Direct taxes	− 472	89
Disposable income	1955	97

The South-West is a region which has experienced comparatively rapid economic growth. The major source of growth since 1973 has been services. Over the longer run, 1966-1978, employment growth in private services exceeded that of any other region in the UK. Some 50,000 jobs have been lost in industry since 1973, just about matching the growth of government employment. Henceforth government employment is unlikely to compensate for further declines in industrial employment.

The unemployment rate, now almost equal to the UK average, is expected to reach about 12.5% by 1983.

Net income per person was about 6% below the UK average in 1978. Both income from government services and the balance of social security payments and taxes were favourable to the region. Grants and social security payments were about equal to the national average in 1978 while taxes and social security contributions were 11% below the average.

East Midlands

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	29	80	89	147
	(%)	(2.0)	(5.0)	(5.5)	(9.1)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+77	+ 4.7
demographic	+59	+ 3.6
migration	+18	+ 1.1
Employment	+26	+ 1.6
agriculture	– 5	– 8.6
industry	–45	– 5.5
construction	+ 3	+ 3.0
private services	+ 9	+ 2.2
government services	+64	+27.0

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	321	89
Other employment and property income	1802	96
Grants and social benefits	286	89
less		
Direct taxes	– 492	92
Disposable income	1917	95

Employment in the region increased by 26,000 between 1973 and 1978, a fall of 45,000 jobs in industry being more than offset by an increase in government employment of 64,000. The growth in employment has, however, been accompanied by a net inward migration of workers of 18,000 which, together with a demographic increase in the labour force of 59,000, ensured that unemployment rates increased broadly in line with the national average.

In the past the region has been properly regarded as a prosperous rather than a problem region. A dynamic business sector is based on a high proportion of smaller, younger companies located in and around free-standing cities rather than large conurbations. Yet it is unlikely that the East Midlands can escape from the national economic predicament. The rapid growth in public service employment upon which the region has relied cannot continue and the concentration of manufactures in textiles, clothing and footwear puts a large amount of employment at risk from continued import penetration. Unemployment rates are expected to rise sharply and to be close to double figures by 1983.

South-East

		1973	1978	May 1980	1983 (forecast)
Unemployment	(thousands)	113	319	308	653
	(%)	(1.5)	(4.2)	(4.1)	(8.7)

Employment 1973-78

	(thousands)	(%)
Change in labour force	+129	+ 1.6
demographic	+214	+ 2.6
migration	− 85	− 1.0
Employment	− 78	− 1.0
agriculture	− 12	−10.1
industry	−311	−10.5
construction	− 40	− 7.5
private services	+149	+ 5.2
government services	+136	+ 8.5

Personal income per capita 1978

	(£ per capita)	(Index relative to UK average)
Income from government service employment	410	114
Other employment and property income	2141	115
Grants and social benefits	307	96
less		
Direct taxes	− 646	122
Disposable income	2212	110

The unemployment rate in the South-East is the lowest of any region despite stagnant employment and output. The fall in employment was largely in industry which shed over 300,000 jobs since 1973. This substantial loss of employment has been partly made up by an expansion in private and government services. Government employment increased by over 100,000, an increase which is unlikely to be repeated in the next five years if the government maintains its commitment to reducing public expenditure.

Net income per person is 7% above average mainly because of the very high income received from business and government employment.

This picture for the region as a whole does hide some important differences within the region, notably with respect to London. The decline of manufacturing employment in London has been particularly dramatic. Between 1966 and 1976 it fell by over one-third. In parts of London the unemployment rate is in double figures, comparable to unemployment in the North. With a high proportion of government employment, London is vulnerable to public expenditure cuts. Policies such as Enterprise Zones aimed at alleviating inner-city unemployment would seem to be grossly inadequate.